

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of  
Autopistas del Sol, S.A.

### *Opinion*

We have audited the accompanying financial statements of Autopistas del Sol, S.A. ("the Company"), which comprise the statements of financial position as of December 31, 2017 and 2016, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of the significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Autopistas del Sol, S.A. as of December 31, 2017 and 2016, as well as its financial performance and its cash flows for the years then ended in accordance with the International Financial Reporting Standards (IFRS.)

### *Basis for Opinion*

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent from the Company, in accordance with the Code of Professional Ethics of the Association of Certified Public Accountants of the Republic of Costa Rica and the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants (IESBA Code of Ethics), and we have fulfilled our other ethical responsibilities in accordance with such requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Key Audit Matters*

Key Audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that the matters described below are the key audit matters that have to be communicated in our report.

As disclosed in Note 16 to the financial statements, the Company keeps a concession agreement to provide the construction, operation, and maintenance service of the San José - Caldera highway, through the utilization of the infrastructure that has been built. The Company has concluded that, given the characteristics of the concession agreement, it has a financial asset in accordance with IFRIC 12 - Service Concession Agreements, since it has the unconditional contractual right to receive a guaranteed minimum income from the grantor. The Company recognizes the financial asset using the amortized cost method, and the corresponding income is recognized in results, according to the effective interest rate that results from the concession's cash flows projections. We focus on this area since calculation of the financial asset's fair value and the amortization of income require from management's judgment to determine a series of non-observable variables, as well as management's judgment and estimates, including a future toll collection estimate, according to traffic projections.



Our audit procedures to cover this key audit matter were:

1. We incorporated our valuation experts within our work team, and together, we conducted an independent calculation of the amortized cost in order to determine the financial asset value and the corresponding results in income.
2. We verified the reasonability of the assumptions used to calculate the resulting effective interest rate of the concession's cash flows projections.
3. We validated that methodology was consistent with the one audited in previous years and the applicable accounting standards. In those cases when a modification had taken place, we verified that it was properly supported by events occurred in 2017 and that it was reasonable.

Based on the procedures applied, we did not identify any material difference regarding the figures determined by the Company disclosed in Note 8.

#### *Responsibilities of Management and Those Charged with the Entity's Governance with the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards, and such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

#### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

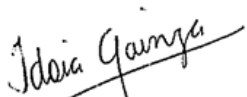
- a. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- b. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- c. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- d. Conclude on the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements in the context of the applicable financial reporting framework. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. Our conclusions are based on information available at the date of the auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- e. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with the Company's governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

  
Idoia Gainza Cirauqui - C.P.A. No.4563  
Insurance Policy No.0116 FIG 7  
Expires: September 30, 2018  
Revenue stamp of Law No.6663, for ₡1.000, adhered and paid

February 21, 2018



## AUTOPISTAS DEL SOL, S.A.

### STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2017, AND 2016 (Expressed in US Dollars)

<b>ASSETS</b>	<b>Notes</b>	<b>2017</b>	<b>2016</b>
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	1c, 2	16,052,726	5,093,750
Restricted cash	3	24,924,423	28,029,292
Accounts receivable	4	547,736	362,580
Accounts receivable from related parties	13	2,247	1,916
Notes receivable	5	-	104,101
Inventory	1d	131,645	114,787
Advance payment of income tax	11	4,524,654	-
Prepaid disbursements	1e, 6	1,232,853	1,408,507
Current portion of financial assets - concession agreement	1j, 8	77,158,475	72,816,815
<b>Total current assets</b>		<b>124,574,759</b>	<b>107,931,748</b>
<b>LOAN AND INTEREST RECEIVABLE FROM RELATED PARTIES</b>			
	13	108,652,417	-
<b>VEHICLE, FURNITURE, AND EQUIPMENT - Net</b>			
	1g, 1h, 7	1,626,820	1,816,602
<b>FINANCIAL ASSETS - Concession Agreement</b>			
	1j, 8	292,945,098	290,222,096
<b>OTHER ASSETS - Net</b>			
		218,430	286,199
<b>Total non-current assets</b>		<b>403,442,765</b>	<b>292,324,897</b>
<b>TOTAL</b>		<b>528,017,524</b>	<b>400,256,645</b>

The accompanying notes are an integral part of the financial statements.

## AUTOPISTAS DEL SOL, S.A.

### STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2017 AND 2016 (Expressed in US Dollars)

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	2017	2016
<b>CURRENT LIABILITIES:</b>			
Current portion of the long-term Debt	18	12,135,000	18,432,778
Accounts payable	9	3,136,317	5,344,681
Accounts payable to related parties	13	2,041,875	1,574,094
Accumulated expenses	1p, 10	1,883,424	3,606,204
Income tax payable	1i	-	2,708,647
<b>Total current liabilities</b>		<b>19,196,616</b>	<b>31,666,404</b>
<b>LONG-TERM LIABILITIES:</b>			
Long-Term Debt	18	324,350,688	185,554,608
Deferred Income Tax	1i, 11	50,563,447	39,118,638
Other financial liabilities	1o, 20	-	17,837,840
<b>Total liabilities</b>		<b>394,110,751</b>	<b>274,177,490</b>
<b>SHAREHOLDERS' EQUITY:</b>			
Capital stock	15	2,500,000	2,500,000
Additional capital contributions	15	58,000,000	58,000,000
Legal reserve	1m, 15	500,000	500,000
Retained earnings		72,906,773	77,565,643
Cash flow hedge - other comprehensive income (accumulated)	1o, 20	-	(12,486,488)
<b>Total shareholders' equity</b>		<b>133,906,773</b>	<b>126,079,155</b>
<b>TOTAL</b>		<b>528,017,524</b>	<b>400,256,645</b>

The accompanying notes are an integral part of the financial statements.

## AUTOPISTAS DEL SOL, S.A.

### STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

(Expressed in US Dollars)

	Notes	2017	2016
CONSTRUCTION INCOME	1k	447,521	5,075,258
FINANCIAL INCOME - Concession Agreement	1l, 8	58,086,361	56,040,655
OPERATING AND MAINTENANCE INCOME	1q	20,575,169	20,994,860
<b>Total operating income</b>		<b>79,109,051</b>	<b>82,110,773</b>
CONSTRUCTION COSTS	1k	(447,521)	(5,075,258)
OPERATING EXPENSES	12	(19,223,720)	(20,128,211)
<b>OPERATING PROFIT</b>		<b>59,437,810</b>	<b>56,907,304</b>
INTEREST AND EXPENSES FEES		(44,644,195)	(15,327,668)
FINANCIAL INCOME		2,984,876	995,065
OTHER INCOME – Net	14	3,708,216	981,840
EXCHANGE RATE DIFFERENCE – Net		(146,156)	263,253
<b>EARNINGS BEFORE INCOME TAX</b>		<b>21,340,551</b>	<b>43,819,794</b>
INCOME TAX	1i, 11	(5,999,421)	(12,871,718)
<b>NET PROFIT</b>		<b>15,341,130</b>	<b>30,948,076</b>
<b>OTHER COMPREHENSIVE INCOME:</b>			
<u>Items that could be subsequently reclassified to the result of the period:</u>			
Cash flow hedge	20	17,837,840	6,993,679
Deferred income tax	11	(5,351,352)	(2,098,104)
Cash flow hedge – net	1o	12,486,488	4,895,575
<b>NET PROFIT AND OTHER COMPREHENSIVE INCOME OF THE PERIOD</b>		<b>27,827,618</b>	<b>35,843,651</b>

The accompanying notes are an integral part of the financial statements.

**AUTOPISTAS DEL SOL, S.A.**

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

(Expressed in US Dollars)

	Notes	Capital Stock	Additional Capital Contributions	Legal Reserve	Retained Earnings	Cash Flow Hedge - Other Comprehensive Income (Accumulated)	Total Shareholder's Equity
<b>BALANCES AS OF DECEMBER 31, 2015</b>		<b>2,500,000</b>	<b>58,000,000</b>	<b>500,000</b>	<b>80,917,567</b>	<b>(17,382,063)</b>	<b>124,535,504</b>
Declared and paid dividends	15				(34,300,000)		(34,300,000)
Comprehensive income of the period	20				30,948,076	4,895,575	35,843,651
<b>BALANCES AS OF DECEMBER 31, 2016</b>		<b>2,500,000</b>	<b>58,000,000</b>	<b>500,000</b>	<b>77,565,643</b>	<b>(12,486,488)</b>	<b>126,079,155</b>
Declared and paid dividends	15	-	-	-	(20,000,000)	-	(20,000,000)
Comprehensive income of the period	20	-	-	-	15,341,130	12,486,488	27,827,618
<b>BALANCES AS OF DECEMBER 31, 2017</b>		<b>2,500,000</b>	<b>58,000,000</b>	<b>500,000</b>	<b>72,906,773</b>	<b>-</b>	<b>133,906,773</b>

The accompanying notes are an integral part of the financial statements.

## AUTOPISTAS DEL SOL, S.A.

### STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (Expressed in US Dollars)

	Notes	2017	2016
<b>OPERATING ACTIVITIES</b>			
Net profit		15,341,130	30,948,076
<u>Adjustments to reconcile the net profit with the net cash provided by (used in) the operating activities:</u>			
Income tax expense	11	(94,036)	6,353,689
Depreciation	7, 12	403,628	337,736
Amortization	12	70,749	55,827
Loss (profit) in disposal of assets	7	44,643	-
Deferred income tax	11	6,093,457	6,518,029
Financial income	13	(2,477,417)	-
Financial expense		44,644,195	15,327,668
<u>Movements in working capital:</u>			
Accounts and notes receivable		(81,386)	177,601
Inventory		(16,858)	22,422
Prepaid expenses		175,654	(296,706)
Accounts payable		(2,208,364)	1,422,095
Accounts payable to related parties		467,781	669,380
Accumulated expenses		(2,363,371)	(1,430,520)
Financial assets - concession agreement		<u>(7,064,662)</u>	<u>(13,350,591)</u>
<b><u>Cash provided by the operating activities</u></b>		<b>52,935,144</b>	<b>46,754,706</b>
Income tax paid		(7,139,265)	(5,027,842)
Paid interest		<u>(43,382,670)</u>	<u>(14,909,239)</u>
<b>Net cash provided by the operating activities</b>		<b>2,413,209</b>	<b>26,817,625</b>
<b>INVESTMENT ACTIVITIES</b>			
Restricted cash		3,104,869	(14,438,859)
Acquisition of fixed assets	7	(258,490)	(698,117)
Disposal of fixed assets	13	(106,175,000)	-
Other assets		<u>(2,980)</u>	<u>(55,165)</u>
<b>Net cash used in the investment activities</b>		<b>(103,331,601)</b>	<b>(15,192,141)</b>
<b>FINANCING ACTIVITIES</b>			
Declared and paid dividends	15	(20,000,000)	(34,300,000)
Amortization of debt	26.2	(203,987,386)	(12,798,410)
Amortization International Bond	26.2	(3,000,000)	-
Debt emission	26.2	<u>338,864,754</u>	-
<b>Net cash provided by (used in) the financing activities</b>		<b>111,877,368</b>	<b>(47,098,410)</b>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>10,958,976</b>	<b>(35,472,926)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		<b>5,093,750</b>	<b>40,566,676</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		<b><u>16,052,726</u></b>	<b><u>5,093,750</u></b>

The accompanying notes are an integral part of the financial statements.



