

**ADIF Alta Velocidad**

**Auditors' report on 2019 financial statements**

**State Audit - ADIF Alta Velocidad**

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

## **AUDIT REPORT ON THE ANNUAL ACCOUNTS ISSUED BY THE GENERAL COMPTROLLER OF THE STATE ADMINISTRATION (IGAE)**

To the President of the Public Business Entity ADIF-Alta Velocidad

### **Opinion**

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 2019, 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.

In our opinion, the accompanying annual accounts give a true and fair view, in all material respects, of the equity and financial position of ADIF Alta Velocidad as at 31 December 2019, and of its results and cash flows for the year then ended in accordance with the applicable regulatory financial reporting framework (identified in Note 2.a to the annual accounts) and, in particular, with the accounting principles and policies contained therein.

### **Basis for opinion**

We conducted our audit in accordance with the audit regulations in force for Public Entities in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the annual accounts* section of our report.

We are independent of the Entity in accordance with the ethical requirements, including those related to independence, that are relevant to our audit of the annual accounts in Spain as required by the regulations governing the audit of public sector annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key audit matters**

Key audit matters are those that, in our professional judgement, were of most significance in our audit of the annual accounts for the current period. These matters have been addressed in our audit of the annual accounts as a whole and in forming our opinion thereon, and we do not express a separate opinion on these matters.

### **Property, plant and equipment**

#### *Description*

As described in Appendix I to the accompanying notes to the financial statements, at 31 December 2019, the Entity had recognised a balance of 45,653,515 thousand euros under "Property, Plant and Equipment" in the non-current assets section of the balance sheet, relating mainly to railways and facilities and representing over 96% of the Entity's total assets.

The Entity uses the acquisition price or production cost, including materials, direct labour, capitalization of financial expenses and other expenses incurred as its general accounting criteria, which are subsequently depreciated over the years of estimated useful life. In application of Order EHA/733/2010 of 25 March, the Entity has considered that the assets that constitute its property, plant and equipment must be classified, basically, as assets that do not generate cash flows, given their characteristics, since they correspond to elements of the railway infrastructures included in the General Interest Railway Network and are held, fundamentally, with the purpose of generating social economic flows that benefit the community, and therefore, with a different objective than that of generating a commercial return. The

breakdown of the main aspects relating to the measurement of property, plant and equipment and of the changes therein are shown in Notes 3.b), 4 and Appendix I of the annual accounts.

We have considered this matter as a key audit matter due to the significance of the amounts involved.

#### *Our Response*

Our audit procedures have included, among others:

- Understanding of the procedures established by the Entity for the recognition of investments made and the withdrawals recorded, as well as the criteria for the depreciation of Property, plant and equipment.
- For a sample of projects in progress, we have analysed the supporting documentation relating to the main cost activations carried out, evaluating their appropriate accounting recognition.
- Analysis of a sample of projects transferred from work in progress to completed during the year, checking the reasonableness of the transfer.
- Review of a sample of withdrawals recorded by the Entity during the year.
- Recalculation of the depreciation applied for the year in accordance with the coefficients applied by the Entity.
- Review of the breakdowns included in the notes to the financial statements in relation to this issue in accordance with the applicable financial reporting framework.

#### ***Provisions for risks and expenses arising from the railway integration companies in which the Entity participates.***

##### *Description*

As described in Notes 10.b.3) and 23 to the accompanying notes to the financial statements, at 31 December 2019, the Entity had recognised an amount of 127,262 thousand euros under "Long-Term Provisions" as a non-current liability in the balance sheet, which relates to the best estimate available at that date of the obligations assumed, not provided for under other headings in the financial statements, for the ownership interest in various consolidated companies.

As indicated in Note 3(i) to the accompanying notes to the financial statements, in order to quantify these obligations, the Entity considers the estimates of the cash flows expected to be obtained in each case, provided by the management of each of the companies, analysing their capacity to obtain income from the disposal of land to enable them to meet their obligations to third parties in relation to the project they have been entrusted with, and the requirements for contributions of funds by the shareholders and their capacity to repay the financing provided and the amount remaining to be provided. In those cases where it is estimated that there will be a deficit to be assumed by the shareholders, the final risk assumed by the Entity is determined, also taking into account the best estimate of the value of the rail infrastructures that the Company must deliver to ADIF Alta Velocidad. Consequently, the loss assumed by the Entity and recognised 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 the referred deficit and the estimated cost of the infrastructures to be received by the Entity (see Note 3.b).

We have considered this matter as a key audit matter due to the significance of the amounts involved.

#### *Our Response*

Our audit procedures have included, among others:

- Understanding of the procedures established by the Entity for the recognition of provisions for risks and expenses derived from the Railway integration companies in which the Entity participates.
- For a relevant sample of the provisions for risks and expenses recorded by the Entity for this concept, obtaining and analysing the business plans of the integration companies, evaluating the reasonableness of the methodology used and reviewing the main variables of the same.
- For the main provisions recorded under this heading, we have evaluated the criteria and calculations carried out by the Entity to determine the recorded value of these provisions.
- Review of the breakdowns included in the notes to the financial statements in relation to this issue in accordance with the applicable financial reporting framework.

#### **Other issues: involvement of private auditors**

The audit firm PKF Attest Servicios Empresariales S.L. 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 PKF Attest Servicios Empresariales S.L.

#### **Other information: Management report and report on compliance with economic and financial obligations assumed by state public sector entities subject to the Spanish General Chart of Accounts and its adaptations as a result of their membership of the public sector**

The other information includes the management report for 2019 and the report on compliance with the economic-financial obligations assumed by the entity as a result of its membership of the public sector referred to in Article 129.3 of the General Budgetary Law, the formulation of which is the responsibility of the President of the entity, and which do not form an integral part of the annual accounts.

Our audit opinion on the annual accounts does not cover the Directors' report. Our responsibility relating to the Directors' report, in accordance with the requirements of the audit regulations in force, consists of evaluating and reporting on whether the Directors' report is consistent with the annual accounts, based on our knowledge of the entity obtained in the audit of those annual accounts and excluding any information other than that obtained as evidence during the audit. Also, our responsibility consists of evaluating and reporting on whether the content and presentation of the Directors' report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described in the preceding paragraph, the information contained in the Directors' report is consistent with that disclosed in the annual accounts for 2019 and its content and presentation are in conformity with the applicable regulations.

#### **Responsibilities of the President in the audit of the annual accounts**

The President is responsible for the preparation of the accompanying annual accounts so that they give a true and fair view of the equity, financial position and results of the Entity, in accordance with the regulatory financial reporting framework applicable to the Entity in Spain, and for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the President is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the President either intends to liquidate the Entity or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the annual accounts**

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the audit regulations in force for Public Entities in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with prevailing audit regulations for the Public Sector in Spain, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the President.
- Conclude on the appropriateness of the President's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the President of the entity regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the significant risks communicated with the President of the entity, we determine those risks that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters.

***Signed electronically by Antonio Merino Díaz***

**Controller Delegate in ADIF Alta Velocidad**

**Entidad Pública  
Empresarial  
ADIF-Alta  
Velocidad**

**31 December 2019**

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## INDEX

<b>Balance Sheet .....</b>	<b>1</b>
<b>Income Statement .....</b>	<b>3</b>
<b>Statement of Changes in Equity .....</b>	<b>4</b>
<b>Statement of Cash Flows .....</b>	<b>6</b>
<b>Notes</b>	
<b>(1) Activity of the Entity and Legal Status .....</b>	<b>9</b>
1.a) ADIF-Alta Velocidad statute .....	10
1.b) Service arrangements between ADIF and ADIF-Alta Velocidad .....	12
1.c) Other provisions .....	16
1.d) Charges and fees .....	19
<b>(2) Basis of Presentation of the Annual Accounts .....</b>	<b>20</b>
2.a) Fair presentation .....	20
2.b) Comparative information .....	21
2.c) Critical issues regarding the valuation and estimation of relevant uncertainties and judgements used when applying accounting principles .....	21
2.d) Functional and presentation currency .....	22
<b>(3) Significant Accounting Policies .....</b>	<b>22</b>
3.a) Intangible assets .....	22
3.b) Property, plant and equipment .....	23
3.c) Investment property .....	30
3.d) Financial assets .....	30
3.e) Financial liabilities .....	31
3.f) Cash and cash equivalents .....	32
3.g) Grants, donations and bequests received .....	32
3.h) Long-term employee benefits .....	33
3.i) Provisions .....	34
3.j) Classification of assets and liabilities as current and non-current .....	35
3.k) Foreign currency balances and transactions .....	35
3.l) Income taxes .....	35
3.m) Recognition of income and expenses .....	36
3.n) Related party transactions .....	36
3.o) Leases .....	36
<b>(4) Property, Plant and Equipment, Intangible Assets and Investment</b>	
<b>Property .....</b>	<b>36</b>
4.a) Operating property, plant and equipment .....	41
4.b) Work in progress .....	42
4.c) Capitalised borrowing costs .....	44



## INDICE

4.d) Fully depreciated/amortised assets.....	45
4.e) Government grants received.....	45
4.f) Intangible assets.....	45
4.g) Impairment of property, plant and equipment, intangible assets and investment Property .....	47
4.h) Investment property.....	47
4.i) Sale commitments (land associated with Chamartín Station rail complex – Fuencarral, in Madrid).....	48
<b>5) Investments in Group Companies and Associates .....</b>	<b>51</b>
5.a) Non-current equity instruments in Group companies and associates .....	51
5.b) Non-current loans to Group companies and associates .....	52
5.c) Current investments in Group companies and associates .....	54
<b>(6) Other Financial Assets.....</b>	<b>56</b>
6.a) Investments.....	57
6.b) Trade and other receivables .....	57
<b>(7) Cash and Cash Equivalents .....</b>	<b>59</b>
<b>(8) Equity .....</b>	<b>60</b>
8.a) Equity contribution.....	60
8.b) Reserves.....	60
8.c) Proposed application of loss for the year.....	61
8.d) Valuation adjustments .....	61
<b>(9) Grants, Donations and Bequests .....</b>	<b>61</b>
9.a) Cohesion Funds.....	62
9.b) European Regional Development Funds.....	63
9.c) Community financial aid to trans-European networks .....	64
<b>(10) Provisions for Risks and Expenses .....</b>	<b>65</b>
10.a) Provisions for risks and expenses related to personnel .....	66
10.b) Other provisions.....	67
<b>(11) Financial Liabilities .....</b>	<b>69</b>
11.a) Loans and borrowings and bonds and other marketable securities .....	70
11.b) Other financial liabilities.....	73
11.c) Payables to Group companies and associates .....	74
11.d) Trade and other payables .....	75
<b>(12) Income Tax.....</b>	<b>75</b>
12.a) Public entities, receivables.....	76
12.b) Public entities, payables .....	77
12.c) Income tax .....	78
12.d) Value added tax .....	82

## INDICE

12.e) Years open to inspection .....	82
<b>(13) Revenue .....</b>	<b>82</b>
13.a) Revenue from use of rail facilities.....	83
13.b) Passenger rail transport safety levy .....	83
<b>(14) Other Operating Income .....</b>	<b>84</b>
<b>(15) Personnel Expenses.....</b>	<b>85</b>
<b>(16) Other Operating Expenses .....</b>	<b>86</b>
<b>(17) Recognition of Grants for Fixed Assets and Other.....</b>	<b>87</b>
<b>(18) Finance Costs .....</b>	<b>88</b>
<b>(19) Finance Income .....</b>	<b>88</b>
<b>(20) Environmental Information .....</b>	<b>89</b>
<b>(21) Information on Directors and Senior Management of the Entity .....</b>	<b>89</b>
<b>(22) Financial Risk Management .....</b>	<b>90</b>
22.a) Credit risk .....	90
22.b) Interest rate risk.....	90
22.c) Liquidity risk .....	90
<b>(23) Commitments and Contingencies .....</b>	<b>91</b>
<b>(24) Subsequent Events .....</b>	<b>92</b>
<b>Appendix I</b>	
Appendix II	

## Financial Statements

31 December 2019

Balance Sheet  
at 31 December 2019 and 31 December 2018

Expressed in thousands of Euros

ASSETS	NOTE	31/12/2019	31/12/2018
Intangible assets	4	54,747	55,427
Property, plant and equipment	4	45,653,515	44,743,427
Land and buildings		3,829,436	3,767,779
Technical installations, machinery, equipment, furniture and other items		27,382,415	26,433,880
Under construction and advances	4	14,441,664	14,541,768
Investment property	4	196,415	191,671
Non-current investment in Group companies and associates	5	488,144	470,753
Equity instruments		8,443	8,388
Loans to companies		479,701	462,365
Non-current investments		78,324	45,524
Equity instruments	6	1,739	2,166
Public entities	12	75,712	42,485
Other financial assets	6	873	873
Deferred tax assets	11 and 12	1,074	1,357
Non-current trade receivables	6	455	540
<b>Total non-current assets</b>		<b>46,472,674</b>	<b>45,508,699</b>
Trade and other receivables		272,682	321,373
Trade receivables	6	124,350	100,888
Trade receivables, from Group companies and associates	6	568	596
Other receivables	6	110,127	131,558
Personnel	6	29	12
Current tax assets	12	33	27
Public entities, other	12	37,575	88,292
Current investments in Group companies and associates	5	65,309	26,254
Loans to companies		65,309	26,254
Short-term financial investments	6	136	14
Cash and cash equivalents	7	366,221	150,325
Cash		366,221	150,325
Cash equivalents		704,348	497,966
<b>Total current assets</b>		<b>47,177,022</b>	<b>46,006,665</b>

# Balance Sheet

## at 31 December 2019 and 31 December 2018

Expressed in thousands of Euros

EQUITY AND LIABILITIES	NOTE	31/12/2019	31/12/2018
Equity	8	14,043,735	13,920,213
Equity contributions		15,306,262	14,994,688
Reserves		29,521	38,331
Retained earnings		(1,112,806)	(889,396)
Loss for the year		(179,242)	(223,410)
Valuation adjustments	11	(3,222)	(4,072)
Grants, donations and bequests received	9	10,821,491	10,619,017
<b>Total equity</b>		<b>24,862,004</b>	<b>24,535,158</b>
Non-current provisions	10	812,635	817,381
Long-term employee benefits		985	785
Other provisions		811,650	816,596
Non-current payables	11	16,030,305	15,240,618
Bonds and other marketable securities		4,982,186	4,383,814
Loans and borrowings		10,513,279	10,536,584
Derivatives		4,295	5,429
Other financial liabilities		530,545	314,791
Long-term debts with group companies and associates	11	53,911	53,911
Deferred tax liabilities	12	3,607,163	3,539,673
Non-current accruals	14	462,888	488,021
<b>Total non-current liabilities</b>		<b>20,966,902</b>	<b>20,139,604</b>
Current provisions	10	76,231	106,113
Short-term employee benefits		613	522
Other provisions		75,618	105,591
Current payables	11	938,480	1,013,929
Bonds and other marketable securities		55,397	51,852
Loans and borrowings		663,748	615,840
Derivatives		61	63
Other financial liabilities		219,274	346,174
Current payables, to Group companies and associates	11	84,378	15,394
Trade and other payables		222,297	168,158
Other suppliers and payables	11	220,937	166,613
Suppliers, Group companies and associates	11	506	731
Personnel	11	264	258
Current tax liabilities		(23)	(23)
Public entities, payables	12	613	579
Current provisions	14	26,730	28,309
<b>Total current liabilities</b>		<b>1,348,116</b>	<b>1,331,903</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>47,177,022</b>	<b>46,006,665</b>

Income Statement  
31 December 2019 and 2018

Expressed in thousands of Euros

	NOTE	31/12/2019	31/12/2018
Revenue	13	610,980	572,123
Self-constructed assets		10,184	8,825
Other operating income	14	436,241	411,894
Personnel expenses	15	(15,817)	(14,108)
Other operating expenses	16	(765,454)	(682,036)
External services		(761,029)	(676,008)
Taxes		(3,991)	(3,900)
Losses, impairment and changes in trade provisions		(434)	(2,128)
Amortisation and depreciation		(354,907)	(344,554)
Non-financial and other capital grants	17	106,814	107,334
Provision surpluses		4,515	1,226
Impairment and result on disposal of fixed assets		(4,360)	(11,592)
<b>Results from operating activities</b>		<b>28,196</b>	<b>49,112</b>
Finance income	19	125,697	116,464
From equity instruments		1,656	1,071
From marketable securities and other financial instruments		6,356	7,572
Capitalised finance costs	19 and 4	113,910	104,022
Other		3,775	3,799
Finance costs	18	(329,817)	(358,611)
On third party loans		(329,805)	(358,600)
Provision adjustments		(12)	(11)
Change in fair value of financial instruments		(3,077)	(3,866)
Impairment and losses on disposal of financial instruments	10.b.1	(241)	(26,509)
<b>Net finance expense</b>		<b>(207,438)</b>	<b>(272,522)</b>
<b>Loss before income tax</b>		<b>(179,242)</b>	<b>(223,410)</b>
Income tax	12.c	-	-
<b>Loss for the year</b>		<b>(179,242)</b>	<b>(223,410)</b>

Statement of Changes in Equity  
31 December 2019

A) Statement of Recognized Income and Expense corresponding to the year ended  
31 December, 2019

Expressed in thousands of Euros

	NOTE	31/12/2019	31/12/2018
<b>Loss for the year</b>		<b>(179,242)</b>	<b>(223,410)</b>
Income and expense recognised directly in equity			
Grants, donations and bequests	9	376,778	209,025
Cash flow hedges	11	1,133	661
Actuarial gains and losses and other adjustments		(8,810)	(806)
Grants tax effect	9 and 12	(94,194)	(52,257)
Cash flow hedges tax effect	11	(283)	(166)
<b>Total income and expense recognised directly in equity</b>		<b>274,624</b>	<b>156,457</b>
Amounts transferred to the income statement			
Grants, donations and bequests	17	(106,814)	(107,334)
Tax effect	12	26,704	26,834
<b>Total amounts transferred to the income statement</b>		<b>(80,110)</b>	<b>(80,500)</b>
<b>Total recognised income and expense</b>		<b>15,272</b>	<b>(147,453)</b>

Statement of Changes in Equity  
Corresponding to the year ended 31 December 2019

B) Statement of Total Changes in Equity corresponding to the year ended 31 December 2019

Expressed in thousands of Euros

	Equity contributions (Note 8a)	Reserves	Retained earnings	Loss for the year	Grants, donations and bequests received (Note 9)	Valuation adjustments (Note 11.a.1)	Total
<b>Balance at 31 December 2017</b>	<b>14,683,114</b>	<b>46,895</b>	<b>(689,399)</b>	<b>(199,997)</b>	<b>10,542,749</b>	<b>(4,567)</b>	<b>24,378,795</b>
Recognised income and expense	-	(806)	-	(223,410)	76,268	495	(147,453)
Transactions with shareholders or owners	-	-	-	-	-	-	-
Increase in equity contributions (note 8c)	311,574	-	-	-	-	-	311,574
Other changes in equity	-	(7,758)	(199,997)	199,997	-	-	(7,758)
<b>Balance at 31 December 2018</b>	<b>14,994,688</b>	<b>38,331</b>	<b>(889,396)</b>	<b>(223,410)</b>	<b>10,619,017</b>	<b>(4,072)</b>	<b>24,535,158</b>
Recognised income and expense	-	(8,810)	-	(179,242)	202,474	850	15,272
Transactions with shareholders or owners	-	-	-	-	-	-	-
Increase in equity contributions (note 8.c)	311,574	-	-	-	-	-	311,574
Other changes in equity	-	-	(223,410)	223,410	-	-	-
<b>Balance at 31 December 2019</b>	<b>15,306,262</b>	<b>29,521</b>	<b>(1,112,806)</b>	<b>(179,242)</b>	<b>10,821,491</b>	<b>(3,222)</b>	<b>24,862,004</b>



## Cash Flow Statement corresponding to the year ended 31 December 2019

Expressed in thousands of Euros

	31/12/2019	31/12/2018
Cash flows from/(used in) operating activities		
Loss for the period before tax	(179,242)	(223,410)
Adjustments for:	448,737	514,039
Depreciation and amortisation (+)	354,907	344,554
Impairment (+/-)	675	36,293
Change in provisions (+/-)	(1,404)	(598)
Grants recognised in the income statement (-)	(106,814)	(107,334)
Proceeds from disposals of fixed assets (+/-)	4,360	3,936
Finance income (-)	(125,697)	(116,464)
Finance costs (+)	329,817	358,611
Change in fair value of financial instruments (+/-)	3,077	3,866
Other income and expenses (-/+)	(10,184)	(8,825)
Changes in operating assets and liabilities	(64,128)	(85,519)
Trade and other receivables (+/-)	(25,264)	35,926
Trade and other payables (+/-)	32,163	(8,508)
Other current liabilities (+/-)	(22,452)	(21,298)
Other non-current assets and liabilities (+/-)	(48,575)	(91,639)
Other cash flows from/(used in) operating activities	(308,347)	(324,899)
Interest paid (-)	(295,289)	(291,989)
Dividends received (+)	1,656	1,070
Interest received (+)	38	139
Payments (collections) by tax of benefits (- / +)	-	368
Other amounts paid (received) (-/+)	(14,752)	(34,487)
<b>Cash flows from/(used in) operating activities</b>	<b>(102,980)</b>	<b>(119,789)</b>

Cash Flow Statement corresponding to the year ended 31 December 2019

	31/12/2019	31/12/2018
Cash flows from/(used in) investing activities		
Payments for investments (-)	(948,298)	(878,593)
Group companies and associates	(82,675)	(64,874)
Property, plant and equipment, intangible assets and investment property	(865,623)	(813,719)
Other financial assets	-	-
Proceeds from disposals (+)	195	-
Group companies and associates	195	-
<b>Cash flows from/(used in) investing activities</b>	<b>(948,103)</b>	<b>(878,593)</b>
Cash flows from/(used in) financing activities		
Proceeds from and payments for equity instruments	414,918	428,194
Issue of equity instruments	311,574	311,574
Grants, donations and bequests received	103,344	116,620
Europe	103,169	115,970
Others	175	650
Proceeds from and payments for financial liability instruments	852,061	453,283
Issue	1,376,503	949,246
Bonds and other marketable securities	600,000	600,000
Loans and borrowings (+)	545,000	240,000
Other payables (+)	231,503	109,246
Europe	228,382	104,035
Others	3,121	5,211
Redemption and repayment of	(524,442)	(495,963)
Loans and borrowings (-)	(518,041)	(468,453)
Other payables (-)	(6,401)	(27,510)
<b>Cash flows from/(used in) financing activities</b>	<b>1,266,979</b>	<b>881,477</b>
<b>Net increase in cash and cash equivalents</b>	<b>215,896</b>	<b>(116,905)</b>
Cash and cash equivalents at beginning of year	150,325	267,230
Cash and cash equivalents at 31 December of year end	366,221	150,325

Notes to the  
Annual Accounts

31 December 2019

Notes to the Annual Accounts  
31 December 2019**(1) Activity 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 1 January 1.941 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, today known as the today Ministry of Transport, Mobility and Urban Agenda.

