

ADIF Alta Velocidad

Auditors' report on 2014 financial statements

State Audit - ADIF Alta Velocidad

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

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I. Introduction

The General State Comptroller, through the State Audit of Administrador de Infraestructuras Ferroviarias Alta Velocidad, (hereinafter ADIF AV or the Entity), using the powers conferred thereto by Article 168 of the General State Budget Law, has audited the financial statements of the aforementioned Entity, which comprise the balance sheet at 31 December 2014, the income statement, the statement of changes in equity, the statement of cash flows and notes to the financial statements for the year then ended.

The audit firm GRANT THORNTON, S.L.P. by virtue of the agreement entered into with the Spanish Ministry of Finance and Public Administration, at the proposal of the General State Comptroller (IGAE), performed the audit engagement referred to in the preceding section. In the aforementioned engagement the General State Comptroller applied the Technical Standards relating to cooperation with private auditors in the performance of public audits of 11 April 2007.

The General State Comptroller prepared this report on the basis of the work performed by the audit firm GRANT THORNTON, S.L.P.

The Chairman of ADIF Alta Velocidad is responsible for the preparation of the Entity's financial statements in accordance with the financial reporting framework detailed in Note 2 to the accompanying financial statements and, in particular, in accordance with the accounting principles and policies. The Chairman is also responsible for the internal control considered necessary to enable the aforementioned financial statements to be prepared free from material misstatement.

The financial statements to which this report refers were prepared by the Chairman of the Entity on 27 May 2015 and were furnished to the State Audit Office on that date.

The Chairman of the Entity initially authorised his financial statements for issue on 31 March 2015 and they were furnished to the State Audit Office on that date. The aforementioned financial statements were amended on the date indicated in the preceding paragraph.

The information relating to the financial statements is contained in the file NF1548_2014_F_150527_165131_Cuentas.zip, the electronic summary of which corresponds to 72BD44B523563AB61E76E682E1303A2794F38D83382074A2A98F10C2CB7B89A0 and is filed in the CICEP.Red application of the General State Comptroller.

II. Scope and objective of the engagement: Responsibility of the auditors

Our responsibility is to express an opinion on whether the accompanying financial statements are presented fairly, based on the work performed in accordance with Public Sector Auditing Standards. The aforementioned standards require that we plan and perform the audit, in order to obtain reasonable, but not absolute assurance, that the financial statements are free from material misstatement.

An audit involves the use of procedures to obtain adequate and sufficient evidence on the amounts and the information included in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement in the financial statements. In performing the aforementioned risk assessments, the auditor takes into account the relevant internal control for the preparation and fair presentation by the manager of the financial statements, in order to design audit procedures that are appropriate based on the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. An audit also includes the assessment of the

appropriateness of the accounting rules and of the reasonableness of the accounting estimates made by the manager, and an assessment of the overall presentation of the financial statements.

We consider that the audit evidence we have obtained provides a sufficient and appropriate basis to issue our audit opinion.

III. Results of the engagement. Basis of the opinion: *Qualified*

As indicated in Note 3-b) to the accompanying financial statements, at 31 December 2014, the amount recognised under "Property, Plant and Equipment" does not include all the land through which the track route for certain lines run, which were assigned to ADIF AV during the spin-off of ADIF and which arise from the assignment of the State-Owned Network established in Royal Decree-Law 4/2013, of 22 February, and of other infrastructures transferred to the Entity through a resolution adopted by the Spanish Cabinet on 27 June 2014.

As also indicated in the aforementioned note, the Entity recognised the assignment value furnished by the Ministry of Public Works of the land subject to compulsory purchase through which certain high-speed sections and links run, even though it does not have an itemised breakdown by property.

We have been unable to obtain sufficient audit evidence that would enable us to analyse the effect that the situations described might have on the property, plant and equipment included. Therefore, we have been unable to assess the effects that these matters might have on the 2014 financial statements.

IV. Opinion

In our opinion, except for the effect of the matter described in the "Results of the engagement. Basis of the opinion: Qualified" section, the accompanying financial statements present fairly, in all material respects, the equity and financial position of ADIF Alta Velocidad at 31 December 2014, and the results of its operations and its cash flows for the year then ended, in conformity with the regulatory financial reporting framework applicable to the Entity and, in particular, with the accounting principles and rules contained therein.

V. Matters not affecting the opinion

We draw attention to the fact that in the performance of the engagement, infringement of public sector procurement rules was identified, since certain infrastructure work was performed without the necessary legal coverage and advances were given to suppliers beyond the cases and requirements envisaged in the applicable rules. In 2014 ADIF Alta Velocidad commenced a process to regularise the aforementioned situations and note 4.b) to the financial statements describes the effect on the accounts of the works yet to be regularised by year-end. This matter does not modify our opinion.

VI. Report on other legal and regulatory requirements

Per its bylaws, the Chairman of the Entity is required to prepare a Directors' Report that contains the explanations which are considered to be appropriate about the situation and evolution of Administrador de Infraestructuras Ferroviarias Alta Velocidad, but it is not an integral part of the financial statements.

Also, pursuant to Article 129.3 of the State Budget Law, the Entity is required to present, together with the financial statements, a report relating to

compliance of the economic and financial obligations assumed by it as a member of the public sector.

Our work was confined to checking that the aforementioned reports were prepared in accordance with the regulating legislation and that the accounting information they contain is consistent with that contained in the audited financial statements.

This auditors' report was signed electronically through the CICEP.Red application of the General State Comptroller by the Financial Controller for ADIF Alta Velocidad, in Madrid, on 29 May 2015.

ENTIDAD PÚBLICA EMPRESARIAL
ADIF-Alta Velocidad

Financial Statements

31 December 2014

*(Free translation from the Original in Spanish. In the event of
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Financial Statements

31 December 2014

Balance Sheet
31 December 2014

Expressed in thousands of Euros

ASSETS	NOTE	31/12/2014	31/12/2013
Intangible assets	4	6,485	8,124
Property, plant and equipment		40,537,675	38,893,386
Land and buildings		3,418,875	3,265,781
Technical installations, machinery, equipment, furniture and other items		23,756,699	23,216,354
Under construction and advances	4	13,362,101	12,411,251
Investment property	4	206,029	209,531
Non-current investment in Group companies and associates	5	12,976	8,496
Equity instruments		8,496	8,496
Loans to companies		4,480	-
Non-current investments		99,486	108,465
Equity instruments	6	1,890	1,406
Public entities	12	97,083	106,546
Other financial assets	6	513	513
Deferred tax assets	11 and 12	2,533	-
Non-current trade receivables	6	841	-
Total non-current assets		40,866,025	39,228,002
Trade and other receivables		337,904	279,247
Trade receivables	6	100,571	-
Trade receivables, from Group companies and associates	6	727	817
Other receivables	6	159,183	247,023
Personnel	6	7	1
Current tax assets	12	3,232	-
Public entities, other	12	74,184	31,406
Current investments in Group companies and associates	5	71	-
Loans to companies		71	-
Other financial assets		-	-
Current investments	6	143,133	-
Cash and cash equivalents	7	1,737,514	274,733
Cash		1,627,007	124,448
Cash equivalents		110,507	150,285
Total current assets		2,218,622	553,980
TOTAL ASSETS		43,084,647	39,781,982

Balance Sheet

31 December 2014

Expressed in thousands of Euros

EQUITY AND LIABILITIES	NOTE	31/12/2014	31/12/2013
Equity	8	14,063,869	14,192,221
Equity contributions		14,468,304	14,423,518
Reserves		43,438	36
Retained earnings		(231,333)	-
Loss for the year		(216,540)	(231,333)
Valuation adjustments	11	(6,514)	-
Grants, donations and bequests received	9	8,844,396	8,160,780
Total equity		22,901,751	22,353,001
Non-current provisions	10	53,816	47,433
Long-term employee benefits		393	291
Other provisions		53,423	47,142
Non-current payables	11	14,959,507	11,793,160
Bonds and other marketable securities		989,101	-
Loans and borrowings		12,333,846	10,596,576
Derivatives		9,047	-
Other financial liabilities		1,627,513	1,196,584
Deferred tax liabilities	12	2,951,545	3,497,477
Non-current accruals	14	569,540	77,427
Total non-current liabilities		18,534,408	15,415,497
Current provisions	10	69,064	129,455
Short-term employee benefits		331	177
Other provisions		68,733	129,278
Current payables	11	1,335,414	1,726,834
Bonds and other marketable securities		21,000	-
Loans and borrowings		630,230	1,490,251
Other financial liabilities		684,184	236,583
Current payables, to Group companies and associates	11	9,269	16,867
Trade and other payables		199,750	140,328
Other suppliers and payables	11	198,455	139,569
Suppliers, Group companies and associates	11	387	454
Personnel	11	310	305
Public entities, payables	12	598	-
Current accruals	14	34,991	-
Total current liabilities		1,648,488	2,013,484
TOTAL EQUITY AND LIABILITIES		43,084,647	39,781,982

Income Statement
31 December 2014

Expressed in thousands of Euros

	NOTE	31/12/2014	31/12/2013
Revenue	13	512,668	396,160
Self-constructed assets		9,074	8,704
Supplies		-	(17)
Other operating income	14	443,037	395,721
Personnel expenses	15	(14,365)	(14,415)
Other operating expenses	16	(684,642)	(631,869)
External services		(678,537)	(626,195)
Taxes		(3,121)	(4,029)
Losses, impairment and changes in trade provisions		(2,984)	(1,645)
Amortisation and depreciation		(293,500)	(294,331)
Non-financial and other capital grants	17	96,049	78,881
Provision surpluses		201	4,066
Impairment and result on disposal of fixed assets		(5,742)	(574)
Results from operating activities		62,780	(57,674)
Finance income	19	126,240	124,096
From equity instruments		753	4
From marketable securities and other financial instruments		12,333	7,689
Capitalised finance costs	19 and 4	109,919	90,674
Other		3,235	25,729
Finance costs	18	(378,630)	(283,723)
On third party loans		(378,914)	(283,572)
Provision adjustments		284	(151)
Change in fair value of financial instruments		(1,879)	
Impairment and losses on disposal of financial instruments		(18,581)	(14,032)
Net finance expense		(272,850)	(173,659)
Loss before income tax		(210,070)	(231,333)
Income tax	(c)	(6,470)	
Loss for the year		(216,540)	(231,333)

Statement of Changes in Equity
31 December 2014

A) Statement of Recognised Income and Expense
for the year ended
31 December 2014

Expressed in thousands of Euros

	NOTE	31/12/2014	31/12/2013
Loss for the year		(216,540)	(231,333)
Income and expense recognised directly in equity			
Grants, donations and bequests	9	820,970	730,456
Cash flow hedges	11	(9,047)	-
Actuarial gains and losses and other adjustments		(84)	36
Grants tax effect	9 and 12	(70,120)	(219,136)
Cash flow hedges tax effect	11	2,533	-
Total income and expense recognised directly in equity		744,252	511,356
Amounts transferred to the income statement			
Grants, donations and bequests	17	(96,049)	(78,881)
Tax effect	12	28,815	23,664
Total amounts transferred to the income statement		(67,234)	(55,217)
Total recognised income and expense		460,478	224,806

Statement of Changes in Equity for the year ended 31 December 2014

 B) Statement of Total Changes in Equity for the year ended
 31 December 2014

Expressed in thousands of Euros

	Equity contributions (Note 8.a)	Reserves (Note 8.b)	Retained earnings	Loss for the year	Grants, donations and bequests received (Note 9)	Valuation adjustments (Note 11.a.1)	Total
Balance at 1 January 2013	14,376,758	-	-	-	7,704,677	-	22,081,435
Recognised income and expense	-	36	-	(231,333)	456,103	-	224,806
Transactions with shareholders or owners	-	-	-	-	-	-	-
Increase in equity contributions	46,760	-	-	-	-	-	46,760
Other changes in equity	-	-	-	-	-	-	-
Balance at 31 December 2013	14,423,518	36		(231,333)	8,160,780	-	22,353,001
Recognised income and expense	-	(84)	-	(216,540)	683,616	(6,514)	460,478
Transactions with shareholders or owners	-	-	-	-	-	-	-
Increase in equity contributions	-	-	-	-	-	-	-
Other changes in equity	44,786	43,486	(231,333)	231,333	-	-	88,272
Balance at 31 December 2014	14,468,304	43,438	(231,333)	(216,540)	8,844,396	(6,514)	22,901,751

Statement of Cash Flows for the year ended
31 December 2014

Expressed in thousands of Euros

	31/12/2014	31 December 2013
Cash flows from/(used in) operating activities		
Loss for the year before tax	(210,070)	(231,333)
Adjustments for:	407,194	364,844
Amortisation and depreciation (+)	293,500	294,331
Impairment (+/-)	21,565	15,677
Change in provisions (+/-)	(59,001)	(17,780)
Grants recognised in the income statement (-)	(96,049)	(78,881)
Proceeds from disposals of fixed assets (+/-)	5,742	574
Finance income (-)	(126,240)	(124,096)
Finance costs (+)	378,630	283,723
Change in fair value of financial instruments (+/-)	(1,879)	-
Other income and expenses (-/+)	(9,074)	(8,704)
Changes in operating assets and liabilities	549,676	(547,048)
Trade and other receivables (+/-)	53,972	1,026,344
Trade and other payables (+/-)	(172,490)	(1,613,005)
Other current liabilities (+/-)	(899,810)	(1,362,833)
Other non-current assets and liabilities (+/-)	1,568,004	1,402,446
Other cash flows from/(used in) operating activities	(347,132)	(258,284)
Interest paid (-)	(298,245)	(243,873)
Dividends received (+)	753	5
Interest received (+)	3,540	1,813
Other amounts paid (received) (-/+)	(53,180)	(16,229)
Cash flows from/(used in) operating activities	399,668	(671,821)

Statement of Cash Flows for the year ended 31 December 2014

	31/12/2014	31/12/2013
Cash flows from/(used in) investing activities		
Payments for investments (-)	(1,494,257)	(1,281,355)
Group companies and associates	(21,081)	(784)
Property, plant and equipment, intangible assets and investment property	(1,333,101)	(1,280,571)
Other financial assets	(140,075)	-
Cash flows from/(used in) investing activities	(1,494,257)	(1,281,355)
Cash flows from/(used in) financing activities		
Proceeds from and payments for equity instruments	256,526	261,283
Issue of equity instruments	-	46,760
Grants, donations and bequests received	256,526	214,523
Proceeds from and payments for financial liability instruments	2,300,844	1,922,554
Issue	4,150,534	2,013,665
Bonds and other marketable securities	1,000,000	-
Loans and borrowings (+)	2,722,952	1,525,000
Other payables (+)	427,582	488,664
Redemption and repayment of	(1,849,690)	(91,110)
Loans and borrowings (-)	(1,845,787)	(87,511)
Other payables (-)	(3,903)	(3,599)
Cash flows from/(used in) financing activities	2,557,370	2,183,837
Net increase in cash and cash equivalents	1,462,781	230,661
Cash and cash equivalents at beginning of year	274,733	44,072
Cash and cash equivalents at year end	1,737,514	274,733

Notes to the Financial Statements

31 December 2014

Financial Statements
31 December 2014**(1) Activities of the Entity and Legal Status**

The state-owned enterprise Entidad Pública Empresarial ADIF-Alta Velocidad (hereinafter ADIF-AV or the Entity) was created on 31 December 2013 following the approval of Royal Decree-Law 15/2013 of 13 December 2013 on the restructuring of the state-owned enterprise Administrador de Infraestructuras Ferroviarias (hereinafter ADIF) and other urgent economic measures.

ADIF-AV was created by spinning off the branch of activity involving the construction and running of ADIF's high-speed railway infrastructures, as well as other activities attributed to the new entity and entrusted to ADIF until this Royal Decree-Law entered force. ADIF retained the construction and running of conventional network rail infrastructures.

Due to the entry into force of this Royal Decree-Law 15/2013, Order PRE/2443/2013 of the Office of the Prime Minister was published on 27 December (hereinafter the Order or Order PRE/2443), identifying which of ADIF's assets and liabilities were to be transferred to the ownership of ADIF-AV. These assets and liabilities were to be integrated into and recognised by ADIF-AV at their carrying amounts, as indicated in the mentioned Order. Pursuant to this Order and the aforementioned Royal Decree-Law, for accounting purposes this spin-off was to take effect retrospectively from 1 January 2013.

Moreover, article 2 of Royal Decree-Law 15/2013, and Order PRE/2443/2013, governs the allocation to ADIF-AV of certain assets comprising the state-owned network, which were allocated to ADIF following the entry into force of Royal Decree-Law 4/2013, of 22 February 2013. This article stipulates that the transfer to ADIF and ADIF-AV of the title to these assets will be considered a free-of-charge transfer of assets associated with railway infrastructure administration, and should be carried out at the values taken from the financial information system and the records of the Ministry of Public Works, less any depreciation. The transfer of these assets took place at the moment Royal Decree-Law 4/2013, of 22 February 2013, came into force.

ADIF was established as a state-owned entity under the Basic Law of 24 January 1941 under the name Red Nacional de los Ferrocarriles Españoles (hereinafter RENFE). On 31 December 2004 Rail Sector Law 39/2003 of 17 November 2003 (hereinafter the RSL) entered into force, with the objective of incorporate various EU directives establishing a new framework for this sector in Spanish legislation and to completely re-organise the State rail sector, laying the foundations for new players to progressively enter this market. To achieve these objectives, rail infrastructure administration was regulated and entrusted to RENFE. Consequently, RENFE became Administrador de Infraestructuras Ferroviarias (ADIF), retaining its legal status as a state-owned entity. The RSL also foresaw the creation of a new state-owned entity, RENFE Operadora, to provide rail transport services, with this entity assuming the resources and assets used by RENFE to render rail transport services. Like ADIF, ADIF-AV and RENFE Operadora are subject to the RSL.

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31 December 2014

Through a modification to the ADIF statute set forth in Royal Decree 1044/2013 of 27 December 2013, ADIF-AV's statute was passed and its functions and responsibilities established, the main ones being the following:

- Construction of high-speed rail infrastructure forming part of the public service rail network, with a charge to equity and in accordance with provisions set out by the Ministry of Public Works.
- Construction of high-speed rail infrastructure with third-party funds, in accordance with the corresponding agreement.
- Running of the rail infrastructure owned by it.
- Allocation of capacity to requesting rail companies.
- Control and inspection of rail infrastructure, the protection areas and the railway circulation occurring thereon.
- Operation of owned assets.
- Additional services and, where the case may be, supplementary and auxiliary services for rail transportation in the infrastructures owned by it.
- Acquisition of electrical power to provide power supply to the rail system.

Pursuant to Royal Decree-Law 15/2013 and the RSL, the main sources of funding for ADIF-AV's activities include:

- State equity contributions, which are to make up ADIF-AV's own funds.
- Funds obtained from the management and operation of its assets and provision of services to third parties.
- Any EU funding it is allocated.
- Any grants that it may be allocated in the General State Budgets, as well as current transfers or capital contributions from the General State Administration (hereinafter AGE) and other government authorities.
- Borrowings, up to the annual limit set by the General State Budget Laws for each year.

1.a) ADIF-Alta Velocidad statute

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ADIF-AV's statute was approved through Royal Decree 1044/2013 of 27 December 2013, which entered into force on 31 December 2013. The main aspects of the statute are as follows:

- ADIF-AV is a state-owned entity as provided for in article 43.1.b) of Law 6/1997 of 14 April 1997 on Organisation and Functioning of the General State Administration. This law primarily regulates the regime, organisation and operation criteria for the state administrative scheme within which state-owned entities are included. The Entity is part of this regime, falling under the Ministry of Public Works.
- ADIF-AV, as a state-owned entity, is subject to provisions set forth in the General Budget Law 47/2003. As a result, it keeps separate accounting records for its different activities (rail infrastructure construction and administration activities, and additional, supplementary and auxiliary services) and is subject to financial oversight by the Spanish General State Comptroller (hereinafter IGAE) pursuant to the terms of Law 47/2003.
- ADIF-AV was created by spinning off the branch of activity involving the construction and running of high-speed railway infrastructures, as well as other activities attributed to the entity and entrusted to Administrador de Infraestructuras Ferroviarias (ADIF) until its creation.
- ADIF-AV will assume all the functions assigned to ADIF by virtue of Rail Sector Law 39/2003 of 17 November 2013, in respect of those infrastructures it has been assigned ownership of, as well as in connection with those infrastructures allocated in the future.
- The Ministry of Economy and Finance and the Ministry of Public Works may entrust ADIF-AV with administration of state-owned infrastructures through the corresponding agreements or public-private partnerships.
- In order to fulfil its objectives, ADIF-AV may have its own equity other than that of the General State Administration, comprising the assets, rights and obligations held in its name.
- Management, administration and operation of the assets and rights held by ADIF-AV are subject to the terms of the regulations creating the entity, to Rail Sector Law 39/2003 of 17 November 2003 and to the present statute, and, for all other aspects not regulated therein, to Law 33/2003 of 3 November 2003, on Public Authority Assets.
- In any event, the following assets and rights are considered to be held by ADIF-AV:
 - a. All assets (moveable and immovable) and rights that, at the date of its incorporation are owned by or assigned to Administrador de Infraestructuras Ferroviarias (ADIF), are assigned thereto by virtue of an order issued by the Ministry of Public Works and the Ministry of Finance and

Financial Statements
31 December 2014

Public Administrations, in accordance with article 1.5 of Royal Decree 15/2013 of 13 December 2013.

- b. All assets, whether they are inalienable property in the public domain or privately-owned assets, comprising the railways and that at the date of creation of ADIF-AV were owned by Administrador de Infraestructuras Ferroviarias (ADIF), where ownership thereof is allocated to the former.
- c. All stations and terminals serving the high-speed lines, where ownership has been attributed to it, and other property assets that are permanently necessary for providing the services constituting its activity.
- d. In addition, ADIF-AV will own the rail infrastructures that it builds or acquires with its own funds and those that fall to it by virtue of future agreements.
- e. In accordance with article 24 of Rail Sector Law 39/2003 of 17 November 2003, in no case will ADIF-AV hold ownership of infrastructures that it builds in the future using third-party funds.
- At any point ADIF-AV may exercise, with respect to public assets it holds, the powers of administration, defence, policing, investigation, division and recovery of possession as granted to the General State Administration by Law 33/2003 of 3 November 2003, on Public Authority Assets. With respect to the aforementioned assets, ADIF-AV is entrusted with establishing the system of use and with granting the concessions, authorisations, leases and other titles that enable potential use by third parties.

