

ADIF Alta Velocidad

Auditors' report on 2021 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)

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

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 2021, 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, 2021, 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 2021, the Entity has recognised a net carrying amount of 46,820,610 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 94% of the Entity's total assets.

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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.

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 2021, the Entity has recognised a balance of 139,933 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.

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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.

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.*

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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 2021 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 2021 and its content and presentation are in accordance with the applicable regulations.

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.

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

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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.

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 2022

**Entidad Pública
Empresarial
ADIF-Alta
Velocidad**

31 December 2021

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INDEX

Balance Sheet	1
Income Statement	3
Statement of Changes in Equity.....	4
Statement of Cash Flows	6
Notes	
(1) Activity of the Entity and Legal Status	9
1.a) ADIF-Alta Velocidad statute.....	10
1.b) Service arrangements between ADIF and ADIF-Alta Velocidad.....	11
1.c) AGE 2021-2025 Agreement	15
1.d) Other provisions.....	18
1.e) Charges and fees	21
(2) Basis of Presentation of the Annual Accounts.....	23
2.a) Fair presentation.....	23
2.b) Comparative information	24
2.c) Critical issues regarding the valuation and estimation of relevant uncertainties and judgements used when applying accounting principles.....	24
2.d) Functional and presentation currency.....	25
2.e) First application of the modifications introduced in the PGC RD1/2021 27	26
(3) Significant Accounting Policies	28
3.a) Intangible assets	28
3.b) Property, plant and equipment.....	28
3.c) Investment property	34
3.d) Financial assets.....	35
3.e) Financial liabilities.....	38
3.f) Cash and cash equivalents.....	41
3.g) Grants, donations and bequests received	42
3.h) Long-term employee benefits.....	43
3.i) Provisions.....	43
3.j) Classification of assets and liabilities as current and non-current.....	44
3.k) Foreign currency balances and transactions.....	44
3.l) Income taxes.....	44
3.m) Recognition of income and expenses	45
3.n) Related party transactions.....	45
3.o) Leases	45
(4) Property, Plant and Equipment, Intangible Assets and Investment	
Property	46
4.a) Operating property, plant and equipment.....	48

INDEX

4.b) Work in progress.....	49
4.c) Capitalised borrowing costs.....	51
4.d) Fully depreciated/amortised assets	52
4.e) Government grants received.....	52
4.f) Intangible assets	52
4.g) Impairment of property, plant and equipment, intangible assets and investment property	55
4.h) Investment property.....	55
4.i) Sale commitments (land associated with Chamartín Station rail complex)	55
5) Investments in Group Companies and Associates	57
5.a) Non-current equity instruments in Group companies and associates	57
5.b) Non-current loans to Group companies and associates	59
5.c) Current investments in Group companies and associates	61
(6) Other Financial Assets	62
6.a) Investments	63
6.b) Trade and other receivables.....	64
(7) Cash and Cash Equivalents	65
(8) Equity	66
8.a) Equity contribution	66
8.b) Reserves.....	66
8.c) Proposed application of loss for the year	66
8.d) Valuation adjustments	67
(9) Grants, Donations and Bequests.....	67
9.a) Cohesion Funds.....	68
9.b) European Regional Development Funds.....	68
9.c) Community financial aid to trans-European networks.....	69
9.d) Capital subsidies for rail infrastructure deliveries and other subsidies.....	70
9.e) Capital grants for aid from the Recovery, Transformation and Resilience Plan.....	71
(10) Provisions for Liabilities and Charges.....	71
10.a) Provisions for liabilities and charges related to personnel	73
10.b) Other provisions	74
(11) Financial Liabilities	75
11.a) Loans and borrowings and bonds and other marketable securities	76
11.b) Other financial liabilities	79
11.c) Payables to Group companies and associates.....	81
11.d) Trade and other payables	82
(12) Income Tax	83
12.a) Public entities, receivables	84
12.b) Public entities, payables	84

INDEX

12.c) Income tax.....	85
12.d) Value added tax.....	90
12.e) Years open to inspection	90
(13) Revenue	90
13.a) Revenue from use of rail facilities	91
13.b) Passenger rail transport safety levy	92
(14) Other Operating Income.....	92
(15) Personnel Expenses	94
(16) Other Operating Expenses.....	95
(17) Recognition of Grants for Fixed Assets and Other	96
(18) Finance Costs.....	97
(19) Finance Income.....	97
(20) Environmental Information.....	97
(21) Information on Directors and Senior Management of the Entity	98
(22) Financial Risk Management.....	98
22.a) Credit risk	99
22.b) Interest rate risk	99
22.c) Liquidity risk.....	99
22.d) Impact of COVID - 19.....	101
22.e) Russian invasion of Ukraine.....	102
(23) Commitments and Contingencies.....	102
Appendix I	
Appendix II	

Notes to the
Annual Accounts

31 December 2021

Balance Sheet
at 31 December 2021 and 31 December 2020

Expressed in thousands of Euros

ASSETS	NOTE	31/12/2021	31/12/2020
Intangible assets	4	73,714	73,586
Property, plant and equipment	4	46,820,610	46,353,823
Land and buildings		3,914,902	3,867,484
Technical installations, machinery, equipment, furniture and other items		31,371,505	28,354,380
Under construction and advances	4	11,534,203	14,131,959
Investment property	4	287,335	194,149
Non-current investment in Group companies and associates	5	531,894	433,383
Equity instruments		7,977	8,443
Loans to companies		523,917	424,940
Non-current investments		129,850	77,037
Equity instruments	6	1,754	1,754
Public entities	12	127,220	74,407
Other financial assets	6	876	876
Deferred tax assets	11 and 12	168	613
Non-current trade receivables	6	280	368
Total non-current assets		47,843,851	47,132,959
Trade and other receivables		1,686,283	245,676
Trade receivables	6	86,173	51,861
Trade receivables, from Group companies and associates	6	1,100	271
Other receivables	6	278,495	135,218
Personnel	6	19	12
Current tax assets	12	-	26
Public entities, other	12	1,320,496	58,288
Current investments in Group companies and associates	5	124,356	189,921
Loans to companies		124,356	189,921
Short-term financial investments	6	526	29
Cash and cash equivalents	7	156,039	353,335
Cash		156,039	278,335
Cash equivalents		-	75,000
Total current assets		1,967,204	788,961
TOTAL ASSETS		49,811,055	47,921,920

Balance Sheet
at 31 December 2021 and 31 December 2020

Expressed in thousands of Euros

EQUITY AND LIABILITIES	NOTE	31/12/2021	31/12/2020
Equity	8	13,936,758	13,894,657
Equity contributions		16,084,010	15,617,836
Reserves		31,101	29,730
Retained earnings		(1,752,909)	(1,292,048)
Loss for the year		(425,444)	(460,861)
Valuation adjustments	11	(505)	(1,840)
Grants, donations and bequests received	9	11,155,119	11,051,280
Total equity		25,091,372	24,944,097
Non-current provisions	10	852,459	947,827
Long-term employee benefits		868	836
Other provisions		851,591	946,991
Non-current payables	11	17,031,425	16,314,726
Bonds and other marketable securities		4,988,397	5,580,261
Loans and borrowings		10,580,831	10,379,775
Derivatives		674	2,453
Other financial liabilities		1,461,523	352,237
Long-term debts with group companies and associates	11	53,911	53,911
Deferred tax liabilities	12	3,718,373	3,683,759
Non-current accruals	14	505,240	433,082
Total non-current liabilities		22,161,408	21,433,305
Current provisions	10	73,036	52,154
Short-term employee benefits		796	698
Other provisions		72,240	51,456
Current payables	11	2,093,962	969,999
Bonds and other marketable securities		1,247,075	57,375
Loans and borrowings		674,645	681,309
Derivatives		25	47
Other financial liabilities		172,217	231,268
Current payables, to Group companies and associates	11	76,766	77,195
Trade and other payables		285,829	417,518
Other suppliers and payables	11	284,260	416,130
Suppliers, Group companies and associates	11	666	542
Personnel	11	287	278
Current tax liabilities		-	(23)
Public entities, payables	12	616	591
Current provisions	14	28,682	27,652
Total current liabilities		2,558,275	1,544,518
TOTAL EQUITY AND LIABILITIES		49,811,055	47,921,920

Income Statement
31 December 2021 and 2020

Expressed in thousands of Euros

	NOTE	31/12/2021	31/12/2020
Revenue	13	390,570	327,388
Self-constructed assets		9,188	10,391
Other operating income	14	579,672	345,243
Personnel expenses	15	(15,016)	(16,755)
Other operating expenses	16	(908,742)	(675,710)
External services		(888,856)	(673,428)
Taxes		(5,223)	(3,455)
Losses, impairment and changes in trade provisions		(14,663)	1,173
Amortisation and depreciation		(378,208)	(373,840)
Non-financial and other capital grants	17	120,820	120,588
Provision surpluses		3,056	937
Impairment and result on disposal of fixed assets		(3,484)	2,165
Impairments and losses		(2,699)	4,875
Results from disposals and others		(785)	(2,710)
Results from operating activities		(202,144)	(259,593)
Finance income	19	110,117	121,442
From equity instruments		2,308	4,586
From marketable securities and other financial instruments		7,927	4,966
Capitalised finance costs	19 y 4	96,156	108,129
Other		3,726	3,761
Finance costs	18	(317,805)	(310,528)
On third party loans		(317,791)	(310,523)
Provision adjustments		(14)	(5)
Change in fair value of financial instruments		(1,731)	(2,483)
Impairment and losses on disposal of financial instruments	10.b.1	(13,881)	(9,699)
Net finance expense		(223,300)	(201,268)
Loss before income tax		(425,444)	(460,861)
Income tax	12.c	-	-
Loss for the year		(425,444)	(460,861)

Statement of Changes in Equity
31 December 2021

A) Statement of Recognized Income and Expense corresponding to the year ended
31 December 2021

Expressed in thousands of Euros

	NOTE	31/12/2021	31/12/2020
Loss for the year		(425,444)	(460,861)
Income and expense recognised directly in equity			
Grants, donations and bequests	9	259,273	426,973
Cash flow hedges	11	1,780	1,842
Actuarial gains and losses and other adjustments		1,371	209
Grants tax effect	9 and 12	(64,819)	(106,743)
Cash flow hedges tax effect	11	(445)	(460)
Total income and expense recognised directly in equity		197,160	321,821
Amounts transferred to the income statement			
Grants, donations and bequests	17	(120,820)	(120,588)
Tax effect	12	30,205	30,147
Total amounts transferred to the income statement		(90,615)	(90,441)
Total recognised income and expense		(318,899)	(229,481)

Statement of Changes in Equity
Corresponding to the year ended 31 December 2021

B) Statement of Total Changes in Equity corresponding to the year ended 31 December 2021

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 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)
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
Recognised income and expense	-	1,371	-	(425,444)	103,839	1,335	(318,899)
Increase in equity contributions (note 8.c)	466,174	-	-	-	-	-	466,174
Other changes in equity	-	-	(460,861)	460,861	-	-	-
Balance at 31 December 2021	16,084,010	31,101	(1,752,909)	(425,444)	11,155,119	(505)	25,091,372

Cash Flow Statement corresponding to the year ended 31 December 2021

Expressed in thousands of Euros

	31/12/2021	31/12/2020
Cash flows from/(used in) operating activities		
Loss for the period before tax	(425,444)	(460,861)
Adjustments for:	488,819	445,756
Depreciation and amortisation (+)	378,208	373,840
Impairment (+/-)	31,242	3,651
Change in provisions (+/-)	(826)	4,965
Grants recognised in the income statement (-)	(120,820)	(120,588)
Proceeds from disposals of fixed assets (+/-)	784	2,710
Finance income (-)	(110,117)	(121,442)
Finance costs (+)	317,805	310,528
Change in fair value of financial instruments (+/-)	1,731	2,483
Other income and expenses (-/+)	(9,188)	(10,391)
Changes in operating assets and liabilities	(462,582)	76,881
Trade and other receivables (+/-)	(174,087)	35,078
Trade and other payables (+/-)	(295,013)	189,114
Other current liabilities (+/-)	(19,364)	(98,562)
Other non-current assets and liabilities (+/-)	25,882	(48,749)
Other cash flows from/(used in) operating activities	(292,475)	(302,297)
Interest paid (-)	(286,773)	(291,435)
Dividends received (+)	2,307	4,585
Interest received (+)	-	1
Payments (collections) by tax of benefits (- / +)	26	7
Other amounts paid (received) (-/+)	(8,035)	(15,455)
Cash flows from/(used in) operating activities	(691,682)	(240,521)

Cash Flow Statement corresponding to the year ended 31 December 2021

	31/12/2021	31/12/2020
Cash flows from/(used in) investing activities		
Payments for investments (-)	(837,747)	(895,278)
Group companies and associates	(33,600)	(69,956)
Property, plant and equipment, intangible assets and investment property	(804,147)	(825,322)
Other financial assets	-	-
Proceeds from disposals (+)	-	195
Group companies and associates	-	195
Cash flows from/(used in) investing activities	(837,747)	(895,083)
Cash flows from/(used in) financing activities		
Proceeds from and payments for equity instruments	466,370	445,919
Issue of equity instruments	466,174	311,574
Grants, donations and bequests received	196	134,345
Europe	49	132,152
Others	147	2,193
Proceeds from and payments for financial liability instruments	865,763	676,799
Issue	2,114,250	1,298,871
Bonds and other marketable securities	600,000	600,000
Loans and borrowings (+)	1,108,000	579,000
Other payables (+)	406,250	119,871
Europe	26,250	898
A.G.E	50,000	118,847
Others	330,000	126
Redemption and repayment of	(1,248,487)	(622,072)
Loans and borrowings (-)	(910,448)	(616,376)
Other payables (-)	(338,039)	(5,696)
Europe	(2,006)	-
A.G.E	-	-
Others	(336,033)	(5,696)
Cash flows from/(used in) financing activities	1,332,133	1,122,718
Net increase in cash and cash equivalents	(197,296)	(12,886)
Cash and cash equivalents at beginning of year	353,335	366,221
Cash and cash equivalents at 31 December of year end	156,039	353,335

Notes to the
Annual Accounts

31 December 2021

Notes to the Annual Accounts
31 December 2021**(1) Activity of the Entity and Legal Status**

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

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

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

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

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

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

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

Notes to the Annual Accounts
31 December 2021

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

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

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

1.a) ADIF-Alta Velocidad statute

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

- ADIF-AV is a state-owned entity as provided for in article 43.1.b) of Law 6/1997 of 14 April 1997 on Organisation and Functioning of the General State Administration. This law primarily regulates the regime, organisation and operation criteria for the state administrative scheme within which state-owned entities are included. The Entity is part of this regime, falling under the Ministry of Public Works, today known as the today Ministry of Transport, Mobility and Urban Agenda.
- ADIF-AV, as a state-owned entity, is subject to provisions set forth in the General Budget Law 47/2003. As a result, it keeps separate accounting records for its different activities (rail infrastructure construction and administration activities, and additional, supplementary and auxiliary services) and is subject to financial oversight by the Spanish General State Comptroller (hereinafter IGAE) pursuant to the terms of Law 47/2003.
- 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

Notes to the Annual Accounts
31 December 2021

entity and entrusted to Administrador de Infraestructuras Ferroviarias (ADIF) until its creation.

- ADIF-AV will assume all the functions assigned to ADIF by virtue of Rail Sector Law 38/2015 of 29 September 2015 (Law 39/2003 of 17 November 2003, previously) in respect of those infrastructures it has been assigned ownership of, as well as in connection with those infrastructures allocated in the future.
- The Ministry of Economy and Finance and the Ministry of Public Works, today known as the today Ministry of Transport, Mobility and Urban Agenda, may entrust ADIF-AV with administration of state-owned infrastructures through the corresponding agreements or public-private partnerships.
- In order to fulfil its objectives, ADIF-AV may have its own equity other than that of the General State Administration, comprising the assets, rights and obligations held in its name.
- Management, administration and operation of the assets and rights held by ADIF-AV are subject to the terms of the regulations creating the entity, to Rail Sector Law 38/2015 of 29 September 2015 and to the present statute, and, for all other aspects not regulated therein, to Law 33/2003 of 3 November 2003, on Public Authority Assets.
- In any event, the following assets and rights are considered to be held by ADIF-AV:
 - a. All assets (moveable and immovable) and rights that, at the date of its incorporation are owned by or assigned to Administrador de Infraestructuras Ferroviarias (ADIF), are assigned thereto by virtue of an order issued by the Ministry of Public Works and the Ministry of Finance and Public Administrations, in accordance with article 1.5 of Royal Decree 15/2013 of 13 December 2013.
 - b. All assets, whether they are inalienable property in the public domain or privately-owned assets, comprising the railways and that at the date of creation of ADIF-AV were owned by Administrador de Infraestructuras Ferroviarias (ADIF), where ownership thereof is allocated to the former.
 - c. All stations and terminals serving the high-speed lines, where ownership has been attributed to it, and other property assets that are permanently necessary for providing the services constituting its activity.
 - d. In addition, ADIF-AV will own the rail infrastructures that it builds or acquires with its own funds and those that fall to it by virtue of future agreements.
- At any point ADIF-AV may exercise, with respect to public assets it holds, the powers of administration, defence, policing, investigation, division and recovery of possession as granted to the General State Administration by Law 33/2003 of 3 November 2003, on Public Authority Assets. With respect to the aforementioned assets, ADIF-AV is entrusted with establishing the system of use and with granting the concessions, authorisations, leases and other titles that enable potential use by third parties.

