

Watercraft Capital S.A.
société anonyme
Registered office : 6, rue Eugène Ruppert, L-2453 Luxembourg
R.C.S. Luxembourg : B 178867
(the "Company")

Statement in accordance with article 3 of the transparency Law of January 11, 2008 as amended from time to time (the "**Transparency Law**").

Dear Sirs,

Reference is made to the annual financial report of the Company related to the financial year ended December 31, 2013.

In compliance with article 3 of the Transparency Law, we hereby confirm that to the best of our knowledge, the financial statements of the Company for the financial year ended December 31, 2013 have been prepared in accordance with the applicable set of accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and that the management report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that the Company face.

Yours faithfully,

Luxembourg, May 23, 2014



Name: **Harald Thul**
Title: Sole Director

Annual accounts and report of the Réviseur d'entreprises agréé
For the period from 10 July 2013, (date of incorporation) to 31 December 2013

Watercraft Capital S.A.

Société anonyme

Address of the registered office :

6, rue Eugène Ruppert
L-2453 Luxembourg

R.C.S. Luxembourg : B 178.867

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To the Sole Director
Watercraft Capital S.A.
6, rue Eugène Ruppert
L-2453 Luxembourg

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

We have audited the accompanying annual accounts of Watercraft Capital S.A., which comprise the balance sheet as at December 31, 2013 and the profit and loss account for the period from July 10, 2013 (date of incorporation) to December 31, 2013, and a summary of significant accounting policies and other explanatory information.

Responsibility of the Sole Director for the annual accounts

The Sole Director is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts, and for such internal control as the Sole Director determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

Responsibility of the réviseur d'entreprises agréé

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the *Commission de Surveillance du Secteur Financier*. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual accounts are free from material misstatement.



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the *réviseur d'entreprises agréé's* judgement, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the *réviseur d'entreprises agréé* considers internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Sole Director, as well as evaluating the overall presentation of the annual accounts.

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

Opinion

In our opinion, the annual accounts give a true and fair view of the financial position of Watercraft Capital S.A. as of December 31, 2013 and of the results of its operations for the period from July 10, 2013 (date of incorporation) to December 31, 2013 in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

Emphasis of a matter

Without qualifying our opinion, we draw your attention to Note 2.1 of the annual accounts where it describes that the financing agreement which has been entered into with Escal UGS S.L., the economic beneficiary of the bond issuance proceeds, against which EUR 1.4 billion had been drawn down, also includes certain obligations which are not currently fulfilled due to the suspension of the project by the Spanish Ministry of Industry, Energy and Tourism. As a result, Escal UGS S.L. is not generating sufficient income to meet its short-term obligations, more specifically to meet the upcoming principal payment of the bond and the related interest in 2014. Additionally, the inclusion of its service in the definitive remuneration system and obtaining the definitive start-up certificate remains pending as at the date of this report.

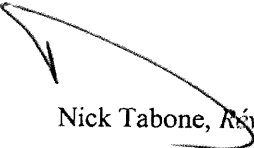
Watercraft Capital S.A.'s ability to continue as a going concern for the foreseeable future is dependent upon satisfactory resolving the suspension of the project of Escal UGS S.L. and by obtaining the Definitive Commissioning Act for the project and further inclusion in the remuneration system so that Escal UGS S.L. will be able to begin its activity and then generate sufficient income to repay its obligation towards Watercraft Capital S.A.

The above condition indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Report on other legal and regulatory requirements

The management report, which is the responsibility of the Sole Director, is consistent with the annual accounts.

For Deloitte Audit, *Cabinet de révision agréé*



Nick Tabone, *Réviseur d'entreprises agréé*

Partner

April 30, 2014

Watercraft Capital S.A.
Société anonyme
Registered office: 6, rue Eugène Ruppert L-2453 Luxembourg
Luxembourg Trade and Companies Register: B 178.867
(the "Company")

MANAGEMENT REPORT OF THE SOLE DIRECTOR

For the period from July 10, 2013 to December 31, 2013 (the "Financial Period")

Dear Sirs,

The sole director of the Company (the "**Sole Director**") is pleased to present the annual financial statements and report of the Company for the period from July 10, 2013 to December 31, 2013.

I. INTRODUCTION

The Company was incorporated on July 10, 2013 and is organised under the laws of Luxembourg as a "société anonyme" for an unlimited period.

