

ENTIDAD PÚBLICA EMPRESARIAL ADIF-ALTA VELOCIDAD

MANAGEMENT REPORT

YEAR 2017

*(Free translation from the Original in Spanish. In the event of discrepancy,
the Spanish version prevails)*

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1. ADMINISTRADOR DE LA INFRAESTRUCTURA FERROVIARIA ADIF-ALTA VELOCIDAD

The Public Entity ADIF-Alta Velocidad was created on December 31, 2013, after the approval of Royal Decree Law 15/2013 on the restructuring of the Public Entity Administrador de Infraestructuras Ferroviarias (hereinafter ADIF) and other urgent measures in the economic order.

ADIF-Alta Velocidad was created with the aim of developing and managing a high performance, economically sustainable, safe, efficient and quality railway infrastructure system. All the above, and as an ongoing reference for all our actions, it is part of a new strategic approach based on sustainable development.

The public service provided by ADIF-Alta Velocidad and the impact it generates on the environment and on society, makes their new strategic orientation based on the concept of sustainable development; integrating, in a coherent manner, the three spheres of it (economic, social and environmental), and taking as a high-level reference the commitments acquired by all the participants; national and international, in the Sustainable Development Goals of the United Nations.

As a well governed public entity, social responsibility should inspire the activity of the entity, seeking to ensure transparency and dialogue with the Stakeholders.

In this stage, ADIF-Alta Velocidad is firmly committed to digital transformation and innovation as levers to help achieve these goals. In addition, people who are part of ADIF-Alta Velocidad are protagonists of this new stage of transformation.

Among the objectives of ADIF-Alta Velocidad's activity are, among others, the provision of a reliable and secure infrastructure, increase the share of rail transport and generate added value through collaboration with other entities, institutions and companies. In this last year, highlighting the effort that has been made to promote all the investments that are being executed, in order to increase the supply of high-speed infrastructures that provide a high-quality service to travelers.

This commitment towards high speed has transformed the rail network radically, reaching the highest endowments of high-speed railway infrastructure in Europe and maintaining a significant difference in travel times in relation to other high-speed lines throughout the world.

This network is built mostly in UIC width (1.435mm), double track, 25KV electrified and following the European technical specifications for interoperability (TSI). The progressive implementation of TSI allows the provision of rail services seamlessly to/from our country, with origin/destiny to the rest of the European rail network.

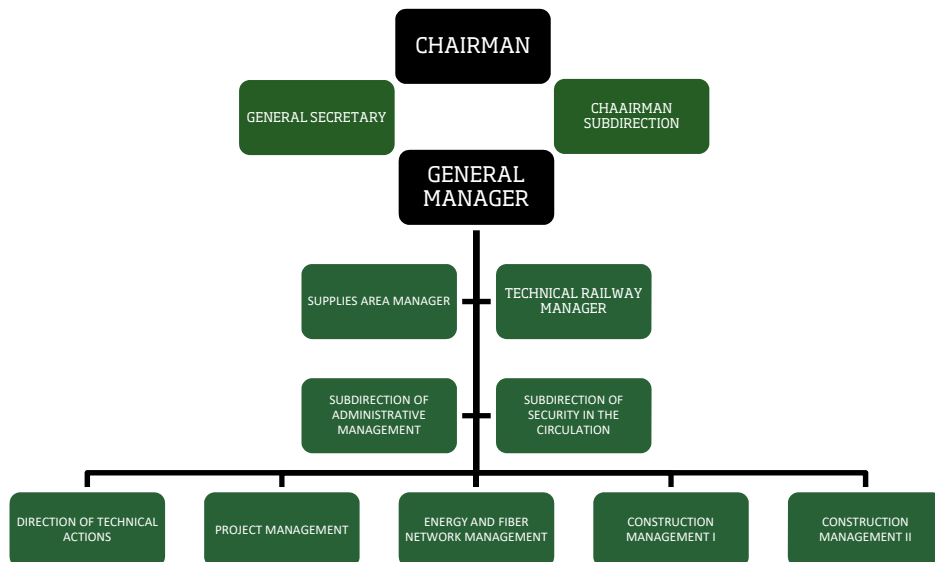
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1.1. ORGANIZATIONAL STRUCTURE

ADIF - Alta Velocidad is governed by a Board of Directors who are in charge of senior management, administration and management.

The Board of Directors is responsible, among others, to determine the structure of the organization, approve the general criteria for the organization and set the guidelines for the elaboration and modification of the workforce.

The actual organizational structure of ADIF-Alta Velocidad as of December 31, 2017 is as follows:



The composition of the ADIF-Alta Velocidad Address at December 31, 2017 is detailed below:

MANAGEMENT
CHAIRMAN Mr. Juan Bravo Rivera.
G.M. ADIF-ALTA VELOCIDAD Mrs. Isabel Pardo de Vera Posada.
GENERAL SECRETARY Mrs. Rosa María Seoane López.

1.1.1. Government structure

The Board of Directors is the highest governing body of ADIF-Alta Velocidad and, therefore, has the broadest powers for the administration of the entity; to which corresponds senior management, administration and management.

In addition, ADIF-Alta Velocidad has the following extra-statutory bodies: Audit Committee, Compliance Committee of the Code of Ethics and Conduct, Compliance Committee of the Internal Code of Conduct in the Securities Market of ADIF-Alta Velocidad.

It also has the following deliberation and advisory bodies to the Chairman: Steering Committee and the Contracting Committee.



1.1.2. Board of Directors

The ADIF - Alta Velocidad Statute establishes that the Board of Directors must be formed by a Chairman (who in turn is the Chairman of ADIF), and by a minimum of nine and a maximum of ten members, whose appointment and removal corresponds to the Minister of Public Works. In addition, the Board itself must appoint a secretary who will attend the meetings with voice but without vote, unless it has the status of a member.

As of December 31, 2017, the Board of Directors consisted of twelve members: Chairman, the Secretary of the Board and ten members.

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BOARD OF DIRECTORS

CHAIRMAN

Mr. Juan Bravo Rivera (18/11/2016).

MEMBERS

Mr. Andrés Ayala Sánchez (17/02/2017).

Mr. Jorge Ballesteros Sánchez (18/04/2013).

Mrs. Miryam Bonafé Tovar (30/03/2015).

Mrs. Carmen Fúnez de Gregorio (29/06/2017).

Mr. Domingo García Díez (01/03/2017).

Mrs. Rodrigo Moreno Pérez (10/02/2017).

Mr. Jesús Miguel Pozo de Castro (10/03/2017).

Mrs. Mercedes Rodríguez Tarrida (31/03/2017).

Mr. Jaume Sellés Santiveri (29/09/2017).

Mr. Jorge Urrecho Corrales (10/04/2015).

SECRETARY

Mrs. Rosa María Seoane López (23/03/2017).

**33.3%
Women on
the board**

**In 2017, the Board of
Directors met 12 times.**

Resignations produced from the Board during the 2017 financial year were as follows:

Mr. Domingo García Díez (07/02/2017).

Mr. Miguel Ángel Cilleros Sánchez (10/02/2017).

Mr. Benigno Blanco Rodriguez (17/02/2017).

Mrs. Paloma Iribas Forcat (10/03/2017).

Mr. Víctor Nicolás Bravo (31/03/2017).

Mr. Miguel Ángel Herrera Chamorro (24/04/2017).

Mr. Antonio Toscano Jiménez (29/09/2017).

In relation to the most significant aspects regarding the operation and organization of the Board of Directors, the following are detailed:

- Constitution: For the effective constitution of the Board of Directors, in addition to the Chairman and the Secretary, or those who substitute them, at least one half of the members, must be present on the first call and, on the second call, one third. Between the first and the second call, at least one hour must pass.

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- Meetings: According to article 19 of R.D. 1044/2013, of December 27, which approves the Statute of ADIF - Alta Velocidad, The Board of Directors will meet, upon calling and on the initiative of its Chairman, or at the request of at least half of the members, so many times as necessary for the development of the functions of the entity. However, a minimum of 11 meetings is established per year.
- Vote Delegation: The delegation of vote is not contemplated either in the Statute of ADIF- Alta Velocidad, nor in the General Operating Standards of the Board of ADIF-Alta Velocidad.
- Resolutions Adoption: The resolutions of the Board of Directors will be taken by absolute majority of votes of the members that are present. In case of a tie, the casting vote will fall on the Chairman.
- Remuneration: According to the provisions of article 21 of the ADIF- Alta Velocidad Statute, the members of the Board of Directors attending their meetings will not receive remuneration or any financial compensation.

The functions assigned to the Board of Directors include the following:

- Determine the structure of the entity, as well as the guidelines for modifying the workforce and the basic remuneration conditions.
- Establish the rules of operation and adoption of resolutions of the Board itself.
- Approve the annual operating and capital budgets, the multi-year action program and raise them to the Ministry of Public Works and Transport.
- Approve the Annual Accounts, the Management Report and the proposed application of the financial result.
- Authorize credit operations and other debt operations.

In 2017, the ADIF-Alta Velocidad Board of Directors met on 12 occasions. Throughout these meetings, issues such as tenders, adjudications and contract incidents were discussed; collaboration and framework agreements; granting and delegation of powers, corporate actions and assets; approval of the individual Annual Accounts of ADIF- Alta Velocidad for 2016; new Structure of the Entity; update of the Declaration Document on the Network for 2017; creation of the ADIF-Alta Velocidad Audit Commission; authorization and indebtedness of financial operations; Corporate Governance report; update of the composition and functions of the Contracting Tables and Valuation Commissions of the Entity adapted to the new Structure; proposals for 2017 fees; 2018 fees; comprehensive risk management policy of ADIF - Alta Velocidad; internal control system over financial information (ICFR) policy of the Entity; Initial approval of the ADIF - Alta Velocidad budgets for 2017; and initial approval of the Entity's budgets for 2018.

1.1.3. Other Internal Management Bodies

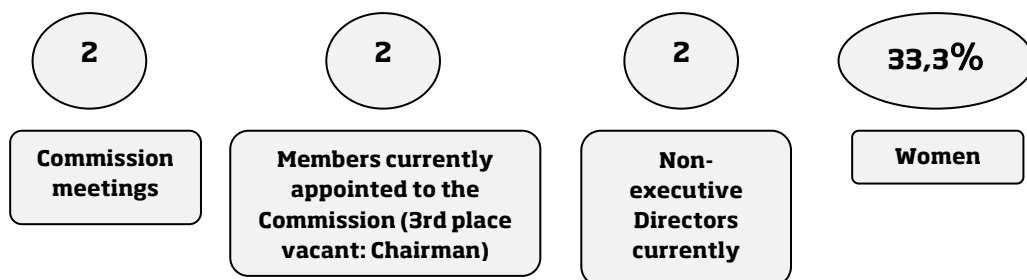
Internal Audit Commission

By agreement of the Board of Directors of ADIF-Alta Velocidad, dated February 27, 2017, the closing of the Audit Committee is approved and the ADIF- Alta Velocidad Audit Commission is created, in order to comply to what is regulated in article 529 of the Consolidated Text of the Corporate Enterprises Act, approved by Legislative Royal Decree 1/2010, of July 2, in accordance with the other applicable legal provisions in general and of pertinent application.

At December 31, 2017, the Audit Commission was composed of 3 ADIF-Alta Velocidad counselors (1 Chairman, whose position is currently vacant), and 2 members (Mr. Andrés Ayala Sánchez and Mr. Jorge Ballesteros Sánchez), who do not have executive functions in the Entity, and a secretary (Mrs. María Rosa Seoane López). Its members are appointed by the Board of Directors for a period of 4 years, and without prejudice to their possible re-election.

The Audit Commission exercises functions of supervision of the economic-financial information, as well as of information to the Board of Directors on its actions and on those relevant matters that it deems must know.

