



INVESTOR

NEWSLETTER

Nº7 / DEC. 2021

Please find below the seventh issue of ADIF Alta Velocidad Newsletter, based on our commitment to provide the highlights related to our financial situation as well as our ESG policies.

HIGHLIGHTS AND SUMMARY OF Q3 2021 RESULTS

Still recovering of the effects produced by mobility restrictions caused by Covid-19 pandemic, **ADIF Alta Velocidad's EBITDA by Q3 2021 decreased to €(-0.2) million.**

Charges in the network managed by ADIF Alta Velocidad increased in €19 million compared with Q3 2020, which means a total amount of revenues from charges of €273 million.

On the other hand, compared to Q3 2020, **net finance expense has deteriorated by 4%.**

Based on the investment budget for 2021, ADIF-Alta Velocidad has performed **investments which amount to €708 million** as of 30 September 2021.

It highlights the following High-Speed Lines (HSL):

- + **Extremadura HSL**, with investments amounting to **€104 million**, mainly due to platform, signaling and electrification works on Plasencia-Cáceres and Mérida-Badajoz sections.
- + **Vitoria-Bilbao-San Sebastián HSL**, with investments amounting to **€103 million**, mainly due to platform works between Elorrio and Bilbao.
- + **Galicia HSL** (Olmedo-Lubián-Orense), with investments amounting to **€60 million**, mainly due to platform works on Lubian-Ourense section.

KEY FIGURES Q3 2021

REVENUES	EBITDA	TOT. ASSETS	TOT. EQUITY	TOT. FIN. DEBT	AVERAGE COST OF DEBT	AVERAGE DEBT MATURITY	RAIL NETWORK
636 M€	(-0.2) M€	48,203 M€	24,579 M€	16,955 M€	1.63 %	9.17 years	3,567 Km

POSITIVE OUTCOME OF LIBERALIZATION OF THE SECTOR

Liberalization of passenger's transportation has been not only a relevant milestone on the history of railway sector, but a great success.

This may, few months after the start of the liberalization process, **Ouigo**, a new railway operator, entered the high speed corridor between Madrid and Barcelona. Likewise, in june, the company **AVLO** (Renfe's low-cost operator) started his operations on the same high speed route.

One of the biggest factors for this positive outcome is the increase of the number of high speed travelers, even exceeding that of pre-covid times.

Despite overall figures are still below 2019's passengers, Madrid – Barcelona line has overtaken the travellers for the same period of 2019. This trend has consolidated during september, leaving behind the grim numbers of last 2020.

Without any shadow of doubt, Madrid – Barcelona line is the most active and the most relevant corridor from the point of view of the liberalization; the rest of high speed lines has a more modest growth, but with a positive feeling due to future events: during 2022 a third company, **lisa**, will start its operations over spanish railway, and Ouigo will enter Madrid – Levante and Madrid – Andalusia corridors, helping to consolidate the liberalized system and increasing the figures of those two corridors.



ENVIRONMENTAL COMMITMENT: FIVE YEARS, FIVE GREEN ISSUANCES

Adif Alta Velocidad launches its 5th green issuance, for five years in a row since its inaugural green bond in 2017, reinforcing the benchmark position of Adif AV as public green issuer.

On September 29th, Adif Alta Velocidad successfully issued its last green bond issuance to the date, for an amount of 600 million euros, and with a tenor of 10 years.

Despite the deteriorated market conditions, with inflation fears currently gripping the market, and the prospect of central banks tightening the screw on policy sooner than expected, this issuance obtained a remarkable oversubscription of almost 5x, with 130 accounts participating.

As a result, the transaction reached a spread of SPGB+17 bps, resulting in a coupon rate of 0.55%.

Like previous issuances, the proceeds of this transaction will be allocated, as stated in our Green Financing Framework, in eligible green projects related to new rail lines an extensions of existing lines, and other investments related to maintenance, upgrade an energy efficiency of the rail system.

As in previous issuances, the deal attracted a lot of international investors, for an 83% (being Germany and France the main source of orders), and its ratio of Sustainable Responsible Investors over the total has raised to a meaningful 72%.





