



ADIF Alta Velocidad

Auditors' report on the 2016 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 2016, 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 24 March 2017 and were furnished to the State Audit Office on that date.

The information relating to the financial statements is contained in the file NF1548_2016_F_170324_143157_Cuentas.zip, the electronic summary of which corresponds to 7151DF1F1DBB19E41753EF228D1B258B7E32AE70F4F0B0EB736735D0942E1BA1 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. Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the equity and financial position of ADIF Alta Velocidad at 31 December 2016, 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.



IV. Matters not affecting the opinion

We draw attention to the fact that in the performance of the engagement, irregularities of public sector procurement rules were identified, since certain infrastructure work was performed without the necessary legal coverage. In 2016, ADIF Alta Velocidad continued with a process of regularization of the described situations and is working on the development of the instruments to avoid such incidents in the future, with the effect on work accounts that remain pending regularization at the end of the year appearing in 4.b) of the notes to the financial statements. This matter does not modify our opinion.

We also draw attention to what is indicated in 10.b.1) of the notes to the financial statements which indicates that the Entity is currently involved in litigation with construction companies and third parties arising from the execution of work contracts and expropriations, by which the Entity has provisioned the present value of the best estimate of the future costs corresponding to said litigation, for amounts of 262,750 thousand euros and 46,883 thousand euros respectively, which have been recorded as property, plant and equipment. In addition, the Entity as of December 31, 2016, is involved in a series of judicial proceedings related mainly to litigation for patrimonial responsibility and expropriations, whose maximum risk is estimated with the best information available at 225,626 thousand euros, expected to be concluded shortly and for which it considers that an exit of resources is not probable. For this reason, the Entity has not provisioned any amount. This matter does not modify our opinion.

On March 31, 2016 this Delegated Intervention issued an audit report on the annual accounts for the year 2015, in which a favorable opinion was expressed with qualifications.

V. Report on other legal and regulatory requirements

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

Also, pursuant to Article 129.3 of the State Budget Law, the Entity is required to present, together with the financial statements, a report relating to compliance of the economic and financial obligations assumed by it as a member of the public sector.

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

This auditors' report was signed electronically through the CICEP.Red application of the General State Comptroller by the Financial Controller for ADIF Alta Velocidad, in Madrid, on 29 March, 2017.

**Entidad Pública
Empresarial
ADIF-Alta
Velocidad**

31December 2016

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Financial Statements
31 December 2016

Balance Sheet
31 December 2016

Expressed in thousands of Euros

ASSETS	NOTE	31/12/2016	31/12/2015
Intangible assets	4	58,122	58,902
Property, plant and equipment		42,855,859	42,170,831
Land and buildings		3,783,363	3,647,384
Technical installations, machinery, equipment, furniture and other items		26,120,638	26,293,652
Under construction and advances	4	12,951,858	12,229,795
Investment property	4	198,072	202,067
Non-current investment in Group companies and associates	5	108,957	39,550
Equity instruments		8,397	8,496
Loans to companies		100,560	31,054
Non-current investments		178,613	69,785
Equity instruments	6	2,040	1,890
Public entities	12	175,780	67,115
Other financial assets	6	793	780
Deferred tax assets	11 and 12	4,358	4,210
Non-current trade receivables	6	694	759
Total non-current assets		43,404,675	42,546,104
Trade and other receivables		355,235	416,415
Trade receivables	6	100,602	155,087
Trade receivables, from Group companies and associates	6	5,656	5,656
Other receivables	6	116,104	163,426
Personnel	6	9	7
Current tax assets	12	1,393	4,312
Public entities, other	12	131,471	87,927
Current investments in Group companies and associates	5	4,480	2,226
Loans to companies		4,480	2,226
Other financial assets	7	530,108	1,252,791
Current investments		530,095	1,092,587
Cash and cash equivalents		13	160,204
Total current assets		889,823	1,671,432
TOTAL ASSETS		44,294,498	44,217,536

Balance Sheet
31 December 2016

Expressed in thousands of Euros

EQUITY AND LIABILITIES	NOTE	31/12/2016	31/12/2015
Equity	8	13,806,686	14,133,256
Equity contributions		14,454,014	14,899,514
Reserves		42,071	42,867
Retained earnings		(361,252)	(447,873)
Loss for the year		(328,147)	(361,252)
Valuation adjustments	11	(13,075)	(10,827)
Grants, donations and bequests received	9	10,504,732	9,898,850
Total equity		24,298,343	24,021,279
Non-current provisions	10	477,062	329,131
Long-term employee benefits		754	431
Other provisions		476,308	328,700
Non-current payables	11	14,213,216	14,768,445
Bonds and other marketable securities		3,192,469	2,836,636
Loans and borrowings		10,769,974	11,146,712
Derivatives		17,433	15,037
Other financial liabilities		233,340	770,060
Deferred tax liabilities	12	3,501,390	3,299,428
Non-current accruals	14	528,925	555,375
Total non-current liabilities		18,720,593	18,952,379
Current provisions	10	77,290	76,453
Short-term employee benefits		495	349
Other provisions		76,795	76,104
Current payables	11	1,008,991	929,037
Bonds and other marketable securities		44,542	42,704
Loans and borrowings		483,403	454,524
Other financial liabilities		277	239
Current payables, to Group companies and associates		480,769	431,570
Trade and other payables	11	11,953	11,803
Other suppliers and payables		150,685	200,805
Suppliers, Group companies and associates	11	148,309	199,105
Personnel	11	1,501	356
Public entities, payables	11	249	672
Current accruals	12	626	672
Current provisions	14	26,643	25,780
Total current liabilities		1,275,562	1,243,878
TOTAL EQUITY AND LIABILITIES		44,294,498	44,217,536

Income Statement
31 December 2016

Expressed in thousands of Euros

	NOTE	31/12/2016	31/12/2015
Revenue	13	514,720	513,698
Self-constructed assets		9,610	10,197
Other operating income	14	411,443	460,208
Personnel expenses	15	(15,129)	(14,890)
Other operating expenses	16	(683,307)	(714,865)
External services		(675,565)	(714,501)
Taxes		(4,581)	(3,180)
Losses, impairment and changes in trade provisions		(3,161)	2,816
Amortisation and depreciation		(321,852)	(305,973)
Non-financial and other capital grants	17	98,017	90,065
Provision surpluses		2,059	1,164
Impairment and result on disposal of fixed assets		(1,332)	(11,350)
Results from operating activities		14,229	28,254
Finance income	19	133,944	129,584
From equity instruments		1,492	1,015
From marketable securities and other financial instruments		5,431	7,341
Capitalised finance costs	19 and 4	119,431	121,081
Other		7,590	147
Finance costs	18	(393,173)	(423,779)
On third party loans		(389,647)	(423,560)
Provision adjustments		(3,526)	(219)
Change in fair value of financial instruments		(8,582)	(5,543)
Impairment and losses on disposal of financial instruments		(74,565)	(89,768)
Net finance expense		(342,376)	(389,506)
Loss before income tax		(328,147)	(361,252)
Income tax	12.c	-	-
Loss for the year		(328,147)	(361,252)

Statement of Changes in Equity
31 December 2016

A) Statement of Recognised Income and Expense
for the year ended
31 December 2016

Expressed in thousands of Euros

	NOTE	31/12/2016	31/12/2015
Loss for the year		(328,147)	(361,252)
Income and expense recognised directly in equity			
Grants, donations and bequests	9	905,861	1,492,402
Cash flow hedges	11	(2,396)	(5,990)
Actuarial gains and losses and other adjustments		(796)	(10)
Grants tax effect	9 and 12	(226,466)	(373,101)
Cash flow hedges tax effect	11	148	1,677
Total income and expense recognised directly in equity		676,351	1,114,978
Amounts transferred to the income statement			
Grants, donations and bequests	17	(98,017)	(90,065)
Tax effect	12	24,504	25,218
Total amounts transferred to the income statement		(73,513)	(64,847)
Total recognised income and expense		274,691	688,879

ENTIDAD PÚBLICA EMPRESARIAL
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Statement of Changes in Equity for the year ended 31 December 2016

B) Statement of Total Changes in Equity for the year ended
31 December 2016

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
Balance at 31 December 2014	14,468,304	43,438	(231,333)	(216,540)	8,844,396	(6,514)	22,901,751
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
Balance at 31 December 2015	14,899,514	42,867	(447,873)	(361,252)	9,898,850	(10,827)	24,021,279
Recognised income and expense		(796)		(328,147)	605,882	(2,248)	274,691
Transactions with shareholders or owners							
Increase in equity contributions	(447,873)						(447,873)
Other changes in equity	2,373		86,621	361,252			450,246
Balance at 31 December 2016	14,454,014	42,071	(361,252)	(328,147)	10,504,732	(13,075)	24,298,343

Statement of Cash Flows for the year ended 31 December 2016

Expressed in thousands of Euros

	31/12/2016	31/12/2015
Cash flows from/(used in) operating activities		
Loss for the year before tax	(328,147)	(361,252)
Adjustments for:	576,760	657,845
Amortisation and depreciation (+)	321,852	305,973
Impairment (+/-)	77,726	86,591
Change in provisions (+/-)	32,830	65,900
Grants recognised in the income statement (-)	(98,017)	(90,065)
Proceeds from disposals of fixed assets (+/-)	1,332	10,991
Finance income (-)	(133,944)	(129,584)
Finance costs (+)	393,173	423,779
Change in fair value of financial instruments (+/-)	(8,582)	(5,543)
Other income and expenses (-/+)	(9,610)	(10,197)
Changes in operating assets and liabilities	(39,857)	(271,191)
Trade and other receivables (+/-)	(18,411)	508,991
Trade and other payables (+/-)	36,286	(1,290,836)
Other current liabilities (+/-)	(15,601)	428,453
Other non-current assets and liabilities (+/-)	(42,131)	82,201
Other cash flows from/(used in) operating activities	(346,848)	(347,597)
Interest paid (-)	(331,777)	(301,073)
Dividends received (+)	1,492	1,016
Interest received (+)	19,976	218
Payments (collections) by tax of benefits (- / +)	3,499	-
Other amounts paid (received) (-/+)	(40,038)	(47,758)
Cash flows from/(used in) operating activities	(138,092)	(322,195)

Statement of Cash Flows for the year ended
31 December 2016

Expressed in thousands of Euros

	31/12/2016	31/12/2015
Cash flows from/(used in) investing activities		
Payments for investments (-)	(882,986)	(1,340,068)
Group companies and associates	(81,861)	(26,574)
Property, plant and equipment, intangible assets and investment property	(801,125)	(1,313,494)
Other financial assets	-	-
Proceeds from disposals (+)		140,000
Other financial assets	-	140,000
Cash flows from/(used in) investing activities	(882,986)	(1,200,068)
Cash flows from/(used in) financing activities		
Proceeds from and payments for equity instruments	268,504	515,520
Issue of equity instruments	-	430,050
Grants, donations and bequests received	268,504	85,470
Proceeds from and payments for financial liability instruments	29,891	522,020
Issue	374,663	2,284,681
Bonds and other marketable securities	340,200	1,850,000
Loans and borrowings (+)	-	399,998
Other payables (+)	34,463	34,683
Redemption and repayment of	(344,772)	(1,762,661)
Loans and borrowings (-)	(340,220)	(1,758,592)
Other payables (-)	(4,552)	(4,069)
Cash flows from/(used in) financing activities	298,395	1,037,540
Net increase in cash and cash equivalents	(722,683)	(484,723)
Cash and cash equivalents at beginning of year	1,252,791	1,737,514
Cash and cash equivalents at year end	530,108	1,252,791

Notes to the
Financial Statements
31 December 2016

(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.

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.

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31 December 2016

- 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:

- 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.

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31 December 2016

- ADIF-AV will assume all the functions assigned to ADIF by virtue of Rail Sector Law 38/2015 of 29 September 2015, 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 38/2015 of 29 September 2015 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.
 - b. All assets, whether they are inalienable property in the public domain or privately-owned assets, comprising the railways and that at the date of creation of ADIF-AV were owned by Administrador de Infraestructuras Ferroviarias (ADIF), where ownership thereof is allocated to the former.
 - c. All stations and terminals serving the high-speed lines, where ownership has been attributed to it, and other property assets that are permanently necessary for providing the services constituting its activity.
 - d. In addition, ADIF-AV will own the rail infrastructures that it builds or acquires with its own funds and those that fall to it by virtue of future agreements.
 - e. In accordance with article 24 of Rail Sector Law 39/2003 of 17 November 2003, in no case will ADIF-AV hold ownership of infrastructures that it builds in the future using third-party funds.
- At any point ADIF-AV may exercise, with respect to public assets it holds, the powers of administration, defence, policing, investigation, division and recovery of possession as granted to the General State Administration by Law 33/2003 of 3 November 2003, on Public Authority Assets. With respect to the aforementioned assets, ADIF-AV is entrusted with establishing the system of use and with granting the concessions, authorisations, leases and other titles that enable potential use by third parties.