The business nature, size and complexity of the public entity ADIF Alta Velocidad, advise the strengthening of the internal control function; so that the decisions of Senior Management, the procedures it implements and the controls it establishes, are correct, systematic and permanently applied. To that end, the Board of Directors of the public ADIF-Alta Velocidad business entity approved, on July 25, 2014, the Internal Audit Statute of ADIF-Alta Velocidad, which includes the mission, objectives, organization, functions and responsibilities of the Internal Audit Department.



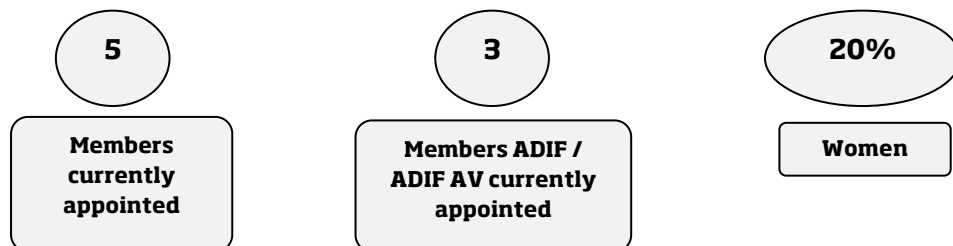
Monitoring Committee of the Code of Ethics and Conduct

The creation of ADIF-Alta Velocidad's Monitoring Committee of the Code of Ethics and Conduct and its operating rules were approved at the meeting of the Board of Directors on March 27, 2015. This Committee is responsible for the management and control of compliance with the Code of Ethics and Conduct of ADIF-Alta Velocidad (in section 1.1.4 of this report, the basic principles, obligations and responsibilities of the current ADIF- Alta Velocidad Code of Ethics are detailed).

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This Committee is composed of 10 members, 5 of which are ADIF-Alta Velocidad board members (Mr. Domingo García Díez, as Chairman, and Mr. Jorge Ballesteros Sánchez as a member, currently there are 3 vacant members), who do not have executive functions in the entity; and 5 are directors of ADIF / ADIF-AV (Mr. Alberto Reguero Martínez, Mr. Juan Pedro Galiano Serrano and Ms. Sara Ugarte Alonso-Vega, as members, currently leaving 2 vacancies, 1 of them being the Committee Secretary). Both the Chairman and the members are appointed and removed by the Board of Directors. The main functions of this Committee are:

- Evaluate and ensure compliance with the Code of Ethics and Conduct.
- Make annual monitoring reports on compliance with the Code.
- Inform the Board of Directors about the operation and compliance with the Code.
- Conduct audits and studies on the effective application and compliance with the Code.
- Analyze and evaluate reports and cases submitted by the Office of Integrity Protection.
- Propose modifications to the Code.



Compliance Committee of the Internal Code of Conduct in the area of Securities Market, and Compliance Office of the Internal Code of Conduct

The ADIF and ADIF-Alta Velocidad Boards, at their meetings held on October 30, 2015, agreed on the approval of the Internal Code of Conduct in the Securities Market of ADIF-Alta Velocidad, setting its entry into force on January 1, 2016 with the inclusion, where appropriate, of the considerations that could be made to it by the National Securities Market Commission; and once they were issued, prior to its entry into force, the instructions, procedures and precise procedures to follow, for the development of the provisions established in the Regulations.

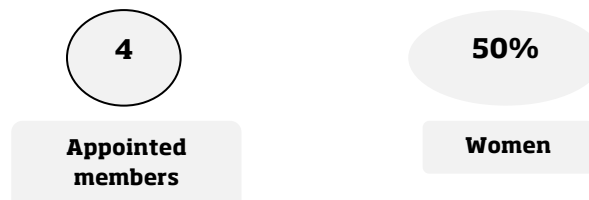
Given that the aforementioned Regulation contemplates the creation of the Internal Code of Conduct Committee in the area of the ADIF Alta Velocidad Securities Market, and of a Compliance Office that assists the latter in its material tasks; in the ADIF and ADIF- Alta Velocidad Board of Directors, in its meetings held on December 22, 2015, the Ratification of the approval of the aforementioned Regulation, the approval of the Operating Rules of the Compliance Committee, and the Approval were agreed for the Administrative Instruction IN / SCAV-

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001/2016, relative to the Composition of the Office of Compliance of the Regulation and development of its tasks.

Compliance Committee of the Internal Code of Conduct: The Compliance Committee of the Internal Code of Conduct in the Securities Market of ADIF-Alta Velocidad, is an extra-statutory body of the Entity, composed of 1 Chairman (the General Director of ADIF- Alta Velocidad) and 3 members (the Secretary of the Board of Directors of the Entity, who will act as Secretary of the Committee, the General Financial and Corporate Director of ADIF, and the Director of Legal Advice of ADIF, being these 2 last directors of ADIF , in accordance with the addenda of legal assistance and economic-financial services subscribed with ADIF, and has been assigned the functions established in section 14 of the Internal Code of Conduct, being responsible for monitoring and supervising the proper compliance with the aforementioned Regulation and with responsibilities and faculties to:

- Regularly evaluate the efficiency of the internal procedures established in the Regulation and supervise the general compliance with the measures for safeguarding the Privileged Information established therein.
- Adopt the necessary measures to train the people subject to the knowledge and application of the aforementioned Regulation, and disseminate the knowledge thereof throughout the organization.
- Interpret the rules contained in the Regulation, as well as resolve any doubts or issues that may arise in its application, ensuring compliance with current legislation, proposing as many modifications as necessary, and dictating the procedures and rules deemed necessary for an adequate application of the Regulation.
- Report annually to the Monitoring Committee of the Code of Ethics and Conduct of any relevant incidents arising, by application of compliance with the provisions of this Regulation.



Compliance Office of the ADIF- Alta Velocidad Internal Code of Conduct: The Compliance Office of the ADIF- Alta Velocidad Internal Code of Conduct in the Securities Market area is created in dependence of the

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ADIF- Alta Velocidad Board Secretary; and is composed of the Secretary of the Board of Directors of ADIF-Alta Velocidad; and in accordance with the addenda to provide legal and economic-financial services signed between the Entity and ADIF, the Deputy Secretary of the ADIF Board of Directors, the ADIF Treasury and Accounting Director and ADIF's Deputy Director of Internal Communication and Reputation (currently vacant), its main functions being:

- Exercise the secretariat of the Compliance Committee of the RIC.
- Maintain an updated list of Persons Subject to and/or related to the RIC, and make it available to government bodies and supervisory authorities; delivering a copy of this Regulation and the policy instructions to the subjects obliged to comply with it.
- Maintain, for a minimum period of 5 years, an ordered and separate file of the communications made by the persons subject to the RIC, in relation to the personal operations carried out by them or the persons related to them; whose purpose is ADIF-Alta Velocidad Financial Securities and Instruments traded in official stock markets or ADIF-Alta Velocidad financial derivative instruments; as well as the communications they make with respect to the conflicts of interest to which they are effectively subjected.
- Maintain an ordered record of suspicious transaction communications made to regulatory bodies.
- Maintain, on the ADIF-Alta Velocidad corporate intranet, a web page to which all Subject Persons will have access and which, as a minimum, will include the Internal Code of Conduct; the rules of operation of the Compliance Committee; Administrative Instruction IN/SCAV-001/2016 "Composition of the Compliance Office of the RIC and development of its tasks"; the circulars and other rules and instructions for the development of the RIC; as well as the necessary forms to comply with the obligations set forth therein.
- Propose an annual Training Plan to the Compliance Committee; and execute the actions, that in matter of formation, it entrusts the same.
- Prepare as many reports as requested by the Compliance Committee, as well as any other task entrusted to it by said body within the framework of the provisions of the aforementioned Regulation.

3

Appointed members. The 4th vacancy, which corresponds to ADIF's Deputy Director of Internal Communication and Reputation.

33,3%

Women

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Management and Contracting Committees

In addition, within the internal management processes, ADIF-Alta Velocidad has a Management Committee and a Contracting Committee, which are governed by the General Regulations for the Composition and Operation of the Management Committee and the Contracting Committee of the E.P.E. ADIF- Alta Velocidad, approved on September 6, 2017.

Steering Committee: The Steering Committee functions as an extra-statutory organ for deliberation and advice to the Chairman. Therefore, the following functions correspond to it

- Advise the Chairman on matters that are his responsibility.
- Advise the Chairman on matters whose competence corresponds to the Board of Directors, and which must be submitted for approval or knowledge.
- Deliberate on any other suitable matters to ADIF-Alta Velocidad, which at the initiative of the Chairman or at the proposal of the members that make up the Management Committee, it is decided to include it in the agenda.

Contracting Committee: The Contracting Committee functions as an extra-statutory body for deliberation and advice to the Chairman, who has the following functions:

- Advise the Chairman on matters related to Contracting that are the competence of the latter, by direct attribution or by delegation of the Board; as well as those whose competence corresponds to the Board of Directors, and who must be submitted to approval or knowledge thereof by the Chairman.
- Deliberation and knowledge of any other matters concerning the Contracting of the Entity, which the Chairman, by himself or at the proposal of the members that compose the Committee, decides to submit to the Committee.

1.1.4. Ethics and Transparency

ADIF-Alta Velocidad has a Code of Ethics and Conduct approved by the Board of Directors that was updated in March 2015; which regulates, among other aspects, the normative changes in matters of criminal responsibility, and the principles that inspire the law 19/2013 of transparency, access to public information and good governance.

The purpose of the Code is to formalize the expected patterns of full, responsible and transparent behavior of all people working in ADIF-Alta Velocidad, in the daily performance of their work and in their professional relationships. The ultimate purpose is to guarantee the integrity of the behavior as public employees, in accordance with the ethical values characteristic of a public service. Compliance with the Code of Ethics and Conduct is controlled and managed by the Ethics Code Monitoring Committee created for this purpose (in section 1.1.3 of this report, the

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organization and functions of the Code of Ethics Monitoring Committee and ADIF- Alta Velocidad Conduct).

The Code is available both on the ADIF-Alta Velocidad intranet and on the company's website. In addition, with the aim that all employees know and act according to their principles, all of them must conduct an online course on the ADIF-Alta Velocidad ethical management model.

Regarding the Basic Ethical Principles included in this Code, they are summarized in the following:

- Integrity as loyal, honest, impartial and in good faith.
- Responsibility as a diligent, committed and service-oriented activity.

Regarding the obligations and responsibilities of this Code, they are summarized in the following:

- Know and comply with the Code's behavior commitments and collaborate in its dissemination.
- Be proactive in complying with and enforcing the Code.
- Use existing means (ethical mailbox or hierarchical superior) in case of doubt regarding the content and interpretation of the Code.
- Notify irregularities or breaches of which they may have knowledge through the established channels.
- Not justify improper conduct by an order or ignorance of the Code, or induce to contravene it.

Potential breaches of the code can be notified to the entity through the Ethics Mailbox, which acts as a single channel of reception and attention. To facilitate communication between ADIF-Alta Velocidad, its stakeholders and society in general, there is also an internal mailbox available on the corporate intranet; an external one, which is publicly available on the web. In order that the fear of reprisals does not act as a barrier to be complaint, all notifications are admitted to valuation, even if the complainant does not identify themselves; provided they are accompanied by data or evidence that justifies the start of an investigation.

ADIF-Alta Velocidad also has a Protection of Integrity Office, which is composed of 5 members (the Chairman of the Ethics and Conduct Code Monitoring Committee and the holders of Human Resources, Criminal Risks, Corporate Risks and Social Responsibility Corporate). Its purpose is to deal with related notifications about the proper use of public resources and about professionalism and integrity; besides deciding on its consistency and credibility. During 2017, a total of 0 notifications of the Code of Ethics were received.

Within the framework of Law 19/2013 of Transparency, ADIF-Alta Velocidad maintains a commitment to continue strengthening the transparency of its activity, in accordance with the best national and international practices. In this line, ADIF-Alta Velocidad has the Citizen Portal, as a channel through which any interested party can access the public documentation of the company. In addition, ADIF-Alta Velocidad

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contributes to the Transparency of the Ministry of Public Works and Transport Portal, where you can consult information about public bodies, commercial companies and foundations in relation to different channels (air, road, rail, maritime, housing and geo-information).

