

ENTIDAD PÚBLICA EMPRESARIAL ADIF-ALTA VELOCIDAD

MANAGEMENT REPORT

YEAR 2018

(Includes Non-Financial Information)

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

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1. NON-FINANCIAL INFORMATION (ASPECTS TO BE INCLUDED ACCORDING TO LAW 11/2018 OF DECEMBER 28)

On December 29, 2018, the new Law 11/2018, of December 28, on non-financial information and diversity, through which the Commercial Code is modified, was published in the Official State Gazette. The text Consolidated the Capital Companies Act approved by Royal Legislative Decree 1/2010, of July 2, and Law 22/2015, of July 20, on Audit of Accounts, in the area of non-financial information and diversity (from of Royal Decree-Law 18/2017). This new legislation replaces the current Royal Decree-Law 18/2017, of 24 November, which allowed transposing the EU Directive 2014/95/EU on the disclosure of non-financial information and diversity to certain state levels with varying degrees of demand for large companies and groups, containing important novelties, raising the levels of demand in terms of transparency and reliability in the reporting of non-financial information and diversity.

Over the past few years, there has been a clear tendency for companies to publish more information on sustainability, motivated mainly by the demand for transparent, comparable and accurate information from investors and society in general. Without doubt, it is a fundamental practice on the road to achieving the Sustainable Development Goals (SDG) of the UN 2030 Agenda or the Paris Agreement on climate change.

In line with this, ADIF-Alta Velocidad has prepared a non-financial information statement adapted to the provisions established in the aforementioned Law 11/2018, which constitutes the best practice in this matter.

Since 2017, ADIF-Alta Velocidad has opted for the presentation of the Integrated Management Report, including the non-financial information status, subject to the same approval, deposit and publication criteria as the Management Report. Regarding the reporting framework, it has been based on the Global Reporting Initiative (G4GRI) standards with the objective of identifying, compiling and reporting information on the impacts linked to environmental, social and economic issues, as well as their management in a clear and comparable manner, providing a complete and balanced image of the material issues of our organization. At the same time, the report was supplemented in 2017 by establishing a correlation between the G4GRI standards and the Sustainable Development Goals (SDGs) on which the activity of the entity impacts, providing a global framework for organizations and stakeholders to evaluate its local, regional and global impact. For this, firstly, these objectives have been prioritized according to the sector and type of business of the entity in order to identify the most relevant areas in which the organization can contribute and integrate these objectives into the corporate strategy.

With the reporting model for which ADIF-Alta Velocidad has opted, it intends to become a benchmark for public companies at the national level in the field of disclosure of non-financial information and diversity, raising the levels of demand in terms of transparency and reliability in the reporting of this data.

1.1. GENERAL ENTITY INFORMATION

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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The competences and functions of ADIF-Alta Velocidad are set out in its own statute regulated by Royal Decree 1044/2013, of December 27. The main competences of ADIF-Alta Velocidad are, in summary, the following:

- Construction of high-speed railway infrastructures that form part of the RFIG, charged to its own resources and in accordance with the provisions of the Ministry of Public Works.
- Construction of high-speed railway infrastructures, with resources from a third party, in accordance with the corresponding agreement.
- Administration of the infrastructure of its ownership.
- Control and inspection of the railway infrastructure, its protection zones and its railway traffic.
- Adjudication of capacity to railway companies that request it.
- Exploitation of the property of its ownership.
- Business of high-speed stations.
- Acquisition of electric power for the supply of current service to the railway system.
- Provision of additional services and, where appropriate, complementary and auxiliary services to the rail transport service in infrastructure of its ownership.
- Telecommunications and energy activities.

At present, the ADIF-Alta Velocidad ownership network reaches 3,153 kilometers, of which 2,514 km. are High Speed Standard Gauge (UIC) (1,435 mm); 567 km. correspond to Conventional Network with Pure Iberian Gauge (1,668 mm) and 71 km to Mixed Network (combination of Standard Gauge and Iberian Gauge), being present in different territories of the Spanish geography (Declaration on the ADIF High Speed Network 2018). The latest updated version of the Network Declaration is available on the Entity's website (www.adifaltavelocidad.es).

ADIF-Alta Velocidad acts as a catalyst for the railway sector through the development and management of a safe, efficient and sustainable infrastructure system.

1.2. BUSINESS MODEL, STRATEGY AND OBJECTIVES

The ADIF-Alta Velocidad business model as a whole is aimed at creating and managing high-performance, sustainable, quality, resilient and safe infrastructures, betting on innovation and the modernization of the transport system.

The main activity rendered by ADIF-Alta Velocidad is the construction and administration of high-speed lines. In addition, ADIF-Alta Velocidad is responsible for the management of the telecommunications infrastructure, the management of the energy supply to railway operators, the advice and supervision of actions in the field of environment and energy efficiency to ADIF.

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Numerous activities related to the ADIF-Alta Velocidad competences are entrusted to the Public Entity Administrador de Infraestructuras Ferroviarias (hereinafter, ADIF) through agreements for the provision of services, such as the management of traffic control systems and the capacity of infrastructures, maintenance, citizen protection and safety, management of passenger stations connected by high-speed lines and certain functions.

Construction

ADIF-Alta Velocidad continues to advance in the works and projects commissioned by the Government, uniting the different territories of the Spanish geography through a high-performance network.

Currently, the entity is charged with the construction of different lines. In 2017, progress was made in the construction of different high-speed lines that will be launched in the future, such as Venta de Baños-León-Asturias, Valladolid-Burgos-Vitoria, Mérida-Badajoz of the Extremadura corridor, Olmedo-Zamora-Lubián-Orense, Monforte del Cid-Murcia, new North-Northwest railway access: Madrid-Segovia-Valladolid/Medina del Campo, Navalmoral section of the Mata-Cáceres of Madrid-Cáceres High Speed line, Section between Almería and the Region of Murcia limit, Vitoria-Bilbao-San Sebastián, etc (see section 2.1)

In January 2018, the high-speed connection between Valencia and Castellón of the Mediterranean High-Speed Corridor was launched.

The development of the ERTMS system (European Traffic Management System) in the high-speed network (in addition to the conventional network) has made Spain the country with the most kilometers of railway line equipped with ERTMS in operation. The ERTMS is a train command and control system designed to ensure that signaling and communications between track infrastructure and on-board equipment are compatible throughout Europe, thereby advancing the interoperability of rail traffic between the countries of the European Union.

Operation and Maintenance

The operation and maintenance activities of the ADIF-Alta Velocidad infrastructure has been entrusted to ADIF, through the corresponding addenda to the Agreement signed between both entities, for ADIF to be charged with the provision of various services.

Among the main operating actions of the high-speed network include the management of rail traffic, the calculation of fees for the use of railway infrastructure, stations and other rail facilities and the operation of passenger stations, among others.

The maintenance of the high-speed infrastructure consists of the operations of conservation, repair, replacement and technological updating of the different elements that make up the network.

Integral Safety of the Railway System

The safety culture of ADIF-Alta Velocidad is based on the evaluation of risks in order to apply the preventive, corrective and improvement measures necessary to minimize these risks.

- Protection and Safety: Safety in infrastructures and installations of the company through the implementation of the systems and appropriate protocols in cases of incidents or emergencies, in collaboration with the competent public entities.
- Railway traffic safety: Control of the inherent risks in the circulation of trains, derived from the activity of ADIF-Alta Velocidad and Operating Companies, giving users confidence in the network through which they transit.
- Prevention of Occupational Risks: Commitment to the safety and health of our own employees, collaborating with other companies to understand and control the risks arising from the interaction with contractors and suppliers, as well as from anyone who performs a punctual or long-term job. ADIF-Alta Velocidad.
- Cybersecurity: Protection of the information systems of ADIF-Alta Velocidad against intrusions and external aggressions.

Telecommunications and energy

ADIF-Alta Velocidad is responsible for the management of the telecommunications infrastructure, the fiber optic network that extends along the railway lines and that supports the network services and offers a service to different operators to optimize the surplus capacity of their network.

In addition, it is responsible for the management of the electricity supply consumed by ADIF and ADIF-Alta Velocidad and the energy for traction and other uses consumed by RENFE Operadora; and in its case, by the rest of the operators that use electric traction material in the transport of goods. In addition, it advises and supervises the actions regarding energy efficiency at ADIF and ADIF-Alta Velocidad.

Technical Assistances and International Collaborations

The experience of ADIF-Alta Velocidad in the construction, operation and maintenance of railway infrastructures under the highest standards of quality and safety has positioned the entity in recent years as a benchmark for the sector. For this reason, ADIF-Alta Velocidad participates in different international initiatives such as the development of the trans-european rail network and the development of international regulation on safety and interoperability, among others.

1.2.1. Business Environment and Materiality Analysis

ADIF-Alta Velocidad aims to base its management on the responsibility towards society, so it is essential to take into account the expectations of the different stakeholders (customers, administrations, investors, society, employees, suppliers, partners and allies), based on the materiality analysis of the entity and establish channels of transparency and dialogue each party.

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ADIF-Alta Velocidad considers, as a group of interest, all social groups that see or can be affected by the activity of the company, now or in the future, and/or that, in a legitimate way, affect or may affect the activity of the company and, therefore, its results. Among its stakeholders are railway companies, travelers, citizens, public administrations, employees, governments of other countries, suppliers, business partners and allies and society (NGOs, associations, etc.). PT2020 has considered, through the grouping of different groups, five interest groups:



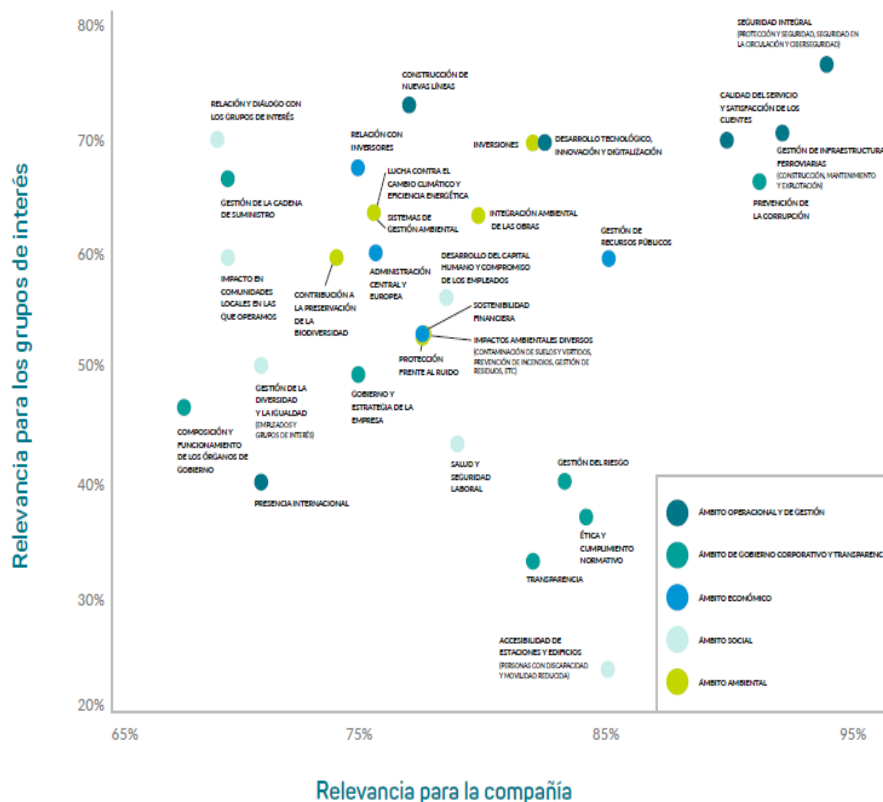
During 2018, within the 2018-2020 Business Plan, called PT2020, the information on the activity of ADIF-Alta Velocidad and its relationship with the different interest groups was analyzed. Through the update of the materiality report, which is the one that allows identifying the aspects of business activity that are most relevant, it was obtained that the factors: SAFETY, SERVICE AND SUSTAINABILITY must necessarily have a very relevant role in the articulation of our business strategy

The materiality analysis of ADIF-Alta Velocidad 2018 was carried out taking into account, on the one hand, the relevance for the company (possible impact of the aspects considered on the company's strategy and objectives) and, on the other hand, the relevance for the interest groups (clients, administrations, investors, society, employees, suppliers, partners and allies). Expectations have been classified into 5 major areas: operational and management, economic, environmental, social and, finally, corporate governance and transparency. In each area, the relevance that ADIF-Alta Velocidad gives internally to different aspects has been crossed, with that granted by our stakeholders, in order to define the priorities of the Transforma Plan 2020. In the materiality analysis of 2019, it will also include the assessment of aspects of the activity that have a direct impact on the SDGs.

The result of this matching, which is shown in the following graph, shows that the priorities are the following: safety (includes the different aspects related to integral security), service (includes aspects related to quality, construction, management of the network and the stations, etc.) and sustainability (groups together numerous aspects related to economic management, the governance of the company, the impact on social cohesion and the impact on the environment).

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In conclusion, it is clear that these three factors: safety, service and sustainability, must have a very important role in the articulation of our business strategy.



In the business environment analysis ADIF-Alta Velocidad is aware of the importance of maintaining a close, accessible and transparent relationship with all its stakeholders, so it gives great importance to the active management of its communication channels and to be able to listen to what the stakeholders demand and think about ADIF-Alta Velocidad.

ADIF-Alta Velocidad envisages revitalizing the presence of the entity on the Internet through the development and creation of a new corporate website and enhancing dialogue with stakeholders through social networks. In the following table you can see a summary of the communication channels established with the different ADIF-Alta Velocidad groups of interest.

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GRUPO DE INTERÉS	CANAL ESTABLECIDO
ADMINISTRACIONES PÚBLICAS E INVERSORES (Ministerio de Fomento, Administración y organizaciones financieras)	<ul style="list-style-type: none"> Comunicación continua través de los organismos competentes (Subsecretaría de Estado, Secretaría de Estado de Infraestructuras, etc.) Reuniones de seguimiento Convenios de colaboración
CLIENTES EXTERNOS (usuarios del sistema ferroviario, operadores ferroviarios, clientes empresas, gobiernos de otros países)*	<ul style="list-style-type: none"> Oficinas de Atención al Cliente en las estaciones de Adif-AV (atención personalizada, gestión de reclamaciones y sugerencias, etc.) Encuestas anuales de satisfacción a viajeros y a arrendatarios de los locales comerciales situados en las estaciones de Adif-AV Teléfonos de información y correo electrónico Convenios y acuerdos Mecanismos de reclamación y sugerencias (aplicación informática RECLAMA, libros de reclamaciones, etc.) Buzón de comunicación Redes Sociales Canal App Adif-AV (información en tiempo real del estado de la red y horarios)

GRUPO DE INTERÉS	CANAL ESTABLECIDO
PROVEEDORES	<ul style="list-style-type: none"> Comunicación vía correo electrónico o telefónica Convenios de colaboración
SOCIOS DE NEGOCIO Y ALIADOS	<ul style="list-style-type: none"> Acuerdos y colaboraciones sectoriales Asambleas generales y europeas, delegaciones internacionales Eventos y foros especializados Correo electrónico o teléfono
SOCIEDAD (ciudadanos, asociaciones, ONGs, organizaciones europeas e internacionales)**	<ul style="list-style-type: none"> Informes anuales de Adif-AV y otras publicaciones Información permanente a través de los medios de comunicación Buzón de comunicación Comunicación web Redes Sociales Portal de Transparencia
EMPLEADOS***	<ul style="list-style-type: none"> Portal corporativo Inicia Comités de representación de los trabajadores de Adif-AV Encuestas de clima laboral y de compromiso con Adif-AV Plan de Comunicación Interna Comunicaciones internas Información sobre cursos de formación Buzón de sugerencias Buzón de iniciativas para la mejora

The following is a summary of the relationship between ADIF-Alta Velocidad and some of the most important interest groups:

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ADMINISTRACIONES PÚBLICAS

Adif-AV se encuentra adscrita al Ministerio de Fomento que ejerce un rol regulador e inversor, por lo que la entidad tiene el compromiso de mantener una relación continua basada en la transparencia, a través de una gestión eficaz y sostenible de sus actividades. La relación entre Adif-AV y el Ministerio de Fomento se establece principalmente a través de la Subsecretaría de Estado, la Secretaría de Estado de Infraestructuras, Transporte y Vivienda, y especialmente, con la Dirección General de Ferrocarriles. Pero también está en contacto continuo con otras entidades adscritas al mismo, tales como Renfe Operadora y con otros ministerios como el Ministerio de Empleo y Seguridad Social y el Ministerio de Hacienda y Administraciones Públicas.

Por otro lado, Adif-AV mantiene una relación con organismos reguladores tales como el Tribunal de Cuentas y la Intervención General del Estado, con los que establece un contacto reglado según la normativa vigente, y con otros entes como el Defensor del Pueblo (en el tratamiento y respuesta de las quejas presentadas ante este organismo e instituciones análogas de las Comunidades Autónomas), abogacía del Estado (para la resolución de consultas y supervisión encaminadas a asegurar el cumplimiento de los requisitos legales aplicables con unidad de criterio), entidades de certificación, Instituto Nacional de Estadística (aportando regularmente datos relacionados con la actividad de Adif-AV) o universidades y centros de estudios públicos con los que Adif-AV establece convenios de colaboración.

Además, Adif-AV mantiene contacto y participa con diferentes entidades a nivel internacional:

- RNE (RailNet Europe): para colaborar en la planificación y gestión de la capacidad ferroviaria en corredores internacionales y mejora de la calidad y eficiencia orientada al desarrollo competitivo de tráfico de viajeros y mercancías sobre los mismos.
- EIM (European Infrastructure Managers): como asociación que aglutina a los más importantes gestores de infraestructuras europeos y que actúa como grupo de interés ante organismos de decisión política y legislativa de la Unión Europea y realiza estudios en apoyo de la modernización del sector ferroviario.
- ERA (European Railway Agency): para el desarrollo de especificaciones técnicas dirigidas a la interoperabilidad y seguridad, Adif-AV participa en este desarrollo a través de EIM.
- AEIEs (Agrupaciones Europeas de Interés Económico): para el desarrollo de proyectos transfronterizos ligados a Corredores ferroviarios internacionales y Redes Transeuropeas de transporte (RTE-T).
- PRIME: es la plataforma de gestores ferroviarios europeos para el desarrollo del Cuarto Paquete ferroviario. Adif-AV participa en la elaboración de un sistema de indicadores que permita el seguimiento de las principales actividades y la mejora de la gestión.

PROVEEDORES

Los proveedores son una pieza esencial para el desarrollo de la actividad de Adif-AV y su relación con ellos se basa en garantizar el mantenimiento de las colaboraciones y de la seguridad jurídica en la concesión y de la transparencia del proceso de contratación.

El proceso de contratación de proveedores de Adif-AV se establece a través de la política de contratación que incluye rigurosos parámetros de selección, y articula todos los procedimientos de compras a través de una gestión basada en la transparencia y la seguridad contemplando todos los procesos y sus posibles incidencias.

Para cada proceso de contratación, Adif-AV lleva a cabo un proceso de selección de proveedores en el que estos deben acreditar su solvencia empresarial así como el cumplimiento de requisitos sociales y ambientales determinados para cada expediente de contratación.

SOCIOS DE NEGOCIO Y ALIADOS

Dentro de este grupo de interés, Adif-AV identifica a las sociedades filiales y participadas, entre las que se encuentran las sociedades de integración. La gestión de este grupo de interés se basa en su seguimiento y la coordinación de las actuaciones de integración del ferrocarril en las ciudades con la colaboración de otras áreas de la empresa. De esta forma, Adif-AV establece alianzas con empresas externas y con administraciones que se formalizan mediante convenios, acuerdos de colaboración y participaciones accionariales.

En el ámbito de las sociedades de integración, y como fruto del esfuerzo de la entidad por adaptarse al nuevo marco estratégico de la empresa y al entorno económico que exige una mayor eficiencia y transparencia en la utilización de los recursos, se ha refinanciado la deuda de determinadas sociedades, se ha asumido la gestión jurídica, administrativa y contable, así como el seguimiento económico y financiero de otras que carecían de estructura suficiente para llevarlo a cabo, y se han negociado préstamos participativos.

FORÉTICA

En 2017 Adif-AV se adhiere a FORÉTICA, asociación sin ánimo de lucro que invierte los productos e ingresos derivados de su actividad a la promoción de sus fines. Dicha Asociación se constituye con el fin exclusivo de promover la cultura de la Gestión Ética, la Responsabilidad Social y la sostenibilidad en las empresas, fomentando la integración de los aspectos sociales, ambientales y de buen gobierno en la estrategia y gestión de las organizaciones.

Organización de referencia en RSE en España y Latinoamérica con más de 15 años de experiencia, lo que le permite ser la PLATAFORMA EN RESPONSABILIDAD EMPRESARIAL Y SOSTENIBILIDAD más consolidada y líder en España; cuenta con expertos en actividades de investigación, comunicación y servicios de apoyo a la gestión responsable. Cuenta con más de 200 socios, 40% de empresas del IBEX 35, 22 empresas Fortune Global 500, 17 empresas del Dow Jones Sustainability Index y 8% de socios ONG. Es la única en España que aglutina en su seno a los diferentes actores sociales (composición multistakeholder), lo cual la hace especialmente interesante para los fines perseguidos por Adif-AV, relacionados con la generación de relaciones de confianza con sus grupos de interés.

En 2014, FORÉTICA es elegida por el World Business Council for Sustainable Development (WBCSD, Consejo Empresarial Mundial para el Desarrollo Sostenible), como su único representante en España. Esta dimensión internacional de Forética y su vínculo con el principal foro mundial en sostenibilidad, tiene un valor especial para Adif-AV, dada la proyección internacional de nuestra entidad.



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RED ESPAÑOLA DE PACTO MUNDIAL DE NACIONES UNIDAS

En 2017 Adif Alta Velocidad inicia los trámites de adhesión a RED ESPAÑOLA DE PACTO MUNDIAL, culminando el proceso en marzo de 2018. REPM es una asociación sin ánimo de lucro con personalidad jurídica propia y plena capacidad de obrar, con sede en España y constituida por tiempo indefinido.

PACTO MUNDIAL DE NACIONES UNIDAS, compuesto por más de 13.000 entidades de todo el mundo, opera en España únicamente a través de la asociación RED ESPAÑOLA DEL PACTO MUNDIAL DE NACIONES UNIDAS, REPM, que cuenta actualmente con más de 2.600 entidades (15% son grandes empresas de las que el 89% pertenecen al IBEX35) adheridas a esta iniciativa de responsabilidad social empresarial, convirtiéndola en la red más importante de las 86 que existen.

REPM, ha asumido el liderazgo en la tarea de impulsar la orientación de la actividad empresarial a la consecución de los OBJETIVOS DE DESARROLLO SOSTENIBLE, ODS. La actividad de Adif-AV genera unos impactos (triple cuenta de resultados, económicos, sociales y medioambientales), que tienen su reflejo en los ODS, incidiendo directamente en las expectativas tanto de los grupos de interés como en las necesidades de la sociedad. REPM, es una asociación multistakeholder que opera en un entorno multidisciplinar fomentando la integración de nuevos modelos de gestión responsable, es por ello, que para Adif-AV la hace especialmente interesante para los fines perseguidos por nuestra entidad, en relación a la generación de relaciones de confianza con sus grupos de interés.

Dado que Adif-AV pretende impulsar un cambio relevante en la forma de abordar e integrar la Responsabilidad Corporativa en la estrategia de la entidad y operaciones de negocio para una mejora de su desempeño e impacto en la sociedad, contribuyendo activamente a la consecución de los ODS, y dado el carácter de REPM de exclusividad operativo en España, como representante de Naciones Unidas y su condición de liderazgo respecto a los ODS, Adif-AV CONSIDERA DE INTERÉS SU ADHESIÓN A DICHA ASOCIACIÓN con la finalidad de formar parte de la mayor iniciativa mundial de sostenibilidad empresarial promovida por las Naciones Unidas.