## AUTOPISTAS DEL SOL, S.A.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

(Expressed in US Dollars)

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#### 1. NATURE OF BUSINESS, BASIS OF PRESENTATION, AND MAIN ACCOUNTING POLICIES

**Nature of Business** - Autopistas del Sol, S.A. (“the Company”) is an entity organized according to the commercial laws of Costa Rica, specifically under the provisions of Article No.31 of the General Concession Law for Concession agreement (Law No.7762). The Company is organized as a corporation that belongs to the following shareholders: PI Promotora de Infraestructuras, S.A. (35%), SyV Concesiones, S.A. (formerly Itinere Costa Rica, S.A.) (35%), Infraestructura SDC Costa Rica, S.A. (17%), and M&S DI-M&S Desarrollos Internacionales, S.A. (13%). The ultimate parent of the Company are the pension funds of USS, OPTrust and PGGM, following the sale during fiscal year 2016 from FCC and Bankia of Globalvia’s concessionary. Its objective is to execute and develop the Concession Agreement of the “San José - Caldera” route, awarded to a third party by the Government of Costa Rica, through public bid No.01-98, promoted by the National Concessions Board of the Ministerio de Obras Públicas y Transportes (MOPT). Under the authorization of the Government of Costa Rica, on March 9, 2006, the former awardee assigned the contract mentioned above to the business consortium formed by the previously mentioned companies (Autopistas del Sol). The Company is domiciled in Escazú, contiguous to the Autopista Próspero Fernández toll.

On March 9, 2006, the Government of Costa Rica, acting through the National Concession Board (CNC) (“the Granting Authority”) signed Addendum No.3 to the Concession agreement with Public Service Concession Agreement for the San José - Caldera Highway Project, through which the concession agreement was modified to leave proof of the new concessionaire: Autopistas del Sol consortium (“the Awardee”), which is formed by the following companies: Promotora de Infraestructuras, S.A., SYV CR Valle del Sol, S.A., Infraestructuras SDC Costa Rica, S.A., and M&S DI-M&S Desarrollos Internacionales, S.A. For that purpose, the awardee consortium created the corporation designated as Autopistas del Sol, S.A. (“the Concessionaire”) in order to carry out the project which is the objective of this agreement.

On January 8, 2008, the Company received the contract initiation order by the National Concessions Board, and the construction stage of the San José - Caldera highway started. The construction stage was completed on January 27, 2010, and at this moment, the exploitation stage (toll collection) for all the highway sections started.

**Basis of Presentation** - The Company’s financial statements have been prepared in accordance with the International Financial Reporting Standards (as issued by the International Accounting Standard Board).

The financial statements have been prepared on the historical cost basis. Generally, historical cost is based on the fair value of the consideration granted in exchange of goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purpose in these financial statements is determined on such a basis.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- **Level 1** - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- **Level 2** - Inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- **Level 3** - Inputs are unobservable inputs for asset or liability.

**Significant Accounting Policies** - The principal accounting policies used in the presentation of the financial statements are summarized as follows:

- a. **Currency and Transactions in Foreign Currency** - Management has determined that the US dollar is the Company's functional currency since income and most of the concession costs have been determined in such currency, in addition to the fact that the financing and capital required for the work are expressed in this currency. Transactions denominated in other currencies (mainly Costa Rican colones) are recorded at the exchange rates in force as of the date of the transaction, and the exchange rate differences resulting from the liquidation of assets and obligations denominated in such currencies, as well as by the adjustment of the balances as of closing date were registered as part of the cost of the project during the construction stage, and they are registered against the operating results as of the starting date of the exploitation stage. As of December 31, 2017 and 2016, the exchange rate of the Costa Rican Colon, in respect of the US dollar, was ¢572,56 and ¢561,10 for selling transactions, respectively.

As of the date of financial statements, the reference exchange rate for selling transactions was ¢572,88 for US dollar.

- b. **Accounting Records** - For financial and reporting purposes, the accounting records are kept in the Company's functional currency (US dollar). For legal purposes in Costa Rica, the Company also keeps accounting records expressed in Costa Rican colones.
- c. **Cash and Cash Equivalents** - Cash and cash equivalents include the cash on hand and due from banks, demand deposits, and certificate of deposit (high liquidity), which original maturity is not greater than three months.
- d. **Inventory** - Inventories are valued at the lower of cost or net realizable value, using the first in first out (FIFO) accounting method. (Net Realizable Value represents the estimated selling price for inventories less all estimated cost of completion and cost necessary to make the sale). Inventories correspond to materials purchased to repair infrastructure both for the highway and toll stations. When used, it is charged to the expense of the period.
- e. **Prepaid Expenses** - The Company records prepaid expenses, all those corresponding to a percentage of the value of the work to be acquired, demanded as advance payments by the construction companies hired to develop its additions, repairs, and maintenance of the work. These advances are applied to the final invoice of the vendor when the work or repair made is formally received.

f. **Asset Impairment -**

- **Financial Asset Impairment** - Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

- **Tangible Asset Impairment** - Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

- g. **Vehicles, Furniture, and Equipment** - During the Company's course of operations, these assets are registered at cost less any recognized impairment loss. Such assets are classified in the proper categories of property, plant, and equipment. In case of having any case of impairment, it will be recognized in the result of the reporting period.

- h. **Depreciation** - Depreciation for vehicles, furniture, and equipment is determined using the straight-line method according to the estimated useful life of assets, as shown below:

Vehicles, Furniture, and Equipment	Depreciation Rates
Office furniture and equipment	10%
Vehicles	10%
Computer equipment	20%

i. **Income Tax** - Income tax is determined based on the accounting profit, adjusted by non-taxable income, non-deductible expenses, and tax credits.

- **Current Tax** - Current tax payable is based on the tax profits registered during the year. Tax profit differs from the profit reported in the statement of profit or loss and other comprehensive income due to the taxable or deductible expenses or income in other years and items that are never taxable or deductible. The Company's liability resulting from current tax is calculated using the tax rates issued or substantially approved at the end of the reporting period.
- **Deferred Income Tax** - Deferred income tax is recognized on temporary differences existing between the carrying amount of assets and liabilities included in the financial statements and the corresponding tax based used to determine the tax profit. The deferred tax liability represents a taxable temporary difference, and a deferred tax asset represents a deductible temporary difference. Asset or liability is not recognized if the temporary difference originates from goodwill or from the initial registration of an asset or liability (different than a business combination) that does not affect the tax or accounting profit.

Deferred income tax asset is recognized to the extent that it is likely to obtain future taxable profits.

Current and deferred taxes should be recognized in profit or loss, except when related to items of comprehensive income or directly in equity, in which case deferred or current tax is recognized in other comprehensive income or directly in equity, respectively.

The registered value of the deferred tax asset is reviewed as of the date of each financial statement, and it is adjusted if it is not likely to obtain sufficient taxable income or other sources of income that allow a full or partial recovery of the asset.

Deferred tax assets and liabilities are measured at the tax rate expected to be applied during the period in which the asset will be realized or the liability will be paid.

Deferred tax assets and liabilities are shown net since they relate to the same fiscal entity, and the Company expects to write off its tax assets and liabilities in a net form.

j. **Financial Assets - Concession Agreement** - On November 30, 2006 the International Financial Reporting Standards Interpretations Committee (IFRIC) issued IFRIC 12 "Service Concession Arrangements".

Concession arrangements involve agreements between a contracting government agency (*Consejo Nacional de Concesiones*) and the Company to provide, in this case, the construction, operation, and maintenance service of the San José - Caldera highway (Note 18), through the exploitation of the infrastructure that has been built. In addition, income deriving from the provision of the service may be received directly from the users or the contracting entity itself, which regulates as well the prices for the provision of the service. The concessional right grants the monopoly of exploitation of the service for a specific period of time, after which the infrastructure becomes property of the contracting entity, with no consideration whatsoever.

The Company has concluded that, due to the characteristics of the concession agreement, it has a financial asset, since it has the unconditional contractual right to receive a guaranteed minimum income from the grantor.

According to IFRIC 12, there are two clearly differentiated stages to be highlighted in the concession arrangements, the first one is that the concessionaire (the Company) provides construction services that are recognized based on the progress of the work, according to IAS 11 "Construction Contracts", with a financial asset as counter item, and a second stage, where a series of maintenance and operation services for the infrastructure are provided, which will be recognized according to IAS 18 "Ordinary Revenue".

The Company recognizes the financial asset using the amortized cost method, and the corresponding income is recognized in results, according to the effective interest rate that results from the concession's cash flows projections. As previously stated, construction income and related costs are recognized in the statement of comprehensive income according to IAS 11 "Construction Contracts".

A short term portion of the financial asset is determined based on the estimated cash toll collection to be made on each operations cycle following the reporting period.

- k. **Construction Income and Costs** - Income resulting from the construction contract existing with Constructora San José Caldera CSJC, S.A. for the design and execution of works with materials supplied are recognized based on the progress of quantifiable components or tasks established each contract. Construction incomes are usually quantified by referring to the estimations, both billed and not billed, on the progress of such tasks or components and their respective unit prices. Construction costs are recognized as incurred, and they generally consist of costs directly related to a specific contract plus the applicable indirect costs. Under this accounting practice, income from contracts relate to the costs incurred to complete individual tasks or components of the contract.
- l. **Financial Income - Concession Agreement** - Financial income is recognized in the period as a result of the financial asset at the beginning of the period, at the effective interest rate determined at the moment of the initial valuation of the financial asset.
- m. **Legal Reserve** - According to current laws in Costa Rica, the Company should separate 5% of the net profits in Costa Rican colones to create and accumulate a reserve, until reaching 20% of capital stock.
- n. **Financial Instruments** - Financial assets and liabilities are recognized when the Company becomes part of the contractual provisions of the instrument. Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities (other than the financial assets and liabilities designated at fair value with changes in results) are added or deducted from the fair value of financial assets or liabilities, if applicable, at the time of initial recognition. Transaction costs directly attributable to the acquisition of financial assets or liabilities designated at fair value with changes in results are immediately recognized in profit or loss.

The financial assets kept by the Company correspond to cash and cash equivalents, restricted cash, accounts and notes receivable, and held-to-maturity investments. The classification depends on the nature and purpose of the financial assets, and it is determined at the moment of initial recognition. Regular purchases or sales are those purchases or sales of financial assets that require delivery of assets within the timeframe established by a regulation or agreement in the market's financial assets.

The effective interest rate is a method calculating the amortized cost of a financial instrument and of allocating the interest revenue or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (including commission, basic interest points paid or received, transaction costs, and other premiums or discounts that are included in the effective interest rate calculation) through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the company intends to and has the capacity to keep until maturity. After the initial recognition, held-to-maturity investments are measured at amortized cost, using the effective interest method less any impairment.

Accounts and notes receivable are measured at amortized cost using the current interest method less any impairment. Interest income is recognized when applying the current interest rate, except the short-term accounts receivable when the effect of not discounting is not material.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the amount of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss. On derecognition of a financial asset other than in its entirety (e.g. when the Company retains an option to repurchase part of a transferred asset), the Company allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the amount of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

- o. **Derivative Financial Instruments** - The Company has a cash flow hedge instrument (interest rate swap), which is kept at fair value and represents a liability at the end of the period. The effective portion of changes in the fair value of this instrument in respect of the hedged risk is recorded in an equity account denominated "Cash Flow Hedge". Any ineffective portion is directly recognized in the results of the period. The amounts directly registered in equity are reversed against results in the same periods in which the hedged assets or liabilities affect the results of operation.

As of December 31, 2017, the Company had not entered into any agreement that involves derivative financial instruments, such as futures, options, and financial swaps.

- p. **Provisions** - A provision is recognized when the Company has a current (legal or implicit) obligation as a result of a past event, and it is likely that it will have to use funds of its own to pay off the obligation, and a reliable estimate of the amount can be made.

The amount recognized as provision should be the best estimate of the amount that will be needed to pay off the current obligation at the end of the reporting period, taking into account the corresponding risks and uncertainties. When a provision is measured using the estimated cash flow to pay off the current obligation, its carrying amount represents the current value of such cash flow (when the effect of the value of money throughout time is material).

When the recovery of some or all of the economic benefits required to pay off the provision are expected, an account receivable is recognized as an asset if it is highly likely that the disbursement will be received, and the amount of the account receivable can be reliably measured.

q. **Operation and Maintenance Income** - Income which represent the operation and maintenance costs incurred by the Issuer, plus a 10% markup.

r. **Application of New and Revised International Financial Reporting Standards (IFRS)**

In the current year, the Company has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective far an accounting period that begins on or alter 1 January 2017.