Finally, we highlight the following commitments of conduct on the part of the ADIF-Alta Velocidad personnel.

- Compliance with legislation.
- Good use of public resources.
- Professionalism and integrity
- Efficiency and diligence.
- Good use of information.
- Decent and respectful treatment to people.
- Equal treatment to clients and suppliers.
- Safeguarding safety and health.
- Respect for the environment and cultural heritage.
- Safeguarding the reputation of ADIF-High Speed.

1.2. OPERATION, OBJECTIVES AND STRATEGY

Once the 2013-2016 Business Plan was finalized, during 2017 work on a new strategy for the coming years was performed, with the horizon of 2020. For its elaboration, a plan called PLAN TRANSFORMA 2020 was created, a reflection was made on the nature and meaning of our activity, and the focus has been on the need to guide everything we do; that is, the planning, construction and management of railway infrastructures, whose objective is to improve the lives of the people to whom, as a public company, we provide service. This idea of improvement, in addition, is based on the concept of sustainable development, since we understand that the only way to advance in this sense is to promote economic progress, without leaving aside the respect for the environment, and also the necessary social aspects for the welfare of society as a whole.

Thus, for ADIF-Alta Velocidad, 2017 has been the beginning of a new stage. This is not only relevant to aspects related to good economic management (as managers of public resources we must apply the maximum demand to this aspect), but as well as the social and environmental impacts that we generate. That is, we adopt the triple bottom line perspective, trying to respond, from our responsibility as a company, to the social, economic and environmental challenges, both in our sector, as in our country, and even on a global scale. Therefore, now our Business Plan is our Corporate Responsibility Plan, and we could also say it in an inverse way; since all our activity is oriented from the corporate responsibility, to promote a model of development of country and planet, increasingly sustainable.

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From a more global perspective, for the definition of the Strategic Plan of the company called PLAN TRANSFORMA 2020, the sustainable development objectives of the UN 2030 Agenda have been taken into account; so that our activity, results and impacts contribute, to the greatest extent possible, to the achievement of said objectives; also adopting a local point of view, to try to respond to the demands of our stakeholders.

In this way, once the internal, sectoral, country and planet challenges have been analyzed; and once the analysis of the demands and expectations of our stakeholders has been carried out, the ADIF-Alta Velocidad strategy has been structured around three main pillars: SECURITY, SERVICE and SUSTAINABILITY. Pillars that receive the impulse of three levers of transformation: PEOPLE that make up the organization, DIGITIZATION and INNOVATION. This is the basic architecture of the ADIF-Alta Velocidad strategy for the coming years, and from it 15 strategic objectives have been set; four for each pillar, and one for each transformation lever.

In parallel to the formalization of the strategy, concrete steps have been taken regarding this new orientation. In 2017 we have given a great impetus to the streamlining of projects and the relaunching of investment in railway infrastructures. Likewise, we have promoted multiple agreements with different interest groups, such as City Councils, Autonomous Communities and different business organizations.

2. EVOLUTION OF OPERATIONS

2.1. ANALYSIS OF THE OPERATIONS AND RESULTS

Profit before taxes for 2017 reflect losses of 200 million euros, compared to 328 million euros in 2015, an improvement of 39.05%.

The most significant changes in the income statement are as follows:

- The Operating Result in 2017 presents a positive balance of 38,979 thousand euros compared to 14,229 thousand euros in 2016, which represents an increase of 174%.

The main changes in this section are as follows:

- Increase in Turnover of 7% (37.2 million euros) mainly due to the increase in revenue, basically as a result of two effects; the application of the new rates and the fee structure from July 1, 2017, and the growth of rail traffic. The global traffic reached the figure of 55,566 thousand km-trains in 2017 compared to 54,340 thousand km-trains in 2016; which means an increase of 2.3% (in the "Chapter 2.2 Fees" of this report, more information is detailed).
- The Other Operating Income heading recorded a reduction of 1.74% with respect to the previous year, going from 411 million euros in 2016 to 404 million euros in 2017. The causes of this decrease are the fall in revenues from supplies of traction electric power and of different traction uses, for a value of 5 million euros, and in the income from the investment actions carried out by the Entity for ADIF, for an amount of 2 million euros.

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- The heading "Other operating expenses" has reduced by 1.49% compared to the previous year. This decrease is explained by the corresponding reduction in the cost of electricity supply for different traction uses, which shows a drop of 6 million euros, as well as the reduction of other expenses amounting to 4.6 million euros, basically as a result of the estimates recorded in the year for possible indemnities linked to resolutions of contracts requested by the Entity.
- Depreciations have increased by 4.97% with respect to 2016, and should be highlighted, among other causes, the impact derived from the review of the useful life of certain elements of the Madrid-Sevilla line, subject to medium-term renewal plans.
- The Financial Result in 2017 recorded a negative balance of 238,976 thousand euros, compared to the negative result of 342,376 thousand euros in 2016. The main causes are summarized below:
 - Financial expenses recorded a decrease of 6.41% compared to the previous year, going from 393 million euros in 2016 to 368 million euros in 2017. This fall is basically due to the decrease in the average rate of debt, from 2.24% in 2016 to 1.91% in 2017.
 - The decrease in the heading "Impairment and result from disposals of financial instruments" that goes from a loss of 75 million euros in 2016 to a profit of 15 million euros in 2017, mainly due to the decrease in the provision for the liability estimated to have to assume ADIF- Alta Velocidad as a result of its participation in various companies whose activity is the Integration of the Railway in the cities, as a consequence, among other circumstances, of the risk derived from the letters of commitment or comfort letter previously subscribed. In this sense, it must be taken into account that, depending on the economic volume and the complexity of the works that will have to face in the coming years, as well as the existing difficulty to determine the future value of the land that they have received or will receive; In the current context of the real estate market, these companies could be conditioned by their ability to recover all the costs incurred.

In ADIF- Alta Velocidad, different segments of activity are identified:

- ✓ Network Administration: Includes the processes of Capacity Management, Circulation and Safety Management, and Maintenance of the railway infrastructure.
- ✓ Construction: Includes the construction of the lines entrusted to it.
- ✓ Management of stations and other assets: This segment includes the management of the stations - understood as the set of activities necessary to develop the provision of services to the final customer - as well as the management of telecommunications and the management of other assets.
- ✓ Energy: Manages the supply of electricity.

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Below is a breakdown of the operating result of the ADIF- Alta Velocidad by activity segments:

Thousand of €)	Work Administration	Construction	Station and other Assets management	Energy	Total
Revenue	468,652	202	89,973	175	552,003
Self-constructed assets	0	9,228	0	0	9,228
Other operating income	1,434	11,611	128,534	262,716	404,296
Personnel expenses	(648)	(10,527)	(2,635)	(829)	(14,639)
Other operating expenses	(293,069)	(17,545)	(96,148)	(266,385)	(673,147)
Income from internal operations	(3,598)	(1,511)	(205)	5,314	0
Depreciation and amortization	(287,956)	(156)	(49,328)	(405)	(337,845)
Non-financial and other capital grant	95,821	0	4,271	0	100,093
Impairment and results on disposal of fixed assets	(10,513)	(140)	(98)	0	(10,751)
Provisions excess	6,325	767	2,127	523	9,742
Results from operating activities	(23,551)	(8,070)	69,490	1,109	38,979

2.2. RAILWAY FEES

ADIF-Alta Velocidad receives from railway companies, under the provisions of the Railway Sector Law, fees denominated rail charges for the use of railway lines forming part of the General Interest Rail Network (RFIG) and for the use of stations and other railway facilities.

The structure of the fees applied in the year 2016 and in the first half of 2017 is regulated by Law 39/2003, of November 17, of the Railway Sector.

On September 29, 2015, Law 38/2015 of the Railway Sector was approved, which completely replaced Law 39/2003, and which unifies and concentrates in a single standard the complete legal regime of the rail transport mode. In addition, it incorporates into the Spanish legislation the new rules contained in Directive 2012/34 / EU of the European Parliament and of the Council of November 21, 2012, which cover almost all areas of railway legislation, among others, those related to transparency and sustainability of the financing of railway infrastructures, a new and more complete classification of the services related to the railway and the establishment of new and more precise rules in the pricing of access to railway infrastructure.

The new Railway Sector law substantially modifies the structure of the charges for the use of the railway lines that make up the Railway of General Interest, presenting a simpler and more traffic-friendly structure than the previous one. It also significantly modifies the structure of the fee for the use of the service facilities and the tariff regime for the provision of services, advancing in the free access to service activities without compromising the sustainability of the railway infrastructure. Likewise, the classification criteria of passenger transport stations are modified and extended in order

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to take into consideration the economic capacity of the associated services for the determination of the amount of the fee.

Law 38/2015 establishes in its fourth transitory provision:

"Until they are not fixed in accordance with the rules set out in Title VI, the railway charges and the fees for complementary services in the service facilities of the infrastructure managers referred to in article 22, those in force upon the entry into force of this law will still apply.

The adequacy of railway charges to the provisions of Title VI of Law 38/2015 will be included, in any case, in the first bill of the General Budget of the State that is processed after the entry into force of the law".

The fee structure established in Law 38/2015, and the corresponding unit rates, did not come into force until July 1, 2017, since under article 134.4 of Title VII of the Spanish Constitution, Law 48/2015 of General State Budgets for the year 2016 was extended until the approval of Law 3/2017, of June 27, of the General Budgets of the State for the year 2017, which in its Article 70. Railway Canons, states:

"As of the first day of the month following the date of entry into force of this Law, the railroad fees provided for in articles 97 and 98 of Law 38/2015, of September 29, of the Railway Sector, shall apply. with the unit amounts established in articles 71 and 72 below "

For this reason, the structure of the fees applied in 2016 and the first half of 2017 is regulated by Law 39/2003, of November 17, of the Railway Sector, while as of July 1, 2017 it is applies the royalty structure regulated by Law 38/2015, of September 29.

The lack of homogeneity in the structure of the fees in 2017 with respect to 2016 prevents a comparative analysis by type of fee.

Below is a table that shows the income by type of tax for the years 2017 and 2016:

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(Amounts in Thousand of euros)	2017			2016
	JANUARY /JUNE	JULY/ DECEMBER	TOTAL 2017	
ACCESS FEE	12,181	--	12,181	12,181
CAPACITY RESERVATION FEE	56,420	--	56,420	111,136
CIRCULATION FEE	40,573	--	40,573	79,726
TRAFFIC FEE	112,780	--	112,780	214,479
CAPACITY ALLOCATION FEE	--	41,564	41,564	--
ADDITIONAL CAPACITY ALLOCATION FEE	--	710	710	--
USE OF RAILWAY LINES FEE	--	98,808	98,808	--
ADDITIONAL USE OF RAILWAY LINES FEES	--	73,652	73,652	--
USE FACILITIES ELECTRIC POWER TRACTION FEE	--	16,640	16,640	--
USAGE FEES RFIG LINES	221,954	231,374	453,328	417,522
USE OF STATIONS FEES	40,294	25,985	66,279	78,028
INTENSITY ADDITION OF USE TRAVEL TRANSPORTATION STATIONS	--	15,917	15,917	--
STOPPING AND USE OF PLATFORMS FEES	4,409	--	4,409	8,499
PASSING THROUGH GAUGE CHANGERS FEES	1,790	2,304	4,094	3,462
USING SIDINGS FEES	36	--	36	62
PUBLICLY-OWNED RAILWAY ASSETS FEES	3	--	3	5
FEE FOR COMMERCIAL SERVICE TRACK AND STATIONARY USE	--	4,651	4,651	--
FEE FOR OTHER SERVICE TRACK AND STATIONARY USE	--	52	52	--
TRACK AND OTHER USE SERVICE FACILITIES FEES	--	25	25	--
USE OF STATION AND OTHER RAIL INSTALLATIONS	46,532	48,934	95,466	90,056
TOTAL FEE REVENUE	268,486	280,308	548,794	507,578

In addition to the modification in the structure of royalties, the quantification elements for the determination of some canons are also modified. Thus, the fee for the use of passenger transport stations becomes accrued for each stop of the train with commercial service at the station, and the number of passengers who actually entered or exited at each stop is taken into account as a unit for the calculation of the addition by intensity of use of the facilities of the station.