APOYAMOS
AL PACTO MUNDIAL

INVERSORES

Tras la segregación Adif-AV asumió la parte correspondiente a la construcción de las nuevas líneas de alta velocidad. Esta actividad requiere de financiación, por lo que la confianza en la entidad por parte de la comunidad inversora se ha convertido en un factor clave de sostenibilidad. Para lograr esa confianza, Adif-AV ha ampliado la información financiera y no financiera aportada al mercado, para que los inversores puedan tomar su decisión de inversión de forma informada. La entidad está visitando las principales plazas europeas presentando su proyecto empresarial.

Para acceder a financiación la emisión de bonos o la concesión de préstamos Adif-AV tiene establecida una estrecha relación con Administraciones Públicas y entidades financieras, principalmente de la Unión Europea, tales como el Banco Europeo de Inversiones (BEI), el cual concede préstamos para o los Fondos Europeos.



La página web corporativa cuenta con un apartado específico dirigido a inversores, donde se puede encontrar la información financiera más relevante de la entidad, así como presentaciones a inversores

In the international arena, ADIF-Alta Velocidad with the objective of obtaining references from its business environment for the structuring and definition of its Strategic Plan PT2020, has analyzed the strategies of other railway managers in the European environment. Deutsche Bahn, SCNF, Infraestructuras de Portugal, Network Rail and Rete Ferroviaria Italiana; as well as those of other national infrastructure managers: AENA, Canal de Isabel II, Compañía Logística de Hidrocarburos, Enagás y Red Eléctrica Española.

Considering the results obtained in all the organizations, both at a European and national level, it can be concluded that among the aspects that are given the highest priority are safety, focusing on the protection of people as well as infrastructure. On the other hand, the vast majority of managers place the customer at the center of the strategy and aim to offer a quality service in order to increase their satisfaction. Likewise, it has become clear that sustainability is part of the main strategic axes of the entities studied.

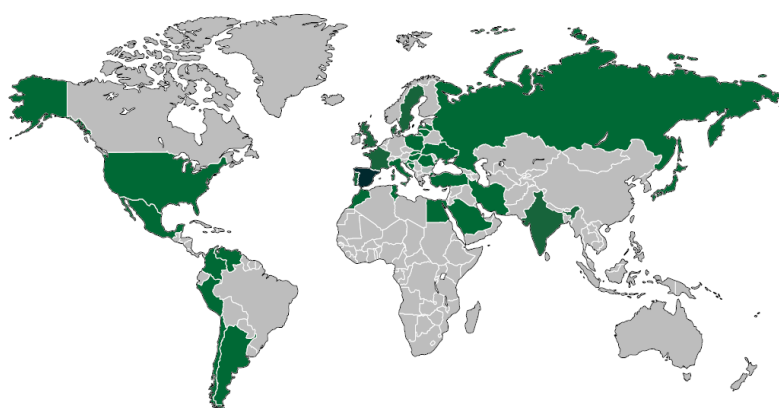
In addition, most of these managers aspire to propose modern business models, in which digital transformation and innovation play an important role. For ADIF-Alta Velocidad, both tools are essential to advance the transformation process.

Finally, a large part of the strategic plans analyzed pay special attention to the people who are part of the entities, with a vocation to become good employers for their workers.

1.2.2. Markets in which we Operate

In the international arena, the results are oriented to the general objective set by the entity; which is, in addition to the defense of their interests, the profitability of the knowledge and experience of ADIF-Alta Velocidad in the attainment of technical assistance and contracts in foreign markets. In this sense, 2018 has turned out to be a year of great relevance, especially in the field of High Speed, consolidating the business dimension abroad through very relevant opportunities, such as the Feasibility Studies of High Speed Lines in India and Egypt, or Technical Assistance to Sweden or Israel; as well as in the field of participation in international organizations and initiatives, mainly within the EU, where we can also say that we have consolidated and improved our position.

The experience of ADIF-Alta Velocidad in high speed is especially appreciated by those countries that are interested or already have high-speed projects, in any of the aspects linked to the project, the construction, operation and maintenance of infrastructures. As a result, technical assistances derived from the collaboration agreements that we have established with similar companies or with their Supervising Ministries are developed. Our standards of quality, safety, costs and construction periods position us as a first rank reference worldwide, also supporting Spanish companies in the sector. In addition, ADIF-Alta Velocidad participates through various international organizations in numerous initiatives related to innovation linked to high speed and the development of international regulation on safety and interoperability, among others, directly applicable to the development of new lines of high speed as the impulse of the trans-European rail network.



1.2.3. Strategies and Objectives

Once the Business Plan 2018-2020, called PT2020, has been defined, in 2018 a new strategy has been initiated for the coming years, with the 2020 horizon. In this Plan, a prior reflection has been made on the nature and meaning of our activity, and the focus has

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been on the need to guide everything we do; that is, to focus the planning, construction and management of railway infrastructures, to improve the lives of the people to whom, as a public company, we provide service. This idea of improvement, moreover, 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 neglecting the social aspects necessary for the well-being of society as a whole and respect for the environment.

For this year, in ADIF-Alta Velocidad we adopted the perspective of a triple bottom line, trying to respond, from our responsibility as a company, to the social, economic and environmental challenges, both in our sector and in our country. Therefore, now our Business Plan is our Corporate Responsibility Plan and we could also say it in an inverse way, since our activity is oriented, from corporate responsibility, to promote, an increasingly sustainable development model of the country.

In ADIF -Alta Velocidad the Corporate Responsibility Plan (RC) has been integrated into the Strategic Plan; in which the strategic lines of work aimed at fulfilling commitments acquired within the framework of our RC and Sustainability policy is materialized; commitments that are measurable, to be evaluable, through the execution of different plans, programs, projects that allow the development of the lines of action.

		RESPONSABILIDAD				
		OPERATIVA	ECONÓMICA	SOCIAL	AMBIENTAL	BUEN GOBIERNO
OBJETIVOS ESTRATÉGICOS	1. Seguridad en la circulación	✓		✓		
	2. Ciberseguridad	✓		✓		
	3. Protección y seguridad	✓				
	4. Seguridad y salud laboral			✓		
	5. Sistema de transporte	✓			✓	
	6. Experiencia de cliente	✓		✓		
	7. Oferta de infraestructuras	✓	✓	✓	✓	
	8. Co-creación de valor		✓	✓		
	9. Negocio sostenible		✓			✓
	10. Medioambiente y clima			✓	✓	
	11. Cohesión social			✓		
	12. Gobierno y gestión	✓		✓		✓
	13. Personas	✓		✓		
	14. Transformación digital	✓		✓		
	15. Innovación	✓		✓	✓	

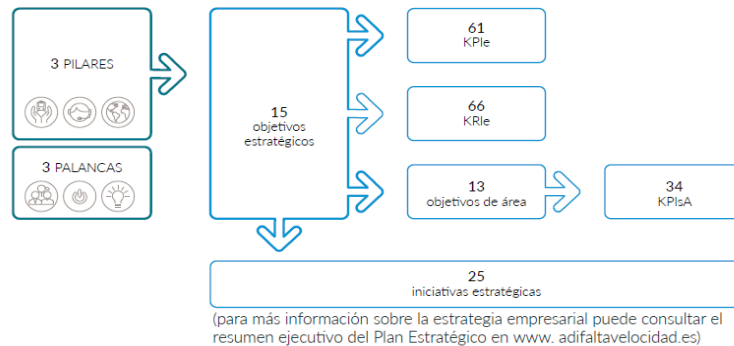
The ADIF-Alta Velocidad strategy has been articulated around three main pillars: Safety, Service and Sustainability. Pillars that receive the impulse of three levers of transformation: the people that make up the organization, the Digital Transformation and Innovation. About this basic structure, 15 strategic objectives have been set, which, in turn, have been broken down by areas of activity of the entity.

During this year, the Business Plan was deployed to the entire Entity, consolidating the strategic indicators on a monthly basis, analyzing their behavior and deviations, as a result of which they will give rise to, in 2019, the adaptation of said indicators to the new requirements that flow to the needs of the Activity Program and of the Agreements to be signed with the State, under the umbrella of continuous improvement in our processes.

In parallel to the formalization of the strategy, there has been a great boost to the streamlining of projects and the relaunching of investment in railway infrastructure, promoting multiple agreements with different interest groups, such as municipalities, autonomous communities and different business organizations.

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Estructura y despliegue del Plan Transforma 2020



ADIF-Alta Velocidad Strategic Objectives (period 2018-2020)

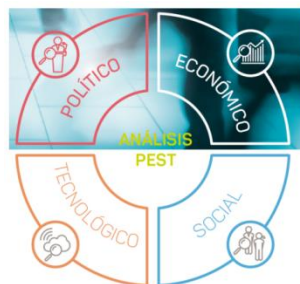
1. CIRCULATION SAFETY OE 1.1.	Ensure safe circulation management, fostering a culture of prevention, proactivity and continuous improvement.
2. CYBERSECURITY OE 1.2.	Protect the information systems of ADIF-Alta Velocidad against intrusions and aggressions and, where appropriate, minimize their impact on the activity.
3. PROTECTION AND SAFETY OE 1.3.	Guarantee the safety of people, the continuity of operations and the preservation of assets, in the face of security threats and emergency situations.
4. OCCUPATIONAL HEALTH & SAFETY OE 1.4.	Maintain ADIF-Alta Velocidad as a benchmark in the sector of low work accidents, with a permanent prevention effort.
5. TRANSPORT SYSTEM OE 2.1.	Favor the increase of the transport quota and its integration with other modes of transport.
6. CUSTOMER EXPERIENCE OE 2.2.	Create an optimal experience for users of the railway network, both in their travels and in the use of our stations and logistics centers.
7. INFRASTRUCTURE OFFER OE 2.3.	Make available to society a high quality railway network that responds to their transportation needs.
8. CO-CREATION OF VALUE OE 2.4.	Value the assets and capabilities of ADIF-Alta Velocidad in collaboration with companies, public institutions and third sector organizations.
9. SUSTAINABLE BUSINESS OE 3.1.	Obtain a balanced operating profit and efficiently capture the necessary financial resources.
10. ENVIRONMENT AND CLIMATE OE 3.2.	Contribute to a respectful transport system with the environment and responsible in the use of resources.
11. SOCIAL COHESION OE 3.3.	Facilitate an accessible public service and contribute to the improvement of local communities, generating well-being and facilitating the integration of social groups at risk of exclusion.
12. GOVERNMENT AND MANAGEMENT OE 3.4.	Strengthen the prestige of ADIF-Alta Velocidad as a well-managed public entity governed by the principles of ethics and transparency.

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13. PEOPLE OE 4.1.	Promote a coordinated and flexible organization with a corporate culture that allows to enhance the talent of people and promote leadership in the different levels and areas of ADIF-Alta Velocidad.
14. DIGITAL TRANSFORMATION OE 4.2.	Implement intelligent management of ADIF-Alta Velocidad processes and strengthen digital interaction with customers.
15. INNOVATION OE 4.3.	Orient innovation towards an open and participatory model that responds to the challenges of the rail sector. .

Trends: current situation and future evolution

The ADIF-Alta Velocidad PEST analysis (political, economic, social and technological) has given us a vision of the current situation and future perspectives that may affect the entity. Below are the most relevant aspects:



- Political: The guidelines and regulations of the railway sector, both European and national, are aimed at configuring a sector model that we must keep in mind in our own business model and future strategy. Thus, with the recent approval of the Fourth Railway Package by the European Union, the aim is to eliminate the last obstacles to the creation of a single European railway area, fostering competition and innovation in national passenger markets (Liberalization of the rail sector). Furthermore, in its political and governance pillar, it is required to guarantee the independence of infrastructure managers in the so-called essential functions (allocation of capacity and setting of fees). This approach also promotes stability and decoupling from the planning of external constraints.

In relation to the national legislation, on January 24, 2018, the preliminary draft of the Law that modifies Law 38/2015 of the Railway Sector was submitted to public hearing, incorporating the changes included in the Fourth Railway Package and focusing on the openness to competition in the market for passenger services and in the governance of railway infrastructures.

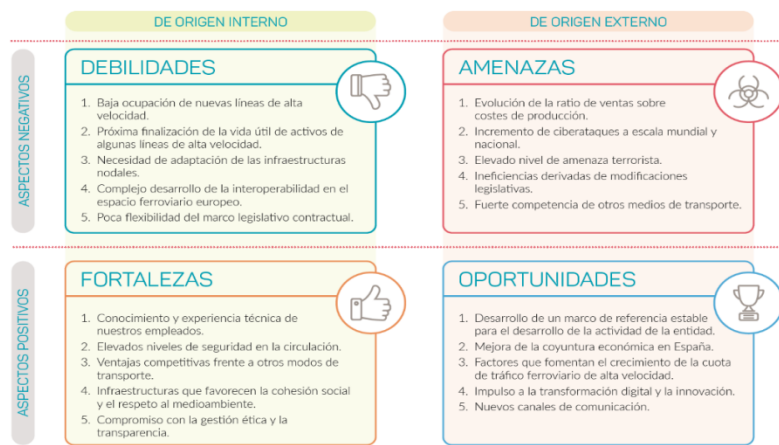
In addition, the Fourth Railway Package introduces other key issues in the technical pillar related to safety and interoperability. It is also committed to improving the interconnection and functional integration of national rail networks.

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- Economical: We are in an economic moment with positive expectations of growth. The forecasts collected by the Bank of Spain establish an average annual GDP growth of around 2.3%, which will have a positive impact on transport. In this context, it is expected that the evolution of rail traffic will also be positive, although it logically depends on the competitiveness of railway companies, especially their supply and commercial management. On the other hand, we must bear in mind, from the point of view of our planning and economic management, that the Fourth Railway Package requires the financial sustainability of the sector and maximum financial transparency, as well as the balance of the profit and loss account of the infrastructure manager; objective for which it must ensure, according to what is established both in the Law of the Railway Sector and in Directive 2012/34 / EU of the European Parliament and of the Council. In order to achieve this balance, the signing of the Agreement between the Ministry of Development and the General Infrastructure Administrators is essential, as well as the approval of its activity program and the indicative strategy on railway infrastructures to be drawn up by the Ministry.
- Social and cultural: There are numerous variables that determine trends and social change. Among those that most affect infrastructure and transport are the aging population, the digitalization process of our society and the new concept of mobility. Currently, the population over 65 years stands at 19.1% of the total population, with about 9 million people, and the forecasts for increase are very significant. This points to a need for notable comprehensive accessibility in infrastructure and rail services. Regarding cultural changes, the Report of the Digital Society in Spain (2017, from the Fundación de Telefónica España), shows how our country is in an unstoppable transformation process, where new ways of life affect a change in the concept of mobility and mark three aspirational tendencies: ultramobility (increased distances and speeds), altermobility (more efficient transport solutions) and proximability (transport that improves local mobility), all in a revolution of space and time where the infrastructures and multifunctional railway spaces are heading towards a new paradigm.
- Technology: The railway will be able to benefit from the acceleration in the technological transformation that we are experiencing. On the one hand, the "Internet of Things", which will favor the development of technological tools for the interaction of people with the infrastructures and the services provided. On the other hand, Big Data will increase the ability to analyze and understand data, environments and patterns through a massive processing of information. The application of these technologies in railway stations will bring us closer to a future concept of more useful station and close to citizens. Likewise, Industry 4.0, 3D, blockchain or BIM technologies will play an important role, propitiating new components, systems, processes, products and services, which will enable a comprehensive industrial transformation of great scope that we must take advantage of.

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To conclude this diagnosis, we apply the SWOT analysis as a methodology to study the situation of ADIF-Alta Velocidad, taking into account the internal characteristics (weaknesses and strengths) and the external situation (threats and opportunities):



1.2.4. Applied Policies and Key Indicators

As a public company at the service of citizens, we have the obligation to adapt to social changes to find effective ways to meet their needs, thus contributing to the transformation of the sector and the entity itself, trying to ensure the sustainability and public use of the Rail system.

The service provided by ADIF-Alta Velocidad and the impact, potential and current, that it generates in the environment and in society, mean that its new strategic orientation, which began in 2018 with the 2020 horizon, is consolidated around the concept of sustainable development. This integrates in a coherent and balanced manner, the three spheres (economic, social and environmental), and taking as a high-level reference the commitments acquired by other parties, national and international, through the Sustainable Development Goals of the United Nations.

The basis from which our strategic orientation is reinforced to sustainable development is the way in which ADIF-Alta Velocidad understands Corporate Responsibility. That is, the way to put into practice the responsibility that we have as a company at all levels (operational, economic, social, environmental and government) is to aim at sustainable development as the ultimate goal. Based on this approach, the ADIF-Alta Velocidad Strategic Plan, Transforma 2020 Plan, PT2020 has been defined and deployed.

In the different sections of this report, some of the data corresponding to the key indicators of the Transforma 2020 Plan are presented.

APPLIED POLICIES

Alignment of the entity's strategy with the Sustainable Development Goals (SDG)

Aware of the public service we provide and the impact that our activity generates on the environment and on society, ADIF-Alta Velocidad has based its new strategic orientation on the concept of sustainable development (1)ⁱ, seeking its integration in our daily work.

As we indicated, we begin from the basis that the ultimate purpose of our activity is to improve the lives of the people for whom we work as a public company, and we understand that this idea of "improvement" is inevitably linked to the need to *"satisfy needs of the present without compromising the ability of future generations to meet theirs"*, that is, linked to the concept of Sustainable Development.

To move forward with this orientation in 2017, the GoODS Project was created, continued in 2018, which aims to align the company's strategy with the SDGs (2)ⁱⁱ, involving the entire organization so that the contribution of ADIF-Alta Velocidad is reinforced to the achievement of the SDGs in which it has the most impact.

The project is based on creating effective tools that promote all our operational and management decisions, all our projects and activities, have a new strategic orientation based on responsibility and focused on sustainability. That way we get, in 2030, that ADIF-Alta Velocidad contributes significantly (Go!) To the Sustainable Development Goals (SDGs) defined by the United Nations in September 2015.

Previously, the perspective of sustainable development was not completely integrated into the strategic orientation of the company. Therefore, in order to achieve a commitment to sustainability, it was necessary to change the model that placed the focus on sustainable development at the center of the business.

To include sustainable development and the SDGs as the basis of the business strategy, we are working, through the GoODS project, on the following aspects:

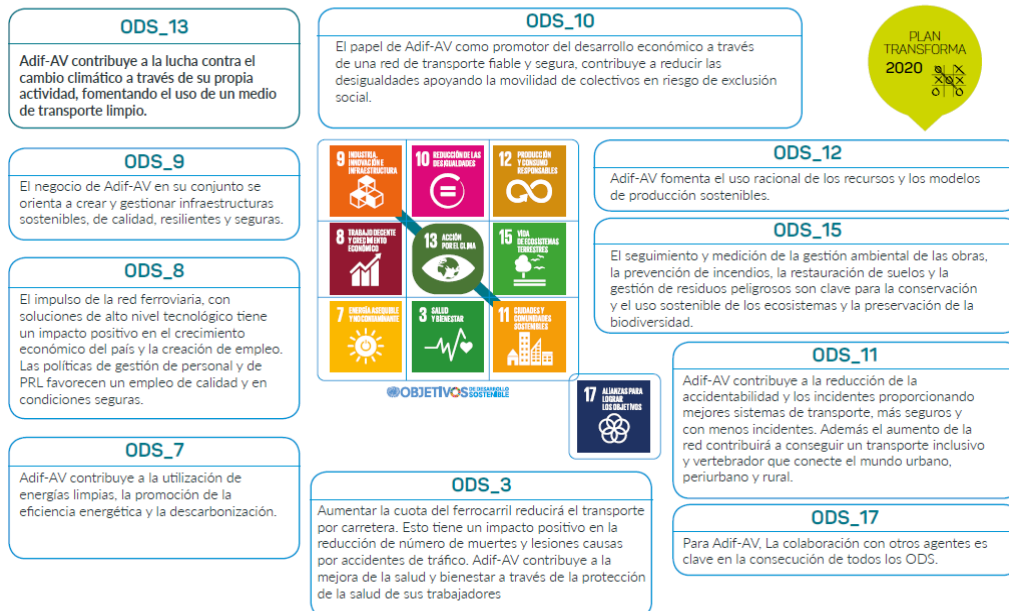
- Modeling the connection of the Strategic Plan and the SDGs, identifying Strategic Objectives, KPIs and strategic initiatives with impact on the SDGs and their goals.
- Development of a narrative where the SDGs inspire the new strategic orientation, reflecting it in the Strategic Plan.
- Transmission of the new approach to the entire organization through different internal communication tools and with the leadership of senior management.

The European and Spanish institutions are already mobilizing to contribute to the SDGs by promoting different initiatives. ADIF-Alta Velocidad wants to join this global movement because we are convinced that we must meet these global challenges and integrate them into the strategy. With a long-term vision, it is inevitable to realize that contributing to

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sustainable development benefits everyone, since a more stable, cohesive, prosperous and healthy environment favors the development of our business activity.

Contribución de Adif AV a los ODS



ADIF-Alta Velocidad, as a socially responsible company, continues in 2018 with the commitment acquired in 2017 with the United Nations Global Compact, the world's largest public-private partnership in terms of sustainability, initiating the process of integrating the 17 objectives of Sustainable Development, SDG, in its strategy and, for that, should be aware of those universal initiatives that provide standards for business management such as the 10 Principles of the United Nations Global Compact or UN Guiding Principles on Business and Human Rights. 10 principles to manage risks and 17 objectives to contribute to sustainable development and find business opportunities. <https://www.pactomundial.org/category/learning/10-principles>.

The application of a strategy aligned with the SDGs represents a competitive advantage for the entity, allowing to identify future business opportunities, strengthen relationships with stakeholders, have a management based on efficiency and generate a positive impact on society in the three social, environmental and economic fields.



In this context, we continue to contribute to the development of society and local communities where we act, working equally on those Sustainable Development Goals in which we generate the greatest impact. Likewise, we maintain our commitment to caring for the environment, minimizing the environmental impact of our actions and efficiently and responsibly managing our resources, consumption and emissions.

For example, ADIF-Alta Velocidad also has other policies applied:

- Anti-Fraud Policy.
- Prevention and Management of Conflicts of Interest Policy.
- Quality Policy.
- Environmental Policy.
- Preventive Policy
- R&D Policy.
- Information Security Policy.
- Ethical code.
- Comprehensive Risk Management Policy.
- Security policy.

1.2.5. Future Challenges

Liberalization of passenger transport in the rail sector in 2020: Adaptation plan for the Fourth Railway Package

The liberalization of passenger transport in 2020 could increase traffic between 30 and 50 percent, so it is necessary to ensure the quality and punctuality of the service; one of the

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main attributes of the Spanish high-speed network, while contributing to increasing the economic sustainability of railway administrators.

In this way, Spain would move towards an increase in the high-speed network usage rates, which is the one with the greatest commercial appeal and where railway more competitive than other type of transport. Currently, our high-speed network uses one-fifth that of France, and approximately one-third that of Germany or Italy.

In the case of Italy, the liberalization of passenger rail transport, which took place in 2012, has proved to be the most emblematic of our surroundings and a benchmark for ADIF-Alta Velocidad, with very beneficial effects for the entire sector. Thus, the high-speed market in that country has grown 80 percent since its liberalization until 2016, from 38 million to 68 million passengers.

Entry of new operators in the market

For this reason, the entity is developing a series of processes that will facilitate the entry of new operators in the market. To this end, ADIF and ADIF-Alta Velocidad are working on a study on the reorganization of current traffic, so that it is possible to introduce the services of the new railway companies, guaranteeing globally the offer currently being provided by Renfe.

It will also give visibility to the available capacity in the network, while providing legal certainty to companies, through the signing of framework agreements that guarantee the reservation of capacity for a period of five years, which may be of longer duration in case of existence of commitment of heavy investments.