1.b) Service arrangements between ADIF and ADIF-Alta Velocidad

Article 20 of Rail Sector Law 39/2003 of 17 November 2003 foresees that administration of the rail infrastructure and, where applicable, construction thereof, will correspond, within the framework of state responsibility, to one or more state-owned entities falling under the Ministry of Public Works, having their own legal identity, full capacity to operate and their own assets. These entities will be governed by the Rail Sector Law, by Law 6/1997 of 14 April 1997 on the Organisation and Functioning of the General State Administration, by its statute and by any other applicable regulations.

ADIF-AV assumes all the functions assigned to ADIF by virtue of the Rail Sector Law, in respect of those rail infrastructures it has been assigned ownership of, as well as those infrastructures allocated in the future.

Article 1.7 of Royal Decree-Law 15/2013 of 13 December 2003 provides that ADIF-AV and ADIF may arrange to provide certain services to one another by signing the corresponding agreements. These agreements must state the financial compensation receivable by the entity commissioned to provide the service in question.

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Specifically, the entities may commission one another to manage infrastructure capacity and, as an exception to article 22.4 of the Rail Sector Law on account of the interconnection of the networks entrusted to the two entities, also to manage control traffic and safety systems.

In addition, in the event that one of the entities commissions the other to perform tasks related with citizen security and civil protection, the same entity will be responsible for the matters in both entities. The foregoing will also apply in the case of the party responsible for workplace accident prevention and health and safety.

By virtue of resolutions issued by the chairmen of ADIF and of ADIF-AV on 31 December 2013, these entities mutually commissioned the performance of certain tasks. According to the subject resolutions, the conditions of the service arrangement will be set out in the corresponding agreements to be entered into by ADIF and ADIF-AV.

By virtue of the foregoing, the documents "Agreement between Administrador de Infraestructuras Ferroviarias (ADIF) and ADIF-AV to commission the latter to provide certain services" and "Agreement between ADIF-AV and Administrador de Infraestructuras Ferroviarias (ADIF) to commission the latter to provide certain services" were prepared.

These agreements set out that activities to be carried out by the two entities in providing the commissioned services are specified in addenda to the respective service agreements to be signed between ADIF and ADIF-AV in connection with each particular service commissioned,

The main addenda prepared are as follows:

- Addenda to the service arrangement signed by Administrador de Infraestructuras Ferroviarias (ADIF) and ADIF-AV, whereby ADIF is commissioned to provide:
 - workplace accident prevention and health and safety services
 - traffic safety services
 - capacity allocation, traffic management and associated services
 - fibre optic network maintenance, operator installation and right of way services and the regulation of ADIF's rights of use
 - engineering and innovation services to ADIF-AV
 - voice and data telecommunication services
 - IT services
 - comprehensive communication services
 - human resources services
 - comprehensive management of property assets held by the state-owned enterprise ADIF-AV

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- comprehensive management of safety and protection
 - comprehensive management of the maintenance of ADIF-AV's functioning lines
 - discounted diesel supply services
 - works co-ordination and monitoring services
 - comprehensive maintenance prevention services in ADIF-AV-owned stations
 - services relating to integration companies, subsidiaries and investees
 - financial services
 - corporate legal services
 - the running and control of operations management departments
 - comprehensive support for the internal audit function
- Addenda to the service arrangement signed by Administrador de Infraestructuras Ferroviarias (ADIF) and ADIF-AV, whereby ADIF-AV is commissioned to provide:
 - energy efficiency advisory services
 - management of compulsory expropriation orders awarded in favour of ADIF
 - services in the field of technical action (environmental, etc.)
 - electricity management services in non-traction use (NTU).

1.c) Other provisions

- The second additional provision of Royal Decree-Law 22/2012 of 20 July 2012 assigned ADIF ownership of the connection of the Mediterranean Corridor with the Madrid-Barcelona-French border high-speed line (Vandellós-Tarragona area) and the A Coruña-Vigo stretch of the Atlantic Axis, which had been built by the state prior to the commissioning of ADIF for completion of both infrastructures. By virtue of Order PRE/2443/2013 of 27 December 2013, ADIF-AV was assigned ownership of the high-speed Atlantic Axis (Santiago de Compostela-Vigo stretch).
- Article 34 of Royal Decree-Law 4/2013 of 22 February 2013 established the transfer to ADIF of ownership of the state rail network, as well as administration of the same. Section 1 of the article states that

"ownership of the rail infrastructures and stations comprising the state-owned network whose administration is entrusted to ADIF will be transferred to the state-owned entity Administrador de Infraestructuras Ferroviarias (ADIF) upon entry into force of the present Royal Decree-Law", namely on 23 February 2013.

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In addition, article 2 of Royal Decree-Law 15/2013 of 13 December 2013 on the restructuring of the state-owned enterprise Administrador de Infraestructuras Ferroviarias (ADIF) establishes the allocation to ADIF-AV of the infrastructures delivered to ADIF by the state by virtue of Order PRE/2443/2013 of 27 December 2013 identifying the assets and liabilities forming part of the Entity.

In light of the foregoing, in 2013 ADIF-AV was allocated ownership of the infrastructures, stations and other installations in use or under construction delivered by the State to ADIF in 2013, as follows:

- High-speed Madrid-Cuenca-Valencia line and high-speed link with Albacete and Alicante
 - Valencia-Vandellós stretch of the Mediterranean Corridor
 - Santiago de Compostela-Vigo stretch of the high-speed Atlantic Axis
 - Castellón de la Plana Station
 - The fibre optic network, as well as repeater towers and auxiliary installations located along the Orense-Santiago stretch of the high-speed Galicia line
- Order FOM/2438/2013 of 17 December 2013 establishes the list of personnel of the state-owned entity Administrador de Infraestructuras Ferroviarias that will form part of the state-owned entity ADIF-AV.
 - In resolutions dated 27 June 2014, the Council of Ministers approved the transfer from ADIF to ADIF-AV of ownership of the following assets:
 - a) Stretches of the Iberian gauge rail network linking the cities of Plasencia, Cáceres, Mérida and Badajoz
 - Monfragüe-Plasencia stretch: from km 0/00 to km 16/700
 - Monfragüe-AG stretch km 44-Monfragüe Ag. km 255.4: from km 0/000 to km 2/700
 - Madrid-Valencia de Alcántara line: from km 251/625 to km 332/833
 - Aljúcen-Cáceres line: from km 0/000 to km 65/443
 - Ciudad Real-Badajoz line: from km 453/000 to km 512/351
 - b) Bobadilla-Granada stretch of the Iberian gauge rail network
 - c) Loja Station

The Council of Ministers determined that the transfer would be made free of charge, as the assets were used in the administration of rail infrastructures, and would be valued at the net book value in ADIF of the assets subject to transfer, recognising the gross cost and the depreciation accumulated at the transfer date. The net book value of the assets transferred to ADIF-AV in June 2014 amounted to Euros 71,321 thousand.

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- The resolution of the Secretary of State for Infrastructure, Transport and Housing, dated 23 May 2014, entrusts ADIF and ADIF-AV, in their respective areas of responsibility, with construction and works for the public service rail network, as put to tender and awarded by the Ministry of Public Works, determining that the construction will be made using ADIF or ADIF-AV's resources, as applicable.
- On 21 December 2009, the Ministry of Public Works, the Catalonia Regional Government, the Barcelona City Council, ADIF and RENFE Operadora signed an addenda to the collaboration agreement entered into on 12 June 2002 in connection with the high-speed network in the city of Barcelona and the corresponding remodelling of railway infrastructures. The addenda establishes the contribution from the General State Administration to ADIF of a total of Euros 255,000 thousand, to finance the Sagrera Station, distributed in annual payments of Euros 51,000 thousand from 2009 to 2013.
- Law 36/2014 of 26 December 2014, establishing the General State Budget for 2015, allocated an equity contribution for ADIF-AV of Euros 430,050 thousand in that year, and authorisation for a net increase in long-term debt of Euros 2,624,891 thousand for 2015. This figure is to be understood as a maximum net increase in long-term debt held with financial institutions, suppliers and on account of fixed-income securities issues, between 1 January 2015 and 31 December 2015.

1.d) Charges and fees

Articles 74 and 75 of Rail Sector Law 39/2003 of 17 November 2003 establishes the regulation of charges accruing in favour of Administrador de Infraestructuras Ferroviarias for infrastructure use by transport operators. The Law determines the need for a Ministerial order establishing the amounts resulting from application of the items and criteria regarding railway infrastructure use fees. In this regard, the regulations that have implemented this aspect of the RSL are as follows:

- Order FOM/898/2005 of 8 April 2005, establishing the amounts of rail fees
- Order FOM/3852/2007 of 20 December 2007, modifying Order FOM/898/2005
- Order FOM/2336/2012 of 31 October 2012, modifying Order FOM/898/2005
- Royal Decree-Law 11/2013 of 2 August 2013, modifying Law 39/2003, as well as the parameters and criteria established in Order FOM/898/2005
- Law 22/2013 of 23 December 2013, establishing the General State Budget for 2014, setting the amounts of the rail fees in the prevailing Order FOM/898/2005

These regulations are applicable to ADIF-AV.

In accordance with the foregoing regulations, rail fees can be classified in the following two types:

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Charge for the use of rail lines forming part of the public service rail network (four categories):

- i. Access (category A). The amount for using the public service rail network is determined on the basis of the type of network stretches on which services are to be rendered and the declaration of activity carried out by the payee, in accordance with the forecast traffic level on each stretch.
- ii. Capacity reservation (category B). The amount is determined on the basis of the train-kilometres reserved, taking into account the type of line, the type of transport service and train, and the time of day of the reservation.
- iii. Circulation (category C). The amount is calculated based on the train-kilometres effectively used, taking into account the type of line, the type of transport service and the type of train.
- iv. Traffic (category D). The amount is established on the basis of the economic value of the passenger rail transport service, measured in terms of capacity (seats per kilometre), taking into account the type of line and time of day of the service.

Charge for the use of stations and other rail installations (five categories):

- i. Use of stations by passengers (category A). This is applied to passengers using the rail transport service, based on the distance travelled and the classification of the departure and arrival stations.
- ii. Stopping and use of station platforms (category B). The amount is determined on the basis of the time a train is stopped and track change operations are carried out at the request of the operator, as well as the category of station, especially taking into account those stations which could encounter traffic congestion problems (first category stations).
- iii. Use of gauge-changing facilities (category C). The amount is determined using the number of times the train passes through a gauge-changing facility.
- iv. Use of sidings (category D). The amount is calculated based on the type of line of the station to which the siding corresponds, the time trains are stopped on sidings, and the type of service/train.
- v. Rendering of services that require authorisation for the use of public rail assets (category E). This category represents a charge for use of the public rail assets, based on the area occupied.

(2) Basis of Presentation of the Financial Statements**2.a) Fair presentation**

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The annual financial statements have been prepared on the basis of the Entity's accounting records to present fairly its equity and financial position at 31 December 2014, as well as its financial performance, changes in equity and cash flows for the year then ended.

ADIF-AV presents its financial statements in accordance with the accounting principles and measurement standards set out in Royal Decree 1514/2007 of 16 November 2007, approving the General Chart of Accounts and applying, among other aspects, the going concern basis in accordance with the legal and statutory regime described in Note 1, as well as the modifications to the General Chart of Accounts incorporated by virtue of Royal Decree 1159/2010 of 17 September 2010, and on the basis of the accounting principles and criteria set by the Spanish General State Comptroller (IGAE) through the resolution dated 30 December 1992 (hereinafter the Resolution), which continues in force in all aspects not in opposition to the provisions of the subject General Chart of Accounts. In addition, in preparing the financial statements the Entity has taken into account Order EHA/733/2010 of 25 March 2010, published in the Official State Gazette of 26 March 2010, approving accounting practices for state-owned companies operating in certain circumstances.

Furthermore, in the preparation of these financial statements the Entity also considered the IGAE opinion relating to accounting policies as expressed through answers to questions presented by ADIF in accordance with Law 47/2003, of 26 November 2003. Significant accounting policies are disclosed in Note 3.

The Entity prepared the financial statements for 2014 on 31 March 2015. However, given that the Entity deemed it necessary to perform a series of adjustments in and certain modifications to the statements, the financial statements have been restated.

2.b) Comparative information

In addition to figures for 2014, the Entity's directors have presented, for each item in the balance sheet, income statement, statement of changes in equity, statement of cash flows and the notes thereto, comparative figures for These financial statements include comparative figures for the prior year, which were included in the 2013 financial statements approved by ADIF-AV's Board of Directors on 25 July 2014.

As indicated in Note 1, although the Entity was incorporated on 31 December 2013, the incorporation was retroactively applied at 1 January 2013, in accordance with Order PRE/2443/2013 and Royal Decree-Law 15/2013. Accordingly, the financial year corresponded to the twelve-month period from 1 January 2013 to 31 December 2013.

2.c) Critical issues regarding the valuation and estimation of relevant uncertainties and judgements used when applying accounting principles

Preparation of the financial statements requires that certain estimates be made, based on past experience and other factors considered reasonable in the current

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circumstances, which serve as a basis to establish the value of assets and liabilities where this cannot be easily determined using other sources. The Entity revises its estimates continuously. However, in light of the inherent uncertainty, there is a considerable risk that the assets and liabilities involved could require significant adjustments in the future, in the event of a major change in the assumptions, facts and circumstances on which the estimates are based.

Key assumptions concerning the future and other relevant data on the uncertainty of estimates and important judgements in the application of accounting policies at year end, which entail a considerable risk of significant changes in the value of assets and liabilities in coming years, are as follows:

- Depreciation of high-speed rail infrastructure: depreciation of property, plant and equipment included in the high-speed railway infrastructure requires the use of estimates to determine the useful life and impairment deriving from normal activity and usage. Management of the Entity has had to estimate depreciation based on the use of these installations over their useful life, considering different assumptions regarding fluctuations in rail traffic in line with expected demand.
- Deferred tax assets: when determining the amount of deferred tax assets to be recognised, Management of the Entity measures the probability of generating future tax profits, as well as the amount and timing of such profits (see Note 12 (a)).
- Impairment of non-financial assets (see Note 3(b)).
- Provisions for liabilities and charges: provisions are recognised when it is probable that a present obligation resulting from a past event will give rise to an outflow of resources and the amount of the obligation can be reliably estimated. Entity Management makes estimates based on an evaluation of all relevant information and events, of the probability that a contingency will materialise, and of the amount of the liability to be settled in the future.

2.d) Functional and presentation currency

The financial statements are presented in thousands of Euros, the functional and presentation currency of the Entity, rounded off to the nearest thousand, except where otherwise stated.

(3) Significant Accounting Policies**3.a) Intangible assets**

Intangible assets mainly comprise computer software and research and development expenses, and specifically the "Da Vinci" rail traffic management technology platform. This technology platform has been assigned a useful life in line with those of the security and signalling installations it supports, namely 25 years. Intangible assets are stated at cost of acquisition or production, net of

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accumulated amortisation, which is calculated on a straight-line basis or, in the case of assets linked to high-speed lines, using the increasing balance method, in accordance with the following estimated useful lives:

	YEARS
R&D expenses	25
Computer software	5

R&D expenses are recognised as intangible assets of the Entity when the following conditions are met:

- They are segregated by project, and the cost is established so that it can be distributed over time
- There is evidence of the project's technical success and the economic profitability of the project.

3.b) Property, plant and equipment

The fixed assets attributed to ADIF-AV can be classified into the following categories:

- Publicly owned railway assets: these assets include railway lines, the land on which they are located and installations built in the public property zone (article 24 of the RSL). According to article 13 of the RSL, the public property zone includes the land on which the lines forming part of the public service rail network are laid, as well as an eight-metre strip of land on either side of the track bed, with special rules depending on the associated infrastructures (tunnels, bridges, etc.). Most of the assets contributed to ADIF-AV are considered to be publicly owned assets. In order to dispose of these assets, their legal status would first need to be amended through delisting from this category by way of a resolution from the Entity's board of directors declaring them to be unnecessary [article 16, section 1, point q) and article 31 of Royal Decree 1044/2013]. As a result of this delisting, the assets in question would be included among the Entity's own assets (under the Entity's private ownership) and could then be disposed of or exchanged.
- Privately-owned assets: those not covered by the legal definition of publicly owned railway assets. ADIF-AV's privately-owned assets comprise stations, terminals or other buildings or installations used for passenger services, except for the railway lines and land mentioned above. Nevertheless, if any of these assets (stations, terminals or other buildings or installations for services linked to rail transport) were acquired as a result of a compulsory purchase order, despite being included among the Entity's own assets under the Rail Sector Law and Regulation, in the interests of legal certainty such assets would undergo the same category delisting procedure foreseen for publicly owned assets, as set forth in article 66.2 c) of Law 33/2003 of 3 November 2003, on Public Authority Assets. Finally, this category could also comprise all buildings associated with railway lines that have been closed down or abandoned.

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- ***Cost of property, plant and equipment***

Items of property, plant and equipment are presented in the balance sheet at cost, less any accumulated depreciation or impairment allowances. The general criteria used for valuing these items is the cost of acquisition or the cost of production, including materials, direct labour and costs incurred.

Borrowing costs related with the loans extended by the European Investment Bank (hereinafter EIB) and by other financial institutions, as well as those derived from fixed-income securities issues, to finance railway infrastructure under construction that requires more than one year to become operational are recognised as an increase in the cost of these assets. In cases where a high-speed line is in partial use, the Entity has estimated and capitalised borrowing costs relating only to the stretches under construction in proportion to the total cost of the investment therein.

The cost of expansion, modernisation or improvements that increase productivity, capacity or efficiency, or extend the useful lives of the assets, are capitalised as an increase in the cost of these assets. Repair and maintenance costs are expensed when incurred.

Funds earmarked for maintenance and conservation of Spanish heritage sites, as established in Law 16/1985, Royal Decree 111/1986 and Instruction No. 43 from the Sub-Secretary for Public Works of 16 May 2014, are also capitalised as an increase in the cost of the associated assets. The aforementioned laws stipulate that the budget for each public project entirely or partially financed by the State should include an item equivalent to 1.5% of the funds contributed by the State to finance this type of work.

Work carried out by the Entity to improve or extend the useful lives of its assets is treated as an investment and recognised at the accumulated cost, which is the sum of external costs (based on suppliers' invoices), internal costs (determined on the basis of in-house consumption of materials in warehouses) and all other costs incurred. Capitalised production costs are recognised under self-constructed assets in the income statement.

Where applicable, the initial cost of property, plant and equipment is corrected when differences arise between the non-deductible input VAT initially recognised by the Entity as cost and that which is finally applicable when an interpretation of tax legislation is amended or is established by a court of law or the tax authorities.

The Entity classifies acquisitions of property, plant and equipment through barter exchange, entailing the acquisition of an item of property, plant and equipment in exchange for non-monetary assets or a combination of monetary and non-monetary assets, in commercial or non-commercial barter exchange transactions, using the following criteria:

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- a) Barter exchange in which the cash flows from the assets received differ significantly from the cash flows from the asset delivered, or when the present value of the post-tax cash flows deriving from the activities affected by the transaction changes as a result of the barter exchange, are considered commercial barter exchange.
- b) Other barter exchange is considered non-commercial barter exchange.

In the case of non-commercial barter exchange, the Entity measures the asset received at the net carrying amount of the asset delivered, plus any monetary consideration received, up to the fair value of the asset received.

In the case of commercial barter, the asset received is measured at the fair value of the asset delivered, plus any monetary consideration received.

According to the Order PRE/2443/2013 mentioned in note 1, assets and liabilities transferred from ADIF to ADIF-AV have been integrated into and recognised by ADIF-AV at those carrying amounts as accounted for in ADIF at the spin-off date.

The criteria used to value rail infrastructure up to 31 December 2012 in ADIF and subsequently by ADIF-AV are as follows:

- a) Infrastructure constructed by the Entity was measured using the cost of construction plus the cost of preparing directly-related reports, blueprints, drafts, studies, technical assistance, surveillance, etc., the cost of supplementary studies and reports necessary for planning and designing lines, work carried out for assets and non-deductible input VAT.
- b) Other infrastructure received by assignment from the State was measured at the amount shown in the corresponding subrogation documents, at cost of acquisition or production incurred by the Ministry of Public Works based on data contained in its financial information system and accounting records, less accumulated depreciation at the transferred date. Nevertheless, if subsequent to the initial measurement, certain modifications come to light in the values included in the corresponding delivery documents or other provisions whereby rail infrastructures are transferred to ADIF-AV, or new investments related with the previously-allocated lines or stretches are identified, these adjustments are recognised in the year in which the new values become known, and the corresponding correction documents are signed or the provisions are modified.
- c) The assets relating to Madrid-Seville high-speed rail line, transferred by the State to RENFE through the Submission and Receipt Agreement, were valued by the Ministry of Public Works at cost, less accumulated depreciation at 31 December 2004, calculated using the depreciation criteria applied by RENFE based on the type of asset and the date of its entry into service.

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- d) Investments underway and in operation on the high-speed Atlantic Axis and the Mediterranean corridor connection were allocated to ADIF for no consideration, in accordance with the second additional provision of Royal Decree-Law 22/2012 of 20 July 2012, and were spun off to ADIF-AV as per the Spin-Off Order. These assets were constructed by the State before ADIF was commissioned to operate both sets of infrastructure through respective rulings issued by the Secretary of State for Infrastructure on 11 May 2012. These items and work in progress were recognised at the amount of Euros 2,476,419 thousand, which corresponds to the acquisition price or cost of production incurred by the Ministry of Public Works based on data contained in its financial information system and accounting records, less accumulated depreciation at the transfer date. This amount is equivalent to the fair value of these assets, since it was defined in the context of the tenders provided for under legislation applicable to the General State Administration and results from a public tender process conducted between knowledgeable independent parties.
- e) Land and natural resources are measured at the amounts paid for expropriation or at the assignment value in cases of expropriations paid for by the Ministry of Public Works and assumed by the Entity. In 2014, the Entity incorporated in its balance sheet the land on which the Madrid-Seville high-speed line runs, as well as land on which all ADIF-AV-owned stations stand, after performing a demarcation and valuation project. To that end, the valuation method used was the cost of acquisition or expropriation and, where this amount was not available, the cost of acquisition of adjacent land purchased in similar years.