SUCCESS OF THE NEW SPANISH TREASURY'S GREEN BOND BENCHMARK

Adif Alta Velocidad will take advantage of the success of the new Spanish Treasury's Green Bond Benchmark.

Last september, the Spanish Treasury started an ambitious founding program through green Bonds, with its first issuance of 5,000 million euros with a 20 years maturity.

This successful issuance registered an oversubscription of twelve times the amount issued, far from previous inaugural green Bonds of othe european countries, and mantaining a great investor's quality.

As detailed in its new green framework, published in July (which obtained the best environmental rating by Vigeo Eiris), proceeds will be allocated to the founding of projects boosting the ecological transition, addressing mitigation and adaptation to Climate change, according to the National Sustainable Finance Plan.

The main destination of the proceeds is the Clean Transportation goal (71% of all green eligible expenditures), implying an elegible amount of more than 9,000 million euros assigned to MITMA (the Ministry of Transport, Mobility and Urban Agenda).

Given the relevance of the ammounts that will be assigned to Adif Alta Velocidad (both entities, Adif and Adif Alta Velocidad, are responsible of around 50% of MITMA's green eligible expenses identified), representatives of the company took part on the virtual roadshow held with different green investors during the days previous to the issuance.

During these meetings, Adif Alta Velocidad made it clear that the strict control of the different projects, ensures that the company will not fall into double financing any of them with the proceeds obtained from other sources.

FOLLOW-UP OF ADIF AND ADIF ALTA VELOCIDAD MASTER PLAN TO COMBAT CLIMATE CHANGE

The Strategic Planning Department held a meeting recently to review the performance of the Master Plan to Combat Climate Change 2018-2030 (PLCCC), with a positive outcome from its deployment during the first half of 2021: the number of actions taken during this period has increased almost 33% compared to 2020, and more than 59% if compared with 2019.

During the meeting, the efforts carried out by Adif and Adif Alta Velocidad have been analyzed for both fronts: mitigation and adaptation to Climate change.

Those initiatives are encased into five main approaches: energy management (28 actions), energy efficiency (95), decarbonization and renewable energies (40), improvement of infrastructure resilience (11) and corporate culture and awareness (15). Each one of these approaches have been classified as strategic initiatives by the new 2020 Strategic Plan of both entities.

Every six months, the Master Plan measures objective achievements through strategic indicators, and this follow-up meetings have the same frequency.

ADIF AV / AN ESG ACTIVIST

As a whole, in 2021 the Master Plan is formed of 189 projects, among which 13% are finalised, 65% are currently in progress, 6% have been delayed and 17% are still in project phase or to be decided. From the projects currently in progress, 80% of them are advancing according to the scheduled time.

The Plan involves the whole of Adif and Adif AV, through the collaboration of almost 20 different departments and areas of activity.

Every project has a tangible impact, measurable through the indicators previously defined as strategic: improvement of energy efficiency, measured through the energy savings produced by the implementation of these projects (in kWh/eq per year), and reduction of GHG emissions (tCO₂eq per year).

Despite the fact that for some projects this savings will not impact the companies directly (like the Ecomilla and Ferrolinera projects), they will significantly contribute to emissions reduction of the transport sector.

This Master Plan to Combat Climate Change has been successful, until this date, in reducing the carbon footprint of Adif and Adif Alta Velocidad, particularly regarding the emissions derived from electricity consumption (scope 2). However, the meeting also put the focus on the need of improvement in the following years regarding direct emissions derived from the consumption of fossil fuels (scope 1).





ADIF ALTA VELOCIDAD & THE DNSH CRITERIA

Now is common knowledge the publication last July of the EU Green Bond Standard proposal, based on the road map part of the European Green Deal, and applying criteria and thresholds published in the EU Taxonomy regulation and its Delegated Acts.

Is no secret that Adif Alta Velocidad is committed to comply, as soon as possible, to this new standard once it enters into force; we consider it as a desirable advance in the average standard requirement levels, with a very comprehensive set of technical criteria and thresholds, that will contribute to avoid undesirable practices like greenwashing.

To this end, we are already taking steps towards the compliance with the technical criteria specified for Activity 6.14, Railway Infrastructures, detailed in the Delegated Acts related to the environmental objectives of Climate Change Mitigation and Adaptation. It is being transmitted to the whole entity the necessity to comply with them, in order to be able to issue green Bonds under this standard in the future.