Similarly, a system of fees for the use of the network that provides stability and certainty to companies will be consolidated. ADIF has included in the 2019 Network Declaration, a description of the model used for the calculation of directly attributable costs, which is a further step in compliance with the European framework.

Finally, the possibility of making the declaration of "specialized line" for the main high-speed lines is being valued, which would give priority to traffic that best adapts to a more intense use of them, in the whole of the length of every one of them.

Adaptation plan for the Fourth Railway Package

Additionally, ADIF and ADIF-Alta Velocidad are working on an adaptation plan for the Fourth Railway Package, the European normative basis according to the development of the liberalization process.

This plan includes all aspects related to the service provided to railway customers. In this respect, both entities are adapting the stations for the incorporation of new operators, under four management criteria: non-discriminatory treatment, transparency, flexibility and sustainability.

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The objective is to make available to new operators, information on the services offered, application and award procedures, as well as prices, which will be offered in a catalog that will be published in the Network Statement.

In addition, ADIF has proactively initiated a process of searching and locating land within its property that could be placed at the disposal of new operators for the construction of its facilities. The corresponding catalog will be published on the ADIF website soon.

Finally, the necessary procedures are being enabled to improve the imputation of the energy consumptions made by each train, with the aim of being able to invoice each operator what is actually consumed by each service. Following the trend observed in European countries, we move towards a model based on the measure shipped as a service billing unit.

Challenges

In the chapter of challenges, ADIF-Alta Velocidad is currently developing a plan to alleviate the saturation of large high-speed stations, such as Madrid Puerta de Atocha or Barcelona Sants, whose growth capacity is limited by its central location in the urban network.

In order to achieve a more rigorous use of these terminals, the concept of a "coordinated station" has been introduced in the Network Declaration. This definition is applied to those stations in which, due to their high saturation and their future use shared by several railway companies, it will be necessary to declare the required parking time at the train's origin and destination, as well as its length.

Likewise, it will be contemplated to qualify them as "congested infrastructures", which would allow the application of special priority access rules and control of their use, and would force to establish a plan to increase their capacity.

In line with the above, actions are being taken to improve the infrastructure to mitigate the saturation of the main high-speed terminals: Barcelona Sants and Madrid's Puerta de Atocha and Chamartín stations.

Action Plan for the implementation of the 2030 Agenda. Challenges and opportunities of public entities.



Since the launch of the 2030 Agenda and its Sustainable Development Goals, SDG, at the end of 2015, many efforts have been made by governments, public and private companies, as well as society to respond to them and to move forward in its achievement before 2030. The National Action Plan for the implementation of the 2030 Agenda, contemplates the implementation of public policies, key measures to undertake major transformations, monitoring, accountability and evaluation.

The vast majority of public companies consider that the lack of awareness and internal awareness about the relevance of the 17 SDGs is a major challenge for their integration. In this sense, the training and identification of transversal competences are key tools.

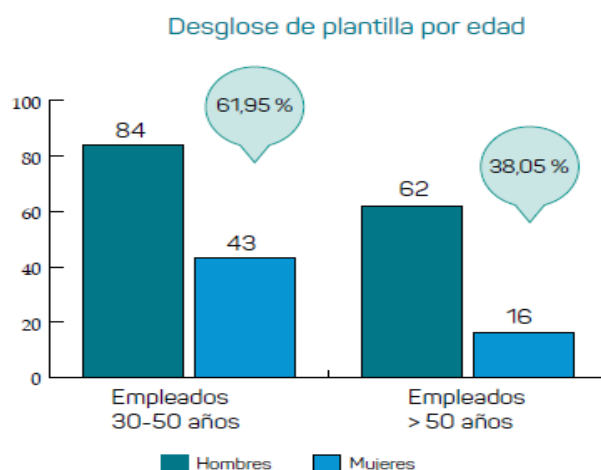
The achievement of the SDGs is an opportunity to improve reputation and external recognition, which is a good motivation to continue strengthening your commitment. Similarly, it improves the internal management of processes and represents new business opportunities.

In general terms, Spain is in line with the progress that the European Union is making to achieve compliance with the 2030 Agenda (a comparison between Spain and Europe in relation to the achievement of the Sustainable Development Goals, shows that, according to the 2018 edition of the SDG Index and Dashboards Report, worldwide Spain is in the first quartile of countries closest to its achievement and ranked 25 out of 156).

ADIF/ADIF-Alta Velocidad contributes to the fulfillment of the actions being carried out by the Spanish public sector; and in this sense, one of the most outstanding actions is the purchase of 100% of the energy with GdO certificate (Renewable Origin Guarantee); ADIF-Alta Velocidad, the first Spanish public business entity to incorporate "responsible purchase" criteria into its electricity supply tenders (alignment of the entity's strategy with SDGs 7 "renewable energies" and SDG 13 "action for climate").

Workforce transformation process

In ADIF-Alta Velocidad, regarding the distribution of the workforce by age, the majority of employees are people between 30 and 50 years old (61.95% of the total), with the average age of employees being 49.3 years. We start from a problematic situation due to the high average age of our workers. We have, therefore, an important challenge to face in the coming years: the rejuvenation of the workforce. In this regard, initiatives such as partial retirement have been launched, and others are planned such as the project of the De-employment Plan, which together with the subsequent Public Employment Offers will lower the average age without loss of knowledge and experience, fundamentals in the smooth running and effective management of our company.



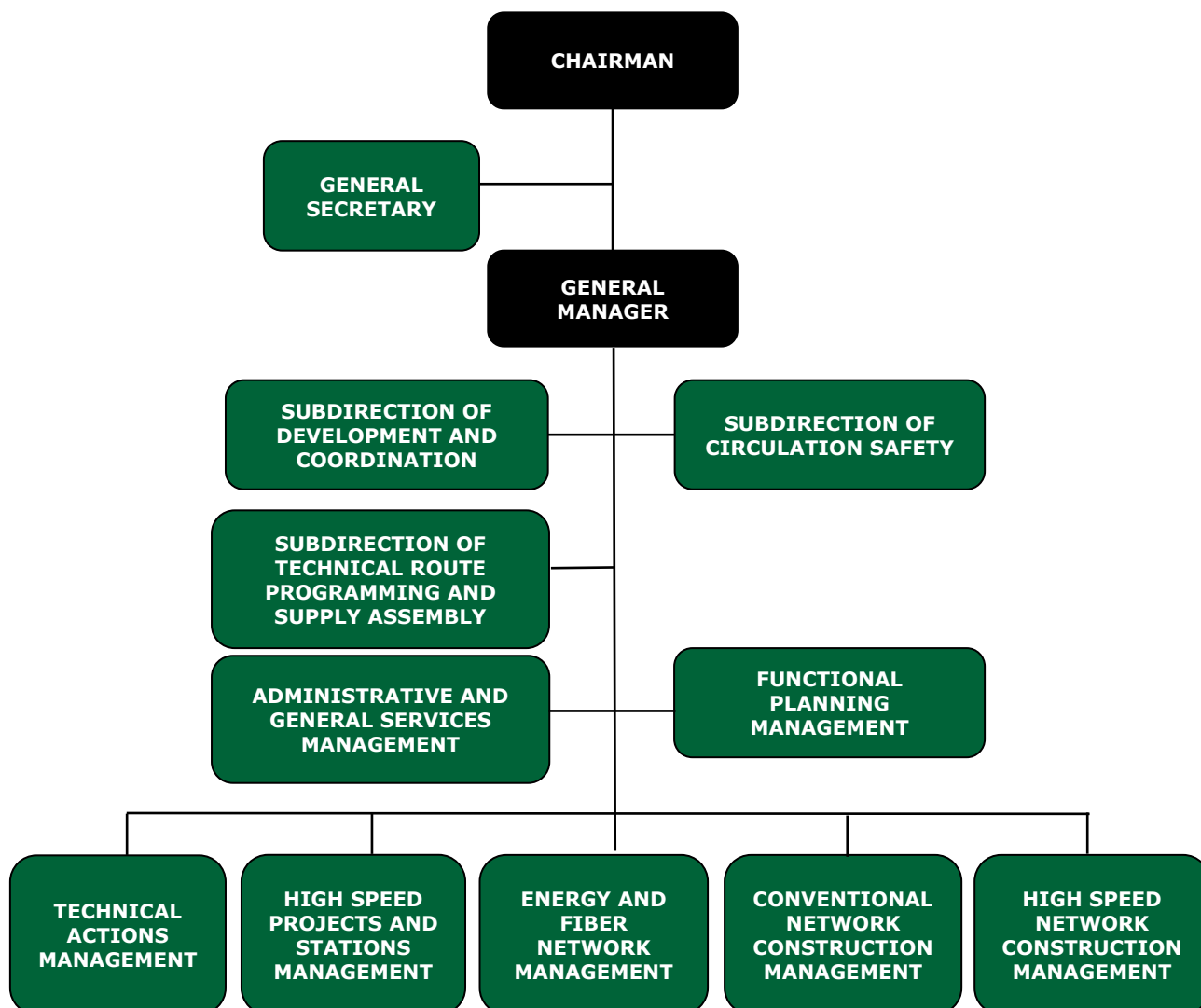
1.3. GOVERNMENT AND ORGANIZATIONAL STRUCTURE

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, 2018 is as follows:

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The composition of the ADIF-Alta Velocidad Address at December 31, 2018 is detailed below:

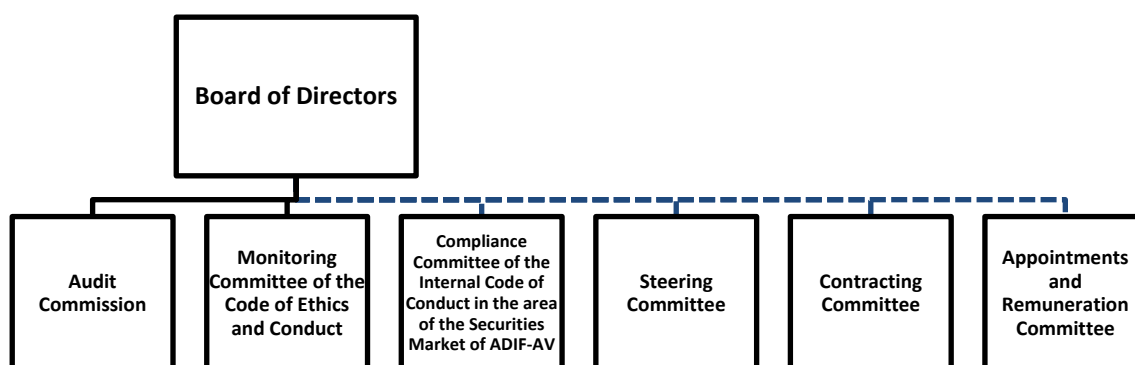
MANAGEMENT
CHAIRMAN Mrs. Isabel Pardo de Vera Posada.
D.G. ADIF ALTA VELOCIDAD Mr. Juan Pablo Villanueva Beltramini.
GENERAL SECRETARY Mr. Rosa María Seoane López (*).
(*) Voluntary resignation as Secretary of the Board: Resignation with effect date 31/12/2018

1.3.1. 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 and Appointments and Remuneration Committee.



1.3.2. 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, 2018, the Board of Directors consisted of eleven members: Chairman, the Secretary of the Board and nine members.

BOARD OF DIRECTORS

CHAIRMAN

Mrs. Isabel Pardo de Vera Posada
(29/06/2018).

MEMBERS

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

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Mrs. Miryam Bonafé Tovar (30/03/2015).
Mrs. Elena María Ayuso Mateos (13/07/2018)
Mr. Domingo García Díez (01/03/2017).
Mr. Rodrigo Moreno Pérez (10/02/2017).
Mr. Jesús Miguel Pozo de Castro (10/03/2017).
Mr. Javier Herrero Lizano (02/07/2018).
Mrs. María Pilar Seisdedos Espinosa
(19/11/2018).
Mr. Jaume Sellés Santiveri (29/09/2017)

SECRETARY

Mrs. Rosa María Seoane López (*)

(*) Voluntary resignation as Secretary of the Board:
Resignation with effect date 31/12/2018.

45,50%
Women on
the board

In 2018, the Board of
Directors met 15 times.

Resignations produced from the Board during the 2018 financial year were as follows:

Mr. Juan Bravo Rivera (29/06/2018).
Mr. Andrés Ayala Sánchez (04/07/2018).
Mrs. Carmen Fúnez de Gregorio (04/07/2018).
Mrs. Mercedes Rodríguez Tarrida (19/11/2018).
Mr. Jorge Urrecho Corrales (02/07/2018).

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.
- 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

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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 2018, the ADIF-Alta Velocidad Board of Directors met 15 times. Throughout these meetings, issues such as tenders, awards and contract incidents were discussed; collaboration agreements and framework agreements; granting of powers and delegations of powers, corporate actions and assets; approval of the individual 2017 ADIF-Alta Velocidad Annual Accounts; new Entity Structure; update of the 2018 Network Declaration Document; creation of the ADIF-Alta Velocidad Audit Commission; authorization and indebtedness of financial operations; Corporate Governance report; anti-fraud policy; prevention policy and conflict of interest management; creation of the ADIF-Alta Velocidad Appointments and Remuneration Committee; ADIF-Alta Velocidad Strategic Plan 2020; 2018 fees; 2019 fee proposals; authorization to close the price in the OMIP Futures Market, in the purchase of telemetered electricity for 2019 and 2020; review of the Corporate Governance and Regulatory Compliance Model; initial approval of the ADIF-Alta Velocidad budgets for 2018; initial approval of the Entity's budgets for 2019; and approval of the document to modify the consolidated text of the contract signed for the urban development of the Chamartín and Fuencarral railway facilities in Madrid.

1.3.3. Other Internal Management Bodies

Internal Audit Commission

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The operation of the Audit Commission is governed by the operating rules approved by the Board of Directors at the session in which the body was created on February 27, 2017, with the Audit Committee being deleted.

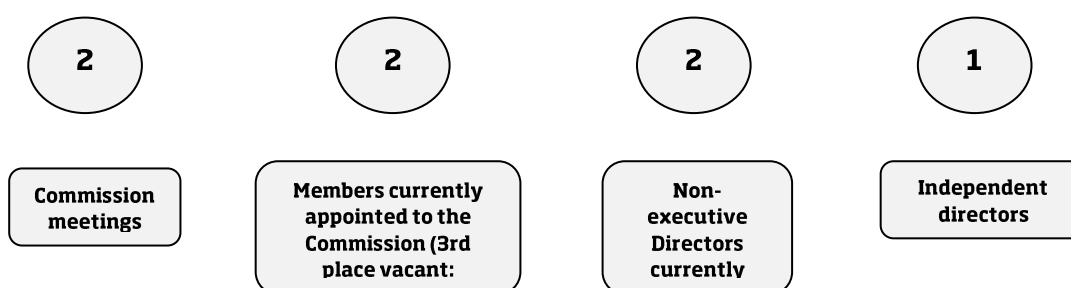
This Commission complies with what is regulated in article 529 of the Consolidated Text of the Capital Companies Law, approved by Royal Legislative Decree 1/2010, of July 2, in accordance with the other legal provisions in force in general and of applicable.

As of December 31, 2018, the Audit Commission consisted of 3 ADIF-Alta Velocidad counselors, 1 Chairman (Mr. Domingo García Díez), and 2 members (Mr. Jorge Ballesteros Sánchez and one vacant member), who do not have executive functions in the Entity, and a secretary (Ms. 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 has been responsible for the management and control of compliance with the Code of Ethics and Conduct of ADIF-Alta Velocidad until September 28, 2018, date on which the new Ethical Management Model was approved in ADIF, which

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includes the creation of an Ethics and Compliance Committee that replaces the Monitoring Committee of the Code of Ethics and Conduct of ADIF.

Ethics and Compliance Committee

It is the body responsible for ensuring, ultimately, compliance with the Code of Ethics and Conduct approved by the Board of Directors of the Entity.

The Committee was established on October 18, 2018, with the following composition:

Mrs. Rosa Seoane López..... Chairman.
Mr. Michaux Miranda Paniagua..... Member Human Resources.
Mr. Juan Pedro Galiano Serrano..... Member Corporate Social Responsibility.
Mrs. Lourdes Porta Etessam..... Member Risk Management.
Mr. Manuel Fresno Castro..... Member Financial Management.
Mr. Juan Pablo Villanueva Beltramini...Member ADIF-Alta Velocidad.
Mr. Antonio Velázquez Borge..... Secretary - Regulatory Compliance.

The main functions of this Committee are:

- Evaluate compliance with the Code of Ethics and Conduct of ADIF-Alta Velocidad and its development instruments and report periodically to the Board of Directors on its operation and compliance.
- Supervise the mechanism that allows both employees and third parties to report breaches of the Code of Ethics and Conduct, as well as irregularities of potential importance.
- Instruct the queries and complaints about alleged breaches of the ADIF-Alta Velocidad Code of Ethics related to the Regulatory Compliance Area and those of special complexity at the request of the Regulatory Compliance Area.
- Propose modifications to the Code of Ethics that allow its improvement and adaptation to new circumstances and realities.
- Propose measures to promote dissemination and compliance with the Code.
- Review the Compliance Policies.
- Approve the Self-Assessment of Fraud in Community Funds and the Summary Report.
- Any others entrusted to them by the Board of Directors

Compliance Committee of the Internal Code of Conduct

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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 the Chairman (D. Juan Pablo Villanueva Beltramini, as General Manager of ADIF-Alta Velocidad) and 3 members, D^a Rosa María Seoane López (as Secretary of the Board of Directors of the Entity, who will act as Secretary of the Committee), D. Manuel Fresno Castro (as General Financial and Corporate Director of ADIF) and ADIF's Legal Advisor (currently vacant); 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.

The Compliance Committee of the Internal Code of Conduct held a meeting in 2018 (January 20, 2018).



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 ADIF-Alta Velocidad Board Secretary; and is composed of the Secretary of the Board of Directors of ADIF-Alta

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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

Management and Contracting Committees

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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.

Appointments and Remuneration Committee

The Board of Directors of the E.P.E. ADIF-Alta Velocidad agreed, at its meeting of January 29, 2018, to approve the creation of the Appointments and Remuneration Committee for the Entity, and is composed of a President (Mrs. María Pilar Seisdedos Espinosa) and 2 Members (Mr. Domingo García Díez and D. Jesús Miguel Pozo de Castro), being its main functions:

- Establish an objective for the less represented gender in the Board of Directors.
- Supervise that the Members of the Board of Directors of ADIF-Alta Velocidad comply with the obligation of not incurring in cases of prohibition or legal incompatibility whatsoever for the performance of their duties as Director.

The Appointments and Remuneration Committee held a meeting in 2018 (December 20, 2018), in which its operating rules were approved.

1.3.4. Ethics and Transparency

ADIF-Alta Velocidad has, since 2015, a Code of Ethics and Conduct that was approved by the Board of Directors.

During 2018 (Board of Directors meeting 27/09/2018) and within the process of continuous improvement, proceeded to review and update the ADIF-Alta Velocidad Ethical Model, which includes, among other issues, the revision of the ADIF Ethics Code and Conduct and the approval of a series of policies and procedures.

The management and application model of the Code of Ethics and Conduct establishes as fundamental elements:

- Code of Ethics and Conduct of ADIF-Alta Velocidad: text that collects the values and ethical principles of the entity, as well as the expected behavior patterns derived from them, and that are applicable to all persons belonging to the entity or its governing bodies.

The commitments included in the code are the following:

- Compliance with legislation.
- Infrastructure safety.
- Good use of public resources.
- Professionalism and integrity
- Fight against fraud.
- Good use of information.
- 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

The code of ethics is published both on the ADIF-Alta Velocidad intranet and on its website. In addition, the entity provides training to its employees through the realization of a course on ethical management whose implementation is mandatory for all. In this way, ADIF-Alta Velocidad guarantees that all its employees know about it and act in accordance with its principles.

- Compliance Policies: set of internal policies and procedures that develop the commitments of conduct and the principles set forth in the Code of Ethics and Conduct of ADIF-Alta Velocidad.

In this sense, the Corporate Anti-Fraud Policy and the Conflict of Interest Management Policy, with its corresponding Procedures, has been approved.

- Ethical Channel: acts as a channel for the reception and attention of communications related to the Code of Ethics. The Ethical Channel admits reports sent by ADIF-Alta Velocidad personnel, available on the intranet, as well as by

third parties through its website. They may be anonymous provided they are accompanied by evidence or incidences.

ADIF-Alta Velocidad guarantees the following principles during the whole communication and management procedure of the communications made through the Ethics Channel:

- Confidentiality of personal data and information received through the Ethical Channel.
- No retaliation. No type of retaliation will be adopted on those who have made their communication in good faith.
- Intimacy, defense and the presumption of innocence. Those professionals who are the subject of an investigation will be guaranteed the aforementioned rights.

During 2018, 85 visits were made to the external ethical channel of ADIF-Alta Velocidad, and no notification was received regarding alleged breaches of the Code of Ethics.

- Ethics and Compliance Committee: body responsible for ensuring, ultimately, compliance with the Code of Ethics and Conduct approved by the Board of Directors of the entity.
- Regulatory Compliance Area: area responsible for the interpretation of the Code of Ethics and Conduct, the management of the ADIF-Alta Velocidad Compliance System and the preparation and dissemination of compliance policies in the Entity.

On the other hand, and within the framework of Transparency Law 19/2013, ADIF-Alta Velocidad maintains its commitment to continue strengthening the transparency of its activity, in accordance with the best national and international practices. In this line, it 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 contributes to the Transparency Portal of the Ministry of Development, where you can consult information on public bodies, commercial companies and foundations in relation to different channels (air, road, rail, maritime, housing and geo-information).

1.4. EVALUATION AND RISK MANAGEMENT

1.4.1. Description of Risks and Due Diligence Procedures Applied

Comprehensive risk management is understood as a strategic function that contributes to achieving the objectives and goals of the entity. To this end, the development of the current Strategic Plan PT2020 encompasses the management of risks based on the unified vision of the strategic objectives and the risks associated with them, in order to ensure that the risks that may affect the strategy and objectives are properly managed.

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The entity, in its permanent commitment to transparent, responsible and sustainable management, understands the need to have a comprehensive, consistent and transparent risk management system that establishes a common regulatory framework, facilitates the identification, evaluation and homogeneous management of risks and establishes clear roles and responsibilities for their proper treatment. For this, ADIF-Alta Velocidad, in addition to having specific areas of risk management that allow responding to needs and regulations specific to the activity (prevention of occupational risks, regulatory compliance, safety in circulation, etc.), has a comprehensive risk management model that, in addition, allows to establish appropriate information channels that guarantee an adequate communication in order to promote a proactive risk management culture in all areas of the company, maintaining consistent levels of risk.

Thus, the entity has a comprehensive risk management policy approved by its Board of Directors. By virtue of the principles and responsibilities established therein, a Risk Committee has been set up to monitor the main risks that threaten the achievement of the strategic objectives of the organization. This Committee, led by the risk area, reports to the Management Committee and has representatives of the main areas of activity and those with specific functions in risk management. The model is being deployed and the indicators will be set in the following year.

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. This system obeys to the following principles, established in the Integral Risk Management Policy approved by the board of directors of the entity:

- 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.

The functions of the various actors that intervene in the system are subject to clarification in the Policy. In this way, in addition to the responsibilities in the area of risk management intrinsic to the activity of the different areas of the entity, "coordinating areas" dedicated to the management or supervision of specific risks are identified. All of them constitute a Risk Committee, responsible for the preparation and monitoring of the strategic risk map and which reports to the Management Committee.