The recognition value has not been determined for land relating to certain lines that were allocated to ADIF-AV in the spin-off and that originated in the transfer of the state-owned network established in Royal Decree Law 4/2013 of 22 February 2013, as well as for other infrastructures transferred to the Entity by virtue of the Council of Ministers Resolution of 27 June 2014, such as the Iberian-gauge line Plasencia-Cáceres-Mérida-Badajoz.

In addition, the Entity has recognised the land expropriated by the Ministry of Public Works, through which the high-speed Santiago-Vigo Atlantic Axis runs, as well as the link between the high-speed Madrid-Barcelona-French border line and the Mediterranean Corridor, and the Valencia-Vandellós stretch of the Mediterranean Corridor. These assets have been recognised at the allocation value provided by the Ministry of Public Works, included in several signed delivery documents, even when a plot-by-plot breakdown is not available.

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- f) Assets transferred from ADIF to ADIF-AV by virtue of the Council of Ministers Resolutions of 27 June 2014 are valued as established in those resolutions, namely at the carrying amount at which they were held in ADIF, recognising the gross cost and accumulated depreciation at the date of transfer.

ADIF-AV recognises as fixed assets both rail infrastructure received through delivery documents and/or through a regulation having the force of a Law, Council of Ministers Resolution or Ministerial Order, a delivery document or through a Royal Decree or Ministerial Order, as well as any rail infrastructure and stations forming the state-owned network entrusted to ADIF-AV that have entered into service, even if these have not been yet formally handed over through a delivery document, Royal Decree or Ministerial Order.

- ***Transfers from work in progress:***

The Entity reclassifies work in progress to fixed assets according to the nature of the asset at the date on which the works become operative state.

- Depreciation of property, plant and equipment

- Depreciation of high-speed rail infrastructure

High-speed rail infrastructure is generally depreciated using an increasing balance method at an annual geometric progression of 3%, over the following estimated useful lives:

	Years
Track bed	
- Earthmoving	100
- Stone and brick works	100
- Tunnels and bridges	100
- Drainage	25
- Enclosures	50
Track superstructure	30-60
Electric installations	
- Overhead lines	20
- Supporting elements for overhead contact system	60
- Electric substations	60
- Signalling, safety and communications installations	25
Buildings and other constructions	50
Rolling stock	10-20

- Depreciation of other property, plant and equipment

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Depreciation of other property, plant and equipment is provided on a straight-line basis over the estimated useful lives of the assets, as follows:

	Years
Buildings and constructions	50
Transport elements	10 - 30
Other items of property, plant and equipment	5 - 40

The Entity reassesses the useful lives of its property, plant and equipment every year.

- Impairment

In application of Ministry of Economy and Finance Order EHA/733/2010 of 25 March 2010, the Entity has considered that its property, plant and equipment should be fundamentally classified as non-cash-generating assets, considering that these are part of the public interest rail network infrastructure and essentially held for the socioeconomic benefit of the public and, therefore, not for commercial gain. In cases where it is not clear whether assets are held for the main purpose of generating cash flows, rule two from the above-mentioned Order is applied whereby, given the general objectives of the Entity, these assets are assumed to be non-cash-generating.

In accordance with rule two of the aforementioned Ministerial Order, at least at year end, management of the Entity assesses its property, plant and equipment, intangible assets and investment property for indications of impairment, in which case should estimate the recoverable amount.

When assessing whether there are any significant indications that an asset is impaired, the Entity takes the following circumstances into account:

- Significant changes in the technological, regulatory or legal environment in which the Entity operates, either during the year or which are expected to arise in the short term, which will adversely affect the Entity.
- Significant decline in the asset's market value, if one exists and is available, in excess of that expected due to the passage of time or normal use.
- Evidence of obsolescence or physical deterioration of the asset.
- Significant changes in the method of or scope for using the asset, either during the year or which are expected to arise in the short term, which will adversely affect the Entity.
- There are reasonable doubts as to whether the technical performance of the asset can be maintained in the future, on the

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basis of the forecasts considered at the date of its recognition by the Entity.

- Suspension of the asset's construction before it is ready to enter into service.
- Cessation of or significant reduction in demand or need for the services rendered with the asset. Nevertheless, a mere reduction in demand does not necessarily indicate that these assets are impaired, as the demand or need for these services may fluctuate over time.

In that regard, the Entity has categorised its assets into operating units which can be assessed for indications of impairment. These units are essentially the railway lines or axes forming the public service rail network in which the assets are utilised. The different operating units considered are listed below:

- High-speed Madrid-Seville line and high-speed link to Toledo
- High-speed Madrid-Zaragoza-Barcelona-Figueras line
- High-speed Madrid-Segovia-Valladolid-Medina del Campo line
- High-speed Córdoba-Málaga line
- High-speed Madrid-Cuenca-Valencia line and high-speed link with Albacete and Alicante
- Valencia-Vandellós stretch of the Mediterranean Corridor
- High-speed Santiago de Compostela-Vigo stretch of the Atlantic Axis
- Iberian-gauge Bobadilla-Granada stretch
- Stretches of the Iberian gauge rail network linking the cities of Plasencia, Cáceres, Mérida and Badajoz

According to rule four from the above-mentioned Ministerial Order, at least at year end the Entity should recognise impairment losses if the carrying amount of operating units exceeds their recoverable amount on the date the analysis is carried out. Recoverable amount is the higher of fair value less costs to sell and the value in use, which is the depreciated replacement cost.

After this impairment loss or reversal of an impairment loss is recognised, the depreciation charge for the asset is adjusted in future periods based on its new carrying amount. If the specific circumstances of the assets indicate an irreversible loss, this is recognised directly in losses on the disposal of fixed assets in the income statement.

3.c) Investment property

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Investment property comprises property which is earmarked totally or partially to earn rentals or for capital appreciation or both. Property that is being constructed for future use as investment property is classified as property, plant and equipment under development until construction is complete. The Entity measures and recognises investment property following the policy for property, plant and equipment.

Investment property is generally depreciated on a straight-line basis over an estimated useful life of 50 years.

Income from real estate operating leases is recognised in the income statement in the year in which it is earned. Rents received in advance in connection with Entity-owned assets are recognised as accruals under liabilities in the balance sheet and taken to profit and loss over the term of the contract signed with the lessee.

3.d) Financial assets

- Equity investments in Group companies and associates

This item includes investments in companies over which the Entity has control, joint control, or significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The existence of potential voting rights that are exercisable or convertible at the end of each reporting period, including potential voting rights held by the Entity or other entities, are considered when assessing whether an entity has significant influence.

Non-current investments in Group companies and associates are initially measured at cost, which is the fair value of the consideration given plus directly attributable transaction costs. After initial recognition, these financial assets are measured at cost net of any accumulated impairment losses, which are recognised when there is evidence that the carrying amount of an investment is not recoverable. The impairment loss reflects the difference between the carrying amount and the recoverable amount, understood as the higher of the fair value of the asset less costs to sell and the value in use. Accordingly, value in use is calculated to the extent of the Entity's interest in the present value of estimated cash flows from ordinary operations and the proceeds generated on final disposal, or the estimated cash flows from the distribution of dividends and final disposal of the investment. However, in certain cases, when estimating possible impairment, unless better evidence is available, the Entity considers the equity of the investee, corrected for unrealised gains and losses existing at the measurement date, relating to identifiable balance sheet items.

Nonetheless, when the carrying amount of an investment has been reduced to zero, the additional losses and the corresponding liability are recognised to the extent that the Entity has incurred a legal, contractual, constructive or tacit

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obligation, or if ADIF-AV has made payments on behalf of this Group company, jointly-controlled entity or associate.

- Loans and receivables

This category includes trade and non-trade receivables with fixed or determinable payments, which are not traded in an active market and for which the Entity expects to recover the full amount recognised, except in the event of customer arrears.

These financial assets are initially measured at fair value, which, in the absence of evidence to the contrary, is the transaction price, i.e. the fair value of the consideration given plus costs directly attributable to the transaction. After initial recognition, these assets are measured at amortised cost calculated using the effective interest method, which is the discount rate that exactly matches the initial amount of a financial instrument to its total estimated cash flows in respect of all items over the remaining useful life. Accrued interest is accounted for in the income statement using the aforementioned method.

Trade and non-trade receivables falling due within one year that do not have a contractual rate of interest are initially and subsequently measured at their nominal amount when the effect of not updating the cash flows is immaterial.

The Entity tests these financial assets for impairment at least at each year end. Objective evidence of impairment is considered to exist when the carrying amount of the financial asset exceeds the recoverable amount. The Entity determines the recoverable amount based on historical default rates, classifying receivables into groups with similar risk characteristics. Impairment is recognised in the income statement when it arises.

3.e) Financial liabilities

- Debts and payables

This category comprises financial liabilities arising on the Entity's acquisition of goods and services, or non-trade goods and services that do not meet the criteria for consideration as derivative financial instruments.

Debts and payables are initially measured at the fair value of the consideration received, adjusted for any directly attributable transaction costs. These liabilities are subsequently measured at amortised cost calculated using the effective interest method. Accrued interest is accounted for in the income statement using the aforementioned method.

Nevertheless, financial liabilities which have no established interest rate, which mature or are expected to be settled in the short term, and for which the effect of discounting is immaterial, are measured at their nominal amount.

- Financial guarantee contracts

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If no payments from the associate to the Entity are agreed for such a guarantee, then the Entity has provided the guarantee in its capacity as a shareholder and accounts for the issuance of the guarantee as a capital contribution to the associate. After initial recognition, financial guarantee contracts are measured at the higher of:

- the amount determined in accordance with the accounting policy for provisions in section i), and
 - the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the accounting policy for revenue recognition in section m).
- Reverse factoring

The Entity has contracted reverse factoring facilities with various financial institutions to manage payments to suppliers. Trade payables settled under the management of financial institutions are recognised under trade and other payables in the balance sheet until they are settled, repaid or have expired.

- Derivative financial instruments

Derivative financial instruments which qualify for hedge accounting are initially measured at fair value, plus any transaction costs that are directly attributable to the acquisition, or less any transaction costs directly attributable to the issue of the financial instruments.

The Entity contracts cash flow hedges. At the inception of the hedge, the Entity formally designates and documents the hedging relationships and the objective and strategy for undertaking the hedges. Hedge accounting is only applicable when the hedge is expected to be highly effective at the inception of the hedge and in subsequent years in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, throughout the period for which the hedge was designated (prospective analysis) and the actual effectiveness, which can be reliably measured, is within a range of 80%-125% (retrospective analysis).

The Entity records the gain or loss on the measurement at fair value of a hedging instrument that is determined to be an effective hedge in recognised income and expense. The ineffective portion and the specific component of the gain or loss or cash flows on the hedging instrument, excluding the measurement of the hedge effectiveness, are recognised under change in fair value of financial instruments in the income statement.

When the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting, the corresponding cumulative amount in equity is recognised in the income statement.

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This item includes cash in hand, current bank accounts, deposits and resale agreements that meet the following conditions:

- They may be converted into cash.
- They have a maturity of three months or less upon acquisition.
- They are not subject to a significant risk of changes in value.
- They form part of the Entity's usual cash management policy.

3.g) Grants, donations and bequests received

This item forms part of the Entity's equity and mainly comprises non-refundable capital grants awarded for the construction of state-owned assets, principally from European funds (Cohesion Fund, Trans-European Networks Transport (TEN-T), European Regional Development Fund (ERDF)). The Entity recognises these grants at the amount awarded, net of tax, when, in accordance with recognition and measurement standard 18 of the Spanish General Chart of Accounts, a grant award agreement has been reached, the conditions of award have been met and there is no reasonable doubt that the grant will be received.

In application of the single additional provision of Ministry of Economy and Finance Order EHA/733/2010 of 25 March 2010, for accounting purposes only, grant conditions are considered to be met when, at the date of authorisation for issue of the financial statements, the works have been partially or fully completed, quantified in the proportion of works financed that have been completed. This item also includes grants received in kind from the State through the conveyance of certain railway lines in operation or under construction, for no consideration.

According to corresponding subrogation documents and in line with the reply given by the IGAE's Sub-Directorate General for Planning and Accounting Guidance on 22 April 2013, to the consultation put forth by the Delegate Comptroller in ADIF regarding the accounting application of Royal Decree Law 22/2012 of 20 July 2012, Entity management has considered the assignment to ADIF-AV of finished assets and work in progress corresponding to the connection between the Mediterranean Corridor and the high-speed Madrid-Barcelona-French border line and the high-speed Santiago-Vigo stretch of the high-speed Atlantic Axis to be a free-of-charge title of assets used in an activity of public interest. Article 19, section 2 of the RSL stipulates that rail infrastructure administration is an essential public service.

As a result of the foregoing and applying recognition and measurement standard 18, and in accordance with regulation 6, section 1 of Order EHA/733/2010 of 25 March 2010, the Entity recognised a capital grant in the amount of Euros 2,476,419 thousand, reflecting the fair value of the items received calculated as the depreciated replacement cost of those items pursuant to the aforementioned ministerial order (see Note 3.b)). This grant will be taken to income each year in proportion to the depreciation of the assets received.

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Similarly, in application of Royal Decree-Law 4/2013 of 22 February 2013, the Entity has recognised a grant for the value of the works delivered by the State to ADIF-AV for no consideration in 2013 (see Note 1).

The Entity recognises any amounts received in advance, and balances relating to grants awarded and receivable for which not all the above conditions have been met, as payables convertible into grants, under other financial liabilities.

The Entity recognises grants as operating income from non-financial grants, in line with the depreciation for the year of the fixed assets for which the grants have been received.

3.h) Long-term employee benefits (liabilities)

The Entity classifies long-term employee benefit commitments as defined contribution plans and defined benefit plans, accordingly. Defined contribution plans are those whereby the Entity undertakes to make contributions of a specified amount to a separate entity, provided that there is no legal, contractual or constructive obligation to make additional contributions were the separate entity unable to meet the commitments undertaken. Plans other than defined contribution plans are considered as defined benefit plans.

- Defined benefit plans

Long-term defined benefit commitments are recognised at the present value of the committed remuneration, which is estimated using actuarial calculation methods and financial and actuarial assumptions that are unbiased and mutually compatible.

The Entity recognises these provisions as and when employees render their services. The contributions payable are recognised as an expense for employee remuneration in the income statement, and as a liability after deducting any contribution already paid.

Variations in the calculation of the present value of this remuneration due to actuarial gains and losses are directly taken to equity in the year in which they arise, recognised as reserves.

- Defined contribution plans

Long-term contributions payable are recognised as a liability, where applicable, at the amount of the accrued contributions payable at year end.

Obligations accrued as a result of changes in the actuarial assumptions used to determine the contributions made by the Entity are recorded directly under equity in the year in which they arise, recognised as reserves.

3.i) Provisions

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The Entity recognises as provisions those present obligations arising from past events of which settlement is likely to give rise to an outflow of resources, but for which the amount or date of settlement is uncertain.

All the obligations mentioned in the preceding paragraph are disclosed in these financial statements, provided that it is more likely than not that the obligation will require settlement.

Provisions are measured at the present value of the best estimate of the amount required to settle or transfer the obligation, taking into account available information on the event and its consequences, and recognising any adjustments arising on the discounting of these provisions as a finance cost when accrued. Provisions maturing in one year or less are not discounted when the financial effect is immaterial. Provisions are reviewed at each year end and adjusted to reflect the best present estimate of the liability at each given time.

3.j) Classification of assets and liabilities as current and non-current

Assets and liabilities are classified as current and non-current on the balance sheet. Assets and liabilities are classified as current when they are connected with the Entity's normal operating cycle of less than one year and are expected to be recovered, consumed or settled within twelve months after the balance sheet date.

3.k) Foreign currency balances and transactions

Foreign currency transactions are recognised at the exchange rate prevailing at the transaction date.

Loans in foreign currency are recognised in the balance sheet at the exchange rate prevailing at the balance sheet date. Exchange gains and losses are recognised in the income statement when they arise.

3.l) Income taxes

The income tax expense or tax income for the year comprises current tax and deferred tax.

Current tax assets or liabilities are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and tax laws that have been enacted or substantially enacted at the balance sheet date.

Current and deferred tax are recognised as income or an expense and included in profit or loss for the year, except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different year, directly in equity, or from a business combination.

Financial Statements
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Taxable temporary differences are recognised in all cases except where they arise from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable income.

(ii) Recognition of deductible temporary differences

Deductible temporary differences are recognised provided that it is probable that sufficient taxable income will be available against which the deductible temporary difference can be utilised, unless the differences arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable income.

Tax planning opportunities are only considered when assessing the recoverability of deferred tax assets and if the Entity intends to use these opportunities or it is probable that they will be utilised.

(iii) Measurement

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the years when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted. The tax consequences that would follow from the manner in which the Entity expects to recover or settle the carrying amount of its assets or liabilities are also reflected in the measurement of deferred tax assets and liabilities.

(iv) Offset and classification

Deferred tax assets and liabilities are recognised in the balance sheet under non-current assets or liabilities, irrespective of the expected date of recovery or settlement.

3.m) Recognition of income and expenses

Income and expenses are recognised on an accruals basis, irrespective of collections and payments.

Revenue is measured at the fair value of the consideration received or receivable, less any interest on the nominal amount of loans. Nevertheless, the Entity includes interest incorporated in trade balances maturing in less than one year that do not have a contractual rate of interest, when the effect of not discounting the cash flows is immaterial.

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The Entity's recognised income and expense for 2014 consist of the amounts attributed to it based on its allocation of the assets and liabilities of the spin-off activity. Its income statement reflects the impact of the infrastructure capacity management and control, traffic and safety system management agreements, inter alia, entered into between ADIF-AV and ADIF, as detailed in Note 1.b).

3.n) Related party transactions

Related party transactions, except those related to mergers, spin-offs and non-monetary contributions, are recognised at the fair value of the consideration given or received. The difference between this value and the amount agreed is recognised in line with the underlying economic substance of the transaction.

3.o) Leases

Leases in which, upon inception, a company assumes substantially all the risks incidental to ownership are classified as finance leases, otherwise they are classified as operating leases. The active lease contracts at the 2014 year end, all of them classified as operating leases, mainly relate to the transfer of fibre optics not necessary for rail traffic, and the rental of commercial premises.

3.p) Spin-off criteria

As indicated in Note 1, following the entry into force of Royal Decree-Law 15/2013 of 27 December 2013, whereby the state-owned enterprise ADIF-AV was created, Order PRE/2443/2013 of the Office of the Prime Minister was published, identifying in detail which of ADIF's assets and liabilities were to pass to ADIF-AV's ownership. As indicated in mentioned Order, these assets and liabilities were to be integrated into and recognised by ADIF-AV at their carrying amounts in ADIF's accounts. Pursuant to this Order and the aforementioned Royal Decree-Law, for accounting purposes, this spin-off was to take effect retrospectively from 1 January 2013. The spin-off balance sheet at 1 January 2013 is shown at the end of this Note.

This Order sets forth the general criteria for allocating ADIF's goods, rights and obligations to ADIF-AV. The main criteria are as follows:

Financial Statements
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ADIF-AV is to assume ADIF's position in the service arrangements commissioned to the latter to run and construct railway lines, which are listed in note 4.

II. Property, plant and equipment, intangible assets and investment property used in operations:

The following assets and rights forming part of ADIF's property, plant and equipment and intangible assets used in operations are to be allocated to ADIF-AV:

- All public property or state-owned assets making up the following functional railway lines:
 - High-speed Madrid-Seville line and high-speed link to Toledo
 - High-speed Madrid-Zaragoza-Barcelona-Figueras line
 - High-speed Madrid-Segovia-Valladolid-Medina del Campo line
 - High-speed Córdoba-Málaga line
 - High-speed Madrid-Cuenca-Valencia line and high-speed link with Albacete and Alicante
 - Valencia-Vandellós stretch of the Mediterranean Corridor (*)
 - High-speed Santiago de Compostela-Vigo stretch of the Atlantic Axis (*)

(*) Allocated to ADIF-AV by virtue of Royal Decree Law-4/2013 of 22 February 2013

These assets include land, civil works, tracks, safety, traffic control, telecommunications, electricity, signalling, transformation and power transmission installations, the adjoining technical buildings, associated stations and adjacent properties such as car parks, etc., as well as the rest of the land expropriated for and/or linked to these lines.

- The assets making up the fibre optic network and those considered necessary for its operation. Nevertheless, as the operation of the rail service on the lines run by ADIF is dependent on part of these assets, ADIF is granted an indefinite right of use for nil consideration.
- The assets required to supply electricity to transport operators.
- All the property, plant and equipment and intangible assets allocated to the high-speed construction and co-ordination and telecommunications activities.
- The administration building, ancillary facilities and property for public use located at Paseo del Rey, 32, Madrid.

a) Under construction and advances:

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The following of ADIF's assets under construction and advances are allocated to ADIF-AV:

- The items under construction and advances corresponding to the assets allocated to ADIF-AV as detailed in the previous section.
- Advances for property, plant and equipment consisting of land delivered in exchange for the future receipt of railway works relating to investments in infrastructure assigned to high-speed activities, calculated by applying the following percentages to the total amount allocated to ADIF: 10% of the value of works on the "Arterial railway network works in Zaragoza" project, 50% of the value of works on the "Works derived from the arterial railway network in Valladolid" project and 100% of the value of works on the "Works derived from the arterial railway network in Valencia" project.

b) Properties leased by ADIF:

The facilities and equipment of the office building located at Calle Titán, Madrid, are attributed to ADIF-AV. ADIF-AV assumes ADIF's position in the corresponding lease contract.

c) Shared spaces:

ADIF-AV will continue to occupy the spaces currently used for the branch of activity involved in the spin-off, while ADIF will continue to occupy the spaces necessary for its own activity within those properties transferred to ADIF-AV's ownership via the Order. To regulate this situation, the parties have signed the pertinent lease agreements.

d) Right of use:

Although the Seville-Santa Justa Station and the Córdoba Station have been transferred to ADIF-AV, ADIF is granted rights of use for an area equivalent to the space occupied by the command posts used to regulate traffic on the lines it is to run following the entry into force of Royal Decree-Law 15/2013 - 1,573 m² in Seville-Santa Justa Station and of 337 m² in Córdoba Central Station - for nil consideration until a replacement facility is installed on ADIF-owned land. ADIF is to recognise these rights of use as an intangible asset at the carrying amount, net of depreciation, of the facility calculated as the proportion of the total surface area represented by the space it occupies.

