

**ELSAMEX SA**

**FINANCIAL STATEMENT**

**2014**

## **Elsamex, S.A.**

Financial statements for the  
year ended  
31 December 2014  
and Management Report, with the  
Independent Auditor's Report

## **INDEPENDENT AUDIT REPORT FROM ANNUAL ACCOUNTS**

To the Shareholders of ELSAMEX, S.A.

### **REPORT ON THE ANNUAL ACCOUNTS**

We have audited the Annual Accounts of the Company ELSAMEX, S.A., which include the balance sheet as of 31 December 2014, the profit and loss account, the statement of changes in the net worth, the statement of cash flow and the notes of the financial year ended on said date.

#### ***Responsibility of the Directors with regards to the annual accounts***

The Directors of the Company are responsible for the preparation of the attached annual accounts so as to faithfully express the assets, the financial status and the profit and loss account of ELSAMEX, S.A., in compliance with the Regulatory Framework for financial reporting applicable to the Company in Spain, as indicated in Note 2.1 of the attached notes. They are also responsible for the internal control considered necessary to enable the preparation of the annual accounts free of material inaccuracy due to fraud or mistake.

#### ***Responsibility of the auditor***

Our responsibility is to express an opinion regarding the attached annual accounts based on our audit report. We have audited in compliance with the Spanish accounts auditing regulations in force. Said regulations require ethics compliance, as well as planning and performance of the audit so as to reasonably ensure that the annual accounts are free of material inaccuracy.

An audit report requires implementing the procedures to obtain audit evidence regarding the amounts and the information in the annual accounts. The chosen procedures depend on the Auditor's decision, including the material inaccuracy risk assessment for the annual accounts, due to fraud or mistake. When performing said risk assessments, the Auditor takes into consideration the internal control for the preparation of the annual accounts by the Directors of the Company, with the goal of designing adequate auditing procedures depending on the circumstances, and not with the goal of expressing an opinion regarding the efficiency of the internal control of the Company. An audit report also includes the assessment of the suitability of the accounting policies applied and the reasonableness of the accounting estimations made by the management, as well as the assessment of the overall presentation of the annual accounts.

We consider that the audit evidence obtained is enough reason for our audit opinion.

#### ***Opinion***

In our opinion, the attached annual accounts faithfully express, in all significant aspects, the assets, the financial status of the Company ELSAMEX, S.A. as of 31 December 2014, as well as its profit and loss account and cash flows corresponding to the financial year ending on said date, in compliance with the applicable Regulatory Framework for financial reporting and, in particular, with the accounting principles and criteria therein.



### ***Highlighted paragraphs***

Regardless of our audit opinion, we draw attention to the terms of Notes 9.1 and 16 of the attached notes, regarding the existence of several disputes in favour of and against the Company and of which outcome we are unsure.

Elsamex S.A. is the parent company of the Group of companies "Elsamex" and, based on a cash-pooling policy, it provides financial support to the affiliated companies that need it, as and when necessary. As of 31 December 2014, the balance of Euro 35 Million for this concept is included in the balance section "*Short-term investments with group companies*".

### ***Paragraphs regarding other issues***

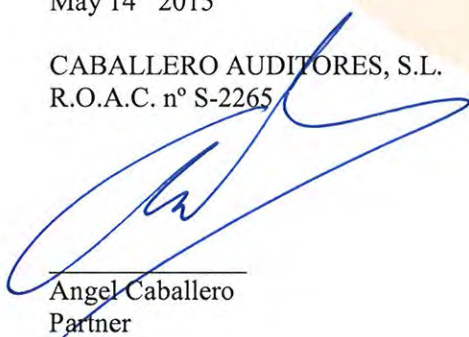
The comparative figures of financial year 2013 were audited by the previous auditor, who issued her audit report and expressed her favourable opinion on 31 March 2014.

### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

The attached management report of financial year 2014 includes the explanations that the Directors of the Company consider appropriate regarding the situation of the Company ELSAMEX S.A., the evolution of their business and other matters, and it is not an integral part of the annual accounts. We have verified that the accounting information therein is consistent with the financial statements of financial year 2014. Our work as auditors is limited to the verification of the management report with the scope mentioned in this paragraph and does not include any review of information other than the information obtained from the accounting records of the Company ELSAMEX S.A.

May 14<sup>th</sup> 2015

CABALLERO AUDITORES, S.L.  
R.O.A.C. nº S-2265

  
Angel Caballero  
Partner



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Consejo General

Miembro nº 4.925

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**ELSAMEX, S.A.**

**BALANCE SHEET AS AT DECEMBER 31<sup>ST</sup> 2014**

(Euros)

| ASSETS   |  | Year<br>2014 | Year<br>2013 | EQUITY AND LIABILITIES                         |  | Notes         | Year<br>2014 | Year<br>2013 |
|--|--|--------------|--------------|--|--|---------------|--------------|--------------|
| <b>NON-CURRENT ASSETS</b>  |  |              |              | <b>NET EQUITY</b>                              |  | Note 12       |              |              |
| Intangible assets  |  | 78.811.107   | 59.603.888   | <b>STOCKHOLDERS' EQUITY</b>                    |  |               | 58.881.933   | 57.332.542   |
| Development  |  | 3.960.978    | 3.839.240    | Capital  |  |               | 58.225.808   | 56.891.174   |
| Concessions  |  | 1.028.228    | 883.298      | Registered capital                             |  |               | 20.264.625   | 20.264.625   |
| Computer software  |  | 2.686.824    | 2.752.024    | Share premium                                  |  |               | 20.264.625   | 20.264.625   |
| <b>Property, plant and equipment</b>                             |  | 7.914.311    | 7.686.847    | Reserves                                       |  |               | 26.866.454   | 26.866.454   |
| Land and buildings   |  | 1.302.445    | 1.006.653    | Legal and statutory reserves                   |  |               | 7.227.017    | 5.852.291    |
| Technical installations and other items                          |  | 245.926      | 3.902.421    | Other reserves                                 |  |               | 2.142.230    | 1.751.450    |
| Under construction and advances                                  |  | 3.412.804    | 2.777.773    | Profit/(loss) for the year                     |  |               | 5.084.767    | 4.100.841    |
| <b>Non-current investments in group companies and associates</b> |  | 40.510.233   | 40.510.651   | <b>VALUATION ADJUSTMENTS</b>                   |  |               | 3.867.712    | 3.907.804    |
| Equity instruments   |  | 29.679.262   | 29.679.680   | Hedging transactions                           |  |               | 656.125      | 441.368      |
| Loans to companies   |  | 10.830.971   | 10.830.971   | Foreign Exchange Fluctuation Reserve           |  | Note 12.4     | -            | (32.482)     |
| <b>Non-current investments</b>                                   |  | 23.261.960   | 4.184.494    |  |  |               | 656.125      | 473.850      |
| Loans to third parties   |  | 517.162      | 517.162      | <b>NON-CURRENT LIABILITIES</b>                 |  |               | 70.879.227   | 59.079.367   |
| Other financial assets   |  | 22.744.798   | 3.667.332    | Non-current payables                           |  | Note 14       | 58.023.899   | 53.323.590   |
| <b>Deferred tax assets</b>                                       |  | 3.163.625    | 3.382.656    | Debt with financial institutions               |  |               | 51.411.883   | 52.778.273   |
|  |  |              |              | Finance lease payables                         |  | Note 8        | 811.910      | 539.067      |
|  |  |              |              | Derivatives                                    |  |               | -            | -            |
|  |  |              |              | Other financial liabilities                    |  |               | 7.750        | 6.250        |
|  |  |              |              | Advances from customers                        |  |               | 5.792.356    | -            |
|  |  |              |              | Group companies and associates, non-current    |  | Notes 14 & 20 | 10.750.000   | 2.560.000    |
|  |  |              |              | Deferred tax liabilities                       |  | Note 16       | 1.883.924    | 1.875.707    |
|  |  |              |              | Non-current accruals                           |  |               | 221.404      | 1.320.070    |
| <b>CURRENT ASSETS</b>  |  | 104.587.902  | 117.428.113  | <b>CURRENT LIABILITIES</b>                     |  |               | 53.637.849   | 60.620.092   |
| <b>Inventories</b>   |  | 1.091.717    | 2.446.708    | Current provisions                             |  |               | 916.464      | 1.452.901    |
| Raw materials and other supplies                                 |  | 951.875      | 756.648      | Current payables                               |  |               | 16.965.399   | 14.939.280   |
| Advances to suppliers  |  | 139.842      | 1.690.060    | Debt with financial institutions               |  | Note 14       | 15.661.975   | 13.133.213   |
| <b>Trade and other receivables</b>                               |  | 53.595.574   | 54.547.546   | Finance lease payables                         |  | Note 7        | 487.211      | 602.166      |
| Trade receivables  |  | 47.092.645   | 44.499.365   | Derivatives                                    |  |               | -            | 46.402       |
| Trade receivables from group companies and associates            |  | 567.693      | 944.386      | Other financial liabilities                    |  | Note 14       | 806.213      | 1.157.499    |
| Other receivables  |  | 4.011.946    | 7.159.822    | <b>Group companies and associates, current</b> |  | Note 19       | 1.086.324    | 6.873.015    |
| Personnel  |  | 140.722      | 70.264       | Trade and other payables                       |  | Note 14       | 33.992.348   | 37.336.116   |
| Public entities  |  | 1.782.568    | 1.873.709    | Suppliers                                      |  |               | 23.440.118   | 28.134.309   |
| <b>Current investments in group companies and associates</b>     |  | 35.092.398   | 43.409.898   | Suppliers, group companies and associates      |  |               | 2.185.236    | 1.888.088    |
| Other financial assets   |  | 35.092.398   | 43.409.898   | Personnel/salaries payable                     |  |               | 126.584      | 99.388       |
| Current investments  |  | 8.834.271    | 11.081.195   | Public entities                                |  |               | 3.888.050    | 2.464.664    |
| Other financial assets   |  | 8.834.271    | 11.081.195   | Advances from customers                        |  | Note 15       | 4.342.360    | 4.749.667    |
| <b>Prepayments for current assets</b>                            |  | 997.413      | 1.002.671    | Current accruals                               |  |               | 687.314      | 18.780       |
| Cash and cash equivalents  |  | 4.976.529    | 4.940.095    | <b>TOTAL EQUITY AND LIABILITIES</b>            |  |               | 183.399.009  | 177.032.001  |
| Cash   |  | 4.976.529    | 4.940.095    |  |  |               |              |              |
| <b>TOTAL ASSETS</b>  |  | 183.399.009  | 177.032.001  |  |  |               |              |              |

Notes 1 to 24 of the attached Report form an integral part of the balance sheet as at 31 December 2014



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# ELSAMEX, S.A.

## INCOME STATEMENT FOR THE PERIOD ENDED DECEMBER 31<sup>ST</sup> 2014

(Euros)

|  | Notes         | Year<br>2014        | Year<br>2013        |
|--|---------------|---------------------|---------------------|
| <b>CONTINUING OPERATIONS</b>                                     |               |                     |                     |
| Revenue  | Note 17 a)    | 85.018.498          | 79.223.243          |
| Services rendered  |               | 85.018.498          | 79.223.243          |
| Work carried out by the company for assets                       | Note 6        | 1.684.335           | 2.638.312           |
| Supplies   | Note 17 b)    | (34.759.983)        | (38.288.274)        |
| Raw material and other consumables used                          |               | (11.061.714)        | (11.506.559)        |
| Subcontracted works  |               | (23.698.269)        | (26.781.715)        |
| <b>Other operating income</b>                                    |               | <b>708.900</b>      | <b>880.282</b>      |
| Non-trading and other operating income                           |               | 702.025             | 880.282             |
| Operating grants taken to income                                 |               | 6.875               | -                   |
| <b>Personnel expenses</b>  | Note 17 c)    | <b>(25.833.029)</b> | <b>(25.119.361)</b> |
| Salaries and wages   |               | (20.695.434)        | (19.865.724)        |
| Employee benefits expense  |               | (5.137.595)         | (5.253.638)         |
| <b>Other operating expenses</b>                                  | Note 17 d)    | <b>(20.586.929)</b> | <b>(12.685.206)</b> |
| External services  |               | (19.628.140)        | (12.349.253)        |
| Taxes  |               | (579.774)           | (243.833)           |
| Losses, impairment and changes in trade provisions               | Note 9.2      | (358.613)           | (86.315)            |
| Other operating expenses   |               | (20.402)            | (5.805)             |
| <b>Amortisation and depreciation</b>                             | Notes 5 & 6   | <b>(1.932.952)</b>  | <b>(2.389.811)</b>  |
| <b>Impairment and gains/(losses) on disposal of fixed assets</b> |               | <b>231.861</b>      | <b>(3.855)</b>      |
| Impairments and losses   | Note 6        | 231.861             | (3.855)             |
| Gain/(losses) on disposal and others                             |               | 802.297             | (33.351)            |
| <b>RESULTS FROM OPERATING ACTIVITIES</b>                         |               | <b>5.332.998</b>    | <b>4.221.979</b>    |
| <b>Finance income</b>  |               | <b>3.201.133</b>    | <b>3.454.219</b>    |
| Dividends  | Note 19       | 378.148             | 549.771             |
| - Group companies and associates                                 |               | 378.148             | 549.771             |
| Marketable securities and other financial instruments            |               | 2.822.985           | 2.904.448           |
| - Group companies and associates                                 | Note 19       | 2.575.143           | 2.612.813           |
| - Other  |               | 247.842             | 291.635             |
| <b>Finance expenses</b>  |               | <b>(4.043.842)</b>  | <b>(3.004.331)</b>  |
| Group companies and associates                                   | Notes 14 & 19 | (577.031)           | (210.164)           |
| Other  | Note 14       | (3.466.811)         | (2.794.167)         |
| <b>Exchange gains/(losses)</b>                                   |               | <b>372.153</b>      | <b>(121.301)</b>    |
| <b>NET FINANCE INCOME/(EXPENSE)</b>                              |               | <b>(470.556)</b>    | <b>328.587</b>      |
| <b>PROFIT/(LOSS) BEFORE INCOME TAX</b>                           |               | <b>4.862.442</b>    | <b>4.550.566</b>    |
| Income tax expenses  | Note 15       | (994.730)           | (642.762)           |
| <b>PROFIT/(LOSS) FROM CONTINUING OPERATIONS</b>                  |               | <b>3.867.712</b>    | <b>3.907.804</b>    |
| <b>PROFIT/(LOSS) FOR THE PERIOD</b>                              |               | <b>3.867.712</b>    | <b>3.907.804</b>    |

Notes 1 to 24 of the attached Report form an integral part of the profit and loss account as at 31 December 2014



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**ELSAMEX, S.A.**

**STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED DECEMBER 31<sup>st</sup>, 2014**  
**A) STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR THE PERIOD ENDED DECEMBER 31<sup>st</sup>, 2013**  
 (Euros)

|   | Report Notes | Year 2014        | Year 2013        |
|---|--------------|------------------|------------------|
| <b>PROFIT AND LOSS FOR THE PERIOD (I)</b>                           |              | <b>3.867.712</b> | <b>3.907.804</b> |
| Income and expenses recognised directly in equity                   |              |                  |                  |
| - Cash flow hedges  |              | 20.242           | 47.080           |
| - Other adjustments   |              | 182.275          | 229.154          |
| - Tax effect  | Note 12.4    | (6.072)          | (14.124)         |
| <b>TOTAL INCOME AND EXPENSES RECOGNISED DIRECTLY IN EQUITY (II)</b> |              | <b>196.445</b>   | <b>262.110</b>   |
| Amounts transferred to the income statement (III)                   |              |                  |                  |
| - Cash flow hedges  |              | 26.160           | -                |
| - Tax effect  |              | (7.848)          | -                |
| <b>TOTAL TRANSFERS TO THE PROFIT AND LOSS ACCOUNT (III)</b>         |              | <b>18.312</b>    | <b>-</b>         |
| <b>TOTAL RECOGNISED INCOME AND EXPENSE (I+II+III)</b>               |              | <b>4.082.469</b> | <b>4.169.914</b> |

Notes 1 to 24 of the attached Report form an integral part of the assigned income and expenditure in relation to accounting period 2014



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**ELSAMEX, S.A.**

**STATEMENT OF CHANGE IN THE NET WORTH OF THE YEAR ENDED DECEMBER 31<sup>ST</sup>, 2014**

**B) STATEMENT OF CHANGES IN TOTAL NET WORTH**

(Euros)

|   | Capital    | Issue premium | Reserves  | Result for the period | Adjustments for changes in value | TOTAL       |
|---|------------|---------------|-----------|-----------------------|----------------------------------|-------------|
| <b>ADJUSTED BALANCE AT THE BEGINNING OF PERIOD 2013</b> | 20.264.625 | 26.866.454    | 4.009.929 | 1.842.363             | 179.259                          | 53.162.630  |
| Total recognise income and expense                      | -          | -             | -         | 3.907.804             | 262.110                          | 4.169.914   |
| Other transactions with equity holders and owners       | -          | -             | 1.842.363 | (1.842.363)           | -                                | -           |
| <b>CLOSING BALANCE FOR PERIOD 2013</b>                  | 20.264.625 | 26.866.454    | 5.852.291 | 3.907.804             | 441.368                          | 57.332.542  |
| Total recognise income and expense                      | -          | -             | -         | 3.867.712             | 214.757                          | 4.082.469   |
| Other transactions with equity holders and owners       | -          | -             | 1.374.726 | (1.374.726)           | -                                | -           |
| Dividends   | -          | -             | -         | (2.533.078)           | -                                | (2.533.078) |
| <b>CLOSING BALANCE FOR PERIOD 2014</b>                  | 20.264.625 | 26.866.454    | 7.227.017 | 3.867.712             | 656.125                          | 58.881.933  |

Notes 1 to 24 of the attached Report form an integral part of the statement changes in total net worth relating to period 2014



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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31<sup>ST</sup>, 2014