The risks included in this map reflect the main threats to which the entity is exposed, which could impede or significantly affect the achievement of its strategic objectives. These risks place special focus on the main key pillars of the activity:

- Safety, among which are those related to incidents, accidents or attacks that may affect the continuity of the entity's operations, the integrity of its assets, workers and customers or the environment.
- The operations, establishing the focus equally in those circumstances that could threaten the quality of the services provided, including the development of the railway infrastructure.
- Regulation and Regulatory Compliance, reinforcing the commitment of the entity with strict compliance with the rules and regulations that apply to it, as well as the codes of good practices that it has voluntarily adopted.

Reputation, as a reinforcement to the aspects of good governance, transparency and responsibility of a company of a public nature.

- Financial, complementing those reflected in the subsequent section, reflect aspects related to the availability of resources and the financial sustainability of the entity.

1.4.2. Financial risks and Internal Control Systems

Financial Risks

The main risks affecting the Company are as follows

- a) 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: 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, 2018, was contracted with various interest rate regimes. 80.51% is at a fixed rate until maturity and 8.89% 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.

1.4.3. System of Internal Control of Financial Information

ADIF-Alta Velocidad has an Internal Control System for Financial Information implemented, hereinafter SCIIF.

The SCIIF in ADIF-Alta Velocidad is a part of the internal control and is configured by the set of processes that the entity and all the personnel involved carry out to provide reasonable assurance regarding the reliability of the financial information.

The SCIIF seeks to ensure the reliability of financial information by fulfilling the following five objectives:

- Existence and Occurrence: the transactions and other events collected by the financial information do indeed exist and have been recorded at the appropriate time.
- Completeness: the information reflects the totality of transactions and other events in which the entity is an affected party.
- Valuation: transactions and other events are recorded and valued in accordance with applicable regulations.
- Presentation, disclosure and comparability: transactions and other events are classified, presented and disclosed in the financial information in accordance with applicable regulations.
- Rights and obligations: the financial information reflects, at the corresponding date, the rights and obligations through the corresponding assets and liabilities, in accordance with the applicable regulations.

The SCIIF of ADIF-Alta Velocidad is inspired by COSO III; an internationally recognized integrated control reference framework, based on three key elements: documentary support for controls or evidence, continuous evaluation throughout the annual cycle and the established pyramid scheme of responsibilities.

The entity has an SCIIF Policy approved by its Board of Directors, which establishes the methodology, competencies and principles that lay the foundations of the SCIIF in ADIF-Alta Velocidad.

In particular, it includes the main responsibilities of the system:

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- It is the responsibility of the President of the entity to ensure that the SCIIF is adequate and effective.
- The approval of the scope and the System Procedure corresponds to the SCIIF Committee.
- It is the responsibility of ADIF's Financial Management and Management Control, through ADIF's Office of Financial Planning and Budgets, to maintain, develop and coordinate the system in general.
- The supervision of the SCIIF corresponds to the Internal Audit Department, for which it includes in its annual action plan, whose approval is the responsibility of the Audit Committee, an analysis of the processes that are determined and will inform the aforementioned Committee of the results or more significant aspects of it.

It is worthy to note that ADIF's General Financial and Management Control Department, ADIF's Internal Audit Department, as well as the other directorates and personnel involved in the management and control of risks, carry out their functions within the framework established in the corresponding addendum to the Management Entrustment Agreement signed by the ADIF and ADIF-Alta Velocidad, of January 31, 2014.

The entity has an SCIIF procedure for the management of this system, approved by the SCIIF Committee, which carries out the functions attributed to the different responsible parties and details the methodology to be followed.

The SCIIF is organized as a cyclical process that works continuously, thanks to which this system remains updated and current. This annual cycle is divided into six phases:

- Determination of the scope of the SCIIF: The identification of financial information risks has as a starting point, the analysis of the information contained in the financial statements by selecting the most relevant items according to quantitative and qualitative criteria. Once the relevant accounts are identified, they are associated to the operational processes, obtaining the scope of the SCIIF.
- Documentation of new processes or updating existing ones: The documentation of the identified processes consists mainly of narrative or description of the process, flowcharts and matrices of risks and controls.
- Execution of the controls and conclusion on their effectiveness: The designed controls are executed throughout the cycle with the periodicity established by the owners of the controls or responsible for said activity. The system has a computerized risk management tool that supports the execution of controls and the maintenance of SCIIF documentation.
- Supervision of the execution and effectiveness of the controls and follow-up of the action plans: The supervision of the system is carried out every six months by the process supervisors.
- Information and Communication: Continuously monitoring and maintenance of the system is carried out by ADIF's Directorate of Financial Planning and Budgets.
- Evaluation of the SCIIF: Annually according to the scheme of responsibilities defined in the Policy and Procedures, each of the processes in which compile SCIIF and the System as a whole will be evaluated.

The processes included in the scope of the 2018 fiscal year were the following:

1. Fixed assets and Grant Management.
2. Income: Fees.
3. Financial instruments and Treasury.
4. Taxes.
5. Electric Energy.
6. Accounting and preparation of financial information.
7. Economic Register of Contracts.
8. Income: Leases.
9. Income: Optical fiber lease.

The SCIIF Committee, chaired by ADIF's General Financial and Management Control Director and made up of the Owners of the SCIIF processes, the Internal Audit, Treasury and Accounting, Planning and Budgets, and Risk Directors, have met twice in 2018.

In these sessions, in accordance with its operating rules, the annual review of the previous year, the approval of the scope of 2018, the follow-up of the 2018 cycle and the supervision carried out, as well as the proposal for the execution of the its review by the external auditor.

1.5. INFORMATION ON ENVIRONMENTAL ISSUES

1.5.1. Current and Predictable Effects of Business Activities

ADIF-Alta Velocidad has developed an Environmental Management System that has, as a fundamental purpose, prevention, mitigation, correction or compensation for the environmental impacts that may arise in the development of its activity, from the planning phase to exploitation, through the project, the construction and maintenance and maintenance of the railway infrastructures it manages.

All this, with a transversal vision that makes the most of the synergies between the aforementioned phases, and with the double objective of ensuring environmental legal compliance and contributing as much as possible to the preservation of the environment and biodiversity.

In this sense, the main environmental aspects derived from the activity of ADIF-Alta Velocidad - and on which its Environmental Management System is centered are:

- The derivatives of the activities of construction of new lines, which imply the corresponding change of land use in favor of these new railway infrastructures, with the corresponding affections on land, fauna, vegetation and cultural heritage in the areas passed on and, in particular, about the natural spaces that may eventually be affected, as well as those produced on the population of the urban areas affected during the execution of the works and, especially, the noise and vibrations.
- Those produced during the operation of the new lines, both by the circulation of trains and the activities of conservation and maintenance of the infrastructures, facilities and stations associated with them.

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In this phase, the noise and vibrations produced by the railway traffic and the maintenance activities in the stations and urban sections of the lines, as well as the impacts on the land and, in particular, those caused by accidents and incidents in the circulation or in the railway installations.

From this perspective, the ADIF-Alta Velocidad Environmental Management System is based on the UNE-EN-ISO: 14001 (2015) standard and is certified by AENOR.

However, this bet is not new since, since ADIF was established in 2005, the environmental certification obtained by the Red Nacional de los Ferrocarriles Españoles (RENFE), in force since 1999, was retained. Since then, the scope of certification, as well as the physical scope of application of the Management System has experienced an important expansion that, at present, covers the following aspects of the activity of ADIF-Alta Velocidad:

- The Management and coordination of the drafting of studies and projects of infrastructure and high-speed railway installations.
- The control and monitoring of compliance with the environmental conditions established in the DIAs, in the Environmental Surveillance Plans and applicable requirements in infrastructure construction activities and high-speed railway installations.
- The maintenance management of the platform, track and high-speed railway installations.
- The exploitation of high-speed passenger stations.

The implementation of an Environmental Management System based on the UNE-EN-ISO: 14001 Standard basically involves two issues:

- Guarantee compliance with environmental legislation applicable to the scope of certified activities and centers.
- Establish and implement continuous improvement objectives within the scope of the certified system that allow the improvement of the environmental management of said activities.

Regarding the relevance of environmental certification on the activities of ADIF-Alta Velocidad, it can be affirmed that, of the four scopes of the environmental management system described above:

- 100% of the first two, those linked to the environmental control of the design and construction activities of the new high-speed railway infrastructures, are covered.
- As for the maintenance of the platform, road and high-speed facilities, 100% of its activities are also covered.
- With regard to the operation of high-speed passenger stations, a relevance index has been formulated that establishes the percentage of passengers in the 21 certified stations included in the management system, with respect to the total number of registered passengers at high-speed stations.

Finally, and in relation to the environmental risks of the activities of ADIF-Alta Velocidad, in development of the ADIF Strategic Plan (Plan Transforma 2017-2020), in April 2018 the

Risk Committee approved the Comprehensive Risk Management Procedure of the Entity and the ADIF-Alta Velocidad Risk Map was established.

In the aforementioned risk map, 15 strategic risks have been established, one of them being the risk of environmental incident, which is defined as the risk of an environmental incident that motivates an administrative complaint and/or causes damage to the environment and suppose loss of trust, reputation and economic.

This environmental risk has a result indicator (KPI) and three precursor risk indicators (Kri):

- Result indicator: No. of environmental administrative sanctions, classified as serious or very serious, imposed in firm to ADIF-Alta Velocidad.
- Precursor indicator 1: Number of environmental records initiated as serious or very serious, initiated in the quarter.
- Precursor indicator 2: % of Projects environmentally approved in the month that has required more than two Environmental Review Reports, before its approval.
- Precursor indicator 3: Number of Non-conformities in the Environmental Management System of the works, considered "environmental risk" that remain open for more than 3 months.

In this way, it is intended to monitor and periodically control the Entity's environmental risk, with all the specialized human resources, as well as the ADIF-Alta Velocidad Environmental Management System, fully oriented towards minimizing said risk.

	Ud.	2016	2017	2018	Goals 2019
Percentage of passengers in certified stations, with respect to the total number of passengers in high-speed stations.	%	44.2	45.3	46.0	N/A
Serious or very serious environmental administrative sanctions imposed in firm to ADIF-Alta Velocidad.	Nº	0	0	0	≤1

1.5.2. Pollution: Prevention Measures

Acoustic pollution is one of the adverse environmental aspects generated as a consequence of railway activity of ADIF-Alta Velocidad.

The environmental impacts produced, in the form of emission of noise and vibrations, can come from the following sources:

- The railway traffic on the high-speed network.
- The activities carried out in the passenger stations of ADIF-Alta Velocidad. Basically emissions derived from public address systems, maneuvers for the composition of trains and the air conditioning systems of buildings.
- Maintenance operations of high-speed infrastructure, mainly those carried out by mechanized track equipment.
- The construction of the high-speed network.

Within the ADIF-Alta Velocidad Environmental Management System, based on the UNE-EN-ISO: 14001 (2015) standard and certified by AENOR, a procedure is included to receive, document and process acoustic complaints received. Of these, in the last three years, approximately 90% are related to noise problems and the remaining 10%, vibration problems.

On the other hand, regarding the planning of the fight against noise pollution in the service lines, ADIF-Alta Velocidad has been carrying out, requested by the Ministry of Public Works, the preparation of the Strategic Noise Maps (MER) and the Plans of Action (PAR) derived from them, corresponding to the High High-Speed Railway Hubs (those axes with a circulation greater than 30,000 annual trains), from its first phase, reserving the Ministry its public information and approval.

All this, in order to comply with the legislation in force in this matter, constituted by the Law 37/2003, of November 17, of the Noise, and the Royal Decrees 1513/2005 and 1367/2007.

In this way, in 2018 the MER (BOE 28.08.2018) and PAR (BOE 28.09.2018) corresponding to the 2nd Phase have been approved by the Ministry of Development.

Likewise, in 2019, work will begin on the preparation of the MER and PAR corresponding to the 3rd Phase and which will be drawn up for the traffics corresponding to the year 2016.

Claims for noise and vibrations ADIF-Alta Velocidad (2016-2018)

	2016	2017	2018
Own Claims of ADIF AV	15	11	18
Common Claims ADIF-ADIF AV	18	15	12
TOTAL	33	26	30

CO2 emissions avoided by energy saving and efficiency measures

ADIF-Alta Velocidad has a 2014-2020 Energy Saving and Efficiency Master Plan that continues the ADIF Master Plan for the 2009-2014 period.

With the implementation of the measures included in the Master Plan, energy savings are achieved, which entails, in turn, a reduction in CO2 emissions associated with this energy consumption.

At the close of 2018, ADIF-Alta Velocidad has implemented, since the beginning of the Plan in 2009, a total of 125 measures both in energy consumed for different use of traction (UdT) and in energy use for traction (UT)), achieving a reduction in emissions of 17,874 tCO2 / year.

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	2016	2017 ⁽¹⁾	2018
UT (tCO ₂ /year)	13,052	14,471	12,375
UdT (tCO ₂ /year)	5,322	6,449	5,499
TOTAL (tCO₂/year)	18,374	20,921	17,874

(1) Updated data according to the emission factor published by REE for the peninsular mix in 2017.

The figure for CO₂ emissions varies interannually depending on the emission factor used each year for the generation of electricity that is published by Red Eléctrica de España for the peninsular mix.

This Master Plan is being revised, extending its scope to the fight against climate change, so that the 2019 goals will be updated when the new Plan is approved.

1.5.3. Waste Management: Measures, Prevention and Circular Economy

Regarding the generation of hazardous waste in ADIF-Alta Velocidad, this is not considered a significant environmental aspect, given the reduced generation (in 2017, 3.98 tons were generated per year, compared to 115.18 tons of ADIF).

Spanish Strategy of Circular Economy (1)

During 2018, ADIF-Alta Velocidad together with ADIF have collaborated in the development of the Spanish Circular Economy Strategy (EEEC) contributing with a total of 7 projects framed within the axes of action in which the Strategy is structured.

Specifically, these projects are located in the following areas: Consumption, Waste Management, Secondary Commodities Market and Employment and Training.

The projects that were finally selected by the Ministry for the Ecological Transition (MITECO) to form part of the EEEEC are:

- Elaboration of an environmental criteria catalog that facilitates the incorporation of these in the Administrative Clauses for the purpose that ADIF and ADIF-Alta Velocidad promote the strategy of the Circular Economy and the Ecological Public Procurement in a transversal manner.
- Project "Area CERO2" (Last Green Mile).
- Effective management of surplus land from railway infrastructure works to favor the environmental recovery of degraded environments.
- Management of Construction Waste and Demolition in works of stations attached to the Direction of Passenger Stations.
- Increase the reuse of land in the restoration and landscape integration work.
- Recycled, regional and sustainable materials in Station Architecture Projects.
- Comprehensive program for the social recovery of unused railway assets, generating value through entrepreneurship or public service projects.

The EEEEC passed the public information phase at the end of 2018 and is pending approval.

¹ Información común a ambas entidades: ADIF y ADIF-Alta Velocidad.

1.5.4. Sustainable Use of Resources: Energy and Fuel Consumption

Final energy consumption in own activities

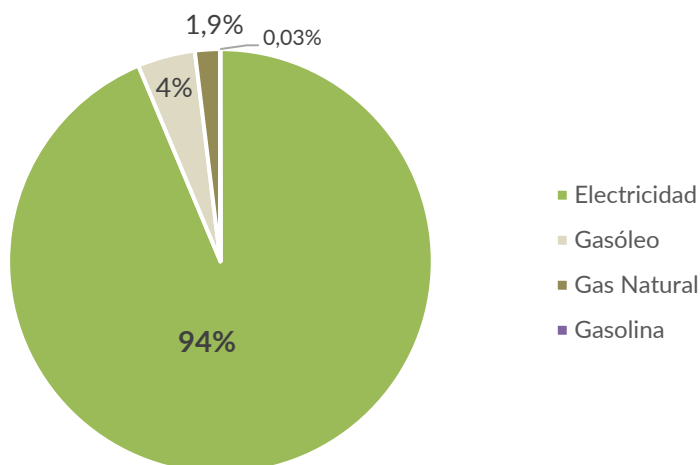
The final energy consumption of ADIF-Alta Velocidad in own activities is broken down in the following table according to the type of energy or fuel consumed for the period 2016-2018:

Type of Energy/Fuel

	2016	2017	2018
Electric Power(TJ/year)	507.40	531.56	570.79
Traction Use (UT)	196.22	218.34	254.39
Different Traction Use (UDT)	311.19	313.22	316.40
Diesel (TJ/year)	14.66	28.59	26.73
Diesel A – Automotive	0.72	1.29	1.21
Diesel B – Track Maintenance	2.68	26.30	8.46
Diesel B – Workshop Maneuvers	0.00	0.00	0.00
Diesel B – Oper. Aux. Terminals	0.00	0.00	0.00
Diesel B – Station Maneuvers	8.24	0.00	16.77
Diesel C – Heating	3.02	1.01	0.28
Petrol (TJ/year)	0.002	0.00	0.18
Autogas (TJ/year)	0.00	0.00	0.00
Natural Gas (TJ/year)	37.69	40.67	35.85
TOTAL	559.76	600.82	633.56

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Distribution of consumption by type of fuel (%) (*)



(*) Numerical data in the previous table "Type of Energy/Fuel"

Indirect consumption of primary energy

The main indirect consumption of primary energy existing in ADIF-Alta Velocidad is attributable to the consumption of registered electricity.

The following table shows, for each type of primary energy source, the indirect consumption derived from the final consumption of electricity for the period 2016-2018:

Primary energy sources

	2016	2017	2018
Carbon	207.90	217.81	233.88
Natural gas	179.36	187.90	201.76
Petroleum derivatives	83.10	87.01	93.43
Nuclear	370.11	387.78	416.40
Fossil resources	840.48	880.50	945.48
Hydroelectric	75.81	79.41	85.27
Wind, solar, biomass and waste	216.77	227.07	243.83
Renewable resources	292.58	306.48	329.09
TOTAL	1,133.06	1,186.97	1,274.57

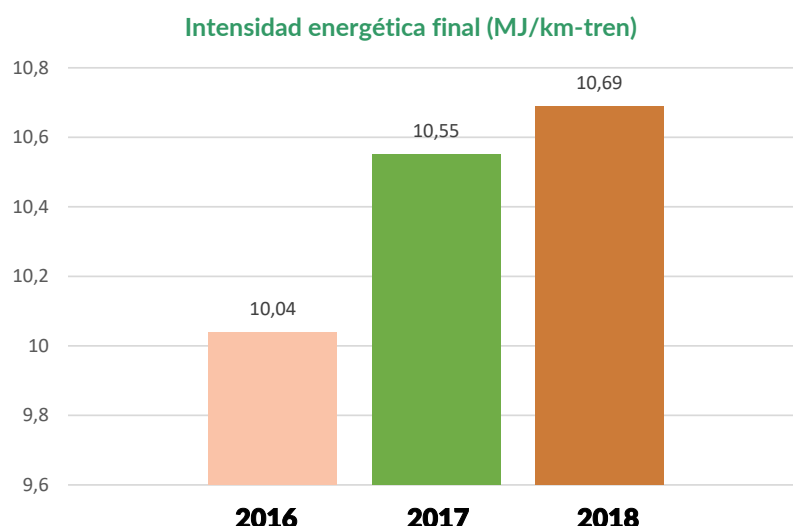
Note: Estimated based on the data on primary energy consumption in electricity generation of the last published Business Report, corresponding to the fourth quarter of 2016.

Final energy intensity

The final energy intensity - final energy consumption (in MJ consumed) per production unit representative of the activity of ADIF-Alta Velocidad (managed traffic, in km-train) - is an indicator that measures the energy efficiency of the management of the entity and, in addition, the dependence on energy consumption in relation to the growth of the activity.

	2016	2017	2018
Final energy intensity (MJ/km-train)	10.04	10.55	10.69

In the 2016-2018 period, the final energy intensity has increased by 6.5%, reaching 10.69 MJ / km-train in 2018, practically proportional to the increase in traffic managed, so that the consumption in relation to the activity of ADIF-Alta Velocidad.

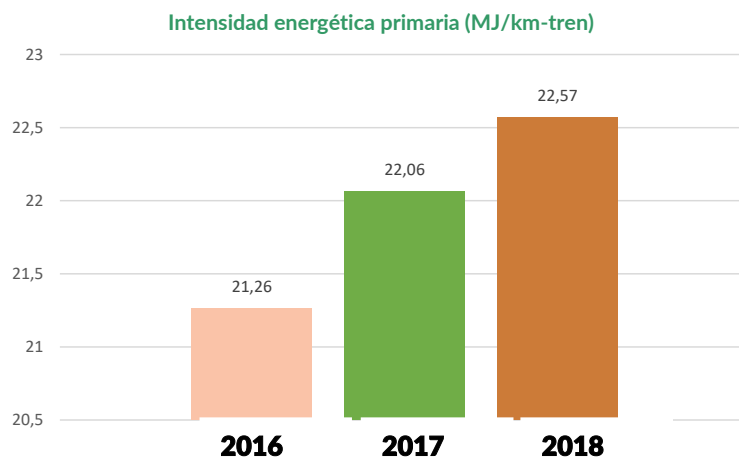


The primary energy intensity of ADIF-Alta Velocidad was, in 2018, of 22.57 MJ / km-train managed, which represents a 6.2% increase in the period 2016-2018, similar to what happens with the intensity final energy

	2016	2017	2018
Primary energy intensity (MJ/km-train)	21.26	22.06	22.57

The primary energy intensity is clearly influenced by the contribution of renewable energies in the production of electrical energy distributed by the peninsular electrical system, since the primary energy consumption due to the electric power consumption in ADIF-Alta Velocidad was 90% , a figure very similar to that of the two previous years.

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Measures to improve energy efficiency

During 2018, the implementation of the ADIF-Alta Velocidad Energy Savings and Efficiency Master Plan 2014-2020 continued, stemming from the revision and updating of the previous 2009-2014 Plan.

This Plan is structured in 4 specific objectives, 12 action lines and a battery of technical measures, management and implementation of renewable energy generation systems. These measures focus on different areas: insulation, air conditioning, fuel, electricity, lighting, traction, etc.

Thus, at the end of 2018, ADIF-Alta Velocidad have implemented, since the beginning of the Plan in 2009, a total of 125 measures both in energy consumed for different traction use and in the use for traction, achieving the reduction of 81.47 GWh/year of energy consumption.

	2016	2017	2018
UT (GWh/year)	56.36	56.36	56.36
UdT (GWh/year)	23.01	25.09	25.11
TOTAL (GWh/year)	79.37	81.45	81.47

This Master Plan is being revised, extending its scope to the fight against climate change, so that the 2019 goals will be updated when the new Plan is approved.

1.5.5. Climate Change: Measures Adopted and Means Implemented

The impact of ADIF-Alta Velocidad on greenhouse gas emissions (GHG) and, therefore, its contribution to climate change, is measured at two levels.

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On the one hand, the emissions derived from its own activities, both direct and indirect, as a result of the final energy consumption recorded. These emissions correspond to the calculation of your carbon footprint for Scopes 1 and 2.

On the other hand, the emissions generated by the traction of the traffics that have been produced in the railway network it manages (the high-speed network) are calculated. In this case, it corresponds, therefore, with the emissions generated by the energy consumptions of the Railway Operators associated with the traction of their trains.

GHG emissions in own activities

ADIF-Alta Velocidad consumes electricity and fuels in its facilities and vehicles, which allow it to operate passenger stations, as well as to maintain the railway infrastructure it manages.

As a consequence of these consumptions, a series of emissions are generated, both direct and indirect, among which GHGs stand out due to their contribution to climate change.

The quantification of these emissions is done by calculating the carbon footprint, which is a tool that allows to know the GHG emissions associated with the activities developed by an organization. In the case of ADIF-Alta Velocidad, the following scopes have been taken into account for its determination:

- Scope 1: Direct GHG emissions: from the consumption of gasoil and natural gas boilers, the traction engine material and machinery used in road maintenance, maneuvers and auxiliary operations, and the use of the vehicle fleet.
- Scope 2: Indirect GHG emissions: originated in the generation of electrical energy acquired and consumed by ADIF-Alta Velocidad, both for traction and for different traction uses.