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

Article 22 of Rail Sector Law 38/2015 of 29 September 2015 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

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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 38/2015 of September 29, 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 2013 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,

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

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- 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.)
 - electricity management services in non-traction use (NTU).

1.c) Other provisions

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

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

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

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

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

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

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- 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.
- Law 48/2015, of October 29, on General State Budgets for 2016, extended for 2017, pursuant to article 134.4 of Title VII of the Spanish Constitution, provides a financial contribution to ADIF- AV of 500,000 thousand euros in 2017 and an authorization of the net increase in long-term indebtedness in that year of 1,500,000 thousand euros. This figure shall be understood as the maximum net increase between January 1 and December 31, 2016 in long-term debt at nominal value with financial institutions and for issues of fixed income securities
- In 2017, pursuant to Article 134.4 of Title VII of the Spanish Constitution, there has been an extension of Law 48/2015, of October 29, of General State Budgets for 2016. As a result, for that year a contribution of EUR 500,000 thousand was recorded for ADIF-AV and an authorization of the net increase in long-term indebtedness of 1,500,000 thousand euros has been established. This figure shall be understood as the maximum net increase between January 1 and December 31, 2017 of the long-term debt at nominal value with financial institutions and issuance of fixed income securities.

1.d) Charges and fees

Articles 74 and 75 of the revoked Rail Sector Law 39/2003 of 17 November 2003 established 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, which replaces in its entirety Law 39/2003 of 17 November, 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.

The regulation of the charges of the new Railway Sector law substantially modifies the regulations established in Law 39/2003.

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The access fee is abolished and in the railway lines fee, new criteria for the classification of lines are introduced in order to link the railway charge to the potential profitability of the market. Moreover, special emphasis is placed on the regulation of bonuses and discounts on the amount of the fee to be paid by operators to encourage the development of railway services and the more efficient operation of lines.

The structure of the fee for the use of service facilities is also modified and the fee regime is revised for the provision of services, advancing free access to service activities without compromising the sustainability of the railway infrastructure

Finally, the classification criteria for passenger transport stations is modified and expanded to take into account the economic capacity of associated services for the determination of the amount of the fee.

The fourth transitional provision of Law 38/2015 provides that, until they are determined in accordance with the rules established in Title VI, the railway fees will continue to be applicable to those in force at the time of entry into force of the Law. The adequacy of railway charges to the provisions of Title VI will be included in any case in the first draft of the General Budget of the State that is processed after the entry into force of the law.

These regulations are applicable to ADIF-AV.

According to the above, the railway fees applicable in 2015 and 2016 can be classified into 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

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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.

In 2016, the fees for 2015 have been maintained, pursuant to what is established in article 74.1 of Law 48/2015 of General State Budgets for 2016, which determines:

"As from January 1, 2016, the fixed tax rates of the State Treasury in the amount due during the year 2015, pursuant to the provisions of article 64 of Law 36/2014 of 26 Of December, of General State Budgets for the year 2015".

(2) Basis of Presentation of the Financial Statements

2.a) Fair presentation

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 2016, 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, in addition to the figures for 2016, those for the previous year that

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were part of the financial statements for 2015, approved by the Board of Directors of ADIF AV dated April 1, 2016.

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, the assessment of certain risks (see note 22) 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.

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 and tax credits to be recorded, 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).
- Impairment of non-financial assets (see Note 3(b)).
- Property, plant and equipment for railway infrastructures carried out by various integration companies in which the Entity participates (see Notes 3.b and 3.i). Infrastructures put into service are registered as fixed assets even if they have not been formally delivered, provided that future economic returns are expected to be obtained through their operation and a reliable valuation of their cost is available. The realization of these estimates requires the application of professional judgments relevant to classify the infrastructures executed, which are complex in nature, such as railways or urban planning, as well as to allocate certain costs necessary for the development of the overall project entrusted to these companies. The final allocation of the works executed by the said companies must be agreed within each of them, so there is an uncertainty about the final allocation of the different assets to each of its shareholders.
- 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. (see Note 3.i).

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- These estimates have been made on the basis of the best information available up to the date of preparation of these annual accounts. Any future events not known at the date of preparation of these estimates could lead to modifications (up or down), which would be carried out, where appropriate, prospectively.

2.d) Functional and presentation currency

The annual accounts are presented in thousands of euros, which is the functional and presentation currency of the Entity, rounded to the nearest thousand, unless 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 RenfeOperadora 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.

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:

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

- ***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

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increase in the cost of these assets. Repair and maintenance costs are expensed when incurred.

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

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

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

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

- 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. Also included, as a higher cost of infrastructure, is the best estimate available at the closing date, of the amounts

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claimed by contractors of works or expropriated, which the Entity considers likely to generate a future outflow of resources, and which correspond inter alia to differences in the measurements of works and to claims of costs linked with increases in execution times over those originally planned.

- b) The assets relating to Madrid-Sevilla 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.
- c) 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.
- d) Other infrastructures received from the State on secondment, were valued at an amount equal to that contained in the corresponding subrogation minutes. This meaning at the purchase price or cost of production incurred by the Ministry of Public Works, according to the data contained in its System of Accounting Information and in its accounting records, deducting its accumulated amortization on the date of transfer. However, if after the initial assessment, changes are made to the values included in the corresponding delivery or other provisions are transmitted ADIF-AV railway infrastructures, or new investments are identified related to the lines or sections previously recorded, these adjustments are recorded in the year in which the new values are known and the corresponding amending acts are signed or the provisions cited are modified.
- e) In respect to the infrastructures built by the Sociedad Estatal de Infraestructuras del Transporte Terrestre, S.A. (Hereinafter SEITTSA) on the L.A.V. Madrid - Galicia, these were delivered to ADIF AV in accordance with the provisions of the Agreement signed on August 25, 2015 by the mentioned Entity, ADIF and the Ministry of Development (hereinafter referred to as the Recast Convention or the Convention). The aforementioned agreement establishes that the delivery of these assets will be considered as a free transfer of assets assigned to the activity of railway infrastructure management. ADIF AV recorded these assets at the acquisition price or the cost of production for which SEITTSA had valued them in its books and which were previously paid by the AGE to the Company.

Land and natural assets are valued according to the amounts paid in respect of expropriations and the assignment value in the case of expropriations that were paid in the past by the Ministry of Public Works and in which the institution was subrogated.

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Throughout 2014, 2015 and 2016, the Entity has been incorporating both the land of historical origin from expropriations undertaken in the nineteenth and twentieth centuries by the former private companies and by Renfe and those lands expropriated by the General Administration of the State and that were pending to delimit, evaluate and regularize in its Balance Sheet. Basically, they correspond to land through which the Madrid-Sevilla high-speed line runs, where all stations are owned by ADIF-AV. It also includes the section of the conventional wide railway network linking the cities of Plasencia, Cáceres, Mérida and Badajoz, the conventional Bobadilla - Granada section, as well as the lands linked to the Valencia-Vandellós section of the Mediterranean Corridor expropriated by Renfe and the Ministry of Development. To be registered, delimitation work, identification of the value of acquisition in the legal inventory of ADIF or documentation of the expropriatory file has been carried out using the value of acquisition or expropriation and, in cases in which it was not possible, the acquisition value of adjoining land purchased in similar years as valuation method. Outcrops of land registered by expropriations of historical origin represent an increase in the number of capital contributions of the Entity. The accounting regularizations of the land contributed by the General State Administration, once the land is delimited and the documentation of the expropriation is obtained, are recorded in the balance sheet item "grants, donations and bequests received".

In addition, the Entity recognized the land expropriated by the Ministry of Development through which the High Speed Atlantic Axis Santiago - Vigo runs, and the link of the high-speed line Madrid - Barcelona French Border with the Mediterranean Corridor as well as the land related to the Madrid-Galicia line in the Balance Sheet. These assets were recorded at the value of ascription provided by the Ministry of Development, although at the date of preparation of these annual accounts there is no individualized breakdown by property.

As a result, at year end 2016, the Entity has completed the process of updating its land inventory of historical origin from expropriations undertaken in the nineteenth or twentieth centuries. Still pending is to individualize by properties and regularize, where appropriate, the lands mentioned in the previous paragraph, which were expropriated by the Ministry of Development in the stretches Santiago de Compostela - Vigo of the Atlantic Axis, section Olmedo-Zamora-Lubián-Orense of the LAV to Galicia and high speed link with the Mediterranean Corridor. The Entity considers that, as a result of this work of individualization of land, there will be no significant differences on the amounts recorded in these financial statements (see note 4).

- 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.

At present, both Entities have proposed to the Ministry of Public Works, the transfer of various assets located on the routes of the conventional network between Alicante and Valencia (Nudo de la Encina-Xátiva) and Leon - La RoblaBaños-Gijón to ADIF AV. The aim is to continue with the construction of the new high-speed lines executed by ADIF AV, pending approval by the Council of Ministers, at the date of formulation of these accounts, by means of the corresponding agreement. This exchange of assets is expected to take place free of charge.

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ADIF-AV registers in its fixed assets both railway infrastructures received by means of a delivery and/or by means of a rule of Law, Royal Decree, agreement of the Council of Ministers or Ministerial Order. Also, any other railway infrastructures and stations that, part of the network owned by them whose administration is entrusted, have entered into service, even if they are not formally delivered by Royal Decree or Ministerial Order, provided that economic returns are expected to be obtained through their operation and a reliable cost valuation is available.

As of December 31 2016, the Entity has recorded in its financial statements, the best available estimate of the railway works executed to date by the integration companies Zaragoza Alta Velocidad 2002 S.A, Valencia Parque Central Alta Velocidad 2003, S.A. and Alta Velocidad Alicante NodoTransportes S.A., in which it invests and that in operation. The works carried out by Zaragoza Alta Velocidad were delivered to ADIF AV by formal act signed on February 1, 2016 and its valuation amounted to 5,457 thousand euros that were recorded in the annual accounts for 2015.

In the case of Valencia Parque Central 2003, S.A. and Alta Velocidad Alicante NodoTransportes S.A., the registered railway works amounted to 71,859 thousand euros and 30,989 thousand euros, respectively. At the date of preparation of these financial statements, the Entity and the aforementioned affiliated companies have not formalized a delivery record for the transfer of ownership. In addition, both companies have executed other works that have not been recorded in these financial statements and that are pending to be attributed to their shareholders, based on their final classification as railway or urban infrastructures and the allocation of certain costs necessary to realize the global project entrusted to these companies. The final attribution of such works to the partners must be subject to an agreement within the Entity, which is considered complex at the date of these annual accounts.

In this sense, the Entity considers that urban undergrounds, whose sole purpose is to facilitate the integration of the railroad, achieving greater permeability between different urban areas, should be considered as urban infrastructure and should not be incorporated into its equity.

At year-end 2016, the Entity has still pending to receive certain railway works put into operation and have been executed, by other affiliate companies mainly Valladolid Alta Velocidad 2003, S.A. and Leon Alta Velocidad 2003, SA. In these cases, the attribution to the different shareholders of the assets executed is pending, due to the complexity to reach an agreement within the companies that allows to qualify the infrastructures constructed as railways or, in their case, as urbanistic. Consequently, at the date of preparation of these annual accounts, the Entity does not have a sufficiently reliable quantification of the railway infrastructures that allow its registration.

- ***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:

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

- Depreciation of other property, plant and equipment.

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

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

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

• **Impairment**

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

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

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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.

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-Sevilla 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.

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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.

Income from real estate operating leases is recognised in the income statement in the year in which it is earned. Rent received in advance 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 a 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

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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.

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:

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

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

- Derivative financial instruments

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

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

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

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

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.

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3.g) Grants, donations and bequests received

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

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

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

As a result of the foregoing and applying recognition and measurement standard 18, and in accordance with regulation 6, section 1 of Order EHA/733/2010 of 25 March 2010, the Entity recognised a capital grant in the amount of 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.

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

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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.

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.

