



SPANISH MINISTRY OF FINANCE  
AND PUBLIC ADMINISTRATION

GENERAL STATE COMPTROLLER

**ADIF Alta Velocidad**

**Auditors' report on the 2015 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 2015, 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 28 March 2016 and were furnished to the State Audit Office on that date.

The information relating to the financial statements is contained in the file NF1548\_2015\_F\_160328\_184426\_Cuentas.zip, the electronic summary of which corresponds to 73E6EF7054A71025AC4B656117853AD43DE4A29C1CA7496C63FCA995006307DF 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 2015, 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 2015 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 2015, 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. In 2015 ADIF Alta Velocidad continued with the 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 31 March 2016.

ENTIDAD PÚBLICA EMPRESARIAL  
ADIF-Alta Velocidad

Financial Statements

31 December 2015

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

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ENTIDAD PÚBLICA EMPRESARIAL  
ADIF - Alta Velocidad

## Financial Statements

31 December 2015

Balance Sheet  
31 December 2015

Expressed in thousands of Euros

ASSETS	NOTE	31/12/2015	31/12/2014
Intangible assets	4	58,902	6,485
Property, plant and equipment		42,170,831	40,537,675
Land and buildings		3,647,384	3,418,875
Technical installations, machinery, equipment, furniture and other items		26,293,652	23,756,699
Under construction and advances	4	12,229,795	13,362,101
Investment property	4	202,067	206,029
Non-current investment in Group companies and associates	5	39,550	12,976
Equity instruments		8,496	8,496
Loans to companies		31,054	4,480
Non-current investments		69,785	99,486
Equity instruments	6	1,890	1,890
Public entities	12	67,115	97,083
Other financial assets	6	780	513
Deferred tax assets	11 and 12	4,210	2,533
Non-current trade receivables	6	759	841
<b>Total non-current assets</b>		<b>42,546,104</b>	<b>40,866,025</b>
Trade and other receivables		416,415	337,904
Trade receivables	6	155,087	100,571
Trade receivables, from Group companies and associates	6	5,656	727
Other receivables	6	163,426	159,183
Personnel	6	7	7
Current tax assets	12	4,312	3,232
Public entities, other	12	87,927	74,184
Current investments in Group companies and associates	5	2,226	71
Loans to companies		2,226	71
Other financial assets		-	-
Current investments	6	-	143,133
Cash and cash equivalents	7	1,252,791	1,737,514
Cash		1,092,587	1,627,007
Cash equivalents		160,204	110,507
<b>Total current assets</b>		<b>1,671,432</b>	<b>2,218,622</b>
<b>TOTAL ASSETS</b>		<b>44,217,536</b>	<b>43,084,647</b>

Balance Sheet  
31 December 2015

Expressed in thousands of Euros

EQUITY AND LIABILITIES	NOTE	31/12/2015	31/12/2014
Equity	8	14,133,256	14,063,869
Equity contributions		14,899,514	14,468,304
Reserves		42,867	43,438
Retained earnings		(447,873)	(231,333)
Loss for the year		(361,252)	(216,540)
Valuation adjustments	11	(10,827)	(6,514)
Grants, donations and bequests received	9	9,898,850	8,844,396
<b>Total equity</b>		<b>24,021,279</b>	<b>22,901,751</b>
Non-current provisions	10	329,131	53,816
Long-term employee benefits		431	393
Other provisions		328,700	53,423
Non-current payables	11	14,768,445	14,959,507
Bonds and other marketable securities		2,836,636	989,101
Loans and borrowings		11,146,712	12,333,846
Derivatives		15,037	9,047
Other financial liabilities		770,060	1,627,513
Deferred tax liabilities	12	3,299,428	2,951,545
Non-current accruals	14	555,375	569,540
<b>Total non-current liabilities</b>		<b>18,952,379</b>	<b>18,534,408</b>
Current provisions	10	76,453	69,064
Short-term employee benefits		349	331
Other provisions		76,104	68,733
Current payables	11	929,037	1,335,414
Bonds and other marketable securities		42,704	21,000
Loans and borrowings		454,763	630,230
Other financial liabilities		431,570	684,184
Current payables, to Group companies and associates	11	11,803	9,269
Trade and other payables		200,805	199,750
Other suppliers and payables	11	199,105	198,455
Suppliers, Group companies and associates	11	356	387
Personnel	11	672	310
Public entities, payables	12	672	598
Current accruals	14	25,780	34,991
<b>Total current liabilities</b>		<b>1,243,878</b>	<b>1,648,488</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>44,217,536</b>	<b>43,084,647</b>

Income Statement  
31 December 2015

Expressed in thousands of Euros

	NOTE	31/12/2015	31/12/2014
Revenue	13	513,698	512,668
Self-constructed assets		10,197	9,074
Supplies		-	-
Other operating income	14	460,208	443,037
Personnel expenses	15	(14,890)	(14,365)
Other operating expenses	16	(714,865)	(684,642)
External services		(714,501)	(678,537)
Taxes		(3,180)	(3,121)
Losses, impairment and changes in trade provisions		2,816	(2,984)
Amortisation and depreciation		(305,973)	(293,500)
Non-financial and other capital grants	17	90,065	96,049
Provision surpluses		1,164	201
Impairment and result on disposal of fixed assets		(11,350)	(5,742)
<b>Results from operating activities</b>		<b>28,254</b>	<b>62,780</b>
Finance income	19	129,584	126,240
From equity instruments		1,015	753
From marketable securities and other financial instruments		7,341	12,333
Capitalised finance costs	19 and 4	121,081	109,919
Other		147	3,235
Finance costs	18	(423,779)	(378,630)
On third party loans		(423,560)	(378,914)
Provision adjustments		(219)	284
Change in fair value of financial instruments		(5,543)	(1,879)
Impairment and losses on disposal of financial instruments		(89,768)	(18,581)
<b>Net finance expense</b>		<b>(389,506)</b>	<b>(272,850)</b>
<b>Loss before income tax</b>		<b>(361,252)</b>	<b>(210,070)</b>
Income tax	12.c	-	(6,470)
<b>Loss for the year</b>		<b>(361,252)</b>	<b>(216,540)</b>

Statement of Changes in Equity  
31 December 2015

A) Statement of Recognised Income and Expense  
for the year ended  
31 December 2015

Expressed in thousands of Euros

	NOTE	31/12/2015	31/12/2014
<b>Loss for the year</b>		<b>(361,252)</b>	<b>(216,540)</b>
Income and expense recognised directly in equity			
Grants, donations and bequests	9	1,492,402	820,970
Cash flow hedges	11	(5,990)	(9,047)
Actuarial gains and losses and other adjustments		(10)	(84)
Grants tax effect	9 and 12	(373,101)	(70,120)
Cash flow hedges tax effect	11	1,677	2,533
<b>Total income and expense recognised directly in equity</b>		<b>1,114,978</b>	<b>744,252</b>
Amounts transferred to the income statement			
Grants, donations and bequests	17	(90,065)	(96,049)
Tax effect	12	25,218	28,815
<b>Total amounts transferred to the income statement</b>		<b>(64,847)</b>	<b>(67,234)</b>
<b>Total recognised income and expense</b>		<b>688,879</b>	<b>460,478</b>

Statement of Changes in Equity for the year ended 31 December 2015

B) Statement of Total Changes in Equity for the year ended  
31 December 2015

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 adjustment s (Note 11.a.1)	Total
<b>Balance at 1 January 2014</b>	<b>14,423,518</b>	<b>36</b>	-	<b>(231,333)</b>	<b>8,160,780</b>	-	<b>22,353,001</b>
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
<b>Balance at 31 December 2014</b>	<b>14,468,304</b>	<b>43,438</b>	<b>(231,333)</b>	<b>(216,540)</b>	<b>8,844,396</b>	<b>(6,514)</b>	<b>22,901,751</b>
Recognised income and expense	-	(10)	-	(361,252)	1,054,454	(4,313)	688,879
Transactions with shareholders or owners							
Increase in equity contributions	430,050	-	-	-	-	-	430,050
Other changes in equity	1,160	(561)	(216,540)	216,540	-	-	599
<b>Balance at 31 December 2015</b>	<b>14,899,514</b>	<b>42,867</b>	<b>(447,873)</b>	<b>(361,252)</b>	<b>9,898,850</b>	<b>(10,827)</b>	<b>24,021,279</b>

Statement of Cash Flows for the year ended  
31 December 2015

Expressed in thousands of Euros

	31/12/2015	31/12/2014
Cash flows from/(used in) operating activities		
Loss for the year before tax	(361,252)	(210,070)
Adjustments for:	657,845	407,194
Amortisation and depreciation (+)	305,973	293,500
Impairment (+/-)	86,591	21,565
Change in provisions (+/-)	65,900	(59,001)
Grants recognised in the income statement (-)	(90,065)	(96,049)
Proceeds from disposals of fixed assets (+/-)	10,991	5,742
Finance income (-)	(129,584)	(126,240)
Finance costs (+)	423,779	378,630
Change in fair value of financial instruments (+/-)	(5,543)	(1,879)
Other income and expenses (-/+)	(10,197)	(9,074)
Changes in operating assets and liabilities	(271,191)	549,676
Trade and other receivables (+/-)	508,991	53,972
Trade and other payables (+/-)	(1,290,836)	(172,490)
Other current liabilities (+/-)	428,453	(899,810)
Other non-current assets and liabilities (+/-)	82,201	1,568,004
Other cash flows from/(used in) operating activities	(347,597)	(347,132)
Interest paid (-)	(301,073)	(298,245)
Dividends received (+)	1,016	753
Interest received (+)	218	3,540
Other amounts paid (received) (-/+)	(47,758)	(53,180)
<b>Cash flows from/(used in) operating activities</b>	<b>(322,195)</b>	<b>399,668</b>



Statement of Cash Flows for the year ended  
31 December 2015

	31/12/2015	31/12/2014
Cash flows from/(used in) investing activities		
Payments for investments (-)	(1,340,068)	(1,494,257)
Group companies and associates	(26,574)	(21,081)
Property, plant and equipment, intangible assets and investment property	(1,313,494)	(1,333,101)
Other financial assets	-	(140,075)
Proceeds from disposals (+)	140,000	-
Other financial assets	140,000	-
<b>Cash flows from/(used in) investing activities</b>	<b>(1,200,068)</b>	<b>(1,494,257)</b>
Cash flows from/(used in) financing activities		
Proceeds from and payments for equity instruments	515,520	256,526
Issue of equity instruments	430,050	-
Grants, donations and bequests received	85,470	256,526
Proceeds from and payments for financial liability instruments	522,020	2,300,844
Issue	2,284,681	4,150,534
Bonds and other marketable securities	1,850,000	1,000,000
Loans and borrowings (+)	399,998	2,722,952
Other payables (+)	34,683	427,582
Redemption and repayment of	(1,762,661)	(1,849,690)
Loans and borrowings (-)	(1,758,592)	(1,845,787)
Other payables (-)	(4,069)	(3,903)
<b>Cash flows from/(used in) financing activities</b>	<b>1,037,540</b>	<b>2,557,370</b>
<b>Net increase in cash and cash equivalents</b>	<b>(484,723)</b>	<b>1,462,781</b>
Cash and cash equivalents at beginning of year	1,737,514	274,733
Cash and cash equivalents at year end	1,252,791	1,737,514

## Notes to the Financial Statements

31 December 2015

Financial Statements  
31 December 2015

**(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.

## Financial Statements 31 December 2015

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**

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:

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

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- 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.