The purpose of the Company is (i) the acquisition, holding and disposal, in any form, by any means, whether directly or indirectly, of participations, rights and interests in, and obligations of, Luxembourg and foreign companies, (ii) the acquisition by purchase, subscription, or in any other manner, as well as the transfer by sale, exchange or in any other manner of stock, bonds, debentures, notes and other securities or financial instruments of any kind (including notes or parts or units issued by Luxembourg or foreign mutual funds or similar undertakings) and receivables, claims or loans or other credit facilities and agreements or contracts relating thereto, and (iii) the ownership, administration, development and management of a portfolio of assets (including, among other things, the assets referred to in (i) and (ii) above).

The Company may borrow in any form. It may enter into any type of loan agreement and it may issue notes, bonds (whether in registered or bearer form), debentures, certificates, shares, beneficiary parts, warrants and any kind of debt or equity securities including under one or more issuance programmes. The Company may lend funds including the proceeds of any borrowings and/or issues of securities to its subsidiaries, affiliated companies or any other company.

The Company may also give guarantees and grant security interests over some or all of its assets including, without limitation, by way of pledge, transfer or encumbrance, in favour of or for the benefit of third parties to secure its obligations or the obligations of its subsidiaries, affiliated companies or any other company.

The Company may enter into, execute and deliver and perform any swaps, futures, forwards, derivatives, options, repurchase, stock lending and similar transactions. The Company may generally use any techniques and instruments relating to investments for the purpose of their efficient management, including, but not limited to, techniques and instruments designed to protect it against credit, currency exchange, interest rate risks and other risks.

The descriptions above are to be construed broadly and their enumeration is not limiting. The Company's purpose shall include any transaction or agreement which is entered into by the Company, provided it is not inconsistent with the foregoing matters.

In general, the Company may take any controlling and supervisory measures and carry out any operation or transaction which it considers necessary or useful in the accomplishment and development of its purpose.

Finally, The Company may carry out any commercial, industrial, and financial operations, which are directly or indirectly connected with its purpose or which may favour its development. In addition, the Company may acquire and sell real estate properties, for its own account, either in the Grand Duchy of Luxembourg or abroad and it may carry out all operations relating to real estate properties.

II. ACTIVITIES AND FINANCIAL RESULTS

a) Business evolution

The Company issued on 2 August 2013 €1,400,000,000 5.756 per cent. Secured Limited Recourse Amortising Bonds due 2034 (the “**Bonds**”) and the proceeds from the issuance of the Bonds, equal to €1,400,000,000, were on lent to ESCAL UGC S.L. (the “**Borrower**”) under an on loan agreement (the “**On Loan Agreement**”).

On 23 December 2013 the Company entered into a novation deed, relating to the monitoring adviser services agreement signed by the Company on 30 July 2013, pursuant to which Bishopsfield Capital Partners Limited undertook to assume all the obligations of Trifinium Advisors (UK) Limited, as monitoring adviser, as described in the monitoring adviser services agreement.

b) Results

The balance sheet total amounts to **EUR 1,437,352,948.17** and the Company has not made profit or loss.

c) Major risks and uncertainty

The nature of the transaction may involve certain types of risks, as described in details under section “Risk Factors” of the prospectus of the Bonds, that may affect the ability of the Company to fulfil its obligations under the Bonds.

Factors that may affect the Borrower’s ability to fulfil its obligations under the On Loan Agreement

It should be noted that the factors that may affect the Borrower’s ability to fulfil its obligations under the On Loan Agreement will impact the ability of the Issuer to fulfil its obligations under the Bonds to the extent that drawdowns under the letter of credit from the European Investment Bank do not cover such payments.

Termination of the concessions received by the Borrower from the Spanish government and subject to a first-ranking pledge issued by the Borrower to secure its obligations under the on loan agreement (the “**Concessions**”)

The Concessions incorporate termination rights for the Spanish government and the Borrower. The Concessions also provide for compensation provisions. The amount received in compensation may vary, depending on the reason for the termination and other circumstances. Payment of such compensation may not necessarily be sufficient to enable the Borrower to meet its obligations to the Company (and to enable the Issuer to meet its obligations under the Bonds) as and when they fall due.

Risk of amendment to or liberalisation of the current regulatory framework

There can be no assurances that any future amendment to the current regulatory regime, or any liberalisation of the remuneration regime applicable to the project related to the Bonds (the "Project"), will not have a material adverse effect on (i) the recovery of investments made by the Borrower during the useful life of the facilities, (ii) the profitability of capital invested by the Borrower, or (iii) the management of the facilities or their productivity.