(Euros)

|   | Report<br>Notes | Year<br>2014        | Year<br>2013        |
|---|-----------------|---------------------|---------------------|
| <b>CASH FLOW FOR OPERATING ACTIVITIES (I)</b>                           |                 | <b>4.268.435</b>    | <b>(4.969.145)</b>  |
| Profit/(loss) for the period before tax                                 |                 | 4.862.442           | 4.550.566           |
| Adjustments for:  |                 | 2.562.742           | 2.184.348           |
| - Amortisation and depreciation (+)                                     | Notes 5 and 6   | 1.932.952           | 2.389.811           |
| - Valuation allowances for impairment losses (+/-)                      | Note 9          | 358.613             | 86.315              |
| - Proceeds from disposals of fixed assets (+/-)                         | Note 6          | (231.861)           | 3.855               |
| - Finance income (-)  |                 | (3.201.133)         | (3.454.219)         |
| - Finance expenses (+)  | Note 14         | 4.043.842           | 3.004.331           |
| - Exchange gains/(losses) (+/-)   |                 | (372.153)           | 121.301             |
| - Other income and expenses (-/+)                                       |                 | 32.482              | 32.955              |
| <b>Changes in operating assets and liabilities</b>                      |                 | <b>(2.224.489)</b>  | <b>(12.068.983)</b> |
| - Inventories (+/-)   |                 | 1.354.991           | (339.289)           |
| - Trade and other receivables (+/-)                                     |                 | 593.359             | (11.713.213)        |
| - Other current assets (+/-)  |                 | 10.036.655          | (16.024.509)        |
| - Trade and other payables (+/-)  |                 | (9.130.459)         | 16.039.151          |
| - Other current liabilities (+/-)                                       |                 | 132.097             | 107.821             |
| - Other non-current assets and liabilities (+/-)                        |                 | (5.211.132)         | (138.945)           |
| <b>Other cash flows from operating activities</b>                       |                 | <b>(932.260)</b>    | <b>364.923</b>      |
| - Interest paid (-)   | Note 14         | (3.671.689)         | (3.125.632)         |
| - Dividend received (+)   |                 | 378.148             | 549.771             |
| - Interest received (+)   |                 | 2.822.985           | 2.904.448           |
| - Income tax received (paid) (+/-)                                      |                 | (461.704)           | 36.336              |
| <b>CASH FLOW FOR INVESTING ACTIVITIES (II)</b>                          |                 | <b>(10.995.271)</b> | <b>(2.789.736)</b>  |
| Payments for investments (-)  |                 | (11.370.986)        | (3.062.491)         |
| - Group companies and associates  |                 | 418                 | (68.157)            |
| - Intangible assets   | Note 5          | (185.465)           | (50.797)            |
| - Property, plant and equipment   | Note 6          | (2.240.542)         | (3.852.456)         |
| - Other financial assets  |                 | (8.945.396)         | 908.920             |
| Proceeds from sale of investments (+)                                   |                 | 375.715             | 272.754             |
| - Intangible fixed assets   |                 | -                   | -                   |
| - Property, plant and equipment   | Note 6          | 375.715             | 57                  |
| <b>CASH FLOW FOR FINANCING ACTIVITIES (III)</b>                         |                 | <b>6.580.994</b>    | <b>9.003.638</b>    |
| Proceeds and payments for financial liability instruments               |                 | 9.114.072           | 9.003.638           |
| - Issue of debt with financial institutions (+)                         | Note 14         | 8.913.912           | 13.236.280          |
| - Issue of debt with Group companies and associates (+)                 |                 | 8.190.000           | -                   |
| - Redemption and repayment of debt with financial institutions (-)      |                 | (7.593.652)         | (4.745.136)         |
| - Debts with specific characteristics (+/-)                             |                 | (396.188)           | 512.494             |
| Payments for dividends and payments for others equity instruments       |                 | (2.533.078)         | -                   |
| - Dividends   |                 | (2.533.078)         | -                   |
| <b>EFFECT OF EXCHANGE RATE FLUCTUATIONS (IV)</b>                        |                 | <b>182.275</b>      | <b>229.154</b>      |
| <b>NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III+IV)</b> |                 | <b>36.433</b>       | <b>1.473.910</b>    |
| Cash and cash equivalents at beginning of period                        |                 | 4.940.095           | 3.466.186           |
| Cash and cash equivalents at end of the period                          |                 | 4.976.529           | 4.940.095           |

Notes 1 to 24 of the attached Report form an integral part of the statement changes in total net worth relating to period 2014



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## **Elsamex, S.A.**

Notes for the  
year ended  
31 December 2014

### **1. Incorporation and activity**

#### **Incorporation**

Elsamex, S.A. (hereinafter, the Company), was incorporated as a public limited company for an indefinite time on the 9th of December 1977. Its corporate offices are in calle San Severo 18, Madrid, Spain.

#### **Corporate Purpose**

The purpose of the Company is:

- a. Drafting of projects, quality control and technical management of all types of public and private works, either industrial, agricultural, civil engineering, railways or highways.
- b. Technical assistance in general and especially in matters of management and protection of the environment, including inspection, testing, surveillance and diagnostics in issues concerning environmental quality, business advice and management and administration of all types of businesses, companies or ventures; the transfer of technology of all types of construction products and systems, transport and management of hazardous waste, excluding all activities for which special requirements are required by Law and are not fulfilled by the Company.
- c. The purchase, sale and hiring of construction or works materials, vehicles and equipment.
- d. The subscription, acquisition, holding and transfer of stocks and shares in the assets of companies of all types, whether civil or commercial and, all this on their own behalf and excluding activities regulated by the Law of Collective Investment and Security Market Institutions.
- e. The provision of administrative services, as auxiliary services for administrative or archive work or similar, payment collection management services, meter reading, organization and promotion of conferences, fairs and exhibitions, specialist services, cleaning, disinfection, rodent and insect extermination, service and operation of security installations, forest fire prevention and species protection services; professional services for works of art restoration; servicing and maintenance of real estate; filter system maintenance; maintenance and repair services for equipment and installations, in particular, electrical, electronic, plumbing, water and gas pipes, heating and air conditioning, electro-medicine, security and fire prevention, office machinery and equipment, elevators and horizontal moving equipment; machinery maintenance and repair services; installation, generally, of all types; transport services; waste and rubbish treatment services; PR services, in particular advertising, radio, television and news agency services; general cleaning, laundry and dry cleaning services; storage and travel agency; IT and communication technology services; and, telecommunication services; excluding all activities for the performance of which the Law makes special requirements that the Company does not fulfil. If the Law demands a professional qualification for these activities, such activities shall be carried out through a person who holds the required qualification.



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- f. The construction, in general, of all types of works both for building and also for public, agricultural, farming, forest and industrial works, implementation of urban development and its maintenance, both for companies and for public or private bodies, as well as the manufacture or supply of any product or goods for performance of the same.
- g. The promotion, purchase and sale, leasing, construction and renovation of all types of real estate, excluding all activities for which special requirements are required by Law and not fulfilled by the Company. If required by Law, any activity subject to the holding of some sort of professional title shall be carried out by a person holding said required title.
- h. Carrying out surveys and gathering data; caretaker services, control of access and information to the public; collection of luggage trolleys in airports and stations; maintenance of urban furniture; transport services by whatever means for people and goods.
- i. The construction, improvement, repair, conservation, extension, remodelling and maintenance works of all types, public or private, and the administration and operation of concessions which have the same objectives. Tendering for concession contracts for public works or for management of public services or, generally, for those on which their financing is charged, or must be managed by the bidders themselves, whatever the method adopted, with public or private financing.
- j. Social, cultural and labour promotion of persons with any type of disability, services for senior citizens and for persons with social assistance needs, all through the provision of assistance, education and advice services, in particular amongst others: management and operation of geriatric homes, domestic support services, management and operation of day centres, management and operation of homes for senior citizens and the elderly, sheltered accommodation, management and operation of children's homes.
- k. Operation of Service Stations, sale of fuels, operation of hotels, restaurants, cafeterias and shops; operation of mechanical workshops and vehicle washing services; operation of all types of renewable and non-renewable energy generator installations; operation of public car parks; manufacture and installation of corporate image signings of all types; supply of materials, installation and provision of services related to energy saving and efficiency; operation of waste treatment installations of all types; maintenance of all the elements pertaining to corporate objective activities.
- l. The implementation of all kinds of real estate activities such as promotion, construction, building, subdivision of land, restoration, sale and purchasing of urban and rustic properties, pieces of land, sites, plots, buildings, dwellings and premises.
- m. Management, renting, safe-keeping, sale management, exploitation and valuation of all kinds of real estate, made on its own or by third parties.
- n. Rendering of all kinds of services directly or indirectly related to the activities developed by the company.
- o. Rendering of all kinds of services to third parties, individuals or legal entities, including commercial management services, assessment of working risks, quality, safety and public relations.
- p. Maintenance and preservation of offices or industrial buildings and any other premises aimed to different activities, trade, exhibition, palaces, residences, gardens, and any other place that can be maintained.
- q. Replacement and remodelling of façades, roofs, general works, usual or unusual, water, electricity and gas conduction, individual and collective antennae, drain pipes, all kind of cables, even optical fibre, maintenance and management of different production plants, filtering, composting and any other place which needs maintenance.
- r. Superintendent services, controllers, messenger services, drivers, stewardess, promoters, telephonists, receptionists, repairer, merchandising, cleaners and any other services that may be needed.
- s. Design, manufacture, maintenance and sale of corporation image elements, signalling, defence and urban furniture.



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All activities for which special requirements are required by Law and not fulfilled by the Company shall be excluded. If required by Law, any activity subject to the holding of some sort of professional title shall be carried out by a person holding said required title.

The activities comprising the objective expressed may be developed totally or partially in an indirect manner by means of holding stocks or shares in other companies that have an identical or analogous objective.

For the operation of administrative Concessions awarded to Elsamex, S.A., by itself or in consortium, Elsamex, S.A. operates through Uniones Temporales de Empresas (U.T.E. Joint Ventures, see note 8.3) or vehicle companies (see Note 8.1). Elsamex, S.A. is the owner or co-owner of the following administrative concessions:

| Company/ % participation                                       | Activity  | Date of Concession | Term of Concession |
|--|---|--------------------|--------------------|
| <b>Elsamex S.A.:</b>   |   |                    |                    |
| Abedul Villavidel U.T.E. (25%)                                 | Service Station Maintenance   | 07-06-2001         | 44 years           |
| Abedul Orihuela U.T.E. (25%)                                   | Service Station Maintenance   | 09-04-2001         | 29 years           |
| Abedul Zamora U.T.E. (25%)                                     | Service Station Maintenance   | 06-05-2002         | 46 years           |
| Abedul Ponferrada U.T.E. (25%)                                 | Service Station Maintenance   | 11-03-2004         | 46 years           |
| <b>Área de Servicio Coiros, S.L.U. (100%)</b>                  | Service Station Maintenance   | 08-03-2004         | 39 years           |
| <b>Área de Servicio Punta Umbría, S.L.U. (100%)</b>            | Service Station Maintenance   | 18-11-2010         | 30 years           |
| <b>Alcantarilla Fotovoltaica, S.L.U. (100%)</b>                | Operation of photovoltaic technology electricity generation systems | 11-11-2010         | 25 years           |
| <b>Beasolarta, S.L.U. (100%)</b>                               | Operation of photovoltaic technology electricity generation systems | 26-02-2013         | 25 years           |
| <b>Sociedad Concesionaria Autovía A-4 Madrid S.A. (48.75%)</b> | Highway operation   | 15-11-2007         | 19 years           |

The Company is head of a group of dependent entities and in accordance with prevailing legislation, is required to prepare consolidated accounts separately. The consolidated financial statements of Elsamex Group for period 2014 have been prepared by the Directors in the meeting of the Board of Directors held on 28th March 2014. The consolidated financial statements for period 2013 were approved at the General Shareholders' Meeting of Elsamex, S.A., held on 5th June 2013, and they were deposited in the Business Registry of Madrid. In turn, Elsamex Group is controlled by an international group whose controlling company is "Infrastructure Leasing & Financial Services Limited (IL&FS)", with business address in Bombay [Mumbai] (India) Bandra – Kurla Complex.



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## **2. Presentation principles for the financial statements**

### **2.1 Financial Information Framework applicable to the Company**

These financial statements have been carried out by the Directors in accordance with the financial information framework applicable to the Company, established in:

- a) Code of Commerce and other additional mercantile legislation.
- b) General Accounting Plan, approved by Royal Decree 1514/2007 and ulterior amendments, and sector adaptations, and in particular, Sector Adaptation of the General Accounting Plan for public infrastructure concessionaire companies, approved by Order EHA/3362/2010 of 23 December.
- c) Mandatory regulations approved by the Institute of Accounting and Accounts Auditing in the development of the General Accounting Plan and complementary rules.
- d) Other applicable Spanish accounting regulations.

### **2.2 True and fair view**

The attached abridged annual accounts have been obtained from the Company's accounts registers and are presented in accordance with the applicable financial information framework, and in particular the principles and criteria therein contained, so as to show a true view of the assets, the financial situation, the Company Balance Sheet and the cash flows during the corresponding period. These annual accounts, which have been prepared by the Company Directors, are to be submitted for the approval of the General Ordinary Shareholders' Board, and are expected to be approved without any amendment.

### **2.3 Non-obligatory accounting principles applied**

Non-obligatory accounting principles have not been applied. In addition, the Directors have prepared these financial statements taking into consideration all the obligatory accounting principles and standards of application that have a significant effect on said financial statements. There is not any obligatory accounting principle that has not been applied.

### **2.4 Critical aspects of valuation and estimation of uncertainty**

In preparing the attached abridged financial statements estimates were made by the Company's Directors in order to measure certain of the assets, liabilities, income, expenses and obligations reported herein. Basically these estimations refer to:

- The useful life of property, plant and equipment and intangible assets (see Notes 4.1 and 4.2).
- The evaluation of possible losses by impairment of certain assets (see Notes 4.1, 4.2, 4.3, 4.4 and 4.5).
- The calculation of supplies (see Note 4.12).
- The future resolutions of disputes in progress (see Notes 9.1, 16 and 22)
- The calculation of executed works pending invoicing and works certified in advance.

Although these estimates were made on the basis of the best information available at 2014 year-end, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively.

### **2.5 Comparative information**

The information contained in these notes to the financial statements referring to the financial year 2013 is presented alongside the information for the financial year 2014 for comparative purposes.



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## 2.6 Grouping of entries

Certain items in the balance sheet, income statement, statement of changes in equity and statement of cash flows are grouped together to facilitate their understanding; however, whenever the amounts involved are significant, the information is broken down in the related notes to the financial statements. There are not any equity items entered in two or more entries.

## 2.7 Changes in accounting principles

During the accounting period 2014 no changes in accounting principles have arisen with regards to the principles applied in the accounting period 2013.

## 2.8 Correction of errors

In the preparation of the attached financial statements no significant error has been detected that might involve the recalculation of the amounts included in the financial statements of the accounting period 2013.

## 3. Distribution of profits

The proposal for the distribution of the profits of the period prepared by the Company's Directors and to be submitted for the approval of the General Shareholders' Board is the following:

|                            | Euros            |
|----------------------------|------------------|
| <b>Distribution basis:</b> |                  |
| Profit and loss (Profit)   | 3,867,712        |
|                            | <b>3,867,712</b> |
| <b>Distribution:</b>       |                  |
| To legal reserve           | 386,771          |
| To voluntary reserves      | 3,480,941        |
|                            | <b>3,867,712</b> |

The Company is required to assign 10% of the profits of the period to legal reserve, until this reaches, at least, 20% of the share capital. Until it reaches 20% of the share capital, this reserve is not distributable to the shareholders (see note 12).

Once the provisions established by Law or by the by-laws are fulfilled, dividends will only be distributed charged to the income of the financial year or to unrestricted reserves, if:

- The provisions established by Law or by the by-laws are fulfilled.
- Net equity is not below share capital, or is not below share capital as a consequence of the distribution. For these purposes, the profits taken directly to equity shall not be directly or indirectly distributed. If there are losses from previous years which lower the value of the Company's net worth below the social capital, the income shall be used to offset those losses.

It is equally forbidden all distribution of profits unless the worth of the available reserves is, as a minimum, equal to the expenses of investigation and development and there are no available reserves for an amount equal to the amounts pending of repaying of the previous accounts.



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#### **4. Accounting standards and measurement bases**

The main accounting policies and measurement bases used by the Company in preparation of their financial statements, in accordance with those set out by the General Accounting Plan, the applicable tax legislation, registry and evaluation standards approved by the ICAC and other current legislation by which the rules for the preparation of consolidated financial statements were approved, were the following:

##### **4.1 Intangible assets**

The assets grouped under this heading are valued by their acquisition price or cost of production and subsequently reduced by the corresponding accrued amortization and losses through impairment, should there be any.

If there are indications of loss of value, the Company estimates by means of the "Impairment test" the possible losses of value that reduce the redeemable value of said assets to an amount below their book value.

###### **a) Research and development expenditure:**

With respect to the research and development expenditure, these are capitalized when they fulfil the following conditions:

- They are specifically itemised by project and the related costs can be clearly identified.
- There are sound reasons to foresee the technical success and economic and commercial profitability of the related projects.

The assets thus generated are amortized linearly over their years of useful life (over a maximum period of 5 years).

If there are doubts about the technical success or economic profitability of the project then the amounts entered in the assets are recognized directly in the profit and loss account for the period.

The Company evaluates, at each balance sheet date, whether there is any indication of impairment in the value of any asset. Should such an indication exist, or when an annual impairment test is required, the Company estimates the recoverable amount of the assets, which is the greater of the fair value of an asset less costs to sell and its value in use. In order to determine the value in use of an asset, the future cash inflow that the asset is expected to generate is discounted from its present value using an interest rate that reflects the current value of money at long term rates and the specific risks of the assets.

In the event that the asset analysed does not generate cash flow independently of other assets, the fair value or value in use of the cash-generating unit that includes the asset (smallest identifiable group of assets separated from other assets or groups of assets) is estimated. If a cash-generating unit has impairment losses, the carrying amount of the goodwill assigned, if any, will be reduced, followed by a proportional reduction of the carrying amount of the other assets in relation to the unit.

###### **b) Concessions:**

The costs incurred in order to obtain the concession for the service stations are amortized linearly in the concession period (see note 1). If circumstances of non-fulfilment of conditions were to occur that might cause a loss of the rights derived from this concession, the value entered for the same will be made whole in its entirety with the aim of cancelling its accountable net book value.

###### **c) Industrial property:**

In this account appropriate amounts are entered for the acquisition of property or the right of use of the different manifestations of the same, or for the costs incurred through purposes of registration of that developed by the Company.

###### **d) IT applications:**



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The Company enters in this account the costs incurred in the acquisition and development of computer programs. The maintenance cost for the IT applications is entered in the profit and loss account for the period in which they are incurred. Amortization of the IT applications is done by applying the linear method over a term of between 4 and 5 years.

#### 4.2 Property, plant and equipment

The assets grouped under this heading are valued by their acquisition price or cost of production and subsequently reduced by the corresponding accrued amortization and losses through impairment, should there be any.

The Company evaluates, at each balance sheet date, whether there is any indication of impairment in the value of any asset. Should such an indication exist, or when an annual impairment test is required (in the case of goodwill), the Company estimates the recoverable amount of the assets, which is the greater of the fair value of an asset less costs to sell and its value in use. In order to determine the value in use of an asset, the future cash inflow that the asset is expected to generate is discounted from its present value using an interest rate that reflects the current value of money at long term rates and the specific risks of the assets.

In the event that the asset analysed does not generate cash flow independently of other assets (as is the case of goodwill), the fair value or value in use of the cash-generating unit that includes the asset (smallest identifiable group of assets separated from other assets or groups of assets) is estimated. If a cash-generating unit has impairment losses, the carrying amount of the goodwill assigned, if any, will be reduced, followed by a proportional reduction of the carrying amount of the other assets in relation to the unit.

Impairment losses (surplus of the asset's carrying amount over the recoverable amount) are recognised in the income statement for the year.

With the exception of the goodwill, which impairment losses are irreversible, the company, in case that losses due to asset impairment have been recognised in previous financial years, shall assess upon closure of the financial year if there are signs indicating that said losses have decreased or disappeared and, where applicable, shall assess the recoverable value of the impaired asset.

An impairment loss recognised in previous financial years shall only be reversed if the estimations used to determine the recoverable amount of the asset have changed from the last recognised impairment loss. In this case, the book value of the asset shall increase up to its recoverable value and not exceeding the book value that would have been registered, net of amortisation, if the impairment loss of this asset had not been recognised in previous years. This reversion shall be registered in the profit and loss account of the financial year.

The Company amortizes property, plant and equipment following the linear method, applying annual amortization percentages calculated depending on the estimated years of useful life of the respective assets, in accordance with the following detail:

|  | Percentage |
|--|------------|
| Construction                             | 2-7        |
| Machinery                                | 15         |
| Other installations, tools and furniture | 10-15      |
| Computer equipment                       | 25         |
| Transport items                          | 15         |

The expenses for conservation and maintenance of property, plant and equipment elements are allocated to the profit and loss account of the period in which they are incurred. However, the amounts invested in improvements that contribute to increasing the capacity or efficiency or to expanding the useful life of said assets are registered as a higher cost.



