

ADIF Alta Velocidad

Auditors' report on 2020 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 Entidad Pública Empresarial ADIF-Alta Velocidad:

Opinion

The General Comptroller of the State Administration, in use of the powers conferred by article 168 of the General Budgetary Law, has audited the annual accounts of the Entidad Pública Empresarial ADIF-Alta Velocidad (hereinafter, ADIF Alta Velocidad or the Entity) comprising the balance sheet at 31 December 2020, the profit and loss account, the statement of changes in equity, the cash flow statement and the notes to the annual accounts, for the year ended on that date.

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 at 31 December, 2020, and of its results and cash flows for the year then ended in accordance with the applicable regulatory financial reporting framework (identified in 2.a in the notes 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 the Public Sector 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 of the Public Sector in Spain as required by the Public Sector audit regulations in force.

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 matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Property, plant and equipment

Description

As detailed in Appendix I to the accompanying notes to the annual accounts, at 31 December 2020, the Entity has recognised a net carrying amount of 46,353,823 thousand euros under "Property, plant and equipment" under non-current assets in the balance sheet, which relates mainly to railway installations and tracks and represents over 97% of the Entity's total assets.

The Entity uses the acquisition price or production cost, including materials, direct labour, capitalised financial expenses and other expenses incurred, which are subsequently depreciated on the basis of the years of estimated useful life, as the general accounting criterion for their valuation. In application of Order EHA/733/2010 of 25 March, the Entity has considered that the assets that make up its fixed assets should principally be classified as non-cash flow generating assets, given their characteristics, as they correspond to elements of the railway infrastructures included in the General Interest Railway Network and are owned primarily for the purpose of generating social economic flows that benefit the community, and therefore, with a different objective to that of generating a commercial return. The breakdown of the main aspects related to the valuation of Property, plant and equipment, as well as the movements in this heading, can be found in Notes 3.b), 4 and Appendix I of the accompanying notes to the annual accounts.

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

We have considered this matter as a key issue in our audit because of the significance of the amounts involved.

Our Response

Our audit procedures included, among others:

- Understanding of the procedures established by the Entity for the recognition of investments made and write-offs recorded, as well as the criteria for depreciation of fixed assets.
- For a sample of projects in progress, we have analysed the supporting documentation relating to the main cost capitalisations made, assessing their proper accounting recognition.
- Analysis of a sample of projects transferred from work in progress to completed work during the year, checking the reasonableness of the transfer.
- Review of a sample of write-offs recorded by the Entity during the year.
- Recalculation of the depreciation charge for the year, according to the coefficients applied by the Entity.
- Review of the disclosures included in the notes to the annual accounts in relation to this matter 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 detailed in Notes 10.b.3) and 23 of the accompanying notes to the annual accounts, at 31 December 2020, the Entity has recognised a balance of 132,484 thousand euros under "Long-term provisions" in non-current liabilities in the balance sheet, which corresponds to the best estimate available at that date of the obligations assumed, not provided for in other items in the annual accounts, for the participation in various integration companies.

As indicated in Note 3.i) of the accompanying notes to the annual accounts, in order to quantify these obligations the Entity considers the estimated 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 that will enable them to meet the obligations assumed with third parties to develop the project entrusted to them, as well as the need for contributions of funds from shareholders and their capacity to repay the financing contributed and pending contribution. In those cases in which it is estimated that there will be a deficit to be assumed by shareholders, the final risk assumed by the Entity is determined, taking into account, in addition, the best estimate of the value of the railway infrastructure that the Company must deliver to ADIF Alta Velocidad. Consequently, the loss assumed by the Entity and recognised as a provision for liabilities and charges and as a provision for impairment of financial assets is quantified as the difference between the present value of the aforementioned shortfall and the estimated cost of the infrastructure to be received by the Entity (see Note 3.b).

We have considered this matter as a key issue in our audit because of the significance of the amounts involved.

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

Our Response

Our audit procedures included, among others:

- Understanding of the procedures established by the Entity for the recognition of provisions for risks and expenses arising 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 in this connection, obtaining and analysing the business plans of the integration companies, assessing the reasonableness of the methodology used and reviewing the main variables thereof.
- For the main provisions recognised in this connection, we assessed the criteria and calculations used by the Entity to determine the carrying amount of these provisions.
- Review of the disclosures included in the notes to the annual accounts in relation to this item in accordance with the applicable financial reporting framework.

Other matters: participation of private auditors

The audit firm *PKF Attest Servicios Empresariales S.L.*, by virtue of the contract signed with the Ministry of Finance at the proposal of The General Comptroller of the State Administration, carried out the audit work referred to in the first section. In this work, the Technical Standard on relations with auditors in the public sector, dated 30 December 2020, was applied by the General Comptroller of the State Administration's Office.

The General Comptroller of the State Administration has drawn up this report on the basis of the work carried out by the audit firm *PKF Attest Servicios Empresariales S.L.*

Other information: Management report and report on compliance with the economic-financial obligations assumed by State Public Sector entities subject to the General Accounting Plan for Spanish companies and its adaptations as a result of belonging to the Public Sector.

The other information comprises the management report for the 2020 financial year and the report on compliance with the economic-financial obligations assumed by the entity as a result of its belonging to the Public Sector as 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 other information. Our responsibility for the other information, as required by the regulations governing the audit activity, is to assess and report on the consistency of the other information with the annual accounts, based on our knowledge of the entity obtained in the course of the audit of the annual accounts and not including information other than that obtained as evidence during the audit. Our responsibility in relation to the other information is also to assess and report on whether the content and presentation of the other information is in accordance with applicable law. If, based on the work we have performed, we conclude that material misstatements exist, we are required to disclose them.

On the basis of the work performed, as described in the previous paragraph, we have nothing to report in respect of the other information. The information contained therein is consistent with that in the annual accounts for the financial year 2020 and its content and presentation are in accordance with the applicable regulations.

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

Responsibility of the President for 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 the Public Sector 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 the regulations governing the audit activity in force for the Public Sector in Spain, we apply our professional judgement and maintain an attitude of 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.

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

We communicated with the President regarding, among other matters, the planned scope and timing of the audit and significant audit findings, as well as any significant deficiencies in internal control that we identified during the course of the audit.

Among the matters that have been communicated to the President of the entity, we identified those matters that were of most significance in the audit of the current period's annual accounts and which are, accordingly, the key audit matters.

Madrid, 30 March 2021

Electronically signed by Mr. Antonio Merino Díaz

Delegate Comptroller at ADIF Alta Velocidad

**Entidad Pública
Empresarial
ADIF-Alta
Velocidad**

31 December 2020

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Financial Statements

31 December 2020

Balance Sheet
at 31 December 2020 and 31 December 2019

Expressed in thousands of Euros

| ASSETS | NOTE | 31/12/2020 | 31/12/2019 |
|--|-----------|-------------------|-------------------|
| Intangible assets | 4 | 73,586 | 54,747 |
| Property, plant and equipment | 4 | 46,353,823 | 45,653,515 |
| Land and buildings | | 3,867,484 | 3,829,436 |
| Technical installations, machinery, equipment, furniture and other items | | 28,354,380 | 27,382,415 |
| Under construction and advances | 4 | 14,131,959 | 14,441,664 |
| Investment property | 4 | 194,149 | 196,415 |
| Non-current investment in Group companies and associates | 5 | 433,383 | 488,144 |
| Equity instruments | | 8,443 | 8,443 |
| Loans to companies | | 424,940 | 479,701 |
| Non-current investments | | 77,037 | 78,324 |
| Equity instruments | 6 | 1,754 | 1,739 |
| Public entities | 12 | 74,407 | 75,712 |
| Other financial assets | 6 | 876 | 873 |
| Deferred tax assets | 11 and 12 | 613 | 1,074 |
| Non-current trade receivables | 6 | 368 | 455 |
| Total non-current assets | | 47,132,959 | 46,472,674 |
| Trade and other receivables | | 245,676 | 272,682 |
| Trade receivables | 6 | 51,861 | 124,350 |
| Trade receivables, from Group companies and associates | 6 | 271 | 568 |
| Other receivables | 6 | 135,218 | 110,127 |
| Personnel | 6 | 12 | 29 |
| Current tax assets | 12 | 26 | 33 |
| Public entities, other | 12 | 58,288 | 37,575 |
| Current investments in Group companies and associates | 5 | 189,921 | 65,309 |
| Loans to companies | | 189,921 | 65,309 |
| Short-term financial investments | 6 | 29 | 136 |
| Cash and cash equivalents | 7 | 353,335 | 366,221 |
| Cash | | 278,335 | 366,221 |
| Cash equivalents | | 75,000 | - |
| Total current assets | | 788,961 | 704,348 |
| TOTAL ASSETS | | 47,921,920 | 47,177,022 |

Balance Sheet
at 31 December 2020 and 31 December 2019

Expressed in thousands of Euros

| EQUITY AND LIABILITIES | NOTE | 31/12/2020 | 31/12/2019 |
|---|------|-------------------|-------------------|
| Equity | 8 | 13,894,657 | 14,043,735 |
| Equity contributions | | 15,617,836 | 15,306,262 |
| Reserves | | 29,730 | 29,521 |
| Retained earnings | | (1,292,048) | (1,112,806) |
| Loss for the year | | (460,861) | (179,242) |
| Valuation adjustments | 11 | (1,840) | (3,222) |
| Grants, donations and bequests received | 9 | 11,051,280 | 10,821,491 |
| Total equity | | 24,944,097 | 24,862,004 |
| Non-current provisions | 10 | 947,827 | 812,635 |
| Long-term employee benefits | | 836 | 985 |
| Other provisions | | 946,991 | 811,650 |
| Non-current payables | 11 | 16,314,726 | 16,030,305 |
| Bonds and other marketable securities | | 5,580,261 | 4,982,186 |
| Loans and borrowings | | 10,379,775 | 10,513,279 |
| Derivatives | | 2,453 | 4,295 |
| Other financial liabilities | | 352,237 | 530,545 |
| Long-term debts with group companies and associates | 11 | 53,911 | 53,911 |
| Deferred tax liabilities | 12 | 3,683,759 | 3,607,163 |
| Non-current accruals | 14 | 433,082 | 462,888 |
| Total non-current liabilities | | 21,433,305 | 20,966,902 |
| Current provisions | 10 | 52,154 | 76,231 |
| Short-term employee benefits | | 698 | 613 |
| Other provisions | | 51,456 | 75,618 |
| Current payables | 11 | 969,999 | 938,480 |
| Bonds and other marketable securities | | 57,375 | 55,397 |
| Loans and borrowings | | 681,309 | 663,748 |
| Derivatives | | 47 | 61 |
| Other financial liabilities | | 231,268 | 219,274 |
| Current payables, to Group companies and associates | 11 | 77,195 | 84,378 |
| Trade and other payables | | 417,518 | 222,297 |
| Other suppliers and payables | 11 | 416,130 | 220,937 |
| Suppliers, Group companies and associates | 11 | 542 | 506 |
| Personnel | 11 | 278 | 264 |
| Current tax liabilities | | (23) | (23) |
| Public entities, payables | 12 | 591 | 613 |
| Current provisions | 14 | 27,652 | 26,730 |
| Total current liabilities | | 1,544,518 | 1,348,116 |
| TOTAL EQUITY AND LIABILITIES | | 47,921,920 | 47,177,022 |

Income Statement
31 December 2020 and 2019

Expressed in thousands of Euros

| | NOTE | 31/12/2020 | 31/12/2019 |
|--|----------|------------------|------------------|
| Revenue | 13 | 327,388 | 610,980 |
| Self-constructed assets | | 10,391 | 10,184 |
| Other operating income | 14 | 345,243 | 436,241 |
| Personnel expenses | 15 | (16,755) | (15,817) |
| Other operating expenses | 16 | (675,710) | (765,454) |
| External services | | (673,428) | (761,029) |
| Taxes | | (3,455) | (3,991) |
| Losses, impairment and changes in trade provisions | | 1,173 | (434) |
| Amortisation and depreciation | | (373,840) | (354,907) |
| Non-financial and other capital grants | 17 | 120,588 | 106,814 |
| Provision surpluses | | 937 | 4,515 |
| Impairment and result on disposal of fixed assets | | 2,165 | (4,360) |
| Results from operating activities | | (259,593) | 28,196 |
| Finance income | 19 | 121,442 | 125,697 |
| From equity instruments | | 4,586 | 1,656 |
| From marketable securities and other financial instruments | | 4,966 | 6,356 |
| Capitalised finance costs | 19 and 4 | 108,129 | 113,910 |
| Other | | 3,761 | 3,775 |
| Finance costs | 18 | (310,528) | (329,817) |
| On third party loans | | (310,523) | (329,805) |
| Provision adjustments | | (5) | (12) |
| Change in fair value of financial instruments | | (2,483) | (3,077) |
| Impairment and losses on disposal of financial instruments | 10.b.1 | (9,699) | (241) |
| Net finance expense | | (201,268) | (207,438) |
| Loss before income tax | | (460,861) | (179,242) |
| Income tax | 12.c | - | - |
| Loss for the year | | (460,861) | (179,242) |

Statement of Changes in Equity
31 December 2020

A) Statement of Recognized Income and Expense corresponding to the year ended
31 December 2020

Expressed in thousands of Euros

| | NOTE | 31/12/2020 | 31/12/2019 |
|---|----------|------------------|------------------|
| Loss for the year | | (460,861) | (179,242) |
| Income and expense recognised directly in equity | | | |
| Grants, donations and bequests | 9 | 426,973 | 376,778 |
| Cash flow hedges | 11 | 1,842 | 1,133 |
| Actuarial gains and losses and other adjustments | | 209 | (8,810) |
| Grants tax effect | 9 and 12 | (106,743) | (94,194) |
| Cash flow hedges tax effect | 11 | (460) | (283) |
| Total income and expense recognised directly in equity | | 321,821 | 274,624 |
| Amounts transferred to the income statement | | | |
| Grants, donations and bequests | 17 | (120,588) | (106,814) |
| Tax effect | 12 | 30,147 | 26,704 |
| Total amounts transferred to the income statement | | (90,441) | (80,110) |
| Total recognised income and expense | | (229,481) | 15,272 |

Statement of Changes in Equity
Corresponding to the year ended 31 December 2020

B) Statement of Total Changes in Equity corresponding to the year ended 31 December 2020

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 |
|---|--------------------------------------|---------------|--------------------|-------------------|---|---|-------------------|
| Balance at 31 December 2018 | 14,994,688 | 38,331 | (889,396) | (223,410) | 10,619,017 | (4,072) | 24,535,158 |
| Recognised income and expense | - | (8,810) | - | (179,242) | 202,474 | 850 | 15,272 |
| Transactions with shareholders or owners | - | - | - | - | - | - | - |
| Increase in equity contributions (note 8c) | 311,574 | - | - | - | - | - | 311,574 |
| Other changes in equity | - | - | (223,410) | 223,410 | - | - | - |
| Balance at 31 December 2019 | 15,306,262 | 29,521 | (1,112,806) | (179,242) | 10,821,491 | (3,222) | 24,862,004 |
| Recognised income and expense | - | 209 | - | (460,861) | 229,789 | 1,382 | (229,481) |
| Transactions with shareholders or owners | - | - | - | - | - | - | - |
| Increase in equity contributions (note 8.c) | 311,574 | - | - | - | - | - | 311,574 |
| Other changes in equity | - | - | (179,242) | 179,242 | - | - | - |
| Balance at 31 December 2020 | 15,617,836 | 29,730 | (1,292,048) | (460,861) | 11,051,280 | (1,840) | 24,944,097 |

