

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

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

Opinion

The General State Comptroller, through the State Audit of Administrador de Infraestructuras Ferroviarias Alta Velocidad, (hereinafter ADIF AV or the Entity), using the powers conferred thereto by Article 168 of the General State Budget Law, has audited the financial statements of the aforementioned Entity, which comprise the balance sheet at 31 December 2019, the income statement, the statement of changes in equity, the statement of cash flows and notes to the financial statements for the year then ended.

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

Basis for opinion

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

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

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

Key audit matters

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

Property, plant and equipment

Description

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

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

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

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

Our Response

Our audit procedures have included, among others:

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

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

Description

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

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

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

Our Response

Our audit procedures have included, among others:

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

Other issues: involvement of private auditors

The audit firm PKF Attest Servicios Empresariales S.L. by virtue of the agreement entered into with the Spanish Ministry of Finance and Public Administration, at the proposal of the General State Comptroller (IGAE), performed the audit engagement referred to in the preceding section. In the aforementioned engagement, the General State Comptroller applied the Technical Standards relating to cooperation with private auditors in the performance of public audits of 11 April 2007.

The General State Comptroller prepared this report on the basis of the work performed by the audit firm PKF Attest Servicios Empresariales S.L.

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

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

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

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

Responsibilities of the President in the audit of the annual accounts

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

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

Auditor's responsibilities for the audit of the annual accounts

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

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

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

We also:

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

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

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

Signed electronically by Antonio Merino Díaz

Controller Delegate in ADIF Alta Velocidad

**Entidad Pública
Empresarial
ADIF-Alta
Velocidad**

31 December 2019

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

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Financial Statements

31 December 2019

Balance Sheet
at 31 December 2019 and 31 December 2018

Expressed in thousands of Euros

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

Balance Sheet

at 31 December 2019 and 31 December 2018

Expressed in thousands of Euros

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

Income Statement
31 December 2019 and 2018

Expressed in thousands of Euros

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

Statement of Changes in Equity
31 December 2019

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

Expressed in thousands of Euros

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

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

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

Expressed in thousands of Euros

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

Cash Flow Statement corresponding to the year ended 31 December 2019

Expressed in thousands of Euros

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

Cash Flow Statement corresponding to the year ended 31 December 2019

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

Notes to the
Annual Accounts

31 December 2019

Notes to the Annual Accounts
31 December 2019**(1) Activity of the Entity and Legal Status**

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

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

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

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

ADIF was established as a state-owned entity under the Basic Law of 24 1 January 1.941 under the name Red Nacional de los Ferrocarriles Españoles (hereinafter RENFE). On 31 December 2004 Rail Sector Law 39/2003 of 17 November 2003 (hereinafter the RSL) entered into force, with the objective of incorporate various EU directives establishing a new framework for this sector in Spanish legislation and to completely re-organise the State rail sector, laying the foundations for new players to progressively enter this market. To achieve these objectives, rail infrastructure administration was regulated and entrusted to RENFE. Consequently, RENFE became Administrador de Infraestructuras Ferroviarias (ADIF), retaining its legal status as a state-owned entity. The RSL also foresaw the creation of a new state-owned entity, RENFE Operadora, to provide rail transport services, with this entity assuming the resources and assets used by RENFE to render rail transport services. Like ADIF, ADIF-AV and RENFE Operadora are subject to the RSL.

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

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

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

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

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

1.a) ADIF-Alta Velocidad statute

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

- ADIF-AV is a state-owned entity as provided for in article 43.1.b) of Law 6/1997 of 14 April 1997 on Organisation and Functioning of the General State Administration. This law primarily regulates the regime, organisation and operation criteria for the state administrative scheme within which state-owned entities are included. The Entity is part of this regime, falling under the Ministry of 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.

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- ADIF-AV was created by spinning off the branch of activity involving the construction and running of high-speed railway infrastructures, as well as other activities attributed to the entity and entrusted to Administrador de Infraestructuras Ferroviarias (ADIF) until its creation.
- ADIF-AV will assume all the functions assigned to ADIF by virtue of Rail Sector Law 38/2015 of 29 September 2015 (Law 39/2003 of 17 November 2003, previously) in respect of those infrastructures it has been assigned ownership of, as well as in connection with those infrastructures allocated in the future.
- The Ministry of Economy and Finance and the Ministry of 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.

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Article 22 of Rail Sector Law 38/2015 of 29 September 2015 foresees that administration of the rail infrastructure and, where applicable, construction thereof, will correspond, within the framework of state responsibility, to one or more state-owned entities falling under the Ministry of Public Works, having their own legal identity, full capacity to operate and their own assets. These entities will be governed by the Rail Sector Law, by Law 6/1997 of 14 April 1997 on the Organisation and Functioning of the General State Administration, by its statute and by any other applicable regulations.

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

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

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

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

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

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

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

The main addenda prepared are as follows:

- Addenda to the service arrangement signed by Administrador de Infraestructuras Ferroviarias (ADIF) and ADIF-AV, whereby ADIF is commissioned to provide:
 - workplace accident prevention and health and safety services
 - traffic safety services
 - capacity allocation, traffic management and associated services

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.c) Other provisions

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

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

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

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

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- High-speed Madrid-Cuenca-Valencia line and high-speed link with Albacete and Alicante
- Valencia-Vandellós stretch of the Mediterranean Corridor
- Santiago de Compostela-Vigo stretch of the high-speed Atlantic Axis
- Castellón de la Plana Station
- The fibre optic network, as well as repeater towers and auxiliary installations located along the Orense-Santiago stretch of the high-speed Galicia line.
- Order FOM/2438/2013 of 17 December 2013 establishes the list of personnel of the state-owned entity Administrador de Infraestructuras Ferroviarias that will form part of the state-owned entity ADIF-AV.
- In resolutions dated 27 June 2014, the Council of Ministers approved the transfer from ADIF to ADIF-AV of ownership of the following assets:
 - a) Stretches of the Iberian gauge rail network linking the cities of Plasencia, Cáceres, Mérida and Badajoz
 - Monfragüe-Plasencia stretch: from km 0/00 to km 16/700
 - Monfragüe-AG stretch km 44-Monfragüe Ag. km 255.4: from km 0/000 to km 2/700
 - Madrid-Valencia de Alcántara line: from km 251/625 to km 332/833
 - Aljucén-Cáceres line: from km 0/000 to km 65/443
 - Ciudad Real-Badajoz line: from km 453/000 to km 512/351
 - b) Bobadilla-Granada stretch of the Iberian gauge rail network
 - c) Loja Station

The Council of Ministers determined that the transfer would be made free of charge, as the assets were used in the administration of rail infrastructures, and would be valued at the net book value in ADIF of the assets subject to transfer, recognising the gross cost and the depreciation accumulated at the transfer date. The net book value of the assets transferred to ADIF-AV in June 2014 amounted to 71,321 thousand euros.

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

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

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

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

These regulations are applicable to ADIF-AV.

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

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

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

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

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

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

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

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

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

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

ADIF-AV presents the annual accounts in accordance with the accounting principles and measurement standards set out in Royal Decree 1514/2007 of 16 November 2007, approving the General Chart of Accounts and applying, among other aspects, the going

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concern basis in accordance with the legal and statutory regime described in Note 1, as well as the modifications to the General Chart of Accounts incorporated by virtue of Royal Decree 1159/2010 of 17 September 2010, and Royal Decree 602/2016 of 2 December 2016 and on the basis of the accounting principles and criteria set by the Spanish General State Comptroller (IGAE) through the resolution dated 30 December 1992 (hereinafter the Resolution), which continues in force in all aspects not in opposition to the provisions of the subject General Chart of Accounts. In addition, in preparing the financial statements the Entity has taken into account Order EHA/733/2010 of 25 March 2010, published in the Official State Gazette of 26 March 2010, approving accounting practices for state-owned companies operating in certain circumstances.

Furthermore, in the preparation of these interim financial statements the Entity also considered the IGAE opinion relating to accounting policies as expressed through answers to questions presented by ADIF in accordance with Law 47/2003, of 26 November 2003. Significant accounting policies are disclosed in Note 3.

2.b) Comparative information

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

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

Preparation of the interim financial statements requires that certain estimates be made, based on past experience, the assessment of certain risks (see note 22) and other factors considered reasonable in the current circumstances, which serve as a basis to establish the value of assets and liabilities where this cannot be easily determined using other sources. The Entity revises its estimates continuously. However, in light of the inherent uncertainty, there is a considerable risk that the assets and liabilities involved could require significant adjustments in the future, in the event of a major change in the assumptions, facts and circumstances on which the estimates are based.

Key assumptions concerning the future and other relevant data on the uncertainty of estimates and important judgements in the application of accounting policies at year end, which entail a considerable risk of significant changes in the value of assets and liabilities in coming years, are as follows:

- Depreciation of high-speed rail infrastructure: depreciation of property, plant and equipment included in the high-speed railway infrastructure requires the use of estimates to determine the useful life and impairment deriving from normal activity and usage. Management of the Entity has had to estimate depreciation based on the use of these installations over their useful life, considering different assumptions regarding fluctuations in rail traffic in line with expected demand.
- Deferred tax assets: when determining the amount of deferred tax assets and tax credits to be recorded, Management of the Entity measures the probability of generating future tax profits, as well as the amount and timing of such profits (see Note 12.a).
- Impairment of non-financial assets (see Note 3(b)).

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- Property, plant and equipment for railway infrastructures executed by various integration companies in which the Entity participates under the Integration Agreements of which they bring cause (see notes 3.b and 3.i). The infrastructures put into service are recorded as property, plant and equipment even if their formal delivery has not occurred, provided that future economic returns are expected through their exploitation and a reliable valuation of their cost is available. The realization of these estimates requires the application of relevant professional judgments to classify the infrastructures executed, which are complex in nature, such as railways or urban development, as well as to allocate certain costs necessary for the development of the global project entrusted to the aforementioned companies. The final allocation to the partners must be agreed within each of them, so there is uncertainty about the final attribution of the various assets to each of its shareholders.
- Determination of the commercial or non-commercial nature of the non-financial fixed asset swaps.
- Impairment of the value of the credits granted to group companies and associates, (see note 3 (i))
- Provisions for risks and expenses: provisions are recognised when it is probable that a present obligation resulting from a past event will give rise to an outflow of resources and the amount of the obligation can be reliably estimated. Entity Management makes estimates based on an evaluation of all relevant information and events, of the probability that a contingency will materialise, and of the amount of the liability to be settled in the future. (see Note 3.i).

These estimates have been made on the basis of the best information available up to the date of preparation of these annual accounts. Any future events not known at the date of preparation of these estimates could lead to modifications (up or down), which would be carried out, where appropriate, prospectively.

2.d) Functional and presentation currency

The annual accounts are presented in thousands of Euros, which is the functional and presentation currency of the Entity, rounded to the nearest thousand, unless otherwise stated.

(3) Significant Accounting Policies**3.a) Intangible assets**

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

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

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

	YEARS
R&D expenses	25
Computer software	5

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

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

3.b) Property, plant and equipment

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

- Publicly owned railway assets: these assets include railway lines, the land on which they are located and installations built in the public property zone (article 27 of the RSL). According to article 13 of the RSL, the public property zone includes the land on which the lines forming part of the public service rail network are laid, as well as an eight-metre strip of land on either side of the track bed, with special rules depending on the associated infrastructures (tunnels, bridges, etc.). Most of the assets contributed to ADIF-AV are considered to be publicly owned assets. In order to dispose of these assets, their legal status would first need to be amended through delisting from this category by way of a resolution from the Entity's board of directors declaring them to be unnecessary [article 16, section 1, point q) and article 31 of Royal Decree 1044/2013]. As a result of this delisting, the assets in question would be included among the Entity's own assets (under the Entity's private ownership) and could then be disposed of or exchanged.

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

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

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

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

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

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

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

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

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

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assets, in commercial or non-commercial barter exchange transactions, using the following criteria:

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

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

In the case of commercial barter, the asset received is measured at the fair value of the asset delivered, plus any monetary consideration received.

According to the Order PRE/2443/2013 mentioned in note 1, assets and liabilities transferred from ADIF to ADIF-AV have been integrated into and recognised by ADIF-AV at those carrying amounts as accounted for in ADIF at the spin-off date.

The criteria used to value rail infrastructure by ADIF-AV are as follows:

- a) Infrastructure constructed by the Entity was measured using the cost of construction plus the cost of preparing directly-related reports, blueprints, drafts, studies, technical assistance, surveillance, etc., the cost of supplementary studies and reports necessary for planning and designing lines, work carried out for assets and non-deductible input VAT. Also included, as a higher cost of infrastructure, is the best estimate available at the closing date, of the current amounts claimed by contractors of works or expropriated, which the Entity considers likely to generate a future outflow of resources, and which correspond inter alia to differences in the measurements of works and to claims of costs linked with increases in execution times over those originally planned.
- b) Other infrastructures received from the seconding State were valued at an amount equal to that contained in the corresponding subrogation certificates, at the purchase price or production cost incurred by the Ministry of Development, in accordance with the data contained in its Accounting Information System and in its accounting records, deducting its accumulated amortization on the date of transfer. However, if subsequent to the initial valuation, changes are shown in the values included in the corresponding delivery documents or other provisions by which railway infrastructures are transferred to ADIF-AV or new investments related to the lines or sections are identified previously assigned, these adjustments are recorded in the year in which the new values are known and the corresponding rectifying minutes are signed or the aforementioned provisions are modified.
- c) The assets relating to Madrid-Sevilla high-speed rail line, transferred by the State to RENFE through the Submission and Receipt Agreement, were valued by the Ministry of Public Works at cost, less accumulated depreciation at 31 December 2004, calculated using the depreciation criteria applied by RENFE based on the type of asset and the date of its entry into service.

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- d) Investments underway and in operation on the high-speed Atlantic Axis and the Mediterranean corridor connection were allocated to ADIF for no consideration, in accordance with the second additional provision of Royal Decree-Law 22/2012 of 20 July 2012, and were spun off to ADIF-AV as per the Spin-Off Order. These assets were constructed by the State before ADIF was commissioned to operate both sets of infrastructure through respective rulings issued by the Secretary of State for Infrastructure on 11 May 2012. These items and work in progress were recognised at the amount of 2,476,419 thousand euros, which corresponds to the acquisition price or cost of production incurred by the Ministry of Public Works based on data contained in its financial information system and accounting records, less accumulated depreciation at the transfer date. This amount is equivalent to the fair value of these assets, since it was defined in the context of the tenders provided for under legislation applicable to the General State Administration and results from a public tender process conducted between knowledgeable independent parties.
- e) In respect to the infrastructures built by the Sociedad Estatal de Infraestructuras del Transporte Terrestre, S.A. (Hereinafter SEITTSA) on the L.A.V. Madrid – Galicia, these were delivered to ADIF AV in accordance with the provisions of the Agreement signed on August 25, 2015 by the mentioned Entity, ADIF and the Ministry of Development (hereinafter referred to as the Recast Convention or the Convention). The aforementioned agreement establishes that the delivery of these assets will be considered as a free transfer of assets assigned to the activity of railway infrastructure management. ADIF AV would recorded these assets at the acquisition price or the cost of production for which SEITTSA had valued them in its books and which were previously paid by the AGE to the Company.
- f) Land and natural assets are valued based on the amounts paid for expropriations and the assignment value in the case of expropriations that were paid in due time by the Ministry of Public Works and Transport and in which the Entity was subrogated, The Entity began in 2014, the work of delimitation, individualized valuation and registration where appropriate, of those lands that, being of their ownership, were not registered due to expropriations of historical origin undertaken in the 19th or 20th centuries, Additionally, the Entity has carried out a similar process to regularize the book value of the land linked to infrastructures and railway facilities delivered by the State and that until that time, were registered by the assignment value according to the information received from the AGE, For this, the value of acquisition or expropriation according to the supporting documentation has been used as valuation method and, in cases where this has not been available, the acquisition value of adjoining land expropriated in similar years.

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

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

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- 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:

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

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

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

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

- **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

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arise in the short term, which will adversely affect the Entity.

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

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

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

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

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

Notes to the Annual Accounts
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Investment property comprises property which is earmarked totally or partially to earn rentals or for capital appreciation or both. Property that is being constructed for future use as investment property is classified as property, plant and equipment under development until construction is complete. The Entity measures and recognises investment property following the policy for property, plant and equipment.

Investment property is generally depreciated on a straight-line basis over an estimated useful life of 50 years.

Income from real estate operating leases is recognised in the income statement in the year in which it is earned. Rent received in advance are recognised as accruals under liabilities in the balance sheet and taken to profit and loss over the term of the contract signed with the lessee.

3.d) Financial assets

- Equity investments in Group companies and associates

This item includes investments in companies over which the Entity has a significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The existence of potential voting rights that are exercisable or convertible at the end of each reporting period, including potential voting rights held by the Entity or other entities, are considered when assessing whether an entity has significant influence.

Non-current investments in Group companies and associates are initially measured at cost, which is the fair value of the consideration given plus directly attributable transaction costs. After initial recognition, these financial assets are measured at cost net of any accumulated impairment losses, which are recognised when there is evidence that the carrying amount of an investment is not recoverable. The impairment loss reflects the difference between the carrying amount and the recoverable amount, understood as the higher of the fair value of the asset less costs to sell and the value in use. Accordingly, value in use is calculated to the extent of the Entity's interest in the present value of estimated cash flows from ordinary operations and the proceeds generated on final disposal, or the estimated cash flows from the distribution of dividends and final disposal of the investment. However, in certain cases, when estimating possible impairment, unless better evidence is available, the Entity considers the equity of the investee, corrected for unrealised gains and losses existing at the measurement date, relating to identifiable balance sheet items.

Nonetheless, when the carrying amount of an investment has been reduced to zero, the additional losses and the corresponding liability are recognised to the extent that the Entity has incurred a legal, contractual, constructive or tacit obligation, or if ADIF-AV has made payments on behalf of this Group company, jointly-controlled entity or associate. (see Note 3,i)

- Loans and receivables

This category includes trade and non-trade receivables with fixed or determinable payments, which are not traded in an active market and for which the Entity expects to recover the full amount recognised, except in the event of customer arrears.

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

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

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

3.e) Financial liabilities

- Debts and payables

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

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

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

- Financial guarantee contracts

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

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

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- Derivative financial instruments

Derivative financial instruments which qualify for hedge accounting are initially measured at fair value, plus any transaction costs that are directly attributable to the acquisition, or less any transaction costs directly attributable to the issue of the financial instruments.

The Entity contracts cash flow hedges. At the inception of the hedge, the Entity formally designates and documents the hedging relationships and the objective and strategy for undertaking the hedges. Hedge accounting is only applicable when the hedge is expected to be highly effective at the inception of the hedge and in subsequent years in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, throughout the period for which the hedge was designated (prospective analysis) and the actual effectiveness, which can be reliably measured, is within a range of 80%-125% (retrospective analysis).

The Entity records the gain or loss on the measurement at fair value of a hedging instrument that is determined to be an effective hedge in recognised income and expense. The ineffective portion and the specific component of the gain or loss or cash flows on the hedging instrument, excluding the measurement of the hedge effectiveness, are recognised under change in fair value of financial instruments in the income statement.

When the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting, the corresponding cumulative amount in equity is recognised in the income statement.

3.f) Cash and cash equivalents

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

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

3.g) Grants, donations and bequests received

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

In application of the single additional provision of Ministry of Economy and Finance Order EHA/733/2010 of 25 March 2010, for accounting purposes only, grant conditions are considered to be met when, at the date of authorisation for issue of the financial statements, the works have been partially or fully completed, quantified in the proportion of works

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financed that have been completed. This item also includes grants received in kind from the State through the conveyance of certain railway lines in operation or under construction, for no consideration.

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

As a result of the foregoing and applying recognition and measurement standard 18, and in accordance with regulation 6, section 1 of Order EHA/733/2010 of 25 March 2010, the Entity recognised a capital grant in the amount of 2,476,419 thousand euros, reflecting the fair value of the items received calculated as the depreciated replacement cost of those items pursuant to the aforementioned ministerial order (see Note 3.b)). This grant will be taken to income each year in proportion to the depreciation of the assets received.

Similarly, in application of Royal Decree-Law 4/2013 of 22 February 2013, the Entity has recognised a grant for the value of the works delivered by the State to ADIF-AV for no consideration in 2013 (see Note 1).

The Entity recognises any amounts received in advance, and balances relating to grants awarded and receivable for which not all the above conditions have been met, as payables convertible into grants, under other financial liabilities.

The Entity recognises grants as operating income from non-financial grants, in line with the depreciation for the year of the fixed assets for which the grants have been received.

3.h) Long-term employee benefits (liabilities)

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

- **Defined benefit plans**

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

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

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

- Defined contribution plans

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

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

3.i) Provisions

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

All the obligations mentioned in the preceding paragraph are disclosed in these annual accounts, provided that it is more likely than not that the obligation will require settlement.

Provisions are measured at the present value of the best estimate of the amount required to settle or transfer the obligation, taking into account available information on the event and its consequences, and recognising any adjustments arising on the discounting of these provisions as a finance cost when accrued. Provisions maturing in one year or less are not discounted when the financial effect is immaterial. Provisions are reviewed at each year end and adjusted to reflect the best present estimate of the liability at each given time.

The Entity records, as provisions, the best estimate available at the closing date of the obligations assumed by the participation in various integration companies whose cancellation is likely to result in an outflow of resources, but which are indeterminate as to their amount or date. For the quantification of the aforementioned obligations, estimates of the expected cash flows to be obtained in each case are considered, provided by the Management of each of the Companies, analyzing their capacity to obtain income from the sale of land that allows them to face the obligations contracted with third parties to develop the project entrusted to them, as well as the needs for contributions of funds by the shareholders and their capacity to reimburse the financing provided and pending contribution. In the cases in which it is estimated that there will be a deficit to be assumed by the shareholders, the final risk assumed by the Entity is determined, taking into account, in addition, the best estimate of the value of the railway infrastructures that the Company must deliver to ADIF AV. As a result, the loss assumed by the Entity and recognized as a provision for risks and expenses and as a provision for impairment of financial assets is quantified as the difference between the present value of the aforementioned deficit and the estimated cost of the infrastructures that the Entity should receive. (See note 3b).

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

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Assets and liabilities are classified as current and non-current on the balance sheet. Assets and liabilities are classified as current when they are connected with the Entity's normal operating cycle of less than one year and are expected to be recovered, consumed or settled within twelve months after the balance sheet date.

3.k) Foreign currency balances and transactions

Foreign currency transactions are recognised at the exchange rate prevailing at the transaction date.

Loans in foreign currency are reflected at the effect exchange rate at the balance sheet date and exchange differences are recorded at the time they occur.

3.l) Income taxes

The income tax expense or tax income for the year comprises current tax and deferred tax.

Current tax assets or liabilities are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and tax laws that have been enacted or substantially enacted at the balance sheet date.

Current and deferred tax are recognised as income or an expense and included in profit or loss for the year, except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different year, directly in equity, or from a business combination.

(i) Recognition of taxable temporary differences

Taxable temporary differences are recognised in all cases except where they arise from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable income.

(ii) Recognition of deductible temporary differences

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

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

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

(iv) Offset and classification

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

3.m) Recognition of income and expenses

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

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

3.n) Related party transactions

Related party transactions, except those related to mergers, spin-offs and non-monetary contributions, are recognised at the fair value of the consideration given or received. The difference between this value and the amount agreed is recognised in line with the underlying economic substance of the transaction.

3.o) Leases

Lease contracts, which at the outset transfer, substantially all the inherent risks in ownership of the assets to the Entity, are classified as finance leases and, if they are not, are classified as operating leases. The lease contracts in effect at the date of closing of these financial statements, all classified as operating leases, consist mainly of the rental of vehicles and administrative offices.

(4) Property, Plant and Equipment, Intangible Assets and Investment Property

Details of the balances of property, plant and equipment, intangibles and investment property and their corresponding depreciation and impairment and movement at 31 December 2019 and full year 2018 are shown in Appendix 1.

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

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

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

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

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

The Entity has recorded, in the financial statements, the best estimate available of the railway works executed to date by the integration companies Zaragoza Alta Velocidad 2002 S.A., Valencia Parque Central Alta Velocidad 2003, S.A., Alta Velocidad Alicante Nodo Transportes S.A., Valladolid Alta Velocidad 2003, S.A. and León Alta Velocidad 2003, S.A., in which it participates and which are put into operation.

