

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

FINANCIAL STATEMENT

2014



March 10, 2015

Sociedad Concesionaria Autovía A-4 Madrid, S.A.
Caballero Andante, 8
28021 – Madrid

To the Directors of Sociedad Concesionaria Autovía A-4 Madrid, S.A.

Dear Sirs:

As auditors of Sociedad Concesionaria Autovía A-4 Madrid, S.A. we are auditing the annual accounts for 2014, which have not yet been drawn up, and the latest available draft of which reflects the following figures (thousand Euros):

	Annual Accounts 2014
Total assets	113,561
Current liabilities	63,235
Equity	(5,124)
Profit for the year	724

Our work is not complete and basically the following audit procedures have yet to be carried out:

- Obtaining a representation letter from Management.
- Review of subsequent events, including the minutes of the meetings of the Company's Management Bodies.
- Obtaining and reviewing the annual accounts drawn up by the Board (including the directors' Report).

As you know, the conclusions of our work and audit opinion will be set out in the independent auditor's report which we will issue once we have completed the above.

As requested, we inform you that provided that as from the date of this letter to the date on which we issue our independent auditor's report, there are no events which may have an effect on said annual accounts or requiring disclosure in the independent auditor's report and assuming that the aforementioned audit procedures will be adequately completed, our report will read as follows:

"INDEPENDENT AUDITOR'S REPORT ON ANNUAL ACCOUNTS

This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

To the shareholders of *Sociedad 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.*, which comprise the balance sheet as at December 31, 2014, and the income statement, statement of changes in equity, cash flow statement and related notes for the year then ended.

PricewaterhouseCoopers Auditores, S.L., Torre PwC, Pº de la Castellana 259 B, 28046 Madrid, España
Tel.: +34 915 684 400 / +34 902 021 111, Fax: +34 913 083 566, www.pwc.com/es

1



Directors' Responsibility for the Annual Accounts

The company's directors are responsible for the preparation of these annual accounts, so that present fairly the equity, financial position and financial performance of *Sociedad Concesionaria Autovía A-4 Madrid, S.A.*, in accordance with the financial reporting framework applicable to the entity in Spain, as identified in Note 2 to the accompanying annual accounts, and for such internal control as directors determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with 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 December 31, 2014, and its financial performance and its 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 2014 contains the explanations which the directors consider appropriate regarding the company's situation, 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 2014. 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."

This letter is for the information and use of the directors and should therefore not be used for any other purpose.

Lastly, we would like to thank the Directors, management and the employees of *Sociedad Concesionaria Autovía A-4 Madrid, S.A.* for their help and cooperation in the course of our work.

Yours sincerely,

PricewaterhouseCoopers Auditores, S.L.

Alfredo Aguilera Sanz

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

Annual Accounts at 31 December 2014 and
2014 Directors' Report

A free translation from the original in Spanish



CONTENT OF THE ANNUAL ACCOUNTS OF SOCIEDAD CONCESIONARIA AUTOVÍA A-4 MADRID, S.A.

Note

	Balance sheet
	Income statement
	Statement of comprehensive income and expense
	Total statement of changes in equity
	Cash flow statement
	Notes to the annual accounts
1	General information
2	Basis of preparation
3	Accounting Policies
	3.1 Intangible assets
	3.2 Property, plant and equipment
	3.3 Borrowing costs
	3.4 Financial assets
	3.5 Financial derivatives and hedge accounting
	3.6 Cash and cash equivalents
	3.7 Equity
	3.8 Financial liabilities
	3.9 Short-term accruals
	3.10 Current and deferred taxes
	3.11 Employee benefits
	3.12 Provisions and contingent liabilities
	3.13 Revenue recognition
	3.14 Leases
	3.15 Related-party transactions
	3.16 Environment
4	Financial risk management
5	Intangible assets
6	Property, plant and equipment
7	Long-term and short-term financial investments
8	Cash and cash equivalents
9	Analysis of financial instruments
	9.1 Analysis by category
	9.2 Analysis by maturity
10	Trade and other receivables
11	Derivative financial instruments
12	Share capital and share premium
13	Reserves and prior-year profit/(loss)
14	Profit/(loss) for the year
15	Trade and other payables
16	Other provisions
17	Income tax and tax situation
18	Income and expenses
19	Contingencies
20	Remuneration of the Board of directors and senior management
21	Other transactions with related parties
22	Events after the reporting period
23	Auditor's fees

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

BALANCE SHEET AT 31 DECEMBER 2014 AND 2013
(Expressed in thousand euro)

ASSETS	Note	2014	2013
NON-CURRENT ASSETS		88,494	89,299
Intangible assets	5	77,043	79,996
Property, plant and equipment	6	376	517
Long-term financial investments	7 and 9	4,537	2,814
Other financial assets		4,537	2,814
Deferred tax assets	17	6,538	5,972
CURRENT ASSETS		25,067	24,558
Trade and other receivables		8,737	44
Trade receivables for sales and services	9 and 10	8,694	-
Prepayment for suppliers	9 and 10	15	16
Other credits from Public Administrations	17	28	28
Short-term financial investments	7 and 9	2,879	4,484
Other financial assets		2,879	4,484
Short-term accruals		19	19
Cash and cash equivalents	8 and 9	13,432	20,011
TOTAL ASSETS		113,561	113,857
EQUITY AND LIABILITIES			
EQUITY		(5.124)	(1.447)
Equity		10.669	10.763
Capital	12	9.413	9.413
Reserves	13	532	441
Profit/(loss) for the year	14	724	909
Value change adjustments		(15.793)	(12.210)
Hedging transactions		(15.793)	(12.210)
NON-CURRENT LIABILITIES		55.450	111.771
Long-term provisions	16	7.196	5.826
Provisions for infrastructure major maintenance		7.196	5.826
Long-term payables		30.326	88.017
Borrowings	9 and 15	-	61.483
Finance lease liabilities	9 and 15	2	24
Derivative financial instruments	9, 11 and 15	19.280	15.666
Other long-term payables	9 and 15	11.044	10.844
Long-term payables to Group companies and associates	9, 15 and 21	17.928	17.928
CURRENT LIABILITIES		63.235	3.533
Short-term payables		61.974	1.454
Borrowings (*)	9 and 15	61.747	1.428
Finance lease liabilities	9 and 15	22	26
Other short-term debts	9 and 15	205	-
Short-term payables to Group companies and associates	9, 15 and 21	6	574
Trade and other payables		1.255	1.170
Trade payables	9 and 15	503	405
Trade payables to group companies and associates	9, 15 and 21	11	18
Accrued wages and salaries	9 and 15	27	40
Current tax liabilities	17	419	365
Other payables to Public Administrations	17	295	342
Short-term accruals		-	335
TOTAL EQUITY AND LIABILITIES		113.561	113.857

(*) In the application of Accounting Standards, Sociedad Concesionaria Autovía A4 Madrid, S.A registers as current borrowings a total amount of 59,821 thousand euro, with long term expected maturity (see Notes 9 and 15).
Notes 1 to 23 form an integral part of these annual accounts.

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

INCOME STATEMENT FOR THE YEARS ENDED AT 31 DECEMBER 2014 AND 2013
(Expressed in thousand euro)

	Note	2014	2013
Revenue	18	14,531	14,804
Provision of services (tolls and Other Administrative Compensation)		14,531	14,804
Raw materials and consumables	18	(489)	(552)
Consumption of goods		(110)	(151)
Consumption of raw materials and other consumables		(136)	(149)
Subcontracted works		(243)	(252)
Other operating income		367	187
Sundry and other income		367	187
Employee benefit expense	18	(1,407)	(1,538)
Wages, salaries and similar remuneration		(1,062)	(1,159)
Social contributions		(345)	(379)
Other operating expenses	18	(2,841)	(2,966)
External services		(1,112)	(939)
Taxes		(27)	(10)
Losses, impairment and changes in trade provisions	16	(1,702)	(2,017)
Fixed asset depreciation	5 and 6	(5,194)	(4,925)
Impairment and gains on disposal of assets		-	(2)
OPERATING RESULTS		<u>4,967</u>	<u>5,008</u>
Financial income		-	-
Financial expenses		(3,805)	(3,710)
NET FINANCIAL RESULTS	18	(3,805)	(3,710)
PROFIT/(LOSS) BEFORE INCOME TAX		<u>1,162</u>	<u>1,298</u>
Income tax	17	(438)	(389)
PROFIT/(LOSS) FOR THE YEAR		<u>724</u>	<u>909</u>

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



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

STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED AT 31 DECEMBER 2014 AND 2013
(Expressed in thousand euro)

A) STATEMENT OF RECOGNIZED INCOME AND EXPENSE

	Note	2014	2013
Profit/ (loss) for the year	14	724	909
Income and expenses directly attributed to equity			
Cash flow hedges	11	(6,604)	1,298
Tax effect		1,981	(389)
Updated tax rate (Note 17)	17	(1,053)	-
Total income and expenses directly attributed to equity		(5,676)	909
Cash flow hedges	11	2,990	2,480
Tax effect		(897)	(744)
Total transfers to the income statement		2,093	1,736
TOTAL RECOGNIZED INCOME AND EXPENSE		(2,859)	3,553