- **Amendments to IAS 7 Disclosure Initiative** - The Company has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

The Company's liabilities arising from financing activities consist of borrowings and certain other financial liabilities. A reconciliation between the opening and closing balances of these items is provided in Note 26.2. Consistent with the transition provisions of the amendments, The Company has not disclosed comparative information for the prior period. Apart from the additional disclosure in Note 26.2, the application of these amendments has had no impact on The Company's financial statements.

- **Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses** - The Company has applied these amendments for the first time in the current year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise a deductible temporary difference.

The application of these amendments has had no impact on The Company's financial statements as The Company already assesses the sufficiency of future taxable profits in a way that is consistent with these amendments.

- **Annual Improvements to IFRSs 2014-2016 Cycle** - The Company has applied the amendments to IFRS 12 included in the Annual Improvements to IFRSs 2014-2016 Cycle for the first time in the current year. The other amendments included in this package are not yet mandatorily effective and they have not been early adopted by The Company.

IFRS 12 states that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests.

The application of these amendments has had no effect on The Company's financial statements as none of The Company's interests in these entities are classified, or included in a disposal group that is classified, as held for sale.

s. **New And Revised Ifrss In Issue But Not Yet Effective**

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

Norma o Interpretación	Ref.	Efectiva para los Períodos Anuales que Comiencen en o a Partir del
IFRS 9 - Financial Instruments	I	Effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.
<i>IFRS 15 - Revenue from Contracts with Customers</i>	II	Effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.
IFRS 16 - Leases	III	Effective for annual periods beginning on or after January 1, 2019, with earlier application permitted.
<i>Amendments to IFRS 2 - Classification and Measurement of Share-based Payment Transactions</i>	IV	Effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.
<i>Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	V	Effective for annual periods beginning on or after a date to be determined.
<i>Amendments to IAS 40 - Transfers of Investment Property</i>	VI	Effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.
<i>Annual Improvements to IFRSs 2014 – 2016 Cycle</i>	VII	Effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.
<i>IFRIC 22 - Foreign Currency Transactions and Advance Consideration</i>	VIII	Effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

- i. **IFRS 9 Financial Instruments** - IFRS 9 - issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include: a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.



#### Key requirements of IFRS 9:

- All recognized financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount Outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies) in other comprehensive income, with only dividend income generally recognized in profit or loss
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39 the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Company's management anticipate that the application of IFRS 9 might not have a material impact in the reported financial assets and liabilities. However, it is not practicable to provide a reasonable effect until a detail review is finalized.

- II. **IFRS 15 Revenue from Contracts with Customers** - IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15. In April 2016, the IASB issued *Clarifications to IFRS 15* in relation to the identification of performance obligations, 11 principal versus agent considerations, as well as licensing application guidance.
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

- III. **IFRS 16 Leases** - IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 *Leases* and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognized for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

#### IV. **Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions**

The amendments clarify the following:

- In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.
- Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to
- the tax authority, i.e. the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows:

- the original liability is derecognised;
- the equity-settled share-based payment is recognized at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date; and
- any difference between the carrying amount of the liability at the modification date and the amount recognized in equity should be recognized in profit or loss immediately.

The amendments are effective for annual reporting periods beginning on or after January 1, 2018 with earlier application permitted. Specific transition provisions apply. The directors of the Company do not anticipate that the application of the amendments in the future will have a significant impact on the Company's consolidated financial statements as the Company does not have any cash-settled share-based payment arrangements or any withholding tax arrangements with tax authorities in relation to share-based payments.

#### V. **Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or joint Venture** - The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognized in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The directors of the Company anticipate that the application of these amendments may have an impact on the Company's financial statements in future periods should such transactions arise.

- VI. **Amendments to IAS 40 Transfers of Investment Property** - The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in IAS 40 may evidence a change in use, and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

The amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. Entities can apply the amendments either retrospectively (if this is possible without the use of hindsight) or prospectively. Specific transition provisions apply.

The directors of the Company anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should there be a change in use of any of its properties

- VII. **Annual Improvements to IFRSs 2014 – 2016 Cycle** - The Annual Improvements include amendments to IFRS 1 and IAS 28 which are not yet mandatorily effective for the Group. The package also includes amendments to IFRS 12 which is mandatorily effective for the Group in the current year.

The amendments to IAS 28 clarify that the option for a venture capital organization and other similar entities to measure investments in associates and joint ventures at FVTPL is available separately for each associate or joint venture, and that election should be made at initial recognition of the associate or joint venture. In respect of the option for an entity that is not an investment entity (IE) to retain the fair value measurement applied by its associates and joint ventures that are IEs when applying the equity method, the amendments make a similar clarification that this choice is available for each IE associate or IE joint venture. The amendments apply retrospectively with earlier application permitted.

Both the amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018. The directors of the Company do not anticipate that the application of the amendments in the future will have any impact on the Company's financial statements as the Group is neither a first-time adopter of IFRS nor a venture capital organization. Furthermore, the Group does not have any associate or joint venture that is an investment entity.

- VIII. **IFRIC 22 Foreign Currency Transactions and Advance Consideration** - IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (e.g. a non-refundable deposit or deferred revenue).

The Interpretation specifies that the date of transaction is the date on which the entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

The Interpretation is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. Entities can apply the Interpretation either retrospectively or prospectively. Specific transition provisions apply to prospective application.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Company's financial statements. This is because the Company already accounts for transactions involving the payment or receipt of advance consideration in a foreign currency in a way that is consistent with the amendments.

## 2. CASH AND CASH EQUIVALENTS

As of December 31, 2017 and 2016, cash and cash equivalents were broken down as follows:

	<u>2017</u>	<u>2016</u>
Cash on hand and due from banks	16,026,500	5,035,638
Cash equivalents	26,226	58,112
<b>Total</b>	<b><u>16,052,726</u></b>	<b><u>5,093,750</u></b>

As of December 31, 2017 and 2016, cash equivalents included certificates of deposit at Banco de Costa Rica, at weighted average interest rate of 1.56% in 2017 and 0.80% in 2016.

## 3. RESTRICTED CASH

The restricted cash for the years ended December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Allowance for long-term debt	20,144,375	13,811,914
Allowance for maintenance	4,780,048	5,036,267
Allowance for operation and maintenance (Complementary Agreement No.1)	-	804,233
Allowance for investment of the project	-	451,878
Others	-	7,925,000
<b>Total</b>	<b><u>24,924,423</u></b>	<b><u>28,029,292</u></b>

The funds related to the "Fideicomiso Irrevocable de Garantía y Administración de Cuentas del Proyecto de Concesión San José - Caldera" (Note 19) earned interest at a rate between 1.50%-4.50% per annum in 2017 and 1.75% in 2016.

As detailed in Note 18, on May 31, the company issued a bond in the local and international market and canceled the debt with CABEL/Bankia.

This transaction required a renewal of the Fideicomiso that is detailed in Note 19.

### **Balances as of December 31, 2017:**

The account denominated allowance for long-term debt is related to the "Fideicomiso Irrevocable de Garantía y Administración de Cuentas del Proyecto de Concesión San José - Caldera" (Irrevocable Account Management and Guarantee Trust Agreement of the San José-Caldera Concession Project Accounts). The objective of this account is to reserve the amounts to be paid in the short-term of the

bonds operation, in order to comply with the Loan Agreement (Note 18). This reserve is subdivided into:

Debt Service Reserve Account US Bonds	18,418,875
Debt Service Reserve Account CR Bonds	1,725,500
	<u>20,144,375</u>

The objective of the allowance for maintenance, is to fund the Operation and Maintenance account in case of situations of insufficiency in this account.

**Balances as of December 31, 2016:**

The account denominated allowance for long-term debt is related to the “Fideicomiso Irrevocable de Garantía y Administración de Cuentas del Proyecto de Concesión San José - Caldera” (Irrevocable Account Management and Guarantee Trust Agreement of the San José-Caldera Concession Project Accounts) (Note 16). The objective of this is to reserve the amounts to be paid in the short-term of the bank operation, in order to comply with the Loan Agreement (Note 18).

The objective of the allowance for maintenance is to reserve the maintenance investment to be paid in accordance with the concession contract and the Base Case during the operating period.

The objective of the allowance for operation and maintenance (Complementary Agreement No.1) is to reserve the estimated amounts to be received from the Grantor. These amounts are related to the routine operation, maintenance and the periodic and deferred maintenance.

The allowance for investment of the project corresponds to restricted balances in the Last Disposal bank account, in order to comply with the provision set forth in the Loan Agreement (Note 18). These funds are allocated to additions made in the concession project.

Other reserves include the amount agreed in the contract for “declaration of commissioning and other agreements”, which will remain in any case unavailable for the entire life of the bank loan. This amount will be available only for the payment of the Debt Service at any fiscal year.

**4. ACCOUNTS RECEIVABLE**

Accounts receivable mainly include accrued and uncollected interest on bank deposits held (Note 2 and 3), exemptions from fuels and asphalts, sales taxes to be recovered and balances receivable from the Grantor.

**5. NOTES RECEIVABLE**

Notes receivable in 2016 correspond to the balance receivable from the Colegio Federado de Ingenieros y Arquitectos for wrong charges in previous periods. The pending amount at 31 December 2016, was collected in February 2017.

## 6. PREPAID EXPENSES

The detail of the prepaid expenses is the following:

	<u>2017</u>	<u>2016</u>
Construction companies and repairs	187,531	349,520
Insurance	616,084	109,174
Others	429,238	949,813
<b>Total</b>	<b><u>1,232,853</u></b>	<b><u>1,408,507</u></b>

As of December 31, 2017, the caption Others mainly includes balances with CNC related to Co-participation and canon of the guaranteed minimum income. In 2016, the caption Others included payments to advisors related to the refinancing process.

## 7. VEHICLES, FURNITURE, AND EQUIPMENT - NET

The detail of vehicles, furniture, and equipment is the following:

	<u>2017</u>	<u>2016</u>
Vehicles	1,469,016	1,552,530
Office furniture and equipment	978,295	876,760
Computer equipment	885,612	763,671
<b>Subtotal</b>	<b><u>3,332,923</u></b>	<b><u>3,192,961</u></b>
Vehicle depreciation	(945,536)	(864,011)
Depreciation of office furniture and equipment	(409,025)	(305,214)
Depreciation of computer equipment	(351,542)	(207,134)
Less: Accumulated depreciation	(1,706,103)	(1,376,359)
<b>Net</b>	<b><u>1,626,820</u></b>	<b><u>1,816,602</u></b>

As of December 31, 2016 the amount of US\$84,668, corresponding to vehicles, furniture, and equipment, is given as pledge guarantee under the financing agreement entered into on December 20, 2007 with the Banco Centroamericano de Integración Económica (BCIE) and Bankia SAU. During 2017 this operation was canceled as well as the promise of associated collateral (vehicles, furniture and equipment).

The movement of the vehicles, furniture, and equipment account is the following:

	<u>Note</u>	<u>2017</u>	<u>2016</u>
Initial balance		1,816,602	1,456,221
Additions		258,490	698,117
Disposals - cost		(118,528)	-
Disposals - accumulated depreciation		73,885	-
Depreciation expense	12	(403,628)	(337,736)
<b>Final balance</b>		<b><u>1,626,821</u></b>	<b><u>1,816,602</u></b>

## 8. FINANCIAL ASSET - CONCESSION AGREEMENT

The detail of the financial asset account balance is the following:

	<u>2017</u>	<u>2016</u>
Initial balance	363,038,911	349,688,320
Increases resulting from construction and operation of the highway	21,022,690	26,070,118
Increase from financial income	58,086,361	56,040,655
Charges through toll collection and Complementary Agreement No.1	(72,044,389)	(68,760,182)
Total	<u>370,103,573</u>	<u>363,038,911</u>
Less: Current portion of financial asset	(77,158,475)	(72,816,815)
<b>Total</b>	<b><u>292,945,098</u></b>	<b><u>290,222,096</u></b>

## 9. ACCOUNTS PAYABLE

Accounts payable for 2017 and 2016 include construction suppliers, service suppliers (security and toll agents) and others.

In addition, at December 31, 2017 there is a balance of US\$1,952,234 related to the withholding tax on remittances abroad according to Law No. 7092 due to the payment of interest of the international bonds (Note 18). This withholding tax has been paid on January 15, 2018.