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- The net assets of the ADIF-AV as of 1 January 2013 were as follows

	<b>Thousands of Euros</b>
<b>Asset</b>	<b>38,114,500</b>
<b>Non-current assets</b>	<b>37,552,261</b>
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
Current investments	321,947
<b>Current assets</b>	<b>562,239</b>
Receivables from sales and services rendered	518,167
Cash and cash equivalents	44,072
<b>Liabilities</b>	<b>(16,033,065)</b>
<b>Non-current liabilities</b>	<b>(14,643,616)</b>
Non-current provisions	(49,868)
Bank loans and long-term credit	(11,210,339)
Deferred tax assets	(3,302,004)
Deferred tax liabilities	(81,405)
<b>Current liabilities</b>	<b>(1,389,449)</b>
Current provisions	(152,143)
Current bank loans and credit	(1,079,852)
Current payables to Group companies and associates	(14,613)
Trade and other payables	(142,841)
<b>Total Net Assets</b>	<b>22,081,435</b>
The breakdown is as follows:	
Capital contributions	14,376,758
Grants, donations and bequests received from European Funds	6,472,643
Grants, donations and bequests received through the RD22 / 2012	1,232,034
	<b>22,081,435</b>

- 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.

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**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.

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,



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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
  - 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.)

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- 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.

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.

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- 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 71,321 thousand euros.

- 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 255,000 thousand euros, to finance the Sagrera Station, distributed in annual payments of 51,000 thousand euros from 2009 to 2013.

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- Law 48/2015, of 29 October 2015, establishing the General State Budget for 2016, allocated an equity contribution for ADIF-AV 500,000 thousand euros in that year and an authorisation for a net increase in long-term debt of 1,500,000 thousand euros in 2016. 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. For this purpose, considered as long-term debts, those available as the current date, to have a maturity term of more than twelve months. Therefore, any debt that, at the date of initial registration, or has a maturity more than twelve months will not be included in this limit.
- Law 36/2014 of 26 December 2014, establishing the General State Budget for 2015, allocated an equity contribution for ADIF-AV of 430,050 thousand euros in that year, and an authorisation for a net increase in long-term debt of 2,624,891 thousand euros 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 36/2014 establishing the General State Budget for 2015 which applied a 1% increase the fixed rates for 2014 (Art. 65.1)

On 29 September 2015, the Law 38/2015 applicable to the Railway Sector was passed that comes to unify and concentrate on a single standard legal regime of rail transport. It also incorporated the European Parliament and Council regulations contained in Directive 2012/34/EU, dated 21 November 2012, into Spanish judicial procedure. The regulation of the charges of the new Railway Sector law, which substantially modifies the regulations established in Law 39/2003 will not apply until January 1, 2017 since in Transitory Provision four, establishes that current railway tariffs will remain applicable until those to be specified in Title VI come into force. The adequacy of rail tariffs to the provisions of Title VI shall be included, in the first draft of the Law on General State Budget to be processed after the entry into force of this Act.

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These regulations are applicable to ADIF-AV.

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

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.

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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.

**2.b) Comparative information**

Management presents for comparative purposes, each item in the balance sheet, income statement, statement of changes in equity, the cash flow statement and the notes to the financial statements, as well the figures for 2015, those for the previous year that were part of the financial statements for 2014 approved by the Board of Directors of ADIF AV dated May 29, 2015.

**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 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.

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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 are comprised primarily for the rights of use of space owned by ADIF AV acquired by Renfe Operadora in 2015 and whose origin comes from the OM FOM/2909 of 19 September 2006, which established a right to use, without payment to RENFE-Operadora of certain sites, basically spaces in passenger stations. That decree established that such rights of use would be later replaced by the transfer of the property to be agreed. Due to this, ADIF AV registered in 2014 a provision for risks and charges amounting to 21,952 thousand euros corresponding to the estimated replacement costs of such spaces to be delivered in terms of use.



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The Entity has valued the rights of use acquired in 2015 by the current value of the purchase price for RENFE Operadora after deducting the provision for risks and expenses that the Entity had registered for the replacement costs and the delivery of the properties that should replace these spaces under the conditions of use. These assets are presented net of accumulated depreciation on a straight line method during a useful life of 75 years. To calculate this useful life period, the Entity has developed a business plan in which they have considered the cash flows generated by the agreed leases with RENFE Operadora and its group of companies for a renewable term of 10 years as well as by those that are considered likely to be received from third parties. In the mentioned business plan, various scenarios changes have been considered in the occupation of spaces, changes in price indexes and interest rates in line with current conditions in the housing and financial markets.

In addition, the Entity has included in the section of intangible assets, computer software and research and development, specifically the technology platform linked to rail traffic management "Da Vinci". 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 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



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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.

- ***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.

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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:

- 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 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.

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- 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.
- 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 2,476,419 thousand euros, 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.

In regard to infrastructure built by Sociedad Estatal de Infraestructuras del Transporte Terrestre, S.A. (Hereinafter, SEITTSA) in the L.A.V. Madrid - Galicia , these have been delivered to ADIF AV in accordance with the provisions of the Convention signed on 25 August 2015 by the before mentioned Entity, the Entity, ADIF and the Ministry of Development (hereinafter the Recast Convention or the Convention). The aforementioned agreement establishes that the delivery of these assets will be considered a gratuitous transmission of activity pertaining to the management of railway infrastructure assets. AV ADIF has registered these assets for the purchase price or cost of

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production which had valued SEITTSA in its accounting records that were previously paid by the Company AGE.

- 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 and 2015, 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, the stretch of the rail network with conventional gauge linking the cities of Plasencia, Cáceres, Mérida and Badajoz, as well as 27 kilometres of conventional line Bobadilla-Granada 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.

As for the land that runs through the high-speed Santiago-Vigo Atlantic Axis run and the Valencia-Vandellós stretch of the Mediterranean Corridor and that were acquired in the nineteenth century until the seventies of the twentieth century by private companies that joined the former Red Nacional de los Ferrocarriles Españoles and by that entity, the value has not yet been determined by which it must be integrated into the annual accounts of ADIF AV. However, Management when considering the dates when this land was acquired and existing market prices in those periods, does not expect, as a result of accounting treatment, significant increases in the value of land and natural resources and the net assets of the entity, for the recognition of the corresponding capital grants.

In addition, the Entity has recognised in the balance sheet 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 as well as the land relating to the Madrid-Galicia line. 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.

- 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

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

- Depreciation of other property, plant and equipment

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
<b>Buildings and constructions</b>	50
<b>Transport elements</b>	10 - 30
<b>Other items of property, plant and equipment</b>	5 - 40

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

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- 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 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.

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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
- High-speed Valladolid-Palencia-León.
- High-speed Valladolid -Zamora

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**

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.



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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 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.



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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

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

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- 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.

**3.f) Cash and cash equivalents**

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.

Financial Statements  
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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 2,476,419 thousand euros, 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.

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.

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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**

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.

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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.

**(i) Recognition of taxable temporary differences**

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

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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.

The Entity's recognised income and expense for the year 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.

Financial Statements  
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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 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.

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

Details of the balances of property, plant and equipment, intangibles and investment property and their corresponding depreciation and impairment and movement in 2015 and 2014 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.

Under the Royal Decree Law 4 of 22 February 2013 and the Recast Convention, the General State Administration and SEITTSA gratuitously transmitted to ADIF AV in 2015 the land and platform works linked to various sections of the LAV Madrid-Galicia, basically comprised between Medina and Zamora. The Entity registered as these as Works in Progress of fixed assets, when the infrastructure has been put into operation, said goods worth 496,641 thousand euros, recognizing the corresponding counterpart as a capital grant. Of this amount, a total of 437,204 thousand euros corresponds to assets that have been transmitted by SEITTSA.

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 modified 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 69,205 thousand euros. The majority of these assets related to electrification works undertaken in the A Coruña-Santiago stretch assigned to ADIF. The mentioned assets were fully funded by the State therefore the Entity, in 2014 derecognised capital grants and the associated deferred tax liability, amounting to 48,443 and 20,762 thousand euros 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 21,634 and 9,271 thousand euros 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



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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 30,905 thousand euros 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 and 2015, 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:

- Stretches of the conventional gauge rail network linking the cities of Plasencia, Cáceres, Mérida y Badajoz
- Stretch of 27 km of the conventional line Bobadilla- Granada
- 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

In 2015, the Entity has registered land linked to conventional gauge network of ownership in the areas of Plasencia, Cáceres, Mérida, Badajoz and Bobadilla-Granada totalling 1,160 thousand euros.

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With respect to the 31 stations indicated, land with an overall value of 15,197 thousand euros was recognized in 2015. In the case of the high-speed Madrid-Seville line, in 2014 land with a total value of 43,371 thousand euros has been recognised. Of this figure, ADIF's balance sheet already included 13,786 thousand euros that at 31 December 2013 were not spun off to ADIF-AV and that were transferred from ADIF to ADIF-AV in 2014. In addition, the ADIF-AV's prior figures had already included certain land relating to the Madrid-Seville line, for 7,684 thousand euros.

#### 4.a) Operating property, plant and equipment

The following is a breakdown of the acquisition or production cost at 31 December 2015 and at 31 December 2014 of the Entity's property, plant and equipment by high speed network line:

31/12/2015 (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	75,153	439,042	2,429,587	10,230	2,954,012
Madrid-Barcelona	784,113	636,220	10,069,719	7,073	11,497,125
Córdoba-Málaga	159,584	66,146	2,230,608	1,916	2,458,254
Madrid-Valladolid	198,604	62,304	3,756,410	615	4,017,933
Madrid-Levante	854,092	164,802	7,075,660	1,017	8,095,571
Vigo-Santiago de Compostela					
Atlantic Axis	118,921	54,166	1,797,358	466	1,970,911
Bobadilla-Granada and Extremadura	2,229	2,462	129,547	111	134,349
Valladolid - León	62,104	25,322	1,047,398	135	1,134,959
Olmedo - Zamora	81,356	9,365	418,599	-	509,320
Others	62,657	65,809	338,508	16,197	483,171
	<b>2,398,813</b>	<b>1,525,638</b>	<b>29,293,394</b>	<b>37,760</b>	<b>33,255,605</b>

  

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
	<b>2,225,293</b>	<b>1,442,930</b>	<b>26,548,168</b>	<b>37,740</b>	<b>30,254,131</b>

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#### 4.b) Work in progress

Work in progress at 31 December 2015 and 31 December 2014 is detailed in the table below:

	Thousands of Euros	
	31/12/2015	31/12/2014
Madrid-Zaragoza-Barcelona-French border	178,919	72,393
Madrid-Segovia-Valladolid/Medina del Campo	20,208	19,786
Córdoba-Málaga-Granada	7,755	3,489
Madrid-Castilla la Mancha-Valencia Region-Murcia Region	1,798,567	1,941,210
Madrid-Seville and Toledo branch line	150	168
High-speed line Bobadilla-Granada	1,133,478	984,178
High-speed line León-Asturias	2,802,102	2,679,681
High-speed line Basque Country	1,179,208	1,126,627
High-speed line Murcia-Almería	562,617	556,579
High-speed line Madrid-Cáceres, Navalmoral de la Mata-Cáceres stretch	480,194	442,473
Zaragoza-Pamplona, Castejón-Comarca de Pamplona stretch	74,287	65,234
Palencia-León-Asturias	111,553	709,331
High-speed line Madrid-Extremadura-Portuguese border	297,034	275,828
Valladolid-Burgos-Vitoria	561,203	784,089
Madrid Atocha-Madrid Chamartín	707,211	666,263
High-speed line Pulpí-Murcia	75,040	72,336
High-speed line Galicia (Olmedo-Lubián)	213,238	210,062
High-speed Atlantic Axis	46,332	1,199,079
High-speed line Galicia (Lubián-Orense)	1,138,325	956,132
Other investments in high-speed lines	120,881	112,412
Mediterranean Corridor connection, Tarragona area	442,162	379,448
Extension of the Atocha Station complex	1,960	1,154
Other investments	277,370	104,149
<b>TOTAL</b>	<b>12,229,794</b>	<b>13,362,101</b>

The Entity has recognized as greater value of work in progress, the best available estimate of those executed and outstanding works pending certification at December 31, 2015 and December 31, 2014 arising from outstanding contractual issues pending formalization worth 90,479 and 103,822 thousand euros, respectively.