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

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

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED AT 31 DECEMBER DE 2014
(Expressed in thousand euro)

B) TOTAL STATEMENT OF CHANGE IN EQUITY	2014			Thousand euro	
	Share capital (Note 12)	Reserves (Note 13)	Profit/(loss) for the year (Note 14)		Value change adjustments (Note 11)
2014 Opening adjusted balance	9,413	441	909	(12,210)	(1,447)
Total recognized income and expenses	-	-	724	(3,583)	(2,859)
Other changes in equity	-	91	(909)	-	(818)
- Prior year result distribution	-	91	(91)	-	-
- Dividends distribution	-	-	(818)	-	(818)
Balance at 2014 year end	9,413	532	724	(15,793)	(5,124)

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

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

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED AT 31 DECEMBER DE 2013
(Expressed in thousand euros)

2013	Share capital (Note 12)	Reserves (Note 13)	Profit/(loss) for the year (Note 14)	Value change adjustments (Note 11)	Thousand euro
2013 Opening adjusted balance	9,413	237	1,392	(14,854)	(3,812)
Total recognized income and expenses	-	-	909	2,644	3,553
Other changes in equity	-	204	(1,392)	-	(1,188)
- Prior year result distribution	-	204	(204)	-	-
- Dividends distribution	-	-	(1,188)	-	(1,188)
Balance at 2013 year end	9,413	441	909	(12,210)	(1,447)

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



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

CASH FLOW STATEMENTS FOR THE YEARS ENDED AT 31 DECEMBER 2014 AND 2013

(Expressed in thousand euro)

	<u>Note</u>	<u>2014</u>	<u>2013</u>
Cash flows from operating activities			
Profit/(loss) for the year before tax		1,162	1,298
Adjustments to results:			
- Fixed asset depreciation	5 and 6	5,194	4,925
- Change in provisions	16	1,702	2,017
- Financial expenses	18	3,805	3,710
Changes in working capital:			
- Trade and other receivables	10	(8,694)	(1)
- Other current assets		353	(1,877)
- Trade and other payables	15	30	(231)
- Other current liabilities		(335)	(693)
- Other non-current assets and liabilities		-	770
Other cash flows from operating activities			
- Interest paid		(5,694)	(4,580)
- Interest collected		-	-
- Corporate income tax collections/(payments)		(918)	(1,003)
Cash flows from operating activities		(3,395)	4,335
Cash flows from investing activities			
Amounts paid on investments:			
- Intangible assets	5	(31)	(27)
- Property, plant and equipment	6	(28)	(41)
- Financial investments		(471)	-
Cash flows from investing activities		(530)	(68)
Cash flows from financing activities			
Collections and payments from financing activities			
- Borrowings		(1,268)	(282)
- Debts to Group companies and associates		(568)	-
		(1,836)	(282)
Equity instruments collections and payments			
- Dividends		(818)	(1,188)
		(818)	(1,188)
Cash flows from financing activities		(2,654)	(1,470)
Net increase/(decrease) in cash and cash equivalents		(6,579)	2,797
Cash and cash equivalents at beginning of the year	8	20,011	17,214
Cash and cash equivalents at year end	8	13,432	20,011

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

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

PREPARATION OF THE 2014 ANNUAL ACCOUNTS

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 "calle Caballero Andante 8, 28021 Madrid".

The Company has the following corporate purpose:

Its sole purpose is the exercise of rights and fulfillment 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.

The Company is controlled by Isolux Infrastructure group, which is parented by Isolux Infrastructure Netherlands, B.V., with registered office at 1101 CM Amsterdam Zuidoost, The Netherlands, this being the company that files the consolidated annual accounts.

2. Basis of preparation

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 the Chart of Accounts approved under Royal Decree 1514/2007 (PGC 2007), as amended by Royal Decree 1159/2010, and Order EHA/3362/2010 (23 December), containing regulations to adapt the Chart of Accounts for public infrastructure concession companies (NAECIP). The annual accounts have been prepared by the Company's directors in order to present fairly the Company's equity, financial position, results of operations, changes in equity and cash flows, in accordance with the above-mentioned applicable legislation.

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

These Annual Accounts prepared on March 17, 2015 by the Board of Directors will be submitted for the approval of the General Meeting of Shareholders, which are expected to be approved without any modification.

b) Critical measurement issues and estimates of uncertainty

When preparing the annual accounts, the Company must use certain estimates and judgments in relation to the future which are continually evaluated and are based on historical experience and other factors, including expectations of future events that are deemed reasonable in the circumstances.

The resulting accounting estimates will, by definition, seldom equal 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 explained below.

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

PREPARATION OF THE 2014 ANNUAL ACCOUNTS

Amortization of intangible assets – Concession Agreement

The Company's concession agreement has a finite useful life; its cost is amortised on the basis of 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 recorded 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 recorded by the Company will probably be recovered. Nonetheless, estimates may change in the future as a result 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, on the basis of 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 on the selection of methods and assumptions that are mainly based on existing market conditions at each balance sheet date.

Provisions:

Provisions are recognized 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.

Although these estimates were prepared using the best information available at the 2014 year end, future events may give rise to adjustments in coming years; any such changes would be made prospectively.

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

PREPARATION OF THE 2014 ANNUAL ACCOUNTS

Deferred financial expense on motorway financing:

The Company capitalises 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 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 2014, the Company's equity is below one half of share capital due to the hedging reserve, a situation that is regulated by Royal Decree-Law 10/2008, Final Provision One of which amends Article 36, subsection 1, letter c) of the Code of Commerce, excluding from the definition of equity, for the sole purposes of capital reductions, profit distributions and causes for dissolution (Articles 317 and 327 LSCap, Article 273 and Articles 360, 363 and 368, respectively, of the Spanish Companies Act), measurement adjustments arising from cash flow hedging transactions not yet taken to the income statement but recognized in the accounts, and participating loans granted by shareholders.

Additionally, as may be observed in the balance sheet, current liabilities are over current assets by 38,168 thousand euro at year-end, due to the classification as current borrowings of an amount of 59,821 thousand euro through the application of accounting standards, which expected maturity is long term (Note 15.a.). Nevertheless, on February 4 and March 3, 2015 lender entities of the described credit contract in Note 15.a. have given a waiver for the clause 16.m included in it (which allowed financial entities at December 31, 2014 to declare early maturity of the loan as Debt Service Coverage Ratio was below 1.05) and therefore, the situation has been solved by the day of formulation of these Annual Accounts. Considering this circumstance, as the debt ceases to be enforceable in the short term, working capital would be positive in 21,653 thousand of euro.

As a consequence, the Board of Directors prepares these annual accounts on a going concern basis as they consider there is no doubt for the Company's ability to continue as going concern.

d) Comparability

In accordance with the legislation in force, it is being disclosed for comparison purposes items included in the balance sheet, income statement and statement of change in equity for the year ended 2014 and the previous year.

3. Accounting policies

3.1 Intangible assets

The following intangible assets are carried at acquisition cost less accumulated amortisation and any impairment losses, useful lives having been estimated prudently.

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

a) Concession agreement, regulated asset

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.

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

PREPARATION OF THE 2014 ANNUAL ACCOUNTS

All concession agreements must 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.

In these concession agreements, the concession company acts as a service provider, comprising both infrastructure construction or improvement services, and operation and maintenance services during the concession period. 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 in which 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.

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, capitalisation of financial expense

When remuneration for the construction or improvement services consists of an intangible asset, financial expense incurred on infrastructure financing as from the date on which the infrastructure is ready for use is capitalised, provided there is reasonable evidence that it will be recovered through future revenue. Capitalised interests are recognised in the item "Concession agreement, capitalisation of financial expense", which are 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 stated 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 the total financial expense forecast for the concession period to determine the amount to be recognised as a financial expense in each financial year. In the event that actual revenue for the year exceeds forecast revenue, the percentage will be calculated based on the actual revenue and the forecast total toll revenue.

c) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to purchase and bring to use the specific software. These costs are amortised over the assets' estimated useful lives (five years).

Expenses associated with software maintenance are recognised when incurred. Costs directly related to the production of identifiable and unique computer programs controlled by the Company that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Direct costs include software development employee costs and a suitable portion of general overheads.

Software development costs recognised as assets are amortised over the software's estimated useful life (which does not exceed five years).

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

PREPARATION OF THE 2014 ANNUAL ACCOUNTS

3.2 Property, plant and equipment

Property, plant and equipment are stated at acquisition price or production cost less accumulated depreciation and accumulated impairment losses recognized.

Costs incurred to extend, modernize or improve property, plant and equipment are only recorded 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 that the asset did not have to be handed over to the granting Administration, i.e. on the basis of its economic life rather than the concession period.

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 value depreciation due to its 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. Estimated useful lives are as follows:

	<u>Years of estimated useful life</u>
Plant	6-14
Machinery and tooling	6-10
Furniture	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 value, the carrying amount is immediately written down to the recoverable amount.

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

3.3 Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of fixed and intangible 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 financial expense incurred after the motorway becomes operational.

3.4 Financial assets

a) Trade and other receivables:

Trade and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in 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 amortized cost using the effective interest method.