Cash Flow Statement corresponding to the year ended 31 December 2020

Expressed in thousands of Euros

| | 31/12/2020 | 31/12/2019 |
|---|------------------|------------------|
| Cash flows from/(used in) operating activities | | |
| Loss for the period before tax | (460,861) | (179,242) |
| Adjustments for: | 445,756 | 448,737 |
| Depreciation and amortisation (+) | 373,840 | 354,907 |
| Impairment (+/-) | 3,651 | 675 |
| Change in provisions (+/-) | 4,965 | (1,404) |
| Grants recognised in the income statement (-) | (120,588) | (106,814) |
| Proceeds from disposals of fixed assets (+/-) | 2,710 | 4,360 |
| Finance income (-) | (121,442) | (125,697) |
| Finance costs (+) | 310,528 | 329,817 |
| Change in fair value of financial instruments (+/-) | 2,483 | 3,077 |
| Other income and expenses (-/+) | (10,391) | (10,184) |
| Changes in operating assets and liabilities | 76,881 | (64,128) |
| Trade and other receivables (+/-) | 35,078 | (25,264) |
| Trade and other payables (+/-) | 189,114 | 32,163 |
| Other current liabilities (+/-) | (98,562) | (22,452) |
| Other non-current assets and liabilities (+/-) | (48,749) | (48,575) |
| Other cash flows from/(used in) operating activities | (302,297) | (308,347) |
| Interest paid (-) | (291,435) | (295,289) |
| Dividends received (+) | 4,585 | 1,656 |
| Interest received (+) | 1 | 38 |
| Payments (collections) by tax of benefits (- / +) | 7 | - |
| Other amounts paid (received) (-/+) | (15,455) | (14,752) |
| Cash flows from/(used in) operating activities | (240,521) | (102,980) |

Cash Flow Statement corresponding to the year ended 31 December 2020

| | 31/12/2020 | 31/12/2019 |
|--|------------------|------------------|
| Cash flows from/(used in) investing activities | | |
| Payments for investments (-) | (895,278) | (948,298) |
| Group companies and associates | (69,956) | (82,675) |
| Property, plant and equipment, intangible assets and investment property | (825,322) | (865,623) |
| Other financial assets | - | - |
| Proceeds from disposals (+) | 195 | 195 |
| Group companies and associates | 195 | 195 |
| Cash flows from/(used in) investing activities | (895,083) | (948,103) |
| Cash flows from/(used in) financing activities | | |
| Proceeds from and payments for equity instruments | 445,919 | 414,918 |
| Issue of equity instruments | 311,574 | 311,574 |
| Grants, donations and bequests received | 134,345 | 103,344 |
| Europe | 132,152 | 103,169 |
| Others | 2,193 | 175 |
| Proceeds from and payments for financial liability instruments | 676,799 | 852,061 |
| Issue | 1,298,871 | 1,376,503 |
| Bonds and other marketable securities | 600,000 | 600,000 |
| Loans and borrowings (+) | 579,000 | 545,000 |
| Other payables (+) | 119,871 | 231,503 |
| Europe | 898 | 228,382 |
| A.G.E | 118,847 | - |
| Others | 126 | 3,121 |
| Redemption and repayment of | (622,072) | (524,442) |
| Loans and borrowings (-) | (616,376) | (518,041) |
| Other payables (-) | (5,696) | (6,401) |
| Cash flows from/(used in) financing activities | 1,122,718 | 1,266,979 |
| Net increase in cash and cash equivalents | (12,886) | 215,896 |
| Cash and cash equivalents at beginning of year | 366,221 | 150,325 |
| Cash and cash equivalents at 31 December of year end | 353,335 | 366,221 |

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31 December 2020**(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 Development, less any depreciation. The transfer of these assets took place at the moment Royal Decree-Law 4/2013, of 22 February 2013, came into force.

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

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

- Construction of high-speed rail infrastructure forming part of the public service rail network, with a charge to equity and in accordance with provisions set out by the Ministry of Development, today known as the today Ministry of Transport, Mobility and Urban Agenda.

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- 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 Development, 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.

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- 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 Development, 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 Development 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.

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31 December 2020**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 Development, 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, establishes that ADIF-AV and ADIF may entrust the performance of certain activities to each other by signing the appropriate agreement. These agreements must necessarily contemplate the financial compensation that would correspond to the entity in favour of which the entrustment is made, for the provision of the entrusted services.

In particular, both entities may entrust each other with the management of infrastructure capacity and, due to the interconnection of the networks whose administration is attributed to both entities, and as an exception to the provisions of Article 23.5 of the Rail Sector Act, also with the management of control, traffic and safety systems.

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.

As a result of these agreements, the corresponding addenda were drawn up and signed, which determined the services entrusted.

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.

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.

Notes to the Annual Accounts 31 December 2020

In addition, 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.

Accordingly, 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 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.

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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.
- Communication and corporate reputation of ADIF-Alta Velocidad.
- Comprehensive management of assets owned by ADIF-Alta Velocidad.

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- 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:

- High-speed Madrid-Cuenca-Valencia line and high-speed link with Albacete and Alicante
- Valencia-Vandellós stretch of the Mediterranean Corridor

Notes to the Annual Accounts 31 December 2020

- 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:
 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.

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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 Development, determining that the construction will be made using ADIF or ADIF-AV's resources, as applicable.
 - On 21 December 2009, the Ministry of Development, 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.
 - 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, by virtue of Article 134.4 of Title VII of the Spanish Constitution, Law 6/2018 of 3 July on the General State Budget for 2018 and 2019 was extended. Consequently, for 2020, an equity contribution for ADIF-AV of 311,573.95 thousand euros was appropriated and an authorisation for a net increase in indebtedness of 1,890,000 thousand euros was established. In addition, on 14 December 2020, the Minister of Finance authorised a budget modification that has led to the collection in December 2020 of 118,847 thousand euros as a subsidy for investments in Trans-European Transport Network (TEN-T) corridors. (See note 8.a).
 - Law 11/2020 of 30 December 2021 General State Budget Act 11/2020 appropriated a capital contribution of 466,173.95 thousand euros for ADIF AV in 2021. Likewise, a current transfer to finance the administration of the network under its ownership of 50,000 thousand euros has been included in the 2021 General State Budget for 2021. In addition, an authorisation for a net increase in indebtedness of 1,500,000 thousand euros has been established.

Notes to the Annual Accounts
31 December 2020**1.d) Charges and fees**

Law 38/2015, of 29 September, on the Railway Sector (LSF) incorporates into Spanish law the rules contained in Directive 2012/34/EU of the European Parliament and of the Council of 21 November 2012, which cover almost all areas of railway legislation, including those relating to the transparency and sustainability of railway infrastructure financing, a new and more complete classification of railway-related services and the establishment of new and more precise rules on charging for access to railway infrastructure.

Title VI of the LSF regulates the economic and taxation system of the railway sector in an attempt to strike a balance between the economic viability of the system and the promotion of rail transport. The aim is to provide incentives to improve the operation of the network, reduce disturbances, optimise the use of the infrastructure and reduce the costs of making it available.

It regulates the legal structure of charges for the use of railway lines, for the use of service facilities and revises the fee system for the provision of services, advancing towards free access to service activities without compromising the sustainability of the railway infrastructure.

It also establishes the criteria for classifying lines in order to link the railway fee to the potential profitability of the market; it establishes the criteria for classifying passenger transport stations in order to take into account the economic capacity of the associated services to determine the amount of the fee; and it regulates the bonuses and discounts on the amount of fees payable by operators with the aim of promoting the development of railway services and the more efficient operation of lines.

Article 23 of the LSF establishes the functions of the general managers of railway infrastructures, including the determination, revision and collection of railway infrastructure charges in accordance with the applicable legal and regulatory regime.

For its part, Article 100 of the LSF establishes that the proposal for modification or revision of the amounts of fees shall be prepared by the rail infrastructure manager, that this proposal shall be subject to consultation with railway undertakings and to a report by the National Commission for Markets and Competition, and that it shall establish the specific values of the parameters of the fees which shall be sent to the Ministry of Development for inclusion in the preliminary draft of the General State Budget Law.

Although the general rail infrastructure manager ADIF-Alta Velocidad prepared a proposal for the 2020 fees, which was submitted for consultation with the railway companies and a report by the National Commission for Markets and Competition, the fees applied in 2020 were approved by Law 6/2018 on the General State Budget for 2018, as this law was extended until the approval of the General State Budget Law for 2020, which has not been approved.

On 30 December 2020, Law 11/2020 of the General State Budget for 2021 was approved, which includes in its article 80, the unit rates of railway charges prepared by the infrastructure manager, applicable from 1 January 2021 and with indefinite validity.

However, in order to mitigate the effects of the crisis caused by COVID-19 on rail transport, the sixth transitional provision temporarily modifies the unit rates of railway charges, leaving without effect the unit rates provided in Article 80 during the period between 1 January and 31 December 2021, during which the rail infrastructure manager will apply the unit rates included in the sixth transitional provision itself.

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The following is a list of the current charges in force

Fees for the Use of Railway Lines of the RFIG managed by ADIF - Alta Velocidad.

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.
- 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.

Fee 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.

The costs associated with the maintenance and replacement of the gauge changers shall be passed on.

- C. Charge for the use of platforms in parking stations of trains for commercial passenger services and other operations (Module C).

The costs associated with the maintenance and upkeep of the facilities used will be passed on.

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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).

The costs chargeable under this type of charge are those directly attributable to the use of the tracks for the maintenance and replacement of the facilities.

E. Charge for the use of loading points for merchandise (Module E).

The costs chargeable under this type of charge are those directly attributable to the use of the tracks for the maintenance and replacement of the facilities.

(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, 2020 and the results of its operations, changes in the net equity and cash flows for the period from 1 January, 2020 to 31 December, 2020.

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 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 2020, those corresponding to the previous year that were part of the annual accounts for 2019 approved by the Board of Directors of ADIF AV dated 31 March, 2020.

Notes to the Annual Accounts
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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)).
- 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 liabilities and charges: provisions are recognised when it is probable that a present obligation resulting from a past event will give rise to an outflow of resources and the amount of the obligation can be reliably estimated. Entity Management makes estimates based on an evaluation of all relevant information and events, of the

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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 basically comprise the rights of use of space owned by ADIF AV acquired from Renfe Operadora in 2020 and 2015, the origin of which comes from the OM FOM/2909/2006, of 19 September, which established a right of use without consideration to RENFE-Operadora of certain spaces located, principally in passenger stations. The aforementioned Ministerial Order established that these rights of use would be replaced at a later date by the properties that it was agreed to assign to the company's assets. For this purpose, ADIF AV had recognised a provision for contingencies and expenses amounting to 21,952 thousand euros up to 2014, corresponding to the estimated replacement costs of these spaces to be delivered in usable condition.

The Entity values the rights of use acquired in the aforementioned years at the present value of the acquisition price from RENFE Operadora. In the case of the rights of use acquired in 2015, the provision for risks and expenses that the Entity had set up to meet the replacement costs for the delivery of the properties that should replace these spaces in suitable conditions of use was deducted from this value. These fixed assets are presented net of the related accumulated depreciation provided on a straight-line basis over their respective useful lives. To calculate the useful life of these assets, the Entity has based itself on business plans prepared for this purpose for the rights acquired in 2015 and for those relating to 2020, which consider the cash flows generated by the leases agreed with RENFE Operadora and its group of companies, as well as those that it considers likely to be obtained from other third parties. These business plans consider various assumptions of variations in space occupancy, variations in price indices and interest rates in line with current real estate and financial market conditions. The Entity has estimated a useful life of 75 years for rights of use acquired in 2015 and 30 years for rights of use acquired in 2020.

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:

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| | <u>YEARS</u> |
|-------------------|--------------|
| 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.
- 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.

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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 capitalisation of the cost of production is made through the heading "Capitalised financial expenses" in the profit and loss account.

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 Development of 16 May 2014, are also capitalised as an increase in the cost of the associated assets. The aforementioned laws stipulate that the budget for each public project entirely or partially financed by the State should include an item equivalent to 1.5% of the funds contributed by the State to finance this type of work.

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

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

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

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

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

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In the case of a swap, the asset received is measured at the fair value of the asset given, increased, if appropriate, by the amount of monetary consideration received, unless there is clearer evidence of the fair value of the asset received and subject to a limit on the fair value of the asset 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 Development at cost, less accumulated depreciation at 31 December 2004, calculated using the depreciation criteria applied by RENFE based on the type of asset and the date of its entry into service.
- d) Investments underway and in operation on the high-speed Atlantic Axis and the Mediterranean corridor connection were allocated to ADIF for no consideration, in accordance with the second additional provision of Royal Decree-Law 22/2012 of 20 July 2012, and were spun off to ADIF-AV as per the Spin-Off Order. These assets were constructed by the State before ADIF was commissioned to operate both sets of infrastructure through respective rulings issued by the Secretary of State for Infrastructure on 11 May 2012. These items and work in progress were recognised at the amount of 2,476,419 thousand euros, which corresponds to the acquisition price or cost of production incurred by the Ministry of Development 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

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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 on the basis of the amounts paid for expropriations. In the event that this is not available due to very old expropriations or without sufficient supporting documentation, they are valued at the acquisition value of adjoining land expropriated in similar years.
- 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).
- 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.

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- **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:

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

- Depreciation of other property, plant and equipment.

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

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

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

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• **Impairment**

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

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

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

- Significant changes in the technological, regulatory or legal environment in which the Entity operates, either during the year or which are expected to arise in the short term, which will adversely affect the Entity.
- Significant decline in the asset's market value, if one exists and is available, in excess of that expected due to the passage of time or normal use.
- Evidence of obsolescence or physical deterioration of the asset.
- Significant changes in the method of or scope for using the asset, either during the year or which are expected to arise in the short term, which will adversely affect the Entity.
- There are reasonable doubts as to whether the technical performance of the asset can be maintained in the future, on the basis of the forecasts considered at the date of its recognition by the Entity.
- Suspension of the asset's construction before it is ready to enter into service.
- Cessation of or significant reduction in demand or need for the services rendered with the asset. Nevertheless, a mere reduction in demand does not necessarily indicate that these assets are impaired, as the demand or need for these services may fluctuate over time.

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:

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- 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.

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

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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.

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

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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).

- 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.

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

3.g) Grants, donations and bequests received

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

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

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

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

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

- Defined benefit plans

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

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

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

- Defined contribution plans

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

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

3.i) Provisions

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

All the obligations mentioned in the preceding paragraph are disclosed in these 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

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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, analysing 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 (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.

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.