The total amount of income from royalties in 2017 registers an increase of 8.12% with respect to 2016.

Revenue from charges for use of the General Interest Rail Network (RFIG) registered an increase of 8.58% over the previous year due, on the one hand, to the increase in traffic in the Madrid-Levante relations (3.5%) and Andalucía (1.8%) and, on the other hand, to the increase in tariffs for VCM services. This increase in tariffs is motivated by the new method of calculation established by the LSF, aimed at transferring all costs directly attributable to the service to the railway operators.

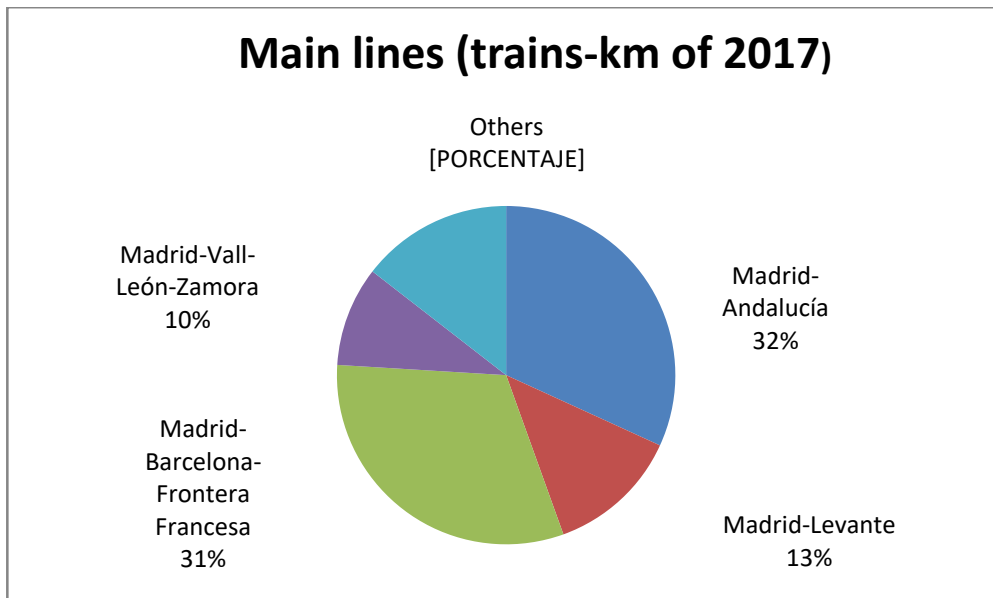
The global traffic, measured in terms of trains-km, increased by 2.26%, reaching 55,566 thousand trains-km in 2017 compared to 54,340 thousand in 2016. This variation responds to the growth recorded in all lines except the Madrid-Barcelona-French border line, which decreased by 0.25%.

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Below is a table showing the variations in the number of km-trains circulated in 2017 and 2016 by the main ADIF- Alta Velocidad lines:

THOUSAND OF TRAINS-KM BY UTILIZATION OF LINES OF THE RFIG OF ADIF A.V.	2016	2017	VARIATION	% VARIATION
MADRID-ANDALUCÍA	17,369	17,674	305	1.76%
MADRID-LEVANTE	6,811	7,049	237	3.48%
MADRID-BARCELONA-FRONTERA FRANCESA	17,517	17,473	-44	-0.25%
MADRID-VALLADOLID-LEÓN-ZAMORA	5,233	5,302	68	1.31%
OTHER LINES	7,409	8,069	660	8.91%
TOTALS	54,340	55,566	1,226	2.26%

The following graph shows the distribution of the trains-km of 2017 between the main lines of ADIF- Alta Velocidad:



In order to encourage the effective exploitation of the Railway Network and promote new rail transport services, in accordance with the provisions of article 97.6 of Law 38/2015; ADIF-Alta Velocidad established a subsidy for the use of the integral lines of the General Interest Railway Network, modalities A and B, for annual traffic increases in accordance with the criteria set forth in the law itself.

The subsidized lines in 2017 on the ADIF-Alta Velocidad network are the following:

- ✓ Axis lines 11 A.V. Madrid Chamartín - Valladolid - Bifurcation Venta de Baños.
- ✓ Axis lines 12-A.V. Madrid Atocha - Barcelona - French Border.
- ✓ Axis lines 13-A.V. Madrid Atocha - Levante (currently Valencia / Alicante).
- ✓ Axis lines 14-A.V. Madrid Atocha - Toledo / Sevilla Sta. Justa / Málaga María Zambrano.

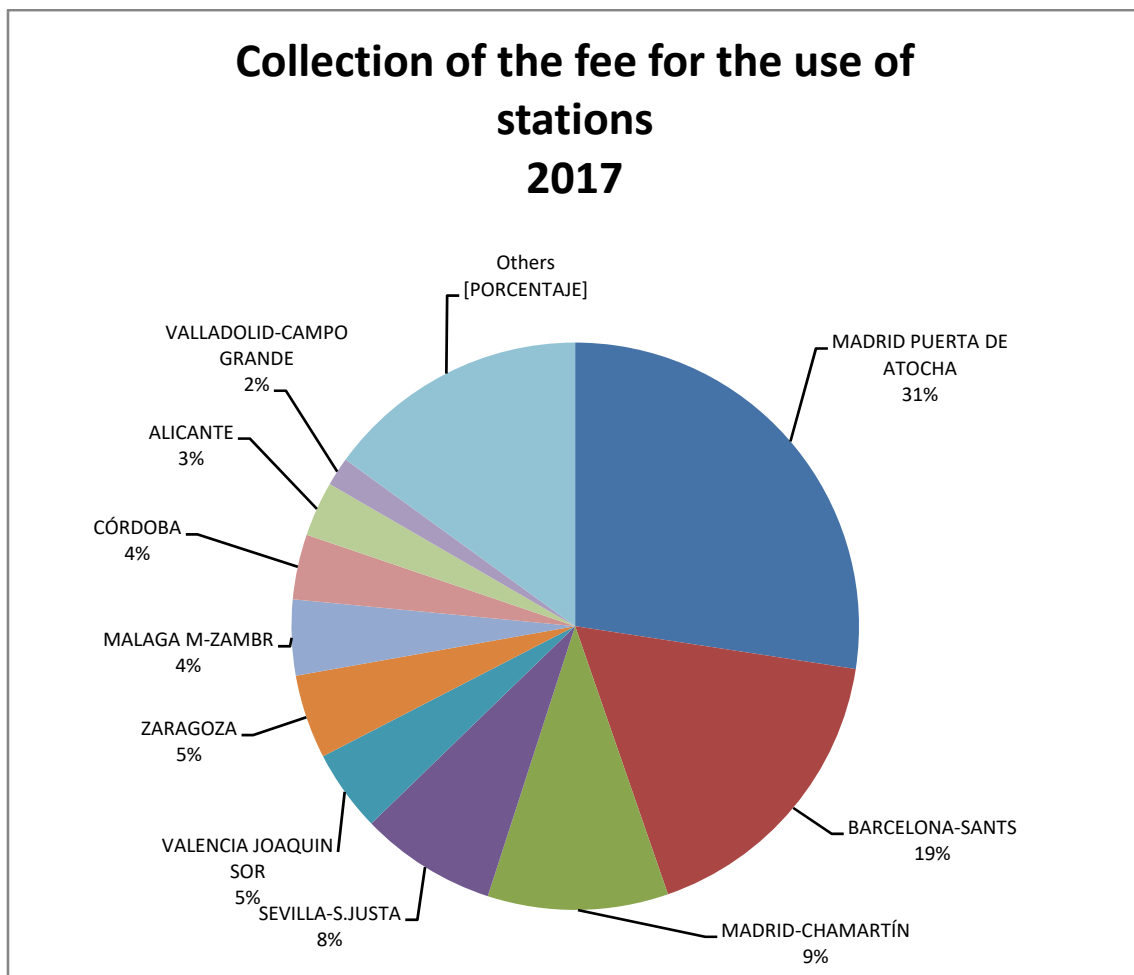
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Since the subsidy is applied on the modalities of fees defined in Law 38/2015 of the railway sector, which entered into force on July 1, 2017 after the approval of the law of General State Budgets of 2017, the amount was calculated from July 1, 2017.

The subsidy generated in 2017 is 794.7 thousand euros.

On the other hand, the fees for the use of stations and other railway facilities registered a 6% growth with respect to the previous year. The factors that favored this variation have been, mainly, the modification of fees, the increase of train stops at stations (2.2%) and the increase of travelers who used high-speed stations (7.8%).

The distribution of the collection of the fee for the use of the main ADIF- Alta Velocidad stations is shown in the following graph:



2.3. FINANCING THROUGH GREEN BOND EMISSIONS ("GREEN BOND")

On June 28, 2017, ADIF-Alta Velocidad carried out its first issue of fixed-income securities under the "Green Bond" format. This transaction is part of our Strategic Plan objectives for the coming years; the Transforma 2020 Plan and the Entity's strong commitment to sustainability, as already indicated in previous sections, pointing out that its entire strategy is aligned with the United Nations Sustainable Development Goals (SDGs);

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besides contemplating in the Plan, specific strategic objectives that seek to improve our impact on society from an economic, social, environmental and good governance point of view of the organization. Thus, for example, Objective 3.2 of the ADIF- Alta Velocidad Strategic Plan is "to contribute to a respectful transport with the environment and responsible in the use of resources". To achieve this, initiatives have been designed to fight against climate change, incorporate circular economy projects, apply ecological purchasing criteria, and strengthen the environmental monitoring system.

In this context and to develop its activity as a sustainable issuer, ADIF-Alta Velocidad, in compliance with the Green Bonds Principles (GBP) of ICMA (International Capital Market Association), in June 2017, a framework ("framework") was provided, with the objective of guaranteeing the transparency, disclosure and integrity of its Green Bond issues.

In this "framework", the Entity acquires the commitment to allocate the resources coming from the green bond issues to the Eligible Green Projects, which will include both new projects and continuation of ongoing projects; with disbursements from 2 years before the bonds are issued and up to 24 months from the date of issue. Specifically, ADIF-Alta Velocidad undertakes to allocate the funds obtained through these bonds to the two categories of projects described below:

- a) Investments related to new high-speed rail lines and extensions of existing high-speed lines.
- b) Investments related to maintenance, upgrades and energy efficiency of high-speed rail lines.

Likewise, in order to provide investors with an independent assessment of compliance with the "Green Bond Principles", ADIF-Alta Velocidad selected CICERO (Center for International Climate Research) as a specialized entity to review its framework of actions, and issue a Second Opinion

The Second Opinion issued by CICERO, classified as "DARK GREEN", confirms compliance with the ICMA Principles within the framework of ADIF-Alta Velocidad green bonds.

The main characteristics of the first issuance of "Green Bonds" of ADIF- Alta Velocidad are the following:

- | | |
|----------------------|------------------|
| ✓ Volume: | 600,000,000 EUR. |
| ✓ Date of execution: | 28 June, 2017. |
| ✓ Payment Date: | 5 July, 2017. |
| ✓ Maturity: | 5 July, 2023. |
| ✓ Rate: | 0.80% annual. |
| ✓ Net Amount: | 597,864,000 EUR. |

Finally, it is necessary to indicate that 45% of the investors who acquired these securities are socially responsible investors.

