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

Annual Accounts at 31 December 2017 and
Directors’ Report for 2017

A free translation from the original in Spanish

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

Note

SOCIEDAD CONCESIONARIA TRAMO 1

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

BALANCE SHEET AT 31 DECEMBER 2017
(Expressed in thousands euro)

ASSETS	Note	2017	2016
NON-CURRENT ASSETS		**84,263**	**89,089**
Intangible assets	**5**	**66,461**	**70,773**
Property, plant and equipment	**6**	**252**	**271**
Non-current investments in group companies and associates	**9, 10 & 21**	**10,023**	**9,633**
Loans to companies		10,023	9,633
Non-current investments	**7 & 9**	**3,537**	**3,537**
Other financial assets		3,537	3,537
Deferred tax assets	**17**	**3,990**	**4,875**
CURRENT ASSETS		**21,465**	**17,407**
Trade and other receivables		**5,018**	**6,224**
Trade receivables for sales and services	9 & 10	4,980	6,181
Advance payments to suppliers	9 &10	8	15
Other credits with Public Administrations	17	30	28
Current investments	**7 & 9**	**4,375**	**4,375**
Other financial assets		4,375	4,375
Short-term accruals		**5**	**17**
Cash and cash equivalents	**8 & 9**	**12,067**	**6,791**
TOTAL ASSETS		**105,728**	**106,496**

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

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

BALANCE SHEET AT 31 DECEMBER 2017
(Expressed in thousands euro)

EQUITY AND LIABILITIES	Note	2017	2016
EQUITY		**3,368**	**(392)**
Capital and reserves without valuation adjustments		**13,126**	**12,544**
Capital	12	9,413	9,413
Reserves	13	1,063	834
Profit/(loss) for the period	14	2,650	2,297
Value adjustments		**(9,758)**	**(12,936)**
Hedging transactions		(9,758)	(12,936)
NON-CURRENT LIABILITIES		**91,972**	**98,258**
Non-current provisions	**16**	**6,361**	**5,421**
Provisions for major maintenance		6,361	5,421
Non-current payables		**67,467**	**74,787**
Bank loans	9 &15	44,740	48,271
Derivatives	9,11 & 15	12,074	15,863
Other financial liabilities	9 & 15	10,653	10,653
Non-current payables to group companies and associates	**9, 15 & 21**	**18,144**	**18,050**
CURRENT LIABILITIES		**10,388**	**8,630**
Current provisions		**2,967**	**2,994**
Provisions for major maintenance	16	2,967	2,994
Current payables		**4,620**	**3,715**
Bank loans	9 &15	3,798	3,196
Other financial liabilities	9 and 15	822	519
Current payables to group companies and associates	**9, 15 & 21**	**610**	**265**
Trade and other payables		**1,417**	**1,656**
Trade payables	9 & 15	375	859
Trade payables to group companies and associates	9, 15 & 21	68	252
Personnel (salaries payable)	9 & 15	117	110
Current tax liabilities	17	273	171
Other payables to Public Administrations	17	584	264
Short-term accruals		**774**	**-**
TOTAL EQUITY AND LIABILITIES		**105,728**	**106,496**

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

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

INCOME STATEMENT FOR THE PERIOD ENDED AT 31 DECEMBER 2017
(Expressed in thousands euro)

	Note	2017	2016
Revenue	**18**	**17,260**	**16,704**
Services rendered (tolls and Other Administrative Compensation)		17,260	16,704
Work done by the Company for its own assets		**12**	**-**
Raw materials and consumables	**18**	**(600)**	**(508)**
Merchandise used		(141)	(112)
Raw materials and other consumables used		(89)	(105)
Subcontracted work		(370)	(291)
Other operating income		**267**	**355**
Non-trading and other operating income		267	355
Personnel expenses	**18**	**(1,556)**	**(1,622)**
Salaries and wages		(1,201)	(1,323)
Employee benefit expenses		(355)	(299)
Other operating expenses	**18**	**(2,186)**	**(2,279)**
External services		(1,065)	(1,159)
Taxes		(19)	(27)
Losses, impairment and changes in trade provisions	16	(1,102)	(1,093)
Amortization and depreciation	**5 & 6**	**(5,616)**	**(5,478)**
RESULTS FROM OPERATING ACTIVITIES		**7,581**	**7,172**
Financial income		390	782
Financial expenses		(4,438)	(4,891)
FINANCIAL RESULTS	**18**	**(4,048)**	**(4,109)**
PROFIT/(LOSS) BEFORE INCOME TAX		**3,533**	**3,063**
Income tax expense	**17**	**(883)**	**(766)**
PROFIT/(LOSS) FOR THE PERIOD	**14**	**2,650**	**2,297**

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

SOCIEDAD CONCESIONARIA•TRAMO 1

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

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED AT 31 DECEMBER 2017 (Expressed in thousand euro)

A) STATEMENT OF RECOGNISED INCOME AND EXPENSES FOR THE PERIOD ENDED AT 31 DECEMBER 2017

	Note	2017	2016
Profit/(loss) for the period	**14**	**2,650**	**2,297**
Income and expense recognized directly in equity			
Cash-flow hedges	11	457	(2,073)
Tax effect	11&17	(114)	518
Total income and expense recognized directly in equity		**343**	**(1,555)**
Amounts transferred to the income statement			
Cash flow hedges	11	3,087	3,833
Tax effect	17	(772)	(958)
Total amounts transferred to the income statement		**2,315**	**2,875**
TOTAL RECOGNISED INCOME AND EXPENSE		**5,308**	**3,617**

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

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

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED AT 31 DECEMBER 2017
(Expressed in thousands euro)

B) TOTAL STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED AT 31 DECEMBER 2017

2017	**Share capital (Note 12)**	**Reserves (Note 13)**	**Profit/(loss) for the period (Note 14)**	**Value adjustments**	**Total**
Opening balance 2017	**9,413**	**834**	**2,297**	**(12,936)**	**(392)**
Total recognized income and expense	-	-	2,650	2,658	5,308
Operations with shareholders or owners	**-**	**229**	**(2,297)**	**520**	**(1,548)**
- Prior period result distribution	-	229	(229)	-	-
- Distribution of dividends	-	-	(2,068)	-	(2,068)
- Other movements	-	-	-	520	520
Closing balance 2017	**9,413**	**1,063**	**2,650**	**(9,758)**	**3,368**

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

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

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

SOCIEDAD CONCESIONARIA•TRAMO 1

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

CASH FLOW STATEMENT FOR THE PERIOD ENDED AT 31 DECEMBER 2017
(Expressed in thousans euro)

	Note	2016	2015
Cash flows from operating activities			
Profit/(loss) before income tax		3,533	3,063
Adjustments for:			
- Amortization and depreciation	5 & 6	5,616	5,478
- Change in provisions	16	1,102	1,093
- Financial income	18	(390)	(782)
- Financial expenses	18	4,438	4,891
Changes in working capital:			
- Trade and other receivables	10	1,206	(384)
- Other current assets		12	1
- Trade and other payables	15	(497)	1,091
- Other current liabilities		439	(1,100)
Other cash flows from operating activities			
- Interest paid		(4,371)	(6,173)
- Income tax received / (paid)		(625)	(963)
Cash flows from operating activities		**10,463**	**6,215**
Cash flows from investing activities			
Payments for investments:			
- Group companies and associates	5	-	(9,600)
- Financial assets	7	-	(632)
- Intangible assets	5	(12)	(8)
- Property, plant and equipment	6	(66)	(102)
Cash flows from investing activities		**(78)**	**(10,342)**
Cash flows from financing activities			
Proceeds from and payments for financing activities			
- Bank borrowings		(3,041)	(8,452)
Proceeds from and payments for equity instruments			
- Dividends	13 &14	(2,068)	(2,714)
Cash flows from financing activities		**(5,109)**	**(11,166)**
Net increase/(decrease) in cash and cash equivalents		**5,276**	**(15,293)**
Cash and cash equivalents at beginning of period	8	6,791	22,084
Cash and cash equivalents at end of period	8	12,067	6,791

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

SOCIEDAD CONCESIONARIA•TRAMO 1

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

CONTENT OF THE NOTES TO THE ANNUAL ACCOUNTS FOR 2017 PERIOD
(Expressed in thousand euro)

1. General information:

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

Its corporate objects are as follows:

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

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

At 31 December 2017 and at 31 December 2016 the Company is controlled by the Roadis Group (formerly named Grupo Isolux Infrastructure), parented by Roadis Transportation Holding, S.L.U. (formerly named Isolux Infrastructure Netherlands B.V.) with registered office at calle Hernani 59,28021 Madrid (formerly 1101 CM Amsterdam Ziudoost, Holland). This Company prepares the consolidated annual accounts in Spain (in the Netherlands until 2015), which are filed with the Madrid Mercantile Registry.