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31 December 2020(ii) Recognition of deductible temporary differences

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

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

(iii) Measurement

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

(iv) Offset and classification

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

3.m) Recognition of income and expenses

Income and expenses are recognised on an accruals basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises.

Revenue is measured at the fair value of the consideration received or receivable, less any interest included in the nominal amount of the receivables. However, the Entity includes embedded interest on trade receivables maturing within one year that do not have a contractual interest rate when the effect of not discounting cash flows is not material.

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 inception transfer substantially all risks of ownership of the assets to the company are classified as finance leases. Otherwise they are classified as operating leases. Lease agreements in force at the reporting date, all of which are classified as operating leases, consist mainly of the assignment of fibre optic cables not required for rail traffic and the rental of commercial space.

Notes to the Annual Accounts
31 December 2020**(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 2020 and full year 2019 are shown in Appendix 1.

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

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

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31 December 2020

- 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.

Up to 31 December 2020, 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 | |
|---|--------------------|----------------|
| | 31/12/2020 | 31/12/2019 |
| Valencia Parque Central Alta Velocidad 2003, S.A. | 61,266 | 71,859 |
| Valladolid Alta Velocidad 2003, S.A. | 54,378 | 53,911 |
| Zaragoza Alta Velocidad 2002, S.A. | 5,457 | 5,457 |
| AV Alicante Nodo de Transporte S.A. | 53,167 | 53,167 |
| León Alta Velocidad AV, S.A. | 9,686 | 9,686 |
| TOTAL | 183,954 | 194,080 |

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.

In the case of Valencia Parque Central 2003, S.A., the Entity has recorded at the end of 2020 the best estimate of the railway works executed by the aforementioned investee company, amounting to 61,266 thousand euros. At the date of preparation of these financial statements, the Entity and Valencia Parque Central Alta Velocidad 2003, S.A. had not formalised a deed of handover for the transfer of ownership.

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.

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31 December 2020

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 the end of these financial statements delivered by the investee León Alta Velocidad 2003, S.A. are those deriving from the delivery agreement signed between ADIF-AV and the aforementioned company on 3 June 2018 for a total value, excluding VAT, of 9,686 thousand euros.

In addition, it should be noted that, with the exception of Alta Velocidad Alicante Nodo Transportes S.A., the other investee companies have executed other works or ancillary costs that have not been recorded in these financial statements and which are pending attribution to their shareholders, depending on their final classification as railway or urban infrastructure and the allocation of certain costs necessary 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 recasting agreement (see note 3.b), the General State Administration and SEITTSA have transferred to ADIF AV free of charge since 2015 the land and platform works associated with various sections of the Madrid-Galicia high-speed railway line, basically between Medina and Lubián (Zamora). At the date of issue of these financial statements, the Entity has recognised these assets as property, plant and equipment in progress or completed, when the infrastructures have been brought into operation, for an accumulated value of 814,150 thousand euros, recognising the corresponding capital grant as a balancing entry. Of this amount, a total of 773,643 thousand euros correspond to assets that have been transferred by SEITTSA. Included in this figure are assets recognised by ADIF AV in 2019 as property, plant and equipment under construction amounting to 252,475 thousand euros. These investments are focused on the high-speed railway line to Galicia and although in 2020 this amount has not changed, the Entity is aware that a platform work in progress by SEITTSA on the aforementioned high-speed line is pending acceptance. Below is a summary, in thousands of euros, of the situation at 31 December 2020 and 31 December 2019 of the works received by the Entity 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 | |
|--------------------------------|---|----------------|
| | 31/12/2020 | 31/12/2019 |
| A.G.E. Real Decreto ley 4/2013 | 40,507 | 40,507 |
| SEITTSA, Convenio Refundido | 773,643 | 773,643 |
| | 814,150 | 814,150 |

4.a) Operating property, plant and equipment

The following is a breakdown of the acquisition or production cost at 31 December 2020 and at 31 December 2019 of the Entity's property, plant and equipment by high speed network line:

Notes to the Annual Accounts
31 December 2020

31/12/2020 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 | 784,132 | 645,853 | 10,342,613 | 14,520 | 11,787,118 |
| Mediterranean Corridor | 52,846 | 25,181 | 1,181,509 | 186 | 1,259,722 |
| Madrid-Levante | 879,074 | 205,820 | 6,574,396 | 1,360 | 7,660,650 |
| Madrid-Sevilla and ramal a Toledo | 76,797 | 445,999 | 2,476,873 | 9,743 | 3,009,412 |
| Córdoba-Málaga | 117,347 | 67,223 | 2,276,350 | 1,284 | 2,462,204 |
| Antequera-Granada | 61,318 | 42,466 | 1,255,762 | 125 | 1,359,671 |
| Madrid-Valladolid | 43,934 | 62,849 | 3,803,163 | 467 | 3,910,413 |
| Valladolid – León | 101,350 | 33,329 | 1,155,368 | 235 | 1,290,282 |
| Olmedo – Zamora | 72,612 | 25,309 | 1,264,346 | 223 | 1,362,490 |
| Santiago de Compostela-Vigo Atlantic axis | 124,405 | 66,141 | 1,867,608 | 492 | 2,058,646 |
| Others | 270,102 | 62,339 | 851,207 | 12,582 | 1,196,230 |
| | 2,583,917 | 1,682,509 | 33,049,195 | 41,217 | 37,356,838 |

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

4.b) Work in progress

Work in progress at 31 December 2020 and 31 December 2019 is detailed in the table below:

Notes to the Annual Accounts 31 December 2020

| | Thousands of Euros | |
|---|--------------------|-------------------|
| | 31/12/2020 | 31/12/2019 |
| Madrid - Zaragoza - Barcelona – Figueras | 434,592 | 375,694 |
| Zaragoza - Pamplona, Tramo Castejón - Comarca de Pamplona | 124,815 | 101,859 |
| Madrid - Castilla la Mancha - Com. Valenciana - Región de Murcia | 2,046,717 | 1,974,754 |
| Mediterranean Corridor de AV | 15,306 | 12,967 |
| Enlace Mediterranean Corridor, Área Tarragona | 81,781 | 553,969 |
| L.A.V. Pulpí – Murcia | 89,755 | 83,553 |
| L.A.V. Murcia – Almería | 609,419 | 593,186 |
| Córdoba – Málaga | 7,527 | 2,857 |
| L.A.V. Bobadilla – Granada | 87,342 | 97,385 |
| L.A.V. Madrid - Cáceres, tramo Navalmoral de la Mata - Cáceres | 812,085 | 757,962 |
| L.A.V. Madrid - Extremadura - F. portuguesa, tramo Cáceres - Mérida – Badajoz | 470,857 | 408,502 |
| Madrid - Segovia – Valladolid | 5,176 | 3,337 |
| Valladolid - Burgos – Vitoria | 707,306 | 688,006 |
| L.A.V. País Vasco | 1,577,375 | 1,462,843 |
| Palencia – León | 165,717 | 147,108 |
| L.A.V. León – Asturias | 3,140,649 | 3,047,688 |
| L.A.V. Galicia (Olmedo - Lubián) | 507,208 | 1,108,072 |
| L.A.V. Galicia (Lubián - Ourense) | 2,016,553 | 1,903,322 |
| High Speed Atlantic Axis | 52,920 | 92,986 |
| Madrid Atocha - Madrid Chamartín | 811,004 | 788,889 |
| Atocha Station complex expansion | 7,931 | 6,058 |
| Other High Speed investments, | 116,942 | 81,102 |
| Investments in asset replacement and improvement | 242,982 | 149,565 |
| TOTAL | 14,131,959 | 14,441,664 |

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 2020 and 31 December 2019 arising from outstanding contractual issues pending formalization worth 13,159 and 14,245 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 2020 and 31 December 2019 includes 156,277 and 185,367 thousand euros, respectively, for advances to suppliers. At 31 December 2020 and at 31 December 2019, this item also comprises advances extended to suppliers that have not been formally set out in contracts, in the amount of 1,950 and 27,229 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 2020 and 31 December 2019:

Notes to the Annual Accounts 31 December 2020

| | Thousands of Euros | |
|---|--------------------|---------------|
| | 31/12/2020 | 31/12/2019 |
| 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 |
| TOTAL | 70,947 | 70,947 |

Under the act of formal delivery of signed works on 1 February 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 2020, the Entity has firm commitments with third parties to make future investments of 2,981,341 thousand euros, excluding VAT. At 31 December 2019, the Company had firm commitments with third parties to make future investments of 2,992,750 thousand euros, excluding VAT.

4.c) Capitalised borrowing costs

During 2020, the Entity capitalised borrowing costs totalling 108,129 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 23,202 thousand euros in relation to the Levante line; 26,328 thousand euros reflecting the cost of the high-speed rail network of the Basque Country, called "Y Vasca"; 7,058 thousand euros representing the costs of the Valladolid-Vitoria stretch of the Madrid-Basque Country/French border high-speed line; and 11,422 thousand euros for the costs of the Pajares alternate route of the Madrid-Asturias high-speed line and 15,803 thousand euros for the railway connection between Madrid Atocha station and Madrid Chamartín station; and 15,564 thousand euros of the Galicia high-speed line.

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

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for the railway connection between Madrid Atocha station and Madrid Chamartín station; and 14,991 thousand euros of the Galicia high-speed line. (see note 19)

4.d) Fully depreciated/amortised assets

Details of the cost of fully depreciated or amortised items of property, plant and equipment, intangible assets and investment property in use at 31 December 2020 and 31 December 2019 are as follows:

| | Thousands of Euros | |
|-------------------------------|--------------------|----------------|
| | 31/12/2020 | 31/12/2019 |
| Intangible assets | 8,441 | 8,631 |
| Property, plant and equipment | 843,196 | 695,644 |
| Investment property | 103 | 103 |
| TOTAL | 851,740 | 704,378 |

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 2020 and 31 December 2019 are as follows:

| | 31/12/2020 Thousands of Euros | | |
|--|-------------------------------|--------------------------|---------------|
| | Cost | Accumulated amortisation | Total |
| Operating intangible assets | | | |
| Computer software | 6,555 | (6,417) | 138 |
| Rights of use space RENFE | 50,831 | (3,389) | 47,442 |
| Research and development expenses | 12,032 | (5,977) | 6,055 |
| Other intangible assets | 6,713 | (6,526) | 187 |
| Total operating intangible assets | 76,131 | (22,309) | 53,822 |
| Intangible assets in progress | | | |
| Computer software | 237 | - | 237 |
| Research and development expenses | 48 | - | 48 |
| Other intangible assets | 284 | - | 284 |
| Rights of use Torreones Atocha RENFE 2020 | 19,195 | - | 19,195 |
| Total intangible assets in progress | 19,764 | - | 19,764 |
| Total intangible assets | 95,895 | (22,309) | 73,586 |

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| | 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 |
| Total operating intangible assets | 75,245 | (20,681) | 54,564 |
| Intangible assets in progress | | | |
| Computer software | 19 | - | 19 |
| Research and development expenses | - | - | - |
| Other intangible assets | 164 | - | 164 |
| Total intangible assets in progress | 183 | - | 183 |
| Total intangible assets | 75,428 | (20,681) | 54,747 |

The intangible asset called "rights of use Torreones Atocha Renfe 2020" corresponds to the acquisition value agreed between ADIF AV, RENFE-Operadora and RENFE Viajeros SME S.A. in July 2020 for the rights of use of spaces located at Atocha Station in Madrid recognised in Order FOM/2909/2006 in favour of RENFE-Operadora.

The Board of Directors of ADIF-AV approved at its meeting of 30 June 2020, a proposed agreement between RENFE-Operadora, RENFE Viajeros SME S.A. and ADIF Alta Velocidad for the acquisition by ADIF Alta Velocidad of the rights of use in favour of RENFE Operadora at Atocha Station and lease of a part by RENFE Viajeros SME S. A. In July 2020, an agreement was signed with Renfe Operadora and Renfe Viajeros SME, S.A. for this acquisition, which will take effect in December 2020.

The aforementioned agreement of July 2020 includes the obligation of ADIF AV to pay a price of 19,195 thousand euros (excluding VAT) for the recovery of the spaces that RENFE-Operadora had been occupying in the Atocha station towers. With this disbursement made in December 2020, all ADIF AV obligations relating to the replacement of spaces originating in Order FOM/2909/2006 are cancelled.

In application of the above paragraph, ADIF AV has cancelled the impairment provision it had made for these properties up to 2019, totalling 4,875 thousand euros.

The acquisition agreement signed in 2020 provides for the lease of space to Renfe Viajeros S.M.E. for a period of four years.

In addition to the above, the Entity has recognised an intangible asset called "rights to use Renfe 2015 spaces" which corresponds to the current acquisition value of the aforementioned rights after deducting the provision for contingencies and expenses that the Entity had set up to meet the replacement costs for the delivery in suitable conditions of use of the properties that should replace the aforementioned spaces, which is included in the purchase price.

On December 28, 2015, the Entity, together with RENFE Operadora, signed with RENFE Operadora, Renfe Viajeros, S.A., Renfe Fabricación y Mantenimiento, S.A. y Renfe Alquiler de Material Ferroviario, S.A an agreement for partial acquisition of the rights of use in spaces owned by the Entity for a current value of 50,831 thousand euros, once applied the provision

Notes to the Annual Accounts 31 December 2020

for risks and expenses cited in the preceding paragraph which the Entity carried on its balance sheet amounting to 21,952 thousand euros.

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

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

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

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.

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 ² | Ten years | 2,406,491.64 |

After the 10-year period, the lease may be extended by mutual agreement between the parties, updating the lease income according to the general index of competitiveness. As the leased assets have a great relationship with the activity undertaken by 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 2020 and 31 December 2019, 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

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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 2020 and 31 December 2019 is as follows:

| | 31/12/2020 Thousands of Euros | | |
|---|-------------------------------|--------------------------|----------------|
| | Cost | Accumulated depreciation | Total |
| Urban sites | 12,410 | - | 12,410 |
| Shopping centres at passenger rail stations | 99,932 | (25,642) | 74,290 |
| Commercial car parks | 78,596 | (13,925) | 64,671 |
| Buildings and hotels at intermodal stations | 61,683 | (19,320) | 42,363 |
| Housing, premises and garages | 228 | (216) | 12 |
| Investment property in progress | 403 | - | 403 |
| Total | 253,252 | (59,103) | 194,149 |

| | 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 |
| Total | 251,380 | (54,965) | 196,415 |

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

In the case of the railway-urban development transaction, the "Chamartín Transaction", the rights and obligations of ADIF arising from the agreement entered into between ADIF, RENFE Operadora and "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.

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

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

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

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

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.

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).

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 (MPPGOM) "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 m² and that the net buildable area attributable to the railway spaces has been reduced by 575,246 m² t (31.02%), both the price established in the current contract and the agreed

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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 m².

On 22 July 2020, the Community of Madrid approved, definitively and unconditionally, the Specific Modification of the General Plan of Madrid (MPG), which will allow the urban development of the Madrid Nuevo Norte Project to be carried out, and on 31 July 2020, the Madrid City Council published the urban development regulations of the MPG in the BOCM (Official Journal of the Madrid City Council).