The following table shows the equivalent CO₂ emissions (tCO₂eq) per year for each of the above scopes in the 2016-2018 period:

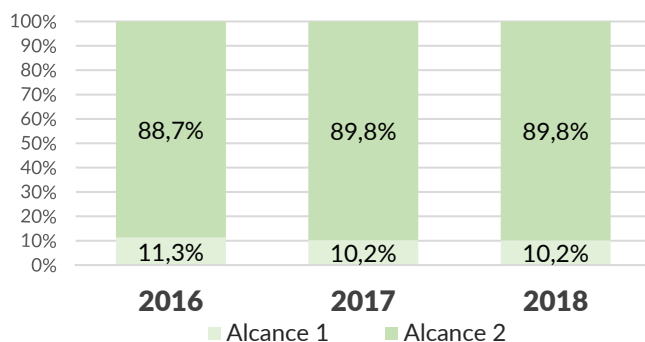
		2016	2017	2018
Scope 1	Combustion facilities	2,346.45	2,377.07	2,046.72
	Mto. of track, maneuvers and auxiliary operations	1,756.71	1,870.99	1,795.76,
	Vehicles	53.00	92.10	99.01
	Total Scope 1	4,156.16	4,340.16	3,941.49
Scope 2	Electric power consumption	32,787.59	38,135.11	34,684.49
TOTAL (tCO₂eq)		36,943.12	42,475.26	38,625.98

The carbon footprint registered in 2018 has seen a decrease of 9.1% compared to 2017.

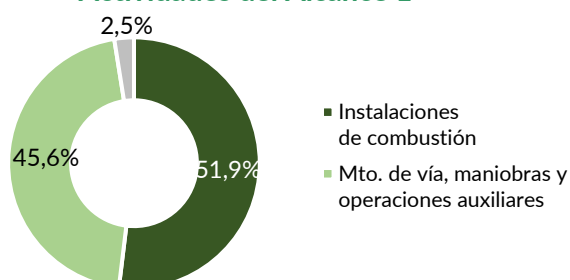
Likewise, from the previous table it is possible to observe the evolution of the contribution of the scopes to the carbon footprint of ADIF-Alta Velocidad, verifying that the emissions associated to the consumed electric power suppose the main source of emissions (around 90%) while direct emissions are the remaining 10%:

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Alcance de la Huella de carbono



Actividades del Alcance 1



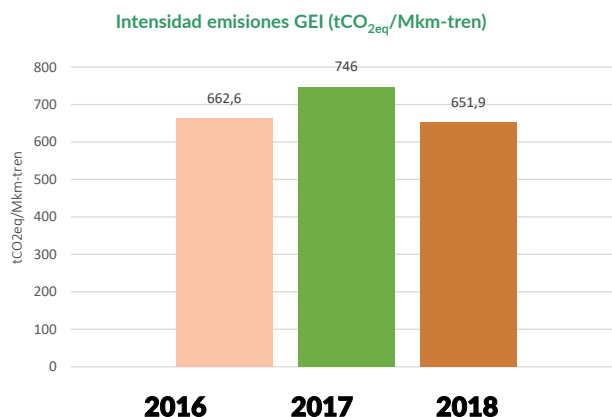
Within the scope 1 activities, those with the highest proportion of GHG emissions are those related to the combustion installation (51.9%), followed by maintenance activities (45.6%). Finally, the emissions associated with fleet vehicles represent only 2.5% of the total emissions of scope 1.

Intensity of GHG emissions from own activities

GHG emissions can be measured based on the activity of the entity, taking into account the representative production unit (managed traffic, in Mkm-train).

	2016	2017	2018
GHG emissions intensity (tCO _{2eq} / Mkm-train)	662.6	745.9	651.9

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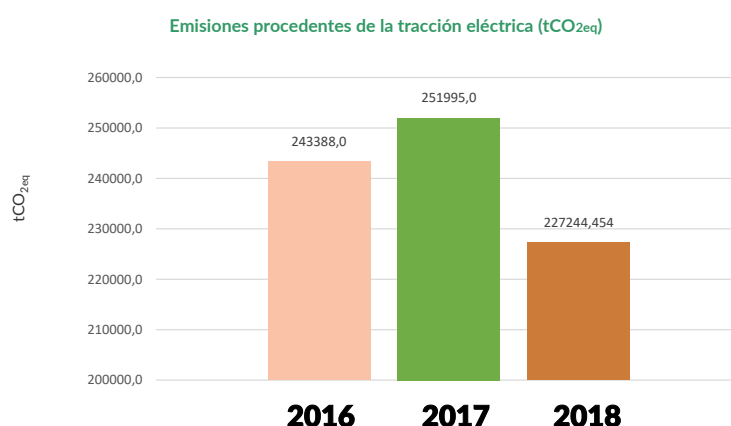


It is observed that in the period 2016-2018, despite having increased the volume of traffics managed by ADIF-Alta Velocidad by 6.3%, GHG emissions have been reduced, so that the intensity has decreased by 1, 6% since 2016.

GHG emissions associated with traction

The electric power consumed by the railway operating companies with respect to the traction on ADIF-Alta Velocidad infrastructures also implies the emission of greenhouse gases, whose evolution in recent years has been as follows:

	2016	2017	2018
Tons of CO2 equivalent emitted from the electric traction	243,388	251,995	227,244



The emissions generated are indirect, that is to say, they do not occur during the circulation of the railway, but originate in the power generation plants, which is why they depend on the generation scheme of the peninsular electrical system. In 2018, this scheme has had a greater contribution of renewables than in 2017, going from 33.7% to 40.1% (according to data published by Red Eléctrica de España).

Plan to Combat Climate Change (integrated information ADIF and ADIF AV)

In the area of mitigation of climate change, as mentioned in previous sections, ADIF-Alta Velocidad has a 2014-2020 Energy Saving and Efficiency Master Plan that has allowed to reduce CO2 emissions thanks to the development and implementation of measures that have achieved savings in energy consumption since the previous Master Plan began in 2009.

On the basis of said Master Plan, taking advantage of the experience and knowledge acquired, during 2018 we have worked on the preparation of a Plan to Combat Climate Change 2018-2030, common to ADIF and ADIF-Alta Velocidad, which will replace the Plans Directors of Savings and Energy Efficiency 2014-2020 of both entities.

This Plan aims to go beyond the energy efficiency, contemplating action measures in the field of decarbonisation of the rail system and the increase in the use of renewable energy.

Likewise, it is completed with actions in the field of adaptation to climate change that seek to improve the resilience of railway infrastructures.

In this way, the Plan is structured in the following lines of action:

- Energy management.
- Energy efficiency.
- Decarbonization and renewable energies.
- Improvement of the resilience of railway infrastructures.
- Culture and awareness

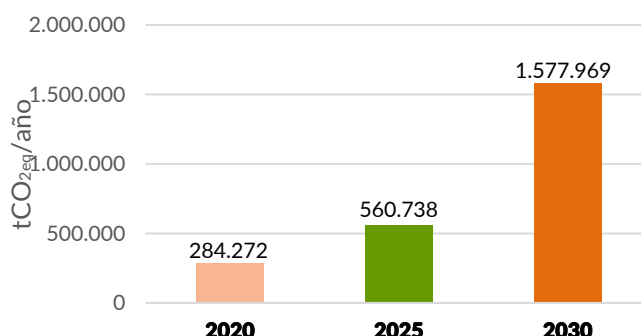
The Plan is expected to be approved in the first quarter of 2019, establishing GHG emission reduction targets and setting specific targets for the years 2020, 2025 and 2030.

This Plan is aligned with the Master Plan for the Fight against Climate Change 2018-2030, approved in January 2019, prepared by ADIF, ADIF-Alta Velocidad and Renfe and whose purpose is the reduction of GHG emissions from the rail system and the sector. transport as a whole, through the improvement of energy efficiency and decarbonisation, promoting, likewise, the modal shift towards rail as the main contribution in the fight against climate change for the sector.

Thus, regarding the reduction of GHG emissions from the transport sector due to the increase in the modal share of the railway, the Master Plan estimates an accumulated reduction of emissions by 2030 of just over 8,000 ktCO2eq.

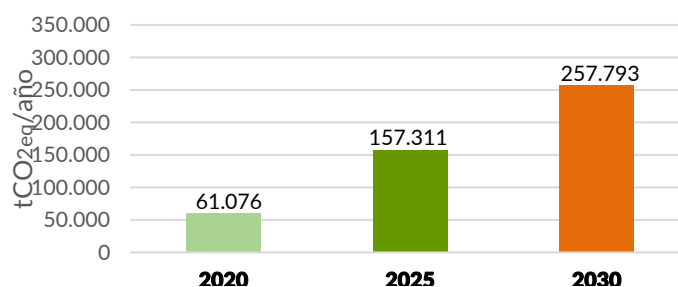
The goals to achieve in the period of the Master Plan would be:

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Additionally, regarding the reduction of GHG emissions from the rail system due to the implementation of management measures, energy efficiency and decarbonisation, the Master Plan estimates an accumulated reduction of emissions by 2030 of some **1,500 ktCO₂eq**.

The goals in this case to reach in the period of the Master Plan would be:



In addition, with the purchase of green electric power (with certificates of Guarantee of Origin) made by ADIF-Alta Velocidad for the railway system as a whole and which has been operational since 2019, the Master Plan estimates an accumulated reduction of emissions by 2030 of some 7,700 ktCO₂eq.

In this way, the Anti-Climate Change Plan of ADIF and ADIF-Alta Velocidad is nourished by the actions included in the joint Master Plan with Renfe and which are applicable to the Railway Administrators, completing with actions in the field of adaptation to climate change.

In relation to this last line of action, it should be noted that in 2018 ADIF and ADIF-Alta Velocidad have formed a Working Group whose mission is to elaborate an internal standard that establishes the methodology to be followed to assess the vulnerability of infrastructures. railways to the adverse effects of climate change in the design phase.

It is intended that in the initial phases of definition of the construction projects of infrastructures, the impact of climate change in them is another variable to take into consideration for the design of infrastructures.

Likewise, ADIF and ADIF-Alta Velocidad have participated in the elaboration of the "Final report on the sections of the state network of land transport infrastructures to which attention should be given priority due to the variability and climate change", of June 2018, prepared by CEDEX and with the support of the Ministry for Ecological Transition.

The analysis gathered in this report has allowed identifying those sections of the railway network on which to increase the level of attention in relation to their vulnerability to climate change.

1.5.6. Protection of biodiversity: Measures Adopted to Preserve Protected Areas

ADIF-Alta Velocidad plays a fundamental role so that the new high-speed railway infrastructures, in their different design, project and construction phases, comply with European and Spanish legislation in environmental material and, in particular, with what is established in the Environmental Impact Resolutions: Declarations (DIAs) or Reports (IIAs) approved by the Ministry for the Ecological Transition (MITECO), contributing as much as possible to the preservation of the environment and biodiversity, so as to ensure the sustainability of the rail system state high speed.

To achieve this objective, ADIF-Alta Velocidad has developed an Environmental Management System in accordance with the UNE-EN-ISO 14001 (2015) standard, which is certified by AENOR.

Said System contemplates, as basic environmental pillars, the environmental integration of the projects and the environmental monitoring of the works entrusted to ADIF-Alta Velocidad.

- Environmental integration of the projects.

The Ministry of Public Works has a delegate to the Presidency 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 power to supervise the projects that are approved by it, as well as the certification of compliance with the DIA by them, if applicable.

In this way it aims to ensure compliance with the legislation on Environmental Evaluation of Plans and Projects (Law 21/2013, of December 9), as well as the rest of the current environmental legislation, acting ADIF-Alta Velocidad as a Substantive Organ.

Therefore, the environmental management of the environmental integration of the projects entails three fundamental aspects:

- Individualized analysis of each one of them, to determine if they should be subjected to environmental evaluation or not.
- If an environmental assessment process is not necessary; due to the fact that the project is not contemplated in the applicable legislation, or that it was previously submitted to the aforementioned process in the informative study phase developed by the Ministry of Public Works; is issued:
 - a. An Environmental Exemption Note for the project.

- b. A Certificate of Compliance with the Environmental Impact Resolution of the platform construction project (DIA or IIA).
- c. A Report of Adaptation to the Environmental Impact Resolution of the project (for actions other than the construction of the platform, such as via, facilities, electrification, etc.).

At the same time, the Environmental Integration Schedule of the Project is analyzed to ensure compliance with environmental legislation and the internal regulations and recommendations in force at ADIF-Alta Velocidad. This environmental supervision is specified in different Environmental Review Reports, until the corresponding Environmental Adequacy Report of the aforementioned Schedule is issued.

If an environmental assessment process is necessary, the project cannot be approved until it is completed, with the emission by the MITECO of the corresponding Environmental Impact Resolution.

- *Environmental monitoring of works.*

To ensure compliance with the requirements established in the Environmental Impact Resolutions of MITECO (DIAs and IIAs) and included in the Environmental Surveillance Plans of the Construction Projects, during the construction phase thereof, ADIF-Alta Velocidad has established in its Environmental Management System, an Environmental Construction Management System, certified by AENOR in 2010, which meant becoming the first European Infrastructure Manager to obtain this accreditation.

This system is based on the appointment, for each of the construction contracts of the different specialties, of an Environmental Construction Director (DAO). Said DAO is responsible for carrying out its monitoring and environmental control, in accordance with the specifications derived from the internal criteria of ADIF-Alta Velocidad in the field of environment, in force since 2005.

The system of Environmental Management of Work involves two basic aspects:

- *The periodic environmental control of the works:* It is the one that the DAO carries out on site and is materialized in the normative reports (required by the Environmental Impact Resolution of MITECO: DIA or IIA) of environmental monitoring of the works.

These normative reports are:

- a. Start of Work Preliminary Reports
- b. Parallel Reports to the Stakeout Checking Act
- c. Reception of the Work Preliminary Reports
- d. Periodic Reports (whose term is usually different for each MITECO Resolution, the most common being the semi-annual periodicity).

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- Environmental management of modified and complementary works projects, as well as emergency works.

Said management is specified in a manner analogous to that previously reflected for the Environmental Integration of the Construction Projects, giving rise to only two types of documents:

- a. Environmental Exemption Note for the Project or Emergency Work
- b. Environmental Review Report
- c. Report of Adaptation to the Resolution of Environmental Impact, valid for any type of construction work, regardless of its specialty.

In the case of the third type of document, the previous Report of the DAO of the corresponding contract is necessary.

Environmental supervision of ADIF-Alta Velocidad projects (2016-2018)

	2016	2017	2018
Exemption notes of the EIA procedure	17	3	28
Environmental adequacy reports	8	3	28
Adequacy reports to the DIA	25	28	48
Certificates of compliance with the DIA	-	9	26
Environmental review reports	152	162	265
TOTAL	202	205	395

Environmentally closed projects	39	40	100
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**Environmental supervision of ADIF-Alta Velocidad Works
in regards to Modified, Complementary and Emergency Works (2016-2018)**

	2016	2017	2018
Exemption Notes for the Environmental Impact Evaluation process	8	5	5
Reports of Adaptation to the Environmental Impact Statement of Modified and Complementary Work Projects	34	66	64
Emergency Works	6	5	5
Reports of Environmental Review of Modified and Complementary Projects of Work	44	77	68
TOTAL	94	153	142

Normative reports of environmental follow-up of ADIF-Alta Velocidad works (2016-2018)

	2016	2017	2018
Prior to the start of work	11	32	12
Parallel to the Verification Act of the stakeout	17	21	12
Prior to the reception of work	10	23	45
Periodic	333	352	225
TOTAL	371	428	294

1.6. INFORMATION ON SOCIAL AND PERSONNEL MATTERS

1.6.1. Milestones in People Management and Social Issues

The following milestones have marked ADIF-Alta Velocidad Human Resources management in 2018:

Organizational restructuring

In October 2018, the organizational restructuring of ADIF-Alta Velocidad and the appointments of those responsible were approved.

Developments of the 1st ADIF / ADIF Collective Agreement -Alta Velocidad

Work has continued on the professional management where management has finalized the presentation of its project that was transferred to the ADIF-Alta Velocidad trade unions and began the negotiation of the 1st ADIF-Alta Velocidad Equality Plan.

The II Collective Agreement of ADIF and ADIF-Alta Velocidad was negotiated, which concluded with the signing of a Pre-Agreement pending administrative authorization. In the same are collected for further development, a multitude of measures in employment, economic treatment, professional management, working hours, social policy, equality and conciliation among many others.

Absenteeism rate

Shown in the attached table in point 1.6.3.

Training

During 2018, a specific Training Plan was approved for ADIF-Alta Velocidad personnel, with a range of 14,279 hours, which represented an average of 69.7 hours of training per worker per year. During the year, meetings were held with the representatives of the Training Advisory Council, an advisory body envisaged in the labor regulations, made up of representatives of the company and union representatives of the workers; and among its functions are the supervision and monitoring of the training process.

ADIF-Alta Velocidad Equality Plan

Currently in ADIF-Alta Velocidad the ADIF Equality Plan is in force and the first Equality Plan is being prepared. The situation diagnosis was presented in equality of the same, in which its personnel participated. Measures of conciliation, equality, social benefits, action protocols in situations of harassment and against gender violence that exist in ADIF regulations are also in force.

Incentives and social benefits

In addition to the variable remuneration based on the fulfillment of different objectives to be fulfilled by the employees (transversal personnel, contribution to the team and the catalog of competencies), ADIF-Alta Velocidad offers a wide range of social benefits to improve personal and work life to its workers covered by the Agreement., offering their employees non-remunerative benefits or social benefits such as:

- Health promotion: preventive medicine campaigns, vaccinations, medical tests.
- Plan of Action against Drug Addiction and Alcoholism (PACDA).
- Aid for extraordinary medical expenses, temporary disability benefits complementary to those of the Social Security, supplement benefits for temporary disability.
- Life insurance.
- Transportation tickets with free fare in local trains and regional trains, and special fares in large trips and AVE.
- Aid for disabled children.
- After-life benefits.
- Advances.
- Legal defense.
- Foster care and guardianship of disabled elderly people, unmarried partners: they are recognized regardless of their sexual orientation the same benefits as those of right.
- Moving to other positions due to loss of powers.
- Mobility by meeting of spouse or domestic partner.
- Facilities or discounts in services.
- CFV Training Center for employees and relatives.

In addition to the above measures, after the signing of the 1st Collective Agreement of ADIF and ADIF-Alta Velocidad, the aid scheme for children with intellectual disabilities has been improved, as well as some medical aid.

On the other hand, it is important to point out that of those employees who benefit from the right to parental leave, once this permit is completed, 100% return to their jobs.

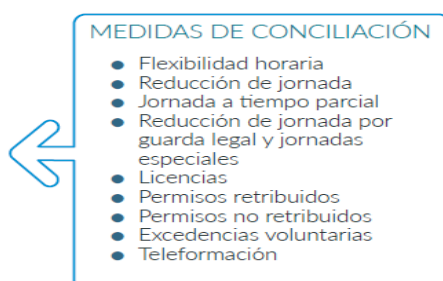
	Hombres	Mujeres
Empleados que se han acogido al permiso parental	2	3
Total	5	

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Work-life balance

The Equality Plan establishes the initiatives promoted and offered in terms of work and personal conciliation for ADIF-Alta Velocidad employees. The fundamental objectives of this plan are:

- Advance equal treatment and opportunities between women and men in the entity
- Eliminate possible discrimination based on sex.
- Promote the equal value of men and women in all areas, as well as the elimination of stereotypes.
- The reconciliation measures existing in ADIF-Alta Velocidad are included in its labor regulations and its basic content can be consulted by all workers within the Portal Inicia.



1.6.2. Employee Distribution: Information and Analysis Tables

Below are several tables that describe the distribution of workers as of December 31, 2018 by management areas, by professional groups, by age and by their seniority in the company, and their geographical distribution by autonomous communities

MANAGEMENT AREA	MALES	FEMALES	TOTAL
High Speed Construction Management	105	50	155
Telecommunications	31	8	39
Energy and Energy Efficiency	6	1	7
Circulation Safety Management	2	1	3
Corporation and General Services	2		2
TOTAL	146	60	206

PROFESSIONAL GROUPS	MALES	FEMALES	TOTAL
Operating personnel and MMII	18	12	30
Support Structure	47	22	69
Management Structure	81	26	107
TOTAL	146	60	206

AGE	% MALES	% FEMALES	% TOTALS
Below 35 years	2.43%	0.48%	2.91 %
Between 35 and 50 years	38.35%	20.87%	59.22%
Above 50 years	30.09%	7.78%	37.87%

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SENIORITY	% MALES	% FEMALES	% TOTALS
Between 0 y 11 years	28.15%	15.54%	43.69%
Between 12 y 19 years	19.41%	7.77%	27.18%
Between 20 y 27 years	3.89%	1.45%	5.34%
Between 28 y 35 years	4.86%	2.43%	7.29%
Above 35 years	14.56%	1.94%	16.50%

REGIONS	MALES	FEMALES	TOTAL
ANDALUCÍA	12	3	15
CASTILLA LEÓN	10	1	11
CATALUÑA	6	2	8
EXTREMADURA	2		2
MADRID	111	50	161
PAÍS VASCO	1	3	4
COMUNIDAD VALENCIANA	4		4
ABROAD		1	1
TOTAL	146	60	206

Non-financial information (Law 11/2018, of December 28)	Descriptive text	Indicators of result/impact				
		QUANTITATIVE DATA				
		Indicator description	Units	2016	2017	2018
PEOPLE AND SOCIAL ISSUES	Distribution of employees by professional category	Operating Staff and MMII	No. workers	25	25	30
		Support structure	No. workers	84	75	69
		Management structure	No. workers	105	105	107
	Measures the degree of retention and attraction of the managerial staff. Useful to achieve strategic direction of society.	Management retention rate	(Additions+Withdrawals) * 100/2 / Average workers and without taking into account the staff affected by the sale of tickets that was transferred in 2017 to the RENFE Group	0.47	0.47	2.25
	Measures the turnover rate of the workforce, regardless of the employee's role.	Staff retention rate	(Additions+Withdrawals) * 100/2 / Average workers and without taking into account the staff affected by the sale of tickets that was transferred in 2017 to the RENFE Group	2.09	2.84	3.64
	New additions	New employees (EPO)	Growth of the workforce in the period (number of workers increased)	0	0	0
	Collective negotiation	Collective negotiation	nº collective agreements signed in force	1	1	1

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		Employees covered by collective bargaining agreement	% of employees covered by collective bargaining agreement	51.16	48.78	48.06
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(*) *Diversity: Salary gap (average remunerations by professional categories)*

ADIF-Alta Velocidad	
MANAGEMENT STRUCTURE	SALARY
Female	59,551.11
Male	65,235.88
SUPPORT STRUCTURE	SALARY
Female	48,881.61
Male	48,591.11
MMII	SALARY
Female	33,198.69
Male	33,685.83
OPERATIVE	SALARY
Female	27,993.13
Male	29,216.62

(*) Labor regulations and salary tables applied by ADIF-Alta Velocidad prevent any discrimination based on sex. The difference in average salaries between men and women is motivated by the subsequent incorporation of women into the labor market, in quantitative terms, which also affects ADIF and ADIF AV in particular; therefore, the trend is the continued reduction of this wage gap, with the average equalization of male and female seniority.

1.6.3. Organization of Social Dialogue and Health and Safety at Work

Regarding this matter, the dialogue between ADIF-Alta Velocidad and its staff is structured through periodic meetings between the Entity and the Work Center Committee in Madrid and Staff Delegates in Seville, León and Barcelona, as well as in the existing Commissions: Safety in Circulation, Occupational Safety and Health, Advisory Council on Training and Social Policy and Equality. As well as those emanated from the Collective Agreement. In the pre-agreement of the II Collective Agreement of ADIF and ADIF-Alta Velocidad, measures related to occupational health and safety are included, in addition to those existing in the regulations of the company. The 75.80 of the ADIF-Alta Velocidad staff is covered by the Collective Agreement.