In addition, as specified in the prospectus of the Bonds, the investment finally recognised by the Granting Authority may be less than the amount envisaged in the Base Case as the remuneration is a function of a number of variables, including the recognised amount of the investment. As such, the Borrower's remuneration may be lower than that envisaged.

The regulatory framework applicable to the Project does not establish any specific consequences in the event of termination due to force majeure. Although the Borrower has insurance policies in place designed to cover certain events of force majeure (such as natural perils), there can be no assurances that such insurance policies will cover losses sustained by the Borrower on the occurrence of a particular type of event of force majeure. Furthermore, even if the type of force majeure event is one contemplated by the relevant insurance policies, there can be no assurance that such policies will be sufficient to cover the actual losses sustained by the Borrower or any corresponding damage to the facilities.

Geological Risks

As specified under section "Risk Factors" of the prospectus of the Bonds, the transaction entered into by the Company may be affected also by geological risks.

Technical/Operational Risks

Among the technical/operational risks, as described under section "Risk Factors" of the prospectus of the Bonds, there is the risk of increase in project operating costs during operations.

An increase in costs beyond the amounts available in the relevant maintenance reserve account, or an increase in cost that cannot be recovered by the Borrower as an extraordinary operating and maintenance expense, could have a material adverse effect on the financial condition and prospects of the Borrower. However, direct and indirect operation and maintenance costs are included within the remuneration to be received by the Project from the Spanish Gas System.

Risk that increasing the reservoir pressure above the original level may result in gas leakage through the sealing fault or the reservoir cap rock.

Environmental Risks

Environmental risks can be caused by surface and injection installations as well as by the storage of gas in a geological reservoir. Although the risk of failure in surface installations is generally understood and can be mitigated through risk abatement technologies and safety measures, the risks associated with underground storage are not as controllable. In the case of the Project, these risks include the leakage of gas from the main reservoir. Leakage of gas from the reservoir can occur primarily through or along abandoned wells. Diffusion of gas through the cement or steel casing caused by corrosion is a slow process. However, there can be no assurances that corrosion of the seals of the Amposta reservoir will not be a factor giving rise to leakage during the life cycle of the Project. As the Borrower is fully liable for any environmental damage, any such leakage could have a material adverse effect on the financial condition and prospects of the Borrower and the Project.

The Borrower and the Borrower Shareholders may be subject to Spanish insolvency laws

The validity, enforceability and effectiveness of the documents entered into by the Borrower or the Borrower shareholders may be limited by bankruptcy, insolvency, reorganisation or similar laws affecting creditors' rights generally.

d) Research and development

During the Financial Year, the Company has not had any activity in research and development.

e) Purchase of own shares

During the Financial Year, the Company has not bought back any of its own shares.

f) Branches

During the Financial Year, the Company has not held any branches.

g) Corporate Governance statement on internal control and management of the risks in the establishment process of the financial information

Risk Management:

Watercraft Capital S.A. has an embedded risk management and reporting process which both ensure that risks are identified, addressed and mitigated. Changes in both external and internal environments are reviewed during the year. Each year the Sole Director revisits the Company's risks to ensure that risks which may prevent the achievement of strategic objectives are identified, understood and mitigated.

Internal Control:

The system of internal control of the Company is designed to manage, rather than eliminate, risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The Company operates a management structure with clear delegated authority levels and clear functional reporting lines and accountability. All relevant decisions are subject to appropriate authorization procedures. The Sole Director monitors financial and operational performance and compliance controls on a continuing basis and identifies and responds to business risks as they arise. The effectiveness of the system of internal control and risk management process is reviewed annually by the Sole Director.

The annual accounts are prepared by a services provider under the supervision of the Sole Director.

The services provider in charge of administration and accounting has successfully completed the ISAE3402 type I audit process.

Staff involved in the Company's accounting and financial reporting are appropriately qualified and kept up-to-date with applicable laws and regulations.

Controls are established in the processing of annual accounts and any financial report to ensure appropriate authorizations, four-eyes principle and the complete and accurate recording of financial information. Regarding the preparation of annual accounts, all the controls performed are documented in writing by using dedicated check-lists.

documents, the accuracy of the data indicated on the transfer order. Four-eyes principle is complied with before any transfer order may be carried out. The execution of any transfer order requires two signatures. As for the preparation of annual accounts, any control performed is duly documented in writing by using dedicated check-lists.

As a general rule, any document, notice, agreement, report is submitted to review for sign off before being provided to third parties.

h) Extraordinary events

On 10 April 2014, the Company entered into an Interest rate swap transaction with trade date 2 August 2013 for hedging purposes. In such transaction the Company is acting as Party B and Escal UGS SL will act as Party A.