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

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

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

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

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

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

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

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

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

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

In the process of accounting regularization of land owned by ADIF - AV, (see note 3,b,) the Entity up until 31 December 2019 and until 31 December 2018 has delimited, valued, and entered, or, where appropriate, regularized its value in the economic accounting inventory the land located in the following areas of action:

- Sections of the conventional width rail network that connect the cities of Plasencia, Cáceres, Merida and Badajoz and a stretch of 27 km, of the conventional rail network Bobadilla- Granada,
- Madrid-Sevilla high-speed line, for the land mainly referred to the Getafe-Córdoba section, which was paid by the Ministry of Development and whose records were not included in the Entity's economic and accounting inventory at 31 December 2013.
- 31 stations assigned to ADIF AV whose land was not registered in the Entity's economic inventory as of 31 December, 2013.
- The Valencia-Vandellós section of the Mediterranean Corridor, for the land of historical origin, which is expropriated by private companies that were integrated into the former National Network of the Spanish Railways and also the expropriations undertaken by this public business entity and by the Ministry of Public Works and Transport. In 2016, the Entity had access to the supporting documentation for the expropriations carried out by the Ministry of Public Works and Transport in this area and, as a result of its analysis, said land has been delimited and valued, increasing its acquisition value to 45,773 thousand euros. For its part, as of 31 December, 2015, these lands were registered for 56,339 thousand euros, a figure contributed by the Ministry at the time

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

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

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

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

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

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

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

4.a) Operating property, plant and equipment

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

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

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31/12/2018 Thousands of Euros

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

4.b). Work in progress

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

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

The Entity recognized, in previous years, as a greater value of work in progress, the best available estimate of those executed and outstanding works pending certification at 31 December 2019 and 31 December 2018 arising from outstanding contractual issues pending formalization worth 14,245 and 45,472 thousand euros, respectively. ADIF AV continues with a process of regularization of these situations and is working on the development of instruments to avoid such incidents in the future.

Work in progress at 31 December 2019 and 31 December 2018 includes 185,367 and 169,941 thousand euros, respectively, for advances to suppliers. At 31 December 2019 and at 31 December 2018, this item also comprises advances extended to suppliers that have not been formally set out in contracts, in the amount of 27,229 and 42,008 thousand euros respectively. The heading includes advances for the future delivery of railway works derived from agreements signed between the Entity and its associates, as per the following breakdown at 31 December 2019 and 31 December 2018:

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	Thousands of Euros	
	31/12/2019	31/12/2018
Valencia Parque Central Alta Velocidad 2003, S.A.	48,084	48,084
Valladolid Alta Velocidad 2003, S.A.	1,529	1,529
Zaragoza Alta Velocidad 2002, S.A.	11,165	11,165
Almería Alta Velocidad, S.A.	10,169	10,169
TOTAL	70,947	70,947

Under the act of formal delivery of signed works on February 1, 2016 between Zaragoza Alta Velocidad 2002, SA, ADIF and ADIF-AV, in 2015, the Entity has partially cancelled the advances for outstanding works to be received from Zaragoza Alta Velocidad 2002, SA, pending at 31 December, 2014. The value of the works received and recorded in 2015 amounted to 5,457 thousand euros. In addition, the Entity, in light of the best available estimate at year end, valued the railway projects likely to receive in future years, registered in the 2015 income statement a loss of 2,157 thousand euros (see Note 3,b).

Applying the same criteria used by the State for its real estate and infrastructure works, ADIF-AV has not taken out any insurance coverage for these assets, except as regards extraordinary infrastructure risks, which do not include stations, tunnels, bridges and other buildings.

Also ADIF-AV, like the State, has not listed its buildings and infrastructure works in the Property Register, except for housing and commercial premises.

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

4.c) Capitalised borrowing costs

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

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

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

4.d) Fully depreciated/amortised assets

Details of the cost of fully depreciated or amortised items of property, plant and equipment, intangible assets and investment property in use at 31 December 2019 and 31 December 2018 are as follows:

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

4.e) Government grants received

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

Current and on-going investments delivered by the State to ADIF in 2012 and 2013, mainly the works on the Atlantic Hub and the link to the Valencia-Vandellós section of the Mediterranean Corridor. In 2015 and following by the State and SEITTSA in relation to the platform works of various sections of the Madrid-Galicia line, they have been registered with a counterpart being the recognition of a capital grant (see Notes 3(b) and 3(g)).

4.f) Intangible assets

Details of intangible assets at 31 December 2019 and 31 December 2018 are as follows:

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

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

The intangible asset called "rights of use space Renfe" referred to in the above tables correspond to the current value of acquisition of these rights after deducting the provision for risks and expenses that the Entity created to address the replacement costs for preparation of the spaces for suitable use that will replace these spaces, which is included in the purchase price.

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

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

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

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

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

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

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

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

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

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

At 31 December 2019 and 31 December 2018, the Entity assessed the operating units forming its property, plant and equipment, intangible assets and investment property for indications of impairment. From this analysis it was concluded that the operating units forming the Entity's non-financial assets showed no indications of impairment except that indicated in Annex I (see Note 3.b)).

4.h) Investment property

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

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

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

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

In the case of the railway-urban development transaction, the "Chamartín Transaction", the rights and obligations of ADIF AV arising from the agreement entered into between ADIF, RENFE Operadora and "Desarrollo Urbanístico Chamartín, S.A." on 23 June 2009 will be split between ADIF-AV and ADIF based on the area pertaining to each entity and the price per square metre established in the agreement.

Under this contract, ADIF and RENFE Operadora signed a Revised Text of the Contract with Desarrollo Urbanístico de Chamartín, S.A. (DUCH), which stipulated that ADIF and RENFE Operadora agree to give priority to DUCH to complete the urban planning of the land included in both the PPRI (Partial Interior Reform Plan) of the APR (Area planned for development to be defined at a later stage) 08.03 "Extension of the Castellana" and the APE (Special Planning Area) 05.27 "Colonia Campamento" and that affects the Chamartín and Fuencarral railway station complexes. In accordance with the terms of the Revised Text of the Contract, DUCH agreed to pay a consideration, part in cash and part in kind (through the transfer of developed land classified for government-supported residential properties) up to the limits established and for specific amounts, in exchange for the transfer of the title to land and building rights included in the APR 08.03 and the APE 05.27, which comprises the Chamartín and Fuencarral station complexes.

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

The Madrid City Council, ADIF, RENFE Operadora and DUCH filed appeals against this ruling with the Supreme Court. Additionally, ADIF, RENFE Operadora and DUCH have considered that this ruling means that the obligations under the agreement are not enforceable.

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

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

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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. DUCH, ADIF, ADIF-AV and RENFE Operadora have all filed new appeals.

Despite the above, on December 28, 2015 it was published in the B.C.A.M. the approval by the Assembly of Madrid Law 4/2015 of 18 December Partial Amendment of Art. 39 of Law 9/2001 of 17 July, Community of Madrid Land, eliminating section 8 which established the prohibition to build to a height greater than three floors plus an attic in each and every one of the points on the ground, with this modification of interpretations that is not applicable in this urban area the limitation of height.

On 10 May 2016, the Madrid City Council presented a proposal for the management of the APR 08.03 "Prolongación de la Castellana" alternative to that promoted by DCN, called Madrid Puerta Norte.

This proposal eliminates the prolongation of the Castellana, it reduces to nearly half the buildability of the area, excluding a large part of the railway land, while decreasing the urban costs, among others, the area of road cover.

Likewise, the scope is divided into three, proposing that the South of Calle 30 be managed by the administrations through the creation of a Consortium or public society.

This new ordination proposal would need the modification of the General Plan in force in several aspects. The procedure would extend the deadlines.

On May 25, 2016, based on the report of its Planning and Urban Planning DG, the Plenary of the City Council agreed to deny the definitive approval of the Partial Plan of APR 08.03 "Prolongación de la Castellana" promoted by DCN and declaring the impossibility of processing the Urban Agreement for the management and execution of the Partial Plan (BOCM Publication dated June 24, 2016).

In September 2016, as they understand that the Agreement adopted by the City Council is contrary to law and because of their importance, the Ministry of Public Works, ADIF and RENFE-Operadora filed the corresponding administrative appeals.

As a consequence of the discrepancies that arose between the proposals submitted by DCN (ARP 08.03 "Prolongation of the Castellana") and by the Madrid City Council (Madrid Puerta Norte), on 30 November 2016 a meeting took place between the Minister of Public Works and the Mayoress of Madrid, in which they agreed to create a Working Group to work jointly on an urban planning approach for the northern area of Madrid, which, starting from scratch and without any prior support from either party, would make it possible to reach an agreed

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

Motivated by the new situation of urban development, DCN, ADIF and RENFE-Operadora subscribed, on December 28, 2016, an extension of the Basis Agreement, until August 31, 2018. DCN must pay to Public Entities for this reason an amount of 4,350,274 euros derived from the extension of the Basis Agreement until August 31, 2018. Of this amount, ADIF AV is due the amount of 444,380 euros fully charged in 2017 and 444,380 euros in 2018.

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

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

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

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

The most relevant information in this contractual amendment is that, despite the fact that the area to be transferred to DCN by the railway entities has been reduced by 798,366 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.

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

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

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

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

(5) Investments in Group Companies and Associates

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

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

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

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

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

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

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

Furthermore, at an extraordinary general meeting held on 4 December 2012, the shareholders of León Alta Velocidad 2003, S.A. agreed to dissolve the company so as to enable liquidation as quickly as possible. At this meeting, the shareholders also agreed that ADIF should acquire the railway infrastructure works carried out by the company. Entity management does not consider that ADIF-AV will assume significant liabilities and assets as a result of this process.

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

Details of non-current loans to Group companies and associates at 31 December 2019 and 31 December 2018 are as follows:

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

These amounts correspond to loans granted by the Entity from 1 January, 2013 and those that were assigned to it in the segregation process and that were not impaired as of 31 December, 2012. At that date, ADIF-AV was assigned loans granted by ADIF to the Integración Zaragoza Alta Velocidad 2002, S.A. for a nominal value of 30,279 thousand euros and to Palencia Alta Velocidad for a nominal value of 410 thousand euros. These were totally impaired and therefore in compliance with the accounting regulations and were allocated to ADIF-AV for its net amount, i.e. for zero euros. Therefore, they are not reflected in the above table. The impaired amount of 27,625 thousand euros as of 31 December 2019 and 27,625 thousand euros as of 31 December 2018 correspond to loans granted to the company Zaragoza Alta Velocidad 2002, S.A and Palencia Alta Velocidad, S.A.

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

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

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

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

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

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

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

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

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

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

5.c) Current investments in Group companies and associates

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

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

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

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

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

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

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

These amounts were finally paid on July 31, 2017.

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

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

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

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

(6) Other Financial Assets

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

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

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

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

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

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

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

6.a) Investments

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

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

6.a.1) Equity instruments

Equity instruments are the Entity's holdings in companies over whose management it does not have significant influence. The Entity's interest in each of these companies is less than 20%.

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

6.b) Trade and other receivables

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

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

6.b.1) Group Companies and Associates

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

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

6.b.2) Trade receivables

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

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

6.b.3) Other receivables

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

Notes to the Annual Accounts 31 December 2019

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

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

The balance receivable from ADIF at 31 December 2019 and at 31 December 2018 corresponds to services rendered to ADIF billed up to that date and pending billing, based on the additions listed in note 1.

The movement of valuation adjustments for impairment of short and long-term receivables at 31 December 2019 and 31 December 2018 is as follows:

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

(7) Cash and Cash Equivalents

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

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

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(8) Equity

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

8.a) Equity contribution

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

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

Since 2015, the Entity proceeded to delimit, evaluate and register those lands which, although they were owned, were not recorded in the accounts basically for acquisitions or very old expropriations, some of which were carried out by the old companies that were integrated into the Spanish National Network Railways. As a result of this process of updating the inventory, the Entity has recognized land valued at 48,315 thousand euros in its fixed assets, which were recorded as equity contributions in those years. The Entity has already completed this process of registering and delimiting the land.

8.b) Reserves

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

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

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

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8.c) Proposed application of loss for the year

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

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

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

8.d) Valuation adjustments

The amount recognised in equity during 2019 and 2018, as well as the amounts reclassified from equity to finance expenses in the income statement in these years are disclosed in the statement of recognised income and expense, which forms part of the statement of changes in equity for each year,

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

(9) Grants, Donations and Bequests

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

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

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

⁽¹⁾ RD ley 22/2012 and RD-ley 4/2013

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31 December 2019

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

(1) RD ley 22/2012 v RD-ley 4/2013

⁽¹⁾ RD ley 22/2012 y RD-ley 4/2013

State grants for work performed the recognises the value of the works received without consideration of the Ministry of Public Works and SEITTSA, by Royal Decree Law 4/2013 of 22 February and Recast Convention from August 25, 2015 disenfranchised where appropriate, by the depreciation of goods received. (See notes 3.b, 3.g and 4).

9.a) Cohesion Funds

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

	31/12/2019 Thousands of Euros			
STRETCH	ASSISTANCE GRANTED	GRANTS ACCRUED	PAYABLES CONVERTIBLE INTO GRANTS (Note 11,b)	COLLECTIONS MADE
L.A.V. Madrid-Barcelona-Frontera francesa	3,342,953	3,342,953	-	3,342,953
Madrid-Lérida	2,112,357	2,112,357	-	2,112,357
Lérida-Martorell	790,698	790,698	-	790,698
Martorell-Barcelona	439,898	439,898	-	439,898
L.A.V. Madrid-Valladolid	1,553,670	1,553,670	-	1,553,670
L.A.V Madrid-Levante	573,450	573,450	-	573,450
Cohesion Funds 2007-2013	1,415,083	1,415,083	-	1,415,083
TOTAL	6,885,156	6,885,156	-	6,885,156

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31/12/2018 Thousands of Euros

STRETCH	ASSISTANCE GRANTED	GRANTS ACCRUED	PAYABLES CONVERTIBLE INTO GRANTS (Note 11,b)	COLLECTIONS MADE
L.A.V. Madrid-Barcelona-Frontera francesa	3,342,953	3,342,953	-	3,342,953
Madrid-Lérida	2,112,357	2,112,357	-	2,112,357
Lérida-Martorell	790,698	790,698	-	790,698
Martorell-Barcelona	439,898	439,898	-	439,898
L.A.V. Madrid-Valladolid	1,553,670	1,553,670	-	1,553,670
L.A.V Madrid-Levante	573,450	573,450	-	573,450
Cohesion Funds 2007-2013	1,414,342	1,390,319	-	1,399,537
TOTAL	6,884,415	6,860,392	-	6,869,610

9.b) European Regional Development Fund (ERDF)

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

31/12/2019 Thousands of Euros

OPERATING PROGRAMME	PROJECT	ASSISTANCE GRANTED	GRANTS ACCRUED	PAYABLES CONVERTIBLE INTO GRANTS (Note 11,b)	COLLECTIONS MADE
ANDALUCIA	Córdoba - Málaga	883,614	883,614	-	883,614
CASTILLA Y LEÓN	Segovia - Valladolid	193,256	193,256	-	193,256
MURCIA	Entrance Murcia	28,412	28,412	-	28,412
CASTILLA LA MANCHA	Entrance Toledo	67,127	67,127	-	67,127
VALENCIA	Entrance Alicante	99,402	99,402	-	99,402
CASTILLA Y LEÓN	Túneles de Pajares	283,995	283,995	-	283,995
ASTURIAS	Túneles de Pajares	107,873	107,873	-	107,873
ERDF 2007-2013		2,273,790	2,273,790	-	2,275,323
ERDF 2014-2020		232,718	155,639	375,805	457,434
TOTAL		4,170,187	4,093,108	375,805	4,396,436

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31/12/2018 Thousands of Euros

OPERATING PROGRAMME	PROJECT	ASSISTANCE GRANTED	GRANTS ACCRUED	PAYABLES CONVERTIBLE INTO GRANTS (Note 11,b)	COLLECTIONS MADE
ANDALUCIA	Córdoba - Málaga	883,614	883,614	-	883,614
CASTILLA Y LEÓN	Segovia - Valladolid	193,256	193,256	-	193,256
MURCIA	Entrance Murcia	28,412	28,412	-	28,412
CASTILLA LA MANCHA	Entrance Toledo	67,127	67,127	-	67,127
VALENCIA	Entrance Alicante	99,402	99,402	-	99,402
CASTILLA Y LEÓN	Túneles de Pajares	283,995	283,995	-	283,995
ASTURIAS	Túneles de Pajares	107,873	107,873	-	107,872
ERDF 2007-2013		2,264,456	2,256,428	-	2,256,399
ERDF 2014-2020		194,997	74,681	147,422	179,618
TOTAL		4,123,132	3,994,788	147,422	4,099,695

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

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

31/12/2019 Thousands of Euros

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

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31/12/2018 Thousands of Euros

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

(10) Provisions for Risks and Expenses

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

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

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

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

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

10.a) Provisions for risks and expenses related to personnel

10.a.1) Length-of-service bonuses

Length-of-service bonuses reflect ADIF-AV's obligation, in compliance with employment regulations, to pay a bonus to employees based on the number of years' service. This bonus is receivable after 30, 35 and 40 years of service and the amount is stipulated in the applicable collective bargaining agreement signed on 5 May 2016 and now applicable. The amount recognised at 31 December 2019 is 170 thousand euros, of which 160 thousand euros are recognised as non-current provisions for risks and expenses and 10 thousand euros as current provisions for risks and expenses.

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

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remaining years and the table of expected length-of-service in ADIF based on the PERM/F-2000 actuarial table.

10.a.2) Provision for future commitments for staff leisure travel

The provision for staff leisure travel reflects the present value of commitments undertaken by ADIF-AV and accrued at 31 December 2019 for the entitlement of its personnel to rail travel at reduced prices upon retirement. This provision amounts to 826 thousand euros and is recognised under non-current provisions for risks and expenses, of which a total of 825 thousand euros are presented in the chapter "Provisions for long-term risks and expenses" and 1 thousand euros in "Provisions for short-term risks and expenses".

The entitlement to travel at reduced prices is reflected in ADIF-AV's employment regulations for active and retired personnel and their beneficiaries. At 8 November 2006, with retrospective effect as of 1 January 2005, ADIF and RENFE Operadora signed an agreement regulating their relationship in this regard. Under the mentioned agreement, ADIF will pay RENFE Operadora the amount of fare reductions afforded to its currently-serving personnel and to personnel that retired or took pre-retirement prior to 1 January 2005.

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

- An average fare increase of 2% for 2019 and subsequent years.
- A technical interest of 0.440% for passive staff and 0.415% for active annual staff.
- The actuarial table PERM/F 2000.
- Retirement age of 65.

10.b) Other provisions

10.b.1) Non-Current provisions for legal proceedings

Included under "provisions for litigation" are the estimated risks arising from labour disputes and with third parties. The Entity considers that such litigation is likely to result in an outflow of future resources. At 31 December 2019 and 31 December 2018, ADIF A.V. has recorded the present value of the best estimate of the future costs corresponding to these disputes for a total of 684,388 thousand euros and of 684,802 thousand euros respectively.

The following is a detail of these estimates:

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

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The amounts related to litigations filed by construction companies for the execution of construction contracts have been charged to the property, plant and equipment in the Balance Sheet and basically originated in claims for differences in measurements and in the determination of the price revisions. Also, for possible cost overrides caused by paralyzes and extensions of the execution time of the works. Likewise, the claims registered as a result of expropriation of land have also been recorded under the item of property, plant and equipment. The rest of the amounts reflected in the previous table were recognized in the corresponding year with a charge to the profit and loss account, according to their nature.

In addition, as of 31 December 2019, the Entity is involved in a series of litigations related predominately to claims for liability and expropriations, with the maximum risk estimated, with the best information available, at 91,519 thousand euros. This is expected to be concluded shortly and for which it is considered that an exit of resources is not probable, the reason why ADIF AV has not provisioned any amount. At year-end 2018, the maximum risk estimated by the Entity for this same concept amounted to 129,025 thousand euros.

Furthermore, on 31 December 2019, ADIF-AV acts as a claimant in a judicial process for diversion of funds through the alleged alteration of the prices of various projects for the replacement of hydraulic infrastructures affected by the execution of a high-speed line. The Entity is charged as a private accusation for being harmed by the diversion of funds and surcharges and estimates that the amount to claim could amount to 35,000 thousand euros. The Entity has considered this claim as a financial asset that has been fully impaired in 2016 under the heading "Impairment and result from disposal of financial instruments" in the accompanying income statement.

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

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

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

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

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

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

10.b.3) Other items

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

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

(11) Financial Liabilities

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

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

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

11.a) Loans and borrowings and bonds and other marketable securities

11.a.1) Debts with credit institutions and obligations

Loans and borrowings primarily comprise debt arranged by ADIF and allocated to the Entity, subject to State approval, with the European Investment Bank and other financial institutions, including BBVA, Banco Sabadell, Banco Santander and the Spanish Official Credit Institute, to finance investments in property, plant and equipment foreseen in the Multi-Year Action Plan (MAP).

It is also worth mentioning the issues of Obligations made by the Entity from the end of May 2014 until today.

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

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

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

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

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

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

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

11.a.2). Derivatives

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

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

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

Interest rate swaps

The Entity uses interest rate swaps to manage its exposure to interest rate fluctuations on two bank loans with a total nominal amount of 331.26 million euros at 31 December 2019 and 441.68 million at 31 December 2018.

Derivative liabilities at 31 December 2019 include, on the one hand, the fair value of an interest rate swap agreement (IRS) signed in March 2015 with maturity in 2022, the fixed rate being set at 1.275% to be paid by the Entity and a variable rate of Euribor at 3 months to be paid by the financial institution with a notional amount of 331.26 million euros.

At year-end 2018, derivative liabilities included, on the one hand, the fair value of an interest rate swap contract signed in March. On the other hand, the fair value of an interest rate swap agreement (IRS) signed in March 2015 with maturity in 2022, the fixed rate being set at 1.275% to be paid by the Entity and a variable rate of Euribor at 3 months to be paid by the financial institution with a notional amount of 441,68 million euros.

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The fair value of swaps is based on market values of equivalent derivative financial instruments at the date of the financial statements. This interest rate swap is effective as a cash flow hedge, so changes in the fair value of the hedge are recognized directly in equity as of 31 December 2019 and 31 December 2018.

11.b) Other financial liabilities

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

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

11.b.1) Payables convertible into grants

At 31 December 2019 and at 31 December 2018, this account comprises European funds or grants received from other entities to finance the railway infrastructure forming part of ADIF-AV, which will be reclassified to equity and deferred tax liabilities when the grant conditions have been met. Breakdown at 31 December 2019 and 31 December 2018 are as follows:

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

11.b.2) Suppliers of fixed assets

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

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

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

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

11.c) Payables to Group companies and associates

Details of the balances of these current liabilities accounts in the accompanying balance sheets at 31 December 2019 and 31 December 2018 are as follows:

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

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

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

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

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11.d) Trade and other payables

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

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

The item "Suppliers and various creditors" includes debts for purchases or services rendered pending payment as of 31 December 2019 and 31 December 2018. It includes, among others, the amount pending payment to ADIF for services rendered according to detail attached. In addition, under the heading of fixed assets providers, the debts of ADIF AV with ADIF for this concept are included in the respective dates indicated (17,264) thousand euros and (17,651) thousand euros.

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

The information relating to 2019 and 2018 on payments to suppliers as established by Additional Provision Three of Law 15/2010 of July 5 2010 and in accordance with the methodology established in the Resolution of the Institute of Accounting and Auditing Accounts of January 29, 2016, shown in the following table:

	31/12/2019	31/12/2018
	Days	
Average payment period to suppliers	50.58	55.53
Ratio paid operations	51.37	57.63
Ratio of outstanding payment transactions	37.42	27.38

	Thousands of Euros	
	31/12/2019	31/12/2018
Total payments	1,755,053	1,746,167
Total outstanding payments	104,520	130,573

This calculation includes both figures relating to other suppliers and payables as well as those relating to suppliers of fixed assets.

(12) Income Tax

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

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

12.a) Public entities, receivables

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

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

The entire balance of receivables for current and non-current awarded funds and grants relates to accrued amounts receivable at 31 December 2019 and 31 December 2018 for European Fund assistance granted. These funds were awarded to finance the construction of high-speed lines and for investments in own assets (see Note 9).