Notes to the Annual Accounts  
31 December 2019

- Construction of high-speed rail infrastructure with third-party funds, in accordance with the corresponding agreement.
- Running of the rail infrastructure owned by it.
- Allocation of capacity to requesting rail companies.
- Control and inspection of rail infrastructure, the protection areas and the railway circulation occurring thereon.
- Operation of owned assets.
- Additional services and, where the case may be, supplementary and auxiliary services for rail transportation in the infrastructures owned by it.
- Acquisition of electrical power to provide power supply to the rail system.

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

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

**1.a) ADIF-Alta Velocidad statute**

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

- 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, today known as the today Ministry of Transport, Mobility and Urban Agenda.
- 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.

Notes to the Annual Accounts  
31 December 2019

- ADIF-AV was created by spinning off the branch of activity involving the construction and running of high-speed railway infrastructures, as well as other activities attributed to the entity and entrusted to Administrador de Infraestructuras Ferroviarias (ADIF) until its creation.
- ADIF-AV will assume all the functions assigned to ADIF by virtue of Rail Sector Law 38/2015 of 29 September 2015 (Law 39/2003 of 17 November 2003, previously) 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, today known as the today Ministry of Transport, Mobility and Urban Agenda, 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.
- 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.

Notes to the Annual Accounts  
31 December 2019**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 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 29 September, in respect of those rail infrastructures it has been assigned ownership of, as well as those infrastructures allocated in the future.

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

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

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

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

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

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

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

Notes to the Annual Accounts  
31 December 2019

- fibre optic network maintenance, operator installation and right of way services and the regulation of ADIF's rights of use
- engineering and innovation services to ADIF-AV
- voice and data telecommunication services
- IT services
- comprehensive communication services
- human resources services
- comprehensive management of property assets held by the state-owned enterprise ADIF-AV
- comprehensive management of safety and protection
- comprehensive management of the maintenance of ADIF-AV's functioning lines
- discounted diesel supply services
- works co-ordination and monitoring services
- comprehensive maintenance prevention services in ADIF-AV-owned stations
- services relating to integration companies, subsidiaries and investees
- financial services
- corporate legal services
- the running and control of operations management departments
- comprehensive support for the internal audit function
- Addenda to the service arrangement signed by Administrador de Infraestructuras Ferroviarias (ADIF) and ADIF-AV, whereby ADIF-AV is commissioned to provide:
  - energy efficiency advisory services
  - management of compulsory expropriation orders awarded in favour of ADIF
  - services in the field of technical action (environmental, etc.)
  - electricity management services in non-traction use (NTU).

Given the time that has elapsed since the adoption of the management assignment agreements approved by the Boards of Directors of ADIF and ADIF AV, as well as the signing of the aforementioned agreement on 31 January 2014, and the Addenda signed, both entities considered it appropriate and necessary to update the activities assigned up to the current date, and to assign new technical and material activities, as they are necessary to perform the functions and meet the objectives of ADIF and ADIF AV.



Notes to the Annual Accounts  
31 December 2019

By Agreement of the Board of Directors of the public business entity Administrador de Infraestructuras Ferroviarias (ADIF) of 26 June 2019, it was agreed to approve and authorize the signing of the Service Agreement between the public business entity Administrador de Infraestructuras Ferroviarias (ADIF) and the public business entity ADIF-AV, which entrusts the E.P.E. ADIF-AV with the execution of activities of a material or technical nature.

This Board of Directors Agreement also supersedes the Board of Directors Agreement of 31 January 2014, which ratified the President Resolution of the public business entity Administrador de Infraestructuras Ferroviarias (ADIF) of 31 December 2013, to entrust certain tasks to the public business entity Administrador de Infraestructuras Ferroviarias ADIF- Alta Velocidad, published in Official State Gazette (BOE) No. 52 of 1 March 2014.

In execution of the ADIF Board of Directors Agreement of 26 June 2019, and having signed on 9 July 2019 the Service Agreement between ADIF and ADIF-AV that entrusts the E.P.E. ADIF-AV is responsible for material and technical activities, in compliance with the provisions of article 11, paragraph 3.a) of Law 40/2015 of 1 October on the Legal Regime of the Public Sector, on the formalization of management assignments, published in the Official State Gazette (BOE) of 8 August 2019.

The most relevant activities of a material or technical nature subscribed to in this Agreement are

- integral environmental management
- reception, testing, from material quality control laboratories, audits and monitoring of quality and final work documentation, load tests and building inspections and processing of expenditure files,
- Processing of compulsory purchase cases where ADIF is the beneficiary,
- drafting of supervision reports for conventional line projects,
- Non-traction power supply-UDT

In accordance with the provisions of clause XVII of the Agreement of 9 July 2019, the Service Agreement and its annexes may be modified by mutual agreement between the parties, through the subscription of the corresponding addendum to the same.

The first addendum to the Service Agreement between ADIF and ADIF-AV, is published in the Official State Gazette (BOE) of 20 December 2019, for activities of a material or technical nature related to telecommunications.

Similarly, the second addendum to the Service Agreement between ADIF and ADIF-AV, was published in the BOE of 12 February 2020, for activities of a material or technical nature in functional planning and within the scope of the technical and working commissions of European international economic interest groups.

The Board of Directors of the public business entity ADIF AV, on 20 December 2019, agreed to approve and authorize the signing of the Service Agreement between the public business entity ADIF AV and the public business entity ADIF, which entrusts the E.P.E. ADIF with the execution of activities of a material or technical nature.

The "Agreement of the Board of Directors of ADIF-AV of 17 January 2014", published in the Official State Gazette (BOE) of 11 February 2014, is also voided, as is the "Agreement of the

Notes to the Annual Accounts  
31 December 2019

Board of Directors of ADIF-AV of 28 March 2014", published in the BOE of 26 April 2014, which entrusts certain tasks to the public business entity ADIF.

In execution of the Agreement of the Board of Directors of the public business entity ADIF AV of 20 December 2019, and having been signed on 20 December 2019, the Service Agreement between ADIF AV and ADIF, which entrusts ADIF with the execution of activities of a material or technical nature, is published in the BOE of 10 February 2020.

The activities of a material or technical nature subscribed to in this agreement are

- Comprehensive maintenance management of the operating lines owned by ADIF-AV
- Comprehensive management of stations assigned to ADIF-Alta Velocidad
- Traffic Safety
- TIC Services. Information and Communication Systems and Technologies.
- Telecommunications, voice and data
- Integral management of protection and security
- ADIF AV Comprehensive Risk Management
- Design, implementation and monitoring of the environmental sustainability strategy and policy
- Comprehensive brand management
- Direction, impulse and coordination
- Innovation.
- Telecommunications.
- Management Control in the areas of Electrical Energy and Fibre Network Management of ADIF-AV
- Integral attention to the regulatory compliance and personal data protection function (DPD).
- Asset management.
- Capacity allocation and traffic management, as well as all associated activities.
- Legal advice.
- Human resources.
- Internal audit.
- International scope.
- Occupational risk prevention, health and safety at work.

Notes to the Annual Accounts  
31 December 2019

- Communication and corporate reputation of ADIF-Alta Velocidad.
- Comprehensive management of assets owned by ADIF-Alta Velocidad.
- Construction of the Air Contact Line, Installations, Piloting, Opening of Stations, Materials Logistics and Management of Rolling Stock for Testing.
- Contractual management of ADIF-Alta Velocidad files.
- Management of general services and the buildings and spaces destined for offices of Adif-Alta Velocidad, as well as for the management of singular architectural actions of Adif-Alta Velocidad.
- Economic-Financial and Corporate Services of the Entity
- Construction of substations, signalling installations, stations and commissioning of lines entrusted to ADIF-Alta Velocidad.
- Comprehensive management and coordination of urban integration operations of the railway and the companies and other entities in which ADIF-Alta Velocidad participates.
- Preparation and processing of the declaration document on the ADIF-Alta Velocidad network.

**1.c) Other provisions**

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

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

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

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

Notes to the Annual Accounts  
31 December 2019

- 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
      - Aljucén-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 Council of Ministers, in its agreements dated November 24, 2017 approved the transfer of ADIF to ADIF AV from the ownership of the network segment railway between León and La Robla. The agreement establishes a free transfer by registering ADIF AV the assets received by its gross cost and its accumulated depreciation until the transfer date, being its Net book value of 47,892 thousand euros. The formal delivery certificate was subscribed by ADIF and ADIF AV on November 30, 2017.
- In 2018, the Council of Ministers approved the assignment of different sections of the RFIG from ADIF to ADIF AV, free of charge. These transfers were motivated by the high-speed adaptation works that ADIF AV will undertake. The detail of the transfers is as follows:

## Notes to the Annual Accounts 31 December 2019

1. La Encina - Xátiva section: with a length of 38 km. The agreement of the Council of Ministers took place on February 23, 2018, formalizing its delivery through a formal document signed between ADIF and ADIF AV on May 25, 2018 for a net book value of 116,123 thousand euros
  2. Taboadela - Ourense section: with a length of 14 km. In a meeting held on April 6, 2018, the Council of Ministers agreed to transfer this section, formalizing its ADIF delivery note to ADIF AV on May 25, 2018 for a net book value of 9,945 thousand euros.
  3. El Reguerón - Cartagena - Escombreras section: with a length of 67 km. The agreement of the Council of Ministers was signed on May 25, 2018, signing its formal delivery of ADIF to ADIF AV on 26 September, 2018 for a net book value of 30,395 thousand euros.
  4. Section Astigarraga - Irún: with a length of 25 km. At the meeting of the Council of Ministers held on May 25, 2018, the transfer of the aforementioned section of ADIF to ADIF AV was formalized and its delivery was formalized by means of a signed document on 26 September, 2018 with a net book value of 82,875 thousand euros.
- The resolution of the Secretary of State for Infrastructure, Transport and Housing, dated 23 May 2014, entrusts ADIF and ADIF-AV, in their respective areas of responsibility, with construction and works for the public service rail network, as put to tender and awarded by the Ministry of Public Works, determining that the construction will be made using ADIF or ADIF-AV's resources, as applicable.
  - On 21 December 2009, the Ministry of Public Works, the Catalonia Regional Government, the Barcelona City Council, ADIF and RENFE Operadora signed an addenda to the collaboration agreement entered into on 12 June 2002 in connection with the high-speed network in the city of Barcelona and the corresponding remodelling of railway infrastructures. The addenda establishes the contribution from the General State Administration to ADIF of a total of 255,000 thousand euros, to finance the Sagrera Station, distributed in annual payments of 51,000 thousand euros from 2009 to 2013.
  - Law 6/2018, of July 3, of the General State Budgets for 2018 provides a financial contribution to ADIF-AV of 311,574 thousand euros in 2018. It also authorized a net increase in long-term indebtedness in that year of 1,890,000 thousand euros. This figure shall be understood as the maximum net increase between 1 January and 31 December, 2018 in long-term debt at nominal value with financial institutions and for issues of fixed-income securities. (see note 8.a)).
  - In 2019, pursuant to article 134.4 of title VII of the Spanish Constitution, the extension of Law 6/2018, of July 3, of the General State Budgets for 2018 has taken place. Consequently, for that year, it has recorded a financial contribution for ADIF-AV of 311,573.95 thousand euros and an authorization has been established for the net increase in debt of 1,890,000 thousand euros.
  - In 2020, pursuant to article 134.4 of title VII of the Spanish Constitution, the extension of Law 6/2018, of July 3, of the General State Budgets for 2018 and 2019 has taken place. As a result, an equity contribution of 311,573.95 thousand euros has been recorded for ADIF-AV for 2020, and an authorization for a net increase in debt of 1,890,000 thousand euros has been established.

Notes to the Annual Accounts  
31 December 2019**1.d) Charges and fees**

On 29 September 2015, Law 38/2015 on the Railway Sector was approved, which fully replaces Law 39/2003 of 17 November and unifies and concentrates in a single regulation the complete legal regime of the railway transport mode. It also incorporates into Spanish law the rules contained in Directive 2012/34/EU of the European Parliament and Council of 21 November. This regulation introduces significant changes in terms of fees and charges.

- The regulation of fees in the new Railway Sector Act substantially modifies the structure of these fees established in Act 39/2003.
- It abolishes the form of access fee in the fee for the use of railway lines; it introduces new criteria for classifying lines in order to link the railway fee to the potential profitability of the market; and it places special emphasis on the regulation of bonuses and discounts on the amount of the fee to be paid by operators, in order 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 tariff regime for the provision of services is reviewed, moving towards free access to service activities without compromising the sustainability of the railway infrastructure.
- Finally, the criteria for classifying stations for passenger transport are modified and extended in order to take into account the economic capacity of the associated services when determining the amount of the fee.
- The fourth transitional provision of Law 38/2015 establishes that, until the railway fees are set in accordance with the rules set out in Title VI, those in force at the time the Law comes into force will continue to apply. It also provides that the adaptation of railway fees to the provisions of the aforementioned Title VI will be included, in any case, in the first draft of the State General Budget that is processed after the entry into force of the law.

These regulations are applicable to ADIF-AV.

From July 1, 2017, the Railway Canons will be applied, in articles 97 and 98 of Law 38/2015, of 29 September of the sector railway, with the unit amounts established in articles 71 and 72 of Law 3/2017 of the General Budgets of the State for the year 2017, (BOE June, 28 2017). The following are detailed the Royalties in force, from 1 July 2017:

Charge for use of the Railway Lines for members of the RFIG managed by ADIF.

It constitutes the taxable event of the charge for the use of the railway lines for the members that make up the RFIG, as well as the provision of services inherent to said use, in the following modalities:

- a) Charge for Use of Charge for allocation of capacity (Module A): for the assignment service of those time slots, defined in the declaration on the network, to the corresponding candidates so that a train can circulate between two points during a certain period of time. The costs of the process of capacity allocation, traffic management, security in the circulation and the replacement of the security and control facilities of the traffic, directly attributable to the operation of the rail service. The amount will be determined by each train-kilometre awarded, distinguishing by type of affected line and type of service.

Notes to the Annual Accounts  
31 December 2019

- b) Charge for the use of railway lines (Module B): for the action and effect of using a railway line. The costs of maintenance and conservation of railway infrastructure, directly attributable to the operation of the rail service. The amount will be determined by each train-kilometre circulated distinguishing by type of line and type of service.
- c) Charge for the use of the transformation and distribution facilities of the electric power of traction (Module C), by the action or effect of using the electrification installations of a railway line. The costs will be passed on maintenance and conservation of electrification facilities and their Replacement costs, directly attributable to the operation of the service railway. The amount will be determined by each train-kilometre circulated by lines electrified railways distinguishing by type of line, type of service and type of traction.

Charge for the use of the Service Facilities owned by the general managers of railway infrastructures.

It constitutes the taxable event of the charge for the use of the service facilities and infrastructure referred to in Article 98 of the LSF, as well as the provision of public services or activities inherent to said use, in the following modalities:

- A. Charge for the use of passenger transport stations (Module A). The costs associated with the maintenance and conservation of stations, their replacement and the provision of the minimum basic services of the stations, financial expenses in the case of stations classified in the category 6, as well as the monitoring service of the stations and the control of access of travellers and their luggage. The amount is determined according to the category of the station, type of stop, type of train and number of travellers.
- B. Charge for passage through width changers (Module B). It is calculated according to of the steps of each train by a width changer.
- C. Charge for the use of platforms in parking stations of trains for commercial passenger services and other operations (Module C). For the purposes of this fee, the following two rates are established:
  - C.1) By parking of trains for commercial services of travellers without other operations.
  - C.2) By parking trains for other operations.
- D. Charge for the use of roads in other service facilities: section, of formation of trains and manoeuvres, maintenance, washing and cleaning, fuel supply (Module D).
- E. Charge for the use of loading points for merchandise (Module E).

**(2) Basis of Presentation of the Annual Accounts****2.a) Fair presentation**

The annual accounts have been prepared in accordance with the accounting records of the Entity, in order to show the true image of the assets and the financial situation as of 31 December, 2019 and the results of its operations, changes in the net equity and cash flows for the period from 1 January, 2019 to 31 December, 2019.

ADIF-AV presents the annual accounts 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



**Notes to the Annual Accounts**  
**31 December 2019**

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 Royal Decree 602/2016 of 2 December 2016 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 interim 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**

The Entity's Management presents, for comparative purposes, with each of the items in the balance sheet, the profit and loss account, the statement of changes in equity, the statement of cash flows and in the notes to the annual accounts, as well as of the figures for the financial year 2019, those corresponding to the previous year that were part of the annual accounts for 2018 approved by the Board of Directors of ADIF AV dated March 28, 2019.

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

Preparation of the interim 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.a).
- Impairment of non-financial assets (see Note 3(b)).



Notes to the Annual Accounts  
31 December 2019

- Property, plant and equipment for railway infrastructures executed by various integration companies in which the Entity participates under the Integration Agreements of which they bring cause (see notes 3.b and 3.i). The infrastructures put into service are recorded as property, plant and equipment even if their formal delivery has not occurred, provided that future economic returns are expected through their exploitation and a reliable valuation of their cost is available. The realization of these estimates requires the application of relevant professional judgments to classify the infrastructures executed, which are complex in nature, such as railways or urban development, as well as to allocate certain costs necessary for the development of the global project entrusted to the aforementioned companies. The final allocation to the partners must be agreed within each of them, so there is uncertainty about the final attribution of the various assets to each of its shareholders.
- Determination of the commercial or non-commercial nature of the non-financial fixed asset swaps.
- Impairment of the value of the credits granted to group companies and associates, (see note 3 (i))
- Provisions for risks and expenses: 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).

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

## Notes to the Annual Accounts

### 31 December 2019

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

In addition, the Entity has included in the section of intangible assets, computer software and research and development, specifically the technology platform linked to rail traffic management "Da Vinci". This technology platform has been assigned a useful life in line with those of the security and signalling installations it supports, namely 25 years. Intangible assets are stated at cost of acquisition or production, net of accumulated amortisation, which is calculated on a straight-line basis or, in the case of assets linked to high-speed lines, using the increasing balance method, in accordance with the following estimated useful lives:

	YEARS
R&D expenses	25
Computer software	5

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

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

### 3.b) Property, plant and equipment

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

- Publicly owned railway assets: these assets include railway lines, the land on which they are located and installations built in the public property zone (article 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.

Notes to the Annual Accounts  
31 December 2019

- Privately-owned assets: those not covered by the legal definition of publicly owned railway assets. ADIF-AV's privately-owned assets comprise stations, terminals or other buildings or installations used for passenger services, except for the railway lines and land mentioned above. Nevertheless, if any of these assets (stations, terminals or other buildings or installations for services linked to rail transport) were acquired as a result of a compulsory purchase order, despite being included among the Entity's own assets under the Rail Sector Law and Regulation, in the interests of legal certainty such assets would undergo the same category delisting procedure foreseen for publicly owned assets, as set forth in article 66.2 c) of Law 33/2003 of 3 November 2003, on Public Authority Assets. Finally, this category could also comprise all buildings associated with railway lines that have been closed down or abandoned.