ADIF undertakes to reimburse ADIF-AV for the cost of services and supplies related to the use of these spaces, and, where the case may be, its share of any corresponding taxes based on the area occupied. ADIF-AV undertakes not to carry out any work on these stations that could affect the functionality of the command posts without ADIF's prior authorisation.

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31 December 2014*e) Assumption of obligations:*

in relation to the rights granted to the state-owned enterprise RENFE-Operadora to use space in ADIF-owned properties through Ministry of Public Works Order FOM 2909/2006 of 19 September 2006, as well as ADIF's obligation to replace spaces with a total area of 20,947.76 m², the aforementioned Order assigns a Euros 4,514 thousand provision for impairment of fixed assets and a Euros 21,952 thousand provision for the replacement of these spaces, recognised by ADIF under the terms of Ministry of Public Works Order FOM/2909/2006, to ADIF-AV.

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31 December 2014*f) "Operation Chamartín":*

If, at the date of entry into force of the Order, the properties assigned to ADIF-AV are affected by urban development projects under the terms of contracts or agreements signed by ADIF, ADIF-AV is to assume any rights and obligations linked to these properties. In the case of the urban and railway development project known in Madrid as "Operation Chamartín", ADIF's rights and obligations under the agreement signed between itself, RENFE-Operadora and Desarrollo Urbanístico Chamartín, S.A. on 23 June 2009 are to be split between ADIF-AV and ADIF based on the eventual distribution of the surface area between the two entities and based on the price per square metre set forth in the agreement.

g) Privately-owned and publicly-owned railway assets:

The privately-owned or state-owned assets making up the state-owned railway lines and stretches of line that became ADIF property as of the entry into force of Royal Decree-Law 4/2013 of 22 February 2013 but which are classed as high-performance infrastructures or infrastructures necessary for the development of the high-speed network (the aforementioned Valencia-Vandellós stretch of the Mediterranean Corridor), as well as capital grants associated therewith, are assigned to ADIF-AV.

III. Investment property:

ADIF-AV was assigned the investment property comprising the VIALIAS shopping centres and any hotel facilities located in the stations assigned to it.

IV. Assets leased by ADIF:

ADIF-AV assumed ADIF's position in all lease agreements signed by ADIF for the properties, spaces or assets in general assigned to the new state-owned enterprise.

V. Investments in Group companies and associates and in other companies and entities:

- All investments in companies or entities whose activity is linked to the functions and responsibilities attributed to the spun-off branch of activity, including valuation adjustments based on the percentages of capital represented by these investments, as set forth in the aforementioned Order, are assigned to ADIF-AV. ADIF-AV is also allocated loans to Group companies and associates in proportion to its investment in the recipients, along with any accrued interest.
- ADIF-AV becomes a patron of the Spanish Railway Foundation, assuming 50% of the corresponding obligations and rights previously held by ADIF.

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ADIF-AV was allocated 45.63 per cent of the balances recognised in this category in ADIF at 1 January 2013. This percentage was calculated considering ADIF and ADIF-AV's financial commitments in the form of payments to personnel (salary, Personal Income Tax and Social Security) and financial debt service (loan repayments and interest) in January and February of that year.

Financial Statements
31 December 2014*VII. Equity:*

At 1 January 2013, equity was determined based on the difference between total assets and liabilities and grants, donations and bequests attributed to ADIF-AV, following the general criteria for the allocation of assets, rights and obligations set forth in the Order.

VIII. Grants, donations and bequest received:

ADIF-AV has been assigned the grants awarded to finance the finished fixed assets and those under development that it has been allocated.

ADIF-AV has also been assigned the amounts recorded as deferred tax liabilities for the grants that it has been allocated.

IX. Other contingent and non-contingent assets and liabilities, bank guarantees received/given and letters of guarantee:

These items were assigned to ADIF-AV in proportion to its allocation of assets, namely those assets linked to the spun-off branch of activity. Personnel-related assets and liabilities have been distributed based on the employees allocated to the new state-owned enterprise.

Where there are receivables from or obligations to third parties that entail the provision of services to or by both state-owned entities, the entity that assumes the receivable from or payable to the third party is to recognise a receivable to or payable from the other entity.

Moreover, in the few cases where it had not been possible to determine which company would have the settlement obligations relating to a contingency, this contingency was split 50%-50% between ADIF and ADIF-AV.

ADIF-AV had assumed the obligations secured by ADIF through comfort letters issued on behalf of different Group companies and associates in proportion to the shareholdings in their capital allocated to it under the aforementioned Order PRE/2443 (see Note 23).

Pursuant to Royal Decree-Law 15/2013, Royal Decree 1044/2013 of the Council of Ministers and Order PRE/2443/2013 of the Office of the Prime Minister, ADIF has notified the financial institutions, as well as its suppliers and creditors, of the change of ownership of the contracts and debts assigned to ADIF-AV.

X. Assets, rights and obligations of ADIF:

Any assets, rights and obligations previously owned by ADIF and not attributed to the new state-owned enterprise ADIF-AV under Order PRE 2443/2013 of the Office of the Prime Minister were to continue to form part of ADIF's assets and liabilities at 1 January 2013.

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Net assets of ADIF-AV as of 1 January 2013 were as follows (in thousands of Euros):

	Balance at 1/01/2013
Assets	38,114,500
Total non-current assets	37,552,261
Intangible assets	9,541
Property, plant and equipment	36,998,865
Investment property	213,411
Non-current investment in Group companies and associates	8,496
Non-current investments	321,947
Total current assets	562,239
Trade receivables	518,167
Cash and cash equivalents	44,072
Liabilities	(16,033,065)
Non-current liabilities	(14,643,616)
Non-current provisions	(49,868)
Non-current loans and borrowings	(11,210,339)
Deferred tax assets	(3,302,004)
Deferred tax liabilities	(81,405)
Current liabilities	(1,389,449)
Current provisions	(152,143)
Current loans and borrowings	(1,079,852)
Current payables, to Group companies and associates	(14,613)
Trade and other payables	(142,841)
Total net assets	22,081,435
The breakdown is as follows:	
Equity contributions	14,376,758
Grants, donations and bequests received from European Funds	6,472,643
Grants, donations and bequests received through RD 22/2012	1,232,034
	22,081,435

(4) Property, Plant and Equipment, Intangible Assets and Investment Property

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Details of the balances of property, plant and equipment and investment property and their corresponding depreciation and impairment and movement in 2014 and 2013 are shown in Appendix 1.

By virtue of a Council of Ministers Resolution or Resolutions of the Secretary of State for Planning and Infrastructure, ADIF-AV is entrusted with the following:

- Construction and administration of the Madrid-Zaragoza-Barcelona-French border high-speed rail line. The Figueras-French border sub-stretch was excluded from this service arrangement as it is part of the Figueras-Perpignan stretch by virtue of the agreement between the Spanish and French governments signed on 10 October 1995 (Agreement 9/04/99).
- Construction of a new North-Northwest rail access: Madrid-Segovia-Valladolid/Medina del Campo.
- Construction and administration of the new Córdoba-Málaga rail access.
- Construction and administration of the new Levante high-speed rail access: Madrid-Castilla la Mancha-Valencia Autonomous Community-Murcia Region.
- Construction and administration of the León-Asturias high-speed line (La Robla-Pola de Lena stretch/Pajares alternate route) of the North-Northwest Corridor.
- Construction and administration of the new Toledo high-speed rail access.
- Construction and administration of the Basque Country high-speed line of the North-Northwest Corridor.
- Construction and administration of the Navalmoral de la Mata-Cáceres stretch of the Madrid-Cáceres / Mérida-Badajoz high-speed line of the Extremadura Corridor.
- Construction and administration of the stretch between Almeria and the Murcia region border of the Murcia-Almeria high-speed line of the Mediterranean Corridor.
- Completion of construction work on the Bobadilla-Granada high-speed line, including track bed and track.
- Drafting and execution of the basic projects and construction of the Madrid-Asturias high-speed line. Stretch: Venta de Baños-León-Asturias (excluding the Pajares alternate route) (Resolution of 28/12/06).
- Drafting and execution of the basic projects and construction of the Madrid-Basque Country/French border high-speed line. Stretch: Valladolid-Burgos-Vitoria. (Resolution of 28/12/2006).

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- Drafting and execution of the basic projects and construction of the Mediterranean Corridor high-speed line. Stretch: Murcia region-Murcia border. (Resolution of 28/12/2006).
- Drafting and execution of the basic projects and construction of the Madrid-Extremadura/Portuguese border high-speed line. Stretch: Cáceres-Mérida-Badajoz. (Resolution of 28/12/2006).
- Construction of the Olmedo-Medina-Zamora-Puebla de Sanabria-Lubián-Orense stretch of the Madrid-Galicia high-speed line, in the North-Northwest Corridor. (Resolution of 4/12/2009).
- Construction of the Castejón-Pamplona region stretch of the Zaragoza-Pamplona high-speed line in the Navarre territory. (Resolution of 30/3/2010).
- Construction of the connection of the Mediterranean Corridor with the Madrid-Barcelona-French border high-speed rail line: Vandellós-Tarragona area. (Resolution of 11/5/2012).
- Construction of the Santiago de Compostela-Vigo section of the A Coruña-Vigo stretch of the high-speed Atlantic Axis. (Resolution of 11/5/2012).
- Construction of the update for the link between the Medina del Campo siding and the Medina del Campo-Salamanca line.
- The drafting and execution of the projects and maintenance of the overhead lines installations, telecommunications systems, GSM-R mobile radio system and items related with the high-speed Bobadilla-Granada line.

As a result of various adjustments in the spin-off of the activity branch assigned to ADIF-AV, which became apparent in 2014, the Entity has adjusted the value of certain assets, all of which are related with the high-speed Atlantic Axis. At 31 December 2014, the Entity derecognised investments in the Atlantic Axis gained in the 2013 spin-off, for an amount of Euros 69,205 thousand. The majority of these assets related to electrification works undertaken in the A Coruña-Santiago stretch assigned to ADIF. The subject assets derecognised from ADIF-AV's inventory in 2014 were fully funded by the State. Accordingly, in 2014 the Entity also derecognised capital grants and the associated deferred tax liability, amounting to Euros 48,443 thousand and Euros 20,762 thousand, respectively.

In addition to these adjustments, in 2014 it was necessary for ADIF-AV to derecognise capital grants and the associated deferred tax liabilities in the amount of Euros 21,634 thousand and Euros 9,271 thousand, respectively, due to the allocation of these grants to ADIF-AV on 1 January 2013, in connection with land expropriated by the Ministry of Public Works in the A Coruña-Santiago stretch of the Atlantic Axis, assigned to ADIF. In the spin-off, these grants and deferred tax liabilities were unduly assigned to ADIF-AV, although the land assets remained in ADIF at 31 December 2013. The impact of this process of reassigning assets, grants and deferred tax liabilities derived from the spin-off of ADIF was a Euros 30,905

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thousand increase in ADIF-AV's reserves, as it stemmed from events occurred prior to 1 January 2013.

In resolutions dated 27 June 2014, the Council of Ministers approved the transfer from ADIF to ADIF-AV of ownership of the following rail infrastructures:

- a) Stretches of the Iberian gauge rail network linking the cities of Plasencia, Cáceres, Mérida and Badajoz
 - Monfragüe-Plasencia stretch: from km 0/00 to km 16/700
 - Monfragüe-AG stretch km 44-Monfragüe Ag. km 255.4: from km 0/000 to km 2/700
 - Madrid-Valencia de Alcántara line: from km 251/625 to km 332/833
 - Aljúcen-Cáceres line: from km 0/000 to km 65/443
 - Ciudad Real-Badajoz line: from km 453/000 to km 512/351
- b) A 27 km stretch of the Iberian gauge network, Bobadilla-Granada.
- c) Loja Station

The Council of Ministers determined that the transfer would be made free of charge, as the assets were used in the administration of rail infrastructures, and would be valued at the net book value in ADIF of the assets subject to transfer, recognising the gross cost and the depreciation accumulated at the transfer date. The net book value of the assets transferred to ADIF-AV in June 2014 amounted to Euros 71,321 thousand.

In 2014, the ADIF-AV identified, measured, recognised in the economic and accounting inventory and incorporated in its balance sheet land located in the following areas of action:

- ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ High-speed Madrid-Seville line, for the land relating primarily to the Getafe-Córdoba stretch that had been previously granted by the Ministry of Public Works and which was not included in the Entity's economic and accounting inventory at 31 December 2013.
- ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ 31 stations assigned to ADIF-AV, where the land was not included in the Entity's economic inventory at 31 December 2013.

With respect to the 31 stations indicated, land with an overall value of Euros 15,197 thousand was recognised. In the case of the high-speed Madrid-Seville line, land with a total value of Euros 43,371 thousand has been recognised. Of this figure, ADIF's balance sheet already included Euros 13,786 thousand that at 31 December 2013 were not spun off to ADIF-AV and that are now transferred from ADIF to ADIF-AV. In addition, the ADIF-AV's prior figures had already included certain land relating to the Madrid-Seville line, for Euros 7,684 thousand.

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4.a) Operating property, plant and equipment

The following is a breakdown of the acquisition or production cost at 31 December 2014 and at 31 December 2013 of the Entity's property, plant and equipment by high speed network line:

31/12/2014 (Expressed in thousands of Euros)					
	Land and natural resources	Buildings and other constructions	Track and other technical installations	Other property, plant and equipment	Total
Madrid-Seville	75,115	435,312	2,501,692	10,655	3,022,774
Madrid-Barcelona	764,845	630,154	10,115,557	7,070	11,517,626
Córdoba-Málaga	144,079	65,897	2,230,193	1,916	2,442,085
Madrid-Valladolid	250,536	62,304	3,755,820	591	4,069,251
Madrid-Levante	800,472	159,064	6,888,296	948	7,848,780
Vigo-Santiago de Compostela					
Atlantic Axis	16,107	8,305	586,114	321	610,847
Bobadilla-Granada and Extremadura	1,082	2,462	129,540	111	133,195
Other	173,057	79,432	340,956	16,128	609,573
	2,225,293	1,442,930	26,548,168	37,740	30,254,131

31/12/2013 (Expressed in thousands of Euros)					
	Land and natural resources	Buildings and other constructions	Track and other technical installations	Other property, plant and equipment	Total
Madrid-Seville	23,917	444,553	2,482,166	10,647	2,961,283
Madrid-Barcelona	747,579	620,591	10,047,046	6,663	11,421,879
Córdoba-Málaga	136,857	65,821	2,213,096	1,913	2,417,687
Madrid-Valladolid	238,679	62,304	3,754,071	591	4,055,645
Madrid-Levante	744,789	148,318	6,794,153	585	7,687,845
Other	175,443	94,368	439,237	17,223	726,271
	2,067,264	1,435,955	25,729,769	37,622	29,270,610

By virtue of Royal Decree Law 4/2013 of 22 February 2013, in 2013 the General State Administration delivered to ADIF or ADIF-AV, as appropriate, the rail infrastructures that it had owned until that date. Of the rail infrastructures received by ADIF in 2013, those corresponding to the adaptation to standard gauge of the Valencia-Vandellós stretch of the Mediterranean Corridor and the Santiago de Compostela-Vigo stretch of the high-speed Atlantic Axis went on to become the property of ADIF-AV, in addition to the 2012 delivery from the same stretch. These works were valued using the criteria set out in article 34 of the aforementioned Royal Decree-Law, identifying the acquisition values recognised by the General State Administration, deducting the depreciation accumulated up to the date of delivery, calculated using the depreciation criteria applied by ADIF-AV based on the type of asset and the date the asset came into operation, as per

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the following chart:

	Thousands of Euros
Buildings and other constructions	17,386
Land and natural resources	57,248
Total land and buildings	74,634
Accumulated depreciation of buildings and other constructions	(2,377)
Total carrying amount of buildings and other constructions	72,257
Track and other technical installations	841,832
Accumulated depreciation of track and other technical installations	(214,886)
Total carrying amount of track and other technical installations	626,946
Work in progress	265
Total	699,468

This amount, included on the 2013 additions shown in Appendix I, comprises works engaged by ADIF amount to Euros 61,025 thousands, works engaged by the Ministry of Public Works amount to Euros 611,293 thousands and other works engaged by RENFE prior to 2004 amount to Euros 27,150 thousands.

4.b) Work in progress

Work in progress at 31 December 2014 and 31 December 2013 is detailed in the table below:

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	Thousands of Euros	
	31/12/2014	31/12/2013
Madrid-Zaragoza-Barcelona-French border	72,393	130,605
Madrid-Segovia-Valladolid/Medina del Campo	19,786	18,291
Córdoba-Málaga-Granada	3,489	4,958
Madrid-Castilla la Mancha-Valencia Region-Murcia Region	1,941,210	1,798,865
Madrid-Seville and Toledo branch line	168	317
High-speed line Bobadilla-Granada	984,178	883,850
High-speed line León-Asturias	2,679,681	2,511,883
High-speed line Basque Country	1,126,627	1,021,915
High-speed line Murcia-Almería	556,579	526,274
High-speed line Madrid-Cáceres, Navalmoral de la Mata-Cáceres stretch	442,473	372,979
Zaragoza-Pamplona, Castejón-Comarca de Pamplona stretch	65,234	64
Palencia-León-Asturias	709,331	624,209
High-speed line Madrid-Extremadura-Portuguese border	275,828	256,638
Valladolid-Burgos-Vitoria	784,089	660,062
Madrid Atocha-Madrid Chamartín	666,263	587,600
High-speed line Pulpí-Murcia	72,336	69,812
High-speed line Galicia (Olmedo-Lubián)	210,062	125,530
High-speed Atlantic Axis	1,199,079	1,703,794
High-speed line Galicia (Lubián-Orense)	956,132	611,700
Other investments in high-speed lines	112,412	106,435
Mediterranean Corridor connection, Tarragona area	379,448	338,893
Extension of the Atocha Station complex	1,154	-
Other investments	104,149	56,577
TOTAL	13,362,101	12,411,251

In 2014 the Entity recognised the best estimate available for those works carried out and pending certification at 31 December 2014, derived from contractual incidents pending formalisation, as an increase in the value of work in progress, in the amount of Euros 103,822 thousand.

Work in progress at 31 December 2014 and 31 December 2013 includes Euros 423,916 thousand and Euros 159,702 thousand, respectively, for advances to suppliers. At 31 December 2014, this item also comprises advances extended to suppliers that have not been formally set out in contracts, in the amount of Euros 116,555 thousand. The heading includes advances for the future delivery of railway works derived from agreements signed between the Entity and its associates, as per the following breakdown at 31 December 2014 and 31 December 2013:

Thousands of Euros

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	31/12/2014	31/12/2013
Valencia Parque Central Alta Velocidad 2003, S.A.	48,084	77
Valladolid Alta Velocidad 2003, S.A.	1,529	1,529
Zaragoza Alta Velocidad 2002, S.A.	18,779	18,779
AV Alicante Nodo de Transporte S.A.	28,275	-
TOTAL	96,667	20,385

Applying the same criteria used by the State for its real estate and infrastructure works, ADIF-AV has not taken out any insurance coverage for these assets, except as regards extraordinary infrastructure risks, which do not include stations, tunnels, bridges and other buildings.

Also ADIF-AV, like the State, has not listed its buildings and infrastructure works in the Property Register, except for housing and commercial premises.

At 31 December 2014, the Entity has firm commitments with third parties to make future investments of Euros 3,502,446 thousand, excluding VAT. At 31 December 2013, the Entity had firm commitments with third parties to make future investments of Euros 3,193,521 thousand, excluding VAT.

4.c) Capitalised borrowing costs

During 2014 the Entity capitalised borrowing costs totalling Euros 109,919 thousand, comprising the cost of the loans received from the EIB or other institutions, which were primarily allocated to finance the construction of various high-speed lines. Among other items, this amount comprises Euros 19,753 thousand in relation to the Levante line; Euros 26,169 thousand reflecting the cost of the high-speed rail network of the Basque Country, called "Y Vasca"; Euros 16,191 thousand representing the costs of the Valladolid-Vitoria stretch of the Madrid-Basque Country/French border high-speed line; and Euros 19,653 thousand for the costs of the Pajares alternate route of the Madrid-Asturias high-speed line (see Note 19).

4.d) Fully depreciated/amortised assets

Details of the cost of fully depreciated or amortised items of property, plant and equipment, intangible assets and investment property in use at 31 December of each year are as follows:

	Thousands of Euros	
	31/12/2014	31/12/2013
Intangible assets	10,729	6,009
Property, plant and equipment	321,651	321,696
Investment property	84	51
TOTAL	332,464	327,756

4.e) Government grants received

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The construction of property, plant and equipment for railway infrastructure has partly been financed by non-refundable capital grants, including European funds (Cohesion Funds, TEN-T, ERDF) (see Note 9).

Investments underway and in operation delivered by the State to ADIF in 2012 and 2013, mainly relate to works on the Atlantic Axis, the link to the Mediterranean Corridor and the Valencia-Vandellós stretch of the Mediterranean Corridor, pursuant to Royal Decree-Law 22/2012 of 20 July 2012 and Royal Decree-Law 4/2013 of 22 February 2013, respectively. These assets were spun off to ADIF-AV at 1 January 2013 and have been recognised with a balancing entry in capital grants (see Notes 3.b) and 3.g)).

4.f) Intangible assets

Details of intangible assets at 31 December 2014 and 31 December 2013 are as follows:

	31/12/2014 (Expressed in thousands of Euros)		
	Cost	Accumulated amortisation	Total
Operating intangible assets			
Computer software	6,291	(5,889)	402
Research and development expenses	7,431	(2,593)	4,838
Other intangible assets	5,681	(5,681)	-
Total operating intangible assets	19,403	(14,163)	5,240
Intangible assets in progress			
Computer software	-	-	-
Research and development expenses	1,165	-	1,165
Other intangible assets	80	-	80
Total intangible assets in progress	1,245	-	1,245
Total intangible assets	20,648	(14,163)	6,485

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	2013 (Expressed in thousands of Euros)		
	Cost	Accumulated amortisation	Total
Operating intangible assets			
Research and development expenses	7,431	(2,314)	5,117
Computer software	6,215	(5,472)	743
Other intangible assets	5,681	(5,093)	588
Total operating intangible assets	19,327	(12,879)	6,448
Intangible assets in progress			
Research and development expenses	872	-	872
Computer software	13	-	13
Other intangible assets	791	-	791
Total intangible assets in progress	1,676	-	1,676
Total intangible assets	21,003	(12,879)	8,124

4.g) Impairment of property, plant and equipment, intangible assets and investment property

At 31 December 2014, the Entity assessed the operating units forming its property, plant and equipment, intangible assets and investment property for indications of impairment. From this analysis it was concluded that the operating units forming the Entity's non-financial assets showed no indications of impairment (see Note 3.b)).