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

2. Basis of presentation

a) Fair presentation

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

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

These Annual Accounts, prepared on 26 of February de 2018 by the Company's Directors, will be submitted for the approval of the General Meeting of Shareholders, and are expected to be approved without any modification.

b) Critical measurement issues and estimation of uncertainty

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

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

Amortization of intangible assets – Concession Agreement

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

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

Income tax and deferred tax assets

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

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

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

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

Fair value of unlisted financial instruments

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

Provisions

Provisions are 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 and taking into account the Company's annual technical reports.

Although these estimates were prepared using the best information available at the 2017 period end, future events may make it necessary to change them in subsequent years; any such changes would be made prospectively.

Deferred financial expense on motorway financing

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

As of December 31, 2017 and 2016, the Company's equity is less than 50% of its share capital as a result of the hedging reserve. Royal Decree Law 10/2008 under which Final Provision 1 amended Article 36, section 1, c) of the Code of Commerce, governs this situation from a mercantile perspective. This regulation excludes from the definition of equity, solely for the purposes of capital reductions, distribution of profits and causes for dissolution (Articles 317 and 327 of the Spanish Companies Act, Article 273 of the Spanish Companies Act, Article 360,363 and 368 of the Spanish Companies Act and Articles 179,180 and 181 of the Spanish Companies Act) value adjustments deriving from cash flow hedges not yet taken to the income statement, recognised in the accounting records and including any participating loans from shareholders.

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

d) Comparability

In accordance with legislation in force, for each item in the balance sheet, income statement and statement of change in equity, the figures for the previous year are included together with the figures for 2017 for purposes of comparison.

3. Accounting policies

3.1 Intangible assets

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

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

a) Concession agreement, regulated assets

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

Concession arrangements should fulfil the following requirements:

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

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

The consideration received for the construction or improvement service is recognized as an intangible in the item "Concession agreement, regulated asset", in Intangible assets (note 5), in accordance with the intangible model in which demand risk is assumed by the concession entity.

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

b) Concession agreement, capitalization of interest expense

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

c) Computer software

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

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

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

3.2 Property, plant and equipment

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

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

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

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

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

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

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

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

3.3 Borrowing costs

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

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

3.4 Financial assets

a) Loans and receivables

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

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

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

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

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

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

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

3.5 Financial derivatives and hedge accounting

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

<u>Cash flow hedges</u>: 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. These amounts are recycled to profit or loss in the year(s) in which the hedged forecast transaction affects profit or loss, unless the hedge corresponds to a forecast transaction that ultimately results in the recognition of a non-financial asset or liability, in which case the gains or losses previously deferred in equity are included in the initial cost of the asset when it is acquired or liability when it is assumed.

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

The gain or loss relating to the ineffective portion is recognized immediately in the income statement for the year, transfer hedging transaction in proportion to the amortization of the covered debt.

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

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

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

3.6 Cash and cash equivalents

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

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

3.7 Equity

Share capital consists of ordinary shares.

In the event that the Company acquires treasury shares, the compensation paid including any incremental cost that is directly attributable, is deducted from equity until the shares are redeemed, issued again or otherwise disposed of. When treasury shares are subsequently sold or reissued, any amount received is taken to equity net of directly attributable incremental costs.

3.8 Financial liabilities

a) Creditors and payables

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

Payables are initially 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 carrying value of the instrument into line with the expected flow of forecast future payments to maturity of the liability.

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

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

3.9 Prepayments for current assets

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

3.10 Current and deferred income taxes

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

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

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

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

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

Severance indemnities

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

3.12 Provisions and contingent liabilities

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

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

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

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

a) Maintenance services: recognized as an expense for the period in which they are incurred.

b) Replacements and major repairs required to keep the infrastructures in an optimal condition: provisions are systematically charged to the income statement based on infrastructure use. They are calculated using best estimates of future replacements and major repairs included in the Company's Business Financial Plan.

c) Activities necessary to revert the infrastructure to the grantor at the end of the concession period, in the conditions of use and operation stipulated in the concession agreement: provisions are systematically charged as indicated in letter b) above, unless the obligations in question are similar to decommissioning or withdrawal obligations, in which case the initially estimated present value of the commitments acquired in connection with these activities will form part of the value of the intangible assets.

d) Improvements or capacity increases: these activities are treated as a new concession for accounting purposes and the consideration received is recognized. Nonetheless, if these actions are not compensated through a possible increase in revenues, a provision is recognized for the best estimate of the present value of the necessary disbursement to settle such actions. The balancing entry is an increase in the acquisition price of the intangible asset.

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

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

3.13 Revenue recognition

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

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

a) Interests income

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

3.14 Leases

a) Finance lease

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

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

b) Operating leases

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

3.15 Related- party transactions

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

3.16 Environment

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

(Expressed in thousand euro)

4. Financial risk management

Main financial risk factors

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

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

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

Foreign exchange risk exposure:

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

Interest rate risk exposure:

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

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

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

	Thousand Euro	
	2017	**2016**
Bank borrowings (Note 15.a)	48,912	51,955
Notional amounts hedged (Note 11)	48,329	51,816
Position hedged by financial derivatives	98.81%	99.7%

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

Liquidity risk exposure:

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

The Group's liquidity management is based on:

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

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

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

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

CONTENT OF THE NOTES TO THE ANNUAL ACCOUNTS FOR 2017 PERIOD
(Expressed in thousand euro)

5. Intangible assets

Set out below is an analysis of and movements in the accounts recorded under Intangible assets for the years 2017 and 2016:

	Concession agreement, regulated asset	Computer software	Concession agreement, capitalization of interest expense	Total
At 31 December 2016				
Cost	92,545	121	12,550	105,216
Accumulated amortization	(34,354)	(89)	-	(34,443)
Carrying amount	**58,191**	**32**	**12,550**	**70,773**
At 31 December 2017				
Carrying amount at the beginning of the period	58,191	32	12,550	70,773
Additions	-	12	1,207	1,220
Amortization	(5,513)	(18)	-	(5,532)
Carrying amount	**52,678**	**26**	**13,757**	**66,461**
At 31 December 2017				
Cost	92,545	134	13,757	106,436
Accumulated amortization	(39,867)	(108)	-	(39,975)
Carrying amount	**52,678**	**26**	**13,757**	**66,461**

	Concession agreement, regulated assets	Computer software	Concession agreement, capitalization of interest expense	Total
At 31 December 2015				
Cost	92,545	113	10,859	103,517
Accumulated amortization	(28,981)	(66)	-	(29,047)
Carrying amount	**63,564**	**47**	**10,859**	**74,470**
At 31 December 2016				
Carrying amount at the beginning of the period	63,564	47	10,859	74,470
Additions	-	8	1,691	1,699
Amortization	(5,373)	(23)	-	(5,396)
Carrying amount	**58,191**	**32**	**12,550**	**70,773**
At 31 December 2017				
Cost	92,545	121	12,550	105,216
Accumulated amortization	(34,354)	(89)	-	(34,443)
Carrying amount	**58,191**	**32**	**12,550**	**70,773**

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

CONTENT OF THE NOTES TO THE ANNUAL ACCOUNTS FOR 2017 PERIOD
(Expressed in thousand euro)

Concession agreement

a) Description, nature and scope

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

The project is divided into three areas:

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

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

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

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

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

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

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

b) Amendments to the agreement

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

(Expressed in thousand euro)

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

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

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 interest expense

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

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

	Capitalization of interest expense
At 31 December 2015	**10,859**
Carrying amount at 1 January 2016	**10,859**
Increases/(Decreases)	1,691
At 31 December 2016	**12,550**
Carrying amount at 01 January 2017	**12,550**
Increases/(Decreases)	1,207
At 31 December 2017	**13,757**

Amounts apportioned in this item to 2017 total 13,757 thousand euro (12,550 thousands euro in 2016), of which 1,207 thousands euro was credited to the 2017 income statement (1,691 thousands euro in 2016). Financial expense forecast in the Business Financial Plan for the period 1 January 2011 to 27 December 2026 totals approximately 71 million euro.