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

Notes to the Annual Accounts
31 December 2021

Ministry of Public Works, having their own legal identity, full capacity to operate and their own assets. These entities will be governed by the Rail Sector Law, by Law 6/1997 of 14 April 1997 on the Organisation and Functioning of the General State Administration, by its statute and by any other applicable regulations.

ADIF-AV assumes all the functions assigned to ADIF by virtue of the Rail Sector Law 38/2015 of 29 September, in respect of those rail infrastructures it has been assigned ownership of, as well as those infrastructures allocated in the future.

Article 1.7 of Royal Decree-Law 15/2013, of 13 December, 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.

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.

Notes to the Annual Accounts 31 December 2021

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.

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

Notes to the Annual Accounts
31 December 2021

- 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
- Management, promotion and coordination of corporate responsibility policies and strategies
- 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.
- 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.

Notes to the Annual Accounts 31 December 2021

- 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.

In accordance with the provisions of clause XIX of the Agreement of 20 December 2019, the Management Entrustment Agreement and its annexes may be amended by mutual agreement between the parties, through the subscription of the corresponding Addendum thereto.

By virtue of which, the first addendum to the Management Entrustment Agreement between ADIF AV and ADIF, is published in the BOE of 29 April 2020, for the performance of activities of a material or technical nature in the field of technical-economic analysis of contractual incidents and audits of internal controls.

1.c) AGE Agreement 2021-2025

On 26 July 2021 (published in the BOE on 29 July), the General State Administration and ADIF Alta Velocidad signed an Agreement for the Economic Sustainability of the Railway Infrastructures comprising its Network for the period from 1 January 2021 to 31 December 2025, the main characteristics of which are described below.

The purpose is to regulate the economic contributions of the AGE to ADIF-Alta Velocidad in accordance with the priorities established in the MITMA Mobility Strategy, the Indicative Strategy for the development, maintenance and renewal of rail infrastructures forming part of the General Interest Rail Network owned by ADIF-Alta Velocidad and the common European rail transport policy. These contributions are broken down into three main parts: investments financed through the Recovery and Resilience Facility (RRF-EU), operating subsidies to compensate for fare reductions, and equity contributions to finance the entity's own investments and other activities to fulfil its functions.

The aim is to give stability to the financial contributions of the AGE and define the commitments and obligations of ADIF-Alta Velocidad, in return for the AGE's contribution, in relation to the development and improvement of the network under its ownership, its administration and the rest of the functions entrusted to ADIF-Alta Velocidad.

The obligations acquired by ADIF Alta Velocidad are as follows:

- to execute during the term of the agreement (2021-2025) the total amount of investment defined in the agreement as shown below:

ADIF-Alta Velocidad (thousands of euros)	2021	2022	2023	2024	2025	Accumulated
INVESTMENTS (WITHOUT VAT)	2,543,497	1,935,074	1,932,006	1,764,481	2,040,244	10,215,302
RRM -EU	1,284,337	630,873	239,213	-	-	2,154,423
Own Investments	1,259,161	1,304,201	1,692,793	1,764,481	2,040,244	8,060,879

Notes to the Annual Accounts 31 December 2021

- to optimize the operation management of the administration of the railway network under its ownership and the results of the rest of the activities entrusted to the entity.
- to achieve the target values of the service provision indicators included in the agreement and which affect train performance (reliability of facilities and punctuality index), network capacity (availability of facilities), asset management (compliance with preventive maintenance plans), track quality, safety levels (train accidents under the manager's responsibility) and environmental protection (reduction of GHG emissions).

The AGE (through the Ministry of Transport, Mobility and Urban Agenda) must make the following financial contributions, in accordance with the provisions of the Agreement:

(thousands of euros)	PGE Account 2021	2021	2022	2023	2024	2025	Accumulated 2021-2025
Operating subsidies (chap- IV)		50,000	40,000	30,000	20,000	10,000	150.000
- For fare reduction compensation	17,40,453A,444	50,000	40,000	30,000	20,000	10,000	150.000
Capital transfer (Chapter VII)		1,284,337	630,873	239,213	-	-	2.154.423
- Recovery and Resilience Mechanism	17,50,20,450S,746	1,284,337	630,873	239,213	-	-	2.154.423
Equity contributions (Chapter VIII)	17,40,453A,871	466,174	311,574	311,574	311,574	311,574	1.712.470
Total contributions from the AGE		1,800,511	982,447	580,787	331,574	321,574	4,016,893

- a) Actions associated with the RRF-EU to finance investments in the development and renovation of railway infrastructure and service facilities forming part of the General Interest Railway Network, eligible for this type of financing. They will be charged to budget item 17.50.20.450A.746 "To ADIF-Alta Velocidad for the Recovery and Resilience Facility", of the PGE approved for the year 2021 or its equivalent in subsequent years.
- b) Equity contribution to finance investments and other activities of the entity for the fulfilment of its functions. It will be charged to budget item 17.40.453A.871 "ADIF-Alta Velocidad", of the PGE approved for 2021 or its equivalent in subsequent years.

The planning of the entity's investment actions, including those financed by the contributions included in points a) and b), will be included in the Activity Program, which will be reviewed annually according to the evolution of its execution, adapting it to the financing framework established in this Agreement.

- c) Coverage for the compensation of the reduction in fees. It will be charged to budget item 17.40.453A.444 "ADIF-Alta Velocidad for network administration", of the PGE approved for 2021, or its equivalent in subsequent years.

The contributions defined above represent the maximum amount of expenditure to be assumed by the AGE, through the Ministry of Transport, Mobility and Urban Agenda.

An Agreement Monitoring Committee is established whose main functions will be:

- a) review and follow-up of the actions included in the Agreement, proposing, as the case may be, the adjustments or modifications deemed necessary, as well as any other measure that may result in the successful conclusion of the Agreement and favour the fulfilment of the commitments or obligations of the parties.

Notes to the Annual Accounts
31 December 2021

- b) to resolve any problems of interpretation that may arise during the execution of this Agreement.
- c) approve the annual proposals for settlement of the financial contributions and keep track of the balance resulting from the annual activity of ADIF Alta Velocidad and the approved settlements.
- d) approve the final settlement proposal of the Agreement at the end of its term.
- e) To include in an annual report the main management results of the Agreement for each year, mainly in relation to compliance with deficit, investment and debt repayment targets.

A payment on account of the contributions of the AGE provided for in the Agreement signed is established. Thus, the AGE, through MITMA, will pay the annual contribution shown in the table above as a payment on account of the settlement of the fiscal year. Monthly payments will be made for the appropriations of Chapters IV and VII and quarterly payments for the appropriations of Chapter VIII (patrimonial contributions) once the mandatory report of the Secretary of State for Budgets and Expenditures foreseen in Law 62/2003, of 30 December 2003, has been obtained. In the case of the annuity corresponding to the year 2021, the corresponding payments will be regularized after the signing of this Agreement.

Likewise, a procedure for the provisional and final settlement of the financial contributions of the AGE is established, with the Monitoring Committee being responsible for approving the annual proposals for the settlement of the contributions. At the date of preparation of these annual accounts, there is no approved settlement proposal for the State contributions, so all references contained in this document to the settlement of the State contributions must be treated as provisional. However, the Entity estimates that the definitive settlement of these contributions will not give rise to significant changes in the issuance of these annual accounts.

ADIF Alta Velocidad will prepare and submit to the Monitoring Committee the provisional settlement proposal for the previous year, once the annual accounts have been approved. This liquidation proposal will show a breakdown of the differences between the forecasts and the values actually achieved in terms of compensation for fare reduction, the Entity's Profit and Loss Account, volume of own investments and those financed by RRF-EU, net debt limit, and the amounts of other sources of financing.

The specific settlement procedures for each of these items are described below:

- Compensation for fare reductions: ADIF Alta Velocidad will separately calculate the compensation derived from the fare difference included in the PGE Law for 2021, and, if applicable, in subsequent budgets if a reduction in fares over those established for said fiscal year is established for future fiscal years.

ADIF-Alta Velocidad will determine the revenues accrued in each year from the application of the tariffs included in the respective budget laws for each year, or the regulatory instruments that replace them, subject to settlement, and will compare them with the revenues settled to rail operators in application of the transitional provisions established in the aforementioned laws or other regulatory standards.

The contributions to be received by ADIF Alta Velocidad for this item will be the difference between the revenues accrued and those actually paid to rail operators in

Notes to the Annual Accounts
31 December 2021

each year, as indicated in the preceding paragraph (see note 14).

- ADIF Alta Velocidad will provide the total Income Statement of the Entity, including compensation for fare reductions as income. In the event that ADIF-Alta Velocidad obtains exceptional income not included in table 5.1 of the annex to the Agreement signed, such exceptional income will not be reflected in the income statement for settlement purposes, so that such exceptional income does not form part of the amount to be financed as a subsidy.
- ADIF Alta Velocidad will contribute its own investments eligible for settlement in accordance with the amount executed and recorded in the approved annual accounts for the year, after deduction of EU Structural Funds, application of taxes and other subsidies. In addition, the liquidation proposal will include the participating loans or credits to investee companies disbursed in the year and reduced by the amount of the repayments of such credits.

Settlements of own investments will be made on a cumulative basis from 1 January 2021 to 31 December of the year being settled (see note 8.a).

- ADIF Alta Velocidad will provide for information purposes in the provisional settlement the investments executed and recorded in the annual accounts, linked to the RRF funds (Recovery and Resilience Facility). These investments will be settled cumulatively from 1 February 2020 according to the criteria and indicators approved for the same and governed by its specific regulations.
- ADIF Alta Velocidad will provide the quantification of the net indebtedness for the year, which must be lower than the limit authorized for each of the years in the respective General State Budget Laws.

As established in section 3.2 of Clause Nine of the Agreement, the equity contribution included as Chapter VIII and which finances the Entity's deficit and its own investments will not be subject to liquidation, except for what, if applicable, is derived from section 3.3 of the aforementioned clause referring to the contribution for investments.

The Monitoring Committee will decide within one month on the provisional approval of the liquidation proposal submitted by ADIF Alta Velocidad. Once provisionally approved, it will be sent to the IGAE to issue the definitive financial control report, establishing a maximum period of two months to issue its provisional report.

The Monitoring Committee will decide on the approval of the final annual settlement, which may not be approved for an amount different from that resulting from the IGAE report.

1.d) 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).

Notes to the Annual Accounts 31 December 2021

- 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.

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

- High-speed Madrid-Cuenca-Valencia line and high-speed link with Albacete and Alicante
- Valencia-Vandellós stretch of the Mediterranean Corridor
- Santiago de Compostela-Vigo stretch of the high-speed Atlantic Axis
- Castellón de la Plana Station
- The fibre optic network, as well as repeater towers and auxiliary installations located along the Orense-Santiago stretch of the high-speed Galicia line.
- Order FOM/2438/2013 of 17 December 2013 establishes the list of personnel of the state-owned entity Administrador de Infraestructuras Ferroviarias that will form part of the state-owned entity ADIF-AV.
- In resolutions dated 27 June 2014, the Council of Ministers approved the transfer from ADIF to ADIF-AV of ownership of the following assets:
 - 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 4,4-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
 - Bobadilla-Granada stretch of the Iberian gauge rail network
 - Loja Station

Notes to the Annual Accounts 31 December 2021

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 23 February 2018, formalizing its delivery through a formal document signed between ADIF and ADIF AV on 25 May 2018 for a net book value of 116,123 thousand euros.
 2. Taboada - Ourense section: with a length of 14 km. In a meeting held on 6 April 2018, the Council of Ministers agreed to transfer this section, formalizing its ADIF delivery note to ADIF AV on 25 May 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 25 May 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 25 May 2018, the transfer of the aforementioned section of ADIF to ADIF AV was formalized and its delivery was formalized by means of a signed document on 26 September, 2018 with a net book value of 82,875 thousand euros.
- The resolution of the Secretary of State for Infrastructure, Transport and Housing, dated 23 May 2014, entrusts ADIF and ADIF-AV, in their respective areas of responsibility, with construction and works for the public service rail network, as put to tender and awarded by the Ministry of Public Works, determining that the construction will be made using ADIF or ADIF-AV's resources, as applicable.
- On 21 December 2009, the Ministry of Public Works, the Catalonia Regional Government, the Barcelona City Council, ADIF and RENFE Operadora signed an addenda to the collaboration agreement entered into on 12 June 2002 in connection with the high-speed network in the city of Barcelona and the corresponding remodelling of railway infrastructures. The addenda establishes the contribution from the General State Administration to ADIF of a total of 255,000 thousand euros, to finance the Sagrera Station, distributed in annual payments of 51,000 thousand euros from 2009 to 2013.

Notes to the Annual Accounts
31 December 2021

- 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.

1.e) 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 Public Works (MITMA) for inclusion in the preliminary draft of the General State Budget Law.

Notes to the Annual Accounts 31 December 2021

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.

In this way, a reduction in the fees payable by Railway Operators was established, establishing that "The Ministry of Transport, Mobility and Urban Agenda will compensate the railway infrastructure managers for the difference between the fees that these entities should have received through the application of the unit amounts provided for in Article 80 and those actually paid by the taxpayers (Railway Companies) as a result of the settlements issued with the unit amounts established in this sixth transitory provision".

This compensation by the Ministry of Transport, Mobility and Urban Agenda will be charged to the budget allocations contemplated in the Agreements signed between the General State Administration and the Infrastructure Administrators for the economic sustainability of the infrastructures that make up its Network.

The purpose of this fee proposal is to provide the railway system with incentives to facilitate and promote the offer of services at the beginning of the liberalization of passenger transport by rail and the recovery of the traffic levels existing prior to the pandemic.

The following is a detail of the fees in force:

- Fee for Use of RFIG Railway Lines Managed by ADIF - Alta Velocidad.

The taxable event of the fee is the use of the RFIG railway lines, as well as the provision of services inherent to such 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 multiplying the rate established for the financial year 2021 for each train-kilometer awarded, distinguishing by type of line affected 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 multiplying the rate established for the financial year 2021 for each train-kilometer 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 multiplying the tariff established for the

Notes to the Annual Accounts 31 December 2021

financial year 2021 by each train-kilometer circulated by electrified railway lines 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.

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 2021 and the results of its operations, changes in the net equity and cash flows for the period from 1 January 2021 to 31 December 2021.

Notes to the Annual Accounts 31 December 2021

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 annual accounts 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 Annual Accounts 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 2021, those corresponding to the previous year that were part of the annual accounts for 2020 approved by the Board of Directors of ADIF AV dated 30 March 2021. In comparing the information, the circumstances indicated in Note 2.e. must be taken into account.

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

Preparation of the annual accounts 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.

Notes to the Annual Accounts
31 December 2021

- 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 probability that a contingency will materialise, and of the amount of the liability to be settled in the future. (see Note 3.i).
- Balances related to the Agreement between the General State Administration and ADIF Alta Velocidad for the economic sustainability of the railway infrastructure comprising its network during the period 2021-2025 signed in July 2021 (see note 1.c).

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.

