



INVESTOR

NEWSLETTER

Nº2 / JUNE 2019

Based on our commitments of transparency and sustainability, and in order to provide information of interest to SRI investors, we are pleased to introduce you to the second issue of our newsletter that includes economic and financial information, as well as recent news related to our environmental and social responsibility policies.

HIGHLIGHTS AND SUMMARY OF 2018 RESULTS

Adif Alta Velocidad by end of year 2018 increases EBITDA to €287 million.

In the year 2018, charges in the network managed by Adif-Alta Velocidad increased in €20 million, which means a total amount of revenues from charges of €572 million.

Based on to the investment budget for 2018, Adif-Alta Velocidad has performed investments which amount to €1,310 million as of 31 December 2018.

It highlights the following High Speed Lines (HSL):

- / **Galicia HSL** (Olmedo-Lubián-Orense), with investments amounting to €488 million, mainly due to the platform and track actions;
- / **Extremadura HSL**, with investments amounting to €139 million;
- / **Levante HSL**, with investments amounting to €83 million;
- / **Bobadilla Granada HSL**, with investments amounting to €73 million;
- / **Vitoria-Bilbao-San Sebastián HSL**, with investments amounting to €68 million, and
- / **Asturias HSL** (Pajares bypass), with investments amounting to €67 million.

KEY FIGURES 2018

REVENUES	EBITDA	EBIT	TOTAL ASSETS	TOTAL EQUITY	TOTAL FINANCIAL DEBT	AVERAGE COST OF DEBT	AVERAGE DEBT MATURITY	HIGH SPEED RAIL NETWORK
994 M€ + 2% vs 2017	287 M€ + 4% vs 2017	49 M€ + 26% vs 2017	46,007 M€	24,535 M€	15,451 M€ + 2% vs 2017	1.88 %	10.3 years	2,514 Km

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BREAKING NEWS

OPENING OF THE HIGH SPEED LINE TO GRANADA

JUNE 25TH, 2019

On past 25 June 2019, the President of the Spanish Government, Pedro Sánchez, inaugurated the high speed line that joins Madrid with Antequera and Granada. The line between Antequera and Granada is integrated into the Mediterranean Corridor and has an approximate length of 122 kilometers. It will allow the direct high-speed connection of Granada with Malaga, Córdoba, Sevilla, Madrid and other Spanish cities.

Upon his arrival in Granada, Pedro Sánchez said that infrastructure such as the inaugurated one is part of a policy articulated in **four axes**: travel safety; mobility as a driver of social cohesion; the digitization that incorporates the latest technological advances, and sustainability, in line with the 2030 Agenda for Sustainable Development. The president thanked those who have contributed to the design and construction of this infrastructure and to minimize its environmental impact. “We must minimize the contribution from transport and mobility to greenhouse gas emissions”, said Pedro Sánchez, who called for “responsibility from all public authorities”.

Investments in this high speed line amounts to EUR 1,675 million. It has been **co-financed by the European Union** through the European Regional Development Fund and the Trans-European Transport Network funding. Additionally, it is also noteworthy the contribution of the proceeds raised from the **Green Bonds** issued by ADIF Alta Velocidad in the years 2017 and 2018, since this high speed line is one of the Eligible Green Projects based on its Green Bond Framework.



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THIRD GREEN BOND

GENERATE ENVIRONMENTAL OR CLIMATE BENEFITS

APRIL 11TH, 2019

On April 11th 2019, Adif Alta Velocidad issued a new 'green bond', amounting to **600 million euros**, to finance or refinance projects that generate environmental or climate benefits. The term of the bond is 8 years with an annual coupon of 0.95%. The spread against the Spanish Treasury Bond was 28 b.p., reducing the margin of the issue made in April 2018 by 6 b.p.

This is the third issue of bonds of these characteristics, after those made in June 2017 and April 2018.

Noteworthy is the high number of offers received, with a 3 times over-subscription and the significant geographical distribution of the issue, highlighting the participation of international investors with a 67%, of which 25% corresponds to Germany and 16% to France.

It should also be noted the strong presence of **SRI investors** who have subscribed 60% of the issue, far exceeding the share reached in April 2018, where they accounted to 45% of the total.

Adif Alta Velocidad reinforces its commitment to sustainability and environment, one of the basic pillars of its Strategic Plan, "Plan Transforma 2020", based on the Sustainable Development Goals of the United Nations.

In the same sense, with this third issue, Adif Alta Velocidad reiterates its commitment to this responsible financing formula with the aim of complying with the most demanding "**sustainable finance**" standards.