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#### 4.3 Impairment of value of assets

The Company evaluates, at each balance sheet date, whether there is any indication of impairment in the value of any asset. Should such an indication exist, or when an annual impairment test is required (in the case of goodwill), the Company estimates the recoverable amount of the assets, which is the greater of the fair value of an asset less costs to sell and its value in use. In order to determine the value in use of an asset, the future cash inflow that the asset is expected to generate is discounted from its present value using an interest rate that reflects the current value of money at long term rates and the specific risks of the assets.

In the event that the asset analysed does not generate cash flow independently of other assets (as is the case of goodwill), the fair value or value in use of the cash-generating unit that includes the asset (smallest identifiable group of assets separated from other assets or groups of assets) is estimated. If a cash-generating unit has impairment losses, the carrying amount of the goodwill assigned, if any, will be reduced, followed by a proportional reduction of the carrying amount of the other assets in relation to the unit.

Management prepares, on an annual basis, a five-year business plan for each cash-generating unit, by market and by activity. The main components of this plan are as follows:

- Projected results
- Projected investment and working capital

Other variables affecting the calculation of the recoverable amount are as follows:

- Applicable discount rate, taken to be the weighted average cost of capital; the main variables affecting the calculation thereof are the cost of liabilities and the specific risks associated with the assets.
- The growth rate of cash flows used to extrapolate the projected cash flows beyond the period covered by budgets or forecasts.

Projections are prepared on the basis of previous experience and according to best estimates available, consistent with the external information.

Business plans are reviewed and ultimately approved by the Financial Department.

Impairment losses (surplus of the asset's carrying amount over the recoverable amount) are recognised in the income statement for the year. With the exception of the goodwill, which impairment losses are irreversible, the company, in case that losses due to asset impairment have been recognised in previous financial years, shall assess upon closure of the financial year if there are signs indicating that said losses have decreased or disappeared and, where applicable, shall assess the recoverable value of the impaired asset.

An impairment loss recognised in previous financial years shall only be reversed if the estimations used to determine the recoverable amount of the asset have changed from the last recognised impairment loss. In this case, the book value of the asset shall increase up to its recoverable value and not exceeding the book value that would have been registered, net of amortisation, if the impairment loss of this asset had not been recognised in previous years. This reversion shall be registered in the profit and loss account of the financial year.

#### 4.4 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. The rest of leases are classified as operating leases.

##### When the Company is the lessee – Finance lease

In finance leases in which the Company acts as the lessee, the cost of the leased assets is presented in the balance sheet, based on the nature of the leased asset, and, simultaneously, a liability is recognised for the same amount. This amount will be the lower of the fair value of the leased asset and the present value, at the inception



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of the lease, of the agreed minimum lease payments, including the price of the purchase option, when it is reasonably certain that it will be exercised. The minimum lease payments do not include contingent rent, costs for services and taxes to be paid by and reimbursed to the lessor. The total capital charge of the contract is allocated to the profit and loss account for the period in which it is accrued, the effective interest rate method being applied. Contingent rent is recognised as an expense for the period in which it is incurred.

Leased assets are depreciated, based on their nature, using similar criteria to those applied to the items of property, plant and equipment.

When the Company is the lessee – Operating lease

Expenditure arising from operating lease agreements is charged on the profit and loss statement in the year in which they accrue.

Any collection or payment that might be made when arranging an operating lease will be treated as a prepaid lease collection or payment which will be allocated to profit or loss over the lease term in accordance with the time pattern in which the benefits of the leased asset are provided or received.

#### **4.5 Financial Instruments**

Classification –

##### 4.5.1 Financial assets

Financial assets of the Company are classified in the following categories:

- a) Loans and items receivable: financial assets originating in the sale of goods or in the provision of services through the Company's trading operations, or those that do not have a commercial origin, are not equity instruments or derivatives and the charges of which are a fixed or specific amount and are not negotiated in an active market.
- b) Financial assets held for negotiation: those that are acquired with the objective of transferring them in the short-term or those that form part of a portfolio for which there is evidence of recent activity with the said objective. This category also includes those derivative instruments that may not be contracted from capital guarantees (e.g. bank guarantees) and have not been designated coverage instruments.
- c) Investments in the equity of the companies of the group, associates and multi-group: those companies considered to be part of the group are those connected to the Company through a relationship of control, and associated companies are those over which the Company exerts significant influence. In addition, within the multi-group category those companies are included over which, under an agreement, control is exercised in conjunction with one or more partners.

Initial recognition-

The financial assets are entered initially at the fair value of the consideration delivered plus the transaction costs that may be directly attributable, unless they are financial assets for negotiation, in which case, the transaction costs that may be directly attributable to them are to appear in the profit and loss account for the period.

Subsequent measurement –

Loans and receivables are measured at amortized cost

Financial assets held for negotiation are valued at their reasonable value, the result of the variations in the said reasonable value being entered in the profit and loss account.



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Investments in the group's companies, associates and multi-group are valued by their cost, reduced, if required, by the amount accrued from the corrections to value through impairment. These corrections are calculated as the difference between their book value and the amount redeemable, this being understood as the larger amount between their reasonable value minus the costs of sale and the actual value of the future cash flow resulting from the investment. Unless there is better evidence of the amount redeemable, the net equity of the participating entity is taken into consideration, corrected by the capital gains implied on the date of valuation (including any goodwill there may be).

At least at the close of each period the Company tests financial assets not measured at fair value through profit or loss for impairment. Objective evidence of impairment is considered to exist when the recoverable amount of the financial asset is lower than its carrying amount. When it occurs, this impairment is entered in the profit and loss account.

The Company discharges the financial assets when they expire or their rights over the cash flow of the corresponding financial asset have been assigned and the risks and benefits inherent in their ownership have been substantially transferred, such as in firm sales of assets, assignment of commercial credit in "factoring" operations in which the Company does not retain any credit risk or interest, sales of financial assets with agreements to repurchase at their reasonable value or the securitization of financial assets in which the assigning Company does not retain subordinate financing nor assigns any type of guarantee or assumes any other type of risk.

On the other hand, the Company does not discharge the financial assets, and enters a financial debit for an amount equal to the consideration received, in assignments of financial assets in which the risks and benefits inherent in their ownership may be substantially retained, such as discount of effects, "factoring with recourse", sales of financial assets with agreements to repurchase at a fixed price or at the sale price plus interest or the securitization of financial assets in which the assigning Company does retain subordinate financing or other types of guarantees that substantially absorb all the expected losses.

#### 4.5.2 Financial liabilities

Financial liabilities are those debts and items payable that the Company has and which originate in the purchase of goods and services through the Company's trading operations, and also those which do not have a commercial origin and cannot be considered as derivative financial instruments.

Accounts payable are initially recognised at the fair value of the consideration received, adjusted by the directly attributable transaction costs. These liabilities are subsequently measured at amortised cost.

The Company derecognises financial liabilities when the obligations giving rise to them cease to exist.

#### 4.5.3 Equity instruments

An equity instrument represents a residual sharing in the Company Equity once all liabilities have been deducted.

Capital instruments issued by the Company are entered in the net equity for the amount received, net of issuing costs.

#### 4.5.4 Cash Flow Hedge

The Company uses derivative financial instruments in order to guarantee the risks to which it is exposed through its activities, operations and future cash flows. Fundamentally, these risks are variations in interest rates. In the context of said operations the Company contracts hedging financial instruments.

In order to classify these financial instruments as hedge book, they are initially designated as such, recording the hedge relationship. Similarly, the Company checks initially and periodically throughout their life (at least at the end of every period) that the hedge relation is effective, i.e. that it is expected, prospectively, that the changes in the reasonable value or in the cash flow of the item (attributable to the risk covered) are compensated almost completely by those of the hedging instrument and that, retrospectively, the hedge results have ranged between 80 and 125% in relation to the result of the item covered.



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The Company applies cash flow hedge. In this type of hedge, the part of the gain or loss of the hedging instrument that has been determined as effective hedging instrument is temporarily included in the net equity, being allocated to the profit and loss account in the same accounting period in which the item that is hedged affects the result, unless the hedge relates to an anticipated transaction that might terminate in the entry of a non-financial asset or liability, in which case the amounts entered in the net equity are to be included in the cost of the asset or liability when acquired or assumed.

Accounting of hedging is suspended when the hedging instrument matures, or is sold, terminated or used, or fails to fulfil the accounting principles for hedging. At that time, any accrued profit or loss corresponding to the hedging instrument that has been entered in the net equity is held within the net equity until the expected operation occurs. When the operation that is being hedged is not expected to occur, the accrued net profits or losses accounted for in the net equity are transferred to the net results for the period.

#### **4.6 Stock**

Inventories are measured at the lower of acquisition or production cost and net realisable value. Trade discounts, rebates, other similar items and interest included in the face value of the related payables are deducted in determining the costs of purchase.

Production cost includes the costs of direct materials and, where applicable, direct labour and production overheads.

Net realisable value is the estimated selling price less the estimated costs of completion and costs to be incurred in marketing, selling and distribution.

The cost of inventories is assigned by using the weighted average cost formula.

The Company makes the appropriate value corrections, entering them as a cost in the profit and loss account when the net realisable value of the stock is lower than its acquisition price (or than its cost of production).

Also grouped under this heading are advance payments to suppliers for services to be received.

#### **4.7 Transactions in currency other than Euro**

The Company's functional currency is the Euro. Consequently, operations in currencies other than Euro are considered as foreign currency and entered in accordance with the exchange rates prevailing on the dates of the operations.

At the close of the period, the monetary assets and liabilities denominated in foreign currency are converted by applying the exchange rate on the date of the balance sheet. The profits or losses shown are directly allocated to the profit and loss account for the period in which they occur.

#### **4.8 Corporate tax**

The current tax is the amount the Company meets as a consequence of the fiscal payments of tax on profits relating to an accounting period. Tax credits and other tax benefits, excluding tax withholdings and pre-payments, as well as tax loss carryforwards from prior years effectively offset in the current year, reduce the current income tax expense.

The deferred tax expense or income relates to the recognition and derecognition of deferred tax assets and liabilities. These include temporary differences measured at the amount expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and their tax bases, as well as the negative tax bases pending compensation and the credits for tax credit not fiscally applied. These amounts are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled.

Deferred tax liabilities are recognised for all taxable temporary differences, except for those arising from the initial recognition of goodwill or of other assets and liabilities in a transaction that is not a business combination and affects neither accounting profit nor taxable profit, and except for those associated with investments in subsidiaries, associates and joint ventures in which the Company is able to control the timing of



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the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

However, the assets and liabilities for deferred taxes are only entered insofar as it is considered probable that the Company is going to have future fiscal gains against which they can be offset.

Deferred tax assets and liabilities arising from transactions charged or credited directly to equity are also recognised directly in net equity.

At each period end the assets entered for deferred tax are re-assessed, the appropriate corrections being made to them insofar as there are doubts about its future recovery. Similarly, at each period end the assets are evaluated for deferred tax not entered on the balance sheet and these are subject to entry as long as its recovery is likely with future tax profits.

By decision of the General Shareholder's Meeting on December 26th 2011, it was chosen to tax in the Corporate Tax through the tax consolidation regime in accordance with Chapter VII of Title VII of the Corporate Tax Act since October 1st 2007; the Company is responsible for filing and paying the Corporate Tax of the tax group. For this reason, at the end of the financial year the payable or receivable balances for the Corporate Tax are included classified in deposit accounts with companies of the group at short term, as well as the balances with the Exchequer.

#### **4.9 Environment**

Assets of environmental nature are those used long-term in the Company's activity. Their main purpose is the minimization of environmental impact and the protection and improvement of the environment, including the reduction or elimination of future pollution.

Due to its nature, the Company's activity does not have a significant environmental impact.

#### **4.10 Joint ventures (Joint business)**

The Company's financial statements include the effect of the proportional integration of the Joint Ventures in which it participates.

The temporary joint ventures (UTE's) have been incorporated under each heading of the balance sheet, the profit and loss account and the statement of cash flows, through the method of proportional consolidation, according to the percentage of participation of the Company.

The main figures the Joint Ventures contribute to the balance sheet for the accounting periods ending 31 December 2014 and 2013 are presented in Note 8.3.

#### **4.11 Revenue and expenditure**

Revenue and expenses are recognised on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises. Revenue is measured at the fair value of the consideration received, net of discounts and taxes, incorporated interests or similar items.

In order to adjust revenues in the period in which they are accrued, the Company adopts the principle of provisioning the revenues of projects in progress at year-end, in accordance with their level of advancement, notwithstanding the date of issue of the invoice.

The estimations used in calculating the level of advancement include the effect that the margin of certain modified, additional and liquidations under process might have, and that the Company estimates at the moment as reasonably achievable.

The account "Clients by works or services pending certification or invoice", included in the heading "Clients by sales and provision of services" of the asset of the balance sheet, represents the difference between the amount of the contract work executed, including the adjustment to registered margin by applying the level of advancement, and that certified until the date of the balance sheet.



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If the amount of the production at origin of a work is below the amount of the certifications issued, the difference is contained in heading "Advances Clients" of liabilities in the balance sheet.

The interest received from financial assets is included using the effective interest rate method. In any case, the interest on financial assets accrued after the date of acquisition is recognized as income on the profit and loss account.

Please see below particularities for the revenue recognition for certain contracts performed by the Company.

In the construction contracts, the results are recognised by the completion stage criteria. The amount of production carried out until closing date is recognised as net revenue of the turnover on the basis of the percentage of completion of the complete project. The completion stage is measured with regards to the completion stage of the works, that is, to the percentage of work performed until closing date compared to the total completion of the contract.

In the construction industry, the estimated revenue and costs of projects are subject to changes during the performance period which are not easily foreseen or objectively quantified. In this regard, the budgets used to calculate the completion stage and the production of each financial year include the measurement of the sale price of the works units, which collection is deemed reasonably certain by the management of the Company, as well as their estimated costs.

The rest of the revenues are accounted for at the time of transfer of the ownership of the goods or services provided to the customer.

#### **4.12 Provisions and contingencies**

In preparing the financial statements, the Company Directors differentiate between:

- a) Provisions: credit balances that cover current obligations derived from past events, the cancellation of which is likely to cause an outflow of resources, although they are undetermined with regard to their amount and/or time of cancellation.
- b) Contingent liabilities: possible obligations arising as a consequence of past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events, not wholly within the Company's control and which are not reasonably calculable.

The financial statements include all the provisions regarding which it is considered that the probability of having to meet the obligation is very high. Contingent liabilities are not included in the financial statements, but the information about them can be found in the report notes, provided they are not considered as very unlikely.

Provisions are measured at the present value of the best possible estimate of the amount required to settle or transfer the obligation, taking into account the information available on the event and its consequences; adjustments made to provisions are recognised as a financial cost on an accrual basis.

Compensation receivable from a third party at the time the obligation is settled, provided that there are no doubts as to whether this reimbursement should be made, is entered as a credit, unless there is a legal link by which the risk part has been externalised and under which the Company is not obliged to respond. In this situation, the compensation will be taken into account for the purpose of estimating the amount of the related provision that should be recognised.

#### **4.13 Compensation for dismissal**

Under current legislation, the Company is required to pay termination benefits to employees terminated under certain conditions. Therefore, termination benefits that can be reasonably quantified are recognised as an expense in the year in which the decision to terminate the employment relationship is taken. The accompanying financial statements do not include any provision in this connection, since no situations of this nature are expected to arise.



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#### **4.14 Principles used in transactions between related parties**

One party is considered linked to another when one of them or a group acting together exercises or has the power to exercise, directly or indirectly or in accordance with agreements between shareholders or participants, control over another or has significant influence over the other in the making of financial or operational decisions.

In any case, related parties are:

- a) Companies which are considered to be a company of the group, associate or multi-group, in accordance with article 42 of the Commercial Code.
- b) Natural persons who, directly or indirectly, hold participation in the voting rights of the Company, or in its dominant entity, to enable them to exercise a significant influence over one or another. Close relatives of these natural persons are also included.
- c) The key staff of the Company or of its dominant entity, understood as the natural persons with authority and responsibility over the planning, management and control of the Company's activities, either directly or indirectly, including the directors and executive managers. Close relatives of these natural persons are also included.
- d) Companies over which any of the persons mentioned in b) and c) above can exercise a significant influence.
- e) Companies that share any director or manager with the Company; except in case this person does not have any significant influence in the financial and management policies of the Company.
- f) Persons who are considered as close relatives of the Company administration's agent, if this person is a legal person.
- g) The pension plans for the employees of the Company or of any other which is a party linked to this.

For the purposes of this rule, close relatives are understood to be those who could exercise influence in, or be influenced by, this person in his/her decisions relating to the Company. These include:

- a) The spouse or person with an analogous relationship;
- b) The ascendants, descendants and siblings and the respective spouses or persons with an analogous relationship;
- c) The ascendants, descendants and siblings of the spouse or persons with an analogous relationship;
- d) Persons for whom the spouse or person with an analogous relationship is responsible for or persons with an analogous relationship;

The Company carries out all its operations with entities linked to market values. In addition, transfer prices are adequately supported so that the Company Directors consider that there are not any significant risks related to this aspect from which liabilities for future consideration could be derived.

#### **4.15 Current and non-current items**

Current assets are those assets linked to the normal operation cycle generally considered annual; those assets which maturity, disposition or realisation is expected in the short-term from the closing date of the financial year; and those financial assets kept for negotiation, with the exception of financial derivatives which liquidation period exceeds one year, and cash or other equivalent liquid assets. Assets that do not meet these criteria are known as non-current.

Likewise, current liabilities are those linked to the normal operation cycle, those financial liabilities kept for negotiation, with the exception of financial derivatives which liquidation period exceeds one year and in



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general terms any liability with short-term maturity or extinction. Liabilities that do not meet these criteria are known as non-current.