Notes to the Annual Accounts
31 December 2021**2.e) First application of the amendments made to the General Chart of Accounts by Royal Decree 1/2021, dated 12 January**

On 30 January 2021, Royal Decree 1/2021, dated 12 January 2021, was published, amending the General Chart of Accounts (PGC) approved by Royal Decree 1514/2007, dated 16 November 2007; the General Chart of Accounts for Small and Medium-sized Companies approved by Royal Decree 1515/2007, dated 16 November 2007; the Rules for the Preparation of Consolidated Annual Accounts approved by Royal Decree 1159/2010, of 17 September and the rules for the adaptation of the Spanish National Chart of Accounts for non-profit entities approved by Royal Decree 1491/2011, of 24 October. The mentioned Royal Decree came into force the day after its publication in the Official State Gazette, and is applicable for fiscal years beginning on or after 1 January 2021.

The aforementioned Royal Decree has introduced amendments to the Spanish National Chart of Accounts, mainly in relation to the classification and valuation of financial instruments, the recognition of revenues from sales and services rendered and hedge accounting, with the first date of application of these amendments being 1 January 2021.

In accordance with the provisions of the First Transitional Provision of the Royal Decree, the Entity has opted not to restate the comparative information included in the 2021 annual accounts in order to adapt it to the new criteria.

Information on the first application of the changes introduced by the aforementioned Royal Decree is detailed below:

First application of the changes introduced in relation to the classification and valuation of financial instruments, in the recording and valuation standard 9 "Financial instruments" of the Spanish National Chart of Accounts.

The Entity has opted to apply the first-time application criteria established in section 6 of the Second Transitional Provision of the Royal Decree, and has therefore followed the following rules:

- a) The Entity's management judgment for the purpose of classifying financial assets has been made at the date of first-time application based on the facts and circumstances existing at that date. The resulting classification has been applied prospectively.
- b) The carrying amount at the end of the previous year of the financial assets and liabilities that must follow the amortized cost criteria was considered to be their amortized cost at the beginning of the 2021 financial year. Similarly, the carrying amount at the end of the previous year of the financial assets and liabilities that must follow the cost or cost plus method has been considered their cost or cost plus at the beginning of the year 2021. If applicable, the gains and losses accumulated directly in equity have been adjusted against the carrying value of the asset.
- c) The comparative information has not been adapted to the new criteria, without prejudice to the reclassification of items that may be necessary to show the balances of the previous year adjusted to the new presentation criteria.

The reconciliation at the date of first-time application between each class of financial assets and liabilities is presented below, with information on the initial valuation category in

Notes to the Annual Accounts 31 December 2021

accordance with the previous standards and the new valuation category in accordance with the new criteria.

FINANCIAL ASSETS		
Previous valuation category	New valuation category	Note to the financial statements reference
Investments in the equity of group, multigroup and associated companies	Financial assets at cost	Note 5
Loans and receivables	Financial assets at amortized cost	Note 6

FINANCIAL LIABILITIES		
Old valuation category	New valuation category	Note to the financial statements reference
Payables and payables	Financial liabilities at amortized cost	Note 11

As indicated above, the Entity's management judgment for the purpose of classifying financial assets has been made at the date of first application based on the facts and circumstances existing at that date: In general, the application of the new classification criteria has not involved a high level of judgment since most of the Entity's financial assets continue to be valued at amortized cost, since the Entity holds them with the objective of receiving the contractual cash flows, and these correspond only to principal and interest payments. Likewise, investments in the equity of group and associated companies have continued to be valued at cost.

First application of the changes introduced in the recognition of revenues from sales and services rendered, in the recording and valuation standard 14 of the Spanish National Chart of Accounts.

In accordance with the provisions of section 4 of the Fifth Transitional Provision of the Royal Decree, the Entity has opted to continue to apply the recognition criteria in force until 31 December 2020 for contracts that were not completed at 1 January 2021, and therefore the first application of the new criteria has had no impact on the Entity's annual accounts.

First application of the amendments to the Spanish National Chart of Accounts relating to hedge accounting

In accordance with the provisions of section 2 of the Third Transitional Provision of the Royal Decree, the Entity has applied the hedge accounting criteria approved by the Royal Decree prospectively, to the extent that the requirements for this were met at the date of first application. In this regard, hedging relationships that met the requirements for hedge accounting in accordance with the previous wording of the Spanish National Chart of Accounts and that also meet the requirements established in the wording given by the Royal Decree, after taking into account any new rebalancing of the hedging relationship at the time of transition, have been considered as a continuation of the hedging relationships.

In accordance with commercial legislation, for comparative purposes, the figures for the previous year are presented for each of the items in the balance sheet, the income statement, the statement of changes in equity and the cash flow statement, in addition to the figures for the 2021 financial year. Quantitative information is also included in the notes to the financial statements. When comparing the information, the circumstances indicated in the preceding paragraphs must be taken into account.

Notes to the Annual Accounts 31 December 2021

(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. 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:

	<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:

Notes to the Annual Accounts
31 December 2021

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

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

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

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

Notes to the Annual Accounts
31 December 2021

to 1.5% of the funds contributed by the State to finance this type of work. Pursuant to Article 3 of Law 14/2021, of 11 October 21, this percentage has become 2% as of October 2021.

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

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

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

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

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

In the case of 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.

Notes to the Annual Accounts
31 December 2021

- 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 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

Notes to the Annual Accounts 31 December 2021

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.d).

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

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

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

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

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

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

- Depreciation of high-speed rail infrastructure

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

	<u>Years</u>
Track bed	
- Earthmoving	100
- Stone and brick works	100
- Tunnels and bridges	100
- Drainage	25
- Enclosures	50
Track superstructure	30-60

Notes to the Annual Accounts
31 December 2021

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:

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

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

• **Impairment**

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

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

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

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

Notes to the Annual Accounts
31 December 2021

adversely affect the Entity.

- There are reasonable doubts as to whether the technical performance of the asset can be maintained in the future, on the basis of the forecasts considered at the date of its recognition by the Entity.
- Suspension of the asset's construction before it is ready to enter into service.
- Cessation of or significant reduction in demand or need for the services rendered with the asset. Nevertheless, a mere reduction in demand does not necessarily indicate that these assets are impaired, as the demand or need for these services may fluctuate over time.

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

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

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

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

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.

Notes to the Annual Accounts
31 December 2021

3.d) Financial assets

Classification and valuation

For valuation purposes, the financial assets held by the Company are classified in the following categories:

- ***Financial assets at cost:***

In any case, the following are included in this valuation category:

- a) Investments in the equity of group companies, jointly controlled entities and associates, as defined in the 13th standard for the preparation of the annual accounts of the Spanish National Chart of Accounts.
- b) The remaining investments in equity instruments whose fair value cannot be determined by reference to a quoted price in an active market for an identical instrument, or cannot be reliably estimated, and the derivatives underlying these investments.
- c) Hybrid financial assets whose fair value cannot be reliably estimated, unless they meet the requirements for recognition at amortized cost.
- d) Contributions made as a result of joint ventures and similar agreements.
- e) Participating loans whose interest is contingent, either because a fixed or variable interest rate is agreed upon, conditioned to the fulfillment of a milestone in the borrower company (for example, the obtaining of profits), or because they are calculated exclusively by reference to the evolution of the activity of the aforementioned company.
- f) Any other financial asset that initially should be classified in the fair value portfolio with changes in the profit and loss account when it is not possible to obtain a reliable estimate of its fair value.

Investments included in this category are initially valued at cost, which is equivalent to the fair value of the consideration paid plus directly attributable transaction costs, the latter not being included in the cost of investments in group companies.

However, in those cases in which there is an investment prior to its classification as a group, multi-group or associated company, the cost of such investment is considered to be the book value that it should have had immediately before the company was classified as a group, multi-group or associated company.

The initial valuation of the equity instruments also includes the amount of any preferential subscription rights and similar rights acquired.

Subsequent to initial recognition, equity instruments included in this category are valued at cost, less any accumulated impairment losses.

When a value must be assigned to these assets due to derecognition or for other reasons, the weighted average cost method is applied by homogeneous groups, which are understood to be those securities that have equal rights.

Notes to the Annual Accounts
31 December 2021

Contributions made as a result of joint ventures and similar agreements are valued at cost, increased or decreased by the profit or loss, respectively, corresponding to the Company as a non-managing participant, less, if applicable, the accumulated amount of impairment losses.

Participating loans whose interest is contingent, either because a fixed or variable interest rate is agreed upon conditioned to the fulfillment of a milestone in the borrower company (for example, the obtaining of profits), or because they are calculated exclusively by reference to the evolution of the activity of the aforementioned company, are valued at cost, less, if applicable, the accumulated amount of the valuation adjustments due to impairment. If, in addition to a contingent interest, an irrevocable fixed interest is agreed, the latter is recorded as financial income on an accrual basis. Transaction costs are charged to the income statement on a straight-line basis over the life of the participating loan.

At least at year-end, the necessary valuation adjustments are made whenever there is objective evidence that the carrying amount of an investment will not be recoverable. The amount of the valuation adjustment is the difference between its book value and the recoverable amount, understood as the higher of its fair value less costs to sell and the present value of the future cash flows derived from the investment, which in the case of equity instruments is calculated, either by estimating those expected to be received as a result of the distribution of dividends by the investee and the disposal or derecognition of the investment in the investee, or by estimating its share of the cash flows expected to be generated by the investee, both from its ordinary activities and from its disposal or derecognition.

Unless there is better evidence of the recoverable amount of investments in equity instruments, the estimate of the impairment loss on this type of asset is calculated on the basis of the equity of the investee and the unrealized gains existing at the valuation date, net of the tax effect. In determining this value, and provided that the investee has in turn invested in another investee, the equity included in the consolidated annual accounts prepared by applying the criteria of the Commercial Code and its implementing regulations is taken into account. When the investee is domiciled outside Spanish territory, the closing exchange rate is applied to the equity and unrealized capital gains existing at that date.

The recognition of impairment losses and, if applicable, their reversal, are recorded as an expense or income, respectively, in the income statement. The reversal of the impairment is limited to the carrying amount of the investment that would have been recognized at the date of reversal if the impairment had not been recorded.

- ***Financial assets at amortized cost:***

A financial asset is included in this category, even when it is admitted to trading on an organized market, if it is held under a business model whose objective is to hold the investment to receive the cash flows arising from the execution of the contract and the contractual terms of the financial asset give rise, at specified dates, to cash flows that are solely collections of principal and interest on the principal amount outstanding.

Contractual cash flows that are solely collections of principal and interest on the principal amount outstanding are inherent to an agreement that is in the nature of an ordinary or common loan, notwithstanding that the transaction is agreed at a zero or below-market interest rate.

Notes to the Annual Accounts
31 December 2021

The management of a group of financial assets to obtain their contractual flows does not imply that the Company has to hold all the instruments to maturity; financial assets may be considered to be managed for this purpose even if sales have occurred or are expected to occur in the future. For this purpose, the Company considers the frequency, amount and timing of sales in prior years, the reasons for those sales and expectations regarding future sales activity. The Company's management of these investments is a matter of fact and does not depend on its intentions for an individual instrument.

In general, this category includes trade receivables (financial assets arising from the sale of goods and the rendering of services in connection with the Company's business transactions with deferred payment), and non-trade receivables (financial assets which, not being equity instruments or derivatives, do not have a commercial origin and whose collections are of a determined or determinable amount, arising from loan or credit transactions granted by the Company).

The Company considers that trade debtors and accounts receivable that will be assigned to third parties and that will not be derecognized are maintained in this business model.

Financial assets classified in this category are initially measured at fair value, which, unless there is evidence to the contrary, is the transaction price, which is equivalent to the fair value of the consideration given, plus directly attributable transaction costs. These financial assets are subsequently measured at amortized cost. Accrued interest is recognized in the income statement using the effective interest rate method.

However, trade receivables maturing in less than one year and which do not have an explicit contractual interest rate, as well as receivables from personnel, dividends receivable and disbursements required on equity instruments, the amount of which is expected to be received in the short term, are valued at their nominal value when the effect of not discounting cash flows is not significant.

When the contractual cash flows of a financial asset are modified due to the issuer's financial difficulties, the Company analyses whether an impairment loss should be recorded.

At least at year-end, the necessary valuation adjustments are made whenever there is objective evidence that the value of a financial asset, or a group of financial assets with similar risk characteristics valued collectively, has deteriorated as a result of one or more events that have occurred after its initial recognition and that cause a reduction or delay in the estimated future cash flows, which may be caused by the debtor's insolvency. In this case, the impairment loss on these financial assets is the difference between their carrying amount and the present value of future cash flows, including, if applicable, those from the execution of real and personal guarantees, estimated to be generated, discounted at the effective interest rate calculated at the time of initial recognition.

Interest and dividends received from financial assets

Interest and dividends on financial assets accrued after the time of acquisition are recognized as income in the income statement. Interest on financial assets valued at amortized cost is recognized using the effective interest rate method and dividends are recognized when the member's right to receive them is declared.

In the initial valuation of financial assets, the amount of explicit interest accrued and not due at that time, as well as the amount of dividends agreed by the competent body at the time of acquisition, are recorded separately in the initial valuation of the financial assets,

Notes to the Annual Accounts
31 December 2021

based on their maturity. As a result, these amounts are not recognized as income in the income statement.

If the dividends distributed unequivocally derive from results generated prior to the acquisition date because amounts in excess of the profits generated by the investee since the acquisition have been distributed, they are not recognized as income and reduce the carrying amount of the investment.

Derecognition of financial assets

The Company derecognizes a financial asset, or part thereof, when the contractual rights to the cash flows from the financial asset expire or have been transferred, and substantially all the risks and rewards of ownership have been transferred, in circumstances that are assessed by comparing the Company's exposure, before and after the transfer, to changes in the amounts and timing of the net cash flows of the transferred asset.

When the financial asset is derecognized, the difference between the consideration received net of attributable transaction costs, (considering any new asset obtained less any new liability assumed), and the carrying amount of the financial asset, determines the gain or loss arising on derecognition of the asset, which forms part of the profit or loss for the year in which it arises. Likewise, any gain or loss accumulated directly in equity is reclassified to the income statement.

3.e) Financial liabilities

Financial instruments issued, incurred or assumed are classified as financial liabilities, in whole or in part, provided that according to their economic reality they entail a direct or indirect contractual obligation for the Company to deliver cash or another financial asset, or to exchange financial assets or liabilities with third parties under potentially unfavourable conditions, such as a financial instrument that provides for its mandatory repurchase by the issuer, or that gives the holder the right to require the issuer to redeem it on a specific or determinable date and for a specific or determinable amount, or to receive a predetermined remuneration provided that there are distributable profits, such as certain redeemable shares and non-voting shares or units.

Classification and valuation

For valuation purposes, the financial liabilities held by the Company are classified in the following categories:

- ***Financial liabilities at amortized cost:***

The Company classifies all financial liabilities in this category except when they must be valued at fair value through profit or loss.

In general, this category includes trade payables (financial liabilities arising from the purchase of goods and services in connection with the Company's business transactions with deferred payment) and non-trade payables (financial liabilities which, not being derivative instruments, do not have a commercial origin, but arise from loans or credits received by the Company).

Notes to the Annual Accounts
31 December 2021

Participating loans that have the characteristics of an ordinary or common loan are also included in this category, regardless of whether the transaction is agreed at a zero or below-market interest rate.

Financial liabilities included in this category are initially measured at fair value, which, unless there is evidence to the contrary, is the transaction price, which is equivalent to the fair value of the consideration received adjusted for directly attributable transaction costs. These financial liabilities are subsequently measured at amortized cost. Accrued interest is recognized in the income statement using the effective interest rate method.

However, trade payables maturing in less than one year and which do not have a contractual interest rate, as well as disbursements required by third parties on participations, the amount of which is expected to be paid in the short term, are valued at their nominal value, when the effect of not discounting cash flows is not significant.

- ***Financial liabilities at fair value through profit or loss:***

This category includes financial liabilities that meet any of the following conditions:

- a) They are liabilities held for trading. The Company considers that a financial liability is held for trading when:
 - i. It is issued or assumed principally for the purpose of repurchase in the short term.
 - ii. It is an obligation that a short seller has to deliver financial assets that have been loaned to it.
 - iii. It forms part, at the time of initial recognition, of a portfolio of identified financial instruments that are managed together and for which there is evidence of recent actions to obtain gains in the short term; or
 - iv. Is a derivative financial instrument, provided that it is not a financial guarantee contract and has not been designated as a hedging instrument.
- b) These are liabilities that, from the time of initial recognition and irrevocably, have been designated by the Company to be accounted for at fair value through profit or loss, given that:
 - i. An inconsistency or "accounting asymmetry" with other instruments at fair value through profit or loss is eliminated or significantly reduced; or
 - ii. A group of financial liabilities or financial assets and liabilities is managed and its performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy and information on the group is also provided on a fair value basis to key management personnel.
- c) These are non-segregated hybrid financial liabilities included on an optional and irrevocable basis.