(Expressed in thousand euro)

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

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

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

	2017	**2016**
Forecast expense to be capitalized	1,207	1,691
Forecast expense to be expensed	4,232	3,931
Total forecast financial expense	**5,439**	**5,622**
Total actual financial expense	**5,226**	**5,361**
Departure forecast expense - actual expense	**(213)**	**(261)**

Fully amortized intangible assets

As of December 31, 2017 and 2016, there were no fully amortized intangible assets still in use.

Insurance

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

6. Property, plant and equipment

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

	Machinery, tooling and vehicles	**Furnishings**	**Data processing equipment**	**Other property, plant and equipment**	**Fixed assets in course of construction and advance payments**	**Total**
Carrying amount 01.01.2017	**234**	**9**	**8**	**16**	**4**	**271**
Additions	57	-	5	4	-	65
Write-downs	(73)	(3)	(4)	(5)	-	(84)
Carrying amount 31.12.2017	**218**	**6**	**9**	**15**	**4**	**252**
At 31 December 2017						
Cost	1,718	30	55	82	4	1,889
Accumulated depreciation	(1,500)	(24)	(46)	(67)	-	(1,637)
Carrying amount contable 31.12.2017	**218**	**6**	**9**	**15**	**4**	**252**

(Expressed in thousand euro)

	Machinery, tooling and vehicles	Furnishings	Data processing equipment	Other property, plant and equipment	Fixed assets in course of construction and advance payments	Total
Carrying amount 01.01.2016	**219**	**10**	**7**	**11**	**4**	**251**
Additions	85	2	6	9	-	102
Write-downs	(70)	(3)	(5)	(4)	-	(82)
Carrying amount 31.12.2016	**234**	**9**	**8**	**16**	**4**	**271**
At 31 December 2016						
Cost	1,661	30	51	78	4	1,824
Accumulated depreciation	(1,427)	(21)	(43)	(62)	-	(1,553)
Carrying amount 31.12.2016	**234**	**9**	**8**	**16**	**4**	**271**

a) Finance lease

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

	Thousands euro	
	2017	**2016**
Capitalised finance lease cost	109	109
Accumulated depreciation	(104)	(80)
Carrying amount	**5**	**29**

As of December 31, 2017 and 2016, the Company does not have debts with creditors for financial leasing.

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.

(Expressed in thousand euro)

7. Non-current and current financial investments

a) Non-current financial investments

Set out below is an analysis of this heading showing movements during 2017 and 2016:

	Thousands euro	
	Other financial assets	Total
At 31 December 2015	**4,537**	**4,537**
Increases	-	-
Reclassifications	(1,000)	(1,000)
At 31 December 2016	**3,537**	**3,537**
Increases	-	-
Reclassifications	-	-
At 31 December 2017	**3,537**	**3,537**

During 2016, reclassifications to short-term investments have been recognized in accordance with clause 25 of the Senior loan contract (Note 15.a). As of December 3, 2017 there have been no movements in this ítem.

b) Current investments

Short-term financial assets relate mainly to current account balances totaling 4,375 thousand euro not available for a period of more than three months but less than 12 months (2016: 4,375 thousands euro), pursuant to Clause 25 of the senior loan agreement (Note 15.a).

8. Cash and cash equivalents

	Thousands euro	
	2017	2016
Banks	12,067	6,791
Cash and cash equivalents	**12,067**	**6,791**

The cash balance relates to freely distributable current account balances.

(Expressed in thousand euro)

9. Analysis of financial instruments

9.1 Analysis by category

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

	Thousands euro			
	Non-current financial assets			
	Credits and others		Total	
	2017	2016	2017	2016
Trade and other receivables:				
- Loans to group companies and associates (Notes 10 & 21)	10,023	9,633	10,023	9,633
- Other financial assets	3,537	3,537	3,537	3,537
	13,560	**13,170**	**13,560**	**13,170**

	Thousands euro			
	Current financial assets			
	Credits and others		Total	
	2017	2016	2017	2016
Trade and other receivables:				
- Loans and receivables (Note 10)	4,989	6,196	4,989	6,196
- Other financial Assets	4,375	4,375	4,375	4,375
Cash and cash equivalents	**12,067**	**6,791**	**12,067**	**6,791**
	21,431	**17,362**	**21,431**	**17,362**

	Thousands euro					
	Non-current financial liabilities					
	Bank Loans		Derivatives and others		Total	
	2017	2016	2017	2016	2017	2016
Creditors and payables:						
- Bank loans (Note 15)	44,740	48,271	-	-	44,740	48,271
- Hedging derivatives (Note 11)	-	-	12,074	15,863	12,074	15,863
- Other non-current payables (Note 15)	-	-	10,653	10,653	10,653	10,653
- Payables to group companies and associates (Notes 15 & 21)	-	-	18,144	18,050	18,144	18,050
	44,740	**48,271**	**40,871**	**44,566**	**85,611**	**92,837**

(Expressed in thousand euro)

	Thousands euro					
	Current financial liabilities					
	Bank Loans		Derivatives and others		Total	
	2017	2016	2017	2016	2017	2016
Creditors and payables:						
- Bank loans (Note 15)	3,798	3,196	-	-	3,798	3,196
- Trade and other payables (Note 15)	-	-	560	1,221	560	1,221
- Other current debts (Note 15)	-	-	822	519	822	519
- Payables to group companies and associates (Notes 15 & 21)	-	-	610	265	610	265
	3,798	**3,196**	**1,992**	**2,005**	**5,790**	**5,201**

9.2 Analysis by maturity

Payables having fixed or determinable maturities are shown below by year of maturity at the 2017 period end:

	Thousands euro						
	Financial assets						
	2018	2019	2020	2021	2022	Subsequent years	Total
Trade and other receivables (Note 10)	4,988	-	-	423	-	9,600	15,011
Other financial assets	4,375	886	969	903	779	-	7,912
	9,363	**886**	**969**	**1,326**	**779**	**9,600**	**22,923**

	Thousands euro						
	Financial liabilities						
	2018	2019	2020	2021	2022	Subsequent years	Total
- Bank loans (Note 15)	3,798	4,369	4,820	5,239	6,464	23,848	48,538
- Creditors and payables (Note 15)	560	-	-	-	-	-	560
- Hedging derivatives (Note 11)	-	-	-	-	-	12,074	12,074
- Other liabilities (Note 15)	822	-	-	-	-	10,653	11,475
- Payables to group companies and associates (Notes 15 & 21)	610	-	-	-	-	18,144	18,754
	5,790	**4,369**	**4,820**	**5,239**	**6,464**	**64,719**	**91,401**

(Expressed in thousand euro)

10. Trade and receivables

	Thousands euro	
	2017	**2016**
Non-current loans and receivables		
Loans to group companies and associates (Note 21) (a)	10,023	9,633
Current loans and receivables		
- Trade receivables for sales and services rendered (b)	4,980	6,181
- Advance payments to suppliers	8	15
Total loans and receivables	**15,011**	**15,829**

Short-term loans and receivables maturing in less than one year are carried at face value, since there is no evidence of impairment as of December 31, 2017 and 2016.