## 5. Intangible assets

The movements occurring under this heading of the balance sheet during accounting periods 2014 and 2012 are the following:

Financial Year 2014:

|                                  | Euros              |                  |                |                        |                    |
|----------------------------------|--------------------|------------------|----------------|------------------------|--------------------|
|                                  | 31/12/2013         | Additions        | Transfers      | Conversion differences | 31/12/2014         |
| <b>Cost:</b>                     |                    |                  |                |                        |                    |
| Research                         | 2,551,949          | -                | 456,931        | -                      | 3,008,880          |
| Concessions                      | 3,656,798          | 32,744           | -              | -                      | 3,689,542          |
| Patents                          | 27,820             | -                | -              | -                      | 27,820             |
| Computer software                | 2,295,337          | 152,721          | -              | 84                     | 2,448,142          |
|                                  | <b>8,531,904</b>   | <b>185,465</b>   | <b>456,931</b> | <b>84</b>              | <b>9,174,384</b>   |
| <b>Accumulated Amortization:</b> |                    |                  |                |                        |                    |
| Research                         | (1,668,650)        | (312,001)        | -              | -                      | (1,980,651)        |
| Concessions                      | (904,774)          | (97,944)         | -              | -                      | (1,002,718)        |
| Patents                          | (27,820)           | -                | -              | -                      | (27,820)           |
| Computer software                | (2,091,420)        | (110,734)        | -              | (63)                   | (2,202,217)        |
|                                  | <b>(4,692,664)</b> | <b>(520,679)</b> | <b>-</b>       | <b>(63)</b>            | <b>(5,213,406)</b> |
| <b>Net value</b>                 | <b>3,839,240</b>   | <b>(335,214)</b> | <b>456,931</b> | <b>21</b>              | <b>3,960,978</b>   |





Financial Year 2013:

|                                  | Euros            |                  |                  |                  |
|----------------------------------|------------------|------------------|------------------|------------------|
|                                  | 31-12-12         | Additions        | Transfers        | 31-12-13         |
| <b>Cost:</b>                     |                  |                  |                  |                  |
| Research                         | 1,447,826        | -                | 1,104,123        | 2,551,949        |
| Concessions                      | 3,656,798        | -                | -                | 3,656,798        |
| Patents                          | 27,820           | -                | -                | 27,820           |
| Computer software                | 2,244,567        | 50,770           | -                | 2,295,337        |
|                                  | 7,377,011        | 50,770           | 1,104,123        | 8,531,904        |
| <b>Accumulated Amortization:</b> |                  |                  |                  |                  |
| Research                         | (1,447,826)      | (220,824)        | -                | (1,668,650)      |
| Concessions                      | (806,829)        | (97,945)         | -                | (904,774)        |
| Patents                          | (27,820)         | -                | -                | (27,820)         |
| Computer software                | (1,994,999)      | (96,421)         | -                | (2,091,420)      |
|                                  | (4,277,474)      | (415,200)        | -                | (4,692,666)      |
| <b>Net value</b>                 | <b>3,099,537</b> | <b>(364,420)</b> | <b>1,104,123</b> | <b>3,839,240</b> |

Transfers registered in the heading "Development" correspond to the activation in March 2014 of the project "Effect of Polymers in Bituminous Mixtures", amounting to 456,931 Euros, which was still in progress at the close of 2013 and classified in the heading "Fixed assets in progress and advances" of the balance sheet (See Note 6).

At the close of accounting period 2014 and 2013, the Company had intangible assets that were completely amortized and which continued in use for a value of 3,467,433 Euros and 3,281,257 Euros respectively.

The detail of the R&D projects developed by the Company activated in 2014 and pending activation is as follows:

| <b>Completed R+D Projects</b>                             |
|---|
| - Effect of polymers in Bituminous Mixes (POLYMER EFFECT) |

| <b>Ongoing R+D Projects (see Note 6)</b>                                      |
|---|
| - Studies of modified asphalt bitumens in new polymer families (BMPOLIMEROS). |
| - MIFAR (Integral Pavement Improvement with Recycled Aggregates)              |



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## 6. Property, plant and equipment

The movements occurring under this heading of the balance sheet during periods 2014 and 2013, as well as the most significant information affecting this section are as follows:

Financial Year 2014:

|  | Euros               |                    |                  |                        |                  |                     |
|--|---------------------|--------------------|------------------|------------------------|------------------|---------------------|
|  | 31/12/2013          | Additions          | Transfers        | Conversion differences | Write-offs       | 31/12/2014          |
| <b>Cost:</b>   |                     |                    |                  |                        |                  |                     |
| Land and buildings   | 1,367,243           | -                  | 310,000          |                        |                  | 1,677,243           |
| Machinery  | 18,172,570          | 228,360            | -                | 79,721                 | (236,812)        | 18,243,839          |
| Other installations, tools and furniture and Technical Installations | 5,719,660           | 108,997            | 131,897          | (222)                  | (6,092)          | 5,954,240           |
| Equipment for information processing                                 | 520,852             | 18,616             | -                | 78                     | (2,539)          | 537,007             |
| Transport items  | 8,287,758           | 472,807            | -                | 26,823                 | (22,386)         | 8,765,002           |
| Plant, property and equipment in progress                            | 2,777,773           | 1,320,117          | (898,828)        | -                      | -                | 3,199,062           |
|  | <b>36,845,856</b>   | <b>2,148,897</b>   | <b>(456,931)</b> | <b>106,400</b>         | <b>(267,829)</b> | <b>38,376,393</b>   |
| <b>Accumulated Amortization:</b>                                     |                     |                    |                  |                        |                  |                     |
| Land and buildings   | (360,590)           | (14,207)           | -                | -                      | -                | (374,797)           |
| Machinery  | (15,766,947)        | (836,525)          | -                | (9,903)                | 95,761           | (16,517,614)        |
| Other installations, tools, furniture and technical installations    | (5,198,326)         | (96,642)           | -                | (613)                  | 5,421            | (5,290,160)         |
| Equipment for information processing                                 | (500,862)           | (10,774)           | -                | (48)                   | 1,858            | (509,826)           |
| Transport items  | (7,332,284)         | (454,125)          | -                | (4,211)                | 20,935           | (7,769,685)         |
|  | <b>(29,159,009)</b> | <b>(1,412,273)</b> | <b>-</b>         | <b>(14,775)</b>        | <b>123,975</b>   | <b>(30,462,082)</b> |
| <b>Net value</b>   | <b>7,686,847</b>    | <b>736,624</b>     | <b>(456,931)</b> | <b>91,625</b>          | <b>(143,854)</b> | <b>7,914,311</b>    |

Financial Year 2013:

|  | Euros               |                    |                    |                        |                  |                     |
|--|---------------------|--------------------|--------------------|------------------------|------------------|---------------------|
|  | 31-12-12            | Additions          | Transfers          | Conversion differences | Write-offs       | 31/12/2013          |
| <b>Cost:</b>   |                     |                    |                    |                        |                  |                     |
| Land and buildings   | 1,355,243           | 12,000             | -                  | -                      | -                | 1,367,243           |
| Machinery  | 17,616,302          | 587,982            | 18,250             | (2,998)                | (46,966)         | 18,172,570          |
| Other installations, tools and furniture and Technical Installations | 5,362,127           | 373,830            | -                  | (1,045)                | (15,252)         | 5,719,660           |
| Equipment for information processing                                 | 511,131             | 12,672             | -                  | (41)                   | (2,910)          | 520,852             |
| Transport items  | 8,058,158           | 239,984            | -                  | (1,486)                | (8,898)          | 8,287,758           |
| Plant, property and equipment in progress                            | 1,523,994           | 2,402,466          | (1,122,373)        | -                      | (26,315)         | 2,777,773           |
|  | <b>34,426,955</b>   | <b>3,628,934</b>   | <b>(1,104,123)</b> | <b>(5,570)</b>         | <b>(100,342)</b> | <b>36,845,854</b>   |
| <b>Accumulated Amortization:</b>                                     |                     |                    |                    |                        |                  |                     |
| Land and buildings   | (338,562)           | (22,027)           | -                  | -                      | -                | (360,589)           |
| Machinery  | (14,463,580)        | (1,327,990)        | -                  | 2,378                  | 22,245           | (15,766,947)        |
| Other installations, tools, furniture and technical installations    | (5,101,417)         | (113,197)          | -                  | 1,035                  | 15,252           | (5,198,326)         |
| Equipment for information processing                                 | (495,857)           | (7,932)            | -                  | 16                     | 2,910            | (500,862)           |
| Transport items  | (6,837,822)         | (503,464)          | -                  | 1,216                  | 7,786            | (7,332,284)         |
|  | <b>(27,237,238)</b> | <b>(1,974,610)</b> | <b>-</b>           | <b>4,645</b>           | <b>48,194</b>    | <b>(29,159,009)</b> |
| <b>Net value</b>   | <b>7,189,717</b>    | <b>1,654,324</b>   | <b>(1,104,123)</b> | <b>(924)</b>           | <b>(52,148)</b>  | <b>7,686,847</b>    |



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At the close of 2013 period, the projects "Effect of polymers in Bituminous Mixes (POLYMER EFFECT)" (finished during this year and transferred to Intangible fixed assets, see Note 5) and "Integral improvement of Pavements with Recycled Aggregates" (of bi-annual length and finished at the close of period 2014), as well as other installations in progress, were classified in heading "Fixed assets in progress". Additionally, during year 2014 the technical facilities for the Energy Efficiency Contract of Nijar en La Unión were activated as Fixed assets in progress. These contracts include the management of energy services and maintenance of municipal facilities and public lighting of the Ayuntamiento de Nijar (Almería) and La Unión (Murcia). The Nijar concession started in February 2014, and the term is for 14 years; the La Unión concession started in March 2014, and the term is for 12 years.

Part of the additions of the period correspond to works carried out by the company for assets amounting to 1,320,117 Euros, of which 308,393 Euros are works for ongoing R+D projects (see paragraph above), 701,724 Euros correspond to ongoing technical installations for the Nijar and La Unión contracts (see paragraph above), 310,000 correspond to a construction in Amorebieta (see paragraph below), and the other 2,148,897 Euros have been directly entered in the heading "Other installations, tools, furniture and technical installations", as they are still in use.

The disposals registered in financial year 2014 amounted to a profit of 231,861 Euros (losses of 3,855 Euros in financial year 2013), and have been registered in heading "Degradation and gains/(losses) for transfers of fixed assets - Gain/(losses) on disposal and others" of the attached profit and loss account of financial year 2014. Out of the total, 216,194 Euros correspond to the disposals of the Honduras Branch due to planning of the branch closure, and the rest corresponds to Joint Ventures.

The Company has other fixed assets the value of which, separated as buildings and land, at the close of accounting periods 2014 and 2013, is the following:

|              | 31/12/2014       | 31/12/2013       |
|--------------|------------------|------------------|
| Lands        | 406,135          | 369,102          |
| Construction | 1,271,109        | 998,142          |
| <b>Total</b> | <b>1,677,243</b> | <b>1,367,243</b> |

Under the heading "Buildings", the Company includes a parking space and an warehouse used as offices for the Delegation of Cataluña and an office in property situated in Coruña which is mortgaged under the guarantee of a loan made by a financial institution, for an initial amount of 450,000 Euros from which 45,941 Euros remains amortizable in the long term and 50,741 in the short term (see Note 14). The rest of Buildings corresponds to the inclusion of the joint ventures in which the Company has an interest.

The warehouse located in Badalona is financed by a leasing contract signed with financial company "Leasing de Cataluña"; this contract ends in July 2018. The Company has no doubt that the upon termination of the contract, the purchase option shall be exercised.

This year, constructions and lands have increased due to the addition of an industrial building located in Amorebieta, Bizkaia, currently used as a warehouse, a vehicle and machinery parking facility, dressing rooms, and a mezzanine hosting offices.



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At 31 December 2014 and 2013 the Company had the following investments in property, plant and equipment elements located abroad:

Year 2014

| Description                          | Country      | Book Value (gross) | Accumulated depreciation | Net value        |
|--------------------------------------|--------------|--------------------|--------------------------|------------------|
| Machinery                            | Dominican R. | 2,515,255          | (2,514,250)              | 1,006            |
| Transport items                      | Dominican R. | 937,643            | (937,643)                | 0                |
| Machinery                            | Honduras     | 184,238            | (184,238)                | 0                |
| Machinery                            | Haiti        | 1,862,947          | (1,322,543)              | 540,404          |
| Technical installations              | Haiti        | 2,064              | (645)                    | 1,419            |
| Equipment                            | Haiti        | 28,221             | (9,417)                  | 18,804           |
| Software                             | Haiti        | 629                | (406)                    | 223              |
| Furniture                            | Haiti        | 86,008             | (27,997)                 | 58,011           |
| Transport items                      | Haiti        | 684,032            | (627,024)                | 57,008           |
| Machinery                            | Ecuador      | 24,153             | (6,645)                  | 17,507           |
| Equipment for information processing | Ecuador      | 1,166              | (1,116)                  | 50               |
| Furniture                            | Ecuador      | 274                | (87)                     | 187              |
| Transport items                      | Ecuador      | 8,861              | (5,564)                  | 3,297            |
| Computer software                    | Ecuador      | 706                | (706)                    | 0                |
| Equipment for information processing | Colombia     | 1,173              | (1,009)                  | 164              |
| Machinery                            | Botswana     | 42,159             | (1,405)                  | 40,754           |
| Transport items                      | Botswana     | 371,036            | (15,460)                 | 355,577          |
| Equipment for information processing | Botswana     | 7,505              | (417)                    | 7,088            |
| Furniture                            | Botswana     | 4,407              | (230)                    | 4,176            |
| Machinery                            | Abu Dhabi    | 638,687            | (47,257)                 | 591,430          |
| Transport items                      | Abu Dhabi    | 202,090            | (15,574)                 | 186,516          |
| Equipment for information processing | Abu Dhabi    | 9,420              | (2,747)                  | 6,672            |
| Technical installations              | Abu Dhabi    | 6,164              | (475)                    | 5,689            |
| Other installations                  | Abu Dhabi    | 25,198             | (1,303)                  | 23,895           |
| Equipment                            | Abu Dhabi    | 4,643              | (286)                    | 4,357            |
| <b>Total</b>                         |              | <b>7,648,678</b>   | <b>(5,724,445)</b>       | <b>1,924,233</b> |



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Year 2013

| Description                          | Country      | Book Value (gross) | Accumulated depreciation | Net value        |
|--------------------------------------|--------------|--------------------|--------------------------|------------------|
| Machinery                            | Dominican R. | 2,515,255          | (2,504,828)              | 10,427           |
| Transport items                      | Dominican R. | 937,643            | (909,756)                | 27,887           |
| Machinery                            | Honduras     | 215,909            | (215,888)                | 21               |
| Furniture                            | Honduras     | 4,764              | (4,764)                  | -                |
| Transport items                      | Honduras     | 17,553             | (17,553)                 | -                |
| Machinery                            | Haiti        | 1,862,947          | (908,957)                | 953,990          |
| Technical installations              | Haiti        | 2,064              | (335)                    | 1,729            |
| Equipment                            | Haiti        | 28,221             | (5,200)                  | 23,021           |
| Software                             | Haiti        | 629                | (249)                    | 380              |
| Furniture                            | Haiti        | 86,008             | (16,257)                 | 69,751           |
| Transport items                      | Haiti        | 684,032            | (423,798)                | 260,334          |
| Machinery                            | Ecuador      | 21,272             | (3,725)                  | 17,547           |
| Equipment for information processing | Ecuador      | 1,027              | (701)                    | 326              |
| Furniture                            | Ecuador      | 242                | (53)                     | 189              |
| Transport items                      | Ecuador      | 7,804              | (3,252)                  | 4,552            |
| Computer software                    | Ecuador      | 622                | (467)                    | 155              |
| Equipment for information processing | Colombia     | 884                | (682)                    | 202              |
| Transport items                      | Abu Dhabi    | 177,984            | (15,574)                 | 162,410          |
| Machinery                            | Abu Dhabi    | 545,220            | (47,257)                 | 497,963          |
| Technical installations              | Abu Dhabi    | 5,429              | (475)                    | 4,954            |
| Other installations                  | Abu Dhabi    | 22,192             | (1,303)                  | 20,889           |
| Equipment                            | Abu Dhabi    | 4,089              | (286)                    | 3,803            |
| <b>Total</b>                         |              | <b>7,141,790</b>   | <b>(5,081,360)</b>       | <b>2,060,430</b> |

The Company takes out insurance policies to cover the possible risks to which its property, plant and equipment elements are subject. The Company Directors consider that the coverage of these risks on 31 December 2014 and 2013 is the appropriate.

At the closing of tax year 2014 and 2013 the Company had elements of tangible fixed assets completely amortized which were still in use to the value of 26,104,911 Euros and 22,380,789 Euros respectively.

As it is shown in Note 7, at the closing of tax years 2014 and 2013 the Company had several financial leasing operations on its tangible fixed assets contracted.

## **7. Leasing**

### **Financial leasing**

At the close of accounting periods 2014 and 2013 the Company, as a financial lessee, has some leased assets included in accordance with the following information:

#### Financial Year 2014



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|                               | For goods valued at their fair value | Total            |
|-------------------------------|--------------------------------------|------------------|
| Property, plant and equipment | 2,938,923                            | 2,938,923        |
| <b>Total</b>                  | <b>2,938,923</b>                     | <b>2,938,923</b> |

#### Financial Year 2013

|                               | For goods valued at their fair value | Total            |
|-------------------------------|--------------------------------------|------------------|
| Property, plant and equipment | 2,672,863                            | 2,672,863        |
| <b>Total</b>                  | <b>2,672,863</b>                     | <b>2,672,863</b> |

At the close of accounting periods 2014 and 2013 the Company has contracted with the lessors the following minimum leasing quotas (including, if appropriate, options to purchase), in accordance with the contracts currently in force, and not taking into account implications of common expenses, future increases due to the CPI or future updates in income agreed under contract:

|                            | 31/12/2014       |                  | 31/12/2013       |                  |
|----------------------------|------------------|------------------|------------------|------------------|
|                            | Nominal value    | Current value    | Nominal value    | Current value    |
| Less than one year         | 557,697          | 487,211          | 629,634          | 602,166          |
| Between one and five years | 916,909          | 811,910          | 553,200          | 539,067          |
| <b>Total</b>               | <b>1,474,606</b> | <b>1,299,121</b> | <b>1,182,834</b> | <b>1,141,233</b> |

There are no contingent quotas.

#### Operating leases

At the close of accounting periods 2014 and 2013 the Company has contracted the following minimum leasing quotas with the lessors, in accordance with the current contracts in force, and not taking into account implications of common expenses, future increases due to the CPI or future updates in income agreed under contract:

|                            | Nominal value    |                  |
|----------------------------|------------------|------------------|
|                            | 31/12/2014       | 31/12/2013       |
| Less than one year         | 3,711,446        | 3,484,840        |
| Between one and five years | 355,988          | 497,591          |
| <b>Total</b>               | <b>4,067,434</b> | <b>3,982,431</b> |

In their capacity of lessor, the most significant operating leasing contracts that the Company has at the close of the 2014 accounting period are the following:

- Lease of a building comprising a basement, ground floor and two upper floors, in calle San Severo, 18 in Madrid. The leasing contract began on 21st December 2000 and its term was 7 years, having been renewed on 1 June 2012 until 31 August 2016. With regard to the contingent rent, the contract is referenced to annual increases as a function of the CPI.
- Lease of an office on the first floor in calle San Severo, 20 in Madrid. The leasing contract began on 1st May 2009 and its term was 5 years, until 30th April 2014. A renewal was signed on 1 January 2014 for four years until 31 December 2016. With regard to the contingent rent, the contract is referenced to annual increases as a function of the CPI.

However, most of the expense of this corresponds to the lease of vehicles and machinery for works or construction, totalling 2,902,303 Euros in 2014 and 2,871,808 in 2013.