Financial liabilities included in this category are initially measured at fair value, which, unless there is evidence to the contrary, is the transaction price, which is equivalent to the fair value of the consideration received. Transaction costs directly attributable to them are recognized in the income statement for the year. After initial

Notes to the Annual Accounts
31 December 2021

recognition, the Company measures the financial liabilities included in this category at fair value through profit or loss.

Derecognition of financial liabilities

The Company derecognizes a financial liability, or part thereof, when the obligation has been extinguished, i.e., when it has been satisfied, cancelled or has expired.

If there is an exchange of debt instruments between the Company and the counterparty, provided that they have substantially different terms, the original financial liability is derecognized and the new financial liability is recognized at fair value. In the same way, a substantial modification of the current conditions of a financial liability is recorded. The difference between the carrying amount of the financial liability or part thereof that has been derecognized and the consideration paid, including any costs or commissions incurred, which also includes any asset transferred other than cash or liability assumed, is recognized in the income statement for the year in which it occurs.

In the case of an exchange of debt instruments that do not have substantially different terms, the original financial liability is not derecognized and any transaction cost or commission incurred adjusts the carrying amount of the financial liability. From that date, the amortized cost of the financial liability is determined by applying the effective interest rate that matches the carrying amount of the financial liability with the cash flows payable under the new terms.

For these purposes, the Company considers that the conditions of the contracts are substantially different, among other cases, when the present value of the cash flows of the new contract, including any commission paid, net of any commission received, differs by at least ten percent of the present value of the remaining cash flows of the original contract, both amounts discounted at the effective interest rate of the latter.

Financial guarantee contracts

In the case of financial guarantees granted to associated entities without consideration, these are initially recognized at fair value (in this sense, market prices for similar guarantee contracts may be used) with a charge to the investment in the associated entity, which will be subject to the applicable impairment criteria. In subsequent periods the liability for the financial guarantee will be recorded at the higher of:

- the amount determined in accordance with the accounting policy for provisions in paragraph i).
- the amount initially recognized, less, where applicable, the accumulated amortization recognized in accordance with the income accounting policy set forth in paragraph m).

Deposits given and received

Deposits or guarantees provided as security for certain obligations are valued at the amount actually paid, which does not differ significantly from their fair value.

Deposits received as a result of operating leases (or service contracts) are valued following the criteria set out for financial liabilities. The difference between the amount received and the fair value is recognized as an advance payment for the lease (or provision of the service), which is charged to the income statement during the lease

Notes to the Annual Accounts
31 December 2021

period (or during the period in which the service is provided). Advances to be applied in the long term are subject to financial restatement at the end of each year based on the market interest rate at the time of their initial recognition.

Security deposits delivered as a result of operating leases (or service contracts) are valued in accordance with the criteria set out for financial assets. The difference between the amount delivered and the fair value is recognized as an advance payment for the lease (or provision of the service), which is charged to the income statement during the lease period (or during the period in which the service is provided). Advances to be applied in the long term are subject to financial restatement at the end of each year based on the market interest rate at the time of their initial recognition.

When estimating the fair value of the deposits, the remaining period is taken as the minimum contractual period during which the amount cannot be repaid, without taking into account the statistical behaviour of repayment.

Derivative Financial Instruments.

Derivative financial instruments that meet hedge accounting criteria are initially recognized at fair value plus, where appropriate, transaction costs that are directly attributable to the contracting thereof or less, where appropriate, transaction costs that are directly attributable to the issuance thereof.

The Entity undertakes cash flow hedges. At the inception of the hedge, the Entity formally designates and documents the hedging relationships, as well as the objective and strategy it assumes with respect to 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 periods in offsetting changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated (prospective analysis) and the actual effectiveness, which can be reliably determined, is in the range of 80-125% (retrospective analysis).

The Company records as income and expenses recognized in equity the gains or losses arising from the valuation at fair value of the hedging instruments corresponding to the portion that has been identified as an effective hedge. The part of the hedge that is considered ineffective, as well as the specific component of the loss or gain or cash flows related to the hedging instrument, excluded from the valuation or effectiveness of the hedge, are recognized in the item of change in fair value in financial instruments in the income statement.

When the hedging instrument expires, or is sold, terminated or exercised, or no longer meets the criteria for hedge accounting, the corresponding amount accumulated in equity is recognized in the income statement.

3.f) Cash and cash equivalents

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

- They may be converted into cash.
- They have a maturity of three months or less upon acquisition.
- They are not subject to a significant risk of changes in value.

Notes to the Annual Accounts
31 December 2021

- They form part of the Entity's usual cash management policy.

3.g) Grants, donations and bequests received

This heading, which corresponds to the Entity's equity, basically includes non-refundable capital subsidies granted for the construction of assets owned by the Entity, including most notably those from European Funds (Cohesion, Trans-European Transport Networks [TEN-T], the European Regional Development Fund [ERDF] and the Recovery and Resilience Mechanism (RRM)). The Entity records these grants at the amount granted, net of the tax effect, when, in accordance with the provisions of Recording and Measurement Standard 18 of the Spanish National Chart of Accounts, there is a grant agreement, the conditions established for their receipt have been met and there are no reasonable doubts as to their collection.

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 annual accounts, 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.

Notes to the Annual Accounts
31 December 2021**3.h) Long-term employee benefits (liabilities)**

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

- **Defined benefit plans**

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

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

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

- **Defined contribution plans**

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

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

3.i) Provisions

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

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

Notes to the Annual Accounts
31 December 2021

to their amount or date. For the quantification of the aforementioned obligations, estimates of the expected cash flows to be obtained in each case are considered, provided by the Management of each of the Companies, 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

Notes to the Annual Accounts
31 December 2021

is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable income.

(ii) Recognition of deductible temporary differences

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

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

(iii) Measurement

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

(iv) Offset and classification

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

3.m) Recognition of income and expenses

Income and expenses are recognised on an accruals basis, 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

Notes to the Annual Accounts
31 December 2021

classified as operating leases, consist mainly of the assignment of fibre optic cables not required for rail traffic and the rental of commercial space.

(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 2021 and full year 2020 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).

Notes to the Annual Accounts 31 December 2021

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

Up to 31 December 2021, 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	
	31/12/2021	31/12/2020
Valencia Parque Central Alta Velocidad 2003, S.A.	61,266	61,266
Valladolid Alta Velocidad 2003, S.A.	54,378	54,378
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	183,954

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 these annual accounts, 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 annual accounts, the Entity and Valencia Parque Central Alta Velocidad 2003, S.A. had not formalised a deed of handover for the transfer of ownership.

On 12 November 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 54,378 thousand euros. In said agreement it is established that the consideration to be paid for this delivery will consist of the delivery of ADIF AV to VAV of the lands that are unaffected or that may be affected in the future of the railway use and that are owned by them. As of the closing date of these annual accounts, ADIF AV has recorded a long-term liability for this concept with the company VAV.

The railway works recorded at the end of these annual accounts delivered by the investee León Alta Velocidad 2003, S.A. are those deriving from the delivery agreement signed between ADIF-

Notes to the Annual Accounts 31 December 2021

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 annual accounts 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 annual accounts.

Pursuant to Royal Decree Law 4/2013 of 22 February and the Recast 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 linked to various sections of the Madrid-Galicia High Speed Railway, basically comprised between Medina and Lubián (Zamora). Up to the date of issue of these Annual accounts, the Entity has recorded as property, plant and equipment in progress or completed, when the infrastructures have been put into operation, these assets for an accumulated value of 819,460 thousand euros, recognizing the corresponding capital grant as a balancing entry. Of this amount, a total of 778,953 thousand euros correspond to assets which have been transferred by SEITTSA. Below is a summary, in thousands of euros, of the situation at 31 December 2021 and at 31 December 2020 of the works received by the Entity for free and relating exclusively to the High Speed Line Madrid Galicia, in application of Royal Decree-Law 4/2013 and of the above mentioned recast agreement:

ORIGIN	Land Valuation and works received for free platform in operation Madrid- Galicia High Speed Line	
	31/12/2021	31/12/2020
A.G.E. Real Decreto ley 4/2013	40,507	40,507
SEITTSA, Convenio Refundido	778,953	773,643
	819,460	814,150

4.a) Operating property, plant and equipment

The following is a breakdown of the acquisition or production cost at 31 December 2021 and at 31 December 2020 of the Entity's property, plant and equipment by high speed network line:

Notes to the Annual Accounts
31 December 2021

31/12/2021 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	783,469	646,374	10,368,155	14,470	11,812,468
Mediterranean Corridor	52,846	25,181	1,181,782	186	1,259,995
Madrid-Levante	899,857	216,451	7,431,414	1516	8,549,238
Madrid-Sevilla and ramal a Toledo	76,924	449,306	2,483,458	9,743	3,019,431
Córdoba-Málaga	117,492	67,384	2,277,735	1284	2,463,895
Antequera-Granada	65,985	42,639	1,259,008	125	1,367,757
Madrid-Valladolid	44,851	62,929	3,804,748	519	3,913,047
Valladolid – León	103,398	40,041	1,191,696	235	1,335,370
Olmedo – Zamora	81,818	46,509	3,683,433	317	3,812,077
Santiago de Compostela-Vigo Atlantic axis	124,422	66,099	1,867,717	492	2,058,730
Others	263,780	62,087	858,064	13,444	1,197,375
	2,614,842	1,725,000	36,407,210	42,331	40,789,383

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	1360	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	1284	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

4.b) Work in progress

Work in progress at 31 December 2021 and 31 December 2020 is detailed in the table below:

Notes to the Annual Accounts 31 December 2021

	Thousands of Euros	
	31/12/2021	31/12/2020
Madrid - Zaragoza - Barcelona – Figueras	414,775	434,592
Zaragoza - Pamplona, Tramo Castejón - Comarca de Pamplona	145,842	124,815
Madrid - Castilla la Mancha - Com. Valenciana - Región de Murcia	1,213,499	2,046,717
Mediterranean Corridor de AV	16,363	15,306
Enlace Mediterranean Corridor, Área Tarragona	91,946	81,781
L.A.V. Pulpí – Murcia	126,872	89,755
L.A.V. Murcia – Almería	649,120	609,419
Córdoba – Málaga	11,324	7,527
L.A.V. Bobadilla – Granada	104,660	87,342
L.A.V. Madrid - Cáceres, tramo Navalmoral de la Mata - Cáceres	857,167	812,085
L.A.V. Madrid - Extremadura - F. portuguesa, tramo Cáceres - Mérida – Badajoz	554,696	470,857
Madrid - Segovia – Valladolid	5,105	5,176
Valladolid - Burgos – Vitoria	723,015	707,306
L.A.V. País Vasco	1,714,757	1,577,375
Palencia – León	145,018	165,717
L.A.V. León – Asturias	3,162,584	3,140,649
L.A.V. Galicia (Olmedo - Lubián)	26,587	507,208
L.A.V. Galicia (Lubián - Ourense)	157,665	2,016,553
High Speed Atlantic Axis	51,318	52,920
Madrid Atocha - Madrid Chamartín	836,933	811,004
Atocha Station complex expansion	11,590	7,931
Other High Speed investments,	138,953	116,942
Investments in asset replacement and improvement	374,414	242,982
TOTAL	11,534,203	14,131,959

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 2021 and 31 December 2020 arising from outstanding contractual issues pending formalization worth 4,584 and 13,159 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.

The balances of work in progress at 31 December 2021 and 31 December 2020 include 210,049 thousand euros and 156,277 thousand euros respectively in respect of advances from suppliers of fixed assets. As an integral part of this item, at 31 December 2020, advances granted to suppliers that have not been contractually formalized amounting to 1,950 thousand euros are recorded, and there is no amount at 31 December 2021. This heading also includes advances for the future delivery of railway works arising from agreements entered into by the Entity with its associates, as follows at 31 December 2021 and 31 December 2020:

Notes to the Annual Accounts 31 December 2021

	Thousands of Euros	
	31/12/2021	31/12/2020
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.

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 2021, the Entity has firm commitments with third parties to make future investments of 3,166,860 thousand euros, excluding VAT. At 31 December 2020, the Company had firm commitments with third parties to make future investments of 2,981,341 thousand euros, excluding VAT.

4.c) Capitalised borrowing costs

During 2021, the Entity capitalised borrowing costs totalling 96,156 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 17,799 thousand euros in relation to the Levante/Murcia line; 25,556 thousand euros reflecting the cost of the high-speed rail network of the Basque Country, called "Y Vasca"; 6,279 thousand euros representing the costs of the Valladolid-Vitoria stretch of the Madrid-Basque Country/French border high-speed line; and 11,120 thousand euros for the costs of the Pajares alternate route of the Madrid-Asturias high-speed line and 15,330 thousand euros for the railway connection between Madrid Atocha station and Madrid Chamartín station; and 11,220 thousand euros of the Galicia high-speed line.

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/Murcia 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

Notes to the Annual Accounts 31 December 2021

for the railway connection between Madrid Atocha station and Madrid Chamartín station; and 15,564 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 2021 and 31 December 2020 are as follows:

	Thousands of Euros	
	31/12/2021	31/12/2020
Intangible assets	12,911	8,441
Property, plant and equipment	850,211	843,196
Investment property	103	103
TOTAL	863,225	851,740

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, RRM) (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 2021 and 31 December 2020 are as follows:

	31/12/2021 Thousands of Euros		
	Cost	Accumulated amortisation	Total
Operating intangible assets			
Computer software	7,337	(6,580)	757
Rights of use space RENFE	50,831	(4,067)	46,764
Research and development expenses	19,195	(640)	18,555
Other intangible assets	12,425	(6,721)	5,704
Total operating intangible assets	6,713	(6,712)	1
Intangible assets in progress	96,501	(24,720)	71,781
Computer software			
Research and development expenses	86	-	86
Other intangible assets	1,466	-	1,466
Rights of use Torreones Atocha RENFE 2020	381	-	381
Total intangible assets in progress	1,933	-	1,933
Total intangible assets	98,434	(24,720)	73,714

Notes to the Annual Accounts
31 December 2021

	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

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.

Notes to the Annual Accounts 31 December 2021

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

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

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

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

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.

Notes to the Annual Accounts
31 December 2021

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

At 31 December 2021 and 31 December 2020, the Entity assessed the operating units forming its property, plant and equipment, intangible assets and investment property for indications of impairment. From this analysis it was concluded that the operating units forming the Entity's non-financial assets showed no indications of impairment except that indicated in Annex I (see Note 3.b)).

4.h) Investment property

The breakdown at 31 December 2021 and 31 December 2020 is as follows:

	31/12/2021 Thousands of Euros			
	Cost	Accumulated depreciation	Provision for dep. real estate investments	Total
Urban sites	16,660	-	(2,699)	13,961
Shopping centres at passenger rail stations	196,225	(28,124)	-	168,101
Commercial car parks	78,596	(15,089)	-	63,507
Buildings and hotels at intermodal stations	61,683	(20,330)	-	41,353
Housing, premises and garages	228	(218)	-	10
Investment property in progress	403	-	-	403
Total	353,795	(63,761)	(2,699)	287,335

	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

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

Notes to the Annual Accounts
31 December 2021

(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.

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 (MPPGOU) "Madrid Nuevo Norte". This document

Notes to the Annual Accounts 31 December 2021

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 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".

On 29 July 2021, a Collaboration Agreement was signed between the railway entities, the Community of Madrid and the Madrid City Council for the coordination, financing and execution of the singular actions foreseen in the modification of the General Urban Development Plan of Madrid in the areas APE 05.27 Colonia Campamento and APR 08.03 Prolongación de la Castellana, constituting the Monitoring Commission and the Technical Committee on 27 September and 6 October respectively.