At December 31, 2016 the caption includes US\$2,955,212. owed to the Consejo Nacional de Concesiones (CNC) for Income Co-participation.

## 10. ACCUMULATED EXPENSES

As of December 31, 2017 and 2016, the accumulated expenses are detailed as follows:

	<b>Notes</b>	<u>2017</u>	<u>2016</u>
Interest payable	26.2	-	789,647
Interest payable - hedge		-	522,188
Employees' legal benefits		320,421	342,173
Provision for vacations		52,669	45,708
Provision for duty payable to Consejo Nacional de Concesiones	16h	729,525	676,597
Provisions for suppliers (not billed)		767,888	978,141
Othes		12,921	251,750
<b>Total</b>		<b><u>1,883,424</u></b>	<b><u>3,606,204</u></b>

## 11. INCOME TAX

**Review by Tax Authorities** - Income tax returns for the last three fiscal years are open for review by the tax authorities. Consequently, discrepancies may arise from the application of concepts by the tax authorities that differ from those applied by the Company. The Company's management considers that it has properly applied and interpreted the tax regulations. The tax rate in Costa Rica corresponds to 30% in 2017 and 2016.



**Income Tax Calculation** - For the periods 2017 and 2016 income tax was calculated on the accounting profit using the current tax rate, deducting non-taxable income, and adding the non-deductible expenses.

	<b>2017</b>	<b>2016</b>
Profit before income tax	21,340,551	43,819,794
Difference between IFRIC result and tax result	(20,311,523)	(21,726,763)
Adjustments to the tax basis	(1,567,974)	(914,068)
Profit before tax, adjusted	(538,946)	21,178,963
Tax rate	30%	30%
<b>Current income tax</b>	<b>-</b>	<b>6,353,689</b>
<b>Income tax</b>	<b>5,999,421</b>	<b>12,871,718</b>
Deferred income tax	6,093,457	6,518,029
Current income tax	(94,036)	6,353,689

The adjustments to the tax base correspond to non-deductible or non-taxable items, such as fines, donations, financial income, expense provisions, and exchange rate differences that are adjusted according to the Regulations to the Income Tax Law.

The movement of income advances was:

	<b>2017</b>	<b>2016</b>
Paid Advances	4,524,654	3,416,444
(Less) Applications to the expense for income tax	-	(3,416,444)
<b>Advances of income tax in favor</b>	<b>4,524,654</b>	<b>-</b>

**Deferred Income Tax** - Deferred income tax liability originates from the financial asset related to the concession agreement. Deferred tax asset originates from the interest rate hedge agreement.

Deferred income tax movement is detailed as follows:

	<b>As of December 31, 2017</b>			
	<b>2016</b>	<b>Movement Effect in Results</b>	<b>Movement Effect in Equity</b>	<b>2017</b>
Effect of application (IFRIC 12)	(44,469,990)	(6,093,457)	-	(50,563,447)
Hedge agreement	5,351,352	-	(5,351,352)	-
<b>Total</b>	<b>(39,118,638)</b>	<b>(6,093,457)</b>	<b>(5,351,352)</b>	<b>(50,563,447)</b>

	<b>As of December 31, 2016</b>			
	<b>2015</b>	<b>Movement Effect in Results</b>	<b>Movement Effect in Equity</b>	<b>2016</b>
Effect of application (IFRIC 12)	(37,951,961)	(6,518,029)	-	(44,469,990)
Hedge agreement	7,449,456	-	(2,098,104)	5,351,352
<b>Total</b>	<b>(30,502,505)</b>	<b>(6,518,029)</b>	<b>(2,098,104)</b>	<b>(39,118,638)</b>

## 12. OPERATING EXPENSES

The detail of operating expenses is the following:

	Notes	2017	2016
Salaries		2,314,272	2,494,630
Social contributions		523,671	573,632
General office expense		833,477	936,732
Rentals		432,253	375,838
Depreciation	7	403,628	337,736
Amortization		70,749	55,827
Fees - management services		248,019	254,784
Professional fees		4,236,265	4,719,407
All-risk insurance		1,477,879	1,427,425
Operation and maintenance		4,310,156	4,004,277
1% duty and other fees	16h	1,201,156	1,142,156
Bank fees		2,602,669	2,960,442
Other tributes		236,137	137,211
Other operating expenses		333,389	708,114
<b>Total</b>		<b>19,223,720</b>	<b>20,128,211</b>

Duties (fees) also include 1% of the toll income of the period corresponding to the amount earned for adopting the Guaranteed Minimum Income plan with the National Concession Board, according to the Concession Agreement (Note 16).

Bank fees for 2016 corresponds to financial expenses directly related to the sixth novation of the loan. Bank fees for 2017 includes early repayment fee related to the Bankia SAU and the Central American Bank for Economic Integration (CABEI) bank loan canceled.

## 13. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Balances with related parties are detailed as follows:

	2017	2016
<b>Short-term accounts receivable</b>		
Infraestructura SDC Costa Rica, S.A.	832	770
SyV Concesiones, S.A.	116	3
M&S Desarrollo Internacional, S.A.	849	778
Promotora de Infraestructura, S.A.	450	365
<b>Total</b>	<b>2,247</b>	<b>1,916</b>
<b>Long-term Loans</b>		
Infraestructura SDC Costa Rica, S.A.	18,049,750	-
SyV Concesiones, S.A.	13,802,750	-
M&S Desarrollo Internacional, S.A.	37,161,250	-
Promotora de Infraestructura, S.A.	37,161,250	-
<b>Total</b>	<b>106,175,000</b>	<b>-</b>

	<b>2017</b>	<b>2016</b>
<b>Interest Receivable</b>		
Infraestructura SDC Costa Rica, S.A.	421,161	-
SyV Concesiones, S.A.	322,064	-
M&S Desarrollo Internacional, S.A.	867,096	-
Promotora de Infraestructura, S.A.	867,096	-
<b>Total</b>	<b>2,477,417</b>	<b>-</b>
<b>Total Long – term Loans and Interest receivable</b>	<b>108,652,417</b>	<b>-</b>
<u>Accounts payable (long term and short term):</u>		
Globalvía Inversiones, S.A.	1,943,908	1,494,599
Globalvía Infraestructuras Chile, S.A.	97,967	79,495
	<b>2,041,875</b>	<b>1,574,094</b>

Accounts receivable and payable in the short-term do not have guarantees, do not earn interest, and do not have a previously-agreed maturity date. These originate from business transactions as well as from intercompany loans.

Long-term accounts receivable correspond to a loan granted to shareholders with fixed interest rate (4%). The maximum maturity is the date of the end of the concession

Transactions with related parties for the years ended December 31, 2017 and 2016 are the following:

	<b>2017</b>	<b>2016</b>
<u>Miscellaneous fees (includes surety bonds and guarantees)</u>		
Globalvía Infraestructuras Chile, S.A.	-	15,169
Globalvía Inversiones, S.A.	342,872	525,730
<b>Total</b>	<b>342,872</b>	<b>540,899</b>
<u>Financial Income</u>		
Infraestructura SDC Costa Rica, S.A	421,161	-
SyV Concesiones, S.A.	867,096	-
M&S Desarrollo Internacional, S.A.	322,064	-
Promotora de Infraestructura, S.A.	867,096	-
<b>Total</b>	<b>2,477,417</b>	<b>-</b>

Fees correspond to services provided by the Parent Company necessary for the development of the project, among these, services in the areas of construction, traffic, information systems, sureties, and legal. In addition, management services fees correspond to fees earned by the Financial Director and the Operations Director, who are expatriate employees from the Company's shareholders (the amount earned by these directors is approved by the Company's Board of Directors, and the amounts paid are periodically billed to the Company by the respective employers of these persons).

The financial income corresponds to the interest accrued by the loan granted to the shareholders of the Company.

Additionally during the fiscal year 2017, US\$1,753,750 are included in the amortized cost of the bonds (Note 18) related to the services performed by the parent company.

#### 14. OTHER INCOME

The 2017 and 2016 other income of the period correspond to the recovery of US dollars that were previously registered as repair and maintenance expenses for damages caused by the users, in addition to the sale of scrap and other income for the right of use of the highway.

Additionally, in 2017, the Company has collected US\$2,797,024 due to the return of the MIGA policy related to the previous financing, as well as insurance indemnities amounting of US\$450,000 for events of previous years.

During 2016, the caption includes revenues for recovery of stamp duties (US\$255,720) and insurance indemnities for events occurred on the highway in previous years (US\$263,925)

#### 15. CAPITAL STOCK AND ADDITIONAL CAPITAL CONTRIBUTIONS

- a. **Capital Stock** - As of December 31, 2017 and 2016, capital stock amounts to US\$2,500,000, represented by 2,500,000 nominative common shares of US\$1.00 each. The totality of the shares was endorsed to guarantee the local and international bonds (Note 18). In 2016, the totality of the shares was endorsed to guarantee the loan with Banco Centroamericano de Integración Económica (BCIE) and Bankia SAU (Note 19).
- b. **Additional Capital Contributions** - As of December 31, 2017 and 2016, no additional capital contributions were made by the shareholders; thus, the amount remained in US\$58,000,000 for both years.
- c. **Legal Reserve** - As of December 31, 2017 and 2016, the Company reaches 20% of the legal reserve established by Costa Rican laws. Such reserve is accounted for in the moment in which the financial statements have been approved by the Shareholders' Meeting.
- d. **Dividends** - For 2016, there were dividends paid in cash and declared for the amount of US\$1,700,000 in June 2016, according to Minutes No.3 (Legal Book 3), and US\$32,600,000 in December 2016, according to Minutes No.5 and 6 (Legal Book 3). For 2017, there were dividends paid in cash and declared for the amount of US\$20,000,000 in May 2017 according to Minutes No.8 (Legal Book 3)

#### 16. WORKS WITH PUBLIC SERVICE CONCESSION AGREEMENT FOR THE SAN JOSÉ - CALDERA HIGHWAY

The concession agreement consists of providing services of design, planning, financing, construction, renovation, extension, lighting, signposting, repair, maintenance, and conservation services for Route 27, which has a total length of 76.8 kilometers, starting in the west area of the city of San José and ending at the Port of Caldera in the province of Puntarenas.

On October 4, 2007, the Government of Costa Rica, acting through the National Concession Board ("the Granting Authority") and Autopistas del Sol, S.A. ("the Concessionaire") signed Addendum No.5 to the Concession agreement with Public Services Concession Agreement for the San José - Caldera Highway Project. This Addendum modifies some clauses of the original concession agreement and was endorsed by the Office of the Comptroller General of the Republic on November 19, 2007. The following is a detail of the main clauses of the Concession Agreement after incorporating the modifications agreed on through Addendum No.5:

- a. The estimated value of the investment up to the moment when all sections of the highway are in full operation was estimated approximately in three hundred thirty-one million dollars, legal tender of the United States of America (US\$331,000,000).
- b. The term of the concession is of twenty-five years and six months, commencing on January 8, 2008, date of the Works Start Order (Note 29). However, if the Concessionaire reaches the present value of income offered through toll collection before the expiration of the above mentioned term, the concession will terminate in the month in which such circumstance occurs.
- c. The maximum term for the construction of works is 30 months.
- d. The Concessionaire, prior to receiving the provisional order for start of operations shall submit its proposal of minimum income guaranteed by the State for years 1 through 18 of the highway operation, which may be equal or less than the maximum offered by the Granting Authority in the Bid Tender and in the Agreement. During each individual year of the concession exploitation, the Concessionaire has the option whether to take or not such Minimum Income Guarantee, and if the Concessionaire decides to take it, the Company shall pay an amount that will be determined based on a mathematical formula established in the Concession Agreement. Given that the final opening of the highway took place within fiscal year 2015, the company adopted such guarantee effectively.
- e. The concessionaire is authorized to charge a toll fee as they finish the construction of works, and the Granting Authority issues the respective authorization.
- f. Toll fees may be adjusted due to variations in the economic environment although they may not be related to the operation of the highway such as the devaluation of the colón with respect to the dollar, external inflation, and factors related to the operation, maintenance, and execution of new investments on the highway in order to readjust the financial balance of the agreement.
- g. The concessionaire will not have, at any moment, actual ownership rights over the public domain works and assets that are the objective of this Concession. All equipment, systems, and other assets and rights used in the Concession will be transferred to the corresponding State institutions and bodies upon expiration of the Concession, whatever its cause, in good state and operating conditions, free and clear of any encumbrances, liens, or obligations and free of cost for the Granting Authority.
- h. The Concessionaire will annually pay to the Granting Authority, as reimbursement for inspection and agreement control expenses, a one percent (1%) over the company's gross income generated in colones by the concession granted during the previous calendar year. When submitting its annual report on audited financial statements, the Concessionaire will also turn in a certification of audited gross income, which will be used as basis for the calculation of the payment.
- i. The Granting Authority authorized the Concessionaire to constitute a Guarantee Trust for one hundred percent of the ownership of the shares that form the capital stock of the Concessionaire Corporation so that they could be transferred in trust property as part of the securities granted to the Banco Centroamericano de Integración Económica (BCIE) and Bankia SAU in order to obtain financing for the Project (Notes 18 and 19).
- j. The Granting Authority is entitled to receive from the Concessionaire an income co-participation for toll per the co-participation table defined in the bid. As of December 31, 2017, the amount owed to the CNC under toll was US\$1,767,631 (Note 29) although the amount paid to the CNC amounted to US \$ 1,944,572, recognizing the difference with the amount accrued as an prepaid expenses. As of December 31, 2016, the amount owed to the CNC under toll was US\$ US\$2,955,212 (Note 29).