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**8. Investments in Group companies, multi-group and associate companies**

**8.1 Equity instruments**

Financial Year 2014

| Investee                                      | Address   | Activity  | % Partici pation | Euros      |                 |              |           |
|---|---|---|------------------|------------|-----------------|--------------|-----------|
|   |   |   |                  | Amount     | Capital Company | Equity       |           |
|   |   |   |                  |            |                 | Reserves     | Result    |
| Ramky Elsamex Hyderabad Ring Road Limited (3) | RAMKY House, 6-3-1089/G/10&11 Gulmohar Avenue, Rajbahavan Road, Somajiguda, Hyderabad – 500 082. A.P. India | Services  | 26.00            | 811,711    | 2,602,750       | (470,861)    | 471,476   |
| CIESM - INTEVIA, S.A.U (1)                    | San Severo 18, 28042 Madrid España  | Laboratory  | 100.00           | 836,201    | 60,000          | 716,730      | 215,248   |
| Atenea Seguridad y Medio Ambiente, S.A.U. (1) | C/ San Severo, 18, Madrid 28042 Spain   | Services  | 100.00           | 130,183    | 130,200         | 1,609,267    | 271,533   |
| Grusamar Ingeniería y Consulting, S.L.U. (1)  | C/ San Severo, 18, Madrid 28042 Spain   | Engineering   | 100.00           | 3,554,998  | 3,494,897       | 823,881      | 397,868   |
| Elsamex Internacional, S.L.U.(1)              | C/ San Severo, 18, Madrid 28042 Spain   | Services  | 100.00           | 14,310,555 | 14,310,555      | (1,440,549)  | (794,979) |
| Sociedad Concesionaria A4 Madrid, S.A. (2)    | C/ Caballero Andante, nº 8 Madrid Spain   | Services  | 46.25            | 4,353,512  | 9,413,370       | (15,261,304) | 725,037   |
| Señalización Viales e Imagen S.A.U. (1)       | Pol Ind. La variante c/ La Grajera nº 2, 26140 Lardero, Rioja   | Manufacture   | 100.00           | 2,173,398  | 688,025         | (4,856,777)  | (358,219) |
| Área de Servicio Coirós, S.L.U. (1)           | C/ San Severo, 18, Madrid 28042 Spain   | Service Station Operation   | 100.00           | 2,820,734  | 1,003,010       | 1,732,244    | 145,629   |
| Alcantarilla Fotovoltaica, S.L.U. (1)         | C/ San Severo, 18, Madrid 28042 Spain   | Installation, maintenance & operation of electrical energy generating systems using PV technology | 100.00           | 202,075    | 42,700          | 47,739       | (138,821) |
| Beasolarta S.L.U (1)                          | C/ San Severo, 18, Madrid 28042 Spain   | Installation, maintenance & operation of electrical energy generating systems using PV technology | 100.00           | 41,000     | 41,000          | 29,116       | 1,620     |
|   |   |   | %                | Euros      |                 |              |           |



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| Investee   | Address   | Activity                  | Participation | Amount            | Corporate Capital | Equity   |           |
|--|---|---------------------------|---------------|-------------------|-------------------|----------|-----------|
|  |   |                           |               |                   |                   | Reserves | Result    |
| Área de Servicio Punta Umbria, S.L.U (1)                   | C/ San Severo, 18, Madrid 28042 Spain   | Service Station Operation | 100.00        | 402,065           | 82,810            | 407,932  | 90,447    |
| Conservación de Infraestructura de Méjico S.A. de C.V. (2) | Mauricio Garces 855, La Joya, 76180, Ciudad de Santiago de Querétaro, Estado de Querétaro, México | Services                  | 90.00         | 2,696             | 3,001             | (2,095)  | (62)      |
| ESM Mantenimiento Integral de S.A. de C.V. (2)             | Av. Prolongación Tecnológico No 950 B, Co San Pablo 76130 Queretano, México                       | Services                  | 0.01          | 27                | 345,689           | 25,916   | 31,894    |
| Elsamex Construção e Manutenção LTDA (4)                   | Rua Gonçalves Maia nº 207, Soledade, Recife-PE, CEP 50.070.060, Pernambuco, Brazil                | Construction              | 99.99         | 33,960            | 33,960            | (44,106) | -         |
| Elsamex Maintenance Services LTD (India) (2)               | 1304/1304A, 43, Chiranjiv Tower, Nehru Place New Delhi 110019, (INDIA)                            | Construction              | 99.88         | 6,147             | 6,147             | (560)    | 1,401,994 |
|  |   |                           |               | <b>29,679,262</b> |                   |          |           |

(1) Audited by Caballero Auditores, S.L. in 2014

(2) Audited by other auditors.

(3) Limited Review by other auditors

(4) New incorporation, no activity



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Financial Year 2013

| Investee                                      | Address   | Activity  | % Partici pation | Euros      |                 |             |           |
|---|---|---|------------------|------------|-----------------|-------------|-----------|
|   |   |   |                  | Amount     | Capital Company | Equity      |           |
|   |   |   |                  |            |                 | Reserves    | Result    |
| Ramky Elsamex Hyderabad Ring Road Limited (3) | RAMKY House, 6-3-1089/G/10&11 Gulmohar Avenue, Rajbahavan Road, Somajiguda, Hyderabad – 500 082. A.P. India | Services  | 26.00            | 811,711    | 2,580,033       | (89,842)    | (291,864) |
| CIESM - INTEVIA, S.A.U (1)                    | San Severo 18, 28042 Madrid España  | Laboratory  | 100.00           | 836,201    | 60,000          | 338,863     | 377,867   |
| Atenea Seguridad y Medio Ambiente, S.A.U. (1) | C/ San Severo, 18, Madrid 28042 Spain   | Services  | 100.00           | 130,183    | 130,200         | 1,073,766   | 535,501   |
| Grusamar Ingeniería y Consulting, S.L.U. (1)  | C/ San Severo, 18, Madrid 28042 Spain   | Engineering   | 100.00           | 3,554,998  | 3,494,897       | 484,529     | 294,223   |
| Elsamex Internacional, S.L.U.(1)              | C/ San Severo, 18, Madrid 28042 Spain   | Services  | 100.00           | 14,310,555 | 14,310,555      | (5,562,833) | (202,906) |
| Sociedad Concesionaria A4 Madrid, S.A. (2)    | C/ Caballero Andante, nº 8 Madrid Spain   | Services  | 46.25            | 4,353,512  | 9,413,370       | 440,948     | 908,463   |
| Señalización Viales e Imagen S.A.U. (1)       | Pol Ind. La variante c/ La Grajera nº 2. 26140 Lardero, Rioja   | Manufacture   | 100.00           | 2,173,398  | 688,025         | (4,275,780) | (580,997) |
| Área de Servicio Coiros, S.L.U. (1)           | C/ San Severo, 18, Madrid 28042 Spain   | Service Station Operation   | 100.00           | 2,820,734  | 1,003,010       | 1,763,267   | (31,023)  |
| Alcantarilla Fotovoltaica, S.L.U. (1)         | C/ San Severo, 18, Madrid 28042 Spain   | Installation, maintenance & operation of electrical energy generating systems using PV technology | 100.00           | 201,520    | 42,700          | 138,168     | (90,984)  |
| Beasolarta S.L.U (1)                          | C/ San Severo, 18, Madrid 28042 Spain   | Installation, maintenance & operation of electrical energy generating systems using PV technology | 100.00           | 41,000     | 41,000          | (12,462)    | 41,578    |
| Investee                                      | Address   | Activity  | %                | Euros      |                 |             |           |



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|  |   |                           | Participation | Amount            | Corporate Capital | Equity   |          |
|--|---|---------------------------|---------------|-------------------|-------------------|----------|----------|
|  |   |                           |               |                   |                   | Reserves | Result   |
| Área de Servicio Punta Umbría, S.L.U (1)                   | C/ San Severo, 18, Madrid 28042 Spain   | Service Station Operation | 100.00        | 402,065           | 82,810            | 359,854  | 48,632   |
| Conservación de Infraestructura de Méjico S.A. de C.V. (2) | Mauricio Garces 855, La Joya, 76180, Ciudad de Santiago de Querétaro, Estado de Querétaro, México | Services                  | 90.00         | 2,696             | 3,001             | (1,709)  | (385)    |
| Empresa PAME S.A. de C.V. (2)                              | C/ Alberto Cossio 105, 15B, Tangamanga, San Luis Potosí, 78269, México                            | Services                  | 32.50         | 973               | 2,774             | -        | -        |
| ESM Mantenimiento Integral de S.A. de C.V. (2)             | Av. Prolongación Tecnológico No 950 B, Co San Pablo 76130 Queretano, México                       | Services                  | 0.01          | 27                | 345,689           | 31,872   | (5,956)  |
| Elsamex Construção e Manutenção LTDA (4)                   | Rua Gonçalves Maia nº 207, Soledade, Recife-PE, CEP 50.070.060, Pernambuco, Brazil                | Construction              | 99.99         | 33,960            | 33,960            | -        | (44,106) |
| Elsamex Maintenance Services LTD (India) (2)               | 1304/1304A, 43, Chiranjiv Tower, Nehru Place New Delhi 110019, (INDIA)                            | Construction              | 99.88         | 6,147             | 6,147             | -        | (560)    |
|  |   |                           |               | <b>29,679,680</b> |                   |          |          |

(1) Audited by Mrs. Laura Tahoces.

(2) Audited by other auditors.

(3) Limited Review by other auditors

(4) New incorporation, no activity

On 26 June 2013, the Company acquired 99.99% of company Elsamex Construção e Manutenção LTDA (Brazil) for 33,960 euros, whose corporate purpose is the rendering of maintenance services in Brazil. Also, on 12 September 2013, the Company contributed 99.88% of the company Elsamex Maintenance Services LTD (India) for 6,147 euros, whose corporate purpose is to render maintenance services in the North area of India.

None of the shares of the Group companies are listed on the stock market.

The Company has analysed the possible impairment losses on the Company's investments at the end of financial years 2014 and 2013, not being necessary to recognize any amount in relation to impairment on the basis of the expected evolution of Own Funds and their activities as well as the financial support that Elsamex, S.A. announces that will give to those needing it for the periods and amounts needed.

The Company participates together with two other partners in the Highway A-4 Concessionary Company, the successful bidder in 2007 for a contract for the construction and operation as an administrative concession for the stretch of highway A-4 from P.K. 3.78 to P.K. 67.5 (R4) in Madrid and Toledo provinces. During accounting period 2008 the concessionary company for Highway A-4 took out a syndicated loan for the financing of the construction works deriving from the concession contract, conditional upon the fulfilment of specific ratios of financial autonomy. This syndicated loan has two guarantees of two financial institutions different from the grantors of the loan, one of them, in name of Elsamex, S.A. and other one in name of the partner.



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## 8.2 Credits to businesses

The Company includes the shared loan granted to the A-4 Highway concessionary company under this heading in accordance with that described in the previous paragraph for the amount of 8,202,920 and a shared loan dated 29th December 2008 for the amount of 2,600,000 Euros, granted to the dependent company Señalización Viales e Imagen S.A.U., which becomes due on 1st December 2018 and which accrues Euribor +1.75% fixed interest every 31st March and annual variable interest which will be adjusted as a function of the annual profits before tax, as a function of a scale. Additionally, this heading includes the interests accrued and not collected, which have been capitalized in 2013 for 28,051 euros. The accrued interests for these loans during financial years 2014 and 2013 amount to 542,772 Euros and 546,293 Euros, respectively.

## 8.3 Joint ventures

The details for the turnover of the Joint Venture businesses in which the Company participates are as follows:

| Name of the JV  | Percentage of participation | (Euros) Sales |
|---|-----------------------------|---------------|
| UTE Elsamex Arias Oca Conservación Orense II                                | 50%                         | -             |
| Elsamex-Iberseñal UTE Señalización Madrid                                   | 60%                         | -             |
| Elsamex-Torrescamara UTE Presas   | 50%                         | -             |
| Grusamar-Elsamex-Atenea UTE Seguridad Vial Murcia                           | 30%                         | 83,152        |
| Elsamex-Cauchil UTE Elsamex- Cauchill Jaen                                  | 80%                         | -             |
| Api Conservacion-Elsamex UTE Teruel II                                      | 50%                         | -             |
| Elsan Pacsa-Elsamex UTE Navalvillar de Pela II                              | 50%                         | -             |
| Elsamex-Sando UTE II Conservación A-395                                     | 50%                         | -             |
| Elsamex-Asfaltos Uribe Este Señal UTE Durango II                            | 45%                         | -             |
| Ute Polideportivo Latina  | 50%                         | -             |
| Corsan Corviam-Elsamex UTE Corelsa  | 50%                         | 50,000        |
| Elsamex-Oca UTE Coruña III  | 70%                         | 180,913       |
| Asfaltos Uribe-Norte Industrial-Construcciones Eder-Elsamex UTE Vizcaya III | 28%                         | -             |
| Elsamex-Rubau UTE Argentona   | 50%                         | 431,131       |
| Elsamex- Martín Casillas UTE Conservación Cádiz                             | 50%                         | -             |
| Elsamex-Oca UTE Conservación Orense III                                     | 50%                         | 3,727         |
| UTE Abedul Orihuela   | 25%                         | 284,029       |
| UTE Abedul Zamora   | 25%                         | 156,471       |
| UTE Abedul Villavidel   | 25%                         | 129,291       |
| UTE Abedul Cáceres  | 25%                         | -             |
| UTE Abedul Ponferrada   | 25%                         | 188,834       |
| UTE Córdoba   | 50%                         | -             |
| UTE Arona   | 60%                         | 1,624,287     |
| UTE AP-7 Ondara   | 60%                         | 154,917       |
| UTE Mantenimiento Cuenca  | 50%                         | 1,009,922     |
| UTE Elsamex-Maygar Sur Sevilla  | 50%                         | 570,894       |
| UTE Elsamex-Lujan Alicante  | 50%                         | 1,727,721     |
| UTE Conservación Almería  | 70%                         | 2,752,995     |
| UTE Conservación Asturias   | 50%                         | 1,199,460     |
| UTE Bizcaia Bi  | 37.50%                      | 1,647,938     |
| UTE Conservación Cáceres  | 50%                         | 1,170,984     |
| UTE Parking estación intermodal   | 50%                         | 51,000        |
| Name of the JV  | Percentage of participation | (Euros) Sales |
| UTE Elsamex- Pulido   | 50%                         | 116,551       |



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|                                      |      |                   |
|--------------------------------------|------|-------------------|
| UTE AP-7 Ondara 2                    | 60%  | 282,834           |
| UTE Sistema Tarifario                | 50%  | 5,689             |
| UTE Elsamex-Rebogar                  | 60%  | 48,451            |
| UTE Antequera                        | 30%  |                   |
| UTE Burgos Sur                       | 86%  | 72,088            |
| UTE Alumbrado Tegueste               | 50%  |                   |
| UTE Tecyrsa-Elsamex (Avda.Daganzo)   | 50%  |                   |
| UTE Servicios Energéticos las Palmas | 50%  |                   |
| UTE Jaén Sur                         | 70%  |                   |
| UTE Elsamex-ITNL Botswana            | 100% | 739,866           |
| UTE Etiopia 35                       | 100% |                   |
| Consortio Elsamex-Grusamar Ecuador   | 50%  | 131,946           |
| JV Elsamex-Ascon (Abu Dhabi)         | 50%  | 5,994,027         |
| <b>Total</b>                         |      | <b>20,809,118</b> |

The main figures that the Joint Ventures contribute to the balance sheet on 31 December 2014 and 2013 are:

|                                     | Euros             |                   |
|-------------------------------------|-------------------|-------------------|
|                                     | 31/12/2014        | 31/12/2013        |
| Non-current assets                  | 3,041,815         | 3,231,755         |
| Current assets                      | 11,269,656        | 13,722,633        |
| <b>Total Assets</b>                 | <b>14,311,471</b> | <b>16,954,388</b> |
| Net equity                          | 2,610,499         | 2,058,359         |
| Non-current liabilities             | 2,282,645         | 2,699,006         |
| Current liabilities                 | 9,418,327         | 12,197,023        |
| <b>Total Liabilities and Equity</b> | <b>14,311,471</b> | <b>16,954,388</b> |

## 9. Financial assets with third parties (long and short-term)

### 9.1 Long-term financial assets

Under the heading "Loans to third parties", the Company has included part of the long-term debt originated by the works performed for three public authorities which, by court order, are obliged, in the coming years, to pay Elsamex, S.A. the outstanding debt, interest on arrears, and the trial costs.

The balance of the account in the "Other financial assets" section upon closure of financial year 2014 mainly contains part of the costs claimed to the Haiti Government due to the advanced termination of the contract signed with Elsamex, S.A. The claim was lodged on 6 May 2014 before the Haiti Authorities. The claimed amount shall be recovered upon issuance of the judgement. This section also includes in 2014 and 2013 the bonds given as a consequence of the operating lease contracts signed with third parties as described in Note 7, other financial assets, and some pledged deposits contracted with a banking institution.



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## 9.2 Short-term financial assets

The breakdown of the Company's financial assets is the following at the close of the periods 2014 and 2013:

|  | Euros       |             |
|--|-------------|-------------|
|  | 31/12/2014  | 31/12/2013  |
| <b>Customers for sales and provisions of services-</b>   |             |             |
| Customers  | 47,092,645  | 44,499,365  |
| Delinquent Customers                                     | 3,525,105   | 3,527,499   |
| Impairment of value of credits for commercial operations | (3,525,105) | (3,527,499) |
|  | 47,092,645  | 44,499,365  |
| <b>Sundry debtors</b>                                    | 4,011,946   | 7,159,822   |
| <b>Personnel</b>   | 140,722     | 70,264      |
| <b>Other short-term financial assets</b>                 |             |             |
| Credits to third parties                                 | 1,378,879   | 4,259,168   |
| Short-term deposits                                      | 7,455,392   | 6,822,027   |
|  | 8,834,271   | 11,081,195  |
| <b>Total</b>   | 60,079,584  | 62,740,382  |

The heading "Short-term deposits" contains a deposit amounting to 6,229,950 Euros on 31 December 2014 (6,057,273 Euros in 2013) in the Commercial Bank of Dubai. Upon closing of the financial year this deposit is pledged in guarantee of a guarantee in favour of the State Road Agency of Ukraine, which ensures the good performance of the contract awarded to the Company for the rehabilitation and maintenance of the section "M06 Kiev-Chop".

During financial year 2014, the Company has allocated 5,431 Euros for impairment of commercial credits, which have been included as loss in the heading "Losses, impairment and change in commercial operation allowances" of the 2014 profit and loss account attached, which result from the joint ventures (the JV client balance is showed as a net amount and shall thus not cause any changes in the provision). Additionally, the same heading of the profit and loss account has registered a reversion amounting to 2,394 Euros.

At the close of the period the Company had pledged its customer accounts in guarantee of a loan granted through a pool of banks (see Note 14).

## 10. Information on the nature and level of risk of financial instruments

The management of the financial risks of the Company is centralized in Financial Management, which has established the necessary mechanisms to control exposure to variations in the interest rates, as well as to the credit and liquidity risks. The main financial risks that impact on the Company are mentioned below:

### a) Credit risk:

In general, the Company holds its treasury and equivalent liquid assets in financial bodies with a high credit level.

In addition, it must be pointed out that, despite the fact that it maintains a significant volume of operations with a significant number of customers, the solvency of the majority of them is guaranteed as they are largely Public Bodies and so there is no high credit risk with third parties.

### b) Liquidity risk:



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In order to guarantee the liquidity and to be able to fulfil all the payment commitments deriving from its activity, the Company relies on the Treasury shown in its balance, as well as on short-term financial investments which are detailed in Note 9.

c) Market risk:

Both the Treasury and the financial debt of the Company are exposed to the interest rate risk, which could have an adverse effect on the financial results and on the cash flow. Therefore the Company follows the policy of investing in financial assets that are practically not exposed to interest rate risks and uses derivative financial instruments to cover the risks to which its activities, operations and future cash flows are exposed. On the other hand, the financial instruments used have been chosen for the solidity of their financial worth and the issuing institutions.