4.h) Investment property

The breakdown at 31 December 2014 and 31 December 2013 is as follows:

	31/12/2014 (Expressed in thousands of Euros)		
	Cost	Accumulated depreciation	Total
Shopping centres at passenger rail stations	99,931	(13,644)	86,287
Commercial car parks	78,596	(7,425)	71,171
Buildings and hotels at intermodal stations	61,683	(13,543)	48,140
Housing, premises and garages	209	(181)	28
Investment property in progress	403	-	403
Total	240,822	(34,793)	206,029

	2013 (Expressed in thousands of Euros)		
	Cost	Accumulated depreciation	Total
Shopping centres at passenger rail stations	99,907	(11,645)	88,262
Commercial car parks	78,596	(6,417)	72,179
Buildings and hotels at intermodal stations	61,683	(12,624)	49,059

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Housing, premises and garages	176	(145)	31
Total	240,362	(30,831)	209,531

4.i) Sale commitments (land associated with Chamartín Station rail complex - Fuencarral, in Madrid)

As explained in Note 3(p) (II) f), in the case of the railway-urban development transaction, the "Chamartín Transaction", the rights and obligations of ADIF arising from the agreement entered into between ADIF, RENFE Operadora and "Desarrollo Urbanístico Chamartín, S.A." on 23 June 2009 will be split between ADIF-AV and ADIF based on the area pertaining to each entity and the price per square metre established in the agreement.

Under this contract, ADIF and RENFE Operadora signed a Revised Text of the Contract with Desarrollo Urbanístico de Chamartín, S.A. (DUCH), which stipulated that ADIF and RENFE Operadora agree to give priority to DUCH to complete the urban planning of the land included in both the PPRI (Partial Interior Reform Plan) of the APR (Area planned for development to be defined at a later stage) 08.03 "Extension of the Castellana" and the APE (Special Planning Area) 05.27 "Colonia Campamento" and that affects the Chamartín and Fuencarral railway station complexes. The aim is to obtain the best conditions and urban land classes when the urban development rights are assigned to certain land, mostly associated with Chamartín station in Madrid, included in the project called "Extension of the Castellana". In accordance with the terms of the Revised Text of the Contract, DUCH agreed to pay a consideration, part in cash and part in kind (through the transfer of developed land classified for government-supported residential properties) up to the limits established and for specific amounts, in exchange for the transfer of the title to land and building rights included in the APR 08.03 and the APE 05.27, which comprises the Chamartín and Fuencarral station complexes.

The consideration payable to ADIF and RENFE Operadora (with distribution subject to the agreement between the parties, although the larger portion of this amount would correspond to ADIF) would be Euros 984 million (in cash) and 100,000 m² of urban land for the building of government-supported residential properties (payment in kind).

The dates agreed for the transfer of the land and building rights and the related payment of the consideration (linked to the final approval of the aforementioned partial plan) could, in accordance with the Contract, be postponed at the behest of DUCH, in which case the latter must pay certain amounts as interest for deferring the payment. DUCH adhered of this option to postpone payment, and the payments were made. DUCH also acquired land and building rights in the APE 05.27.

Nevertheless, as from 1 January 2014, DUCH was obligated under the Contract to acquire, for the amounts stipulated therein, all the land and building rights that the Entity and RENFE Operadora decided to transfer and, therefore, to pay both entities the corresponding cash amount and the in-kind amount.

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On 21 June 2013 the High Court of Justice in Madrid handed down a ruling that resolves an appeal against the Partial Interior Reform Plan of APR 08.03 "EXTENSION OF THE CASTELLANA" that partially upholds the appeal and annuls the provisions of the plan permitting buildings of more than three floors plus a penthouse in that area, as well as other provisions regarding urban development aspects of the Partial Interior Reform Plan. As a result of this ruling, the development according to the Partial Plan is not technically and economically viable.

The Madrid City Council, ADIF, RENFE Operadora and DUCH filed appeals against this ruling with the Supreme Court. Additionally, ADIF, RENFE Operadora and DUCH have considered that this ruling means that the obligations under the agreement are not enforceable. On 1 April 2015 the Supreme Court issued a decision quashing the ruling and ordering that all actions carried out to the moment immediately prior to its decision be undone, establishing that the Court has grounds to appropriately apply or not the transitional provision of the Madrid Land Act which addresses the subject of the three-floor threshold.

Pursuant to the agreement, on 29 July 2014 DUCH petitioned ADIF and RENFE Operadora to formally open renegotiations, since more than five years had elapsed since the last section of the agreement was signed and the PPRI had not been approved on the foreseen terms.

Subsequently, on 22 January 2015, the parties signed a Framework Agreement whereby DUCH undertook to pay the public entities a cash amount of Euros 984,225 thousand, over a 20-year payment period and subject to 3% annual interest, and an in-kind payment comprising use of 100,000 m² of government-supported residential area. The validity and effectiveness of this agreement is subject to definitive approval of the modification of the PPRI.

In accordance with the Framework Contract, ADIF and ADIF-AV may receive 84.027% of the price foreseen of Euros 1,245,460 thousand (including delay interest), namely Euros 1,046,523 thousand. A priori, this is the maximum amount receivable, given that if ADIF/ADIF-AV is not allocated ownership of an area in the corresponding urban development re-parcelling, this price would be reduced in accordance with a predetermined unit price. Of the total of Euros 1,046,523 thousand, 20.430% corresponds to ADIF-AV (Euros 254,447 thousand), while 63.507% (Euros 792,075 thousand) corresponds to ADIF.

In addition, both state-owned entities will receive a payment in kind through the delivery of plots on which 84,027 m² can be built for government-supported residential use (53,438.65 m² for ADIF and the remaining 30,588.35 m² for ADIF-AV).

Moreover, on 22 January 2015 the parties affected by the Operation Chamartín (DUCH, ADIF, ADIF-AV, RENFE Operadora, RENFE Fabricación y Mantenimiento, Madrid City Council, Madrid Regional Government and Canal de Isabel II) signed an urban development agreement for the management and execution of APR 08.03.

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At the same time, DUCH proposed to the Madrid City Council a modification of the terms and conditions of the PPRI. Accordingly, a new document was drafted, and was initially approved by the Madrid City Council Board on 19 February 2015. Upon expiry of the public information period and once the sector reports were obtained, this planning instrument was fully processed on 18 May 2015. Definitive approval by the Madrid City Council is still pending.

(5) Investments in Group Companies and Associates

5.a) Non-current equity instruments in Group companies and associates

Details of movement for 2014 and 2013, expressed in thousands of Euros, are as follows:

31/12/2014 (Expressed in thousands of Euros)			
	Investments in Group companies and associates	Uncalled equity holdings	Total
Balance at 1 January 2014	15,246	(6,750)	8,496
Balance at 31 December 2014	15,246	(6,750)	8,496

31/12/2013 (Expressed in thousands of Euros)			
	Investments in Group companies and associates	Uncalled equity holdings	Total
Balance at 1 January 2013	15,246	(6,750)	8,496
Balance at 31 December 2013	15,246	(6,750)	8,496

Details of the main investees registered in Spain, and relevant information thereon, are presented in Appendix II.

The associates in which the Entity holds investments include companies whose statutory activity comprises the integration of railways in different cities. The aforementioned companies were incorporated within the framework of the agreements entered into between the Ministry of Public Works, the state-owned entities managed by the Ministry that carry out their activities in the railway sector and the public entities responsible for each of the cities concerned (regional government and city council). The companies are jointly owned (50%/50%) by the General State Administration and the local and regional administrations. This model is intended to bring together all the project stakeholders and to generate, in addition to the contributions which, pursuant to each agreement, may be made by the different administrations, sufficient financing for the project by selling the land use rights derived from land reallocated for non-rail use as a result of the projected initiatives.

Furthermore, at an extraordinary general meeting held on 4 December 2012 the shareholders of León Alta Velocidad 2003, S.A. agreed to dissolve the company so as to enable liquidation as quickly as possible. At this meeting, the shareholders also agreed that ADIF should acquire the railway infrastructure works carried out

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by the company. Entity management does not consider that ADIF-AV will assume significant liabilities and assets as a result of this process.

5.b) Non-current loans to Group companies and associates

Details of non-current loans to Group companies and associates at 31 December 2014 and 31 December 2013 are as follows:

	Thousands of Euros	
	31/12/2014	31/12/2013
Zaragoza Alta Velocidad 2002, S.A.	27,015	10,618
Cartagena AVE, S.A.	1,080	-
Murcia AVE, S.A.	3,400	-
Palencia Alta Velocidad, S.A.	200	-
Total non-current loans to Group companies and associates	31,695	10,618
Provision for impairment	(27,215)	(10,618)
	4,480	-

The balance receivable from Zaragoza Alta Velocidad 2002, S.A. (hereinafter ZAV) derives from the obligations assumed by ADIF (and by ADIF-AV, pursuant to Order PRE/2443/2013), as a result of ZAV's failure to meet a payment relating to a financing transaction guaranteed by its shareholders, in proportion to their interests in the company's share capital, through the issue of comfort letters. At the 2012 year end, ADIF had granted a Euros 37,850 thousand loan to the subject company. This amount was deemed irrecoverable and full provision was made for the total amount thereof. At 1 January 2013, on the basis of the aforementioned Order PRE/2443/2013, ADIF-AV assumed the subject loan, for a result of Euros 30,279 thousand and the correction for the same amount. In the spin-off process, this loan was recognised at its net amount. In 2013, ADIF-AV extended new credit facilities to ZAV for Euros 10,618 thousand, for which provision was likewise made. In 2014, ADIF-AV extended new credit facilities to ZAV for Euros 16,397 thousand, for which full provision was made (see Note 23).

The collection rights arising in 2013 from the company Palencia Alta Velocidad originated in obligations assumed by ADIF as a result of a guarantee extended. In 2013, ADIF-AV extended new credit facilities to Palencia Alta Velocidad for Euros 410 thousand, for which provision was made. At 31 December 2014, ADIF-AV extended new credit facilities to Palencia Alta Velocidad for Euros 200 thousand, which have been considered fully impaired.

Lastly, in 2014 ADIF-AV extended a participating loan to both Murcia Alta Velocidad and Cartagena Alta Velocidad, following the same procedures as in the above-mentioned cases.

5.c) Current investments in Group companies and associates

The balance of this heading at 31 December 2014 and 31 December 2013 is as follows:

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	Thousands of Euros	
	31/12/2014	31/12/2013
Other current loans	1,976	1,976
Other financial assets	2,781	1,247
Impairment of receivables	(4,686)	(3,223)
	71	-

Other current loans reflects the loan granted to León Alta Velocidad 2003, S.A.

Other financial assets comprise interest earned during the year on loans granted by the Entity to Group companies and associates.

At the 2014 year end, ADIF-AV management considered that the total amounts receivable of Euros 4,686 thousand would not be recovered and they were therefore virtually fully impaired.

(6) Other Financial Assets

Details of financial assets by category at 31 December 2014 and 31 December 2013, except equity investments in Group companies and associates (see Note 5) and except balances receivable from or payable to public entities (see Note 12), expressed in thousands of Euros, are as follows:

	31/12/2014 (Expressed in thousands of Euros)		
	Equity instruments	Loans, derivatives and other	Total
Non-current financial assets			
Loans and receivables	-	1,354	1,354
Available-for-sale assets	1,890	-	1,890
Total non-current financial assets	1,890	1,354	3,244
Current financial assets			
Loans and receivables	-	403,621	403,621
Total current financial assets	-	403,621	403,621

	31/12/2013 (Expressed in thousands of Euros)		
	Equity instruments	Loans, derivatives and other	Total
Non-current financial assets			
Loans and receivables	-	513	513
Available-for-sale assets	1,406	-	1,406
Total non-current financial assets	1,406	513	1,919
Current financial assets			
Loans and receivables	-	247,841	247,841

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Total current financial assets	-	247,841	247,841
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The breakdown of these amounts in the different balance sheet items at 31 December 2014 and 31 December 2013 are as follows:

31/12/2014 (Expressed in thousands of Euros)			
	Equity instruments	Loans, derivatives and other	Total
Non-current financial assets			
Non-current financial investments	1,890	513	2,403
Non-current trade receivables	-	841	841
Total non-current financial assets	1,890	1,354	3,244
Current financial assets			
Current financial assets	-	143,133	143,133
Trade and other receivables	-	260,488	260,488
Total current financial assets	-	403,621	403,621

31/12/2013 (Expressed in thousands of Euros)			
	Equity instruments	Loans, derivatives and other	Total
Non-current financial assets			
Non-current financial investments	1,406	513	1,919
Total non-current financial assets	1,406	513	1,919
Current financial assets			
Trade and other receivables	-	247,841	247,841
Total current financial assets	-	247,841	247,841

The carrying amount of these financial assets does not differ significantly from their fair value.

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6.a) Investments

Details of investments at 31 December 2014 and 31 December 2013 are as follows:

	Thousands of Euros			
	31/12/2014		31/12/2013	
	Non-current	Current	Non-current	Current
Equity instruments (see Appendix II)	2,281	-	1,411	-
Impairment	(391)	-	(5)	-
Total equity instruments	1,890	-	1,406	-
Other financial assets (deposits, guarantees and other credits)	513	-	513	-
	2,403	-	1,919	-

6.a.1) Equity instruments

Equity instruments are the Entity's holdings in companies over whose management it does not have significant influence. The Entity's interest in each of these companies is less than 20%.

6.b) Trade and other receivables

Details of trade and other receivables at 31 December 2014 and 31 December 2013 are as follows:

	Thousands of Euros			
	31/12/2014		31/12/2013	
	Non-current	Current	Non-current	Current
Group companies and associates				
Receivables (Note 6.b.1))	-	727	-	817
Unrelated parties				
Trade receivables (Note 6.b.2))	-	100,571	-	-
Other receivables (Note 6.b.3))	841	159,183	-	247,023
Personnel	-	7	-	1
	841	260,488	-	247,841

6.b.1) Payables to Group companies and associates

Details of the balances of these current asset accounts in the accompanying balance sheets at 31 December 2014 and 31 December 2013 are as follows:

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	Thousands of Euros	
	31/12/2014	31/12/2013
	Current	Current
Alta Velocidad Alicante Nodo del Transporte, S.A.	667	811
Ingeniería y Economía del Transporte, S.A. (INECO)	-	2
Murcia AVE, S.A.	-	4
Cartagena Alta Velocidad S.A.	15	-
Valencia Parque Central Alta Velocidad 2003, S.A.	45	-
	727	817

6.b.2) Trade receivables

Trade receivables includes the balance of rail fees settled and pending collection at 31 December 2014, for Euros 98,665 thousand. Trade receivables also includes accrued interest receivable for the passenger rail transport safety levy.

6.b.3) Other receivables

Details of this item at 31 December 2014 and 31 December 2013 are as follows:

	Thousands of Euros	
	31/12/2014	31/12/2013
Agreements with rail operators	54,197	52,376
Fibre-optics rental	23,095	31,932
Amounts due to ADIF-AV from ADIF	18,846	122,570
Other rentals	17,229	8,515
Other items	11,384	7
Services rendered pending invoice		
Agreements with rail operators	29,345	27,753
Agreements with ADIF	6,265	0
Other	1,523	4,155
Impairment of trade receivables	(2,701)	(285)
Total other receivables	159,183	247,023

The amount shown as agreements with rail operators mainly relates to RENFE Operadora.

The balance receivable from ADIF at 31 December 2014 relates to services rendered to ADIF up to that date, based on the addenda disclosed in Note 1. The amounts due to ADIF-AV from ADIF at 31 December 2013 were basically

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derived from the recognition of the spin-off process, in which ADIF retained its receivables from RENFE-Operadora for charges invoiced and those amounts outstanding from the taxation authorities for VAT settlements, which can be broken down as follows:

	Thousands of Euros	
	31/12/2014	31/12/2013
Services to be provided by ADIF-AV to ADIF	18,846	390
Charges and other receivables	-	73,845
Tax-related receivables	-	48,335
TOTAL	18,846	122,570

Movement in impairment allowances for current and non-current receivables in 2014 and 2013 is as follows:

	Thousands of Euros	
	31/12/2014	
	Non-current	Current
Balances at 1 January	-	(285)
Provisions, reversals and/or applications during the year	-	(2,416)
Balances at 31 December	-	(2,701)

(7) Cash and Cash Equivalents

Details of cash and cash equivalents at 31 December 2014 and 31 December 2013 are as follows:

	Thousands of Euros	
	2014	2013
Cash on hand and at banks	1,627,007	124,448
Cash equivalents	110,507	150,285
	1,737,514	274,733

In 2014, the balance of cash equivalents relates to short-term investments where the period between the outlay of funds and the maturity is less than three months, as well as accrued interest receivable on these financial assets and on current accounts. Details of these investments at 31 December 2014, by financial instrument, are as follows:

	Thousands of Euros					
	2014			2013		
	Amount	TOTAL	Returns	Amount	TOTAL	Returns
Fixed-term deposits	110,000	110,000	0.6%	-	-	-
Promissory notes	-	-	-	149,891	149,891	1.75%

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Accrued interest receivable	-	507	-	394
	<u>110,507</u>		<u>150,285</u>	

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(8) Equity

Details of and movement in equity are shown in the statement of changes in equity.

8.a) Equity contribution

Equity contributions at 1 January 2013 were determined on the basis of the difference between total assets and liabilities and the grants, donations and bequests received by ADIF-AV, in accordance with the general criteria for allocation of assets, rights and obligations provided in the Order PRE/2443/2013 of 27 December 2013.

The General State Budgets for 2013 established a capital contribution of Euros 46,760 thousand for ADIF-AV to finance its railway network. The General State Budgets for 2014 did not establish any contribution to ADIF-AV.

In 2014, the Entity identified, measured and recognised land that it owned by that had not been recorded for accounting purposes, primarily in respect of long-standing expropriations or acquisitions, some of which had been made by the former companies previously comprising the Spanish railway network, or expropriations paid for at the time by the Ministry of Public Works. As a result of this update of inventory, the Entity has recognised land assets of Euros 44,786 thousand, which have been accounted for as equity contributions (see Notes 3.b) and 4).

8.b) Reserves

Movement in reserves during 2014 and 2013 is as follows:

	31/12/2014 (Expressed in thousands of Euros)		
	Reserves for actuarial gains and losses	Other reserves	Total
Balance at 31 December 2013	36	-	36
Recognition of actuarial gains and losses and other adjustments	(84)	43,486	43,402
Balance at 31 December 2014	(48)	43,486	43,438
	31/12/2013 (Expressed in thousands of Euros)		
	Reserves for actuarial gains and losses	Other reserves	Total
Balance at 1 January 2013	-	-	-
Recognition of actuarial gains and losses and other adjustments	36	-	36
Balance at 31 December 2013	36	-	36

As explained in Note 4, the increase in ADIF-AV's other reserves in 2014 was due to adjustments during the spin-off of certain assets, capital grants and deferred tax liabilities. Of this adjustment, Euros 30,905 thousand relates to the reallocation between ADIF-AV and ADIF of assets and grants corresponding to the high-speed Atlantic Axis. As a result of this reallocation, in 2014 the

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Entity derecognised assets and capital grants, prior to discounting the tax effect of Euros 69,205 thousand and Euros 100,110 thousand, respectively. In addition, ADIF-AV has recognised a Euros 13,786 thousand increase in reserves as a result of the transfer from ADIF to ADIF-AV of part of the land previously expropriated by RENFE in order to build the high-speed Madrid-Seville line, and which at 31 December 2013 was not attributed to ADIF-AV in the spin-off. The variations in "Other reserves" shown above also relate to other smaller adjustments (see Notes 4 and 9).

8.c) Proposed application of loss for the year

The Entity's Management proposes that the Euros 216,540 thousand losses for 2014 be carried forward as prior years' losses, under the equity item "Retained earnings".

8.b) Valuation adjustments

The amount recognised in equity in 2014 as well as the amounts reclassified from equity to finance expenses in the income statement in these years are disclosed in the statement of recognised income and expense, which forms part of the statement of changes in equity for each year.

The movement in 2014 reflects the variations in the fair value of the derivative arranged by the Entity. Due to the fluctuations in benchmark interest rates these show a loss in value (see Note 11.a.2).

(9) Grants, Donations and Bequests

This balance sheet item at 31 December 2014 and 31 December 2013 comprises outright capital grants pending recognition as income.

Movement in 2014 and 2013 is as follows:

	31/12/2014 (Expressed in thousands of Euros)				
	Cohesion Funds	ERDF funds	TEN-T funds	Other capital grants	Total capital grants
Balances at 31 December 2013	4,418,744	1,641,709	213,973	1,886,354	8,160,780
European funds accrued in 2014	4,007	242,590	4,717	-	251,314
Other capital grants accrued in 2014				77,053	77,053
Derecognition of Atlantic Axis grant				(94,634)	(94,634)
Tax effect of capital grants accrued in 2014 (Note 12)	(1,202)	(72,777)	(1,415)	5,274	(70,120)
Effect of changes in taxation 2015-2016	312,689	127,409	15,449	131,690	587,237
Capital grants taken to the income, net of tax effect (Note 17)	(27,161)	(17,243)	(605)	(22,225)	(67,234)
Balances at 31 December 2014	4,707,077	1,921,688	232,119	1,983,512	8,844,396

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	31/12/2013 (Expressed in thousands of Euros)				
	Cohesion Funds	ERDF funds	TEN-T funds	Other capital grants	Total capital grants
Balances at 1 January 2013	4,445,796	1,709,029	207,248	1,342,604	7,704,677
State grants RD-L 4/2013	-	-	-	699,468	699,468
European funds accrued in 2013	-	-	10,509	-	10,509
Other capital grants accrued in 2013	-	-	-	109,075	109,075
Reimbursements of grants in 2013	(126)	(78,933)	-	(9,537)	(88,596)
Tax effect of capital grants accrued in 2013 (Note 12)	37	23,680	(3,152)	(239,701)	(219,136)
Capital grants taken to the income, net of the tax effect (from 1/01/2013 to 30/09/2013) (Note 17)	(20,222)	(9,050)	(474)	(11,666)	(41,412)
Capital grants taken to the income, net of the tax effect (from 1/01/2013 to 31/12/2013) (Note 17)	(6,741)	(3,017)	(158)	(3,889)	(13,805)
Balances at 31 December 2013	4,418,744	1,641,709	213,973	1,886,354	8,160,780

As explained in Notes 4 and 8.b, in 2014 the Entity derecognised capital grants and deferred tax liabilities for a total amount of Euros 100,110 thousand, as a result of adjustments on the spin-off of the Atlantic Axis. Of this amount, Euros 5,476 thousand, corresponding to the Queixas alternate route, was fully taken to "Non-financial and other capital grants" in the 2014 income statement, and is presented under "Other capital grants" in the above table.