Work in progress at 31 December 2015 and 31 December 2014 includes 341,522 and 423,916 thousand euros, respectively, for advances to suppliers. At 31 December 2015 and 2014, this item also comprises advances extended to suppliers that have not been formally set out in contracts, in the amount of 84,969 and 116,555 thousand euros respectively. 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 2015 and 31 December 2014:

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	Thousands of Euros	
	31/12/2015	31/12/2014
Valencia Parque Central Alta Velocidad 2003, S.A.	48,084	48,084
Valladolid Alta Velocidad 2003, S.A.	1,529	1,529
Zaragoza Alta Velocidad 2002, S.A.	11,165	18,779
AV Alicante Nodo de Transporte S.A.	28,275	28,275
<b>TOTAL</b>	<b>89,053</b>	<b>96,667</b>

Under the act of formal delivery of signed works on February 1, 2016 between Zaragoza Alta Velocidad 2002, SA, ADIF and ADIF-AV, in 2015, the Entity has partially cancelled the advances for outstanding works to be received from Zaragoza Alta Velocidad 2002, SA, pending at December 31, 2014. The value of the works received and recorded in 2015 amounted to 5,457 thousand euros. In addition, the Entity, in light of the best available estimate at year end, valued the railway projects likely to receive in future years, registered in the income statement a loss of 2,157 thousand euros.

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 2015, the Entity has firm commitments with third parties to make future investments of 3,487,386 thousand euros, excluding VAT. At 31 December 2014, the Company had firm commitments with third parties to make future investments of 3,502,446 thousand euros, excluding VAT.

### 4.c) Capitalised borrowing costs

During 2015, the Entity capitalised borrowing costs totalling 121,081 thousand euros, 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 23,767 thousand euros in relation to the Levante line; 22,625 thousand euros reflecting the cost of the high-speed rail network of the Basque Country, called "Y Vasca"; 15,280 thousand euros representing the costs of the Valladolid-Vitoria stretch of the Madrid-Basque Country/French border high-speed line; and 11,354 thousand euros for the costs of the Pajares alternate route of the Madrid-Asturias high-speed line and 19,707 thousand euros for the High Speed Connection Atocha-Chamartin. (see Note 19).

During 2014 the Entity capitalised borrowing costs totalling 109,919 thousand euros, 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 19,753 thousand euros in relation to the Levante line; 26,169 thousand euros reflecting the cost of the

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high-speed rail network of the Basque Country, called "Y Vasca"; 16,191 thousand euros representing the costs of the Valladolid-Vitoria stretch of the Madrid-Basque Country/French border high-speed line; and 19,653 thousand euros 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	
	31/12/2015	31/12/2014
Intangible assets	11,190	10,729
Property, plant and equipment	307,605	321,651
Investment property	84	84
<b>TOTAL</b>	<b>318,879</b>	<b>332,464</b>

### 4.e) Government grants received

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 in progress 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, and in 2015 by the State and SEITTSA in relation to the platform works for various stretches throughout the Madrid-Galicia line, being 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 2015 and 31 December 2014 are as follows:

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	31/12/2015 (Expressed in thousands of Euros)		
	Cost	Accumulated amortisation	Total
Operating intangible assets			
Computer software	6,291	(6,153)	138
Rights of use space RENFE	50,831	-	50,831
Research and development expenses	9,908	(2,948)	6,960
Other intangible assets	5,681	(5,681)	-
<b>Total operating intangible assets</b>	<b>72,711</b>	<b>(14,782)</b>	<b>57,929</b>
Intangible assets in progress			
Computer software	19	-	19
Research and development expenses	874	-	874
Other intangible assets	80	-	80
<b>Total intangible assets in progress</b>	<b>973</b>	<b>-</b>	<b>973</b>
<b>Total intangible assets</b>	<b>73,684</b>	<b>(14,782)</b>	<b>58,902</b>

	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)	-
<b>Total operating intangible assets</b>	<b>19,403</b>	<b>(14,163)</b>	<b>5,240</b>
Intangible assets in progress			
Computer software	-	-	-
Research and development expenses	1,165	-	1,165
Other intangible assets	80	-	80
<b>Total intangible assets in progress</b>	<b>1,245</b>	<b>-</b>	<b>1,245</b>
<b>Total intangible assets</b>	<b>20,648</b>	<b>(14,163)</b>	<b>6,485</b>

The intangible asset called "rights of use space Renfe" referred to in the above table in 2015 corresponds to the current value of acquisition of these rights after deducting the provision for risks and expenses that the Entity created to address the replacement costs for preparation of the spaces for suitable use that will replace these spaces, which is included in the purchase price.

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On December 28, 2015, the Entity, together with RENFE Operadora, signed with RENFE Operadora, Renfe Viajeros, S.A., Renfe Fabricación y Mantenimiento, S.A. y Renfe Alquiler de Material Ferroviario, S.A an agreement for partial acquisition of the rights of use in spaces owned by the Entity for a current value of 50,831 thousand euros, once applied the provision for risks and expenses cited in the preceding paragraph which the Entity carried on its balance sheet amounting to 21,952 thousand euros.

The purpose of this agreement is to extinguish the rights of use without financial compensation recognized in the Order FOM / 2909/2006 to RENFE-Operadora in diverse administrative and operational spaces located in buildings owned by the Railway Infrastructure Administrator. The mentioned Order established the obligation of ADIF to replace, within a maximum period of three years, these spaces for their property that can be capitalized by RENFE Operadora.

As a result of the creation of ADIF AVE, in the Order PRE 2443/2013 of 27 December, the assets, rights and obligations of ADIF which became owned by ADIF AV established the subrogation from the Entity in its obligations for the replacement of the rights of use corresponding to the spaces located in buildings attributed to ADIF AV, for a total of 20,947.76 net square meters.

Given the legal complexity and practice in the execution of Order FOM / 2909/2006, and since ADIF and ADIF AV did not have sufficient property to replace all the rights recognized for RENFE-Operadora's use, it has been necessary to reach an agreement that allows, first partially to replace a portion of the surface subject to such rights of use, by incorporating it in the equity of the mentioned company of certain properties owned by ADIF and ADIF AV and, secondly, the termination of other rights not replenished, recognizing the corresponding RENFE-Operadora consideration.

To extinguish all the commitments made by ADIF- AV (see note 10.b.2) derived from the Order FOM mentioned above, the Entity has acquired in 2015 from RENFE Operadora, rights of use corresponding to a total of 17,826.35 net square meters and is committed to deliver within a maximum period of one year, office situated in the historic Atocha Station for the equivalent to 3,121.41 square meters.

The amount payable to RENFE Operadora for the rights of use acquired in 2015 has been quantified at 77,434 thousand euros, excluding VAT. Of that amount the Entity has paid in January 2016 to Renfe Operadora a figure of 50,831 thousand euros and agrees to pay 2,660 thousand euros each year until the year 2025, inclusive. (See notes 10.b.2 and 11.d))

Additionally, the agreement reached with RENFE Operadora includes leasing, by the mentioned entity and the Group companies, in accordance with the conditions shown in the following table:

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Metres squared	Period	Annual income (euros)
15,887.49 m <sup>2</sup>	Ten years	2,406,491.64

After the 10-year period, the lease may be extended by mutual agreement between the parties, updating the lease income according to the general index of competitiveness. As the leased assets have a great relationship with the activity undertaken by Renfe Operadora, it is understood that these leases will be extended for the very long term.

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

At year end for 2014 and 2015, 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 2015 and 2014 is as follows:

31/12/2015 (Expressed in thousands of Euros)			
	Cost	Accumulated depreciation	Total
Shopping centres at passenger rail stations	99,931	(15,644)	84,287
Commercial car parks	78,596	(8,454)	70,142
Buildings and hotels at intermodal stations	61,683	(14,474)	47,209
Housing, premises and garages	209	(183)	26
Investment property in progress	403	-	403
<b>Total</b>	<b>240,822</b>	<b>(38,755)</b>	<b>202,067</b>

  

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
<b>Total</b>	<b>240,822</b>	<b>(34,793)</b>	<b>206,029</b>



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31 December 2015**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 984 million euros (in cash) and 100,000 m<sup>2</sup> 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 984,225 thousand euros, over a 20-year payment period and subject to 3% annual interest, and an in-kind payment comprising use of 100,000 m<sup>2</sup> 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 1,245,460 thousand euros (including delay interest), namely 1,046,523 thousand euros. 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 1,046,523 thousand euros, 20.430% corresponds to ADIF-AV (254,447 thousand euros), while 63.507% (792,075 thousand euros) corresponds to ADIF.

In addition, both state-owned entities will receive a payment in kind through the delivery of plots on which 84,027 m<sup>2</sup> can be built for government-supported residential use (53,438.65 m<sup>2</sup> for ADIF and the remaining 30,588.35 m<sup>2</sup> 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.

At the same time, DUCH proposed to the Madrid City Council a modification of the

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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.

On June 9, 2015 the Supreme Court of Madrid issued a new judgment on the PPRI restating the nullity of the determinations that allowed more than 3 floors plus an attic, to buildings in this area. This prediction makes the operation technically and economically inviable. Duch, ADIF, ADIF and RENFE Operadora-AV have appealed the decision.

Despite the above, on December 28, 2015 it was published in the B.C.A.M. the approval by the Assembly of Madrid Law 4/2015 of 18 December Partial Amendment of Art. 39 of Law 9/2001 of 17 July, Community of Madrid Land, eliminating section 8 which established the prohibition to build to a height greater than three floors plus an attic in each and every one of the points on the ground, with this modification of interpretations that is not applicable in this urban area the limitation of height.

On July 14, 2015, the resolution of the Board of Directors of the company Desarrollo Urbanístico Chamartín S.A. was published to the public, dated June 29, 2015, the name change to the de Distrito Castellana Norte S.A.

Finally, the Madrid City Council has expressed its intention not to definitively approve the document PPRI initially approved by its Governing Board on 19 February 2015, as it is formulated.

### **(5) Investments in Group Companies and Associates**

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

Details of movement for 2015 and 2014, expressed in thousands of euros, are as follows:

31/12/2015 (Expressed in thousands of Euros)			
	Investments in Group companies and associates	Uncalled equity holdings	Total
Balance at 1 January 2015	15,246	(6,750)	8,496
<b>Balance at 31 December 2015</b>	<b>15,246</b>	<b>(6,750)</b>	<b>8,496</b>

  

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
<b>Balance at 31 December 2014</b>	<b>15,246</b>	<b>(6,750)</b>	<b>8,496</b>

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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 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 2015 and 31 December 2014 are as follows:

Concept	Thousands of Euros	
	31/12/2015	31/12/2014
Zaragoza Alta Velocidad 2002, S.A.	48,749	27,015
Cartagena AVE, S.A.	1,080	1,080
Murcia AVE, S.A.	3,400	3,400
Palencia Alta Velocidad, S.A.	200	200
Logroño Integración del Ferrocarril 2002, S.A.	1,047	-
Gijón al Norte, S.A.	3,793	-
<b>Total non-current loans to Group companies and associates</b>	<b>58,269</b>	<b>31,695</b>
Provision for impairment	(27,215)	(27,215)
	<b>31,054</b>	<b>4,480</b>

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 37,850 thousand euros loan to the subject company. This amount was deemed irrecoverable and full provision was made for

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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 30,279 thousand euros 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 10,618 thousand euros, for which provision was likewise made. In 2014, ADIF-AV extended new credit facilities to ZAV for 16,397 thousand euros, for which full provision was made. During 2015, ADIF-AV granted new loans to ZAV for a total of 21.734 thousand euros.

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 410 thousand euros, for which provision was made. As of 31 December 2015, the Entity has granted loans to Palencia Alta Velocidad worth 610 thousand euros, being fully impaired. Under the segregation process, the appropriations allocated to ADIF AV from ADIF were recorded at their net value.

At year-end 2015, the Entity granted participating loans in 2014 to Murcia Alta Velocidad y Cartagena Alta Velocidad amounting to 3,400 and 1,080 thousand euros respectively.