You can find the Final Conditions on our **webpage**.

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2018 GREEN BONDS ANNUAL REPORT

INVESTMENTS IN SIX NEW HIGH-SPEED LINES AND REVERSIBLE ELECTRICAL SUBSTATIONS

Prior to this third issue, we published the second Green Bond Annual Report on the application of the funds obtained with the 2018 issue, which have been allocated to **Eligible Green Projects (EGP)** related to the construction of new high speed lines and the extension of others already existing, as well as the maintenance and improvement of energy efficiency in the railway system.

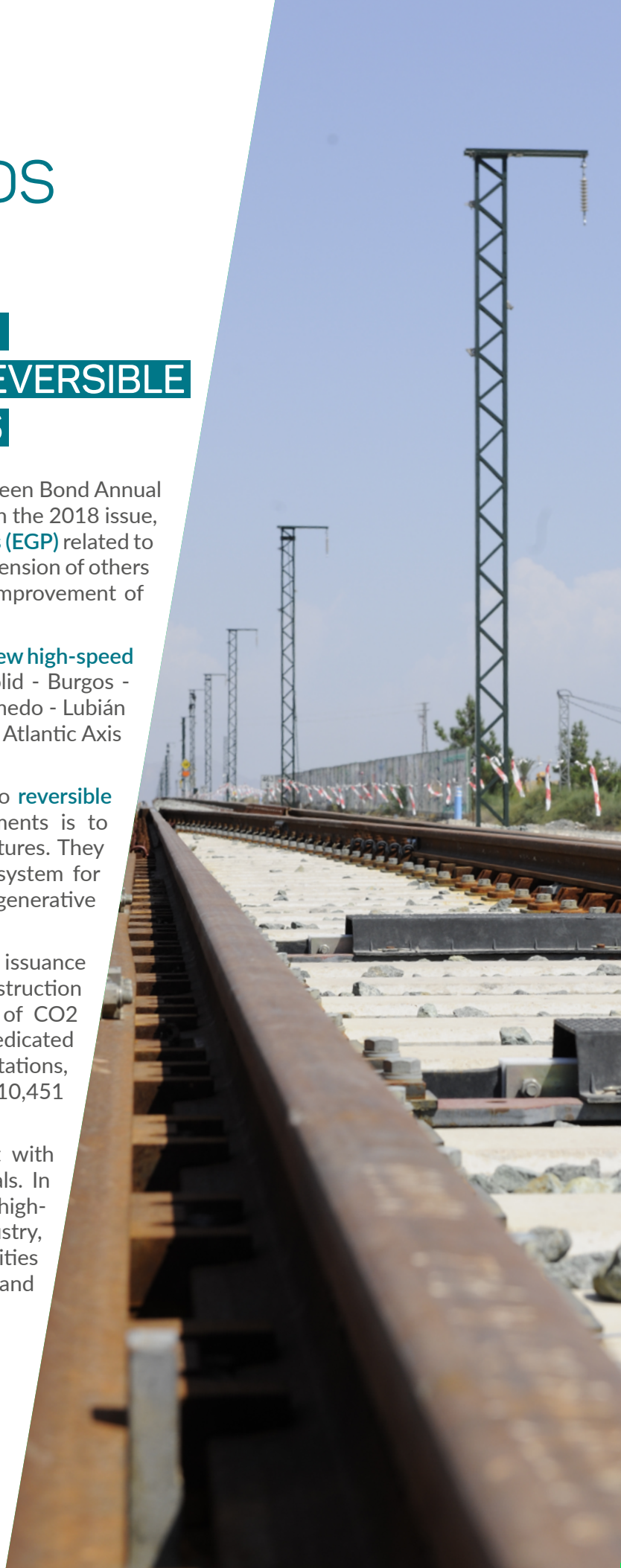
On one hand, these EGP include investments in **six new high-speed lines**: Madrid-Levante, Antequera-Granada, Valladolid - Burgos - Vitoria, Madrid - Extremadura, Madrid - Galicia (Olmedo - Lubián - Orense - Santiago de Compostela stretch) and the Atlantic Axis (Santiago de Compostela-Vigo stretch).

On the other hand, EGP include projects related to **reversible electrical substations**. The goal of these investments is to improve the energy efficiency of railway infrastructures. They consist of the installation in six substations of a system for recovering the energy generated by trains through regenerative braking.