Under the Interest rate swap transaction, the nominal amount is represented by the principal amount outstanding of the drawn portion of the loan provided to Escal UGS SL and (i) Party A is the fixed rate payer with a fixed rate equal to 5.756 per cent. per annum and (ii) Party B is the floating rate payer with the floating rate to be determined in accordance with the confirmation related to the Interest rate swap transaction.

On 10 April 2014 the Company and, inter alia, the Borrower entered into an amendment agreement relating to the on loan agreement dated 30 July 2013 according to with, inter alia, it was agreed that the borrower will pay a floating rate on the advance of the loan received from the Company.

We kindly ask you to grant full and entire discharge to the Sole Director for the exercise of his mandate during the Financial Year.

Luxembourg, 30 April 2014.

The Sole Director,



A handwritten signature in black ink, appearing to be 'HT', is written over a horizontal line.

By: Harald Thul
Title: Sole Director

Watercraft Capital S.A.
 Société anonyme
Balance sheet as at 31 December 2013
Expressed in EUR

	Notes	2013 EUR
ASSETS		
C. Fixed assets		1.400.000.000,00
III. Financial fixed assets	3	1.400.000.000,00
6. Loans and claims held as fixed assets		1.400.000.000,00
D. Current assets	4	417.921,95
II. Debtors		338.620,54
2. Amounts owed by affiliated undertakings		3.771,09
a) becoming due and payable within one year		3.771,09
4. Other receivables		334.849,45
a) becoming due and payable within one year		334.849,45
IV. Cash at bank, cash in postal cheque accounts, cheques and cash in hand		79.301,41
E. Prepayments and accrued income	5	36.935.026,22
TOTAL (ASSETS)		1.437.352.948,17
LIABILITIES		
A. Capital and reserves	6	31.000,00
I. Subscribed capital		31.000,00
VI. Profit or loss for the financial period		-
C. Provisions		340.605,45
2. Provisions for taxation		340.605,45
D. Non subordinated debts	7	1.400.046.316,50
1. Debenture loans		1.400.000.000,00
b) Non convertible loans		1.400.000.000,00
i) becoming due and payable within one year		42.717.378,00
ii) becoming due and payable after more than one year		1.357.282.622,00
6. Amounts owed to affiliated undertakings		31.006,00
a) becoming due and payable within one year		31.006,00
9. Other creditors		15.310,50
a) becoming due and payable within one year		15.310,50
E. Deferred income	8	36.935.026,22
TOTAL (LIABILITIES)		1.437.352.948,17

Watercraft Capital S.A.

Société anonyme

Profit and loss account for the period from 10 July 2013 to 31 December 2013

Expressed in EUR

	Note	10/07/2013 31/12/2013 EUR
A. CHARGES		
2. Other external charges	9	39.188,14
6. Value adjustments and fair value adjustments on financial fixed assets	10	732.837,82
8. Interest and other financial charges		33.065.717,00
b) other interest and similar financial charges	11	33.065.717,00
10. Income tax		116.568,75
11. Other taxes not included in the previous caption		224.036,70
TOTAL CHARGES		34.178.348,41
B. INCOME		
5. Other operating income	12	379.793,59
6. Income from financial fixed assets		33.065.717,00
a) derived from loans and claims held as fixed assets	13	33.065.717,00
8. Other interest and other financial income		732.837,82
b) other interest and similar financial income	8	732.837,82
TOTAL INCOME		34.178.348,41

Watercraft Capital S.A.

Société anonyme

Notes to the annual accounts

For the period from 10 July 2013 to 31 December 2013

NOTE 1 - GENERAL INFORMATION

Watercraft Capital S.A. (hereafter the "Company") was incorporated on 10 July 2013 and organised under the laws of Luxembourg as a société anonyme for an unlimited period. On 20 March 2014, the registered office of the Company was transferred from 13-15, Avenue de la Liberté, L-1931 Luxembourg to 6, rue Eugène Ruppert, L-2453 Luxembourg.

The purpose of the Company is (i) the acquisition, holding and disposal, in any form, by any means, whether directly or indirectly, of participations, rights and interests in, and obligations of, Luxembourg and foreign companies, (ii) the acquisition by purchase, subscription, or in any other manner, as well as the transfer by sale, exchange or in any other manner of stock, bonds, debentures, notes and other securities or financial instruments of any kind (including notes or parts or units issued by Luxembourg or foreign mutual funds or similar undertakings) and receivables, claims or loans or other credit facilities and agreements or contracts relating thereto, and (iii) the ownership, administration, development and management of a portfolio of assets (including, among other things, the assets referred to in (i) and (ii) above).