***Obligations of the Granting Authority -***

- a. The Granting Authority recognizes all tax benefits contained in Article No.44 of the Concession agreement with Public Services Concession General Act. The Concessionaire is exempt from the following taxes: import tariff duties, 1% tax under Law No.6946, selective consumption tax, sales tax, single tax on fuels, and any other tax for local purchases as well as for the import of assets required to build the concession works or provide the services.
- b. The Granting Authority will proceed to pay the debt incurred with the Concessionaire Corporation, corresponding to tax liquidation either by the corporation or by subcontractors, within 30 days of the submission of the respective tax liquidation proof to the Granting Authority.
- c. In order to ensure that the payment of the above mentioned tax liquidation is made within the established time limit, the National Treasury of the Ministry of Finance will issue an annual liquidity bond for an amount of US\$6 million, exclusively to guarantee the payment of taxes, financial costs and administrative costs to be reimbursed in relation to the single tax on fuels in case the required resources were not budgeted and paid on the established date. This bond shall be renewed annually for the same amount and shall be effective for the entire term of the Concession. However, for the exploitation period, the amount of this bond will be reduced up to a minimum value of US\$1 million.
- d. As a result of the application of the methodology for the extraordinary updating of the civil works and equipment costs included in the bid, due to delays during the project development, which prevented the start of the works within the planned terms, a cost overrun for the works have been determined. Therefore, the parties submitted to an arbitration process, which has been approved.

**17. COMPLEMENTARY AGREEMENT No.1 TO THE CONCESSION AGREEMENT WITH PUBLIC SERVICE CONCESSION AGREEMENT FOR THE SAN JOSÉ - CALDERA HIGHWAY**

On July 1, 2008, the Government of Costa Rica, acting through the National Concession Board (“the Granting Authority”) and Autopistas del Sol, S.A. (“the Concessionaire”) signed Complementary Agreement No.1 to the Concession agreement with Public Services Concession Agreement for the San José - Caldera Highway Project through Special Meeting No.07-2008.

This complementary agreement incorporates additional investments. Some of these investments were included in the Concession Agreement, but they had not been assigned a value, and other were not considered in the referential project of the invitation to bid such as, among others, repair of pavement slabs, construction of alternate routes, improvement of the traffic management plan, building walls to avoid expropriations, expansions (Circunvalación-Guachipelín), and the construction and renovation of structures. The following is a detail of the main clauses of Complementary Agreement No.1:

- a. The estimated value of the new investments incorporated was approximately of thirty-five million, nine hundred thirty-five thousand, and seven hundred forty-one dollars (US\$35,935,741), legal tender of the United States of America. As of December 31, 2017 and 2016, the Company maintains the amount received of US\$34,000,743, becoming the final amount of the new investments.
- b. The original term established in this agreement for the conclusion of the new works was of 12 months. However, they were finished approximately in January 2010. As of December 31, 2017, the Company had not closed this agreement because the certification of completion of works, which is a requirement to consider works finished and delivered, had not been issued. As of the date of the financial statements, a settlement has not been signed.

- c. The Concessionaire must deliver to the Granting Authority a construction guarantee equivalent to 5% of the value of the new investments included in this complementary agreement - excluding from such guarantee the cost of closing works, transport, collection, wood custody, traffic management plan, and detail design - for a total amount of US\$1,518,000. This guarantee was provided by the Company's shareholders.
- d. Costs related to the Complementary Agreement No.1 will be included in a monthly estimation report as works progress. This report will be submitted by the Concessionaire to the Project Manager designated by the Granting Authority within the first 15 business days of each month.

**Obligations of the Granting Authority -**

- a. The Granting Authority will have 15 calendar days to issue the approval of or the observations regarding the monthly estimation report. The Granting Authority will have 30 calendar days after the approval of such report to pay the respective amounts to the Concessionaire.
- b. As of the date of the last monthly estimation, the Granting Authority will pay the Concessionaire annually, within the first 5 days of the month of January, compensation for insurance and guarantees in effect during the exploitation phase, as well as for operating and maintenance costs.
- c. Given that the Granting Authority will directly assume the cost of the additional investments that are the objective of this agreement, it has been considered that the payments for such additional investments and their related costs have no effect on tax payments to which the Concessionaire is subject such as, among others, income tax or the corresponding municipal taxes withholdings.

As of December 31, 2017 and 2016, income was collected as a result of the additional costs for the payment of guarantees, maintenance, and insurance for the additional works of the complementary agreement, was the amount of US\$530,638 and US\$1,957,324, respectively.

**18. FINANCING AGREEMENT**

On May 31, 2017, Autopistas del Sol, S.A. issued a bond in the international market under rule 144A (Securities Exchange Commission) and simultaneously a bond issue in the local market authorized by Superintendencia General de Valores. The main characteristics of the emissions are:

	International Bond (US Bond)	Local Bond (CR Bond)
Amount	US\$300,000,000	US\$50,750,000
Balance at 31.12.2017	US\$297,000,000	US\$50,750,000
Interest rate	7.375%	6.80%
Maturity	30 December 2030	30 June de 2027
Currency	United States Dollar,	
Period of settlement	Biannual	
Repayment date	30 June and 30 December	

This transaction has been accounted for in accordance with International Financial Reporting Standards (IFRS) at amortized cost. The interests are registered according to the new effective interest rate method. The amortized cost at December 31, 2017 is as follows:

	Note	31 December 2017
International Bond	26.2	288,309,080
Local Bond	26.2	48,176,608
<b>Total</b>		<b>336,485,688</b>
 <u>Less: Current portion of the long- term debt</u>		
International Bond		(12,135,000)
Local Bond		-
<b>Total</b>		<b>(12,135,000)</b>
<b>Total</b>		<b>324,350,688</b>

International and Local bond maturity are the following:

	International Bond	Local Bond
Less than a year	12,135,000	-
Between 1 and 3 years	21,960,000	5,821,025
Between 3 and 5 years	33,108,000	12,114,025
More than 5 years	229,797,000	32,814,950
	<b>297,000,000</b>	<b>50,750,000</b>

**Limitation on Restricted Payments** - The main conditions to declare or make any Restricted Payment are:

- a. No Default or Event of Default exists, or would exist after such a payment;
- b. All required payments of Debt Service through the month-end date immediately preceding the date such Restricted Payment is to be made have been fully accounted for through the Indenture Trustee Accounts, the A&R Payment and Guarantee Trust Accounts or paid in full.
- c. The Debt Service Coverage Ratio with respect to the most recently completed Calculation Period is equal to or greater than 1.20. (1.65 in December 2017).
- d. The Projected Debt Service Coverage Ratio, with respect to the Calculation Period in effect on the date such calculation is made (as set forth in the current Annual Budget and Base Case Model), is equal to or greater than 1.20.
- e. The Debt Service Reserves Accounts is funded in an aggregate amount not less than the Debt Service Reserve Required Amount and the O&M Reserve Account is funded in an aggregate amount not less than the O&M Reserve Required Amount.



The Company agrees and convenes with the Secured Parties that, until the date of final termination, they will be bound by the following affirmative and negative covenants, which have been previously established:

**Affirmative Covenants** – The main affirmative covenants of the Agreement are detailed as follows:

- a. Maintaining the project in good condition
- b. Keeping insurance and relevant permits up-to-date
- c. Complying with regulatory requirements
- d. Maintaining guarantees
- e. Conducting business
- f. Complying with the reporting obligation, including the presentation of financial statements
- g. Complying with the repayment obligation, including scheduled amortization and payments
- h. Being continuously committed to the business
- i. Maintaining authorized auditors
- j. Timely filing all the required tax returns
- k. Financing certain reserves and other accounts in accordance with the Irrevocable Guarantee Trust and Account Management Agreement (Note 19).
- l. Maintaining ratings

**Negative Covenants** – The main negative covenants of the Agreement are detailed as follows:

- a. Debt limitations
- b. Limitations to amendments, modifications, and exemptions of the project's documents
- c. Limitations to the termination and allocation of transaction documents
- d. Limitations to subsidiaries and investments
- e. Limitation to the sale of assets
- f. Limitation to transactions with stockholders and affiliates
- g. Restrictions in mergers, consolidation, liquidation or dissolution transactions
- h. Restrictions in hedge transactions with commercial or speculative purposes
- i. Restrictions related to paying in advance or paying off the debt

The Agreement shall establish that certain events, actions, circumstances, or conditions that will be considered an event of default regarding the bonds, among which the following are included:

- a. Not paying any principal or interest on the promissory notes when these expire
- b. Failure to comply with the loan documents
- c. Failure to comply with the terms of the assignment agreement
- d. Deceitful behavior (in any material matter)
- e. Seizure or similar process against any of the properties of the concession (including those properties subject to the guarantee documents) for the sum higher than U\$25.000.000
- f. Event of loss
- g. When a sentence has been pronounced, or an order or final and unappealable arbitration award has been issued, against the Issuer or any property of the Concession exceeding the threshold amount, or when one or more sentences have been pronounced, or one or more orders or final and unappealable arbitration awards have been issued against the Issuer of the Project, and which could, or could be reasonable expected to, result in an Adverse Material Change.
- h. Inability to pay debts for an amount exceeding the threshold amount.
- i. Bankruptcy or insolvency proceedings
- j. CNC will not pay the sum corresponding to the Minimum Income Guarantee after the final resolution of any conflict regarding this payment is given, according to the Concession Agreement,
- k. Revocation, suspension, termination or repudiation of the Concession Agreement
- l. Revocation, suspension, termination, or rejection of other documents of the Project
- m. Not maintaining the relevant permits required for the Project

- n. Guarantees are no longer in full force of effect, and neither are any promissory notes, or any other document securing an obligation, applicable either.
- o. Any event of force majeure that has materially and adversely affected the Project for two hundred seventy (270) consecutive days.

After the breach of contract occurs, and while it continues to occur, the bondholders will have certain remedies available to them, including the right to accelerate the reimbursement obligation in virtue of the bonds.

As of December 31, 2017, the Company has complied with the covenants of the loan agreement.

The amount as of December 31, 2016 corresponded to the loan agreement with Bankia SAU and the Central American Bank for Economic Integration (CABEI), which was paid off on May 31, 2017. During Fiscal Year 2017, there have been no changes in the terms and conditions of the loan agreement with respect to the fiscal year ended December 31, 2016.