a) <u>Loans to group companies and associates</u>

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

The terms of this financing as of December 31, 2017 and 2016 are as follows:

				Thousands euro		
					31.12.2017	**31.12.2016**
Company	**Grant date**	**Maturity date**	**Interest rate applied**	**Limit**	**Drawdown (Capital + Interests)**	**Drawdown (Capital + Interests)**
Roadis Concesiones de Infraestructuras, S.L.U.	30/11/2016	28/05/2026	Fix rate: 4%	4,920	4,920	4,920
Elsamex, S.A.				4,440	4,440	4,440
Grusamar Ingeniería y Consulting, S.L.				240	240	240
Accrued interests payables					423	33
TOTAL					**10,023**	**9,633**

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

b) <u>Trade receivables for sales and services rendered</u>

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

On 15 October 2014 and 26 November 2014, the Company received official communications from the Madrid Traffic Authorities requiring the regularization of 2,213,600 euro and 4,000,000 euro as a result of the retroactive application of indicators "I18. Road safety. Hazard Index and "I19". Road safety fatality index within the framework of the concession agreement, for 2012 and 2013, respectively. Such amounts were withheld from the certifications issued by the Company in the period September to December 2014. On 31 August 2015 the Contract Inspector recognized a recalculation in the Road Safety and Fatality indicators. 4,041,400 euro was regularized in favor of the Company while 2,172,000 euro was pending regularization. On December 13, 2017, it was notified that the voting and ruling of this procedure would be carried out jointly with the procedure described in point 3 through the administrative proceeding. This vote and ruling was established on April 11, 2018 by the National Court.

- Secondly, the procedures initiated following the official communication received on 4 March 2014 from the Madrid Traffic Authorities, requiring a deduction of 2,034,409 euro in relation to the Sideways Force Coefficient for 2013 and 2014, which was withheld from the certifications for February and March 2014, are still being processed. The appeal phase is on-going and the Company is awaiting the decision of the National Court, following the appeal filed on 5 July 2016 regarding the Resolution of the Secretariat of State for Infrastructure, Transport and Housing, through which it was agreed to process the incident set forth "in accordance with the Administration's proposal relating to the considerations declared by the Concession Holder in the certificates for 2013 and 2014 related to status and quality indicator I-1 Skid Resistance". On 19 January 2016, the Company received the favorable report regarding this joinder from the State Attorney. At the date of formulation of these annual accounts, the brief of conclusions of the State Attorney has already been presented, pending only the indication for the vote and ruling by the National Court.

- Thirdly, the Company has claimed through administrative proceedings the refund of the amounts deducted from the certification for November 2015 in respect of the application of hazard and fatality indicators amounting to 666,600 euro. These balances are recognized on the Company's balance sheet for prudence. Through an measure of organization, on January 22, 2018, the written document of the conclusions of the State Attorney was formulated and its vote and ruling was announced on April 11, 2018 by the National Court.

- Fourthly, the Company has also claimed through administrative proceedings the refund of amounts which were deducted from the certification or May 2016 in respect of surface structural capacity amounting to 200,015 euro. These balances are recognized on the Company's balance sheet for prudence. The voting and ruling of this proceeding has been established on March 14, 2018.

- Lastly, in 2016 the Company recognized financial income on the late-payment interest on the amounts recognized and collected in 2015 (described in the first paragraph), the relevant appeal having been filed with the National Court amounting to 742 thousand euro. These balances are recognized on the Company's balance sheet in view of the agreement held with the Administration for the partial regularization of the amounts withheld in 2014 unlike in the case of the other procedures, for which there is no decision covering the right to claim late-payment interest. At 31 December 2017 the Company has not registered any financial entry. As of December 31, 2017, the Company has not registered any financial income. On April 11, 2018 has been established a new date for voting and ruling.

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

Overdue trade receivables, which are less than three months old, are not considered to be impaired. At 31 December 2016 and 2017 accounts receivable amounting to 4,217 thousand euro had fallen due (2016: 4,217 thousand euro), although they were not impaired, based on the content of this note. These accounts are more than 6 months old.

(Expressed in thousand euro)

11. Financial derivatives

	Thousands euro			
	2017		2016	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps – cash flow hedges	-	12,074	-	15,863
Total	**-**	**12,074**	**-**	**15,863**
Less current portion	**-**	**-**	**-**	**-**
Non-current portion:	**-**	**12,074**	**-**	**15,863**

As of December 31, 2017 and 2016, the Company has signed contracts with BNP Paribas and BBVA to hedge interest rates (swap) contracted on August 1 2008 and with final maturity on June 16 2025, which guarantee a rate of 5.7% and 5.7% respectively, with a total notional amount at the end of the year of 48,329 thousands euro (2016: 51,816 thousands euro), in relation to the long-term syndicated loan contracted on June 26, 2008 for a maximum total amount of 64,459 thousands euro, with an amount of 48,892 thousands euro as of December 31, 2017 (2016: 51,933 thousands euro) (see Note 15).

The effective portion recognized in equity for cash flow hedges amounts to a gain of 457 thousand euro (2016: loss of 2,073 thousand euros) minus the tax effect recorded as deferred tax on assets (Note 17) for a positive amount of 114 thousand euro (2016: 518 thousand euro negative).

The settlement of this derivative in 2017 generated a loss before the tax effect of 2,987 thousand euro (2016: 3,091 thousand euro). In addition, in 2017 the Company recognized a loss amounting to 100 thousand euro, mainly because of the appropriation of results to the hedging reserve associated with the temporary loss of cover of the derivative in 2013, in the last quarter of 2015 and in 2017.

The provision for interest on the Company's financial instruments amounts to 125 thousand euro (2016: 133 thousand euro) (Note 15a).

12. Share capital

Share capital in 2017 and 2016 is as follows:

	Thousands euro	
	2017	2016
Authorised capital	9,413	9,413
Total	**9,413**	**9,413**

Authorised capital consists of 1,882,674 ordinary bearer shares (2016: 1.882.674 shares) with a par value of 5 euro each; no payments on shares were outstanding at 31 December 2017 and 2016.

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.

(Expressed in thousand euro)

As of December 31, 2017 and 2016, the following companies hold interests in the company's share capital:

Company	2017 Number of shares	2017 Percentage interest	2016 Number of shares	2016 Percentage interest
Roadis 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	**1,882,674**	**100,00%**	**1,882,674**	**100,00%**

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

13. Reserves

Set out below is an analysis of this heading showing movements during 2017 and 2016:

	Thousands euros 2017	Thousands euros 2016
Legal and bylaw:		
- Legal reserve	1,063	834
	1,063	**834**

Reserva legal

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

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

14. Profit/ (loss) for the period

a) Proposed distribution of profits

Set out below is the proposed distribution of results for 2017 to be submitted to the General Shareholders' Meeting, and the results and reserves distribution approved for 2016 by the General Shareholders' Meeting dated 3 July 2017:

	Thousands euro 2017	Thousands euro 2016
Basis of distribution		
Profit and loss (profit)	2,650	2,297
	2,650	**2,297**
Application		
Legal reserve	265	230
Dividends	2,385	2,067
	2,650	**2,297**

(Expressed in thousand euro)

b) Restrictions for the dividends distribution

The amounts distributed in 2017 and in 2016 did not exceed the profits obtained since the previous period end, less estimated corporate income tax payable on such profits, in accordance with Article 277 of the Spanish Companies Act of Royal Decree 1/2010.

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

As of December 31, 2017, a Debt Service Coverage Ratio higher than 1.10 is estimated and as of December 31, 2016, the CSD Ratio was 1.62.