On 23 December 2020, the Secretary of State for Transport, Mobility and Urban Agenda resolved to approve the public information and hearing file and definitively approved the "Information Study of the New Railway Complex of the Madrid-Chamartín station".

The Statutes of the Management Commission of APE 05.31 "Chamartín Business Centre" and the Delimitation Project of APE 08.20 "Malmea - San Roque - Tres Olivos" are currently being drafted in order to be able to start the management of these areas.

4.j) Inventory of assets

In compliance with the provisions of Article 32 of Adif AV statutes, which expressly states: "The entity shall draw up and keep updated the inventory of its assets and rights. The inventory shall be updated annually with reference to 31 December and shall be submitted to the Board of Directors for approval in the first quarter of the following year", it is proposed that the Board of Directors approve the Inventory of assets and rights detailed in Appendix I which forms part of these annual accounts in accordance with the following considerations:

- Adif AV has an Accounting Inventory that supports the gross and net valuations of the assets that make up the tangible, intangible and real estate fixed assets put into operation at the close of each financial year and that justify and detail the balance sheet masses set out in the aforementioned Annex that forms part of the annual accounts.
- The recording and valuation criteria are in accordance with the criteria established by the 2007 General Accounting Plan and other applicable sectorial regulations or resolutions.
- Throughout the financial year, this accounting inventory is constantly reviewed and updated, recording, among other updates, additions due to the transfer of work in progress that enters into service and possible write-offs or impairment of its value, arising from renovation investments that the entity has undertaken and other events or circumstances that require the corresponding write-off or impairment of the elements that make up this accounting inventory.

(5) Investments in Group Companies and Associates

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

The movements for the period ended 31 December 2020 and 2019, in thousands of euros, in the accounts composing this caption are detailed in the tables below:

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| | 31/12/2020 Thousands of Euros | | | |
|------------------------------------|---|--------------------------|----------------|--------------|
| | Investments in Group companies and associates | Uncalled equity holdings | Provisions | Total |
| Balance at 1 January 2020 | 10,026 | - | (1,583) | 8,443 |
| Additions | - | - | - | - |
| Withdrawals | - | - | - | - |
| Balance at 31 December 2020 | 10,026 | - | (1,583) | 8,443 |

| | 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 | - | - | - | - |
| Balance at 31 December 2019 | 10,026 | - | (1,583) | 8,443 |

Appendix II contains a detail of the main investees domiciled in Spain and related information.

Among the holdings in associated companies, we would highlight those corresponding to companies whose corporate purpose is the integration of railways in various cities. These companies were set up under the agreements signed between the Ministry of Development, the Public Business Entities attached to the Ministry with competences in railway matters and the Public Administrations involved in each of the cities concerned (Autonomous Community and City Council), with a 50% shareholding in their capital between the General State Administration and the local and autonomous community administrations. This model aims to unite all the parties with an interest in the project, achieving the integration of the railway in various cities with the contributions of the partners and with the placing on the market of the urban development benefits derived from land freed from railway use resulting from the planned actions. Throughout 2019, new agreements or addenda to pre-existing agreements were signed with certain integration companies. Specifically, agreements were signed for the cities of Alicante, Gijón and Murcia, which respectively affect the integration companies Alta Velocidad Alicante Nodo de Transporte, S.A., Gijón al Norte, S.A., and Murcia AV, S.A. In addition, at the date of preparation of these financial statements, the agreement for the financing of the Access Channel Phase 3 within the framework of the Valencia Parque Central Company and the cooperation agreement signed in 2019 is pending drafting and signing. On the other hand, during 2020 no new agreement has been signed that modifies or updates the agreements signed since 2002 from which the Integration Companies derive.

In addition, on 4 December 2012, the Extraordinary and Universal General Meeting of León Alta Velocidad 2003, S.A. resolved to dissolve the company in order to proceed to liquidation as soon as possible. The aforementioned meeting also agreed on the acquisition by ADIF of the railway infrastructure works carried out by the company. ADIF-AV's management considers that as a result of this process, ADIF-AV will not have to assume significant liabilities.

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

Details of non-current loans to Group companies and associates at 31 December 2020 and 31 December 2019 are as follows:

| Concept | Thousands of Euros | |
|--|--------------------|----------------|
| | 31/12/2020 | 31/12/2019 |
| Zaragoza Alta Velocidad 2002, S.A. | 113,256 | 113,256 |
| Cartagena AVE, S.A. | 1,080 | - |
| Murcia AVE, S.A. | 69,694 | 19,763 |
| Logroño Integración del Ferrocarril 2002, S.A. | - | 42,144 |
| Gijón al Norte, S.A. | - | 12,739 |
| Valladolid Alta Velocidad, 2003, S.A. | 267,510 | 267,510 |
| Valencia Parque Central Alta Velocidad 2003, S.A. | - | 51,123 |
| Alta Velocidad Alicante Nodo del Transporte, S.A. | 415 | 181 |
| Palencia Alta Velocidad, S.A. | - | 610 |
| Total non-current loans to Group companies and associates | 451,955 | 507,326 |
| Provision for impairment | (27,015) | (27,625) |
| | 424,940 | 479,701 |

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 27,015 thousand euros as of 31 December 2020 and 27,625 thousand euros as of 31 December 2019 correspond to loans granted to the company Zaragoza Alta Velocidad 2002, S.A and Palencia Alta Velocidad, S.A.

The situation at 31 December 2020 and 31 December 2019 in relation to loans granted to its long-term investees at nominal value is shown in the table below:

| Company | Thousands of Euros | |
|---|--------------------|----------------|
| | 31/12/2020 | 31/12/2019 |
| Zaragoza Alta Velocidad 2002, S.A. | 143,535 | 143,535 |
| Cartagena Alta Velocidad, S.A. | 1,080 | - |
| Murcia Alta Velocidad, S.A. | 69,694 | 19,763 |
| Logroño Integración Ferrocarril 2002, S.A. | - | 42,144 |
| Gijón al Norte, S.A. | - | 12,739 |
| Valladolid Alta Velocidad 2003 S.A. | 267,510 | 267,510 |
| Valencia Parque Central Alta Velocidad 2003, S.A. | - | 51,123 |
| Alta Velocidad Alicante Nodo del Transporte, S.A. | 415 | 181 |
| Palencia Alta Velocidad, S.A. | - | 610 |
| | 482,234 | 537,605 |

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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 27 June 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 23 November 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 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.i 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. These contributions committed in certain agreements, such as the one signed with Murcia AV, have materialised in the form of loans granted to these companies, which are recorded in the Entity's current or non-current assets depending on their maturity (see note 5.c). The amount of the monetary contribution commitments assumed by Adif-AV as of 31 December 2020 is shown below. These contributions may be formalized as advances for future work to be received or as participative loans.

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31 December 2020 - Thousands of Euros

| Company | 2021 | 2022 | 2023 | 2024 | 2025 | Resto | TOTAL |
|--|----------------|----------------|----------------|---------------|---------------|----------------|----------------|
| Alta Velocidad Alicante Nodo del Transporte, S.A | 723 | 540 | 244 | 4,344 | 4,344 | 9,120 | 19,315 |
| Almería A.V, S.A. | 800 | 2,400 | 16,062 | 46,394 | 46,394 | 16,062 | 128,111 |
| Cartagena A.V, S.A. | - | - | - | - | - | 82,200 | 82,200 |
| Logroño Integración del Ferrocarril 2002, S.A. | 5,702 | - | - | - | - | - | 5,702 |
| Murcia Alta Velocidad, S.A. | 125,300 | 99,929 | 36,999 | 11,106 | 1,985 | 312 | 275,631 |
| Valencia Parque Central A.V. 2003, S.A. | 26,378 | 52,756 | 52,756 | 26,378 | - | - | 158,268 |
| Valladolid Alta Velocidad 2003, S.A. | 20,814 | 10,461 | 9,903 | 9,840 | 6,678 | 7,520 | 65,216 |
| Total | 179,717 | 166,086 | 115,964 | 98,062 | 59,401 | 115,214 | 734,443 |

5.c) Current investments in Group companies and associates

The balance of the heading “Loans to companies” at 31 December 2020 and 31 December 2019 is as follows:

| Concept | Thousands of Euros | |
|--|--------------------|---------------|
| | 31/12/2020 | 31/12/2019 |
| Short-term loans to group companies and associates | 192,507 | 67,255 |
| Loans for disposal of fixed assets | 28,760 | 24,313 |
| Other financial assets | (31,346) | (26,259) |
| | 189,921 | 65,309 |

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:

| Concept | Thousands of Euros | |
|---|--------------------|---------------|
| | 31/12/2020 | 31/12/2019 |
| Cartagena Alta Velocidad, S.A. | - | 1,080 |
| Murcia Alta Velocidad, S.A. | - | 3,400 |
| Gijón al Norte, S.A. | 12,739 | - |
| Palencia Alta Velocidad, S.A. | 610 | - |
| Alta Velocidad Alicante Nodo del Transporte, S.A.(AVANT) | - | 30 |
| León Alta Velocidad, 2003, S.A. | 1,976 | 1,976 |
| Valladolid Alta Velocidad 2003, S.A. | 1,843 | 1,843 |
| Valencia Parque Central Alta Velocidad 2003 S.A. | 51,124 | - |
| Logroño integración del Ferrocarril 2002, S.A. | 52,945 | - |
| Barcelona Sagrera Alta Velocitat, S.A. | 71,270 | 58,956 |
| Total Short-term loans to Group companies and associates | 192,507 | 67,285 |
| Provision for impairment | (2,586) | (1,976) |
| | 189,921 | 65,309 |

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(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 2020 and 31 December 2019, is as follows:

| 31/12/2020 Thousands of Euros | | | |
|---|--------------------|------------------------------|----------------|
| | Equity instruments | Loans, derivatives and other | Total |
| Non-current financial assets | | | |
| Loans and receivables | - | 1,244 | 1,244 |
| Available-for-sale assets | 1,754 | - | 1,754 |
| Total non-current financial assets | 1,754 | 1,244 | 2,998 |
| Current financial assets | | | |
| Loans and receivables | 29 | 187,362 | 187,391 |
| Total current financial assets | 29 | 187,362 | 187,391 |

| 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 |
| Total non-current financial assets | 1,739 | 1,328 | 3,067 |
| Current financial assets | | | |
| Loans and receivables | 136 | 235,074 | 235,210 |
| Total current financial assets | 136 | 235,074 | 235,210 |

These amounts are broken down into the following balance sheet items, as of 31 December 2020 and 31 December 2019:

| 31/12/2020 Thousands of Euros | | | |
|---|--------------------|------------------------------|----------------|
| | Equity instruments | Loans, derivatives and other | Total |
| Non-current financial assets | | | |
| Non-current financial investments | 1,754 | 876 | 2,630 |
| Non-current trade receivables | - | 368 | 368 |
| Total non-current financial assets | 1,754 | 1,244 | 2,998 |
| Current financial assets | | | |
| Current financial assets | 29 | - | 29 |
| Trade and other receivables | - | 187,362 | 187,362 |
| Total current financial assets | 29 | 187,362 | 187,391 |

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| | 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 |
| Total non-current financial assets | 1,739 | 1,328 | 3,067 |
| Current financial assets | | | |
| Current financial assets | 136 | - | 136 |
| Trade and other receivables | - | 235,074 | 235,074 |
| Total current financial assets | 136 | 235,074 | 235,210 |

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 2020 and 31 December 2019 is as follows:

| | Thousands of Euros | | | |
|---|--------------------|-----------|--------------|------------|
| | 31/12/2020 | | 31/12/2019 | |
| | Non-current | Current | Non-current | Current |
| Equity instruments (see Appendix II) | 1,994 | - | 1,979 | - |
| Impairment | (240) | - | (240) | - |
| Total equity instruments | 1,754 | - | 1,739 | - |
| Other financial assets (deposits, guarantees and other credits) | 876 | 29 | 873 | 136 |
| | 2,630 | 29 | 2,612 | 136 |

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 2020 and 31 December 2019 is as follows:

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| | Thousands of Euros | | | |
|---------------------------------|--------------------|----------------|-------------|----------------|
| | 31/12/2020 | | 31/12/2019 | |
| | Non-current | Current | Non-current | Current |
| Group companies and associates | | | | |
| Receivables (Note 6.b.1)) | - | 271 | - | 568 |
| Unrelated parties | | | | |
| Trade receivables (Note 6.b.2)) | - | 51,861 | - | 124,350 |
| Other receivables (Note 6.b.3)) | 368 | 135,218 | 455 | 110,127 |
| Personnel | - | 12 | - | 29 |
| | 368 | 187,362 | 455 | 235,074 |

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 2020 and 31 December 2019, is as follows:

| | Thousands of Euros | |
|--|--------------------|------------|
| | 31/12/2020 | 31/12/2019 |
| | Current | Current |
| Murcia Alta Velocidad S.A. | 181 | 485 |
| Barcelona Sagrera Alta Velocitat, S.A. | 91 | 91 |
| Ingeniería y Economía del Transporte (INECO) | (1) | (8) |
| | 271 | 568 |

6.b.2) Trade receivables

As of 31 December 2020, the account trade receivables for sales and provision of services includes the balance settled and pending collection for railroad fees for the amount of 32,734 thousand euros and additionally the amount accrued and pending settlement for the amount of 18,808 thousand euros. It also includes, for a value of 284 thousand euros, the liquidated and pending collection income for Railway Taxes.

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.

6.b.3) Other receivables

The detail at 31 December 2020 and 31 December 2019 is as follows:

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| | Thousands of Euros | |
|-----------------------------------|--------------------|----------------|
| | 31/12/2020 | 31/12/2019 |
| Agreements with rail operators | 56,516 | 36,826 |
| Fibre-optics rental | 9,595 | 9,335 |
| Amounts due to ADIF-AV from ADIF | 3,034 | 3,401 |
| Other rentals | 25,662 | 3,258 |
| Other items | 21,331 | 26,080 |
| Services rendered pending invoice | | |
| Agreements with rail operators | 1,760 | 14,553 |
| Agreements with ADIF | 32,610 | 28,644 |
| Other | (7,864) | (3,226) |
| Impairment of trade receivables | (7,426) | (8,744) |
| Total other receivables | 135,218 | 110,127 |

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

The balance receivable from ADIF at 31 December 2020 and at 31 December 2019 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 2020 and 31 December 2019 is as follows:

| | Thousands of Euros | | | |
|---|--------------------|----------------|-------------|----------------|
| | 31/12/2020 | | 31/12/2019 | |
| | Non-current | Current | Non-current | Current |
| Balances at 1 January | - | (8,744) | - | (9,104) |
| Provisions, reversals and/or applications during the year | - | 1,318 | - | 360 |
| Balances at 31 December 2020 | - | (7,426) | - | (8,744) |

(7) Cash and Cash Equivalents

The breakdown of cash and cash equivalents as of 31 December 2020 and 31 December 2019 is as follows:

| | Thousands of Euros | |
|---------------------------|--------------------|----------------|
| | 31/12/2020 | 31/12/2019 |
| Cash on hand and at banks | 278,335 | 366,221 |
| Cash equivalents | 75,000 | - |
| | 353,335 | 366,221 |

(8) Equity

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

Notes to the Annual Accounts 31 December 2020

8.a) Equity contribution

In the financial year 2020, the General State Budget 2019, which in turn was an extension of the 2018 budget, has been extended. As at 31 December 2020, 311,574 thousand euros have been received on account of the amount appropriated in the General State Budget for the financial year 2018 extended for 2019. (see note 1.c).