Financial assets are initially carried at fair value, including directly attributable transaction costs, and are

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

PREPARATION OF THE 2014 ANNUAL ACCOUNTS

subsequently measured at amortized cost. Accrued interest is recognized 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.

At the year end, at least, the necessary value adjustments are made to account for impairment when there is objective evidence that all receivables will not be collected.

The amount of the impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate prevailing at the date of initial recognition. Value adjustments, and reversals, where applicable, are recognized in the income statement.

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

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

These financial assets are measured, both initially and subsequently, measured at fair value, attributing the changes that occur in that value to the profit and loss for the year. Transaction costs directly attributable to the acquisition are recognized in the profit and loss for the year.

3.5 Derivative financial instruments and hedge accounting

Financial derivatives are measured at fair value at both initial recognition and subsequent measurement. Resulting gains and losses are recognized 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 follows:

Cash flow hedges: The effective portion of changes in the fair value of derivatives designated and qualifying as cash flow hedges is transitionally recognized in a hedging reserve account in equity. It is taken to the income statement in the years in which the forecast hedged transaction affects results, unless the hedge relates to a forecast transaction ending in the recognition of a non-financial asset or liability, in which case the amounts reflected in equity are included in the cost of the asset when it is acquired or of the 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 recognized 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 accounted for by nature insofar as they are not or are no longer effective hedges.

For derivatives not qualifying for hedge accounting, fair value gains or losses are recognized immediately in the income statement for the year.

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

PREPARATION OF THE 2014 ANNUAL ACCOUNTS

3.6 Cash and cash equivalents

Cash and cash equivalents include petty 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 subject to restrictions, i.e. it is not freely available owing to restrictions imposed by the bank, it is not included in "cash and cash equivalents".

3.7 Equity

Share capital consists of ordinary shares.

In the event that the Company acquires treasury shares, the consideration paid, including any directly attributable incremental cost, is deducted from equity until the shares are eliminated, reissued or sold. 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) Trade and other payables

This category includes trade and non-trade payables. These payables 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.

They are initially recognized at fair value, adjusted for directly attributable transaction costs, and subsequently measured at amortized cost using the effective interest method. The effective interest rate is the discount rate that brings the instrument's carrying amount into line with the expected future flow of payments to the maturity date of the liability.

Nonetheless, trade payables falling due in less than one year without a contractual interest rate are carried at their face value at 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 Short-term accruals

Under this caption it is included the income which is recorded in the period that should be allocated in the next, being the last period when it is its accrual, i.e., where the service will take place.



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

PREPARATION OF THE 2014 ANNUAL ACCOUNTS

3.10 Current and deferred taxes

Income tax expense (income) is the 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) are recognized in the income statement. However, the tax effect of items recorded directly in equity is recognized 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 year end.

Deferred income 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 in 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 recognized. Deferred tax is determined applying tax regulations and rates approved or about to be approved at the balance sheet date and which are expected to be applied when the corresponding deferred tax asset is realized or deferred tax liability is settled.

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

Deferred taxes on temporary differences arising from investments in subsidiaries, associates and joint ventures are recognized, 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.

3.11 Employee benefits

Termination benefits

Termination benefits 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 falling due more than 12 months after the end of the reporting period 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 carried at the present value of payments expected to be necessary to settle the obligation. Adjustments to the provision deriving from restatements are recognised as a financial expense as they accrue.

Provisions maturing within one year with no significant financial effect are not discounted.

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

PREPARATION OF THE 2014 ANNUAL ACCOUNTS

As regards the concession agreement, in respect of which consideration received is recognised as intangible assets, for accounting purposes the infrastructure works carried out during the concession period are 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 on the basis of 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 by recognising the consideration received. However, if these activities are not offset by the possibility of obtaining additional revenue, a provision is recognised in the amount of the best estimate of the present value of the payment necessary to cancel the obligation associated with the activities that are not offset by the possibility of obtaining additional revenue. The balancing item is an increase in the acquisition price of the intangible asset.

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

Contingent liabilities are considered to be potential liabilities deriving from past events, the existence of which is subject to the occurrence of one or more future events that lie outside the Company's control. Such contingent liabilities are not reflected for accounting purposes and a breakdown is presented in the notes to the accounts (see Note 19).

3.13 Revenue recognition

Income is recognised at 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 activities, net of returns, rebates, discounts and value added tax.

The Company recognises revenues when the amount may be reliably determined, it is likely that future profits will flow to the company and the specific conditions for each of its activities are met.

3.14 Leases

a) Finance lease

The Company leases certain property, plant and equipment. Leases of property, plant and equipment in which 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 minimum lease payments. Present value is calculated using the interest rate implicit in the lease agreement or, where this rate cannot be determined, the interest rate applied by the Company in similar transactions.

Each lease payment is broken down into 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 installments are expensed in the year they are incurred. Lease obligations, net of financial charges, are recognized in "Finance lease liabilities". 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 lease

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

PREPARATION OF THE 2014 ANNUAL ACCOUNTS

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

3.15 Related-party transactions

In general, transactions between Group companies are initially recognized at fair value. If applicable, where the agreed price differs from fair value, the difference is recognized based on the economic reality of the transaction. Transactions are subsequently measured in accordance with applicable 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. No specific disclosures relating to environmental issues are therefore included in these notes to the annual accounts.

4. Financial risk management

Main financial risk factors

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

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

The Board provides policies for overall risk management and for specific areas such as interest rate risk, liquidity risk, use of derivatives and non-derivatives, and investment of cash surpluses.

Foreign exchange risk:

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

Interest rate risk:

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.



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

PREPARATION OF THE 2014 ANNUAL ACCOUNTS

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

	Thousand euro	
	2014	2013
Borrowings (Note 15a)	61,747	62,911
Notional amounts hedged (Note 11)	56,041	57,139
Position hedged by financial derivatives	91%	91%

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

Liquidity risk:

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 fulfillment 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.

Even though the Company's working capital amounts negative 38,168 thousand euro due to the classification of financial debt as current liabilities with contractual maturity in the long term (Note 15), the Board of Directors do not consider that there exists liquidity risk for the reasons mentioned in Note 2c.

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

PREPARATION OF THE 2014 ANNUAL ACCOUNTS

5. Intangible assets

Set out below is an analysis of and movements in the accounts recorded under Intangible assets for the years 2014 and 2013:

	Concession agreement, regulated asset	Computer software	Concession agreement, capitalization of financial expense	Total
At 31 December 2013				
Cost	91,809	79	6,954	98,842
Accumulated amortization and impairment	(18,827)	(19)	-	(18,846)
Net book value	72,982	60	6,954	79,996
2014				
Initial net book value	72,982	60	6,954	79,996
Additions	-	31	2,041	2,072
Disposals	-	-	-	-
Transfers	-	-	-	-
Amortization	(5,005)	(20)	-	(5,025)
Impairment	-	-	-	-
Other	-	-	-	-
Net book value at year end	67,977	71	8,995	77,043
At 31 December 2014				
Cost	91,809	110	8,995	100,914
Accumulated amortization and impairment	(23,832)	(39)	-	(23,871)
Net book value	67,977	71	8,995	77,043

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

PREPARATION OF THE 2014 ANNUAL ACCOUNTS

			expense	
At 31 December 2012				
Cost	91,809	52	5,269	97,130
Accumulated amortization and impairment	(14,091)	(7)	-	(14,098)
Net book value	77,718	45	5,269	83,032
2013				
Initial net book value	77,718	45	5,269	83,032
Additions	-	27	1,685	1,712
Disposals	-	-	-	-
Transfers	-	-	-	-
Amortization	(4,736)	(12)	-	(4,748)
Impairment	-	-	-	-
Other	-	-	-	-
Net book value at year end	72,982	60	6,954	79,996
At 31 December 2013				
Cost	91,809	79	6,954	98,842
Accumulated amortization and impairment	(18,827)	(19)	-	(18,846)
Net book value	72,982	60	6,954	79,996

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), for a period of 19 years. The concession has been classed 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

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

PREPARATION OF THE 2014 ANNUAL ACCOUNTS

service quality. Receivables are calculated by multiplying the traffic count by the tariff. A maximum amount to be received by 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 rest of the Company's rights and obligations are regulated by the Law on Government Contracting (TRLCAP).

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.

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, has led to the consequent amendment in the maximum annuity.

Moreover, the Ministry of Development granted a participating loan to the Company for the additional investment in Area 1 recognized 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 recognized in the economic and financial rebalancing
- Reference interest rate curve for the Company's loans
- 4% discount rate.

Concession agreement, capitalization of financial expense

The Company capitalizes financial expense during the motorway operation phase in accordance with the NAECIP, since the expense is identifiable and reliably measurable, 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 financial interest showing movements during the year, as per the accounting policies explained in Note 3.1.b:

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

PREPARATION OF THE 2014 ANNUAL ACCOUNTS

At 31 December 2012	5,269
Net Book Value at 1 January 2013	5,269
Increases/(Decreases)	1,685
At 31 December 2013	6,954
Net Book Value at 1 January 2014	6,954
Increases/(Decreases)	2,041
At 31 December 2014	8,995

Amounts apportioned in this item to 2014 total 8,995 thousand euro (6,954 thousand euro in 2013), of which 2,041 thousand euro was credited to the 2014 income statement (1,685 thousand euro in 2013). 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 financial expense the percentage represented by forecast revenue for the year in relation to total shadow toll revenue as per the Concession's financial model.