15. Trade and payables

	Thousands euro	
	2017	**2016**
Non-current payables:	**67,467**	**74,787**
- Borrowings (a)	44,740	48,271
- Derivatives (Note 11)	12,074	15,863
- Other non-current payables (d)	10,653	10,653
Payables to group companies and associates (b) (Note 21)	**18,144**	**18,050**
Total non- current payables	**85,611**	**92,837**
Current payables:	**4,620**	**3,715**
- Borrowings (a)	3,798	3,196
- Other current payables (d)	822	519
Payables to group companies and associates (b) (Note 21)	**610**	**265**
Trade and other payables:	**560**	**1,221**
- Trade payables	381	859
- Trade payables to group companies and associates (Note 21)	62	252
- Personnel (salaries payable)	117	110
Total current payables	**5,790**	**5,201**

a) Bank loans

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

The terms of such financing are as follows:

				Thousands euro	
2017	**Agent bank**	**Maturity**	**Interest rate**	**Nominal limit 31/12/2017**	**Drawdown balance 31/12/2017**
Senior loan	BNP Paribas	15/06/2025	Euribor+Spread	64,459	48,892
	Accrued unpaid interest				20
	Amortized cost effect				(499)
	Total				**48,413**

Thousands euro

(Expressed in thousand euro)

2016	Agent bank	Maturity	Interest rate	Nominal limit 31/12/2016	Drawdown balance 31/12/2016
Senior loan	BNP Paribas	15/06/2025	Euribor+Spread	64,459	51,933
	Accrued unpaid interest				22
	Amortized cost effect				(621)
	Total				**51,334**

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

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

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

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

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

The last debt service coverage ratio at the 2016 year end amounted to 1.62. The margin applicable in the year of 1.15% is subject to that exemption.

The principal is repaid every six months, the first instalment was paid on 15 June 2011, and the last will be paid on 15 June 2025. During the year the principal was repaid in an amount of 3,041 thousand euro (2016: 8,452 thousands 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 nominal value to final maturity (Note 11).

As of December 31, 2017, the loans bore monthly interest at an average rate of 1.06% (2016: 1.08%).

The loan agreement provides for compliance with the usual ratios under this type of arrangements, which the Company's Directors consider have been met as of December 31, 2017.

The loan agreement also requires reserve accounts to be recognized; these reserves have properly established as of December 31, 2017 and 2016 pursuant to Clause 25 of the loan agreement. They are subject to certain restrictions, causing the reserve balances at the 2017 and 2016 year ends to be classed as Non-current financial investments (Note 7.a), Current financial investments (Note 7.b) and Cash and cash equivalents (Note 8).

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

- Initial fund contribution commitments: the shareholders undertake to contribute shareholders' funds to the Company in the total amount required to fulfil the above-mentioned ratios.
- Completion guarantee: the shareholders undertake to contribute the necessary funds to ensure that the project becomes operational.

(Expressed in thousand euro)

- Operating guarantee: the shareholders undertake to guarantee all payment commitments acquired by the Company in the financing agreements, in an amount limited to 13 million euro, to 31 August 2025, when the commitments secured will be fully repaid or fulfilled, or to the date on which payment of the maximum amount of the forecast liability falls due. This guarantee has been reduced to 6,9 million euro, as part of the agreement amount 30 November 2016.

In addition, accrued interest payable on the derivative is recognized under this item amounting 125 thousand euro (2016: 135 thousand euro).

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

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

The terms of such financing are as follows:

2017					**Thousands euro**	
Company	**Loan type**	**Grant/ renewal date**	**Maturity date**	**Interest rate applied**	**Limit**	**Drawdown balance (Capital + Interest)**
Roadis Concesiones de Infraestructuras, S.L.U.	Participating loan	21/11/2008	15/06/2025	Fixed rate: 4% Variable rate: 3% of operating income	8,933	8,933
Elsamex, S.A.					8,061	8,061
Grusamar Ingeniería y Consulting, S.L.					436	436
Accrued interests payables						610
Amortized cost effect						714
Total						**18,754**

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

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 thousands euro following the first novation and 17,430 thousands euro following the second.

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

c) Information on the deferral of payments to suppliers

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

	Year 2017 (days)	Year 2016 (days)
Average payment period	46	41
Paid transactions ratio	45	36
Outstanding transactions ratio	60	68
	Year 2017 (Thousands euro)	**Year 2016 (Thousands euro)**
Total payments made	2,596	3,882
Total outstanding balances	267	743

d) Other non-current payables

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

	2017			**Thousands euro**	
Loan type	**Company**	**Maturity date**	**Interest rate applied**	**Limit**	**Drawdown balance (Capital + Interest)**
Participating Loan	Ministry of development	27/06/2026	(*)	9,925	9,925
	Capitalised interest				728
	Accrued interest payable				822
					11,475

	2016			**Thousands euro**	
Loan type	**Company**	**Maturity date**	**Interest rate applied**	**Limit**	**Drawdown balance (Capital + Interest)**
Participating Loan	Ministry of development	27/06/2026	(*)	9,925	9,925
	Capitalised interest				728
	Accrued interest payable				519
					11,172

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

a) The amount resulting from applying a fixed interest rate of 175 basis points on the loan balance.
b) The amount resulting from applying the following formula:
R = 0.5 x Tir x Actual annual fee / Maximum annual fee x Balance of the participating 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.

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

(Expressed in thousand euro)

16. Other provisions

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

	Thousands euro		
	Motorway surfaces	**Vertical signs and other**	**Total**
Balance at 31 December 2015	**5,676**	**2,334**	**8,010**
Transfers (Note 18.d)	486	607	1,093
Financial addition (Note 18.e)	285	71	356
Applications	(686)	(358)	(1,044)
Balance at 31 December 2016	**5,761**	**2,654**	**8,415**
Transfers (Note 18.d)	973	129	1,102
Financial addition (Note 18.e)	230	95	325
Applications	(329)	(185)	(514)
Balance at 31 December 2017	**6,635**	**2,693**	**9,328**

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

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

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

On 31 December 2017, provisions are classified in non-current liabilities for an amount of 6,361 thousands euros (2016: 5,421 thousands euro) and current liabilities for an amount of 2,967 thousands euro (2016: 2,994 thousands euro).

SOCIEDAD CONCESIONARIA·TRAMO 1

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

CONTENT OF THE NOTES TO THE ANNUAL ACCOUNTS FOR 2017 PERIOD
(Expressed in thousand euro)

17. Corporate income tax and tax situation

The general corporate income tax rate is 25%.

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

2017						**Thousands euro**
	Income statement			**Income and expenses transferred directly to equity**		
Income and expenses for the period before income tax			**3,533**			**3,544**
	Increases	**Decreases**	**Total**	**Increases**	**Decreases**	**Total**
Income tax						
Permanent differences	**-**	**-**	**-**	**-**	**-**	**-**
Temporary differences	**9**	**(634)**	**(625)**	**-**	**(3,544)**	**(3,544)**
- Arising during the period	9	-	9	-	(457)	(457)
- Arising in prior years	-	(634)	(634)	-	(3,087)	(3,087)
Taxable income			**2,908**			**-**

2016						**Thousands euros**
	Income statement			**Income and expenses transferred directly to equity**		
Income and expenses for the period before income tax			**3,063**			**1,760**
	Increases	**Decreases**	**Total**	**Increases**	**Decreases**	**Total**
Income tax						
Permanent differences	**-**	**-**	**-**	**-**	**-**	**-**
Temporary differences	**-**	**(468)**	**(468)**	**2,073**	**(3,833)**	**(1,760)**
- Arising during the period	-	-	-	2,073	-	2,073
- Arising in prior years	-	(468)	(468)	-	(3,833)	(3,833)
Taxable income			**2,595**			**-**

Income tax expense is analyzed below:

	Thousands euro	
	2017	**2016**
Current income tax	727	627
Deferred income tax	156	139
Total	**883**	**766**

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

CONTENT OF THE NOTES TO THE ANNUAL ACCOUNTS FOR 2017 PERIOD
(Expressed in thousand euro)

Current income tax results from applying a tax rate of 25% (2016: 25%) to the tax base. Withholdings and payments on account have amounted to 454 thousands euro (2016: 462 thousands euro), so the amount to be paid to the Tax Administration amounts to 273 thousands euro (2016: 171 thousands euro).