2.4. KEY ACTIVITY INDICATORS

In the attached table, we include some general economic and financial indicators:

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	2017	2016
SELF-FINANCING RATIOS		
DEGREE OF FINANCIAL AUTONOMY Indicates the degree of independence from external financing	53.91%	54.86%
FINANCING OF FIXED ASSETS Indicates the % long term resources that finance non-current assets	98.75%	99.11%
PROFITABILITY RATIOS		
TOTAL ASSET TURNOVER Indicates the degree of efficiency in asset management	2.11%	2.09%
FIXED ASSETS TURNOVER Indicates the degree of efficiency in the management of fixed assets	2.14%	2.13%
CURRENT ASSETS TURNOVER Indicates the degree of efficiency in the management of current assets	150.84%	104.08%
LIQUIDITY RATIOS		
LIQUIDITY COEFFICIENT Indicates how many monetary units for every 100 of assets are liquid	1.40%	2.01%
TREASURY COEFFICIENT Indicates the ability of the company to meet its short-term commitments	0.53	0.70
SOLVENCY RATIO Indicates the ability of the company to meet its liabilities based on the assets	2.17	2.22
FINANCIAL PERFORMANCE Indicates the remuneration to the capital	-1.45%	-2.38%
ECONOMIC PERFORMANCE Effective capacity to remunerate all available capital, wholly owned and others	-0.44%	-0.74%
WORKING CAPITAL (million €) Determines if a company can meet its current obligations with its current assets	-559.20	-386.00

Average period of payment to suppliers. Information regarding the 2017 and 2016 financial years on deferrals of payment made to suppliers as established in Additional Provision Three of Law 15/2010, of July 5 and in accordance with the methodology established in the Resolution of the Institute of Accounting and Auditing of Accounts of January 29, 2016, is shown in the attached table:

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Payments made and pending payment at December 31		
	31-12-17	31-12-16
	Days	Days
Average payment period to suppliers	50.15	49.72
Ratio paid operations	53.67	53.39
Ratio of outstanding payment transactions	25.86	19.07
	Amount (thousand €)	Amount (thousand €)
Total payments	1,457,083	1,711,890
Total outstanding payments	210,714	204,896

2.5. ACTIONS IN THE VARIOUS OPERATIONAL AREAS

2.5.1. Construction

The main actions of 2017 and the situation at the end of the year are described below.

L.A.V. Madrid-Extremadura

In 2017, the works on the platforms between Talayuela and Badajoz continued, according to the planned schedule, and the execution of the connection branches in Plasencia and the connection branch north of Cáceres has begun in this period as well as, the procedure to tender the adaptation of the platform projects between Talayuela and Plasencia. Thus, the platform between Plasencia and Cáceres is quite advanced, being almost completed between Cáceres and Badajoz, pending only the Mérida by-pass, whose platform construction contracts have been rescinded, the adaptation of the project of the San Rafael-Cuarto de la Jara section having begun in 2017, and having tendered the adaptation of those corresponding to the fourth sections of the Jara-Arroyo de la Albuera and the connection branch north of Mérida.

During 2017, the track assembly between Cáceres and Mérida was also completed, having started on the Mérida-Badajoz section.

With respect to the facilities, the execution of civil protection and security installations in tunnels continues, with the commencement of the construction of security and communications facilities, and GSMR between Plasencia and Badajoz.

L.A.V. Antequera-Granada

During 2017, the platform works were completed, so all the sections are finished, and the track and electrification works are at a very advanced level of execution, completing the final pieces.

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Work continues on safety installations and, starting with the testing of the infrastructure, on December 1, the entire route was made by an auscultation train (BT) from Antequera to the Granada station, under the supervision of the Ministry of Public Works and Transport.

L.A.V. Olmedo-Zamora-Lubián-Orense

- 1) Olmedo-Zamora. This 99km section comprised six platform sub-sections, all completed and received. This section has 20 representative viaducts with a length of 4.66 km. The commissioning of the section took place on December 17, 2015.
- 2) Zamora-Pedralba de la Pradería. 110 km in length, the route consists of five sub-sections, of which three are completed and received. The other two: Zamora-La Hiniesta and Cernadilla-Pedralba de la Pradería, are at an advanced degree of execution. The most characteristic singular works of this section are 7 tunnels (4.5 km) and 14 viaducts (4 km).

During 2017, work has been carried out on the track assembly base, Pedralba width change, contact and energy overhead line, and safety installations have begun, as well as civil protection and safety.

- 3) Pedralba de la Pradería-Ourense. 101 km from Pedralba to Taboadela and 22 sub-sections, which run on left and right tracks, except for the last three between Porto and Taboadela that have been projected on a single platform with double track. The tunnels predominate the layout, reaching a total length of 125 km, compared to 9.4 km of viaducts. During 2017, work has continued on all the sub-sections, and those of Túnel de la Canda-Vilavella and Túnel del Espiño VD have been completed and received (the sub-section Miamán-Ponte Ambía was already received). Túnel de Espiño VI remains pending to be received.

The sections between Taboadela and Orense are in the final stage of drafting and environmental processing.

L.A.V. León-Asturias (Variante de Pajares)

The Pajares Variation, 49.6 km, is divided into eleven infrastructure contracts, of which eight correspond to the platform, two to complementary civil works inside the tunnels and one to exterior civil works.

The slope stabilization works have been completed in the Sotiello-Campomanes section (being the only platform pending completion), leaving only platform finishing works.

Assembly of track, electrification, civil protection, energy and security and communications facilities have all continued.

L.A.V. Madrid-Levante

- 1) Work has continued on the expansion of two to four lanes of the Madrid-Sur LAV between Madrid (Atocha) and Torrejón de Velasco and the works inside

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the Atocha-Chamartín tunnel. During 2017, the assembly works for the track and the contact overhead line were completed. The testing phase has begun, although work continues on the safety and communications installations and on the acoustic screens, which do not affect them.

- 2) Monforte del Cid - Murcia: The platform works for phase 1 of commissioning are completed, with the works of track assembly very advanced, as well as the security and telecommunications installations. The work of the Elche station continues in execution. The work of access to Murcia is in execution and the proposal of adaptation of the works in order to make them compatible with the burial of the station and arrival at elevation -8m has been accepted.

L.A.V. Almería-Murcia

During 2017, the drafting of the Lorca-Pulpí, Pulpí-Vera, Los Arejos-Níjar and Níjar-Almería stretches has been awarded and the projects of the Nonduermas-Sangonera and Sangonera-Lorca sections are being drafted by their own means.

Vandellós-Área de Tarragona

During 2017, progress has been made in track assembly works that are close to completion. The catenary was put under tension in November, reason why since then it is possible to realize tension tests. The safety testing phase, traffic control and telecommunications facilities of the section have also started. In addition, work has continued on the Cambrils and L'Hospitalet de L'Infant stations, as well as on the Paet de Rifà (Montroig del Camp).

L.A.V. Valladolid-Palencia-León.

Valladolid-Nudo Venta de Baños-Palencia-León. The line entered service on September 29, 2015. During 2017, work has been done to implement the ERTMS system.

L.A.V. Valladolid-Burgos-Vitoria.

In 2017, the platform works were completed on the Estépar-Variante de Burgos stretch, which was the only one remaining to be completed.

In addition, during 2017, the track assembly, electrification and remote control works and security and communications facilities have been completed almost to Estépar, and have begun in the Estépar-Variante de Burgos section, since the platform has been made available in this section.

L.A.V. Vitoria-Bilbao-S. Sebastián.

Between Vitoria and Bilbao, nine stretches of platform have been completed, continuing during 2017 the execution of the works in two sections. Two other sections have remained suspended throughout the year (except for the execution of emergency works), and in three others, between Elorrio and Abadiño, the resolution of the contracts has been processed. Regarding the Bergara junction, during 2017 the new construction projects were drafted, two

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of the three sections of the year having been tendered, and the third bidding is scheduled for the first weeks of 2018.

During 2017, the drafting of the track assembly projects and the future Vitoria width changers continued to be developed.

Regarding electrification, the work developed corresponds to the processing of high voltage connections. The drafting of the installation projects has been suspended until a greater definition of the accesses to Vitoria and Bilbao, whose informative studies have begun to be drafted in 2017.

In summary, the high-speed network in operation owned by ADIF-Alta Velocidad on December 31, 2017, is reflected in the following table:

IN SERVICE	LENGTH (km)
Madrid-Sevilla	475
Madrid-Figueres Vilafant	801
Córdoba-Málaga	155
Madrid-Valladolid	179
Madrid-Toledo	21
Madrid-Albacete-Valencia-Alicante	601
Valladolid-Palencia-León	166
Olmedo-Zamora	99
Atlantic Axis	156
Los Gavilanes Connection	6
Sur-N.E. Connection	6
TOTAL	2,665

2.5.2. Equity

The most significant actions carried out during the 2017 were the following:

- Agreements with other administrations and organizations: Urban-Rail agreements have been signed in Sevilla-Santa Justa (management of the Special Plan), Almería (occupation of land PESGRF 02/109). On the other hand, it has participated in the negotiation of urban agreements in the city of Santiago de Compostela (pedestrian footbridge financing).
- Chamartín Project (MNN): On July 27, 2017, a consensus proposal was reached between DCN, Madrid City Council and the Development Group; which includes a Bases Agreement for the urban transformation of the Chamartín and Fuencarral land.
- Proposals for declaration of unnecessary and disaffection agreement: A total of 11 files (1,646,508.15 m²) have been proposed to the ADIF-Alta Velocidad Board of Directors in order to comply with the agreements signed

once the reversion rights have been cleared. with other Administrations, or to include land in Urban Development Actions.

2.5.3. Telecommunications

With the establishment of the contracts that regulate the Assignment to Red Eléctrica Internacional S.A.U. (REITEL) of the Rights of Use and Operation Management of the fiber optic cable network to the rail service, the action formulas established in previous years have been consolidated. To this end, it has continued during 2017 providing support services for billing and preparing commercial reports, development of the Renove Plan and provision of Professional Services.

The additional revenues for ADIF-Alta Velocidad derived from these actions in 2017 amounted to 826,487.20 euros, in addition to raising the figure of recurring revenues to 184,456 euros per year.

Likewise, within the Renove Plan established in the Assignment Agreement, the renewal of the Fiber Optic Network has been started in 5 new sections: Escacena - Hueva (aerial), Zafra - Fuente del Arco, Astorga - Ponferrada, Miranda - Orduña and Alsasua - Zumárraga (aerial); for an initial budget of more than three million euros.

2.5.4. Energy and Energy Efficiency

During 2017, IDAE granted aid for the transformation of six Substations, in order to proceed with the installation of inverters that allow the return to the Generated Energy Electricity System by the regenerative trains brakes; recovering in the same way, the value of the energy returned. The investment planned for this first phase, exceeds 5.5 million euros, and aids close to 1.67 million euros.

In regards to Energy, ADIF-Alta Velocidad has managed during 2017 the electric power supply of 2,776 TWh, with the following average costs:

Energy:	62.24 €/MWh,
ATRs:	38.28 €/MWh,
Total cost of MWh consumed:	100.52 €/MWh.

The main actions that have taken place during the year are described below:

- In 2017, a saving of 2.73 million euros was achieved, corresponding to the compensation of 44.3 GWh of energy discharged by the braking of railway compositions in 20 substations of the UIC network; and in addition, applications have been submitted for authorization by the Ministry of Energy, Tourism and Digital Agenda in 7 additional substations in the High Speed field, which will allow, if authorized, an additional estimated annual

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savings of 300,000 euros, corresponding to the compensation for an additional 4.84 GWh/year of poured energy.

- Embedded Measure Billing: A billing model has been made for the complementary service of traction supply on the current in UIC lines (currently billed as "Real Cost") by means of TKBs and Embarked Energy Measurement (according to the consumptions directed by Renfe Operadora al ADIF- Alta Velocidad server -DCS-). The model has been applied to the East High Speed Line in the months of November 2016 and October 2017.
- An evolution of the ADIF- Alta Velocidad Energy Measurement Concentrator -CSS- has been made, which extends the scope of its fiscal measurement functionality to another type of measure: telemetered derivatives, catenary sinks and minutal measurement.
- Red Eléctrica de España has recognized ADIF-Alta Velocidad as a participant in the Electrical Measurement System (SIMEL).
- Approval by the CNMC of the proposed complementary services fees for the 2018 fiscal year.