## 11. Stocks

The movements occurring under this heading of the balance sheet during accounting periods 2014 and 2013 are the following:

### Financial Year 2014

|                                    | Euros            |                |                    |                  |
|------------------------------------|------------------|----------------|--------------------|------------------|
|                                    | 31/12/2013       | Additions      | Withdrawals        | 31/12/2014       |
| Raw materials and other provisions | 756,648          | 424,343        | (229,116)          | 951,875          |
| Advances to suppliers              | 1,690,060        | 33,484         | (1,583,702)        | 139,842          |
| <b>Net value</b>                   | <b>2,446,708</b> | <b>457,827</b> | <b>(1,812,818)</b> | <b>1,091,717</b> |

### Financial Year 2013

|                                    | Euros            |                |                  |                  |
|------------------------------------|------------------|----------------|------------------|------------------|
|                                    | 31-12-12         | Additions      | Withdrawals      | 31/12/2013       |
| Raw materials and other provisions | 677,827          | 349,404        | (270,583)        | 756,648          |
| Advances to suppliers              | 1,429,592        | 379,179        | (118,711)        | 1,690,060        |
| <b>Net value</b>                   | <b>2,107,419</b> | <b>728,583</b> | <b>(389,294)</b> | <b>2,446,708</b> |

At the close of accounting period 2014 the Company has pledged its stock in guarantee of a loan granted by a pool of banks (see Note 14).

## 12. Stockholders' equity

### 12.1 Share capital

At the close of period 2014 the Company's share capital amounted to 20,264,625 Euros, represented by 337,175 shares of 60,10121 Euros nominal value each, all of the same class, fully subscribed and paid in accordance with the following detail:

|                                   | % Participation |
|-----------------------------------|-----------------|
| ITNL Internacional Pte.Ltd        | 22.61%          |
| IL&FS Transportation Networks Ltd | 77.39%          |
|                                   | <b>100.00%</b>  |

The company ITNL Internacional Pte Ltd, is subsidiary for a percentage of 100% of IL&FS Transportation Networks Ltd. The shares are not quoted on the Stock Exchange.



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### 12.2 Legal reserve

In accordance with the Consolidated Text of the Spanish Corporations Act, a figure equal to 10% of the period's profit must be allocated to the legal reserve until this reaches, at least, 20% of the share capital. Such reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for that purpose.

### 12.3 Voluntary reserves

These are unrestricted reserves.

It is equally forbidden all distribution of profits unless the worth of the available reserves is, as a minimum, equal to the expenses of investigation and development and there are no available reserves for an amount equal to the amounts pending of repaying of the previous accounts.

### 12.4 Conversion differences

The conversion differences for the period 2014 are brought about integrally by the impact of the inclusion in the Company's balance sheet in this period of balances coming from subsidiaries that the Company has abroad.

The Company applies the rate of exchange at close to the assets of the subsidiary located abroad expressed in an operating currency other than the Euro. The difference that arises with respect to the amount by which they are included in the Company's equity, is accounted directly against the net equity, given that the entries denominated in operating currency are not converted into Euros in the short term and, consequently, will not affect the Company's cash flow.

## 13. Provisions

The detail for provisions of the balance sheet at the closing of year 2014 and 2013, as well as the main movements registered during the year are the following:

Year 2014

|                             | Euros            |                |                       |                |
|-----------------------------|------------------|----------------|-----------------------|----------------|
|                             | 31/12/2013       | Allocation     | Write Off/Adjustments | 31/12/2014     |
| Other commercial operations | 206,165          | 545,685        | (184,679)             | 567,171        |
| Variable remuneration       | 1,246,736        | -              | (897,443)             | 349,293        |
|                             | <b>1,452,901</b> | <b>545,685</b> | <b>(1,082,122)</b>    | <b>916,464</b> |

Year 2013

|                             | Euros            |                |                       |                  |
|-----------------------------|------------------|----------------|-----------------------|------------------|
|                             | 31-12-12         | Allocation     | Write Off/Adjustments | 31/12/2013       |
| Other commercial operations | 233,464          | -              | (27,299)              | 206,165          |
| Variable remuneration       | 1,062,302        | 312,204        | (127,770)             | 1,246,736        |
|                             | <b>1,295,766</b> | <b>312,204</b> | <b>(155,069)</b>      | <b>1,452,901</b> |



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#### 14. Financial liabilities

The Company's financial liabilities are itemized as follows at close of years 2014 and 2013:

|  | Euros             |                   |
|--|-------------------|-------------------|
|  | 2014              | 2013              |
| <b>Long-term financial liabilities:</b>                  |                   |                   |
| <b>Long-term debts</b>                                   |                   |                   |
| Debts with credit institutions                           | 51,411,883        | 52,778,273        |
| Financial leasing creditors (Note 7)                     | 811,910           | 539,067           |
| Other financial liabilities                              | 7,750             | 6,250             |
| Advances from customers                                  | 5,792,356         | -                 |
|  | <b>58,023,899</b> | <b>53,323,590</b> |
|  |                   |                   |
| <b>Debts with group companies (Note 19)</b>              | <b>10,750,000</b> | <b>2,560,000</b>  |
| <b>Total</b>   | <b>68,773,899</b> | <b>55,883,590</b> |
|  |                   |                   |
| <b>Short-term financial liabilities</b>                  |                   |                   |
| <b>Short-term debts-</b>                                 |                   |                   |
| Debts with credit institutions                           | 15,661,975        | 13,133,213        |
| Financial leasing creditors (Note 7)                     | 487,211           | 602,166           |
| Derivatives  | -                 | 46,402            |
| Other financial liabilities                              | 806,213           | 1,157,499         |
|  | <b>16,955,399</b> | <b>14,939,281</b> |
|  |                   |                   |
| <b>Debts with group companies and partners (Note 19)</b> | <b>348,523</b>    | <b>6,873,015</b>  |
|  |                   |                   |
| <b>Trade creditors and other accounts payable-</b>       |                   |                   |
| Suppliers  | 28,440,118        | 28,134,308        |
| Suppliers, Group companies (Note 19)                     | 2,185,236         | 1,888,088         |
| Personnel  | 126,584           | 99,388            |
| Advances from customers                                  | 4,342,360         | 4,749,667         |
|  | <b>35,094,298</b> | <b>34,871,452</b> |
| <b>Total</b>   | <b>52,398,220</b> | <b>56,683,747</b> |

*Long-term debts with Group companies and associates:*

The company has two loans issued by the shareholders, amounting to 9,250,000 and 1,500,000 Euros, respectively. Said loans accrue an annual market interest payable quarterly. The accountable financial cost during this period for the loans amounts to 328,305 Euros and is entered in the "Financial expenditure through debts with Group companies and associates" section of the profit and loss account attached (see Note 19).



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*Debts with credit institutions:*

The breakdown of the long-term and short-term debts with credit institutions is shown below for periods 2014 and 2013:

Year 2014:

|                        | Euros      |                   |                   |
|------------------------|------------|-------------------|-------------------|
|                        | Limit      | Available         |                   |
|                        |            | Long-term         | Short Term        |
| Credit lines           | 28,976,000 | 22,366,120        | 827,798           |
| Loans                  | 60,517,530 | 29,323,875        | 14,980,148        |
| Mortgage loan (Note 6) | 450,000    | 45,951            | 53,205            |
|                        |            | <b>51,735,946</b> | <b>15,861,151</b> |

The difference with the balance is due to the loans carried at amortised cost which result in a difference amounting to a debt higher by 324,063 Euros in the long-term, and 199,176 Euros in the short-term.

Year 2013

|                        | Euros      |                   |                   |
|------------------------|------------|-------------------|-------------------|
|                        | Limit      | Available         |                   |
|                        |            | Long-term         | Short Term        |
| Credit lines           | 23,800,000 | 18,290,477        | 340,397           |
| Loans                  | 56,917,530 | 34,683,233        | 12,969,059        |
| Mortgage loan (Note 7) | 450,000    | 99,156            | 50,741            |
|                        |            | <b>53,072,866</b> | <b>13,360,197</b> |

The difference with the balance is due to the loans carried at amortised cost which result in a difference amounting to a debt higher by 294,593 Euros in the long-term, and 226,984 Euros in the short-term.

In July 2009, the Company took out a syndicated loan policy with a group of financial institutions for a maximum amount of 47,500,000 Euros from which they have availed themselves of 37,500,000 Euros at the close of the period. The due date of this loan is 17 July 2019. The interest rate applicable to this syndicated loan is Euribor plus a spread. However, the contract accommodates updating the differential dependent on the fulfilment of specific ratios. The loan contract is guaranteed by the pledging of specific assets of the business (see Notes 9 and 11), but is has also pledged some of its shares.

The Company has taken out seven credit policies with seven financial institutions from which cash has been used at close. The resulting rate of interest for the amounts that are available in all of them is determined by the Euribor plus a spread.

The Company is supporting policies of credit and loan of his Spanish subsidiaries for amount of 4,914,817 Euros.

The financial cost during the 2014 period for all these debts with credit institutions amounts to 3,792,074 Euros and is included in the "Financial costs for debts with third parties" section of the attached profit and loss account.

The detail for the due dates of the long-term loans of the Group is the following on 31 December 2014 and 2013:



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Year 2014:

|                                | Euros      |           |           |           |                 | Total      |
|--------------------------------|------------|-----------|-----------|-----------|-----------------|------------|
|                                | 2016       | 2017      | 2018      | 2019      | 2020 and beyond |            |
| Debts with credit institutions | 25,683,343 | 7,561,918 | 7,805,678 | 9,067,328 | 1,617,679       | 51,735,946 |

Year 2013

|                                | Euros      |           |           |           |                 | Total      |
|--------------------------------|------------|-----------|-----------|-----------|-----------------|------------|
|                                | 2015       | 2016      | 2017      | 2018      | 2019 and beyond |            |
| Debts with credit institutions | 25,338,122 | 6,856,319 | 6,999,026 | 7,306,666 | 6,572,733       | 53,072,866 |

#### **15. Public Administrations and fiscal situation**

The composition of these balances on 31 December 2014 and 2013 is as follows:

|  | Euros            |                    |                  |                    |
|--|------------------|--------------------|------------------|--------------------|
|  | 2014             |                    | 2013             |                    |
|  | Balances Debtors | Balances Creditors | Balances Debtors | Balances Creditors |
| Deferred tax assets                                    | 3,163,625        | -                  | 3,382,656        | -                  |
| Deferred tax liabilities                               | -                | 1,883,924          | -                | 1,875,707          |
| <b>Long-term balances with Public Administrations</b>  | <b>3,163,625</b> | <b>1,883,924</b>   | <b>3,382,656</b> | <b>1,875,707</b>   |
| Public Treasury, debtor for J.V. VAT                   | 234,308          | -                  | 229,159          | -                  |
| Public Treasury, debtor for IGIC                       | 32,259           | -                  | 17,035           | -                  |
| Public Treasury, debtor for Corporation Tax            | 414,065          | -                  | 982,693          | -                  |
| Public Treasury, debtor for retentions                 | 1,098,936        | -                  | 644,822          | -                  |
| Public Treasury, creditor J.V.                         | -                | 927,404            | -                | 842,368            |
| Public Treasury, creditor for VAT                      | -                | 1,078,527          | -                | 942,094            |
| Public Treasury, debtor for Corporation Tax            | -                | 965,314            | -                | -                  |
| Public Treasury, creditor for IRPF                     | -                | 502,174            | -                | 288,555            |
| Social Security institutions payable                   | -                | 424,631            | -                | 391,647            |
| <b>Short-term balances with Public Administrations</b> | <b>1,782,568</b> | <b>3,898,050</b>   | <b>1,873,709</b> | <b>2,464,664</b>   |

The Company taxes in tax consolidation regime, and the head of the group is the same, therefore the amount to be charged by the Public Treasury for the Corporation Tax and for VAT correspond to the consolidated amount. This regime means that the Company has accounts receivable and payable with the dependant companies, according to the corresponding individual settlement (see Note 19).



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### Accounting reconciliation and taxable base result

The reconciliation between the account result before taxes of the period ending in 31 December 2014 and on 31 December 2013 and the taxable base of the Corporate Tax, as well as the calculation of the tax expense of the year and the credit of the parent company of the consolidation tax Group are as follows:

Financial Year 2014

|  | Euros            |                  |
|--|------------------|------------------|
|  | Share Payable    | Expense          |
| After-tax Profits                                      | 3,867,712        | 1,160,313        |
| Permanent differences-                                 |                  |                  |
| Permanent differences: Non-tax deductible expenses     | 71,417           | 21,426           |
| Temporary differences-                                 |                  |                  |
| Decreases  | -                | -                |
| Increases  | 579,885          | -                |
| Tax loss carry-forwards from previous years            | (1,285,968)      | -                |
| <b>Taxable base (Tax result)</b>                       | <b>3,233,046</b> | <b>1,181,739</b> |
| Gross tax accrued (30% of the taxable base)            | 969,914          | -                |
| RDI deduction  | -                | (78,640)         |
| Deductions   | (119,812)        | (119,813)        |
| <b>Corporate tax receivables of Consolidated Group</b> | <b>850,102</b>   | <b>983,286</b>   |
| <b>Adjustments:</b>                                    |                  |                  |
| Adjustments  | (95,070)         | (95,070)         |
| Adjustments previous year                              | -                | 2,039            |
| Adjustments permanent establishments                   | -                | 104,475          |
| <b>Corporate tax expenses</b>                          | <b>755,032</b>   | <b>994,730</b>   |

Financial Year 2013

|  | Euros            |                  |
|--|------------------|------------------|
|  | Share Payable    | Expense          |
| Earnings before taxes                                  | 4,550,566        | 1,365,170        |
| Permanent differences-                                 |                  |                  |
| Permanent differences: Non-tax deductible expenses     | (525,693)        | (157,708)        |
| Temporary differences-                                 |                  |                  |
| Decreases  | 716,943          | -                |
| Increases  | (317,929)        | -                |
| Tax loss carry-forwards from previous years            | (707,217)        | -                |
| <b>Taxable base (Tax result)</b>                       | <b>3,716,670</b> | <b>1,207,462</b> |
| Gross tax accrued (30% of the taxable base)            | 1,115,001        | -                |
| Deductions   | (196,402)        | (639,701)        |
| <b>Corporate tax receivables of Consolidated Group</b> | <b>918,599</b>   | <b>567,761</b>   |
| <b>Adjustments:</b>                                    |                  |                  |
| Adjustments previous year                              | -                | 56,312           |
| Adjustments permanent establishments                   | -                | 18,689           |
| <b>Corporate tax expenses</b>                          | <b>-</b>         | <b>642,762</b>   |



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The movement in the account for Assets for deferred tax on profits during the 2014 accounting period is as follows:

Financial Year 2014

|                          | Euros            |                |                  |                  |
|--------------------------|------------------|----------------|------------------|------------------|
|                          | 31/12/2013       | Increases      | Decreases        | 31/12/2014       |
| Negative tax bases       | 2,412,952        | -              | (324,198)        | 2,088,754        |
| Research and development | 597,262          | 78,640         | -                | 675,902          |
| Financial expense cap    | 141,578          | -              | (141,578)        | -                |
| Amortization cap         | 215,083          | 182,025        | -                | 397,108          |
| Others                   | 15,781           | -              | (13,920)         | 1,861            |
|                          | <b>3,382,656</b> | <b>260,665</b> | <b>(479,696)</b> | <b>3,163,625</b> |

Financial Year 2013

|                          | Euros            |                |                  |                  |
|--------------------------|------------------|----------------|------------------|------------------|
|                          | 31-12-12         | Increases      | Decreases        | 31/12/2013       |
| Negative tax bases       | 2,177,335        | 235,617        | -                | 2,412,952        |
| Research and development | 450,728          | 146,534        | -                | 597,262          |
| Financial expense cap    | 131,031          | 141,578        | (131,031)        | 141,578          |
| Amortization cap         |                  | 215,083        | -                | 215,083          |
| Others                   | 348,596          | -              | (332,815)        | 15,781           |
|                          | <b>3,107,690</b> | <b>738,812</b> | <b>(463,846)</b> | <b>3,382,656</b> |

The increases are due to the tax credit for research and development pending to be used generated by projects in progress during this financial year and to the deferred assets generated by the limit in amortization applied as an expense of the year.

The decrease during this year corresponds largely with the tax effect deriving from the accounting of the financial coverage instruments and the offsetting of taxable bases according to the results obtained in the financial year.

The company has the following individual negative taxable bases to be set against possible future fiscal profits:

|           | Amount           | Expiration |
|-----------|------------------|------------|
| Year 2007 | 5,057,306        | Year 2025  |
| Year 2008 | 27,704           | Year 2026  |
| Year 2011 | 536,712          | Year 2029  |
|           | <b>5,621,722</b> |            |

In accordance with current legislation, the fiscal losses of a period may be offset against the tax effects with the profits of the tax periods that end in the immediate 18 successive years. However, the final amount to be offset by these fiscal losses may be amended in consequence of the comparison of the accounting periods in which they occur.

Under current legislation, taxes cannot be deemed to have been definitively settled until the tax returns filed have been reviewed by the tax authorities or until the four-year statute-of-limitations period has expired. The Company has opened to inspection accounting periods 2010 to 2014.



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The Company's directors consider that the aforementioned taxes have been settled correctly and that, therefore, even if discrepancies arose with respect to its interpretation of current legislation in its tax treatment of transactions, any potential liabilities, should they arise, would not have a material effect on the accompanying financial statements.

#### Deferred tax liabilities

The movement in the account for Liabilities for deferred tax on profits during the 2014 accounting period is as follows:

Financial Year 2014:

|                                    | Euros                 |          |          |                       |
|------------------------------------|-----------------------|----------|----------|-----------------------|
|                                    | Balance at 31-12-2013 | Increase | Decrease | Balance at 31-12-2014 |
| Assets for deferred tax on Profits | 1,875,707             | 8,217    | -        | 1,883,924             |
|                                    | 1,875,707             | 8,217    | -        | 1,883,924             |

Financial Year 2013:

|                                    | Euros                 |          |           |                       |
|------------------------------------|-----------------------|----------|-----------|-----------------------|
|                                    | Balance at 31-12-2012 | Increase | Decrease  | Balance at 31-12-2013 |
| Assets for deferred tax on Profits | 1,712,828             | 602,747  | (439,868) | 1,875,707             |
|                                    | 1,712,828             | 602,747  | (439,868) | 1,875,707             |

Liabilities for deferred taxes arise mainly from differences between the tax and accounting amortization, for financial leasing and freedom of amortization.

#### **16. Contingent Liabilities**

At 31 December 2014, the Company has handed over different warranties demanded in order to contract with Public Bodies and as a financial guarantee for the value of 34,705,103 Euros and 32,603,450 dollars. The amount granted under this heading during 2013 amounted to 28,116,043 Euros and 101,500 Dollars.

At the end of the year 2014 were in various legal proceedings and claims against the consolidated companies, which have their origin in the ordinary course of its activities. Both the Group's legal advisers and directors consider that the outcome of litigation and claims will have a material effect on the financial statements for the years in which they settled.

#### **17. Revenue and expenditure**

##### **a) Turnover net amount and works performed by the company for fixed assets**

The net amount of the turnover entered by the Company corresponds to the revenues obtained through the activity considered in their Corporate purpose.