Set out below is an analysis of deferred tax:

	Thousands euros	
	2017	**2016**
Deferred tax assets:		
- Other tax credits (hedging derivatives)	3,251	3,963
- Other tax credits (net financial expenses for the period)	102	184
- Other tax credits (depreciation not deductible in the period)	637	728
Total deferred tax assets	**3,990**	**4,875**

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

	Thousands euro			
	Derivatives	**Net financial expenses for the period**	**Depreciation not deductible in the period**	**Total**
Balance at 01 January 2016	**4,131**	**225**	**826**	**5,182**
Debited/ (credited) to income statement	-	(41)	(98)	(139)
Charged to equity	(440)	-	-	(440)
Others movements	272	-	-	272
Balance at 31 December 2016	**3,963**	**184**	**728**	**4,875**
Debited/ (credited) to income statement	(772)	(82)	(76)	(930)
Charged to equity	(114)	-	-	(114)
Others movements	174	-	(15)	159
Balance at 31December 2017	**3,251**	**102**	**637**	**3,990**

The Company is open to inspection by the tax authorities for the years 2013 to 2017 of the main taxes that are applicable to it, with the exception of corporate tax (2012-2016).

As a consequence, among others, of the different possible interpretations of the current tax legislation, additional liabilities could arise as a consequence of an inspection. In any case, the directors consider that such liabilities, if they occur, would not significantly affect the annual accounts.

(Expressed in thousand euro)

Additionally, the Company has the following tax position with the Public Administrations for taxes on its operating activities as of December 31, 2017 and 2016.

	Thousands euro	
	2017	**2016**
Current assets		
Other credits with Public Administrations	30	28
Current liabilities		
Payable to tax authorities VAT	531	210
Withholding taxes	22	24
Spanish Tax Authorities	31	30
Total	**584**	**264**

18. Income and expenses

a) Revenue

Revenue from the concession business amount to 17,260 thousands euro in 2017 (2016: 16,704 thousands euro) (Note 1)

b) Raw materials and consumables

	Thousands euro	
	2017	**2016**
Purchases in Spain	230	217
Subcontracted work	370	291
Total	**600**	**508**

c) Personnel expenses

	Thousands euro	
	2017	**2016**
Salaries and wages	1,201	1,323
Employee benefit expenses:		
- Employer social security	331	260
- Other staff welfare expenses	24	39
Total	**1,556**	**1,622**

As of December 31, 2017, the Company records an amount of 27 thousands euro in compensation under the line Salaries, salaries and similar (2016: 9 thousands euro).

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

	2017	**2016**
Executive	1	1
Graduates	9	9
Administrative personnel	7	8
Operators	28	28
Total	**45**	**46**

(Expressed in thousand euro)

Likewise, the distribution of the Company's personnel by sex at the end of the year is as follows:

			2017			2016
	Men	Women	Total	Men	Women	Total
Executive	1	-	1	1	-	1
Graduates	4	5	9	4	5	9
Administrative personnel	6	1	7	7	1	8
Operators	28	-	28	28	-	28
Total	**39**	**6**	**45**	**40**	**6**	**46**

As of December 31, 2017, the Company has 2 people with a recognized disability equal or greater than 33%. As of December 31, 2016, the Company did not have any person with recognized disability equal or greater than 33%.

d) Other operating expenses

	Thousands euro	
	2017	2016
Servicios exteriores:		
- I+D Cost	12	-
- Rent and royalties	69	62
- Repairs and maintenance	95	78
- Independent professional services	221	608
- Insurance premiums	133	123
- Banking and similar services	38	38
- Advertising and public relations	4	4
- Supplies	194	199
- Other services	290	48
- Other taxes	28	26
- Losses, impairment and change in trade provisions (Note 16)	1,102	1,093
Total	**2,186**	**2,279**

e) Financial income/expense

	Thousands euro	
	2017	2016
Financial income:		
- Because of credits with group entities (note 21.a)	390	40
- Other financial income (note 10)	-	742
	390	**782**
Financial expenses:		
- On payables to group companies (note 21.a)	(1,215)	(1,198)
- On payables to third parties	(2,898)	(3,337)
- Financial discounting of provisions (note 16)	(325)	(356)
	(4,438)	**(4,891)**

(Expressed in thousand euro)

Financial results	**(4,048)**	**(4,109)**

As of December 31, 2016, Other financial income includes recognized interest for late payment, amounting to 742 thousand euro, corresponding to the regularization of the retentions for non-compliance with Road Safety and Mortality indicators (described in Note 10), which are claimed before the National Court. The Directors of the Company and their legal advisors consider it probable that the aforementioned remedies will be resolved in a favorable manner for the Company. As of December 31, 2017, the Company has not recognized financial income for such concept.

19. Contingences

Contingent liabilities

As of December 31, 2017 and 2016 the Company records third-party guarantees amounting to 6,171 thousand euro.

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 Popular Español S.A.(previously 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".

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

20. Directors’ and Senior Management remuneration

a) Board of Directors and senior management remuneration

As of December 31, 2017 and 2016, the members of the Board of Directors have not received any remuneration in their capacity as such. The total remuneration of the Senior Management personnel in 2017 has amounted to 126 thousands euros (in 2016: 118 thousands euros).

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

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

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

b) Conflicts of interests of the Directors

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

(Expressed in thousand euro)

21. Other related party transactions

The following transactions were carried out with related parties:

a) Transactions made and financial results

	Thousands euro	
	2017	**2016**
Services rendered:		
Grupo Isolux Corsán, S.A. (**)	-	(1)
Grusamar Ingeniería Consulting, S.L.	(25)	-
Elsamex, S.A.	(137)	(134)
Roadis Concesiones de Infraestructuras, S.L.U. (*)	(127)	(128)
	(289)	**(263)**

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

	Thousands euro	
	2017	**2016**
Financial Income:		
Elsamex, S.A.	180	15
Grusamar Ingeniería y Consulting, S.L.	10	1
Roadis Concesiones de Infraestructuras, S.L.U. (*)	201	17
	390	**33**
Financial expenses:		
Elsamex, S.A.	(562)	(554)
Grusamar Ingeniería y Consulting, S.L.	(30)	(30)
Roadis Concesiones de Infraestructuras, S.L.U. (*)	(623)	(614)
	(1,215)	**(1,198)**
Total financial results	**(825)**	**(1,165)**

(*) At 31 December 2015, named Isolux Corsán Concesiones de Infraestructuras, S.L.U.
(**) On 29 April 2016, Grupo Isolux Corsán, S.A. ceased to be a shareholder of the parent of the Roadis Group and therefore ceased to be considered a related party from that date.

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

CONTENT OF THE NOTES TO THE ANNUAL ACCOUNTS FOR 2017 PERIOD
(Expressed in thousand euro)

b) Loans granted to and received from related parties

	Thousands euro	
	2017	**2016**
- Loans granted (**)		
Roadis Concesiones de Infraestructuras, S.L.U. (*)	5,137	4,937
Elsamex, S.A.	4,635	4,455
Grusamar Ingeniería y Consulting, S.L.	251	241
Total Non-current loans granted	**10,023**	**9,633**
- Loans received		
Roadis Concesiones de Infraestructuras, S.L.U. (*)	9,299	9,251
Elsamex, S.A.	8,391	8,348
Grusamar Ingeniería y Consulting, S.L.	454	451
Total Non-current loans received	**18,144**	**18,050**
- Current interests of loans received		
Roadis Concesiones de Infraestructuras, S.L.U. (*)	313	136
Elsamex, S.A.	282	123
Grusamar Ingeniería y Consulting, S.L.	15	6
Total Current interest of loans received	**610**	**265**

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

(**) Includes accrued interest receivable.