In addition, in relation to the affiliated companies Logroño Integración Ferrocarril 2002 S.A. and Gijón al Norte SA, the Entity has granted two separate equity loans amounting to 1,047 and 3,793 thousand euros respectively during 2015.

In relation to loans granted by the Entity to various affiliated companies, in addition to the impairment of loans listed above, provisions for liabilities and expenses have been recorded (see note 10) for amounts that the Entity estimates that would be payable in the future from the comfort letters assumed by ADIF AV as explained in footnote 23.

### 5.c) Current investments in Group companies and associates

The balance of this heading at 31 December 2015 and 2014 is as follows:

Concept	Thousands of Euros	
	31/12/2015	31/12/2014
Other current loans	1,976	1,976
Other financial assets	4,955	2,781
Impairment of receivables	(4,705)	(4,686)
	<b>2,226</b>	<b>71</b>

Other current loans reflect 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.

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At the 2015 and 2014 year end, ADIF-AV management considered that the total amounts receivable of 4,705 and 4,686 thousand euros respectively, would not be recovered and they were therefore virtually fully impaired.

### (6) Other Financial Assets

Details of financial assets by category at 31 December 2015 and 2014, 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:

31/12/2015 (Expressed in thousands of Euros)			
	Equity instruments	Loans, derivatives and other	Total
Non-current financial assets			
Loans and receivables	-	1,539	1,539
Available-for-sale assets	1,890	-	1,890
<b>Total non-current financial assets</b>	<b>1,890</b>	<b>1,539</b>	<b>3,429</b>
Current financial assets			
Loans and receivables	-	324,176	324,176
<b>Total current financial assets</b>	<b>-</b>	<b>324,176</b>	<b>324,176</b>
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
<b>Total non-current financial assets</b>	<b>1,890</b>	<b>1,354</b>	<b>3,244</b>
Current financial assets			
Loans and receivables	-	403,621	403,621
<b>Total current financial assets</b>	<b>-</b>	<b>403,621</b>	<b>403,621</b>

The breakdown of these amounts in the different balance sheet items at 31 December 2015 and 2014 are as follows:

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31/12/2015 (Expressed in thousands of Euros)			
	Equity instruments	Loans, derivatives and other	Total
Non-current financial assets			
Non-current financial investments	1,890	780	2,670
Non-current trade receivables	-	759	759
<b>Total non-current financial assets</b>	<b>1,890</b>	<b>1,539</b>	<b>3,429</b>
Current financial assets			
Current financial assets	-	-	-
Trade and other receivables	-	324,176	324,176
<b>Total current financial assets</b>	<b>-</b>	<b>324,176</b>	<b>324,176</b>

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
<b>Total non-current financial assets</b>	<b>1,890</b>	<b>1,354</b>	<b>3,244</b>
Current financial assets			
Current financial assets	-	143,133	143,133
Trade and other receivables	-	260,488	260,488
<b>Total current financial assets</b>	<b>-</b>	<b>403,621</b>	<b>403,621</b>

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

### 6.a) Investments

Details of investments at 31 December 2015 and 2014 are as follows:

		Thousands of Euros			
		31/12/2015		31/12/2014	
		Non-current	Current	Non-current	Current
Equity instruments (see Appendix II)		2.281	-	2.281	
Impairment		(391)	-	(391)	
<b>Total equity instruments</b>		<b>1.890</b>	-	<b>1.890</b>	
Other financial assets (deposits, guarantees and other credits)		780	-	513	
		<b>2.670</b>	-	<b>2.403</b>	

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**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 2015 and 2014 are as follows:

	Thousands of Euros			
	31/12/2015		31/12/2014	
	Non-current	Current	Non-current	Current
Group companies and associates				
Receivables (Note 6.b.1))	-	5,656	-	727
Unrelated parties				
Trade receivables (Note 6.b.2))	-	155,087	-	100,571
Other receivables (Note 6.b.3))	759	163,426	841	159,183
Personnel		7	-	7
	<b>759</b>	<b>324,176</b>	<b>841</b>	<b>260,488</b>

**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 2015 and 2014 are as follows:

	Thousands of Euros	
	31/12/2015	31/12/2014
	Current	Current
Alta Velocidad Alicante Nodo del Transporte, S.A.	798	667
Ingeniería y Economía del Transporte, S.A. (INECO)	-	-
Murcia AVE, S.A.	-	-
Cartagena Alta Velocidad S.A.	-	15
Valencia Parque Central Alta Velocidad 2003, S.A.	-	45
Valladolid Alta Velocidad 2003, S.A.	4,858	
	<b>5,656</b>	<b>727</b>

**6.b.2) Trade receivables**

Trade receivables include the balance of rail fees settled and pending collection at 31 December 2015, for 153,120 thousand euros. Trade receivables also includes accrued interest receivable of 1,967 thousand euros for the passenger rail transport safety levy.



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

### 6.b.3) Other receivables

Details of this item at 31 December 2015 and 2014 are as follows:

	Thousands of Euros	
	31/12/2015	31/12/2014
Agreements with rail operators	57,101	54,197
Fibre-optics rental	11,015	23,095
Amounts due to ADIF-AV from ADIF	7,585	18,846
Other rentals	9,447	17,229
Other items	18,847	11,384
Services rendered pending invoice		
Agreements with rail operators	24,738	29,345
Agreements with ADIF	34,974	6,265
Other	(1,190)	1,523
Impairment of trade receivables	909	(2,701)
<b>Total other receivables</b>	<b>163,426</b>	<b>159,183</b>

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

The balances receivable from ADIF at 31 December 2015 and 2014 relate to services rendered to ADIF up to that date pending invoicing, based on the addenda disclosed in Note 1.

The movement of impairment losses on receivables of short and long term for the years 2015 and 2014 is as follows:

	Thousands of Euros	
	31/12/2015	
	Non-current	Current
Balances at 1 January	-	(2,701)
Provisions, reversals and/or applications during the year	-	3,610
Balances at 31 December	-	<b>909</b>

  

	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	-	<b>(2,701)</b>

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### (7) Cash and Cash Equivalents

Details of cash and cash equivalents at 31 December 2015 and 2014 are as follows:

	Thousands of Euros	
	2015	2014
Cash on hand and at banks	1,092,587	1,627,007
Cash equivalents	160,204	110,507
	<b>1,252,791</b>	<b>1,737,514</b>

The 2015 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 2015, by financial instrument, are as follows:

	Thousands of Euros					
	2015			2014		
	Amount	TOTAL	Returns	Amount	TOTAL	Returns
Fixed-term deposits	160,000	160,000	0,4%	110,000	110,000	0,6%
Promissory notes	-	-		-	-	-
Accrued interest receivable		204			507	
	<b>160,000</b>	<b>160,204</b>		<b>110,000</b>	<b>110,507</b>	

### (8) Equity

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

#### 8.a) Equity contribution

In the State Budget for 2015, a contribution of 430,050 thousand euros for ADIF-AV for the financing of the railway network of ownership was established. The State Budget for the year 2014 did not establish any contribution to ADIF AV.

In 2015 and 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 in 2014 and 2015, land assets of 1,160 and 44,786 thousand euros respectively, which have been accounted for as equity contributions (see Notes 3.b) and 4).

#### 8.b) Reserves

Movement in reserves during 2015 and 2014 is as follows:

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31/12/2015 (Expressed in thousands of Euros)			
	Reserves for actuarial gains and losses	Other reserves	Total
Balance at 31 December 2014	(48)	43,486	43,438
Recognition of actuarial gains and losses and other adjustments	(10)	(561)	(571)
<b>Balance at 31 December 2015</b>	<b>(58)</b>	<b>42,925</b>	<b>42,867</b>

  

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
<b>Balance at 31 December 2014</b>	<b>(48)</b>	<b>43,486</b>	<b>43,438</b>

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, 30,905 thousand euros 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 Entity derecognised assets and capital grants, prior to discounting the tax effect of 69,205 and 100,110 thousand euros respectively. In addition, ADIF-AV has recognised a 13,786 thousand euros 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 361,252 thousand euros losses for 2015 be carried forward as prior years' losses, under the equity item "Retained earnings".

Furthermore, Management proposes the application of accumulated retained earnings as of December 31, 2015 amounting to 447,873 thousand euros, under the heading "capital contributions" losses.

### 8.d) Valuation adjustments

The amount recognised in equity in 2015 and 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.

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The movement in 2015 and 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 2015 and 2014 comprises outright capital grants pending recognition as income.

Movement in 2015 and 2014 is as follows:

	31/12/2015 (Expressed in thousands of Euros)					
	Cohesion Funds	ERDF funds	TEN-T funds	State grants for work performed <sup>(1)</sup>	Other capital grants	Total capital grants
Balances at 31 December 2014	<b>4,707,077</b>	<b>1,921,688</b>	<b>232,119</b>	<b>1,791,000</b>	<b>192,512</b>	<b>8,844,396</b>
Additions	43,151	968,076	1,875	496,641	5,787	1,515,530
European funds accrued in the year	<i>43,151</i>	<i>968,076</i>	<i>1,875</i>	-	-	<i>1,013,102</i>
Actions received by SEITTSA	-	-	-	437,204	-	437,204
Actions received by Fomento	-	-	-	59,437	-	59,437
Other capital grants	-	-	-	-	5,787	5,787
Withdrawals			(3,988)	(19,140)		(23,128)
Tax effect of capital grants accrued during the year (note 12)	(10,788)	(242,019)	528	(119,375)	(1,447)	(373,101)
Allocation to income of net capital grants tax effect (note 17)	(29,077)	(18,945)	(684)	(13,675)	(2,466)	(64,847)
Balances at 31 December 2015	<b>4,710,363</b>	<b>2,628,800</b>	<b>229,850</b>	<b>2,135,451</b>	<b>194,386</b>	<b>9,898,850</b>

<sup>(1)</sup> RD ley 22/2012 y RD-ley 4/2013

	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	<b>4,418,744</b>	<b>1,641,709</b>	<b>213,973</b>	<b>1,886,354</b>	<b>8,160,780</b>
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	<b>4,707,077</b>	<b>1,921,688</b>	<b>232,119</b>	<b>1,983,512</b>	<b>8,844,396</b>

<sup>(2)</sup> Includes the State grants for work performed

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State grants for work performed the recognises the value of the works received without consideration of the Ministry of Public Works and SEITTSA, by Royal Decree Law 4/2013 of 22 February and Recast Convention from August 25, 2015 disenfranchised where appropriate, by the depreciation of goods received. (See notes 3.b, 3.g and 4).

In 2015, ADIF AVE and ADIF have signed various addenda to regularize the actions that the Entity had been doing for remodelling or construction of stations owned by ADIF, mainly in the Atlantic Axis whose investment was partially financed by the State and recorded as capital grants. The delivery of these actions in 2015 to ADIF has generated a decrease in capital grants for these items amounting to 19,140 thousand euros.

As explained in Notes 4 and 8.b, in 2014 the Entity derecognised capital grants and deferred tax liabilities for a total amount of 100,110 thousand euros, as a result of adjustments on the spin-off of the Atlantic Axis. Of this amount, 5,476 thousand euros, 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.

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 587,237 thousand euros.