State grants under Royal Decree-Law 4/2013 of 22 February 2013 reflected the value of works assigned to ADIF-AV for no consideration, net of depreciation of the assets received (see Notes 3.b and 3.g).

In application of Corporate Income Tax Law 27/2014, published in the Official State Gazette of 28 November 2014, ADIF-AV adjusted its equity and deferred tax liabilities in order to adapt them to the progressive reduction in the general corporate income tax rate, from 30% in 2014 to 28% in 2015 and 25% in 2016. As shown in the accompanying table, the increase in equity amounts to Euros 587,237 thousand.

9.a) Cohesion Funds

Details of Cohesion Funds at 31 December 2014 and 31 December 2013, without taking into account the tax effect and including the amounts accrued for payables convertible into grants, are as follows:

	31/12/2014 (Expressed in thousands of Euros)			
	ASSISTANCE GRANTED	GRANTS ACCRUED	PAYABLES CONVERTIBLE INTO GRANTS (Note 11.b)	COLLECTIONS MADE
STRETCH				

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High-speed line Madrid-Barcelona-French border	3,309,023	3,309,023	-	3,309,023
Madrid-Lérida	2,100,526	2,100,526	-	2,100,526
Lérida-Martorell	768,599	768,599	-	768,599
Martorell-Barcelonal	439,898	439,898	-	439,898
High-speed line Madrid-Valladolid	1,553,670	1,553,670	-	1,553,670
High-speed line Madrid-Levante	573,322	573,322	-	573,322
Cohesion Funds 2007-2013	1,157,204	1,148,110	254,310	1,399,537
TOTAL	6,593,219	6,584,125	254,310	6,835,552

31/12/2013 (Expressed in thousands of Euros)

STRETCH	ASSISTANCE GRANTED	GRANTS ACCRUED	PAYABLES CONVERTIBLE INTO GRANTS (Note 11.b)	COLLECTIONS MADE
High-speed line Madrid-Barcelona-French border	3,309,023	3,309,023	-	3,309,023
Madrid-Lérida	2,100,526	2,100,526	-	2,100,526
Lérida-Martorell	768,599	768,599	-	768,599
Martorell-Barcelonal	439,898	439,898	-	439,898
High-speed line Madrid-Valladolid	1,553,670	1,553,670	-	1,553,670
High-speed line Madrid-Levante	573,322	573,322	-	573,322
Cohesion Funds 2007-2013	1,157,204	1,144,104	90,979	1,227,587
TOTAL	6,593,219	6,580,119	90,979	6,663,602

9.b) European Regional Development Fund (ERDF)

Details of European Regional Development Funds at 31 December 2014 and 31 December 2013, without taking into account the tax effect, are as follows:

31/12/2014 (Expressed in thousands of Euros)

OPERATING PROGRAMME	LARGE PROJECT	ASSISTANCE GRANTED	GRANTS ACCRUED	PAYABLES CONVERTIBLE INTO GRANTS (Note 11.b)	COLLECTIONS MADE
ANDALUSIA	Córdoba-Málaga	882,883	882,883	-	882,883
CASTILLA Y LEÓN	Segovia-Valladolid	193,256	193,256	-	193,256
MURCIA	Murcia access	28,412	28,412	-	23,843
CASTILLA LA MANCHA	Toledo access	67,127	67,127	-	67,127
VALENCIA	Alicante access	99,402	99,402	-	99,402
CASTILLA Y LEÓN	Pajares tunnel	283,995	283,995	-	283,995
ASTURIAS	Pajares tunnel	107,873	107,873	-	65,477
ERDF 2007-2013		894,754	888,409	1,100,012	1,954,712
TOTAL		2,557,702	2,551,357	1,100,012	3,570,695

31/12/2013 (Expressed in thousands of Euros)

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OPERATING PROGRAMME	LARGE PROJECT	ASSISTANCE GRANTED	GRANTS ACCRUED	PAYABLES CONVERTIBLE INTO GRANTS (Note 11.b)	COLLECTIONS MADE
ANDALUSIA	Córdoba-Málaga	882,883	882,883	-	882,883
CASTILLA Y LEÓN	Segovia-Valladolid	193,256	193,256	-	193,256
MURCIA	Murcia access	28,412	28,412	-	23,843
CASTILLA LA MANCHA	Toledo access	67,127	67,127	-	63,771
VALENCIA	Alicante access	99,402	99,402	-	99,402
CASTILLA Y LEÓN	Pajares tunnel	283,995	283,995	-	283,995
ASTURIAS	Pajares tunnel	107,873	107,873	-	65,477
ERDF 2007-2013		645,820	645,820	831,486	1,449,698
TOTAL		2,308,768	2,308,768	831,486	3,062,325

9.c) Community financial aid to trans-European networks (TEN)

Details of TEN funds at 31 December 2014 and 31 December 2013, without taking into account the tax effect, are as follows:

31/12/2014 (Expressed in thousands of Euros)

STRETCH	ASSISTANCE GRANTED	GRANTS ACCRUED	PAYABLES CONVERTIBLE INTO GRANTS (Note 11.b)	COLLECTIONS MADE
High-speed line Madrid-Barcelona-French border	79,260	78,510	750	73,973
High-speed line Madrid-Valladolid	20,603	20,603	-	20,603
High-speed line Madrid-Levante	52,666	52,602	65	50,447
New rail access to Asturias	3,192	3,192	-	3,192
High-speed line Vitoria-Bilbao-San Sebastián and Valladolid-Burgos-Vitoria	127,077	124,598	2,478	110,297
High-speed line Madrid-Extremadura	68,733	32,869	22,338	40,786
High-speed line Bobadilla-Granada	2,174	2,174	-	2,174
Mediterranean Corridor	2,409	-	1,205	1,205
Other high-speed	7,051	984	3,603	4,179
TOTAL	363,165	315,532	30,439	306,856

31/12/2013 (Expressed in thousands of Euros)

STRETCH	ASSISTANCE GRANTED	GRANTS ACCRUED	PAYABLES CONVERTIBLE INTO GRANTS (Note 11.b)	COLLECTIONS MADE
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High-speed line Madrid-Barcelona-French border	79,260	78,510	750	73,973
High-speed line Madrid-Valladolid	20,603	20,603	-	20,603
High-speed line Madrid-Levante	52,666	52,422	244	50,447
New rail access to Asturias	3,192	3,192	-	3,192
High-speed line Vitoria-Bilbao-San Sebastián and Valladolid-Burgos-Vitoria	127,041	121,258	5,783	108,441
High-speed line Madrid-Extremadura	68,733	31,919	22,338	38,673
High-speed line Bobadilla-Granada	2,248	2,247	-	1,124
Mediterranean Corridor	2,409	-	1,205	1,205
Other high-speed	9,951	663	4,394	4,971
TOTAL	366,103	310,814	34,714	302,629

(10) Provisions for Liabilities and Charges

Details of current and non-current provisions for liabilities and charges in the balance sheet at 31 December 2014 and 31 December 2013 are as follows:

	Thousands of Euros			
	31/12/2014		31/12/2013	
	Non-current	Current	Non-current	Current
Employee benefits	393	331	291	177
-Defined benefit plans	393	20	291	8
<i>Length-of-service bonuses</i>	<i>192</i>	<i>20</i>	<i>186</i>	<i>8</i>
<i>Provision for leisure travel, retired personnel</i>	<i>201</i>	-	<i>105</i>	-
-Other employee benefits	-	311	-	169
Other provisions	53,423	68,733	47,142	129,278
Provisions for legal proceedings	9,825	0	3,865	75,993
Provision for asset replacement costs in areas under user agreements (Note	-	21,952	-	21,952
"1.5% for culture" provision	-	1,340	-	1,403
Provision for environmental risks	2,041	3,311	2,240	3,311
Other items	41,557	42,130	41,037	26,619
	53,816	69,064	47,433	129,455

Movement in non-current provisions for liabilities and charges in 2014 and 2013 is shown below:

31/12/2014 (Expressed in thousands of Euros)

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	Non-current provisions for liabilities and charges					TOTAL
	Length-of-service bonuses	Provision for leisure travel, retired personnel	Provision for environmental risks	Provision for legal proceedings	Other items	
Balances at 1/01/2014	186	105	2,240	3,865	41,037	47,433
Charges for the year recognised in profit and loss	5	23	-	717	520	1,265
Financial effect of discount	3	3	-	(290)	-	(284)
Payments for the year	-	-	-	-	-	-
Transfers to current	(15)	-	-	-	-	5,521
Amounts taken to profit and loss	-	-	(199)	(2)	-	(201)
Other movements	13	70	-	5,535	-	83
Balances at 31/12/2014	192	201	2,041	9,825	41,557	53,816

31/12/2013 (Expressed in thousands of Euros)						
	Non-current provisions for liabilities and charges					TOTAL
	Length-of-service bonuses	Provision for leisure travel, retired personnel	Provision for legal proceedings	Other	Other items	
Balance at 1 January 2013	192	117	2,489	6,369	40,701	49,868
Charges for the year recognised in ADIF-AV's profit and loss	2	14	-	477	5,561	6,054
Financial effect of discount ADIF-AV	2	3	-	146	-	150
Payments for the year ADIF-AV	-	-	-	(185)	-	(185)
Transfers to current ADIF-AV	(3)	-	-	-	-	(3)
Amounts taken to profit and loss	-	-	(249)	(2,942)	(5,225)	(8,415)
Other movements	(7)	(29)	-	-	-	(36)
Balances at 31 December 2013	186	105	2,240	3,865	41,037	47,433

a) Provisions for liabilities and charges related to personnel

10.a.1) Length-of-service bonuses

Length-of-service bonuses reflect ADIF-AV's obligation, in compliance with employment regulations, to pay a bonus to employees based on the number

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of years' service. This bonus is receivable after 30, 35 and 40 years of service and the amount is stipulated in the applicable collective bargaining agreement signed on 21 December 2012 and now applicable to ADIF-AV. The amount recognised at 31 December 2014 is Euros 212 thousand, of which Euros 192 thousand are recognised as non-current provisions for liabilities and charges and Euros 7 thousand as current provisions for liabilities and charges.

The provision at 31 December 2014 has been calculated using an actuarial study prepared applying the individual capitalisation method and using the following inputs: annual interest rate of 1.010%, annual growth rate of 2.3% and table of expected length-of-service in ADIF based on the PERM/F-2000 actuarial table.

10.a.2) Provision for future commitments for staff leisure travel

The provision for staff leisure travel reflects the present value of commitments undertaken by ADIF-AV and accrued at 31 December 2014 for the entitlement of its personnel to rail travel at reduced prices upon retirement. This provision amounts to Euros 201 thousand and is recognised under non-current provisions for liabilities and charges.

The entitlement to travel at reduced prices is reflected in ADIF-AV's employment regulations for active and retired personnel and their beneficiaries. At 8 November 2006, with retrospective effect as of 1 January 2005, ADIF and RENFE Operadora signed an agreement regulating their relationship in this regard. Under the agreement, ADIF will pay RENFE Operadora the amount of fare reductions afforded to its currently-serving personnel and to personnel that retired or took pre-retirement prior to 1 January 2005.

The provision for 2014 has been determined through an actuarial study which used the following inputs:

- An average fare increase of 2% for 2013 and subsequent years.
- Technical interest of 1.486% per annum.
- The actuarial table PERM/F 2000.
- Retirement age of 65.

b) Other provisions**10.b.1) Provisions for legal proceedings**

The estimated risks derived from legal proceedings and proceedings with third parties are included in provisions for other liabilities. The Entity considers it probable that these litigations could entail an outflow of future resources. In 2014, ADIF-AV paid virtually all of the estimated risks existing at the 2013 close in respect of settlements for revised prices on works, requested by certain suppliers through legal proceedings.

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The Entity is currently involved in a series of legal proceedings primarily related with litigations regarding pecuniary liability and expropriations. Given that the Entity expects that these matters be resolved in the short term and that an outflow of resources is not probable, ADIF-AV has not made any provisions in this regard.

10.b.2) Provisions for asset replacement costs for areas under user agreements with RENFE Operadora

At 31 December 2014 current provisions for asset replacement costs in areas under user agreements, under current provisions for liabilities and charges, includes the provision for assets transferred for use by RENFE Operadora in accordance with Ministry of Public Works Order FOM/2909/2006 of 19 September 2006, which determined the assets, obligations and rights belonging to RENFE Operadora. This Ministerial Order stipulates that RENFE Operadora has the right to use certain areas owned by ADIF for no consideration, and obliges the Entity to return this space to RENFE Operadora when the right expires (see note 3.p)).

10.b.3) "1.5% for culture" provision

In addition to the aforementioned items, current provisions for liabilities and charges at 31 December 2014 includes the provision for the Euros 1,340 thousand outstanding for the contribution to Spanish heritage sites as governed by Law 16/1985 and RD 111/1986 and Instruction No. 43 of the Sub-Secretary for Public Works dated 16 May 2014.

10.b.4) Other items

Other items include a provision of Euros 19,992 thousand for the liability ADIF-AV expects to assume as a result of the losses incurred by the associate Zaragoza Alta Velocidad, S.A. up to 2014 due to the impairment of a number of real estate assets owned by that company and earmarked for sale. Other items also includes a provision amounting to Euros 21,045 thousand at 31 December 2014 for expected losses by other investees (see Note 23).

Additionally, "Other items" under "Current provisions for liabilities and charges" comprises a provision for the estimated value of delay interest on payments for works certificates and expropriations amounting to Euros 42,130 thousand at 31 December 2014 and Euros 26,619 thousand at 31 December 2013.

(11) Financial Liabilities

Details of financial liabilities classified by category at 31 December 2014 and 31 December 2013 are as follows:

31/12/2014 (Expressed in thousands of Euros)

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	Loans and borrowings	Bonds	Derivatives and other financial liabilities	Total
Non-current financial liabilities				
Non-current payables	12,333,846	989,101	1,636,560	14,959,507
Total non-current financial liabilities	12,333,846	989,101	1,636,560	14,959,507
Current financial liabilities				
Current payables	630,230	21,000	684,184	1,335,414
Payables to Group companies and associates	-	-	9,269	9,269
Trade and other payables	-	-	199,152	199,152
Total current financial liabilities	630,230	21,000	892,605	1,543,835

31/12/2013 (Expressed in thousands of Euros)				
	Loans and borrowings	Bonds	Derivatives and other financial liabilities	Total
Non-current financial liabilities				
Debts and payables	10,596,576	-	1,196,584	11,793,160
Total non-current financial liabilities	10,596,576	-	1,196,584	11,793,160
Current financial liabilities				
Current payables	1,490,251	-	236,583	1,726,834
Payables to Group companies and associates	-	-	16,867	16,867
Trade and other payables	-	-	140,328	140,328
Total current financial liabilities	1,490,251	-	393,778	1,884,029

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11.a) Loans and borrowings and bonds and other marketable securities

11.a.1 Loans and borrowings and bonds

Loans and borrowings primarily comprise debt arranged by ADIF and allocated to the Entity, subject to State approval, with the European Investment Bank and other financial institutions, including BBVA, Banco Sabadell, Banco Santander and the Spanish Official Credit Institute, to finance investments in property, plant and equipment foreseen in the Multi-year Action Plan (MAP).

Furthermore the Entity carried out a bond issue at the end of May 2014 to complete its funding needs.

In December 2014, the Entity entered into a "club deal" syndicated loan agreement for a nominal amount of Euros 1,000,000 thousand, which was paid out on 29 December 2014. The purpose of the loan is to complete the Entity's financing plan in 2014, serving as a bridge for the second capital markets issue made in January 2015, through which it was redeemed in advance of the maturity date (see Note 22.c).

Details of ADIF-AV's current and non-current loans and borrowings at 31 December 2014 and 31 December 2013 are as follows:

		2014 (Expressed in thousands of Euros)	
		Maturity	
	Interest	Current	Non-current
Loans in Euros (EIB)	0.055% to 4.415%	43,116	9,757,363
Accrued interest payable		108,889	-
Total loans and borrowings (EIB)		152,005	9,757,363
Loans in Euros (other entities)	0.624% to 4.884%	469,909	2,576,483
Accrued interest payable		8,161	-
Other loans and borrowings, for derivatives		155	-
Total loans and borrowings (other entities)		478,225	2,576,483
Bonds (Euros)		-	989,101
Accrued interest payable on bonds		21,000	-
Total bonds		21,000	989,101
Total loans and borrowings and bonds and other marketable securities at 31 December 2014		651,230	13,322,947

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		2013 (Expressed in thousands of Euros)	
		Maturity	
	Interest	Current	Non-current
Loans in Euros (EIB)	0.204% to 4.415%	30,072	8,950,479
Accrued interest payable		105,037	-
Total loans and borrowings (EIB)		135,109	8,950,479
Loans in Euros (other entities)	2.03% to 4.884%	1,338,681	1,646,097
Accrued interest payable		16,461	-
Total loans and borrowings (other entities)		1,355,142	1,646,097
Total loans and borrowings at 31 December 2013		1,490,251	10,596,576

Maturity of non-current loans and borrowings, measured, as applicable, at the year-end exchange rate for 2014 and 2013 and at amortised cost, is as follows:

		Thousands of Euros	
	Maturity	31/12/2014	31/12/2013
2015		513,025	700,617
2016		1,401,796	416,838
2017		429,726	336,496
Thereafter		11,491,425	9,142,625
		13,835,972	10,596,576

The average annual interest rate on ADIF-AV's borrowings at 31 December 2014 and 31 December 2013 is 2.30% and 2.48%, respectively.

At the 2014 year end, the total limit on credit facilities that ADIF-AV had received from financial institutions stood at Euros 20,000 thousand. At 31 December 2014, no amounts had been drawn down on these credit facilities, even though they had been used during 2014. These credit facilities mature in the short term, and certain policies may be tacitly renewed each year up to a specified number of years.

11.a.2). Derivatives

Details of derivatives held by the Entity at 31 December 2014 are as follows:

Expressed in thousands of Euros				
Assets		Liabilities		
Non-current tax effect	Current	Non-current financial liability	Current	Equity

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Interest rate cash flow hedge	2,533	-	(9,047)	-	(6,514)
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Interest rate swaps

The Entity uses interest rate swaps to manage its exposure to interest rate fluctuations, on a bank loan with a principal of Euros 300 million.

Liabilities arising from derivatives at 31 December 2014 include the fair value of an interest rate swap (IRS) contracted in March 2014. This swap expires in 2020 and has a fixed rate of 3.01% owed by the Entity and a variable rate of 3-month Euribor owed by financial entity.

The fair value of these swaps has been determined based on the market values of equivalent financial derivatives at the reporting date. This interest rate swap is effective as a cash flow hedge, and consequently, variations in its fair value are recognised directly in equity at 31 December 2014.

11.b) Other financial liabilities

Details of other financial liabilities at 31 December 2014 and 31 December 2013 are as follows:

	Thousands of Euros			
	31/12/2014		31/12/2013	
	Non-current	Current	Non-current	Current
Payables convertible into grants	1,542,127	-	1,117,981	-
Suppliers of fixed assets	81,195	684,184	74,611	236,583
Deposits and guarantees	4,191	-	3,992	-
	1,627,513	684,184	1,196,584	236,583

11.b.1) Payables convertible into grants

At 31 December 2014 and 31 December 2013, this account comprises European funds or grants received from other entities to finance the railway infrastructure forming part of ADIF-AV, which will be reclassified to equity and deferred tax liabilities when the grant conditions have been met. Details at 31 December 2014 and 31 December 2013 are as follows:

	Thousands of Euros	
	31/12/2014	31/12/2013
European Funds		
Cohesion Funds	254,310	90,979
ERDF	1,100,012	831,486
TEN-T	30,439	34,714

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Other		
Ministry of Public Works (Addenda 21/12/2009		
Barcelona Sagrera (Note 1(c))	157,366	160,802
	1,542,127	1,117,981

Up to 31 December 2014, the Entity has received from the General State Administration Euros 255,000 thousand to finance the Sagrera Station as provided for in the Addenda signed on 21 December 2009 between the Ministry of Public Works, the Catalonia Regional Government, the Barcelona City Council, ADIF and RENFE Operadora.

11.b.2) Suppliers of fixed assets

At 31 December 2014, non-current payables to suppliers of fixed assets amount to Euros 81,195 thousand, of which Euros 64,661 thousand relates to works carried out on the Madrid-Castilla la Mancha-Valencia Autonomous Community-Murcia Region line, and Euros 16,534 thousand to works on the Olmedo-Orense stretch, under a public-private partnership.

At 31 December 2013, non-current payables to suppliers of fixed assets amounted to Euros 74,611 thousand, of which Euros 69,035 thousand relates to works carried out on the Madrid-Castilla la Mancha-Valencia Autonomous Community-Murcia Region line, and Euros 5,576 thousand to works on the Olmedo-Orense stretch, under a public-private partnership.

At 31 December 2014 and 31 December 2013, current payables to suppliers of fixed assets included Euros 342,487 thousand and Euros 221,378 thousand, respectively, reflecting work carried on the Entity's own assets and for expropriations, as well as invoices pending receipt from suppliers of fixed assets totalling Euros 341,697 thousand at 31 December 2014 and Euros 15,205 thousand at 31 December 2013.