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

	Thousands euro	
	2017	**2016**
Accounts payable to related parties		
Roadis Concesiones de Infraestructuras, S.L.U. (*)	32	128
Elsamex, S.A.	30	123
Grupo Isolux Corsán, S.A. (**)	-	1
Grusamar Ingenieria y Consulting	6	-
Total Trade payables, group companies and associates	**68**	**252**

(*) At 31 December 2015, named Isolux Corsán Concesiones de Infraestructuras, S.L.U.
(**) On 29 April 2016, Grupo Isolux Corsán, S.A. ceased to be a shareholder of the parent of the Roadis Group and therefore ceased to be considered a related party from that date.

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

22. Events after the balance sheet date

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

23. Auditors' fees

The fees accrued during the year by PricewaterhouseCoopers Auditores, S.L. for audit and other verification services totaled 24,9 thousand euro and 3,5 thousands euro for other verification jobs (2016: 25,9 thousands euro and 3,5 thousands euro for other items). In addition, during 2017 and 2016, other services were provided by PricewaterhouseCopers Auditores, S.L.

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

Directors' Report
31 December 2017

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

DIRECTORS´REPORT FOR 2017
(Expressed in thousands euro)

1. Marco-economic environment

In summary, as a report of the economic situation of the year 2017, we have chosen the following points as highlights:

First of all, we can say that Spanish economic activity continues its positive trend in recent years. Specifically, this year, in the fourth quarter, GDP grew by 0.7%, one tenth less than the growth recorded in the third quarter (0.8%), due to general political uncertainty, which has led to an overall GDP growth in 2017 of 3.1%, two tenths below the growth registered in 2016 (3.3%) and chaining 4 consecutive years of growth in the Spanish economy. The prospects for next year continue to be positive although both, the national (Government and BdE) and international (IMF) agencies attribute to the uncertainty of the country's political situation a slowdown in the growth of the economy, which is estimated at 2, 4% (FMI). Regarding the growth of prices, note that during the year 2017 there has been an increase in prices - approximated by the growth rate of the annual consumer price index (CPI) - of 1.1% compared to the month of December 2016. This moderate increase in prices is mainly due to the fall in prices recorded in the fourth quarter of the year, when there has been a slowdown in domestic consumption due to the political situation.

In relation to employment, indicate that the year 2017 has been very positive for the creation of employment in Spain, with a figure of 611,146 new members of the Social Security, which is the best data in the last twelve years. On the other hand, unemployment still being very high (3,412,781 unemployed people), but it has decreased by 290,193 people this year, standing close to the levels of pre-crisis employment in 2008. Despite good employment data, it should be noted that precarious employment remains a constant in the Spanish economy, given that only 1.9 million of the 21,501,303 contracts signed in 2017 corresponded to permanent contracts, which is 9% of the total.

(Expressed in thousands euro)

2. Infrastructure Sector and Public - Private Collaboration Arrangements

The highway concession sector has been influenced this year by the government decision of nationalizating the bankrupt toll roads (Radiales de Madrid, M-12, AP-41 and two stretches of the AP-7), which will occur in the first semester of 2018, once the liquidation and the Patrimonial Responsibility of the Administration are determined. Once the concessions are rescued, the Government will open a new process for the award of these roads, a process that is expected to be completed before the end of 2018.

Another highlight during the year 2017 was the Government's intention, within the General State Budgets, of executing a Road Infrastructure Plan (PIC) valued at 5,000 million euros, which includes both, improvements in current infrastructures and construction of new ones, especially high capacity ones. This plan means a radical trend change in State's investment plans in the road sector, where investments were limited to the conservation of the current network. Actually, State plans will be articulated through public collaboration contracts, which will include the payment of works in deferred periods of up to 30 years and the inclusion of infrastructure maintenance and conservation services during the concession period.

With regard to the evolution of traffic in 2017, it should be noted that, due to the improvement in the general economic situation, with the consequent increase in the mobility of people and goods, there has been an increase of 4.5% in the traffic registered on the motorways of Spanish tolls (comparison of data between November 2017 and November 2016), standing at an average of 19,000 vehicles per day, which is the highest figure in the last 7 years. The circumstance is that the broken highways and those that will be object of rescue by the Government are those that have registered a greater increase of traffic between January and November, emphasizing the following:

AUTOPISTA RADIAL	USUARIOS DIARIOS*	INCREMENTO TRAFICO
R-5 (Madrid-Navalcarnero)	10.696	33.6%
AP-41 (Madrid-Toledo)	996	14.5%
R-4 (Madrid-Ocaña)	5.721	10.6%
R-2 (Madrid-Guadalajara)	5.316	8.1%
AP-36 (Ocaña-La Roda)	3.220	6.7%

* Data between January and November 2017. Source: Ministry of Public Works

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3. Company's development and performance in 2017 and forecast for 2018.

With regard to the evolution of the Concessionaire during 2017, it should be noted that ordinary revenue from traffic and compliance with Company's Indicators (Business figure) have increased by 3.33%, specifically to 1.704 thousand euros with respect to the previous year (16,704 thousand euros in 2016). This is mainly due to the positive evolution of revenues recorded due to the increase in heavy vehicle traffic (6.67%) thanks to the general economic recovery that has allowed the recovery of goods transport by road.

The total of 17,260 thousand euros recorded as income by the Company in 2017 is broken down as follows:

Concept	2017	2016	Variance (%)
Income from light vehicles	12.896	12.521	2.99%
Income from heavy vehicles	2.969	2.773	7.07%
Income by indicators	1.395	1.410	-1.06%

*Information in thousands euro.

On other side, regarding the evolution of traffic registered during 2017, this continues with the positive trend of recent years, in line with the evolution of GDP and the improvement of the general economy mentioned in previous paragraphs. The traffic registered in 2017 is broken down according to the following table:

Concept	2017	2016	Variance (%)
IMD Light	72.711	71.124	2.23%
IMD Heavy	12.040	11.285	6.67%

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Given the characteristics of the Concession Contract, the Company is subject to the risk of demand. Therefore, the main risk or uncertainty to which it is exposed is the fall in traffic levels, which will have a negative impact on its income statement if there is a slowdown or decline in the economic recovery, specifically in the industrial area of influence of the motorway or freight road traffic from, or to the south of Spain. This is why this constitutes the main risk for the Company, despite the fact that the increase in traffic absorbed by the Radial Highways (R-4) could suppose a risk due to the appearance of new competitors, which is very difficult given that the Concessionaire continues absorbing more than 90% of the traffic generated in the Madrid-Ocaña corridor.

Therefore, it can be affirmed that the Company shows a stability in its income that allows it assume contractual and financial obligations, both current and future.

During 2017 the Concessionaire Corporation has executed its ordinary operations in accordance with its Economic-Financial Plan (PEF), having produced, in general terms, savings in the items of current expense and operations in relation to the provisions of the Economic Plan Financial, especially in relation to ordinary maintenance costs, as mechanisms have been established to optimize the Company's resources in the execution of said operations, the improvement of weather conditions, which have reduced the purchase of fluxes (salt) , to the implementation of energy efficiency systems in the consumption of electrical energy (street lighting) and to the adoption of optimization measures in the use of materials and machinery.

Likewise, the Company has made investments within the scope of conservation and maintenance of the facilities subject of the concession contract, aimed to the restitution of the facilities in perfect use, as established in the concession contract, and the improvement of the same ones to comply with the commitment assumed by the Company with road safety. During 2017, the company allocated 842 thousand euros to these activities, with special attention to the improvement of containment, signaling, structures and work on the company.

With respect to financial information, it should be noted that the Company has reduced its indebtedness with banking entities by 3,041 thousand euros, with the outstanding debt amounting to 48,892 thousand euros as of December 31, 20117 with banking entities. During the year 2017, the Company has not contracted new financing lines or carried out any operations.

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The outlook for next year is to maintain the level of traffic at a similar level and slightly higher than in 2017, basically in units of heavy vehicles, supporting this perspective in the projections of increase in national GDP, with a stabilization in revenues by traffic and in the income derived from the application of service indicators, and a reduction in costs, through the application of saving policies and optimization of general services, improvement in the operation of energy saving measures and in the continuity of a efficient planning of maintenance work. Likewise, the Company will continue with its commitments to maintain and improve the infrastructures acquired both by the Concession contract and by the commitments acquired by the Management Bodies with the improvement of road safety, making it particularly relevant during the year 2018 in the works on firm and structures, to which he will devote most of his efforts during the next financial year.