### 9.a) Cohesion Funds

Details of Cohesion Funds at 31 December 2015 and 2014, without taking into account the tax effect and including the amounts accrued for payables convertible into grants, are as follows:

31/12/2015 (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	3,342,953	3,342,953	-	3,342,953
Madrid-Lérida	2,112,357	2,112,357	-	2,112,357
Lérida-Martorell	790,698	790,698	-	790,698
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	573,450	573,450	-	573,450
Cohesion Funds 2007-2013	1,157,204	1,157,204	245,216	1,399,537
<b>TOTAL</b>	<b>6,627,277</b>	<b>6,627,277</b>	<b>245,216</b>	<b>6,869,610</b>

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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	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
<b>TOTAL</b>	<b>6,593,219</b>	<b>6,584,125</b>	<b>254,310</b>	<b>6,835,552</b>

**9.b) European Regional Development Fund (ERDF)**

Details of European Regional Development Funds at 31 December 2015 and 2014,  
without taking into account the tax effect, are as follows:

31/12/2015 (Expressed in thousands of Euros)

OPERATING PROGRAMME	LARGE PROJECT	ASSISTANCE GRANTED	GRANTS ACCRUED	PAYABLES CONVERTIBLE INTO GRANTS (Note 11.b)	COLLECTIO NS MADE
ANDALUSIA	Córdoba - Málaga	882,883	882,883	-	882,883
CASTILLA Y LEÓN	Segovia - Valladolid	193,256	193,256	-	193,256
MURCIA	Acceso Murcia	28,412	28,412	-	28,412
CASTILLA LA MANCHA	Acceso Toledo	67,127	67,127	-	67,127
VALENCIA	Acceso Alicante	99,402	99,402	-	99,402
CASTILLA Y LEÓN	Túneles de Pajares	283,995	283,995	-	283,995
ASTURIAS	Túneles de Pajares	107,873	107,873	-	107,872
ERDF 2007-2013		1,931,549	1,856,485	161,055	1,954,712
<b>TOTAL</b>		<b>3,594,497</b>	<b>3,519,433</b>	<b>161,055</b>	<b>3,617,659</b>

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

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

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

Details of TEN funds at 31 December 2015 and 2014, without taking into account the tax effect, are as follows:

31/12/2015 (Expressed in thousands of Euros)

STRETCH	ASSISTANCE GRANTED	GRANTS ACCRUED	PAYABLES CONVERTIBLE INTO GRANTS (Note 11.b)	COLLECTION S 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	64,114	51,406	4,579	55,026
New rail access to Asturias	3,191	3,192	-	3,191
High-speed line Vitoria-Bilbao-San Sebastián and Valladolid-Burgos-Vitoria	345,019	122,205	4,452	114,750
High-speed line Madrid-Extremadura	68,733	34,745	22,338	40,786
High-speed line Bobadilla-Granada	2,174	2,174	-	2,174
Mediterranean Corridor	110,241	-	27,486	27,486
Other high-speed	4,744	584	2,974	3,550
<b>TOTAL</b>	<b>698,079</b>	<b>313,419</b>	<b>62,579</b>	<b>341,539</b>

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

STRETCH	ASSISTANCE GRANTED	GRANTS ACCRUED	PAYABLES CONVERTIBLE INTO GRANTS (Note 11.b)	COLLECTION S 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
<b>TOTAL</b>	<b>363,165</b>	<b>315,532</b>	<b>30,439</b>	<b>306,856</b>

### (10) Provisions for Liabilities and Charges

Details of current and non-current provisions for liabilities and charges in the balance sheet at 31 December 2015 and 2014 are as follows:

	Thousands of Euros			
	31/12/2015		31/12/2014	
	Non-current	Current	Non-current	Current
Employee benefits	<b>431</b>	<b>349</b>	<b>393</b>	<b>331</b>
-Defined benefit plans	431	24	393	20
<i>Length-of-service bonuses</i>	<i>196</i>	<i>23</i>	<i>192</i>	<i>20</i>
<i>Provision for leisure travel, retired personnel</i>	<i>235</i>	<i>1</i>	<i>201</i>	-
-Other employee benefits	-	325	-	311
Other provisions	<b>328,700</b>	<b>76,104</b>	<b>53,423</b>	<b>68,733</b>
Provisions for legal proceedings	198,498	-	9,825	0
Provision for asset replacement costs in areas under user agreements (Note	-	-	-	21,952
"1.5% for culture" provision	-	1,082	-	1,340
Provision for environmental risks	2,013	3,311	2,041	3,311
Other items	128,189	71,711	41,557	42,130
	<b>329,131</b>	<b>76,453</b>	<b>53,816</b>	<b>69,064</b>

Movement in non-current provisions for liabilities and charges in 2015 and 2014 is shown below:



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31/12/2015 (Expressed in thousands of Euros)

#### Non-current provisions for liabilities and charges

	Length-of-service bonuses	Provision for leisure travel, retired personnel	Provision for environmental risks	Provision for legal proceedings	Other items	TOTAL
Balances at 1/01/2015	192	201	2,041	9,825	41,557	53,816
Charges for the year recognised in profit and loss	7	24	-	2,142	86,632	88,805
Charges for the year recognised in investments	-	-	-	188,583	-	188,583
Financial effect of discount	2	3	-	214	-	219
Payments for the year	-	-	-	-	-	-
Transfers to current	(7)	(1)	-	(1,129)	-	(1,137)
Amounts taken to profit and loss	-	-	(28)	(1,137)	-	(1,165)
Other movements	2	8	-	-	-	10
<b>Balances at 31/12/2015</b>	<b>196</b>	<b>235</b>	<b>2,013</b>	<b>198,498</b>	<b>128,189</b>	<b>329,131</b>

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

#### Non-current provisions for liabilities and charges

	Length-of-service bonuses	Length-of-service bonuses	Length-of-service bonuses	Length-of-service bonuses	Length-of-service bonuses	Length-of-service bonuses
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)	-	-	-	-	(15)
Amounts taken to profit and loss	-	-	(199)	(2)	-	(201)
Other movements	13	70	-	5,535	-	5,618
<b>Balances at 31/12/2014</b>	<b>192</b>	<b>201</b>	<b>2,041</b>	<b>9,825</b>	<b>41,557</b>	<b>53,816</b>

## 10.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 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 2015 is 219 thousand euros, of which 196 thousand euros are recognised as non-current provisions for liabilities and charges and 23 thousand euros as current provisions for liabilities and charges.

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The provision at 31 December 2015 has been calculated using an actuarial study prepared applying the individual capitalisation method and using the following inputs: annual interest rate of 0.916%, 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 2015 for the entitlement of its personnel to rail travel at reduced prices upon retirement. This provision amounts to 236 thousand euros 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 2015 has been determined through an actuarial study which used the following inputs:

- An average fare increase of 2% for 2015 and subsequent years.
- Technical interest of 1.434% per annum.
- The actuarial table PERM/F 2000.
- Retirement age of 65.

**- 10.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 2015, ADIF-AV recorded under investments and provisions for liabilities and long-term costs amounting to 188,583 thousand euros corresponding to the current value of the best estimate of future costs by judicial claims brought by certain construction companies and claims submitted for expropriated land.

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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Additionally, The Entity is currently involved in a series of legal proceedings primarily related with litigations regarding pecuniary liability and expropriations, being the maximum risk estimated with the best information available of 257,259 thousand euros. 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 in certain areas owned by ADIF, and the obligation of the Entity to replenish at the end of the mentioned right for this space to Renfe Operadora.

As explained in note 4, the Entity, ADIF and RENFE Operadora subscribed as of December 28, 2015 an agreement to acquire use rights in the areas mentioned above. Derived from this agreement, ADIF A. V. canceled, in 2015, the provision recorded on January 1, 2005 for the replacement costs cited in the preceding paragraph.

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

The "Provisions for liabilities and short term expenses" includes at December 31, 2015 and December 31, 2014, in addition to the concepts mentioned above, a provision for the outstanding amount for the contribution to the 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 amounting to 1,082 and 1,340 thousand euros, respectively.

**10.b.4) Other items**

Other items include a provision at 31 December 2015 and 31 December 2014 of 128,189 and 41,557 thousand euros respectively, corresponding to an estimated liability that as a result of signed comfort letters at the time with certain investee companies whose business is the integration of railway in various cities. A breakdown of that amount is attached in note 23 for each of the companies concerned.

**(11) Financial Liabilities**

Details of financial liabilities classified by category at 31 December 2015 and 2014 are as follows:

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31/12/2015 (Expressed in thousands of Euros)				
	Loans and borrowings	Bonds	Derivatives and other financial liabilities	Total
Non-current financial liabilities				
Non-current payables	11,146,712	2,836,636	785,097	14,768,445
Non-current trade payables	-	-	-	-
Total non-current financial liabilities	<b>11,146,712</b>	<b>2,836,636</b>	<b>785,097</b>	<b>14,768,445</b>
Current financial liabilities				
Current payables	454,763	42,704	431,570	929,037
Payables to Group companies and associates	-	-	11,803	11,803
Trade and other payables	-	-	200,133	200,133
Total current financial liabilities	<b>454,763</b>	<b>42,704</b>	<b>643,506</b>	<b>1,140,973</b>

  

31/12/2014 (Expressed in thousands of Euros)				
	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	<b>12,333,846</b>	<b>989,101</b>	<b>1,636,560</b>	<b>14,959,507</b>
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	<b>630,230</b>	<b>21,000</b>	<b>892,605</b>	<b>1,543,835</b>

### 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).

In addition it is worth noting the bond issues made by the Entity since the end of May 2014 until December 2015. The nominal value of the bonds issued in the year 2014 amounted to 1,000,000 thousand euros. The nominal value of bonds issued during 2015 amounted to 1,850,000 thousand euros.

In December 2014, the Entity entered into a "club deal" syndicated loan agreement for a nominal amount of 1,000,000 thousand euros, which was paid out on 29 December 2014. The purpose of the loan is to complete the

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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 2015 and 2014 are as follows:

		2015 (Expressed in thousands of Euros)	
		Maturity	
	Interest	Current	Non-current
Loans in Euros (EIB)	0,002% a 4.415%	54,322	9,803,040
Accrued interest payable		111,139	-
<b>Total loans and borrowings (EIB)</b>		<b>165,461</b>	<b>9,803,040</b>
Loans in Euros (other entities)	0.72% a 4.58%	285,311	1,343,672
Accrued interest payable		3,752	-
Other loans and borrowings, for derivatives		239	-
<b>Total loans and borrowings (other entities)</b>		<b>289,302</b>	<b>1,343,672</b>
Bonds (Euros)	1.875% a 3.5%	-	2,836,636
Accrued interest payable on bonds		42,704	-
<b>Total bonds</b>		<b>42,704</b>	<b>2,836,636</b>
<b>Total loans and borrowings and bonds and other marketable securities at 31 December 2015</b>		<b>497,467</b>	<b>13,983,348</b>
		2014 (Expressed in thousands of Euros)	
		Maturity	
	Interest	Current	Non-current
Loans in Euros (EIB)	0.055% a 4.415%	43,116	9,757,363
Accrued interest payable		108,889	-
<b>Total loans and borrowings (EIB)</b>		<b>152,005</b>	<b>9,757,363</b>
Loans in Euros (other entities)	0.624% a 4.884%	469,909	2,576,483
Accrued interest payable		8,161	-
Other loans and borrowings, for derivatives		155	-
<b>Total loans and borrowings (other entities)</b>		<b>478,225</b>	<b>2,576,483</b>
Bonds (Euros)		-	989,101
Accrued interest payable on bonds		21,000	-
<b>Total bonds</b>		<b>21,000</b>	<b>989,101</b>
<b>Total loans and borrowings and bonds and other marketable securities at 31 December 2014</b>		<b>651,230</b>	<b>13,322,947</b>

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Maturity of non-current loans and borrowings, measured, as applicable, at the year-end exchange rate for 2015 and 2014 and at amortised cost, is as follows:

Maturity	Thousands of Euros	
	31/12/2015	31/12/2014
2015	-	513,025
2016	339,633	1,401,796
2017	377,562	429,726
2018	465,485	467,648
2019	559,715	516,964
2020	622,934	580,664
2021	522,480	473,543
2022	1,399,690	495,282
2023	433,811	427,718
2024	1,424,477	1,416,819
2025	1,412,124	414,384
Thereafter	6,765,070	6,698,403
	<b>14,322,981</b>	<b>13,835,972</b>

The average annual interest rate on ADIF-AV's borrowings at 31 December 2015 and 2014 is 2.32% and 2.30%, respectively.