The Company may borrow in any form. It may enter into any type of loan agreement and it may issue notes, bonds (whether in registered or bearer form), debentures, certificates, shares, beneficiary parts, warrants and any kind of debt or equity securities including under one or more issuance programmes. The Company may lend funds including the proceeds of any borrowings and/or issues of securities to its subsidiaries, affiliated companies or any other company.

The Company may also give guarantees and grant security interests over some or all of its assets including, without limitation, by way of pledge, transfer or encumbrance, in favour of or for the benefit of third parties to secure its obligations or the obligations of its subsidiaries, affiliated companies or any other company.

The Company may enter into, execute and deliver and perform any swaps, futures, forwards, derivatives, options, repurchase, stock lending and similar transactions. The Company may generally use any techniques and instruments relating to investments for the purpose of their efficient management, including, but not limited to, techniques and instruments designed to protect it against credit, currency exchange, interest rate risks and other risks.

The descriptions above are to be construed broadly and their enumeration is not limiting. The Company's purpose shall include any transaction or agreement which is entered into by the Company, provided it is not inconsistent with the foregoing matters.

In general, the Company may take any controlling and supervisory measures and carry out any operation or transaction which it considers necessary or useful in the accomplishment and development of its purpose.

Finally, The Company may carry out any commercial, industrial, and financial operations, which are directly or indirectly connected with its purpose or which may favour its development. In addition, the Company may acquire and sell real estate properties, for its own account, either in the Grand-Duchy of Luxembourg or abroad and it may carry out all operations relating to real estate properties.

The bonds issued by the Company have been admitted to trading on the Luxembourg Stock Exchange's regulated market and have been admitted to the Official List of the Luxembourg Stock Exchange.

The Company's financial period starts on 1 January and ends on 31 December of each period.

The first financial period runs from 10 July 2013 (date of incorporation) to 31 December 2013.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The annual accounts have been prepared in accordance with Luxembourg legal and regulatory requirements under the historical cost convention. Accounting policies and valuation rules are, besides the ones laid down by the Law of 19 December 2002, determined and applied by the Board of Directors.

The preparation of annual accounts requires the use of certain critical accounting estimates. It also requires the Board of Directors to exercise its judgement in the process of applying the accounting policies. Changes in assumptions may have a significant impact on the annual accounts in the period in which the assumptions changed. Management believes that the underlying assumptions are appropriate and that the annual accounts therefore present the financial position and results fairly.

The books and records are maintained in EUR and the annual accounts have been prepared in accordance with the valuation rules and accounting policies described below.

The annual accounts have been prepared on a going concern basis for the following reasons:

The financing agreement which has been entered into with Escal UGS S.L., the economic beneficiary of the bond issuance proceeds, against which EUR 1.4 billion had been drawn down, also includes certain obligation to bring the facilities under development by Escal UGS S.L. into service before November 30, 2014, the breach of which may trigger the early maturity of the aforementioned financing agreement. Due to certain events occurring in 2013, the facilities under development are under suspension under the order of the Spanish Ministry of Industry, Energy and Tourism (the "Ministry"). And further, as a result of which, the inclusion of its service in the definitive remuneration system and obtaining the definitive start-up certificate remains pending.

The Sole Director has concluded that the above condition represents a material uncertainty which may affect and cast doubt about Watercraft S.A.'s ability to continue as a going concern for the foreseeable future. The necessary technical studies which are currently in progress, and the relevant technical audit, which has been concluded and submitted to the Ministry should satisfactory resolve the suspension of the project of Escal UGS S.L. In addition, once the Definitive Commissioning Act for the project is obtained and is included in the remuneration system, Escal UGS S.L. will be able to begin its activity, and consequently be able to generate sufficient cash flows to meet the payments relating to the On-loan agreement. In the scenario that Escal UGS S.L. will not be able to meet the payments of the amounts due or in connection with the On-loan agreement before the project start-up date occurs, its shareholder, ACS Servicios, Comunicaciones Y Energia, S.L. ("ACS SCE"), will immediately undertake any non-payment by Escal UGS S.L. as if it was the principal obligor of the borrowed amount by Escal UGS S.L..

Watercraft Capital S.A.

Société anonyme

Notes to the annual accounts (cont.)