(5) Investments in Group Companies and Associates

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

The movements for 2021 and 2020, in thousands of euros, in the accounts composing this caption are detailed in the tables below:

	31/12/2021 Thousands of Euros			
	Investments in Group companies and associates	Uncalled equity holdings	Provisions	Total
Balance at 1 January 2021	10,026	-	(1,583)	8,443
Additions	-	-	(466)	(466)
Withdrawals	-	-	-	-
Balance at 31 December 2021	10,026	-	(2,049)	7,977

Notes to the Annual Accounts
31 December 2021

	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

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

Within the shareholdings in associated companies, it is worth mentioning those corresponding to the companies whose corporate purpose is the integration of the railroad in various cities. The aforementioned companies were incorporated under the agreements signed between the Ministry of Public Works, currently MITMA, the Public Business Entities assigned to it with competencies in railway matters and the Public Administrations involved in each of the cities affected (Autonomous Community and City Council) with competencies in land and urban planning, distributing the participation in their capital 50/50 between the General State Administration and the local and autonomous community administrations. This model aims to unite all the parties with interests in the project, achieving the integration of the railroad in various cities with the contributions of the partners and, where appropriate, with the placing on the market of the urban developments derived from land released from railway use that are unnecessary for the railroad. 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. On the other hand, during 2020 and 2021 no new agreement has been signed that modifies or updates the agreements signed since 2002 from which the Integration Companies derive. A new agreement for the integration of the railroad in Gijón is expected to be subscribed, which will replace the one subscribed in 2019 based on the Informative Study "New Intermodal Station of Gijón" finally approved and published in the BOE on 11 February 2022, dated 9 February 2022. Likewise, a protocol has been signed to promote the integration of the railroad in Vitoria and a new agreement for the integration of the railroad in Vitoria is expected to be signed on the basis of said protocol. Work is also being carried out on a new agreement for the execution and financing of phase 2 of the railroad integration in Almería. In relation to Valencia, an agreement is being negotiated for the execution and financing of the access channel phase 3 based on the cooperation agreement signed in 2019. In Zaragoza, work is being done on the agreement for the execution and financing of the transfer of the El Portillo facilities. Finally, a new agreement is being negotiated for the integration of the railroad in the city of Logroño. The estimate of the future impact on the Entity derived from the subscription of the aforementioned agreements and addenda is considered complex and will depend on the agreements that are finally adopted within the Company.

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.

Notes to the Annual Accounts
31 December 2021

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

Details of non-current loans to Group companies and associates at 31 December 2021 and 31 December 2020 are as follows:

Concept	Thousands of Euros	
	31/12/2021	31/12/2020
Zaragoza Alta Velocidad 2002, S.A.	113,256	113,256
Cartagena AVE, S.A.	1,080	1,080
Murcia AVE, S.A.	96,677	69,694
Barcelona Sagrera AV, S.A.	71,270	-
Valladolid Alta Velocidad, 2003, S.A.	267,510	267,510
Alta Velocidad Alicante Nodo del Transporte, S.A.	1,138	415
Palencia Alta Velocidad, S.A.	610	-
Total non-current loans to Group companies and associates	551,541	451,955
Provision for impairment	(27,624)	(27,015)
	523,917	424,940

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 27,624 thousand euros as of 31 December 2021 and 27,015 thousand euros as of 31 December 2020 correspond to loans granted to the company Zaragoza Alta Velocidad 2002, S.A and Palencia Alta Velocidad, S.A.

The situation at 31 December 2021 and 31 December 2020 in relation to loans granted to its long-term investees at nominal value is shown in the table below:

Company	Thousands of Euros	
	31/12/2021	31/12/2020
Zaragoza Alta Velocidad 2002, S.A.	143,535	143,535
Cartagena Alta Velocidad, S.A.	1,080	1,080
Murcia Alta Velocidad, S.A.	96,677	69,694
Barcelona Sagrera Alta Velocitat S.A.	71,270	-
Valladolid Alta Velocidad 2003 S.A.	267,510	267,510
Alta Velocidad Alicante Nodo del Transporte, S.A.	1,138	415
Palencia Alta Velocidad, S.A.	610	-
	581,820	482,234

The amount of 71,270 thousand euros of the company Barcelona Sagrera Alta Velocitat S.A. incorporated in 2021 corresponds to a reclassification from the short term given its new maturity (see note 5.c).

Notes to the Annual Accounts
31 December 2021

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 listed in the tables above, in addition to the loan impairments included in the first breakdown, In addition to the loan impairments included in the first breakdown, the amounts that the Entity estimates it will have to disburse in the future as a result of the comfort letters or letters of commitment assumed by ADIF AV or for loans or contributions (see note 10) already granted or committed by the Entity to various investees 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.

As a result of the recent signing of agreements with urban integration companies or amendments or addenda to existing agreements, ADIF-AV has assumed commitments for future financial contributions estimated on the basis of the best available estimate of the actions to be undertaken at the time of signing the agreements. These contributions committed in certain agreements, such as the one signed with Murcia AV, have materialized 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). These contributions may be formalized as advances for future works to be received or as participating loans. As revised and restated at the date of these Annual accounts, the monetary contribution commitments assumed by ADIF AV at 31 December 2021 are as follows:

Notes to the Annual Accounts
31 December 2021

31 December 2021 - Thousands of Euros

Company	2022	2023	2024	2025	2026	Resto	TOTAL
Alta Velocidad Alicante Nodo del Transporte, S.A	540	244	4,344	4,344	4,344	4,776	18,592
Almería A.V, S.A.	4,609	23,294	38,586	30,600	11,940	28,792	137,821
Cartagena A.V, S.A.	-	-	-	-	-	82,200	82,200
Logroño Integración del Ferrocarril 2002, S.A.	-	-	-	-	-	-	-
Murcia Alta Velocidad, S.A.	8,760	36,999	11,106	1,985	104	91,377	150,331
Valencia Parque Central A.V. 2003, S.A.	-	-	-	-	-	-	-
Valladolid Alta Velocidad 2003, S.A.	-	20,364	9,840	9,800	9,106	16,107	65,217
Total	13,909	80,901	63,876	46,729	25,494	223,252	454,161

During the year 2021, disbursements have been made for participative loans to the companies Murcia Alta Velocidad, S.A. and Alta Velocidad Alicante Nodo de Transporte, S.A. in the amount of 26,983 thousand euros and 723 thousand euros respectively with long-term maturity. Additionally, in 2021 a short-term loan was granted and disbursed to Logroño Integración del Ferrocarril 2002 S.A. amounting to 5,706 thousand euros.

The commitments for monetary contributions assumed by ADIF AV at 31 December 2020 were as follows

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 2021 and 31 December 2020 is as follows:

Concept	Thousands of Euros	
	31/12/2021	31/12/2020
Short-term loans to group companies and associates	126,333	192,507
Loans for disposal of fixed assets	24,267	28,760
Other financial assets	(26,244)	(31,346)
	124,356	189,921

Notes to the Annual Accounts 31 December 2021

The heading of short-term loans to group and associated companies relates to loans granted to investees maturing in the short term, at nominal value. 71,270 thousand euros of the loan of Barcelona Sagrera Alta Velocitat S.A. and the loan of 610 thousand euros of Palencia Alta Velocidad S.A. were reclassified to long-term (see Note 5.b). and shows the following breakdown:

Concept	Thousands of Euros	
	31/12/2021	31/12/2020
Gijón al Norte, S.A.	12,739	12,739
Palencia Alta Velocidad, S.A.	-	610
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	51,124
Logroño integración del Ferrocarril 2002, S.A.	58,651	52,945
Barcelona Sagrera Alta Velocitat, S.A.	-	71,270
Total Short-term loans to Group companies and associates	126,333	192,507
Provision for impairment	(1,977)	(2,586)
	124,356	189,921

(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 2021 and 31 December 2020, is as follows:

	31/12/2021 Thousands of Euros		
	Equity instruments	Loans, derivatives and other	Total
Non-current financial assets			
Loans and receivables	-	1,156	1,156
Available-for-sale assets	1,754	-	1,754
Total non-current financial assets	1,754	1,156	2,910
Current financial assets			
Loans and receivables	526	365,787	366,313
Total current financial assets	526	365,787	366,313

	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

Notes to the Annual Accounts 31 December 2021

These amounts are broken down into the following balance sheet items, as of 31 December 2021 and 31 December 2020:

31/12/2021 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	-	280	280
Total non-current financial assets	1,754	1,156	2,910
Current financial assets			
Current financial assets	526	-	526
Trade and other receivables	-	365,787	365,787
Total current financial assets	526	365,787	366,313

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

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 2021 and 31 December 2020 is as follows:

		Thousands of Euros			
		31/12/2021		31/12/2020	
		Non-current	Current	Non-current	Current
Equity instruments (see Appendix II)		1,994	-	1,994	-
Impairment		(240)	-	(240)	-
Total equity instruments		1,754	-	1,754	-
Other financial assets (deposits, guarantees and other credits)		876	526	876	29
		2,630	526	2,630	29

Notes to the Annual Accounts
31 December 2021

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 2021 and 31 December 2020 is as follows:

	Thousands of Euros			
	31/12/2021		31/12/2020	
	Non-current	Current	Non-current	Current
Group companies and associates				
Receivables (Note 6.b.1))	-	1,100	-	271
Unrelated parties				
Trade receivables (Note 6.b.2))	-	86,173	-	51,861
Other receivables (Note 6.b.3))	280	278,495	368	135,218
Personnel	-	19	-	12
	280	265,787	368	187,362

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 2021 and 31 December 2020, is as follows:

	Thousands of Euros	
	31/12/2021	31/12/2020
	Current	Current
Murcia Alta Velocidad S.A.	273	181
Barcelona Sagrera Alta Velocitat, S.A.	-	91
Ingeniería y Economía del Transporte (INECO)	-	(1)
Almería Alta Velocidad, S.A.	817	-
Valencia Parque Central Alta Velocidad 2003, S.A.	10	-
	1,100	271

6.b.2) Trade receivables

As of 31 December 2021, the account trade receivables for sales and provision of services includes the balance settled and pending collection for railroad fees for the amount of 48,252 thousand euros and additionally the amount accrued and pending settlement for the amount of 37,678 thousand euros. It also includes, for a value of 243 thousand euros, the liquidated and pending collection income for Railway Taxes.

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

Notes to the Annual Accounts 31 December 2021

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.

6.b.3) Other receivables

The detail at 31 December 2021 and 31 December 2020 is as follows:

	Thousands of Euros	
	31/12/2021	31/12/2020
Agreements with rail operators	110,138	56,516
Fibre-optics rental	(7)	9,595
Amounts due to ADIF-AV from ADIF	5,845	3,034
Other rentals	25,023	25,662
Other items	35,640	21,331
Services rendered pending invoice	123,452	26,506
Agreements with rail operators	83,727	1,760
Agreements with ADIF	46,058	32,610
Other	(6,333)	(7,864)
Impairment of trade receivables	(21,596)	(7,426)
Total other receivables	278,495	135,218

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

The balance receivable from ADIF at 31 December 2021 and at 31 December 2020 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 2021 and 31 December 2020 is as follows:

	Thousands of Euros			
	31/12/2021		31/12/2020	
	Non-current	Current	Non-current	Current
Balances at 1 January	-	(7,426)	-	(8,744)
Provisions, reversals and/or applications during the year	-	(14,170)	-	1,318
Balances at 31 December 2021	-	(21,596)	-	(7,426)

(7) Cash and Cash Equivalents

The breakdown of cash and cash equivalents as of 31 December 2021 and 31 December 2020 is as follows:

	Thousands of Euros	
	31/12/2021	31/12/2020
Cash on hand and at banks	156,039	278,335
Cash equivalents	-	75,000
	156,039	353,335

Notes to the Annual Accounts 31 December 2021

(8) Equity

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

8.a) Equity contribution

As of 31 December 2021, a total of 466,173.95 thousand euros had been received from the National Government for the total contribution consigned in the General State Budget and included in the agreement signed in July 2021 with MITMA for the aforementioned amount. At the date of preparation of these annual accounts, the Entity has prepared an advance proposal for the settlement of the aforementioned contribution and the amount to be settled coincides with the amount collected. Therefore, the Entity has recorded in equity the total amount collected from the National Government (AGE) in 2021 amounting to 466,174 thousand euros (see Note 1.c).

At the date of preparation of these annual accounts, the settlement proposal has not been approved and, therefore, the figures expressed herein could be subject to some modification; however, the Entity estimates that, should any differences arise, they would not be significant.

In the 2020 financial year, the 2019 General State Budget was extended, which in turn was an extension of the 2018 budget. At 31 December 2020, the entire amount appropriated in the General State Budget for 2018 and extended for 2019 had been received (see note 1.d), amounting to 311,574 thousand euros.

8.b) Reserves

The movement in the Reserves heading at 31 December 2021 and 31 December 2020 is as follows:

	31/12/2021 Thousands of Euros		
	Reserves for actuarial gains and losses	Other reserves	Total
Balance at 31 December 2020	(218)	29,948	29,730
Recognition of actuarial gains and losses and other adjustments	19	1,352	1,371
Balance at 31 December 2021	(199)	31,300	31,101

	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

8.c) Proposed application of loss for the year

The Entity's Management proposes that the 460,861 thousand euros losses for 2020 be carried forward as prior years' losses, under the equity item "Retained earnings".

On 30 March 2021, the Board of Directors of ADIF-AV approved the proposals of the Board of Directors mentioned above.

Notes to the Annual Accounts 31 December 2021

The Entity's Management proposes the application of the loss for the 2021 for the amount of 425,444 thousand euros, under the equity item "Retained earnings".

8.d) Valuation adjustments

The amount recognised in equity during 2021 and 2020, 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 2021 and at 2020 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 2021 and 31 December 2020 includes the non-refundable capital grants pending attribution to income.

The movement registered on 31 December 2021 and 31 December 2020 is detailed in the attached tables:

31/12/2021 Thousands of Euros

	RRM Funds	Cohesion Funds	ERDF funds	TEN-T funds	State grants for work performed ⁽¹⁾	Other capital grants	Total capital grants
Balances at 31 December 2020	-	4,731,687	3,248,675	334,614	2,470,839	265,465	11,051,280
Additions	66,073	-	54,500	13,436	5,310	137,681	277,000
European funds accrued in the year	66,073	-	54,500	13,436	-	-	134,009
SEITTSA Actions received	-	-	-	-	5,310	-	5,310
Other capital grants	-	-	-	-	-	137,681	137,681
Withdrawals	-	-	-	(17,597)	-	(130)	(17,727)
Tax effect of capital grants accrued during the year (note 12)	(16,518)	-	(13,625)	1,040	(1,328)	(34,388)	(64,819)
Allocation to income of net capital grants tax effect (note 17)	-	(36,647)	(26,036)	(2,763)	(22,302)	(2,867)	(90,615)
Balances at 31 December 2021	49,555	4,695,040	3,263,514	328,730	2,452,519	365,761	11,155,119

⁽¹⁾ RD ley 22/2012 and RD-ley 4/2013

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
European funds accrued in the year	-	397,810	23,945	-	-	421,755
Other capital grants	-	-	-	-	5,626	5,626
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 2021

9.a) Cohesion Funds

Details of Cohesion Funds at 31 December 2021 and 2020, without taking into account the tax effect and including the amounts accrued for payables convertible into grants, are as follows:

31/12/2021 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
<u>TOTAL</u>	<u>6,885,156</u>	<u>6,885,156</u>	<u>-</u>	<u>6,885,156</u>

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
<u>TOTAL</u>	<u>6,885,156</u>	<u>6,885,156</u>	<u>-</u>	<u>6,885,156</u>

9.b) European Regional Development Fund (ERDF)

Details of European Regional Development Funds at 31 December 2021 and 31 December 2020, without taking into account the tax effect, including the amounts accrued for debts convertible into grants, are as follows:

Notes to the Annual Accounts
31 December 2021

31/12/2021 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		2,275,323	2,275,323	-	2,275,323
ERDF 2014-2020		772,741	608,118	98,385	579,284
TOTAL		4,711,743	4,547,120	98,385	4,518,286

31/12/2020 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		2,275,323	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

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

The situation as of 31 December 2021 and 31 December 2020 of the TEN funds, without considering the tax effect and including the amounts accrued for debts convertible into subsidies, is as follows:

Notes to the Annual Accounts 31 December 2021

31/12/2021 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	148,660	141,355	5,776	147,005
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	108,036	4661	101,275
Other High-Speed	11,595	7,430	-	5,967
TOTAL	492,345	460,684	10,437	458,110

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

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 actions owned by ADIF AV, including an amount of 88,988 thousand euros, as a result of the creation in 2020 of a new budget application for investments in Trans-European Transport Network (TEN-T) corridors", amounting to

Notes to the Annual Accounts 31 December 2021

118,847 thousand euros. The remaining amount, which totals 29,859 thousand euros, is maintained at the end of 2021 under the heading of debts transformable into grants (see note 11.b.1).