#### 19. IRREVOCABLE ACCOUNT MANAGEMENT AND GUARANTEE TRUST FOR THE SAN JOSÉ - CALDERA CONCESSION AGREEMENT

On December 20, 2007, the Company and its shareholders entered into an Account Management and Guarantee Trust. On May 31, 2017 It was fully reformed to adapt it to the new financing structure, being the main features:

**Trustors** - Autopistas del Sol, S.A.  
P.I. Promotora de Infraestructuras, S.A.  
SyV CR Valle del Sol, S.A.  
Infraestructuras SDC Costa Rica, S.A.  
M&S DI-M&S Desarrollos Internacionales, S.A.

**Beneficiaries** - Banco Improsa, S.A

**Trustee** - Scotiabank de Costa Rica, S.A.

- a. **Object of the contract** - To constitute an autonomous and independent patrimony that supports and guarantees the faithful and total fulfillment of each and every one of the Guaranteed Obligations (Note 18).
- b. **Trusted Assets:**
  - Shares of the concessionaire.
  - Compensation for early termination of the Concession Contract.
  - Trademarks of the Concessionaire.
  - Other Goods and Rights.
- c. **Assets under trustee administration:**
  - Project Income/cash flows.
  - Trustee accounts.
  - Other Goods and Rights.

#### 20. MASTER AGREEMENT FOR FINANCIAL TRANSACTIONS (HEDGE AGREEMENT)

The balance at December 2016, corresponded to the interest rate swap hedged derivative ("Interest Rate Swap").

This agreement was canceled on May 30, 2017 as part of the bond issue described in Note 18. The amount of cancellation reached US\$22,485,000 recognized under the heading of Interest expense and commissions in the statement of income.

## 21. INSURANCE POLICY MANAGEMENT TRUST

On November 23, 2007, the Company entered into an “Insurance Policy Management Trust for the Concession agreement with Public Service of the San José-Caldera Highway Concession Agreement (“Concession Agreement”). The parties of the Agreement are:

<b>Trustor -</b>	Consejo Nacional de Vialidad
<b>Trustee -</b>	Banco de Costa Rica
<b>Main Beneficiary -</b>	Autopistas del Sol, S.A. (the Concessionaire)
<b>Secondary Beneficiary -</b>	Consejo Nacional de Vialidad (“CONAVI”)

The main objective of the contract is to provide a smooth, transparent, and efficient financial mechanism to receive, manage, invest, and disburse the funds provided to the Trustee by the National Insurance Institute (INS) for concept of indemnifications resulting from policies duly acquired at such entity, intended to cover a potential claim in the Concession Agreement, so that such funds are irrevocably allocated to the reconstruction or replacement of the insured works by the Concessionaire. For such purpose, the corresponding amounts will be, upon previous express authorization in writing of the Trustor, delivered to the Trustor in order to comply with the contractual obligations by means of the payment procedure established for such purpose.

The term of the trust agreement is equal to that of the Concession Agreement plus the time necessary for liquidation and settlement of the trust, and this term cannot exceed 30 years.

## 22. CONSTRUCTION AGREEMENT

On December 18, 2007, the Company and Constructora San José Caldera CSJC, S.A. (“CSJC”) (related party) entered into an agreement to design and develop works including the supply of materials, object of the San José - Caldera Concession Agreement. CSJO will implement, with technical and administrative autonomy but in all events under the supervision of the Company and the National Concession Board (CNC), all the works and services needed for the design and construction of the works described and specified in the Concession Agreement and its Addenda. The agreement is governed by the “back to back” principle regarding the rights and obligations assumed by the Company with the CNC with respect to the matters relating to the construction activity of the Concession Agreement. In this sense, unless different obligations or rights are otherwise expressly set forth in the Agreement, CSJO will have the same rights and obligations of the Company with CNC. The price of the agreement is US\$229,924,319.

On November 17, 2016, the Company proceeded with the settlement agreement with the San José Caldera CSJC, S.A. The main agreements reached were:

- Agreed that the Company has complied with the payment obligations regulated in the construction contract, delivering in favor of Constructora San José Caldera CSJC, S.A. US \$ 3,000,000 related to the amounts owed under the construction contract
- The Constructora San José Caldera CSJC, S.A granted a total, comprehensive, irrevocable and final settlement of the obligations assumed by the Company in the construction contract, expressly waiving any judicial or extrajudicial claim.
- The Constructora San José Caldera CSJC, S.A issued a certificate to the Company, stating that the Company has fully complied with its obligations. Likewise, Constructora San José Caldera CSJC, S.A. expressly waives any claim against the Company.
- The Company declared, except for the hidden defects and contingencies of the builder that must be duly corrected and compensated by the construction company, had received the works object of the work contract, duly executed.

## 23. CONSTRUCTION AGREEMENT TO COMPLEMENTARY AGREEMENT No. 1

On December 1, 2008, the Company entered into with Constructora San José Caldera CSJC, S.A. ("CSJO") (a related party) an addendum to the Construction Agreement executed on December 18, 2007 (Note 16) to perform the works included in the Complementary Agreement No.1 to the Concession agreement with Public Service of the San José - Caldera Highway Concession Agreement (Note 17). The term and amount of this agreement will be in accordance with the Complementary Agreement No.1 to the Concession agreement with Public Service of the San José - Caldera Highway Concession Agreement, in other words, US\$34,000,743, and a twelve-month term, which expired in July 2010 (Note 17). As of January 2010, the works of the complementary agreement were completed; however, the Company has not settled this agreement because there has not been a certificate of completion of works, which is a requisite to complete and deliver the works.

## 24. GUARANTEES

According to the terms of the Concession Agreement (Note 16), the Concessionaire must provide the following bonds:

- a. **Operation Guarantee** - Operation bonds will have the same validity term as the operation period. As of December 31, 2017 and 2016, the Company will extend the operation bonds, which have been assumed by the Company's shareholders. As of December 31, 2017, the aforementioned bonds will be in the amount of US\$276,600 (US\$26,400 of the Complementary Agreement, US\$46,300 of Sector I, US\$126,400 of Sector II and US\$77,500 of Sector III), an amount notified by the National Concession Board and which expires on May 7, 2018.
- b. **Environmental Guarantee** - On December 4, 2007, an environmental guarantee was furnished on behalf of the Ministry of Energy and Mines (MINAE) in the amount of US\$1 million, which was provided by Constructora San José - Caldera CSJC, S.A., pursuant to the construction agreement (Note 26g). During 2011, the environmental guarantee was adjusted by MINAE to US\$2.3 million; as of December 31, 2017, such amount is kept as a guarantee that expires on May 7, 2018.
- c. **Other Guarantees** – Guarantee in favor of the Consejo Nacional de Concesiones amounting US\$ 485,919 as a requirement to qualify for the Guaranteed Minimum Income mechanism for 2018. Additionally the Company has also provided for a total of US \$ 174,478, related to works to be executed detailed in Addendum No.6.

The detail of the guarantees is the following:

	<b>Guarantee</b>	<b>Maturity</b>
Section I	46,300	07-May-18
Section II	126,400	07-May-18
Section III	77,500	07-May-18
Complementary Agreement	26,400	07-May-18
Environment	2,300,000	07-May-18
Guaranteed Minimum Income 2017	485,919	31-Dic-18
Addendum 6	<u>174,478</u>	30-Mar-18
Total	<b><u>3,236,997</u></b>	

## 25. QUICK PASS OPERATION AGREEMENT ENTERED INTO WITH ETC PEAJE ELECTRÓNICO, S.A.

The Concession agreement with Public Service of the San José - Caldera Highway Concession Agreement includes the electronic toll as one method of payment, which is defined as a system that allows paying the toll without stopping the vehicle through an electronic device which is set up inside the vehicle. Given an increase in the number of operations of the Company, the Concessionaire has required to expand this service to customers by authorizing a larger variety of banking entities; therefore, on May 27, 2010, an agreement was entered into so that ETC Peaje Electrónico, S.A. will be in charge of the logistics of the "QUICK PASS" distribution, customization, and maintenance and of the collection procedures. This agreement will be in effect for five years after its execution and can be renewed for identical conditions.

## 26. FINANCIAL INSTRUMENTS

A summary of the main disclosures regarding the financial instruments is the following:

### 26.1 FINANCIAL INSTRUMENT CATEGORIES

As of December 31, 2017 and 2016, the Company's financial instruments consist of the following:

	<u>2017</u>	<u>2016</u>
Cash	16,026,500	5,035,638
<u>Financial assets (valued at fair value):</u>		
Restricted cash	24,924,423	28,029,292
<u>Financial assets (valued at amortized cost):</u>		
Cash equivalents	26,226	58,112
Held-to-maturity investments	-	-
Accounts receivable	547,736	362,580
Accounts receivable from related companies	2,247	1,916
Notes receivable		104,101
Account Receivable from Related Parties	108,652,417	-
Financial asset - concession agreement	370,103,573	363,038,911
<b>Total</b>	<b><u>520,283,122</u></b>	<b><u>396,630,550</u></b>
<u>Financial liabilities:</u>		
At amortized cost	<b><u>341,663,880</u></b>	<b><u>210,906,161</u></b>

A summary of the main risks associated to the previously mentioned financial instruments, as well as the way in which the Company is managing the risks, is presented as follows:

- a. **Credit Risk** - The financial instruments that may potentially subject the Company to credit risk consist mainly of cash, restricted cash, cash equivalents, held-to-maturity investments, and accounts receivable. Cash and cash equivalents, restricted cash, and held-to-maturity investments are kept at sound financial institutions, are payable on demand, and generally pose a minimum risk. The accounts receivable are mainly with government agencies and with related companies that do not present any risks for their recovery based on the Company's previous experience with these entities.
- b. **Liquidity Risk** - The Company requires of liquid funds for its normal operation. For these purposes, the Company receives on a daily basis liquidity through toll payment collection. The Company constantly monitors its cash flows and analyzes its matched maturities, in order to attend to any short and mid-term obligation.

The expected recovery of financial assets as of December 31, 2017 is the following:

<b>Financial Assets</b>	<b>Interest Rate</b>	<b>Less than 1 Month</b>	<b>2 Months</b>	<b>From 3 Months to 1 Year</b>	<b>More than 1 Year</b>	<b>Total</b>
Instruments that do not earn Interest		-	-	549,983	-	549,983
Instruments that earn interest	Between 1.5% and 16%	47,380,796	12,885,972	57,868,856	401,597,515	519,733,139
<b>Total</b>		<b>47,380,796</b>	<b>12,885,972</b>	<b>58,418,839</b>	<b>401,597,515</b>	<b>520,283,122</b>

The expected recovery of financial assets as of December 31, 2016 is the following:

<b>Financial Assets</b>	<b>Interest Rate</b>	<b>Less than 1 Month</b>	<b>2 Months</b>	<b>From 3 Months to 1 Year</b>	<b>More than 1 Year</b>	<b>Total</b>
Instruments that do not earn Interest		-	468,597	-	-	468,597
Instruments that earn interest	Between 1.40% and 16.03%	33,064,930	58,112	72,816,815	290,222,096	396,161,953
<b>Total</b>		<b>33,064,930</b>	<b>526,709</b>	<b>72,816,815</b>	<b>290,222,096</b>	<b>396,630,550</b>

The scheduled payments for the financial liabilities as of December 31, 2017 are the following:

<b>Financial Liabilities</b>	<b>Interest Rate</b>	<b>Less than 1 Month</b>	<b>2 Months</b>	<b>From 3 Months to 1 Year</b>	<b>More than 1 Year</b>	<b>Total</b>
Obligations that do not generate Interest	Between 6.80% and 7.36%			12,135,000	324,350,688	336,485,688
Obligations that do not generate Interest		3,136,317		2,041,875		5,178,192
<b>Total</b>		<b>3,136,317</b>	<b>-</b>	<b>14,176,875</b>	<b>324,350,688</b>	<b>341,663,880</b>

The scheduled payments for the financial liabilities as of December 31, 2016 are the following:

<b>Financial Liabilities</b>	<b>Interest Rate</b>	<b>Less than 1 Month</b>	<b>2 Months</b>	<b>From 3 Months to 1 Year</b>	<b>More than 1 Year</b>	<b>Total</b>
Obligations that do not generate Interest	4.915%			18,432,778	185,554,608	203,987,386
Obligations that do not generate Interest		5,240,580	104,101	1,574,094	-	6,918,775
<b>Total</b>		<b>5,240,580</b>	<b>104,101</b>	<b>20,006,872</b>	<b>185,554,608</b>	<b>210,906,161</b>