Our activity already complies with the substantial contribution criteria, and the company is making advances towards the fulfilment of the thresholds set for the DNSH criteria.

Rigorous observation of European directives and national regulations by the company make the observation of those criteria easier, but the thresholds are in some cases more stringent than current Spanish regulations.

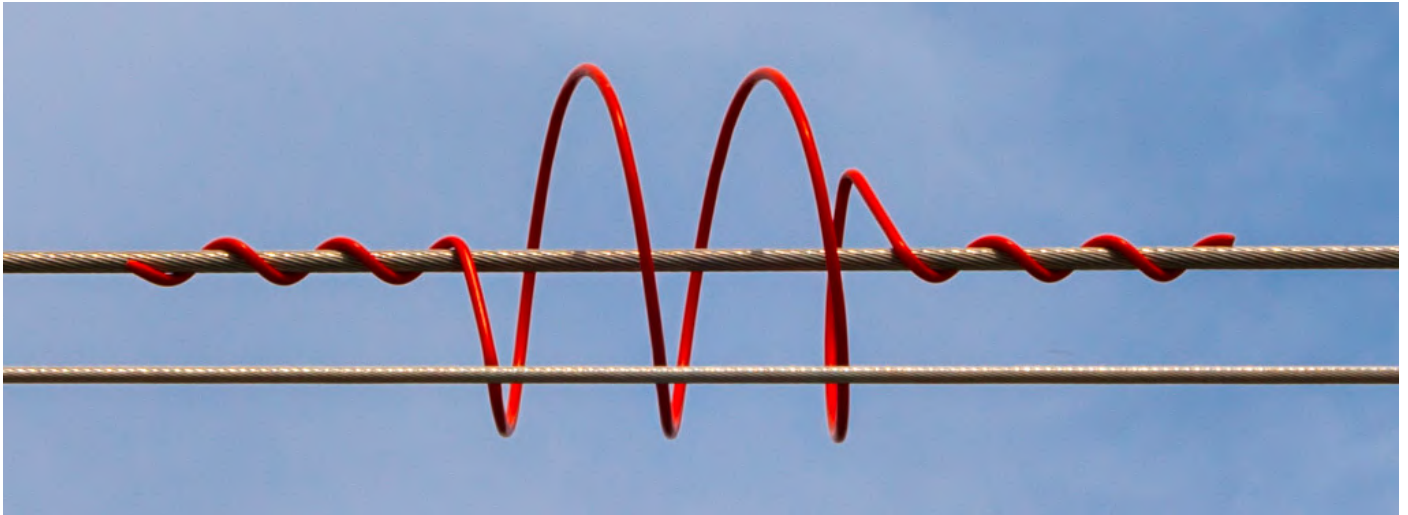


INTRODUCING NEW STUDIES REGARDING CLIMATE CHANGE ADAPTATION

In relation with one of the environmental goals, Climate Change Adaptation, Adif AV is taking measures with the objective of improving the resilience of our railway infrastructures.

The works on this adaptation angle have been recently started with the developing of studies regarding the vulnerability to the effects of climate change of our assets. This studies will take into account the climate risks of our existing and future infrastructures, with the main goal of reviewing the whole railway network to identify critical parts that demand some kind of action in the short, medium or long term, in order to minimize the impact of the adverse effects of climate change. Starting with this assessment, we will develop adaptation plans with specific measures for its development and implementation in the next years.

The methodology used to perform these adaptation analysis has been internally defined through technical regulation NAG 4-0-0.0, approved in early 2020, and based on Jaspers' Guide "Guidance Note. The Basics of Climate Change Adaptation Vulnerability and Risk Assessment".



NEW CONTRACT FOR THE SUPPLY OF GREEN ELECTRIC ENERGY IN RAILWAY NETWORK THROUGH NON-MEASURED POINTS

The Spanish Council of Ministers authorized the Ministry of Transport, Mobility and Urban Agenda to tender, through Adif Alta Velocidad and for an estimated amount of 19 million euros, the green energy supply agreement for the years 2022 and 2023 in non-measured points.