9.e) Capital subsidies for RRM (Recovery, Transformation and Resilience Plan) grants

In accordance with the operation and management mechanism of the Recovery and Resilience Mechanism (RRM) and the Recovery, Transformation and Resilience Plan (RRRP) contained in Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 and in Ministerial Orders HPA 1030/2021 and HPA 1031/2021, it is necessary to achieve certain Milestones and Objectives. In order to achieve them, it is necessary to execute a series of investments whose estimated cost is based on a methodology approved by the Commission and the Council.

Based on the cost estimate prepared for the approval of the Plan, the figures indicated in this section correspond to the best reference for estimating and justifying the reasonableness and plausibility of the final cost of the investments included in the Plan.

Additionally, both entities participate in Strategic Projects for Economic Recovery and Transformation (PERTE) which are structured on the basis of Expressions of Interest published by the different Ministries. PERTEs are strategic projects with a high capacity to boost economic growth, employment and the competitiveness of the Spanish economy, with a high degree of public-private collaboration and transversal to the different administrations.

Specifically, ADIF AV has expressed its support for innovation in the development of measures that contribute to the continuous improvement of the railway system in terms of Safety, Service and Sustainability, within the investment of the PRTR Connectivity Plan (Component 15), investment 6 earmarked for transport corridors. 26.25 million for the implementation of the project "Deployment of 5G infrastructure at certain points of the High Speed rail infrastructure network".

The information on the RRM plan as of December 31, 2021 for ADIF AV, expressed in thousands of euros, is shown below:

CONCEPT	ASSIGNED AID	GRANTS ACCRUED	DEBTS TRANSFORMABLE INTO SUBSIDIES (note 11.b)	RECEIVABLES RECEIVED
URBAN MOBILITY COMMUTER AND URBAN MOBILITY	352,976	7,100	-	-
INTERURBAN MOBILITY TEN-T CORRIDORS	2,459,206	58,581	-	-
INTERURBAN MOBILITY TEN-T NETWORK - OTHER ACTIONS	287,043	392	-	-
Others	-	-	1,218,264	
PERTE	26,250	-	26,250	26,250
TOTAL	3,125,475	66,073	1,244,514	26,250

(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 2021 and 31 December 2020 is as follows:

Notes to the Annual Accounts
31 December 2021

	Thousands of Euros			
	31/12/2021		31/12/2020	
	Non-current	Current	Non-current	Current
Employee benefits	868	796	836	698
-Defined benefit plans	868	17	836	6
<i>Length-of-service bonuses</i>	<i>133</i>	<i>15</i>	<i>141</i>	<i>5</i>
<i>Provision for leisure travel, retired personnel</i>	<i>735</i>	<i>2</i>	<i>695</i>	<i>1</i>
-Other employee benefits	-	779	-	692
Other provisions	851,591	72,240	946,991	51,456
Provisions for legal proceedings	711,658	-	814,507	-
2% for culture provision	-	25,957	-	5,117
Other items (note 10.b.3 and note 23)	139,933	46,283	132,484	46,339
	852,459	73,036	947,827	52,154

The changes in the section "Provisions for long-term risks and expenses" at 31 December 2021 and 31 December 2020 are shown in the tables below:

	31/12/2021 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 01/01/2021	141	695	814,507	132,484	947,827
Charges for the year recognised in profit and loss	9	47	560	7,449	8,065
Charges for the year recognised in investments	-	-	(87,148)	-	(87,148)
Financial effect of discount	2	12	-	-	14
Payments for the year	-	-	(12,159)	-	(12,159)
Transfers to current	(16)	(3)	(333)	-	(352)
Amounts taken to profit and loss	-	-	(3,056)	-	(3,056)
Other movements	(3)	(16)	(713)	-	(732)
Balances at 31/12/2021	133	735	711,658	139,933	852,459

	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

Notes to the Annual Accounts
31 December 2021**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 2021 totals 148 thousand euros, of which a total of 133 thousand euros is presented under "Provisions for long-term liabilities and charges" and 15 thousand euros under "Provisions for short-term liabilities and charges".

The value of the fund at 31 December 2021 has been determined by means of an actuarial study based on the individual capitalisation method using the following technical parameters: annual interest rate 1.5866%, 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 2021 for the entitlement of its personnel to rail travel at reduced prices upon retirement. This provision amounts to 737 thousand euros and is recognised under non-current provisions for liabilities and charges, of which a total of 735 thousand euros are presented in the chapter "Provisions for long-term risks and expenses" and 2 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.

On 18 February 2022, the new agreement signed by ADIF and ADIF Alta Velocidad with Renfe Viajeros, S.A. was registered in the State Electronic Register of Cooperation Bodies and Instruments, the purpose of which is to regulate the travel conditions of active and passive personnel with reduced fares, as well as the beneficiaries of such personnel, using Renfe Viajeros transport services in the situations included in the aforementioned agreement. As a result of this agreement, no changes are expected in the valuation of the fund for future travel commitments.

The provision for 2021 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 1.5866% for passive staff and active staff.
- The actuarial table PERM/F 2000.
- Retirement age of 65.

Notes to the Annual Accounts 31 December 2021

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 2021 and 31 December 2020, ADIF A.V. has recorded the present value of the best estimate of the future costs corresponding to these disputes for a total of 711,658 thousand euros and of 814,507 thousand euros respectively.

The following is a detail of these estimates:

Concept	Thousands of Euros	
	31/12/2021	31/12/2020
Risks for investment works urged by contractors	696,846	794,038
Risks for investments in land expropriated	13,809	16,548
Other risks	1,003	3,921
	711,658	814,507

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 2021, 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 137,121 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 2020, the maximum risk estimated by the Entity for this same concept amounted to 96,696 thousand euros.

Furthermore, on 31 December 2021, 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 filed in a file for 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 to be able to assess the damage which, at the date of closing of these Annual Accounts, according to the best information available, is valued at a maximum amount of 23 million euros. 23 million

Notes to the Annual Accounts
31 December 2021

against the heading "Impairment and gains or losses on disposal of financial instruments", as the successful bidder of this file is in insolvency proceedings.

The National Commission of Markets and Competition (hereinafter, CNMC) issued in June 2016, March 2019 and September 2021 Resolutions on the files S/0519/14 Railway Infrastructures, S/DC/0598/2016 Railway Electrification and Electromechanical and S/DC/0614/17 Railway Safety and Communications respectively. As stated in the aforementioned Resolutions, the facts revealed evidence the existence of agreements between the main companies in the various sectors with the aim of sharing the award of contracts tendered by the Entity over several years. Most of the affected contractors have filed ordinary proceedings before the National Court against these Resolutions issued by the CNMC. At the date of issuance of these Annual accounts, it is not possible to determine the impact, if any, that may exist as a result of the practices described in the Resolutions or associated proceedings. However, the Entity expects that, as a result of this process, no significant impact affecting ADIF-AV will arise.

10.b.2) 2% 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 2021, the balance was 25,957 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 139,933 thousand euros and 132,484 thousand euros is included as of 31 December 2021 and 31 December 2020 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 2021 amounted to 38,920 thousand euros and which at the end of the year 2020 amounted to 39,705 thousand euros.

(11) Financial Liabilities

Details of financial liabilities classified by category at 31 December 2021 and 31 December 2020 are as follows:

Notes to the Annual Accounts

31 December 2021

31/12/2021 Thousands of Euros				
	Non-current		Current	
	Financial Liabilities at Amortized Cost	Hedging derivatives	Financial Liabilities at Amortized Cost	Hedging derivatives
Debts with credit institutions	10,580,831	-	674.645	-
Bonds	4,988,397	-	1.247.075	-
Other financial liabilities	1,461,523	-	172.217	-
Payable to group and associated companies	53,911	-	76.766	-
Derivatives	-	674	-	25
Trade and other payables	-	-	285.213	-
Total	17,084,662	674	2,455,916	25
Total current and non-current financial liabilities	17,085,336		2,455,941	

31/12/2020 Thousands of Euros				
	Non-current		Current	
	Financial Liabilities at Amortized Cost	Hedging derivatives	Financial Liabilities at Amortized Cost	Hedging derivatives
Debts with credit institutions	10,379,775	-	681.309	-
Bonds	5,580,261	-	57.375	-
Other financial liabilities	352,237	-	231.268	-
Payable to group and associated companies	53,911	-	77.195	-
Derivatives	-	2,453	-	47
Trade and other payables	-	-	416.950	-
Total	16,366,184	2,453	1,464,097	47
Total current and non-current financial liabilities	16,368,637		1,464,144	

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 2021 and 31 December 2020 is shown in the table below:

Notes to the Annual Accounts
31 December 2021

		31/12/2021 Thousands of Euros	
		Maturity	
	Interest	Current	Non-current
Loans in Euros (EIB)	0% to 4.415%	435,337	10,410,937
Accrued interest payable		75,803	-
Total loans and borrowings (EIB)		511,140	10,410,937
Loans in Euros (other entities)	0.26% to 3.795%	161,606	169,894
Accrued interest payable		1,899	-
Other loans and borrowings, for derivatives		25	674
Total loans and borrowings (other entities)		163,530	170,568
Bonds (Euros)	0.55% to 3.5%	1,188,639	4,988,397
Accrued interest payable on bonds		58,436	-
Total bonds		1,247,075	4,988,397
Total loans and borrowings and bonds and other marketable securities at 31 December 2021		1,921,745	15,569,902

		31/12/2020 Thousands of Euros	
		Maturity	
	Interest	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

The financial amortization of long-term debt, valued at the closing exchange rate at 31 December 2021 and at 31 December 2020 and at amortized cost, are as follows according to the maturity:

Notes to the Annual Accounts
31 December 2021

Maturity	Thousands of Euros	
	31/12/2021	31/12/2020
2021	-	600,004
2022	1,787,143	1,786,816
2023	1,120,295	1,120,910
2024	1,475,128	1,474,972
2025	1,477,865	1,478,085
2026	1,116,569	1,103,618
2027	1,121,887	1,094,588
2028	520,738	494,588
2029	533,347	494,588
2030	1,133,347	1,094,588
2031	1,133,347	494,588
Thereafter	5,935,144	5,322,390
	17,354,810	16,559,735

The average annual interest rate on ADIF-AV's borrowings at 31 December 2021 and 31 December 2020 is 1.63% and 1.70%, respectively.

At the 31 December 2021 and 31 December 2020, the total limit on credit facilities that ADIF-AV had received from financial institutions stood at 460,000 and 485,000 thousand euros respectively. At 31 December 2021 and 31 December 2020, no amounts had been drawn down on these credit facilities. These credit facilities mature in the short term, and certain policies may be tacitly renewed each year up to a specified number of years.

11.a.2). Derivatives

Details of derivatives held by the Entity at 31 December 2021 and at 31 December 2020 are as follows:

	31/12/2021 Expressed in thousands of Euros				
	Assets		Liabilities		Equity
	Non-current tax effect	Current	Non-current financial liability	Current	
Interest rate cash flow hedge	169	-	(674)	-	(505)
Collections / payments swap	-	-	-	(25)	-
interest rate hedging	-	-	-	(25)	-
	31/12/2020 Expressed in thousands of Euros				
	Assets		Liabilities		Equity
	Non-current tax effect	Current	Non-current financial liability	Current	
Interest rate cash flow hedge	613	-	(2,453)	-	(1,840)
Collections / payments swap	-	-	-	(47)	-
interest rate hedging	-	-	-	(47)	-

Notes to the Annual Accounts 31 December 2021

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 110.42 million euros at 31 December 2021 and 220.84 million at 31 December 2020.

Derivative liabilities at 31 December 2021 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 220.42 million euros.

At year-end 2020, 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 220.84 million euros.

The fair value of swaps is based on market values of equivalent derivative financial instruments at the date of the annual accounts. 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 2021 and 31 December 2020.

11.b) Other financial liabilities

Details of other financial liabilities at 31 December 2021 and at 31 December 2020 are as follows:

	Thousands of Euros			
	31/12/2021		31/12/2020	
	Non-current	Current	Non-current	Current
Payables convertible into grants	1,392,359	-	275,610	-
Suppliers of fixed assets	63,892	172,217	71,614	231,268
Deposits and guarantees	5,272	-	5,013	-
	1,461,523	172,217	352,237	231,268

At 31 December 2021, no amounts have been drawn down under the reciprocal policy signed between ADIF and ADIF AV on 31 January 2019.

11.b.1) Payables convertible into grants

At 31 December 2021 and at 31 December 2020, 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 2021 and 31 December 2020 are as follows:

Notes to the Annual Accounts
31 December 2021

	Thousands of Euros	
	31/12/2021	31/12/2020
European Funds		
ERDF	98,385	100,028
TEN-T	10,437	8,319
RRF (notes 1.c, 9 and 12)	1,244,514	-
Other		
AGE (MITMA)(Addendum 21/12/2009		
Barcelona Sagrera (nota 1(c))	-	48,290
AGE Subsidy for TENT Network investments		
and others	29,859	118,973
AGE Subsidy for tariff deficit 2021 (note 1.c and 14)	9,164	-
	1,392,359	275,610

The item relating to the debts transformable into grants for RRM which, at 31 December 2021 amounts to 1,244,514 thousand euros, corresponds to the amount of 1,284,337 thousand euros recorded in the Treasury as an advance granted to Adif AV which will be effective in 2022 (see Note 12). 66,073 thousand euros corresponding to the best available estimate of the European aid linked to the RRM and accrued until 31 December 2021, as the conditions for its concession have been deemed to have been met, has been deducted from this amount for its allocation to Equity before the tax effect.

Additionally, the RRM heading includes the payment on account of the aid included in the Recovery, Transformation and Resilience Plan in relation to the "Deployment of 5G Infrastructures in certain points of the high-speed railway infrastructure network" project, amounting to 26,250 thousand euros, which was received by ADIF AV in 2021 from the Secretary of State for Digital Infrastructures (SETELCO) and which at the closing date had not met the conditions for its presentation as Net Assets.

On 14 June 2020, the Minister of Finance approved the modification of the ADIF-AV Capital Budget for the creation of the new budget application for investments in the Trans-European Transport Network (TEN-T) corridors", in the amount of 118,847,259.38 euros (Expte. Atenea 1591/20 with the objective of meeting the increase in investments derived from the impulse committed in 2020 for the development of the trans-European network through the following actions:

- L.A.V. Levante	36,750,425.00 €
- L.A.V. Murcia-Almería	20,478,572.00 €
- L.A.V. Vitoria-Bilbao-San Sebastián	22,458,471.00 €
- L.A.V. Valladolid-Burgos-Vitoria	7,450,248.00 €
- L.A.V. Madrid-Extremadura	31,709,543.38 €

As of 31 December 2020, this amount was fully collected by ADIF Alta Velocidad. Of this amount, a total amount of 29,859 thousand euros is recorded as debts transformable into subsidies at 31 December 2021.

As of December 31, 2021, the Entity has recorded a value of 40,836 thousand euros, the

Notes to the Annual Accounts 31 December 2021

best available estimate of the settlement of the contribution of the National Government (AGE) to cover the tariff deficit foreseen in the General State Budget and in the Agreement with the State for the sustainability of Adif AV signed in July 2021 (see Note 16). During 2021 the Entity has received 50,000 thousand euros from the State on account of the final settlement of this contribution and therefore, at the date of preparation of these annual accounts, there is an excess amount collected amounting to 9,164 thousand euros which has been recorded as debts transformable into grants under non-current liabilities, pending its application in future years (see note 1.c).

which established a contribution in 2021 for a value of 50,000 thousand euros.

11.b.2) Suppliers of fixed assets

At 31 December 2021, non-current payables to suppliers of fixed assets amount to 63,892 thousand euros, of which 31,650 thousand euros relates to works carried out on the Madrid-Castilla la Mancha-Valencia Autonomous Community-Murcia Region line, and 25,166 thousand euros to works on the Olmedo-Orense stretch, under a public-private partnership. Also, it includes an amount of 7,076 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 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).

In addition, the balance as of 31 December 2021 and 31 December 2020, for fixed asset suppliers includes the debt for works for own assets and expropriations for the amount of 108,249 thousand euros and 157,268 thousand euros respectively. Also the amount of the invoices of fixed assets suppliers receivable for a total of 63,968 thousand euros at 31 December 2021 and 74,000 thousand euros at 31 December 2020.