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

12.b) Public entities, payables

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

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

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

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

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

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

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12.c) Income tax

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

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

01/01/2019 a 31/12/2019 Thousands of Euros					
	Income statement		Income and expense taken directly to equity		
	Increases	Decreases	Increases	Decreases	Increases
Income and expenses for the period (01/01/2019 -31/12/2019)	-	-	(179,242)		194,514
Income tax adjustments	-	-			67,773
Income and expenses before income tax			(179,242)		262,287
Permanent differences	585	(1,656)	(1,071)		
Temporary differences:					
- Originating in current year	142,717	-	142,717	7,677	(376,778)
- Originating in prior years	-	(35,019)	(35,019)		106,814
Prior taxable income of the Entity			(72,615)		-
Offset of prior years' tax loss carry forwards (Limit 25% of GDP)					
Taxable income					
Tax rate					
Tax payment					
Deductions for double taxation					
Adjusted tax payment					
Tax payable					
Withholdings and payments on account	-				
Pre-payments					
Income tax recoverable	-				

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Accounting amortization expenses not deductible up to the date of issuance of these annual accounts pursuant to article 7 of Law 16/2012 are as follows:

Year	Originating in	Thousands of Euros	Available until
2013	ADIF-AV	88,299	2015-2024
2014	ADIF-AV	88,050	2015-2024
		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
		3,880		3,880

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

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

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

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

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

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

12.d) Value added tax

The Entity opted for the application of the special pro rata rule from 2014 and beyond. The tax charged on the purchase or importation of goods or services used exclusively in carrying out operations that cause the deductibility have been fully deducted.

12.e) Years open to inspection

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

(13) Revenue

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

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

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

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31/12/2019 Thousands of Euros				
	Use of the public service rail network	Use of stations and other rail infrastructures	Passenger rail transport safety levy	Total
Construction and administration of high-performance network	497,618	29,767	-	527,385
Management of ADIF-AV-owned assets (passenger stations)	-	83,333	262	83,595
Total	497,618	113,100	262	610,980

31/12/2018 Thousands of Euros				
	Use of the public service rail network	Use of stations and other rail infrastructures	Passenger rail transport safety levy	Total
Construction and administration of high-performance network	473,170	15,000	-	488,170
Management of ADIF-AV-owned assets (passenger stations)	-	83,922	31	83,953
Total	473,170	98,922	31	572,123

13.a) Revenue from use of rail facilities

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

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

Of this revenue, at 31 December 2019, 123,824 thousand euros was pending collection as revenue from use of rail facilities in the ADIF-AV-owned network (see Note 6.2.b)).

13.b) Revenue from rail rates

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

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(14) Other Operating Income

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

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

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

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

Revenues from leasing of real estate, premises and other properties amounting to 64,984 thousand euros at 31 December 2019. These are generated by assets included under "Investments in real estate", including those derived from long-term lease agreements.

In addition, income from optical fibre leasing amounting to 40,113 thousand euros at 31 December 2019 and 39,602 thousand euros at 31 December 2018, is recorded under this heading in the income statement.

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

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

Notes to the Annual Accounts

31 December 2019

December 2019 and pending allocation to results as of that date, arising from the awarding of the "Lease and exploitation of car parks located at various stations" contract on December 20, 2013 awarded to Saba Park 3, SLU for an amount of 111,467 thousand euros once the amount corresponding to ADIF has been discounted for the parking of its ownership. The contract has a term of 10 years and was formalized on January 31, 2014.

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

As of December 28, 2015 the Entity, as already mentioned in notes 10 and 16, signed an agreement with ADIF and Renfe Operadora to acquire the rights to use spaces in buildings owned by ADIF A.V. and were being used without any financial consideration by RENFE Operadora, as set out in the Order FOM 2909/2006 which allocates to that entity certain assets, rights and obligations of the National Network of Spanish Railways. Under this acquisition agreement, the Entity has leased Renfe Operadora and its subsidiaries a total of 15,887.49 m² at various stations and facilities for an annual rate of 2,406,491.64 euros and for a period of 10 years, with an option of renewing.

(15) Personnel Expenses

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

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

Details of employee benefits expense are as follows:

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

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

Notes to the Annual Accounts
31 December 2019

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

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

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

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

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

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

Category	Average number of employees at 31 December 2018		
	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 2019 and 31 December 2018 are as follows:

Notes to the Annual Accounts
31 December 2019

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

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

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

(17) Recognition of Grants for Fixed Assets and Other

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

Notes to the Annual Accounts
31 December 2019

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

(18) Finance Costs

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

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

(19) Finance Income

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

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

Notes to the Annual Accounts 31 December 2019

(20) Environmental Information

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

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

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

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

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

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

At 31 December 2018, the Board of Directors comprises eleven members, the Chairman, Secretary and nine regular directors. Five of the Board members are female and six are male.

Pursuant to article 21 of the Royal Decree 1044/2013 of 27 December 2013, which establishes ADIF-AV's statutes, no members of the Board of Directors will accrue any remuneration for attending Board meetings. (Nor have they received any remuneration for any other reason)

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

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

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

22.a) Credit risk

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

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

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

22.b) Interest rate risk

Interest rate risk arises from the variation in borrowing costs with credit institutions.

Borrowings have been arranged under several different interest rate regimes, namely fixed interest rates for bond issues and EIB loans.

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

The breakdown and quantification of financial guarantees extended to associates are provided in Note 23.

Loan transactions contracted by the Entity generally consider the possibility of changing the type of interest rate at different times over the term of the loan.

22.c) Liquidity risk

Liquidity risk arises from possible imbalances between cash flow requirements and sources of cash flows.

The Entity applies a prudent policy to cover its liquidity risks based on having sufficient financing through credit facilities with financial institutions.

Entity management monitors ADIF-AV's liquidity forecasts based on expected cash flows.

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

Notes to the Annual Accounts
31 December 2019

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

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

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

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

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

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

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

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

(23) Commitments and contingencies

The guarantees granted to third parties by the Entity at 31 December 2019 and 31 December 2018 amounted to 583 and 583 thousand euros respectively. The Entity's Management does not expect significant liabilities to arise, such as Consequence of the said guarantees.

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

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

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

Notes to the Annual Accounts
31 December 2019

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

(24) Subsequent Events

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

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

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

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

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

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

Notes to the Annual Accounts
31 December 2019

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

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

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

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

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

APPENDIX



ENTIDAD PÚBLICA EMPRESARIAL
ADIF – Alta Velocidad

Property, Plant and Equipment and Investment Property for 2019

Expressed in thousands of Euros

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

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

ENTIDAD PÚBLICA EMPRESARIAL
ADIF – Alta Velocidad

Property, Plant and Equipment and Investment Property for 2018

Expressed in thousands of Euros

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

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



ENTIDAD PÚBLICA EMPRESARIAL
ADIF – Alta Velocidad

Detail of associated companies as of 31 December 2019

Name	Activity	% ownership	Cost of the investment	Not disbursed	Equity	Other equity items	Profit/(loss)	Operating profit/(loss)	Dividends received
Cartagena AVE, S.A. (b).	High-speed integration in Cartagena	40.00%	-	-	604	-	-	-	-
Murcia AVE, S.A.(b)	High-speed integration in Murcia	40.00%	-	-	625	-	-	-	-
Palencia Alta Velocidad, S.A.(b)	High-speed integration in Palencia	40.00%	-	-	450	-	(28)	(28)	-
Ingeniería y Economía del Transporte, S.A. (INECO)(b)	Preparation of civil and industrial railway engineering projects. Consultancy services	20.68%	7,978	-	99,318	24	21,620	27,608	1,534
León Alta Velocidad 2003, S.A.(b)	High-speed integration in León	37.50%	-	-	389	-	(22)	(22)	-
Logroño Integración Ferrocarril 2002, S.A.(b)	Management of high-speed rail in Logroño	30.00%	-	-	711	-	-	-	-
Valencia Parque Central Alta Velocidad 2003, S.A.(b)	High-speed integration in Valencia	30.00%	-	-	(18,884)	22,817	1,783	1,784	-
Valladolid Alta Velocidad 2003 S.A.(b)	Management of high-speed rail in Valladolid	30.00%	-	-	(47,440)	2,910	(3,881)	(186)	-
Gijón al Norte, S.A.(b)	High-speed integration in Gijón	30.00%	-	-	537	-	1	4	-
Zaragoza Alta Velocidad 2002, S.A.(b)	High-speed integration in Zaragoza	30.00%	-	-	(287,595)	4,793	(5,630)	(1,720)	-
Alta Velocidad Alicante Nodo Transportes, S.A.(b)	High-speed integration in Alicante	30.00%	-	-	(1,046)	1,620	(259)	(1)	-
Barcelona Sagrera Alta Velocitat S.A.(b)	High-speed integration in Barcelona	30.00%	-	-	600	-	-	-	-
Almería Alta Velocidad, S.A.(b)	High-speed integration in Almería	40.00%	232	-	572	7,590	(9)	(9)	-
A.V. Vitoria-Gasteizko Abiadura Handia, S.A.(b)	High-speed integration in Vitoria	40.00%	233	-	576	-	(8)	(8)	-
Total shares in group companies and associates			8,443	-				27,422	1,534
Albali Señalización, S.A.(b)		10.00%	1,131	-	13,190	-	1,238	3,994	112
Energía Olmedo Orense Fase I (b)		10.00%	508	-	7,241	-	63	1,448	-
Vía Olmedo- Pedralba (b)		10.00%	46	(240)	2,858	-	83	114	-
HIT RAIL B.V (b)		4.35%	55		3,217	-	84	84	10
Total others (see note 6.a)			1,740	(240)				5,640	122
TOTAL			10,183	(240)				33,062	1,656

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

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



ENTIDAD PÚBLICA EMPRESARIAL
ADIF – Alta Velocidad

Detail of associated companies as of 31 December 2018

Name	Activity	% ownership	Cost of the investment	Not disbursed	Equity	Other equity items	Profit/(loss) for 2018	Operating profit/(loss) for 2018	Dividends received
Cartagena AVE, S.A (b).	High-speed integration in Cartagena	40,00%	-	-	604	-	-	-	-
Murcia AVE, S.A.(b)	High-speed integration in Murcia	40,00%	-	-	625	-	-	-	-
Palencia Alta Velocidad, S.A.(b)	High-speed integration in Palencia	40,00%	-	-	478	-	(28)	(28)	-
Ingeniería y Economía del Transporte, S.A. (INECO)(b)	Preparation of civil and industrial railway engineering projects. Consultancy services	20,68%	7.977	-	85.115	32	7.418	8.813	957
León Alta Velocidad 2003, S.A.(b)	High-speed integration in León	37,50%	-	-	410	-	(374)	(375)	-
Logroño Integración Ferrocarril 2002, S.A.(b)	Management of high-speed rail in Logroño	30,00%	-	-	711	-	-	-	-
Valencia Parque Central Alta Velocidad 2003, S.A.(b)	High-speed integration in Valencia	30,00%	-	-	(20.666)	22.817	941	941	-
Valladolid Alta Velocidad 2003 S.A.(b)	Management of high-speed rail in Valladolid	30,00%	-	-	(43.559)	2.910	(1.866)	1.681	-
Gijón al Norte, S.A.(b)	High-speed integration in Gijón	30,00%	-	-	536	-	-	131	-
Zaragoza Alta Velocidad 2002, S.A.(b)	High-speed integration in Zaragoza	30,00%	-	-	(281.965)	4.793	(4.907)	(352)	-
Alta Velocidad Alicante Nodo Transportes, S.A.(b)	High-speed integration in Alicante	30,00%	-	-	(787)	1.620	14	12	-
Barcelona Sagrera Alta Velocitat S.A.(b)	High-speed integration in Barcelona	30,00%	-	-	600	-	-	-	-
Almería Alta Velocidad, S.A.(b)	High-speed integration in Almería	30,00%	176	-	581	7.590	(5)	(5)	-
A.V. Vitoria-Gasteizko Abiadura Handia, S.A.(b)	High-speed integration in Vitoria	40,00%	235	-	583	-	(5)	(5)	-
Total shares in group companies and associates			8.388	-				10.813	957
Albali Señalización, S.A.(b)		10,00%	1.326	-	15.020	-	1.242	4.204	114
Energía Olmedo Orense Fase I (b)		10,00%	508	-	7.178	-	24	961	-
Vía Olmedo- Pedralba (b)		10,00%	517	(240)	2.858	-	83	114	-
HIT RAIL B.V (b)		4,35%	55		3.217	-	196	195	
Total others (see note 6.a)			2.406	(240)				5.474	114
TOTAL			10.794	(240)				16.287	1.071
a) Audited annual financial statements at 31 December 2018 b) Provisional financial statements at 31 December 2018 c) Annual financial statements at 31 December 2018, pending audit d) Provisional financial statements with draft audit report at 31 December 2018 The result for the year 2018 is included in the Equity column									

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

**ENTIDAD PÚBLICA EMPRESARIAL
ADIF ALTA VELOCIDAD**

MANAGEMENT REPORT 2019

(Includes Non-Financial Information)

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1. NON-FINANCIAL INFORMATION (aspects to be included according to law 11/2018 of December 28)

On December 29, 2018, the new Law 11/2018, of December 28, on non-financial information and diversity, through which the Commercial Code is modified, was published in the Official State Gazette. The text Consolidated the Capital Companies Act approved by Royal Legislative Decree 1/2010, of July 2, and Law 22/2015, of July 20, on Audit of Accounts, in the area of non-financial information and diversity (from of Royal Decree-Law 18/2017). This new legislation replaces the current Royal Decree-Law 18/2017, of 24 November, which allowed transposing the EU Directive 2014/95/EU on the disclosure of non-financial information and diversity to certain state levels with varying degrees of demand for large companies and groups, containing important novelties, raising the levels of demand in terms of transparency and reliability in the reporting of non-financial information and diversity.

Over the past few years, there has been a clear tendency for companies to publish more information on sustainability, motivated mainly by the demand for transparent, comparable and accurate information from investors and society in general. Without doubt, it is a fundamental practice on the road to achieving the Sustainable Development Goals (SDG) of the UN 2030 Agenda or the Paris Agreement on climate change.

In 2019, In line with this, ADIF-Alta Velocidad (hereinafter Adif - AV) has prepared a non-financial information statement adapted to the provisions established in the aforementioned Law 11/2018, which constitutes the best practice in this matter, whose presentation has been done since 2018. Since 2018, ADIF-Alta Velocidad has opted for the presentation of the Integrated Management Report, including the non-financial information status, subject to the same approval, deposit and publication criteria as the Management Report.

Regarding the reporting framework, it has been based on the Global Reporting Initiative (G4GRI) standards with the objective of identifying, compiling and reporting information on the impacts linked to environmental, social and economic issues, as well as their management in a clear and comparable manner, providing a complete and balanced image of the material issues of our organization. The report is supplemented by establishing a correlation between the G4GRI standards and the Sustainable Development Goals (SDGs) on which the activity of the entity impacts, providing a global framework for organizations and stakeholders to evaluate its local, regional and global impact. For this, firstly, these objectives have been prioritized according to the sector and type of business of the entity in order to identify the most relevant areas in which the organization can contribute and integrate these objectives into the corporate strategy.

In 2018, Adif - AV submitted the report of the non-financial status of the entity to external analysis, based on the methodology Making the Connection - Using GRI's Guidelines to Create a COP being carried out by the association Red Española de Pacto Mundial, REPM, as part of its commitment to sustainable development, with the aim of detecting the strengths and areas of improvement both in the level of transparency of the entities, and in the level of implementation of each of the four blocks of the United Nations Global Compact; as well as measuring the level of integration of the Sustainable Development Goals (SDAs) within the organization.

With the reporting model for which ADIF-Alta Velocidad has opted, it intends to become a benchmark for public companies at the national level in the field of disclosure of non-financial information and diversity, raising the levels of demand in terms of transparency and reliability in the reporting of this data.

2. WHO WE ARE

At Adif-AV we know the important role we play as managers and promoters of the country's railway sector. For this reason, part of our responsibility is based on the search for effective formulas to guarantee that the sector is one of the main socio-economic engines of the country, working day by day to offer a safe, reliable and efficient railway service, continuously adapting to the new challenges of the environment.

The Public Entity ADIF-Alta Velocidad was created on December 31, 2013, after the approval of Royal Decree Law on the restructuring of the Public Entity Administrador de Infraestructuras Ferroviarias (hereinafter Adif) and other urgent measures in the economic order.

ADIF-Alta Velocidad was created with the aim of developing and managing a high performance, economically sustainable, safe, efficient and quality railway infrastructure system, under the premise of a strategic orientation guided by sustainable development.

This sustainable approach implies that the Adif-AV strategy integrates the economic, social and environmental fields, taking as a high-level reference the United Nations Sustainable Development Goals.



The main function of Adif-AV is to provide a **safe, reliable and efficient railway network**, generating added value and with sustainability as one of our fundamental pillars.

Adif-AV aims, in addition to providing a reliable and safe infrastructure, to increase the share of rail transport and generate added value through collaboration with other entities, institutions and companies. In its commitment to high speed, the entity has radically transformed the railway network, maintaining a significant difference in travel times with respect to other high-speed lines in the world.

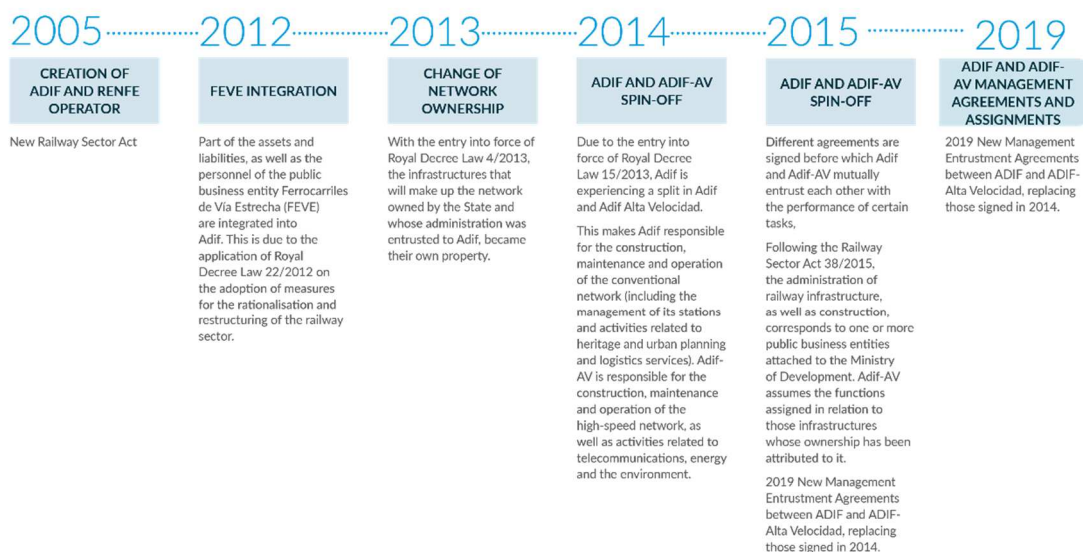
The Adif-AV network is mainly built with UIC width (1,435 mm), double track, 25KV electrified and following the European technical specifications for interoperability (TSI). The progressive implementation of TSI allows the provision of rail services seamlessly to/from our country, with origin/destination to the rest of the European rail network. The competences and functions of ADIF-Alta Velocidad are set out in its own statute regulated by Royal Decree 1044/2013, of December 27. The main competences of ADIF-Alta Velocidad are, in summary, the following:

- Construction of high-speed railway infrastructures that form part of the RFIG, charged to its own resources and in accordance with the provisions of the Ministry of Public Works and Transport.
- Construction of high-speed railway infrastructures, with resources from a third party, in accordance with the corresponding agreement.
- Administration of the infrastructure of its ownership.
- Control and inspection of the railway infrastructure, its protection zones and its railway traffic.
- Adjudication of capacity to railway companies that request it.
- Exploitation of the property of its ownership.
- Business of high-speed stations.

MANAGEMENT REPORT ADIF ALTA VELOCIDAD 2019

- Acquisition of electric power for the supply of current service to the railway system.
- Provision of additional services and, where appropriate, complementary and auxiliary services to the rail transport service in infrastructure of its ownership.
- Telecommunications and energy activities





Since its creation in 2005 as the public entity in charge of providing the rail transport service, there have been several key milestones in Adif's progress towards the entity it has become today. One of the most important milestones is the entry into force of Royal Decree Law 15/2013, by which Adif was split into Adif and Adif-AV.



The main rules that regulate the activity of Adif -AV are the following

- Law 40/2015, of 1 October, on the legal regime of the public sector.
- Law 39/2015, of 1 October, on the common administrative procedure for public administrations.
- Law 38/2015, of 29 September, on the railway sector.
- Royal Decree-Law 15/2013 on the restructuring of Adif and other urgent measures in the economic order; this Royal Decree-Law creates the new public business entity Adif Alta Velocidad.
- Royal Decree-Law 4/2013 on measures to support entrepreneurs and stimulate growth and job creation: transfer to ADIF of ownership of the State railway network it was responsible for administering.
- Royal Decree-Law 22/2012, adopting measures to rationalize and restructure the rail sector: integration of part of the Public Business Entity for Narrow Width Railways (FEVE) into Adif.
- Law 47/2003, of 26 November, General Budgetary Law.
- Royal Decree 1044/2013, of 27 December, approving the Statute of the Public Business Entity ADIF- Alta Velocidad

2.1. Main Figures: ADIF-AV at a Glance

 BUSINESS	 GOOD GOVERNANCE	 EMPLOYEES	 ECONOMIC
865.9 Millions of Passengers	9 Board Members	218 Employees	Amount of debt at face value 16,085.65 M€
952 Average number of trains running per day	13 Board meetings	97.57% Indefinite contracts	Operating income 1,168.7 M€
1,800 M€ Green Bonds Value	27.7% Women on the Board	+20 Reconciliation measures	Year's result -179.2 M€
3,456 KM Managed rail network	398 Ethical training	50.96% Covered by award	EBITDA 280.6 M€

2.2. Mission, vision and values

Adif-AV is aware of the need to integrate the circular economy, social cohesion, the climate emergency, equality and diversity in the management of railway infrastructures, equating each of these dimensions in rank of importance. This is why the starting point for its business strategy is the need to contribute to socio-economic development by providing actions that mitigate the effects of climate change.

With this approach and with a defined corporate purpose, Adif-AV in its Strategic Plan 2030, PE2030, maintains the Vision, Mission and Values of the Entity, where the Vision reflects the aspiration for the future, the Mission, for its part, addresses the actions that Adif must carry out to fulfil its responsibility and, finally, the Values stand as the pillars on which the actions of the different professionals of the Entity must be oriented to successfully achieve the defined mission.



Adif-AV's corporate purpose is to contribute to **"improving people's lives"** through business management based on good governance, transparency, equality and people-oriented well-being.

VISION

The entire organization is moving towards sustainable infrastructure development so that both current and future generations can enjoy a better life.

MISSION

design, build and manage railway infrastructures to contribute to the well-being of people, generating value for our stakeholders through all our areas of activity.