At the 2015 and 2014 year end, the total limit on credit facilities that ADIF-AV had received from financial institutions stood at 180,000 and 20,000 thousand euros respectively. At 31 December 2015, no amounts had been drawn down on these credit facilities, even though they had been used during 2015. 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 2015 are as follows:

				Expressed in thousands of Euros				
				Assets		Liabilities		
				Non-current tax effect	Current	Non-current financial liability	Current	Equity
Interest rate cash flow hedge			4,210	-	(15,037)	-	(10,827)	

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### Interest rate swaps

The Entity uses interest rate swaps to manage its exposure to interest rate fluctuations on two bank loans with a total nominal value of 1,072.95 million euros at December 31, 2015. At year-end 2014 ADIF A.V. had an interest rate swaps to manage its exposure to interest rate fluctuations, on a bank loan with a principal of 300 million euros.

Liabilities arising from derivatives at 31 December 2015 include, on one side, the fair value of an interest rate swap (IRS) contracted in March 2014 and with maturity 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. On the other side, the fair value of an interest rate swap (IRS) contracted in March 2015 and with maturity in 2022 and has a fixed rate of 1.275% 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.

At year-end 2014, liabilities included the fair value of an interest rate swap (IRS) contracted in March 2014 and with maturity 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 the interest rate swaps are based on market values of derivative financial instruments equivalent on the date of the financial statements. This interest rate swap is effective as cash flow hedges, so that variations in the fair value thereof are recognized directly in equity as of December 31, 2015 and December 31, 2014.

### **11.b) Other financial liabilities**

Details of other financial liabilities at 31 December 2015 and 2014 are as follows:

	Thousands of Euros			
	31/12/2015		31/12/2014	
	Non-current	Current	Non-current	Current
Payables convertible into grants	650,357	-	1,542,127	-
Suppliers of fixed assets	115,673	431,570	81,195	684,184
Deposits and guarantees	4,030	-	4,191	-
	<b>770,060</b>	<b>431,570</b>	<b>1,627,513</b>	<b>684,184</b>

#### **11.b.1) Payables convertible into grants**

At 31 December 2015 and 2014, 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

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liabilities when the grant conditions have been met. Details at 31 December 2015 and 2014 are as follows:

	Thousands of Euros	
	31/12/2015	31/12/2014
European Funds		
Cohesion Funds	245,216	254,310
ERDF	161,055	1,100,012
TEN-T	62,579	30,439
Other		
Ministry of Public Works (Addenda 21/12/2009		
Barcelona Sagrera (Note 1(c))	157,366	157,366
Ministry of Public Works financial cost Olmedo		
Ourense	24,141	-
	<b>650,357</b>	<b>1,542,127</b>

Up to 31 December 2014, the Entity has received from the General State Administration 255,000 thousand euros 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 2015, non-current payables to suppliers of fixed assets amount to 115,673 thousand euros, of which 60,418 thousand euros relates to works carried out on the Madrid-Castilla la Mancha-Valencia Autonomous Community-Murcia Region line, and 33,303 thousand euros to works on the Olmedo-Orense stretch, under a public-private partnership. Also, it includes an amount of 21,952 thousand euros for the net present value of invoices to be paid to Renfe Operadora, with a long-term maturity as a result of the acquisition of the rights of use of spaces that ADIF AV has possessed since the segregation of Renfe in 2005 (see Note 4)

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

Also, the balance at 31 December 2015 and 2014, current payables to suppliers of fixed assets included 252,650 and 342,487 thousand euros 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 178,920 thousand euros at 31 December 2015 and 341,697 thousand euros at 31 December 2014.



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### 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 2015 and 2014 are as follows:

		Thousands of Euros			
		31/12/2015		31/12/2014	
		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.		-	-	-	-
Ingeniería y Economía del					
Transporte, S.A. (INECO)		11,803	356	9,269	387
		<b>11,803</b>	<b>356</b>	<b>9,269</b>	<b>387</b>

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

### 11.d) Trade and other payables

Details of trade and other payables, excluding public entities, at 31 December 2015 and 2014, are as follows:

		Thousands of Euros	
		31/12/2015	31/12/2014
Other suppliers and payables		199,105	198,455
Suppliers and payables, Group companies and associates (Note 11.c)		356	387
Personnel		672	310
		<b>200,133</b>	<b>199,152</b>

Other suppliers and payables include payables for purchases or services received, outstanding at 31 December 2015. Inter alia, this comprises the amount payable to ADIF for services renders, as detailed below. Additionally, fixed asset suppliers also include 16,027 thousand euros for ADIF-AV's payables to ADIF in that regard.

		Thousands of Euros	
		31/12/2015	31/12/2014
Other suppliers and payables, ADIF		84,800	80,021
Agreements with ADIF for invoices payable		74,484	73,803
Agreements with ADIF for invoices pending issue		10,316	6,218
Fixed asset suppliers, ADIF		16,027	15,016
For invoices issued		8,943	13,320
For invoices pending issue		7,084	1,696
		<b>100,827</b>	<b>95,037</b>

The information relating to 2015 on payments to suppliers as established by Additional Provision Three of Law 15/2010 of July 5 2010 and in accordance with the methodology established in the Resolution of the Institute of Accounting and Auditing Accounts of January 29, 2016, shown in the following table:

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	Days
Average payment period to suppliers	45.17
Ratio paid operations	51.16
Ratio of outstanding payment transactions	14.41
	Thousands of euros
Total payments	2,003,047
Total outstanding payments	389,523

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 2015 and 2014 are as follows:

	Thousands of Euros			
	31/12/2015		31/12/2014	
	Non-current	Current	Non-current	Current
<b>Assets</b>				
Receivables for awarded funds and grants	67,115		97,083	-
Deferred tax assets (Note 11)	4,210		2,533	-
Current tax assets	-	4,312	-	3,232
Public entities, other receivables		87,927	-	74,184
<b>Total assets</b>	<b>71,325</b>	<b>92,239</b>	<b>99,616</b>	<b>77,416</b>
<b>Liabilities</b>				
Deferred tax liabilities	3,299,428	-	2,951,545	-
Public entities, other payables	-	672	-	598
<b>Total liabilities</b>	<b>3,299,428</b>	<b>672</b>	<b>2,951,545</b>	<b>598</b>

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**12.a) Public entities, receivables**

Details of balances receivable from public entities at 31 December 2015 and 2014 are as follows:

	Thousands of Euros			
	31/12/2015		31/12/2014	
	Non-current	Current	Non-current	Current
Receivables for awarded funds and grants	67,115	-	97,083	-
High-speed Cohesion Funds	2,884	-	2,884	-
High-speed ERDF	30,128	-	55,440	-
High-speed TEN-T funds	34,103	-	38,759	-
Deferred tax assets (Note 11)	4,210	-	2,533	-
Current tax assets	-	4,312	-	3,232
Public entities, other receivables	-	87,927	-	74,184
Current VAT receivable	-	30,847	-	33,237
Receivables for awarded funds and grants	-	57,080	-	40,947
High-speed ERDF	-	32,700	-	25,233
High-speed TEN funds	-	239	-	178
Other items	-	24,141	-	15,536
<b>Total assets</b>	<b>71,325</b>	<b>92,239</b>	<b>99,616</b>	<b>77,416</b>

The entire balance of receivables for current and non-current awarded funds and grants relates to accrued amounts receivable at 31 December 2015 and 31 December 2014 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 2015 and 2014 are as follows:

	Thousands of Euros			
	31/12/2015		31/12/2014	
	Non-current	Current	Non-current	Current
Deferred tax liabilities	3,299,428	-	2,951,545	-
Public entities, other payables	-	672	-	598
Social Security		297	-	301
Withholdings		375	-	297
<b>Total liabilities</b>	<b>3,299,428</b>	<b>672</b>	<b>2,951,545</b>	<b>598</b>

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Deferred tax liabilities that are expected to be realised or reversed in periods exceeding 12 months are those deriving from capital grants and total 3,299,428 thousand euros at 31 December 2015 (2,951,545 thousand euros at 31 December 2014).

Movement in deferred tax liabilities in 2015 and 2014, by origin, is as follows:

	31/12/2015 (Expressed in thousands of Euros)					
	Cohesion Funds	ERDF Funds	TEN-T Funds	Execution of grants (1)	Other capital grants	Total
Balances at 31 December 2014	1,570,620	641,567	77,410	597,702	64,246	2,951,545
Additions in 2015	10,788	242,019	(528)	119,375	1,447	373,101
Capital grants taken to income (Note 19)	(11,308)	(7,368)	(266)	(5,318)	(958)	(25,218)
<b>Balances at 31 December 2015</b>	<b>1,570,100</b>	<b>876,218</b>	<b>76,616</b>	<b>711,759</b>	<b>64,735</b>	<b>3,299,428</b>

	31/12/2014 (Expressed in thousands of Euros)				
	Cohesion Funds	Cohesion Funds	Cohesion Funds	Cohesion Funds	Cohesion Funds
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)
<b>Balances at 31 December 2014</b>	<b>1,570,620</b>	<b>641,567</b>	<b>77,410</b>	<b>661,948</b>	<b>2,951,545</b>

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 30,033 thousand euros. Of this amount, 28,390 thousand euros were shown as a decrease in "Additions" in the above table, while the remaining 1,643 thousand euros, 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. Tax losses for 2015 stood at 76.851 thousand euros.

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

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31/12/2015 (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 (1/01/2015 -31/12/2015)			<b>(361,252)</b>			<b>1,050,131</b>
Income tax adjustments			-			346,206
Income and expenses before income tax			<b>(361,252)</b>			<b>1,396,337</b>
Permanent differences	1	(1,016)	(1,015)			
Temporary differences:						
- Originating in current year	323,424	-	323,424	6,000	(1,492,402)	(1,486,402)
- Originating in prior years		(38,008)	(38,008)			90,065
Prior taxable income of the Entity			<b>(76,851)</b>			-
Offset of prior years' tax loss carryforwards (Limit 25% of GDP)						
Taxable income						
Tax rate			28%			
Tax payment						
Deductions for double taxation						
Adjusted tax payment						
Tax payable						
Withholdings and payments on account			1,080			
Pre-payments						
Income tax recoverable			(1,080)			

The tax basis for 2014 stood at 37,218 thousand euros. The reconciliation of accounting result with the tax base for 2014 is as follows:

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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)			<b>(216,540)</b>			<b>677,018</b>
Income tax adjustments	6,470		6,470			38,772
Income and expenses before income tax			<b>(210,070)</b>			<b>715,790</b>
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			<b>49,624</b>			-
Offset of prior years' tax loss carryforwards (Limit 25% of GDP)			(12,406)			
Taxable income			<b>37,218</b>			
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)			
Pre-payments			(9,035)			
Income tax recoverable			(3,232)			

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 2015 there is no tax 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			
	31/12/2015		31/12/2014	
	Increases	Decreases	Increases	Decreases
- Amortisation and depreciation	-	-	88,050	-
- Impairment	98,245	-	12,809	-
- Pensions	36	-	21	-
- Net finance expense	225,143	-	172,658	-
Temporary differences originating in current year	323,424	-	273,538	-
- Amortisation and depreciation		(17,635)		
- Impairment		(12,808)		(13,850)
- Pensions		(5)		(4)
- Net finance expense		(7,560)		-
Temporary differences originating in prior years		(38,008)		(13,854)

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	19.092	-	19.092

Details of permanent differences in 2015 and 2014 are as follows:

	Thousands of Euros			
	Income statement			
	31/12/2015		31/12/2014	
	Increases	Decreases	Increases	Decreases
- Other non-deductible expenses	1	-	10	-
- Exemption for double taxation of dividends	-	(1,016)	-	-

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

## Financial Statements 31 December 2015

Year	Originating in	Thousands of Euros
2012	ADIF (*)	128,711
2013	ADIF-AV	110,832
2014	ADIF-AV	172,657
2015	ADIF-AV	223,576
		<b>635,776</b>

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

Amortisation and depreciation expenses pending deduction in 2015 and 2014 by application of Article 7, Law 16/2012 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
		<b>176,349</b>	

These amounts shall be deducted linearly amounting to 17,635 thousand euros for a period of 10 years from 2015 until 2024 as according to the same Article 7.