The Entity records, as provisions, the best estimate available at the closing date of the obligations assumed by the participation in various integration companies whose cancellation is likely to result in an outflow of resources, but which are indeterminate as to their amount or date. For the quantification of the aforementioned obligations, the estimates of the cash flows expected to be obtained in each case, facilitated by Management of each of the Companies, are considered, analysing their ability to obtain income that allows them to meet the contracted obligations with third parties to carry out the project entrusted to them, as well as the needs of contributions of funds by the shareholders and their capacity to reimburse the financing provided and pending contribution. In those cases in which it is estimated that there will be a deficit to be assumed by the shareholders, the final risk assumed by the Entity is determined, taking into account, the best estimate of the

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value of the railway infrastructures that the Company must deliver to ADIF AV. Consequently, the loss assumed by the Entity, recognized as a provision for risks and expenses, and as a provision for impairment of financial assets is quantified as the difference between the present value of mentioned deficit and the estimated cost of the infrastructures to be received by the Entity.

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 reflected at the effect exchange rate at the balance sheet date and exchange differences are recorded at the time they occur.

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 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.

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(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 recorded based on the accrual criteria, that is, when the actual flow of goods and services that they represent, regardless of the moment in which the monetary or financial flow derived from them occurs.

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.

3.n) Related party transactions

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

3.o) Leases

Lease contracts, which at the outset transfer, substantially all the inherent risks in ownership of the assets to the Entity, are classified as finance leases and, if they are not, are classified as operating leases. The lease contracts in effect at the date of closing of these financial statements, all classified as operating leases, consist mainly of the rental of vehicles and administrative offices.

(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 2016 and 2015 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

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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-Castillala 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).
- 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).

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- 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.

In the process of accounting regularization of land owned by ADIF - AV, the Entity up until 31 December 2015, has delimited, valued, and entered in the economic accounting inventory the land located in the following areas of action:

- Sections of the conventional width rail network that connect the cities of Plasencia, Cáceres, Merida and Badajoz and a stretch of 27 km. of the conventional rail network Bobadilla- Granada.
- Madrid-Sevilla high-speed line, for the land mainly referred to the Getafe-Córdoba section, which was paid by the Ministry of Development and whose records were not included in the Entity's economic and accounting inventory at 31 December 2013.
- 31 stations assigned to ADIF AV whose land was not registered in the Entity's economic inventory as of December 31, 2013.

In 2016, the Entity had access to documentation supporting the expropriations carried out by the Ministry of Development in the area of the Mediterranean Corridor, Valencia - Vandellós section. Derived from its analysis, these lands have been delimited and valued increasing their acquisition value to 45,773 thousand euros. As at 31 December 2015, these lands were registered for 56,339 thousand euros, a figure provided by the Ministry in its day and recorded in the corresponding minutes signed, so that in 2016, accounting for its value of ascription has been adjusted.

At year-end 2016, the Entity has recorded land expropriated at the time by the General State Administration, for the value of ascertainment communicated by the Ministry of Development and pending delimitation and individualized valuation of its farms according to the following detail:

- | | |
|-----------------------------------------------------------------------|-----------------------|
| • Santiago de Compostela-Vigo stretch of the Atlantic High Speed Axis | 70,000 thousand euros |
| • Olmedo-Zamora-Lubian-Orense High Speed Line | 43,000 thousand euros |
| • High Speed Link with the Mediterranean Corridor | 48,665 thousand euros |

The Entity's Management considers that the process of delimitation and individualized valuation of these lands, which it is carrying out, will not have a significant impact on its financial statements

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Likewise in 2016, historical land, expropriated by RENFE or private railway predecessor companies, was delimited, valued and registered in the annual accounts, from the Santiago de Compostela - Vigo section of the High Speed Atlantic Axis for a total of 295 thousand euros. The Entity considers that it has culminated the process of updating its inventory of historical land from expropriations undertaken in the nineteenth or early twentieth century.

4.a) Operating property, plant and equipment

The following is a breakdown of the acquisition or production cost at 31 December 2016 and at 31 December 2015 of the Entity's property, plant and equipment by high speed network line:

	31/12/2016 thousands of Euros				
	Land and natural resources	Buildings and other constructions	Track and other technical installations	Other property, plant and equipment	Total
Madrid-Barcelona-Figueras	779,718	634,344	10,076,216	6,861	11,497,139
Madrid-Levante	866,322	266,018	7,057,322	768	8,190,430
Madrid-Sevilla and Toledo branch	75,159	437,944	2,428,571	8,745	2,950,419
Córdoba-Málaga	162,724	66,232	2,231,356	1,841	2,462,153
Bobadilla - Granada and Extremadura	2,248	2,464	129,552	105	134,369
Madrid-Valladolid	45,025	62,316	3,758,232	530	3,866,103
Valladolid - León	97,342	29,656	1,098,448	174	1,225,620
Olmedo - Zamora	87,409	13,871	491,271	143	592,694
Vigo - Santiago de Compostela					
Atlantic Axis	120,803	55,493	1,797,164	457	1,973,917
Others	213,014	65,111	339,934	13,037	631,096
	2,449,764	1,633,449	29,408,066	32,661	33,523,940

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

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4.b) Work in progress

Work in progress at 31 December 2016 and 31 December 2015 is detailed in the table below:

	Thousands of Euros	
	31/12/2016	31/12/2015
Madrid - Zaragoza - Barcelona - Figueras	225,709	178,919
Zaragoza - Pamplona, Tramo Castejón - Comarca de Pamplona	74,886	74,287
Madrid - Castilla la Mancha - Com. Valenciana - Murcia Region	1,894,126	1,798,567
Mediterranean High Speed Corridor	127,253	99,369
Link MediterraneanCorridor, Tarragona Area	472,868	442,162
Pulpí- Murcia High Speed Line	75,818	75,040
Murcia -Almería High Speed Line	563,929	562,617
Madrid-Sevilla and Toledo branch	150	150
Córdoba - Málaga	10,164	7,755
Bobadilla - Granada High Speed Line	1,194,687	1,133,478
Madrid - Cáceres, Navalmoral de la Mata stretch - CáceresHigh Speed	518,931	480,194
Madrid - Extremadura - F. portugues, Cáceresstretch - Mérida - Badajoz High Speed Line	299,422	297,034
Madrid - Segovia - Valladolid	17,927	20,208
Valladolid - Burgos - Vitoria	581,270	561,203
País Vasco High Speed Line	1,230,866	1,179,208
Palencia - León	113,821	111,553
León - Asturias High Speed Line	2,848,252	2,802,102
Galicia (Olmedo - Lubián) High Speed Line	386,063	365,432
Galicia (Lubián - Ourense) High Speed Line	1,310,658	1,138,325
High Speed Atlantic Axis	74,172	46,332
Madrid Atocha - Madrid Chamartín	743,371	707,211
Atocha Station complex expansion	2,154	1,960
Other High Speed investments.	137,228	120,881
Investment in asset reposition and improvement	48,133	25,807
TOTAL	12,951,858	12,229,794

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, 2016 and December 31, 2015 arising from outstanding contractual issues pending formalization worth 94,581 and 90,479 thousand euros, respectively. In 2016, ADIF AV has continued with a process of regularization of these situations and is working on the development of instruments to avoid such incidents in the future.

Work in progress at 31 December 2016 and 31 December 2015 includes 295,822 and 341,522 thousand euros, respectively, for advances to suppliers. At 31 December 2016 and 2015, this item also comprises advances extended to suppliers that have not been formally set out in contracts, in the amount of 70,372 and 84,969 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 2016 and 31 December 2015:

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	Thousands of Euros	
	31/12/2016	31/12/2015
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	11,165
AV Alicante Nodo de Transporte S.A.	28,275	28,275
TOTAL	89,053	89,053

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 2015 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 2016, the Entity has firm commitments with third parties to make future investments of 3,267,284 thousand euros, excluding VAT. At 31 December 2015, the Company had firm commitments with third parties to make future investments of 3,487,386 thousand euros, excluding VAT.

4.c) Capitalised borrowing costs

During 2016, the Entity capitalised borrowing costs totalling 119,431 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 22,875 thousand euros in relation to the Levante line; 26,086 thousand euros reflecting the cost of the high-speed rail network of the Basque Country, called "Y Vasca"; 8,808 thousand euros representing the costs of the Valladolid-Vitoria stretch of the Madrid-Basque Country/French border high-speed line; and 12,809 thousand euros for the costs of the Pajares alternate route of the Madrid-Asturias high-speed line and 20,190 thousand euros for the railway connection between Madrid Atocha station and Madrid Chamartín station.

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 railway connection between Madrid Atocha station and Madrid Chamartín station. (see Note 19).

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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 2016 and 31 December 2015 are as follows:

	Thousands of Euros	
	31/12/2016	31/12/2015
Intangible assets	11,895	11,190
Property, plant and equipment	345,097	307,605
Investment property	84	84
	357,076	318,879

4.e) Government grants received

The construction of property, plant and equipment for railway infrastructure has partly been financed by non-refundable capital grants, among which some come from European Funds (Cohesion Funds, TEN-T, ERDF) (see Note 10).

Current and on-going investments delivered by the State to ADIF in 2012 and 2013, mainly the works on the Atlantic Hub and the link to the Valencia-Vandellós section of the Mediterranean Corridor in accordance with Royal Decree-Law 22/2012 of 20 July, and Royal Decree-Law 4/2013, of February 22, respectively, and the assets received in the process of excision in the creation of ADIF-AV on January 1, 2013, have been registered with a counterpart being the recognition of a capital grant (see Notes 3(b) and 3(g)).

4.f) Intangible assets

Details of intangible assets at 31 December 2016 and 31 December 2015 are as follows:

	31/12/2016 thousands of euros		
	Cost	Accumulated amortisation	Total
Operating intangible assets			
Computer software	6,380	(6,281)	99
Rights of use space RENFE	50,831	(678)	50,153
Research and development expenses	10,503	(3,515)	6,988
Other intangible assets	5,681	(5,681)	-
Total operating intangible assets	73,395	(16,155)	57,240
Intangible assets in progress			
Computer software	9	-	9
Research and development expenses	873	-	873
Other intangible assets	-	-	-
Total intangible assets in progress	882	-	882
Total intangible assets	74,277	(16,155)	58,122

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	31/12/2015 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)	-
Total operating intangible assets	72,711	(14,782)	57,929
Intangible assets in progress			
Computer software	19	-	19
Research and development expenses	874	-	874
Other intangible assets	80	-	80
Total intangible assets in progress	973	-	973
Total intangible assets	73,684	(14,782)	58,902

The intangible asset called "rights of use space Renfe" referred to in the above tables correspond 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.

On December 28, 2015, the Entity, together with RENFE Operadora, signed with RENFE Operadora, RenfeViajeros, S.A., RenfeFabricación y Mantenimiento, S.A. y RenfeAlquiler 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.

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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. At the date of preparation of these annual accounts, ADIF-AV and RENFE-Operadora are finalizing the necessary procedures for the delivery of the goods mentioned above.

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 RenfeOperadora 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.b.2))

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:

Metres squared	Period	Annual income (euros)
15,887.49 m ²	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 RenfeOperadora, 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 2016 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 except as indicated in Annex I (see Note 3.b)).

4.h) Investment property

The breakdown at 31 December 2016 and 31 December 2015 is as follows:

	31/12/2016 thousands of euros		
	Cost	Accumulated depreciation	Total
Shopping centres at passenger rail stations	99,931	(17,643)	82,288
Commercial car parks	78,596	(9,504)	69,092
Buildings and hotels at intermodal stations	61,683	(15,417)	46,266
Housing, premises and garages	209	(186)	23
Investment property in progress	403	-	403
Total	240,822	(42,750)	198,072

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	31/12/2015thousands 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
Total	240,822	(38,755)	202,067

4.i) Sale commitments (land associated with Chamartín Station rail complex)

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 "DesarrolloUrbanísticoChamartín, 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 DesarrolloUrbanístico 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 m2 of urban land for the building of government-supported residential properties (payment in kind).

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.

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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 m² of government-supported residential area. The validity and effectiveness of this agreement is subject to definitive approval of the modification of the PPRI.

In accordance with the Framework Contract, ADIF and ADIF-AV may receive 84.027% of the price foreseen of 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 m² can be built for government-supported residential use (53,438.65 m² for ADIF and the remaining 30,588.35 m² for ADIF-AV).

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

DUCH drafted a new document which was initially approved by the City Council on 19 February 2015. Following the completion of the public exposure period and the securing of sector reports, the processing of this planning instrument was completed on 18 Of May of 2015, pending final approval by the City of Madrid.

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 DesarrolloUrbanísticoChamartín S.A. was published to the public, dated June 29, 2015, the name change to the de Distrito CastellanaNorte S.A. (DCN)

On 10 May, the Madrid City Council presented a proposal for the management of the APR 08.03 "Prolongación de la Castellana" alternative to that promoted by DCN, called Madrid PuertaNorte.