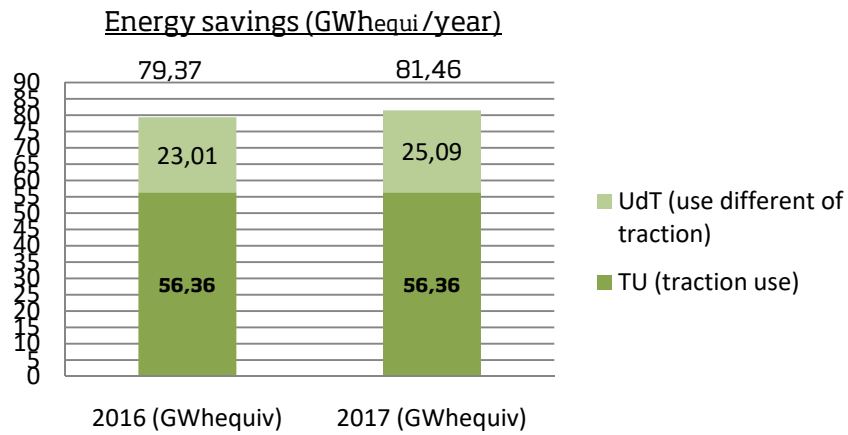
In terms of energy efficiency, we have achieved:

- a) *Energy Saving*: During 2017, the implementation of the Energy Savings and Efficiency Management Plan of ADIF- Alta Velocidad 2014-2020 was continued, arising from the revision and updating of the previous 2009-2014 Plan. Its general objective is to make ADIF-Alta Velocidad a benchmark in savings and efficient energy management, both in the rail sector and nationally. For this, a quantitative objective of annual savings of 106.81 GWh_{equiv} is established for the 2020 horizon. Thus, at the end of 2017, ADIF-Alta Velocidad has implemented, since the beginning of the Plan in 2009, a total of 123 measurements, both in energy consumed for use other than traction as in the use for traction; achieving the reduction of **81.46 GWh_{equiv}/year** of energy consumption.

Energy savings (GWh_{equiv}/year)

	2016 (GWh _{equiv})	2017 (GWh _{equiv})
TU (traction use)	56.36	56.36
NTU (non-traction use)	23.01	25.09
TOTAL	79.37	81.46

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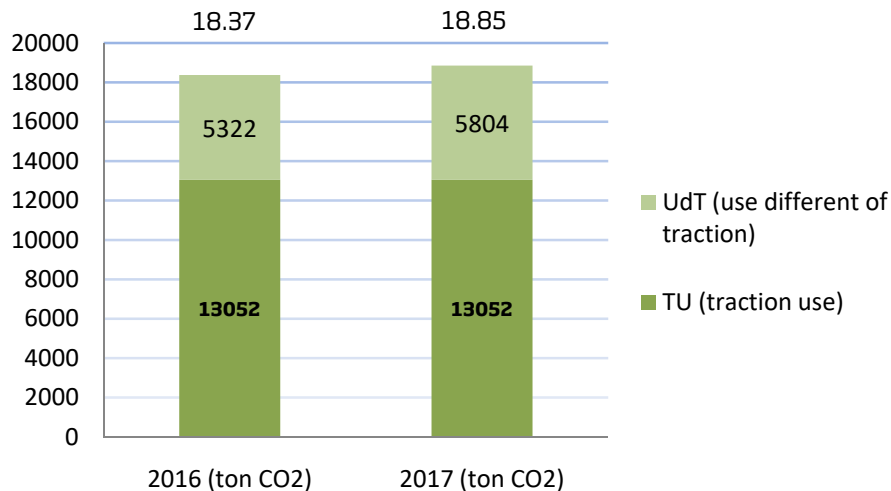
- b) Avoided CO₂ emissions: The energy savings obtained in 2017, from the implementation of measures of the ADIF Alta Velocidad Energy Saving and Efficiency Management Plan 2014-2020, in turn leads to a reduction in CO₂ emissions emitted in the atmosphere; among which indirect emissions are included (originating in the generation of electrical energy) and direct emissions (from the direct consumption of fossil fuels). In this way, at the end of 2017, with the measures implemented both in energy consumed for different traction use and in the use of traction, the reduction of 18,856 ton/year of CO₂ emissions avoided was achieved.

CO₂ emissions avoided (ton CO₂)

	2016 (ton CO ₂)	2017 (ton CO ₂)
TU (traction use)	13,052	13,052
NTU (non-traction use)	5,322	5,804
TOTAL	18,374	18,856

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CO₂ emissions avoided (ton CO₂)



2.5.5. Human Resources

Human Resources management for 2017 in ADIF-Alta Velocidad has been marked by the following milestones:

- a) *Adaptation of organizational structures:* In January 2017, the new basic structure of ADIF-Alta Velocidad was approved, which was developed through an organizational structure subsequently approved in March 2017, and in which its functions were defined and a new organization chart; making the necessary adjustments of positions to adapt them to the new distribution of competences.
- b) *Developments of the 1st ADIF/ADIF Alta Velocidad Collective Agreement:*
 - o Convention Joint Committee. ADIF-Alta Velocidad has participated in the committee, and agreements have been reached on different issues, such as the proposal for the application of the salary increase for 2017. A specific quota for partial retirement was also established in the aforementioned company, which also enabled it could be used in ADIF-Alta Velocidad, of which the group met the conditions to enroll in the Partial Retirement Plan in December 2017, a total of 17 people; so they could participate in it, if that was their wish. Finally, it was also agreed in this Committee, the extension of the Collective Agreement during 2018.
 - o During 2017, a specific Training Plan was approved for ADIF-Alta Velocidad staff, with a range of 19,370 hours, which represented an average of 94.5 hours of training per worker per year. During the year, meetings were held with the representatives of the Training Advisory Council, a consultative body envisaged in the labor regulations, made up of representatives of the company and union representatives of

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the workers; and among its functions are the supervision and monitoring of the training process.

c) *Distribution of cash:*

Below are several tables describing the distribution of workers as of December 31, 2017 by management areas, by professional groups, by age, and by their seniority in the company; besides its geographical distribution by autonomous communities:

MANAGEMENT AREA	STAFF
High Speed Construction Management	152
Telecommunications	39
Energy and Energy Efficiency	10
Corporation and General Services	4
TOTAL	205

PROFESSIONAL GROUPS	STAFF
Operating personnel and MMII	25
Support Structure	75
Management Structure	105
TOTAL	205

AGE	%
Below 35 years	2.44 %
Between 35 and 50 years	59.51%
Above 50 years	38.05%

SENIORITY	%
Between 0 y 11 years	42.44%
Between 12 y 19 years	31.22%
Between 20 y 27 years	2.44%
Between 28 y 35 years	11.22%
Above 35 years	12.68%

REGIONS	STAFF
ANDALUCÍA	16
CASTILLA LEÓN	11
CATALUÑA	8
EXTREMADURA	1
MADRID	160
PAÍS VASCO	4
COMUNIDAD VALENCIANA	4
EXTRANJERO	1
TOTAL	205

2.5.6. Traffic Safety

In 2017 the ADIF- Alta Velocidad Annual Safety Report was presented, in which the degree of compliance with the safety objectives, common indicators and the result of the Safety Plans for the year 2016 was presented.

Within the Surveillance tasks, and based on the assignment agreement between ADIF and ADIF-Alta Velocidad, the Annual Road Safety Plan 2017 was drawn up, which sets the value of the safety objectives for this period; on which are fixed maximum values for the number of accidents and accident precursors, whose figures in 2017 referring to the Network owned by ADIF- Alta Velocidad, are the following:

CONCEPT	REAL VALUE 2017	MAXIMUM VALUE 2017 OBJECTIVE
TRAIN ACCIDENTS	1	2
EVENTS RELATED TO OTHER TYPES OF ACCIDENTS	1	2
INCIDENT PRECURSORS TO ACCIDENTS	19	24

Regarding security surveillance tasks, these were developed through two groups of activities entrusted to ADIF:

- *First level surveillance:* Supervision and control actions (eavesdropping, visits and audits).
- *Second level surveillance:* Inspections of each of the subsystems that make up the rail system.

During 2017, the following security surveillance tasks were carried out:

- Supervision and control actions: 412 listening elements, 233 security visits and 30 audits; with a degree of compliance with respect to planned activities equal to or greater than 100%.
- Second level surveillance: 616 inspections (compared to the 587 included in the annual planning), in which a total of 103 anomalies were detected.
- Audits to the Safety Management System: During the months of April and May 2017, the third audit was carried out (corresponding to the year 2016), in which a total of 13 non-conformities were identified; the procedures for correction by the different areas are initiated.

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- Security management: The corresponding classifications of type C and P were issued, in a total of 29; as well as 46 annexes to current instructions, 14 regulatory notices, and 5 NAR standards.
- During the month of July 2017, the policy Guideline and safety management for railway traffic in ADIF-Alta Velocidad was approved; reinforcing the internal commitment to comply with the European framework, through the establishment of organizational criteria and standards for the management of traffic safety.
- Regarding the implementation of safe design measures required according to the Implementing Regulation (EU) n°1169 / 2010, these have been implemented in different activities through the modification of the corresponding documents of the management system. Likewise, courses were given on Execution Regulation (EU) No. 1169/2010 and Regulation (EU) No. 402/2013, in order to reinforce knowledge about them, and their application to safe design.
- Issuance of the corresponding security certificates, regarding authorizations for the commissioning and modification of existing lines: These documents were accompanied by a justification for the closure of the risks of the different subsystems and their interfaces; and a certificate was generated corresponding to the commissioning of the Medina del Campo-Alta Velocidad Station (2nd Phase of the North-Northwest High-Speed Corridor, section: Olmedo-Zamora).
- Issuance of a total of 23 change authorizations in the CMS subsystem, in the High Speed Lines, referring to the management of risk against changes according to the Implementing Regulation (UE) n° 402/2013.
- Implementation of the Electronic Administration, through the use of the digital signatures for regulatory documents linked to traffic safety.
- Collaboration with the Ministry of Public Works and Transport, in the preparation of the report prior to the granting of Licenses to Railway Companies, according to the current procedures of the entity.

2.5.7. Quality and Environment

Management system

During 2017, we have continued to improve the ADIF-Alta Velocidad Management System, strengthening the essential principles established in the mission, vision and values established in the strategic plan.

We continue to be a national and international reference in obtaining and improving ISO, UNE and EFQM certificates; and we are actively present in working groups, such as AENOR, AEC (Customer Experience, Innovation, Environment, Quality), CEG, Group +500 of EFQM, etc.; and we collaborate with

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AEVAL to continue fostering and sharing best practices in all areas of public and private business management.

The realization of Exchange Days Experiences with the best national and international reference companies, consolidates our Good Management Practices and serves as reference and impulse to the companies of our country.

In 2017, the audits of AENOR were passed, renewing the Management System certification according to the ISO 9001 Quality Standard and the ISO 14001 Environmental Standard; as well as compliance with the OSHAS 18001, UNE 166002 R&D and ISO 27001 Information Systems certifications.

Once again, the ability of the entire organization to continue providing, consistently and effectively, products and services that meet the requirements of customers and Stakeholders is demonstrated.

In this scenario, ADIF- Alta Velocidad becomes a strong impetus for the EFQM, with the revalidation in 2017 of the European Seal of Excellence 500+, achieved in December 2012 and renewed until 2019; to remain the first and only European railway administrator to maintain this prestigious recognition and be in the small group of 60 Spanish companies with such distinction.

Environment

- a) *Water Consumption*: ADIF- Alta Velocidad's main water consumptions are those destined to sanitary uses and to the cleaning of the facilities. Said water comes, fundamentally, from public supply networks, although there is a small consumption from wells.