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

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

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

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

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

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

Notes to the Annual Accounts  
31 December 2019

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 current amounts 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) Other infrastructures received from the seconding State were valued at an amount equal to that contained in the corresponding subrogation certificates, at the purchase price or production cost incurred by the Ministry of Development, in accordance with the data contained in its Accounting Information System and in its accounting records, deducting its accumulated amortization on the date of transfer. However, if subsequent to the initial valuation, changes are shown in the values included in the corresponding delivery documents or other provisions by which railway infrastructures are transferred to ADIF-AV or new investments related to the lines or sections are identified previously assigned, these adjustments are recorded in the year in which the new values are known and the corresponding rectifying minutes are signed or the aforementioned provisions are modified.
- c) 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.

Notes to the Annual Accounts  
31 December 2019

- d) Investments underway and in operation on the high-speed Atlantic Axis and the Mediterranean corridor connection were allocated to ADIF for no consideration, in accordance with the second additional provision of Royal Decree-Law 22/2012 of 20 July 2012, and were spun off to ADIF-AV as per the Spin-Off Order. These assets were constructed by the State before ADIF was commissioned to operate both sets of infrastructure through respective rulings issued by the Secretary of State for Infrastructure on 11 May 2012. These items and work in progress were recognised at the amount of 2,476,419 thousand euros, which corresponds to the acquisition price or cost of production incurred by the Ministry of Public Works based on data contained in its financial information system and accounting records, less accumulated depreciation at the transfer date. This amount is equivalent to the fair value of these assets, since it was defined in the context of the tenders provided for under legislation applicable to the General State Administration and results from a public tender process conducted between knowledgeable independent parties.
- 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 would 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.
- f) Land and natural assets are valued based on the amounts paid for expropriations and the assignment value in the case of expropriations that were paid in due time by the Ministry of Public Works and Transport and in which the Entity was subrogated, The Entity began in 2014, the work of delimitation, individualized valuation and registration where appropriate, of those lands that, being of their ownership, were not registered due to expropriations of historical origin undertaken in the 19th or 20th centuries, Additionally, the Entity has carried out a similar process to regularize the book value of the land linked to infrastructures and railway facilities delivered by the State and that until that time, were registered by the assignment value according to the information received from the AGE, For this, the value of acquisition or expropriation according to the supporting documentation has been used as valuation method and, in cases where this has not been available, the acquisition value of adjoining land expropriated in similar years.

As explained in note 4, at the end of 2017, all expropriated land by the Ministry of Public Works and Transport that were incorporated into the Balance of ADIF-AV at their assignment value have been adequately delimited and valued according to the methodology described in previous paragraphs.

- g) The assets transferred by ADIF to ADIF-AV under the Agreements of the Council of Ministers mentioned in note 1 are valued in accordance with the provisions of these agreements for the book value for which they were posted in ADIF, recognizing in ADIF AV by their gross cost and accumulated depreciation up to the date of transfer (see note 1.c).

Notes to the Annual Accounts  
31 December 2019

- h) The infrastructures executed within the framework of the Agreements for the integration of the railroad in the cities, which are carried out either by commercial companies created for this purpose or directly by one or more of the entities that have signed the aforementioned agreement, are valued with the best estimation of the construction costs incurred and that have been necessary for putting it into operating conditions.

In those cases in which the Agreement establishes the obligation to finance all the actions through monetary contributions of all or some of the entities that are subscribed to them, the costs corresponding to certain provisional works or to urban integration infrastructures, such as the walls and slabs derived from the execution of burials or coverings, whose basic purpose is to achieve permeability between different areas of a city, are included in the value of railway infrastructures, by means of reasonable imputation criteria, up to the limit of the contributions assumed by the Entity. In the event that the agreement does not foresee that the Entity will assume the financing of the infrastructures contemplated therein through monetary contributions, the aforementioned burials or coverings, considered as urban infrastructures, are not, in general, integrated into the ADIF Alta Velocidad's asset.

ADIF-AV records in its fixed assets both the railway infrastructures received by means of delivery and / or through a standard with the rank of Law, Royal Decree, agreement of the Council of Ministers or Ministerial Order, as well as any other railway infrastructures and stations that, forming part of the network of its ownership whose administration is entrusted, have entered into service, although they are not subject to formal delivery by means of a Minute, Royal Decree or Ministerial Order, provided that economic returns are expected through exploitation and a reliable valuation is available of its cost.

- ***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:

Notes to the Annual Accounts  
31 December 2019

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

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

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

- **Impairment**

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

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

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

- Significant changes in the technological, regulatory or legal environment in which the Entity operates, either during the year or which are expected to



Notes to the Annual Accounts  
31 December 2019

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:

- Axis 11 of AV Madrid Chamartín - Valladolid - León.
- Axis 12 of AV Madrid Atocha - Barcelona - French border.
- Axis 13 of AV Madrid Atocha - Levante.
- Axis 14 of AV Madrid Atocha - Toledo - Seville Santa Justa - Málaga María Zambrano.
- Axis 16 of AV Olmedo - Medina del Campo - Zamora - Galicia.

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

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



Notes to the Annual Accounts  
31 December 2019**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 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. (see Note 3,i)

- 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.

**Notes to the Annual Accounts**  
**31 December 2019**

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

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

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

**3.e) Financial liabilities**

- Debts and payables

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

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

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

- Financial guarantee contracts

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

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

Notes to the Annual Accounts  
31 December 2019

- 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.

### 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

Notes to the Annual Accounts  
31 December 2019

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 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.

Notes to the Annual Accounts  
31 December 2019

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 annual accounts, 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, estimates of the expected cash flows to be obtained in each case are considered, provided by the Management of each of the Companies, analyzing their capacity to obtain income from the sale of land that allows them to face the obligations contracted with third parties to develop the project entrusted to them, as well as the needs for contributions of funds by the shareholders and their capacity to reimburse the financing provided and pending contribution. In the 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, in addition, the best estimate of the value of the railway infrastructures that the Company must deliver to ADIF AV. As a result, the loss assumed by the Entity and 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 the aforementioned deficit and the estimated cost of the infrastructures that the Entity should receive. (See note 3b).

In quantifying the estimation of the cash flows that the Companies intend to obtain in the future, the residual dynamic method is generally used, for the valuation of soils, for reasons of prudence excluding duly justified exceptions. This method uses techniques to discount cash flows and therefore takes into account the evolution of the value of money over time.

Notes to the Annual Accounts  
31 December 2019**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.

Notes to the Annual Accounts  
31 December 2019(iii) Measurement

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

(iv) Offset and classification

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

**3.m) Recognition of income and expenses**

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

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

**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 at 31 December 2019 and full year 2018 are shown in Appendix 1.

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

- Construction and administration of the Madrid-Zaragoza-Barcelona-French border high-speed rail line. The Figueras-French border sub-stretch was excluded from this service arrangement as it is part of the Figueras-Perpignan stretch by virtue of the agreement between the Spanish and French governments signed on 10 October 1995 (Agreement 9/04/99).



Notes to the Annual Accounts  
31 December 2019

- Construction of a new North-Northwest rail access: Madrid-Segovia-Valladolid/Medina del Campo.
- Construction and administration of the new Córdoba-Málaga rail access.
- Construction and administration of the new Levante high-speed rail access: Madrid-Castilla la Mancha-Valencia Autonomous Community-Murcia Region.
- Construction and administration of the León-Asturias high-speed line (La Robla-Pola de Lena stretch/Pajares alternate route) of the North-Northwest Corridor.
- Construction and administration of the new Toledo high-speed rail access.
- Construction and administration of the Basque Country high-speed line of the North-Northwest Corridor.
- Construction and administration of the Navalmoral de la Mata-Cáceres stretch of the Madrid-Cáceres / Mérida-Badajoz high-speed line of the Extremadura Corridor.
- Construction and administration of the stretch between Almeria and the Murcia region border of the Murcia-Almeria high-speed line of the Mediterranean Corridor.
- Completion of construction work on the Bobadilla-Granada high-speed line, including track bed and track.
- Drafting and execution of the basic projects and construction of the Madrid-Asturias high-speed line. Stretch: Venta de Baños-León-Asturias (excluding the Pajares alternate route) (Resolution of 28/12/06).
- Drafting and execution of the basic projects and construction of the Madrid-Basque Country/French border high-speed line. Stretch: Valladolid-Burgos-Vitoria. (Resolution of 28/12/2006).
- Drafting and execution of the basic projects and construction of the Mediterranean Corridor high-speed line. Stretch: Murcia region-Murcia border. (Resolution of 28/12/2006).
- Drafting and execution of the basic projects and construction of the Madrid-Extremadura/Portuguese border high-speed line. Stretch: Cáceres-Mérida-Badajoz. (Resolution of 28/12/2006).
- Construction of the Olmedo-Medina-Zamora-Puebla de Sanabria-Lubián-Orense stretch of the Madrid-Galicia high-speed line, in the North-Northwest Corridor. (Resolution of 4/12/2009).
- Construction of the Castejón-Pamplona region stretch of the Zaragoza-Pamplona high-speed line in the Navarre territory. (Resolution of 30/3/2010).
- Construction of the connection of the Mediterranean Corridor with the Madrid-Barcelona-French border high-speed rail line: Vandellós-Tarragona area. (Resolution of 11/5/2012).
- Construction of the Santiago de Compostela-Vigo section of the A Coruña-Vigo stretch of the high-speed Atlantic Axis. (Resolution of 11/5/2012).
- Construction of the update for the link between the Medina del Campo siding and the Medina del Campo-Salamanca line.
- The drafting and execution of the projects and maintenance of the overhead lines installations, telecommunications systems, GSM-R mobile radio system and items related with the high-speed Bobadilla-Granada line.



## Notes to the Annual Accounts 31 December 2019

Up to 31 December 2019, as explained in note 3,b), the Entity has recorded the best estimate of railway works executed by various investees whose corporate purpose is the integration of railways in urban areas according to the following breakdown:

	Thousands of Euros	
	31/12/2019	31/12/2018
Valencia Parque Central Alta Velocidad 2003, S.A.	71,859	71,859
Valladolid Alta Velocidad 2003, S.A.	53,911	53,911
Zaragoza Alta Velocidad 2002, S.A.	5,457	5,457
AV Alicante Nodo de Transporte S.A.	53,167	53,147
León Alta Velocidad AV, S.A.	9,686	9,686
<b>TOTAL</b>	<b>194,080</b>	<b>194,060</b>

The Entity has recorded, in the financial statements, the best estimate available 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., Alta Velocidad Alicante Nodo Transportes S.A., Valladolid Alta Velocidad 2003, S.A. and León Alta Velocidad 2003, S.A., in which it participates and which are put into operation.

The railway works executed by Zaragoza Alta Velocidad were delivered to ADIF AV through a formal act signed on February 1, 2016 and its valuation amounted to 5,457 thousand euros, which were recorded in the annual accounts for 2015.

At the close of 2019, the Entity had registered in investments, works executed by the subsidiary Alta Velocidad Alicante Nodo Transportes S.A. for an accumulated value of 53,167 thousand euros, as indicated in the formal act signed on 1 October 2019. At 2018 year-end, the Entity had recorded in investments, works executed by the investee Alta Velocidad Alicante Nodo Transportes S.A. for a cumulative value of EUR 53,147 thousand.

In the case of Valencia Parque Central 2003, S.A. railway works registered at the end of 2019 and which were registered in 2016 amount to 71,859 thousand euros.

On November 12, 2018 ADIF-AV and ADIF subscribed with the investee Valladolid Alta Velocidad 2003, SA, hereinafter VAV, an agreement for the transfer of railway assets in which a total value was established, excluding VAT of 53,911 thousand euros. In said agreement it is established that the consideration to be paid for this delivery will consist of the delivery of ADIF AV to VAV of the lands that are unaffected or that may be affected in the future of the railway use and that are owned by them.

As of the closing date of these annual accounts, ADIF AV has recorded a long-term liability for this concept with the company VAV.

The railway works recorded at 2019 year end delivered by the investee León Alta Velocidad 2003, S.A. are those derived from the delivery document signed between ADIF-AV and the aforementioned company on 3 June 2018 for a total value, excluding VAT, of 9,686 thousand euros.

At the date of preparation of these annual accounts, the Entity and the company Valencia Parque Central Alta Velocidad 2003, S.A. had not formalised the transfer of ownership. In addition, it should be noted that, with the exception of Alta Velocidad Alicante Nodo Transportes S.A., the other investees have carried out other work or ancillary costs that have not been recognised in these annual accounts and which have yet to be attributed to their shareholders, based on their

## Notes to the Annual Accounts 31 December 2019

final classification as rail or urban infrastructure and the allocation of certain costs required to carry out the overall project entrusted to the aforementioned companies. The final allocation of these works to the shareholders must be the subject of an agreement within each company, which is considered complex at the date of these financial statements.

Pursuant to Royal Decree-Law 4/2013, of 22 February, and the Recast Convention (see Note 3b), the General State Administration and SEITTSA transferred to ADIF AV, free of charge, the land and platform works associated with various sections of the Madrid-Galicia High Speed Railway, basically between Medina and Lubián (Zamora), from 2015. At the date of issue of these annual accounts, the Entity had recognised as fixed assets in progress or completed, when the infrastructures have been put into operation, for an aggregate value of 814,150 thousand euros, recognising the related capital grant as a balancing entry. Of this amount, 773,643 thousand euros relate to assets that have been transferred by SEITTSA. This figure includes the assets recorded by ADIF AV in 2019 as fixed assets in the course of construction, amounting to 252.475 thousand euros. The following is a summary, in thousands of euros, of the situation at 31 December 2019 and 31 December 2018 of the works received by the Company free of charge and relating exclusively to the Madrid-Galicia High Speed Line, in application of Royal Decree-Law 4/2013 and the aforementioned recasting agreement:

ORIGIN	Land Valuation and works received for free platform in operation Madrid- Galicia High Speed Line	
	31/12/2019	31/12/2018
A.G.E. Real Decreto ley 4/2013	40,507	40,507
SEITTSA, Convenio Refundido	773,643	521,168
	<u>814,150</u>	<u>561,675</u>

In the process of accounting regularization of land owned by ADIF - AV, (see note 3,b,) the Entity up until 31 December 2019 and until 31 December 2018 has delimited, valued, and entered, or, where appropriate, regularized its value 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 31 December, 2013.
- The Valencia-Vandellós section of the Mediterranean Corridor, for the land of historical origin, which is expropriated by private companies that were integrated into the former National Network of the Spanish Railways and also the expropriations undertaken by this public business entity and by the Ministry of Public Works and Transport. In 2016, the Entity had access to the supporting documentation for the expropriations carried out by the Ministry of Public Works and Transport in this area and, as a result of its analysis, said land has been delimited and valued, increasing its acquisition value to 45,773 thousand euros. For its part, as of 31 December, 2015, these lands were registered for 56,339 thousand euros, a figure contributed by the Ministry at the time

## Notes to the Annual Accounts 31 December 2019

and collected in the corresponding signed memorandum, so that in 2016 the accounting acquisition value has been regularized.

- The Santiago-Vigo section included in the High Speed Atlantic Axis, referring both to land of historical origin, expropriated by RENFE or the previous private rail companies that were delimited, valued and registered in the year 2016, for a total of 295 thousand Euros, as well as the land expropriated by the Ministry of Public Works and Transport, which have been delimited, valued and recorded in 2017 for an amount of 71,272 thousand euros, based on the available documentation, and which were recorded in the year 2016 for an acquisition value of 70,000 thousand euros.
- Madrid-Barcelona-French border Link of the high-speed line with the Mediterranean Corridor, referring to the land expropriated by the Ministry of Public Works and Transport, which at the close of the 2016 fiscal year were registered for a value of 48,665 thousand euros and have been revalued at 31,745 thousand euros, with the delimitation, valuation and registration, based on the supporting documentation of the expropriations being performed in 2017.
- Galicia High Speed Line, land referred to expropriated by the Ministry of Public Works and Transport, These lands, which at the close of the 2016 fiscal year were registered for an acquisition value of 43,000 thousand euros, have now been valued at 22,801 thousand euros, once their delimitation, valuation and registration was performed based on the available documentation.
- León-La Robla Section of conventional width line, in relation to the land of historical origin (378 thousand euros) transferred from ADIF to ADIF AV in November 2017, as well as those expropriated by the Ministry of Public Works and Transport (see note 1, c), which have been valued at 2,073 thousand euros.

With the described process, the Entity considers that it has completed the update of its inventory of land of historical origin from expropriations undertaken in the nineteenth or early twentieth century. Likewise, all lands expropriated by the Ministry of Public Works and Transport that were incorporated into the Balance sheet of ADIF-AV due to their value of affection have been adequately delimited and valued.

Below is a summary, as of 31 December 2019 and 31 December 2018 of the appraisal of land owned by ADIF Alta Velocidad and coming mostly from free deliveries from the State.

	Thousands of Euros	
	<b>Delimited Land value at 31/12/2019</b>	<b>Delimited Land value at 31/12/2018</b>
Historical land AV stations and others	17,004	17,004
AV Madrid-Sevilla	51,055	51,055
Mediterranean Corridor. Section Valencia-Vandellós	45,773	45,773
Atlantic Axis. Santiago de Compostela-Vigo	71,567	71,567
AV Mediterranean Corridor Link	31,745	31,745
LAV Olmedo-Zamora-Lubián-Orense	22,808	22,808
León - La Robla section	3,277	3,277
El Reguerón - Cartagena	864	864
Variante de Alpera y La Encina - Xátiva	11,474	11,474
<b>Total</b>	<b>255,567</b>	<b>255,567</b>

## Notes to the Annual Accounts

### 31 December 2019

Derived from the Council of Ministers agreements on infrastructure transfer between ADIF and ADIF-AV mentioned in Note 1.c, in 2017, the Entity recorded the addition of assets relating to the León - La Robla railway section for a total net value of 47,892 thousand euros, recording as a counterpart a capital grant and a deferred tax liability for the same amount to the extent in which it is establishes that it can be considered a free delivery, (see note 1.c).

In 2018, the Entity recorded the addition of assets related to infrastructure works of the La Encina - Xativa, Taboada - Ourense, El Regueron - Cartagena - Escombreras and Astigarraga - Irún rail sections for a total net value of 239,338 thousand euros, recording as a counterpart a capital grant and a deferred tax liability for the same amount because they were fully subsidized (see note 1.c).

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

The following is a breakdown of the acquisition or production cost at 31 December 2019 and at 31 December 2018 of the Entity's property, plant and equipment by high speed network line:

	31/12/2019 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	784,064	643,356	10,163,594	15,176	<b>11,606,190</b>
Mediterranean Corridor	52,829	23,294	882,429	186	<b>958,738</b>
Madrid-Levante	859,016	202,164	6,536,690	1,298	<b>7,599,168</b>
Madrid-Sevilla y ramal a Toledo	76,796	443,735	2,470,002	9,743	<b>3,000,276</b>
Córdoba-Málaga	116,681	67,178	2,275,146	1,284	<b>2,460,289</b>
Bobadilla - Granada y Extremadura	59,705	41,374	1,203,937	116	<b>1,305,132</b>
Madrid-Valladolid	43,934	62,666	3,801,554	559	<b>3,908,713</b>
Valladolid – León	101,116	33,003	1,147,927	235	<b>1,282,281</b>
Olmedo – Zamora	71,832	16,730	547,729	222	<b>636,513</b>
Santiago de Compostela-Vigo Atlantic axis	124,323	58,880	1,864,240	461	<b>2,047,904</b>
Others	263,072	57,824	849,521	12,867	<b>1,183,284</b>
	<b>2,553,368</b>	<b>1,650,204</b>	<b>31,742,769</b>	<b>42,147</b>	<b>35,988,488</b>

Notes to the Annual Accounts  
31 December 2019

31/12/2018 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	782,336	642,234	10,189,299	15,465	<b>11,629,334</b>
Mediterranean Corridor	52,858	23,283	882,421	185	<b>958,747</b>
Madrid-Levante	819,106	202,059	6,533,682	1219	<b>7,556,066</b>
Madrid-Sevilla y ramal a Toledo	76,691	442,575	2,468,704	9,710	<b>2,997,680</b>
Córdoba-Málaga	174,801	67,443	2,268,461	1846	<b>2,512,551</b>
Bobadilla - Granada y Extremadura	1,470	2,569	129,849	105	<b>133,993</b>
Madrid-Valladolid	44,133	62,551	3,801,259	559	<b>3,908,502</b>
Valladolid – León	98,793	32,908	1,147,700	176	<b>1,279,577</b>
Olmedo – Zamora	71,786	16,730	547,565	163	<b>636,244</b>
Santiago de Compostela-Vigo Atlantic axis	124,282	58,864	1,864,240	461	<b>2,047,847</b>
Others	262,547	57,776	650,071	12,837	<b>983,231</b>
	<b>2,508,803</b>	<b>1,608,992</b>	<b>30,483,251</b>	<b>42,726</b>	<b>34,643,772</b>

**4.b). Work in progress**

Work in progress at 31 December 2019 and 31 December 2018 is detailed in the table below:

## Notes to the Annual Accounts 31 December 2019

	Thousands of Euros	
	31/12/2019	31/12/2018
Madrid - Zaragoza - Barcelona - Figueras	375,694	311,923
Zaragoza - Pamplona, Tramo Castejón - Comarca de Pamplona	101,859	79,001
Madrid - Castilla la Mancha - Com, Valenciana – Murcia Region	1,974,754	2,002,862
Mediterranean High Speed Corridor	12,967	10,985
Link Mediterranean Corridor, Tarragona Area	553,969	540,042
Pulpí – Murcia High Speed Line	83,553	78,001
Murcia – Almería High Speed Line	593,186	583,117
Madrid-Sevilla and Toledo branch	2,857	700
Córdoba - Málaga	97,385	1,311,683
Bobadilla – Granada High Speed Line	757,962	672,110
Madrid - Cáceres, Navalmoral de la Mata stretch - Cáceres High Speed Line	408,502	357,275
Madrid - Extremadura - F, portugues, Cáceres stretch - Mérida – Badajoz High Speed Line	3,337	1,466
Madrid - Segovia - Valladolid	688,006	671,726
Valladolid - Burgos - Vitoria	1,462,843	1,366,141
País Vasco High Speed Line	147,108	116,539
Palencia – León	3,047,688	2,988,015
León – Asturias High Speed Line	1,108,072	744,710
Galicia (Olmedo - Lubián) High Speed Line	1,903,322	1,697,590
Galicia (Lubián - Ourense) High Speed Line	92,986	79,012
High Speed Atlantic Axis	788,889	774,166
Madrid Atocha - Madrid Chamartín	6,058	4,838
Atocha Station complex expansion	81,102	53,078
Other High Speed investments,	149,565	96,788
<b>TOTAL</b>	<b>14,441,664</b>	<b>14,541,768</b>

The Entity recognized, in previous years, as a greater value of work in progress, the best available estimate of those executed and outstanding works pending certification at 31 December 2019 and 31 December 2018 arising from outstanding contractual issues pending formalization worth 14,245 and 45,472 thousand euros, respectively. ADIF AV continues 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 2019 and 31 December 201 includes 185,367 and 169,941 thousand euros, respectively, for advances to suppliers. At 31 December 2019 and at 31 December 2018, this item also comprises advances extended to suppliers that have not been formally set out in contracts, in the amount of 27,229 and 42,008 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 2019 and 31 December 2018:

## Notes to the Annual Accounts

### 31 December 2019

	Thousands of Euros	
	31/12/2019	31/12/2018
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
Almería Alta Velocidad, S.A.	10,169	10,169
<b>TOTAL</b>	<b>70,947</b>	<b>70,947</b>

Under the act of formal delivery of signed works on February 1, 2016 between Zaragoza Alta Velocidad 2002, SA, ADIF and ADIF-AV, in 2015, the Entity has partially cancelled the advances for outstanding works to be received from Zaragoza Alta Velocidad 2002, SA, pending at 31 December, 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 (see Note 3,b).