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 financial expenditure 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 year:

	2014	2013
Forecast expense to be capitalized	2,041	1,685
Forecast expense to be expensed	3,680	3,397
Total forecast financial expense	5,721	5,082
Total actual financial expense	5,596	5,171
Departure forecast expense - actual expense	(125)	89

Fully-amortized intangible assets

At 31 December 2014 and 2013 there were no fully-amortized intangible assets still in use.

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

PREPARATION OF THE 2014 ANNUAL ACCOUNTS

Insurance

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

6. Property, plant and equipment

Set out below is an analysis of Property, plant and equipment showing movements:

	Machinery, tooling and vehicles	Furniture	Data-processing equipment	Other property, plant and equipment	Fixed assets under construction and advances	Total
Net book value 31.12.2013	467	16	11	19	4	517
Additions	24	-	4	-	-	28
Disposals	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Depreciation	(158)	(3)	(4)	(4)	-	(169)
Impairment	-	-	-	-	-	-
Other	-	-	-	-	-	-
Net book value	333	13	11	15	4	376
At 31 December 2014						
Cost	1,567	28	45	69	4	1,713
Accumulated depreciation and impairment	(1,234)	(15)	(34)	(54)	-	(1,337)
Net book value 31.12.2014	333	13	11	15	4	376

	Machinery, tooling and vehicles	Furniture	Data-processing equipment	Other property, plant and equipment	Fixed assets under construction and advances	Total
Net book value 31.12.2012	629	18	5	23	-	675
Additions	27	-	10	-	4	41
Disposals	(22)	-	-	-	-	(22)
Transfers	-	-	-	-	-	-
Depreciation	(167)	(2)	(4)	(4)	-	(177)
Impairment	-	-	-	-	-	-
Other	-	-	-	-	-	-
Net book value	467	16	11	19	4	517
At 31 December 2013						
Cost	1,543	28	41	69	4	1,685
Accumulated depreciation and impairment	(1,076)	(12)	(30)	(50)	-	(1,168)
Net book value 31.12.2013	467	16	11	19	4	517

a) Finance lease

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

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

PREPARATION OF THE 2014 ANNUAL ACCOUNTS

	Thousand euro	
	2014	201
Capitalized finance lease cost	109	109
Accumulated depreciation	(47)	(33)
Net book value	62	76

Finance lease liabilities and residual values are analyzed 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. Long- term and short-term financial investments

a) Long-term financial investments

Set out below is an analysis of this caption showing movements during 2014 and 2013:

	Thousand euro	
	Other financial assets	Total
At 31 December 2013	2,814	2,814
Increases	465	465
Reclassifications	1,258	1,258
At 31 December 2014	4,537	4,537

	Thousand euro	
	Other financial assets	Total
At 31 December 2012	3,696	3,696
Increases	146	146
Reclassifications	(1,028)	(1,028)
At 31 December 2013	2,814	2,814

Additions to Other financial assets relate to current account balances not available in the short term, pursuant to Clause 25 of the senior loan agreement (see Note 15.a).

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

PREPARATION OF THE 2014 ANNUAL ACCOUNTS

b) Short-term financial investments

Short-term financial assets relate mainly to current account balances totaling 2,874 thousand euro not available for a period of more than three months but less than 12 months (2013: 3,958 thousand euro), pursuant to Clause 25 of the senior loan agreement (see Note 15.a).

8. Cash and cash equivalents

	Thousand euro	
	2014	2013
Banks	13,432	20,011
Cash and cash equivalents	13,432	20,011

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 the recognition and measurement standard "Financial instruments" is as follows:

	Thousand euro			
	Derivatives and Other		Long-term financial assets	
	2014	2013	2014	2013
Trade and other receivables (Note 7):				
- Other financial assets	4,537	2,814	4,537	2,814
	4,537	2,814	4,537	2,814

	Thousand euro			
	Loans, derivatives and Other		Short-term financial assets	
	2014	2013	2014	2013
Trade and other receivables:				
- Trade and other receivables (Note 10)	8,709	16	8,709	16
- Other financial assets	2,879	4,484	2,879	4,484
Cash and cash equivalents (Note 8)	13,432	20,011	13,432	20,011
	25,020	24,511	25,020	24,511

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

PREPARATION OF THE 2014 ANNUAL ACCOUNTS

	Thousand euro					
	Long-term financial liabilities					
	Borrowings		Derivatives and Other		Total	
	2014	2013	2014	2013	2014	2013
Trade and other payables:						
- Borrowings (Note 15)	-	61,507	-	-	-	61,507
- Trade and other payables (Note 15)	2	-	-	-	2	-
- Hedging derivatives (Note 11 and 15)	-	-	19,280	15,666	19,280	15,666
- Other long-term payables (Note 15)	-	-	11,044	10,844	11,044	10,844
- Payables to Group companies, and associates (Note 15 and 21)	-	-	17,928	17,928	17,928	17,928
	2	61,507	48,252	44,438	48,254	105,945

	Thousand euro					
	Short-term financial liabilities					
	Borrowings		Derivatives and Other		Total	
	2014	2013	2014	2013	2014	2013
Trade and other payables:						
- Borrowings (Note 15)	61,747	1,454	-	-	61,747	1,454
- Trade and other payables (Note 15)	22	-	541	463	563	463
- Other short-term debts (Note 15)	-	-	205	-	205	-
- Payables to Group companies, and associates (Note 15 and 21)	-	-	6	574	6	574
	61,769	1,454	752	1,037	62,521	2,491

9.2 Analysis by maturity

Payables having fixed or determinable maturities are shown below by year of maturity at year-end 2014:

	Thousand euro						
	Financial assets						
	2015	2016	2017	2018	2019	Subsequent years	Total
Trade and other receivables (Note 10)	8,709	-	-	-	-	-	8,709
Other financial assets	2,879	1,360	845	892	756	684	7,416
	11,588	1,360	845	892	756	684	16,125

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

PREPARATION OF THE 2014 ANNUAL ACCOUNTS

	Thousand euro						
	Financial liabilities						
	2015	2016	2017	2018	2019	Subsequent years	Total
- Borrowings (Note 15)	1,926	2,984	3,893	4,332	5,047	43,565	61,747
- Finance lease liabilities (Note 15)	22	2	-	-	-	-	24
- Trade and other payables (Note 15)	541	-	-	-	-	-	541
- Hedging derivatives (Notes 11 and 15)	-	-	-	-	-	19,280	19,280
- Other long-term payables (Note 15)	205	-	-	-	-	11,044	11,249
- Debts with Group and associates companies (Notes 15 and 21)	6	-	-	-	-	17,928	17,934
	2,700	2,986	3,893	4,332	5,047	91,817	110,775

With regard to the bank debts, the expected contractual maturities are included, even though the debt has been fully classified in current liabilities.

10. Trade and other receivables

	Thousand euro	
	2014	2013
- Receivables for sales and services rendered	8,694	-
- Prepayments to suppliers	15	16
Total	8,709	16

Short-term loans and receivables maturing in less than one year are carried at face value, since there was no evidence of impairment at 31 December 2014 and 2013.

Trade receivables for sales and services relates to the amounts receivable for issued IPCs (Interim Payment Certificate) by the Company to the Ministry of Development for the vehicles that have passed along the concession infrastructure within the concession contract frame, over which retentions have been applied until the following litigations initiated by the State Roads Demarcation in Madrid:

- On March 4, the Company received a claim from the State Roads Demarcation in Madrid ordering a regularization for an amount of 2,034,409 euro related to the Coefficient of Transverse Bearing for the fiscal years 2013 and 2014, amount retained from February and March 2014 IPCs. The Company filed administrative appeal against such action in the High Court of Madrid and in the National High Court, which have been given leave to proceed.
- On October 15 and November 26, the Company received claims from State Roads Demarcation in Madrid ordering regularizations amounting 2,213,600 and 4,000,000 euro as a consequence of the retroactive application of "118 Road Safety Danger index" and "119. Road Safety Death Index" under the concession agreement frame, related to 2012 and 2013 respectively. Those amounts were retained from IPCs issued by the Company from September to December 2014.

On the month of November, the Company filed two appeals related to the first claim mentioned before the Directorate General of National Roads, that according to the Resolution of the Secretary to

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

PREPARATION OF THE 2014 ANNUAL ACCOUNTS

the State of Infrastructures, transport and housing received by the Company on December 29, 2014, the first claim is given leave to proceed.

Likewise, the Company filed an administrative appeal against the claim related to safety indexes of 2013 in the High Court of Justice of Madrid which was given leave to proceed. On January 20, 2015 a suspended interim measure has been granted as asked by the Company along with the application.

The Board of Directors of the Company and its legal advisors consider that the resolution of the mentioned claims in favor of the Company is probable, and therefore, consider probable the recoverability of the retained amounts for above mentioned proceedings.