<u>2016</u>	<u>2017</u>
93.600 m ³	120.077 m ³

- b) *Acoustic Pollution*: Acoustic pollution is one of the adverse environmental aspects generated as a consequence of railway activity, the main source of noise and vibration emission being the circulation of passenger and merchandise trains.

Additionally, the exploitation of infrastructures and facilities managed by ADIF-Alta Velocidad can produce acoustic emissions, mainly in:

- The passenger stations, as a consequence of the loud phone system, the maneuvers for the composition of trains, the air conditioning of the buildings, and the entry and exit of vehicles from the car parks.
- The maintenance operations of the infrastructure carried out by mechanized track equipment.
- Works and interventions in the field of railway infrastructure.

ADIF- Alta Velocidad has implemented, within the framework of its Management System, a method to receive, document and process acoustic complaints, which are received in relation to the environmental impacts of its activities. In the last two years, the evolution has been as follows:

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	2016	2017
<i>ADIF AV</i>	15	11
<i>ADIF-ADIF AV (joint)</i>	18	15
TOTAL	33	26

c) *Emissions of Greenhouse Gases (GEI)* - (In section 2.4.4-b) of this report, information on avoided CO₂ emissions is detailed).

- o *In ADIF-Alta Velocidad's own activities:* ADIF-Alta Velocidad consumes electricity and fuels in its facilities and vehicles, which allow it to operate passenger stations; as well as the maintenance of the railway infrastructure that it administers.

As a consequence of these consumption, a series of emissions are generated, both direct and indirect, among which greenhouse gases are noteworthy.

In the last two years, the evolution has been as follows:

	2016	2017
Tons of CO ₂ equivalent emitted	36,943.1	24,521.5

- o *Regarding the railway traction consumed in the infrastructures managed by ADIF- Alta Velocidad:* The electrical consumption of RENFE Operadora referring to its traction on the infrastructures managed by ADIF- Alta Velocidad, implies the indirect emission of greenhouse gases, whose evolution in the last two years has been as follows:

	2016	2017
(*) Tons of CO ₂ equivalent emitted from the electric traction	243,388	251,995
Tons of CO ₂ equivalent emitted from diesel traction	---	---
(*) Tons of CO ₂ equivalent total issued.	243,388	251,995

(*) The increase in total CO₂ equivalent tons emitted in 2017 compared to 2016 is due to the fact that the percentage of "clean", less polluting energy (hydroelectric and wind), used in electricity generation, was lower in 2017 compared to last year; which has led to a slight increase in these total tons of CO₂ equivalent.

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d) *Environmental Management Indicators*

- *In infrastructure projects: The Ministry of Public Works and Transport has delegated to the President of ADIF-Alta Velocidad, the approval of the projects entrusted to this public business entity. In addition, in accordance with the ADIF-Alta Velocidad statute, this entity has the supervision of the projects that are approved by it, as well as the certification of compliance with the Declaration or the Environmental Impact Report thereof, if applicable.*

ADIF-Alta Velocidad, in its capacity as a substantive body for the purposes envisaged in the legislation on Environmental Impact Assessment, plays a key role in ensuring that railway infrastructures comply with the provisions of the legislation, both at the project level and at the project level. works.

In this sense, all the annexes of the Environmental Integration of the projects (I.A.), are supervised in order to ensure compliance with what is established by the current environmental legislation, by the standards and by the internal ADIF Alta Velocidad recommendations.

In recent years, the evolution has been as follows:

	<i>2016</i>	<i>2017</i>
▪ <i>Exemption notes for the Environmental Impact Evaluation process.</i>	14	3
▪ <i>Environmental Adequacy of the Annexes of I. A. of Projects Reports.</i>	8	3
▪ <i>Adaptation to the Environmental Impact Declaration of Projects Reports.</i>	25	28
▪ <i>Certificates of Compliance with the Environmental Impact Declaration of Projects.</i>	0	9
▪ <i>Environmental Review of Projects Reports.</i>	150	162
TOTAL	197	205

- *In the environmental monitoring of new infrastructure works: ADIF-Alta Velocidad has established a strict environmental monitoring system for the construction of the new high-speed lines, whose purpose is to supervise the Environmental Surveillance Plan for Construction Projects, so as to ensure its correct application on site,*

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thus facilitating the objective of compliance with the Environmental Impact Statements issued by the Ministry of Agriculture, Fisheries and Food and the Environment; as well as the rest of environmental legislation of application, and preventing the potential environmental repercussions of these constructions.

This system, called Environmental Work Management (DAO), has an AENOR certificate in accordance with ISO: 14001 Environmental Management since 2010; thus, becoming the first European Infrastructure Manager to obtain such accreditation.

The following describes the evolution, in the last two years, of the main parameters of this management system:

➤ Relating to modified and complementary works projects

	<u>2016</u>	<u>2017</u>
<i>Exemption notes for the Environmental Impact Evaluation process.</i>	2	0
<i>Reports of Adaptation to the Environmental Impact Statement of Modified and Complementary Projects of Work.</i>	34	66
<i>Reports of Environmental Review of Modified and Complementary Projects of Work.</i>	44	77
TOTAL	<u>80</u>	<u>143</u>

➤ Normative reports of environmental monitoring of works

	<u>2016</u>	<u>2017</u>
▪ <i>Prior to the start of work.</i>	11	32
▪ <i>Parallel to the Verification Act of the reaction.</i>	17	21
▪ <i>Prior to the reception of work.</i>	10	23
▪ <i>Periodic.</i>	333	352
TOTAL	<u>371</u>	<u>428</u>

- *In the railway operation:* Promoting commitments of continuous environmental improvement based on the implementation, certification and periodic audit of Management Systems based on the ISO Standard: 14.001 of Environmental Management, is one of the points of the policy of Environment of ADIF-Alta Velocidad.

Since the creation of ADIF-Alta Velocidad in 2014, the environmental certification of ADIF was retained in relation to the management of passenger stations and freight terminals; and since that year, ADIF-Alta Velocidad has been deepening the scope of the certification, including new facilities.

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In the last two years, the evolution has been as follows:

	2017	2016
<i>Percentage of travelers in certified stations according to the norm of Environmental Management ISO: 14.001, in relation to the total of travelers in AV ADIF stations.</i>	45.30%	44.20%

3. LIQUIDITY AND CAPITAL RESOURCES

The Treasury of the Entity is directed in a centralized manner in order to achieve maximum optimization of resources.

The evolution of the treasury during 2017 and 2016 is reflected below:

Amounts in thousand of euros	2017	2016
Cash flows from/ (used in) operating activities	(78,480)	(138,092)
Cash flows from/ (used in) in investing activities	(1,216,275)	(882,986)
Cash flows from/ (used in) financing activities	1,031,877	298,395
Net increase/decrease in cash and cash equivalents	(262,878)	(722,683)

Cash flow generated from financing activities corresponds to the following sources:

Amounts in thousand of euros	2017	2016
Grants, donations and equity issuance	243,038	268,504
Increased debts with credit entities	(71,007)	(20)
<i>Provisions for the year</i>	<i>600,000</i>	<i>340,200</i>
<i>Returns</i>	<i>(671,007)</i>	<i>(340,220)</i>
Net increase in other liabilities	859,846	29,911
Cash flows from financing activities	1,031,877	298,395

The Treasury of the Entity is directed in a centralized manner in order to achieve maximum optimization of resources.

The ADIF- Alta Velocidad working capital went from (385.74) million euros as of December 31, 2016, to (559.20) million as of December 31, 2017; which represents a negative net variation of 173.46 million euros. This situation is considered temporary given that the patrimonial contributions provided by the Entity, the subsidies and the limit of indebtedness reflected in the State Budgets carried over to 2018 can improve and even reverse the aforementioned situation. In addition, the Entity has underwritten and not arranged as of December 31, 2017, short-term credit facilities with financial institutions for a total amount of 480 million euros.

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Indebtedness, both with credit institutions and by issuance of obligations, includes the debt contracted by ADIF-Alta Velocidad, mainly with the European Investment Bank, to finance the investments in property, plant and equipment contemplated in the Multi-Annual Action Plan (PAP) in previous exercises.

On November 13, 2017, the renewal of the informative brochure of the EMTN Program was registered in the Irish Stock Exchange for a nominal amount of 6,000 million euros, and was transferred to the CNMV on the same date.

The conjunction of the evolution of interest rates, the policy of debt renegotiation and the diversification of financing sources, has placed the average interest rate of the ADIF-Alta Velocidad liabilities, contracted in the long term, in 1, 91% annual, as of December 31, 2017, for an average life of 11.09 years (2.24% per annum, on December 31, 2016, for an average life of 12.05 years).

At the closing date of 2017, the limit of credit lines that ADIF-Alta Velocidad had been granted by financial entities amounted to a total amount of 480,000 thousand euros. As of December 31, 2017, such credit lines were not available. The maturity of the credit policies is short-term, with annual tacit renewal for certain policies, with an established limit of renewals.

Project Financing Means:

On June 26, there was a disbursement of 80,000 thousand euros corresponding to the second loan signed with the European Investment Bank (EIB) for the project "ERTMS & SAFETY INFRASTRUCTURE".

On June 28, the fourth issue of ADIF-Alta Velocidad bonds was issued, first under the "green bond" format, for an amount of 600,000 thousand euros, with a disbursement date of July 5 (there is expanded information on this type of issue of obligations in section 2.3 of this report).

On October 16, there was a disbursement of 300,000 thousand euros, corresponding to the second provision of the loan signed with the European Investment Bank (EIB), for the project "MEDITERRANEAN RAILWAY CORRIDOR".

On December 28, 105,000 thousand euros were disbursed, corresponding to the first provision of the loan signed with the European Investment Bank (EIB), for the "AVE" and "VASCA EXTENSION TRAMO A" project.

4. RISKS AND UNCERTAINTIES

ADIF- Alta Velocidad is exposed to various risks of both a financial and operational nature, as a result of its operations and debt taken on to finance its activities.

4.1. COMPREHENSIVE RISK MANAGEMENT SYSTEM

Since 2016, ADIF-Alta Velocidad has an Integral Risk Management System that, aligned with best practices, facilitates a systematic and orderly response to a universe of risks with the complexity and dispersion of an organization of its characteristics. As a result, the entity has a risk map that represents the main risks identified by the different areas of activity, and their assessment in terms of impact and probability. In this line, during

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2017, the risks identified have been the subject of treatment, monitoring and follow-up by virtue of the indicators and control activities defined for that purpose.

From the methodological perspective, the relevance of Risk Management in the entity has been supported, this year, through the approval by the Board of Directors of the Comprehensive Risk Management Policy, where the following principles are established:

- Integration of risk in the management of the entity, through a unified vision of the strategic and business objectives, and the risks associated with them.
- Ensure that the risks that may affect the strategy and objectives are adequately managed, and within the levels of risk that the entity establishes.
- Have a global risk management system, consistent and transparent; that establishes a common normative framework that facilitates the identification, evaluation and homogeneous management of risks, and that establishes clear roles and responsibilities.

In order to favor the scalability and operability of the Model, the need to extend the risk classification criteria (taxonomy) has been considered. Likewise, without prejudice to the consideration as strategic of those risks that, independently of their nature, may impede or significantly affect the achievement of one or several strategic objectives, the risks of ADIF- Alta Velocidad will correspond to the following categories:

- Operational and technological: those that affect the correct execution and/or operation of the assets and systems managed by ADIF-Alta Velocidad, the effectiveness of their processes or the safety of their persons, assets or services.
- Regulatory and Compliance: those related to the application of the specific regulation of the railway sector and other applicable regulations, as well as those related to compliance with applicable laws and regulations.
- Business diversification: those that affect the achievement of business objectives that do not constitute the main activity.
- Financial and counterparty: corresponds to financial risks, market risks, and those referred to the breach of its contractual obligations (in section 4.2 of this report, a detailed analysis is made regarding financial risks).
- Information: those that affect the reliability of the information provided (internal and external).
- Reputational: those that affect the image of the entity.