The Entity has the following deductions from reversal of temporary measures of the transitional provision 37<sup>a</sup>.1 of the Corporation Tax Act:

Thousands of Euros				
Year	Deduction base	Origin	Applied during year	Pending
2015	17,635	353		353
		<b>353</b>		

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 opted for the application of the special pro rata rule from 2014 and beyond. The tax charged on the purchase or importation of goods or services used



## Financial Statements 31 December 2015

exclusively in carrying out operations that cause the deductibility have been fully deducted.

### 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 2015 and 2014 are as follows:

	Thousands of Euros	
	31/12/2015	31/12/2014
Revenue from use of rail facilities and other fees		
Use of the public service rail network	419,879	422,411
Use of stations and other rail installations	87,146	83,804
Passenger rail transport safety levy	6,673	6,453
	<b>513,698</b>	<b>512,668</b>

The distribution of revenue in 2015 and 2014 by business segment or activity carried out by the Entity is shown in the following table:

	31/12/2015 (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-performance network	<b>419,879</b>	<b>11,839</b>	-	<b>431,718</b>
Management of ADIF-AV-owned assets (passenger stations)	-	75,307	6,673	81,980
<b>Total</b>	<b>419,879</b>	<b>87,146</b>	<b>6,673</b>	<b>513,698</b>

  

	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-performance network	<b>422,411</b>	<b>12,056</b>	-	<b>434,467</b>
Management of ADIF-AV-owned assets (passenger stations)	-	71,748	6,453	78,201
<b>Total</b>	<b>422,411</b>	<b>83,804</b>	<b>6,453</b>	<b>512,668</b>

### 13.a) Revenue from use of rail facilities

Details of revenue from use of rail facilities generated in 2015 and 2014, by type established in Order FOM/898/2005, are as follows:

## Financial Statements 31 December 2015

	Thousands of Euros	
	31/12/2015	31/12/2014
Use of infrastructure (Note 1.d))	419,879	422,411
Access	12,181	12,060
Capacity reservation	112,001	112,632
Circulation	80,765	81,207
Traffic	214,932	216,512
Use of stations and other rail installations (Note 1.d))	87,146	83,804
Use of stations	75,307	71,748
Stopping and use of platforms	8,312	8,171
Use of sidings	46	80
Use of gauge-changing installations	3,452	3,805
Use of public rail domain	29	-
	<b>507,025</b>	<b>506,215</b>

Of this revenue, at 31 December 2015 153.121 thousand euros 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 2015 and 2014 are as follows:

	Thousands of Euros	
	31/12/2015	31/12/2014
Rentals and services	105,650	134,580
Utilities, basically relates to traction power	298,344	290,757
Other	56,214	17,700
	<b>460,208</b>	<b>443,037</b>

Other operating income includes income on services rendered to ADIF in 2015 and 2014 by virtue of the service arrangements indicated in Note 1, as follows:

## Financial Statements 31 December 2015

	Thousands of Euros	
	31/12/2015	31/12/2014
Revenue from intra-administration agreements		
NTU electricity	20,580	17,776
Maintenance of fibre optics and auxiliary installations	1,683	1,786
ADIF investment actions	29,121	7,118
Other intra-administrative	2,770	2,111
	<b>54,154</b>	<b>28,791</b>

Rentals and services include, inter alia, rental income from buildings, commercial premises and other properties totalling 55,787 thousand euros in 2015, 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 49,863 thousand euros in 2015 and 71,800 thousand euros in 2014.

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 555,375 thousand euros at 31 December 2015 and 569,540 thousand euros at 31 December 2014. Current accruals at 31 December 2015 comprise the amount to be taken to income in the following year, standing at 25,780 thousand euros.

The heading also comprises income of 111,467 thousand euros 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 462,000 thousand euros, 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 28,300 thousand euros, 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 433,700 thousand euros. 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.

## Financial Statements 31 December 2015

As of December 28, 2015 the Entity, as already mentioned in notes 10 and 16, signed an agreement with ADIF and Renfe Operadora to acquire the rights to use spaces in buildings owned by ADIF A.V. and were being used without any financial consideration by RENFE Operadora, as set out in the Order FOM 2909/2006 which allocates to that entity certain assets, rights and obligations of the National Network of Spanish Railways. Under this acquisition agreement, the Entity has leased Renfe Operadora and its subsidiaries a total of 15,887.49 m<sup>(2)</sup> at various stations and facilities for an annual rate of 2,406,491,64 euros and for a period of 10 years, with an option of renewing.

### (15) Personnel Expenses

Details of this income statement heading in 2015 and 2014 are as follows:

	Thousands of Euros	
	31/12/2015	31/12/2014
Salaries and wages	11,957	11,419
Employee benefits expense	2,902	2,918
Provisions	31	28
	<b>14,890</b>	<b>14,365</b>

Details of employee benefits expense are as follows:

	Thousands of Euros	
	31/12/2015	31/12/2014
Social Security payable by the Entity	2,779	2,789
Other employee benefits	123	129
	<b>2,902</b>	<b>2,918</b>

The distribution of the Entity's employees by gender and category at 31 December 2015 and 2014 is as follows:

Category	Headcount 31/12/2015		
	Male	Female	Total
Administrative staff	139	52	191
Middle management	12	4	16
Operating personnel	2	7	9
	<b>153</b>	<b>63</b>	<b>216</b>

  

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

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

## Financial Statements

### 31 December 2015

Category	Average number of	
	31/12/2015	31/12/2014
Administrative staff	191	194
Middle management	14	14
Operating personnel	11	11
	<b>216</b>	<b>219</b>

The breakdown by sex and categories of Entity staff at December 31 2015 and 2014, with disability greater than 33% is shown in the following tables:

Category	Average number of employees during the year 2015		
	Male	Female	Total
Administrative staff	1	-	1
Middle management	-	-	-
Operating personnel	-	-	-
	<b>1</b>	<b>-</b>	<b>1</b>

Category	Average number of employees during the year 2014		
	Male	Female	Total
Administrative staff	1	-	1
Middle management	-	-	-
Operating personnel	-	-	-
	<b>1</b>	<b>-</b>	<b>1</b>

### (16) Other Operating Expenses

Details of this income statement heading in 2015 and 2014 are as follows:

	Thousands of Euros	
	31/12/2015	31/12/2014
Infrastructure repairs and maintenance	241,020	237,972
Traction power	265,399	255,659
Traffic and passenger service-related services	85,393	84,460
Other supplies	46,848	49,382
Rentals and fees	10,822	10,891
Advertising and public relations	4,765	4,268
Other maintenance and repairs	2,459	2,438
Investment actions on behalf of third parties	29,121	7,118
Other	28,674	26,349
Total external services	714,501	678,537
Taxes other than income tax	3,180	3,121
Losses, impairment and changes in trade provisions	(2,816)	2,984
	<b>714,865</b>	<b>684,642</b>

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 352,351 thousand euros in 2014, and formalised in addenda to the service arrangements, as follows:

## Financial Statements 31 December 2015

	Thousands of Euros	
	31/12/2015	31/12/2014
Infrastructure repairs and maintenance	227,073	226,454
Fibre optic network maintenance, right of way services and right of use	14,203	14,683
Comprehensive management of safety and protection	26,909	24,856
Comprehensive management of stations	32,267	36,241
Traffic safety	1,974	1,974
Award of capacity and traffic management	24,243	21,390
Comprehensive communication services	4,521	4,067
Other agreements	22,957	22,686
	<b>354,147</b>	<b>352,351</b>

The audit of the annual accounts for 2015 and 2014 was contracted by the IGAE. In addition, Grant Thornton has conducted verification services linked to the annual accounts for the years 2015 and 2014 amounting to 260 and 246 thousand euros respectively. Derived from other works, said auditing firm has billed in the year 2015 a total of 35 thousand euros.

### **(17) Recognition of Grants for Fixed Assets and Other**

Details of income from capital grants in 2015 and 2014 are as follows:

	Thousands of Euros	
	Total income	
	31/12/2015	31/12/2014
Cohesion Funds	40,385	38,802
ERDF	26,313	24,633
TEN-T	950	864
Other grants	22,417	31,750
	<b>90,065</b>	<b>96,049</b>

### **(18) Finance Costs**

Details of this income statement heading in 2015 and 2014 are as follows:

	Thousands of Euros	
	31/12/2015	31/12/2014
On loans with third parties	423,560	378,914
Interest on loans and bonds	333,084	322,348
Late payment interest for works contracts	43,432	43,013
Late payment interest for expropriations	17,512	12,374
Other finance costs	29,532	1,179
Provision adjustments	219	(284)
	<b>423,779</b>	<b>378,630</b>

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31 December 2015

**(19) Finance Income**

Details of this income statement heading in 2015 and 2014 are as follows:

	Thousands of Euros	
	31/12/2015	31/12/2014
Capitalised finance costs (note 4.c))	121,081	109,919
From marketable securities and other financial instruments	7,341	12,333
<i>Interest on current investments</i>	2,926	1,879
<i>Interest on current accounts</i>	4,292	3,312
<i>Other</i>	123	7,142
Other finance income	147	3,235
From equity instruments	1,015	753
<i>In Group companies and associates</i>	903	734
<i>In third parties</i>	112	19
	<b>129,584</b>	<b>126,240</b>

"Other financial income" for 2014 includes the amounts accrued for default interest arising from non-deductible VAT refund practiced supported by GIF in 2001 amounting to 3,235 thousand euros, respectively.

**(20) Environmental Information**

At 31 December 2015 and 2014, ADIF-AV's fixed assets included specific environmental works with a net book value of 1.160.595 and 1.038.180 thousand euros respectively, used in order to minimise environmental impacts and to protect and improve the environment, as per the following breakdown:

	31 December 2015 - Thousands of Euros		
	Cost	Accumulated depreciation	Net book value
Tunnels and cut-and-cover tunnels; environmental works	464,589	(6,074)	458,515
Environmental integration works	540,277	(5,961)	534,316
Other environmental works	108,188	(13,136)	95,052
<b>Total property, plant and equipment in operation</b>	<b>1,113,054</b>	<b>(25,171)</b>	<b>1,087,883</b>
<b>Work in progress</b>	<b>72,712</b>	-	<b>72,712</b>
<b>Total at 31 December 2015</b>	<b>1,185,766</b>	<b>(25,171)</b>	<b>1,160,595</b>

## Financial Statements

### 31 December 2015

	31 December 2015 - 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	106,377	(10,615)	95,762
<b>Total property, plant and equipment in operation</b>	<b>972,907</b>	<b>(19,806)</b>	<b>953,101</b>
<b>Work in progress</b>	<b>85,079</b>	-	<b>85,079</b>
<b>Total at 31 December 2014</b>	<b>1,057,986</b>	<b>(19,806)</b>	<b>1,038,180</b>

Additions in 2015 and 2014 amount to 140,149 and 12,325 thousand euros respectively 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 twelve members, namely one Chairman, one Secretary and ten regular directors. Four of the Board members are female and eight are male.

At the 2015 and 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.

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

## **(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.



Financial Statements  
31 December 2015

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 the first quarter of 2015, 6 hedging contracts were made with an interest rate on a notional amount of 772,950 thousand euros, through which has transformed the variable rate into a fixed rate throughout the seven year life of the operation.

The debt of the Entity at December 31, 2015, was contracted with various interest rate regimes. 70,10% is the fixed rate until maturity.

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.

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

At 31 December 2015, the Entity had incurred losses of 361,252 thousand euros, while working capital was positive in the amount of 427,554 thousand euros.

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

On 28 January 2015, the second ADIF-AV bonds issue was made in the amount of 1,000 million euros, 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

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31 December 2015

Commission, traded on AIAF (the Spanish fixed income organised debt market) and cleared and settled through Iberclear.