- c. **Interest Rate Risk** – Until May 31, 2017 The loan obtained for financing the works has been acquired at fluctuating interest rates (Libor rate plus a margin). Consequently, the Company is exposed to risk of variations in such interest rate, which effect can be significant in the Project’s operations. In order to be protected from this risk, the Company entered into an interest rate swap agreement (Note 20). This risk was cancelled with the new financing at fixed rates.
- d. **Exchange Rate Risk** - Most of the transactions conducted by the Company have been denominated in US dollars, and the transactions performed in Costa Rican colones (local currency) during these stages have been minimal. In addition, both the financing structure and the Concession agreement include that most of the Company’s construction and operating income and costs have been convened in this currency. Income from toll collection is received in Costa Rican colones, which is exchanged to US dollar on a daily basis, and in addition, the rate is adjusted on a quarterly basis, taking into account the exchange rate behavior. Consequently, Management considers that the Project is not exposed to exchange rate risk, except for those transactions that take place in local currency, which are not material.
- e. **Leverage Risk** - The Company manages its capital structure in order to maximize the return for its shareholders by optimizing equity and debt balance. The capital structure used consists of debt, cash and its equivalents, restricted cash, and shareholders’ equity, which is included in the capital stock, additional capital contributions, reserves, retained earnings, and interest flow hedges. The Company’s leverage ratio is the following:

	<b>2017</b>	<b>2016</b>
Bank debt	336,485,688	203,987,386
Cash and cash equivalents (includes restricted cash)	(40,977,149)	(33,123,042)
Net bank debt	<b>295,508,539</b>	<b>170,864,344</b>
Shareholders’ equity	133,906,773	126,079,155
Leverage ratio	221%	136%

Restricted cash is included for debt service as of December 31, 2017 and 2016, respectively (Note 3).

- f. **Fair Value Risk** - As of December 31, 2017 and 2016, fair value of financial assets and liabilities, according to their fair value hierarchy, is as follows:

Management considers that the nominal amounts recorded for financial assets and liabilities in the financial statements approximate its fair value. The following table includes an analysis of financial instrument at fair value, classified by valuation method:

- **Level 1** - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- **Level 2** - Inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- **Level 3** - Inputs are unobservable inputs for asset or liability.



Level 1	Level 2	Level 3
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**December 31, 2017:**

Assets:

Accounts receivable	547,736
Accounts receivable from related parties	2,247
Notes receivable	108,652,417
Concession Agreement	370,103,573

Liabilities:

Accounts payable	3,136,317
Accounts payable to related parties	2,041,875
Bank loans (at amortized cost)	336,485,688
Hedge derivatives	

**December 31, 2016:**

Assets:

Accounts receivable	362,580
Accounts receivable from related parties	1,916
Notes receivable	104,101
Concession Agreement	363,038,911

Liabilities:

Accounts payable	5,344,681
Accounts payable to related parties	1,574,094
Bank loans (at amortized cost)	203,987,386
Hedge derivatives	17,837,840

**26.2 CONCILIATION OF LIABILITIES AND EQUITY ACCOUNTS DERIVED FROM FINANCING ACTIVITIES**

The following is a detail of the changes in the liabilities and equity accounts from financial activities, including generate and not generate cash activities. The liabilities arising from financial activities are those shown for cash flows, future cash flows, and are classified in the statement of cash flows of the Association as cash flows from financial activities.

The conciliation of 2017 is as follows:

	December 31, 2016	Monetary Changes			Non-Monetary Changes	December 31, 2017
		Cash Received (Principal)	Cash Paid (Principal)	Cash Paid (Interest)	Interest Accrued	
Banco Centroamericano de Integración Económica (BCIE)	133,590,726		(133,034,614)	(3,124,274)	2,568,162	-
Bankia SAU	71,186,307		(70,952,772)	(1,316,794)	1,083,259	-
International Bond	-	290,873,694	(3,000,000)	(12,906,250)	13,341,636	288,309,080
Local Bond	-	47,991,060		(2,013,083)	2,198,631	48,176,608
<b>Total</b>	<b>204,777,033</b>	<b>338,864,754</b>	<b>(206,987,386)</b>	<b>(19,360,401)</b>	<b>19,191,688</b>	<b>336,485,688</b>

The conciliation of 2016 is as follows:

December 31, 2015	Monetary Changes			Non-Monetary Changes	December 31, 2016	
	Cash Received (Principal)	Cash Paid (Principal)	Cash Paid (Interest)	Interest Accrued		
Banco Centroamericano de Integración Económica (BCIE)	141,723,433	-	(8,178,270)	(5,833,488)	5,879,051	133,590,726
Bankia SAU	75,779,198	-	(4,620,140)	(2,391,045)	2,418,294	71,186,307
International Bond	-	-	-	-	-	-
Local Bond	-	-	-	-	-	-
Total	<u>217,502,631</u>	<u>-</u>	<u>(12,798,410)</u>	<u>(8,224,533)</u>	<u>8,297,345</u>	<u>204,777,033</u>

El saldo al 31 de diciembre de 2016 incluye intereses por pagar por un monto de US\$789,647 (Nota 10).

## 27. CONTINGENT ASSETS

As of December 31, 2017, and 2016, the Company had the following contingent assets:

- a. **Administrative Contentious Lawsuit filed by Autopistas del Sol, S.A. against the State and Consejo Nacional de Concesiones (National Concessions Board, CNC)** – Processed in the Administrative Contentious Court, II Judicial Circuit, judicial record No. 12-006627-1027-CA: The ordinary civil proceeding is sought to reverse Resolution No. 021-2011 of the Technical Office of the National Concession Board. The amount was US\$290,000. In resolution of July 27, 2015, the lawsuit was overruled and we were sentenced to pay court costs and attorney's fees in the amount of ¢18.882.942,93, which the company already paid. By resolution of November 09, 2017, the processed was terminated.
- b. **Administrative Contentious Lawsuit filed by Autopistas del Sol, S.A. against the State and Consejo Nacional de Concesiones (National Concessions Board, CNC)** – Processed in the Administrative Contentious Court, II Judicial Circuit, judicial record No. 16-003315-1027-CA: The claim is filed to reverse Resolution No. R-ST-046-2013 of the Technical Office of the National Concession Board and the penalty proceeding of administrative file No. PSJC-001-2012. The amount of the lawsuit is inestimable. Preliminary hearing is attended on November 16, 2016, and the oral and public trial is scheduled for March 01, 2018. It is still not possible to evaluate the potential adverse results.
- c. **Administrative Contentious Lawsuit filed by Autopistas del Sol, S.A. against the State and Consejo Nacional de Concesiones (National Concessions Board, CNC)** – Processed in the Administrative Contentious Court, II Judicial Circuit, judicial record No. 17-000905-1027-CA: The claim is filed to reverse Resolution No. R/SET-015-2014 of the Technical Office of the National Concession Board and the penalty proceeding of administrative file No. PSJC-011-2012. The amount of the lawsuit is inestimable. Preliminary hearing was attended, and the oral and public trial is scheduled for March 07, 2019. It is still not possible to evaluate the potential adverse results.

- d. ***Administrative Contentious Lawsuit filed by Autopistas del Sol, S.A. against the State and Consejo Nacional de Concesiones (National Concessions Board, CNC)*** – Processed in the Administrative Contentious Court, II Judicial Circuit, judicial record No. 17-007934-1027-CA: The claim is filed to reverse Resolution No. R-ST-0059-2013 of the Technical Office of the National Concession Board and the penalty proceeding of administrative file No. PSJC-010-2012. The amount of the lawsuit is inestimable. By resolution of August 23, 2017, the process was established. On September 14 and October 18, 2017, the State and CNC answered the lawsuit. It is still not possible to evaluate the potential adverse results because the process is starting.
- e. ***Administrative Contentious Lawsuit filed by Autopistas del Sol, S.A. against the State and Consejo Nacional de Concesiones (National Concessions Board, CNC)*** – Processed in the Administrative Contentious Court, II Judicial Circuit, judicial record No. 17-010829-1027-CA: The claim is filed to reverse the decision No. CNC-APM-SJC-OF-2015-1762 of the Project Management and the Resolution No. R-ST-0051-2016 of the Technical Office of the National Concession Board. The amount of the lawsuit is inestimable. By resolution of November 20, 2017, the process was established. It is still not possible to evaluate the potential adverse results because the process is starting.
- f. ***Administrative Contentious Lawsuit filed by Autopistas del Sol, S.A. against the State and Consejo Nacional de Concesiones (National Concessions Board, CNC)*** – Processed in the Administrative Contentious Court, II Judicial Circuit, judicial record No. 17-010830-1027-CA: The claim is filed to reverse the decision No. APM-SJC-OF-0214-2014 of the Project Management and the Resolution No. R-ST-0048-2016 of the Technical Office of the National Concession Board. The amount of the lawsuit is inestimable. By resolution of November 08, 2017, the process was established. It is still not possible to evaluate the potential adverse results because the process is starting.
- g. ***Administrative Contentious Lawsuit filed by Autopistas del Sol, S.A. against the State and Consejo Nacional de Concesiones (National Concessions Board, CNC)*** – Processed in the Administrative Contentious Court, II Judicial Circuit, judicial record No. 17-010831-1027-CA: The claim is filed to reverse the decision No. CNC-APM-SJC-OF-2016-0143 of the Project Management and the Resolution No. R-ST-0049-2016 of the Technical Office of the National Concession Board. The amount of the lawsuit is inestimable. By resolution of November 07, 2017 the process was established. It is still not possible to evaluate the potential adverse results because the process is starting.
- h. ***Administrative Contentious Lawsuit filed by Autopistas del Sol, S.A. against the State and Consejo Nacional de Concesiones (National Concessions Board, CNC)*** – Processed in the Administrative Contentious Court, II Judicial Circuit, judicial record No. 17-011246-1027-CA: The claim is filed to reverse the decision No. CNC-APM-SJC-OF-2016-0271 of the Project Management and the Resolution No. R-ST-0052-2016 of the Technical Office of the National Concession Board. The amount of the lawsuit is inestimable. By resolution of January 16, 2018, the process was established. It is still not possible to evaluate the potential adverse results because the process is starting.

## 28. CONTINGENT LIABILITIES

As of December 31, 2017, and 2016, the Company had the following liabilities:

- a. ***Action for Payment Filed by Sasmarketing, S.A. against Autopistas del Sol, S.A.*** – Processed at the Specialized Collection Court of the First Judicial Circuit of San José, under record No. **14-002703-1044-CJ**: A debt is being collected based on an invoice regarding a services agreement. It is estimated in ¢233,605,233 (US\$408,001 as of December 31, 2017), plus 50% of legal costs and interest to be paid up to the effective payment of the totality of the debt. The process had a positive result because the defense of arbitration agreement filed by Autopistas del Sol was accepted, with condemnatory costs in favor of the company.