Non-financial information (Law 11/2018, of December 28)	Indicators of result/impact QUANTITATIVE DATA				
	Indicator description	Units	2016	2017	2018
PEOPLE AND SOCIAL ISSUES	Days lost due to work accident or occupational diseases	Total number of days lost (days lost due to accidents in itinere are not included)	0	11	0
	Index in preventive medicine	% of employees participating in preventive medicine	25%	19.72%	21.62%
	Index on labor accidents.	‰	0	14.06	0
	Incidence index (No. of accidents)	Male	0	6.56	0

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	with no-in-itinere leave * 1,000) / Number of Average Workers)	Female	0	32.79	0
Severity index (days lost for every 1,000 hours worked)		‰	0	0.03	0
		Male	0	0.01	0
		Female	0	0.08	0
Occupational diseases		No.	0	0	0
		Male	0	0	0
		Female	0	0	0
Social Assistance Supplement	EUROS amount of social assistance (for medical expenses) per employee		1,800	1,226	2,472
Absenteeism rate	% of workdays lost due to mild common illness		1.56	3	2.97

1.7. OTHER RELEVANT INFORMATION OF THE ENTITY

1.7.1. Measures Adopted to Prevent Corruption and Bribery

Within the framework of the strategic orientation of ADIF-Alta Velocidad and the commitment to create value for society and with the aim of developing a governance and management model that binds ADIF-Alta Velocidad as a well-governed and governed Public Entity under the principles of ethics and transparency, a Corporate Anti-Fraud Policy is established.

The Fight against Fraud is a fundamental pillar of the ADIF-Alta Velocidad Regulatory Compliance model. Its fundamental documents are:

- Corporate Anti-Fraud Policy.
- Procedure of Prevention, Detection and Management of Fraud that establishes the principles and guidelines to fight against fraud.
- Institutional Declaration of Fight Against Fraud.

In ADIF-Alta Velocidad, fraud is any act, or omission, intended, designed to deceive ADIF-Alta Velocidad, or a third party by means of, on behalf of, or using ADIF-Alta Velocidad resources, resulting in a loss and/or gain for ADIF-Alta Velocidad, for the perpetrator, for a person linked to ADIF-Alta Velocidad, for a third party or a combination of the above. Fraud often involves the use of deception. The intention is the fundamental element that differentiates fraud from irregularity.

This Policy applies to all members of the Board of Directors, Senior Management and in general, without exception and whatever their position, responsibility, occupation or geographical location, to all employees of ADIF-Alta Velocidad. They are all "Subject Persons."

Principles that ADIF-Alta Velocidad has to fight against fraud:

All subject persons must comply with the legislation applicable to personnel at the service of the Administration in terms of behavior in the business and use of public resources.

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ADIF-Alta Velocidad, as a Public Business Entity, is committed to integrity in the management of public resources, reaching this commitment to the entire organization and being led by the Board of Directors and Senior Management. The activity of ADIF-Alta Velocidad must respond at all times to the public interest and to the values embodied in its Code of Ethics and Conduct, so that each action and each decision taken meets the following premises:

- Be legally valid.
- Be ethically acceptable.
- Be desirable for society and for the Entity.
- Each person is willing to take responsibility for it before their peers, family members and citizens in general.

To demonstrate its commitment to zero tolerance for fraud and corruption, ADIF-Alta Velocidad has measures to prevent and detect, as far as possible, any fraudulent activity and, if applicable, correct its consequences. This control system is developed in the Procedure for the Prevention, Detection and Management of Fraud that establishes the objectives, responsibilities and anti-fraud measures of ADIF-Alta Velocidad.

In addition, as a beneficiary of Community Funds, ADIF-Alta Velocidad has implemented the anti-fraud cycle that the European Commission requires as part of the anti-fraud measures in the management of European Funds. All this is specified in the Risk Management Procedure for Fraud in Community Funds.

Risk Management Procedure for Fraud in Community Funds, whose purpose is to establish the responsibilities, methodology and activities carried out in ADIF and ADIF-Alta Velocidad in the anti-fraud cycle. This cycle includes all those measures aimed at the prevention, detection, correction and prosecution of Fraud. The combination of measures in these four elements of the anti-fraud cycle allows a proactive, structured, targeted and comprehensive approach to fraud risk management, as recommended by the European Commission, thus significantly reducing the risk of fraud and providing sufficient deterrence. On November 8, 2018, the Subcommittee for Fraud Risk Self-Assessment in Community Funds was established. Its main responsibility is to prepare, with the periodicity established in the Procedure, the Fraud Risk Self-Assessment, in terms of impact and probability, using the tools provided by the European Commission or others that could be established by ADIF and ADIF-Alta Velocidad. This self-assessment, which contains more than 100 controls, must be reviewed and updated annually).

ADIF-Alta Velocidad will ensure that people subject to this Policy are kept aware of the need to not tolerate fraud in the Entity and that they receive adequate training in this regard.

Any person subject who suspects that a fraudulent activity is taking place must communicate this situation through the ADIF-Alta Velocidad Ethics Channel.

Other related policies:

- Code of Ethics and Conduct of ADIF-Alta Velocidad.
- Fraud Prevention, Detection and Management Procedure.
- Risk Management Procedure for Fraud in Community Funds.
- Policy on Prevention and Management of Conflict of Interest.

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- Ethical Channel Management Procedure.

Non-financial information (Law 11/2018, of December 28)		Descriptive text	Indicators of result/impact QUANTITATIVE DATA				
			Indicator description	Units	2016	2017	2018
INFORMATION RELATING TO THE FIGHT AGAINST CORRUPTION AND BRIBERY	Measures taken to prevent corruption and bribery.	Notifications ethical channel <i>(Integrated ADIF - ADIF AV)</i> .	Nº	57	73	57	
		Declarations of conflicts of interest <i>(Integrated ADIF - ADIF AV)</i> .	Nº	N/A	N/A	794	
		nº students trained in ethics <i>(Integrated ADIF - ADIF AV)</i>	Nº	568	238	542	

1.7.2. Social Commitments in Sustainability, Subcontracting of Suppliers and Consumers

Non-financial information (Law 11/2018, of December 28)		Descriptive text	Indicators of result/impact QUANTITATIVE DATA				
			Indicator description	Units	2016	2017	2018
INFORMATION PERFORMANCE IN THE COMPANY AND PRODUCT RESPONSIBILITY	Commitments of the company with sustainable development: the impact of society's activity on employment and local development; the impact of society's activity on local populations and territory; the relationships maintained with the actors of the local communities and the modalities of dialogue with them; membership of national and international associations; sponsorship actions; collective agreements agreed.	Collaboration with NGOs and other non-profit entities	Education, culture and values (Integrated ADIF - ADIF AV).	M impacted people	3.12	1.81	2.00
		Collaboration with NGOs and other non-profit entities	Solidarity campaigns (Integrated ADIF - ADIF AV).	m euros	288	299.93	379.12
		Universal accessibility for people with disabilities	Accessibility in ADIF-Alta Velocidad stations only (Integrated ADIF - ADIF AV).	% passengers	80.08	81.21	83.19
		Social Dialogue Workers Representatives	Collective agreements signed in force	nº	1	1	1
		Membership of international associations / International projects	Presence in associations and international organizations	nº	N/A	184	218
			Presence in international projects and activities	nº	N/A	145	158

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		Membership of national associations	Membership of national associations	nº	N/A	2	2
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In 2018, Purchasing and Contracting Management, within its strategic objectives, established the "Approval of a Catalog that collects ecological criteria and social criteria for its mandatory incorporation in the Technical Specifications and Administrative Clauses for the contracting of works/services/supplies" (within Sustainability Pillar OE 3.1 Sustainable Business) that will be applicable to both ADIF and ADIF-Alta Velocidad contracts.

In the absence of approval only, these catalogs propose the incorporation of social and environmental criteria, additional to those established by the LCSP, distinguishing on the one hand the inclusion of cross-application clauses to all contracts of ADIF and ADIF-Alta Velocidad; and, on the other hand, the inclusion of clauses that only apply to a type of contract or to a specific benefit. In each case, they would be collected as solvency requirements, as award criteria or as special execution conditions. Being an objective of 2018, the indicators have not yet been defined, nor is there a historical series yet.

SOCIAL COMMITMENTS.-IMPACT OF ACTIVITY IN SOCIETY

ADIF-Alta Velocidad is aware of the significant impact that the development of its activity has on the communities in which it operates and in the country as a whole. The quality and availability of railway infrastructures, their safety, the impact of these infrastructures on economic development and social cohesion, the need to harmonize the development of the network with respect for the environment, the opportunities offered by rail in the fight against climate change, the need to be an example of integrity and transparency as a public company that needs the confidence of citizens, etc. All this has an effect on the quality of life of citizens, and as we indicated at the beginning, "improving the lives of people" is our main purpose as a public service company.

Therefore, it is important to take into account the different impacts we have on citizens and how we try to guide the strategy so that these impacts are increasingly positive, covering the purely operational and service dimension, but also the economic, social, environmental dimension and of government of the entity.

We highlight some projects that we understand are also relevant and have a more specific social nature:

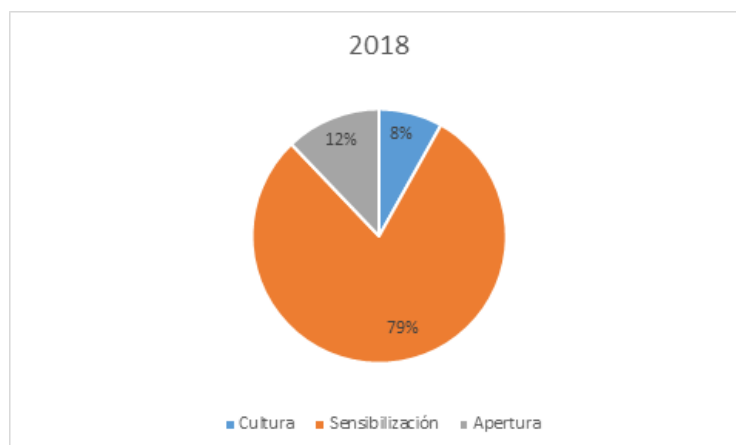
Open Station Program

In line with the objective of ADIF-Alta Velocidad to optimize its external social impact in local environments, this program was born as an integral project that allows to coordinate and develop cultural, social and environmental initiatives in railway stations managed by ADIF, always under criteria of Social Responsibility and Sustainability and non-commercial purposes. With this program are offered, in short, spaces open to citizens.

In 2018, 413 activities were carried out in 68 different stations with an audience of 2.02 million people. The average assessment of the activities was of 8.8. The direct

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economic return reported by the entities participating in the activities carried out at the stations amounts to 17,324 euros and 3,015 members. The program has three main lines of action where the activities that are carried out are combined:



Audioguide Service

Within the UBICA project in October 2013, the Audioguide Service was implemented in the Madrid Chamartín and Madrid Puerta de Atocha stations. This service offers people with visual disabilities access to the station in an autonomous way, facilitating mobility by obtaining and reproducing structured audio files in sections and chapters (access information, distribution of spaces, location of the main services of the station, routing from the Interactive Information Points to the Customer Service, Information and Ticket Sales, to the Atendo Help Service, toilets and access to station platforms and exits).

The audioguides are available in Spanish and can be played and/or downloaded from the ADIF-Alta Velocidad website and played from the Interactive Information Points installed at the stations.

Dialogue Service

This service is aimed at deaf and hearing impaired people to facilitate communication and access to the service information of the stations. DIALOGA consists mainly of a video-interpretation service in Spanish sign language in the Customer Service Offices and in a public address service of the station that is represented textually in the information monitors.

The most relevant incidents, emergency situations and other messages of a general nature in sign language are transmitted through the information monitors. In addition, a telephone information and text communication service is available for mobile devices.

Through ADIF's corporate website, ADIF-Alta Velocidad stations can be consulted adapted in their services and facilities to the needs of deaf and hearing impaired people.

2. ACTIONS PERFORMED IN THE BUSINESS AREAS OF THE ENTITY

2.1. NEW HIGH SPEED LINES

The following describes the main actions of 2018, and the situation existing at the end of the year:

2.1.1. Construction

L.A.V. Madrid-Extremadura

In 2018, the works on the platform between Talayuela and Badajoz continued, according to the planned schedule; including the connecting branches in Plasencia, and the connecting branches to the north and south of Cáceres; The drafting work of the platform adaptation projects between Talayuela and Plasencia was also initiated. In this way, the platform between Plasencia and Cáceres is quite advanced, being practically completed between Cáceres and Badajoz.

During 2018, the track assembly between Mérida-Badajoz has also been completed, and the adaptation to the international section of the Aljucén-El Carrascalejo section is almost complete; The projects for road renewal, adaptations and links between Monfragüe and Plasencia, and the adaptation of the accesses to the Cáceres, Mérida, Aljucén and -Badajoz stations, are being drafted. In addition, the road duplication project between Cáceres and Mérida has started.

Likewise, in this year 2018, the bidding of the contract for the electric traction substations and transformation centers in the Plasencia Badajoz section has begun; areas of Cañaveral, Carmonitas and Sagrajas.

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

The writing of the projects of architectural performances in the stations of Cáceres, Mérida, Plasencia and Badajoz has finished.

L.A.V. Antequera-Granada

During 2018 platform works, track assembly, catenary and facilities were completed, being in the testing phase of ERTMS N2.

L.A.V. Olmedo-Zamora-Lubián-Orense

- 1) Zamora-Pedralba de la Pradería: Of 110 kms in length, the route consists of five sub-sections, four of which are completely finished; being the most characteristic singular works: 7 tunnels (4.5 kms.) and 14 viaducts (4 kms.). During 2018, the platform works were completed, with the exception of the Cernadilla-Pedralba section. The execution of the central sections and the track assembly has also continued, finding a section

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pending reception; the lane of the general roads has almost been entirely installed, pending the installation of the secondary roads of the two existing PAET; the installation of deviations and expansion devices has begun; the mounting base of the Hiniesta has been executed; the execution of the offices and warehouses for the maintenance of the line continues; Work continued on the contact and energy overhead line, security installations, fixed and mobile telecommunications, as well as civil protection and security; and finally, to say that the actions in the power substations have been completed, and the energy remote control work has begun.

- 2) Pedralba de la Pradería-Ourense: Of 101 kms from Pedralba to Taboadela and 22 sub-sections, which run on left and right tracks, except for the first 5 kms of the Pedralba section-Padornelo tunnel and the last 3 km between Porto and Taboadela (22 km), which have been designed as a single platform with double track; and the tunnels predominate in the layout, reaching a total length of 125 km, compared to 9.4 km of viaducts. During 2018 the stretches of Miamán-Ponte Ambía, Túnel del Espiño VD, Túnel de la Canda-Vilavella, Túnel del Espiño VI, Campobeceros-Portocamba, Vilariño-Campobeceros VD, Túnel de Cañizo VI, Túnel de Prado VI, Ponte Ambía - Taboadela, Túnel de la Canda vía izquierda, Vilariño-Campobecerro VI and Cañizo VD have been completed and received.

- 3) Taboadela-Ourense (14 Kms current corridor + 2 Kms connection branch)

In order to put into service the works executed prior to the execution of the exterior variant of Ourense, the current corridor will be used from Taboadela, where a width changer will be installed; and for this, the Council of Ministers authorized the transfer of the Taboadela-Ourense section to ADIF-Alta Velocidad on April 6, 18. During 2018, work has begun on the Connection Branch in Taboadela and the Remodeling of the Ourense station (adaptation of roads and platforms); the contracts of the Third lane + Infrastructure Taboadela-Ourense and the Chancelier of Taboadela have been awarded, assembly of track in connection branch and remodeling of Taboadela station; the bidding of the Taboadela-Ourense Complementary Actions contracts, and the contact overhead line and associated systems of Pedralba-Taboadela-Ourense; and finally, the execution of the new high-speed station in Sanabria has begun, in addition to the tender for the work of the Puerta de Galicia station.

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 external civil works. During 2018, work on the Sotiello-Campomanes section was completed, leaving only the stabilization works in areas outside the platform and in the final part of the section that affect an electricity line (a new emergency has been approved, which collect these actions); and finally, electrification, civil protection, energy and security and communications facilities have continued.

L.A.V. Madrid-Levante

- 1) During 2018, 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 the Atocha-Chamartín tunnel; and the testing phase has continued, still continuing in 2019, which will allow it to be put into service.
- 2) Monforte del Cid - Murcia: The section of Monforte del Cid Murcia consists of 65 km of double track electrified by alternating current 2x25 Kv. At the end of July 2018, the provisional access route to Murcia, for commuter trains, goods and long distance (the current circulations) has been put into service, in Iberian gauge; allowing to release, in large part, the current way of the work in progress and continue with the burial of entry to Murcia. In addition, during 2018, the track assembly works, Civil Protection, energy and safety and maintenance facilities have been completed, with the contact air lines close to completion until the El Reguerón PAET (the general roads have been completely installed, as well as those in the section of the station of Elche AV and San Isidro, and we only need to energize the sectional pathways of the Callosa, Orihuela and Beniel stations, the Elche AV station has been completed, and finally, we have continued with the execution works of phase I of the accesses to Murcia, and the tender for the actions corresponding to phase II has begun (undergrounding of the station, Barriomar and Nonduermas).

L.A.V. Almería-Murcia

The Murcia-Almería section of the Mediterranean High Speed Corridor, has an estimated length of 184 km, and there are 4 stretches with the platform works completed between Vera and Los Arejos. During 2018, work has begun on the integration of the railroad in Puche, and the bidding of the contracts of Pulpí - Vera, Los Arejos - Níjar, Níjar - Río Andarax, Andarax - El Puche, Nonduermas - Sangonera, Sangonera - Totana and Totana - Lorca has begun; and in addition, the Totana-Totana project is being written.

Vandellós-Área de Tarragona

During 2018, the track assembly works continued, being close to completion; the testing phase of the security, traffic control and telecommunications facilities has continued; and in addition, work has continued on the stations of Cambrils and L'Hospitalet de L'Infant, as well as on the Paet de Rifà (Montroig del Camp), and its completion is near.

L.A.V. Valladolid-Palencia-León

During 2018, work has continued on the implementation tests of the ERTMS Level 2 system; Work has begun on the drafting of the platform and track project for the integration of the railway in the city of Palencia, in its South access; Work has begun on the drafting of the RAF Palencia duplication project - Vilecha AV Bifurcation; and finally, the drafting of the Palencia-León duplication electrification project is in tender.

L.A.V. Valladolid-Burgos-Vitoria

During 2018, between the stations of Valladolid and Venta de Baños (39.3 km), within the Valladolid-León LAV, the works have been completed, and this section is in service;

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Infrastructure works, track assembly, electrification and remote control, and security and communications facilities have been continued, practically completed, with the exception of the Estépar-Variante Burgos section.

L.A.V. Vitoria-Bilbao-S. Sebastián

Between the stations of Vitoria and Bilbao, nine stretches of platform are completed; continuing during 2018 the execution of the works in five more sections, although, two of them are without activity; Work has begun on the Mondragón-Bergara contracts, sector 1, sector 2 and sector 3; and in addition, the works of the Atxondo-Abadiño section, the works of the new emergency exits in tunnels, and the drafting of the new project for the works of the Elorrio-Elorrio section are in tender.

LAV Barcelona- Frontera Francesa

During 2018, the works on the Structure of the La Sagrera Station, as well as its access, after a paralysis of more than three years have been restarted; works that are advancing at a good pace, having practically completed the foundation slab of the Station, where pillars and girders are currently being erected. Likewise, the execution of phase 1 of the collector of Rambla Prim has been completed, and phase 2 of which is pending relocation within the lower level of La Sagrera Station (roads corresponding to the Rodalies lines); Work has begun on the execution of three additional Emergency Exits in the Sants-Sagrera tunnel, and the execution of ground improvement treatments prior to excavation with a vertical tunnel boring machine (VSM), which is scheduled to begin work in mid-March 2019; in relation to another emergency exit located in Montcada and whose execution was resumed during 2018, the corresponding well has been installed and finished, as well as its facilities, only connecting them to the remote control; regarding the Project of additional Civil Protection measures for the tunnels of this LAV, it is in a high degree of progress, as well as its complementary works (reinforcement of the 750 V line); Phase 1 (Pozo Bombeo de Montcada) and 2 (Tunnels of Gerona) have also been completed, and phase 3 is expected to be completed in 2019 (remaining tunnels).

Nudo de la Encina-Alcudia-Xàtiva

During 2018, the works of platform, track, electrification and CMS of conventional width between Alcudia de Crespins and Mogente have been completed, being in the training period of train drivers, so its commissioning is very close; The drafting of the track and catenary project in conventional width between Mogente and Nudo de la Encina has also been started, whose model will be delivered in February / 2019, and whose actions will allow changing the width after the current conventional line between the Nudo de the Encina and Xàtiva, connecting thus in standard width Valencia with the LAV Albacete-Alicante, in addition to Monforte-Murcia-Almeria.

2.1.2. Security Systems - Telecommunications

L.A.V. Madrid-Extremadura

The Telecommunications facilities continue in the Cáceres-Badajoz section:

- The corresponding civil work has continued to be carried out.

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- 85% of fiber optic cables are installed.
- The model of telecommunications networks has been made, checking the operation of them.
- The drafting of the phase II project (between Plasencia and Cáceres) has begun.

With regard to the GSM-R facilities in the Cáceres-Badajoz section, civil works have been carried out in more than 90% of the sites.

L.A.V. Antequera-Granada

During 2018, the work in Fixed Telecommunications has been completed, and all the networks have been put into service.

Regarding access control (video surveillance and anti-intrusion), it has advanced in its commissioning up to 95%; being finalized, with respect to fixed telecommunications and video surveillance, the installation in the Station of Travelers of Antequera AV, for not being in execution; as well as the part of the Granada Passenger Station located in the Renfe Space area.

With respect to the GSM-R installations, all the sites are executed, being in the optimization phase and testing the facilities.

L.A.V. Olmedo-Zamora-Lubián-Orense

In relation to Fixed Telecommunications, during 2018:

- 85% of all trunk fiber optic lines have been made.
- 80% of the buildings have been equipped with the elements that make up the telecommunications networks.
- The SDH transmission equipment and Telecommunications power have also been commissioned to service the La Hiniesta fork.
- Regarding video surveillance equipment, access control and anti-intrusion, 30% of the total allocated to the section has been advanced in its installation.
- With regard to GSM-R installations, civil works have been carried out in 100% of the sites.

In relation to Fixed Telecommunications, during 2018 a contract modification was requested, together with the Signage and Conditions techniques; advancing, in turn, in the drafting of the construction project, being the situation analogous to the GSM-R facilities.

L.A.V. Madrid-Levante

In the Chamartin-Atocha section, fixed telecommunications facilities are already completed. The protection and security facilities are in the integration phase. The GSM-R installations are completely finished, and the optimization tests of the system are being finalized.

In the section Monforte del Cid-Murcia, the access works to Murcia is in its execution, and the proposal of adaptation of the works in order to make them compatible with the burial of the station and the arrival at height -8m has been accepted. Regarding Fixed

Telecommunications installations, they are available in this section, and the integration works in the managers are continuing. As far as the Protection and Security facilities are concerned, they are in the integration phase; and over the installations of GSM-R, the civil work has been completed throughout the section; and finally, in the sub-section Monforte-Beniel, the equipment has already been installed.

Vandellós-Área de Tarragona (High Speed link with the Mediterranean Corridor)

The Fixed Telecommunications installations are in the process of completing the exploitation and telecommunication integration works, as well as the passage of some services that run through the old fiber cables to the new ones (this last will have to be done just before the laying in service). The rest of the networks are already available; the protection and security facilities are in the integration phase; the GSM-R Mobile Telecommunications facilities, in the Tarragona-Vilaseca section, are completely finished in the absence of completion of tests with train circulations; and finally, the installations of the Tren-Tierra system on the Vandellós-Tarragona section have also been completed.