On July 23, 2015 the EMTN program was renewed, for a value of 6,000 million euros, on the Irish Stock Exchange.

On 22 September 2015, the third ADIF-AV bonds issue was made in the amount of 600 million euros, at an annual fixed coupon rate of 1,875% and with maturity at 22 September 2022. 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.

In December 2015, the issue described in the preceding paragraph was completed through private placements ("TAP's"), amounting to 250 million euros and a payment, amounting to 100 million euros, corresponding to EIB loan.

**(23) Commitments and Contingencies**

Guarantees extended to third parties at 31 December 2015 and 2014 amount to 674 thousand euros. Entity management does not consider that significant liabilities will arise from these guarantees.

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 368,177 thousand euros at 31 December 2015 and 370,906 thousand euros at 31 December 2014, 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:

Financial Statements  
31 December 2015

Expressed in thousands of Euros

Company	<b>Risk assumed by ADIF-AV</b>					
	% ownership		Risk amount at 31/12/2015	Risk amount at 31/12/2014	Provision at 31/12/2015	Provision at 31/12/2014
	2015	2014				
Zaragoza Alta Velocidad 2002, S.A.	30.00%	30.00%	59,461	78,044	29,147	19,992
Valencia Parque Central Alta Velocidad 2003, S.A.	30.00%	30.00%	45,995	46,000	17,967	17,245
Logroño Integración del Ferrocarril 2002, S.A.	30.00%	30.00%	47,994	47,994	-	-
Gijón Integración del Ferrocarril, S.A. Gijón al Norte	30.00%	30.00%	8,400	10,800	742	-
Barcelona-Sagrera Alta Velocitat, S.A.	30.00%	30.00%	65,149	62,097	14,815	-
Cartagena Alta Velocidad S.A.	40.00%	40.00%	-	-	-	-
Murcia Alta Velocidad, S.A.	40.00%	40.00%	-	-	-	-
Alta Velocidad Alicante Nodo Transporte, S.A.	30.00%	30.00%	25,685	27,815	933	-
Valladolid Alta Velocidad 2003, S.A.	30.00%	30.00%	115,493	98,156	64,585	4,320
<b>Total railway integration companies</b>			<b>368,177</b>	<b>370,906</b>	<b>128,189</b>	<b>41,557</b>

## APPENDICES

ENTIDAD PÚBLICA EMPRESARIAL  
ADIF - Alta Velocidad

Property, Plant and Equipment and Investment Property for the year ended  
31 December 2015

Expressed in thousands of Euros

	Balance at 1.1.2015	Additions	Transfers	Derecognitions	Reclassifications	Balance at 31.12.2015
Buildings and other constructions	1,442,930	4,515	79,955	(1,762)	-	1,525,638
Land and natural resources	2,225,293	172,590	1,542	(612)	-	2,398,813
<b>Total land and buildings</b>	<b>3,668,223</b>	<b>177,105</b>	<b>81,497</b>	<b>(2,374)</b>	-	<b>3,924,451</b>
Accumulated depreciation of buildings and other constructions	(249,348)	(23,766)	-	920	-	(272,194)
Provision for depreciation of buildings and other structures	-	(4,875)	-	-	-	(4,875)
<b>Total carrying amount of buildings and other</b>	<b>3,418,875</b>	<b>148,464</b>	<b>81,497</b>	<b>(1,454)</b>	-	<b>3,647,382</b>
Track installations	26,548,168	-	2,824,082	(76,804)	(2,052)	29,293,394
Accumulated depreciation of track installations and other	(2,783,832)	(277,029)	-	68,912	-	(2,991,949)
Impairment of track installations	(9,537)	-	-	-	-	(9,537)
<b>Total carrying amount of track installation and other installations</b>	<b>23,754,799</b>	<b>(277,029)</b>	<b>2,824,082</b>	<b>(7,892)</b>	<b>(2,052)</b>	<b>26,291,908</b>
Transport elements	4	-	-	-	-	4
Accumulated depreciation of transport elements	(4)	-	-	-	-	(4)
<b>Total carrying amount of transport elements</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other property, plant and equipment	37,736	-	444	(424)	-	37,756
Accumulated depreciation of other property, plant and	(35,836)	(597)	-	424	-	(36,009)
<b>Total carrying amount of other property, plant and</b>	<b>1,900</b>	<b>(597)</b>	<b>444</b>	<b>-</b>	<b>-</b>	<b>1,747</b>
<b>Total carrying amount of track installations and other property, plant and equipment</b>	<b>23,756,699</b>	<b>(277,626)</b>	<b>2,824,526</b>	<b>(7,892)</b>	<b>(2,052)</b>	<b>26,293,655</b>
Work in progress	13,362,101	1,819,825	(2,906,023)	(46,109)	-	12,229,794
<b>Total net property, plant and equipment</b>	<b>40,537,675</b>	<b>1,690,663</b>	<b>-</b>	<b>(55,455)</b>	<b>(2,052)</b>	<b>42,170,831</b>
Investment property	240,419	-	-	-	-	240,419
Accumulated depreciation of investment property	(34,793)	(3,962)	-	-	-	(38,755)
Investment property in progress	403	-	-	-	-	403
<b>Total net investment property</b>	<b>206,029</b>	<b>(3,962)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>202,067</b>
Intangible assets	19,403	-	51,342	(86)	2,052	72,711
Accumulated depreciation intangible assets	(14,163)	(619)	-	-	-	(14,782)
Intangible assets in progress	1,245	51,070	(51,342)	-	-	973
<b>Total net intangible assets</b>	<b>6,485</b>	<b>50,451</b>	<b>-</b>	<b>(86)</b>	<b>2,052</b>	<b>58,902</b>

This appendix forms an integral part of Note 4 to the financial statements for 2015, in conjunction with which it should be read.

ENTIDAD PÚBLICA EMPRESARIAL  
ADIF - Alta Velocidad

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

Expressed in thousands of Euros

	Balance at					Balance at
	1.1.2014	Additions *	Transfers	Derecognitions(**)	Reclassifications	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
<b>Total land and buildings</b>	<b>3,493,028</b>	<b>158,201</b>	<b>17,305</b>	<b>(287)</b>	<b>(24)</b>	<b>3,668,223</b>
Accumulated depreciation of buildings and other constructions	(227,247)	(22,101)	0	0	0	(249,348)
<b>Total carrying amount of buildings and other</b>	<b>3,265,781</b>	<b>136,100</b>	<b>17,305</b>	<b>(287)</b>	<b>(24)</b>	<b>3,418,875</b>
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)
<b>Total carrying amount of track installation and other installations</b>	<b>23,213,640</b>	<b>(194,480)</b>	<b>742,291</b>	<b>(7,011)</b>	<b>359</b>	<b>23,754,799</b>
Transport elements	4	0	0	0	0	4
Accumulated depreciation of transport elements	(4)	0	0	0	0	(4)
<b>Total carrying amount of transport elements</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
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)
<b>Total carrying amount of other property, plant and</b>	<b>2,714</b>	<b>(928)</b>	<b>114</b>	<b>0</b>	<b>0</b>	<b>1,900</b>
<b>Total carrying amount of track installations and other property, plant and equipment</b>	<b>23,216,354</b>	<b>(195,408)</b>	<b>742,405</b>	<b>(7,011)</b>	<b>359</b>	<b>23,756,699</b>
Work in progress	12,411,251	1,774,752	(759,710)	(64,192)	0	13,362,101
<b>Total net property, plant and equipment</b>	<b>38,893,386</b>	<b>1,715,444</b>	<b>0</b>	<b>(71,490)</b>	<b>335</b>	<b>40,537,675</b>
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
<b>Total net investment property</b>	<b>209,531</b>	<b>(3,526)</b>	<b>0</b>	<b>0</b>	<b>24</b>	<b>206,029</b>

(\*) 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 (69,795 thousand euros); Bobadilla-Granada Iberian gauge line between km. 59,560 and 86,520 (1,469 thousand euros) and the Loja Station (57 thousand euros)

(\*\*) 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 2015, in conjunction with which it should be read.



ENTIDAD PÚBLICA EMPRESARIAL  
ADIF - Alta Velocidad

Details of Group companies, jointly-controlled entities and associates  
31 December 2015

31/12/2015 (Expressed in thousands of Euros)									
Name	Activity	% ownership	Cost of the investment	Equity	Other equity items	Profit/(loss) for 2015	Operating profit/(loss) for 2015	Dividends received	Name
Cartagena AVE, S.A. (b).	High-speed integration in Cartagena	40.00%	-	-	604	-	5	5	-
Murcia AVE, S.A.(b)	High-speed integration in Murcia	40.00%	-	-	627	-	13	13	-
Palencia Alta Velocidad, S.A.(b)	High-speed integration in Palencia	40.00%	-	-	544	-	(5)	(5)	-
Ingeniería y Economía del Transporte, S.A. (INECO)(b)	Preparation of civil and industrial railway engineering projects. Consultancy services	20.68%	7,977	-	83,522	65	4,369	8,606	903
León Alta Velocidad 2003, S.A.(b)	High-speed integration in León	37.50%	-	-	4,186	998	5,235	(44)	-
Logroño Integración Ferrocarril 2002, S.A.(b)	Management of high-speed rail in Logroño	30.00%	-	-	711	-	2	2	-
Valencia Parque Central Alta Velocidad 2003, S.A.(b)	High-speed integration in Valencia	30.00%	-	-	587	22,817	-	123	-
Valladolid Alta Velocidad 2003 S.A.(b)	Management of high-speed rail in Valladolid	30.00%	-	-	(1,067)	(8,257)	(243)	(243)	-
Gijón al Norte, S.A.(b)	High-speed integration in Gijón	30.00%	99	-	527	-	-	1,649	-
Zaragoza Alta Velocidad 2002, S.A.(b)	High-speed integration in Zaragoza	30.00%	6,750	(6,750)	(279,698)	8,122	(44,718)	(28,152)	-
Alta Velocidad Alicante Nodo Transportes, S.A.(a)	High-speed integration in Alicante	30.00%	-	-	591	-	11	2,577	-
Barcelona Sagrera Alta Velocitat S.A.(b)	High-speed integration in Barcelona	30.00%	-	-	600	-	-	-	-
Almería Alta Velocidad, S.A.(b)	High-speed integration in Almería	30.00%	180	-	598	-	(4)	(5)	-
A.V. Vitoria-Gasteizko Abiadura Handia, S.A.	High-speed integration in Vitoria	40.00%	240	-	597	-	(6)	(6)	-
Total shares in group companies and associates			15,246	(6,750)					903
INECO Transportmex		12.50%	18	(1)	153	-	8	-	-
Albali Señalización, S.A.(b)		10.00%	1,326	-	14,630	-	1,246	5,010	107
Energía Olmedo Orense Fase I		10.00%	356	-	3,560	-	-	10	-
Vía Olmedo- Pedralba		10.00%	526	(390)	1,307	-	(62)	647	-
HIT RAIL B.V		4.35%	55	-	3,256	-	-	56	5
Total others (see note 6.a)			2,281	(391)					112
TOTAL			17,527	(7,141)					1,015
a) Audited annual financial statements at 31 December 2015 b) Provisional financial statements at 31 December 2015 c) Annual financial statements at 31 December 2015, pending audit The "Equity" column includes the profit or loss for 2015.									

This appendix forms an integral part of Note 5 to the financial statements for 2015, in conjunction with which it should be read.



ENTIDAD PÚBLICA EMPRESARIAL  
ADIF - Alta Velocidad

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
A.V. Vitoria-Gasteizko Abiadura Handia, S.A.	High-speed integration in Vitoria	40.00%	240	604	0	-2	-4	0
<b>Total shares in group companies and associates</b>			<b>15,246</b>					<b>735</b>
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 Fase 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
<b>Total others (see note 6.a)</b>			<b>2,281</b>					<b>19</b>
<b>TOTAL</b>			<b>17,527</b>					<b>753</b>
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.