11. Derivative financial instruments

	2014		Thousand euro	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps – cash flow hedges	-	19,280	-	15,666
Total	-	19,280	-	15,666
Less non-current portion:	-	19,280	-	15,666
Interest rate swaps – cash flow hedges	-	19,280	-	15,666
Non-current portion	-	19,280	-	15,666

At 31 December 2014 and 2013, the Company had interest rate swaps contracted on 1 August 2008 with BNP Paribas and BBVA; the final maturity date of these swaps is 16 June 2025, they hedge interest rates of 5.7% and 5.7%, respectively, and the total notional amount at the year-end was 56,041 thousand euro (2013: 57,139 thousand euro). The swaps hedge the long-term syndicated loan obtained on 26 June 2008 for a maximum total of 64,459 thousand euro, which amount drawdown is 62,138 at 31 December 2014 (2013: 63,382 thousand euro) (see Note 15).

The effective portion recognized in equity in respect of cash flow hedges amounts to (6,604) thousand euro (2013: income of 1,298 thousand euro) less the tax effect recognized as a deferred tax liability (Note 17) in the amount of 928 thousand euro (2013: (389) thousand euro tax asset).

Settlements of this derivative generated a pre-tax loss of 2,990 thousand euro in 2014 (2013: 2,480 thousand euro).

The financial instruments' interest accrual of the Company amounts to 133 thousand euro (2013: 141 thousand euro) (Note 15a).

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

PREPARATION OF THE 2014 ANNUAL ACCOUNTS

12. Share capital and share premium

a) Share capital

	Thousand euro	
	<u>2014</u>	<u>2013</u>
Authorized capital	<u>9,413</u>	<u>9,413</u>
Total	<u>9,413</u>	<u>9,413</u>

Authorized capital consists of 1,882,674 ordinary bearer shares (2013: 1,882,674 ordinary bearer shares) with a par value of 5 euro each; no payments on shares were outstanding at 31 December 2014.

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).

At 31 December 2014 and 2013, the following companies hold interests in the company's share capital:

Company	<u>2014</u>		<u>2013</u>	
	<u>Number of shares</u>	<u>% interest</u>	<u>Number of shares</u>	<u>% interest</u>
Isolux Corsán Concesiones de Infraestructuras, S.L.U.	917,803	48.75%	917,803	48.75%
Elsamex, 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%
Total	<u>1,882,674</u>	<u>100.00%</u>	<u>1,882,674</u>	<u>100.00%</u>

13. Reserves and prior-year profit/(loss)

a) Reserves

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

PREPARATION OF THE 2014 ANNUAL ACCOUNTS

	Thousand euro	
	2014	2013
Legal and statutory:		
- Legal reserve	532	441
Other reserves:		
- Voluntary reserve	-	-
	532	441

Legal reserve

Appropriations to the legal reserve are made in compliance with Article 274 of the Spanish Companies Act, 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 reserve

On June 30, 2013 the Extraordinary General Meeting of Shareholders applied to voluntary reserves 65 thousand euros from profits, being 0 the balance of the account whose amount was negative in 2012 for the impact of the transition to PGC 2007.

14. Profit/(loss) for the year

a) Proposed distribution of profit/(loss)

Set out below is the proposed distribution of results and reserves for 2014 to be submitted to the Annual General Shareholders' Meeting, and the distribution approved for 2013:

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

PREPARATION OF THE 2014 ANNUAL ACCOUNTS

	Thousand euro	
	2014	2013
Available for distribution		
Profit/ (Loss) for the year	724	909
	724	909
Application		
Legal reserve	72	91
Dividends	-	818
Other reserves	652	-
	724	909

According to the General Shareholders' Meeting held on 18 June 2014, the Company approved the distribution of results of the year, distributing 818 thousand euro, that have been satisfied during the year.

b) Restrictions on the distribution of dividends

There are restrictions on the distribution of dividends, imposed by Clause 25.2 of the loan agreement presented in Note 15.a), whereby the debt service coverage ratio for the previous period is not below 1.10.

The latest debt service coverage ratio at year-end 2013 was 2.37.

At 31 December 2014, the debt service coverage ratio is less than 1.10. Therefore, lenders entities of the credit contract described in Note 15a, have given a waiver for the clause 16.m included in it, which prevents the early termination of the contract. This waiver does not authorize distributions of dividends to income for the year 2014.

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

PREPARATION OF THE 2014 ANNUAL ACCOUNTS

15. Trade and other payables

	Thousand euro	
	2014	2013
Long-term payables:	30,326	88,017
- Borrowings (Note 15.a)	-	61,483
- Finance lease liabilities (Note 15.d)	2	24
- Derivative financial instruments (Note 11)	19,280	15,666
- Other long-term payables (Note 15.e)	11,044	10,844
Long-term payables to Group companies and associates (Note 22)	17,928	17,928
Total long-term trade and other payables	48,254	105,945
Short-term payables:		
Short-term payables:	61,974	1,454
- Borrowings (Note 15.a)	61,747	1,428
- Finance lease liabilities (Note 15.d)	22	26
- Other short-term debts (Note 15e)	205	-
Short-term payables to Group companies and associates (Note 22)	6	574
Trade and other payables	541	463
- Suppliers	503	405
- Trade payables to Group companies and associates (Note 21.c)	11	18
- Personnel (accrued employee benefits)	27	40
Total short-term trade and other payables	65,521	2,491

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

PREPARATION OF THE 2014 ANNUAL ACCOUNTS

a) Borrowings

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 loan terms are as follows:

				Thousand euro	
2014	Agent bank	Maturity	Interest rate	Available limit 31-12-14	Balance drawdown 31-12-14
Senior loan	BNP Paribas	15/06/2025	Euribor+Margin	64,459	62,138
	Accrued unpaid interest				40
	Amortized cost effect				(564)
					<u>61,614</u>

(*) At December 31, 2014 due to the default of the Debt Service Coverage Ratio described in this note, the lenders had the right to declare early maturity of the contract, having the right to declare the remaining principal of the credit at the moment immediately matured and payable. This situation has been solved as mentioned below.

				Thousand euro	
2013	Agent bank	Maturity	Interest rate	Available limit 31-12-13	Balance drawdown 31-12-13
Senior loan	BNP Paribas	15/06/2025	Euribor+Margin	64,459	63,382
	Accrued unpaid interest				44
	Amortized cost effect				(656)
					<u>62,770</u>

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

On 23 January 2012, a novation was signed, modifying but not extinguishing the Financing Agreement, some definition have been modified from the initial contract signed on 12 September 2008, regarding the debt service coverage ratio (hereinafter, DSCR).

The spread applicable to the senior loan until the project became operational 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 (see below), the applicable spread was 1.25%, and as from the first DSCR, the applicable margin is determined by the last DSCR. If this is greater than or equal to the applicable margin it will be 1.20% to 1.15%, otherwise it will be 1.25%.

The last debt service coverage ratio regarding 2013 increase to 2.37, being the applicable spread for the year 1.15%.

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

PREPARATION OF THE 2014 ANNUAL ACCOUNTS

Loan principle is repaid six-monthly, the first and last payments being due on 15 June 2011 and 15 June 2025. Repayments during the year amounted to 1,244 thousand euro (2013: 174 thousand euro).

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 face value to final maturity (Note 11).

At 31 December 2014, the loans bore monthly interest at an average rate of 1.508% (2013: 1.4935%).

The loan agreement imposes the covenants that are usually included in similar arrangements; the Company's directors consider that they are fulfilled at 31 December 2014, except for Debt Service Coverage Ratio that is below 1.05 as a consequence of the retained amounts by the Ministry of Development in the IPCs (Note 10). This fact granted the lenders the right to declare early termination of the contract according to clause 16.m. Nevertheless, on February 4 and March 3, 2015 financial entities have given a waiver for the compliance of this clause, resigning to the mentioned right. The situation is solved at the date of preparation of these Annual Accounts (Note 22).

According to accounting standards, at 2014 year end, the Company has classified all balances derived from the credit contract in the short term, even if according to the mentioned waiver total debt will not be called in the short term.

The loan agreement also requires reserve accounts to be recognized; these reserves are properly recorded at 31 December 2014 and 2013 pursuant to Clause 25 of the loan agreement. They are subject to certain restrictions, causing the reserve balances at year-end 2014 and 2013 to be classed as Long-term financial investments (Note 7.a), Short-term 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 fulfill 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 13,000,000 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 is demanded.

Additionally, interests accrued on the derivative yet to be paid are recorded under this item amounting 133 thousand euro (2013: 141 thousand euro).

b) Payables to Group companies and associates

On 21 November 2008, the Company obtained a participating loan to partially finance project development, so as to grant the borrower acceptable financial terms and to assume 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).

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

PREPARATION OF THE 2014 ANNUAL ACCOUNTS

The loan terms are as follows:

						Thousand euro	
Company	Loan type	Grant/novation date	Maturity date	Interest rate applied	Limit	Drawdown balance (Capital + Interests)	
Isolux Corsán Concesiones de Infraestructuras, S.L.U.	Equity loan	21/11/2008	15/06/2025	Fixed rate: 4%	8,933	8,933	
Elsamex, S.A.				Variable rate: 3% of operating income	8,061	8,061	
Grusamar Ingeniería y Consulting, S.L.				436	436		
Accrued unpaid interest						6	
Amortized cost effect						498	
Total						17,934	

						Thousand euro	
Company	Loan type	Grant/novation date	Maturity date	Interest rate applied	Limit	Drawdown balance (Capital + Interests)	
Isolux Corsán Concesiones de Infraestructuras, S.L.U.	Equity loan	21/11/2008	15/06/2025	Fixed rate: 4%	8,933	8,933	
Elsamex, S.A.				Variable rate: 3% of operating income	8,061	8,061	
Grusamar Ingeniería y Consulting, S.L.				436	436		
Accrued unpaid interest						574	
Amortized cost effect						498	
Total						18,502	

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 principle 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.