Specifically, 99.78% of the funds from the second issuance of 'green bonds' has been dedicated to the construction of high-speed lines that will save 556,820 tons of CO2 annually. Likewise, 0.22% of the funds have been dedicated to projects related to the reversible electric substations, which will eliminate 2,417 tons of CO2 and save 10,451 GWh.

This report shows Adif Alta Velocidad alignment with the United Nations Sustainable Development Goals. In particular, the construction and maintenance of high-speed lines have a positive impact on the **SDG 9** (Industry, Innovation and Infrastructure), **11** (Sustainable cities and communities) and **13** (Combat climate change and its effects).

You can find the Annual Report on our [webpage](#).



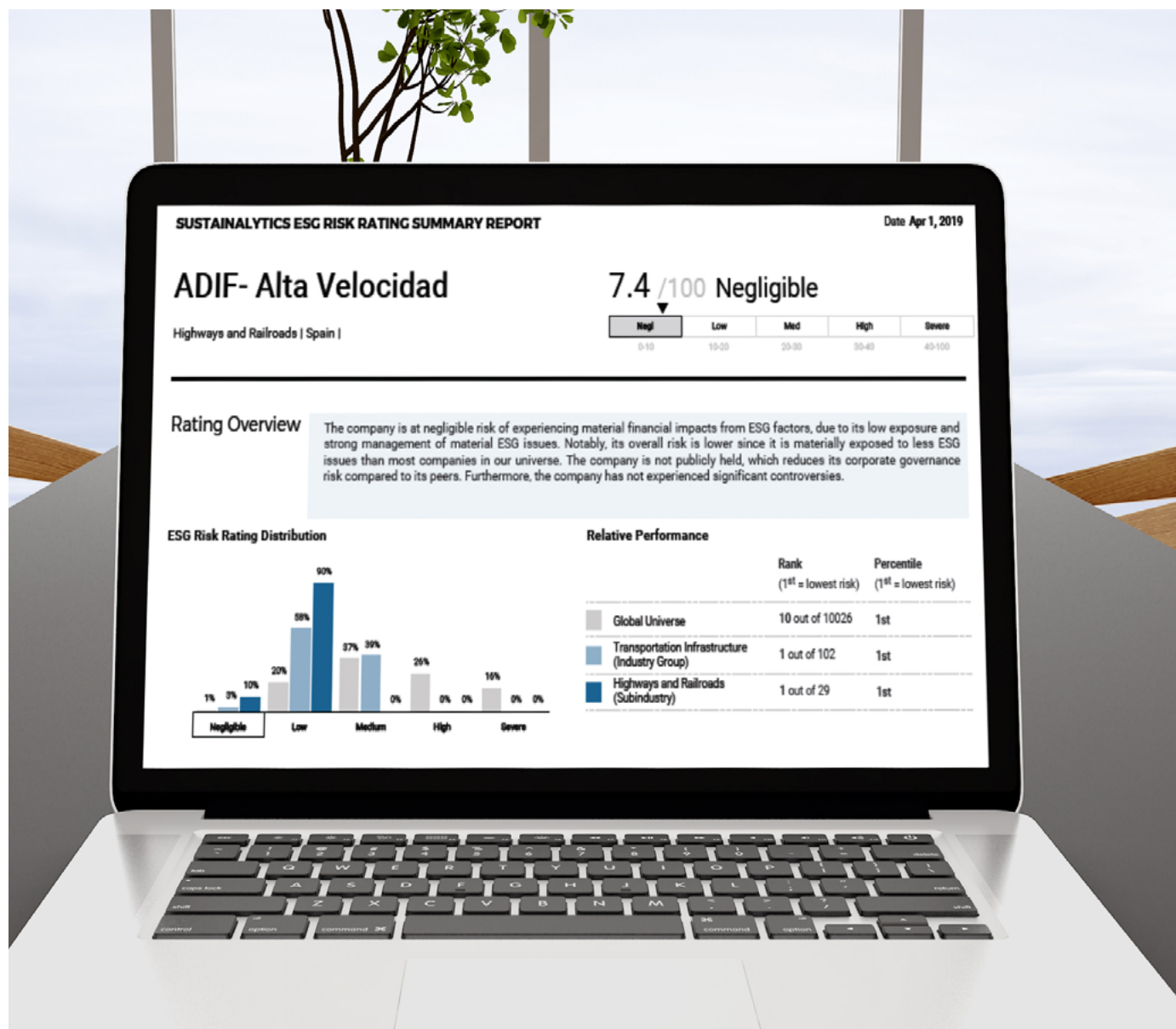
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ESG RISK RATING REPORT BY SUSTAINALYTICS

In order to consolidate its position as a socially responsible public issuer of reference in the European market, Adif Alta Velocidad has just obtained the ESG Risk Rating by Sustainalytics, that values environmental, social and good governance aspects. Adif Alta Velocidad become **leader in the Transportation Infrastructure Industry**, out of a total of 102 companies evaluated, as well as in the Highways and Railways subsector, and it is one of the ten first issuers rated by Sustainalytics, out of a total of 10,025 analyzed companies.