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 2019, the Entity has firm commitments with third parties to make future investments of 2,99,750 thousand euros, excluding VAT. At 31 December 2018, the Company had firm commitments with third parties to make future investments of 2,502,772 thousand euros, excluding VAT.

#### 4.c) Capitalised borrowing costs

During 2019, the Entity capitalised borrowing costs totalling 113,910 thousand euros, comprising the cost of the loans received from the EIB or other institutions, and the cost of the liabilities and Green Bonds emissions, which were primarily allocated to finance the construction of various high-speed lines. Among other items, this amount comprises 23,014 thousand euros in relation to the Levante line; 26,373 thousand euros reflecting the cost of the high-speed rail network of the Basque Country, called "Y Vasca"; 7,256 thousand euros representing the costs of the Valladolid-Vitoria stretch of the Madrid-Basque Country/French border high-speed line; and 11,735 thousand euros for the costs of the Pajares alternate route of the Madrid-Asturias high-speed line and 15,576 thousand euros for the railway connection between Madrid Atocha station and Madrid Chamartín station; and 14,991 thousand euros of the Galicia high-speed line.

During 2018, the Entity capitalised borrowing costs totalling 104,022 thousand euros, comprising the cost of the loans received from the EIB or other institutions, and the cost of the liabilities and Green Bonds emissions, which were primarily allocated to finance the construction of various high-speed lines. Among other items, this amount comprises 23,332 thousand euros in relation to the Levante line; 22,991 thousand euros reflecting the cost of the high-speed rail network of the Basque Country, called "Y Vasca"; 7,440 thousand euros representing the costs of the Valladolid-Vitoria stretch of the Madrid-Basque Country/French border high-speed line; and 10,247 thousand euros for the costs of the Pajares alternate route of the Madrid-Asturias high-speed line and 16,535 thousand euros



## Notes to the Annual Accounts

### 31 December 2019

for the railway connection between Madrid Atocha station and Madrid Chamartín station; and 11,344 thousand euros of the Galicia high-speed line.

#### 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 2019 and 31 December 2018 are as follows:

	Thousands of Euros	
	31/12/2019	31/12/2018
Intangible assets	8,631	8,209
Property, plant and equipment	695,644	606,924
Investment property	103	103
<b>TOTAL</b>	<b>704,378</b>	<b>615,236</b>

#### 4.e) Government grants received

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

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 2015 and following by the State and SEITTSA in relation to the platform works of various sections of the Madrid-Galicia line, they 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 2019 and 31 December 2018 are as follows:

	31/12/2019 Thousands of Euros		
	Cost	Accumulated amortisation	Total
Operating intangible assets			
Computer software	6,426	(6,380)	46
Rights of use space RENFE	50,831	(2,711)	48,120
Research and development expenses	11,275	(5,285)	5,990
Other intangible assets	6,713	(6,305)	408
<b>Total operating intangible assets</b>	<b>75,245</b>	<b>(20,681)</b>	<b>54,564</b>
Intangible assets in progress			
Computer software	19	-	19
Research and development expenses	-	-	-
Other intangible assets	164	-	164
<b>Total intangible assets in progress</b>	<b>183</b>	<b>-</b>	<b>183</b>
<b>Total intangible assets</b>	<b>75,428</b>	<b>(20,681)</b>	<b>54,747</b>



Notes to the Annual Accounts  
31 December 2019

	31/12/2018 Thousands of Euros		
	Cost	Accumulated amortisation	Total
Operating intangible assets			
Computer software	6,426	(6,349)	77
Rights of use space RENFE	50,831	(2,033)	48,798
Research and development expenses	10,520	(4,687)	5,833
Other intangible assets	6,713	(6,090)	623
<b>Total operating intangible assets</b>	<b>74,490</b>	<b>(19,159)</b>	<b>55,331</b>
Intangible assets in progress			
Computer software	-	-	-
Research and development expenses	-	-	-
Other intangible assets	96	-	96
<b>Total intangible assets in progress</b>	<b>96</b>	<b>-</b>	<b>96</b>
<b>Total intangible assets</b>	<b>74,586</b>	<b>(19,159)</b>	<b>55,427</b>

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

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

As a result of the creation of ADIF AV, 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.

## Notes to the Annual Accounts 31 December 2019

In order to extinguish the totality of the commitments assumed by ADIF-AV (see note 10.b.2) derived from the aforementioned FOM Order, the Entity acquired from RENFE Operadora in 2015, the usage rights corresponding to a total of 17,826.35 net useful squares meters and committed to deliver in a maximum period of one year, office space located in the Atocha historic station equivalent to 3,121.41 useful square meters. ADIF-AV and RENFE-Operadora are currently holding talks assessing the possibility of acquiring from RENFE-Operadora in favour of ADIF-AV, the rights of use held at the offices located at the Atocha station, as provided for in the Agreement of 28 December 2015

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

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

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

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

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

At 31 December 2019 and 31 December 2018, 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 that indicated in Annex I (see Note 3.b)).

### 4.h) Investment property

The breakdown at 31 December 2019 and 31 December 2018 is as follows:

	31/12/2019 Thousands of Euros		
	Cost	Accumulated depreciation	Total
Urban sites	10,538	-	10,538
Shopping centres at passenger rail stations	99,932	(23,643)	76,289
Commercial car parks	78,596	(12,785)	65,811
Buildings and hotels at intermodal stations	61,683	(18,324)	43,359
Housing, premises and garages	228	(213)	15
Investment property in progress	403	-	403
<b>Total</b>	<b>251,380</b>	<b>(54,965)</b>	<b>196,415</b>

Notes to the Annual Accounts  
31 December 2019

	31/12/2018 Thousands of Euros		
	Cost	Accumulated depreciation	Total
Shopping centres at passenger rail stations	101,625	(21,643)	79,982
Commercial car parks	78,596	(11,669)	66,927
Buildings and hotels at intermodal stations	61,683	(17,341)	44,342
Housing, premises and garages	228	(211)	17
Investment property in progress	403	-	403
<b>Total</b>	<b>242,535</b>	<b>(50,864)</b>	<b>191,671</b>

**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 AV arising from the agreement entered into between ADIF, RENFE Operadora and "Desarrollo Urbanístico Chamartín, S.A." on 23 June 2009 will be split between ADIF-AV and ADIF based on the area pertaining to each entity and the price per square metre established in the agreement.

Under this contract, ADIF and RENFE Operadora signed a Revised Text of the Contract with Desarrollo Urbanístico de Chamartín, S.A. (DUCH), which stipulated that ADIF and RENFE Operadora agree to give priority to DUCH to complete the urban planning of the land included in both the PPRI (Partial Interior Reform Plan) of the APR (Area planned for development to be defined at a later stage) 08.03 "Extension of the Castellana" and the APE (Special Planning Area) 05.27 "Colonia Campamento" and that affects the Chamartín and Fuencarral railway station complexes. 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.

On June 21, 2013, the High Court of Justice of Madrid issued a judgment that resolves an appeal filed against the Partial Plan of Internal Reform of PRA 08.03 "PROLONGATION OF LA CASTELLANA" partially upholding it and declaring the nullity of the determinations of the mentioned plan. This ruling made the development of the Partial Plan technically and economically unfeasible.

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.

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.

On 22 January 2015, the parties signed a Framework Agreement whereby DUCH undertook to pay the public entities a cash amount of 984,225 thousand euros, over a 20-year payment period and subject to 3% annual interest, and an in-kind payment comprising use of 100,000 m<sup>2</sup> of government-supported residential area. The validity and effectiveness of this agreement is subject to definitive approval of the modification of the PPRI.

Notes to the Annual Accounts  
31 December 2019

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

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

On 9 June 2015, the High Court of Madrid issued a new ruling on the PPRI, declaring the nullity of the determinations that allowed more than 3 heights plus attic space for buildings in this area. This provision makes the operation technically and economically unfeasible. DUCH, ADIF, ADIF-AV and RENFE Operadora have all filed new appeals.

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 10 May 2016, 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 Puerta Norte.

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 Calle 30 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.

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).

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.

As a consequence of the discrepancies that arose between the proposals submitted by DCN (ARP 08. 03 "Prolongation of the Castellana") and by the Madrid City Council (Madrid Puerta Norte), on 30 November 2016 a meeting took place between the Minister of Public Works and the Mayoress of Madrid, in which they agreed to create a Working Group to work jointly on an urban planning approach for the northern area of Madrid, which, starting from scratch and without any prior support from either party, would make it possible to reach an agreed

Notes to the Annual Accounts  
31 December 2019

urban development solution in a relatively short period of time, and which would be processed in urban planning terms by the Madrid City Council, by means of a specific modification of the Urban Development Plan.

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 fully charged in 2017 and 444,380 euros in 2018.

The Technical Subcommittee created for this purpose, reached a principle of agreement between the parties, reflected in the document “*Bases para la ordenación urbanística del área Estación de Chamartín – sur de Calle 30/Fuencarral – norte de Calle 30, Acuerdo ADIF/DCN/Ayuntamiento de Madrid*”, calling the urban action whose bases are agreed, Madrid Nuevo Norte (MNN).

Also, in the framework of the work and tables held, the Ministry of Development, ADIF, ADIF Alta Velocidad and RENFE have requested the suspension of administrative appeals lodged against the Agreement of the Plenary Session of the Madrid City Council on May 25, 2016, because the solutions that arise in the bases could put an end to the controversy raised in it.

On 28 December 2018, the Boards of Directors of the ADIF and ADIF-ALTA VELOCIDAD have authorized a modification of the contract they have signed with the company DISTRITO CASTELLANA NORTE, S.A. (DCN), on the preferential adjudication of their rights in relation to the urban development of the Chamartín and Fuencarral rail precincts, in Madrid (the so-called “Operation Chamartín”).

On 20 September 2018, the Madrid City Council agreed to the Initial Approval of the Specific Modification of the Madrid General Plan (MPPGOUM) “Madrid Nuevo Norte”. This document constitutes the new urban framework of reference for the parties to this Contract and, consequently, it has had to adapt the content thereof to the determinations of this new modification of the Plan.

The most relevant information in this contractual amendment is that, despite the fact that the area to be transferred to DCN by the railway entities has been reduced by 798,366 m<sup>2</sup> and that the net buildable area attributable to the railway spaces has been reduced by 575,246 m<sup>2</sup> t (31.02%), both the price established in the current contract and the agreed form of payment remain unchanged, a fixed canon of € 1,245,459,973 to be paid in 20 years plus the delivery of urbanized plots subject to some regime of public protection with a buildable area of 100,000 m<sup>2</sup>.

This has been possible due to the interest and effort of DCN in continuing to bet on this ambitious and transformative urban development in Madrid, as well as the favourable evolution of the real estate market in the north of Madrid and because the buildability of the area has been transferred to the north from M30 to the south zone in the vicinity of Chamartín station (area with the highest real estate value). It has also contributed to this achievement for railway entities the configuration of a large business centre (CBD, Central Business District) next to the station with a great real estate potential.

It should be noted, finally, that the Parties have agreed that, if the new urban framework that emerges from the Specific Modification of the Madrid General Plan (MPPGOUM) “Madrid Nuevo Norte” initially approved on 20/9/2018, is not approved definitively before

Notes to the Annual Accounts  
31 December 2019

31/12/2021 (without substantial modifications with respect to such frame) the Contract subscribed with DCN will be solved.

In regard to the aforementioned Specific Modification, it is foreseen that it will be provisionally approved by the Madrid City Council during the first quarter of this year, after which it will have to undergo final approval by the Autonomous Community of Madrid.

## (5) Investments in Group Companies and Associates

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

The movement for 2019 and 2018, expressed in thousands of euros, of the accounts that make up this section are detailed below:

	31/12/2019 Thousands of Euros			
	Investments in Group companies and associates	Uncalled equity holdings	Provisions	Total
Balance at 1 January 2019	9,966	-	(1,578)	8,388
Additions	60	-	(5)	55
Withdrawals	-	-	-	-
<b>Balance at 31 December 2019</b>	<b>10,026</b>	<b>-</b>	<b>(1,583)</b>	<b>8,443</b>

	31/12/2018 Thousands of Euros			
	Investments in Group companies and associates	Uncalled equity holdings	Provisions	Total
Balance at 1 January 2018	9,462	-	(1,074)	8,388
Additions	-	-	-	-
Withdrawals	-	-	-	-
<b>Balance at 31 December 2018</b>	<b>9,462</b>	<b>-</b>	<b>(1,074)</b>	<b>8,388</b>

Annex II shows a detail of the main investees that are domiciled in Spain, and the information related to them.

Among the holdings in associated companies, it is worth highlighting those corresponding to companies whose corporate purpose is the integration of railways in various cities. The aforementioned companies were created under the agreements signed between the Ministry of Public Works and Transport, the Public Business Entities attached to the same with competences in railway matters and the Public Administrations involved in each of the affected cities (Autonomous Community and City Council), distributing the participation in its capital at 50% between the General State Administration and the local and regional Administrations. This model aims to unite all parties with interests in the project by achieving the integration of the railroad in various cities with the partner contributions and with the putting on the market of the urban development derived from freed land for railway use resulting from the planned actions. Throughout 2019, several agreements subscribed in their day for the integration of the railroad in the cities are being revised in order to redefine both the actions to be undertaken and their form of financing. In this respect, the corresponding revision to the agreements relating to the cities of Alicante, Gijón, Valencia and Murcia have been initiated, which affect the integration companies Alta Velocidad



## Notes to the Annual Accounts 31 December 2019

Alicante Nodo de Transporte, SA, Gijón al Norte, SA, Valencia Parque Central and Murcia AV, SA respectively. The signing of such agreements is subject to negotiation between the signatories thereof to determine their content and final commitments, as well as various prior authorization acts.

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 2019 and 31 December 2018 are as follows:

Concept	Thousands of Euros	
	31/12/2019	31/12/2018
Zaragoza Alta Velocidad 2002, S.A.	113,256	113,256
Cartagena AVE, S.A.	-	1,080
Murcia AVE, S.A.	19,763	3,400
Logroño Integración del Ferrocarril 2002, S.A.	42,144	31,057
Gijón al Norte, S.A.	12,739	12,739
Barcelona Sagrera AV, S.A.	-	41,317
Valladolid Alta Velocidad, 2003, S.A.	267,510	259,774
Valencia Parque Central Alta Velocidad 2003, S.A.	51,123	26,576
Alta Velocidad Alicante Nodo del Transporte, S.A.	181	181
Palencia Alta Velocidad, S.A.	610	610
<b>Total non-current loans to Group companies and associates</b>	<b>507,326</b>	<b>489,990</b>
Provision for impairment	(27,625)	(27,625)
	<b>479,701</b>	<b>462,365</b>

These amounts correspond to loans granted by the Entity from 1 January, 2013 and those that were assigned to it in the segregation process and that were not impaired as of 31 December, 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 27,625 thousand euros as of 31 December 2019 and 27,625 thousand euros as of 31 December 2018 correspond to loans granted to the company Zaragoza Alta Velocidad 2002, S.A and Palencia Alta Velocidad, S.A.

The situation at 31 December 2019 and 31 December 2018 in relation to loans granted to its long-term investees at nominal value is shown in the table below:

## Notes to the Annual Accounts 31 December 2019

Company	Thousands of Euros	
	31/12/2019	31/12/2018
Zaragoza Alta Velocidad 2002, S.A.	143,535	143,535
Cartagena Alta Velocidad, S.A.	-	1,080
Murcia Alta Velocidad, S.A.	19,763	3,400
Logroño Integración Ferrocarril 2002, S.A.	42,144	31,057
Gijón al Norte, S.A.	12,739	12,739
Barcelona Sagrera Alta Velocitat S.A.		41,317
Valladolid Alta Velocidad 2003 S.A.	267,510	259,774
Valencia Parque Central Alta Velocidad 2003, S.A.	51,123	26,576
Alta Velocidad Alicante Nodo del Transporte, S.A.	181	181
Palencia Alta Velocidad, S.A.	610	610
	<b>537,605</b>	<b>520,269</b>

The company Valladolid Alta Velocidad 2003, S.A, as a result of its financial situation, has not been able to meet its obligations with the creditors in the framework of the financing agreements signed. Consequently, on June 27, 2017, the Board of Directors of ADIF Alta Velocidad authorized the signing of the agreement for the cancellation of the syndicated line of credit agreement and the interest rate hedging agreements of the Participated Company Valladolid Alta Velocidad 2003, S.A. In said agreement, the accrediting entities would waive the collection of 11,760 thousand euros for the definitive cancellation of the credit and of the coverage and ADIF, ADIF-Alta Velocidad and RENFE Operadora would pay a maximum of 341,205 thousand euros.

Additionally, and derived from the subscription of the aforementioned new agreement, ADIF AV has disbursed a total of 118.16 million euros on November 23, 2017 for the total cancellation of the Company's debt derived from the credit agreement with banking entities.

As established in the new agreement, the contributions already made by ADIF AV as well as those that it undertakes to make will be reimbursed by Valladolid Alta Velocidad with the capital gains generated in the land transfer process and according to the priority of collections established in the signed Agreement. The first amounts obtained were allocated to the cancellation of the debt acquired by the Company with the three EPEs assigned to the Ministry of Development as a result of the cancellation of the loan and of the hedge contracts subscribed by Valladolid Alta Velocidad 2003, SA.

Likewise, ADIF, ADIF AV and Renfe Operadora in order to guarantee the return of the amounts contributed for the cancellation of the credit agreement and the interest rate hedging contracts may expressly reserve ownership of the land freed from the railway use and that they could be contributed to the Company or constitute an explicit resolution condition thereon. In the case of having been land released for rail use contributed to Valladolid Alta Velocidad 2003, SA will be constituted by the Company a pledge of chattel mortgage, or if applicable, real estate in favour of the three SPEs on any Project assets included in the balance of that, being granted to ADIF, ADIF AV and RENFE Operadora irrevocable power for the constitution of mortgage or pledge on assets for a value equivalent to the total amount paid for the cancellation of the aforementioned contracts.

In relation to the loans granted by the Entity to various investees related in the previous tables, in addition to the loan impairments included in the first breakdown, the amounts have been recorded under Provisions for risks and expenses (see note 10) that the Entity



## Notes to the Annual Accounts 31 December 2019

estimates it will have to pay in the future derived from the comfort letters or letters of commitment assumed by ADIF AV or by the loans granted by the Entity to various companies and for which there is a probability of non-recovery based on current estimates of future cash flows expected by the investee as explained in notes 2,c, 3, and note 23.

Derived from the recent subscription of agreements with integration companies in urban environments or from modifications or addenda to existing agreements, ADIF-AV has assumed commitments of estimated future financial contributions based on the best available estimate of the actions to be undertaken at the time of their subscription. The amount of the monetary contribution commitments assumed by Adif-AV as of 31 December 2019 is shown below. These contributions may be formalized as advances for future work to be received or as participative loans.