Non-measured points are those that, despite being remotely managed and measured by a private energy marketer, do not have a measurement system of Adif Alta Velocidad (compared to the rest of the points, measured by its contracted power or annual consumption). Average calculated consumption is 34,8 GWh/year.

The aim of this agreement is to obtain the best possible conditions given the current situation. In this way, Adif Alta Velocidad, as one of the main actors of the spanish high voltage electric energy scene, supports simultaneously the global efficiency of the spanish market and the sustainability of the railway network.

In line with the commitment of Adif Alta Velocidad, through its Master Plan to Combat Climate Change, to reduce GHG emissions and promote the use of renewable energy sources, all the electric energy supplied will be considered as green energy, and will come with a certificate of renewable source.

This way, Adif Alta Velocidad will continue its contribution to the decarbonization of the railway network, started in 2019 with the supply of energy with renewable origin certificates. In addition, the tender system includes a price bargaining stage that will reduce the final cost as an added benefit.

FUNDING POLICY & FUNDING ACTIVITY

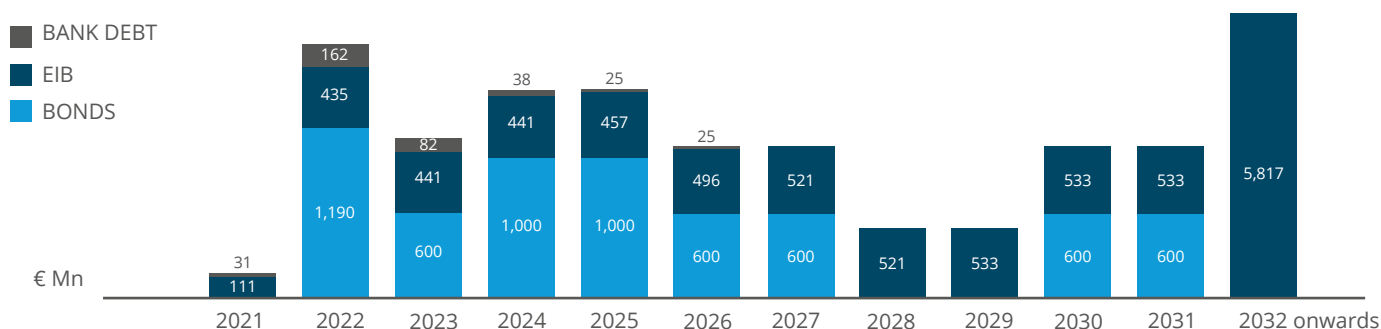
BOND FUNDING HIGHLIGHTS

- ✓ Frequent bond issuer
- ✓ EUR market
- ✓ Benchmark transactions
- ✓ Focus on the Green market

ADIF ALTA VELOCIDAD RATING

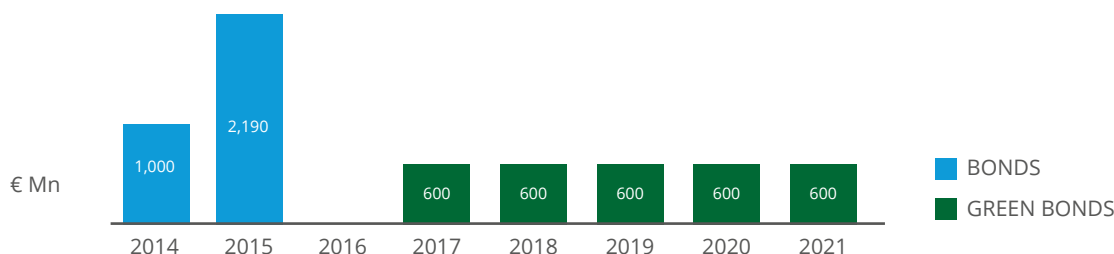
RATING AGENCY	LONG-TERM	SHORT-TERM	OUTLOOK
Moody's	Baa2	P-2	Stable
Fitch	A-	F-1	Stable