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This proposal eliminates the prolongation of the Castellana, it reduces to nearly half the buildability of the area, excluding a large part of the railway land, while decreasing the urban costs, among others, the area of road cover.

Likewise, the scope is divided into three, proposing that the South of 30 street, be managed by the administrations through the creation of a Consortium or public society.

This new ordination proposal would need the modification of the General Plan in force in several aspects. The procedure would extend the deadlines.

During the months of May and June 2016, meetings have been held between the Ministry of Public Works, the Community of Madrid, the City Council, BBVA, which controls the DCN, ADIF and RENFE-Operadora, in which both the Ministry, Community of Madrid and Public Entities have expressed their opposition to the municipal proposal.

On May 25, 2016, based on the report of its Planning and Urban Planning DG, the Plenary of the City Council agreed to deny the definitive approval of the Partial Plan of APR 08.03 "Prolongación de la Castellana" promoted by DCN and declaring the impossibility of processing the Urban Agreement for the management and execution of the Partial Plan (BOCM Publication dated June 24, 2016).

On June 24, 2016, the Ministry of Public Works, sent a prior notice against the agreement cited in the previous paragraph to the City of Madrid, which requires the declaration of nullity of the Agreement mentioned, as well as negotiations with all the signatories of the Management Urban Agreement and execution of Partial Plan APR 08.03 "Prolongación de la Castellana".

In September 2016, as they understand that the Agreement adopted by the City Council is contrary to law and because of their importance, the Ministry of Public Works, ADIF and RENFE-Operadora filed the corresponding administrative appeals.

On 30 November 2016, a meeting took place between the Minister of Public Works and the Mayor of Madrid, where they agreed to create a working group to work jointly on an urban planning approach for the northern part of Madrid, starting from scratch and without any apriorism by any of the parties. This allows us to arrive at a consensual urban solution in a relatively short time and that would be processed urbanistically by the Madrid City Council, by means of a specific modification of the PGOU.

The first meeting of the working group was held on December 19 and agreed, among other things, to create a Technical Subcommittee, which has been meeting regularly to this date.

Motivated by the new situation of urban development, DCN, ADIF and RENFE-Operadora subscribed, on December 28, 2016, an extension of the Basis Agreement, until August 31, 2018. DCN must pay to Public Entities for this reason an amount of 4,350,274 euros derived from the extension of the Basis Agreement until August 31, 2018. Of this amount, ADIF AV is due the amount of 444,380 euros in 2017 and 444,380 euros in 2018.

Finally, on January 27, 2017, the Supreme Court issued a judgment dismissing the appeal filed by the Ministry of Public Works, Madrid City Council, ADIF, RENFE-Operadora and DCN against the nullity of the 2011 PPRI.

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(5) Investments in Group Companies and Associates

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

Details of movement for 2016 and 2015, expressed in thousands of euros, of the accounts that make up this section is detailed in the attached tables:

	31/12/2016 Thousands of Euros			
	Investments in Group companies and associates	Uncalled equity holdings	Provisions	Total
Balance at 1 January 2016	15,246	(6,750)	-	8,496
Additions	3,900	(2,925)	(7,824)	(6,849)
Withdrawals	(6,750)	6,750	6,750	6,750
Balance at 31 December 2016	12,396	(2,925)	(1,074)	8,397

	31/12/2015 Thousands of Euros			
	Investments in Group companies and associates	Uncalled equity holdings	Provisions	Total
Balance at 1 January 2015	15,246	(6,750)	-	8,496
Balance at 31 December 2015	15,246	(6,750)	-	8,496

Details of the main affiliated companies 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%) 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 2016 and 31 December 2015 are as follows:

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Concept	Thousands of Euros	
	31/12/2016	31/12/2015
Zaragoza Alta Velocidad 2002, S.A.	57,737	48,749
Cartagena AVE, S.A.	-	1,080
Murcia AVE, S.A.	-	3,400
Palencia Alta Velocidad, S.A.	200	200
Logroño Integración del Ferrocarril 2002, S.A.	7,996	1,047
Gijón al Norte, S.A.	5,897	3,793
Barcelona Sagrera AV, S.A.	10,532	-
Valladolid Alta Velocidad, 2003, S.A.	37,590	-
Valencia Parque Central Alta Velocidad 2003, S.A.	7,823	-
Total non-current loans to Group companies and associates	127,775	58,269
Provision for impairment	(27,215)	(27,215)
	100,560	31,054

These amounts correspond to loans granted by the Entity from January 1, 2013 and those that were assigned to it in the segregation process and that were not impaired as of December 31, 2012. At that date, ADIF-AV was assigned loans granted by ADIF to the Integración Zaragoza Alta Velocidad 2002, S.A. for a nominal value of 30,279 thousand euros and to Palencia Alta Velocidad for a nominal value of 410 thousand euros. These were totally impaired and therefore in compliance with the accounting regulations and were allocated to ADIF-AV for its net amount, i.e. for zero euros. Therefore, they are not reflected in the above table. The impaired amount of 27,215 thousand euros at 31 December 2016 and 31 December 2015 corresponds to loans granted to the companies Zaragoza Alta Velocidad 2002, S.A. and to Palencia Alta Velocidad, S.A.

The situation at 31 December 2016 and 31 December 2015 in relation to loans granted to its long-term investees at nominal value is shown in the table below:

Company	Thousands of Euros	
	31/12/2016	31/12/2015
Palencia Alta Velocidad, S.A.	610	610
Logroño Integración Ferrocarril 2002, S.A.	7,996	1,047
Valencia Parque Central Alta Velocidad 2003, S.A.	7,823	-
Valladolid Alta Velocidad 2003 S.A.	37,590	-
Gijón al Norte, S.A.	5,897	3,793
Zaragoza Alta Velocidad 2002, S.A.	88,016	79,028
Barcelona Sagrera Alta Velocitat S.A.	10,532	0
	158,464	84,478

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 the heading "Loans to companies" at 31 December 2016 and 31 December 2015 is as follows:

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Concept	Thousands of Euros	
	31/12/2016	31/12/2015
Other current loans	6,456	1,976
Other financial assets	8,722	4,955
Impairment of receivables	(10,698)	(4,705)
	4,480	2,226

As indicated in note 5.b, in 2016 the Entity has reclassified, to a current status, the loans granted to companies Cartagena Alta Velocidad and Murcia Alta Velocidad, valued at 1,080 thousand and 3,400 thousand euros, respectively.

Other financial assets correspond to interest accrued up to the closing date, for the loans granted by the Entity to group companies and associates.

At 31 December 2016 and 31 December 2015, ADIF-AV's management considered that these loans are not recoverable in the majority of cases, thus deteriorating by 10,698 thousand euros and 4,705 thousand euros, respectively.

(6) Other Financial Assets

The breakdown by category of financial assets, excluding investments in equity of group and associated companies (see note 5), at 31 December 2016 and 31 December 2015, in thousands of euros, is as follows:

	31/12/2016Thousands of Euros		
	Equity instruments	Loans, derivatives and other	Total
Non-current financial assets			
Loans and receivables	-	1,487	1,487
Available-for-sale assets	2,040	-	2,040
Total non-current financial assets	2,040	1,487	3,527
Current financial assets			
Loans and receivables	-	222,371	222,371
Total current financial assets	-	222,371	222,371

	31/12/2015 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
Total non-current financial assets	1,890	1,539	3,429
Current financial assets			
Loans and receivables	-	324,176	324,176
Total current financial assets	-	324,176	324,176

The breakdown of these amounts in the different balance sheet items at 31 December 2016 and 2015 are as follows:

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31/12/2016 Thousands of Euros			
	Equity instruments	Loans, derivatives and other	Total
Non-current financial assets			
Non-current financial investments	2,040	793	2,833
Non-current trade receivables	-	694	694
Total non-current financial assets	2,040	1,487	3,527
Current financial assets			
Current financial assets	-	-	-
Trade and other receivables	-	222,371	222,371
Total current financial assets	-	222,371	222,371

31/12/2015 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
Total non-current financial assets	1,890	1,539	3,429
Current financial assets			
Current financial assets	-	-	-
Trade and other receivables	-	324,176	324,176
Total current financial assets	-	324,176	324,176

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

Under the heading "Loans, derivatives and other" there has been a contingent asset amounting to 35,000 thousand euros at December 31, 2016 which has been fully impaired (see note 10 b 1).

6.a) Investments

The breakdown of financial investments at 31 December 2016 and 31 December 2015 is as follows:

	Thousands of Euros			
	31/12/2016		31/12/2015	
	Non-current	Current	Non-current	Current
Equity instruments (see Appendix II)	2,281	-	2,281	-
Impairment	(241)	-	(391)	-
Total equity instruments	2,040	-	1,890	-
Other financial assets (deposits, guarantees and other credits)	793	-	780	-
	2,833	-	2,670	-

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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

The breakdown of trade and other receivables at 31 December 2016 and 31 December 2015 is as follows:

	Thousands of Euros			
	31/12/2016		31/12/2015	
	Non-current	Current	Non-current	Current
Group companies and associates				
Receivables (Note 6.b.1))	-	5,656	-	5,656
Unrelated parties				
Trade receivables (Note 6.b.2))	-	100,602	-	155,087
Other receivables (Note 6.b.3))	694	116,104	759	163,426
Personnel	-	9	-	7
	694	222,371	759	324,176

6.b.1) Group Companies and Associates

The breakdown of these accounts receivable at 31 December 2016 and 31 December 2015 is as follows:

	Thousands of Euros	
	31/12/2016	31/12/2015
Alta Velocidad Alicante Nodo del Transporte, S.A.	798	798
Valladolid Alta Velocidad 2003, S.A.	4,858	4,858
	5,656	5,656

6.b.2) Trade receivables

Trade receivables include the balance of rail fees settled and pending collection at 31 December 2016, for 99,294 thousand euros. Trade receivables also include accrued interest receivable of 1,308 thousand euros for the passenger rail transport safety levy.

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.

6.b.3) Other receivables

The detail at 31 December 2016 and 31 December 2015 is as follows:

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	Thousands of Euros	
	31/12/2016	31/12/2015
Agreements with rail operators	59,751	57,101
Fibre-optics rental	9,375	11,015
Amounts due to ADIF-AV from ADIF	3,211	7,585
Other rentals	7,181	9,447
Other items	5,810	18,847
Services rendered pending invoice		
Agreements with rail operators	18,953	24,738
Agreements with ADIF	17,541	34,974
Other	(3,509)	(1,190)
Impairment of trade receivables	(2,209)	909
Total other receivables	116,104	163,426

The agreements with railway operators correspond mainly to Renfe Operadora and its group.

The balance receivable from ADIF at December 31, 2016 and at December 31, 2015 corresponds to services rendered to ADIF billed up to that date and pending billing, based on the additions listed in note 1.

The movement of valuation adjustments for impairment of short and long-term receivables at 31 December 2016 and 31 December 2015 is as follows:

	Thousands of Euros			
	31/12/2016		31/12/2015	
	Non-current	Current	Non-current	Current
Balances at 1 January	-	909	-	(2,701)
Provisions, reversals and/or applications during the year	-	(3,118)	-	3,610
Balances at 31 December	-	(2,209)	-	909

(7)Cash and Cash Equivalents

The breakdown of cash and cash equivalents as of December 31, 2016 and December 31, 2015 is as follows:

	Thousands of Euros	
	31/12/2016	31/12/2015
Cash on hand and at banks	530,095	1,092,587
Cash equivalents	13	160,204
	530,108	1,252,791

"Cash equivalents" in 2016 and 2015, corresponds to temporary financial investments whose period between the disposal date and the maturity date is less than three months, as well as to accrued and unpaid interest Financial assets and checking accounts. The detail of these investments classified by financial instrument at December 31, 2016 and December 31, 2015 is as follows:

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Thousands of Euros						
31/12/2016			31/12/2015			
Amount	TOTAL	Returns	Amount	TOTAL	Returns	
Fixed-term deposits	-	-	0,00%	160,000	160,000	0,4%
Promissory notes	-	-		-	-	-
Accrued interest receivable	-	13		-	204	
	-	13		160,000	160,204	

(8) Equity

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

8.a) Equity contribution

In the State General Budgets for 2016 and 2015, contributions of 500,000 and 430,050 thousand euros were made in favour of ADIF-AV, to finance the railway network owned by itself. At the close of 2016, the Entity had not received any amount related to capital contributions recorded in the State General Budget for 2016. In this regard, in the development of the non-availability agreement of the Ministers Council of April 20, 2016, this provision was reduced by 146.6 million euros. Additionally, compliance with the fiscal consolidation commitments advised to limit to the maximum the actions that could have an impact on the public deficit, as a consequence of which the remaining amount has not been paid.