Getting this rating is a noteworthy achievement for Adif Alta Velocidad since it certifies and transmits to investors the commitment of the entity to sustainability, corporate social responsibility and transparency, basic pillars of its Strategic Plan.



You can find the Sustainalytics ESG Risk Rating Summary Report on our [webpage](#).

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PRESENTATION OF THE PLAN TO COMBAT CLIMATE CHANGE

APRIL 10TH, 2019

On April 10th, 2019, the General Direction of Strategic Planning and Projects presented Adif-Alta Velocidad Plan to Combat Climate Change 2018-2030.

The Plan is developed according to international (United Nations Sustainable Development Goals - in particular, **SDG 13** "Climate Action" -, Paris Agreement) and european policies (2030 Climate & Energy Framework of the EU).

It is structured in five strategic lines, which are the following:

- 1/ Energy management.
- 2/ Energy efficiency.
- 3/ Decarbonization and renewable energy.
- 4/ Improvement of the resilience of railway infrastructures.
- 5/ Sustainable culture and awareness.

The general goal of increasing the contribution of Adif Alta Velocidad to the fight against climate change is specified in three particular goals:

- / **MITIGATION:** To reduce energy consumption (2,900 GWh by 2030) and GHG emissions (9,100 ktCO₂ by 2030).
- / **ADAPTATION:** To improve the resilience of railway infrastructures.
- / **CULTURE AND AWARENESS:** To promote environmental behaviours among the stakeholders.

A **workgroup** has been created, with the functions of implementing the Plan, monitoring and developing internal and external communication. This group is coordinated by the Corporate Responsibility, Sustainability and Brand Department with the participation of different areas of the entity.



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ENVIRONMENTAL TREATMENT WITH TECHNOSOLS

The Madrid-Galicia HSL, Pedralba-Ourense section, is a challenge for Spanish engineering given the complicated orography of the area and the premise of achieving high-speed parameters.

The rugged orography of this stretch means that the route is populated by large tunnels and viaducts.

Specifically, the Espiño Tunnel and the Cerdedelro Tunnel cross rock formations with the presence of metallic sulfides, carbonaceous matter and heavy elements that can give rise to aggressive waters and leached potentially polluting in the landfill where the material coming from the excavation is collected.