PREPARATION OF THE 2014 ANNUAL ACCOUNTS

c) Information on the deferral of payments to suppliers

Payments made and pending at the balance sheet date	
2014	
Thousand euro	%
Payments made within the legal maximum period	2,433 61%
Rest	1,549 39%
Total payments for the year	3,982 100%
Balance outstanding at the year-end that exceeds the legal maximum period	27
Weighted average excess payment period (days)	24

Payments made and pending at the balance sheet date	
2013	
Thousand euro	%
Payments made within the legal maximum period	2,003 64%
Rest	1,117 36%
Total payments for the year	3,120 100%
Balance outstanding at the year-end that exceeds the legal maximum period	21
Weighted average excess payment period (days)	16

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

PREPARATION OF THE 2014 ANNUAL ACCOUNTS

d) Finance lease liabilities

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

These liabilities mature as follows:

	Thousand euro	
	2014	2013
Less than 1 year	22	26
Between 2 and 3 years	2	24
More than 5 years	-	-
Current liabilities	22	26
Non-current liabilities	2	24
Total	24	50

Set out below is a breakdown of finance lease liabilities by bank or lessor:

2014								Thousand euro
Supplier	Number of contract	Inception date	Expiration date	Number of quotas	Outst. Liabilities	Residual Value	Interests	Total outst. liabilities
Banco Pastor	40021728	13/01/2010	13/01/2015	60 months	-	1	-	1
Banco Pastor	40025654	01/01/2012	17/01/2016	48 months	21	2	1	24
					21	2	1	24

2013								Thousand euro
Supplier	Number of contract	Inception date	Expiration date	Number of quotas	Outst. liabilities	Residual value	Total outst. liabilities	
Banco Pastor	40021728	13/01/2010	13/01/2015	60 months	6	1	7	
Banco Pastor	40025654	01/01/2012	17/01/2016	48 months	41	2	43	
					47	3	50	

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 recorded in the past.

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

PREPARATION OF THE 2014 ANNUAL ACCOUNTS

e) Other long-term payables

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

2014

	<u>Lender</u>	<u>Maturity</u>	<u>Interest rate</u>	<u>Available limit 31-12-13</u>	<u>Drawdown 31-12-13</u>
Equity loan	Ministry of Development	27/06/2026	(*)	9,925	9,925
	Interest capitalized				1,020
	Amortized cost effect				99
	Accrued interests pending				205
					<u>11,249</u>

2013	<u>Lender</u>	<u>Maturity</u>	<u>Interest rate</u>	<u>Available limit 31-12-13</u>	<u>Drawdown 31-12-13</u>
Equity loan	Ministry of Development	27/06/2026	(*)	9,925	9,925
	Interest capitalized				848
	Amortized cost effect				71
					<u>10,844</u>

(*) The interest rate is calculated as the higher of the following:

a) Amount obtained by applying a fixed interest rate of 175 basis points to the Equity loan balance.

b) Amount calculated using the following formula:

$R = 0.5 \times \text{IRR} \times \text{actual annual royalty} / \text{maximum annual royalty} \times \text{balance of Equity loan granted.}$

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.

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

PREPARATION OF THE 2014 ANNUAL ACCOUNTS

16. Other provisions

Movements in the provisions recognised in the balance sheet are as follows:

	Thousand euro		
	Motorway surfaces	Vertical signs and other	Total
Balance at 31 December 2012	2,196	1,648	3,844
Period appropriations (Note 18)	1,485	532	2,017
Financial addition	112	48	160
Applications	(56)	(139)	(195)
Balance at 31 December 2013	3,737	2,089	5,826
Period appropriations (Note 18)	1,252	450	1,702
Financial addition	171	77	248
Applications	(479)	(101)	(580)
Balance at 31 December 2014	4,681	2,515	7,196

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 reevaluates the estimation with the best forecast of the actions to be taken.

To this end, the amounts of future investments indicated in the plan are updated using a financial method.

All these provisions are classed as non-current.

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

PREPARATION OF THE 2014 ANNUAL ACCOUNTS

17. Income tax and tax situation

The general corporate income tax rate is 30%.

Set out below is the reconciliation of net income and expense for the year and the income tax assessment base:

2014	Thousand euro					
	Income statement			Profit and losses directly attributed to equity		
Profit/(loss) before income tax			1,162			(3,614)
	Increases	Decreases	Total	Increases	Decreases	Total
Income tax						
Permanent differences	10	-	10	-	-	-
Temporary differences	2,067	-	2,067	6,604	(2,990)	3,614
- Arising during the year	2,067	-	2,067	6,604	-	6,604
- Arising in prior years	-	-	-	-	(2,990)	(2,990)
Taxable income			3,329			-
2013	Thousand euro					
	Income statement			Profit and losses directly attributed to equity		
Profit/(loss) before income tax			1,298			3,777
	Increases	Decreases	Total	Increases	Decreases	Total
Income tax						
Permanent differences						
Temporary differences	2,049	-	2,049	-	(3,777)	(3,777)
- Arising during the year	2,049	-	2,049	-	(1,298)	(1,298)
- Arising in prior years	-	-	-	-	(2,479)	(2,479)
Taxable income			3,347			-

Income tax expense is analysed below:

	Thousand euro	
	2014	2013
Current tax	972	1,004
Deferred tax	(534)	(615)
	438	389

Current income tax is calculated by applying a 30% tax rate (2013: 30%) to the taxable income.

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

PREPARATION OF THE 2014 ANNUAL ACCOUNTS

Withholdings and payments on account amounted to 553 thousand euro (2013: 639 thousand euro) and therefore tax payable totals 419 thousand euro (2013: 365 thousand euro).

Set out below is an analysis of deferred taxes:

	Thousand euro	
	2014	2013
Deferred tax assets:		
- Other tax credits (hedging derivatives)	5,265	5,233
- Other tax credits (net financial expenses of the year)	363	296
- Other tax credits (amortization not deductible of the year)	911	443
Total deferred tax assets	6,538	5,972

Set out below is an analysis of the movement of deferred taxes:

2014	Thousand euro			
	Derivatives	Net financial expenses of the year	Amortization not deductible of the year	Total
Deferred tax assets				
Balance at 31 December 2013	5,233	296	443	5,972
Charged/(credited) to the income statement	-	67	468	534
Charged to equity	32	-	-	32
Balance at 31 December 2014	5,265	363	911	6,538
2013	Thousand euro			
Deferred tax assets	Derivatives	Net financial expenses of the year	Amortization not deductible of the year	Total
Balance at 31 December 2012	6,366	155	-	6,521
Charged/(credited) to the income statement	-	172	443	615
Charged to equity	(1,133)	-	-	(1,133)
Other movements	-	(31)	-	(31)
Balance at 31 December 2013	5,233	296	443	5,972

In fiscal year 2014 the Company has registered the impact of the change in the Spanish tax rate of the profit tax in deferred tax assets. It decreases from the actual 30% down to a 28% in 2015, and 25% from 2016. The impact for this matter has resulted in 86 thousand euro for the income tax expense and 1,053 thousand euro in equity.

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

PREPARATION OF THE 2014 ANNUAL ACCOUNTS

All the Company's tax returns for 2010 to 2014 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 Public Administrations for own taxes of the operating activities. The closing balance is as follows:

	Thousand euro	
	2014	2013
Current asset		
Other credits from Public Administrations	28	28
Current liabilities		
Other receivables to Public Administrations	295	342

18. Income and expenses

a) Revenue

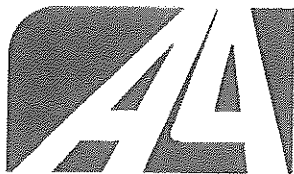
Net revenue from the concession business totaled 14,531 thousand euro in 2014 (2013: 14,804 thousand euro).

b) Raw materials and consumables

	Thousand euro	
	2014	2013
Consumption of goods:		
Purchases:		
Domestic purchases	246	300
Subcontracted work	243	252
Total	489	552

c) Employee benefit expense

Thousand euro	
2014	2013



SOCIEDAD CONCESIONARIA • TRAMO I

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

PREPARATION OF THE 2014 ANNUAL ACCOUNTS

Wages, salaries and similar remuneration	1,062	1,159
Staff welfare expenses:		
- Employer's Social Security contributions	345	342
- Other social contributions	-	37
	<u>345</u>	<u>379</u>
Total	<u>1,407</u>	<u>1,538</u>

The average number of employees by category during the year was as follows:

	<u>2014</u>	<u>2013</u>
Director	1	1
Graduates	8	8
Administrative personnel	6	6
Workers	<u>29</u>	<u>28</u>
Total	<u>44</u>	<u>43</u>