FINANCIAL DEBT MATURITY PROFILE*

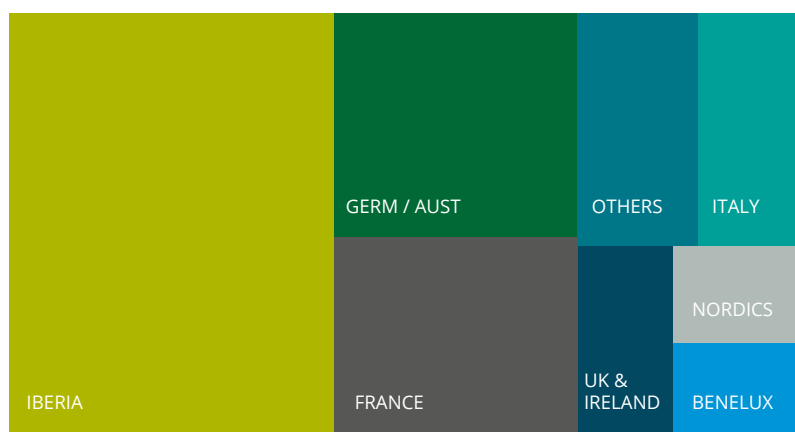


* As of 31 October 2021

BOND ISSUANCE ACTIVITY



GREEN BOND DISTRIBUTION BY COUNTRY*



* Weighted average distribution by country on primary market transactions.

OUTSTANDING BONDS

ISIN	ISSUE DATE	SECURITY	RATINGS	COUPON (%)	MATURITY	TENOR (Years)	OUTSTANDING (€ Mln)
ES0200002014	22/09/2015	ADIFAL 1.875 09/22/22	Baa2/A -	1.875	22/09/2022	2.3	1,190
ES0200002022	05/07/2017	ADIFAL 0.800 07/05/23	Baa2/A -	0.800	05/07/2023	3.1	600
XS1072141861	27/05/2014	ADIFAL 3.500 05/27/24	Baa2/A -	3.500	27/05/2024	4.0	1,000
ES0200002006	28/01/2015	ADIFAL 1.875 01/28/25	Baa2/A -	1.875	28/01/2025	4.7	1,000
ES0200002030	04/05/2018	ADIFAL 1.250 05/04/26	Baa2/A -	1.250	04/05/2026	5.9	600
ES0200002048	25/04/2019	ADIFAL 0.950 04/30/27	Baa2/A -	0.950	30/04/2027	6.9	600
ES0200002055	12/02/2020	ADIFAL 0.550 04/30/30	Baa2/A -	0.550	30/04/2030	9.9	600
ES0200002063	08/10/2021	ADIFAL 0.550 10/31/31	Baa2/A -	0.550	31/10/2031	9.9	600



SPANISH AND EURO AREA ECONOMY SNAPSHOT

SPANISH AND EURO AREA ECONOMY

MACROECONOMIC SCENARIO (YoY GROWTH RATES IN PERCENT)

	2017	2018	2019	2020	2021	Q1	Q2	2022	2023	2024
Private consumption expenditure	3.0	1.8	0.9	-12.1	7.3	-4.2	-28.7	6.9	2.8	1.7
General Government consumption expenditure	1.0	2.6	2.3	3.8	2.5	3.2	3.4	1.5	0.6	0.0
Gross Fixed Capital Formation	6.8	6.1	2.7	-11.4	10.3	-3.2	19.9	12.3	8.8	1.7
National Demand (Contribution to GDP Growth)	3.1	3.0	1.4	-8.8	6.7	-2.2	-	6.7	3.6	1.4
Exports of goods and services	5.5	2.3	2.3	-20.2	9.2	-9.7	34.1	10.3	2.8	2.5
Imports of goods and services	6.8	4.2	0.7	-15.8	10.3	-5.2	36.8	10.0	3.3	0.4
External demand (Contribution to GDP Growth)	-0.2	-0.5	0.6	-2.0	-0.2	-2.0	-	0.2	-0.1	0.7
Gross Domestic Product	3.0	2.4	2.0	-10.8	6.5	-4.2	19.8	7.0	3.5	2.1