At 31 December 2019, the full amount appropriated in the General State Budget for the year 2019, amounting to 311,574 thousand euros, had been 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 2020 and 31 December 2019 is as follows:

| | 31/12/2020 Thousands of Euros | | |
|---|---|----------------|---------------|
| | Reserves for actuarial gains and losses | Other reserves | Total |
| Balance at 31 December 2019 | (427) | 29,948 | 29,521 |
| Recognition of actuarial gains and losses and other adjustments | 209 | - | 209 |
| Balance at 31 December 2020 | (218) | 29,948 | 29,730 |

| | 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) |
| Balance at 31 December 2019 | (427) | 29.948 | 29.521 |

In 2019, the reserves arising in 2013 from the segregation of ADIF experienced a downward variation of 8,679 thousand euros. This amount is due to the fact that at the time of the segregation, the works carried out on the Tocón-Pinos Puente conventional gauge section were assigned to ADIF-AV when they should have remained in ADIF insofar as they were not going to be used for their readaptation to international gauge. The works on the aforementioned section therefore form part of ADIF's investments as at 31 December 2019 and were removed from ADIF-AV on that date.

8.c) Proposed application of loss for the year

The Entity's Management proposes that the 179,242 thousand euros losses for 2019 be carried forward as prior years' losses, under the equity item "Retained earnings".

Notes to the Annual Accounts 31 December 2020

On 31 March 2020, 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 2020 for the amount of 460,861 thousand euros, under the equity item "Retained earnings".

8.d) Valuation adjustments

The amount recognised in equity during 2020 and 2019, 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 2020 and at 2019 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 Requests

The balance of this section of the accompanying balance sheet as of 31 December 2020 and 31 December 2019 includes the non-refundable capital grants pending attribution to income.

The movement registered on 31 December 2020 and 31 December 2019 is detailed in the attached tables:

| 31/12/2020 Thousands of Euros | | | | | | |
|---|------------------|------------------|----------------|--|----------------------|----------------------|
| | Cohesion Funds | ERDF funds | TEN-T funds | State grants for work performed ⁽¹⁾ | Other capital grants | Total capital grants |
| Balances at 31 December 2019 | 4,767,301 | 2,977,861 | 319,989 | 2,491,973 | 264,367 | 10,821,491 |
| Additions | - | 397,810 | 23,945 | - | 5,626 | 427,381 |
| <i>European funds accrued in the year</i> | - | <i>397,810</i> | <i>23,945</i> | - | - | <i>421,755</i> |
| <i>Other capital grants</i> | - | - | - | - | <i>5,626</i> | <i>5,626</i> |
| Withdrawals | - | - | - | - | (408) | (408) |
| Tax effect of capital grants accrued during the year (note 12) | - | (99,452) | (5,986) | - | (1,305) | (106,743) |
| Allocation to income of net capital grants tax effect (note 17) | (35,614) | (27,544) | (3,334) | (21,134) | (2,815) | (90,441) |
| Balances at 31 December 2020 | 4,731,687 | 3,248,675 | 334,614 | 2,470,839 | 265,465 | 11,051,280 |

⁽¹⁾ RD ley 22/2012 and RD-ley 4/2013

Notes to the Annual Accounts
31 December 2020

| | 31/12/2019 Thousands of Euros | | | | | |
|---|-------------------------------|------------------|----------------|--|----------------------|----------------------|
| | Cohesion Funds | ERDF funds | TEN-T funds | State grants for work performed ⁽¹⁾ | Other capital grants | Total capital grants |
| Balances at 31 December 2018 | 4,783,208 | 2,924,074 | 321,623 | 2,323,171 | 266,941 | 10,619,017 |
| Additions | 24,764 | 100,022 | 1,599 | 252,474 | 245 | 379,104 |
| European funds accrued in the year | 24,764 | 100,022 | 1,599 | - | - | 126,385 |
| Actions received by SEITTSA (note 4) | - | - | - | 252,474 | - | 252,474 |
| Other capital grants | - | - | - | - | 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) |
| Balances at 31 December 2019 | 4,767,301 | 2,977,861 | 319,989 | 2,491,973 | 264,367 | 10,821,491 |

⁽¹⁾ RD ley 22/2012 and RD-ley 4/2013

9.a) Cohesion Funds

Details of Cohesion Funds at 31 December 2020 and 2019, without taking into account the tax effect and including the amounts accrued for payables convertible into grants, are as follows:

| | 31/12/2020 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 |
| TOTAL | 6,885,156 | 6,885,156 | - | 6,885,156 |

Notes to the Annual Accounts
31 December 2020

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 |
| TOTAL | 6,885,156 | 6,885,156 | - | 6,885,156 |

9.b) European Regional Development Fund (ERDF)

Details of European Regional Development Funds at 31 December 2020 and 31 December 2019, without taking into account the tax effect, including the amounts accrued for debts convertible into grants, are as follows:

31/12/2020 Thousands of Euros

| OPERATING PROGRAMME | PROJECT | ASSISTANCE GRANTED | GRANTS ACCRUED | PAYABLES CONVERTIBLE INTO GRANTS (Note 11,b) | COLLECTION S 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 | - | 107,873 |
| ERDF 2007-2013 | | 2,275,323 | 2,275,323 | - | 2,275,323 |
| ERDF 2014-2020 | | 755,260 | 553,618 | 100,028 | 579,239 |
| TOTAL | | 4,694,262 | 4,492,620 | 100,028 | 4,518,241 |

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31/12/2019 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 | - | 107,873 |
| ERDF 2007-2013 | | 2,273,790 | 2,273,790 | - | 2,275,323 |
| ERDF 2014-2020 | | 232,718 | 155,639 | 375,805 | 457,434 |
| TOTAL | | 4,170,187 | 4,093,108 | 375,805 | 4,396,436 |

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

The situation as of 31 December 2020 and 31 December 2019 of the TEN funds, without considering the tax effect and including the amounts accrued for debts convertible into subsidies, is as follows:

31/12/2020 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 |
| Ferroviario a Asturias New Access | 3,192 | 3,191 | - | 3,191 |
| L.A.V. Vitoria-Bilbao-San Sebastián y Valladolid-Burgos-Vitoria | 158,182 | 142,008 | 7,422 | 149,011 |
| L.A.V. Madrid-Extremadura | 35,881 | 35,881 | - | 35,881 |
| L.A.V. Bobadilla-Granada | 2,174 | 2,174 | - | 2,174 |
| Mediterranean Corridor | 128,226 | 112,994 | 279 | 101,275 |
| Other High-Speed | 12,055 | 5,980 | 618 | 5,963 |
| TOTAL | 502,327 | 464,845 | 8,319 | 460,112 |

Notes to the Annual Accounts 31 December 2020

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 |
| Ferrovionario a Asturias New Access | 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 |
| TOTAL | 629,490 | 440,900 | 18,098 | 448,867 |

9.d) Capital subsidies for railway infrastructure deliveries and other subsidies

Grants for deliveries of State works include the value of the works and land received without consideration by ADIF from MITMA under Royal Decree-Law 4/2013 of 22 February and which in application of Royal Decree-Law 15/2013 of 13 December become the property of ADIF AV, including the Vigo-Santiago section of the Atlantic axis or the AV link with the Mediterranean corridor. (See notes 3.b, 3.g and 4). In addition, the actions entrusted by the National Government to SEITTSA and which ADIF AV has been receiving free of charge under the recasting agreement of 25 August 2015 are also considered. In both cases, these subsidies were reduced, where appropriate, by the depreciation of the assets received.

Other subsidies include those relating to contributions received from other bodies such as State Ports when they finance infrastructure projects owned by ADIF AV.

(10) Provisions for Liabilities and Charges

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 2020 and 31 December 2019 is as follows:

| | Thousands of Euros | | | |
|--|--------------------|---------------|----------------|---------------|
| | 31/12/2020 | | 31/12/2019 | |
| | Non-current | Current | Non-current | Current |
| Employee benefits | 836 | 698 | 985 | 613 |
| -Defined benefit plans | 836 | 6 | 985 | 11 |
| <i>Length-of-service bonuses</i> | 141 | 5 | 160 | 10 |
| <i>Provision for leisure travel, retired personnel</i> | 695 | 1 | 825 | 1 |
| -Other employee benefits | - | 692 | - | 602 |
| Other provisions | 946,991 | 51,456 | 811,650 | 75,618 |
| Provisions for legal proceedings | 814,507 | - | 684,388 | - |
| "1,5% for culture" provision | - | 5,117 | - | 11,062 |
| Other items (note 10.b.3 and note 23) | 132,484 | 46,339 | 127,262 | 64,556 |
| | 947,827 | 52,154 | 812,635 | 76,231 |

Notes to the Annual Accounts 31 December 2020

The changes in the section "Provisions for long-term risks and expenses" at 31 December 2020 and 31 December 2019 are shown in the tables below:

| 31/12/2020 Thousands of Euros | | | | | |
|--|---------------------------|---|---------------------------------|----------------|----------------|
| Non-current provisions for liabilities and charges | | | | | |
| | Length-of-service bonuses | Provision for leisure travel, retired personnel | Provision for legal proceedings | Other items | TOTAL |
| Balances at 01/01/2020 | 160 | 825 | 684,388 | 127,262 | 812,635 |
| Charges for the year recognised in profit and loss | 11 | 47 | 2,528 | 5,222 | 7,808 |
| Charges for the year recognised in investments | - | - | 154,040 | - | 154,040 |
| Financial effect of discount | 1 | 4 | - | - | 5 |
| Payments for the year | - | - | (25,407) | - | (25,407) |
| Transfers to current | (3) | (1) | (103) | - | (107) |
| Amounts taken to profit and loss | | | (939) | | (939) |
| Other movements | (28) | (180) | - | - | (208) |
| Balances at 31/12/2020 | 141 | 695 | 814,507 | 132,484 | 947,827 |

| 31/12/2019 Thousands of Euros | | | | | |
|--|---------------------------|---|---------------------------------|----------------|----------------|
| Non-current provisions for liabilities and charges | | | | | |
| | Length-of-service bonuses | Provision for leisure travel, retired personnel | Provision for legal proceedings | Other items | TOTAL |
| Balances at 01/01/2019 | 137 | 648 | 684,802 | 131,794 | 817,381 |
| 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) |
| Balances at 31/12/2019 | 160 | 825 | 684,388 | 127,262 | 812,635 |

10.a) Provisions for liabilities and charges related to personnel

10.a.1) Long Service bonuses

The heading "Long Service bonuses" includes the amount of ADIF-AV's obligation, in accordance with its labour regulations, to grant a bonus to employees based on their years of service to the Entity. This award is consolidated at 30, 35 and 40 years of service and its amount is established in the 2nd collective bargaining agreement signed on 8 May 2019, which is applicable to it. The amount recorded at 31 December 2020 totals 146 thousand euros, of which a total of 141 thousand euros is presented under "Provisions for long-term liabilities and charges" and 5 thousand euros under "Provisions for short-term liabilities and charges".

The value of the fund at 31 December 2020 has been determined by means of an actuarial study based on the individual capitalisation method using the following

Notes to the Annual Accounts 31 December 2020

technical parameters: annual interest rate 1.7026%, annual growth rate of 2.5% for 2021 and 2.3% for the remaining years and the ADIF permanence table 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 2020 for the entitlement of its personnel to rail travel at reduced prices upon retirement. This provision amounts to 696 thousand euros and is recognised under non-current provisions for liabilities and charges, of which a total of 695 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 2020 has been determined through an actuarial study which used the following inputs:

- An average fare increase of 2% for 2021 and subsequent years.
- A technical interest of 1.7026% for passive staff and active 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 2020 and 31 December 2019, ADIF A.V. has recorded the present value of the best estimate of the future costs corresponding to these disputes for a total of 814,507 thousand euros and of 684,388 thousand euros respectively.

The following is a detail of these estimates:

| Concept | Thousands of Euros | |
|---|--------------------|----------------|
| | 31/12/2020 | 31/12/2019 |
| Risks for investment works urged by contractors | 794,038 | 664,115 |
| Risks for investments in land expropriated | 16,548 | 17,666 |
| Other risks | 3,921 | 2,607 |
| | 814,507 | 684,388 |

Notes to the Annual Accounts 31 December 2020

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 2020, 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 96.696 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 2019, the maximum risk estimated by the Entity for this same concept amounted to 91.886 thousand euros.

Furthermore, on 31 December 2020, 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.

It is also worth mentioning the legal proceedings concerning the execution of works in the area of La Sagrera (Barcelona) for alleged payment of unjustified cost overruns. The Entity has carried out several external audits of works in order to assess the damage which, at the date of closure of these interim financial statements, according to the best information available, is valued at a maximum amount of 23 million euros. As the other party in this case is in insolvency proceedings, the Entity decided to impair the contingent asset valued at the best available estimate by 23 million euros against the heading "Impairment and gains or losses on disposal of financial instruments".

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 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 2020,

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the balance was 5,117 and the payments recorded in 2020 amounted to 11,062 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 132,484 thousand euros and 127,262 thousand euros is included as of 31 December 2020 and 31 December 2019 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 2020 amounted to 39,705 thousand euros and which at the end of the year 2019 amounted to 60,953 thousand euros.