11.c) Payables to Group companies and associates

Details of the balances of these current liabilities accounts in the accompanying balance sheets at 31 December 2014 and 31 December 2013 are as follows:

Thousands of Euros				
31/12/2014		31/12/2013		
Suppliers, Group companies and associates	Suppliers and payables, Group companies and associates	Suppliers, Group companies and associates	Suppliers and payables, Group companies and associates	
Barcelona Sagrera, S.A.		7,626		-
Ingeniería y Economía del				
Transporte, S.A. (INECO)	9,269	387	9,241	454
	9,269	387	16,867	454

These payables have arisen as a result of the different commercial and non-commercial transactions carried out between the Entity and these companies.

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11.d) Trade and other payables

Details of trade and other payables, excluding public entities, at 31 December 2014 and 31 December 2013, are as follows:

	Thousands of Euros	
	31/12/2014	31/12/2013
Other suppliers and payables	198,455	139,569
Suppliers and payables, Group companies and associates (Note 11.c)	387	454
Personnel	310	305
	199,152	140,328

Other suppliers and payables includes payables for purchases or services received, outstanding at 31 December 2014. Inter alia, this comprises the amount payable to ADIF for services renders, as detailed below. Fixed asset suppliers also includes Euros 15,016 thousand for ADIF-AV's payables to ADIF in that regard.

	Thousands of Euros	
	31/12/2014	31/12/2013
Other suppliers and payables, ADIF	80,021	-
Agreements with ADIF for invoices payable	73,803	-
Agreements with ADIF for invoices pending issue	6,218	-
Fixed asset suppliers, ADIF	15,016	-
For invoices issued	13,320	-
For invoices pending issue	1,696	-
	95,037	-

Information on late payments to suppliers, as required under additional provision three of Law 15/2010 of 5 July 2010, are as follows:

	Thousands of Euros	
	Payments made and payments pending at 31 December 2014	
	Amount	% (*)
Within the statutory period (**)	277,603	13.94%
Other	1,713,624	86.06%
Total payments for the year	1,991,227	100.00%
WADPD	33	
Delays exceeding maximum statutory period at the year end close	104,092	

	Thousands of Euros	
	Payments made and payments pending at 31 December 2013	
	Amount	% (*)
Within the statutory period (**)	348,014	15.00%

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Other	1,972,148	85.00%
Total payments for the year	2,320,162	100.00%
WADPD	38	
Delays exceeding maximum statutory period at the year end close	8,116	

(*) % of total

(**) The maximum statutory payment period will be, in each case, that corresponding to the nature of the goods or services received by the company in accordance with Law 3/2004 of 29 December 2004, establishing measures to combat late payments in trade transactions.

This calculation includes both figures relating to other suppliers and payables as well as those relating to suppliers of fixed assets.

(12) Income Tax

Details of balances with public entities at 31 December 2014 and 31 December 2013 are as follows:

	Thousands of Euros			
	31/12/2014		31/12/2013	
	Non-current	Current	Non-current	Current
Assets				
Receivables for awarded funds and grants	97,083	-	106,546	-
Deferred tax assets (Note 11)	2,533	-	-	-
Current tax assets	-	3,232	-	-
Public entities, other receivables	-	74,184	-	31,406
Total assets	99,616	77,416	106,546	31,406
Liabilities				
Deferred tax liabilities	2,951,545	-	3,497,477	-
Public entities, other payables	-	598	-	-
Total liabilities	2,951,545	598	3,497,477	-

In 2013, in accordance with Royal Decree-Law 15/2013 mentioned in Note 1, no tax is to be accrued on the transactions recognised by the two state-owned enterprises in order to apply the effect of the spin-off from 1 January 2013, although income tax was considered in order to determine each Entity's taxable income for 2013.

12.a) Public entities, receivables

Details of balances receivable from public entities at 31 December 2014 and 31 December 2013 are as follows:

Thousands of Euros	
31/12/2014	31/12/2013

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	Non-current	Current	Non-current	Current
Receivables for awarded funds and grants	97,083	-	106,546	-
High-speed Cohesion Funds	2,884	-	7,496	-
High-speed ERDF	55,440	-	58,797	-
High-speed TEN-T funds	38,759	-	40,253	-
Deferred tax assets (Note 11)	2,533	-	-	-
Current tax assets	-	3,232	-	-
Public entities, other receivables	-	74,184	-	31,406
Current VAT receivable	-	33,237	-	1,559
Receivables for awarded funds and grants	-	25,411	-	21,423
High-speed ERDF	-	25,233	-	19,132
High-speed TEN funds	-	178	-	2,291
Other items	-	15,536	-	8,424
Total assets	99,616	77,416	106,546	31,406

The entire balance of receivables for current and non-current awarded funds and grants relates to accrued amounts receivable at 31 December 2014 and 31 December 2013 for European Fund assistance granted. These funds were awarded to finance the construction of high-speed lines and for investments in own assets (see Note 9).

Current tax assets relate to withholdings and payments on account of income tax recoverable from the tax authorities.

12.b) Public entities, payables

Details of balances payable to public entities at 31 December 2014 and 31 December 2013 are as follows:

	Thousands of Euros			
	31/12/2014		31/12/2013	
	Non-current	Current	Non-current	Current
Deferred tax liabilities	2,951,545	-	3,497,477	-
Public entities, other payables	-	598	-	-
Social Security	-	301	-	-
Withholdings	-	297	-	-
Total liabilities	2,951,545	598	3,497,477	-

Deferred tax liabilities that are expected to be realised or reversed in periods exceeding 12 months are those deriving from capital grants and total Euros 2,951,545 thousand at 31 December 2014 (Euros 3,497,477 thousand at 31 December 2013).

Movement in deferred tax liabilities in 2014 and 2013, by origin, is as follows:

31/12/2014 (Expressed in thousands of Euros)

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	Cohesion Funds	ERDF Funds	TEN-T Funds	Other capital grants	Total
Balances at 31 December 2013	1,893,748	703,589	91,703	808,437	3,497,477
Additions in 2014 (Note 9)	1,202	72,777	1,415	(5,274)	70,120
Capital grants taken to income (Note 19)	(11,641)	(7,390)	(259)	(9,525)	(28,815)
Effect of changes in taxation 2015-2016 (Note 9)	(312,689)	(127,409)	(15,449)	(131,690)	(587,237)
Balances at 31 December 2014	1,570,620	641,567	77,410	661,948	2,951,545

31/12/2013 (Expressed in thousands of Euros)					
	Cohesion Funds	ERDF Funds	TEN-T Funds	Other capital grants	Total
Balances at 1 January 2013	1,905,341	732,441	88,821	575,402	3,302,005
Additions in 2013	(37)	(23,680)	3,152	239,701	219,136
Capital grants taken to income (1/01/2013 to 30/09/2013) (Note 17)	(8,667)	(3,879)	(203)	(5,000)	(17,749)
Capital grants taken to income (1/01/2013 to 31/12/2013) (Note 17)	(2,889)	(1,293)	(67)	(1,666)	(5,915)
Balances at 31 December 2013	1,893,748	703,589	91,703	808,437	3,497,477

In 2014, the Entity derecognised deferred tax liabilities from "Other capital grants" on account of valuation adjustments on the spin-off of the Atlantic Axis, totalling Euros 30,033 thousand. Of this amount, Euros 28,390 thousand were shown as a decrease in "Additions" in the above table, while the remaining Euros 1,643 thousand, corresponding to the Queixas alternate route, were taken to "Non-financial and other capital grants" in the 2014 income statement, and included in the amount taken to the income statement in the above table (see Notes 8.b and 9).

12.c) Income tax

The Entity files an individual tax return. Taxable income for 2014 stood at Euros 37,218 thousand.

The reconciliation of accounting loss with taxable income for the year is as follows:

31/12/2014 (Expressed in thousands of Euros)					
Income statement			Income and expense taken directly to equity		
Increases	Decreases	Total	Increases	Decreases	Total
Income and expenses for the period (1/01/2014 -31/12/2014)		(216,540)			677,018
Income tax adjustments	6,470				<u>38,772</u>

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Income and expenses before income tax			(210,070)			715,790
Permanent differences	10	-	10			
Temporary differences:						
- Originating in current year	273,538	-	273,538	9,131	(820,970)	(811,839)
- Originating in prior years		(13,854)	(13,854)			96,049
Prior taxable income of the Entity			49,624			-
Offset of prior years' tax loss carryforwards (Limit 25% of GDP)			(12,406)			
Taxable income			37,218			
Tax rate			30%			
Tax payment			11,165			
Deductions for double taxation			4,695			
Adjusted tax payment			6,470			
Tax payable			6,470			
Withholdings and payments on account			667			
Split payments			9,035			
Income tax recoverable			(3,232)			

The tax loss for 2013 stood at Euros 39,090 thousand. The reconciliation of accounting loss with the tax loss for 2013 is as follows:

	2013 (Expressed in thousands of Euros)					
	Income statement			Income and expense recognised directly in equity		
	Increases	Decreases	Total	Increases	Decreases	Total
Income and expenses for the year			(231,333)	-	-	456,128
Income tax adjustments			-	-	-	195,483
Income and expenses before income tax			(231,333)			651,611
Permanent differences	142	-	142			
Temporary differences						
- Originating in current year	205,413	-	205,413	78,881	(730,492)	(651,611)
- Originating in prior years		(13,312)	(13,312)	-	-	-
Tax loss of the Entity			(39,090)			--
Tax rate			30%			

Temporary differences disclosed above under income statement had been considered as permanent differences as Entity management considers that it will not generate sufficient taxable income to recognise the deferred tax assets.

At 31 December 2014 no taxes were payable in any of the tax jurisdictions.

Details of temporary differences in the recognition of income and expenses for tax and accounting purposes are as follows:

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	Thousands of Euros			
	Income statement			
	31/12/2014		31/12/2013	
	Increases	Decreases	Increases	Decreases
- Amortisation and depreciation	88,050	-	88,299	-
- Impairment	12,809	-	13,850	-
- Pensions	21	-	21	-
- Net finance expense	172,658	-	103,243	-
Temporary differences originating in current year	273,538	-	205,928	-
- Grants, donations and bequests		(13,850)	-	(13,269)
- Other		(4)	-	(43)
Temporary differences originating in prior years		(13,854)	-	(13,312)

Temporary differences in the recognition of income and expenses recognised directly in equity correspond to grants, donations and bequests.

Details of loss carryforwards available for offset against future profits are as follows:

Year	Originating in	Thousands of Euros		
		Pending from origin	Applied in the year	Pending
2013	ADIF-AV	31,501	12,406	19,095

Details of permanent differences in 2014 are as follows:

	Thousands of Euros	
	Income statement	
	Increases	Decreases
Other non-deductible expenses	10	=
Permanent differences	10	=

Net finance costs pending deduction, including the amount, origin and deduction period, are as follows:

Year	Originating in	Thousands of Euros	Available until
2012	ADIF (*)	128,711	2030
2013	ADIF-AV	110,832	2031
2014	ADIF-AV	172,658	2032
		412,201	

(*) Transferred to ADIF-AV as of 1 January 2013

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Amortisation and depreciation expenses pending deduction, including the amount, origin and deduction period, are as follows:

Year	Originating in	Thousands of Euros	Available until
2013	ADIF-AV	88,299	2015-2024
2014	ADIF-AV	88,050	2015-2024
		176,349	

Tax loss carryforwards from prior years, pending offset by ADIF, were neither partially nor fully transferred to ADIF-AV.

With respect to article 90.3 of the Income Tax Law, criteria applied by the tax authorities is that, for partial spin-offs of activities branches with non-monetary contributions or with special non-monetary contributions, where the transferring entity is not extinguished, the right to offset pending tax loss carryforwards is not transferred in the spin-off. Rather, the transferring entity retains the right to apply the loss carryforwards against profits generated from performing the remaining economic activities it was carrying out at the time the spin-off occurred, or else gains that it may make in the future in line with its corporate purpose.

The Entity has the following available deductions for internal double taxation of dividends, adjusted at the rate of 30%, transferred together with the shares of the associate entity that generates this right:

Thousands of Euros				
Year	Originating in	Pending from origin	Applied in the year	Available until
2007	INECO	397	397	2014
2008	INECO	870	870	2015
2009	INECO	988	988	2016
2010	INECO	777	777	2017
2011	INECO	980	980	2018
2012	INECO	683	683	2019
		4,695	4,695	

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The accompanying balance sheet does not reflect the possible tax impact of the offset of losses or of deductions pending application, as Entity management considers it unlikely that these will be recoverable within periods established on the accounting rules.

In application of Corporate Income Tax Law 27/2014, published in the Official State Gazette of 28 November 2014, the Entity adjusted the equity (see Note 9) and deferred taxes of ADIF in order to adapt them to the progressive reduction in the general corporate income tax rate from 30% to 25% (in particular, to 28% in 2015 and 25% in 2016).

12.d) Value added tax

The Entity was created on 31 December 2013 and did not accrue or pay any VAT in 2013. As the effect of the spin-off was recognised retrospectively, the input and output VAT corresponding to ADIF-AV were declared and settled by ADIF in 2013, so all outstanding balances with the taxation authorities at the 2013 year end remained with ADIF. ADIF-AV has, however, recognised a receivable from ADIF in respect of the tax balances corresponding to the spin-off activity. At 31 December 2014, these amounts have been settled, and there is no balance in this regard.

On 14 February 2014, the Central Economic Administrative Court upheld the claim lodged by ADIF, as GIF's successor, on 2 June 2011 against the resolution of the Chief Inspector of the Tax and Customs Control Department of the Spanish taxation authorities' Central Delegation for Large Taxpayers regarding VAT for 2001. The Entity claimed late payment interest in relation to the rebate received. As a result, the Entity recognised finance income of Euros 25,729 thousand in 2013 and Euros 3,235 thousand in 2014, until it reached the total amount that ADIF had collected in 2014 in the name and on behalf of ADIF-AV (see Note 19).

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12.e) Years open to inspection

All taxes are open for inspection since the Entity was incorporated, including income tax for the year 2013.

(13) Revenue

Details of revenues in 2014 and 2013 are as follows:

	Thousands of Euros	
	31/12/2014	31/12/2013
Revenue from use of rail facilities and other fees		
Use of the public service rail network	422,411	334,088
Use of stations and other rail installations	83,804	62,072
Passenger rail transport safety levy	6,453	0
	512,668	396,160

The distribution of revenue in 2014 and 2013 by business segment or activity carried out by the Entity is shown in the following table:

	31/12/2014 (Expressed in thousands of Euros)			
	Use of the public service rail network	Use of stations and other rail infrastructures	Passenger rail transport safety levy	Total
Construction and administration of high-speed rail	422,411	12,056	-	434,467
Management of ADIF-AV-owned assets (passenger stations)	-	71,748	6,453	78,201
Total	422,411	83,804	6,453	512,668

	31/12/2013 (Expressed in thousands of Euros)			
	Use of the public service rail network	Use of stations and other rail infrastructures	Passenger rail transport safety levy	Total
Construction and administration of high-speed rail	334,088	10,509	-	344,597
Management of ADIF-AV-owned assets (passenger stations)	-	51,563	-	51,563
Total	334,088	62,072	-	396,160

13.a) Revenue from use of rail facilities

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Details of revenue from use of rail facilities generated in 2014 and 2013, by type established in Order FOM/898/2005, are as follows:

	Thousands of Euros	
	31/12/2014	31/12/2013
Use of infrastructure (Note 1.d))	422,411	334,088
Access	12,060	491
Capacity reservation	112,632	102,685
Circulation	81,207	73,648
Traffic	216,512	157,264
Use of stations and other rail installations (Note 1.d))	83,804	62,072
Use of stations	71,748	51,563
Stopping and use of platforms	8,171	6,402
Use of sidings	80	82
Use of gauge-changing installations	3,805	4,025
	506,215	396,160

Of this revenue, at 31 December 2014 Euros 98,665 thousand was pending collection as revenue from use of rail facilities in the ADIF-AV-owned network (see Note 6.2.b)).

13.b) Passenger rail transport safety levy

In order to apply this levy, security and access control services must be provided for both passengers and their luggage at stations and other rail facilities owned by the State or ADIF-AV. Amounts collected for this levy are assigned to ADIF-AV.

(14) Other Operating Income

Details of this income statement heading in 2014 and 2013 are as follows:

	Thousands of Euros	
	31/12/2014	31/12/2013
Rentals and services	134,580	133,233
Utilities, basically relates to traction power	290,757	251,811
Other	17,700	10,677
	443,037	395,721

Other operating income includes income on services rendered to ADIF in 2014 and 2013 by virtue of the service arrangements indicated in Note 1, as follows:

	Thousands of Euros	
	31/12/2014	31/12/2013
Revenue from intra-administration agreements		

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NTU electricity	17,776	61
Maintenance of fibre optics and auxiliary installations	1,786	2,109
ADIF investment actions	7,118	-
Other intra-administrative	2,111	2,504
	28,791	4,674

Rentals and services include, inter alia, rental income from buildings, commercial premises and other properties totalling Euros 61,373 thousand in 2014, generated on assets largely recognised in investment property, notably from long-term lease contracts.

In addition, this income statement heading also comprises revenues for fibre optic leasing, in the amount of Euros 71,800 thousand in 2014 and Euros 74,543 thousand in 2013.

Amounts received in advance in relation to these long-term contracts and pending recognition in income are recorded in non-current accruals in the balance sheet. These amounts total Euros 569,540 thousand at 31 December 2014 and Euros 77,427 thousand at 31 December 2013. Current accruals at 31 December 2014 comprises the amount to be taken to income in the following year, standing at Euros 34,991 thousand.

The heading also comprises income of Euros 111,467 thousand received in advance at 31 December 2014 from the awarding of the contract for the "Lease and operation of various station car parks" on 20 December 2013 to Saba Park 3, S.L.U. that is pending recognition in profit and loss at that date. This income is net of the amount corresponding to ADIF for car parks it owns. The contract has a duration of 10 years and was entered into on 31 January 2014.

Non-current accruals also comprises the amounts collected in advance and pending transfer to income, in connection with rentals derived from the "Concession of the Rights to Use and Manage the Operation of the fibre optic cable network and other related items owned by ADIF-AV, which are not used for the railway services" to Red Eléctrica Internacional S.A.U., hereinafter REI, for an amount of Euros 462,000 thousand, excluding VAT, for a period of 20 years. This amount was awarded by the Board of Directors of ADIF-AV, at its meeting held on 25 April 2014, and was reduced by Euros 28,300 thousand, as one of the clients did not accept the assignment (telecommunications operator). The remaining clients authorised the assignment of their contracts, and therefore the final award proposal was valued at Euros 433,700 thousand. The agreement with REI was signed on 20 November 2014 having obtained once the approval of the Spanish National Markets and Competition Commission, the effective transaction date has been 21 November 2014. At 31 December 2014, ADIF-AV had received the entire amount relating to the assignment of the usage rights.

(15) Personnel Expenses

Details of this income statement heading in 2014 and 2013 are as follows:

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	Thousands of Euros	
	31/12/2014	31/12/2013
Salaries and wages	11,419	11,527
Employee benefits expense	2,918	2,867
Provisions	28	21
	14,365	14,415

Details of employee benefits expense are as follows:

	Thousands of Euros	
	31/12/2014	31/12/2013
Social Security payable by the Entity	2,789	2,708
Other employee benefits expenses	129	159
	2,918	2,867

The distribution of the Entity's employees by gender and category at 31 December 2014 and 31 December 2013 is as follows:

Category	Headcount 31/12/2014		
	Male	Female	Total
Administrative staff	142	52	194
Middle management	10	4	14
Operating personnel	4	7	11
	156	63	219

Category	Headcount 31/12/2013		
	Male	Female	Total
Administrative staff	144	52	196
Middle management	10	6	16
Operating personnel	4	8	12
	158	66	224

The average number of employees at each year end is shown in the following chart:

	Average number of employees	
Category	31/12/2014	31/12/2013
Administrative staff	194	196
Middle management	14	16
Operating personnel	11	12
	219	224

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(16) Other Operating Expenses

Details of this income statement heading in 2014 and 2013 are as follows:

	Thousands of Euros	
	31/12/2014	31/12/2013
Infrastructure repairs and maintenance	237,972	249,470
Traction power	255,659	236,909
Traffic and passenger service-related services	84,460	75,065
Other supplies	49,382	26,993
Rentals and fees	10,891	3,672
Advertising and public relations	4,268	4,521
Other maintenance and repairs	2,438	2,607
Investment actions on behalf of third parties	7,118	-
Other	26,350	26,958
Total external services	<u>678,537</u>	<u>626,195</u>
Taxes other than income tax	3,121	4,029
Losses, impairment and changes in trade provisions	2,984	1,645
	<u>684,642</u>	<u>631,869</u>

The signature by ADIF and ADIF-AV of the service arrangements indicated in Note 1.b, which took place in 2013, led ADIF-AV to recognised expenses accrued for services rendered by ADIF in the amount of Euros 352,351 thousand in 2014, and formalised in addenda to the service arrangements, as follows:

	Thousands of Euros	
	31/12/2014	31/12/2013
Infrastructure repairs and maintenance	226,454	229,930
Fibre optic network maintenance, right of way services and right of use	14,683	16,002
Comprehensive management of safety and protection	24,856	20,179
Comprehensive management of stations	36,241	36,241
Traffic safety	1,974	1,914
Award of capacity and traffic management	21,390	16,731
Comprehensive communication services	4,067	4,521

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Other agreements	22,687	26,358
	352,351	351,876

The 2013 audit fees charged by the Entity's auditor, KPMG Auditores, S.L., amounted to Euros 110 thousand. During 2014, the Entity's auditor has charged the Entity Euros 246 thousand for attestation services (Euros 229 thousands in 2013).

The audit of the annual financial statements for 2014 was contracted by the General State Comptroller.