In 2016 and 2015, the Entity proceeded to delimit, evaluate and register those lands which, although they were owned, were not recorded in the accounts, basically for acquisitions or very old expropriations, some of which were carried out by the old companies that were integrated into the Spanish National Network Railways. As a result of this process of updating the inventory, the Entity has recognized land in 2016 in the amount of 2,373 thousand euros and in the year 2015 in the amount of 1,160 thousand euros, which in both cases have been accounted for as equity (See Notes 3.b and 4).

8.b) Reserves

The movement in the Reserves heading at 31 December 2016 and 31 December 2015 is as follows:

31/12/2016 Thousands of Euros			
	Reserves for actuarial gains and losses	Other reserves	Total
Balance at 31 December 2015	(58)	42,925	42,867
Recognition of actuarial gains and losses and other adjustments	(276)	(520)	(796)
Balance at 31 December 2016	(334)	42,405	42,071

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	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)
Balance at 31 December 2015	(58)	42,925	42,867

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.

On April 1 2016, the Board of Directors of ADIF-AV approved the two proposals of the Board of Directors mentioned above.

8.d) Valuation adjustments

The amount recognised in equity in 2016 and 2015, as well as the amounts reclassified from equity to finance expenses in the income statement in these years are disclosed in the statement of recognised income and expense, which forms part of the statement of changes in equity for each year.

The movement in 2016 and 2015 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 2016 and 2015 comprises outright capital grants pending recognition as income.

Movement in 2016 and 2015 is as follows:

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31/12/2016Thousands of Euros

	Cohesion Funds	ERDF funds	TEN-T funds	State grants for work performed ⁽¹⁾	Other capital grants	Total capital grants
Balances at 31 December 2015	4,710,363	2,628,800	229,850	2,135,451	194,386	9,898,850
Additions	315,999	423,450	75,193	567	111,323	926,532
<i>European funds accrued in the year</i>	<i>315,999</i>	<i>423,450</i>	<i>75,193</i>		-	814,642
<i>Actions received by SEITTSA</i>				2	-	2
<i>Actions received by Fomento</i>				565	-	565
<i>Other capital grants</i>					111,323	111,323
Withdrawals		(1,148)	(6,879)	(12,644)	-	(20,671)
Tax effect of capital grants accrued during the year (note 12)	(79,000)	(105,575)	(17,079)	3,019	(27,831)	(226,466)
Allocation to income of net capital grants tax effect (note 17)	(34,207)	(19,197)	(815)	(14,890)	(4,404)	(73,513)
Balances at 31 December 2016	4,913,155	2,926,330	280,270	2,111,503	273,474	10,504,732

31/12/2015 Thousands of Euros

	Cohesion Funds	ERDF funds	TEN-T funds	State grants for work performed ⁽¹⁾	Other capital grants	Total capital grants
Balances at 31 December 2014	4,707,077	1,921,688	232,119	1,791,000	192,512	8,844,396
Additions	43,151	968,076	1,875	496,641	5,787	1,515,530
<i>European funds accrued in the year</i>	<i>43,151</i>	<i>968,076</i>	<i>1,875</i>	-	-	1,013,102
<i>Actions received by SEITTSA</i>	-	-	-	437,204	-	437,204
<i>Actions received by Fomento</i>	-	-	-	59,437	-	59,437
<i>Other capital grants</i>	-	-	-	-	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	4,710,363	2,628,800	229,850	2,135,451	194,386	9,898,850

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 AV 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.

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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 28% in 2015 and 25% in 2016.

9.a) Cohesion Funds

Details of Cohesion Funds at 31 December 2016 and 2015, without taking into account the tax effect and including the amounts accrued for payables convertible into grants, are as follows:

31/12/2016 Thousands of Euros				
STRETCH	ASSISTANCE GRANTED	GRANTS ACCRUED	PAYABLES CONVERTIBLE INTO	COLLECTIONS MADE
			GRANTS (Note 11.b)	
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	1,473,204	1,473,204	-	1,399,537
TOTAL	6,943,277	6,943,277	-	6,869,610

31/12/2015 Thousands of Euros				
STRETCH	ASSISTANCE GRANTED	GRANTS ACCRUED	PAYABLES CONVERTIBLE INTO	COLLECTIONS MADE
			GRANTS (Note 11.b)	
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
TOTAL	6,627,277	6,627,277	245,216	6,869,610

9.b) European Regional Development Fund (ERDF)

Details of European Regional Development Funds at 31 December 2016 and 31 December 2015, without taking into account the tax effect, are as follows:

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31/12/2016 Thousands of Euros

OPERATING PROGRAMME	LARGE PROJECT	ASSISTANCE GRANTED	GRANTS ACCRUED	PAYABLES CONVERTIBLE INTO GRANTS (Note 11.b)	COLLECTIONS MADE
ANDALUCIA	Córdoba - Málaga	883,614	883,614	-	883,614
CASTILLA Y LEÓN	Segovia - Valladolid	193,256	193,256	-	193,256
MURCIA	Murcia Access	28,412	28,412	-	28,412
CASTILLA LA MANCHA	Toledo Access	67,127	67,127	-	67,127
VALENCIA	Alicante Access	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
FEDER 2007-2013		2,307,327	2,278,057	-	2,175,944
TOTAL		3,971,006	3,941,736	-	3,839,622

31/12/2015 Thousands of Euros

OPERATING PROGRAMME	LARGE PROJECT	ASSISTANCE GRANTED	GRANTS ACCRUED	PAYABLES CONVERTIBLE INTO GRANTS (Note 11.b)	COLLECTIONS MADE
ANDALUSIA	Córdoba - Málaga	882,883	882,883	-	882,883
CASTILLA Y LEÓN	Segovia - Valladolid	193,256	193,256	-	193,256
MURCIA	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
TOTAL		3,594,497	3,519,433	161,055	3,617,659

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

Details of TEN funds at 31 December 2016 and 2015, without taking into account the tax effect, are as follows:

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31/12/2016 Thousands of Euros

STRETCH	ASSISTANCE GRANTED	GRANTS ACCRUED	PAYABLES	COLLECTION S MADE
			CONVERTIBLE INTO GRANTS (Note 11.b)	
High-speed line Madrid-Barcelona-French border	79,260	79,260	0	73,973
High-speed line Madrid-Valladolid	20,603	20,603	0	20,603
High-speed line Madrid-Levante	62,854	55,493	492	55,985
New rail access to Asturias	3,191	3,191	0	3,191
High-speed line Vitoria-Bilbao-San Sebastián and Valladolid-Burgos-Vitoria	351,343	119,086	20,825	138,334
High-speed line Madrid-Extremadura	68,733	36,039	0	49,279
High-speed line Bobadilla-Granada	2,174	2,174	0	2,174
Mediterranean Corridor	110,241	63,812	10,584	74,396
Other high-speed	6,008	2,074	668	2,742
TOTAL	704,407	381,732	32,569	420,677

31/12/2015 Thousands of Euros

STRETCH	ASSISTANCE GRANTED	GRANTS ACCRUED	PAYABLES	COLLECTION S MADE
			CONVERTIBLE INTO GRANTS (Note 11.b)	
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
TOTAL	698,079	313,419	62,579	341,539

(10) Provisions for Liabilities and Charges

Details of current and non-current provisions for liabilities and charges in the balance sheet at 31 December 2016 and 31 December 2015 are as follows:

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	Thousands of Euros			
	31/12/2016		31/12/2015	
	Non-current	Current	Non-current	Current
Employee benefits	754	495	431	349
-Defined benefit plans	754	39	431	24
<i>Length-of-service bonuses</i>	<i>185</i>	<i>38</i>	<i>196</i>	<i>23</i>
<i>Provision for leisure travel, retired</i>	<i>569</i>	<i>1</i>	<i>235</i>	<i>1</i>
-Other employee benefits	-	456	-	325
Other provisions	476,308	76,795	328,700	76,104
Provisions for legal proceedings	320,358	-	198,498	-
"1.5% for culture" provision	-	-	-	1,082
Provision for environmental risks	2,013	3,311	2,013	3,311
Other items	153,937	73,484	128,189	71,711
	477,062	77,290	329,131	76,453

The changes in the caption "Provisions for long-term risks and expenses" at 31 December 2016 and 31 December 2015 are shown in the attached tables:

	31/12/2016 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 1/01/2016	196	235	2,013	198,498	128,189	329,131
Charges for the year recognised in profit and loss	6	54	-	3,580	25,748	29,388
Charges for the year recognised in investments	-	-	-	126,716	-	126,716
Financial effect of discount	2	4	-	3,520	-	3,526
Payments for the year	-	-	-	(9,276)	-	(9,276)
Transfers to current	(18)	(1)	-	(622)	-	(641)
Amounts taken to profit and loss	-	-	-	-	-	-
Other movements	(1)	277	-	(2,058)	-	(1,782)
Balances at 31/12/2016	185	569	2,013	320,358	153,937	477,062

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	31/12/2015 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
Balances at 31/12/2015	196	235	2,013	198,498	128,189	329,131

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 5 May 2016 and now applicable. The amount recognised at 31 December 2015 is 223 thousand euros, of which 185 thousand euros are recognised as non-current provisions for liabilities and charges and 38 thousand euros as current provisions for liabilities and charges.

The provision at 31 December 2016 has been calculated using an actuarial study prepared applying the individual capitalisation method and using the following inputs: annual interest rate of 0.978%, 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 2016 for the entitlement of its personnel to rail travel at reduced prices upon retirement. This provision amounts to 569 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 mentioned agreement, ADIF will pay RENFE Operadora the amount of fare

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reductions afforded to its currently-serving personnel and to personnel that retired or took pre-retirement prior to 1 January 2005.

The provision for 2016 has been determined through an actuarial study which used the following inputs:

- An average fare increase of 2% for 2016 and subsequent years.
- A technical interest of 0.95% for passive staff and 1.253% for active annual staff.
- The actuarial table PERM/F 2000.
- Retirement age of 65.

10.b) Other provisions

10.b.1) Non-Current provisions for legal proceedings

Included under "provisions for litigation" are the estimated risks arising from labour disputes and with third parties. The Entity considers that such litigation is likely to result in an outflow of future resources. At 31 December 2016 and 31 December 2015, ADIF A.V. has recorded the present value of the best estimate of the future costs corresponding to these disputes for a total of 320,358 thousand euros and of 198,498 thousand euros respectively

The following is a detail of these estimates:

Concept	Thousands of Euros	
	31/12/2016	31/12/2015
Risks for investment works urged by contractors	262,750	149,667
Risks for investments in land expropriated	46,883	38,916
Other risks	10,725	9,915
	320,358	198,498

The amounts related to litigations filed by construction companies for the execution of construction contracts have been charged to the property, plant and equipment in the Balance Sheet and basically originated in claims for differences in measurements and in the determination of the price revisions. Also, for possible cost overrides caused by paralyzes and extensions of the execution time of the works. Likewise, the claims registered as a result of expropriation of land have also been recorded under the item of property, plant and equipment. The rest of the amounts reflected in the previous table were recognized in the corresponding year with a charge to the profit and loss account, according to their nature.

In addition, as of December 31, 2016, the Entity is involved in a series of litigations related predominately to claims for liability and expropriations, with the maximum risk estimated, with the best information available, at 225,626 thousand euros. This is expected to be concluded shortly and for which it is considered that an exit of resources is not probable, the reason why ADIF AV has not provisioned any amount. At year-end 2015, the maximum risk estimated by the Entity for this same concept amounted to 257,259 thousand euros.

Furthermore, on December 31, 2016, ADIF-AV acts as a claimant in a judicial process for diversion of funds through the alleged alteration of the prices of various projects

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for the replacement of hydraulic infrastructures affected by the execution of a high-speed line. The Entity is charged as a private accusation for being harmed by the diversion of funds and surcharges and estimates that the amount to claim could amount to 35,000 thousand euros. The Entity has considered this claim as a financial asset that has been fully impaired under the heading "Impairment and result from disposal of financial instruments" in the accompanying income statement.

10.b.2) "1.5% for culture" provision

The provision "Current provisions for risks and expenses" includes, as of December 31, 2015, the provision for the amount outstanding for the contribution to Spanish Historical Heritage, regulated by Law 16/1985 and RD 111/1986 and Instruction number 43 of the Subsecretaría de Fomento dated May 16 for an amount of 1,082 thousand euros. As of December 31, 2016, the Entity does not owe any amount for this purpose.