Companies	Thousands of Euros						TOTAL
	2020	2021	2022	2023	2024	Resto	
Alta Velocidad Alicante Nodo del Transporte, S.A	434	524	540	244	4,344	13,464	19,550
Barcelona Sagrera AV, S.A.	12,360	-	-	-	-	-	12,360
Logroño Integración del Ferrocarril 2002, S.A.	16,505	-	-	-	-	-	16,505
Murcia Alta Velocidad, S.A.	99,406	72,427	99,929	36,998	11,106	2,298	322,164
Valladolid Alta Velocidad 2003, S.A.	10,401	10,413	10,461	9,903	9,840	14,198	65,216
<b>Total</b>	<b>139,106</b>	<b>83,364</b>	<b>110,930</b>	<b>47,145</b>	<b>25,290</b>	<b>29,960</b>	<b>435,795</b>

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

The balance of the heading “Loans to companies” at 31 December 2019 and 31 December 2018 is as follows:

Concept	Thousands of Euros	
	31/12/2019	31/12/2018
Short-term loans to group companies and associates	67,255	28,230
Loans for disposal of fixed assets	-	-
Other financial assets	24,313	18,184
Impairment of receivables	(26,259)	(20,160)
	<b>65,309</b>	<b>26,254</b>

The heading of short-term loans to group companies and associates corresponds to the loans granted to its investees, with maturity within one year, at nominal value and with the following breakdown:

## Notes to the Annual Accounts 31 December 2019

Concept	Thousands of Euros	
	31/12/2019	31/12/2018
Cartagena Alta Velocidad, S.A.	1,080	-
Murcia Alta Velocidad, S.A.	3,400	-
Alta Velocidad Alicante Nodo del Transporte, S.A.(AVANT)	30	26,254
León Alta Velocidad, 2003, S.A.	1,976	1,976
Valladolid Alta Velocidad 2003, S.A.	1,843	-
Barcelona Sagrera Alta Velocitat, S.A.	58,956	-
<b>Total Short-term loans to Group companies and associates</b>	<b>67,285</b>	<b>28,230</b>
Provision for impairment	(1,976)	(1,976)
	<b>65,309</b>	<b>26,254</b>

In 2017, the Entity granted financing to Alicante Alta Velocidad Nodo de Transporte, S.A, (AVANT) for a value of 26,435 thousand euros, with the aim that the Company can meet the obligations acquired against banks and other creditors.

Subsequently, on 20 July 2017, ADIF's Board of Directors adopted a series of agreements to make the Company viable in the framework of the amendment process for the Agreement of 7 May 2003 signed between the Ministry of Public Works and Transport, the Generalitat Valenciana, the Valencia City Council, GIF and RENFE for the remodelling of the Alicante arterial network railway. Among these agreements are the following:

a) ADIF and ADIF Alta Velocidad pledged to pay the amount of 29,595 thousand euros to creditors before 4 August 2017, to which they were committed based on the letters of commitment granted for the awarding of the syndicated credit policy, subrogating in the position of the banking syndicate against the Company. Of this amount, a total of 5,919 thousand euros corresponds to ADIF and the rest, for a total of 23,676 thousand euros, to ADIF AV.

These amounts were finally paid on July 31, 2017.

b) Additionally, they would pay, before 31 October 2017, the remaining amount for the cancellation of the existing debt with the banking syndicate for a total of 31,059 million euros, once the aforementioned amendment to the 2003 Agreement had been subscribed, subrogating ADIF and ADIF AV in the position of the banking entities against the Company.

Likewise, ADIF and ADIF AV will receive a part of the works corresponding to the Alicante access project executed by the Company, handling the asset received basically with the cancellation of the corporate debts of AVANT

On 1 October 2019, the Company and its shareholders signed the Addendum to the Agreement of 7 May 2003 for the remodelling of the Alicante Railway Arterial Network, which, in addition to the contribution commitments mentioned in note 5.b) basically intended for urbanization works for the alienation of land unaffected for railway use, it contemplates the transfer of the Company's assets to the railway infrastructure managers, making their payment by offsetting the corporate debts. On the same date, the act of delivery and transmission of the access works to Alicante phase II northern section was signed between ADIF, ADIF -AV and AVANT, S.A. Through this act, ADIF-AV received works amounting to 53,167 thousand euros, excluding VAT, of which 53,147 thousand euros were already registered as of 31 December 2018. The aforementioned document agrees to the

## Notes to the Annual Accounts

### 31 December 2019

receipt of the said works by ADIF -AV in compensation for certain loans granted to the Company, as well as an investment advance disbursed by ADIF AV in 2014.

#### (6) Other Financial Assets

The breakdown by category of financial assets, excluding investments in equity of group and associated companies (see note 5), except the balances with Public Administrations (see note 12), at 31 December 2019 and 31 December 2018, in thousands of Euros, is as follows:

31/12/2019 Thousands of Euros			
	Equity instruments	Loans, derivatives and other	Total
Non-current financial assets			
Loans and receivables	-	1,328	1,328
Available-for-sale assets	1,739	-	1,739
<b>Total non-current financial assets</b>	<b>1,739</b>	<b>1,328</b>	<b>3,067</b>
Current financial assets			
Loans and receivables	136	235,074	235,210
<b>Total current financial assets</b>	<b>136</b>	<b>235,074</b>	<b>235,210</b>

  

31/12/2018 Thousands of Euros			
	Equity instruments	Loans, derivatives and other	Total
Non-current financial assets			
Loans and receivables	-	1,413	1,413
Available-for-sale assets	2,166	-	2,166
<b>Total non-current financial assets</b>	<b>2,166</b>	<b>1,413</b>	<b>3,579</b>
Current financial assets			
Loans and receivables	14	233,054	233,068
<b>Total current financial assets</b>	<b>14</b>	<b>233,054</b>	<b>233,068</b>

These amounts are broken down into the following balance sheet items, as of 31 December 2019 and 31 December 2018:

31/12/2019 Thousands of Euros			
	Equity instruments	Loans, derivatives and other	Total
Non-current financial assets			
Non-current financial investments	1,739	873	2,612
Non-current trade receivables	-	455	455
<b>Total non-current financial assets</b>	<b>1,739</b>	<b>1,328</b>	<b>3,067</b>
Current financial assets			
Current financial assets	136	-	136
Trade and other receivables	-	235,074	235,074
<b>Total current financial assets</b>	<b>136</b>	<b>235,074</b>	<b>235,210</b>

Notes to the Annual Accounts  
31 December 2019

	31/12/2018 Thousands of Euros		
	Equity instruments	Loans, derivatives and other	Total
Non-current financial assets			
Non-current financial investments	2,166	873	3,039
Non-current trade receivables	-	540	540
<b>Total non-current financial assets</b>	<b>2,166</b>	<b>1,413</b>	<b>3,579</b>
Current financial assets			
Current financial assets	14	-	14
Trade and other receivables	-	233,054	233,054
<b>Total current financial assets</b>	<b>14</b>	<b>233,054</b>	<b>233,068</b>

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

#### 6.a) Investments

The breakdown of financial investments at 31 December 2019 and 31 December 2018 is as follows:

	Thousands of Euros			
	31/12/2019		31/12/2018	
	Non-current	Current	Non-current	Current
Equity instruments (see Appendix II)	1,979	-	2,406	-
Impairment	(240)	-	(240)	-
<b>Total equity instruments</b>	<b>1,739</b>	<b>-</b>	<b>2,166</b>	<b>-</b>
Other financial assets (deposits, guarantees and other credits)	873	136	873	14
	<b>2,612</b>	<b>136</b>	<b>3,039</b>	<b>14</b>

##### 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%.

Annex II shows a detail of the main investees that are domiciled in Spain, and the information related to them.

#### 6.b) Trade and other receivables

The breakdown of trade and other receivables at 31 December 2019 and 31 December 2018 is as follows:

Notes to the Annual Accounts  
31 December 2019

	Thousands of Euros			
	31/12/2019		31/12/2018	
	Non-current	Current	Non-current	Current
Group companies and associates				
Receivables (Note 6.b.1))	-	568	-	596
Unrelated parties				
Trade receivables (Note 6.b.2))	-	124,350	-	100,888
Other receivables (Note 6.b.3))	455	110,127	540	131,558
Personnel	-	29	-	12
	<b>455</b>	<b>235,074</b>	<b>540</b>	<b>233,054</b>

### 6.b.1) Group Companies and Associates

The detail of the balances of these accounts of current assets in the accompanying balance sheet as of 31 December 2019 and 31 December 2018, is as follows:

	Thousands of Euros	
	31/12/2019	31/12/2018
	Current	Current
Murcia Alta Velocidad S.A.	485	505
Barcelona Sagrera Alta Velocitat, S.A.	91	91
Ingeniería y Economía del Transporte (INECO)	(8)	-
	<b>568</b>	<b>596</b>

### 6.b.2) Trade receivables

As of 31 December 2019, the account trade receivables for sales and provision of services includes the balance settled and pending collection for railroad fees for the amount of 61,111 thousand euros and additionally the amount accrued and pending settlement for the amount of 62,976 thousand euros. It also includes, for a value of 263 thousand euros, the liquidated and pending collection income for Railway Taxes.

As of 31 December 2018, the trade receivables for sales and provision of services includes the balance settled and pending collection for railroad fees for the amount of 59,385 thousand euros and additionally the amount accrued and pending settlement for the amount of 41,500 thousand euros.

### 6.b.3) Other receivables

The detail at 31 December 2019 and 31 December 2018 is as follows:

Notes to the Annual Accounts  
31 December 2019

	Thousands of Euros	
	31/12/2019	31/12/2018
Agreements with rail operators	36,826	62,693
Fibre-optics rental	9,335	9,335
Amounts due to ADIF-AV from ADIF	3,401	18,559
Other rentals	3,258	4,125
Other items	26,080	7,214
Services rendered pending invoice		
Agreements with rail operators	14,553	20,644
Agreements with ADIF	28,644	18,583
Other	(3,226)	(491)
Impairment of trade receivables	(8,744)	(9,104)
<b>Total other receivables</b>	<b>110,127</b>	<b>131,558</b>

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

The balance receivable from ADIF at 31 December 2019 and at 31 December 2018 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 2019 and 31 December 2018 is as follows:

	Thousands of Euros			
	31/12/2019		31/12/2018	
	Non-current	Current	Non-current	Current
Balances at 1 January 2018	-	(9,104)	-	(7,073)
Provisions, reversals and/or applications during the year	-	360	-	(2,031)
Balances at 31 December 2019	-	<b>(8,744)</b>	-	<b>(9,104)</b>

## (7) Cash and Cash Equivalents

The breakdown of cash and cash equivalents as of 31 December 2019 and 31 December 2018 is as follows:

	Thousands of Euros	
	31/12/2019	31/12/2018
Cash on hand and at banks	366,221	150,325
Cash equivalents	-	-
	<b>366,221</b>	<b>150,325</b>

Notes to the Annual Accounts  
31 December 2019

**(8) Equity**

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

**8.a) Equity contribution**

In 2019, the 2018 General State Budget was extended. As of 31 December 2019, 311,574 thousand euros had been received, corresponding to the amount appropriated in the extended General State Budget. (see note 1.c).

At 31 December 2018, the full amount allocated in the 2018 General State Budget, which amounted to 311,574 thousand euros, was received. (see Note 1.c).

Since 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 valued at 48,315 thousand euros in its fixed assets, which were recorded as equity contributions in those years. The Entity has already completed this process of registering and delimiting the land.

**8.b) Reserves**

The movement in the Reserves heading at 31 December 2019 and 31 December 2018 is as follows:

31/12/2019 Thousands of Euros			
	Reserves for actuarial gains and losses	Other reserves	Total
Balance at 31 December 2018	(296)	38,627	38,331
Recognition of actuarial gains and losses and other adjustments	(131)	(8,679)	(8,810)
<b>Balance at 31 December 2019</b>	<b>(427)</b>	<b>29,948</b>	<b>29,521</b>
31/12/2018 Thousands of Euros			
	Reserves for actuarial gains and losses	Other reserves	Total
Balance at 31 December 2017	(289)	47,184	46,895
Recognition of actuarial gains and losses and other adjustments	(7)	(8,557)	(8,564)
<b>Balance at 31 December 2018</b>	<b>(296)</b>	<b>38,627</b>	<b>38,331</b>

In 2019 the reserves arising from the segregation of Adif in 2013 were devalued by 8,679 thousand euros. This amount is due to the fact that the work carried out on the Tocón-Pinos Puente conventional gauge section was assigned to ADIF AV at the time of segregation, when it should have remained with ADIF as it was not going to be used for readjustment to international gauge. The works on this section are therefore part of ADIF investments at 31 December 2019 and have generated to withdraw in ADIF-AV's accounts.

## Notes to the Annual Accounts 31 December 2019

### 8.c) Proposed application of loss for the year

The Entity's Management proposes that the 223,410 thousand euros losses for 2018 be carried forward as prior years' losses, under the equity item "Retained earnings".

On 23 March 2018, the Board of Directors of ADIF-AV approved the proposals of the Board of Directors mentioned above.

The Entity's Management proposes the application of the loss for the 2019 for the amount of 179,242 thousand euros, under the equity item "Retained earnings".

### 8.d) Valuation adjustments

The amount recognised in equity during 2019 and 2018, 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 equity for the 2019 and at 2018 reflects the variations in the fair value of the derivative arranged by the Entity. Due to the fluctuations in interest rates these show a loss in value (see Note 11.a.2).

## (9) Grants, Donations and Bequests

The balance of this section of the accompanying balance sheet as of 31 December 2019 and 31 December 2018 includes the non-refundable capital grants pending attribution to income.

The movement registered on 31 December 2019 and 31 December 2018 is detailed in the attached tables:

	31/12/2019 Thousands of Euros					
	Cohesion Funds	ERDF funds	TEN-T funds	State grants for work performed <sup>(1)</sup>	Other capital grants	Total capital grants
Balances at 31 December 2018	<b>4,783,208</b>	<b>2,924,074</b>	<b>321,623</b>	<b>2,323,171</b>	<b>266,941</b>	<b>10,619,017</b>
Additions	<b>24,764</b>	<b>100,022</b>	<b>1,599</b>	<b>252,474</b>	<b>245</b>	<b>379,104</b>
<i>European funds accrued in the year</i>	24,764	100,022	1,599	-	-	126,385
<i>Actions received by SEITTSA (note 4)</i>	-	-	-	252,474	-	252,474
<i>Agreement Council Ministers transfer section León - La Robla (note 1.c)</i>	-	-	-	-	-	-
<i>Other capital grants</i>	-	-	-	-	245	245
Withdrawals	-	-	(2,115)	(211)	-	(2,326)
Tax effect of capital grants accrued during the year (note 12)	(6,191)	(25,006)	129	(63,065)	(61)	(94,194)
Allocation to income of net capital grants tax effect (note 17)	(34,480)	(21,229)	(1,247)	(20,396)	(2,758)	(80,110)
<b>Balances at 31 December 2019</b>	<b>4,767,301</b>	<b>2,977,861</b>	<b>319,989</b>	<b>2,491,973</b>	<b>264,367</b>	<b>10,821,491</b>

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



Notes to the Annual Accounts  
31 December 2019

	31/12/2018 Thousands of Euros					
	Cohesion Funds	ERDF funds	TEN-T funds	State grants for work performed <sup>(1)</sup>	Other capital grants	Total capital grants
Balances at 31 December 2017	<b>4,879,759</b>	<b>2,927,088</b>	<b>304,405</b>	<b>2,162,333</b>	<b>269,164</b>	<b>10,542,749</b>
Additions	-	42,485	25,894	240,445	650	<b>309,474</b>
European funds accrued in the year	-	42,485	25,894	-	-	<b>68,379</b>
Actions received by SEITTSA (note 4)	-	-	-	7,481	-	<b>7,481</b>
Agreement Council Ministers transfer section León - La Robla (note 1.c)	-	-	-	232,964	-	<b>232,964</b>
Other capital grants	-	-	-	-	650	<b>650</b>
Withdrawals	(82,886)	(17,563)	-	-	-	<b>(100,449)</b>
Tax effect of capital grants accrued during the year (note 12)	20,722	(6,231)	(6,474)	(60,111)	(163)	<b>(52,257)</b>
Allocation to income of net capital grants tax effect (note 17)	(34,387)	(21,705)	(2,202)	(19,496)	(2,710)	<b>(80,500)</b>
Balances at 31 December 2018	<b>4,783,208</b>	<b>2,924,074</b>	<b>321,623</b>	<b>2,323,171</b>	<b>266,941</b>	<b>10,619,017</b>

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

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).

### 9.a) Cohesion Funds

Details of Cohesion Funds at 31 December 2019 and 2018, without taking into account the tax effect and including the amounts accrued for payables convertible into grants, are as follows:

	31/12/2019 Thousands of Euros			
STRETCH	ASSISTANCE GRANTED	GRANTS ACCRUED	PAYABLES CONVERTIBLE INTO GRANTS (Note 11,b)	COLLECTIONS MADE
L.A.V. Madrid-Barcelona-Frontera francesa	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-Barcelona	439,898	439,898	-	439,898
L.A.V. Madrid-Valladolid	1,553,670	1,553,670	-	1,553,670
L.A.V Madrid-Levante	573,450	573,450	-	573,450
Cohesion Funds 2007-2013	1,415,083	1,415,083	-	1,415,083
<b>TOTAL</b>	<b>6,885,156</b>	<b>6,885,156</b>	-	<b>6,885,156</b>

Notes to the Annual Accounts  
31 December 2019

31/12/2018 Thousands of Euros

<b>STRETCH</b>	<b>ASSISTANCE GRANTED</b>	<b>GRANTS ACCRUED</b>	<b>PAYABLES CONVERTIBLE INTO GRANTS (Note 11,b)</b>	<b>COLLECTIONS MADE</b>
L.A.V. Madrid-Barcelona-Frontera francesa	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-Barcelona	439,898	439,898	-	439,898
L.A.V. Madrid-Valladolid	1,553,670	1,553,670	-	1,553,670
L.A.V Madrid-Levante	573,450	573,450	-	573,450
Cohesion Funds 2007-2013	1,414,342	1,390,319	-	1,399,537
<b>TOTAL</b>	<b>6,884,415</b>	<b>6,860,392</b>	<b>-</b>	<b>6,869,610</b>

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

Details of European Regional Development Funds at 31 December 2019 and 31 December 2018, without taking into account the tax effect, including the amounts accrued for debts convertible into grants, are as follows:

31/12/2019 Thousands of Euros

<b>OPERATING PROGRAMME</b>	<b>PROJECT</b>	<b>ASSISTANCE GRANTED</b>	<b>GRANTS ACCRUED</b>	<b>PAYABLES CONVERTIBLE INTO GRANTS (Note 11,b)</b>	<b>COLLECTIONS MADE</b>
ANDALUCIA	Córdoba - Málaga	883,614	883,614	-	883,614
CASTILLA Y LEÓN	Segovia - Valladolid	193,256	193,256	-	193,256
MURCIA	Entrance Murcia	28,412	28,412	-	28,412
CASTILLA LA MANCHA	Entrance Toledo	67,127	67,127	-	67,127
VALENCIA	Entrance 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	-	107,873
ERDF 2007-2013		2,273,790	2,273,790	-	2,275,323
ERDF 2014-2020		232,718	155,639	375,805	457,434
<b>TOTAL</b>		<b>4,170,187</b>	<b>4,093,108</b>	<b>375,805</b>	<b>4,396,436</b>

Notes to the Annual Accounts  
31 December 2019

31/12/2018 Thousands of Euros

OPERATING PROGRAMME	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	Entrance Murcia	28,412	28,412	-	28,412
CASTILLA LA MANCHA	Entrance Toledo	67,127	67,127	-	67,127
VALENCIA	Entrance 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		2,264,456	2,256,428	-	2,256,399
ERDF 2014-2020		194,997	74,681	147,422	179,618
<b>TOTAL</b>		<b>4,123,132</b>	<b>3,994,788</b>	<b>147,422</b>	<b>4,099,695</b>

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

The situation as of 31 December 2019 and 31 December 2018 of the TEN funds, without considering the tax effect and including the amounts accrued for debts convertible into subsidies, is as follows:

31/12/2019 Thousands of Euros

STRETCH	ASSISTANCE GRANTED	GRANTS ACCRUED	PAYABLES CONVERTIBLE INTO GRANTS (Note 11,b)	COLLECTIONS MADE
L.A.V. Madrid-Barcelona-Frontera francesa	80,694	80,694	-	80,694
L.A.V. Madrid-Valladolid	20,603	20,603	-	20,603
L.A.V. Madrid-Levante	61,320	61,320	-	61,320
Nuevo Acceso Ferroviario a Asturias	3,192	3,191	-	3,191
L.A.V. Vitoria-Bilbao-San Sebastián y Valladolid-Burgos-Vitoria	332,365	130,882	18,098	148,968
L.A.V. Madrid-Extremadura	35,881	35,881	-	35,881
L.A.V. Bobadilla-Granada	2,174	2,174	-	2,174
Mediterranean Corridor	86,722	101,261	-	91,383
Other High-Speed	6,539	4,894	-	4,653
<b>TOTAL</b>	<b>629,490</b>	<b>440,900</b>	<b>18,098</b>	<b>448,867</b>