(11) Financial Liabilities

Details of financial liabilities classified by category at 31 December 2020 and 31 December 2019 are as follows:

| | 31/12/2020 Thousands of Euros | | | Total |
|--|-------------------------------|------------------|---|-------------------|
| | Loans and borrowings | Bonds | Derivatives and other financial liabilities | |
| Non-current financial liabilities | | | | |
| Non-current trade payables | 10,379,775 | 5,580,261 | 354,690 | 16,314,726 |
| Total non-current financial liabilities | - | - | 53,911 | 53,911 |
| Current financial liabilities | 10,379,775 | 5,580,261 | 408,601 | 16,368,637 |
| Current payables | | | | |
| Payables to Group companies and associates | 681,309 | 57,375 | 231,315 | 969,999 |
| Trade and other payables | - | - | 77,195 | 77,195 |
| Total current financial liabilities | - | - | 416,950 | 416,950 |
| Non-current financial liabilities | 681,309 | 57,375 | 725,460 | 1,464,144 |

Notes to the Annual Accounts 31 December 2020

| | 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 |
| Current financial liabilities | 10,513,279 | 4,982,186 | 588,751 | 16,084,216 |
| 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 |
| Non-current financial liabilities | 663,748 | 55,397 | 525,420 | 1,244,565 |

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 2020 and 31 December 2019 is shown in the table below:

| | Interest | 31/12/2020 Thousands of Euros | |
|---|------------------|-------------------------------|-------------------|
| | | Maturity | |
| | | Current | Non-current |
| Loans in Euros (EIB) | 0% to 4.415% | 399,312 | 10,048,274 |
| Accrued interest payable | | 78,913 | - |
| Total loans and borrowings (EIB) | | 478,225 | 10,048,274 |
| Loans in Euros (other entities) | 0.318% to 3.795% | 200,693 | 331,501 |
| Accrued interest payable | | 2,391 | - |
| Other loans and borrowings, for derivatives | | 47 | 2,453 |
| Total loans and borrowings (other entities) | | 203,131 | 333,954 |
| Bonds (Euros) | 0.55% to 3.5% | (306) | 5,580,261 |
| Accrued interest payable on bonds | | 57,681 | - |
| Total bonds | | 57,375 | 5,580,261 |
| Total loans and borrowings and bonds and other marketable securities at 31 December 2020 | | 738,731 | 15,962,489 |

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31 December 2020

| | | 31/12/2019 Thousands of Euros | |
|---|------------------|-------------------------------|-------------------|
| | | Maturity | |
| | Interest | Current | Non-current |
| Loans in Euros (EIB) | 0% to 4.415% | 367,623 | 10,018,586 |
| Accrued interest payable | | 81,442 | - |
| Total loans and borrowings (EIB) | | 449,065 | 10,018,586 |
| 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 |
| Total loans and borrowings (other entities) | | 214,744 | 498,988 |
| Bonds (Euros) | 0.8% to 3.5% | (39) | 4,982,186 |
| Accrued interest payable on bonds | | 55,436 | - |
| Total bonds | | 55,397 | 4,982,186 |
| Total loans and borrowings and bonds and other marketable securities at 31 December 2019 | | 719,206 | 15,499,760 |

The financial amortization of long-term debt, valued at the closing exchange rate at 31 December 2020 and at 31 December 2019 and at amortized cost, are as follows according to the maturity:

| Maturity | Thousands of Euros | |
|------------|--------------------|-------------------|
| | 31/12/2020 | 31/12/2019 |
| 2020 | - | 580,805 |
| 2021 | 600,004 | 612,454 |
| 2022 | 1,786,816 | 1,799,576 |
| 2023 | 1,120,910 | 1,133,627 |
| 2024 | 1,474,972 | 1,450,204 |
| 2025 | 1,478,085 | 1,451,702 |
| 2026 | 1,103,618 | 1,060,822 |
| 2027 | 1,094,588 | 1,076,257 |
| 2028 | 494,588 | 476,257 |
| 2029 | 494,588 | 476,257 |
| 2030 | 1,094,588 | 476,257 |
| Thereafter | 5,816,978 | 5,482,013 |
| | 16,559,735 | 16,076,231 |

The average annual interest rate on ADIF-AV's borrowings at 31 December 2020 and 31 December 2019 is 1.70% and 1.79%, respectively.

At the 31 December 2020 and 31 December 2019, the total limit on credit facilities that ADIF-AV had received from financial institutions stood at 485,000 and 510,000 thousand euros respectively. At 31 December 2020 and 31 December 2019, 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.

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11.a.2). Derivatives

Details of derivatives held by the Entity at 31 December 2020 and at 31 December 2019 are as follows:

| | 31/12/2020 Expressed in thousands of Euros | | | | |
|-------------------------------|--|---------|---------------------------------|---------|---------|
| | Assets | | Liabilities | | |
| | Non-current tax effect | Current | Non-current financial liability | Current | Equity |
| Interest rate cash flow hedge | 613 | - | (2,453) | - | (1,840) |
| Collections / payments swap | | | | | |
| interest rate hedging | - | - | - | (47) | - |
| | | | | | |
| | 31/12/2019 Expressed in thousands of Euros | | | | |
| | Assets | | Liabilities | | |
| | Non-current tax effect | Current | Non-current financial liability | Current | Equity |
| Interest rate cash flow hedge | 1,074 | - | (4,296) | - | (3,222) |
| Collections / payments swap | | | | | |
| interest rate hedging | - | - | - | (61) | - |

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 220.84 million euros at 31 December 2020 and 331.26 million at 31 December 2019.

Derivative liabilities at 31 December 2020 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 220.84 million euros.

At year-end 2019, 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 331.26 million euros.

The fair value of swaps is based on market values of equivalent derivative financial instruments at the date of the financial statements. This interest rate swap is effective as a cash flow hedge, so changes in the fair value of the hedge are recognized directly in equity as of 31 December 2020 and 31 December 2019.

11.b) Other financial liabilities

Details of other financial liabilities at 31 December 2020 and at 31 December 2019 are as follows:

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31 December 2020

| | Thousands of Euros | | | |
|----------------------------------|--------------------|----------------|----------------|----------------|
| | 31/12/2020 | | 31/12/2019 | |
| | Non-current | Current | Non-current | Current |
| Payables convertible into grants | 275,610 | - | 445,626 | - |
| Suppliers of fixed assets | 71,614 | 231,268 | 79,709 | 217,741 |
| ERDF aid to be repaid (note 9) | - | - | - | 1,533 |
| Deposits and guarantees | 5,013 | - | 5,210 | - |
| | 352,237 | 231,268 | 530,545 | 219,274 |

11.b.1) Payables convertible into grants

At 31 December 2020 and at 31 December 2019, 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 2020 and 31 December 2019 are as follows:

| | Thousands of Euros | |
|--|--------------------|----------------|
| | 31/12/2020 | 31/12/2019 |
| European Funds | | |
| ERDF | 100.028 | 375.805 |
| TEN-T | 8.319 | 18.098 |
| Other | | |
| Ministry of Development (Addenda 21/12/2009 Barcelona Sagrera (Note 1(c))) | 48.290 | 48.290 |
| Other grants | 118.973 | 3.433 |
| | 275.610 | 445.626 |

11.b.2) Suppliers of fixed assets

At 31 December 2020, non-current payables to suppliers of fixed assets amount to 71,614 thousand euros, of which 36,384 thousand euros relates to works carried out on the Madrid-Castilla la Mancha-Valencia Autonomous Community-Murcia Region line, and 25,932 thousand euros to works on the Olmedo-Orense stretch, under a public-private partnership. Also, it includes an amount of 9,298 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 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).

In addition, the balance as of 31 December 2020 and 31 December 2019, for fixed asset suppliers includes the debt for works for own assets and expropriations for the amount of 157,268 thousand euros and 67,058 thousand euros respectively. Also the amount of

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the invoices of fixed assets suppliers receivable for a total of 74,000 thousand euros at 31 December 2020 and 150,683 thousand euros at 31 December 2019.

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 2020 and 31 December 2019 are as follows:

| | Thousands of Euros | | | |
|--|---|--|---|--|
| | 31/12/2020 | | 31/12/2019 | |
| | Suppliers, Group companies and associates | Suppliers and payables, Group companies and associates | Suppliers, Group companies and associates | Suppliers and payables, Group companies and associates |
| Non-Current Liabilities | | | | |
| Valladolid Alta Velocidad 2003, S.A. | 53,911 | - | 53,911 | - |
| | 53,911 | - | 53,911 | - |
| Current Liabilities | | | | |
| Ingeniería y Economía del Transporte, S.A. (INECO) | 15,463 | 542 | 12,519 | 506 |
| Valencia Parque Central A.V.S.A. | 61,266 | - | 71,859 | - |
| Valladolid Alta Velocidad 2003, S.A. | 466 | - | - | - |
| | 77,195 | 542 | 84,378 | 506 |

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.

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

11.d) Trade and other payables

The breakdown of trade and other payables at 31 December 2020 and 31 December 2019, excluding balances with public administrations, is as follows:

| | Thousands | |
|--|----------------|----------------|
| | 31/12/2020 | 31/12/2019 |
| Other suppliers and payables | 416,130 | 220,937 |
| Suppliers and payables, Group companies and associates (Note 11.c) | 542 | 506 |
| Personnel | 278 | 264 |
| | 416,950 | 221,707 |

The heading "Suppliers and various creditors " includes payables for purchases or services rendered pending payment at 31 December 2020 and 31 December 2019. This includes, among others, the amount payable to ADIF for services rendered, as detailed below. In addition, the fixed asset suppliers caption includes 33,069 thousand euros and (17,264) thousand euros of ADIF AV's debts with ADIF in this connection, at the respective dates indicated.

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| | Thousands of Euros | |
|--|--------------------|---------------|
| | 31/12/2020 | 31/12/2019 |
| Suppliers and creditors debt with ADIF | 311,846 | 78,195 |
| Agreements with ADIF for outstanding invoices | 288,184 | 24,141 |
| Agreements with ADIF for invoices pending processing | 23,662 | 54,054 |
| Suppliers of fixed assets with ADIF | 33,069 | (17,264) |
| By invoice processed | 14,994 | 710 |
| By invoicing pending processing | 18,075 | (17,974) |
| | 344,915 | 60,931 |

The information relating to 2020 and 2019 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:

| | 31/12/2020 | 31/12/2019 |
|---|--------------------|------------|
| | Days | |
| Average payment period to suppliers | 54.86 | 50.58 |
| Ratio paid operations | 56.92 | 51.37 |
| Ratio of outstanding payment transactions | 34.81 | 37.42 |
| | Thousands of Euros | |
| Total payments | 1,550,533 | 1,755,053 |
| Total outstanding payments | 159,131 | 104,520 |

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 2020 and 31 December 2019 is as follows:

| | Thousands of Euros | | | |
|--|--------------------|---------------|------------------|---------------|
| | 31/12/2020 | | 31/12/2019 | |
| | Non-current | Current | Non-current | Current |
| Assets | | | | |
| Receivables for awarded funds and grants | 74,407 | - | 75,712 | - |
| Deferred tax assets (Note 11) | 613 | - | 1,074 | - |
| Current tax assets | - | 26 | - | 33 |
| Public entities, other receivables | - | 58,288 | - | 37,575 |
| Total assets | 75,020 | 58,314 | 76,786 | 37,608 |
| Liabilities | | | | |
| Deferred tax liabilities | 3,683,759 | - | 3,607,163 | - |
| Current tax liabilities | - | (23) | - | (23) |
| Public entities, other payables | - | 591 | - | 613 |
| Total liabilities | 3,683,759 | 568 | 3,607,163 | 590 |

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12.a) Public entities, receivables

The breakdown of the balances with debtor Public Administrations as of 31 December 2020 and 31 December 2019 is as follows:

| | Thousands of Euros | | | |
|--|--------------------|---------------|---------------|---------------|
| | 31/12/2020 | | 31/12/2019 | |
| | Non-current | Current | Non-current | Current |
| Receivables for awarded funds and grants | 74,407 | - | 75,712 | - |
| FEDER Alta Velocidad | 74,407 | - | 75,712 | - |
| Deferred tax assets (Note 11) | 613 | - | 1,074 | - |
| Current tax assets | - | 26 | - | 33 |
| Public entities, other receivables | - | 58,288 | - | 37,575 |
| Current VAT receivable | - | 45,020 | - | 27,743 |
| Receivables for awarded funds and grants | - | 13,275 | - | 9,847 |
| High-speed TEN funds | - | 12,697 | - | 9,777 |
| Other items | - | 578 | - | 70 |
| Other Credits (Social Security Debtor) | - | (7) | - | (15) |
| Total assets | 75,020 | 58,314 | 76,786 | 37,608 |

The entire balance of receivables for current and non-current awarded funds and grants relates to accrued amounts receivable at 31 December 2020 and 31 December 2019 for European Fund assistance granted. These funds were awarded to finance the construction of high-speed lines and for investments in own assets (see Note 9).

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

12.b) Public entities, payables

The breakdown of the balances with the Receivable Public Administrations as of 31 December 2020 and 31 December 2019 is as follows:

| | Thousands of Euros | | | |
|---------------------------------|--------------------|------------|------------------|------------|
| | 31/12/2020 | | 31/12/2019 | |
| | Non-current | Current | Non-current | Current |
| Deferred tax liabilities | 3,683,759 | - | 3,607,163 | - |
| Current tax liabilities | - | (23) | - | (23) |
| Public entities, other payables | - | 591 | - | 613 |
| Social Security | - | 319 | - | 312 |
| Withholdings | - | 272 | - | 301 |
| Total liabilities | 3,683,759 | 568 | 3,607,163 | 590 |

Deferred tax liabilities that are expected to be realised or reversed in periods exceeding 12 months are those deriving from capital grants and total 3,683,759 thousand euros at 31 December 2020 and at 31 December 2019 was 3,607,163 thousand euros.

The movement registered in 2019, from 1 January 2020 to 31 December 2020 and in 2019, of the deferred tax liabilities, broken down by origin, is as follows:

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| | 31/12/2020 Thousands of Euros | | | | | |
|--|-------------------------------|------------|-------------|-------------------------|----------------------|-----------|
| | Cohesion Funds | ERDF Funds | TEN-T Funds | Execution of grants (1) | Other capital grants | Total |
| Balances at 31 December 2019 | 1,589,101 | 992,621 | 106,661 | 830,658 | 88,122 | 3,607,163 |
| Additions in 2020 | - | 99,452 | 5,986 | - | 1,305 | 106,743 |
| Capital grants taken to income (Note 19) | (11,872) | (9,181) | (1,111) | (7,044) | (939) | (30,147) |
| Other concepts | - | - | - | - | - | - |
| Balances at 31 December 2020 | 1,577,229 | 1,082,892 | 111,536 | 823,614 | 88,488 | 3,683,759 |

| | 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 | 1,594,404 | 974,691 | 107,206 | 774,392 | 88,980 | 3,539,673 |
| Additions in 2019 | 6,191 | 25,006 | (129) | 63,065 | 61 | 94,194 |
| Capital grants taken to income (Note 19) | (11,494) | (7,076) | (416) | (6,799) | (919) | (26,704) |
| Other concepts | - | - | - | - | - | - |
| Balances at 31 December 2019 | 1,589,101 | 992,621 | 106,661 | 830,658 | 88,122 | 3,607,163 |

12.c) Income tax

The Entity taxes under the individual regime. The negative tax base amounts to 271.702 thousand euros at 31 December 2020.