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(17) Recognition of Grants for Fixed Assets and Other

Details of income from capital grants in 2014 and 2013 are as follows:

	Thousands of Euros	
	Total income	
	31/12/2014	31/12/2013
Cohesion Funds	38,802	38,519
ERDF	24,633	17,239
TEN-T	864	902
Other grants	31,750	22,221
	96,049	78,881

(18) Finance Costs

Details of this income statement heading in 2014 and 2013 are as follows:

	Thousands of Euros	
	31/12/2014	31/12/2013
On loans with third parties	378,914	283,572
Interest on loans and bonds	322,348	266,040
Late payment interest for works contracts	43,013	(646)
Late payment interest for expropriations	12,374	13,177
Other finance costs	1,179	5,001
Provision adjustments	(284)	151
	378,630	283,723

(19) Finance Income

Details of this income statement heading in 2014 and 2013 are as follows:

	Thousands of Euros	
	31/12/2014	31/12/2013
Capitalised finance costs (note 4.c))	109,919	90,674
From marketable securities and other financial instruments	12,333	7,689
<i>Interest on current investments</i>	1,879	1,142
<i>Interest on current accounts</i>	3,312	2,074
<i>Other</i>	7,142	4,473
Other finance income	3,235	25,729

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From equity instruments	753	4
<i>In Group companies and associates</i>	734	-
<i>In third parties</i>	19	4
	126,240	124,096

In 2014 and 2013 other finance income comprises delay interest accrued in connection with the refund of non-deductible VAT due to GIF in 2001, in the amount of Euros 25,729 thousand and Euros 3,235 thousand, respectively. At 31 December 2014, ADIF had collected the entire aforementioned balance, leaving Euros 3,235 thousand pending collection in ADIF-AV at that date (see Note 12.d)).

(20) Environmental Information

At 31 December 2014, ADIF-AV's fixed assets included specific environmental works with a net book value of Euros 1,038,180 thousand, used in order to minimise environmental impacts and to protect and improve the environment, as per the following breakdown:

	Thousands of Euros		
	Cost	Accumulated depreciation	Net book value
Tunnels and cut-and-cover tunnels; environmental works	434,668	(4,167)	430,501
Environmental integration works	431,862	(5,024)	426,838
Other environmental works	106,376	(10,615)	95,761
Total property, plant and equipment in operation	972,907	(19,806)	953,101
Work in progress	85,079	-	85,079
Total at 31 December 2014	1,057,986	(19,806)	1,038,180

Additions in 2014 amount to Euros 12,325 thousand and primarily correspond to the environmental integration of platform works (cut-and-cover tunnels).

(21) Information on Directors and Senior Management of the Entity

At 31 December 2014, the Board of Directors comprises eleven members, namely one Chairman, one Secretary and nine regular directors. Three of the Board members are female and eight are male. At the 2014 year end, the Entity has no balances payable to or receivable from the members of the Board of Directors, and has extended no commitments in respect of life insurance, pension plans or similar items. The Entity has not extended any loans or advances to Board members or assumed any obligations on their behalf by way of guarantee. Pursuant to article 21 of the Royal Decree 1044/2013 of 27 December 2013, which establishes ADIF-AV's statutes, no members of the Board of Directors will accrue any remuneration for attending Board meetings.

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In accordance with to article 26 of mentioned Royal Decree 1044/2013, the Entity's senior management will not accrue any remuneration.

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31 December 2014**(22) Financial Risk Management**

ADIF-AV is exposed to various financial risks due to its activity and the debt contracted to finance construction of the new high-speed lines. The most significant risks, which primarily affect the Entity, are as follows:

22.a) Credit risk

Credit risk arises primarily in relation to trade and non-trade receivables, current investments and cash equivalents.

The Entity assesses the credit ratings of its trade debtors, considering their financial position, history and other economic factors to determine individual credit limits.

With regard to current investments and cash equivalents, the Entity carries out transactions using instruments to guarantee 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.).

22.b) Interest rate risk

Interest rate risk arises from the variation in borrowing costs with credit institutions.

Borrowings have been arranged under several different interest rate regimes, namely fixed interest rates for bond issues and EIB loans, maturing in 10 to 30 years.

In connection with financing through bilateral loans, an interest rate hedge was arranged, on a notional amount of Euros 300,000,000, whereby floating interest rate was transformed into fixed interest throughout the six-year life of the contract.

The breakdown and quantification of financial guarantees extended to associates are provided in Note 23.

Loan transactions contracted by the Entity generally consider the possibility of changing the type of interest rate at different times over the term of the loan.

22.c) Liquidity risk

Liquidity risk arises from possible imbalances between cash flow requirements and sources of cash flows.

The Entity applies a prudent policy to cover its liquidity risks based on having sufficient financing through credit facilities with financial institutions.

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Entity management monitors ADIF-AV's liquidity forecasts based on expected cash flows.

At 31 December 2014, the Entity had incurred losses of Euros 216,540 thousand, while working capital was positive in the amount of Euros 570,134 thousand.

At 31 December 2013, the Entity had incurred losses of Euros 231,333 thousand and working capital was negative in the amount of Euros 1,459,504 thousand.

On 30 April 2014 the Entity submitted an informative prospectus on the Euros 3,000 million Euro Medium Term Note Programme to the Irish Stock Exchange authorities.

On 20 May 2014, an inaugural issue under the Programme was made, for Euros 1,000 million and with a ten-year maturity.

Prior to the launch of the second issue and in order to secure listing with the Spanish Securities Market Commission (Comisión Nacional del Mercado de Valores, CNMV), an application was made to have the original prospectus "passported" to the CNMV. The request was authorised by the Irish regulator on 28 July 2014. Given that it was not possible to perform a second ADIF-AV bonds issue in 2014, a Euros 1,000 million "club deal" bridge loan was entered into. This loan was made available on 29 December 2014.

On 28 January 2015, the second ADIF-AV bonds issue was made in the amount of Euros 1,000 million, at an annual fixed coupon rate of 1.875% and with maturity at 28 January 2025. This issue was made under the EMTN Programme registered at the Dublin Stock Exchange, was registered at the Spanish Securities Market Commission, traded on AIAF (the Spanish fixed income organised debt market) and cleared and settled through Iberclear.

The aforementioned bridge loan was repaid on 29 January 2015, in advance of its maturity date.

Other non-current financing, assumed in 2014, includes Euros 850,000 thousand from the European Investment Bank (EIB) and Euros 400,000 thousand in bilateral loans.

On 23 December 2014, the Entity finished renegotiating its non-current borrowings from financial institutions, in the amount of Euros 772,950 thousand, in order to take advantage of improved financial markets, reduce costs and lengthen maturity periods.

(23) Commitments and Contingencies

Guarantees extended to third parties at 31 December 2014 amount to Euros 674 thousand. Entity management does not consider that significant liabilities will arise from these guarantees.

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The Entity has also assumed comfort letters guaranteeing financing transactions entered into by various investees (see note 3.p.ix), which have the statutory activity of railway integration in cities. Given current property market conditions, the financial scale and technical complexity of the works to be undertaken in the coming years, and the difficulty of determining the future value of land received or to be received in exchange for these works, these companies may be unable to recover all the costs they ultimately incur. In view of the current state of the property market, ADIF-AV management is working together with the different shareholders of each of the companies to streamline their future investments based on the actual progress made in the works, to ensure their financial sustainability. ADIF-AV has assumed the obligations guaranteed by ADIF through comfort letters issued on behalf of several of these investees in proportion to the interest held in these companies as assigned by virtue of Order PRE/2443/2013 (see Note 3.e).

This risk has been measured to amount to Euros 370,906 thousand at 31 December 2014 and Euros 373,499 thousand at 31 December 2013, in accordance with the balances drawn down by those companies at the subject dates, and based on ADIF-AV's ownership interest in their capital.

Details of the guarantees by company, as well as the provisions for liabilities and charges, are as follows:

Expressed in thousands of Euros						
Risk assumed by ADIF-AV						
Company	% ownership		Risk amount at 31/12/2014	Risk amount at 31/12/2013	Provision at 31/12/2014	Provision at 31/12/2013
	2014	2013				
Zaragoza Alta Velocidad 2002, S.A.	30.00%	30.00%	78,044	102,648	19,992	19,992
Valencia Parque Central Alta Velocidad 2003, S.A.	30.00%	30.00%	46,000	40,080	17,245	17,245
Logroño Integración del Ferrocarril 2002, S.A.	30.00%	30.00%	47,994	58,542		
Gijón Integración del Ferrocarril, S.A. Gijón al Norte	30.00%	30.00%	10,800	9,795		
Barcelona-Sagrera Alta Velocitat, S.A.	30.00%	30.00%	62,097	57,867	0	1,627
Cartagena Alta Velocidad S.A.	40.00%	40.00%	0	442		
Murcia Alta Velocidad, S.A.	40.00%	40.00%	0	1,348		
Alta Velocidad Alicante Nodo Transporte, S.A.	30.00%	30.00%	27,815	21,141		
Valladolid Alta Velocidad 2003, S.A.	30.00%	30.00%	98,156	81,636	4,320	2,172
Total railway integration companies			370,906	373,499	41,557	41,036

In the case of Zaragoza Alta Velocidad 2002, S.A. (hereinafter ZAV), on 26 March 2013, ZAV reached an agreement for the restructuring of its debt, through the subscription of a financing operation totalling Euros 360 million and maturing on 31 December 2019. This financing is structured in two tranches. The first tranche (Euros 230 million) will be repaid over a six-year period ending 31 December 2018, while the second tranche (Euros 130 million) will be repaid on 31 December 2019.

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The shareholders have undertaken to make contributions to ZAV in order to repay the first tranche as per the repayment schedule agreed with the financial institutions. In accordance with its ownership percentage, ADIF-AV must assume, until 31 December 2018, contributions to ZAV in the amount of Euros 57 million to repay the first tranche of the financing transaction.

In order to make these contributions, the shareholders have entered into participating loans with ZAV. Consequently, as mentioned in Note 5.b), at 31 December 2014 the Entity has non-current loans extended to ZAV in the amount of Euros 57,294 thousand. The purpose of the loan is to allow the investee to repay the principal on the financing transaction and the corresponding interests.

In addition, at the 2014 year end and as a result of the impairment in the value of ZAV-owned available-for-sale real-estate assets, ADIF-AV has recognised a Euros 19,992 thousand provision for liabilities and charges and a Euros 57,294 thousand provision for impairment of the loans extended.

Valencia Parque Central Alta Velocidad 2003, S.A. entered into a credit facility with several financial institutions, maturing on 31 December 2013. Approximately Euros 135 million have been drawn down on this facility, and the company has failed to comply with the loan terms. During the first quarter of 2014, negotiations were held with the borrowers. These negotiations led to an agreement to restructure the transaction through a loan contract dated 31 March 2014. The final maturity of the transaction, in the amount of Euros 135 million, is 31 March 2021, with half-yearly repayments falling due as from 31 March 2016.

The shareholders have undertaken to make contributions to the company to allow it to repay the loan principal. ADIF-AV's share of this commitment amounts to Euros 46,000 thousand, plus the corresponding finance costs.

In this regard, ADIF-AV made a Euros 17,245 thousand provision for risks and liabilities in order to recognise the estimated current amount of the contributions it must make to the company, the value of which cannot be recovered by placing real-estate assets on the market, according to available information. At 31 December 2013, the provision for liabilities and charges made in respect of the interest in Valencia Parque Central 2003, S.A. also amounted to Euros 17,245 thousand.

With respect to Cartagena AV and Murcia AV, respective participating loan contracts were signed in July 2014, through which Euros 1,080 thousand and Euros 3,400 thousand, respectively, were paid out. These loans mature on 31 March 2017.

At 31 December 2014, ADIF-AV holds participating loans with Palencia AV, S.A. in the amount of Euros 610 thousand, maturing on 31 December 2018.

APPENDICES



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Property, Plant and Equipment and Investment Property for the year ended
31 December 2014

Expressed in thousands of Euros

	Balance at 1.1.2014	Additions *	Transfers	Derecognitions(**)	Reclassifications	Balance at 31.12.2014
Buildings and other constructions	1,425,764	145	17,305	(260)	(24)	1,442,930
Land and natural resources	2,067,264	158,056	0	(27)	0	2,225,293
Total land and buildings	3,493,028	158,201	17,305	(287)	(24)	3,668,223
Accumulated depreciation of buildings and other constructions	(227,247)	(22,101)		0	0	(249,348)
Total carrying amount of buildings and other	3,265,781	136,100	17,305	(287)	(24)	3,418,875
Track installations	25,688,411	124,569	742,291	(7,462)	359	26,548,168
Accumulated depreciation of track installations and other	(2,465,234)	(319,049)	0	451	0	(2,783,832)
Impairment of track installations	(9,537)	0	0	0	0	(9,537)
Total carrying amount of track installation and other installations	23,213,640	(194,480)	742,291	(7,011)	359	23,754,799
Transport elements	4	0	0	0	0	4
Accumulated depreciation of transport elements	(4)	0	0	0	0	(4)
Total carrying amount of transport elements	0	0	0	0	0	0
Other property, plant and equipment	37,618	4	114	0	0	37,736
Accumulated depreciation of other property, plant and	(34,904)	(932)	0	0	0	(35,836)
Total carrying amount of other property, plant and	2,714	(928)	114	0	0	1,900
Total carrying amount of track installations and other property, plant and equipment	23,216,354	(195,408)	742,405	(7,011)	359	23,756,699
Work in progress	12,411,251	1,774,752	(759,710)	(64,192)	0	13,362,101
Total net property, plant and equipment	38,893,386	1,715,444	0	(71,490)	335	40,537,675
Investment property	240,362	33	0	0	24	240,419
Accumulated depreciation of investment property	(30,831)	(3,962)	0	0	0	(34,793)
Investment property in progress	0	403	0	0	0	403
Total net investment property	209,531	(3,526)	0	0	24	206,029

(*) Includes additions derived from works delivered to ADIF-AF by ADIF, by virtue of the Council of Ministers Resolution of 27 June 2014; Plasencia-Cáceres-Mérida-Badajoz Iberian gauge line (Euros 69,795 thousand); Bobadilla-Granada Iberian gauge line between km. 59,560 and 86,520 (Euros 1,469 thousand) and the Loja Station (Euros 57 thousand)

(**) Includes disposals for the Atlantic Axis (see Notes 4 and 8)

In the opening balances at 1 January 2013, the Entity has detailed the cost of the asset transferred, as well as the accumulated depreciation.

This appendix forms an integral part of Note 4 to the financial statements for 2014, in conjunction with which it should be read.

Property, Plant and Equipment and Investment Property for the year ended
31 December 2013

	Balances at 1.1.2013	Total additions (*)	Transfers	Disposals	Reclassifications	Balances at 31.12.2013
Buildings and other constructions	1,177,854	18,417	229,729	(218)	(18)	1,425,764
Land and natural resources	1,920,357	146,911	-	(4)	-	2,067,264
	3,098,211	165,328	229,729	(222)	(18)	3,493,028
Accumulated depreciation of buildings and other constructions	(202,199)	(25,048)	-	-	-	(227,247)
Total carrying amount of land and buildings	2,896,012	140,280	229,729	(222)	(18)	3,265,781
Track and other technical installations	20,482,047	842,722	4,364,369	(727)	7	25,688,411
Accumulated depreciation of track and other technical installations	(1,986,829)	(478,678)	-	273	-	(2,465,234)
Provision for impairment of track installations	-	(9,537)	-	-	-	(9,537)
Total carrying amount of track and other technical installations	18,495,218	354,507	4,364,369	(454)	7	23,213,640
Transport elements	4	-	-	-	-	4
Accumulated depreciation of transport elements	(4)	-	-	-	-	(4)
Total carrying amount of transport elements	-	-	-	-	-	-
Other property, plant and equipment	40,492	6	333	(3,213)	-	37,618
Accumulated depreciation of other property, plant and equipment	(36,131)	(1,986)	-	3,213	-	(34,904)
Total carrying amount of other property, plant and equipment	4,361	(1,980)	333	-	-	2,714
Total carrying amount of technical installations, transport elements and other property, plant and equipment	18,499,579	352,527	4,364,702	(454)	-	23,216,354
Work in progress	15,603,274	1,427,050	(4,594,431)	(24,642)	-	12,411,251
Total net property, plant and equipment	36,998,865	1,919,857	-	(25,318)	(18)	38,893,386
Investment property	240,344	-	-	-	18	240,362
Depreciation of investment property	(26,933)	(3,898)	-	-	-	(30,831)
Total net investment property	213,411	(3,898)	-	-	18	209,531

(*) Includes additions derived from works delivered to ADIF by the General State Administration, by virtue of Royal Decree-Law 4/2013 of 22 February 2013 and subsequently transferred to ADIF-AV for a cost of Euros 916,731 thousand and accumulated depreciation of Euros 217,263 thousand.
In the opening balances at 1 January 2013, the Entity has detailed the cost of the asset transferred, as well as the accumulated depreciation.

This appendix forms an integral part of Note 4 to the financial statements for 2014, in conjunction with which it should be read.



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Details of Group companies, jointly-controlled entities and associates
31 December 2014

		31/12/2014 (Expressed in thousands of Euros)						
Name	Activity	% ownership	Cost of the investment	Equity	Other equity items	Profit/(loss) for 2014	Operating profit/(loss) for 2014	Dividends received
Cartagena AVE, S.A. (b).	High-speed integration in Cartagena	40.00%	0	599	0	3	3	0
Murcia AVE, S.A. (b)	High-speed integration in Murcia	40.00%	0	614	0	5	6	0
Palencia Alta Velocidad, S.A. (b)	High-speed integration in Palencia	40.00%	0	549	0	-4	-5	0
Ingeniería y Economía del Transporte, S.A. (INECO)(a)	Preparation of civil and industrial railway engineering projects. Consultancy services	20.68%	7,977	84,912	65	5,665	8,606	735
León Alta Velocidad 2003, S.A. (a)	High-speed integration in León	37.50%	0	37	998	-96	-101	0
Logroño Integración Ferrocarril 2002, S.A. (a)	Management of high-speed rail in Logroño	30.00%	0	709	0	42	0	0
Valencia Parque Central Alta Velocidad 2003, S.A. (b)	High-speed integration in Valencia	30.00%	0	587	64,159	0	-75	0
Valladolid Alta Velocidad 2003 S.A. (b)	Management of high-speed rail in Valladolid	30.00%	0	813	-15,212	-7	20,562	0
Gijón al Norte, S.A. (b)	High-speed integration in Gijón	30.00%	99	527	0	0	1,569	0
Zaragoza Alta Velocidad 2002, S.A. (b)	High-speed integration in Zaragoza	30.00%	6,750	-207,690	21,578	-62,244	-40,732	0
Alta Velocidad Alicante Nodo Transportes, S.A. (a)	High-speed integration in Alicante	30.00%	0	605	0	57	3,662	0
Barcelona Sagrera Alta Velocitat S.A. (a)	High-speed integration in Barcelona	30.00%	0	600	0	0	0	0
Almería Alta Velocidad, S.A. (b)	High-speed integration in Almería	30.00%	180	602	0	-1	-4	0
High-speed Vitoria-Gasteizko Abiadura Handia, S.A.	High-speed integration in Vitoria	40.00%	240	604	0	-2	-4	0
Total investments in Group companies and associates			15,246					735
INECO Transportmex		12.50%	18	153	0	8	0	0
Albali Señalización, S.A. (b)		10.00%	1,326	14,458	0	1,194	4,947	14
Energía Olmedo Orense Phase I		10.00%	356	3,560	0	0	-137	0
Vía Olmedo- Pedralba		10.00%	526	1,307	0	-52	0	0
HIT RAIL B.V		4.35%	54	3,256	0	0	56	5
Total others (see Note 6.1)			2,281					19
TOTAL			17,527					753

a) Audited annual financial statements at 31 December 2014
b) Provisional financial statements at 31 December 2014
c) Annual financial statements at 31 December 2014, pending audit
The "Equity" column includes the profit or loss for 2014.

This appendix forms an integral part of Note 5 to the financial statements for 2014, in conjunction with which it should be read.



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Details of Group companies, jointly-controlled entities and associates
31 December 2013

31/12/2013 (Expressed in thousands of Euros)								
Name	Activity	% ownership	Cost of the investment	Equity (d)	Other equity items	Profit/(loss) for 2013	Operating profit/(loss) for 2013 Profit/(loss)	Dividends received
Cartagena AVE, S.A. (b)	High-speed integration in Cartagena	40.00%	-	596	-	1	58	-
Murcia AVE, S.A. (b)	High-speed integration in Murcia	40.00%	-	610	-	3	177	-
Palencia Alta Velocidad, S.A. (b)	High-speed integration in Palencia	40.00%	-	561	-	(16)	60	-
Ingeniería y Economía del Transporte, S.A. (INECO) (b)	Preparation of civil and industrial railway engineering projects. Consultancy services	20.68%	7,977	82,744	(146)	3,591	6,457	-
León Alta Velocidad 2003, S.A.(b)	High-speed integration in León	37.50%	-	37	998	(96)	(101)	-
Logroño Integración Ferrocarril 2002, S.A. (b)	Management of high-speed rail in Logroño	30.00%	-	667	-	138	-	-
ValenciaParque Central Alta Velocidad2003, S.A. (b)	High-speed integration in Valencia	30.00%	-	587	10,821	-	(7)	-
Valladolid Alta Velocidad 2003 S.A. (b)	Management of high-speed rail in Valladolid	30.00%	-	820	(8,062)	(35)	(4)	-
Gijón al Norte, S.A.	High-speed integration in Gijón	30.00%	99	527	-	-	1,425	-
Zaragoza Alta Velocidad 2002, S.A. (b)	High-speed integration in Zaragoza	30.00%	6,750	(145,446)	21,578	(35,262)	(35,262)	-
Alta Velocidad Alicante Nodo Transportes, S.A. (b)	High-speed integration in Alicante	30.00%	-	554	1,251	18	3,092	-
Barcelona Sagrera Alta Velocidad S.A. (b)	High-speed integration in Barcelona	30.00%	-	(1,578)	-	(2,178)	-	-
Almeria Alta Velocidad, S.A. (b)	High-speed integration in Almería	30.00%	180	603	-	(4)	-	-
High-speed Vitoria-Gasteizko Abiadura Handia, S.A.(b)	High-speed integration in Vitoria	40.00%	240	606	-	3	-	-
Total investments in associates			15,246					
INECO Transportmex		12.50%	18	153	-	8	-	-
Albali Señalización, S.A		10.00%	1,326	13,405	-	566	4,382	-
Energía Olmedo Orense Phase I		10.00%	6	-	-	-	-	-
Vía Olmedo- Pedralba		10.00%	6	-	-	-	-	-
HIT RAIL B.V		4.35%	55	3,406	-	-	-	9
Total others			1,411					9
TOTAL			16,657					9

a) Audited annual financial statements at 31 December 2013
b) Provisional financial statements at 31 December 2013
(c) Annual financial statements at 31 December 2013, pending audit
(d) The "Equity" column includes the profit or loss for 2013.

This appendix forms an integral part of Note 5 to the financial statements for 2014, in conjunction with which it should be read.