10.b.3) Other items

"Other items" includes, as of December 31, 2016 and December 31, 2015, a provision in the amount of 153,937 thousand euros and 128,189 thousand euros respectively, corresponding to the estimated liability to be assume by ADIF-AV as a consequence of the letters of commitment or comfort letter subscribed in their day with certain companies whose activity is Railway Integration in cities. In 2016, the Entity has recognized 25,748 thousand euros under "Impairment and loss on disposal of financial instruments" in the income statement. In 2015, the provision for this heading amounted to 86,632 thousand euros. Note 23 includes a detail of the provision for long-term risks and expenses at the close of 2016 and 2015

In addition, the Entity includes provisions for current risks and expenses, under "Other items", a provision for the estimated value of interest for late payment of certifications of works and expropriations, the amount of which at 31 December 2016, an amount of 68,458 thousand euros and at the end of the 2015 amounted to 71,711 thousand euros.

(11) Financial Liabilities

Details of financial liabilities classified by category at 31 December 2016 and 2015 are as follows:

	31/12/2016 Thousands of Euros			
	Loans and borrowings	Bonds	Derivatives and other financial liabilities	Total
Non-current financial liabilities				
Non-current trade payables	10,769,974	3,192,469	250,773	14,213,216
Total non-current financial liabilities	10,769,974	3,192,469	250,773	14,213,216
Current financial liabilities				
Current payables	483,403	44,542	481,046	1,008,991
Payables to Group companies and associates			11,953	11,953
Trade and other payables			150,059	150,059
Total current financial liabilities	483,403	44,542	643,058	1,171,003

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	31/12/2015 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	11,146,712	2,836,636	785,097	14,768,445
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	454,763	42,704	643,506	1,140,973

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

11.a.1) Debts with credit institutions and obligations

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).

It is also worth mentioning the issues of Obligations made by the Entity from the end of May 2014 until today. (See note 22).

The detail of the financial liabilities of ADIF AV with credit institutions in the short and long term as of December 31, 2016 and December 31, 2015 is shown in the table below:

	Interest	2016 Thousands of Euros	
		Maturity	
		Current	Non-current
Loans in Euros (EIB)	0.000% to	97,252	9,705,789
Accrued interest payable		103,822	-
Total loans and borrowings (EIB)		201,074	9,705,789
Loans in Euros (other entities)	0.535% to 4.58%	280,275	1,064,185
Accrued interest payable		2,054	-
Other loans and borrowings, for derivatives		277	-
Total loans and borrowings (other entities)		282,606	1,064,185
Bonds (Euros)	1.875% to 3.5%	-	3,192,469
Accrued interest payable on bonds		44,542	-
Total bonds		44,542	3,192,469
Total loans and borrowings and bonds and other marketable securities at 31 December 2016		528,222	13,962,443

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		2015 Thousands of Euros	
		Maturity	
	Interest	Current	Non-current
Loans in Euros (EIB)	0,002% to 4.415%	54,322	9,803,040
Accrued interest payable		111,139	-
Total loans and borrowings (EIB)		165,461	9,803,040
Loans in Euros (other entities)	0.72% to 4.58%	285,311	1,343,672
Accrued interest payable		3,752	-
Other loans and borrowings, for derivatives		239	-
Total loans and borrowings (other entities)		289,302	1,343,672
Bonds (Euros)	1.875% to 3.5%	-	2,836,636
Accrued interest payable on bonds		42,704	-
Total bonds		42,704	2,836,636
Total loans and borrowings and bonds and other marketable securities at 31 December 2015		497,467	13,983,348

The financial amortization of long-term debt, valued at the closing exchange rate at 31 December 2016 and at 31 December 2015 and at amortized cost, are as follows:

		Thousands of Euros	
	Maturity	31/12/2016	31/12/2015
2016		-	339,633
2017		377,526	377,562
2018		465,449	465,485
2019		559,679	559,715
2020		622,898	622,934
2021		522,444	522,480
2022		1,747,422	1,399,690
2023		434,384	433,811
2024		1,426,366	1,424,477
2025		1,418,732	1,412,124
2016		421,051	421,051
Thereafter		6,344,019	6,344,019
		14,339,970	14,322,981

The average annual interest rate on ADIF-AV's borrowings at 31 December 2016 and 31 December 2015 is 2.25% and 2.32%, respectively.

At the 31 December 2016 and 31 December 2015, the total limit on credit facilities that ADIF-AV had received from financial institutions stood at 225,000 and 180,000 thousand euros respectively. At 31 December 2016 and 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.

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11.a.2). Derivatives

Details of derivatives held by the Entity at 31 December 2016 are as follows:

	31/12/2016 Expressed in thousands of Euros				
	Assets		Liabilities		Equity
	Non-current tax effect	Current	Non-current financial liability	Current	
Interest rate cash flow hedge	4,358	-	(17,433)	-	(13,075)
Collections / payments swap interest rate hedging	-	-	-	(277)	-

	31/12/2015 Expressed in thousands of Euros				
	Assets		Liabilities		Equity
	Non-current tax effect	Current	Non-current financial liability	Current	
Interest rate cash flow hedge	4,210	-	(15,037)	-	(10,827)
Collections / payments swap interest rate hedging	-	-	-	(239)	-

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 amount of 962.53 million euros at 31 December 2016 and 1,072.95 million at 31 December 2015.

Derivative liabilities at December 31, 2016 include, on the one hand, the fair value of an interest rate swap agreement signed in March 2014, with maturity in 2020. The fixed rate being set at 3.01 %, to be paid by the Entity with a variable 3-month Euribor rate payable by the financial institution with a notional amount of 300 million euros. On the other hand, the fair value of an interest rate swap agreement (IRS) signed in March 2015 with maturity in 2022, the fixed rate being set at 1.275% to be paid by the Entity and a variable rate of Euribor at 3 months to be paid by the financial institution with a notional amount of 662.53 million euros.

At year-end 2015, derivative liabilities included, on the one hand, the fair value of an interest rate swap contract signed in March 2014 with a maturity date of 2020. The fixed rate being 3.01 %, to be paid by the Entity with a variable 3-month Euribor rate payable by the financial institution with a notional amount of 300 million euros. On the other hand, the fair value of an interest rate swap agreement (IRS) signed in March 2015 with maturity in 2022, the fixed rate being set at 1.275% to be paid by the Entity and a variable rate of Euribor at 3 months to be paid by the financial institution with a notional amount of 772.95 million euros.

The fair value of swaps is based on market values of equivalent derivative financial instruments at the date of the financial statements. This interest rate swap is effective as a cash flow hedge, so changes in the fair value of the hedge are recognized directly in equity as of December 31, 2016 and December 31, 2015.

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11.b) Other financial liabilities

Details of other financial liabilities at 31 December 2016 and 2015 are as follows:

	Thousands of Euros			
	31/12/2016		31/12/2015	
	Non-current	Current	Non-current	Current
Payables convertible into grants	113,508		650,357	-
Suppliers of fixed assets	115,435	465,598	115,673	431,570
ERDF aid to be repaid	-	15,171	-	-
Deposits and guarantees	4,397	-	4,030	-
	233,340	480,769	770,060	431,570

11.b.1) Payables convertible into grants

At 31 December 2016 and 2015, this account comprises European funds or grants received from other entities to finance the railway infrastructure forming part of ADIF-AV, which will be reclassified to equity and deferred tax liabilities when the grant conditions have been met. Details at 31 December 2016 and 2015 are as follows:

	Thousands of Euros	
	31/12/2016	31/12/2015
European Funds		
Cohesion Funds	-	245,216
ERDF	-	161,055
TEN-T	32,569	62,579
Other		
Ministry of Public Works (Addenda 21/12/2009 Barcelona Sagrera (Note 1(c)))	48,290	157,366
Ministry of Public Works financial cost Olmedo Ourense	32,149	24,141
Other grants	500	-
	113,508	650,357

11.b.2) Suppliers of fixed assets

At 31 December 2016, non-current payables to suppliers of fixed assets amount to 115,435 thousand euros, of which 56,528 thousand euros relates to works carried out on the Madrid-Castilla la Mancha-Valencia Autonomous Community-Murcia Region line, and 41,473 thousand euros to works on the Olmedo-Orense stretch, under a public-private partnership. Also, it includes an amount of 17,434 thousand euros for the net present value of invoices to be paid to RenfeOperadora, 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 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

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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 RenfeOperadora, with a long-term maturity as a result of the acquisition it of the rights of use of spaces that ADIF AV has possessed since the segregation of Renfe in 2005 (see Note 4)

In addition, the balance as of December 31, 2016 and December 31, 2015, for fixed asset suppliers includes the debt for works for own assets and expropriations for the amount of 247,625 thousand euros and 252,650 thousand euros respectively. Also the amount of the invoices of fixed assets suppliers receivable for a total of 217,973 thousand euros at 31 December 2016 and 178,920 thousand euros at 31 December 2015.

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 2016 and 31 December 2015 are as follows:

Thousands of Euros				
31/12/2016		31/12/2015		
Suppliers, Group companies and associates	Suppliers and payables, Group companies and associates	Suppliers, Group companies and associates	Suppliers and payables, Group companies and associates	
Ingeniería y Economía del Transporte, S.A. (INECO)	11,953	526	11,803	356
Zaragoza Alta Velocidad	-	975	-	-
11,953	1,501	11,803	356	

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

The breakdown of trade and other payables at 31 December 2016 and 31 December 2015, excluding balances with general government, is as follows:

Thousands of Euros		
	31/12/2016	31/12/2015
Other suppliers and payables	148,309	199,105
Suppliers and payables, Group companies and associates (Note 12.c)	1,501	356
Personnel	249	672
	150,059	200,133

The item "Suppliers and various creditors" includes debts for purchases or services rendered pending payment as of December 31, 2016 and December 31, 2015. It includes, among others, the amount pending payment to ADIF for services rendered according to detail attached. In addition, under the heading of fixed assets providers, the debts of ADIF AV with ADIF for this concept are included in the respective dates indicated (20,900) thousand euros and 16,027 thousand euros.

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	Thousands of Euros	
	31/12/2016	31/12/2015
Suppliers and creditors debt with ADIF	42,608	84,800
Agreements with ADIF for outstanding invoices	36,200	74,484
Agreements with ADIF for invoices pending processing	6,408	10,316
Suppliers of fixed assets with ADIF	(20,900)	16,027
By invoice processed	547	8,943
By invoicing pending processing	(21,447)	7,084
	21,708	100,827

The information relating to 2016 and 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:

	31/12/2016	31/12/2015
	Days	
Average payment period to suppliers	49.72	45.17
Ratio paid operations	53.39	51.16
Ratio of outstanding payment transactions	19.07	14.41

	Thousands of euros	
	31/12/2016	31/12/2015
Total payments	1,711,890	2,003,047
Total outstanding payments	204,896	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

The detail of the balances with Public Administrations as of December 31, 2016 and December 31, 2015 is as follows:

	Thousands of Euros			
	31/12/2016		31/12/2015	
	Non-current	Current	Non-current	Current
Assets				
Receivables for awarded funds and grants	175,780	-	67,115	-
Deferred tax assets (Note 11)	4,358	-	4,210	-
Current tax assets	-	1,393	-	4,312
Public entities, other receivables	-	131,471	-	87,927
Total assets	180,138	132,864	71,325	92,239
Liabilities				
Deferred tax liabilities	3,501,390	-	3,299,428	-
Public entities, other payables	-	626	-	672
Total liabilities	3,501,390	626	3,299,428	672

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12.a) Public entities, receivables

The detail of the balances with debtor Public Administrations as of December 31, 2016 and December 31, 2015 is as follows:

	Thousands of Euros			
	31/12/2016		31/12/2015	
	Non-current	Current	Non-current	Current
Receivables for awarded funds and grants	175,780	-	67,115	-
High-speed Cohesion Funds	73,667	-	2,884	-
High-speed ERDF	102,113	-	30,128	-
High-speed TEN-T funds	-	-	34,103	-
Deferred tax assets (Note 11)	4,358	-	4,210	-
Current tax assets	-	1,393	-	4,312
Public entities, other receivables	-	131,471	-	87,927
Current VAT receivable	-	90,158	-	30,847
Receivables for awarded funds and grants	-	41,313	-	57,080
High-speed ERDF	-	-	-	32,700
High-speed TEN funds	-	8,441	-	239
Other items	-	32,872	-	24,141
Total assets	180,138	132,864	71,325	92,239

The entire balance of receivables for current and non-current awarded funds and grants relates to accrued amounts receivable at 31 December 2016 and 31 December 2015 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

The detail of the balances with the Receivable Public Administrations as of December 31, 2016 and December 31, 2015 is as follows:

	Thousands of Euros			
	31/12/2016		31/12/2015	
	Non-current	Current	Non-current	Current
Deferred tax liabilities	3,501,390		3,299,428	-
Public entities, other payables		626	-	672
VAT				
Social Security		282		297
Withholdings		344		375
Total liabilities	3,501,390	626	3,299,428	672

Deferred tax liabilities that are expected to be realised or reversed in periods exceeding 12 months are those deriving from capital grants and total 3.501.390 thousand euros at 31 December 2016 and at 31 December 2015 was 3.299.428 thousand euros.