Notes to the Annual Accounts  
31 December 2019

31/12/2018 Thousands of Euros

STRETCH	ASSISTANCE GRANTED	GRANTS ACCRUED	PAYABLES CONVERTIBLE INTO GRANTS (Note 11,b)	COLLECTIONS MADE
L.A.V. Madrid-Barcelona-Frontera francesa	80,694	80,694	-	80,694
L.A.V. Madrid-Valladolid	20,603	20,603	-	20,603
L.A.V. Madrid-Levante	62,181	62,181	-	58,880
Nuevo Acceso Ferroviario a Asturias	3,191	3,191	-	3,191
L.A.V. Vitoria-Bilbao-San Sebastián y Valladolid-Burgos-Vitoria	372,689	131,015	18,439	149,454
L.A.V. Madrid-Extremadura	35,881	35,881	-	35,881
L.A.V. Bobadilla-Granada	2,174	2,174	-	2,174
Mediterranean Corridor	110,388	100,924	-	91,383
Other High-Speed	6,539	4,754	164	3,617
<b>TOTAL</b>	<b>694,340</b>	<b>441,417</b>	<b>18,603</b>	<b>445,877</b>

**(10) Provisions for Risks and Expenses**

The breakdown by item in the section of the balance sheet for provisions for current and non-current risks and expenses as of 31 December 2019 and 31 December 2018 is as follows:

	Thousands of Euros			
	31/12/2019		31/12/2018	
	Non-current	Current	Non-current	Current
Employee benefits	<b>985</b>	<b>613</b>	<b>785</b>	<b>522</b>
-Defined benefit plans	985	11	785	7
<i>Length-of-service bonuses</i>	160	10	137	7
<i>Provision for leisure travel, retired personnel</i>	825	1	648	0
-Other employee benefits	-	602	-	515
Other provisions	<b>811,650</b>	<b>75,618</b>	<b>816,596</b>	<b>105,591</b>
Provisions for legal proceedings	684,388	-	684,802	-
"1,5% for culture" provision	-	11,062	-	32,701
Other items (note 10.b.3 and note 23)	127,262	64,556	131,794	72,890
	<b>812,635</b>	<b>76,231</b>	<b>817,381</b>	<b>106,113</b>

The changes in the section "Provisions for long-term risks and expenses" at 31 December 2019 and 31 December 2018 are shown in the tables below:

Notes to the Annual Accounts  
 31 December 2019

31/12/2019 Thousands of Euros					
Non-current provisions for risks and expenses					
	Length-of-service bonuses	Provision for leisure travel, retired personnel	Provision for legal proceedings	Other items	TOTAL
<b>Balances at 1/01/2019</b>	<b>137</b>	<b>648</b>	<b>684,802</b>	<b>131,794</b>	<b>817,381</b>
Charges for the year recognised in profit and loss	9	61	377	(4,532)	(4,085)
Charges for the year recognised in investments	-	-	51,127	-	51,127
Financial effect of discount	1	9	-	-	10
Payments for the year	-	-	(50,594)	-	(50,594)
Transfers to current	(10)	(1)	(127)	-	(138)
Amounts taken to profit and loss	23	108	-	-	131
Other movements	-	-	(1,197)	-	(1,197)
<b>Balances at 31/12/2019</b>	<b>160</b>	<b>825</b>	<b>684,388</b>	<b>127,262</b>	<b>812,635</b>

  

31/12/2018 Thousands of Euros					
Non-current provisions for risks and expenses					
	Length-of-service bonuses	Provision for leisure travel, retired personnel	Provision for legal proceedings	Other items	TOTAL
<b>Balances at 1/01/2018</b>	<b>166</b>	<b>586</b>	<b>546,965</b>	<b>135,497</b>	<b>683,214</b>
Charges for the year recognised in profit and loss	11	51	645	(3,703)	(2,996)
Charges for the year recognised in investments	-	-	181,829	-	181,829
Financial effect of discount	2	9	-	-	11
Payments for the year	-	-	(43,235)	-	(43,235)
Transfers to current	(47)	-	(617)	-	(664)
Amounts taken to profit and loss	5	2	-	-	7
Other movements	-	-	(785)	-	(785)
<b>Balances at 31/12/2018</b>	<b>137</b>	<b>648</b>	<b>684,802</b>	<b>131,794</b>	<b>817,381</b>

## 10.a) Provisions for risks and expenses 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 2019 is 170 thousand euros, of which 160 thousand euros are recognised as non-current provisions for risks and expenses and 10 thousand euros as current provisions for risks and expenses.

The provision at 31 December 2019 has been calculated using an actuarial study prepared applying the individual capitalisation method and using the following inputs: annual interest rate of 0,289%, annual growth rate of 2,5% for 2020 and 2.3% for the

## Notes to the Annual Accounts

### 31 December 2019

remaining years and the 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 2019 for the entitlement of its personnel to rail travel at reduced prices upon retirement. This provision amounts to 826 thousand euros and is recognised under non-current provisions for risks and expenses, of which a total of 825 thousand euros are presented in the chapter "Provisions for long-term risks and expenses" and 1 thousand euros in "Provisions for short-term risks and expenses".

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

The provision for 2019 has been determined through an actuarial study which used the following inputs:

- An average fare increase of 2% for 2019 and subsequent years.
- A technical interest of 0.440% for passive staff and 0.415% 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 2019 and 31 December 2018, ADIF A.V. has recorded the present value of the best estimate of the future costs corresponding to these disputes for a total of 684,388 thousand euros and of 684,802 thousand euros respectively.

The following is a detail of these estimates:

Concept	Thousands of Euros	
	31/12/2019	31/12/2018
Risks for investment works urged by contractors	664,115	656,867
Risks for investments in land expropriated	17,666	24,381
Other risks	2,607	3,554
	<b>684,388</b>	<b>684,802</b>

Notes to the Annual Accounts  
31 December 2019

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 31 December 2019, 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 91,519 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 2018, the maximum risk estimated by the Entity for this same concept amounted to 129,025 thousand euros.

Furthermore, on 31 December 2019, ADIF-AV acts as a claimant in a judicial process for diversion of funds through the alleged alteration of the prices of various projects 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 in 2016 under the heading "Impairment and result from disposal of financial instruments" in the accompanying income statement.

The Entity, additionally acts as a claimant at the closing of these financial statements in a legal proceeding against one of the contractors of works and services linked to railway infrastructure facilities owned by ADIF-AV due to a discrepancy in the interpretation of the relative clause to the quantification of the price revision, The amount claimed by the Entity amounts to 24,727 thousand euros and it considers that the outcome of this litigation will not significantly affect the Entity's net assets.

It is also worth highlighting the judicial proceedings filed by the Entity in various cases of execution of works in the La Sagrera area (Barcelona) for alleged credit note corresponding to non-justified extra costs. The Entity has carried out several external audits of works to be able to evaluate the damage that, at the date of closing of these annual accounts according to the best available information, is valued at a maximum amount of 23 million euros for one case and 18 million for another case. Both processes are in the trial phase, so the amount of the damage is not fixed by a Judgment. Both amounts were recorded as investments of ADIF AV. To the extent that in one of cases the bidder is immersed in bankruptcy, the Entity has decided to impair the contingent asset valued at the best available estimate of 23 million euros against the heading "Impairment and results from disposals of instruments financial".

In March 2019, the National Commission for Markets and Competition (hereinafter CNMC) issued a resolution on file S/DC/0598/2016 Electrification and Electromechanical Railways. As stated in the aforementioned Resolution, the facts revealed the existence of agreements between the main companies in the sector with the aim of sharing out the awarding of contracts tendered by the Entity over several years. Most of the contractors affected have filed ordinary proceedings before the National Court against this Resolution issued by the CNMC. At the date of issue of these

## Notes to the Annual Accounts

### 31 December 2019

annual accounts, it is not possible to determine the impact, if any, of the practices described in the Resolution or associated procedures. However, the Company expects that this process will not have a significant impact on ADIF-AV.

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

The heading "Provisions for short-term risks and expenses" includes, where appropriate, the provision for the amount pending payment for the contribution to the Spanish Historical Heritage, regulated by Law 16/1985, R.D. 111/1986 and Instruction number 43 of the Subsecretaría de Fomento dated May 16, 2014. At 31 December 2019, the balance was 11,062 and the payments recorded in 2019 amounted to 32,701 thousand euros.

#### 10.b.3) Other items

In the heading "Other items" included in the provisions section for risks and expenses of non-current liabilities, a provision for the amount of 127,262 thousand euros and 131,794 thousand euros is included as of 31 December 2019 and 31 December 2018 respectively, corresponding to the best estimate of the risk assumed with certain railway integration companies as a result of the loans granted or the letters of commitment or comfort letter subscribed by the Entity to the extent that the investee is not capable of generating sufficient resources to repay bank loans or contributions from partners, Note 23 contains a breakdown of the aforementioned amount broken down by each of the affected companies.

In addition, the Entity included under the "Other Items" section, a provision for the estimated value of the interest on late payment of certificates of works and expropriations, in some cases claimed judicially, whose amount as of 31 December 2019 amounted to 60,953 thousand euros and which at the end of the year 2018 amounted to 66,431 thousand euros.

### (11) Financial Liabilities

Details of financial liabilities classified by category at 31 December 2019 and 31 December 2018 are as follows:

	31/12/2019 Thousands of Euros			
	Loans and borrowings	Bonds	Derivatives and other financial liabilities	Total
Non-current financial liabilities				
Non-current trade payables	10,513,279	4,982,186	534,840	16,030,305
Total non-current financial liabilities	-	-	53,911	53,911
<b>Current financial liabilities</b>	<b>10,513,279</b>	<b>4,982,186</b>	<b>588,751</b>	<b>16,084,216</b>
Current payables				
Payables to Group companies and associates	663,748	55,397	219,335	938,480
Trade and other payables	-	-	84,378	84,378
Total current financial liabilities	-	-	221,707	221,707
<b>Non-current financial liabilities</b>	<b>663,748</b>	<b>55,397</b>	<b>525,420</b>	<b>1,244,565</b>



## Notes to the Annual Accounts 31 December 2019

31/12/2018 Thousands of Euros				
	Loans and borrowings	Bonds	Derivatives and other financial liabilities	Total
Non-current financial liabilities				
Non-current trade payables	10,536,584	4,383,814	320,220	15,240,618
Total non-current financial liabilities	-	-	53,911	53,911
<b>Current financial liabilities</b>	<b>10,536,584</b>	<b>4,383,814</b>	<b>374,131</b>	<b>15,294,529</b>
Current payables				
Payables to Group companies and associates	615,840	51,852	346,2372	1,013,929
Trade and other payables	-	-	15,394	15,394
Total current financial liabilities	-	-	167,602	167,602
<b>Non-current financial liabilities</b>	<b>615,840</b>	<b>51,852</b>	<b>529,233</b>	<b>1,196,925</b>

### 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.

The detail of the financial liabilities of ADIF AV with credit institutions in the short and long term as of 31 December 2019 and 31 December 2018 is shown in the table below:

31/12/2019 Thousands of Euros			
	Interest	Maturity	
		Current	Non-current
Loans in Euros (EIB)	0% a 4.415%	367,623	10,018,586
Accrued interest payable		81,442	-
<b>Total loans and borrowings (EIB)</b>		<b>449,065</b>	<b>10,018,586</b>
Loans in Euros (other entities)	0.432% to 3.795%	213,182	494,693
Accrued interest payable		1,501	-
Other loans and borrowings, for derivatives		61	4,295
<b>Total loans and borrowings (other entities)</b>		<b>214,744</b>	<b>498,988</b>
Bonds (Euros)	0.8% to 3.5%	(39)	4,982,186
Accrued interest payable on bonds		55,436	-
<b>Total bonds</b>		<b>55,397</b>	<b>4,982,186</b>
<b>Total loans and borrowings and bonds and other marketable securities at 31 December 2019</b>		<b>719,206</b>	<b>15,499,760</b>

Notes to the Annual Accounts  
31 December 2019

		31/12/2018 Thousands of Euros	
		Maturity	
	Interest	Current	Non-current
Loans in Euros (EIB)	0% to 4.415%	304,405	9,841,209
Accrued interest payable		83,767	-
<b>Total loans and borrowings (EIB)</b>		<b>388,172</b>	<b>9,841,209</b>
Loans in Euros (other entities)	0.531% to 3.795%	225,683	695,375
Accrued interest payable		1,985	-
Other loans and borrowings, for derivatives		63	5,429
<b>Total loans and borrowings (other entities)</b>		<b>227,731</b>	<b>700,804</b>
Bonds (Euros)	0.8% to 3.5%	217	4,383,814
Accrued interest payable on bonds		51,635	-
<b>Total bonds</b>		<b>51,852</b>	<b>4,383,814</b>
<b>Total loans and borrowings and bonds and other marketable securities at 31 December 2018</b>		<b>667,755</b>	<b>14,925,827</b>

The financial amortization of long-term debt, valued at the closing exchange rate at 31 December 2019 and at 31 December 2018 and at amortized cost, are as follows according to the maturity:

		Thousands of Euros	
	Maturity	31/12/2019	31/12/2018
2019		-	530,305
2020		580,805	593,523
2021		612,454	625,212
2022		1,799,576	1,794,931
2023		1,133,627	1,097,460
2024		1,450,204	1,451,676
2025		1,451,702	1,445,235
2026		1,060,822	1,051,322
2027		1,076,257	451,322
2028		476,257	451,322
2029		476,257	451,322
Thereafter		5,958,270	5,507,073
		<b>16,076,231</b>	<b>15,450,703</b>

The average annual interest rate on ADIF-AV's borrowings at 31 December 2019 and 31 December 2018 is 1.79% and 1.88%, respectively.

## Notes to the Annual Accounts 31 December 2019

At the 31 December 2019 and 31 December 2018, the total limit on credit facilities that ADIF-AV had received from financial institutions stood at 510,000 and 385,000 thousand euros respectively. At 31 December 2019 and 31 December 2018, no amounts had been drawn down on these credit facilities. These credit facilities mature in the short term, and certain policies may be tacitly renewed each year up to a specified number of years.

### 11.a.2). Derivatives

Details of derivatives held by the Entity at 31 December 2019 and at 31 December 2018 are as follows:

	31/12/2019 Expressed in thousands of Euros				
	Assets		Liabilities		Equity
	Non-current tax effect	Current	Non-current financial liability	Current	
Interest rate cash flow hedge	1,074	-	(4,295)	-	(3,221)
Collections / payments swap interest rate hedging	-	-	-	(61)	-

  

	31/12/2018 Expressed in thousands of Euros				
	Assets		Liabilities		Equity
	Non-current tax effect	Current	Non-current financial liability	Current	
Interest rate cash flow hedge	1,357	-	(5,429)	-	(4,072)
Collections / payments swap interest rate hedging	-	-	-	(63)	-

#### 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 331.26 million euros at 31 December 2019 and 441.68 million at 31 December 2018.

Derivative liabilities at 31 December 2019 include, on the one 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 331.26 million euros.

At year-end 2018, derivative liabilities included, on the one hand, the fair value of an interest rate swap contract signed in March. 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 441,68 million euros.

## Notes to the Annual Accounts 31 December 2019

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 31 December 2019 and 31 December 2018.

### 11.b) Other financial liabilities

Details of other financial liabilities at 31 December 2019 and at 31 December 2018 are as follows:

	Thousands of Euros			
	31/12/2019		31/12/2018	
	Non-current	Current	Non-current	Current
Payables convertible into grants	445,626	-	222,359	-
Suppliers of fixed assets	79,709	217,741	87,474	296,903
ERDF aid to be repaid (note 9)		1,533	-	49,271
Deposits and guarantees	5,210	-	4,958	-
	<b>530,545</b>	<b>219,274</b>	<b>314,791</b>	<b>346,174</b>

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

At 31 December 2019 and at 31 December 2018, 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. Breakdown at 31 December 2019 and 31 December 2018 are as follows:

	Thousands of Euros	
	31/12/2019	31/12/2018
European Funds		
ERDF	375,805	147,422
TEN-T	18,098	18,603
Other		
Ministry of Public Works (Addenda 21/12/2009)		
Barcelona Sagrera (Note 1(c))	48,290	48,290
Other grants	3,433	8,044
	<b>445,626</b>	<b>222,359</b>

#### 11.b.2) Suppliers of fixed assets

At 31 December 2019, non-current payables to suppliers of fixed assets amount to 79,709 thousand euros, of which 41,613 thousand euros relates to works carried out on the Madrid-Castilla la Mancha-Valencia Autonomous Community-Murcia Region line, and 26,653 thousand euros to works on the Olmedo-Orense stretch, under a public-private partnership. Also, it includes an amount of 11,443 thousand euros for the net present value of invoices to be paid to Renfe Operadora, with a long-term maturity as a result of the acquisition of the rights of use of spaces that ADIF AV has possessed since the segregation of Renfe in 2005 (see Note 4).

At 31 December 2018, non-current payables to suppliers of fixed assets amount to 84,474 thousand euros, of which 46,629 thousand euros relates to works carried out

Notes to the Annual Accounts  
31 December 2019

on the Madrid-Castilla la Mancha-Valencia Autonomous Community-Murcia Region line, and 27,333 thousand euros to works on the Olmedo-Orense stretch, under a public-private partnership. Also, it includes an amount of 13,512 thousand euros for the net present value of invoices to be paid to Renfe Operadora, with a long-term maturity as a result of the acquisition of the rights of use of spaces that ADIF AV has possessed since the segregation of Renfe in 2005 (see Note 4).

In addition, the balance as of 31 December 2019 and 31 December 2018, for fixed asset suppliers includes the debt for works for own assets and expropriations for the amount of 67,058 thousand euros and 66,477 thousand euros respectively. Also the amount of the invoices of fixed assets suppliers receivable for a total of 150,683 thousand euros at 31 December 2019 and 230,426 thousand euros at 31 December 2018.

**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 2019 and 31 December 2018 are as follows:

	Thousands of Euros			
	31/12/2019		31/12/2018	
	Suppliers, Group companies and associates	Suppliers and payables, Group companies and associates	Suppliers, Group companies and associates	Suppliers and payables, Group companies and associates
<b>Non-Current Liabilities</b>				
Valladolid Alta Velocidad	53,911	-	53,911	-
	<b>53,911</b>		<b>53,911</b>	-
<b>Current Liabilities</b>				
Ingeniería y Economía del Transporte, S.A. (INECO)	12,519	506	15,063	731
Zaragoza Alta Velocidad 2002, S.A.	71,859	-	-	-
Valladolid Alta Velocidad 2003, S.A.	-	-	331	-
	<b>84,378</b>	<b>506</b>	<b>15,394</b>	<b>731</b>

The account payable of non-current liabilities represents the obligation to deliver land to the company Valladolid Alta Velocidad S.A. in consideration of railway works received under the delivery certificate signed in 2018 as indicated in note 4.

In addition to the balances at 31 December 2018 indicated above, the Entity had recognised in the non-current asset suppliers account under the heading "Other Current Financial Liabilities" the best available estimate at the closing date of the infrastructure projects carried out by the investees Valencia Parque Central 2003, S.A. and Alta Velocidad Alicante Nodo de Transporte, S.A. amounting to 71,859 thousand euros and 26,435 thousand euros respectively. At 31 December 2019, the debt for fixed assets with Valladolid is shown under this heading and the debt with Alicante AV has been offset by loans granted and investment advances as indicated in note 5.

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

## Notes to the Annual Accounts 31 December 2019

### 11.d) Trade and other payables

The breakdown of trade and other payables at 31 December 2019 and 31 December 2018, excluding balances with public administrations, is as follows:

	Thousands of Euros	
	31/12/2019	31/12/2018
Other suppliers and payables	220,937	166,613
Suppliers and payables, Group companies and associates (Note 11,c)	506	731
Personnel	264	258
	<b>221,707</b>	<b>167,602</b>

The item "Suppliers and various creditors" includes debts for purchases or services rendered pending payment as of 31 December 2019 and 31 December 2018. 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 (17,264) thousand euros and (17,651) thousand euros.