At the end of the year, ADIF-Alta Velocidad is immersed in the process of deploying its New Strategic Orientation. Said deployment entails, among other issues, the necessary linking of risks to strategic and business objectives, thus guaranteeing better decision-making. This trend assumes that the risk review process of the current fiscal year contemplates this new scope with the definition of a new risk map clearly linked to the strategy.

4.2. FINANCIAL RISKS

The main risks affecting the Company are as follows:

- a) *Credit Risk:* Credit risk arises primarily in relation to trade and non-trade receivables, current investments and cash equivalents. The Entity assesses the credit ratings of its trade debtors, considering their financial position, history and other economic factors to determine individual credit limits.

In regards to current investments and cash equivalents, the Entity carries out transactions using instruments to guarantee the recovery of the entire capital investment and assesses the credit rating of the financial institutions, considering the credit rating awarded by rating agencies, based on the term of the investment and calculating individual credit limits in line with specific factors (total volume of assets, return, etc.)

- b) *Interest rate risk:* Interest rate risk arises from the variation in borrowing costs with credit institutions. Borrowings have been obtained through the issuance of obligations and have been contracted at a fixed interest rate. The Entity's outstanding debt, as of December 31, 2017, was contracted with various interest rate regimes. 80.35% is at a fixed rate until maturity and 8.19% is at a fixed rate that can be reviewed.

- c) *Liquidity risk:* Liquidity risk arises from possible imbalances between cash flow requirements and sources of cash flows. ADIF- Alta Velocidad applies a prudent policy to cover its liquidity risks based on having sufficient financing through credit facilities with financial institutions.

ADIF-Alta Velocidad Management monitors the liquidity forecasts as a function of the expected cash flows.

- d) *Valuation Risk:* ADIF- Alta Velocidad makes estimates based on historical experience and other factors considered reasonable under the current circumstances and which form the basis for establishing the value of assets and liabilities which quantification is not readily ascertainable from other sources. Although the estimations are reviewed continuously, given the inherent uncertainty in them, there is a noteworthy risk that significant adjustments could arise in the future on the values of the mentioned assets and liabilities affected due to significant changes occurring in the assumptions, facts and circumstances on which they are based.

4.3. SYSTEM OF INTERNAL CONTROL FOR FINANCIAL INFORMATION

In September 2016, the Internal Control System for Financial Information (SCIIF) was set up in Adif Alta Velocidad, defined as a part of internal control and configured as the set of processes that the Board of Directors, the Board of Directors Audit, Senior Management and the personnel involved in the entity carry out to provide reasonable assurance regarding the reliability of the financial information.

In October 2017, the SCIIF Policy was approved, which establishes the methodology, competences and principles that lay the foundations of the System. Likewise, in

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November 2017, the ICFR Procedure that develops said Policy was approved, specifically, it develops the functions attributed to the different responsible parties and details the methodology, within each of the phases in which the annual ICFR cycle is divided.

5. ENTITY OUTLOOK

The GDP growth rate in 2017 has increased by 3.1% compared to 2016, according to estimates by the Bank of Spain; being the expected increase of 2.8%, according to estimates by FUNCAS (Foundation of Savings Banks).

According to the estimates made by both organizations, the trend for 2018 and 2019 continues to be one of growth; although in percentage values slightly lower than in 2017.

The pillars of the economic recovery will remain in 2018, highlighting, among others, the following foreseen aspects regarding the evolution of the economy in Spain:

- The medium-term outlook for the Spanish economy remains favorable, where the fiscal policy is expected to remain neutral and the additional monetary impact policy on the financing conditions of the different agents, which have reached a high level of clearance, will be moderate.
- Within the overall national demand, private consumption is expected to continue to experience sustained growth, albeit at a more moderate pace than that observed in recent years.
- Business investment will maintain considerable dynamism, in line with the increase in the utilization of productive capacity, the prospects for the continuation of the current expansionary period, the maintenance of very favorable financing conditions, and the improvement of corporate balance sheets.
- Exports will show a remarkable strength in the short term, in line with the expected strength of foreign markets.
- The volume of job creation per unit of GDP advance will continue to be very high, helped by the contained evolution of unit labor costs.

All this allows us to be moderately optimistic regarding the improvement of our economic results and the achievement of the objectives set, fulfilling the expectations of the stakeholders through a transparent and efficient management of the economic resources entrusted to us by the citizens of way that contribute wealth and welfare to society:

- Through expenditure control and financial transparency.
- Establishing and strengthening a management model based on ethics, equity and responsibility before the groups with which it is related and for which it works.
- Generating added value for citizens in environments where ADIF-Alta Velocidad develops its activity.

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- Responding to the people who make use of our facilities and communication channels, improving the integration of the railway.
- Preserving the historical railway heritage and the archaeological heritage discovered in the construction works.
- Maintaining a high level of quality of service.
- Being the driving force for investment in Spain and the development of R&D in the railway sector.

Notwithstanding the above, we must not forget factors that are critical for the proper development of the activity of ADIF- Alta Velocidad:

- Insufficient level of infrastructure utilization.
- Moderate GDP growth.
- Interest groups with high media power that can condition investment decisions.
- Investments in integration projects in cities with difficult economic execution.
- Significant growth in financial expenses and amortization.

6. OTHER RELEVANT INFORMATION

Below we detail other information that we consider relevant and complementary to that provided in the attached Annual Accounts.

6.1. INVESTMENTS MADE DURING THE PERIOD

During 2017, the investments included in the attached tables, detailed by nature and by line, have been executed:

NATURE	THOUSAND € (VAT included)
ELECTRIFICATION AND TELECOMMUNICATIONS	69,276
PLATFORM	867,223
SIGNS AND SAFETY FACILITIES	95,286
EQUIPMENT AND OTHER OPERATIONS	164,801
TRACK	119,095
STATIONS AND GOODS TERMINALS	30,459
TOTAL	1,346,140

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LINE	THOUSAND € (VAT included)
VANDELLÓS-VALENCIA	12,546
L.A.V. LEVANTE	108,280
L.A.V. ALMERIA-MURCIA	11,968
L.A.V. BOBADILLA-GRANADA	87,691
VANDELLOS-TARRAGONA	53,327
L.A.V. ASTURIAS (PAJARES VARIANT)	89,652
L.A.V. VENTA DE BAÑOS-PALENCIA-LEÓN-ASTURIAS	30,445
L.A.V. VALLADOLID-BURGOS-VITORIA	67,096
L.A.V. VITORIA-BILBAO-SAN SEBASTIÁN	65,916
L.A.V. MADRID-EXTREMADURA	109,332
L.A.V. GALICIA (OLMEDO-LUBIÁN-ORENSE)	327,159
L.A.V. ZARAGOZA-PAMPLONA (CASTEJÓN-PAMPLONA)	481
U.I.C CHAMARTÍN-ATOCHA-TORREJÓN CONNECTION	46,846
ATLANTIC AXIS (CORUÑA-VIGO)	64,231
IMPUTABLE TO THE NETWORK	25,392
INVESTMENT IN OPERATING LINES	233,149
STATIONS AND OTHER ASSETS	12,630
TOTAL	1,346,140

6.2. INFORMATION ABOUT THE RECRUITMENT CARRIED OUT

Below is detailed information on the hiring activity during 2017:

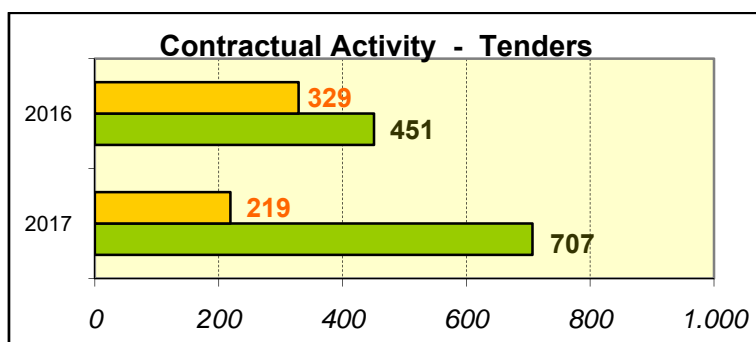
SUMMARY OF TENDERS				
Management	Nº Filings (internal)	Amount (Thousand € no VAT)	Nº Tenders	Amount (Thousand € no VAT)
Construction Management	133	68,464	186	694,160
Energy and Fiber Network Management	5	1,480	18	9,161
Technical performance Management			4	2,752
Others			11	731
TOTALS	138	69,944	219	706,804

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SUMMARY TABLE OF CONTRACTS				
Management	N° Filings (internal)	Amount (Thousand € no VAT)	N° Contracts	Amount (Thousand € no VAT)
Construction Management	135	68,568	181	140.046
Energy and Fiber Network Management	5	1,480	18	6.367
Technical performance Management			2	628
Others			11	577
TOTALS	140	70,048	212	147,618

SUMMARY OF TENDERS BY PROCEDURE			
Procedure/Criteria	N° Filings	Amount (Thousand € no VAT)	%
Open	95	650,095	83.7%
• Most advantageous offer (multiple criteria)	58	566,972	73.0%
• Price (criteria)	37	83,123	10.7%
Negotiated			
• Most advantageous offer (multiple criteria)			
• Price (criteria)			
Negotiated			
• With Advertising			
• Without Advertising	60	55,365	7.1%
- Supplementary	<i>11</i>	<i>39,336</i>	<i>5.1%</i>
- Technology linking	<i>35</i>	<i>12,976</i>	<i>1.7%</i>
- Other Causes	<i>14</i>	<i>3,053</i>	<i>0.4%</i>
• Smaller contracts	62	1,051	0.1%
Order from Framework Agreement	2	294	0.04%
TOTAL TENDERS	219	706,805	
Internal Filings of the AGE	138	69,943	9.0%
TOTALS	357	776,748	100.00%

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6.3. SOCIAL ASPECTS

Name	Possible Purpose	Data 2017	Data 2016
(1) Management retention rate	It measures the degree of retention and attraction of the managerial staff. Useful to achieve strategic direction of the Entity.	0.47	0.47
(1) Staff retention rate	Measures the turnover rate of the workforce, regardless of the employee's role.	2.84	2.09
Integration Index	Percentage of the staff with disabilities.	0.49%	0.49%
Social Assistance Supplement	Amount of social assistance (for medical expenses) per employee.	1,226.00 €	1,800.00 €
Training hours per employee	Update of knowledge of the staff and assimilation of new technologies, which measures the ability to adapt to employee change.	86.83	75.03
Index of complaints and claims of users (3) (Unique data available and sets for the ADIF and ADIF- Alta Velocidad stations)	Statistical summary of the complaints and claims handled by the Service and Customer Service Department during a fiscal year, according to the type in which the entity classifies the complaints and claims it manages.	4,353	7,318
(2) Absenteeism rate.	Percentage of workdays lost due to mild common illness.	2.89	1.56
Days lost due to work-related accidents or occupational diseases	Total number of days lost.	11	0
Index in preventive medicine	% of employees participating in preventive medicine	19.72%	25%
Index on work accidents	Incidence index (No. of accidents x 1000) / No. of average workers.	14.08	0
Legend:			
(1) Formula: $((\text{High} + \text{Low}) * 100/2) / \text{Average workers}$ and without taking into account the personnel affected by the ticket sales activity that was transferred in 2017 to the RENFE Group.			
(2) Measured as a percentage of absences on theoretical days to work.			
(3) Breakdown of claims in 2016.			

6.4. DIGITAL TRANSFORMATION

We have continued working and developing projects aligned with the fulfillment of the Digital Transformation Plan of the General State Administration, highlighting as main milestones of 2017, the implementation of the Electronic Invoicing platform for the entire organization; as well as the implementation of the digital signature, which allows compliance with one of the planned procedures, consisting of being able to digitally sign all official documents.