For the period from 10 July 2013 to 31 December 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

2.2 Significant accounting policies

The main valuation rules applied by the Company are the following :

2.2.1 Currency translation

Transactions expressed in currencies other than EUR are translated into EUR at the exchange rate effective at the time of the transaction.

Long-term assets expressed in currencies other than EUR are translated into EUR at the exchange rate effective at the time of the transaction. At the balance sheet date, these assets remain translated at historical exchange rates.

Cash at bank is translated at the exchange rate effective at the balance sheet date. Exchange losses and gains are recorded in the profit and loss account of the period.

Other assets and liabilities are valued individually at the lower, respectively the higher of their value at the historical exchange rate or their value determined at the exchange rates prevailing at the balance sheet date. The unrealised exchange losses are recorded in the profit and loss account. Realised exchange gains are recorded in the profit and loss account at the moment of their realisation.

Where there is an economic link between an asset and a liability, these are valued in total according to the method described above and the net unrealised losses are recorded in the profit and loss account and the net unrealised exchange gains are not recognised.

2.2.2 Financial fixed assets

Loans and claims held as fixed assets are valued at nominal value including expenses incidental thereto.

In case of durable depreciation in value according to the opinion of the Board of Directors, value adjustments are made in respect of financial fixed assets, so that they are valued at the lower figure to be attributed to them at the balance sheet date. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

2.2.3 Debtors

Debtors are valued at their nominal value. They are subject to value adjustments where their recovery is compromised. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

2.2.4 Tax debts

The tax liability estimated by the Company for the financial periods for which the tax return has not yet been filed are recorded under the caption "Provisions for taxation". The advance payments are shown in the assets of the balance sheet under the "Other debtors" item.

2.2.5 Prepayments and accrued income

Asset items include expenditures incurred during the financial period but related to a subsequent financial period. Liability items include income received during the financial period but related to a subsequent financial period.

2.2.6 Debts

Debts are recorded at their reimbursement value. Where the amount repayable on account is greater than the amount received, the difference is shown as an asset and is written off over the period of the debt based on a linear/actuarial method.

2.2.7 Deferred income

This liability item includes income received during the financial year but relating to a subsequent financial year.

2.2.8 Interest income and expenses

Interest income and expenses are recorded on an accrual basis.

Watercraft Capital S.A.

Société anonyme

Notes to the annual accounts (cont.)

For the period from 10 July 2013 to 31 December 2013

NOTE 3 - FINANCIAL FIXED ASSETS**3.1 Loans and claims held as fixed assets**

Pursuant to the Prospectus dated 30 July 2013 and the On Loan Agreement dated 30 July 2013, the Company used the proceeds from the EUR 1'400'000'000 5.756% Secured Limited Recourse Amortising Bonds due in December 2034 to on loan an amount to Escal UGC S.L. The On Loan agreement represents the loan agreement between Watercraft Capital S.A. as lender and Escal UGC S.L. as borrower tranché into Tranche A and Tranche B of the On Loan Agreement whereby Watercraft Capital S.A. on-lends the proceeds of the bonds and the utilisations under the PBCE Agreement to ESCAL UGC S.L. The PBCE Agreement is the agreement under which the European Investment Bank undertook to provide a standby letter of credit acting as a form of subordinated credit enhancement in relation to the Bonds

The on loan carries interest at 5.756% and these are receivable semi-annually in arrears on 30 June and 31 December. An amount of EUR 33'065'717 was received as interest for the period ended December 31, 2013.

In accordance with the Bond Trust Deed, the Bond is scheduled to be paid out on June 30, 2014 and December 31, 2014 at EUR 21 million on each instalment dates. Therefore EUR 42 million out of 1.4 billion are considered to be due and payable within 1 year.

The obligations of Escal UGS SL (the "Borrower") under the on loan agreement are secured in favour of the Company by the following guarantees: a first-ranking pledge over the entire corporate capital of the Borrower provided by the shareholders of the Borrower; a first-ranking pledge over the credit rights arising from certain bank accounts opened in the name of the Borrower; a first-ranking pledge over the credit rights arising from the concessions received by the Borrower from the Spanish government (the "Concessions"); a first-ranking pledge over the credit rights of the Borrower arising from certain contracts entered into by the Borrower; an assignment by way of security over the rights of the Borrower arising under certain contracts governed by English law and entered into by the Borrower; a first ranking pledge from ACS Servicios, Comunicaciones y Energía, S.L. (ACS SCE) and granted over the credit rights of ACS SCE arising from subordinated debt agreements; a promise of mortgages and other security interests in relation to the concessions as well as over any other real estate or assets from the Borrower.