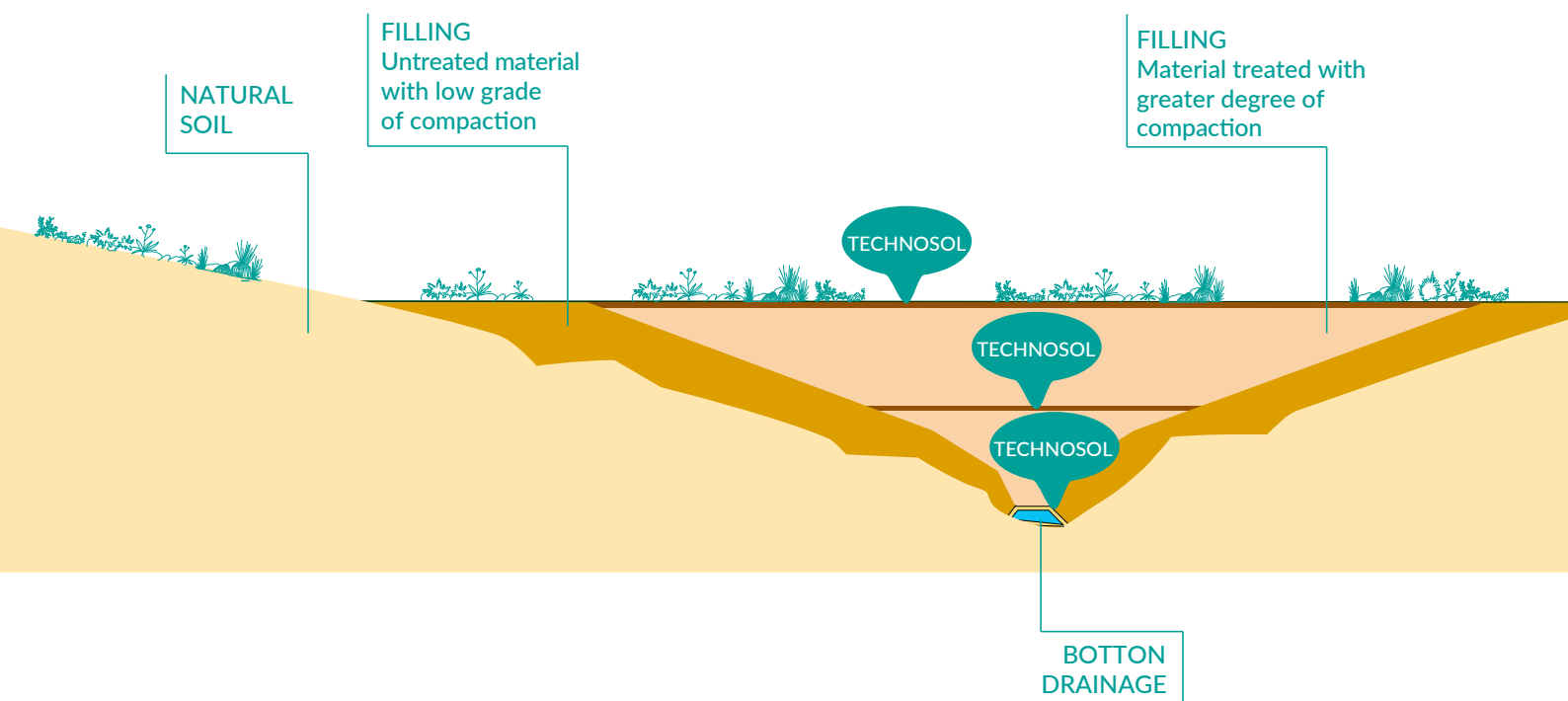
To know in depth the real risks and be able to evaluate them with guarantees, Adif Alta Velocidad together with the University of Santiago de Compostela proposed an alternative treatment of the materials coming from the excavation of potentially polluting tunnels, by means of the employment in the landfill of technosols instead of calcareous materials.

The technosols are floors elaborated in plant that allow to solve all these environmental problems, provide greater neutralizing effect than the limestone sand, and also present other advantages, because they allow to reduce the speed of oxidation, adsorb the heavy metals present in the leachates and have eutrophizing power that facilitates environmental integration.

The final objective is to avoid pollution and also favor the development of vegetation in the area of the railway construction works.

For more details, please watch the following video:

<https://vimeo.com/317445716/4b2e424385>

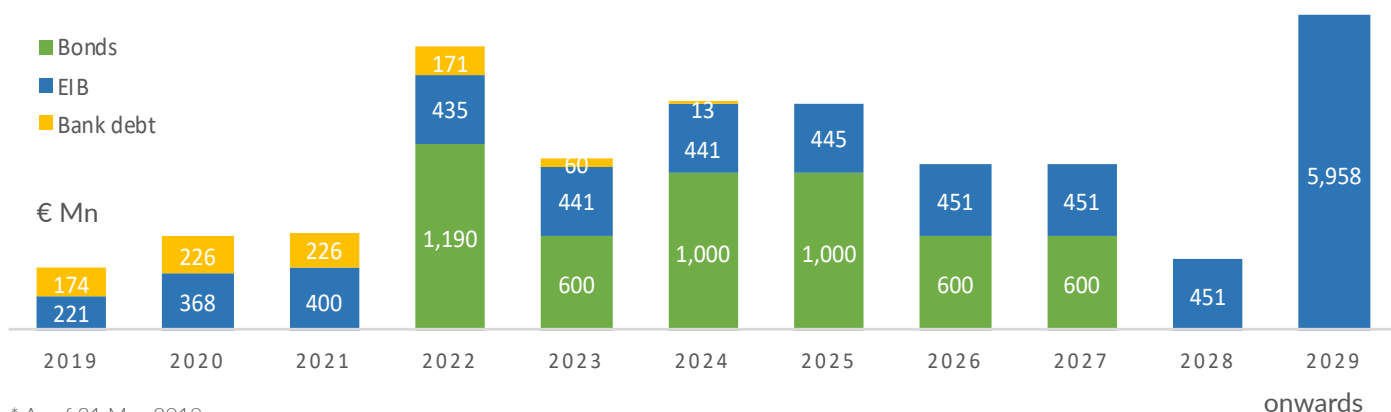


FUNDING POLICY & FUNDING ACTIVITY

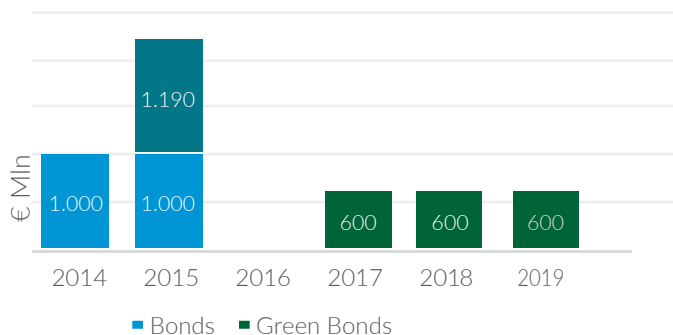
BOND FUNDING HIGHLIGHTS

- ✓ Frequent bond issuer
- ✓ EUR market
- ✓ Benchmark transactions
- ✓ Focus on the Green market
- ✓ € 600 mln issued in 2019

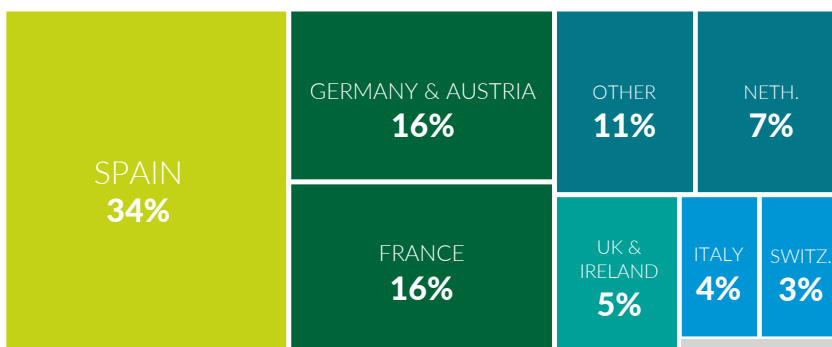
FINANCIAL DEBT MATURITY PROFILE*



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	22/09/2015	3.9	1,190
ES0200002022	05/07/2017	ADIFAL 0.800 07/05/23	Baa2/A -	0.800	05/07/2023	4.7	600
XS1072141861	27/05/2014	ADIFAL 3.500 05/27/24	Baa2/A -	3.500	27/05/2024	5.6	1,000
ES0200002006	28/01/2015	ADIFAL 1.875 01/28/25	Baa2/A -	1.875	28/01/2025	6.3	1,000
ES0200002030	04/05/2018	ADIFAL 1.250 05/04/26	Baa2/A -	1.250	04/05/2026	7.6	600
ES0200002048	25/04/2019	ADIFAL 0.950 04/30/27	Baa2/A -	0.950	30/04/2027	7.9	600