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

Fixed Telecommunications installations are executed to Burgos with the exception of those affected by the replacement of the viaduct over the Arlanzón River (currently in execution); and in addition, GSM-R mobile telecommunications facilities are fully completed, in the absence of optimization tests and quality of service with train circulations.

2.2. HERITAGE AND URBANISM

During 2018, the New North Madrid Project continued. On September 19, 2018, the Secretary General of Infrastructures decided to provisionally approve the "Informative Study of the new railway complex of the Madrid-Chamartin station", and initiate the corresponding process of public information and hearing. On September 20, 2018, the Governing Board of the Madrid City Council agreed on the Initial Approval of the Specific Modification of the Madrid General Plan (MPPGOU). Finally, on December 28, 2018, the Railway Public Entities and the Castellana Norte District (DCN) signed the "Document to Modify the Revised Text of the Contract signed by Renfe. Today ADIF, ADIF-Alta Velocidad, RENFE-Operadora and RENFE Manufacture and Maintenance, SME, and DUCH, today DCN, on preferential adjudication of the rights of the former in relation to the urban development of the Chamartin and Fuencarral Railway Sites, in Madrid".

Additionally, the Entity has continued to develop its usual asset management activity, highlighting the following activities:

Concessions and Administrative Authorizations

The Administrative Concession of the lands occupied by the Vía Parque has been processed in the scope of the OI/2 of Alicante, and the Concession for the Servitude of the CRT-2, in the scope of Valencia Central Park.

Proposed Declaration of Unnecessariness and Agreement of Desafectación

Deregulation records have been made on 1.888.600,96 m² of surface (mostly land used for landfills or material extraction, due to the AVE, and also for supported expropriations and

reversal requests); and among them stands out the one carried out on the ground and the flight of the plot under which the railway tunnel runs in the Portillo area in Zaragoza (21,773 m²).

2.3. FIBER NETWORK

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. In order to do so, during 2018, we continued to provide 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 2018, amounted to 826,487.20 euros, in addition to raising the figure of recurring revenues to 184,456 euros per year.

Likewise, within the Renovation Plan established in the Assignment Agreement, new cables have been renewed and put into service, in the sections: Abia-Almería, Escacena-Huelva, Zafra-Fuente del Arco, Sevilla-El Pedroso, Cervera-Calaf, Astorga-Ponferrada and Alsasua-Zumárraga; whose cost is initially budgeted with an amount greater than three million euros.

Additionally, the projects of the Girona-Port Bou, Orduña-Bilbao, Pamplona-Alsasua aéreo and Sevilla-Escacena routes have been prepared; and with respect to this last route, the tender has been carried out, as well as the first battery replacement batch in operators' booths of the high-speed lines.

2.4. ELECTRIC POWER

In the field of Energy, ADIF-Alta Velocidad has managed during 2018 the supply of electricity of 2,784 TWh, with the following average costs:

Energy:	63,58 €/MWh.
ATRs:	37,11 €/MWh.
Total cost of MWh consumed:	100,69 €/MWh.

The main actions that have taken place during 2018 are described below:

Invoicing with Embarked Measurement

A billing model for the complementary service for the supply of traction current in UIC lines (currently invoiced as "Real Cost") has been made using TKBs and Embarked Energy Measurement (according to the consumptions directed by Renfe Operadora to the ADIF-Alta Velocidad server -DCS-). The model has been applied to all high-speed lines, in the period July-September 2018.

Supplier invoicing

The billing procedure has been adapted to the exchange procedure between traders and distributors established by the CNMC, making ADIF-Alta Velocidad the 1st consumer to

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obtain recognition in the work groups of the CNMC, to be treated by distributors with the same protocol as that applied to marketers in F1 formats.

Other actions

A saving of 2.60 million euros has been achieved, corresponding to the compensation for 42.1 GWh of energy discharged by the braking of railway compositions in 20 substations of the UIC network; and in addition, authorization has been received from the Ministry for the Ecological Transition, for the discharge of energy in 7 new additional substations in the High Speed field; which will allow, from January 1, 2019, an additional annual saving estimated of 350,000euros, corresponding to the compensation of an additional 5.41 GWh/year of discharged energy.

2.5. FUEL

During 2018, fuel consumption in liters has increased, compared to the previous year, by 3.06%; which means an increase of 2.75 million liters, compared to the total consumption of 92.7 million liters.

Regarding the evolution of the price of fuel, it has maintained a bullish behavior during 2018, mainly due to the evolution of the Euro/Dollar exchange and the Brent oil price; which has meant an increase in the average price 2018, compared to the average price of the previous year; that is, an increase of 8.69 cents/liter (21.86%), until reaching the average price 2018 the figure of 48.47 cents/liter.

Both factors, consumption and price, have produced an increase in spending of 9.15 million euros.

In order to carry out new actions, 1.1 million euros have been budgeted for the Investment Plan for the 2019 fiscal year.

2.6. CIRCULATION AND CAPACITY MANAGEMENT

Non-financial information (Law 11/2018, of December 28)		Descriptive text	Indicators of result/impact QUANTITATIVE DATA				
			Indicator description	Units	2016	2017	2018
INFORMATION OF COMPANY	Other areas of		Passengers	M passengers	145.9	158.47	164.41

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PERFORMANCE AND PRODUCT RESPONSIBILITY	information relevant to the activity and impacts of the company						
	Capacity management => Number of companies that have operated in the Adif-AV network in each year.- 2016-> Renfe Viajeros, Renfe Mecanías, Acciona, Comsa, Continal, Rail traction, Transítia Rail, Logitren, Transfea and Ferrovia Rail. In 2017 the previous ones, Low Cost Rail. In 2018, in addition to Medway and Alsa Rail, 2017, Ferrovia Rail has not operated.	Liberalization	Nº companies	10	11	12	
	Capacity management	Accessibility to the High Speed Network	%	66.73	66.73	67.95	
	Capacity management	Development of the High Speed Network	km	265.70	2.80	71.8	

2.7. SAFETY, PROCESSES AND CORPORATE SYSTEMS

Traffic safety has always been a hallmark and a priority in rail transport. Although the ADIF-Alta Velocidad standards related to traffic safety have always been very high, it is not exempt from important challenges such as the aging of the network, the complex interaction with the rest of the agents of the sector or the constant regulatory and technological evolution. The ultimate purpose of safety in circulation is based on prevention, learning and continuous improvement. ADIF-Alta Velocidad should promote a positive and active culture in this area, a standard that determines the technical pillar of the Fourth Railway Package. In this objective, the participation of all the areas is of special relevance, as well as the establishment of a management system that strengthens the confidence of all those who assume responsibilities. The objective is that no person suffers damages due to railway accidents.

The Directorate of Protection and Security is carrying out a comprehensive security policy that incorporates both security and civil protection. To do this, it has deployed the KPIs that are collected and that take into account all aspects of the activity. These data are measurable through the GIP application (Protection and Security Incident Manager) and the monthly reports that are prepared in each of the Areas.

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- Evaluation of the contracted surveillance services: Through the appropriate inspections and evaluations of the security companies, it is possible to evaluate the compliance of the contracted services and measure the quality with which they are provided to maintain the quality and security parameters contracted.
- Deliberate attacks against critical infrastructures: Provide railway infrastructures with security plans and measures to guarantee the provision of the service and make them more and more resilient.
- Crimes with incidence in the activity: Through its monthly analysis, it's possible to identify the evolution and in the case of detecting any deviation or vulnerable points adopt the necessary measures.
- Emergency Situations with application of the Self-Protection Plan: In case of any emergency situation that entails the activation of the Self-Protection Plan, the corresponding report is prepared to analyze the action and to implement improvements in future situations..

Non-financial information (Law 11/2018, of December 28)		Indicators of result/impact					Goals 2019
		QUANTITATIVE DATA					
		Indicator description	Units	2016	2017	2018	
INFORMATION OF COMPANY PERFORMANCE AND PRODUCT RESPONSIBILITY	Consumers: measures for the health and safety of consumers; complaint systems, complaints received and resolution of them.	Evaluation of the provision of surveillance and security services	points/45	38.4	38.33	39.46	> 35
		Deliberate attacks against critical infrastructures	nº	54	38	9	<= 25
		Crimes with incidence in the activity	nº	329	282	252	<= 250
		Deceased persons or serious injuries in accidents	nº/ Mkm Train	0	0.018	0	0

2.7.1. Protection and Safety

The exercise of police authority in relation to rail traffic, use and defense of infrastructure in order to ensure traffic safety, the conservation of infrastructure, facilities and material means of any kind necessary for exploitation corresponds to ADIF-Alta Velocidad.

During 2018, the number of electric conductor subtraction incidents decreased by 32% compared to the previous year; for the fifth consecutive year, 44% the subtracted meters; and the economic value of the stolen, 40% less, which has gone from € 499,655 in 2017 to € 300,325 in 2018.

Likewise, 26 radioscopy equipment has been replaced, which incorporates a technological renovation, which allows greater availability of the equipment.

2.7.2. Safety in Circulation

In 2018, 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 2017 was presented.

Within the surveillance tasks, and based on the assignment agreement between ADIF and ADIF-Alta Velocidad, the Annual Road Safety Plan 2018 was drafted, which sets the value of the security objectives for this period; establishing these objectives maximum values for the number of accident and accident precursors, whose figures in 2018 referring to the network owned by ADIF-Alta Velocidad, are included in the attached table (figures for the previous year are also indicated):

CONCEPT	REAL VALUE 2018	MAXIMUM VALUE OBJECTIVE 2018	REAL VALUE 2017	MAXIMUM VALUE OBJECTIVE 2017
TRAINS	0	1	1	2
OTHER ACCIDENTS	1	2	1	2
INCIDENTS PRECURSORS OF ACCIDENTS HAPPENED	19	24	19	24

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

- **1st Level Surveillance:** It is a control of proximity and early detection on the application of safety standards related to processes and personnel, in particular in the exercise of safety functions, as well as on the state of facilities and infrastructure. During 2018, and with respect to this 1st Surveillance Level, 740 security visits were made, 619 monitored, as well as 454 audits (operational surveillance) on the activity indicated above.
- **Second Level Surveillance:** It is carried out through inspections, whose objective is the verification, through observation and analysis, of the correct compliance with the regulations and the safety requirements of application in activities, elements and conditions related to the safety in the circulation of trains and maneuvers. On the other hand, there are also operational controls that consist of improving the quality of surveillance actions (visits and eavesdropping) by periodically verifying the proper performance of the same; that is, they are supervisory actions carried out by the ADIF units responsible for executing the 1st Level Surveillance actions. During 2018, and with respect to this 2nd Level of Surveillance, 4,323 safety inspection actions were carried out in the High Speed Network, of which 4,082 were programmed and 241 were not programmed; detecting in addition, a total of 1,586 anomalies, of which 12.04% were of a serious level; which were put in communication of the affected area or company, for the adoption of the necessary measures for its resolution.

2.7.3. Common Actions: ADIF-Alta Velocidad / ADIF

Quality and Client

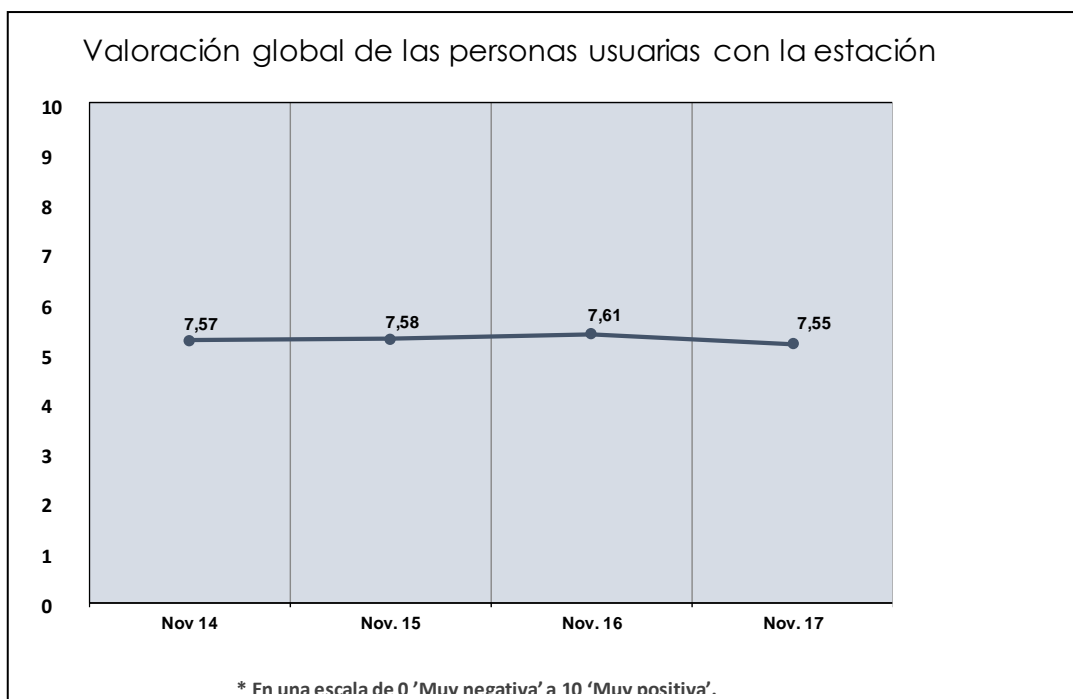
In 2018 the audits of AENOR were passed, renewing the Management System certification according to the ISO 9001 Quality Standard and the ISO 14001 Environmental Standard. On the other hand, in addition to compliance with the OSHAS 18001, UNE 166002 R&D and ISO 27001 certification of Information Systems, a new certificate has been obtained in ISO 20000-1 "Information Technology Service Management System" reinforcing the services we provide in information technology.

ADIF remains the first and only European railway administrator to be the European 500+ Excellence seal, forming part of the small group of 60 Spanish companies with such distinction.

In addition, ADIF continues to be a national and international reference in obtaining and improving ISO, UNE and EFQM certificates; is actively present in working groups such as AENOR, AEC (Customer Experience, Innovation, Environment, Quality), CEG, Group +500 of EFQM, etc ...; and collaborates with the Ministry of Development in continuing to promote and share best practices in all areas of public and private business management.

Customer Satisfaction

In 2018, the result of the Perceived Quality study was presented by the users of the Passenger Stations; in which the conclusions of an investigation that has had for main objective to know the level of satisfaction with the infrastructures, services, and the commercial offer of the ADIF stations are collected. The main results are shown below:



The Global assessment obtained by the users of the stations is of a 7.55 out of 10.

IMPORTANCIA Y SATISFACCIÓN CON LAS PRINCIPALES DIMENSIONES RELACIONADAS CON LAS ESTACIONES DE TREN

	IMPORTANCIA*	SATISFACCIÓN**
COMODIDAD / EQUIPAMIENTO	46,4%	7,20
ACCESOS A LA ESTACIÓN	45,1%	7,69
LIMPIEZA DE LA ESTACIÓN	43,8%	7,61
INFORMACIÓN	39,9%	7,61
ATENCIÓN CLIENTE ***	30,0%	7,75
MOVILIDAD/FACILIDAD PARA DESPLAZARSE POR LA ESTACIÓN	22,3%	7,87
SEGURIDAD ANTE DELINCUENCIA	17,8%	7,51
RESTAURACIÓN	12,6%	7,13
VENTA DE BILLETES	12,3%	7,90
COMERCIOS	8,4%	7,59
SEGURIDAD: INSTALACIONES / EQUIPAMIENTO	5,1%	7,59
OCIO/ENTRETENIMIENTO	3,8%	7,75
PROMEDIO	23,9%	7,60

* Proporción de personas que citan espontáneamente el aspecto o la dimensión como uno de los tres más importantes.

** Satisfacción en una escala de 0 'Nada satisfecho/a' a 10 'Muy satisfecho/a'.

Digital Transformation and Systems

During 2018, the development of the strategy of the Directorate of Digital Transformation and Systems (DTDS), approved in December 2014; where the Action Plans and Services to be performed during this period have begun.

It has continued with the development of the Electronic Administration Plan, continuing with the implementation and commissioning of the electronic signature, and initiating various projects aimed at the implementation of the Bag, Handler, Electronic Office and Electronic Documents. Within the process of replacing Mainframe (HOST), we have continued with the development of the plan Transformation of legacy applications to open systems, carrying out a selective migration of applications and databases to the open systems environment. Finally, it is in the phase of awarding the modernization project of the ADIF and ADIF-Alta Velocidad WEBSITE, based on the implementation of the ADIF image renewal plan on the internet.

Finally, indicate that, from the point of view of continuous improvement, new management models have been developed aimed at Demand Management and Project Management, in order to cover in full the life cycle of any relative request. to processes of

the Direction of Digital Transformation and Systems, improving its management in an integrated way and giving an agile response to the implementation of each demand.

Information Security

The Subdirection of Information Security (SSI) is encompassed in the General Directorate of Security, Processes and Corporate Systems, having entrusted the tasks and actions associated with cybersecurity globally for the entity.

Within the TRANSFORMA 2020 PLAN, the strategic objective of Cybersecurity within the Security Pillar was included, "Protecting Information Systems IT (Information Technologies) and OT (Operation Technologies)", against intrusions and aggressions; and, where appropriate, minimize its impact on the activity.

Cybersecurity is one of the biggest concerns of public entities and companies around the world. The importance of cyber-attacks is especially relevant in the railway sector, with railway infrastructure managers being critical operators in accordance with the provisions of current regulations.

In the railway sector we have passed, during the last years, the isolation of technological environments of railway exploitation, its hyper connection; introducing new emerging risk factors. This strategic objective aims to guarantee the integrity, availability and confidentiality of both the information of the organization; as of the systems, communications and technologies that support the different business processes. ADIF will have to reorder, renew and update the technological railway exploitation environments; and for this, teamwork in all areas is essential.

Within this scope of activity, the "Integral Security Plan for Information Systems" or PSISI, which emerged with the aim of defining a corporate model of Information Security Management with an integral scope, has continued to be developed; thus establishing the bases of a process of continuous improvement that guarantees the security of both the information and the systems, communications and technologies that support the different services of the Organization. Through the project, it is intended to know the status of Information Security, and propose the necessary actions to minimize the possible impact of the detected risks.

For this reason the PSISI was born, with the purpose of defining security plans for the protection of the Entity's assets, and establishing the aforementioned corporate information security management model with an integral scope, aligned with the strategic objectives, in accordance with the guidelines of the Information Security Policy, and in compliance with current legislation.

The PSISI encompasses both IT and operational environments, which fundamentally support ADIF business as a railway infrastructure administrator and are very heterogeneous in nature; having been implanted in these environments over time, according to the needs of the moment, and solving specific and very critical functions for the business; marked in many cases by technological obsolescence, and for which there are no information security plans.

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For the control and monitoring of this project, the following committees were created: Steering, Tactics and Operational Working Group; who are responsible for identifying the assets, developing, supervising and approving the actions that have allowed during this period to ensure the objectives set out in it. Based on this, a risk analysis of the Entity has been carried out, in order to identify the vulnerabilities and level of maturity that the company has, in order to establish action plans that mitigate said risks.

In addition, during 2018, the file "Managed Security Services for Information Systems" was also initiated; that once in operation, will provide service and support to the two main areas:

- GRC (Government, Risk and Compliance).
- Operations and SOC (Managed Security Operations Center).

2.8. PARTICIPATION IN INTERNATIONAL ORGANIZATIONS AND PROJECTS

Continuing with the strategy of previous years, the activities have been oriented towards the general objectives set by the Entity:

- Defense of the interests of ADIF-Alta Velocidad in the forums and international groups in which it is present.
- Profitability of the knowledge and experience accumulated by ADIF-Alta Velocidad through the attainment of technical assistance and contracts in foreign markets.
- Monitoring of opportunities that favor the participation of ADIF-Alta Velocidad professionals in projects and International Organizations, strengthening their individual capacities.
- Support for the internationalization of the Spanish business sector, to provide greater competitiveness to the list of suppliers of ADIF-Alta Velocidad.

2018 has turned out to be a year of great relevance, in which progress has been made in consolidating the size of the business abroad and the confirmation of very relevant opportunities; being proof of this, the Technical Assistance in India, Sweden or Israel.

Likewise, the activities carried out with strategic countries for our foreign business, such as the United Kingdom (project HS2, new high-speed line London-Birmingham-Leeds/Manchester), the United States, Russia, Israel, Korea, Australia, etc., are noteworthy. As well as the permanent collaboration with Amtrak, the rail operator of US travelers, through the North East Corridor Forum, whose vice-presidency we have played. From these collaborations, the signing of institutional agreements with MSTI-HŽ Infrastruktura (Croatia); with CU RZD, Corporate University of the Railways of Russia (RZD); with Renfe for the Dallas-Houston High Speed Project (Texas, USA), in which ADIF participates, with the collaboration of ADIF-Alta Velocidad, as a subcontractor within the contract signed with Texas Central Partners, a private rail operator of said line of high speed of 385 km in length, for the advice of Phase 1 of the project; and with China Railway Corporation, CRC.

As a result of these signed agreements, the collaboration with Croatia for the improvement of the connection of the Rijeka port within the Mediterranean Corridor and other sections TEN-T, with the support of ICEX and the Ministry of Industry, Trade and Tourism, should be highlighted. Also the recovery of activity with the Russian RZD railways through the Seminaries for the training of managers with RZD CU of Russia; as

well as the beginning of concrete training activities in Argentina within the Agreement signed in 2017 with our ADIF SE counterpart. Finally with the Transportation Secretariat of that country, with great repercussion for the two Seminars already held.

3. FINANCIAL INFORMATION

3.1. 3.1. ANALYSIS OF ACTIVITY AND RESULTS

The pre-tax result for 2018 reflects losses of 223 million euros, compared to the 200 million euros loss in 2017; what supposes an increase of the loss of 11.7%.

The most significant variations in the sections of the income statement are the following:

- The Operating Result in 2018 shows a positive balance of 49.11 million euros compared to 38.98 million euros in 2017, which represents an increase of 25.99%.

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

- Increase in Turnover of 3.64% (20.12 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 58,028 thousand km-trains in 2018 compared to 55,566 thousand km-trains in 2016; which means an increase of 4.43% (in the "Chapter 3.3 Fees" of this report, more information is detailed).
- The Other Operating Income heading recorded an increase of 1.9% with respect to the previous year, going from 404 million euros in 2017 to 412 million euros in 2018. This increase is largely driven by the increase in revenues derived from the supply of electricity to railway operators, which also shows an increase in expenses for this concept supported by the Entity. It also highlights the increase in rental income and services in the field of stations as well as advertising revenues.
- The heading "Other operating expenses" has increased by 1.32% with respect to the previous year. This increase is explained by several factors. On the one hand there is an increase of 1.2% in the concept of repair and maintenance of the infrastructure of its ownership given the start of operation at the beginning of 2018 of the route between Valencia and Castellón of the Mediterranean Corridor as well as the increase of the sections to be maintained in ADIF-Alta Velocidad by the transfer from ADIF of certain sections of conventional width for their adaptation at high speed. This circumstance also causes an increase in the costs of circulation and network administration in the Entity registered in the services linked to traffic heading and which is billed by ADIF to ADIF-Alta Velocidad, in accordance with the current service management mandate. In addition, in fiscal year 2018 there was an increase of 1.05% (1,510 thousand euros) in the costs related to traffic and passenger service derived from the increase in service levels in security and surveillance at stations and other singular points..