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The movement recorded in fiscal year 2016 and in 2015 of deferred tax liabilities, broken down by source, is as follows:

	31/12/2016Thousands of Euros					
	Cohesion Funds	ERDF Funds	TEN-T Funds	Execution of grants (1)	Other capital grants	Total
Balances at 31 December 2015	1,570,100	876,218	76,616	711,759	64,735	3,299,428
Additions in 2016	79,000	105,575	17,079	(3,019)	27,831	226,466
Capital grants taken to income (Note 19)	(11,402)	(6,400)	(271)	(4,963)	(1468)	(24,504)
Balances at 31 December 2016	1,637,698	975,393	93,424	703,777	91,098	3,501,390

	31/12/2015 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)
Balances at 31 December 2015	1,570,100	876,218	76,616	711,759	64,735	3,299,428

12.c) Incometax

The Entity taxes under the individual regime. The negative tax base amounts to 119,126 thousand euros at 31 December 2016.

The reconciliation between the accounting result for the year and the tax base is as follows:

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31/12/2016 Thousands of Euros						
	Income statement			Income and expense taken directly to equity		
	Increases	Decreases	Total	Increases	Decreases	Total
Income and expenses for the period (1/01/2016 -31/12/2016)			(328,147)			602,838
Income tax adjustments			-			201,814
Income and expenses before income tax			(328,147)			804,652
Permanent differences	129	(1,492)	(1,363)			
Temporary differences:						
- Originating in current year	230,561	-	230,561	3,192	(905,861)	(902,669)
- Originating in prior years		(30,498)	(30,498)			98,017
Prior taxable income of the Entity			(119,126)			-
Offset of prior years' tax loss carry forwards (Limit 25% of GDP)						
Taxable income						
Tax rate			25%			
Tax payment						
Deductions for double taxation						
Adjusted tax payment						
Tax payable						
Withholdings and payments on account			314			
Pre-payments						
Income tax recoverable			(314)			

The negative tax base in 2015 amounted to 76,851 thousand euros. The reconciliation between the accounting result for the year 2015 and the tax base 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)			(361,252)			1,050,131
Income tax adjustments			-			346,206
Income and expenses before income tax			(361,252)			1,396,337
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			(76,851)			-
Offset of prior years' tax loss carry forwards (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 temporary differences mentioned above in the profit and loss account had been considered as permanent differences, since the Entity's Management does not consider that sufficient positive tax bases will be generated to allow the recognition of deferred tax assets.

As of December 31, 2016, there are no taxes payable in any of the tax jurisdictions.

The detail of the temporary differences in the recognition of expenses and income for accounting and fiscal purposes is as follows:

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Thousands of Euros Income statement				
	31/12/2016		31/12/2015	
	Increases	Decreases	Increases	Decreases
- Amortisation and depreciation	-	-	-	-
- Impairment	36,983	-	98,245	-
- Pensions	66	-	36	-
- Net finance expense	193,512	-	225,143	-
Temporary differences originating in current	230,561	-	323,424	-
- Amortisation and depreciation	-	(17,635)	-	(17,635)
- Impairment	-	(12,809)	-	(12,808)
- Pensions	-	(4)	-	(5)
- Net finance expense	-	-	-	(7,560)
Temporary differences originating in prior	-	(30,448)	-	(38,008)

Temporary differences recorded in income and expenses and recognized directly in equity correspond to grants, donations and bequests.

The negative tax bases of previous years to be offset, as well as their amounts, origin and terms are as follows:

Thousands of Euros				
Year	Originating in	Pending from origin	Applied in the year	Pending
2013	ADIF-AV	19,092	-	19,092
2015	ADIF-AV	76,851	-	76,851

Details of permanent differences in 2016 and 2015 are as follows:

Thousands of Euros Income statement				
	31/12/2016		31/12/2015	
	Increases	Decreases	Increases	Decreases
-Other non-deductible expenses	129	-	1	-
-Exemption for double taxation of dividends	-	(1,492)	-	(1,016)

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

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
2016	ADIF-AV	193,513
		829,289

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

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Accounting amortization expenses not deductible up to the date of issuance of these annual accounts pursuant to article 7 of 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
		<u>176,349</u>	

These amounts will be deducted in a Straight-line method for an amount of 17,635 thousand euros during a period of 10 years from this financial year 2015 until the year 2024 as provided in that same article 7.

The Entity has the following deductions for reversal of temporary measures of transitional provision 37.1 of the Corporation Tax Law:

Thousands of Euros				
Year	Deduction base	Origin	Applied during year	Pending
2015	17,635	353		353
2016	17,635	882	-	882
		<u>1,235</u>	<u>-</u>	<u>1,235</u>

Also, the deductions pending to be applied to encourage the performance of certain activities, namely by Technological Innovation, which the Entity has, are the following:

Thousands of Euros				
Year	Pending from origin	Applied in the year	Pending	Available until
2015	43	-	43	2033
2016	69		68	2034
	<u>112</u>	<u>-</u>	<u>111</u>	

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), as determined by the mentioned legislation.

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 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.

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(13) Revenue

The detail of revenue in the income statement for the years 2016 and 2015 is as follows:

	Thousands of Euros	
	31/12/2016	31/12/2015
Revenue from use of rail facilities and other fees		
Use of the public service rail network	417,522	419,879
Use of stations and other rail installations	90,055	87,146
Passenger rail transport safety levy	7,143	6,673
	514,720	513,698

The distribution of revenue in 2016 and 2015 by business segment or activity carried out by the Entity is shown in the following table:

	31/12/2016 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	417,522	12,027	-	429,549
Management of ADIF-AV-owned assets (passenger stations)	-	78,028	7,143	85,171
Total	417,522	90,055	7,143	514,720

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

13.a) Revenue from use of rail facilities

The detail of the revenues from settlement of railway charges accrued in 2016 and 2015, broken down by the different modalities established in the Order of the Ministry of Public Works 898/2005, is as follows:

	Thousands of Euros	
	31/12/2016	31/12/2015
Use of infrastructure	417,522	419,879
Access	12,181	12,181
Capacity reservation	111,136	112,001
Circulation	79,726	80,765
Traffic	214,479	214,932
Use of stations and other rail installations	90,055	87,146
Use of stations	78,028	75,307
Stopping and use of platforms	8,498	8,312
Use of sidings	62	46
Use of gauge-changing installations	3,462	3,452
Use of public rail domain	5	29
	507,577	507,025

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Of this revenue, at 31 December 2016, 99,294 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 2016 and 2015 are as follows:

	Thousands of Euros	
	31/12/2016	31/12/2015
Rentals and services	101,892	105,650
Utilities, basically relates to traction power	267,509	298,344
Other	42,042	56,214
	411,443	460,208

Included in this income are the derivatives of services rendered to ADIF as of December 31, 2016 and December 31, 2015 under the management fees indicated in note 1, according to the following breakdown:

	Thousands of Euros	
	31/12/2016	31/12/2015
Revenue from intra-administration agreements		
NTU electricity	13,164	20,580
Maintenance of fibre optics and auxiliary installations	1,743	1,683
ADIF investment actions	11,953	29,121
Other intra-administrative services	3,026	2,770
	29,886	54,154

Revenues from leasing of real estate, premises and other properties amounting to 61,575 thousand euros at 31 December 2016 and 55,787 thousand euros at 31 December 2015 are included in the figure for rent and services. These are generated by assets included under "Investments in real estate", including those derived from long-term lease agreements.

In addition, income from optical fibre leasing amounting to 39,446 thousand euros at 31 December 2016 and 48,971 thousand euros in 2015, is recorded under this heading in the income statement.

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 528,925 thousand euros at 31 December 2016 and 555,375 thousand euros at 31 December 2015. Current accruals at 31 December 2016 comprise the amount to be taken to income in the following year, standing at 26.643 thousand euros.

The heading, at 31 December 2016, also comprises income of 111,467 thousand euros received

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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 comprise 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.

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(2) 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 2016 and 2015 are as follows:

	Thousands of Euros	
	31/12/2016	31/12/2015
Salaries and wages	12,196	11,957
Employee benefits expense	2,873	2,902
Provisions	60	31
	15,129	14,890

Details of employee benefits expense are as follows:

	Miles de euros	
	31/12/2016	31/12/2015
Social Security payable by the Entity	2,757	2,779
Other employee benefits expenses	116	123
	2,873	2,902

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

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Category	Average number of employees	
	31/12/2016	31/12/2015
Administrative staff	190	191
Middle management	16	14
Operating personnel	9	11
	215	216

The distribution of the Entity's employees by gender and category at 31 December 2016 and 31 December 2015 is as follows:

Category	Headcount		
	31/12/2016		
	Male	Female	Total
Administrative staff	140	50	190
Middle management	12	4	16
Operating personnel	2	7	9
	154	61	215

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

The breakdown by sex and categories of Entity staff at December 31 2016 and 31 December 2015, with disability greater than 33% is shown in the following tables:

Category	Average number of employees during the year 2016		
	Male	Female	Total
Administrative staff	1	-	1
Middle management	-	-	-
Operating personnel	-	-	-
	1	-	1

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

(16) Other Operating Expenses

Details of this income statement heading in 2016 and 2015 are as follows:

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	Thousands of Euros	
	31/12/2016	31/12/2015
Infrastructure repairs and maintenance	240,826	241,020
Traction power	243,355	265,399
Traffic and passenger service-related services	90,443	85,393
Other supplies	36,144	46,848
Rentals and fees	10,319	10,822
Advertising and public relations	4,740	4,765
Other maintenance and repairs	2,549	2,459
Investment actions on behalf of third parties	11,953	29,121
Other	35,236	28,674
Total external services	<u>675,565</u>	<u>714,501</u>
Taxes other than income tax	4,581	3,180
Losses, impairment and changes in trade provisions	3,161	(2,816)
	<u>683,307</u>	<u>714,865</u>

The signature by ADIF and ADIF-AV of the service arrangements indicated in Note 1.b, which took place in 2013, led ADIF-AV to recognize expenses for accrued services rendered by ADIF in the amount of 347,286 thousand euros at 31 December 2016 and 354,147 thousand euros at 31 December 2015, and formalised in addenda to the service arrangements, as follows:

	Thousands of Euros	
	31/12/2016	31/12/2015
Infrastructure repairs and maintenance	214,473	227,073
Fibre optic network maintenance, right of way services and right of	14,442	14,203
Comprehensive management of safety and protection	29,650	26,909
Comprehensive management of stations	35,233	32,267
Traffic safety	1,974	1,974
Award of capacity and traffic management	23,586	24,243
Comprehensive communication services	4,521	4,521
Other agreements	23,407	22,957
	<u>347,286</u>	<u>354,147</u>

The audit of the annual accounts for 2016 and 2015 was contracted by the IGAE. In addition, Grant Thornton has conducted verification services linked to the annual accounts for the years 2016 and 2015 amounting to 242 and 260 thousand euros respectively.