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

| 01/01/2020 to 31/12/2020 Thousands of Euros | | | | | | |
|---|------------------|-----------|------------------|---|-----------|----------------|
| | Income statement | | | Income and expense taken directly to equity | | |
| | Increases | Decreases | Total | Increases | Decreases | Total |
| Income and expenses for the period (01/01/2020 -31/12/2020) | | | (460,861) | | | 231,380 |
| Income tax adjustments | | | | | | 77,056 |
| Income and expenses before income tax | | | (460,861) | | | 308,436 |
| Permanent differences | 525 | (4,363) | (3,838) | | | |
| Temporary differences: | | | | | | |
| - Originating in current year | 221,907 | | 221,907 | (2,051) | (426,973) | (429,024) |
| - Originating in prior years | | (28,910) | (28,910) | | | 120,588 |
| Prior taxable income of the Entity | | | (271,702) | | | - |
| 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 | - | | | | | |

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The negative tax base at 31 December 2019 amounted to 74,271 thousand euros. The reconciliation between the accounting result for the year and the tax base is as follows:

01/01/2019 to 31/12/2019 Thousands of Euros

| | Income statement | | | Income and expense taken directly to equity | | |
|---|------------------|-----------|------------------|---|-----------|----------------|
| | Increases | Decreases | Total | Decreases | Increases | Total |
| 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 | | | (179,242) | | | 262,287 |
| Permanent differences | 585 | (1,656) | (1,071) | | | |
| Temporary differences: | | | | | | |
| - Originating in current year | 141,061 | - | 141,061 | 7,677 | (376,778) | (369,101) |
| - Originating in prior years | - | (35,019) | (35,019) | | | 106,814 |
| Prior taxable income of the Entity | | | (74,271) | | | - |
| 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 | - | | | | | |

As at 31 December 2020, there are no taxes payable in any of the tax jurisdictions and no full tax refundable or payable (7 thousand euros refundable as at 31 December 2019).

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:

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| | Thousands of Euros | | | |
|---|--------------------|-----------|------------|-----------|
| | Income statement | | | |
| | 31/12/2020 | | 31/12/2019 | |
| | Increases | Decreases | Increases | Decreases |
| - Amortisation and depreciation | | | - | - |
| - Impairment | 26,693 | | 18,475 | - |
| - Pensions | 63 | | 82 | - |
| - Net finance expense | 195,151 | | 122,504 | - |
| Temporary differences originating in current year | 221,907 | | 141,061 | - |
| - Amortisation and depreciation | | (17,635) | - | (17,635) |
| - Impairment | | (11,266) | - | (17,376) |
| - Pensions | | (9) | - | (8) |
| - Net finance expense | | | - | - |
| Temporary differences originating in prior years | | (28,910) | - | (35,019) |

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 2020 and 31 December 2019 is as follows:

| | Thousands of Euros | | | |
|--|--------------------|-----------|------------|-----------|
| | Income statement | | | |
| | 31/12/2020 | | 31/12/2019 | |
| | Increases | Decreases | Increases | Decreases |
| - Other non-deductible expenses | 525 | - | 585 | - |
| - Exemption for double taxation of dividends | - | (4,363) | - | (1,656) |

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 | 19,091 | - | 19,091 |
| 2015 | N/A | ADIF-AV | 76,852 | - | 76,852 |
| 2016 | N/A | ADIF-AV | 119,130 | - | 119,130 |
| 2017 | N/A | ADIF-AV | 49,948 | - | 49,948 |
| 2018 | N/A | ADIF-AV | 72,234 | - | 72,234 |
| 2019 | N/A | ADIF-AV | 74,270 | - | 74,270 |
| | | | 411,525 | | 411,525 |

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

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| 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 | 193,512 |
| 2017 | N/A | ADIF-AV | 171,695 |
| 2018 | N/A | ADIF-AV | 157,374 |
| 2019 | N/A | ADIF-AV | 122,504 |
| 2020 | N/A | ADIF-AV | 195,151 |
| | | | 1,476,013 |

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

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 |
| | | 176,349 | |

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 |
| 2020 | N/A | 882 | - | 882 |
| 2019 | N/A | 882 | - | 882 |
| | | 4,762 | | 4,762 |

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:

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| 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 |
| 2020 | 2038 | 82 | - | 82 |
| | | 405 | - | 405 |

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 |
| 2020 | 2030 | 170 | - | 170 |
| | | 727 | - | 727 |

The accompanying balance sheet does not include the possible tax effect of the offsetting of losses and deductions pending application, as the Entity's management does not consider it probable that these will be recoverable within the periods stipulated by current 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 2020, the Company has the years 2017 to 2020 open for inspection for value added tax, 2017 to 2020 for withholding tax and 2016 to 2019 for corporation tax.

(13) Revenue

The detail of revenue in the income statement for the years 2020 and 2019 is as follows:

| | Thousands of euros | |
|--|--------------------|----------------|
| | 31/12/2020 | 31/12/2019 |
| Revenue from use of rail facilities and other fees | | |
| Use of the public service rail network | 268,075 | 497,618 |
| Use of stations and other rail installations | 59,007 | 113,100 |
| Passenger rail transport safety levy | 306 | 262 |
| | 327,388 | 610,980 |

Notes to the Annual Accounts 31 December 2020

The distribution of revenue at 31 December 2020 and 31 December 2019 by business segment or activity carried out by the Entity is shown in the following table:

| 31/12/2020 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 | 268,075 | 15,883 | - | 283,958 |
| Management of ADIF-AV-owned assets (passenger stations) | - | 43,124 | 306 | 43,430 |
| Total | 268,075 | 59,007 | 306 | 327,388 |

| 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 | - | 527,385 |
| Management of ADIF-AV-owned assets (passenger stations) | - | 83,333 | 262 | 83,595 |
| Total | 497,618 | 113,100 | 262 | 610,980 |

13.a) Revenue from use of rail facilities

The detail of the revenues from settlement of railway charges accrued at 31 December 2020 and 31 December 2019, broken down by the different modalities established in the Order of the Ministry of Development 38/2015 of the Railway Sector, is as follows:

| | Thousands of Euros | |
|--|--------------------|----------------|
| | 31/12/2020 | 31/12/2019 |
| Use of infrastructure | 268,075 | 497,618 |
| <i>Adjudication capacity</i> | 52,413 | 90,771 |
| <i>Use of railway lines</i> | 197,085 | 371,362 |
| <i>Use Transformation and distribution EET</i> | 20,661 | 36,047 |
| <i>Bonus Canon use RFIG lines</i> | (2,084) | (562) |
| Use of stations and other rail installations | 59,007 | 113,100 |
| <i>Use Passenger transport stations</i> | 43,000 | 83,208 |
| <i>Wide changers</i> | 3,377 | 4,626 |
| <i>Use Tracks with platform</i> | 12,630 | 25,266 |
| | 327,082 | 610,718 |

As explained in note 22.d, the Entity's turnover has been affected by the decrease in rail traffic linked to the State of Alarm declared due to the pandemic. On 14 March 2020, the Royal Decree declaring the State of Alarm was approved, containing measures to restrict public transport services, which were subsequently extended by Order TMA/273/2020 of 24 March 2020. At the close of the 2020 financial year, the State of Alarm remains in force.

Of this revenue, at 31 December 2020, 51,542 thousand euros was pending collection as revenue from use of rail facilities in the ADIF-AV-owned network (see Note 6.b.2)).

Notes to the Annual Accounts 31 December 2020

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.

(14) Other Operating Income

Details of this income statement heading at 31 December 2020 and 31 December 2019 are as follows:

| | Thousands of Euros | |
|--|--------------------|----------------|
| | 31/12/2020 | 31/12/2019 |
| Rentals and services | 91,592 | 105,097 |
| Utilities, basically relates to traction power | 199,557 | 264,902 |
| Investment actions for third parties | 22,826 | 34,223 |
| Services Administration Infrastructure | 2,968 | 1,485 |
| Other | 28,300 | 30,534 |
| Third-party personal services | 3,186 | 3,161 |
| Advertising | 4,323 | 5,701 |
| Diverse services | 18,508 | 17,976 |
| Others | 2,283 | 3,696 |
| | 345,243 | 436,241 |

Included in this income are the derivatives of services rendered to ADIF at 31 December 2020 and 31 December 2019 under the management fees indicated in note 1, according to the following breakdown:

| | Thousands of Euros | |
|---|--------------------|---------------|
| | 31/12/2020 | 31/12/2019 |
| Revenue from intra-administration agreements | | |
| NTU electricity | 11,804 | 12,010 |
| Maintenance of fibre optics and auxiliary installations | 2,968 | 1,485 |
| ADIF investment actions | 10,326 | 16,926 |
| Other intra-administrative services | 2,677 | 2,003 |
| | 27,775 | 32,424 |

Revenues from leasing of real estate, premises and other properties amounting to 51,752 thousand euros at 31 December 2020. These are generated by assets included under "Investments in real estate", including those derived from long-term lease agreements.

In addition, income from optical fibre leasing amounting to 39,840 thousand euros at 31 December 2020 and 40,113 thousand euros at 31 December 2019, is recorded under this heading in the income statement.

Notes to the Annual Accounts 31 December 2020

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 2020 and 31 December 2019 amounted to 433,083 thousand euros and 462,888 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 27,652 thousand euros is recorded at 31 December 2020.

Also included in the section long-term accruals are the revenues collected in advance at 31 December 2020 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 20 December 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 31 January 2014.

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

As of 28 December 2015 the Entity, as already mentioned in notes 3 and 4, 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 m² 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 2020 and 31 December 2019 are as follows:

| | Thousands of Euros | |
|---------------------------|--------------------|---------------|
| | 31/12/2020 | 31/12/2019 |
| Salaries and wages | 13,521 | 12,506 |
| Employee benefits expense | 3176 | 3,241 |
| Provisions | 58 | 70 |
| | 16,755 | 15,817 |

Notes to the Annual Accounts 31 December 2020

Details of employee benefits expense are as follows:

| | Thousands of Euros | |
|---------------------------------------|--------------------|--------------|
| | 31/12/2020 | 31/12/2019 |
| Social Security payable by the Entity | 3,119 | 3,113 |
| Other employee benefits expenses | 57 | 128 |
| | 3,176 | 3,241 |

The distribution of the Entity's employees by gender and category at 31 December 2020 and 31 December 2019 is as follows:

| Category | Headcount 31/12/2020 | | |
|----------------------|-------------------------|-----------|------------|
| | Male | Female | Total |
| Administrative staff | 125 | 51 | 176 |
| Middle management | 19 | 7 | 26 |
| Operating personnel | 10 | 6 | 16 |
| | 154 | 64 | 218 |

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

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

| Category | Average number of employees | |
|----------------------|-----------------------------|------------|
| | 31/12/2020 | 31/12/2019 |
| Administrative staff | 171 | 176 |
| Middle management | 27 | 29 |
| Operating personnel | 20 | 8 |
| | 218 | 213 |

The breakdown by sex and categories of Entity staff at 31 December 2020 and 31 December 2019, with disability greater than 33% is shown in the following tables:

| Category | Average number of employees at 31 December 2020 | | |
|----------------------|--|----------|----------|
| | Male | Female | Total |
| Administrative staff | 1 | - | 1 |
| Middle management | - | - | - |
| Operating personnel | - | - | - |
| | 1 | - | 1 |

Notes to the Annual Accounts
31 December 2020

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

(16) Other Operating Expenses

Details of this income statement heading at 31 December 2020 and 31 December 2019 are as follows:

| | Thousands of Euros | |
|--|--------------------|----------------|
| | 31/12/2020 | 31/12/2019 |
| Infrastructure repairs and maintenance | 327,311 | 336,032 |
| Traction power | 185,531 | 244,919 |
| Traffic and passenger service-related services | 66,502 | 68,497 |
| Other supplies | 30,354 | 33,343 |
| Rentals and fees | 10,388 | 10,224 |
| Advertising and public relations | 3,419 | 4,833 |
| Other maintenance and repairs | 2,957 | 2,583 |
| Investment actions on behalf of third parties | 20,519 | 33,116 |
| Other | 28,447 | 27,482 |
| Total external services | 673,428 | 761,029 |
| Taxes other than income tax | 3,455 | 3,991 |
| Losses, impairment and changes in trade provisions | (1,173) | 434 |
| | 675,710 | 765,454 |

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 392,731 thousand euros at 31 December 2020 and 413,054 thousand euros at 31 December 2019, and formalised in addenda to the service arrangements, as follows:

| | Thousands of Euros | |
|---|--------------------|----------------|
| | 31/12/2020 | 31/12/2019 |
| Infrastructure repairs and maintenance | 241,383 | 253,323 |
| Fibre optic network maintenance, right of way services and right of use | 12,509 | 13,083 |
| Comprehensive management of safety and protection | 36,740 | 37,187 |
| Comprehensive management of stations | 50,125 | 53,096 |
| Traffic safety | 3,204 | 1,974 |
| Award of capacity and traffic management | 26,558 | 29,336 |
| Comprehensive communication services | 3,208 | 4,520 |
| Other agreements | 19,004 | 20,535 |
| | 392,731 | 413,054 |

Notes to the Annual Accounts
31 December 2020

(17) Recognition of Grants for Fixed Assets and Other

The breakdown of income from capital grants generated at 31 December 2020 and 31 December 2019 is as follows:

| | Thousands of Euros | |
|----------------|--------------------|----------------|
| | Total income | |
| | 31/12/2020 | 31/12/2019 |
| Cohesion Funds | 47,486 | 45,974 |
| ERDF | 36,725 | 28,305 |
| TEN-T | 4,445 | 1663 |
| Other grants | 31,932 | 30,872 |
| | 120,588 | 106,814 |

(18) Finance Costs

Details of this income statement heading at 31 December 2020 and 31 December 2019 are as follows:

| | Thousands of Euros | |
|---|--------------------|----------------|
| | 31/12/2020 | 31/12/2019 |
| On loans with third parties | 310,523 | 329,805 |
| Interest on loans and bonds | 296,507 | 299,605 |
| Late payment interest for works contracts | 14,016 | 30,200 |
| Late payment interest for expropriations | 5 | 12 |
| | 310,528 | 329,817 |

(19) Finance Income

Details of this income statement heading at 31 December 2020 and 31 December 2019 are as follows:

| | Thousands of Euros | |
|--|--------------------|----------------|
| | 31/12/2020 | 31/12/2019 |
| Capitalised finance costs (note 4,c)) | 108,129 | 113,910 |
| From marketable securities and other financial instruments | 4,966 | 6,356 |
| <i>Interest on current investments</i> | 4,477 | 6,130 |
| <i>Interest on current accounts</i> | 1 | 38 |
| <i>Other</i> | 488 | 188 |
| Other finance income | 3,761 | 3,775 |
| From participations in equity instruments | 4,586 | 1,656 |
| <i>Group companies and associates</i> | 4,472 | 1,534 |
| <i>Other investments</i> | 114 | 122 |
| | 121,442 | 125,697 |

Notes to the Annual Accounts
31 December 2020

(20) Environmental Information

At 31 December 2020 and 31 December 2019, ADIF-AV's fixed assets included specific environmental works with a net book value of 1,283,078 and 1,222,801 thousand euros respectively, used in order to minimise environmental impacts and to protect and improve the environment, as per the following breakdown:

| 31 December 2020 - Thousands of Euros | | | |
|---|------------------|--------------------------|------------------|
| | Cost | Accumulated depreciation | Net book value |
| Tunnels _and cut-and-cover tunnels; environmental works | 476,009 | (11,583) | 464,426 |
| Environmental integration works | 649,870 | (12,130) | 637,740 |
| Other environmental works | 121,323 | (30,264) | 91,059 |
| Total property, plant and equipment in operation | 1,247,202 | (53,977) | 1,193,225 |
| Work in progress | 89,853 | - | 89,853 |
| Total at 31 December 2020 | 1,337,055 | (53,977) | 1,283,078 |

| 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 |
| Total property, plant and equipment in operation | 1,195,184 | (47,802) | 1,147,382 |
| Work in progress | 75,419 | - | 75,419 |
| Total at 31 December 2019 | 1,270,603 | (47,802) | 1,222,801 |

Additions at 31 December 2020 and 31 December 2019 amount to 52,018 and 45,750 thousand euros respectively and predominately correspond to preventive and corrective actions.