VALUES

The qualities needed to successfully achieve Adif's mission are summarized in 4 words:

commitment
service
Integrity
Professionalism

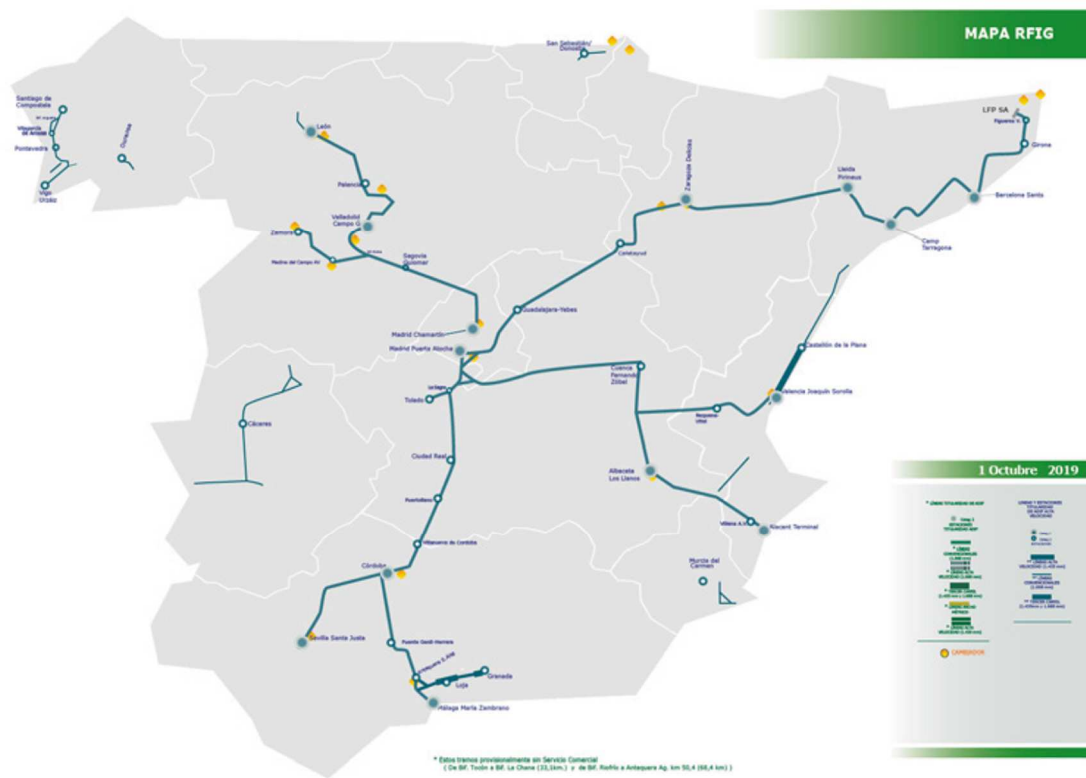
2.3. Business model

Adif-AV focuses its business model on creating and managing infrastructures with sustainable, quality, resilient and safe features, committing itself to innovation and modernisation of the transport system. In addition to the construction and management of high-speed lines, the entity is responsible for the following activities:

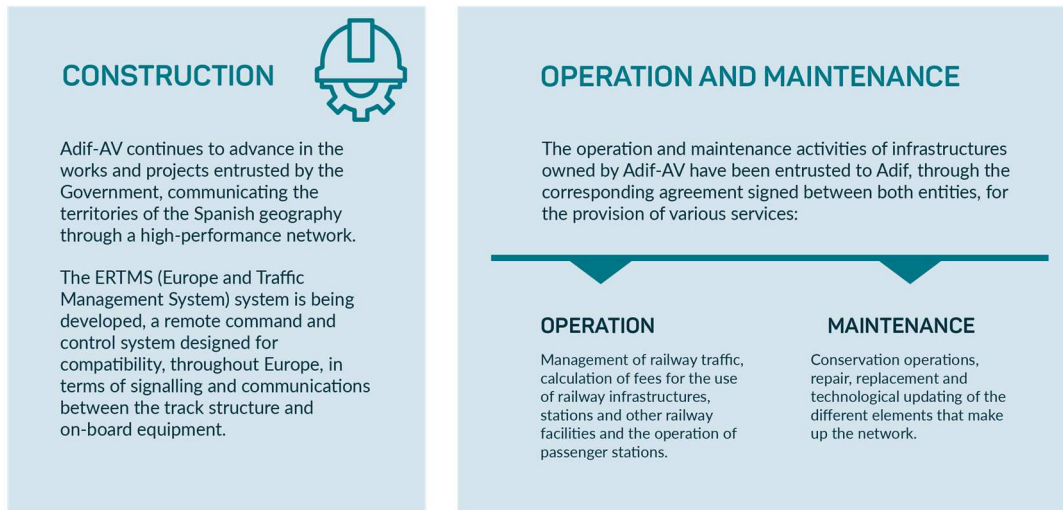
- Management of the telecommunications infrastructure.
- Management of energy supply to railway operators.
- Advice and supervision of Adif's environmental and energy efficiency actions.



The network owned by Adif-AV reaches **3,455.70 km (total network managed)**, of which **2,618.50 km are High Speed Standard Width (UIC)**.



2.3.1. Main activities performed by Adif-AV



Integral Safety of the Railway System

The safety culture of ADIF-Alta Velocidad is based on the evaluation of risks in order to apply the preventive, corrective and improvement measures necessary to minimize these risks.

- Protection and Safety: Safety in infrastructures and installations of the company through the implementation of the systems and appropriate protocols in cases of incidents or emergencies, in collaboration with the competent public entities.
- Railway traffic safety: Control of the inherent risks in the circulation of trains, derived from the activity of ADIF-Alta Velocidad and Operating Companies, giving users confidence in the network through which they transit.
- Prevention of Occupational Risks: Commitment to the safety and health of our own employees, collaborating with other companies to understand and control the risks arising from the interaction with contractors and suppliers, as well as from anyone who performs a punctual or long-term job for Adif-AV.
- Cybersecurity: Protection of Adif-AV's management information or operational systems against intrusions, aggression, undue access to information and/or damage to the organization's assets.

2.3.2. Other areas of the business

Similarly, Adif-AV deploys its activity in other business areas that are summarized below:

TELECOMMUNICATIONS AND ENERGY

Adif-AV acts as manager of the telecommunications infrastructure, the fiber optic network that extends along the railway lines and that supports the network services and offers a service to different operators to optimize the surplus capacity of their network.

In addition, it is responsible for the management of the electricity supply consumed by ADIF and ADIF-AV and the energy for traction and other uses consumed by RENFE Operadora; and in its case, by the rest of the operators that use electric traction material in the transport of goods. In addition, it advises and supervises the actions regarding energy efficiency at ADIF and ADIF-AV.

TECHNICAL ASSISTANCE AND COLLABORATION

In the international sense, Adif-AV works on the basis of defending its interests, and to achieve a return on its knowledge and experience, through the achievement of technical assistance and contracts in foreign markets.

In this sense, the entity participates in different international initiatives such as the development of the trans-European network and the development of international regulations on security and interoperability, among others.

HERITAGE AND URBANISM

Adif-AV is in charge of the management and administration of the assets it owns.

Always in line with the policies set out by the competent institutions, Adif-AV contributes to the sustainable development of the railway system and its urban-railway integration in the cities (sometimes through Integration Societies).

INTEGRATION COMPANIES, SUBSIDIARIES AND INVESTEEES

Adif-AV carries out the control and economic monitoring of all its subsidiaries and investee companies and the tasks of coordinating, controlling and monitoring the actions of integrating the railway into the cities (sometimes through Integration Companies).

2.3.3. International business. Adif Alta Velocidad in the world

2019 has seen a clear advance in the world's railway sector. Adif-AV has strengthened and improved its position in the international arena through participation in international organisations and initiatives, participating in missions abroad and receiving delegations from the five continents.

With regard to missions, we can list those related to countries that are strategic for their foreign business and that have important investment programs in railway infrastructure, such as Norway (where a Memorandum of Understanding has been signed with the railway infrastructure manager Bane NOR), Great Britain (HS2 project, new high-speed line London-Birmingham-Leeds/Manchester), Sweden, Bosnia, Croatia, Ukraine, Israel, United States, India, etc.

In this year, the technical assistance work to India, Sweden and Israel or the collaboration work with Renfe-Operadora in the development of the High-Speed project in Texas (USA) should be highlighted.

Adif-AV has also continued its participation in the Twinning Project, financed by the European Union, with the aim of supporting the Ministry of Transport and Infrastructure of Ukraine in the creation of a more efficient railway network for both freight and passengers. To this end, experts

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from Adif, Adif-AV, Renfe and the Ministry of Public Works and Transport have worked with their Ukrainian counterparts to adapt to the European regulatory framework

It is worth noting that during 2019, work continued to identify new business opportunities in countries such as Korea, Argentina, Uruguay, Colombia, Peru, the Czech Republic, Bulgaria, India and Saudi Arabia. In the latter, the participation of Adif/Adif-AV in the Haramain Project, which is being explained below, stands out. In addition, a Memorandum of Understanding was signed with the Saudi Railway Polytechnic (SRP).

In addition, in 2019 Adif-AV, together with Adif, has advised on 15 international projects.

The entity is represented in the main international organizations: EIM, UIC (in which it maintains outstanding experts), EEIGs, RailNetEurope (RNE), with 34 European Infrastructure Managers and 10 associate members and the PRIME Platform of railway infrastructure managers promoted by the European Commission. It also collaborates with and follows the interoperability initiatives of the ERA, the ERTMS Users Group and the joint European research initiative Shift2Rail, S2R.

Participation in the aforementioned forums gives Adif-AV the opportunity to establish bilateral technical groups, mainly with the Infrastructure Managers of France and Portugal, through which it promotes coordination in the planning, design and execution of improvement work on conventional lines that form part of the European Freight Corridors, as well as aspects of capacity management and international traffic linked to the borders with these countries.

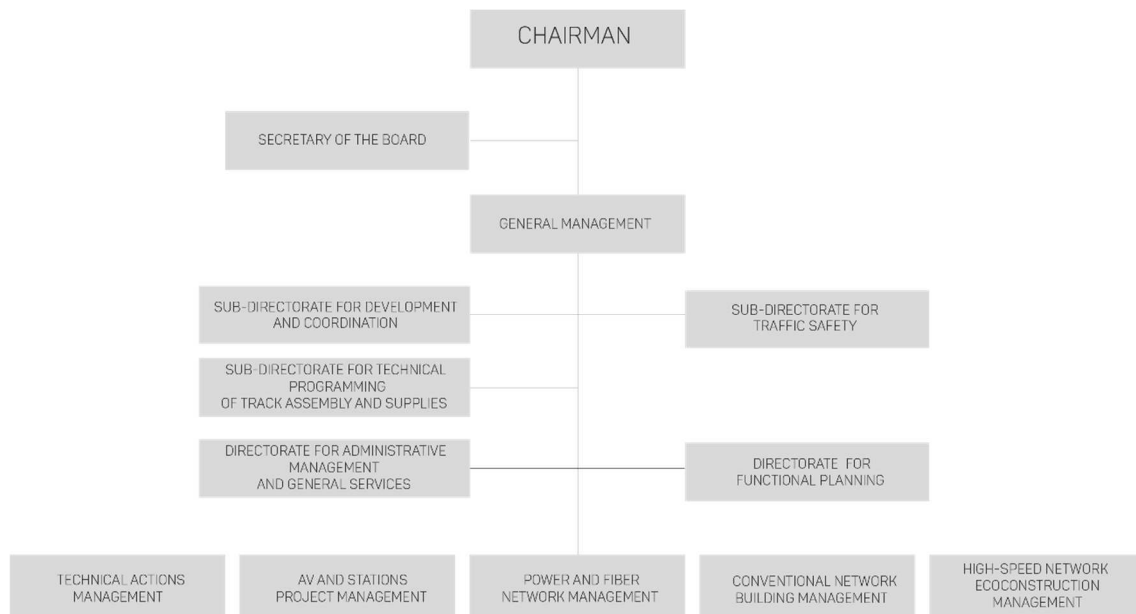
	Indicator description	Units	2017	2018	2019
Information on performance in society and product responsibility	Presence in international associations and organizations (<i>integrated Adif and Adif-AV</i>)	N.º	184	218	224
	Presence in international projects and activities (<i>integrated Adif and Adif-AV</i>)	N.º	145	158	98



Presence of Adif/Adif-AV in the world

2.4. Organisational structure

The organisational chart below shows the organisational structure of Adif-AV for 2019, as of December of that year:



3. STRATEGIC FOCUS

Adif-AV focuses its business strategy on Sustainable Development, with the firm conviction that all its activity has a relevant impact on society. In this way, it has become a benchmark within its sector in the area of Corporate Responsibility.

3.1. Business strategy

In 2019, a process of reviewing and updating the Strategic Plan has been carried out with the aim of aligning the time horizon with the United Nations' Agenda 2030, focusing it more on our core business and the fourth intelligent industrial revolution, in order to respond to the challenges the company faces.

CHALLENGES

SECURITY
TRANSPPOSITION AND DEVELOPMENT OF THE NEW E.R.A. SAFETY AND INTEROPERABILITY DIRECTIVES IN AN ENVIRONMENT THAT ENHANCES THE SAFETY CULTURE (HUMAN FACTOR)

IMPACT AND ADAPTATION TO DISRUPTIVE TECHNOLOGIES
SO AS NOT TO MISS THE TECHNOLOGICAL TRAIN

CLIMATE CHANGE AND ENERGY TRANSITION
TO BE AN EVEN MORE ENVIRONMENTALLY FRIENDLY AND RESOURCE RESPONSIBLE TRANSPORT. DECARBONISATION OF FREIGHT TRANSPORT

ECONOMIC SUSTAINABILITY
FOR A MORE RESPONSIBLE PRESENT AND FUTURE

MOBILITY AND CONNECTIVITY
IMPROVING INTERMODALITY AND COMMUNICATION WITH USERS

DIVERSITY, EQUALITY AND SOCIAL ACTION
STRENGTHENING GOOD GOVERNANCE AND TRANSPARENCY MEASURES THAT PROMOTE SOCIAL RESPONSIBILITY AND IMPROVE THE INCLUSION OF THE DIFFERENT GROUPS THAT MAKE UP THE COMPANY

GENERATIONAL TRANSFER
SERIOUS STRUCTURAL PROBLEM OF AGEING WORKFORCE WITH CURRENT AVERAGE AGE: 54.94

TRACK GAUGE STRATEGY
TO IMPROVE COMPETITIVENESS BY REMOVING INTERNAL AND EXTERNAL BORDERS

EXTENSION AND IMPROVEMENT OF NETWORK PERFORMANCE
SAME PERFORMANCE AND PERCEPTION OF SERVICE QUALITY FOR OUR STAKEHOLDERS

LIBERALISATION
LIBERALISATION OF THE RAILWAY SECTOR AS SET OUT IN THE 4TH RAILWAY PACKAGE, TAKING ACCOUNT OF NEW ENTRANTS



The Strategic Plan 2030 (SP2030) is based on **three pillars**: safety, service and sustainability which are fully aligned with its mission, vision and values. These pillars are driven by three levers that will stimulate their achievement: digital transformation, strategic innovation and people.

The Pillars and Levers are deployed in **20 Strategic Objectives**, which are measured and monitored through key indicators. These Strategic Objectives are as follows:

MANAGEMENT REPORT ADIF ALTA VELOCIDAD 2019



In parallel with the formalization of the strategy, to develop and deploy these objectives to each Area of Activity, a great impetus has been given to the acceleration of strategic initiatives.

There are currently **32 strategic initiatives** structured around each of the pillars and levers. Of the 32 strategic initiatives, 29 are integrated Adif/Adif AV and 3 are exclusive to Adif (Logistics Services Plan, Goods Plan, Plan for the suppression of telephone blockages).

AREA	INITIATIVE	ADIF	ADIF AV	INTEGRATED
Circulation and Capacity Management DG	New Model of Itinerary Traffic Services			X
	Project for a new traffic regulation platform (SITRA)			X
Conservation and Maintenance DG	New Maintenance Model Project			X
Personnel Management DG	Comprehensive People Management Plan			X
Business and Commercial Operations DG	Logistics Services Plan	X		
	Comprehensive Plan for Travellers' Stations			X
	Merchandise Plan	X		
Strategic Planning and Projects DG	Comprehensive Plan to Improve Safety at Road Crossings			X
	Investment Program Development Plan			X
	Internationalization Plan			X
	Development Assets Programme			X
	Plan to Combat Climate Change			X
	Social Action Plan 2020			X
	Integrated Risk Management Development and Deployment Plan			X
	BIM Methodology Implementation Plan			X
	Strategic Innovation Plan			X
Security, Processes and Corporate Systems DG	Plan for Updating and Improving Traffic Safety			X
	Phone Block Removal Plan	X		
	Integral Security Plan for Information Systems (PSISI)			X
	Critical Infrastructure Protection Plan			X
	4G Project Deployment			X
	Project to review and update the Management System			X
	Implementation Plan for a new Asset Management Model			X
	Job Transformation Plan			X
	Unique Telecommunications Operator Project			X
Finance and Management Control DG	Plan for the Elaboration of the Agreement			X
Deputy Presidency	CPF Adaptation Project			X
Internal Audit Department	Transparency and Good Governance Improvement Plan			X
D. Communication and Corporate Reputation	Communication and Corporate Reputation Plan			X
General Secretariat	Responsible Public Procurement Project (social and ecological)			X
	Positioning Plan in the Corporate Group			X
	Electronic Management Plan			X

MANAGEMENT REPORT ADIF ALTA VELOCIDAD 2019

The following shows the annual behaviour of the main strategic indicators of Adif-AV analysed during the 2017-2019 series (Data from 2019, updated to October 2019, except for data with quarterly, half-yearly or annual periodicity. These data are updated to the last period of the year available):

OPERATIONAL ASPECT					
PILLAR/ LEVER	Name	Units	2017	2018	2019
SAFETY	Significant accidents due to the administrator	N.º/MkmTren	0.017	0	0
	Train accidents due to manager's responsibility	Nº/MkmTren	0.018	0	0
	Crimes with an impact on the activity	Nº	282	252	101
	Precursors of accidents due to the administrator	Nº/MkmTren	0.330	0.321	0.3556
	Deliberate attacks on critical infrastructure	Nº	38	9	9
	Accident rate	accidents casualties/1,000 workers	3.05	0	0
	Gravity	lost days/1,000 hours worked	0.09	0	0
	Liberalization**	Number of companies	13	13	14
SERVICE	Reliability of the installations	Nº	2.659	2.508	2.939
	Availability of Facilities	Minutes	65.283	71.21	65.97
	Track Quality	Ratio	99.19	99.10	99.16
	Development of the High-Speed Network	%	N/D	71.80	75.00
	Execution of investments	%	108.14	109.67	104.34
	Modernization of stations	M travellers benefited	136.9	147.6	139.89
	Urban integration**	M euros of accumulated investment	3.622.5	3.877.03	4.030.2
	Commercial activity in stations**	Commercial income	N/D	12.85	15.47
TRANSFORMATION ON LEVERS	Transfer level**	%	86.7	86.7	86.3
	Protection of results in the development of innovation**	Number of products protected as industrial and intellectual property	N/D	6	6

MANAGEMENT REPORT ADIF ALTA VELOCIDAD 2019

PILLAR/ LEVER	Name	Units	2017	2018	2019
	Innovation efficiency**	% results transferred	40	50	67
	Collaboration and open innovation**	ideas and projects developed*	N/D	23	37
	Systems availability**	%	99.83	98.94	99.71

(*) Requested and Received (intra-company, operational areas, collaboration and open innovation)

(**) Integrated Adif and Adif-AV indicator

ECONOMIC SIDE

PILLAR/ LEVER	Name	Units	2017	2018	2019
SUSTAINABILITY	Gross operating profit (EBITDA)	M euros	287.76	297.924	282.967
	Net operating profit (EBIT)	M euros	38.98	49.112	30.514
	Use of Community funds	%	226	73.27	110.62
	ESA 2010 ratio	%	56.00	56.16	56.4

ENVIRONMENTAL FOCUS

PILLAR/ LEVER	Name	Units	2017	2018	2019
SUSTAINABILITY	Reduction of GHG emissions	Tm CO _{2eq}	20.921	17.874	22.712
	Hazardous waste management	Tm/MkmTrain	0.07	0.038	0.033

SOCIAL ASPECT

PILLAR/ LEVER	Name	Units	2017	2018	2019
SUSTAINABILITY	Accessibility**	% of travellers	81.21	83.19	85.07

(**) Integrated Adif and Adif-AV indicator

GOOD GOVERNANCE DIMENSION

PILLAR/ LEVER	Name	Units	2017	2018	2019
SUSTAINABILITY	Code of ethics**	No. of notifications	N/D	12	16
	Transparency**	% estimated claims	10	7.56	4.88

(*) Received and resolved through the Ethics Channel or by any other means that could result in a violation of the commitments of the Code of Ethics

(**) Integrated Adif and Adif-AV indicator

3.1.1. Materiality analysis 2019

Adif-AV is aware of the need to listen to the various stakeholders in order to achieve a management approach based on responsibility to society. The Entity understands a stakeholder group as any social group that may be affected by the development of the company's activity and/or that may influence its activity.

Thus, Adif-AV's stakeholders include railway companies, passengers, citizens, public administrations, employees, governments of other countries, suppliers, business partners and allies and the third sector (NGOs, associations, etc.).

An update of the materiality analysis carried out in 2017 was performed in 2019, first identifying a list of key issues based on the in-depth analysis of various sources of information, some of which are specific to the public sector and the railway sector at both state and international level. In addition, new trends and the requirements of Law 11/2018 on non-financial information and diversity have been taken into account.

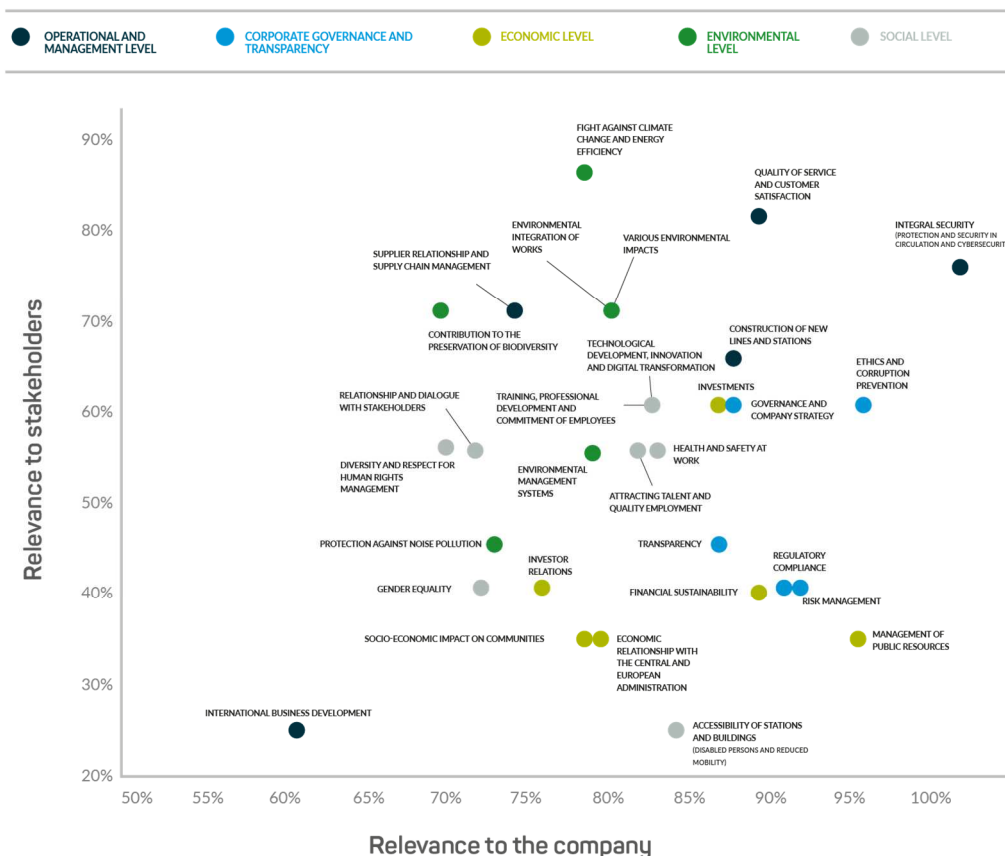
A total of 30 relevant topics or issues have been identified, one more than in 2017, having eliminated two and included three new ones compared to last year. In addition, a total of 7 subjects have changed their nomenclature or adapted their content, to better respond to the requirements and trends in non-financial information.

RELEVANT KEY ISSUES IDENTIFIED IN 2019	
Operational and Management Scope	Construction of new lines and stations
	Development of international activity
	Quality of service and customer satisfaction
	Technological development, innovation and digital transformation
	Comprehensive safety (protection and safety, traffic safety and cybersecurity)
	Supply chain and supplier relationship management*
Corporate Governance and Transparency	Corporate Governance and Strategy
	Regulatory compliance
	Risk Management
	Transparency
	Ethics and corruption prevention
Economic field	Financial sustainability
	Management of public resources
	Investments
	Economic relationship with the central and European administration
	Investor Relations
	Socioeconomic impact on communities**
Environmental field	Environmental Management Systems
	Environmental integration of the works
	Climate Change and Energy Efficiency
	Contribution to the preservation of biodiversity
	Protection against noise pollution*
	Various environmental impacts (land contamination and spills, fire prevention, waste management)
Social field	Relationship and Dialogue with Stakeholders
	Accessibility of Stations and Buildings (Disabled Persons and Reduced Mobility)
	Training, professional development and commitment of employees
	Management of diversity and respect for human rights
	Health and safety at work
	Attracting talent and quality employment**
	Gender equality**

(*) Issues that have changed terminology or include a new approach

(**) New issues

These issues have subsequently been assessed in terms of their relevance to the company itself and to its stakeholders, taking into account their impact on strategy, business objectives and brand reputation and image, as well as their own capacity to generate risks and opportunities. To this end, an internal consultation process has been carried out in which 44 managers and area directors of the company have participated. In addition, different reporting standards have been taken into account, sustainability and CSR reports from railway companies in various countries have been analysed and the issues that have been particularly relevant in the press during the year have been observed. The result of this relationship between internal and external relevance is presented in the following materiality chart:



As in previous years, the integral safety of the railway network, the quality of the service provided and the construction of new lines and stations are among the most relevant issues, given that they are the fundamental aspects on which the Entity's business is based.

However, compared to previous years, there has been an increase in the importance of environmental aspects such as the fight against climate change or the environmental impacts caused and also in aspects such as the company's strategy or health and safety at work. The economic aspects, on the other hand, is less relevant than in previous years.