	Thousands of Euros	
	31/12/2019	31/12/2018
Suppliers and creditors debt with ADIF	78,195	40,154
Agreements with ADIF for outstanding invoices	24,141	27,563
Agreements with ADIF for invoices pending processing	54,054	12,591
Suppliers of fixed assets with ADIF	(17,264)	(17,651)
By invoice processed	710	4,044
By invoicing pending processing	(17,974)	(21,695)
	<b>60,931</b>	<b>22,503</b>

The information relating to 2019 and 2018 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:

	31/12/2019	31/12/2018
	Days	
Average payment period to suppliers	50.58	55.53
Ratio paid operations	51.37	57.63
Ratio of outstanding payment transactions	37.42	27.38
	Thousands of Euros	
Total payments	1,755,053	1,746,167
Total outstanding payments	104,520	130,573

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 breakdown of the balances with Public Administrations as of 31 December 2019 and 31 December 2018 is as follows:

Notes to the Annual Accounts  
31 December 2019

	Thousands of Euros			
	31/12/2019		31/12/2018	
	Non-current	Current	Non-current	Current
<b>Assets</b>				
Receivables for awarded funds and grants	75,712	-	42,485	-
Deferred tax assets (Note 11)	1,074	-	1,357	-
Current tax assets	-	33	-	27
Public entities, other receivables	-	37,575	-	88,292
<b>Total assets</b>	<b>76,786</b>	<b>37,608</b>	<b>43,842</b>	<b>88,319</b>
<b>Liabilities</b>				
Deferred tax liabilities	3,607,163	-	3,539,673	-
Current tax liabilities	-	(23)	-	(23)
Public entities, other payables	-	613	-	579
<b>Total liabilities</b>	<b>3,607,163</b>	<b>590</b>	<b>3,539,673</b>	<b>556</b>

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

The breakdown of the balances with debtor Public Administrations as of 31 December 2019 and 31 December 2018 is as follows:

	Thousands of Euros			
	31/12/2019		31/12/2018	
	Non-current	Current	Non-current	Current
Receivables for awarded funds and grants	75,712	-	42,485	-
High-speed Cohesion Funds	-	-	-	-
High-speed ERDF	75,712	-	42,485	-
Deferred tax assets (Note 11)	1,074	-	1,357	-
Current tax assets	-	33	-	27
Public entities, other receivables	-	37,575	-	88,292
Current VAT receivable	-	27,743	-	26,598
Receivables for awarded funds and grants	-	9,847	-	61,694
High Speed Cohesion Funds	-	-	-	15,546
High-speed ERDF	-	-	-	24,536
High-speed TEN funds	-	9,777	-	13,787
Other items	-	70	-	7,825
Other Credits (Social Security Debtor)	-	(15)	-	-
<b>Total assets</b>	<b>76,786</b>	<b>37,608</b>	<b>43,842</b>	<b>88,319</b>

The entire balance of receivables for current and non-current awarded funds and grants relates to accrued amounts receivable at 31 December 2019 and 31 December 2018 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).

Notes to the Annual Accounts  
31 December 2019

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

**12.b) Public entities, payables**

The breakdown of the balances with the Receivable Public Administrations as of 31 December 2019 and 31 December 2018 is as follows:

	Thousands of Euros			
	31/12/2019		31/12/2018	
	Non-current	Current	Non-current	Current
Deferred tax liabilities	3,607,163	-	3,539,673	-
Current tax liabilities	-	(23)	-	(23)
Public entities, other payables	-	613	-	579
Social Security	-	312	-	285
Withholdings	-	301	-	294
<b>Total liabilities</b>	<b>3,607,163</b>	<b>590</b>	<b>3,539,673</b>	<b>556</b>

Deferred tax liabilities that are expected to be realised or reversed in periods exceeding 12 months are those deriving from capital grants and total 3,607,163 thousand euros at 31 December 2019 and at 31 December 2018 was 3,539,673 thousand euros

The movement registered in 2019, from 1 January 2019 to 31 December 2019 and in 2018, of the deferred tax liabilities, broken down by origin, is as follows:

	31/12/2019 Thousands of Euros					
	Cohesion Funds	ERDF Funds	TEN-T Funds	Execution of grants (1)	Other capital grants	Total
Balances at 31 December 2018	<b>1,594,404</b>	<b>974,691</b>	<b>107,206</b>	<b>774,392</b>	<b>88,980</b>	<b>3,539,673</b>
Additions in 2019	6,191	25,006	(129)	63,065	61	<b>94,194</b>
Capital grants taken to income (Note 19)	(11,494)	(7,076)	(416)	(6,799)	(919)	<b>(26,704)</b>
Other concepts	-	-	-	-	-	-
<b>Balances at 31 December 2019</b>	<b>1,589,101</b>	<b>992,621</b>	<b>106,661</b>	<b>830,658</b>	<b>88,122</b>	<b>3,607,163</b>

  

	31/12/2018 Thousands of Euros					
	Cohesion Funds	ERDF Funds	TEN-T Funds	Execution of grants (1)	Other capital grants	Total
Balances at 31 December 2017	<b>1,626,587</b>	<b>975,695</b>	<b>101,467</b>	<b>720,780</b>	<b>89,721</b>	<b>3,514,250</b>
Additions in 2018	(20,722)	6,231	6,474	60,111	163	52,257
Capital grants taken to income (Note 19)	(11,461)	(7,235)	(735)	(6,499)	(904)	(26,834)
Other concepts	-	-	-	-	-	-
<b>Balances at 31 December 2018</b>	<b>1,594,404</b>	<b>974,691</b>	<b>107,206</b>	<b>774,392</b>	<b>88,980</b>	<b>3,539,673</b>



Notes to the Annual Accounts  
31 December 2019

**12.c) Income tax**

The Entity taxes under the individual regime. The negative tax base amounts to 72.615 thousand euros at 31 December 2019.

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

01/01/2019 a 31/12/2019 Thousands of Euros					
	Income statement		Income and expense taken directly to equity		
	Increases	Decreases	Increases	Decreases	Increases
Income and expenses for the period (01/01/2019 -31/12/2019)	-	-	(179,242)		194,514
Income tax adjustments	-	-			67,773
Income and expenses before income tax			<b>(179,242)</b>		<b>262,287</b>
Permanent differences	585	(1,656)	(1,071)		
Temporary differences:					
- Originating in current year	142,717	-	142,717	7,677	(369,101)
- Originating in prior years	-	(35,019)	(35,019)		106,814
Prior taxable income of the Entity			<b>(72,615)</b>		-
Offset of prior years' tax loss carry forwards (Limit 25% of GDP)					
Taxable income					
Tax rate					
Tax payment					
Deductions for double taxation					
Adjusted tax payment					
Tax payable					
Withholdings and payments on account	-				
Pre-payments					
Income tax recoverable	-				

The negative tax base at 31 December 2018 amounted to 72,232 thousand euros. The reconciliation between the accounting result for the year and the tax base is as follows:

Notes to the Annual Accounts  
31 December 2019

01/01/2018 to 31/12/2018 Thousands of Euros						
	Income statement			Income and expense taken directly to equity		
	Increases	Decreases	Total	Increases	Decreases	Total
Income and expenses for the period (1/01/2018 - 31/12/2018)			(223,410)			75,957
Income tax adjustments			-			25,589
Income and expenses before income tax			<b>(223,410)</b>			<b>101,546</b>
Permanent differences	558	(1,070)	(512)			
Temporary differences:						
- Originating in current year	184,362		184,362	145	(209,025)	(208,880)
- Originating in prior years		(32,672)	(32,672)			107,334
Prior taxable income of the Entity			<b>(72,232)</b>			-
Offset of prior years' tax loss carry forwards (Limit 25% of GDP)						
Taxable income						
Tax rate						
Tax payment						
Deductions for double taxation						
Adjusted tax payment						
Tax payable						
Withholdings and payments on account			26			
Pre-payments						
Income tax recoverable			(26)			

At 31 December 2019, there were no taxes payable in any of the tax jurisdictions, however there was a refund of 7 thousand euros (26 thousand euros at 31 December 2018).

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.

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

Notes to the Annual Accounts  
31 December 2019

	Thousands of Euros			
	Income statement			
	31/12/2019		31/12/2018	
	Increases	Decreases	Increases	Decreases
- Amortisation and depreciation	-	-	-	-
- Impairment	18,475	-	26,915	-
- Pensions	82	-	73	-
- Net finance expense	124,160	-	165,131	-
Temporary differences originating in current year	142,717	-	192,119	-
- Amortisation and depreciation	-	(17,635)	-	(17,635)
- Impairment	-	(17,376)	-	(14,963)
- Pensions	-	(8)	-	(74)
- Net finance expense	-	-	-	-
Temporary differences originating in prior years	-	(35,019)	-	(32,672)

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

The detail of the permanent differences corresponding to the financial years 31 December 2019 and 31 December 2018 is as follows:

	Thousands of Euros			
	Income statement			
	31/12/2019		31/12/2018	
	Increases	Decreases	Increases	Decreases
- Other non-deductible expenses	585	-	558	-
- Exemption for double taxation of dividends	-	(1,656)	-	(1,070)

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

Year	Limit	Originating in	Thousands of Euros		
			Pending from origin	Applied in the year	Pending
2014	N/A	ADIF-AV	19,092	-	19,092
2015	N/A	ADIF-AV	76,852	-	76,852
2016	N/A	ADIF-AV	119,130	-	119,130
2017	N/A	ADIF-AV	50,503	-	50,503
2018	N/A	ADIF-AV	72,233	-	72,233
			<b>337,810</b>		<b>337,810</b>

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

Notes to the Annual Accounts  
31 December 2019

Year	Limit	Originating in	Thousands of Euros
2012	N/A	ADIF (*)	128,712
2013	N/A	ADIF-AV	110,832
2014	N/A	ADIF-AV	172,657
2015	N/A	ADIF-AV	223,576
2016	N/A	ADIF-AV	193,513
2017	N/A	ADIF-AV	171,695
2018	N/A	ADIF-AV	157,375
2019	N/A	ADIF-AV	124,160
			<b>1,282,520</b>

(\*) Transferred to ADIF-AV as of 1 January 20133.

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
		<b>176,349</b>	

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	Limit	Origin	Applied during year	Pending
2015	N/A	352	-	352
2016	N/A	882	-	882
2017	N/A	882	-	882
2018	N/A	882	-	882
2019	N/A	882	-	882
		<b>3,880</b>		<b>3,880</b>

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:

Notes to the Annual Accounts  
31 December 2019

Thousands of Euros				
Year	Limit	Origin	Applied during year	Pending
2015	2033	42	-	42
2016	2034	68	-	68
2017	2035	70	-	70
2018	2036	71	-	71
2019	2037	72	-	72
		<b>323</b>	<b>-</b>	<b>323</b>

The following deductions are also pending for donations to non-profit entities of Law 49/2002:

Thousands of Euros				
Year	Limit	Origin	Applied during year	Pending
2017	2027	194	-	194
2018	2028	193	-	193
2019	2029	171	-	171
		<b>558</b>	<b>-</b>	<b>558</b>

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

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

At 31 December 2019, the Company has the years 2016 to 2019 open for inspection for value added tax, 2016 to 2019 for withholding tax and 2015 to 2018 for corporation tax.

### (13) Revenue

The detail of revenue in the income statement for the years 2019 and 2018 is as follows:

	Thousands of euros	
	31/12/2019	31/12/2018
Revenue from use of rail facilities and other fees		
Use of the public service rail network	497,618	473,170
Use of stations and other rail installations	113,100	98,922
Passenger rail transport safety levy	262	31
	<b>610,980</b>	<b>572,123</b>

The distribution of revenue at 31 December 2019 and 31 December 2018 by business segment or activity carried out by the Entity is shown in the following table:

Notes to the Annual Accounts  
31 December 2019

31/12/2019 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	497,618	29,767	-	<b>527,385</b>
Management of ADIF-AV-owned assets (passenger stations)	-	83,333	262	<b>83,595</b>
<b>Total</b>	<b>497,618</b>	<b>113,100</b>	<b>262</b>	<b>610,980</b>

  

31/12/2018 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	473,170	15,000	-	488,170
Management of ADIF-AV-owned assets (passenger stations)	-	83,922	31	83,953
<b>Total</b>	<b>473,170</b>	<b>98,922</b>	<b>31</b>	<b>572,123</b>

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

The detail of the revenues from settlement of railway charges accrued at 31 December 2019 and 31 December 2018, broken down by the different modalities established in the Order of the Ministry of Public Works 39/2003 and 38/2015 of the Railway Sector, is as follows:

	Thousands of Euros	
	31/12/2019	31/12/2018
Use of infrastructure	<b>497,618</b>	<b>473,170</b>
<i>Adjudication capacity</i>	90,771	87,059
<i>Use of railway lines</i>	371,362	358,230
<i>Use Transformation and distribution EET</i>	36,047	34,482
<i>Bonus Canon use RFIG lines</i>	(562)	(6,601)
Use of stations and other rail installations	<b>113,100</b>	<b>98,922</b>
<i>Use Passenger transport stations</i>	83,208	83,806
<i>Wide changers</i>	4,626	4,596
<i>Use Tracks with platform</i>	25,266	10,520
	<b>610,718</b>	<b>572,092</b>

Of this revenue, at 31 December 2019, 123,824 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) Revenue from rail rates

It is established that the taxable event of the rate is the exclusive use or the special use of goods of public railway domain that are made by concessions and authorizations, as well as, the provision of the necessary services for the granting of homologations, certifications, issuance of titles to the railway personnel, issuance of railway company licenses, safety certificates for railway companies and safety authorizations for railway infrastructure managers, by the State Agency for Railway Safety.

Notes to the Annual Accounts  
31 December 2019

**(14) Other Operating Income**

Details of this income statement heading at 31 December 2019 and 31 December 2018 are as follows:

	Thousands of Euros	
	31/12/2019	31/12/2018
Rentals and services	105,097	104,309
Utilities, basically relates to traction power	264,902	271,179
Investment actions for third parties	34,223	6,309
Services Administration Infrastructure	1,485	1,489
Other	30,534	28,608
Third-party personal services	3,161	3,123
Advertising	5,701	5,303
Diverse services	17,976	18,049
Others	3,696	2,133
	<b>436,241</b>	<b>411,894</b>

Included in this income are the derivatives of services rendered to ADIF at 31 December 2019 and 31 December 2018 under the management fees indicated in note 1, according to the following breakdown:

	Thousands of Euros	
	31/12/2019	31/12/2018
Revenue from intra-administration agreements		
NTU electricity	12,010	14,160
Maintenance of fibre optics and auxiliary installations	1,485	1,489
ADIF investment actions	16,926	5,490
Other intra-administrative services	2,003	3,073
	<b>32,424</b>	<b>24,212</b>

Revenues from leasing of real estate, premises and other properties amounting to 64,984 thousand euros at 31 December 2019. 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 40,113 thousand euros at 31 December 2019 and 39,602 thousand euros at 31 December 2018, is recorded under this heading in the income statement.

The amounts received in advance corresponding to long-term contracts and pending attribution to income are shown under the heading "long-term accruals", the amount of which at 31 December 2019 and 31 December 2018 amounted to 462,888 thousand euros and 488,021 thousand euros respectively. In addition, under "Short-term accruals", the amount that will be charged to income in the following year for an amount of 26,730 thousand euros is recorded at 31 December 2019.

Also included in the section long-term accruals are the revenues collected in advance at 31

## Notes to the Annual Accounts

### 31 December 2019

December 2019 and pending allocation to results as of that date, arising from the awarding of the "Lease and exploitation of car parks located at various stations" contract on December 20, 2013 awarded to Saba Park 3, SLU for an amount of 111,467 thousand euros once the amount corresponding to ADIF has been discounted for the parking of its ownership. The contract has a term of 10 years and was formalized on January 31, 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<sup>2</sup> at various stations and facilities for an annual rate of 2,406,491.64 euros and for a period of 10 years, with an option of renewing.

#### (15) Personnel Expenses

Details of this income statement heading at 31 December 2019 and 31 December 2018 are as follows:

	Thousands of Euros	
	31/12/2019	31/12/2018
Salaries and wages	12,506	11,101
Employee benefits expense	3,241	2,946
Provisions	70	61
	<b>15,817</b>	<b>14,108</b>

Details of employee benefits expense are as follows:

	Thousands of Euros	
	31/12/2019	31/12/2018
Social Security payable by the Entity	3,113	2,821
Other employee benefits expenses	128	125
	<b>3,241</b>	<b>2,946</b>

The distribution of the Entity's employees by gender and category at 31 December 2019 and 31 December 2018 is as follows:



Notes to the Annual Accounts  
31 December 2019

Category	Headcount 31/12/2019		
	Male	Female	Total
Administrative staff	127	48	175
Middle management	26	9	35
Operating personnel	3	5	8
	<b>156</b>	<b>62</b>	<b>218</b>

Category	Headcount 31/12/2018		
	Male	Female	Total
Administrative staff	128	48	176
Middle management	16	6	22
Operating personnel	2	6	8
	<b>146</b>	<b>60</b>	<b>206</b>

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

Category	Average number of employees	
	31/12/2019	31/12/2018
Administrative staff	176	178
Middle management	29	19
Operating personnel	8	9
	<b>213</b>	<b>206</b>

The breakdown by sex and categories of Entity staff at 31 December 2019 and 31 December 2018, with disability greater than 33% is shown in the following tables:

Category	Average number of employees at 31 December 2019		
	Male	Female	Total
Administrative staff	1	-	1
Middle management	-	-	-
Operating personnel	-	-	-
	<b>1</b>	<b>-</b>	<b>1</b>

Category	Average number of employees at 31 December 2018		
	Male	Female	Total
Administrative staff	1	-	1
Middle management	-	-	-
Operating personnel	-	-	-
	<b>1</b>	<b>-</b>	<b>1</b>

## (16) Other Operating Expenses

Details of this income statement heading at 31 December 2019 and 31 December 2018 are as follows:

Notes to the Annual Accounts  
31 December 2019

	Thousands of Euros	
	31/12/2019	31/12/2018
Infrastructure repairs and maintenance	336,032	282,519
Traction power	244,919	246,678
Traffic and passenger service-related services	68,497	58,354
Other supplies	33,343	36,811
Rentals and fees	10,224	10,141
Advertising and public relations	4,833	4,845
Other maintenance and repairs	2,583	2,823
Investment actions on behalf of third parties	3,316	5,490
Other	27,482	28,347
<b>Total external services</b>	<b>761,029</b>	<b>676,008</b>
Taxes other than income tax	3,991	3,900
Losses, impairment and changes in trade provisions	434	2,128
	<b>765,454</b>	<b>682,036</b>

The signature by ADIF and ADIF-AV of the service arrangements indicated in Note 1.b, which took place in 2013, led ADIF-AV to recognize expenses for accrued services rendered by ADIF in the amount of 392,083 thousand euros at 31 December 2019 and 352,256 thousand euros at 31 December 2018, and formalised in addenda to the service arrangements, as follows:

	Thousands of Euros	
	31/12/2019	31/12/2018
Infrastructure repairs and maintenance	253,323	209,833
Fibre optic network maintenance, right of way services and right of use	13,083	13,361
Comprehensive management of safety and protection	37,187	29,879
Comprehensive management of stations	53,096	46,075
Traffic safety	1,974	1,974
Award of capacity and traffic management	29,336	26,502
Comprehensive communication services	4,520	4,521
Other agreements	20,535	20,111
	<b>413,054</b>	<b>352,256</b>

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

The breakdown of income from capital grants generated at 31 December 2019 and 31 December 2018 is as follows:

Notes to the Annual Accounts  
31 December 2019

	Thousands of Euros	
	Total income	
	31/12/2019	31/12/2018
Cohesion Funds	45,974	45,848
ERDF	28,305	28,940
TEN-T	1,663	2,937
Other grants	30,872	29,609
	<b>106,814</b>	<b>107,334</b>

**(18) Finance Costs**

Details of this income statement heading at 31 December 2019 and 31 December 2018 are as follows:

	Thousands of Euros	
	31/12/2019	31/12/2018
On loans with third parties	<b>329,805</b>	<b>358,600</b>
Interest on loans and bonds	299,605	<u>299,295</u>
Late payment interest for works contracts	1,472	<u>19,930</u>
Late payment interest for expropriations	2,898	<u>12,995</u>
Other finance costs	25,830	<u>26,380</u>
Provision adjustments	<b>12</b>	<b>11</b>
	<b>329,817</b>	<b>358,611</b>

**(19) Finance Income**

Details of this income statement heading at 31 December 2019 and 31 December 2018 are as follows:

	Thousands of Euros	
	31/12/2019	31/12/2018
Capitalised finance costs (note 4,c))	<b>113,910</b>	104,022
From marketable securities and other financial instruments	<b>6,356</b>	7,572
<i>Interest on current investments</i>	<i>6,130</i>	<i>7,278</i>
<i>Interest on current accounts</i>	<i>38</i>	<i>134</i>
<i>Other</i>	<i>188</i>	<i>160</i>
Other finance income	<b>3,775</b>	3,799
From participations in equity instruments	<b>1,656</b>	1,071
<i>Group companies and associates</i>	<i>1,534</i>	<i>957</i>
<i>Other investments</i>	<i>122</i>	<i>114</i>
	<b>125,697</b>	<b>116,464</b>

Notes to the Annual Accounts  
31 December 2019

**(20) Environmental Information**

At 31 December 2019 and 31 December 2018, ADIF-AV's fixed assets included specific environmental works with a net book value of 1,222,801 and 1,189,927 thousand euros respectively, used in order to minimise environmental impacts and to protect and improve the environment, as per the following breakdown:

31 December 2019 - Thousands of Euros			
	Cost	Accumulated depreciation	Net book value
Tunnels and cut-and-cover tunnels; environmental works	469,238	(10,417)	458,821
Environmental integration works	611,393	(10,736)	600,657
Other environmental works	114,553	(26,649)	87,904
<b>Total property, plant and equipment in operation</b>	<b>1,195,184</b>	<b>(47,802)</b>	<b>1,147,382</b>
<b>Work in progress</b>	<b>75,419</b>	<b>-</b>	<b>75,419</b>
<b>Total at 31 December 2019</b>	<b>1,270,603</b>	<b>(47,802)</b>	<b>1,222,801</b>

  

31 December 2018 - Thousands of Euros			
	Cost	Accumulated depreciation	Net book value
Tunnels and cut-and-cover tunnels; environmental works	469,167	(9,288)	459,879
Environmental integration works	568,410	(9,449)	558,961
Other environmental works	111,857	(23,169)	88,688
<b>Total property, plant and equipment in operation</b>	<b>1,149,434</b>	<b>(41,906)</b>	<b>1,107,528</b>
<b>Work in progress</b>	<b>82,399</b>	<b>-</b>	<b>82,399</b>
<b>Total at 31 December 2018</b>	<b>1,231,833</b>	<b>(41,906)</b>	<b>1,189,927</b>

Additions at 31 December 2019 and 31 December 2018 amount to 45,750 and 3,353 thousand euros respectively and predominately correspond to preventive and corrective actions.