NOTE 4 - DEBTORS**4.1 Amounts owed by affiliated undertakings****2013**
EUR

<i>becoming due and payable within one year</i>	3.771,09
<i>Due by Shareholder (Stichting Watercraft Capital)</i>	3.771,09
	3.771,09

4.2 Other receivables

<i>becoming due and payable within one year</i>	334.849,45
<i>Corporate income tax advances</i>	3.210,00
<i>Receivable from Escal UGS SL</i>	331.639,45
	334.849,45

NOTE 5 - Prepayment and accrued income

Prepayment and accrued income corresponds to expenses incurred in relation to Initial Facility fees amortized over the life of the Bonds are as follows:

Under the Issuer Security Agreement, Watercraft Capital S.A. provided, in favour of the Issuer Security Trustee, a first fixed charge over all of its rights in respect of the On Loan Agreement, the Support Agreement, the Subordination Agreement, the Averages Waiver and Commitment Letter, the Borrower Share Pledge, the Borrower Subordinated Loan Pledge, each Borrower Security Document and any other document granting Security Interests in favour of the Watercraft Capital S.A. to secure the Escal UGS S.L. obligations under the Borrower Secured Liabilities.

Pursuant to the On loan agreement, Watercraft Capital S.A. notified ESCAL UGS S.L. to pay the Initial Facility fees on the Issue Date. Such payment was satisfied by Watercraft Capital S.A. setting off the amount of such payment against the A Advance to be made to the ESCAL UGS S.L.

Name	Issue Costs		Total	
	EUR		EUR	
	2013		2013	
Gross book value - opening balance	-	-	-	-
Additions for the period	37.667.864,04	-	37.667.864,04	-
(Disposals for the period)	-	-	-	-
Gross book value - closing balance	37.667.864,04	-	37.667.864,04	-
(Accumulated value adjustments - opening balance)	-	-	-	-
Additions for the period	(732.837,82)	-	(732.837,82)	-
(Accumulated value adjustments - closing balance)	(732.837,82)	-	(732.837,82)	-
Net book value - closing balance	36.935.026,22		36.935.026,22	
Net book value - opening balance	36.935.026,22		36.935.026,22	

Watercraft Capital S.A.

Société anonyme

Notes to the annual accounts (cont.)

For the period from 10 July 2013 to 31 December 2013

NOTE 6 - CAPITAL**6.1 Subscribed capital**

The share capital is set at EUR 31'000 (thirty-one thousand Euro), represented by 31'000 (thirty-one thousand) shares having a nominal value of EUR 1 (one Euro) each, which are fully paid-up.

6.2 Legal reserve

The Company is required to allocate a minimum of 5% of its annual net income to a legal reserve, until this reserve equals 10% of the subscribed share capital. This reserve may not be distributed.

NOTE 7 - NON SUBORDINATED DEBTS

Amounts due and payable for the amounts shown under "Non subordinated debts" are as follows:

	Becoming due and payable within one year	Becoming due and payable after one year and within five years	Becoming due and payable after more than five years	Total
	EUR	EUR	EUR	2013 EUR
Non-convertible debenture loans	42.717.378,00	-	1.357.282.622,00	1.400.000.000,00
Amounts owed to affiliated undertakings	31.006,00	-	-	31.006,00
Other creditors	15.310,50	-	-	15.310,50
Total	42.763.694,50	-	1.357.282.622,00	1.400.046.316,50

7.1 Non Convertible Debenture loans

The Company has issued EUR 1,400,000,000 5.756% Secured limited recourse amortising bonds due 2034. With an issue price of 100%, the proceeds from the issuance of the bonds were on lent under an on loan agreement as disclosed in note 3. Interest is payable semi-annually in arrears on 30 June and 31 December in each year commencing on 31 December 2013. The total interest expenses on the above described debts amount to EUR 33,065,717 for the period.

Furthermore, the Company entered into the PBCE Letter of Credit and Reimbursement Deed with European Investment Bank on 30 July 2013 under which European Investment Bank will, at the request of the Company, meet payments of certain cash shortfalls during the construction phase and will guarantee certain payments by the Company in respect of the Bonds. The maximum amount of the PBCE Letter of Credit is fixed at EUR 200'000'000.