- b. **Ordinary Civil Lawsuit filed by Carlos Arrea Anderson and P Tres Counsel, LTD against Autopistas del Sol S.A.** – Processed in the Third Civil Court of San José, legal record No. **15-000185-0182-CI**: The lawsuit results after alleged breach of contract for untimely termination of the professional services agreement since plaintiffs believed a termination notice should have been issued. The estimated amount of the lawsuit is US\$138,750. The process had an adverse result because the company was sentenced to pay the professional services fee condemnatory for US\$10,500, but in a much lower amount than the one that was requested.
- c. **Administrative Contentious Lawsuit filed by Natalia Bolaños Araya against the State and Autopistas del Sol, S.A.** - Processed in the Administrative Contentious Court, II Judicial Circuit of San José, legal record No. **10-002300-1027-CA**: Plaintiff is seeking payment of damages caused by a rock that fell on the windshield. Damage is quantified on US\$522,389. The lawsuit was dismissed and the resolution regarding the appeal for reversal (*recurso de casación*) filed by the plaintiff has not been issued, and it is not possible to assess the potential adverse results. However, it is expected that the resolution on the appeal will confirm the resolution of the Contentious Court, that dismissed the lawsuit.
- d. **Administrative Contentious Lawsuit for Probate Proceedings of Marlene Briones Cruz against the Ministry of Public Works and Transportation and Autopistas del Sol, S.A.** - Processed in the Administrative Contentious Court, II Judicial Circuit of San José, legal record No. **10-004240-1027-CA**: Claim of damages caused for death in motorcycle due to falling rock. It is quantified in US\$1,191,415. In 2016, an out-of-court settlement was reached by the parties in the amount of CRC50,000,000 which was paid by the Company's insurance company through the deductible. By Resolution No. 102-2016-IV of November 2016, the present case was dismissed and the file was ordered to file the extrajudicial agreement between the parties.
- e. **Ordinary Civil Lawsuit of Quintas Vistas Santa Ana, S.A. against the Company, the State and CNC** - Processed in the Administrative Contentious Court, II Judicial Circuit of San José, legal record No. **10-004557-1027-CA**: Claim for damages caused by landslide that left parcel without access to Route 27. The amount of the lawsuit is inestimable. Parties are summoned to oral and public trial on October 24 and 2016, 2018. Since it is inestimable and the trial is pending, it is still not possible to evaluate the potential adverse results for the Company.
- f. **Administrative Contentious Lawsuit filed by Tajo Florencia, S.A. and Franklin Rojas Castillo Contra Autopistas del Sol S.A., and the State** - Processed in the Administrative Contentious Court, II Judicial Circuit of San José, legal record No. **13-000887-1028-CA-4**: Enforcement of judgment to determine damages that were granted by the Fourth Chamber. The estimated amount is US\$1,227,619. The request for an interim relief filed by the plaintiff was dismissed. The report was submitted and the preliminary hearing is pending. It is still not possible to evaluate the potential adverse results.
- g. **Administrative Contentious Lawsuit filed by Omar Alvarado Gatjens and Others against Autopistas del Sol, S.A., the State, Consejo Nacional de Vialidad (Highway Administration Authority) and Consejo Nacional de Concesiones (National Concession Board)**- Processed in the Administrative Contentious Court, II Judicial Circuit of San José, legal record No. **14-3438-1027-CA**: Introduction process to determine damages caused to property for deviation of water in virtue of highway. The amount is US\$586,543. The preliminary hearing took place on January 31, 2018. The oral and public trial date is pending. As of the date of the financial statements, it is still not possible to evaluate the potential adverse results.

- h. **Administrative Contentious Lawsuit filed by Office of the Comptroller General against Autopistas del Sol, S.A.** - Processed in the Administrative Contentious Court, II Judicial Circuit of San José, legal record No.14-010753-1027-CA: Complaint filed in order for the Company to be declared civilly liable for the alleged contractual breach regarding the lump sum design and execution of works for the alternate route Escazú - Hatillo - Calle Morenos. The estimate is ₡ 2,528,591,618 (equivalent to US \$ 4,416,291 as of closing of the 2017 period). By resolution of October 10, 2017, the case was submitted to the Court of Cassation to resolve the disagreement presented by Autopistas del Sol, S.A. It is not yet possible to evaluate the probable adverse results.
- i. **Administrative Contentious Lawsuit filed by María Isabel Ramírez González against Autopistas del Sol, S.A., the State and Others** - Processed in the Administrative Contentious Court, II Judicial Circuit of San José, legal record No.15-000701-1027-CA: Complaint filed in order for the Company to be declared civilly liable for not building a drainpipe that would allow rainwater to properly drain at the plaintiff's property, which resulted in damages to the plaintiff and her property. The amount has not been estimated. Through resolution issued on November 21, 2016, an introduction process was filed against Consejo Nacional de Concesiones (National Concessions Board, CNC) and Constructora San José Caldera, S.A. Preliminary hearing was attended on June 26, 2017, and the oral and public trial is scheduled for April 03, 2018. It is still not possible to evaluate the potential adverse results.
- j. **Administrative Contentious Lawsuit filed by 3-102-562805 S.R.L. against Autopistas del Sol, S.A., the State, Consejo Nacional de Concesiones (National Concessions Board, CNC), and Consejo Nacional de Vialidad (Highway Administration Authority-CONAVI)** - Processed in the Administrative Contentious Court, II Judicial Circuit of San José, legal record No.10-001059-1027-CA-4: Complaint to access public road. Inestimable value. Lawsuit was dismissed, and the plaintiff should pay court costs and attorney's fees of the defendants. The resolution regarding the settlement of court costs and attorney's fees filed by the defendants is pending.
- k. **Administrative Contentious Lawsuit filed by Jose Martin Irias (Agent of Constructora Guter Martini, S.A.) and Others against Autopistas del Sol, S.A., the State, and CSJC, S.A.** - Processed in the Administrative Contentious Court, II Judicial Circuit of San José, legal record No.10-001778- 1027-CA: Introduction process to determine damages to the property in the town of Pan de Azúcar. The sum amounts to US\$2,237,978. Through resolution of June 30, 2016, the process is considered as concluded and the record is filed away in virtue of the out-of-court settlement between the parties on May 18, 2016, by the amount of US\$282,500.
- l. **Ordinary Civil Lawsuit filed by Lorena Bolaños Masís and Others against Autopistas del Sol, S.A., Consejo Nacional de Concesiones (National Concession Board) and the State** - Processed in the Administrative Contentious Court, II Judicial Circuit of San José, legal record No.11-002660-1027-CA.: Civil lawsuit to determine damages undergone by the plaintiff's vehicle, as a result of rocks that fell in Kilometer 44 of Route 27. The amount estimated for the lawsuit is ₡64,216,470 (USD \$ 112,157 as of December 31, 2017). On January 12, 2018, the oral and public trial was attended. The plaintiff party did not attend the trial, and to the date still does not appear in the file, justification for his absence. For that reason, conclusions must be presented on January 19, 2018. It is not yet possible to evaluate the likely adverse outcomes.
- m. **Administrative Contentious Lawsuit filed by Marta Mora Rojas against Autopistas del Sol, S.A. el Estado, CSJC, S.A. and Consejo Nacional de Concesiones (National Concession Board)** - Processed in the Administrative Contentious Court, II Judicial Circuit of San José, legal record No.12-000170-1027-CA: Complaint filed for damages caused to the owners of a property located in Pan de Azúcar because it lost its access to public road. The process had an adverse result because the company was sentenced to pay a condemnatory for damages and costs of the process. The resolution on the appeal for reversal (*recurso de casación*) submitted by the company is pending.

- n. **Administrative Contentious Lawsuit filed by Asociación Preservacionista de Flora y Fauna (APREFLOFLAS) against Consejo Nacional de Vialidad (Highway Administration Authority), Autopistas del Sol, S.A., Consejo Nacional de Concesiones (National Concession Board), the State, Regulatory Authority of Public Services, and the Office of the Comptroller General** - Processed in the Administrative Contentious Court, II Judicial Circuit of San José, legal record No. **12-003415-1027-CA**: Lawsuit that requests abatement of Addendum number 2 and the following ones of the Agreement, payment of contractual penalties and construction of infrastructure by Autopistas del Sol, and the elimination of tolls . This proceeding has an inestimable value. On July 14 and 15, 2016, a preliminary hearing was held. An oral and public trial has not been scheduled. Since it is inestimable and the lawsuit is pending, it is still not possible to evaluate the potential adverse results for the Company.
- o. **Administrative Actions Brought by the Technical Secretary of Consejo Nacional de Concesiones (National Concession Board) against Autopistas del Sol, S.A.** – They consist of miscellaneous complaints for alleged noncompliance regarding delivery of information, non-observance of orders, instructions, deficiencies, conditions of pavement, attention to landslides or interruption of service. The total amount of these 16 cases is US\$4,009,580. As of December 31, 2017, it is not possible to assess if there will be adverse results since the cases were filed recently.
- p. **Administrative Environmental Action Filed by Anonymous (Amicus: the State and the Central Pacific Conservation Area (ACOPAC) against Autopistas del Sol, S.A.; filed with the Administrative Environmental Court (TAA), under administrative file No. 215-09-02-TAA** - The administrative environmental proceeding has been estimated in US\$1,065,170. A response of the Registration Service Department of the National Registry regarding the registration status of Autopistas del Sol, S.A., and the existence or not of Globalvía Ruta 27 in the National Registry is still pending. An oral hearing by the Administrative Environmental Court has not been scheduled yet. It is still not possible to evaluate the potential adverse results. Valid and solid arguments that might succeed have been developed; however, we should take into consideration that Management itself will settle the case.
- q. **Administrative Tax Proceeding at the Large Taxpayers Division due to Review of Income Tax Return for FY2011** - The Large Taxpayer Division reviewed the 2011 Income Tax Return of Autopistas del Sol, S.A. Such tax review resulted in Settlement Event number 1-10-034-13-031-41-03, where the Tax Administration rejected as deductible expense what was paid by the Company for repair and maintenance of route number 27.

Specifically, the rejected expense corresponds to an invoice paid to vendor Constructora San José - Caldera CSJC, S.A., for the sum of U\$3,500,000 (three million five hundred thousand dollars), which resulted in an increase in the 2011 income tax base. Likewise, in virtue of the previously described procedures, the Large Taxpayer Division issued Penalization Resolution N°2-10-034-013-052-514-03, establishing a 25% penalty on the sums that supposedly were not paid by Autopistas del Sol, S.A. in relation to FY2011.

In August 2016, the Constitutional Chamber of the Supreme Court of Justice declared the unconstitutionality of the Article 144 of the Tax Standards and Procedures Code. Due to the foregoing, on November 11, 2016, the Company proceeded to file a request for an event of nullity against the Official Clearance Act No. 1-10-034-13-031-41-03 issued by the Large Taxpayers Division, who issued the Act based on a rule annulled as being unconstitutional.

On March 27, 2017, the Administrative Tax Court notified the Resolution TFA-122-S-2017, through which it communicates the ex officio cancellation of the Provisional Regularization Proposal, as well as the acts that depend on it.

Even with such cancellation, the Large Taxpayers Division notified on May 22, 2017 the resumption of the revision action. Not agreeing with this resumption, the company decided to file a prescription exception, which was rejected by Letter SFGCN-195-2017.

As of June 7, 2017, the Tax Administration notifies the Provisional Regularization Proposal No. 1-10-034-13-013-031-03 and the Proposal for Sanctioning Resolution No. 2-10-034-13-003-581 -03. Regarding these Proposals, the Company presents its respective oppositions.

On August 18, 2017, the Large Taxpayers Division notified the formal resolution in which they ratified the adjustments made since the Provisional Regularization Proposal. The Company challenged the previous resolution on October 2, 2017. This challenge is currently pending resolution.

The amount under discussion is about ¢752.886.450 (US\$1,314,948 as of December 31, 2017), plus the corresponding amount regarding the sanction. There is a 50% probability of obtaining an adverse result to the interests of the Company.

As of the date of the financial statements, the final resolution of previous matters is unknown (except for what is expressly indicated in each case); therefore, Management has not recorded any asset or liability for these contingencies.

## 29. TOLL COLLECTION

The calculation for toll collection as of December 31, 2017 and 2016 is the following:

	<b>Note</b>	<b>2017</b>	<b>2016</b>
Gross toll collection		73,954,759	70,621,133
Co-participation - National Concession Board			
	16j	(1,767,631)	(2,955,212)
Tolls paid to own Employees		(140,783)	(146,796)
Exemptions, not under contract, granted to the government			
		(532,597)	(716,267)
Net toll collection		<u>71,513,748</u>	<u>66,802,858</u>

The Company, when determining the financial asset balance (Note 8), in addition to the co-participation with the National Concession Board, does not take into consideration any amounts that correspond to tolls granted to their own employees, as well as non-contractual exempted tolls granted to the Government, and this is due to the fact that it does not receive funds for these concepts.

## 30. SUBSEQUENT EVENTS

In January 2018, a restricted payment (dividend) amounting US\$10,100,000 was approved under compliance the restricted payment requirements included in the financing agreement.

## 31. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by Management, and its issue has been authorized for February 21, 2018.

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