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 2021 and 31 December 2020 are as follows:

Notes to the Annual Accounts
31 December 2021

	Thousands of Euros			
	31/12/2021		31/12/2020	
	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)	15,033	666	15,463	542
Valencia Parque Central A.V.S.A.	61,266	-	61,266	-
Valladolid Alta Velocidad 2003, S.A.	467	-	466	-
	76,766	666	77,195	542

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 2021 and 31 December 2020, excluding balances with public administrations, is as follows:

	Thousands of Euros	
	31/12/2021	31/12/2020
Other suppliers and payables	284,260	416,130
Suppliers and payables, Group companies and associates (Note 11.d)	666	542
Personnel	287	278
	285,213	416,950

The heading "Suppliers and various creditors " includes payables for purchases or services rendered pending payment at 31 December 2021 and 31 December 2020. This includes, among others, the amount payable to ADIF for services rendered, as detailed below. In addition, the fixed asset suppliers caption includes 15,403 thousand euros and 33,069 thousand euros of ADIF AV's debts with ADIF in this connection, at the respective dates indicated.

Notes to the Annual Accounts 31 December 2021

	Thousands of Euros	
	31/12/2021	31/12/2020
Suppliers and creditors debt with ADIF	68,263	311,846
Agreements with ADIF for outstanding invoices	35,322	288,184
Agreements with ADIF for invoices pending processing	32,941	23,662
Suppliers of fixed assets with ADIF	15,403	33,069
By invoice processed	3,080	14,994
By invoicing pending processing	12,323	18,075
	83,666	344,915

The information relating to 2021 and 2020 on payments to suppliers as established by Additional Provision Three of Law 15/2010 of 5 July 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:

	31/12/2021	31/12/2020
	Days	
Average payment period to suppliers	46.49	54.86
Ratio paid operations	48.45	56.92
Ratio of outstanding payment transactions	29.89	34.81
	Thousands of Euros	
Total payments	1,783,437	1,550,533
Total outstanding payments	210,494	159,131

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 2021 and 31 December 2020 is as follows:

	Thousands of Euros			
	31/12/2021		31/12/2020	
	Non-current	Current	Non-current	Current
Assets				
Receivables for awarded funds and grants	127,220	-	74,407	-
Deferred tax assets (Note 11)	168	-	613	-
Current tax assets	-	-	-	26
Public entities, other receivables	-	1,320,496	-	58,288
Total assets	127,388	1,320,496	75,020	58,314
Liabilities				
Deferred tax liabilities	3,718,373	-	3,683,759	-
Current tax liabilities	-	-	-	(23)
Public entities, other payables	-	616	-	591
Total liabilities	3,718,373	616	3,683,759	568

Notes to the Annual Accounts
31 December 2021

12.a) Public entities, receivables

The breakdown of the balances with debtor Public Administrations as of 31 December 2021 and 31 December 2020 is as follows:

	Thousands of Euros			
	31/12/2021		31/12/2020	
	Non-current	Current	Non-current	Current
Receivables for awarded funds and grants	127,220	-	74,407	-
FEDER Alta Velocidad	127,220	-	74,407	-
Deferred tax assets (Note 11)	168	-	613	-
Current tax assets	-	-	-	26
Public entities, other receivables	-	1,320,496	-	58,288
Current VAT receivable	-	23,006	-	45,020
Receivables for awarded funds and grants	-	1,297,495	-	13,275
High-speed TEN funds	-	12,655	-	12,697
RRM and Other items (see note 11.b.1)	-	1,284,840	-	578
Other Credits (Social Security Debtor)	-	(5)	-	(7)
Total assets	127,388	1,320,496	75,020	58,314

The entire balance of receivables for current and non-current awarded funds and grants relates to accrued amounts receivable at 31 December 2021 and 31 December 2020 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 2021 and 31 December 2020 is as follows:

	Thousands of Euros			
	31/12/2021		31/12/2020	
	Non-current	Current	Non-current	Current
Deferred tax liabilities	3,718,373	-	3,683,759	-
Current tax liabilities	-	-	-	(23)
Public entities, other payables	-	616	-	591
Social Security	-	319	-	319
VAT	-	-	-	-
Withholdings	-	297	-	272
Total liabilities	3,718,373	616	3,683,759	568

Deferred tax liabilities that are expected to be realised or reversed in periods exceeding 12 months are those deriving from capital grants and total 3,718,373 thousand euros at 31 December 2021 and at 31 December 2020 was 3,683,759 thousand euros.

Notes to the Annual Accounts
31 December 2021

The movement registered in 2021, from 1 January 2021 to 31 December 2021 and in 2020, of the deferred tax liabilities, broken down by origin, is as follows:

31/12/2021 Thousands of Euros

	RRF Funds	Cohesion Funds	ERDF Funds	TEN-T Funds	Execution of grants (1)	Other capital grants	Total
Balances at 31 December 2020	-	1,577,229	1,082,892	111,536	823,614	88,488	3,683,759
Additions in 2021	16,518	-	13,625	(1,040)	1,328	34,388	64,819
Capital grants taken to income (Note 19)	-	(12,216)	(8,680)	(921)	(7,433)	(955)	(30,205)
Other concepts	-	-	-	-	-	-	-
Balances at 31 December 2021	16,518	1,565,013	1,087,837	109,575	817,509	121,921	3,718,373

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

12.c) Income tax

The Entity taxes under the individual regime. The negative tax base amounts to 146,386 thousand euros at 31 December 2021.

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

Notes to the Annual Accounts
31 December 2021

01/01/2021 to 31/12/2021 Thousands of Euros						
	Income statement			Income and expense taken directly to equity		
	Increases	Decreases	Total	Increases	Decreases	Total
Income and expenses for the period (01/01/2021 -31/12/2021)			(425,444)			106,545
Income tax adjustments						35,059
Income and expenses before income tax			(425,444)			141,604
Permanent differences	606	(2,308)	(1,702)			
Temporary differences:						
- Originating in current year	309,669		309,669	(3,151)	(259,273)	(262,424)
- Originating in prior years		(28,909)	(28,909)			120,820
Prior taxable income of the Entity			(146,386)			-
Offset of prior years' tax loss carry forwards (Limit 25% of GDP)						
Taxable income						
Tax rate						
Tax payment						
Deductions for double taxation						
Adjusted tax payment						
Tax payable						
Withholdings and payments on account	-					
Pre-payments						
Income tax recoverable	-					

The negative tax base at 31 December 2020 amounted to 281,674 thousand euros. The reconciliation between the accounting result for the year and the tax base is as follows:

Notes to the Annual Accounts
31 December 2021

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	(4,585)	(4,060)			
Temporary differences:						
- Originating in current year	217,032		217,032	(2,051)	(426,973)	(429,024)
- Originating in prior years		(33,785)	(33,785)			120,588
Prior taxable income of the Entity			(281,674)			-
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 2021, there are no taxes payable in any of the tax jurisdictions and no full tax refundable or payable.

The temporary differences mentioned above in the profit and loss account had been considered as permanent differences, since the Entity's Management does not consider that sufficient positive tax bases will be generated to allow the recognition of deferred tax assets.

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

Notes to the Annual Accounts 31 December 2021

Thousands of Euros				
Income statement				
31/12/2021		31/12/2020		
Increases	Decreases	Increases	Decreases	
- Amortisation and depreciation	-	-	-	-
- Impairment	112,503	-	21,819	-
- Pensions	71	-	62	-
- Net finance expense	195,491	-	195,151	-
Temporary differences originating in current year	308,065	-	217,032	-
- Amortisation and depreciation	-	(17,635)	-	(17,635)
- Impairment	-	(11,266)	-	(16,141)
- Pensions	-	(8)	-	(9)
- Net finance expense	-	-	-	-
Temporary differences originating in prior years	-	(28,909)	-	(33,785)

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 2021 and 31 December 2020 is as follows:

Thousands of Euros				
Income statement				
31/12/2021		31/12/2020		
Increases	Decreases	Increases	Decreases	
- Other non-deductible expenses	606	525	-	-
- Exemption for double taxation of dividends	(2,308)	-	(4,363)	-

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

Thousands of Euros					
Year	Limit	Originating in	Pending from origin	Applied in the year	Pending
2013	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
2020	N/A	ADIF-AV	281,682	-	281,682
2021	N/A	ADIF-AV	232,692	-	232,692
			925,899		925,899

Notes to the Annual Accounts 31 December 2021

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

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
2021	N/A	ADIF-AV	194,481
			1,670,494

(*) 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
2019	N/A	882	-	882
2020	N/A	882	-	882
2021	N/A	882	-	882
		5,644	-	5,644

Notes to the Annual Accounts
31 December 2021

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

Thousands of Euros				
Year	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
2021	2039	89	-	89
		494	-	494

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	192	-	192
2019	2029	171	-	171
2020	2030	170	-	170
2021	2031	210	-	210
		937	-	937

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 2021, the Company has the years 2018 to 2021 open for inspection for value added tax, 2018 to 2021 for withholding tax and 2017 to 2020 for corporation tax.

(13) Revenue

The detail of revenue in the income statement for the years 2021 and 2020 is as follows:

Notes to the Annual Accounts
31 December 2021

	Thousands of euros	
	31/12/2021	31/12/2020
Revenue from use of rail facilities and other fees		
Use of the public service rail network	326,322	268,075
Use of stations and other rail installations	63,737	59,007
Passenger rail transport safety levy	511	306
	390,570	327,388

The distribution of revenue at 31 December 2021 and 31 December 2020 by business segment or activity carried out by the Entity is shown in the following table:

	31/12/2021 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	326,322	12,168	-	338,490
Management of ADIF-AV-owned assets (passenger stations)	-	51,569	511	52,080
Total	326,322	63,737	511	390,570

	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

13.a) Revenue from use of rail facilities

The detail of the revenues from settlement of railway charges accrued at 31 December 2021 and 31 December 2020, broken down by the different modalities established in the Order of the Ministry of Public Works 39/2003 and 38/2015 of the Railway Sector, is as follows:

	Thousands of Euros	
	31/12/2021	31/12/2020
Use of infrastructure	326,322	268,075
<i>Adjudication capacity</i>	68,270	52,413
<i>Use of railway lines</i>	239,803	197,085
<i>Use Transformation and distribution EET</i>	19,499	20,661
<i>Bonus Canon use RFIF lines</i>	(1,250)	(2,084)
Use of stations and other rail installations	63,737	59,007
<i>Use Passenger transport stations</i>	51,489	43,000
<i>Wide changers</i>	3,870	3,377
<i>Use Tracks with platform</i>	8,378	12,630
	390,059	327,082

Notes to the Annual Accounts 31 December 2021

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. The State of Alarm ended on May 9, 2021, and the turnover is evolving favourably.

At 31 December 2021, railroad fees accrued for the network owned by ADIF AV totalling 89,345 thousand euros are pending collection (see Note 6.b.2).

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 2021 and 31 December 2020 are as follows:

	Thousands of Euros	
	31/12/2021	31/12/2020
Rentals and services	104,524	91,618
Utilities, basically relates to traction power	379,377	199,531
Investment actions for third parties	15,848	22,826
Services Administration Infrastructure	4,888	2,968
Subsidies AGE Deficit in royalty rates (note 1.c and 11.b.1)	40,836	-
Other	34,199	28,300
Third-party personal services	3,279	3,186
Advertising	5,946	4,323
Diverse services	23,257	18,508
Others	1,717	2,283
	579,672	345,243

Included in this income are the derivatives of services rendered to ADIF at 31 December 2021 and 31 December 2020 under the management fees indicated in note 1, according to the following breakdown:

	Thousands of Euros	
	31/12/2021	31/12/2020
Revenue from intra-administration agreements		
NTU electricity	19,044	11,804
Maintenance of fibre optics and auxiliary installations	4,888	2,968
ADIF investment actions	7,731	10,326
Other intra-administrative services	3,845	2,677
	35,508	27,775

Notes to the Annual Accounts
31 December 2021

Revenues from leasing of real estate, premises and other properties amounting to 52,699 thousand euros at 31 December 2021. 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 39,874 thousand euros at 31 December 2021 and 39,840 thousand euros at 31 December 2020, is recorded under this heading in the income statement.

In Operating Subsidies AGE for fee deficit, the amounts destined to the compensation of the tariff reduction of income from Railway Fees, included in the PGE law for the year 2021, are included. The contributions to be received for this concept will be calculated as the difference between the revenues accrued and those actually paid to the railway operators in each fiscal year. At the date of preparation of these Annual Accounts, the best estimate of this contribution for the year 2021 is 40,836 million euros, these figures being subject to their definitive settlement. At 31 December 2021 collections have been received from the State to compensate the tariff deficit for royalties amounting to 50,000 thousand euros, of which 9,164 thousand euros are pending application as debts transformable into grants (see notes 1.c and 11.b.1).

The amounts received in advance relating to long-term contracts and pending recognition as income are shown under the balance sheet heading "Long-term accruals", which at 31 December 2021 and 31 December 2020 amounted to 505,240 thousand euros and 433,083 thousand euros, respectively.

In 2021 the Entity recognised under long-term accruals the value of the advance rent of 98,743 thousand euros for the long-term lease agreement, 50 years, entered into with CEETRUS URBAN PLAYER SPAIN, S.A. for the Vialia shopping center at Vigo Urzaiz station.

This rent was collected in kind and in advance in 2021 upon receipt by ADIF AV of the construction work on this shopping center, the provisional value of which, pending settlement, amounts to 96,293 thousand euros and which has been performed and paid by the aforementioned contractor. In addition, the Entity is entitled to receive an advance cash rent amounting to 2,450 thousand euros, which is expected to be collected in 2022.

Additionally, the heading "Short-term accruals" includes at 31 December 2021 the amount to be charged to income in the following year amounting to 28,683 thousand euros.

Also included in the section long-term accruals are the revenues collected in advance at 31 December 2021 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

Notes to the Annual Accounts 31 December 2021

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 m(2) at various stations and facilities for an annual rate of 2,406,491.64 euros and for a period of 10 years, with an option of renewing.

(15) Personnel Expenses

Details of this income statement heading at 31 December 2021 and 31 December 2020 are as follows:

	Thousands of Euros	
	31/12/2021	31/12/2020
Salaries and wages	11,748	13,521
Employee benefits expense	3,211	3,176
Provisions	57	58
	15,016	16,755

Details of employee benefits expense are as follows:

	Thousands of Euros	
	31/12/2021	31/12/2020
Social Security payable by the Entity	3,111	3,119
Other employee benefits expenses	100	57
	3,211	3,176

The distribution of the Entity's employees by gender and category at 31 December 2021 and 31 December 2020 is as follows:

Category	Headcount 31/12/2021		
	Male	Female	Total
Administrative staff	123	51	174
Middle management	18	6	24
Operating personnel	12	6	18
	153	63	216

Notes to the Annual Accounts 31 December 2021

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

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

Category	Average number of employees	
	31/12/2021	31/12/2020
Administrative staff	173	171
Middle management	26	27
Operating personnel	14	20
	213	218

The breakdown by sex and categories of Entity staff at 31 December 2021 and 31 December 2020, with disability greater than 33% is shown in the following tables:

Category	Average number of employees at 31 December 2021		
	Male	Female	Total
Administrative staff	1	-	1
Middle management	-	-	-
Operating personnel	-	-	-
	1	-	1

Category	Average number of employees at 31 December 2020		
	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 2021 and 31 December 2020 are as follows:

Notes to the Annual Accounts
31 December 2021

	Thousands of Euros	
	31/12/2021	31/12/2020
Infrastructure repairs and maintenance	366,433	327,311
Traction power	348,024	183,531
Traffic and passenger service-related services	67,187	66,502
Other supplies	49,823	30,354
Rentals and fees	10,553	10,388
Advertising and public relations	3,398	3,419
Other maintenance and repairs	2,683	2,957
Investment actions on behalf of third parties	15,485	20,519
Other	25,270	28,447
Total external services	888,856	673,428
Taxes other than income tax	5,223	3,455
Losses, impairment and changes in trade provisions	14,663	(1,173)
	908,742	675,710

The signing by ADIF and ADIF AV in 2019 of the management entrustment agreement for the execution of activities of a material or technical nature indicated in section 1.b of this report has meant for ADIF AV the recording of accrued expenses for services rendered by ADIF for 424,908 thousand euros at 31 December 2021 and 392,731 thousand euros at 31 December 2020 and formalized in annexes to the agreement, the detail of which is shown in the following table:

	Thousands of Euros	
	31/12/2021	31/12/2020
Infrastructure repairs and maintenance	263,126	241,383
Fibre optic network maintenance, right of way services and right of use	12,794	12,509
Comprehensive management of safety and protection	35,368	36,740
Comprehensive management of stations	60,007	50,125
Traffic safety	3856	3,204
Award of capacity and traffic management	27,963	26,558
Comprehensive communication services	3208	3,208
Other agreements	18,586	19,004
	424,908	392,731