The breakdown of these sections of the profit and loss account for the financial years 2014 and 2013 is as follows:



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| Division                                    | Euros             |                   |
|---|-------------------|-------------------|
|   | 2014              | 2013              |
| Services rendered                           | 85,018,498        | 79,223,243        |
| Works carried out by the company for assets | 1,684,335         | 2,638,311         |
|   | <b>86,702,833</b> | <b>81,861,554</b> |

Out of the total services performed by the Company in periods 2014 and 2013, the following took place outside the national territory:

|              | Euros             |                   |
|--------------|-------------------|-------------------|
|              | 2014              | 2013              |
| Ukraine      | 1,404,566         | -                 |
| Haiti        | 13,050,481        | 10,824,389        |
| Africa       | 7,311,156         | 125,017           |
| Abu Dhabi    | 6,184,673         | 3,228,208         |
| Colombia     | 3,352,496         | 1,336,322         |
| Ecuador      | 131,946           | 120,349           |
| <b>Total</b> | <b>31,435,318</b> | <b>15,634,285</b> |

**b) Purchases**

The breakdown of this section of the profit and loss account for financial years 2014 and 2013 is as follows:

|                                      | Euros             |                   |
|--------------------------------------|-------------------|-------------------|
|                                      | 2014              | 2013              |
| Purchase of other materials          | 11,061,714        | 11,506,559        |
| Works carried out by other companies | 23,698,269        | 26,781,715        |
|                                      | <b>34,759,983</b> | <b>38,288,274</b> |

Out of the total purchases made by the Company in periods 2014 and 2013, the following took place outside the national territory:

| Country      | Euros            |                  |
|--------------|------------------|------------------|
|              | 2014             | 2013             |
| Ecuador      | 13,783           | -                |
| Ukraine      | 248,058          | -                |
| Abu Dhabi    | 3,005,713        | -                |
| Haiti        | 911,490          | 9,508,574        |
| Africa       | 990,683          | 124,164          |
| Colombia     | 1,977,119        | -                |
| China        | -                | 42,441           |
| <b>Total</b> | <b>7,146,846</b> | <b>9,675,179</b> |



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**c) Personnel expenditure**

The breakdown of the "Personnel expenditure" entry in the profit and loss account for the accounting period 2014 and 2013 is as follows:

|                                      | Euros             |                   |
|--------------------------------------|-------------------|-------------------|
|                                      | 2014              | 2013              |
| Wages, salaries and similar expenses | 20,695,434        | 19,865,724        |
| Employer social security costs       | 5,137,595         | 5,253,638         |
| <b>Total</b>                         | <b>25,883,029</b> | <b>25,119,361</b> |

The average number of persons employed during accounting periods 2014 and 2013, broken down into categories, is as follows:

| Categories                                | 2014       | 2013       |
|---|------------|------------|
| Management                                | 3          | 3          |
| Technical personnel and middle management | 140        | 88         |
| Administration personnel                  | 74         | 69         |
| Unqualified personnel                     | 525        | 491        |
| <b>Total</b>                              | <b>742</b> | <b>651</b> |

The average number of persons employed by Elsamex, S.A. during 2014 and 2013, with a handicap equal or greater than 33% by category, broken down into categories, is as follows:

| Categories               | 2014      | 2013      |
|--------------------------|-----------|-----------|
| Administration personnel | 3         | 3         |
| Unqualified personnel    | 21        | 26        |
| <b>Total</b>             | <b>24</b> | <b>29</b> |

In accordance with the requirements of Art. 260.8 of the Capital Corporation Law, distribution by sex is shown for the end of the period for the Company's personnel, broken down by category for the accounting periods 2014 and 2013:

| Categories                                | 2014       |            | 2013       |            |
|---|------------|------------|------------|------------|
|   | Men        | Women      | Men        | Women      |
| Management                                | 3          | -          | 3          | -          |
| Technical personnel and middle management | 107        | 33         | 59         | 29         |
| Administration personnel                  | 21         | 53         | 22         | 47         |
| Unqualified personnel                     | 464        | 61         | 430        | 61         |
| <b>Total</b>                              | <b>595</b> | <b>147</b> | <b>514</b> | <b>137</b> |

**d) Other operating expenses**

The detail for this section of the attached profit and loss account for accounting periods 2014 and 2013 is as follows:



|  | Euros             |                   |
|--|-------------------|-------------------|
|  | 2014              | 2013              |
| Leases and royalties                                       | 3,645,078         | 3,684,258         |
| Repairs and maintenance                                    | 693,694           | 951,640           |
| Independent professional services                          | 3,857,946         | 1,314,847         |
| Transport  | 243,850           | 117,737           |
| Insurance premiums and guarantees                          | 5,628,914         | 2,375,044         |
| Bank services and other similar                            | 531,562           | 494,342           |
| Publicity, advertising and public relations                | 31,973            | 21,517            |
| Supplies   | 1,221,189         | 570,759           |
| Other services   | 3,773,934         | 2,819,109         |
| Other taxes  | 579,774           | 243,833           |
| Losses, degradation and supplies variation (see Note 9.2). | 358,613           | 86,315            |
| Other current management expenses                          | 20,402            | 5,805             |
|  | <b>20,586,929</b> | <b>12,685,206</b> |

During 2014, the fees for account auditing services and other services provided by the auditor of the Company have been as follows:

| Description                                | Euros         |
|--|---------------|
|  | 2014          |
| Auditing Services                          | 80,000        |
| Other verification services                | -             |
| <b>Total auditing and related services</b> | <b>80,000</b> |
| Other services                             | 8,000         |
| <b>Total professional services</b>         | <b>88,000</b> |

During 2013, the fees for account auditing services and other services provided by the auditor of the Company since March 2013, Ms. Laura Tahoces, have been as follows:

| Description                                | Euros         |
|--|---------------|
|  | 2013          |
| Auditing Services                          | 27,392        |
| Other verification services                | 4,400         |
| <b>Total auditing and related services</b> | <b>31,792</b> |
| Other services                             | 3,000         |
| <b>Total professional services</b>         | <b>34,792</b> |

During 2013, the fees for account auditing services and other services provided by the auditor of the Company until March 2013, Mr. Bernardo Tahoces, have been as follows:

| Description                                | Euros         |
|--|---------------|
|  | 2013          |
| Auditing Services                          | 28,000        |
| <b>Total auditing and related services</b> | <b>28,000</b> |
| <b>Total professional services</b>         | <b>28,000</b> |



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## **18. Environmental aspects**

In view of the main business activities carried out by the Company, it does not have any significant responsibilities, expenses, assets or provisions or contingencies of an environmental nature in relation to the equity, financial situation and results. For this reason, they are not included in the specific breakdowns in this report.

The Company's Directors consider that there are no contingencies related to the protection and improvement of the environment and do not consider it necessary to enter any resource to the provision for risks and expenses of an environmental nature as at 31 December 2014 and 2013 in the financial statements.

The Company does not have granted rights of gas emissions and has not acquired them, as it does not need to do so.

## **19. Operations with related parties**

The detail of the balances and transactions made during accounting periods 2014 and 2013 between the Company and Elsamex Group companies and other binding parties is as follows:



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|  | Euros                 |                           |                       |                         |                   |                |                |                   |                  |                  |
|--|-----------------------|---------------------------|-----------------------|-------------------------|-------------------|----------------|----------------|-------------------|------------------|------------------|
|  | Accounts receivable   |                           | Accounts payable      |                         | Expenditure       |                | Income         |                   |                  |                  |
|  | For services rendered | Credits/ Current accounts | For services rendered | Loans/ Current accounts | Services received | Interests      | Dividends      | Services provided | Interests        |                  |
| 2014   |                       |                           |                       |                         |                   |                |                |                   |                  |                  |
| IIPL-Utl Internacional Pte. Ltd                  | -                     | -                         | 102.711               | 9.250.000               | 258.841           | 327.646        | -              | -                 | -                | -                |
| IL&FS Transportation Networks Ltd                | 223.504               | -                         | 1.659.570             | 1.500.000               | 1.814.065         | 659            | -              | 1.736.839         | -                | -                |
| ITNL Offshore Pte Ltd                            | 1.263                 | -                         | -                     | -                       | -                 | -              | -              | -                 | -                | -                |
| IL&FS Global Financial Services (UK)             | -                     | -                         | 163.278               | -                       | 331.077           | -              | -              | -                 | -                | -                |
| Ramky Elsamex Hyderabad Ring Road Ltm.           | 330.000               | -                         | -                     | -                       | -                 | -              | -              | -                 | -                | -                |
| ESM Méjico                                       | -                     | -                         | -                     | -                       | -                 | -              | -              | -                 | -                | -                |
| Elsamex Internacional S.L.                       | -                     | 20.009.359                | -                     | -                       | 3.115.336         | -              | -              | 1.429.532         | -                | 1.032.930        |
| Inteval Gestao Integral Rodoviaria. S.A.         | 363                   | -                         | -                     | -                       | -                 | -              | -              | 363               | -                | -                |
| Elsamex Portugal Engenharia e Sistemas de Gestao | 33                    | -                         | 3.188                 | -                       | -                 | -              | -              | 33                | -                | -                |
| Atenea Seguridad y Medio Ambiente. S.A.          | -                     | -                         | -                     | 56.676                  | 76.895            | -              | -              | 279.179           | -                | 119.184          |
| Grusamar Ingeniería y Consulting. S.L.           | -                     | -                         | -                     | 737.801                 | 1.823.380         | 234.712        | -              | 749.443           | -                | -                |
| Señalización de viales e Imagen. S.A.U.          | -                     | 4.717.744                 | -                     | -                       | 1.041.265         | -              | -              | 681.401           | -                | -                |
| Ciesm-Intevia S.A.                               | -                     | 2.351.243                 | 133.010               | -                       | 834.728           | -              | -              | 647.874           | -                | 179.760          |
| Geotecnia y Control de Qualitat S.L.             | 119                   | -                         | 907                   | -                       | 1.500             | -              | -              | 2.494             | -                | 283.705          |
| Control 7.S.A.                                   | -                     | 1.130.672                 | 118.580               | -                       | 98.000            | -              | -              | 177.207           | -                | 116.897          |
| Área de servicios Punta Umbria                   | -                     | 1.004.471                 | -                     | -                       | -                 | -              | -              | 83.534            | -                | 48.540           |
| Alcantarilla Fotovoltaica S.A                    | -                     | 2.202.556                 | -                     | -                       | -                 | -              | -              | 53.995            | -                | 127.785          |
| Área de servicio Coirós, S.L.L.                  | -                     | -                         | -                     | 253.141                 | -                 | 14.014         | -              | 13.420            | -                | -                |
| Elsamex Brasil                                   | -                     | -                         | -                     | -                       | -                 | -              | -              | -                 | -                | -                |
| CGI-8. S.A.                                      | 6.107                 | 447                       | -                     | -                       | -                 | -              | -              | -                 | -                | -                |
| Beasolarta                                       | -                     | 2.980.255                 | -                     | -                       | -                 | -              | -              | -                 | -                | -                |
| Sociedad Concesionaria Autovía A-4 Madrid. S.A.  | 6.304                 | 369                       | 3.992                 | -                       | 6.299             | -              | 378.148        | 12.785            | -                | 151.407          |
| Elsamex Construcao e Manutenca                   | -                     | 166.200                   | -                     | -                       | -                 | -              | -              | 637.654           | -                | 514.935          |
| Consorcio Grusamar-Elsamex-Ecuador               | -                     | 529.082                   | -                     | -                       | -                 | -              | -              | -                 | -                | -                |
| Others   | -                     | -                         | -                     | 9.274                   | -                 | -              | -              | -                 | -                | -                |
| Elsamex Internacional- Sucursal Colombia         | -                     | -                         | -                     | 2.712                   | -                 | -              | -              | -                 | -                | -                |
| Elsamex Internacional- Sucursal Dominicana       | -                     | -                         | -                     | -                       | -                 | -              | -              | -                 | -                | -                |
| <b>TOTAL</b>                                     | <b>567.693</b>        | <b>35.092.398</b>         | <b>2.185.236</b>      | <b>11.836.324</b>       | <b>9.401.386</b>  | <b>577.031</b> | <b>378.148</b> | <b>6.505.753</b>  | <b>2.575.143</b> | <b>2.575.143</b> |

|  | Euros                 |                           |                       |                         |                   |                |                |                   |                  |   |
|--|-----------------------|---------------------------|-----------------------|-------------------------|-------------------|----------------|----------------|-------------------|------------------|---|
|  | Accounts receivable   |                           |                       | Accounts payable        |                   | Expenditure    |                |                   | Income           |   |
|  | For services rendered | Credits/ Current accounts | For services rendered | Loans/ Current accounts | Services received | Interests      | Dividends      | Services provided | Interests        |   |
| 2013   |                       |                           |                       |                         |                   |                |                |                   |                  |   |
| IIPL-Utml Internacional Pte. Ltd                 | -                     | -                         | 9,968                 | 2,500,000               | 39,276            | 49,716         | -              | -                 | -                | - |
| IL&FS Transportation Networks Ltd                | -                     | -                         | 1,782,141             | 60,000                  | 1,126,748         | 1,264          | -              | 159,070           | -                | - |
| ITNL Offshore Pte Ltd                            | 1,263                 | -                         | -                     | -                       | -                 | -              | -              | -                 | -                | - |
| IL&FS Global Financial Services (UK)             | -                     | -                         | -                     | -                       | 18,857            | -              | -              | -                 | -                | - |
| Ramky Elsamex Hyderabad Ring Road Ltm.           | 330,000               | -                         | -                     | -                       | -                 | -              | -              | -                 | -                | - |
| ESM Méjico                                       | -                     | -                         | -                     | 3,669                   | -                 | -              | -              | -                 | -                | - |
| Elsamex Internacional S.L.                       | -                     | 19,606,641                | -                     | -                       | 137,653           | -              | -              | 1,326,535         | 867,850          | - |
| Inteval Gestao Integral Rodoviaria. S.A.         | 603,900               | -                         | -                     | -                       | -                 | -              | -              | 1,209,918         | -                | - |
| Elsamex Portugal Engenharia e Sistemas de Gestao | 106                   | -                         | 3,188                 | -                       | 4,898             | -              | -              | 106               | -                | - |
| Atenea Seguridad y Medio Ambiente. S.A.          | -                     | 3,453,667                 | -                     | -                       | 111,731           | -              | -              | 538,166           | 171,516          | - |
| Grusamar Ingenieria y Consulting. S.L.           | -                     | -                         | -                     | 6,243,269               | 632,923           | 144,140        | -              | 1,436,772         | -                | - |
| Señalización de viales e Imagen. S.A.U.          | -                     | 3,774,183                 | -                     | -                       | 558,637           | -              | -              | 366,555           | 302,468          | - |
| Ciesm-Intevia S.A.                               | -                     | 6,938,063                 | 92,791                | -                       | 148,839           | -              | -              | 274,061           | 328,012          | - |
| Geotecnia y Control de Qualitat S.L.             | 1,554                 | -                         | -                     | -                       | -                 | -              | -              | 2,340             | -                | - |
| Control 7.S.A.                                   | -                     | 2,856,519                 | -                     | -                       | -                 | -              | -              | 140,422           | 128,052          | - |
| Área de servicios Punta Umbría                   | -                     | 942,788                   | -                     | -                       | -                 | -              | -              | 3,988             | 50,637           | - |
| Alcantarilla Fotovoltaica S.A                    | -                     | 2,519,988                 | -                     | -                       | -                 | -              | -              | 47,555            | 123,579          | - |
| Área de servicio Coiros, S.L.L.                  | -                     | -                         | -                     | 577,169                 | -                 | 15,044         | -              | 18,615            | -                | - |
| Elsamex Brasil                                   | -                     | 13,905                    | -                     | -                       | -                 | -              | -              | -                 | -                | - |
| CGI-8. S.A.                                      | 6,107                 | 447                       | -                     | -                       | -                 | -              | -              | -                 | -                | - |
| Beasolarta                                       | -                     | 3,133,284                 | -                     | -                       | -                 | -              | -              | -                 | -                | - |
| Sociedad Concesionaria Autovia A-4 Madrid. S.A.  | 1,457                 | 369                       | -                     | -                       | -                 | -              | 549,771        | 2,060,177         | 122,457          | - |
| Elsamex Construcao e Man UTEEnca                 | -                     | 53,722                    | -                     | -                       | -                 | -              | -              | 649,186           | 518,242          | - |
| Consorcio Grusamar-Elsamex-Ecuador               | -                     | 20,497                    | -                     | 3,184                   | -                 | -              | -              | -                 | -                | - |
| Elsamex Internacional- Sucursal Colombia         | -                     | 125,824                   | -                     | -                       | -                 | -              | -              | -                 | -                | - |
| Elsamex Internacional- Sucursal Dominicana       | -                     | -                         | -                     | 45,724                  | -                 | -              | -              | -                 | -                | - |
| <b>TOTAL</b>                                     | <b>944,386</b>        | <b>43,409,898</b>         | <b>1,888,088</b>      | <b>9,433,015</b>        | <b>2,779,562</b>  | <b>210,164</b> | <b>549,771</b> | <b>8,233,467</b>  | <b>2,612,812</b> |   |

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378,148 Euros have been received in concept of dividends in the period 2014 (549,771 Euros in 2013) by the Sociedad Concesionaria Autovía A-4 Madrid S.A.

The nature of transactions that occur between the different companies of Group Elsamex is the following:

- Provision of services (subcontracting): specific Companies of the Elsamex Group provide supplementary services to the Company so that the latter may develop its activity.
- Financial operations: there are monetary transactions between the entities of Group Elsamex that occur insofar as the companies require liquidity. These intragroup transactions accrue interests.
- Administration, financial and human resource services: Elsamex S.A., from its central offices in Madrid, provides administrative, legal and fiscal services to the rest of the group entities.

The method for setting the transfer pricing policy is different depending on the type of transaction made:

a) For transactions consisting of the provision of services (subcontracting) between the different entities of the group, the "resale price" method is used, by which from the sale price of the item is subtracted the usual margin in identical or similar operations with independent persons or entities or, failing this, the margin that independent persons or entities apply to similar operations, making, if required, the corrections necessary to obtain the equivalence and in consideration of the particularities of the operation.

b) For financial transactions and administrative services between the different group entities the "comparable free price" method is used, by which the price of the goods or service is compared in an operation between connected persons or entities with the price of identical goods or services or of similar nature in an operation between independent persons or entities in similar circumstances, making, if required, the corrections necessary to obtain the equivalence and in consideration of the particularities of the operation.

The totality of balances alive that exist between the connected entities at 31 December 2014 and 2013 are liquid, past due date and demandable.



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The Company charges to its subsidiaries the structure expenses as follows, for financial years 2014 and 2013:

|   | 2014             | 2013             |
|---|------------------|------------------|
|   | Income           | Income           |
| Elsamex Internacional, S.L.U            | 76,190           | 607,118          |
| Ciesm-Intevia S.AU.                     | 132,407          | 159,920          |
| Control 7 S.A.U                         | 156,786          | 166,500          |
| Grusamar Ingeniería y Consulting, S.L.U | 420,455          | 529,356          |
| Atenea Seguridad y Medio Ambiente S.A.U | 129,010          | 193,529          |
| Señalización de viales e Imagen, S.A.U. | 62,829           | 63,352           |
| Alcantarilla Fotovoltaica, S.L.U.       | 7,145            | 14,032           |
| Área de Servicio Coirós S.L.U.          | 6,905            | 13,420           |
| Área de Servicio Punta Umbría, S.L.U.   | 4,932            | 9,251            |
| Beasolarta S.L.U                        | 5,001            | 10,298           |
| <b>TOTAL</b>                            | <b>1,001,660</b> | <b>1,766,776</b> |

**20. Information regarding situations involving conflicts of interest for the Board Members and Remunerations for the Board of directors and the Managers**

Upon closure of financial year 2014 neither the members of the Board of Directors of Elsamex, S.A. nor the persons linked to them as described by the Corporation Law have informed the rest of the members of the Board of Directors of any direct or indirect conflict of interest that they might have with regards to the interest of the Company.