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

At 31 December 2019, the Board of Directors comprises eleven members, the Chairman, Secretary and nine regular directors. Three of the Board members are female and nine are male.

At 31 December 2018, the Board of Directors comprises eleven members, the Chairman, Secretary and nine regular directors. Five of the Board members are female and six 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. (Nor have they received any remuneration for any other reason)

In accordance with to article 26 of mentioned Royal Decree 1044/2013, the Entity's senior management will not accrue any remuneration. (Neither senior management personnel have received advances or credits, nor has any commitment been made in terms of pensions or life insurance).

Notes to the Annual Accounts  
31 December 2019**(22) Financial Risk Management**

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

**22.a) Credit risk**

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

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

With regard to current investments and cash equivalents, the Entity carries out transactions using instruments to guarantee recovery of the entire capital investment and assesses the credit rating of the financial institutions, considering the credit rating awarded by rating agencies, based on the term of the investment and calculating individual credit limits in line with specific factors (mainly the equity of the financial institution).

**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.

The Entity has 79.89% of its outstanding debt at 31 December 2019 as a fixed rate until maturity and 11.76% at a fixed rate revisable. 80.51% of the Entity's outstanding debt, as of 31 December 2018, was at a fixed rate until maturity and 8.89% was at a fixed rate revisable.

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.

As of 31 December 2019, the result of the Entity is negative in (179,242) thousand euros and its working capital, of negative sign, amounted to (643,768) thousand euros. This situation does not generate liquidity stress for the Entity given that the extension of the General State Budget for the year 2018 for the year 2019 guarantees the collection of the anticipated capital contributions and the possibility of having external financing in accordance with the indebtedness limit authorized. In addition, it should be taken into account that the Entity, in accordance with a policy to optimize its financial costs, reduced the appeal to external credit to the maximum in 2019, so that, although it was authorized to increase its long-term

Notes to the Annual Accounts  
31 December 2019

indebtedness, term in nominal terms in a total amount of 1,890 million euros, only increased this debt by 627 million euros.

As of 31 December 2018, Entity presented a negative result of (223,410) thousand euros and has a negative working capital of (833,937) thousand euros.

As of 31 December 2019, as reported in note 11.a.1, the Entity has lines of credit for a total amount of 510,000 thousand euros.

On 15 November 2019, the EMTN Program on the Irish Stock Exchange and its passport to the National Securities Market Commission have been renewed.

On 11 April 2019, the sixth issuance of ADIF-Alta Velocidad bonds was made, third under the "green bond" format, for an amount of 600,000 thousand euros, with a disbursement date of 25 April 2019.

In July 2019, a disposition of an EIB loan for an amount of 190,000 thousand euros was made, corresponding to the project " Valencia -La Encina Railway Line ".

On 16 December 2019, a disposition of an EIB loan for an amount of 355,000 thousand euros was made, corresponding to the project "Ave Y Vasca Extensión Tramo A".

On 29 April 2020, the entity executed the seventh issuance of bonds, forth under the "green bond" format, for an amount of 600,000 thousand euros, with a disbursement date of 12 February 2020.

**(23) Commitments and contingencies**

The guarantees granted to third parties by the Entity at 31 December 2019 and 31 December 2018 amounted to 583 and 583 thousand euros respectively. 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.

The risk assumed by the Entity at 31 December 2019 and 31 December 2018 derived from the subscription of letters of commitment or comfort letters amounting to 26,465 thousand euros and 76,955 thousand euros respectively, in accordance with the balances provided by the cited companies at said dates and with the participation of ADIF-AV in its capital (see note 5,b).

The following is a breakdown by company of the aforementioned guarantees granted at 31 December 2019 and 31 December 2018, as well as the provisions for risks and expenses recognized by the Entity (see notes 2,c, 3,i, 5,b and 5,c):

Notes to the Annual Accounts  
31 December 2019

Company	Share capital % 31/12/2019	Expressed in thousands of Euros			
		Risk assumed by ADIF-AV (comfort letter)		Provisions at 31/12/2019	Provisions at 31/12/2018
		Risk amount at 31/12/2019	Risk amount at 31/12/2018		
Zaragoza Alta Velocidad 2002, S.A.	30.00%	-	-	32,476	32,476
Valencia Parque Central Alta Velocidad 2003, S.A.	30.00%	-	24,000	24,217	24,217
Logroño Integración del Ferrocarril 2002, S.A.	30.00%	14,400	24,000	-	-
Barcelona-Sagrera Alta Velocitat, S.A.	30.00%	12,065	28,955	4,236	5,368
Cartagena Alta Velocidad S.A.	40.00%	-	-	1,080	1,080
Murcia Alta Velocidad, S.A.	40.00%	-	-	-	3,400
Valladolid Alta Velocidad 2003, S.A.	30.00%	-	-	65,253	65,253
<b>Total railway integration companies</b>		<b>26,465</b>	<b>76,955</b>	<b>127,262</b>	<b>131,794</b>

**(24) Subsequent Events**

The appearance of the Coronavirus COVID-19 in China in January 2020 and its recent global expansion to a large number of countries, including Spain, has led to the viral outbreak being classified as a pandemic by the World Health Organization since March 11.

To address this serious and exceptional situation, the Government has declared a State of Emergency by Royal Decree 463/2020 of 14 March.

In its article 14, the aforementioned Royal Decree establishes a series of measures in the field of transport, among which the following reductions in rail traffic should be highlighted:

- a) For public rail transport services, which are not subject to public contracts or public service obligations (PSOs), transport operators shall reduce the total supply of operations by at least 50 %. By decision of the Minister for Transport, Mobility and the Urban Agenda, this percentage may be changed and specific conditions laid down.
- b) Public passenger transport services that are subject to a public contract or PSO shall reduce their total operating offer by at least the following percentages:
  - i. Medium-distance rail services: 50 %.
  - ii. Medium- distance rail services-AVANT: 50 %.
- c) Suburban rail services shall maintain their offer.

In this context, the Entity, as a critical infrastructure manager, has developed the necessary contingency plans to give continuity to its activity in all its areas of action.

Due to the uncertainty that exists in relation to this pandemic and the absence, for the time being, of effective medical treatment against the virus, the consequences for the Entity's operations are uncertain and will depend to a large extent on the evolution and extension of this pandemic in the coming months, as well as on the capacity of reaction and adaptation of all the economic agents affected.

Notes to the Annual Accounts  
31 December 2019

Therefore, at the date of preparation of these financial statements, it is premature to make a detailed assessment of the possible impacts that COVID-19 will have on the Entity, due to the uncertainty of its short, medium and long-term consequences.

However, as a result of the evaluation of the situation being carried out by the Entity, the following aspects should be highlighted:

- Liquidity risk: due to the general situation of the markets, it is possible that there could be a general increase in liquidity tensions in the economy, as well as a contraction in the credit market. The Entity has sufficient cash to meet its financial obligations, and has also signed credit lines for 500-10 million euros, to ensure that ADIF - Alta Velocidad, with the information available, will not be affected by these liquidity tensions in the coming months.
- Risk of change in certain financial figures: the circumstances described above, coupled with the restrictions on commercial activity set out in Article 10 of Royal Decree 463/2020, could have a negative impact on the future performance of certain items in the Entity's income statement, such as net sales and other operating revenues, which, although it is not possible at this time to quantify it precisely, does not seem likely to have a significant negative effect on its future results, assets and financial situation, taking into account the characteristics of the entity's activity and its status as operator of a strategic network for the transport of goods and people.

Consequently, the Entity's management, in accordance with the above and with its legal and statutory regime, considers that the application of the going concern principle, as described in Note 2.a), continues to be valid.

Finally, it should be noted that ADIF Alta Velocidad Management is constantly monitoring the evolution of the situation, in order to successfully deal with any possible impacts, both financial and non-financial, that may occur.



## APPENDIX



ENTIDAD PÚBLICA EMPRESARIAL  
ADIF – Alta Velocidad

Property, Plant and Equipment and Investment Property for 2019

Expressed in thousands of Euros

	Balance at 1.1.2019	Additions	Transfers	Derecognitions	Reclassifications	Balance at 31.12.2019
Buildings and other constructions	1,608,992	-	42,229	(1,017)	-	1,650,204
Land and natural resources	2,508,803	54,249	-	(839)	(8,845)	2,553,368
<b>Total land and buildings</b>	<b>4,117,795</b>	<b>54,249</b>	<b>42,229</b>	<b>(1,856)</b>	<b>(8,845)</b>	<b>4,203,572</b>
Accumulated depreciation of buildings and other constructions	(345,141)	(24,832)	-	712	-	(369,261)
Provision for depreciation of buildings and other structures	(4,875)	-	-	-	-	(4,875)
<b>Total carrying amount of buildings and other constructions</b>	<b>3,767,779</b>	<b>29,417</b>	<b>42,229</b>	<b>(1,144)</b>	<b>(8,845)</b>	<b>3,829,436</b>
Track installations	30,483,251	-	1,275,052	(14,779)	(755)	31,742,769
Accumulated depreciation of track installations and other installations	(4,034,087)	(322,281)	-	13,056	-	(4,343,312)
Impairment of track installations	(25,026)	-	-	-	-	(25,026)
<b>Total carrying amount of track installation and other installations</b>	<b>26,424,138</b>	<b>(322,281)</b>	<b>1,275,052</b>	<b>(1,723)</b>	<b>(755)</b>	<b>27,374,431</b>
Other Property, Plant and equipment	42,726	-	379	(996)	38	42,147
Accumulated depreciation of other property, plant and equipment	(32,984)	(2,171)	-	992	-	(34,163)
<b>Total carrying amount of other property, plant and equipment</b>	<b>9,742</b>	<b>(2,171)</b>	<b>379</b>	<b>(4)</b>	<b>38</b>	<b>7,984</b>
<b>Total carrying amount of track installations and other property, plant and equipment</b>	<b>26,433,880</b>	<b>(324,452)</b>	<b>1,275,431</b>	<b>(1,727)</b>	<b>(717)</b>	<b>27,382,415</b>
Work in progress	14,541,768	1,218,152	(1,317,660)	(596)	-	14,441,664
<b>Total net property, plant and equipment</b>	<b>44,743,427</b>	<b>923,117</b>	<b>-</b>	<b>(3,467)</b>	<b>(9,562)</b>	<b>45,653,515</b>
Investment property	242,132	-	-	-	8,845	250,977
Accumulated depreciation of investment property	(50,864)	(4,101)	-	-	-	(54,965)
Investment property in progress	403	-	-	-	-	403
<b>Total net investment property</b>	<b>191,671</b>	<b>(4,101)</b>	<b>-</b>	<b>-</b>	<b>8,845</b>	<b>196,415</b>
Intangible assets	74,490	-	38	-	717	75,245
Accumulated depreciation intangible assets	(19,159)	(1,522)	-	-	-	(20,681)
Intangible assets in progress	96	125	(38)	-	-	183
<b>Total net intangible assets</b>	<b>55,427</b>	<b>(1,397)</b>	<b>-</b>	<b>-</b>	<b>717</b>	<b>54,747</b>

This appendix forms an integral part of Note 4 to the Annual Accounts for 2019, in conjunction with which it should be read.

ENTIDAD PÚBLICA EMPRESARIAL  
ADIF – Alta Velocidad

Property, Plant and Equipment and Investment Property for 2018

Expressed in thousands of Euros

	Balance at 1.1.2018	Additions	Transfers	Derecognitions	Reclassifications	Balance at 31.12.2018
Buildings and other constructions	1,601,728	25	9,088	(1,849)	-	1,608,992
Land and natural resources	2,474,982	33,823	70	(72)	-	2,508,803
<b>Total land and buildings</b>	<b>4,076,710</b>	<b>33,848</b>	<b>9,158</b>	<b>(1,921)</b>	-	<b>4,117,795</b>
Accumulated depreciation of buildings and other constructions	(321,170)	(24,706)	-	735	-	(345,141)
Provision for depreciation of buildings and other structures	(4,875)	-	-	-	-	(4,875)
<b>Total carrying amount of buildings and other constructions</b>	<b>3,750,665</b>	<b>9,142</b>	<b>9,158</b>	<b>(1,186)</b>	-	<b>3,767,779</b>
Track installations	29,918,735	335,437	235,910	(6,831)	-	30,483,251
Accumulated depreciation of track installations and other installations	(3,599,741)	(437,431)	-	3,085	-	(4,034,087)
Impairment of track installations	(17,370)	(7,656)	-	-	-	(25,026)
<b>Total carrying amount of track installation and other installations</b>	<b>26,301,624</b>	<b>(109,650)</b>	<b>235,910</b>	<b>(3,746)</b>	-	<b>26,424,138</b>
Other Property, Plant and equipment	34,449	-	8,277	-	-	42,726
Accumulated depreciation of other property, plant and equipment	(31,824)	(1,160)	-	-	-	(32,984)
<b>Total carrying amount of other property, plant and equipment</b>	<b>2,625</b>	<b>(1,160)</b>	<b>8,277</b>	-	-	<b>9,742</b>
<b>Total carrying amount of track installations and other property, plant and equipment</b>	<b>26,304,249</b>	<b>(110,810)</b>	<b>244,187</b>	<b>(3,746)</b>	-	<b>26,433,880</b>
Work in progress	13,688,221	1,130,320	(253,345)	(322)	(23,106)	14,541,768
<b>Total net property, plant and equipment</b>	<b>43,743,135</b>	<b>1,028,652</b>	-	<b>(5,254)</b>	<b>(23,106)</b>	<b>44,743,427</b>
Investment property	242,112	20	-	-	-	242,132
Accumulated depreciation of investment property	(46,779)	(4,085)	-	-	-	(50,864)
Investment property in progress	403	-	-	-	-	403
<b>Total net investment property</b>	<b>195,736</b>	<b>(4,065)</b>	-	-	-	<b>191,671</b>
Intangible assets	74,150	-	340	-	-	74,490
Accumulated depreciation intangible assets	(17,589)	(1,570)	-	-	-	(19,159)
Intangible assets in progress	238	198	(340)	-	-	96
<b>Total net intangible assets</b>	<b>56,799</b>	<b>(1,372)</b>	-	-	-	<b>55,427</b>

This appendix forms an integral part of Note 4 to the Annual Accounts for 2019, in conjunction with which it should be read.



ENTIDAD PÚBLICA EMPRESARIAL  
ADIF – Alta Velocidad

Detail of associated companies as of 31 December 2019

Name	Activity	% ownership	Cost of the investment	Not disbursed	Equity	Other equity items	Profit/(loss)	Operating profit/(loss)	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	-	-	-	-
Palencia Alta Velocidad, S.A.(b)	High-speed integration in Palencia	40.00%	-	-	450	-	(28)	(28)	-
Ingeniería y Economía del Transporte, S.A. (INECO)(b)	Preparation of civil and industrial railway engineering projects. Consultancy services	20.68%	7,978	-	99,318	24	21,620	27,608	1,534
León Alta Velocidad 2003, S.A.(b)	High-speed integration in León	37.50%	-	-	389	-	(22)	(22)	-
Logroño Integración Ferrocarril 2002, S.A.(b)	Management of high-speed rail in Logroño	30.00%	-	-	711	-	-	-	-
Valencia Parque Central Alta Velocidad 2003, S.A.(b)	High-speed integration in Valencia	30.00%	-	-	(18,884)	22,817	1,783	1,784	-
Valladolid Alta Velocidad 2003 S.A.(b)	Management of high-speed rail in Valladolid	30.00%	-	-	(47,440)	2,910	(3,881)	(186)	-
Gijón al Norte, S.A.(b)	High-speed integration in Gijón	30.00%	-	-	537	-	1	4	-
Zaragoza Alta Velocidad 2002, S.A.(b)	High-speed integration in Zaragoza	30.00%	-	-	(287,595)	4,793	(5,630)	(1,720)	-
Alta Velocidad Alicante Nodo Transportes, S.A.(b)	High-speed integration in Alicante	30.00%	-	-	(1,046)	1,620	(259)	(1)	-
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	40.00%	232	-	572	7,590	(9)	(9)	-
A.V. Vitoria-Gasteizko Abiadura Handia, S.A.(b)	High-speed integration in Vitoria	40.00%	233	-	576	-	(8)	(8)	-
<b>Total shares in group companies and associates</b>			<b>8,443</b>	<b>-</b>				<b>27,422</b>	<b>1,534</b>
Albali Señalización, S.A.(b)		10.00%	1,131	-	13,190	-	1,238	3,994	112
Energía Olmedo Orense Fase I (b)		10.00%	508	-	7,241	-	63	1,448	-
Vía Olmedo- Pedralba (b)		10.00%	46	(240)	2,858	-	83	114	-
HIT RAIL B.V (b)		4.35%	55		3,217	-	84	84	10
<b>Total others (see note 6.a)</b>			<b>1,740</b>	<b>(240)</b>				<b>5,640</b>	<b>122</b>
<b>TOTAL</b>			<b>10,183</b>	<b>(240)</b>				<b>33,062</b>	<b>1,656</b>

a) Audited annual accounts at 31 December 2019  
(b) Provisional financial statements as at 31 December 2019  
c) Annual Accounts prepared pending audit at 31 December 2019  
(d) Provisional financial statements with draft audit report as at 31 December 2019  
Equity data and results relate to the last financial year available, whether provisional or final

This appendix forms an integral part of Note 5 to the Annual Accounts of 2019, in conjunction with which it should be read.



ENTIDAD PÚBLICA EMPRESARIAL  
ADIF – Alta Velocidad

Detail of associated companies as of 31 December 2018

Name	Activity	% ownership	Cost of the investment	Not disbursed	Equity	Other equity items	Profit/(loss) for 2018	Operating profit/(loss) for 2018	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	-	-	-	-
Palencia Alta Velocidad, S.A.(b)	High-speed integration in Palencia	40,00%	-	-	478	-	(28)	(28)	-
Ingeniería y Economía del Transporte, S.A. (INECO)(b)	Preparation of civil and industrial railway engineering projects. Consultancy services	20,68%	7.977	-	85.115	32	7.418	8.813	957
León Alta Velocidad 2003, S.A.(b)	High-speed integration in León	37,50%	-	-	410	-	(374)	(375)	-
Logroño Integración Ferrocarril 2002, S.A.(b)	Management of high-speed rail in Logroño	30,00%	-	-	711	-	-	-	-
Valencia Parque Central Alta Velocidad 2003, S.A.(b)	High-speed integration in Valencia	30,00%	-	-	(20.666)	22.817	941	941	-
Valladolid Alta Velocidad 2003 S.A.(b)	Management of high-speed rail in Valladolid	30,00%	-	-	(43.559)	2.910	(1.866)	1.681	-
Gijón al Norte, S.A.(b)	High-speed integration in Gijón	30,00%	-	-	536	-	-	131	-
Zaragoza Alta Velocidad 2002, S.A.(b)	High-speed integration in Zaragoza	30,00%	-	-	(281.965)	4.793	(4.907)	(352)	-
Alta Velocidad Alicante Nodo Transportes, S.A.(b)	High-speed integration in Alicante	30,00%	-	-	(787)	1.620	14	12	-
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%	176	-	581	7.590	(5)	(5)	-
A.V. Vitoria-Gasteizko Abiadura Handia, S.A.(b)	High-speed integration in Vitoria	40,00%	235	-	583	-	(5)	(5)	-
<b>Total shares in group companies and associates</b>			<b>8.388</b>	<b>-</b>				<b>10.813</b>	<b>957</b>
Albali Señalización, S.A.(b)		10,00%	1.326	-	15.020	-	1.242	4.204	114
Energía Olmedo Orense Fase I (b)		10,00%	508	-	7.178	-	24	961	-
Vía Olmedo- Pedralba (b)		10,00%	517	(240)	2.858	-	83	114	-
HIT RAIL B.V (b)		4,35%	55		3.217	-	196	195	
<b>Total others (see note 6.a)</b>			<b>2.406</b>	<b>(240)</b>				<b>5.474</b>	<b>114</b>
<b>TOTAL</b>			<b>10.794</b>	<b>(240)</b>				<b>16.287</b>	<b>1.071</b>
a) Audited annual financial statements at 31 December 2018 b) Provisional financial statements at 31 December 2018 c) Annual financial statements at 31 December 2018, pending audit d) Provisional financial statements with draft audit report at 31 December 2018 The result for the year 2018 is included in the Equity column									

This appendix forms an integral part of Note 5 to the Annual Accounts of 2019, in conjunction with which it should be read.