ADIF ALTA VELOCIDAD RATING

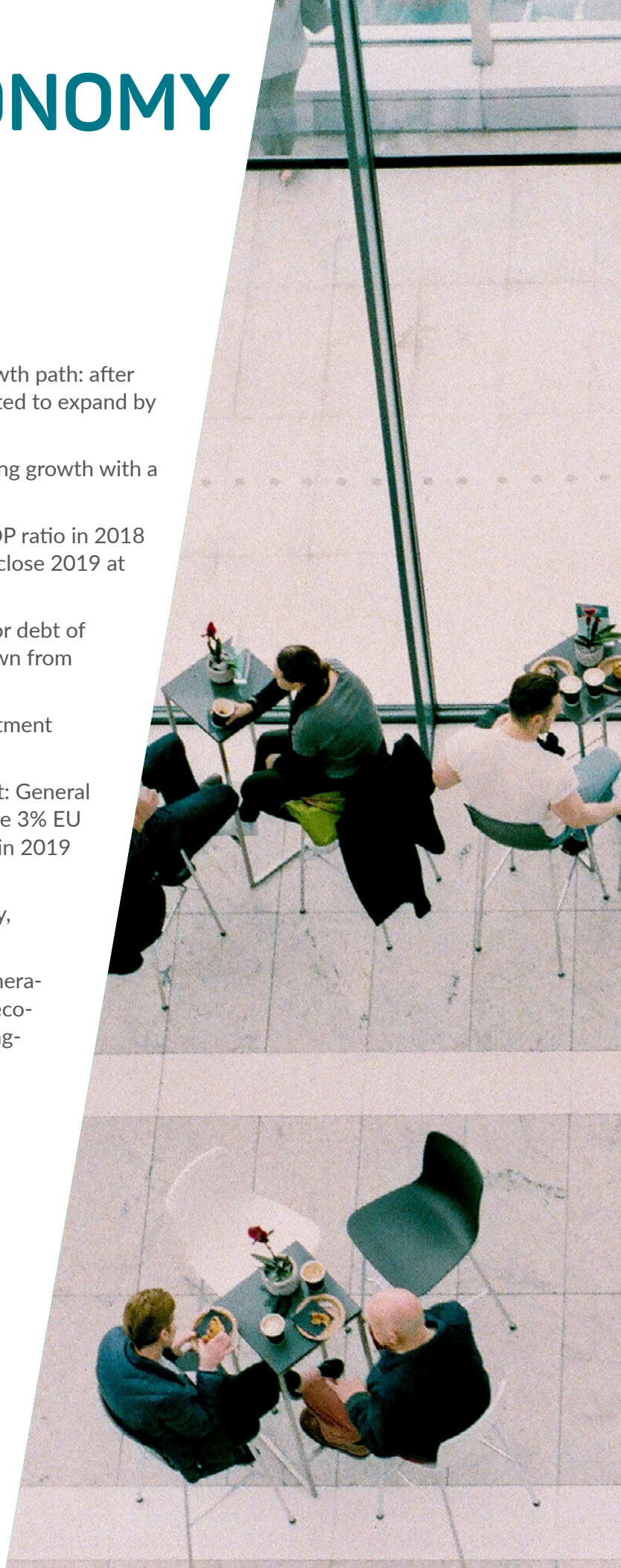
RATING AGENCY	LONG-TERM	SHORT-TERM	OUTLOOK
Moody's	Baa2	P-2	Stable
Fitch	A-	F-1	Stable



SPANISH ECONOMY SNAPSHOT

HIGHLIGHTS

- / The Spanish economy will maintain a robust growth path: after growing at a rate of 2.6% in 2018, GDP is expected to expand by 2.2% in 2019.
- / National deleveraging is progressing, by combining growth with a current account surplus
 - ✓ Ambitious public debt reduction: Debt-to-GDP ratio in 2018 of 97.1% down from 98.1% and expected to close 2019 at 95.8%
 - ✓ Impressive private deleveraging: private sector debt of 152.1% below the Euro Area average and down from 217.8% in 2010
- / Strong pro-European sentiment underpins adjustment resolve:
 - ✓ Commitment to the Stability and Growth Pact: General Government deficit in 2018 of 2.5% below the 3% EU reference value, and expected to be reduced in 2019 to 2%
 - ✓ Structural reforms: Macroprudential Authority, Agenda for Change under implementation
 - ✓ Measures to address unemployment, intergenerational equity, climate change and inequality (economic, territorial and gender) essential for long-term sustainability
- / Gradual widening, deepening, improvement of Spain's investor base



MACROECONOMIC SCENARIO 2019-2022

Macroeconomic scenario (YoY growth rates in percent)								
	2016	2017	2018	2019	q1	2020	2021	2022
Private consumption expenditure	2.9	2.5	2.3	1.9	1.4	1.6	1.5	1.4
General Government consumption expenditure	1.0	1.9	2.1	1.9	2.0	1.5	1.4	1.3
Gross Fixed Capital Formation	2.9	4.8	5.3	4.0	4.7	3.5	3.3	3.1
National Demand (Contribution to GDP Growth)	2.4	2.9	2.9	2.3	2.2	1.9	1.8	1.8
Exports of goods and services	5.2	5.2	2.3	2.7	-0.5	2.8	2.7	2.6
Imports of goods and services	2.9	5.6	3.5	3.1	-1.2	2.9	2.8	2.7
External demand (Contribution to GDP Growth)	0.8	0.1	-0.3	-0.1	0.2	0.0	0.0	0.0
Gross Domestic Product	3.2	3.0	2.6	2.2	2.4	1.9	1.8	1.8

Other variables								
	2016	2017	2018	2019	q1	2020	2021	2022
Unemployment rate (in % of Active Population)	19.6	17.2	15.3	13.8	14.7	12.3	11.0	9.9
Full-time Equiv. Employment (YoY Growth)	3.0	2.9	2.5	2.1	2.8	1.8	1.7	1.6
Net lending (+)/borrowing(-) with RoW (% of GDP)	2.4	2.2	1.5	1.2	--	1.1	1.1	1.0
Private Consumption deflator (YoY Growth)	0.0	1.6	1.6	1.2	1.2	1.4	1.5	1.5
Headline Balance General Gov't (in % of GDP)*	-4.5	-3.1	-2.5	-2.0	--	-1.1	-0.4	0.0
USD / € exchange rate	1.1	1.1	1.2	1.13	1.14	1.13	1.13	1.13
Euro Area GDP growth (YoY growth)	1.9	2.5	1.8	1.2	1.2	1.6	1.5	1.4
Oil prices (Brent, USD / barrel)	43.3	54.3	70.9	68.9	63.1	67.6	65.0	65.0