This trend is logical if we consider the profound changes that are occurring at the social level and the growing relevance that environmental concepts are currently acquiring. The United Nations' Agenda 2030 and the achievement of the Sustainable Development Goals it sets out is a good example of this, making social awareness of the environmental problems that threaten the natural environment increasingly intense.

3.2. Business environment: challenges and opportunities

The railway market is dynamic and is subject, both at present and foreseeably in the coming years, to strong changes that open up new opportunities and challenges for which the Entity is already preparing. Technological evolution and digitalization, the strong internal demand for an increasingly safe and quality service, the interoperability and liberalization of the European rail

passenger transport market, as well as the global challenges affecting our business, are all fundamental aspects of an environment in rapid transformation to which we must respond.

Among the main challenges that Adif-AV is facing and that will mark its future development, the following stand out.

3.2.1. Maintenance and improvement of the network

As Society demands it, Adif-AV assumes, as a permanent challenge, the continuous improvement of the reliability and safety of the railway infrastructure. Therefore, it makes a sustained effort to allocate resources to the maintenance of the infrastructure and the facilities as a whole, while continuing to develop specific projects such as track renovations, automation of safety systems, removal of level crossings, improvement of platform crossings, etc.

Likewise, due to the importance of their volume in terms of the millions of people who use them, we are very aware of the need to improve the infrastructure on which local traffic circulates, especially in the area of Madrid and Barcelona, but also in other towns with lower volumes.

*Network length comparability data managed by Adif-AV

The length of the network managed by Adif-AV is 3,456* km and can be summarised as follows:

	Indicator description	Units	2017	2018	2019
Information on performance in society and product responsibility	Total managed network*	km	3,152	3,300	3,456
	High-speed network in standard width (UIC)	km	2,514	2,514	2,619

**This length has increased fundamentally due to the commissioning of the Antequera - Granada AV connection and the new route of the Mediterranean Corridor.*

3.2.2. Liberalisation of passenger transport

The liberalisation of passenger transport in 2020 could increase traffic on the General Interest Railway Network, with an estimated growth of between 30 and 50 percent on high-speed lines, so it is necessary to ensure the quality and timeliness of service in all rail infrastructures. To do so, it is essential to adapt to some trends that will occur linked to this liberalisation process.

In this way, Spain will advance towards an increase in the high-speed network rates, which is the one that presents the greatest commercial attraction and where the railway is more competitive than other means of transport. Currently, the Spanish high-speed network is used as much as one fifth of the French network and approximately one third of the German or Italian network.



In 2019, **14 companies** used Adif-AV's infrastructures and the volume of traffic was **60.34 million km of trains**, an increase of 4% over the previous year.

In the case of Italy, the liberalisation of passenger rail transport took place in 2012, making it a reference point for Adif-Alta Velocidad. This liberalisation had very beneficial effects for the sector as a whole, with the high-speed market in that country growing by 80%, from 38 million passengers in 2012 to 68 million in 2016.

Entry of new operators in the market

A number of processes are being developed that will facilitate the entry of new operators into the market. Both Adif and Adif-AV are working on a study of the reorganization of the current traffic in order to introduce the services of the new railway companies.

Visibility will also be given to the capacity available on the network, while providing legal certainty to the companies and giving visibility to the capacity available on the network by signing framework agreements that guarantee the capacity reservation for a period of five years.

Similarly, a system of charges for the use of the network will be consolidated to provide stability and certainty for companies. Adif-AV has included in the 2019 Network Declaration, a description of the model used to calculate directly attributable costs, which is a further step towards compliance with the European framework.

Finally, the possibility of declaring the main high-speed lines as "specialised lines" is being assessed, which would give priority to the traffic that is best suited to a more intensive use of these lines, along the whole length of each one.

Indicator description		Units	2017	2018	2019
Information on performance in society and product responsibility	<i>Liberalisation of passenger transport</i>	No. of companies operating in a network*	13	13	14

* Number of companies that have operated in the Adif-AV network: Acciona; ALSA; Captrain; Continental; Ferrovial; Go Transport; Low Cost; Logitren; Medway; Renfe Viajeros; Renfe Mercancías; Tracción Rail; Transita; Transfesa.

Plan for adaptation to the Fourth Railway Package

Adif and Adif-AV are working on a plan to adapt to the Fourth Railway Package, the regulatory basis under which the liberalisation process is taking place.

This plan includes all aspects related to the service provided to railway customers. In this respect, both entities are preparing the stations for the incorporation of new operators, under four management criteria: non-discriminatory treatment, transparency, flexibility and sustainability.

The aim of the aforementioned plan is to make information on the services offered, application and award procedures, as well as prices, which will be published in the Network Statement available to new operators. Likewise, Adif has proactively initiated a process to search for and locate land owned that can be made available to new operators for the construction of their facilities.

Finally, the necessary procedures are being put in place to improve the allocation of energy consumption by each train, with the aim of being able to invoice each operator for what is actually consumed for each service. Following the trend in European countries, we are moving towards a model based on on-board measurement as the unit of invoicing for the service.

3.2.3. Global Challenges and Agenda 2030

Since the launch of Agenda 2030 and its Sustainable Development Goals, SDG, at the end of 2015, many efforts have been made by governments, public and private companies and society at large to respond to and advance towards 2030. The National Action Plan for the Implementation of Agenda 2030 provides for the implementation of public policies, key measures for undertaking major transformations, monitoring, accountability and evaluation.

According to the latest available data, the vast majority of public companies consider that the lack of internal awareness and sensitivity to the relevance of the 17 SDG represents a major challenge for their integration into corporate strategies. In this sense, training and the identification of transversal competences are key tools.

Contributing to the achievement of the SDG is an opportunity to improve the results and impacts of companies in society, which will necessarily have a positive impact on their social legitimacy and reputation. Similarly, it allows for the improvement of internal management of processes and represents new business opportunities.

In general terms, and in accordance with the latest published analyses, Spain is in line with the progress being made by the European Union to comply with Agenda 2030. According to the 2019 edition of the SDG Index and Dashboard Report, worldwide Spain is in the first quartile of countries closest to achieving such goals, coming in 21st place out of 162.

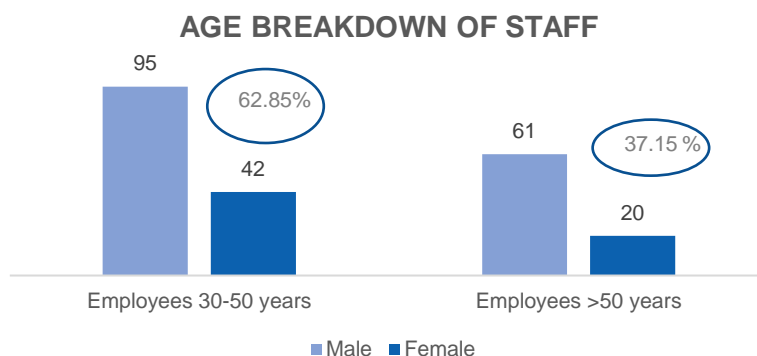


3.2.4. Staff transformation process

In terms of internal challenges, the most important one is related to the age pyramid of the professional group that makes up the staff. In Adif-AV, the majority of employees are between 41 and 50 years of age (48.16% of the total), with the average age of employees being 49.3 years.¹

¹ For more information on the distribution of the workforce by age and seniority, see section 5.6. Our team (Employees)

Therefore, Adif-AV has an important challenge to face, both at present and in the coming years: the rejuvenation of its staff and the transfer of knowledge in key positions. In this sense, initiatives such as partial retirement or the plan for voluntary severance have been implemented, as well as different calls for PEO (Public Employment Offers); all with the aim of accelerating the generational changeover without losing knowledge and experience, which are fundamental to the good running and efficient management of our company.



		2017	2018	2019
Breakdown of staff by age and gender	Male	146	146	156
	Female	59	60	62
	Total	205	206	218

3.3. Sustainable Development Objectives in Adif AV Strategy



Aware of the public service that Adif AV provides and the impact that its activity generates on the environment and society, the company has directed its strategic orientation towards the concept of sustainable development, seeking its integration in each line of activity, aiming at more ambitious objectives of creating shared value, in the long term, for society and all our stakeholders.

The **GoODS Project**, created in 2017, pursues the rigorous incorporation of the Sustainable Development Goals and their goals into the business strategy of Adif AV. Through GoODS, the aim is to reinforce and extend the principle of Responsibility that underpins the company's Strategic Plan, covering both operational and management responsibility, as well as responsibility for responding to the global challenges of society, involving the entire organization so that Adif AV's contribution to the SDGs where it has the greatest impact is strengthened.

This project is a fundamental part of the Entity's strategy, and has contributed to making it an effective tool that frames all operational and management decisions, all projects and activities, towards a new strategic orientation based on responsibility and focused on sustainability.

GoODS seeks to ensure that Adif AV plays a relevant role in achieving Agenda 2030, promoting the SDG so that in ten years there will be a substantial change, involving the entire organization. The project consists of three main phases which in turn are divided into several lines of work:

- **Phase 1 (2017-2018): definition and modelling of GoODS.** An in-depth study of the SDG and its targets was conducted, along with a mapping of all areas of the organization to identify the current or potential impacts of the 17 SDG and its 169 targets. From there, a first selection of the SDG was made, identifying the most relevant for Adif AV taking into account its activity and impacts.
- **Phase 2 (2019-2020): implementation and dissemination.** In this phase, which began in 2018, the aim is to consolidate the implementation of the model, disseminate it internally and externally, and also to encourage a change of model and orientation in the next strategic cycle (2020-2030). This will be done through a system of internal indicators (KPIs) and by assuming a leading role in the communication of the SDG.
- **Phase 3: 2020-2030 period.** This last phase is proposed as a single cycle in order to achieve the organization's goals regarding its contribution to the SDG and Agenda 2030. Its planning and specific commitments will be established throughout the 2020 exercise after evaluating the results obtained.

Other European and Spanish institutions are already mobilizing to contribute to the SDG by promoting different initiatives. With GoODS Adif AV wants to

SDG STRATEGIC AREAS IDENTIFIED BY ADIF-AV

With GoODS, Adif-AV has identified three strategic and priority SDG for the Entity:



Adif-AV's business as a whole is geared towards creating and managing sustainable, quality, resilient and safe infrastructures. In addition, Adif is committed to innovation and modernization of infrastructures by promoting efficiency



The focus on reducing accidents and incidents contributes to providing safe transport systems and improving road safety. In turn, the elimination of physical and communication barriers in access to the railways will contribute to achieving inclusive transport. All this is key as the backbone connecting the urban, peri-urban and rural world



Adif-AV contributes to the fight against climate change through its own activity, promoting the use of a clean means of transport.

PRIORITY SDG TWO TIERS

SDG 9,13 and 11

Direct relationship with Adif activity and its ability to contribute

SDG 9 and 13

Greater room for improvement in Spain



In 2019, as part of **Phase 2 (2019-2020)**, implementation and dissemination through a system of internal indicators (KPIs), indicator sheets have been created for each SDG, reviewing and selecting the strategic and priority SDG, and associating Adif AV indicators (activity, result or impact) with the goals defined by the United Nations for the selected SDG. The objective is to incorporate new indicators into the existing ones, both indicators that already exist but are not within the KPIs of the Strategic Plan, and new indicators specific to the SDG, creating specific strategic initiatives that contribute to the commitments set, and that have their own indicators.

SDG IMPACTS BY THE STRATEGIC PLAN

Plan Pillars	Strategic targets	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Security Pillar	ODS 1.1 Traffic safety	●	●					●		●						
	ODS 1.2 Cybersecurity							●		●						
	ODS 1.3 Protection and safety	●	●					●		●						●
	ODS 1.4 Occupational health and safety							●								
Service Pillar	ODS 2.1 Transport system	●				●	●	●	●	●						
	ODS 2.2 Customer experience	●						●		●		●				
	ODS 2.3 Infrastructure provision					●	●	●	●	●				●		
	ODS 2.4 Value co-creation							●	●	●						●
Sustainability Pillar	ODS 3.1 Sustainable business							●	●	●						
	ODS 3.2 Environment and climate	●				●	●	●	●	●		●	●	●		●
	ODS 3.3 Social cohesiveness		●	●				●	●	●						
	ODS 3.4 Governance and management			●				●		●					●	●
Plan levers	People		●	●				●								
	Digital transformation							●	●	●	●	●				
	Innovation							●	●			●	●			●

● There is impact on SDG goals

The current situation leads us to a hopeful future scenario in which, by 2020, we can revise and consolidate this strategic model, and from there generate actions with greater impact by the 2030 horizon.

For more information on Adif-AV's contribution to the SDG, see section 8.

3.4. Innovation and digital transformation

Since the beginning of its activity, Adif-AV has made a strong commitment to innovation and research as the driving force behind the technological evolution of the infrastructure, a fundamental aspect in achieving operational excellence. Externally, the entity acts as a promoter of R+D+i generated by third parties, stimulating new developments that can add value to the infrastructure.

3.4.1 R+D+i management

Adif-AV's innovation strategy aims to respond to the service and network improvement needs of its stakeholders, which include owners, such as the Ministry of Public Works and Transport, and clients, such as railway operators and end users. Adif-AV's effort in innovative activity is evident in the number of projects it develops, the economic volume of investments and the effort it makes in traction and technology transfer.

Likewise, the corporate strategy and the R+D+i policy are focused on overcoming internal innovation models and adopting open innovation in which Adif-AV is integrated into a multi-sector and multidisciplinary innovation ecosystem that responds to the demands of stakeholders with a forward-looking vision. The launch of technological challenges to the market links external innovation with the technological needs of the infrastructure by generating value.

AREAS OF ACTION OF THE ADIF AND ADIF-AV R+D+i STRATEGY

The areas of action defined in this strategy are as follows:

- Detection of innovation challenges in Adif and Adif-AV that allow to solve the needs of the operational areas
- Development and innovation in railway technologies of interest to Adif and Adif-AV through the implementation of projects, a large part of which are carried out in collaboration with companies, technology centres and universities.
- Transfer of results to both entities.
- Protection of the results.
- Management of the industrial and intellectual property of Adif and Adif-AV.
- Promotion of the internationalisation of the activity through participation in commissions and associations, such as the Rail System Forum and the UIC R&D Coordination Group.
- Participation in proposals and calls of the Horizon 2020 Programme.
- Technological intelligence, with constant monitoring of the environment and specific actions on demand for innovation activities
- Internal entrepreneurship, promoting creativity and attracting talent from Adif and Adif-AV employees.
- Participation in R&D ecosystem forums: Transfer, S-Moving, South Summit and Startup Ole.
- Launching of innovation challenges on the needs detected, under the formula of prior market consultation before launching projects.

The innovation objectives pursued by both Adif and Adif-AV are distributed across the three pillars of the strategy, thus covering a wide technological spectrum:



Security: operational risks (broken rails, track crossings, new technologies for blocking trains, mixed traffic on high-speed lines, intelligent predictive maintenance), increasing the resilience of the infrastructure (external phenomena) and reducing risks of external attacks (operational threats).



Service: increasing the capacity of the General Interest Railway Network (binomial track/electrification efficiency), digitalization (automatic infrastructure inspection), boosting freight transport (variable gauge, operational improvements), improving the passenger experience (stations) and open innovation (co-creation spaces).



Sustainability: fight against climate change (user electromobility and alternative energies for traction, intelligent railway electric network) and reduce operational costs (life cycle).



During 2019 Adif AV has worked on 31 R+D+i projects, has started 9 (OPTIMA, SMAN DRON, SAFIRTS, Lane 1-2, SLOPE 1-2, ECOMILLA 1-2, H2, EAVM 2) and completed another 9. Of the latter, 3 have been transferred to production (**the accumulated percentage of transferred projects was 39%**).

3.4.2 Innovation projects and milestones

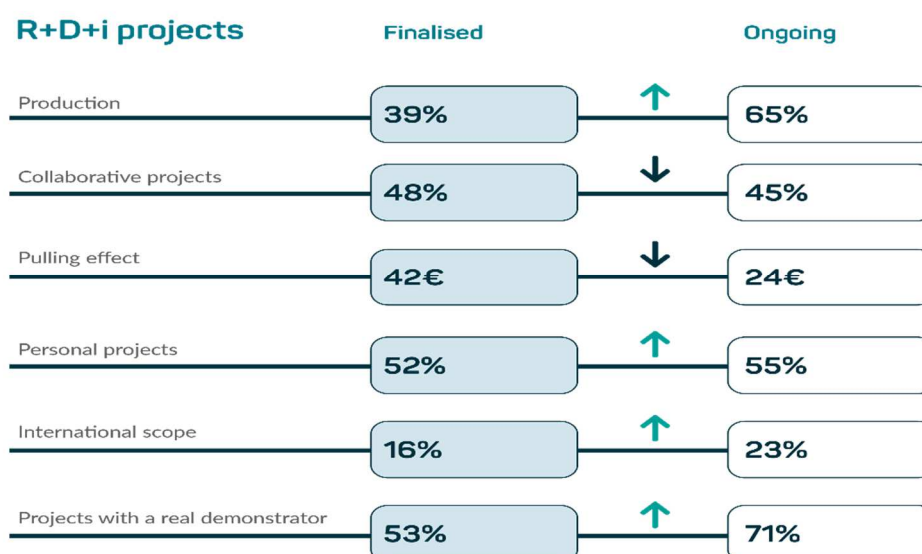
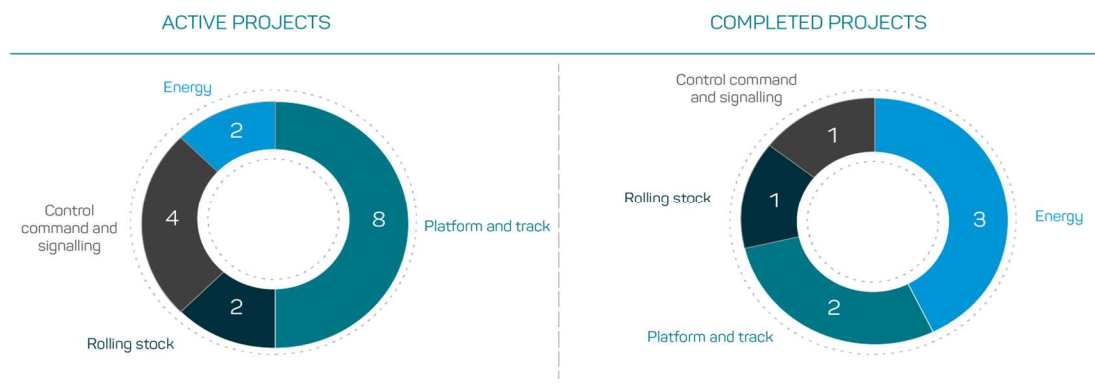
In the new open innovation methodology, mandates are received from innovation plans external to the Adif-AV plan, internal plans and through other mandates. In 2019, four mandates were signed with the Technical Department of the General Directorate of Conservation and Maintenance:

- Development of an "intelligent" terminal in switch heater systems
- Challenge "Predict and detect rail breakage"
- Challenge "To predict and detect strange phenomena on the infrastructure"
- Development of a neutral zone protection system for electrical phase separation

One more with the Directorate of Travel Stations of the General Directorate of Business and Commercial Operations:

- Installation of railway lines within the ECOMILLA project in the stations of Malaga and Santander

During 2019, Adif-AV has initiated 9 projects and completed another 9 that were started in previous years. The portfolio of projects amounts to 132, with the detail shown below



The **9 projects completed** in 2019 include **ANTINTRUSIVE** (aimed at testing DAS technology to detect the unauthorized intrusion of people into the infrastructure), **SMAN SLOPE 2** (development of prototypes based on artificial intelligence cameras to detect obstacles) and **LIDAR** (through which a procedure for digitizing railway infrastructure based on an open platform has been developed).

The **projects transferred to production** are:

- **PN IV** (level crossings equipped with cameras with artificial intelligence): considered to be transferred as it has obtained highly satisfactory results that could be integrated into a future standard.
- **ECOMILLA DC SANTANDER**: transferred to the production cycle; it has resulted in the implementation of a recharging station for electric vehicles at the Santander station, connected to the station's electricity system.
- **LIDAR**: also transferred, it has generated a study of analysis of the existing gauge in the metric width line between Cercedilla and Los Cotos; for the measurements an open data computer tool has been developed that allows to analyse in detail the characteristics of the line (it actually represents a digitalization of the infrastructure) and that could be used in other projects.

A project developed in previous years (**IFZONE**) has been partially transferred to production during 2019. In that project, a new neutral zone switching system was designed and tested, allowing the zone transition by train to be carried out in a transparent manner. This system is expected to be adopted in the future electrification of the conventional line Bobadilla-Algeciras.

Six of the projects initiated come from the splitting of other previous projects. The **BROKEN RAIL** project has been divided into two independent projects that will give rise to two separate demonstrators: **BROKEN RAIL 1**, associated with a demonstrator based on DAS technology, and **BROKEN RAIL 2**, whose demonstrator will be based on technologies associated with acoustic and electrical detection.

The **SMAN SLOPE** project has given rise to the **SMAN SLOPE 1** project, with a demonstrator associated to DAS technology, and **SMAN SLOPE 2**, whose demonstrator is associated to smart cameras, and which, as mentioned above, has ended in this period with satisfactory results.

From the **ECOMILLA DC** project, the **ECOMILLA DC SANTANDER** project has emerged, associated to the system installed in the Santander station which has been already completed, and **ECOMILLA DC PORTABLE**, which is configured as a new project associated to the connection to the DC Air Contact Line in different locations.

Five other projects are also being initiated:

- **SAFIRST**, to analyse the technological regulations in the field of the effect of side wind and to generate a recommendation at European level under the auspices of the UIC.
- **PILOT H2**, to develop a demonstrator for a hydrogen fuel cell electricity generation system
- **EAVM PILOT (PHASE II)**, continuation of the EAVM WAGON project, in which it is planned to implement a complete composition of goods with variable width axles
- **OPTIMA**, a project associated with the Shift2Rail 2019 open call and whose objective is to develop an integration of the different railway operation systems in a central operation platform
- **SMAN DRON**, a new collaborative project (by means of an infrastructure test contract) whose aim is to analyse the use of drones for the inspection of viaducts and bridges; its most innovative aspect is the use of 5G technology.

Projects aimed at improving problems in railway operations

Project	Objective
R+D+i Platforms	Informs travelers if it is safe to cross to another platform near the track.
R+D+i Broken rail	Detecting possible rail breaks.
R+D+i variable width axis of goods	Develop a new variable-width axle for freight wagons.



Projects aimed at the digitalization of the railway structure

Project	Objective
R+D+i LIDAR	Progressive implementation of new digitization techniques in the railway infrastructure.
Tunnel curiosity	Tunnel inspection with a multi-sensorial system.
SENTINEL Project	Automate asset inventories.



Other relevant projects

R+D+i ANTINTRUSIVE	R+D+i IMPACT 0	R+D+i ELITES	R+D+i RAILWAY SMART GRID
R+D+i ECOMILLA AC MÁLAGA	R+D+i PN IV	R+D+i ERSAT GGC	R+D+i SMART STATION

ECOMILLA PROGRAMME: TOWARDS SUSTAINABLE INTERMODALITY



The unstoppable trend of population concentration in large metropolitan areas requires the generation of efficient solutions that meet current needs, but also needs to take into account future situations.

It is in this context that Adif proposes the Ecomilla Program, which seeks to generate certain areas in the car parks of the main railway stations to promote sustainable mobility in the first and last mile, using an energy-efficient means of transport with low Greenhouse Gas (GHG) emissions.

3.4.3. Intangible assets and technology transfer

During 2019, an industrial and intellectual property portfolio of 20 patents has been managed, with 11 international extensions. In addition, 5 utility models, 1 industrial design, 29 national, 7 community and 3 international trademarks, 17 software applications and 63 registers of manuals and standards have been managed.

With the aim of contributing to the transfer of knowledge from the production sector, 16 technology transfer contracts and manufacturing and commercial exploitation licences remained in force in 2019, providing Adif and Adif-AV with 97,559 euros of income in the form of royalties.



In 2019, a portfolio of **20 patents** has been managed and **16 technology transfer and manufacturing license agreements** have been maintained.

The license contracts signed during 2019 are as follows. The product and the licensee companies are indicated below. The amount received by Adif in 2019 is indicated in brackets. In all cases these are non-exclusive licences.

- Variable width changer: Tria.
- Falling Object Detector: Logytel (for Dubai, 4,580 euros), Cobra, Thales (3,000 euros) and Indra.
- Side Wind Detector: CAF Signalling (3,000 euros) and Logytel (3,000 euros).