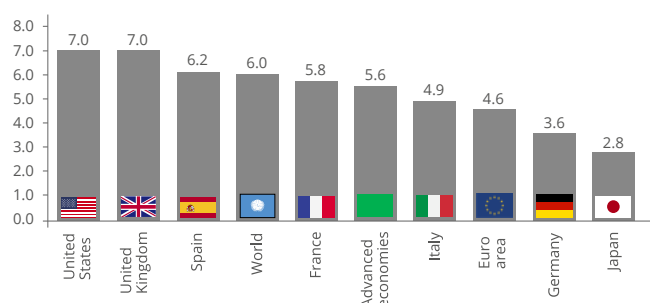
OTHER VARIABLES

	2017	2018	2019	2020	2021	Q1	Q2	2022	2023	2024
Unemployment rate (in % of Active Population)	17.2	15.3	14.1	15.5	15.2	16.0	15.3	14.1	13.2	12.7
Full-time Equiv. Employment (YoY Growth)	2.9	2.6	2.3	-7.5	4.0	-1.9	18.9	2.7	1.1	0.9
Net lending (+) / borrowing (-) with RoW (% of GDP)	3.0	2.4	2.5	1.1	2.7	1.0	-	4.6	3.2	2.3
Private Consumption deflator (YoY Growth)	1.5	1.5	1.0	0.2	0.8	0.8	1.5	1.1	1.5	1.5
Headline Balance General Gov't (in % of GDP)*	-3.0	-2.5	-2.9	-11.0	-8.4	-11.5	-	-5.0	-4.0	-3.2
USD / € exchange rate	1.1	1.2	1.1	1.1	1.2	1.2	1.2	1.2	1.2	1.2
Euro Area GDP growth (YoY growth)	2.7	1.9	1.3	-6.8	4.4	-1.3	13.6	3.8	1.9	1.6
Oil prices (Brent, USD / barrel)	54.3	70.9	64.8	41.5	60.8	61.1	69.0	58.2	56.7	56.0

Source: Spanish Treasury Chart Pack, September 2021

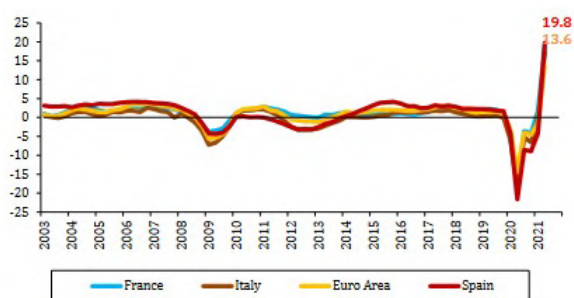
ECONOMIC SENTIMENT

IMF Growth Forecasts for 2021
(Year-on-Year Growth Rates)

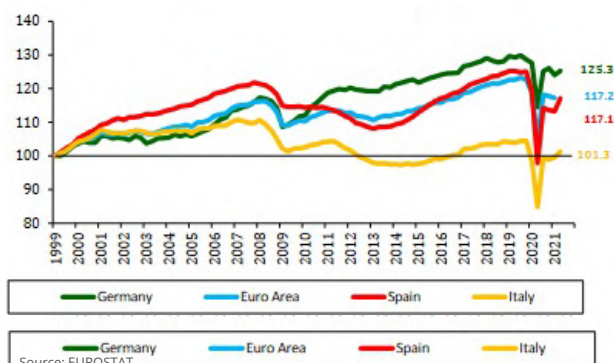


Source: IMF, WEO Update July 2021.

GDP Growth in the Euro Area
(Year-on-Year Growth Rates)

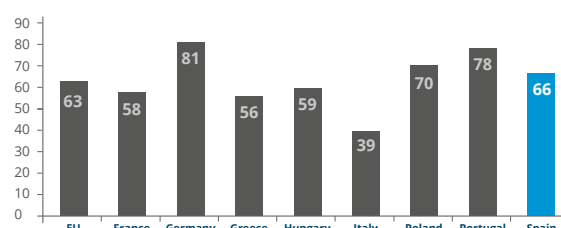


Per capita Real GDP Volume
(Index 1999=100)



Source: EUROSTAT.

% of population that thinks that membership of the EU is a good thing



Source: EUROSTAT, Nov.-Dec.2020

Source: Spanish Treasury Report



DISCLAIMER



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For any queries you may have, please contact us by mail at
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