7.2 Amounts owed to affiliated undertakings

	2013 EUR
<i>becoming due and payable within one year</i>	
Due to Shareholder	31.006,00
	31.006,00

7.3 Trade creditors

	2013 EUR
<i>becoming due and payable within one year</i>	
Trade Payables	15.310,50
Professional fees	80,50
Audit fees	230,00
	15.000,00
	15.310,50

Watercraft Capital S.A.

Société anonyme

Notes to the annual accounts (cont.)

For the period from 10 July 2013 to 31 December 2013

NOTE 8 - Deferred Income

Pursuant to the On Loan Agreement (see Note 3.1), Escal UGS, S.L. refunded EUR 37'667'864.04 representing the issue costs (see Note 5) to the company. This amount has been recorded as Deferred Income and amortised over the life of the On loan Agreement.

The movement for the period are follows:

Name	Issue Costs	Total
	EUR	EUR
	2013	2013
Gross book value - opening balance	-	-
Additions for the period	37.667.864,04	37.667.864,04
(Disposals for the period)	-	-
Transfers for the period	-	-
Gross book value - closing balance	37.667.864,04	37.667.864,04
(Accumulated value adjustments - opening balance)	-	-
Additions for the period	(732.837,82)	(732.837,82)
(Accumulated value adjustments - closing balance)	(732.837,82)	(732.837,82)
Net book value - closing balance	36.935.026,22	36.935.026,22
Net book value - opening balance	36.935.026,22	36.935.026,22

NOTE 9 - Other external charges

Other external charges are presented as follows:

	10/07/2013 to 31/12/2013 EUR
Audit fees	15.000,00
ITG - Administration fees	21.978,14
CSSF fees	1.500,00
Publications - Lux Stock Exchange	690,00
Bank fees	20,00
Total	<u><u>39.188,14</u></u>

NOTE 10 - Value adjustments and fair value adjustments on financial fixed assets

The value adjustments of EUR 732,837.82 relates to the amortisation of the issuance costs (see Note 5).

NOTE 11 - Interest and other financial charges

Other external charges are presented as follows:

	10/07/2013 to 31/12/2013 EUR
Interests payable - SLRA Bonds	33.065.717,00
Total	<u><u>33.065.717,00</u></u>

NOTE 12 - Other operating income

This income is derived pursuant to the On Loan Agreement from Escal UGS, S.L. and represents ongoing Facility Fee.

NOTE 13 - Income from financial fixed assets

Other interest and similar financial charges are presented as follows:

**10/07/2013 to
31/12/2013
EUR**

Interests receivable - Loan to Escal UGS S.L.

33.065.717,00

33.065.717,00

The on loan carries interest at 5.756%. The On loan agreement is dated 30 July 2013 and the maturity of the bond is ending 31 December 2034.

NOTE 14 - Off balance sheet items

On 23 December 2013 the Company entered into a novation deed, relating to the monitoring adviser services agreement signed by the Company on 30 July 2013, pursuant to which Bishopsfield Capital Partners Limited undertook to assume all the obligations of Trifinium Advisors (UK) Limited, as monitoring adviser, as described in the monitoring adviser services agreement.

NOTE 15 - SUBSEQUENT EVENTS

On 26 March 2014 the sole director of the company approved, by means of written resolutions, amendments to the on loan agreement, the entering by the company into an Interest rate swap transaction and further related documents. Such agreements were signed on 10 April 2014.

On 10 April 2014, the Company entered into an Interest rate swap transaction with trade date 2 August 2013 for hedging purposes. In such transaction the Company is acting as Party B and Escal UGS S.L. will act as Party A.

Under the Interest rate swap transaction, the nominal amount is represented by the principal amount outstanding of the drawn portion of the loan provided to Escal UGS S.L. and (i) Party A is the fixed rate payer with a fixed rate equal to 5.756 per cent. per annum and (ii) Party B is the floating rate payer with the floating rate to be determined in accordance with the confirmation related to the Interest rate swap transaction.

On 10 April 2014 the Company and inter alia entered into an amendment agreement relating to the on loan agreement dated 30 July 2013 according to with, inter alia, it was agreed that the borrower will pay a floating rate on the advance of the loan received from the Company.

Currently the National Geographic Institute and the Geological Survey Institute of Spain are performing studies in order to access if the seismic activity occurred last September was caused by the activities related to the project or by a not related event. A third advisor may produce an additional report on behalf of Escal UGS S.L.

Currently there also might be a potential delay in the approval from the Spanish Ministry to include the project in the remuneration system. Such delay may be due to the fact that the studies from National Geographic Institute and the Geological Survey Institute of Spain are still not finalized as well as coming political elections.