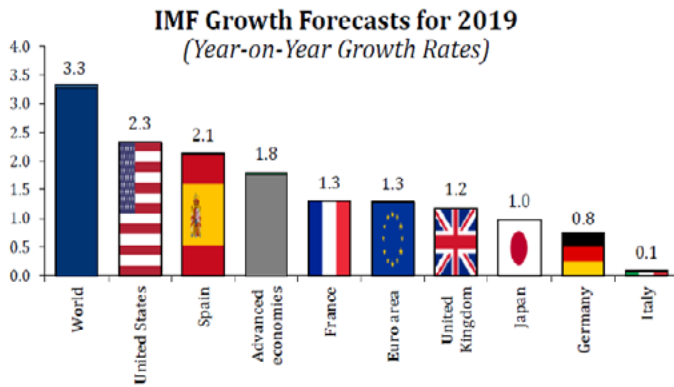
*Including Financial Sector-One-Offs

Shaded areas are realisations. In white, forecasts contained in the 2019 Stability Programme released in April

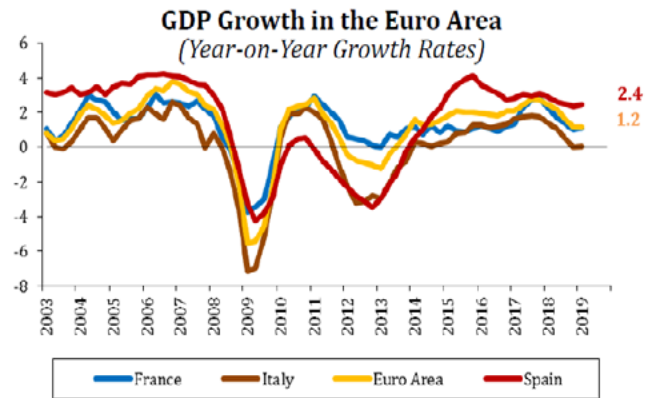
Source: Spanish Treasury Report



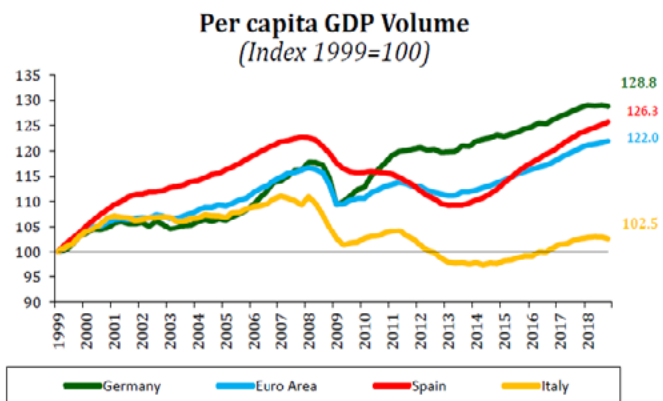
ECONOMIC SENTIMENT



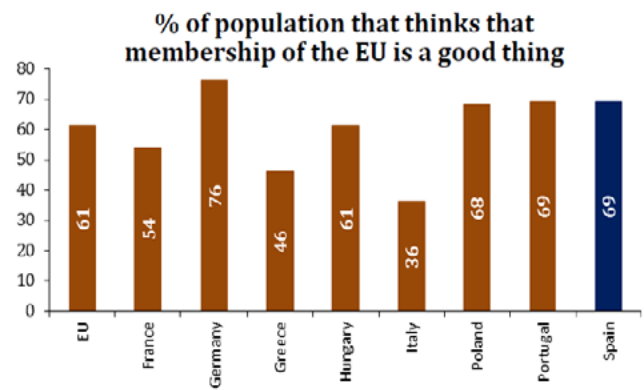
Source: IMF, WEO April 2019.



Source: Instituto Nacional de Estadística.



Source: EUROSTAT.



Source: EUROSTAT, March 2019.

Source: Spanish Treasury Report



DISCLAIMER



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For any queries you may have, please contact us by mail at
gestion.financiera@adifaltavelocidad.es