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

At 31 December 2020, the Board of Directors comprises eleven members, the Chairman, Secretary and nine regular directors. Three of the Board members are female and eight are male.

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 eight are male.

Pursuant to article 21 of the Royal Decree 1044/2013 of 27 December 2013, which establishes ADIF-AV's statutes, no members of the Board of Directors will accrue any remuneration for attending Board meetings. (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 2020**(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 77.96% of its outstanding debt at 31 December 2020 as a fixed rate until maturity and 13.77% at a fixed rate revisable. 78.89% of the Entity's outstanding debt, as of 31 December 2019, was at a fixed rate until maturity and 11.76% 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.

At 31 December 2020, the Entity's negative result is (460,861) thousand euros and its negative working capital, amounts to (755,557) thousand euros. This situation does not generate liquidity tensions for the Entity given that Law 11/2020 of 30 December of the General State Budget for 2021 establishes a budget appropriation as equity contributions in the amount of 466,173.95 thousand euros as well as a contribution to finance the result of the 2021 network administration in the amount of 50,000 thousand euros.

Notes to the Annual Accounts 31 December 2020

It should be noted that, in accordance with the Entity's policy of optimising financial costs, in 2020 the appeal to external credit increased by 485 million euros, despite the fact that ADIF AV was authorised to increase its long-term debt in nominal terms by a total amount of 1,890 million euros.

At 31 December 2019, the Entity's result was negative by (179,242) thousand euros and its negative working capital, amounts to (643,768) thousand euros.

At 31 December 2020, as reported in note 11.a.1, the Entity has undrawn credit lines totalling 485,000 thousand euros.

On 29 January 2020, the Entity executed its seventh public bond issue, fourth under the "green bond" format, with a gross amount of 600,000 thousand euros, the liquid amount of which was paid on 12 February 2020.

On 14 August 2020, two EIB loans of 79,000 thousand euros and 50,000 thousand euros were disbursed for the INFRASTRUCTURE INSPECTION & MAINTENANCE RS and MEDITERRANEAN RAILWAY CORRIDOR projects, respectively.

On 22 December 2020, an EIB loan of 300,000 thousand euros was disbursed for the AVE MADRID EXTREMADURA project,

On 26 January 2021, the EMTN Programme was renewed on the Irish Stock Exchange and was filed with the Spanish Securities and Exchange Commission (Comisión Nacional del Mercado de Valores).

In addition, on 14 December 2020, the Minister of Finance authorised a budget modification that has led to the collection in December 2020 of 118,847 thousand euros as a subsidy for investments in Trans-European Transport Network (TEN-T) corridors.

In this context, the Entity has sufficient cash and credit lines available to meet its financial obligations, ensuring that ADIF - Alta Velocidad, with the information available, will not be significantly affected in the coming months by possible liquidity tensions or hypothetical contractions in the credit market as a result of the COVID -19 Coronavirus health crisis, the impact of which is described in note 22 d) below.

22.d) COVID - 19 impact

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, which has remained in force with successive extensions until 22 June.

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.

Notes to the Annual Accounts
31 December 2020

- 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.

Subsequently, on 25 October 2020, the Government approved the declaration of a state of alarm throughout Spain, which was extended until 9 May 2021.

In this context, the Entity, as the manager of a critical infrastructure, has been developing and implementing the necessary contingency plans to ensure the continuity of its activity in all its areas of activity with all the necessary security measures in accordance with the regulations in force.

The circumstances described above are having a negative impact, especially on the Entity's turnover, which at 31 December 2020 shows a year-on-year fall of around 46%, and the losses obtained by the Entity in the period from 1 January 2020 to 31 December 2020, which have increased by 154% compared to the losses obtained in that period of the previous year, reaching 460 million euros, ADIF - Alta Velocidad has implemented a series of measures to partially offset this effect, including the following:

- A proposal to apply discounts/allowances to encourage rail traffic growth in 2020. This proposal involves a subsidy for new long distance passenger transport services on high speed lines, with a 50% reduction in the amounts payable for modes A and B, and the addition of the fee stipulated in article 97 of the Rail Sector Act to mode B, as well as a reduction in reference traffic, traffic estimates per line and type of service from which the subsidy is applied, in order to adapt them to the situation created by the pandemic.
- A plan to rationalise expenditure has meant that at 31 December 2020, the heading of other operating expenses, amounting to 675 million euros, is 17% lower than the amounts forecast at that date and included in the Entity's budget.

At present it is not possible to foresee how long it will take to recover the number of traffic movements and occupancy levels that existed prior to this situation.

In any case, although at this time it is not possible to quantify the exact evolution of these items, it does not seem foreseeable that they will have a significant negative effect on the Entity's financial situation, taking into account the characteristics of its activity, its condition as manager of a strategic network for the transport of goods and people, as well as the contributions allocated in the general State budgets.

(23) Commitments and contingencies

The guarantees granted to third parties by the Entity at 31 December 2020 and 31 December 2019 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.

Notes to the Annual Accounts

31 December 2020

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 2020 and 31 December 2019 derived from the subscription of letters of commitment or comfort letters amounting to 4,800 thousand euros and 26,465 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 2020 and 31 December 2019, as well as the provisions for risks and expenses recognized by the Entity (see notes 2.c, 3.i, 5.b, 5.c and 10.b.3):

| Expressed in thousands of Euros | | | | | |
|---|------------------------|---|-----------------------|----------------------|----------------------|
| | | Risk assumed by ADIF-AV (comfort letter) | | | |
| | | | | | |
| Company | Share capital % | Risk amount at | Risk amount at | Provisions at | Provisions at |
| | 31/12/2020 | 31/12/2020 | 31/12/2019 | 31/12/2020 | 31/12/2019 |
| Zaragoza Alta Velocidad 2002, S,A, | 30.00% | - | - | 41,369 | 32,476 |
| Valencia Parque Central Alta Velocidad 2003, S,A, | 30.00% | - | - | 24,782 | 24,217 |
| Logroño Integración del Ferrocarril 2002, S,A, | 30.00% | 4,800 | 14,400 | - | - |
| Barcelona-Sagrera Alta Velocitat, S,A, | 30.00% | - | 12,065 | - | 4,236 |
| Cartagena Alta Velocidad S,A, | 40.00% | - | - | 1,080 | 1,080 |
| Murcia Alta Velocidad, S,A, | 40.00% | - | - | - | - |
| Valladolid Alta Velocidad 2003, S,A, | 30.00% | - | - | 65,253 | 65,253 |
| Total railway integration companies | | 4,800 | 26,465 | 132,484 | 127,262 |

APPENDIX



ENTIDAD PÚBLICA EMPRESARIAL
ADIF – Alta Velocidad

Property, Plant and Equipment and Investment Property for 2020

Expressed in thousands of Euros

| | Balance at 1.1.2020 | Additions | Transfers | Derecognitions | Reclassifications | Balance at 31.12.2020 |
|---|------------------------|------------------|------------------|----------------|-------------------|--------------------------|
| Buildings and other constructions | 1,650,204 | - | 32,854 | (614) | 65 | 1,682,509 |
| Land and natural resources | 2,553,368 | 32,556 | 5 | (140) | (1,872) | 2,583,917 |
| Total land and buildings | 4,203,572 | 32,556 | 32,859 | (754) | (1,807) | 4,266,426 |
| Accumulated depreciation of buildings and other constructions | (369,261) | (30,012) | - | 354 | (23) | (398,942) |
| Provision for depreciation of buildings and other structures | (4,875) | 4,875 | - | - | - | - |
| Total carrying amount of buildings and other constructions | 3,829,436 | 7,419 | 32,859 | (400) | (1,830) | 3,867,484 |
| Track installations | 31,742,769 | - | 1,312,697 | (5,660) | (611) | 33,049,195 |
| Accumulated depreciation of track installations and other installations | (4,343,312) | (335,816) | - | 3,443 | 31 | (4,675,654) |
| Impairment of track installations | (25,026) | - | - | - | - | (25,026) |
| Total carrying amount of track installation and other installations | 27,374,431 | (335,816) | 1,312,697 | (2,217) | (580) | 28,348,515 |
| Other Property, Plant and equipment | 42,147 | - | 155 | (1,085) | - | 41,217 |
| Accumulated depreciation of other property, plant and equipment | (34,163) | (2,254) | - | 1,065 | - | (35,352) |
| Total carrying amount of other property, plant and equipment | 7,984 | (2,254) | 155 | (20) | - | 5,865 |
| Total carrying amount of track installations and other property, plant and equipment | 27,382,415 | (338,070) | 1,312,852 | (2,237) | (580) | 28,354,380 |
| Work in progress | 14,441,664 | 1,036,006 | (1,345,711) | - | - | 14,131,959 |
| Total net property, plant and equipment | 45,653,515 | 705,355 | - | (2,637) | (2,410) | 46,353,823 |
| Investment property | 250,977 | - | - | - | 1,872 | 252,849 |
| Accumulated depreciation of investment property | (54,965) | (4,138) | - | - | - | (59,103) |
| Investment property in progress | 403 | - | - | - | - | 403 |
| Total net investment property | 196,415 | (4,138) | - | - | 1,872 | 194,149 |
| Intangible assets | 75,245 | - | 341 | - | 545 | 76,131 |
| Accumulated depreciation intangible assets | (20,681) | (1,620) | - | - | (8) | (22,309) |
| Intangible assets in progress | 183 | 19,922 | (341) | - | - | 19,764 |
| Total net intangible assets | 54,747 | 18,302 | - | - | 537 | 73,586 |

This appendix forms an integral part of Note 4 to the Annual Accounts for 2020 in conjunction with which it should be read.

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 |
| Total land and buildings | 4,117,795 | 54,249 | 42,229 | (1,856) | (8,845) | 4,203,572 |
| 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) |
| Total carrying amount of buildings and other constructions | 3,767,779 | 29,417 | 42,229 | (1,144) | (8,845) | 3,829,436 |
| 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) |
| Total carrying amount of track installation and other installations | 26,424,138 | (322,281) | 1,275,052 | (1,723) | (755) | 27,374,431 |
| 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) |
| Total carrying amount of other property, plant and equipment | 9,742 | (2,171) | 379 | (4) | 38 | 7,984 |
| Total carrying amount of track installations and other property, plant and equipment | 26,433,880 | (324,452) | 1,275,431 | (1,727) | (717) | 27,382,415 |
| Work in progress | 14,541,768 | 1,218,152 | (1,317,660) | (596) | - | 14,441,664 |
| Total net property, plant and equipment | 44,743,427 | 923,117 | - | (3,467) | (9,562) | 45,653,515 |
| 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 |
| Total net investment property | 191,671 | (4,101) | - | - | 8,845 | 196,415 |
| 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 |
| Total net intangible assets | 55,427 | (1,397) | - | - | 717 | 54,747 |

This appendix forms an integral part of Note 4 to the Annual Accounts for 2020 in conjunction with which it should be read.



ENTIDAD PÚBLICA EMPRESARIAL
ADIF – Alta Velocidad

Detail of associated companies as of 31 December 2020

| 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% | - | - | 420 | - | (30) | (30) | - |
| Ingeniería y Economía del Transporte, S,A, (INECO)(b) | Preparation of civil and industrial railway engineering projects. Consultancy services | 20.68% | 7,978 | - | 88,179 | 18 | 10,841 | 17,508 | 4,472 |
| León Alta Velocidad 2003, S,A,(b) | High-speed integration in León | 37.50% | - | - | 194 | - | (34) | (34) | - |
| Logroño Integración Ferrocarril 2002, S,A,(b) | Management of high-speed rail in Logroño | 30.00% | - | - | 710 | - | 138 | 184 | - |
| Valencia Parque Central Alta Velocidad 2003, S,A,(b) | High-speed integration in Valencia | 30.00% | - | - | (19,083) | 23,978 | (199) | (201) | - |
| Valladolid Alta Velocidad 2003 S,A,(b) | Management of high-speed rail in Valladolid | 30.00% | - | - | (49,784) | 951 | (2,339) | 1,529 | - |
| Gijón al Norte, S,A,(b) | High-speed integration in Gijón | 30.00% | - | - | 538 | - | 1 | 151 | - |
| Zaragoza Alta Velocidad 2002, S,A,(b) | High-speed integration in Zaragoza | 30.00% | - | - | (309,243) | 4,794 | (21,648) | (18,103) | - |
| Alta Velocidad Alicante Nodo Transportes, S,A,(b) | High-speed integration in Alicante | 30.00% | - | - | (1,099) | 1,620 | - | - | - |
| Barcelona Sagrera Alta Velocitat S,A,(b) | High-speed integration in Barcelona | 30.00% | - | - | 600 | - | (1,688) | (883) | - |
| Almería Alta Velocidad, S,A,(b) | High-speed integration in Almería | 40.00% | 232 | - | 565 | 7,590 | (7) | (7) | - |
| A,V, Vitoria-Gasteizko Abiadura Handia, S,A,(b) | High-speed integration in Vitoria | 40.00% | 233 | - | 568 | - | (7) | (7) | - |
| Total shares in group companies and associates | | | 8,443 | - | | | (7) | 107 | 4,472 |
| Enajenación de Materiales Ferroviarios, S,A,(EMFESA) (b) | Disposal and handling of unnecessary materials | 12.50% | - | - | 1,935 | - | 25 | 30 | - |
| Albali Señalización, S,A,(b) | | 10.00% | 1,131 | - | 13,275 | - | 1,499 | 4,128 | - |
| Energía Olmedo Orense Phase I (e) | | 10.00% | 508 | - | 7,241 | - | 63 | 1,448 | - |
| Vía Olmedo- Pedralba (b) | | 10.00% | 46 | (240) | 3,096 | - | 88 | 119 | - |
| HIT RAIL B,V (e) | | 4.35% | 55 | | 3,217 | - | 84 | 84 | 2 |
| Total others (see note 6.a) | | | 1,740 | (240) | | | | 5,809 | 2 |
| TOTAL | | | 10,183 | (240) | | | | 5,916 | 4,474 |

a) Audited annual accounts at 31 December 2020
(b) Provisional financial statements as at 31 December 2020
c) Annual Accounts prepared pending audit at 31 December 2020
(d) Provisional financial statements with draft audit report as at 31 December 2020
(e) The data on own funds and profit/loss are for the latest available financial year, whether provisional or final.

This appendix forms an integral part of Note 5 to the Annual Accounts of 2020, 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) | - |
| Total shares in group companies and associates | | | 8,443 | - | | | | 27,422 | 1,534 |
| 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 |
| Total others (see note 6.a) | | | 1,740 | (240) | | | | 5,640 | 122 |
| TOTAL | | | 10,183 | (240) | | | | 33,062 | 1,656 |

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
(e) The data on own funds and profit/loss are for the latest available financial year, whether provisional or final.