During financial year 2014 the members of the Board of Directors of the Company received 25,106 Euros as compensation for attendance to Board meetings (33,941 Euros in 2013).

The Company has not contracted any obligation related to pensions, bonds, guarantees, life insurance or of any other type in favour of the members of the Company's Board of Directors.

There are no advance payments, credits or any obligations assumed by the Company on behalf of the members of the Company's Board of Directors.

**Data relating to senior management personnel and managing directors:**

| Name   | Responsibilities or duties that they hold or carry out in the company | Remuneration period 2014 | Remuneration period 2013 |
|--|---|--------------------------|--------------------------|
| Senior management personnel and managing directors | Management  | 520,386                  | 342,000                  |



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**21. Information on the postponement of payments to suppliers. Additional third disposition. "Duty of information" of Law 15/2010, of 5th July.**

Below, the information required by the Additional third disposition of Law 15/2010 of 5 July is detailed.

|  | Payments made and pending payment at the closing date of the period. |            |                   |            |
|--|--|------------|-------------------|------------|
|  | 2014   |            | 2013              |            |
|  | Euros  | %          | Euros             | %          |
| Within the maximum legal term (b)                                | 9,678,217  | 28         | 11,783,467        | 38         |
| Rest   | 24,440,690   | 72         | 19,139,335        | 62         |
| <b>Total payments of the year</b>                                | <b>34,118,907</b>  | <b>100</b> | <b>30,922,802</b> | <b>100</b> |
| PMPE (days) of payments  | 104  |            | 111               |            |
| Postponements that at closing date exceed the maximum legal term | 6,702,782  |            | 4,546,058         |            |

Data contained in the chart above on payments to suppliers refer to those which, by nature, are commercial creditors by debts with suppliers of goods and services, so they include data related to the item "Suppliers" of the current liabilities of the balance sheet.

The excess pondered average term (PMPE) of payments has been calculated as the quotient formed in the numerator by adding the products of each payment to suppliers made in the period with a deferment above the legal term of payment and the number of days of deferment which exceeds the term, and in the denominator the total amount of payments made in the period with a deferment above the legal term of payment.

The maximum legal term of payment applicable to the Company for period 2014 according to Law 3/2004 of 29 December, which establishes measures against delinquency in commercial operations, is 60 days.

**22. Other information**

An international dispute arose in respect of the payment of renovation works on a road, performed by Elsamex S.A. between the date of order to start the work (19/11/2004) and the date the works were completed (20/04/2008), pursuant to two public works contracts entered into by Elsamex S.A and the Secretariat of Public Works of the Republic of Honduras, Transport and Housing, dated 28/04/2003.

As a result of this dispute, Elsamex submitted an International Arbitration Request with the International Centre for Settlement of Investment Disputes (ICSID) dated 17/03/2009. This led to the request to the CIADI the payment to Elsamex S.A. of a total of USD 12,071,072 (includes guarantees amounting to USD 3,754,608) plus interest during the periods prior and subsequent to the final award and all the costs of the procedure, including the fees and expenses incurred by Elsamex S.A., and the administrative expenses of the Centre (CIADI) and the fees of the Sole Arbitrator. The government of the Republic of Honduras has lodged a counter-claim against Elsamex S.A.

On November 16th 2012, the ICSID communicated the Award to the Parties. The Award sentences the Republic of Honduras to pay to Elsamex S.A. USD\$ 8,290,725 for different concepts plus the accrued interest. The Counter-claim presented by the Republic of Honduras was also rejected.

The lawyers of Elsamex S.A., applied on December 21st 2012 for the payment of the amount of the Award plus the accrued interests until the date of it (USD\$ 3,021,316).

On March 21, 2013, the Government of the Republic of Honduras requested the dismissal of the arbitration award issued on November 16, 2012.

On 11 March 2014, the International Centre for Settlement of Investment Disputes (CIADI) announced the decision to declare that the Republic of Honduras did not comply with the instructions of the Committee to issue a



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signed statement in the terms ordered by the Committee on the Decision on the application of the Republic of Honduras to maintain the suspension of Enforcement of the Award of 7 January 2014.

This Committee (CIADI) concluded with immediate effect the suspension of enforcement of Award of 16 November 2012; the decision on distribution of costs associated was reserved for the decision on the invalidity of the Award. The procedure for annulment of award continued; the Hearing for the parties was scheduled for the 24 July 2014.

Elsamex, S.A. and the Republic of Honduras decided to carry out a transaction and definitely solve all claims and/or actions taken against the counterparty with regards to the Contract, including the claims that might have been lodged regarding the CIADI arbitration award, the Annulment Procedure, Honduras' Claim and the Performance Claim. For said purpose, on the 23 July 2014 the Parties signed a Memorandum of Understanding setting the general terms of the transaction agreement and, after a joint request, the CIADI agreed to postpone the hearing of the Annulment Procedure. On the 3 August 2014 Elsamex, S.A. and the Republic of Honduras signed a transaction agreement in virtue of which Elsamex, S.A. shall receive USD\$ 7,500,000 in 2014 and 2015 and the international dispute shall be considered settled.

### **23 Currency different to Euro and segment information**

The detail of balances and most significant transactions in foreign currency, valued at the exchange rate at close and average exchange rate, respectively, are the following for periods 2014 and 2013:

|                                 | Euros      |            |
|---------------------------------|------------|------------|
|                                 | 2014       | 2013       |
| <b>Balances:</b>                |            |            |
| Accounts receivable             | 24,217,740 | 12,463,361 |
| Other assets                    | 3,449,433  | 869,472    |
| Accounts payable                | 15,317,662 | 13,537,619 |
| Other liabilities               | 4,133,127  | 23,355     |
| <b>Transactions:</b>            |            |            |
| Sales and provision of services | 16,521,212 | 5,012,932  |
| Purchases and services received | 11,221,908 | 5,089,256  |

The Company considers that the best segmental information which represents the different business areas is the following:

Financial Year 2014

|              | Conservation | Construction | Maintenance Buildings | Maintenance stations of service | Concessions |
|--------------|--------------|--------------|-----------------------|---------------------------------|-------------|
| Sales        | 37,906,418   | 22,538,539   | 11,939,978            | 11,869,417                      | 764,146     |
| EBITDA       | 4,317,716    | 1,088,716    | 613,331               | 1,191,247                       | 54,940      |
| Depreciation | 799,802      | 754,991      | 147,978               | 125,443                         | 104,738     |
| EBIT         | 3,517,914    | 333,725      | 465,353               | 1,065,804                       | (49,798)    |

Financial Year 2013



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|              | Conservation | Construction | Maintenance Buildings | Maintenance stations of service | Concessions |
|--------------|--------------|--------------|-----------------------|---------------------------------|-------------|
| Sales        | 33,930,363   | 15,904,854   | 13,280,556            | 10,967,360                      | 5,140,110   |
| EBITDA       | 3,342,013    | 1,527,605    | (96,754)              | 229,160                         | 1,421,898   |
| Depreciation | 542,826      | 797,989      | 39,397                | 32,503                          | 757,430     |
| EBIT         | 2,799,188    | 729,616      | (136,151)             | 196,657                         | 664,468     |

The geographical distribution is as follows:

Financial Year 2014

|              | Euros      |           |               |           |                  |             |
|--------------|------------|-----------|---------------|-----------|------------------|-------------|
|              | Spain      | Europe    | LATAM America | Africa    | Asia Middle East | Total       |
| Sales        | 53,583,180 | 1,404,566 | 16,534,923    | 6,184,673 | 7,311,156        | 85,018,498  |
| EBITDA       | 5,288,004  | 144,522   | 1,146,009     | 558,097   | 129,318          | 7,265,950   |
| Depreciation | (548,607)  | (23,556)  | (1,138,707)   | (204,570) | (17,512)         | (1,932,952) |
| EBIT         | 4,739,397  | 120,966   | 7,302         | 353,527   | 111,806          | 5,332,998   |

Financial Year 2013

|              | Euros       |               |         |                  |             |
|--------------|-------------|---------------|---------|------------------|-------------|
|              | Spain       | LATAM America | Africa  | Asia Middle East | Total       |
| Sales        | 63,588,575  | 12,281,442    | 125,017 | 3,228,208        | 79,223,243  |
| EBITDA       | 4,567,218   | 1,719,860     | 853     | 323,859          | 6,611,789   |
| Depreciation | (1,688,234) | (636,681)     | 0       | (64,895)         | (2,389,811) |
| EBIT         | 2,878,984   | 1,083,178     | 853     | 258,963          | 4,221,979   |

#### **24. Subsequent Events**

Subsequent to the close of the period, and up to the date of preparation of these financial statements, no significant subsequent event has occurred that is worth mentioning.



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## Elsamex, S.A.

Management Report for the  
year ending on  
31 December 2014

### Development of business and Company situation

In 2014, the context of economic recession that started in Spain during the last quarter of 2008 has started to improve, with a growth of 1.4 % of GDP during the whole 2014, according to the INE (Spanish National Statistics Institute).

In this growth environment, ELSAMEX's development has been bigger than that globally experienced in Spain during 2014, a year in which there has been an economic recovery with moderate national growing rates due to the lack of a higher demand, both in the public and the private sectors.

Despite the current economic situation, during the financial year 2014 ELSAMEX has experienced a significant increase in sales compared to the sales level in the previous year, having already operated 100% of the concessions in progress. It has also continued to reinforce and restructure the organization in order to fulfil the growth strategic plan adopted and basically oriented to international market.

ELSAMEX has performed through 5 National Delegations and its 11 National Subsidiaries in Spain as well as through Consortium and International Branches on the foreign market, including an important production centre in Botswana. In ELSAMEX, five main business lines are developed, which depending on the sales percentage are divided as follows:

|   |      |
|---|------|
| * Infrastructure Maintenance              | 45 % |
| * Renovations and Construction            | 26 % |
| * Buildings and Installations Maintenance | 14 % |
| * Service Stations Maintenance            | 14 % |
| * Concessions                             | 1 %  |

The average staff compared to 2013 has increased to 742 workers, the technical staff accounting for 19 % of the staff.

The group has followed a policy of partnerships with different partners by means of 46 Joint Ventures.

Sales figures for year 2014 are as follows:

- \* Only Elsamex, S.A. 64,21 Million of Euros
- \* Through Joint Ventures and Consortiums 85,02 Million of Euros

Out of the total sales of ELSAMEX, foreign markets made up 37 %, with the remaining 63 % coming from the domestic market.

By sector, 71 % of sales pertained to Roads, 14 % pertained to Chemicals and Oils, 12% to Buildings and other infrastructures, and the remaining 3 % pertains to Sports Facilities, Hydraulic and Railway Projects, Airports and the Environment.

The breakdown corresponding to sales per client this year is 67 % to the Central Government, 14% to Local and Regional Government Entities and 19 % to private companies.



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The work portfolio for the coming years stands at 232.96 million Euros.

As for the results, and during this year, there has been a positive result of 3.9 Mn Euro after taxes, and the stockholder equity has raised, standing at 58.23 Mn Euro.

In the sector of maintenance, rehabilitation and infrastructure, the outlook continues to be given that the work portfolio stands at 172.11 Mn Euros, 39 % of GRUPO ELSAMEX portfolio.

Specifically, and regarding full maintenance of Roads, ELSAMEX holds a portfolio of 20 contracts of maintenance of roads with the Ministry of Development, different regional, provincial and local governments, and concession companies, with a steady market share with our main client, the Ministry of Development. Moreover, new contracts have been signed, among which the conservations in Lugo, Burgos Sur and Jaén Sur stand out.

The company continues to bid for more contracts in this area, both from the Ministry for Public Works as well as from other Public Entities, with new awards anticipated over the course of the year 2015.

Services including maintenance in the area of Water and the Environment have continued, with the performance of maintenance tasks in green zones such as the Maintenance of Gardens and Technical Assistance to Management of Environmental Work. With respect to maintenance in the Water Sector, several works are still ongoing in respect of the maintenance of waterways, with the Segura, Guadiana and Guadalquivir Water Authorities.

During year 2014 Service Levels Improvement and Maintenance works (OPRC) were initiated in Botswana in roads Mmankodi-Kanye-Jwaneng (124 km), and Rakhuna-Tihareselele-Pitsane Molopo-Mabule (144 km), awarded for an amount of € 138.8 Mn and a performance term of 120 months, with a complete financing through World Bank funds.

We have continued the joint venture works for the Conservation by Service Levels of the road of Abu Dhabi-Al Ain Main Highway & Truck Road for an amount of € 25 Mn and a performance term of 24 months.

Also in 2014, we should highlight the award of one Refurbishing Contract for the 46-km road that joins Ambo and Wolliso, in Ethiopia, amounting to € 36.5 Mn and for a performance term of 36 months, financed with World Bank funds.

During the year 2015, growth in this area is expected to continue, based mainly on possible awards which may take place in the international market.

In the Area of Maintenance of Buildings and Installations our current portfolio has been increased with new contracts; of particular relevance are currently the whole maintenance of many public buildings, such as the maintenance of different health centres in Madrid, many sports centres in Murcia and Madrid, schools in the Municipality of Fuenlabrada, different buildings and stations of ADIF, and different facilities of AENA.

We should highlight our development in the new business area of Energy Efficiency, in particular the award in 2014 of the contracts for the MANAGEMENT OF ENERGY SERVICES AND MAINTENANCE OF MUNICIPAL FACILITIES AND PUBLIC LIGHTING of the Municipalities of La Unión, Antequera and Tegueste, and of the Government of the Canary Islands in the Province of Las Palmas de Gran Canaria, amounting to € 15.95 Mn, and for a performance term on 144 months.

Likewise, we continue to be present in the private sector through our subsidiaries, for image and facilities maintenance works for clients such as the bank entities La Caixa and BBVA.

In the area of Maintenance of Image and installation of Service Stations, we have contracted more than 2,000 Service Stations in Spain, owned by Repsol, Cepsa, Disa, and Galp. Also, we still have presence in maintenance of shops in service stations for Repsol, keeping the same in Andalucía, and having incorporated to this activity as new clients Galp, Saras Energía, CEPESA and BP.

We would like to highlight that we continue to expand in the private sector, working for the implementation and maintenance of image and facilities, with clients such as PRIMARK and OCASO.

In the Concessions Area, ELSAMEX, S.A. continues to operate the Concession for the Maintenance and Operation of the A-4 Motorway from km 3.78 to km 67,5, Section: Madrid-R4. This concession, whose client is the Ministry for Public



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Works, involved an initial investment of 67 million Euro, and its duration is 19 years. ELSAMEX, S.A. has an interest of 46.25% in this project.

Likewise, ELSAMEX, S.A. continues to operate through one of its subsidiaries the Concession for the Construction and Operation of a Service Station in Coiros, located on the A-6, and awarded by the Ministry of Public Works, with an initial investment of €4.9 million and a duration of 39 years, as well as the Service Stations at Santomera, Torre del Valle, Ponferrada and Villavidel by means of the Abedul Joint Venture in which ELSAMEX has a 25% interest. Moreover, it has started, through another subsidiary, the Operation of the Service Station in Punta Umbría, awarded by its council, with an initial investment of € 1.7 Mn, and a duration of 30 years.

Also, during 2014, ELSAMEX S.A has operated, through a subsidiary, the Concession of the Plant of Photovoltaic Solar Energy on the public covers of the Council of Alcantarilla, with a nominal power of 1.127 megawatts, and of another Plant of Photovoltaic Solar Energy on the canopies of the parking lot of the University of Almería, with a nominal power of 1.096 MWp, an initial investment of 3,1 M€, and a duration of 25 years.

The first of these involves an inroad for ELSAMEX into the renewable energy sector, considering that Energy Efficiency is a strategic objective for the company, allowing Elsamex to consolidate its presence in the concession business of renewable energy.

The goal of ELSAMEX for next year 2015 is to continue to keep the leading position as a reference company within the sectors where it operates and to increase its activity in the Maintenance Area, both in national and international market. However, in the domestic market there are a series of variables that cannot be controlled by ELSAMEX and that do not favour the company's interests. However, just like in 2014, efforts will be focused on improving the international expansion and the management and optimization of costs so as to improve the profitability and maintain the sustainable development of the company.

Regarding profitability, continuing to implement a responsible cost control culture is more necessary than ever. This does not mean not to expand at all, but not to spend in what is not strictly necessary for the good performance of business units, which can be achieved by the utilization of our own resources and a small change in our behaviour and habits, as well as in our management systems.

As a consequence of the situation in the financial markets, Spanish public investment has been reduced along with an increase in late payment, which means more difficulty to make company investments with own resources, addressed to the diversification in activities related to our areas of activity, which avoid the destruction of jobs.

All this becomes even more complicated when we take into consideration the fact that the demand, conformed mostly by Public Administrations, has slightly increased in 2014 and is not expected to substantially improve in 2015. Moreover, there has been a strong deterioration in the market, where price is increasingly the only thing that matters.

In any case, we are still optimistic, despite all the existing economical difficulties and those regarding the activity sectors explained above. All the aforementioned makes us think that in year 2015 results will be better than in this present year.

### Subsequent Events

At the date of preparation of this Management Report, there have not been any significant subsequent facts which may affect the Financial Statements for year 2014.

### Activities concerning research and development

The detail of the R&D projects developed by the Company throughout financial year 2014 is as follows:

| Completed R+D Projects                                  |
|---|
| Effect of polymers in Bituminous Mixes (POLYMER EFFECT) |



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| <b>Ongoing R+D Projects (see Note 6)</b>  |
|---|
| MIFAR (Integral Pavement Improvement with Recycled Aggregates)<br>BMPOLIMEROS (Studies of modified asphalt bitumens in new polymer families). |

#### **Operations with Company shares**

During the year there has not been any sale or purchase of Company shares.

#### **Company use of financial instruments**

The management of the financial risks of the Company is centralized in Financial Management, which has established the necessary mechanisms to control exposure to variations in the interest rates, as well as to the credit and liquidity risks. The main financial risks that impact on the Company are mentioned below:

##### a) Credit risk:

In general, the Company holds its treasury and equivalent liquid assets in financial bodies with a high credit level.

In addition, it must be pointed out that, despite the fact that it maintains a significant volume of operations with a significant number of customers, the solvency of the majority of them is guaranteed as they are largely Public Bodies and so there is no high credit risk with third parties.

##### b) Liquidity risk:

In order to guarantee the liquidity and to be able to fulfil all the payment commitments deriving from its activity, the Company relies on the Treasury shown in its balance, as well as on short-term financial investments which are detailed in Note 9.

##### c) Market risk:

Both the Treasury and the financial debt of the Company are exposed to the interest rate risk, which could have an adverse effect on the financial results and on the cash flow. Therefore the Company follows the policy of investing in financial assets that are practically not exposed to interest rate risks and uses derivative financial instruments to cover the risks to which its activities, operations and future cash flows are exposed. On the other hand, the financial instruments used have been chosen for the solidity of their financial worth and the issuing institutions.



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## Declaration of Submission of Annual Accounts and Management Report

In compliance with the rules stipulated in the Corporations Act, the Board of Directors of Elsamex, S,A, lodged the Annual Accounts and the Management Report relating to accounting period 2014, on March 31<sup>st</sup> 2015, which shall be submitted for the approval of the General Shareholders' Board.



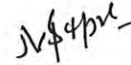
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Mr. Ravi Parthasarathy



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Mr. Fernando Bardisa Jorda



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Mr. Mukund Gajanan Sapre



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Mr. Ramchand Karunakaran



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Mr. Arun Kumar Saha



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Mr. Hari Sankaran



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Mr. Ramesh Chander Bawa