3.4.4. Collaborative innovation

The competitive environment forces us to look for new ways to organize our internal processes and design our relationships with other agents with whom we can share risks and resources. Adif and Adif AV encourage collaborative and open innovation to promote knowledge and technological development in the scientific-technical community. The publication of the technological challenges stimulates research to achieve technologically advanced solutions to the real needs of the exploitation coming from the innovative environment, at the same time that it boosts the economy. Relations with the innovative environment are also established through the presence of Adif and Adif-AV in specialised forums.



SPECIALIZED FORUMS WITH THE PRESENCE OF ADIF AND ADIF-AV



3.4.5. Open innovation and entrepreneurship

During 2019, the preliminary market consultation procedure for the solution of challenges and innovation of Adif and Adif AV has been launched. It is a way to publish the innovation needs detected in the different areas of the company, so that any entity can know them and present its solution proposals. A total of 6 challenges have been published, the last of which has a deadline for the submission of proposals until March 2020:

- Predicting and detecting rail breakage
- Replacing the Telephone Blockade with new technologies
- Predict and detect external phenomena on the infrastructure
- Introduction of the Blockchain technology in the processes that require guarantee of the information
- New Value Added Services Wi-Fi Network in Stations
- Implementing predictive maintenance in track circuits and turnout drives

All information is published on the website:
http://adif.es/es_ES/empresas_servicios/innovacion_idi/retos_adif/retos_adif.shtml

The internal undertaking has received a strong boost in 2019 with the resolution of the VII and VIII competitions of Participation and Value Creation. On 30 October, a recognition day was held at the Railway Museum, where the groups selected by an external jury received the award for their work from their respective general managers. The president put the finishing touches by thanking the participants for their generosity and encouraging all the members of Adif and Adif AV to persevere on the path of entrepreneurship by presenting initiatives to the new Adif Talento competition, launched months earlier.

Adif-AV Talento is the new corporate proposal to stimulate and attract internal talent. It is a new format that seeks to take advantage of the existing potential in Adif and Adif AV with a vision more adjusted to the corporate strategy and its needs. The phase of presentation of proposals in this first edition of the competition is open until 31 March 2020.



The Sub-directorate of Strategic Innovation manages two mailboxes to channel internal creativity, through which Adif and Adif-AV members can channel their proposals:

- The **Ideas and Innovation Initiatives Mailbox** is an internal communication channel of Adif that allows any worker to make proposals for the improvement of the company's management, channelling experience and knowledge in such a way that their contributions allow for greater efficiency in management and create value in the company, making it more competitive.
- The **R+D+I Ideas Mailbox** is an open door to innovation through which proposals for projects and ideas can enter and be transformed into new R+D+I projects. This mailbox is also open to the outside world through a link on the Adif-AV website, so that it is not

limited to internal creativity, but allows contributions from anyone, whether or not they are related to Adif or Adif-AV.

3.4.6. Centre for Railway Technologies

The Railway Technology Centre (CTF) is a space for innovation that has a long history and is firmly established in the technology sector. Its main feature is that it is designed as a meeting place for innovators and a workspace where companies developing technological initiatives applicable to the railway can carry out their activities with their own staff in a shared environment.

So far 22 companies, 16 of them multinationals, have set up in the CTF to develop their own projects, always related to railway innovation. The two that have joined during 2019 are:

- **Dassault Systèmes**, which specializes in the development and commercialization of PLM software and services to support industrial processes throughout the product life cycle, from design to maintenance.
- **Mahle**, which designs and manufactures products and devices that are incorporated into technologically advanced electric mobility elements, related to the last mile.

The Railway Innovation Hub Spain

In May 2018, Adif-AV and the association "The Railway Innovation Hub Spain" signed a general action protocol to promote collaboration in activities related to scientific research and technological development. Under this protocol, the Hub establishes its headquarters in the CTF and uses the common facilities. So far 82 companies have joined this initiative, and 16 of them have a physical presence in the CTF itself.

3.4.7. Collaboration with Universities

In 2019 Adif-AV has renewed the Collaboration Agreement with the "Salvador Velayos" Electromagnetism Institute (Applied Magnetism Institute), associated with the Complutense University of Madrid. This Institute has a solid track record of technological development in the field of energy and signalling and plans to continue this line of work.

On the other hand, the Innovation Department of Adif-AV has continued to collaborate with various universities with which it has coordinated the development of several projects through students on university internships. In 2019, projects have been developed with the Carlos III University of Madrid (for the analysis and study of power converter technology used in reversible DC substations) and with the Polytechnic University of Madrid, both with the School of Industrial Design (for the analysis of additive manufacturing technology in the infrastructure field) and with the School of Industrial Engineering (with which a project has been developed for the control and positioning of railway vehicles, specifically applied to the circulation of the test wagons with which the new OGI variable gauge axle is being homologated).

3.4.8. Digital Transformation

Adif-AV understands digital transformation as the implementation of an intelligent management system for Adif's processes and the strengthening of digital interaction with clients. In this way, the digital transformation implies changes in the organizations and in how people approach the processes. Not only does it require a technological effort in the deployment of platforms and

systems, but also changes in habits and processes that will lead to a cultural change to align them with the digital society.

In 2019, the Digital Transformation and Systems Department has launched the "Digital Transformation Lever" by developing its strategy and carrying out various Action Plans, with a view to fully incorporating the company into the digital society.



MAIN LINES OF ACTION RELATED TO DIGITAL TRANSFORMATION

Unified workspace
(Workplace)

Migration of cloud
environments (Cloud)

Electronic management Plan

Transformation of
"Legacy" applications

Renewal of Adif's image
on the Internet

Main projects related to Digital Transformation

In 2019, Adif-AV continued to support projects and plans from other business areas as a lever for transformation, such as the "Digital Transformation Master Plan for Passenger Stations", the "Implementation Plan for an Asset Management System (SGA) and a new Maintenance Model (MDM)" and the "New Traffic Regulation Platform SITRA+".

In collaboration with the Digital Transformation and Systems Department, once the Master Plan for the Digital Transformation of Passenger Stations had been defined in 2018, the Digital Transformation Office (OTD) was designed at the beginning of 2019, with the mission of launching and monitoring the initiatives defined in the plan. During the first months of the year, its competencies, processes and governance models for operational relations and follow-up were defined, formally beginning its activity in May 2019 and since then meetings of the Strategic Committee, Technical Committee and the creation of a collaborative space have been held, development of the scorecard, workshops and monographs, so that of the 41 initiatives, work has mainly been done on 20 (1 completed, 7 launched and 12 in progress) such as, among others, the identification of cars on platforms, new digital formats, study for intelligent guidance, Adif Space or Neuronal Centre for Stations.

In this sense, Adif -AV has launched two ambitious projects that will allow the application of all the advances and advantages of the digital transformation directly in the stations: Smart Station and Neuronal Centre of Stations.

SMART STATION: ADIF-AV'S VISION

Adif-AV is deeply convinced that stations must be powerful social actors for the service of passengers and citizens, functioning as sustainability nodes that add to their traditional characteristics, others related to social, environmental and impact aspects, creating an intelligent and sustainable relationship with the city and its inhabitants. The stations must merge with the city they serve, bringing together the following characteristics:

- **Stations with life:** buildings that are adaptable, sustainable and integrated into the surrounding ecosystem, equipped with intelligence and capable of responding to the needs of the citizen.
- **Ability to recognize users** as soon as they enter the station, becoming a personal assistant through mobile devices.
- **Meeting and leisure areas**, open, bright and natural spaces.
- **More efficient maintenance**, with sensors, automation systems and robots that allow the station to perform predictive maintenance and report incidents and necessary repairs.
- **Hyperconnected:** fully integrated in the city and territory, based on the integrity of infrastructures and supported by the bidirectionality of data exchange.

NEURONAL STATION CENTER

Intelligent and hyperconnected stations also have the possibility of evolving towards more advanced concepts. This is the concept of the Neuronal Station Centre. This is a project to create a management, operations and maintenance centre for Adif-AV stations, from which the intention is to operate the installations and systems of all Adif-AV stations and have the capacity to interact with clients and other interested parties.

The idea behind this is to give voice to Adif-AV and capacity to reach passengers, 24 hours a day and 365 days a year. Connected to the future platforms of the Smart Stations, this centre will become the brain of the stations through which all the information will pass to facilitate and enable more agile decision making with better data.

In 2019, work will continue to optimise station maintenance and increase control of stations centrally and remotely, mainly by making progress in the execution of work for the remote management of passenger stations and starting up the future Neuronal Station Centre. Work has been carried out in 35 stations, intervening in basic service facilities, mainly for opening and closing access doors, lighting or intercoms for communication with customers. In addition, tenders have been prepared for another 13 and for technical assistance to support the process of drafting the project and implementing the centre, as well as the associated systems and actions at the stations.

4. GOOD GOVERNANCE, TRANSPARENCY AND RISK MANAGEMENT

At Adif-AV we understand that it is fundamental to base our management on a system of governance whose pillars are to guarantee regulatory compliance, to promote business ethics in the culture of the organization (with special emphasis on zero tolerance for corruption) and to develop transparency in management.

Adif-AV is a public body attached to the Ministry of Public Works and Transport, based on Law 40/2015, of 1 October, on the Legal System of the Public Sector. It has its own legal personality and full capacity to act in order to fulfil its purposes and its own assets.

However, in terms of contracting, Adif-AV is governed by current legislation applicable to public administrations on public sector contracts for the construction or modification of railway infrastructures, with the exception of maintenance, signalling and electrification works. In the area of property, it is governed by the Public Administration Property Law.

4.1. Governing and internal management bodies

The Board of Directors is the highest governing body of Adif-AV and therefore has the broadest powers for the administration and management of the Entity. Furthermore, it has the power to determine its structure; to set the rules for the operation of the Board; to approve the annual budgets, the Annual Accounts and the Management Report and to authorize credit and other debt operations.

Adif-AV has other collegiate bodies outside the state created by the Board of Directors. These bodies are: The Audit Committee, the Ethics and Compliance Committee, the Appointments and Remuneration Committee and the Internal Code of Conduct in the Securities Market of ADIF-AV. There are also other bodies for deliberation and advice from the Chairman, such as the Steering Committee and the Contracting Committee.

BOARD OF DIRECTORS	PRESIDENCY
AUDIT COMMISSION	ADIF-AV'S COMMITTEE FOR COMPLIANCE WITH THE INTERNAL RULES OF CONDUCT IN THE FIELD OF THE SECURITIES MARKET
ETHICS AND COMPLIANCE COMMITTEE	STEERING COMMITTEE
APPOINTMENTS AND REMUNERATION COMMITTEE	HIRING COMMITTEE

4.1.1. Board of Directors
















The Adif-AV Statute establishes that the Board of Directors must be formed by a Chairman (who in turn is the Chairman of Adif) and a minimum of nine and a maximum of ten members, whose appointment and dismissal corresponds to the Ministry of Public Works and Transport. The

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Secretary of the Board of Directors will be the Secretary of the Board of Directors of Adif (article 25 of the Adif-High Speed Statute), who will have voice in the meetings, but will not have the right to vote, unless he/she is a member.

As of 31 December 2019, the Board of Directors was made up of eleven members: the President, the Secretary of the Board and nine members:

In 2019 the Board of Directors has met **13 times**.

ADIF-AV 2018 BOARD OF DIRECTORS	
 Ms. Isabel Pardo de Vera Posada 29/06/2018	 Mr. Jesús Miguel Pozo de Castro 10/03/2017
 Mr. Guillermo Martínez de Simón 30/01/2019 Ethics and Compliance Committee President	 Mr. Jaime Sellés Santiveri 29/09/2017
 Mr. Jorge Ballesteros Sánchez 18/04/2013	 Mr. Javier Herrero Uzano 02/07/2018
 Mr. Julián González Cid 10/01/2019	 Ms. Elena María Ayuso Mateos 13/07/2018
 Mr. Rodrigo Moreno Pérez 10/02/2017	 Ms. María Pilar Seisdedos Espinosa 19/11/2018
 Mr. Domingo García Díez 01/03/2017 Audit Commission President	
<div>  President  Secretary  Members  27,7% women on the Board of Directors </div>	

(*) Appointed as Secretary of the Board of Directors of ADIF on 30/01/2019

The withdrawals from the Board during 2019 were:

- Mrs. Myriam Bonafé Tovar (10/01/2019)

The most significant aspects regarding the operation and organization of the Board of Directors are the following:



Constitution: in order to constitute the Board of Directors, the President and the Secretary must be present, and at least half of the members must be present at the first call and one third at the second call. At least one hour must elapse between the two calls.



Meetings: in accordance with article 19 of Royal Decree 1044/2013, of 27 December, which approves the Adif-AV Statute, the Board of Directors shall meet, upon prior notice and at the initiative of its Chairman, or at the request of at least half of the members. It will meet as often as necessary for the proper performance of the entity's functions, although a minimum of 11 meetings per year is established.



Proxy voting: Proxy voting is not contemplated in the Adif-AV Statute, nor in the General Rules of Operation of the Adif-AV Board of Directors.



Adoption of agreements: the agreements of the Board of Directors will be taken by an absolute majority of votes of its members present. The President is responsible for breaking ties.



Remuneration: in accordance with Article 21 of the Adif-AV Statute, the members of the Board of Directors will not receive remuneration or compensation for attending the meetings.

FUNCTIONS AND TOPICS BOARD OF DIRECTORS

The Board of Directors has been assigned the following main functions

- To determine the structure of the Entity and the guidelines for the modification of the staff and its basic remuneration conditions
- Establish the rules for the operation and adoption of resolutions by the Council itself
- Approve the annual operating and capital budgets, the multi-year action programme and submit them to the Ministry of Public Works and Transport
- To approve the Annual Accounts, the Management Report and the proposal for the application of the result
- Authorize credit and other debt operations

In 2019, the Board of Directors has met 13 times. These meetings dealt with issues such as:

- Tenders, awards and contract incidents
- Administrative agreements
- Management assignment agreements between the public business entity Adif-Alta Velocidad and the public business entity Administrador de Infraestructuras Ferroviarias (Adif)
- Granting of powers of attorney and, corporate and property actions
- Approval of the Individual Annual Accounts of Adif-AV for the 2018 financial year
- Update of the Network Statement Document for 2019 and 2020
- Authorisation and borrowing of financial operations
- Master Plan to Combat Climate Change 2018-2030.
- Strategic Risk Map.
- Update of the functions and appointment of members of the Audit Committee of the public business entity Adif-Alta Velocidad.
- Adif-Alta Velocidad Corporate Governance and Regulatory Compliance Model: Approval of the Gifts and Services Policy.
- Adif-Alta Velocidad Data Protection Model: Approval of the Corporate Personal Data Protection Policy and the Statute of the Data Protection Delegate.
- Approval of the Statute of the Internal Audit activity of Adif-Alta Velocidad.
- Approval of the Statute of the Regulatory Compliance activity of Adif-Alta Velocidad.
- Strategic Plan 2030. Development and deployment of strategic initiatives.
- Annual Corporate Governance Report of the E.P.E. Adif-Alta Velocidad.
- Liberalisation of commercial passenger services. Main characteristics of the Adif capacity allocation system.
- Third issue of Adif-Alta Velocidad in Green Bonds format.



The operation of the Board of Directors is regulated by the provisions of the Statute of the Public Business Entity Adif-AV, available on the website www.adifaltavelocidad.es and by the General Rules for the Internal Operation of the Board of Directors of the Entity, and by the provisions of Law 40/2015, on the Legal System of the Public Sector for collegiate bodies.

- Approval of the Application for Extension of the EMTN (Euro Medium Term Note Programme).
- Agreement by the Board of Directors of the public business entity Adif-Alta Velocidad to provisionally assign Framework Capacity.

4.1.2. Other internal management bodies



AUDIT COMMISSION

The operation of the Audit Commission is governed by the operating rules approved by the Board of Directors at the session in which the body was created on February 27, 2017, with the Audit Committee being eliminated.

As of 31 December 2019, the Audit Commission consisted of 3 ADIF-Alta Velocidad counselors, 1 Chairman (Mr. Domingo García Díez), and 2 members (Mr. Jorge Ballesteros Sánchez and Mrs. M^a Pilar Seisdedos Espinosa). In addition, this body has Mr. Guillermo Martínez de Simón Santos as secretary. Its members are appointed by the Board of Directors for a period of 4 years, and without prejudice to their possible re-election.

The Audit Committee supervises the economic and financial information and reports to the Board of Directors on its actions and on any relevant issues it deems necessary.

Due to the business nature, size and complexity of the public business entity Adif-AV, it is advisable to strengthen the internal control function. Therefore, the Board of Directors agreed in 2013 to reinforce the Internal Audit function with the aim of ensuring that the decisions of the Senior Management, the procedures it implements and the controls it establishes are correctly, systematically and permanently applied.

In line with the above, on 28 March 2019 the Board of Directors approved the Internal Audit Activity Statute, which sets out the mission, authority, independence and objectivity, scope of internal audit activities and responsibility of the Internal Audit Department.





ETHICS AND COMPLIANCE COMMITTEE

This body was set up in response to the new Ethical Management Model at Adif-AV and replaced the former Code of Ethics and Conduct Monitoring Committee which was in place until 28 September 2018.

Therefore, it is the body responsible for ensuring, in its last instance, compliance with the Code of Ethics and Conduct approved by the Board of Directors. Its main functions include

- Evaluate and ensure compliance with the Adif-AV Code of Ethics and Conduct
- Monitor the mechanism that allows both employees and third parties to report breaches of the Code of Ethics and Conduct
- Instruct consultations and reports on alleged breaches of the Adif-AV Code of Ethics related to the Regulatory Compliance Area
- To propose amendments to the Code of Ethics to improve it and adapt it to new circumstances and realities
- Propose measures to promote the dissemination of and compliance with the Code
- Review Compliance Policies
- Approve the Community Funds Fraud Self-Assessment and Summary Report
- Any others entrusted to them by the Board of Directors

The Committee was constituted with the following composition:

- Mr. Guillermo Martínez de Simón Santos – Chairman
- Mr. Michaux Miranda Paniagua – Member Human Resources
- Mr. Juan Pedro Galiano Serrano – Member Corporate Social Responsibility
- Mrs. Lourdes Porta Etessam – Member Risk Management
- Mr. Manuel Fresno Castro – Member Financial Management
- Mr. Juan Pablo Villanueva Beltramini – Member Adif-AV
- Mr. Antonio Velázquez Borge – Secretary - Regulatory Compliance

17%

Women

RISK COMMITTEE

This body was constituted on 14 December 2018 and is composed of the designated heads of the areas of activity, the risk coordination areas, and internal audit. It has the following functions:

- Drawing up and updating, at least annually and whenever necessary, the entity's Risk Map.
- Monitoring of the risks already identified, their controls, indicators and action plans, throughout the year with the required frequency.
- Approval of any specific risk management policies that may be developed.
- Determining and reviewing the company's objective risk profile, ensuring its alignment with the entity's strategy.
- Informing the Management Committee, submitting for its approval those proposals necessary for the correct development of the risk function.

**STEERING COMMITTEE**

The Steering Committee functions as an extra-statutory deliberative and advisory body to the President. It has the following functions:

- To advise the Chairman on matters within the competence
- To advise the Chairman on matters of the Board of Directors to be brought to attention or for approval
- To deliberate on other Adif-AV matters that, on the initiative of the Chairman or on the proposal of the members that make up the Management Committee, are decided to include in the agenda

**CONTRACTING COMMITTEE**

The Contracting Committee functions as an extra-statutory deliberative and advisory body to the President. It has the following functions:

- To advise the Chairman on matters relating to contracting that are within the competence of the latter, either directly or by delegation from the Board, as well as those that fall within the competence of the Board of Directors and which must be submitted to the Chairman for approval or knowledge of the latter
- Deliberation and knowledge of any other matter concerning the Contracting of the Entity

**APPOINTMENTS AND REMUNERATION COMMITTEE**

The Board of Directors of the E.P.E. Adif-AV agreed, in its meeting of January 29, 2018, to approve the creation of the Company's Appointments and Remuneration Committee. It is made up of a Chairman (María Pilar Seisdedos Espinosa) and two members (Domingo García Díez and Jesús Miguel Pozo de Castro).

Its main functions are:

- To establish a representation objective for the least represented gender on the Board of Directors
- To supervise that the members of the Board of Directors of Adif-AV comply with the obligation not to incur in causes of legal prohibition or incompatibility for the performance of their duties as a Director.

The Appointments and Remuneration Committee did not hold any meetings in 2019.



COMPLIANCE COMMITTEE FOR THE INTERNAL RULES OF CONDUCT IN THE AREA OF THE ADIF- ALTA VELOCIDAD SECURITIES MARKET

The Adif-AV's Compliance Committee with the Internal Code of Conduct in the Securities Market is an extra-state body of the Entity, made up of its Chairman (Mr. Juan Pablo Villanueva Beltramini, as General Manager of Adif-AV) and 3 members, Mr. Juan Pablo Villanueva Beltramini and Mr. Juan Pablo Villanueva Beltramini. Guillermo Martínez de Simón Santos (as Secretary of the Board of Directors of the Entity, who will act as Secretary of the Committee), Mr. Manuel Fresno Castro (as General Financial and Corporate Director of Adif) and Mr. Javier Torres Gella (Legal Director of Adif); these last two directors are members of Adif.

The functions of this Committee are set out in section 14 of the Internal Code of Conduct. It is responsible for overseeing and supervising adequate compliance with the aforementioned Regulations and has responsibilities and powers to:

- Evaluate the efficiency of internal procedures and supervise general compliance with the measures to safeguard Privileged Information established in the Regulations.
- Adopt the necessary measures for the training of employees in the application of the Regulations.
- Interpreting the rules contained in the Regulations, resolving doubts about their application and adapting them to current legislation.
- Inform the Code of Ethics and Conduct Monitoring Committee annually of any relevant incidents that may arise.

The Compliance Committee with the Internal Code of Conduct did not hold any meetings in 2019.

30%

Women

4.1.3 Applied policies and indicator management system

Adif-AV is a public company at the service of citizens and as such has the obligation to adapt to social changes and meet the needs of society, thus contributing to the transformation of the sector and of the Entity itself and guaranteeing the sustainability and public utility of the railway system. For these purposes, Corporate Policies are established that deal with the relevant issues for the organization and that set the commitments of Adif-AV in the different matters.

COMPANY POLICIES

- Corporate Anti-Fraud Policy
- Prevention and Management of Conflict of Interest Policy
- Quality Policy
- Environmental Policy
- Preventive Policy
- R+D policy
- Information Security Policy
- Adif- Alta Velocidad Code of Ethics and Conduct
- Ethical Channel Management Procedure
- Comprehensive Risk Management Policy
- Fraud Prevention, Detection and Management Procedure
- Security Policy
- Community Funds Fraud Risk Management Procedure

Adif-AV manages the following indicators in relation to these policies and the fight against corruption and bribery:

	Indicator description	Units	2017	2018	2019
	Ethical Channel Notifications **	N.º	73	57	60 (16) *
Measures taken to prevent corruption and bribery	Declarations of Conflicts of Interest **	N.º	N/D	794	886
	Employees trained in ethics **	N.º	238	542	398

(*) Received and resolved through the Ethical Channel or by any other means that could result in a violation of the commitments of the Code of Ethics

(**) integrated Adif and Adif-AV

4.2. Ethics and transparency

Since 2009, Adif-AV has had a Code of Ethics and Conduct approved by the Board of Directors, which was revised and updated in March 2015, taking into account regulatory changes in the area of criminal liability and the principles that inspire Law 19/2013 on transparency, access to public information and good governance.

In 2019 and as part of the process of continuous improvement, the Adif-AV Ethical Model was reviewed and updated, revising the Code of Ethics and Conduct and approving a series of policies and procedures.

ADIF-AV CODE OF ETHICS AND CONDUCT

This text sets out the Entity's values and ethical principles, with the aim of formalising the ethical guidelines that can be expected from them and which are applicable to all persons belonging to the Entity or its governing bodies and to all third parties that have a relationship with it.

The Code contains the following commitments:

- Compliance with legislation.
- Infrastructure safety.
- Good use of public resources.
- Professionalism and integrity
- Fight against fraud.
- Good use of information.
- Good use of information.
- Decent and respectful treatment to people.
- Equal treatment to clients and suppliers.
- Safeguarding safety and health.
- Respect for the environment and cultural heritage.
- Safeguarding the reputation of ADIF

The Ethics and Compliance Committee is the body ultimately responsible for ensuring compliance with the Code of Ethics and Conduct.

The Code of Ethics, which was included in Clause 12 of the First Collective Agreement of Adif and Adif AV, is published both on the Adif-AV intranet and publicly on its website. The entity provides training to its employees through a course on ethical management, which is compulsory for all.