The gender distribution of the Company's personnel at the year-end is as follows:

	<u>2014</u>			<u>2013</u>		
	<u>Men</u>	<u>Women</u>	<u>Total</u>	<u>Men</u>	<u>Women</u>	<u>Total</u>
Director	1	-	1	1	-	1
Graduates	4	4	8	4	4	8
Administrative personnel	4	2	6	4	2	6
Workers	<u>29</u>	<u>-</u>	<u>29</u>	<u>28</u>	<u>-</u>	<u>28</u>
Total	<u>38</u>	<u>6</u>	<u>44</u>	<u>37</u>	<u>6</u>	<u>43</u>

d) Other operating expenses

	<u>Thousand euro</u>	
	<u>2014</u>	<u>2013</u>
Operating services:		

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

PREPARATION OF THE 2014 ANNUAL ACCOUNTS

- Rent and royalties	62	59
- Repairs and maintenance	86	84
- Independent professional services	470	334
- Insurance premiums	133	122
- Banking and similar services	55	1
- Advertising and public relations	4	4
- Supplies	260	283
- Other services	42	52
- Other taxes	27	10
- Losses, impairment and change in trade provisions (Note 16)	1,702	2,017
Total	2,841	2,966

e) Net financial result

	<u>Thousand euro</u>	
	<u>2014</u>	<u>2013</u>
Financial income:		
Other financial income	-	-
Total	-	-
Financial expenses:		
- On payables to Group companies	(1,122)	(1,250)
- On amounts payable to third parties	(2,435)	(2,300)
- Financial actualization of accruals	(248)	(160)
Total	(3,805)	(3,710)
Financial result	(3,805)	(3,710)

19. Contingencies

Contingent liabilities

At 31 December 2014, the Company records third-party guarantees amounting to 6,171 thousand euro (9,966 thousand euro in 2013).

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

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

PREPARATION OF THE 2014 ANNUAL ACCOUNTS

Additionally, there are litigious processes related to the expropriation of land, to which Directors estimate, based on the opinion of external lawyers, that will not cause a significant outflow of resources.

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. Remuneration of the Board directors and senior management

a) Board of Directors and senior management remuneration

Remuneration paid in 2014 to the Board of Directors and senior management totalled 139 thousand euro (2013: 130 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 were entered into in this respect during the year.

The Board directors and senior managers did not receive any remuneration with respect to profit sharing or bonuses. They received no shares or stock options during the year, exercised no options and hold no options to be exercised.

b) Interest conflict situations of the Board of Directors

So as to avoid interest conflict situations with Company's interest, during the fiscal year directors that have occupied seats in the Board of Directors have met with expected obligations in the article 228 of Company's Act. Likewise, themselves as well as people related to them have not incurred under the supposed conflict interest situations provided in the article 229 of the mentioned law, except for the cases that have obtained corresponding approval.

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

PREPARATION OF THE 2014 ANNUAL ACCOUNTS

21. Other transactions with related parties

The following transactions were effected with related parties:

a) Transactions effected

	Thousand euro	
	<u>2014</u>	<u>2013</u>
Rendering of services:		
Elsamex, S.A.	6	-
Isolux Corsán Concesiones de Infraestructuras S.L.U.	8	-
	<u>14</u>	<u>-</u>

	Thousand euro	
	<u>2014</u>	<u>2013</u>
Purchases of services:		
Grupo Isolux Corsán, S.A.	8	16
Elsamex (UTE CORLESA)	61	-
Grupo Isolux Corsán (UTE CORLESA)	61	-
Elsamex, S.A.	531	641
Grusamar Ingeniería y Consulting	65	31
Isolux Corsán Concesiones de Infraestructuras S.L.U.	575	578

Total purchases of goods and services	<u>1,300</u>	<u>1,266</u>
----------------------------------------------	--------------	--------------

Total rendering and purchases of services	<u>1,314</u>	<u>1,266</u>
--------------------------------------------------	--------------	--------------

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

PREPARATION OF THE 2014 ANNUAL ACCOUNTS

b) Loans received from related companies

	Thousand euro	
	2014	2013
Long-term loans from Group companies and associates		
- Loans received		
Isolux Corsán Concesiones de Infraestructuras, S.L.U.	9,188	9,188
Elsamex, S.A.	8,292	8,292
Grusamar Ingeniería y Consulting, S.L.	448	448
Total long-term loans from Group companies and associates	17,928	17,928
Short-term loans from Group companies and associates		
- Current account		
Isolux Corsán Concesiones de Infraestructuras, S.L.U.	3	294
Elsamex, S.A.	3	266
Grusamar Ingeniería y Consulting, S.L.	-	14
Total short-term loans from Group companies and associates	6	574

c) Year-end balances arising from sales/purchases of goods/services.

	Thousand euro	
	2014	2013
Amounts payable to related parties		
Grupo Isolux Corsán, S.A.	11	18
Total trade payables, Group companies and associates	11	18

22. Events after the reporting period

On February 4 and March 3, 2015 financial entities Banco Bilbao Vizcaya Argentaria, S.A. and BNP Paribas, S.A., lenders of the credit contract described in Note 15.a, have given a waiver for the clause 16.m included in it (that permitted financial entities to declare early termination of the contract at December 31, 2014 as Debt Service Coverage Ratio was below 1.05). Therefore, the breach situation, that has resulted in the classification of the balances derived from the credit contract in the short term at December 31, 2014, has been solved at the preparation of these annual accounts, not being payable in the short term.

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



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

PREPARATION OF THE 2014 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 (2013: 27 thousand euro and 13.5 thousand euro for other items).



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

PREPARATION OF THE 2014 ANNUAL ACCOUNTS

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

Directors' Report
31 December 2014



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

PREPARATION OF THE 2014 ANNUAL ACCOUNTS

1. Description of the business

In short, as a report of the 2014 economic situation, the following significant events can be highlighted:

According to the latest figures of the Quarterly National Accounting, published by the Spanish National Institute of Statistics (INE), Spanish GDP moderated its growth remaining at 0.5% in the period from July to September in quarter-on-quarter terms, after five quarters of positive growth. The Bank of Spain confirms the scenario of "gradual recovery" with a GDP growth of 1.3% for 2014 and 2% for 2015, but warning of the risks of downward deviation due to the deterioration of the perspectives of the international economy.

The domestic demand advanced in the third quarter at a rate of 0.6% in quarter-on-quarter terms, while external demand had a negative contribution of -0.1%, the rate of the expenditure of the non-financial private sector decreased, this deceleration of the expenditure plans may reflect the deterioration of the external environment and the doubts about the recovering of the Euro area.

Moreover, an increase of 0.5% of the household consumption is estimated, being lower than the previous quarter, however, the rate of investments increased 1.5% driven specially by the non-residential construction, as investments in capital goods suffered in the third quarter some moderation, for fear of the falling of orders abroad.

On a year-on-year basis, GDP fell down until -1.1% interannual in December, which means a decrease of 0,7% with regard to November. According to the Spanish National Institute of Statistics (INE), the fall is due to the reduction of the fuel prices. The INE has also issued the advanced indicator for the Harmonized CPI, which measures the performance of prices using the same method in all Eurozone countries which stands at a year-on-year rate of 1.1%, 0.6% less than the previous month.

With regards to the labour market, it closed with good news, the improvement remained since the end of 2013, although at a lower level in comparison with the period April-June with a quarter-on-quarter rate of 0.4% that locates the year-on-year advanced of occupation in 1.6%.

Disaggregating the employment by large industries, the quarter increase of the occupation was concentrated exclusively in the non-agricultural sector, while the agricultural sector registered an elevated fall of 73,100 persons. Services increased its occupation level in 108,800 persons, industry in 71,800 and construction advanced in a good rate, with intensive quarter growths of 2.4% and 3.4%, while in services the growth was significantly lower (0.1%); meanwhile, in the agricultural sector the recession was strong, (-5.6%). Compared to a year before, the increase of the employment was also concentrated in the non-agricultural sectors, especially in services, in which it increased in 230,700 (1.8%) and in industry, in 82,100 (3.5%), while in construction it rise the year-on-year stability and in the agricultural sector 33,200 employments were lost, 4.8%.



SOCIEDAD CONCESIONARIA A-4 MADRID, S.A.

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

PREPARATION OF THE 2014 ANNUAL ACCOUNTS

The doubt arises about if this improvement will remain. Some theories think that if growth stands between 1.5% and 2%, Spain could create between 200,000 and 300,000 employments at the end of 2015 and the unemployment rate could arise 15% in 2023, always from the most optimist point of view. Other theories have in mind the slowing down of the French and German economies conditional by the economic growth of countries such as Brasil, China, etc., that means an obstacle to the recovery of employment in Spain.

However, the increase of the employment salaried, permanent full-time, and the decrease in the underemployment during 2014, makes us to think in net job creation throughout the year.

Situation of Concession Collaboration Public-Private Industry

State investment in public Works will grow in 2015, an election year. The rise will occur from a very low ground, from 2014, and does not serve to even reach 2013 levels, but it is a plausible change of trend, after six years of collapse of infrastructure expense.