4. Own shares

There has been no movement of own shares in the year.

5. Research and development activities.

Within the commitment of the Society with Quality and Road Safety, during the year 2017 has developed a web app (viA-4u) which purpose is to involve the user of the highway in improving road safety for other users, sharing their experience and perception of the different events that occur on the highway. The project incorporates the three key factors in its analysis of road safety:

- The human factor, involving the user himself in the perception of risk in real time.
- Infrastructure, allowing through the experiences of the users to know the perception that they have of the infrastructure and analyzing the structural factors that allow an improvement of road safety.
- The vehicle.

In this first phase, which is being developed together with the company Singular People, specialist in IT solutions and application development, the object of the Concession (Madrid-Ocaña) is being used as a study base, although it is expected that in phases can be operational in any other way and contribute to the objective of reducing road accidents.

During this first preliminary phase, the Company has allocated the amount of 12 thousand euros to the development of the web platform and the app, and estimates that it will continue to develop the implementation and improvement work during 2018.

(Expressed in thousands euro)

6. Environmental Activities

The Company is committed to the environment and the optimization of natural resources in its processes and carries out its activities in accordance with the quality standards established in ISO 14001, which following the audit, was renewed in November 2017.

The Company has developed different training activities during 2017 in order to raise awareness among the concessionaire's staff of legislative developments related to environmental management, the importance of knowledge and compliance with the different environmental protocols in force in the system quality of the Society and the rational use of energy resources. During 2017, the Company continued with its disposable materials recycling policies, using approved and accredited companies for such tasks, and acquiring materials, both for conversation tasks and those for office use, that meet the requirement of respect with the environment. Likewise, the Concessionaire continues with its commitment to operate with suppliers that show good environmental practices.
This commitment to the environment and Road Safety are the cornerstone of the Company’s current Integrated Quality System, within its on-going improvement objectives and commitments in relation to both the environment and road safety.

7. Use of hedging financial instruments.

In relation to the credit of 64,459 thousand euro subscribed with the BNP-BBVA dated June 26, 2008, novated on September 12, 2008, whose current maturity date is June 15, 2025, and whose current applicable margin is 1.15% of Euribor, the Company contracted on August 20, 2008, an interest rate swap agreement with the following characteristics as of December 31, 2017:

BNP

Fecha:	20 de August 2008
Importe nocional:	24.164.611,32
Tipo de interés cubierto:	Euribor
Tipo de interés fijo:	5,55%
Vencimiento	15 de junio de 2025

(Expressed in thousands euro)

BBVA

Fecha:	20 of august 2008
Importe nocional:	24.164.611,32
Tipo de interés cubierto:	Euribor
Tipo de interés fijo:	5,55%
Vencimiento	15 of june 2025

The Company maintains a treasury management system based on:
- Detailed management of Working Capital, seeking compliance with customer's collection commitments.
- Start-up of a treasury system with the objective of optimizing treasury positions
- Compliance with payment deadlines according to regulations

8. Human Resources

The evolution of the personnel has remained practically constant with respect to the previous year. The average number of employees as of December 31, 2017, is 45 workers, being distributed by sexes in 13% women and 87% men.

	2017	2016
Director	1	1
Titulados	9	9
Administrativos	7	8
Operarios	28	28
Total	**45**	**46**

As of December 31, 2017, the company has two employees with a recognized disability greater or equal to 33%, despite not exceeding the threshold of 50 workers established according to current regulations. Likewise, the Company maintains members of other groups of special protection in its workforce, within the commitment of the Company's management to facilitate access to the labor market for unprotected groups.

During the year 2017, the Company allocated 18.5 thousand euros to different training programs, such as language training, occupational risk prevention training and other technical training activities, within its commitment to quality and the continuous training of its employees.

Contact has also been initiated with consultants in matters of compliance and prevention of Counseling in the design and development of the Organization and Management Model for the Prevention of Crimes typified in the penal code due to the possible malpractice of the company's management. In the next year, as a proposal for improvement in the matter, the study will continue to define the crime prevention model on the highway, with a protocol of reaction to situations of risk or suspicion and a report of internal use for the company. , defining operational controls and mitigation measures for risk situations in the organization.

On other hand, inform that the Company has proceeded to establish a dialogue with the staff and representatives of the workers in order to find a formula to redistribute and flexibilize the working hours of their employees in accordance with their commitments to adopt measures that allow a better Conciliation of work and family life.

Likewise and within its commitment expressed in its Quality Integrated System of continuous improvement and commitment to employee safety, the Company has carried out all the necessary actions for the renewal of the Occupational Health and Safety certification (OHSAS). 18001) of AENOR, with satisfactory results.

9. Board of directors

The Company reports that the Board of Directors is composed by eight members, seven of whom have the right to vote and one non-board vice-secretary, of whom six are men (75.00%) and two women (25.00%).
The Board of Directors consists of:

- Elsamex Internacional SLU, as an advisor
- Elsamex SA, as board member and secretary of the Board of Directors
- Grusamar Ingeniería y Consulting SL
- Mr. José Antonio Labarra Blanco, as director and Chairman of the Board of Directors.
- Mrs. Maria Esther Ayuso Gil, as an advisor
- Mr. Eduard Soler Balot, in his capacity as advisor
- Mr. José Ramón Ballesteros Martínez, in his capacity as director
- Ms. Renata Mendaña Navarro, as Deputy Secretary non-director

None of the members of the Board of Directors is affected by cause of disability, incompatibility or by legal prohibition for the exercise of the position. In this way, we can say that all the members fulfill the requirements established in the Spanish legislation and in the other regulatory measures (including regional legislation).

Likewise, the members of the Board of Directors have not received any salary compensation, either by telephone or otherwise, or for the exercise of their functions.

10. Average payment period

In compliance with the duty of reporting the average period of payment to creditors, established in the third additional provision of Law 15/2010 (in accordance with the new wording given by the second final provision of law 31/2014 of the Companies Law reform of Capital), according to a resolution published in the Official State Gazette of February 4, 2016, in response to a resolution of January 29, 2016 of the Institute of Accounting and Auditing of Accounts (ICAC), the Company informs that the average payment period of the company's suppliers in 2016 have been 46 days (41 days in 2016), significantly lower than the legal term established and slightly to that registered in 2016, continuing the Management with the commitment to optimize internal processes, within the commitments acquired by the Company for efficiency in management, in its relationship with suppliers and in its continuous improvement processes.

The Directors of the Company will continue to establish the appropriate measures to improve and optimize invoice management deadlines that allow the company to continue meeting the deadlines set by current legislation and improve its relationship with suppliers.

SOCIEDAD CONCESIONARIA•TRAMO 1

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

PREPARATION OF THE ANNUAL ACCOUNTS AND DIRECTORS´ REPORT FOR 2017

The Board of Directors of "Sociedad Concesionaria Autovía A-4 Madrid S.A." in their meeting of 26 February 2018, and in accordance with the requirements of articles 253.2 of the Spanish Companies Act and Article 37 of the Code of Commerce, prepare the Annual Accounts and Directors' Report (Balance sheet, Income Statement, Statement of recognised income and expense, Total statement of changes in equity, Cash flow statement and the Notes to the annual accounts) for the year ended 31 December 2017, as set out in the preceding documents attached hereto.

Signed by:

D. José Antonio Labarra Blanco – Presidente

D. Eduard Soler Babot

D. Jose Ramón Ballesteros Martinez

Dña. María Esther Ayuso Gil

D. Raúl Cristóbal García
(En representación de Grusamar Ingeniería y Consulting, S.L.)

D. Mukund Sapre
(En representación de Elsamex Internacional, S.L.U.)

D. Fernando Jaime Bardisa Jordá
Secretario Consejero
(En representación de Elsamex, S.A.)