In 2019, **398 employees*** (Adif and Adif AV aggregate) performed ethics training.

In this way, Adif -AV guarantees that all its employees know and act according to its principles.

ETHICAL CHANNEL

The Ethical Channel acts as a channel for receiving and addressing potential breaches of the Code of Ethics and Conduct.

The Ethical Channel admits reports sent both by Adif-AV staff through the Intranet, and by third parties through the website. Reports may be anonymous as long as they are accompanied by evidence or indications that justify the initiation of an investigation. The following commitments are guaranteed during the procedure of communication and management of the communications made through the Ethical Channel:

- Confidentiality of personal data and information received through the Ethical Channel
- Commitment that there will be no repercussions against any person who makes a communication in good faith
- Privacy, defence and presumption of innocence of all those professionals who are the subject of an investigation

In 2019, **1,698 visits were made to Adif-AV's external ethical channel**, and **no notification** was received regarding alleged breaches of the Code of Ethics.

Adif-AV is firmly committed to the professionalism and integrity of its employees, rejecting any type of action that is suspected of corruption or any type of bribery.



In 2019, **886 (*) declarations of conflicts of interest have been registered** (*added data Adif / Adif-AV)

The Code of Ethics establishes the commitment of employees to always act with **integrity and honesty** in the performance of their work, communicating and **avoiding situations of conflict of interest** that may occur.

In this line, a series of measures and obligations are established to be fulfilled by employees in the performance of activities:

- Not to use the entity's funds and resources for their own benefit
- Not to accept favourable treatment or privileged status deriving from the professional position or post held
- Reject any gift, favour, service or financial benefit that goes beyond the usual, social and courtesy uses, whether from suppliers, contractors or any other area
- Not to make payments, gifts or other offers to public or private employees that could influence their decisions
- Communicate situations of conflict of interest in which they may be involved
- Refrain from intervening in or influencing decision-making, participating in meetings or accessing confidential information in matters where a conflict of interest exists
- Reject favouritism, on the grounds of kinship, friendship or any other circumstance, in the processes of hiring or promoting employees
- Avoid any practice that could be considered as not exemplary

The activity of Adif-AV must at all times respond to the public interest and the values set out in its Code of Ethics and Conduct, so that each action and decision taken complies with the following premises:

- Be legally valid.
- Be ethically acceptable.
- Be desirable to society and to the Entity.
- Each person is willing to take responsibility for themselves in the eyes of colleagues, family members and citizens in general.

On the other hand, and within the framework of Law 19/2013 on Transparency, Adif-AV maintains its faithful commitment to continue strengthening the transparency of its activity, in accordance with the best national and international practices. For this reason, it has a Citizen's Portal where any interested party can access the company's public documentation. In addition, Adif-AV participates in the Ministry of Public Works and Transport's Transparency Portal, where information on other public bodies, commercial companies and foundations can be consulted in relation to different channels.



The Citizen's portal is accessible through the corporate website
www.adifaltavelocidad.es

4.2.1. Measures taken to prevent corruption and bribery

Within the framework of Adif-AV's strategic orientation and commitment to creating value for society, and with the aim of developing a governance and management model that strengthens Adif-AV as a well-managed and governed public entity under the principles of ethics and transparency, a Corporate Anti-Fraud Policy has been established

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This Policy applies to all members of the Board of Directors, Senior Management and in general, without exception and regardless of their position, responsibility, occupation or geographical location, to all employees of Adif.

Adif-AV is committed to adopting a policy of zero tolerance towards fraud and therefore establishes certain obligations to this end:

- Commitment to communicate any sign of fraud through the appropriate channels.
- Promotion of a culture that acts as a deterrent to any type of fraudulent activity.
- Transmission of reliable information to society, in order to form a true image of Adif-AV's activities, strategy and economic, social and environmental performance.
- Rejection of misleading, fraudulent or malicious conduct that leads Adif-AV to obtain undue or unfair advantages.

KEY DOCUMENTS IN THE FIGHT AGAINST FRAUD

The fight against fraud is a fundamental pillar of Adif-AV's Regulatory Compliance model. The key documents are:

- Corporate Anti-Fraud Policy
- Procedure for the Prevention, Detection and Management of Fraud which sets out the principles and guidelines for combating fraud
- Institutional statement on the fight against fraud
- Community Funds Fraud Risk Management Procedure

To demonstrate its commitment for zero tolerance of fraud and corruption, Adif-AV has measures in place to prevent and detect, where possible, any fraudulent actions and, where appropriate, to address their consequences. This control system has been developed in the Prevention, Detection and Management of Fraud Procedure which establishes the objectives, responsibilities and anti-fraud measures of Adif-AV.

The Management of the Community Funds Fraud Risk Management Procedure aims to establish the responsibilities, methodologies and activities carried out in Adif and Adif-AV in the anti-fraud cycle. This cycle includes all those measures aimed at the prevention, detection and prosecution of Fraud. The combination of measures in these four elements of the anti-fraud cycle allows for a proactive, structured, targeted and comprehensive approach to fraud risk management as recommended by the European Commission, thus enabling a significant reduction in the risk of fraud and providing sufficient deterrence.

On 26 November 2019, the Self-Assessment of Community Funds Fraud Risk Sub-Committee was established with the main responsibility of preparing, with the periodicity established in the Self-Assessment of Fraud Risk Procedure, in terms of impact and probability, using the tools provided by the European Commission or others that may be established by Adif and Adif-AV. This Self-Assessment, which contains more than 100 controls, must be reviewed and updated annually.

4.3. Commitment to human rights

Through its Code of Ethics and Conduct, Adif-AV expresses its commitment to the dignified and respectful treatment of all people. In doing so, it ratifies the principles established in the Universal Declaration of Human Rights and the Tripartite Declaration of the Organization of Work.

All employees of Adif-AV must respect all persons with whom the Entity relates, both inside and outside the organization. In this sense, non-discrimination, equal opportunities and dignified treatment are essential for a stimulating and productive working environment at Adif-AV, which translates into a positive and trusting relationship with stakeholders.

In 2019, Adif-AV has not received any **complaints of human rights violations**.

4.4. Risk Management

Adif-AV, in its permanent commitment to transparent, responsible and sustainable management, considers it essential to have a global, consistent and transparent risk management system that establishes a common regulatory framework, facilitates the identification, evaluation and homogeneous management of risks and establishes clear roles and responsibilities for their adequate treatment. To this end, in addition to the specific areas of risk management that make it possible to respond to the needs and regulations specific to the activity (traffic safety, occupational risk prevention, the environment, information security, internal control of financial information, regulatory compliance, etc.), it has defined its integrated risk management model.

Adif-AV has an integral **risk management model** that allows the establishment of appropriate information channels that guarantee adequate communication to promote a proactive risk management culture in all areas of the company while maintaining consistent risk levels.

4.4.1. Integrated Risk Management System

ADIF-Alta Velocidad has an Integral Risk Management System that, aligned with best practices, facilitates a systematic and orderly response to a universe of risks with the complexity and dispersion of an organization of its characteristics. This system obeys to the following principles, established in the **Integral Risk Management Policy** approved by the Board of Directors of the entity:

PRINCIPLES OF THE INTEGRATED RISK MANAGEMENT POLICY

- Integration of risk in the management of the entity, through a unified vision of the strategic and business objectives, and the risks associated with them.
- Ensure that the risks that may affect the strategy and objectives are adequately managed, and within the levels of risk that the entity establishes.
- Have a global risk management system, consistent and transparent; that establishes a common normative framework that facilitates the identification, evaluation and homogeneous management of risks, and that establishes clear roles and responsibilities.

The roles of the various actors involved in the system are clarified in the policy. Thus, in addition to the risk management responsibilities intrinsic to the functions of the various areas of activity, "coordination areas" are identified that are dedicated to the management or supervision of specific risks. All of these constitute the Risk Committee, which is led by the risk area and reports to the Management Committee.

The Risk Committee is responsible for the preparation and monitoring of the Adif-AV risk map. This map reflects the main threats to which the entity is exposed, and which could significantly affect the achievement of its objectives and the development of its functions. These risks place special focus on the main key pillars of the activity:

Risk Category	Description
Safety	Risks related to incidents, accidents or attacks that may affect the continuity of the Entity's operations, the integrity of its assets, workers, customers or the environment
Operations	Circumstances that could threaten the quality of services provided
Regulation and compliance	Risks arising from failure to comply strictly with applicable rules and regulations, or with voluntarily adopted codes of good practice
Reputation	Issues related to strengthening good governance, transparency and accountability of a public company
Financial	They affect aspects related to the availability of resources and the financial sustainability of the Entity

It should be noted that Adif-AV's ESG risk management is being processed for implementation in 2020.

4.4.2. Internal Control System for Financial Information (IFCS). COSO III Model

ADIF-Alta Velocidad has an Internal Control System for Financial Information implemented, hereinafter SCIIF which is a part of the internal control and is configured by the set of processes that the entity and all the staff involved carry out to provide reasonable assurance regarding the reliability of the financial information.

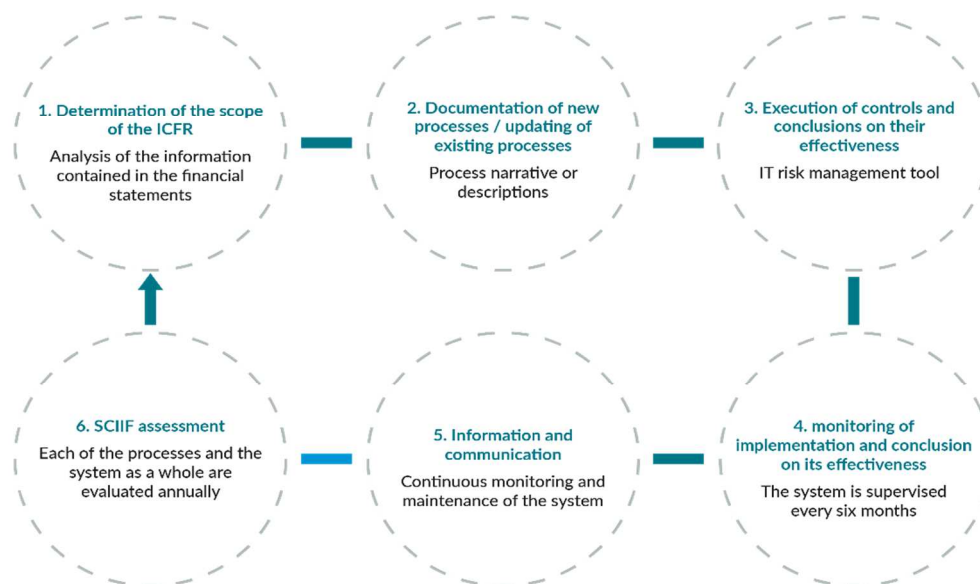
The SCIIF seeks to ensure the reliability of financial information by fulfilling the following five objectives:

- **Existence and Occurrence:** the transactions and other events collected by the financial information do indeed exist and have been recorded at the appropriate time.
- **Completeness:** the information reflects the totality of transactions and other events in which the entity is an affected party.
- **Valuation:** transactions and other events are recorded and valued in accordance with applicable regulations.
- **Presentation, disclosure and comparability:** transactions and other events are classified, presented and disclosed in the financial information in accordance with applicable regulations.
- **Rights and obligations:** the financial information reflects, at the corresponding date, the rights and obligations through the corresponding assets and liabilities.

The SCIIF of ADIF-Alta Velocidad is inspired by COSO III; an internationally recognized integrated control reference framework, based on three key elements: documentary support for controls or evidence, continuous evaluation throughout the annual cycle and the established pyramid scheme of responsibilities. The entity has an SCIIF Policy approved by its Board of Directors, which establishes the methodology, competencies and principles that lay the foundations of the SCIIF in ADIF-Alta Velocidad.

The SCIIF is organized as a cyclical process that works continuously, thanks to which this system remains updated and current. This annual cycle is divided into six phases:

PHASES OF THE INTERNAL CONTROL SYSTEM FOR FINANCIAL INFORMATION



The processes with relevant financial information included in the scope of the 2019 financial year were as follows

1. Fixed Assets and Grant Management
2. Revenue: Fees
3. Financial Instruments and Treasury
4. Taxes

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5. Electrical Energy
6. Accounting and financial reporting
7. Economic Registry of Contracts
8. Revenues: Rentals
9. Revenues: Fibre optic lease

The SCIIF Committee, chaired by the Director General of Finance and Management Control and comprising the heads of each SCIIF process, the Directors of Internal Audit, Treasury and Accounting, Planning and Budget and Risk, met twice in 2019.

At these meetings, the annual review of the previous year was carried out, the scope of the 2019 financial year was approved, and the 2019 cycle and the supervision carried out were monitored.

5. IMPACT ON SOCIETY AND CREATION OF SHARED VALUE

At Adif-AV we are aware that we have a great responsibility and that our actions have an important impact on society. That is why we work with a strong commitment to always be at the service of the general interest, trying to generate a positive impact on all our stakeholders and working to create shared value.

 <p>STAKEHOLDER RELATIONS</p> <p>5,100 actions on social networks</p> <p>100% of answered requests on websites</p> <p>40 number of agreements and arrangements with sectoral and professional organisations and associations, in force</p>	 <p>HEALTH AND SAFETY</p> <p>ABSENCE of accidents with leave</p> <p>2 Health and safety committee meetings</p>	 <p>SERVICE IMPROVEMENTS</p> <p>2,224.72 M€ (VAT non inc) awarded to construction projects (works, services and supplies)</p> <p>29.5 M€ for high-speed network operation</p> <p>298.9 M€ for maintenance purposes</p>	 <p>ECONOMIC IMPACT</p> <p>1,187.6 M€ ECONOMIC VALUE GENERATED</p> <p>1,114.4 M€ DISTRIBUTED ECONOMIC VALUE</p> <p>73.2 M€ ECONOMIC VALUE RETAINED</p>
 <p>ENVIRONMET</p> <p>Reduction of carbon footprint 31.1%</p> <p>0 penalties</p> <p>0.33% Reduction in water consumption</p>	 <p>EMPLOYEES</p> <p>218 employees</p> <p>28.44% women</p> <p>50.96% covered by award</p> <p>97.57% indefinite contracts</p> <p>-0.39% absenteeism rate</p>	 <p>CUSTOMER-DRIVEN ORIENTATION</p> <p>-40.2% claims</p> <p>-29.1% suggestions</p> <p>7 out of 10 in perceived quality</p>	 <p>COMMUNITY ENGAGEMENT</p> <p>486* activities open station program (*integrated Adif/Adif AV)</p> <p>78* open station program stations (*integrated Adif/Adif AV)</p> <p>54 conventions, agreements, protocols, addenda, of integration with the companies in which Adif AV participates</p>

5.1. Relationship with stakeholders

As indicated, Adif-AV seeks to base its management on responsibility to society, which is why it is essential to listen to the various stakeholders and establish channels of communication and dialogue with them.

Adif-AV considers as a stakeholder group any social group that is or may be affected by the company's activity, now or in the future, and/or that, in a legitimate way, affects or may affect the company's activity and, therefore, its results. Its stakeholders include railway companies, passengers, citizens, public administrations, employees, governments of other countries, suppliers, business partners and allies and society (NGOs, associations, etc.). The WP2030 has considered, by grouping different groups, five priority interest groups:



Adif-AV is aware of the importance of maintaining a close, accessible and transparent relationship with all its stakeholders, and therefore gives great importance to the active management of its communication channels and to being able to listen to what its stakeholders demand and think about the Entity.

Therefore, in the future, the Entity plans to revitalize its presence on the Internet by developing and creating a new corporate website. In addition, the company has increased its relations with the media and has created a Transparency Portal. As in the past year, Adif-AV maintains its focus on dialogue with stakeholders through social networks.

The corporate **website**, **Social Networks**, **media** relations, the H24 **Network Management Centre**, the Transparency Portal and **events** are the **main channels of communication** with stakeholders.

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In the following table you can see a summary of the communication channels established with the different stakeholders of Adif-AV.

Stakeholders	Established channel
PUBLIC ADMINISTRATIONS AND INVESTORS ((Ministry of Public Works and Transport, Administration and financial organizations))	<ul style="list-style-type: none"> • Continuous communication through the competent bodies (Under-Secretary of State, Secretariat of State for Infrastructure, etc.) • Follow-up meetings • Administrative Agreements
EXTERNAL CUSTOMERS (users of the railway system, railway operators, corporate customers, governments of other countries)*	<ul style="list-style-type: none"> • Customer Service Offices at Adif-AV stations (personalised attention, complaints and suggestions management, etc.) • Annual satisfaction surveys for passengers and tenants of commercial premises located in Adif-AV stations • Information telephones and e-mail • Agreements and arrangements • Mechanisms for complaints and suggestions (RECLAMA computer application, complaints books, etc.) • Meetings with representatives of citizen groups interested in the management of the railway infrastructure in their locality • Web communication mailbox • Social Networks • Adif-AV App Channel (real time information on network status and schedules)
SUPPLIERS	<ul style="list-style-type: none"> • Communication via e-mail or telephone • Collaboration agreements
BUSINESS PARTNERS AND ALLIES	<ul style="list-style-type: none"> • Sectoral agreements and partnerships • General and European assemblies, international delegations • Specialized events and forums • E-mail or telephone
SOCIETY (citizens, associations, NGOs, European and international organizations)**	<ul style="list-style-type: none"> • Adif-AV annual reports and other publications • Permanent information through the media • Web communication • Social Networks • Transparency Portal
EMPLOYEES***	<ul style="list-style-type: none"> • Corporate Portal Starts • Adif-AV workers' representation committees • Work climate and Adif-AV commitment surveys • Internal communications • Information on training courses • Suggestion box • Improvement initiatives mailbox

(*) For more information on the relationship with this interest group, see the "Customer Satisfaction" section

(**) For more information on the relationship with this interest group, see the "Citizens" section

(***) For more information on the relationship with this interest group, see the "Employees" section

AGREEMENTS AND ARRANGEMENTS

WITH SECTORAL AND PROFESSIONAL ORGANISATIONS AND ASSOCIATIONS

During 2019, in order to better comply with its objectives, a comparison is made of the number of agreements and arrangements with sectorial and professional organizations and associations, both signed and in force, signed by Adif AV:

Number of agreements and arrangements with sectoral and professional organisations and associations: IN FORCE	2017	2018	2019
Adif-AV+ Others	25	34	40
Adif+ Adif-AV+ Others	17	27	36
Adif+ Adif-AV	5	6	9

** Provisional data pending determination of the number of agreements in force by application of the 8th D.A. of Law 40/2015, of 1 October, on the Legal System of the Public Sector*

Number of agreements and arrangements with sectoral and professional organizations and associations: SIGNED	2017	2018	2019
Adif-AV+ Others	5	9	6
Adif+ Adif-AV+ Others	5	11	9
Adif+ Adif-AV	0	1	3

The main Adif-AV figures for 2019 related to communication with stakeholders are as follows:

Concept	2018	2019
Number of actions in social networks	5,438	5,100
Total percentage of requests answered through the website	100%	100%
Events managed by Adif -AV	13	20
Strategic Communication Plan, number of actions	331	355
Percentage of media requests answered	100%	100%
Percentage of complaints about transparency accepted by the Board for Transparency and Good Governance	7.56%	4.88%

The relationship between Adif-AV and some of the most important stakeholders is summarised below:

PUBLIC ADMINISTRATIONS AND EUROPEAN BODIES

Adif-AV is affiliated to the Ministry of Public Works and Transport, which has a regulatory and investment role, and therefore the entity is committed to maintaining a continuous relationship based on transparency, through efficient and sustainable management of its activities. The relationship between Adif-AV and the Ministry of Public Works and Transport is established mainly through the Undersecretary of State, the Secretariat of State for Infrastructure, Transport and Housing, and especially, with the General Directorate of Railways. It is also in continuous contact with other entities attached to it, such as Renfe Operadora and other ministries such as the Ministry of Employment and Social Security and the Ministry of Finance and Public Administration.

On the other hand, Adif-AV maintains a relationship with regulatory bodies such as the Court of Auditors and the General State Comptroller, with which it establishes regulated contact in accordance with current regulations, and with other entities such as the Ombudsman (in the treatment and response to complaints submitted to this body and similar institutions in the Autonomous Communities), State lawyers (for the resolution of consultations and supervision aimed at ensuring compliance with applicable legal requirements with unit of criteria), certification bodies, the National Institute of Statistics (regularly providing data related to Adif-AV activity) or universities and public study centres with which Adif-AV establishes collaboration agreements.

In addition, Adif-AV maintains contact and participates with different entities at an international level:

- RNE (RailNet Europe): to collaborate in the planning and management of railway capacity on international corridors and to improve quality and efficiency aimed at the competitive development of passenger and freight traffic on these corridors.
- EIM (European Infrastructure Managers): as an association that brings together the most important European infrastructure managers and which acts as an interest group before political and legislative decision-making bodies of the European Union and carries out studies to support the modernisation of the railway sector.
- ERA (European Railway Agency): for the development of technical specifications aimed at interoperability and safety, Adif-AV participates in this development through EIM.
- EEIGs (European Economic Interest Groupings): for the development of cross-border projects linked to international rail corridors and Trans-European Transport Networks (TEN-T).
- PRIME: is the platform of European railway managers for the development of the Fourth Railway Package. Adif-AV participates in the development of a system of indicators that allows the monitoring of the main activities and the improvement of management.

SUPPLIERS

Suppliers are an essential part of Adif-AV's business. The relationship with suppliers is based on guaranteeing the transparency of the contracting process and legal security.

The contracting procedure is established through the applicable contracting regulations, which include rigorous selection parameters and articulate all purchasing procedures through management based on transparency, contemplating all processes and their possible incidents.

For each contracting process, Adif-AV carries out the selection of suppliers in which they must prove their business and technical solvency, as well as compliance with social and environmental requirements determined for each contracting file.

FORÉTICA

Forética is an association that seeks to promote the culture of Ethical Management, Social Responsibility and sustainability in companies. Currently, it is a reference organization in CSR in Spain and Latin America, being the most consolidated and leading Spanish platform in corporate responsibility and sustainability.

Adif/Adif AV joined Forética in 2017 as a promoting member. In addition, in 2018 it joined the Action Group on CSR in Public Companies, co-leading with ICO the collaborative business platform coordinated by Forética, which aims to promote the exchange of knowledge between participating public companies on environmental, social and good governance issues, to make visible successful business cases, to transfer relevant tools and trends at international level and to contribute positively to the leadership of public companies in this field.

In 2019, Adif/Adif AV continues to lead this platform together with ICO, which has 28 public member entities: Adif, AENA, CESCE, Correos, Emasesa, Enaire, Extremadura Avante, Grupo Tragsa, ICO, INFORMA D&B, ISDEFE, ITVASA, Metro de Madrid, Paradores, Renfe, RTVE, Valenciaport, Aquavall, Canal Sur Radio y Televisión, Corporación Pública de Aragón, Enresa, Grupo ENUSA, ICEX España Exportación e Inversiones, INCIBE, INECO, INFORMA D&B.

BUSINESS PARTNERS AND ALLIES

Within this stakeholder group, Adif-AV identifies the subsidiaries and investee companies, including the integration companies. The management of this stakeholder group is based on its monitoring and the coordination of railway integration actions in the cities with the collaboration of other areas of the company. In 2019, 58 Board of Directors and Shareholders' Meetings were held in the companies that are subsidiaries and investees and in the integration companies.

In this way, Adif-AV establishes alliances with external companies and administrations that are formalized through agreements, collaboration agreements and shareholdings.

In the area of integration companies, and as a result of the Entity's effort to adapt to the new strategic framework of the company and the economic environment that requires greater efficiency and transparency in the use of resources, the debt of certain companies has been refinanced, the legal, administrative and accounting management has been assumed, as well as the economic and financial monitoring of others that lacked sufficient structure to carry it out, and participative loans have been negotiated.

SPANISH UNITED NATIONS GLOBAL COMPACT NETWORK

In 2018, Adif completed its process to join the Spanish Network of the United Nations Global Compact, as a participating partner. REPM is a non-profit association. The Entity has considered its adhesion to this association to be of interest in order to form part of the largest global initiative of business sustainability promoted by the United Nations, and also from its commitment to promote a relevant change in the way of approaching and integrating Corporate Responsibility into the Entity's strategy and business operations for an improvement in its performance and impact on society, actively contributing to the achievement of the SDG.

In 2019, REPM, as part of its commitment to sustainable development, analyzed Adif's sustainability reports, with the aim of detecting the strengths and areas for improvement in both the entity's level of transparency and the level of implementation of each of the four blocks of the United Nations Global Compact, thereby strengthening the levels of transparency in reporting and favoring the level of integration of the Sustainable Development Goals in the business strategy.