(17) Recognition of Grants for Fixed Assets and Other

The breakdown of income from capital grants generated at 31 December 2021 and 31 December 2020 is as follows:

Notes to the Annual Accounts 31 December 2021

	Thousands of Euros	
	Total income	
	31/12/2021	31/12/2020
Cohesion Funds	48,863	47,486
ERDF	34,716	36,725
TEN-T	3,684	4,445
Other grants	33,557	31,932
	120,820	120,588

(18) Finance Costs

Details of this income statement heading at 31 December 2021 and 31 December 2020 are as follows:

	Thousands of Euros	
	31/12/2021	31/12/2020
On loans with third parties	317,791	310,523
Interest on loans and bonds	288,483	296,507
Late payment interest for works contracts	29,308	14,016
Late payment interest for expropriations	14	5
	317,805	310,528

(19) Finance Income

Details of this income statement heading at 31 December 2021 and 31 December 2020 are as follows:

	Thousands of Euros	
	31/12/2021	31/12/2020
Capitalised finance costs (note 4,c))	96,156	108,129
From marketable securities and other financial instruments	7,927	4,966
<i>Interest on current investments</i>	5,979	4,477
<i>Interest on current accounts</i>	-	1
<i>Other</i>	1,948	488
Other finance income	3,726	3,761
From participations in equity instruments	2,308	4,586
<i>Group companies and associates</i>	2,168	4,472
<i>Other investments</i>	140	114
	110,117	121,442

(20) Environmental Information

At 31 December 2021 and 31 December 2020, ADIF-AV's fixed assets included specific environmental works with a net book value of 1,355,630 and 1,283,078 thousand euros respectively, used in order to minimise environmental impacts and to protect and improve the environment, as per the following breakdown:

Notes to the Annual Accounts
31 December 2021

31 December 2021 - Thousands of Euros			
	Cost	Accumulated depreciation	Net book value
Tunnels _and cut-and-cover tunnels; environmental works	476,139	(12,793)	463,346
Environmental integration works	697,980	(13,655)	684,325
Other environmental works	125,691	(34,103)	91,588
Total property, plant and equipment in operation	1,299,810	(60,551)	1,239,259
Work in progress	116,371	-	116,371
Total at 31 December 2021	1,416,181	(60,551)	1,355,630

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

Additions at 31 December 2021 and 31 December 2020 amount to 52,608 and 52,018 thousand euros respectively and predominately correspond to preventive and corrective actions.

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

At 31 December 2021, the Board of Directors comprises eleven members, the Chairman, Secretary and nine regular directors. Two of the Board members are female and nine are male.

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.

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).

(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:

Notes to the Annual Accounts
31 December 2021**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 75.38% of its outstanding debt at 31 December 2021 as a fixed rate until maturity and 17.51% at a fixed rate revisable. 77.96% of the Entity's outstanding debt, as of 31 December 2020, was at a fixed rate until maturity and 13.77% 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 2021, the Entity's negative result is (425,444) thousand euros and its negative working capital, amounts to (591,071) thousand euros.

In this regard, it is the intention of the Finance and Management Control Department to diversify ADIF-Alta Velocidad's sources of financing for the 2022 financial year, in order to have different financial instruments available to adapt to the circumstances that may arise at any given time.

In this scenario, three sources of financing are proposed to cover the net increase in indebtedness for 2022:

- a) Firstly, the arrangement of credit operations with the European Investment Bank (EIB).

Notes to the Annual Accounts
31 December 2021

b) Secondly, public and/or private issues of bonds, debentures or other fixed-income securities of any kind, in the domestic or foreign capital markets, whether in euros or other currencies, in accordance with the domestic and foreign regulations applicable in each case.

c) Thirdly, the arrangement of bilateral and/or syndicated loans with financial institutions.

In addition, the Entity has the following sources of financing to mitigate this liquidity risk:

- Law 22/2021, of 28 December 2022, on the General State Budget for 2022 establishes:
 - A budget appropriation as equity contributions (Chapter VIII), amounting to 311,574 thousand euros.
 - A contribution for compensation for tariff reduction (Chapter IV), in the amount of 40,000 thousand euros.
 - Capital transfers (Chapter VII), amounting to 630,873 thousand euros (RRM).
 - This law also establishes an authorization for a net increase in indebtedness of 758,033 thousand euros.

These contributions are also established in the agreement signed with MITMA in July 2021 (see note 1).

- On 29 September 2021, the Entity executed its eighth public bond issue, the fifth under the "green bond" format, with a gross amount of 600,000 thousand euros and a term of 10 years, the net amount of which was paid on 8 October 2021.
- On 11 February 2022, the EMTN Program was renewed on the Irish Stock Exchange and passed to the National Securities Market Commission, on which the Entity plans to carry out, if necessary, one or more public bond issues to meet its financial obligations.
- On 26 July 2021, the Entity and MITMA signed an Agreement for the economic sustainability of the railway infrastructures that make up its network, during the period 2021-2025, which provides for contributions from MITMA to finance, among others, ADIF AV's investment activities during the aforementioned period.
- As explained above, the Entity participates in the Transformation, Recovery and Resilience Plan (RRM) as an executing agency for investments within components C1 and C6, associated with the investment lines included in said Plan (see note 9.e).
- At 31 December 2021, as reported in note 11.a.1, the Entity has undrawn bank credit lines for a total amount of 460,000 thousand euros

In this context, and based on the above, the Entity has sufficient cash and/or the possibility of its availability to meet its financial obligations, which guarantees 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

Notes to the Annual Accounts 31 December 2021

result of the recent war between Ukraine and Russia and the health crisis of the COVID-19 Coronavirus, the impacts of which are described in notes 22 d) and 22.e) below.

In relation to the 2021 financial year, it should be noted that, in accordance with the Entity's financial cost optimization policy, the appeal to external credit was increased by 797,552 thousand euros, despite the fact that ADIF AV was authorized to increase its long-term debt in nominal terms by a total amount of 1,500,000 thousand euros.

At 31 December 2020, the Entity's result was negative (460,861) thousand euros and its working capital, which was negative, amounted to (755,557) thousand euros.

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 11 March 2020.

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 2020 and caused major restrictions on rail traffic.

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 had a negative impact, especially on the Entity's revenue, although it has begun to recover, since it shows a year-on-year increase of around 19.3% at 31 December 2021 (at 31 December 2020, a year-on-year decrease of 46%) and in relation to operating income, the losses obtained by the Entity have decreased by 22% in the period from 1 January 2021 to 31 December 2021 when compared to the same period in 2020.

ADIF - Alta Velocidad implemented a series of measures to partially offset this effect, including the following:

- Maintenance of the discounts/allowances to encourage the growth of rail traffic by means of the discounts/allowances for incremental long-distance passenger transport services on high-speed lines with a 50% reduction of the amounts to be paid corresponding to modes A and B and the addition to the referred mode B of the fee in accordance with the provisions of Article 97 of the Rail Sector Act.
- An expense rationalization plan that has allowed that at 31 December 2021, other operating expenses (excluding traction power and UDT) amounting to 511 million euros, shows a decrease of 5% compared to the amounts foreseen at that date and incorporated in the Entity's budget, (at 31 December 2020, other operating expenses (excluding traction power and UDT) amounting to 462 million euros showed a decrease of 7% compared to the amounts foreseen at that date and incorporated in the Entity's budget).

Notes to the Annual Accounts 31 December 2021

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.

22.e) Russia's invasion of Ukraine

The armed conflict unleashed between Russia and Ukraine since 24 February 2021 has unleashed a geopolitical and economic scenario of difficult prognosis. Although we will have to wait and see how events evolve, for the time being it seems to be a war that could drag on for a long time due to Russia's attempt to control Ukraine politically, economically and territorially and due to the repercussions derived from it, with implications on the supply of energy and raw materials to Europe, as well as on the levels of economic activity, interest rates, energy and raw material prices and inflation rates, among other impacts.

Taking into consideration the complexity of the markets due to their globalization and the existing uncertainty, the consequences for the Company's (the Group's) operations are uncertain and will depend to a large extent on the evolution of the conflict in the coming months, as well as on the reaction and adaptation capacity of all the political and economic agents affected.

Therefore, at the date of formulation of these annual accounts, it is premature to make a detailed assessment or quantification of the possible impacts that this conflict will have, due to the uncertainty of its consequences, in the short, medium and long term.

Finally, it should be noted that the Company's Directors and Management are constantly monitoring the evolution of the situation, in order to successfully face the possible impacts, both financial and non-financial, that may arise.

(23) Commitments and contingencies

The guarantees granted to third parties by the Entity at 31 December 2021 and 31 December 2020 amounted to 1,957 and 583 thousand euros respectively. The Entity's Management does not expect significant liabilities to arise, such as Consequence of the said guarantees.

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

Notes to the Annual Accounts 31 December 2021

At 31 December 2021 the Entity does not assume any risk derived from the subscription of letters of commitment or comfort letters having replaced these letters of commitment with financial contributions to the company that would allow the cancellation of the bank debt within the investee entity. At 31 December 2020 the risk assumed by the Entity in this connection amounted to 4,800 thousand euros, based on the balances drawn down by the aforementioned companies at those dates and on ADIF-AV's shareholding in their capital (see Note 5.b).

Below is the breakdown by company of the aforementioned guarantees granted at 31 December 2021 and 31 December 2020, as well as the provisions for risks and expenses arising from the Entity's participation in the related companies and by virtue of the contributions made and committed under the agreements entered into. These provisions for risks have been recorded by the Entity under non-current liabilities with a balancing entry for impairment losses on financial instruments recorded in the Entity's income statement (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 % 31/12/2021	Risk amount at 31/12/2021	Risk amount at 31/12/2020	Provisions at 31/12/2021	Provisions at 31/12/2020
Zaragoza Alta Velocidad 2002, S.A.	30.00%	-	-	40,835	41,369
Valencia Parque Central Alta Velocidad 2003, S.A.	30.00%	-	-	30,278	24,782
Logroño Integración del Ferrocarril 2002, S.A.	30.00%	-	4,800	-	-
Barcelona-Sagrera Alta Velocitat, S.A.	30.00%	-	-	2,487	-
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	139,933	132,484

APPENDICES



ENTIDAD PÚBLICA EMPRESARIAL
ADIF – Alta Velocidad

Property, Plant and Equipment and Investment Property for 2021

Expressed in thousands of Euros

	Balance at 1.1.2021	Additions	Transfers	Derecognitions	Reclassifications	Balance at 31.12.2021
Buildings and other constructions	1,682,509	-	42,852	(361)	-	1,725,000
Land and natural resources	2,583,917	35,864	48	(302)	(4,685)	2,614,842
Total land and buildings	4,266,426	35,864	42,900	(663)	(4,685)	4,339,842
Accumulated depreciation of buildings and other constructions	(398,942)	(26,107)	-	109	-	(424,940)
Provision for depreciation of buildings and other structures	-	-	-	-	-	-
Total carrying amount of buildings and other constructions	3,867,484	9,757	42,900	(554)	(4,685)	3,914,902
Track installations	33,049,195	-	3,361,629	(3,309)	(305)	36,407,210
Accumulated depreciation of track installations and other installations	(4,675,654)	(342,724)	-	2,906	-	(5,015,472)
Impairment of track installations	(25,026)	-	-	-	-	(25,026)
Total carrying amount of track installation and other installations	28,348,515	(342,724)	3,361,629	(403)	(305)	31,366,712
Other Property, Plant and equipment	41,217	-	1,236	(122)	-	42,331
Accumulated depreciation of other property, plant and equipment	(35,352)	(2,308)	-	122	-	(37,538)
Total carrying amount of other property, plant and equipment	5,865	(2,308)	1,236	-	-	4,793
Total carrying amount of track installations and other property, plant and equipment	28,354,380	(345,032)	3,362,865	(403)	(305)	31,371,505
Work in progress	14,131,959	808,009	(3,405,765)	-	-	11,534,203
Total net property, plant and equipment	46,353,823	472,734	-	(957)	(4,990)	46,820,610
Investment property	252,849	-	96,293	(435)	4,685	353,392
Accumulated depreciation of investment property	(59,103)	(4,658)	-	-	-	(63,761)
Provision for depreciation of investment property	-	(2,699)	-	-	-	(2,699)
Investment property in progress	403	96,293	(96,293)	-	-	403
Total net investment property	194,149	88,936	-	(435)	4,685	287,335
Intangible assets	76,131	-	20,065	-	305	96,501
Accumulated depreciation intangible assets	(22,309)	(2,411)	-	-	-	(24,720)
Intangible assets in progress	19,764	2,234	(20,065)	-	-	1,933
Total net intangible assets	73,586	(177)	-	-	305	73,714

This appendix forms an integral part of Note 4 to the Annual Accounts for 2021 in conjunction with which it should be read.

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 2021 in conjunction with which it should be read.



ENTIDAD PÚBLICA EMPRESARIAL
ADIF – Alta Velocidad

Detail of associated companies as of 31 December 2021

Name	Activity	% ownership	Cost of the investment	Not disbursed	Equity	Other equity items	Profit/(loss)	Operating profit/(loss)	Dividends received
Cartagena AVE, S.A. (a).	High-speed integration in Cartagena	40.00%	-	-	604	-	-	-	-
Murcia AVE, S.A. (a)	High-speed integration in Murcia	40.00%	-	-	625	-	-	-	-
Palencia Alta Velocidad, S.A. (a)	High-speed integration in Palencia	40.00%	-	-	390	-	(29)	(29)	-
Ingeniería y Economía del Transporte, S.A. (INECO) (b)	Preparation of civil and industrial railway engineering projects. Consultancy services	20.68%	7,977	-	88,179	18	10,481	17,508	2,168
León Alta Velocidad 2003, S.A. (b)	High-speed integration in León	37.50%	-	-	194	-	(34)	(34)	-
Logroño Integración Ferrocarril 2002, S.A. (a)	Management of high-speed rail in Logroño	30.00%	-	-	710	-	-	-	-
Valencia Parque Central Alta Velocidad 2003, S.A. (a)	High-speed integration in Valencia	30.00%	-	-	(18,726)	23,978	357	408	-
Valladolid Alta Velocidad 2003 S.A. (b)	Management of high-speed rail in Valladolid	30.00%	-	-	(55,769)	951	(8,324)	1,266	-
Gijón al Norte, S.A. (b)	High-speed integration in Gijón	30.00%	-	-	538	-	1	151	-
Zaragoza Alta Velocidad 2002, S.A. (a)	High-speed integration in Zaragoza	30.00%	-	-	(309,172)	4,794	71	2,561	-
Alta Velocidad Alicante Nodo Transportes, S.A. (a)	High-speed integration in Alicante	30.00%	-	-	(1,099)	1,620	-	-	-
Barcelona Sagrera Alta Velocitat S.A. (a)	High-speed integration in Barcelona	30.00%	-	-	(43,811)	-	-	-	-
Almería Alta Velocidad, S.A. (a)	High-speed integration in Almería	40.00%	-	-	557	7,590	(8)	(8)	-
A.V. Vitoria-Gasteizko Abiadura Handia, S.A. (a)	High-speed integration in Vitoria	40.00%	-	-	560	-	(8)	(8)	-
Total shares in group companies and associates			7,977	-				21,815	2,168
Enajenación de Materiales Ferroviarios, S.A. (EMFESA) (a)	Disposal and handling of unnecessary materials	12.50%	15		2,056	-	141	185	2
Albali Señalización, S.A. (b)		10.00%	1,131		13,275	-	1,499	4,128	135
Energía Olmedo Orense Fase I (b)		10.00%	508		7,241	-	186	1,575	-
Vía Olmedo- Pedralba (b)		10.00%	46	(240)	3,096	-	88	117	-
HIT RAIL B.V (b)		4.35%	54		3,182	-	64	76	3
Total others (see note 6.a)			1,754	(240)				6,081	140
TOTAL			9,731	(240)				27,896	2,308

a) Audited annual accounts at 31 December 2021
 (b) Provisional annual accounts as at 31 December 2021
 c) Annual Accounts prepared pending audit at 31 December 2021
 (d) Provisional annual accounts with draft audit report as at 31 December 2021
 (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 2021, 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	-				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
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This appendix forms an integral part of Note 5 to the Annual Accounts of 2021, in conjunction with which it should be read.