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- The Financial Result in 2018 recorded a negative balance of 272,52 million euros, compared to the negative result of 238,98 million euros in 2017. The main causes are summarized below
 - Financial expenses recorded a decrease of 2.53% compared to the previous year, going from 368 million euros in 2017 to 359 million euros in 2018. This fall is basically due to the decrease in the average rate of debt, from 1.91% in 2017 to 1.88% in 2018. Additionally, in 2018, there was a decrease in the estimated provision for financial expenses for interest on late payments to contractors and expropriated customers of 15%.
 - The heading "Impairment and result from disposals of financial instruments" includes, in 2018 for an amount of 26 million euros, the impairment of a non-commercial loan derived from a judicial procedure brought by ADIF to a contractor. The Entity has decided to impair the contingent asset when the contractor is in bankruptcy.
 - Financial income shows a decrease of 3.6%, caused among other causes by the drop in income from capitalized financial expenses, as a consequence, basically, of the decrease in the cost of the debt.

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.

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

	Work Administration	Construction	Station and other Assets management	Energy	Total
(Amounts in thousands of €)					
Revenue	488,169	0	83,953	0	572,123
Self-constructed assets	0	8,825	0	0	8,825
Other operating income	488	8,774	131,374	271,257	411,894
Personnel expenses	(151)	(10,741)	(2,509)	(708)	(14,108)
Other operating expenses	(281,324)	(22,874)	(100,780)	(277,058)	(682,036)
Income from internal operations	(3,552)	(1,506)	(242)	5,298	(0)

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Depreciation and amortization	(297,820)	(524)	(45,957)	(253)	(344,554)
Non-financial and other capital grant	103,044	1	4,289	0	107,334
Impairment and results on disposal of fixed assets	(10,774)	(321)	126	(623)	(11,592)
Provisions excess	268	600	120	238	1,226
Results from operating activities	(1,652)	(17,765)	70,374	(1,848)	49,112

3.2. KEY ACTIVITY INDICATORS

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

	2018	2017
SELF-FINANCING RATIOS		
DEGREE OF FINANCIAL AUTONOMY Indicates the degree of independence from external financing	53.33%	53.91%
FINANCING OF FIXED ASSETS Indicates the % long term resources that finance non-current assets	98.17%	98.75%
PROFITABILITY RATIOS		
TOTAL ASSET TURNOVER Indicates the degree of efficiency in asset management	2.14%	2.11%
FIXED ASSETS TURNOVER Indicates the degree of efficiency in the management of fixed assets	2.16%	2.14%
CURRENT ASSETS TURNOVER Indicates the degree of efficiency in the management of current assets	197.61%	150.84%
LIQUIDITY RATIOS	2018	2017
LIQUIDITY COEFFICIENT Indicates how many monetary units for every 100 of assets are liquid	1.08%	1.40%
TREASURY COEFFICIENT Indicates the ability of the company to meet its short-term commitments	0.37	0.53
SOLVENCY RATIO Indicates the ability of the company to meet its liabilities based on the assets	2.14	2.17
FINANCIAL PERFORMANCE Indicates the remuneration to the capital	-1.60%	-1.45%
ECONOMIC PERFORMANCE Effective capacity to remunerate all available capital, wholly owned and others	-0.49%	-0.44%
WORKING CAPITAL (million €) Determines if a company can meet its current obligations with its current assets	-833.94	-559.20

Average period of payment to suppliers: Information regarding the 2018 and 2017 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		
	31-12-18	31-12-17
	Days	Days
Average payment period to suppliers	55.53	50.15
Ratio paid operations	57.63	53.67
Ratio of outstanding payment transactions	27.38	25.86
	Amount (thousand €)	Amount (thousand €)
Total payments	1,746,167	1,457,083
Total outstanding payments	130,573	210,714

The interannual variation of the average period of payment to suppliers is basically caused by the agreed conditions for the payment of VAT passed on by the State Company of Infrastructure of Land Transport, S.A. in various deliveries in kind of works executed by said merchant. The payment period excluded from this operation was 50.56 days in 2018.

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

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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 the first half of 2017 is regulated by Law 39/2003, of November 17, of the Railway Sector, while as of July 1, 2017 and throughout 2018, the royalty structure regulated by Law 38/2015, of September 29 applies.

Additionally, the rates applicable in 2018 did not come into force until August 1, due to the approval of Law 6/2018 of PGE for the year 2018 that published them did not occur until July 3 of that year. This circumstance must be taken into account when analyzing the variations of income by fees in 2018 with respect to 2017 since the lack of homogeneity in the royalty structure in 2018 and 2017 prevents the comparative analysis by type of fee.

The methodology for calculating the rates of the fees, in accordance with the provisions of applicable European regulations and Law 38/2015, is aimed at transferring to the railway operator all costs directly attributable to the rail service, which entails the disappearance, as of July 2017, of the subsidy for the administration of the network that until then ADIF received.

The rates applicable in 2018 were calculated from the costs directly attributable to the operation of the rail service for the use of the lines of the 2016 General Interest Railway Network (last year closed and audited), broken down by high-performance lines and rest of lines.

The costs directly attributable to the rail service are the following:

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- Costs of the process of allocation of capacity, traffic management, security in circulation and replacement of security and traffic control facilities (recoverable by mode A)
- Maintenance and conservation costs of the railway infrastructure (recoverable by the B modality), and
- Costs of maintenance and conservation of electrification facilities and their replacement costs (recoverable by mode C)

Financial expenses, replacement costs corresponding to the platform, tunnels, bridges, road, buildings and means used for maintenance and conservation, as well as those necessary for a reasonable development of these infrastructures and all those costs that allow the infrastructure manager railways achieve the economic sustainability of the infrastructures it manages, they can recover, provided that the market can accept it, by adding to the full fee for the use of railway lines (mode B).

The total volume of royalties in 2018 experienced an increase of more than 4% over the previous year, mainly due to the increase in tariffs and the increase in production.

Below is a table that shows the income by type of canon corresponding to the 2018 and 2017 fiscal years:

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(Importes en miles de euros)	2018	2017
CANON DE ACCESO	--	12.181
CANON POR RESERVA DE CAPACIDAD	--	56.420
CANON POR CIRCULACIÓN	--	40.573
CANON POR TRÁFICO	--	112.780
CANON ADJUDICACIÓN CAPACIDAD	86.192	41.564
ADICIÓN CANON ADJUDICACIÓN CAPACIDAD	867	710
CANON UTILIZACIÓN LÍNEAS FERROVIARIAS	203.868	98.808
ADICIÓN CANON UTILIZACIÓN LÍNEAS FERROVIARIAS	154.361	73.652
CANON UTILIZACIÓN INSTALACIONES ENERGÍA ELÉCTRICA TRACCIÓN	34.481	16.640
BONIFICACIÓN PARA INCENTIVAR EL CRECIMIENTO DEL TRANSPORTE FERROVIARIO (Ley 38/2015, artículo 97.6.1°)(*)	-6.601	
INGRESOS CÁNONES POR UTILIZACIÓN DE LÍNEAS DE LA RFIG	473.168	453.327
CANON POR UTILIZACIÓN DE ESTACIONES POR VIAJEROS	53.552	66.279
ADICIÓN POR INTENSIDAD DE USO ESTACIONES TRANSPORTE VIAJEROS	30.243	15.917
CANON POR SERVICIOS EN ESTACIONES FUERA HORARIO DE APERTURA	11	0
CANON POR ESTACIONAMIENTO Y UTILIZACIÓN DE ANDENES	--	4.409
CANON POR PASO DE CAMBIADORES DE ANCHO	4.596	4.095
CANON POR UTILIZACIÓN DE VÍAS DE APARTADO	--	36
CANON POR UTILIZACIÓN DOMINIO PÚBLICO FERROVIARIO	--	3
CANON POR UTILIZACIÓN VÍAS ANDÉN ESTACIONAMIENTO SERVICIOS COMERCIALES	10.403	4.651
CANON POR UTILIZACIÓN VÍAS ANDÉN ESTACIONAMIENTO OTRAS OPERACIONES	117	52
CANON POR UTILIZACIÓN VÍAS OTRAS INSTALACIONES DE SERVICIO	0	25
CANON POR UTILIZACIÓN PUNTOS CARGA PARA MERCANCÍAS	0	0
INGRESOS CÁNONES POR UTILIZACIÓN ESTACIONES Y OTRAS INSTALACIONES	98.921	95.468
TOTAL INGRESOS CÁNONES FERROVIARIOS	572.089	548.795

(*) INCLUYE LA BONIFICACIÓN CORRESPONDIENTE A 2017 POR IMPORTE DE 795 MILES DE EUROS

In order to encourage the effective exploitation of the rail 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 bonus for the use of the integral lines of the General Interest Railway Network, modalities A and B, for the annual traffic increases according to the criteria included in the law itself.

The bonus lines in 2018 in the ADIF-Alta Velocidad network are the following:

- Axis Lines 11-A.V. Madrid Chamartín - Valladolid - Bifurcación Venta de Baños.
- Axis Lines 12-A.V. Madrid Atocha - Barcelona - Frontera Francia.
- Axis Lines 13-A.V. Madrid Atocha - Levante (actually Valencia/Alicante).
- Axis Lines 14-A.V. Madrid Atocha - Toledo / Sevilla Sta. Justa / Málaga María Zambrano.
- Axis Lines 16-A.V. Olmedo - Medina - Zamora - Galicia.

The bonus generated in 2018 amounted to 5,806.6 thousand euros (794.7 thousand euros in 2017).

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The amount of revenue from fees for the use of RFIG lines in 2018 registered an increase of 4.7% with respect to 2017 (considering the effect of the aforementioned bonus), reaching an amount of 474 million euros in 2018 compared to 453 million euros in 2017.

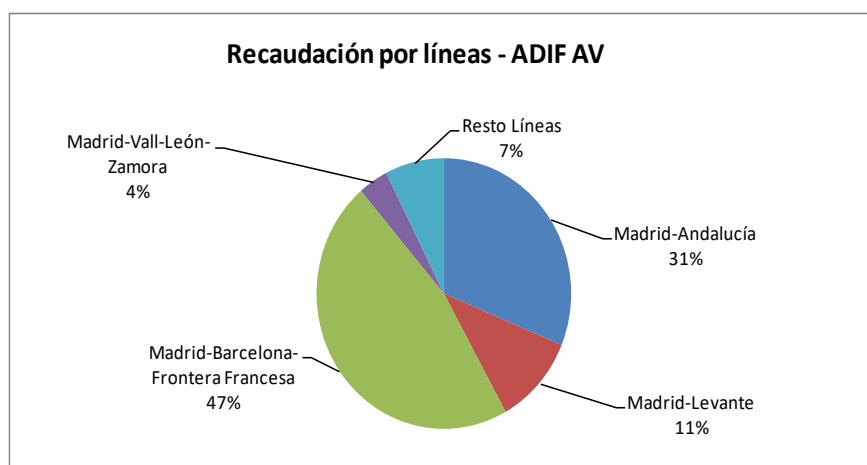
This increase is due, on the one hand, to the increase in traffic and, on the other, to the implementation of the new fee structure as of July 1, 2017 (with the entry into force of the 2017 LPGE) and the consequent increase of rates with respect to the first semester of 2017, and the application of rates 2018 with the entry into force of the LPGE 2018 on August 1, 2018.

Global traffic, measured in terms of train-km, increased by 4.4%, reaching 58,028 thousand train-km in 2018 compared to 55,566 thousand in 2017. This variation responds to the growth registered in all lines except for the Madrid-Barcelona-French Border relationship that decreased by 0.3%.

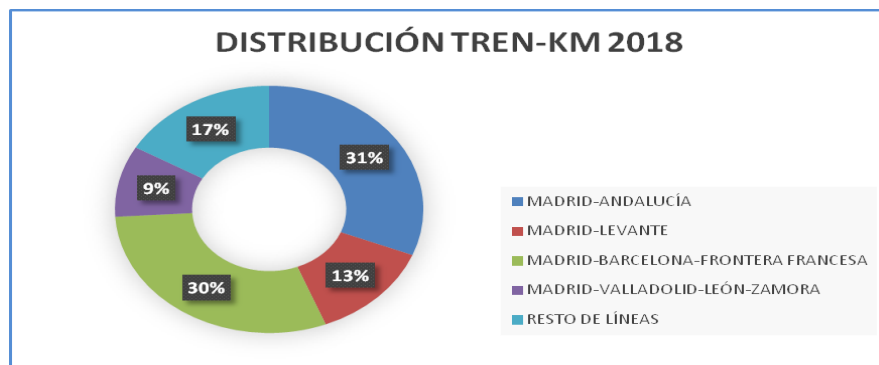
Below is a table showing the variations of train-km number circulated in 2018 and 2017 by the main ADIF-Alta Velocidad lines:

MILES DE TRENES-KM UTILIZACIÓN LÍNEAS DE LA RFIG	2018	2017	VARIACIÓN	% VARIACIÓN
MADRID-ANDALUCÍA	18.005	17.674	331	1,87%
MADRID-LEVANTE	7.540	7.049	491	6,97%
MADRID-BARCELONA-FRONTERA FRANCESA	17.421	17.473	-51	-0,29%
MADRID-VALLADOLID-LEÓN-ZAMORA	5.407	5.302	105	1,98%
RESTO DE LÍNEAS	9.655	8.069	1.586	19,66%
TOTAL	58.028	55.566	2.462	4,43%

The distribution of collection and train-km circulated in 2018 between the main lines of ADIF-Alta Velocidad is shown in the following graphs:

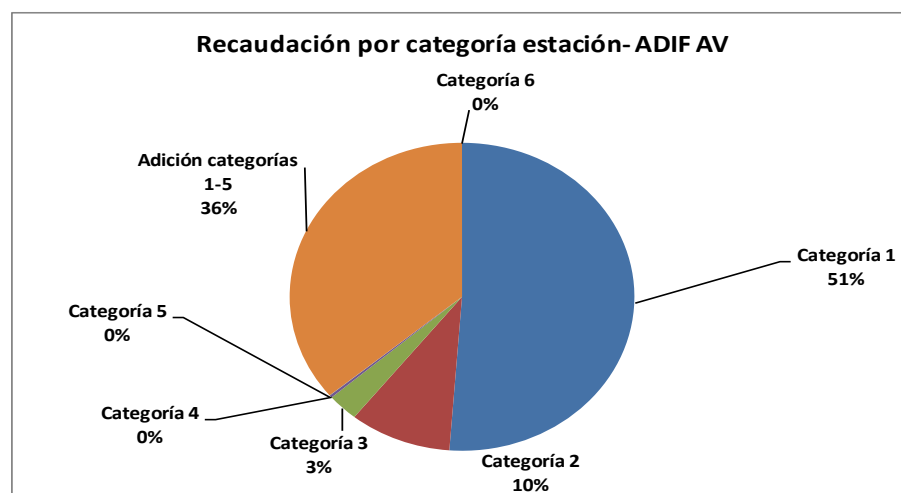


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On the other hand, the fees for use of the stations registered a growth of 2% with respect to the previous year.

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



Regarding the fees for using other facilities, the collection of 2018 has increased by 14% compared to 2017, mainly due to the implementation of the new fee structure as of July 2017.

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

On April 23, 2018, ADIF-Alta Velocidad carried out its second 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); 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,

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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: | 23 April, 2018. |
| ✓ Payment Date: | 4 May, 2018. |
| ✓ Maturity: | 4 May, 2026. |
| ✓ Rate: | 1.25% annual. |
| ✓ Net Amount: | 595,212,000 EUR. |

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

3.5. 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 2018 and 2017 is reflected below:

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Amounts in thousands of euros	2018	2017
Cash flows from/ (used in) operating activities	(119,789)	(78,480)
Cash flows from/ (used in) in investing activities	(878,593)	(1,216,275)
Cash flows from/ (used in) financing activities	881,477	1,031,877
Net increase/decrease in cash and cash equivalents	(116,905)	(262,878)

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

Amounts in thousands of euros	2018	2017
Grants, donations and equity issuance	116,620	13,938
Increased debts with credit entities	311,574	229,100
Collections and payments of financial instruments	453,283	788,839
Cash flows from financing activities	881,477	1,031,877

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 (559.20) million euros as of December 31, 2017, to (833.94) million as of December 31, 2018, which represents a negative net variation of 274.74 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 2019 can improve and even reverse the aforementioned situation. In addition, the Entity has underwritten and not arranged as of December 31, 2018, short-term credit facilities with financial institutions for a total amount of 385 million euros. The maturity of the mentioned credit policies is short term, with an annual tacit renewal for some of them, with an established limit of renewals.

Likewise, it should be taken into account that the Entity, in accordance with a policy of optimizing its financial costs, reduced the appeal to external credit to the maximum in 2018, so that, although it was authorized to increase its long-term indebtedness in nominal terms in a total amount of 1,890 million euros, this debt only increased by 371.5 million euros.

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, 2018, 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 1,88% annual, as of December 31, 2018, for an average life of 10.30 years (1.91% per annum, on December 31, 2017, for an average life of 11.09 years).

3.6. RATIO DE COBERTURA SEC (SISTEMA EUROPEO DE CUENTAS)

The Royal Decree-Law 15/2013, of December 13, on the restructuring of the public enterprise entity " Administrador de Infraestructuras Ferroviarias " (Adif) and other urgent measures in the economic order, includes an additional first provision in which the regulations are regulated. criteria and procedures to ensure compliance with the principle of financial sustainability of the new public business entity ADIF-Alta Velocidad and consequently of the requirements demanded by the regulations governing national accounting.

Specifically, the additional provision states that:

- ADIF-Alta Velocidad, in accordance with the principle of financial sustainability, will ensure that the coverage ratio of production costs with sales revenues, as they appear set out in the regulations governing the national accounts, allow their classification as a public unit included within the "Non-financial corporations" sector.
- The budgeting and execution of the investments will be adjusted in time and in the amount so that in no case can investments be made that jeopardize the consideration of Adif-Alta Velocidad as a non-financial company for the purposes of national accounting.

In application of this additional provision, the value of the SEC 2010 coverage ratio is calculated as of December 31, 2018, considering the modifications proposed by the IGAE in this regard:

- The information on financial income has been broken down, distinguishing between those corresponding to the return on financial investments and those recognized by the activation of financial expenses, showing the 50% ratio, without netting the income from the activation of the total financial expenses. To compare the figures in homogeneous terms, the same criterion has been applied to the scenarios on the basis of which the segregation was decided.
- The amounts related to Modality A, to the Addition of Modality A and to the Addition of Modality B, when referring to VCM services, have not been considered within income by infrastructure fee, for the purpose of calculating the ratio linked to Public Service Obligations not accepted by Eurostat as market revenues.
- A coefficient of elevation has been applied to the accounting depreciation in the terms proposed by the Intervention for its adjustment to linear amortization. The value of this coefficient for 2016 is 0.80; this value has been applied provisionally to the amounts of 2018.

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The values obtained on December 31, 2018 are:

Revenue in National Accounts	929,608
Expenditures in National Accounts	1,655,426
Ratio SEC 2010	56.16%

3.7. INVESTMENTS DURING THE YEAR

During fiscal year 2018 (compared to the previous year) the investments shown in the attached tables, detailed by nature and by line, have been executed:

NATURE	2018 THOUSAND € (VAT included)	2017 THOUSAND € (VAT included)
ELECTRIFICATION AND TELECOMMUNICATIONS	88,029	69,276
PLATFORM	700,106	867,223
SIGNS AND SAFETY FACILITIES	98,636	95,286
EQUIPMENT AND OTHER OPERATIONS	195,630	164,801
TRACK	174,649	119,095
STATIONS AND GOODS TERMINALS	53,328	30,459
TOTAL	1,310,378	1,346,140

LINES	2018 THOUSAND € (VAT included)	2017 THOUSAND € (VAT included)
VANDELLÓS-VALENCIA	32,581	12,546
L.A.V. LEVANTE	83,423	108,280
L.A.V. ALMERIA-MURCIA	21,379	11,968
L.A.V. BOBADILLA-GRANADA	73,241	87,691
VANDELLOS-TARRAGONA	39,091	53,327
PALENCIA-AGUILAR DE CAMPOO	586	
CABCERA NORTE DE CHAMARTIN	857	
L.A.V. ASTURIAS (VARIANTE DE PAJARES)	67,234	89,652
L.A.V. VENTA DE BAÑOS-PALENCIA-LEÓN-ASTURIAS	18,580	30,445
L.A.V. VALLADOLID-BURGOS-VITORIA	48,337	67,096
L.A.V. VITORIA-BILBAO-SAN SEBASTIÁN	68,155	65,916
L.A.V. MADRID-EXTREMADURA	139,286	109,332
L.A.V. GALICIA (OLMEDO-LUBIÁN-ORENSE)	487,652	327,158
L.A.V. ZARAGOZA-PAMPLONA (CASTEJÓN-PAMPLONA)	7,953	481
CONEXIÓN U.I.C CHAMARTÍN-ATOCHA-TORREJÓN	36,329	46,846
ATLANTIC AXIS (CORUÑA-VIGO)	30,532	64,231
IMPUTABLE TO THE NETWORK	47,488	25,392
INVESTMENT IN OPERATING LINES	95,084	233,149

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OURENSE VARIANT	1,393	
STATIONS AND OTHER ASSETS	11,197	12,630
TOTAL	1,310,378	1,346,140

3.8. INFORMATION ABOUT THE RECRUITMENT CARRIED OUT

Below is detailed information on the hiring activity during 2018:

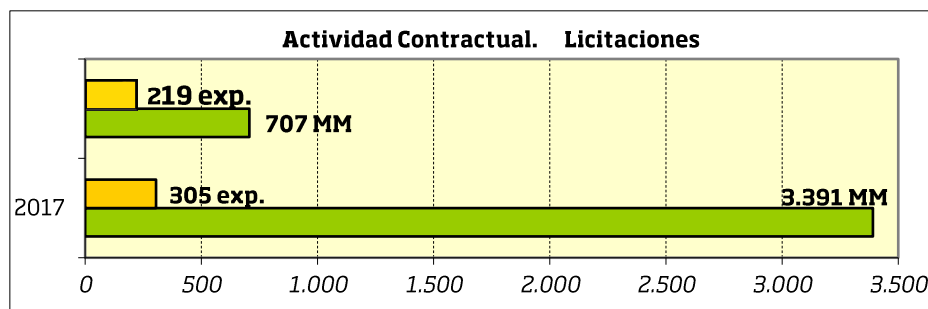
SUMMARY OF TENDERS				
Management	Nº Filings (internal)	Amount (Thousand € no VAT)	Nº Tenders	Amount (Thousand € no VAT)
Construction Management	126	57,338	407	3,017,646
Energy and Fiber Network Management	4	3,068	18	423,965
Technical performance Management	2	535	6	9,601
Others	2	176	8	565
TOTALES	134	61,117	439	3,451,776

SUMMARY TABLE OF CONTRACTS				
Management	Nº Filings (internal)	Amount (Thousand € no VAT)	Nº Contracts	Amount (Thousand € no VAT)
Construction Management	126	57,106	357	927,559
Energy and Fiber Network Management	4	3,048	37	424,188
Technical performance Management	2	535	9	8,751
Others	2	176	9	755
TOTALES	134	60,864	412	1,361,253

SUMMARY OF TENDERS BY PROCEDURE			
Procedure/Criteria	Nº Filings	Amount (Thousand € no VAT)	% Imp
Open	196	2,874,110	83.3%
• Most advantageous offer (multiple criteria)	140	2,605,257	75.5%
• Price (criteria)	36	268,853	7.8%
Restricted			
• Most advantageous offer (multiple criteria)			
• Price (criteria)			
Negotiated			
• With Advertising	2	424,774	12.3%
• Without Advertising	49	89,993	2.6%
- Supplementary			
- Technology linking	38	55,870	1.6%
- Other Causes	11	34,123	1.0%

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• Smaller contracts	52	757	0.0%
Order from Framework Agreement	6	1,026	0.0%
TOTAL TENDERS	305	3,390,659	
Internal Filings of the AGE	134	61,117	1.8%
TOTALS	439	3,451,776	100.00%



ⁱ The Sustainable Development Goals (SDGs) of the 2030 Agenda were formulated by the United Nations in September 2015, and represent a global reference for the 193 countries that sign these commitments. These are 17 objectives that are materialized in 169 integrated goals.

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