(17) Recognition of Grants for Fixed Assets and Other

The breakdown of income from capital subsidies generated at 31 December 2016 and 31 December 2015 is as follows:

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	Thousands of Euros	
	Total income	
	31/12/2016	31/12/2015
Cohesion Funds	45,609	40,385
ERDF	25,597	26,313
TEN-T	1,086	950
Other grants	25,725	22,417
	98,017	90,065

(18) Finance Costs

Details of this income statement heading in 2016 and 2015 are as follows:

	Thousands of Euros	
	31/12/2016	31/12/2015
On loans with third parties	389,647	423,560
Interest on loans and bonds	333,374	333,084
Late payment interest for works contracts	13,066	43,432
Late payment interest for expropriations	15,026	17,512
Other finance costs	28,181	29,532
Provision adjustments	3,526	219
	393,173	423,779

(19) Finance Income

Details of this income statement heading in 2016 and 2015 are as follows:

	Thousands of Euros	
	31/12/2016	31/12/2015
Capitalised finance costs (note 4.c))	119,431	121,081
From marketable securities and other financial instruments	5,431	7,341
Interest on current investments	3,937	2,926
Interest on current accounts	1,341	4,292
Other	153	123
Other finance income	7,590	147
From equity instruments	1,492	1,015
In Group companies and associates	1,380	903
In third parties	112	112
	133,944	129,584

(20) Environmental Information

At 31 December 2016 and 31 December 2015, ADIF-AV's fixed assets included specific environmental works with a net book value of 1,162,667 and 1,160,595 thousand euros respectively, used in order to minimise environmental impacts and to protect and improve the environment, as per the following breakdown:

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31 December 2016 - Thousands of Euros			
	Cost	Accumulated depreciation	Net book value
Tunnels and cut-and-cover tunnels; environmental works	463,708	(7,125)	456,583
Environmental integration works	545,368	(7,047)	538,321
Other environmental works	109,123	(16,220)	92,903
Total property, plant and equipment in operation	1,118,199	(30,392)	1,087,807
Work in progress	74,859	-	74,859
Total at 31 December 2016	1,193,058	(30,392)	1,162,666

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
Total property, plant and equipment in operation	1,113,054	(25,171)	1,087,883
Work in progress	72,712	-	72,712
Total at 31 December 2015	1,185,766	(25,171)	1,160,595

Additions at 31 December 2016 and 31 December 2015 amount to 5,145 and 140,149 thousand euros respectively and predominately correspond to waste management and environmental works.

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

At 31 December 2016, the Board of Directors comprises eleven members, the Chairman, Secretary and nine regular directors. Three of the Board members are female and eight are male.

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.

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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 7 to 50 years at 31 December 2016 and 2015.

The Entity has 74.69% of its outstanding debt at December 31, 2016 as a fixed rate until maturity and 10.88% at a fixed rate revisable. At December 31, 2015, the Entity's outstanding debt was contracted under 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 December 31, 2016, the Entity showed a negative result of 328,147 thousand euros and a negative working capital of 385,739 thousand euros. The Entity's treasury forecasts for the first quarter of fiscal year 2017 show no signs of liquidity stress. Additionally, as reported in note 11.a.1, the Entity has non-arranged credit facilities for a total amount of 225,000 thousand euros.

Throughout the first quarter of 2017, the Entity expects to have the authorization of the Ministry of Finance and Public Administration necessary to carry out new borrowing operations.

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.

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.

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.

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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.

On 28 April 2016, the Entity made a further issue of bonds originally issued in September 2015 through private placements ("TAP"), for a nominal amount of 340 million euros. This issue, like the previous ones, was carried out under the EMTN Program registered on the Dublin Stock Exchange and were admitted into trading by the National Securities Market Commission, quoted in AIAF and offset and settled in Iberclear.

On 2 August 2016, the EMTN Program was renewed for 6,000 million euros on the Irish Stock Exchange and passed on to the National Securities Market Commission.

(23) Commitments and contingencies

The guarantees granted to third parties by the Entity at 31 December 2016 amounted to 684 thousand euros and amounted to 674 thousand euros at 31 December 2015. The Entity's Management does not expect significant liabilities to arise, such as Consequence of the said guarantees.

The Entity has also assumed comfort letters guaranteeing financing transactions entered into by various investees, 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 305,730 thousand euros at 31 December 2016 and 368,177 thousand euros at 31 December 2015, 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.

The following is a breakdown by companies of these guarantees, as well as the provisions for risks and expenses at December 31, 2016 and December 31, 2015:

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Company	Share capital % 31/12/2016	Risk assumed by ADIF-AV			
		Risk amount at 31/12/2016	Risk amount at 31/12/2015	Provision at 31/12/2016	Provision at 31/12/2015
Zaragoza Alta Velocidad 2002, S.A.	30.00%	53,453	59,461	29,951	29,147
Valencia Parque Central Alta Velocidad 2003, S.A.	30.00%	40,000	45,995	27,823	17,967
Logroño Integración del Ferrocarril 2002, S.A.	30.00%	43,207	47,994	-	-
Gijón Integración del Ferrocarril, S.A. Gijón al Norte	30.00%	6,750	8,400	-	742
Barcelona-Sagrera Alta Velocitat, S.A.	30.00%	56,704	65,149	12,450	14,815
Cartagena Alta Velocidad S.A.	40.00%	-	-	-	-
Murcia Alta Velocidad, S.A.	40.00%	-	-	-	-
Alta Velocidad Alicante Nodo Transporte, S.A.	30.00%	23,131	25,685	19,476	933
Valladolid Alta Velocidad 2003, S.A.	30.00%	82,485	115,493	64,237	64,585
Total railway integration companies		305,730	368,177	153,937	128,189

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APPENDICES

Property, Plant and Equipment and Investment Property for the year ended 31 December 2016
(Expressed in thousands of Euros)

	Balance at 1.1.2016	Additions	Transfers	Derecognitions	Reclassifications	Balance at 31.12.2016
Buildings and other constructions	1,525,638	-	110,649	(2,838)	-	1,633,449
Land and natural resources	2,398,813	61,537	-	(10,586)	-	2,449,764
Total land and buildings	3,924,451	61,537	110,649	(13,424)	-	4,083,213
Accumulated depreciation of buildings and other constructions	(272,194)	(24,827)	-	2,046	-	(294,975)
Provision for depreciation of buildings and other structures	(4,875)	-	-	-	-	(4,875)
Total carrying amount of buildings and other	3,647,382	36,710	110,649	(11,378)	-	3,783,363
Track installations	29,293,394	565	119,263	(4,659)	(497)	29,408,066
Accumulated depreciation of track installations and other	(2,991,949)	(291,099)	-	3,614	-	(3,279,434)
Impairment of track installations	(9,537)	-	-	-	-	(9,537)
Total carrying amount of track installation and other installations	26,291,908	(290,534)	119,263	(1,045)	(497)	26,119,095
Transport elements	4	-	-	(4)	-	-
Accumulated depreciation of transport elements	(4)	-	-	4	-	-
Total carrying amount of transport elements	-	-	-	-	-	-
Other property, plant and equipment	37,756	-	371	(5,466)	-	32,661
Accumulated depreciation of other property, plant and	(36,009)	(558)	-	5,449	-	(31,118)
Total carrying amount of other property, plant and equipment	1,747	(558)	371	(17)	-	1,543
Total carrying amount of track installations and other property, plant and equipment	26,293,655	(291,092)	119,634	(1,062)	(497)	26,120,638
Work in progress	12,229,794	987,34	(230,283)	-	(35,000)	12,951,858
Total net property, plant and equipment	42,170,831	732,965	-	(12,440)	(35,497)	42,855,859
Investment property	240,419	-	-	-	-	240,419
Accumulated depreciation of investment property	(38,755)	(3,995)	-	-	-	(42,750)
Investment property in progress	403	-	-	-	-	403
Total net investment property	202,067	(3,995)	-	-	-	198,072
Intangible assets	72,711	-	187	-	497	73,395
Accumulated depreciation intangible assets	(14,782)	(1,373)	-	-	-	(16,155)
Intangible assets in progress	973	96	(187)	-	-	882
Total net intangible assets	58,902	(1,277)	-	-	497	58,122

This appendix forms an integral part of Note 4 to the financial statements for 2016, in conjunction with which it should be read.

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
Total land and buildings	3,668,223	177,105	81,497	(2,374)	-	3,924,451
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)
Total carrying amount of buildings and other	3,418,875	148,464	81,497	(1,454)	-	3,647,382
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)
Total carrying amount of track installation and other installations	23,754,799	(277,029)	2,824,082	(7,892)	(2,052)	26,291,908
Transport elements	4	-	-	-	-	4
Accumulated depreciation of transport elements	(4)	-	-	-	-	(4)
Total carrying amount of transport elements	-	-	-	-	-	-
Other property, plant and equipment	37,736	-	444	(424)	-	37,756
Accumulated depreciation of other property, plant and	(35,836)	(597)	-	424	-	(36,009)
Total carrying amount of other property, plant and equipment	1,900	(597)	444	-	-	1,747
Total carrying amount of track installations and other property, plant and equipment	23,756,699	(277,626)	2,824,526	(7,892)	(2,052)	26,293,655
Work in progress	13,362,101	1,819,825	(2,906,023)	(46,109)	-	12,229,794
Total net property, plant and equipment	40,537,675	1,690,663	-	(55,455)	(2,052)	42,170,831
Investment property	240,419	-	-	-	-	240,419
Accumulated depreciation of investment property	(34,793)	(3,962)	-	-	-	(38,755)
Investment property in progress	403	-	-	-	-	403
Total net investment property	206,029	(3,962)	-	-	-	202,067
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
Total net intangible assets	6,485	50,451	-	(86)	2,052	58,902

This appendix forms an integral part of Note 4 to the financial statements for 2016, in conjunction with which it should be read.

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Appendix II

Details of Group companies, jointly-controlled entities and associates 31 December 2016
(Expressed in thousands of Euros)

Name	Activity	% ownership	Cost of the investment	Not disbursed	Equity	Other equity items	Profit/(loss) for 2016	Operating profit/(loss) for 2016	Dividends received
Cartagena AVE, S.A.(b).	High-speed integration in Cartagena	40.00%	-	-	604	-	-	-	-
Murcia AVE, S.A.(b)	High-speed integration in Murcia	40.00%	-	-	625	-	1	-	-
Palencia Alta Velocidad, S.A.(b)	High-speed integration in Palencia	40.00%	-	-	535	-	(8)	(8)	-
Ingeniería y Economía del Transporte, S.A.	Preparation of civil and industrial railway	20.68%	7,977	-	83,522	65	4,369	8,606	1,380
León Alta Velocidad 2003, S.A.(b)	High-speed integration in León	37.50%	-	-	4,214	998	5,253	(19)	-
Logroño Integración Ferrocarril 2002, S.A.(b)	Management of high-speed rail in Logroño	30.00%	-	-	711	-	-	-	-
Valencia Parque Central Alta Velocidad 2003,	High-speed integration in Valencia	30.00%	-	-	587	22,817	-	28	-
Valladolid Alta Velocidad 2003 S.A.(b)	Management of high-speed rail in Valladolid	30.00%	-	-	48,448	4,939	49,515	(153)	-
Gijón al Norte, S.A.(b)	High-speed integration in Gijón	30.00%	-	-	536	-	-	1,235	-
Zaragoza Alta Velocidad 2002, S.A.(b)	High-speed integration in Zaragoza	30.00%	2,925	(2,925)	(280,323)	8,122	51,622	(8,261)	-
Alta Velocidad Alicante Nodo Transportes, S.A.(a)	High-speed integration in Alicante	30.00%	-	-	(3,897)	7,772	(2,977)	-	-
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	-	593	-	(5)	(5)	-
A.V. Vitoria-GasteizkoAbiaduraHandia, S.A.	High-speed integration in Vitoria	40.00%	240	-	592	-	(5)	(5)	-
Total shares in group companies and associates			11,322	(2,925)	(142,653)	44,713	107,765	1,418	1,380
INECO Transportmex		12.50%	18	(1)	251	-	68	19	-
Albali Señalización, S.A.(b)		10.00%	1,326	-	14,630	-	1,246	5,010	112
Energía Olmedo Orense Fase I		10.00%	356	-	3,560	-	-	(212)	-
VíaOlmedo- Pedralba		10.00%	526	(240)	1,341	-	34	845	-
HIT RAIL B.V		4.35%	55	-	3,256	-	-	56	-
Total others (see note 6.a)			2,281	(241)					112
TOTAL			13,603	(3,166)					1,492
a) Audited annual financial statements at 31 December 2016 b) Provisional financial statements at 31 December 2016 c) Annual financial statements at 31 December 2016, pending audit d) Provisional financial statements with draft audit report as at 31 December 2016 The "Equity" column includes the profit or loss for 2016.									

This appendix forms an integral part of Note 5 to the financial statements for 2016, in conjunction with which it should be read.

ENTIDAD PÚBLICA EMPRESARIAL
ADIF-Alta Velocidad

Appendix

Details of Group companies, jointly-controlled entities and associates 31 December 2015
(Expressed in thousands of Euros)

Name	Activity	% ownership	Cost of the investment		Equity	Other equity items	Profit/(loss) for 2016	Operating profit/(loss) for 2016	Dividends received
				Not disbursed					
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.	Preparation of civil and industrial railway	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,	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 d) The "Equity" column includes the profit or loss for 2015.									

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