The central government will allocate 4,953.5 million euros to real investments, 4.8% more than in 2014. And what is more important, the total spending on infrastructure, which includes public bodies and commercial state companies- will rise by 8.8%, from 8,706.1 million this year to 9,469.3 million this year. In both cases, it is the first increase since 2008, the year of the outbreak of the international crisis, according to the 2015 State Budget.

It still cannot be talked about recovery of normality in civil construction industry. The 9,469 million to be allocated to infrastructures are figures, in fact, that trace back to 2004, in the previous end of term of the PP government.

The railway recovers above average, basically the AVE railway, that means 69% of investments of "Grupo Fomento". From the 763 million of public works expense increase, 466 million (61%) correspond to increase of rail departure, rising from 3,661 million to 4,128 million. The AVE is the start that outshines a bit other investments.

<<This high proportion [of AVE relative to other investment segments] is justified not only by saving times and increase of the capacity of this type of transport, but also because of the traffic generated and the resulting increase in economic activity>>, says the volume of PGE dedicated to the expenditure made by the Ministry of Development. The budgeted expenditure for high speed in PGE 2015 is 3,561 million, 11.5% higher than in 2014 (3,194 million). Not in vain, the half of the increase in investment in infrastructures corresponds to the AVE (specifically, 48.8%).

The increase of railway investment will be at the expense of a larger indebtedness of ADIF, which will increase the volume of their liabilities to 16,000 million after the Treasury authorized credit operations by 2,690 million.



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

PREPARATION OF THE 2014 ANNUAL ACCOUNTS

AVE promoter expects to finance the new tenders with new bond issues. The main projects in this area are aimed at developing the Mediterranean runners (1,359 million), north (1,119) and northwest (1,039) -see attached information with major projects, down.

Road investment increases 3.1%, from 2,029 million to 2,092. Emblematic works will continue as the bridge over the bay of Cadiz, which is pretended to be ended now, and the bridge over the Ter river in Gerona, and concessional motorway between Benavente and Zamora will continue. Yes, the construction of new roads will increase only by 6 million, from 1,148 to 1,154, but there will be new highways in German method (see attached information, right).

Meanwhile, expenditure in hydraulic infrastructures will increase 7.93%. The Ministry of Environment will focus on the works of water treatment.

The area of infraestructuras that will suffer a greater punishment will be the airports and air safety, as the item on this matter falls 36.3%, from 847.4 million euros in 2014 up to 539.5 million that anticipates the Budget 2015, in full turbulence for the cancellation of the IPO of 49% of Aena. The main works will focus on La Coruña and Madrid.

Finally, the budget of State harbours will increase 11.25% from 779 up to 866.7 million but the most remarkable is that investments that are planned to be done by private port concessionaires will rise to an amount of 680 million, a 43% more

2. Company development and performance in 2014

The Company has carried out its operations in an economic environment marked by recession, which affects the traffic carried by the motorway in light of the decrease in industrial activity on the estates near the motorway and the carriage of goods by road, as shown by the data in the above section. However, it is important to highlight that during the year, an improvement may be observed in the Company's operations thanks to the establishing of the economic situation, resulting in a moderate recovery in the level of traffic carried by the motorway.

Despite the difficulties of the economic environment, noteworthy is the fact that revenues for 2014 were similar to last year (14,531 in 2014 vs.14,804 in 2013), which implies that the Company has a stable income, which allows it to assume its contractual and financial obligations.

Given the contract characteristics of the Concession contract, the Company is subject to demand risk, and therefore the main risk or uncertainty by which it may be affect is the decrease in the level of traffic, which could have a negative impact on the Income Statement, unless there is a recovery in economic activity,



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

PREPARATION OF THE 2014 ANNUAL ACCOUNTS

especially, in the area of influence of the motorway. It is for this reason that this is the main risk which the Company is subject to, given that the situation of Radial Motorways limits the risk of new competitors.

During 2014, the concessionaire carried out its ordinary operations in accordance with the economic and financial plan of the concessionaire, with savings in current expense and operation items in general, with respect to the economic and financial plan.

Moreover, the Company has carried out actions in connection with conservation and maintenance of facilities subject to the concession contract, aimed at returning facilities in perfect use, as set forth in the concession contract, according to the planned schedule.

On 31 December 2014, the Company complied with accounting regulations published in Order EHA/3362/2010m which approved new regulations on the adaptation to the Chart of Accounts to public infrastructure concession holders.

Additionally, during 2014 the Company adapted its economic and financial plan to the successive tax reforms issued by the Government, aimed at rectifying the public deficit, complying with the tax regulations in force as at 31 December.

During 2014, the Company carried out an audit process, reviewing the quality certificate obtained in 2012, with a satisfactory result, complying with legislation in force on quality, safety and environment at 31 December.

The outlook for next year consists of maintaining the level of traffic at a level similar and slightly superior to 2014, basically in units or light vehicles, with stable revenues and cost cuts, by applying general service savings policies, starting up energy saving measures and continuing the efficient planning of maintenance work.

3. Treasury shares

There were no movements in treasury shares.

4. Research and development activities

No research and development activities were performed

5. Environmental activities

The Company carries out activities according to the quality standards established in regulation ISO 14001, which was audited and renewed in December 2014.



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

PREPARATION OF THE 2014 ANNUAL ACCOUNTS

6. Use of hedging instruments.

Having regard to the loan of €64,459 thousand obtained from BNP-BBVA on 26 June 2008 and novated on 12 September 2008, which now matures on 15 June 2025 and bears interest at the Euribor rate plus a spread of 1.15%, on 20 August 2008 the Company contracted the following interest rate swap:

BNP

Date:	20 August 2008
Notional amount:	28,905,930.79
Interest rate hedged:	Euribor
Fixed interest rate:	4.55% + spread
Maturity:	15 June 2025

BBVA

Date:	20 August 2008
Notional amount:	28,905,930.79
Interest rate hedged:	Euribor
Fixed interest rate:	4.55% + spread
Maturity:	15 June 2025

The Company has a treasury management system based on:

- Detailed management of Working Capital, seeking compliance with customer collection commitments.
- Implementation of a treasury system aiming to optimise cash positions.
- Compliance with payment periods according to regulations.



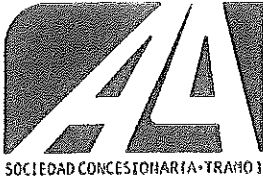
SOCIEDAD CONCESIONARIA AUTOVÍA A-4 MADRID, S.A.

PREPARATION OF THE 2014 ANNUAL ACCOUNTS

7. Human Resources

The Company had an average workforce of 44 people in 2014 (2013: 43). Set out below is a breakdown of the average workforce by category:

	2014	2013
- Director	1	1
- Graduates	8	8
- Administrative personnel	6	6
- Workers	29	28
Total	44	43



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

PREPARATION OF THE 2014 ANNUAL ACCOUNTS

At the meeting held on 17 March 2015, pursuant to Articles 253.2 of the Spanish Companies Act 2010 and 37 of the Code of Commerce, the Board of Directors of the trading company "Sociedad Concesionaria Autovía A-4 Madrid S.A." issues the Annual Accounts and the Directors Report (balance sheet, income statement, statement of recognised income and expense, total statement of changes in equity, cash flow statement and notes to the annual accounts) for the financial year ended 2014, in the terms stated in the following and preceding documents.

Signed by:

D. Santiago Varela Ullastres – Chairman
(Representing Isolux Corsán Concesiones S.A.)

D. Juan Carlos Reina Pinto
(Representing Grupo Isolux Corsán S.A.)

D. Manuel José García Mateos
(Representing Corsán Corviam Construcción S.A.)

D. José Antonio Labarra Blanco
(Representing Isolux Ingeniería S.A.)

D. Raúl Cristóbal García
(Representing Grusamar Ingeniería y Consulting
S.L.U.)

D. Mukund Sapre
(Representing Elsamex Internacional S.L.U.)

D. Fernando Jaime Bardisa Jordá
Board Secretary Director
(Representing Elsamex S.A.)



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

PREPARATION OF THE 2014 ANNUAL ACCOUNTS

At the meeting held on 17 March 2015, pursuant to Articles 253.2 of the Spanish Companies Act 2010 and 37 of the Code of Commerce, the Board of Directors of the trading company "Sociedad Concesionaria Autovía A-4 Madrid S.A." issues the Annual Accounts and the Directors Report (balance sheet, income statement, statement of recognised income and expense, total statement of changes in equity, cash flow statement and notes to the annual accounts) for the financial year ended 2014, in the terms stated in the following and preceding documents.

Signed by:

D. Santiago Varela Ullastres – Chairman
(Representing Isolux Corsán Concesiones S.A.)

D. Juan Carlos Reina Pinto
(Representing Grupo Isolux Corsán S.A.)

D. Manuel José García Mateos
(Representing Corsán Corviam Construcción S.A.)

D. José Antonio Labarra Blanco
(Representing Isolux Ingeniería S.A.)

D. Raúl Cristóbal García
(Representing Grusamar Ingeniería y Consulting S.L.U.)

D. Mukund Sapre
(Representing Elsamex Internacional S.L.U.)

D. Fernando Jaime Bardisa Jordá
Board Secretary Director
(Representing Elsamex S.A.)