5.2. ESG Risk Rating



Within the framework of its presence in the financial markets as a socially responsible issuer, Adif-AV has participated for the first time in Sustainalytics' ESG Risk Rating, placing the public entity in April 2019 as the leader both in the transport infrastructure sector - with respect to a total of 102 companies evaluated - and in the road and railway subsector, being one of the ten most valued companies out of the 10,026 analysed by this rating.

Adif-AV obtained first position in the ESG Risk Rating for the transport infrastructure sector

A guarantee of long-term financial profitability is to implement responsible investment policies. In this context, socially responsible investment (SRI) can be approached from different perspectives. It can be done with a "value" approach, motivated by ethical or moral considerations; with "risk", in order to achieve better management of reputational, operational, financial or regulatory risk; with "return", to take advantage of financial opportunities such as the energy transition; or with a "duty" approach, in line with the investor's fiduciary obligation.

In 2019, Adif Alta Velocidad made a new issue of green bonds worth 600 million euros, aimed at financing or refinancing projects that generate environmental or climate benefits (see section 10.4). This is the third bond issue of these characteristics, after those made in June 2017 and April 2018, with the three issues **totalling 1.8 billion euros**.

The Finance Department produces a *Newsletter* (quarterly, in English) for socially responsible investors, which includes information on the activity and projects being carried out by Adif-AV in the area of environmental sustainability, although it also extends to other socially responsible initiatives and projects. It also contains a section on financial information.

5.3. Health and Safety

Safety, understood in its widest scope (train movement, protection against criminal acts and safety at work), is one of the strategic pillars of Adif-AV and is a central element of the business culture that guides decision-making. Safety management is based on the need to minimize possible risks, so as to achieve a high level of safety in all aspects of infrastructure management and rail traffic. In order to fulfil its corporate purpose, the Entity assumes the commitment to carry out its activities in a safe and efficient manner.

KEY ELEMENTS OF SAFETY POLICY

- To ensure the implementation and dissemination of a safety culture at all levels of the Entity, based on prevention, proactivity and staff participation.
- Manage the risks associated with the activity and operation.
- To promote a culture of trust, positive safety and continuous learning, which encourages all the organisation's staff to contribute to the development of safety.

In this way, the integral safety culture is understood in a transversal sense to the activity, at all levels, all processes and all subjects related to it and includes the management of safety in the infrastructures managed by the Entity, the safety in railway operations that run on them, as well as the safeguard of the safety of the own and external workers that have any kind of labour relationship with it. Adif-AV is currently immersed in the task of internally reinforcing the culture of

safety, in which the risk analysis of each activity, each process and each organizational change planned in the Entity takes on a relevant value. Internally, this reinforcement of the safety culture has been reflected in the creation of the Safety, Processes and Corporate Systems Management.

Therefore, Adif-AV not only focuses on improving safety in traffic, but also pays special attention to the prevention of occupational risks and the promotion of the safety of its employees, with numerous actions aimed at this end. Finally, in an increasingly digitalised world, cyber security cannot be ignored both externally with suppliers working with Adif-AV or customers visiting the website, and among their own employees.

Integral Security in Adif-AV is based on the following pillars:



- **Protection and safety:** Safety in infrastructures and installations of the company through the implementation of the systems and appropriate protocols in cases of incidents or emergencies, in collaboration with the competent public entities.
- **Railway traffic safety:** Control of the inherent risks in the circulation of trains, derived from the activity of ADIF-Alta Velocidad and Operating Companies, giving users confidence in the network through which they transit.
- **Prevention of Occupational Risks:** Commitment to the safety and health of our own employees, collaborating with other companies to understand and control the risks arising from the interaction with contractors and suppliers, as well as from anyone who performs a punctual or long-term job for Adif-AV.
- **Cybersecurity:** Protection of Adif-AV's management information or operational systems against intrusions, aggression, undue access to information and/or damage to the organization's assets.

5.3.1. Protection and Safety

The area of protection and safety refers to the activity carried out by Adif-AV to guarantee the safety of people, the continuity of operations and the preservation of assets, in the face of safety threats and emergency situations. The aim is to achieve a response system that is capable of absorbing the impact of a threat without losing operational capacity

During the year 2019, different actions are being carried out. The most relevant achievements are detailed below:

SAFETY

- 115 administrative complaints and 164 criminal complaints filed.
- 1,624 safety inspections and 188 extraordinary operations carried out.
- 2,103 interventions to assist people.
- 354 emergency interventions for accidents.
- Recovery of 3,089 lost objects.
- Score of 37.55 out of 45 in the evaluation of the surveillance and security services.

SELF-PROTECTION AND EMERGENCIES

- 20 Self-protection plans carried out.
- 51 simulations carried out.
- Execution of 116 inspections to protection means and facilities.
- 292 training days for internal and external staff with 3,368 students.

TECHNICAL AREA

- A project for protection and safety installations in stations has been completed and 88 projects have been reported.

In addition, during 2019 and with respect to the previous year, the number of incidents of theft of electrical conductors has decreased by 30.30 %, from 66 incidents in 2018 to 46 in 2019. On the other hand, 8 deliberate attacks against critical infrastructure have been recorded and 101 crimes with an impact on the activity have occurred, decreasing by 51.44 % with respect to 2018.

In 2019 a total of **292 courses*** (Adif/Adif-AV aggregate) and **51 simulations** (Adif-AV aggregate) have been carried out.

INFORMATION PERFORMANCE IN SOCIETY AND PRODUCT RESPONSIBILITY	Indicator description	Units	2017	2018	2019	Goals for 2020
	Evaluation of the provision of surveillance and safety services	points/45	38.33	39.46	37.55	> 35
	Deliberate attacks on critical infrastructure	Nº	38	9	9	<= 25
	Emergency situations with application of the Self-Protection Plan	%	100	100	100	>=90%
	Crimes with an impact on the activity	Nº	282	252	101	<= 200
	Persons killed or seriously injured in accidents	Nº	1	0	0	<= 0

5.3.2. Traffic Safety

The operation and maintenance activities of the infrastructures owned by Adif-AV have been entrusted to Adif, through the corresponding addenda to the Agreement signed between both entities, for the provision of various services.

Directive 2004/49/EC established a common regulatory framework for railway safety through the harmonisation of the content of safety standards, safety authorisation of infrastructure managers, the tasks and role of the safety authorities and the investigation of accidents.

Furthermore, Directive (EU) 2016/798 of the European Parliament and of the Council of 11 May 2016 on railway safety substantially amending Directive 2004/49/EC of the European Parliament and of the Council considers that the main actors of the railway system in the Union, infrastructure managers and railway undertakings, should be made fully responsible for the safety of the system, each in so far as it concerns them, and that where appropriate they should collaborate in implementing risk control measures.

Safety on the railways should be maintained in overall terms and, where practicable, continuously improved, taking into account scientific and technical progress and the impact of human and organisational factors.

In this context, the Railway Traffic Safety Management System (SGSC) is a crucial element on which the safety of the system depends, providing, inter alia, procedures for managing safety, distribution of responsibilities, risk analysis and management and human factor aspects, promoting a safety culture through trust and learning and providing for mechanisms to disseminate information.

Traffic safety management must be considered by all as a transversal function for all directions of the company, an essential need that is only guaranteed with the maximum staff and collective effort in the daily fulfilment of our professional activity and with the impulse of all the actions that are directed towards that only objective.

With the publication of the Guideline for the Railway Traffic Safety Management Policy, the internal commitment of the Entity to the national and European regulatory framework is reinforced, by establishing the criteria and organizational standards for the management of safety in traffic, strengthening the Traffic Safety Management System.

The guideline aims to promote, at all levels of action and in all services, full awareness of the priority nature of strengthening the foundations for Railway Traffic Safety Management within Adif, consolidating the fundamental principles of the Safety Policy and the positive Safety Culture at all organizational levels of the entity, based on risk prevention and management, proactivity and staff participation.

Adif and Adif AV, in the exercise of their competences, identify the basic elements on which safety in traffic rests, these being people, technology applied to installations, infrastructure, rolling stock and technical and regulatory standards.

In addition, the Safety Policy contemplates different tools, among which the application of an own traffic safety management system, based on prevention, continuous improvement and development of corrective measures, supported among others, on a management based on the responsibilities and competences of the staff, continuous training, participation, information and awareness of the staff, as essential elements to guarantee the surveillance of railway safety.

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Along these lines, and in order to promote compliance with the Safety Policy and the Safety Objectives of Adif and Adif AV, the **Annual Traffic Safety Plan (PASC)** was drawn up and approved by the Operational Safety General Committee.

The PASC is a safety method that aims to continuously improve the levels of safety in Adif and Adif AV, bringing together programs and actions that facilitate compliance with the objectives and indicators established therein.

Furthermore, it brings together and includes the action programs and objectives of safety, supervision, and all the actions that the Adif General Directorates and their specialized areas of activity.



As for security surveillance, these were developed through two groups of activities entrusted to Adif:

- **1st Level Surveillance:** Proximity control and early detection actions on the application of security standards regarding processes and staff.
- **2nd Level Surveillance:** inspections aimed at checking, by means of observation and analysis, the correct compliance with the regulations and safety requirements applicable to activities, elements and conditions related to train movement safety.

Noteworthy actions in the field of traffic safety

ADIF'S SAFETY MONITORING ACTIONS

Adif carries out supervision actions with the aim of checking the application and compliance of the applicable regulations in the different operational activities, with the safety of the railway traffic circulation, in the RFIG managed by Adif and Adif-Alta Velocidad.

In this sense, in 2019, 2,098 inspections, 182 safety audits and 19 surveys were carried out.

ACTIONS TO CONTROL RAIL TRANSPORT

For the rail transport control, systematic actions are established, which allow the detection of risk situations in the course of the movement of goods and passenger trains, in order to verify compliance with the rules established in terms of train composition (towed material), loading and documentation of the train.

In 2019, 32,146 wagon weighing actions were carried out, over and above the 32,484 actions that were initially programmed, with compliance exceeding that originally planned for.

The 2019 PASC programmed 6,720 visual train recognitions, with 5,387 actions finally carried out.

OPERATIONAL CONTROL ACTIONS

These are actions programmed within the 1st level operational control activity of Adif/Adif-AV, which has the aim of verifying compliance with existing technical operating standards, as well as the good condition and maintenance of the fixed installations and rolling stock assigned or entrusted for their maintenance and conservation work when carrying out manoeuvres.

The testing allows compliance with the traffic rules to be verified in the conversations recorded at the Control Posts, as well as in those of the Traffic and Energy Remote Control Cabinets, in order to detect deviations in compliance with the operating rules and adopt the necessary corrective/preventive actions. In 2019, 5,041 wiretaps were made on the conventional network and 428 wiretap actions were made on the high-speed network. Safety visits are aimed at reducing risk situations caused by non-compliance with processes and tasks related to traffic. In 2019, 5,372 visits were made on the Conventional Network and 94 on the High-Speed Network.

PROMOTION OF A TRAFFIC SAFETY CULTURE

Among the most outstanding actions are training and those aimed at the granting, extension, maintenance and replacement of qualifications.

In 2019, 713 driving licences were maintained for Adif staff and 14,281 authorisations were issued to staff related to safety activities in the movement of Adif and external companies, in accordance with the requirements established in current regulations. In addition, during the year, 869 candidates from external companies were assessed for theoretical knowledge and 764 for practical knowledge in order to obtain qualifications, as well as 282 candidates for the 2019 EPO in two calls for applications.

In the year 2019, of the total number of traffic accidents on the RFIG administered by Adif AV, there have been 3 accidents with victims. The main figures recorded are defined below:

	2016	2017	2018	2019
No. of road accidents produced	1	1	0	3
Deceased men	0	1	0	0
Seriously injured men	1	0	0	2
Deceased women	0	0	0	0
Seriously injured women	0	0	0	1
Total victims (deceased and seriously injured)	1	1	0	3

In the context of Traffic Safety, **different bodies are contemplated for participation in Traffic Safety management**, constituted as mechanisms for the supervision and control of the safety of operational activities, with the aim of ensuring the participation of all the organisation's staff, directly or through their representatives, and of ensuring the continuous improvement of traffic safety.

Depending on the action area and scope of their functions, different participation bodies are set up: the Central Traffic Safety Technical Commission, the General Directorates' Traffic Safety Operating Commissions and the Territorial Technical Commissions for Traffic Safety. During 2019, these participation bodies have been convened a total of **56 times**.

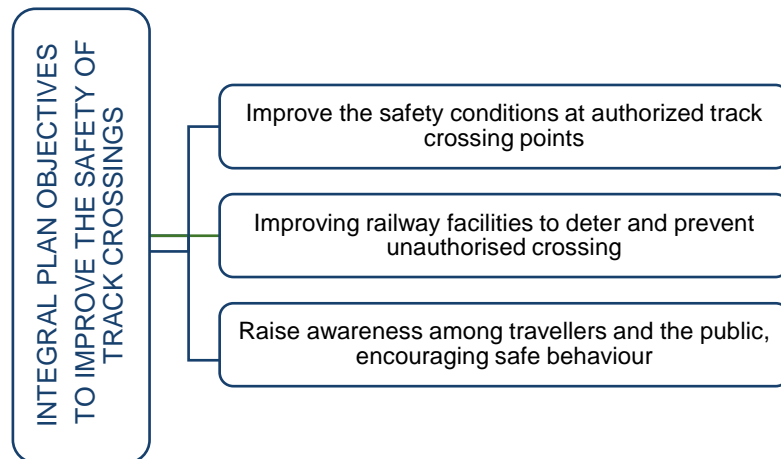
In addition, Adif-AV actively participates in different national and international forums in order to share its experience in the field of traffic safety.

Prevention of accidental collisions

According to the latest available data, between 2010 and 2019 there were 522 accidental collisions in the network, resulting in 241 deaths, 107 serious injuries and 174 minor injuries. Accidents occur in different situations: at level crossings, at unauthorized crossings, at authorized crossings at the same level between platforms, and in falls from the platform onto the track. These collisions have a high personal and social cost (each collision is a severe blow from the human point of view), and the maximum possible effort and collaboration of everyone is required to try to avoid them.

In order to reduce these types of accidents, Adif has continued working throughout 2019 to address this problem from a comprehensive standpoint, following the work plan initiated in 2017 to reinforce the measures implemented to date. The framework for this work, in which different areas of the organization are participating, is the **2018-2028 Comprehensive Plan for Safety Improvement at Road Crossings, PIMSCV**.

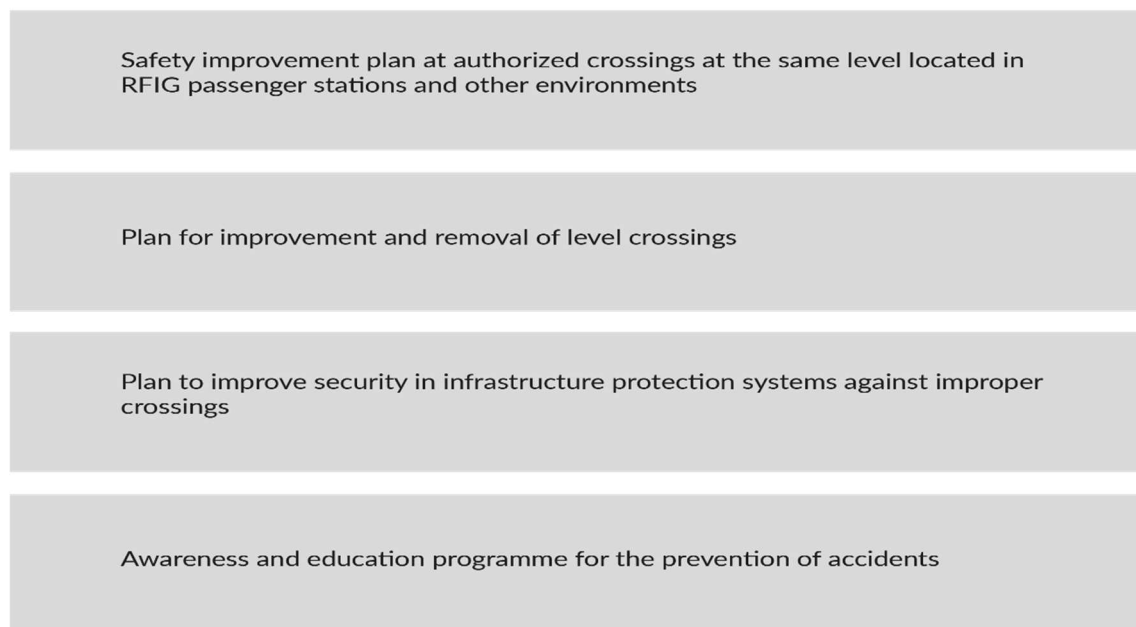
The current Plan includes a global and planned approach that contemplates all types of crossings and the different situations in which accidental collisions occur, addressing both the improvement of objective safety conditions of the infrastructure and the awareness of the population about the need to carry out safe behaviour.



Likewise, this Plan is one of the relevant projects of the Strategic Plan 2030 and contributes to the achievement of Strategic Objective 1 on Traffic Safety (Safety Pillar). It is also aligned with SDG 3 (Good Health and Well-Being), SDG 9 (Industry, Innovation and Infrastructure) and SDG 11 (Sustainable Cities and Communities).

The PIMSCV is structured in 4 lines of action:

LINES OF ACTION OF THE PIMSCV



STRATEGIC LINES

L1A. Legislative compliance: removal

to comply with the OM of 2/08/2001, A*T>1500:464 should be deleted

T>6 and A<250, Adif:148

T>6 and A>250, Agreement:279

T>6 and A>250, road headline:37

removal of level crossings with A*T>1500 and Adif responsibility:148

24 on site actions (integral works and suppression works)

83 in drafting/writing/updating

174M euros funding required

31 previous studies with own resources

removal of level crossings with A*T>1500 and requires co-financing by road/rail agreement: 279

41 on site actions (integral works and suppression works)

5 in draft form or drafted and pending convention

72M euros funding required

232 pending (27 with old project), 205 to propose solutions

STRATEGIC LINES

L1A. legislative compliance: protection

Improved protection to optimise line operating conditions

classes A, B and F in stations

60, 58 in draft, 1 under construction, 1 affected by The

Level crossings with $1000 < A * T < 1500$ and $A > 100$ and are not class C

2 in project phase

Level crossings with $1000 < A * T < 1500$ and $A < 100$ and are not class B

40M euros funding required

4 in project phase

Level crossings with $100 < A * T < 1000$ and $Dr < Dt$ and are not class B

48 in project phase

The estimated budget of the Integral Plan amounts to 462,451M euros and, is composed of 48 actions.

Some of these actions carried out to date and during the 2019 financial year are summarised below:

- Improved safety at authorized crossings at the same level located in RFIG passenger stations and other environments:
 - Identification of the provisional minimum protection measures to be applied according to RT 7/2018 of the AESF in each of the stations.
 - Installation of signals as applicable within the Class 1-P measures of the Technical Recommendation (4.624 signals).

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- Drafting of specifications to carry out actions at different levels in 86 stations.
 - Study and planning of speed changes and operations at specific stations with crossings between platforms at the same level, taking into account data from the AESF on stations without visibility.
 - Update September 2011 Adif/Renfe Agreement for the provision of services in suburban stations, under which each entity will undertake the necessary actions to implement the measures class: 1-P, 1-A1 and 1-A2, according to RT 7/2018 of the AESF.
 - Completion of the procedure for provisional risk assessment at platform crossings, as well as classification of all stations (729) according to risk level.
 - Hiring of technical assistance for the preparation of the definitive procedures for the risk assessment of track crossings (crossings between platforms and level crossings) in accordance with regulations (RT, MCS, etc.). It was decided to align the risk management procedures for level crossings and platform crossings so that both comply with the CSM, taking into account the regulatory requirements (RT 7/12018 and future RD on operational safety and interoperability).
 - Revision of the Assistance Plan for victims of serious railway accidents and their families, and preparation of the Assistance Plan for victims of collisions and their families.
- Improvement and elimination of level crossings:
 - Contracting technical assistance for the preparation of the definitive procedure for assessing the risks of track crossings (level crossings) in accordance with regulations (RT, CSM, etc.).
 - Search for new technologies to be incorporated for the protection of level crossings to increase the detection of the risk of accidents with sufficient anticipation.
 - Preparation of a catalogue of level crossings to be removed by agreement, in accordance with the RSF (art. 18).
 - Collaboration with the General Directorate of Traffic to promote the safety of National Parks from the standpoint of road users.
- Improvement of security in infrastructure protection systems against improper crossings:
 - Count of vicious crossings located on tracks
 - Preparation of documentation for the bidding process for technical assistance in the drafting of construction projects for enclosures.

5.3.3. Prevention of Occupational Risks

The health and safety of employees is fundamental to Adif-AV and forms part of one of its strategic objectives. In this sense, we work daily to maintain Adif-AV as a reference in the sector due to its low accident rate, making a permanent effort in prevention.

The prevention of occupational risks and the actions taken to ensure the health and safety of employees are developed in section 5.6.4. Our team - Prevention of occupational risks.

5.3.4. Cybersecurity

The Sub direction of Information Security (SSI) is encompassed in the General Directorate of Security, Processes and Corporate Systems, having entrusted the tasks and actions associated with cybersecurity globally for the entity.

Within the TRANSFORMA 2030 PLAN, the strategic objective of Cybersecurity within the Security Pillar was included, "Protecting Information Systems IT (Information Technologies) and OT (Operation Technologies)", against intrusions and aggressions; and, where appropriate, minimize its impact on the activity.

Cybersecurity is one of the biggest concerns of public entities and companies around the world. The security incidents to which the Spanish Public Administration systems are exposed are becoming more numerous every day, and they are also easy to carry out and spread through the Internet. Moreover, the importance of cyber-attacks is especially relevant in the railway sector, with railway infrastructure managers being critical operators in accordance with the provisions of current regulations.

As such, cyber security represents another of the fundamental pillars of safety within Adif-AV and forms part of one of the strategic objectives, in order to protect its information systems against intrusions and aggressions and, should they occur, to minimize their impact on the activity.

The railway sector has become hyperconnected in just a few years, which has meant the introduction of new emerging risk factors. For this reason, Adif-AV has the strategic objective of guaranteeing the integrity, availability and confidentiality of both the organization's information and the systems, communications and technologies that support the different business processes, with teamwork being essential in all areas.

INTEGRAL INFORMATION SYSTEMS SAFETY PLAN (PSISI)

The Integral Information Systems Safety Plan (PSISI) was created with the objective of defining a corporate model for Information Security Management with an integral scope, establishing the bases for a process of continuous improvement that guarantees the security of both information and the systems, communications and technologies that support the different services of the Organization.

The PSISI encompasses both IT and operational environments that fundamentally support Adif-AV's business and are of a very heterogeneous nature. For the control and monitoring of the project, a Steering Committee, a Technical Committee and an Operational Working Group were set up, all of which are responsible for identifying assets, developing, supervising and approving the actions that have made it possible to ensure the objectives set out in the Plan. In addition, a risk analysis of the company was carried out, in order to identify vulnerabilities and the level of maturity of the company, establishing action plans to mitigate the risks.

During 2019, a contract has been formalized to protect the Spanish railway infrastructure against cyber-attacks, providing service and support to the two main areas: GRC Area (Governance, Risk and Compliance) and Operations and SOC Area (Managed Security Operations Centre).



During 2020, the regulatory framework will be developed and the Governance Model will be implemented

In 2019, the president of Adif and Adif-AV, Isabel Pardo de Vera, signed the new **Information Security Policy**, which will guarantee a more cybersecure railway infrastructure system, in accordance with current legislation: Royal Decree-Law 12/2018, of September 7th, on Network and Information Systems Security, transposing the NIS (EU) 2016/114 directive and Royal Decree 3/2010, of January 8th, which was modified by Royal Decree 951/2015 regulating the National Security Scheme.

5.4. Service improvements

In order to carry out its functions under the highest quality standards, Adif-AV has a highly qualified team and the technical means necessary to carry out its construction, maintenance and operation activities. In this context, the Entity works to:

- Guarantee traffic safety in coordination with other entities with responsibilities in the area of safety.
- Apply criteria of efficiency and sustainability from an economic and environmental point of view in the planning, design, construction and maintenance of railway infrastructures, with the aim of guaranteeing the highest possible degree of safety, reliability and availability.
- To optimise the quality of service by ensuring the quality and reliability of projects and supplies, while minimising the cost of maintenance and the life cycle of the installations.
- To guarantee the availability of the infrastructure and provide railway operators with the maximum reliability of the installations.
- To apply quality, safety and environmental criteria with employees and workers.
- To promote the development of technology to manage railway infrastructures, both in new and existing ones.

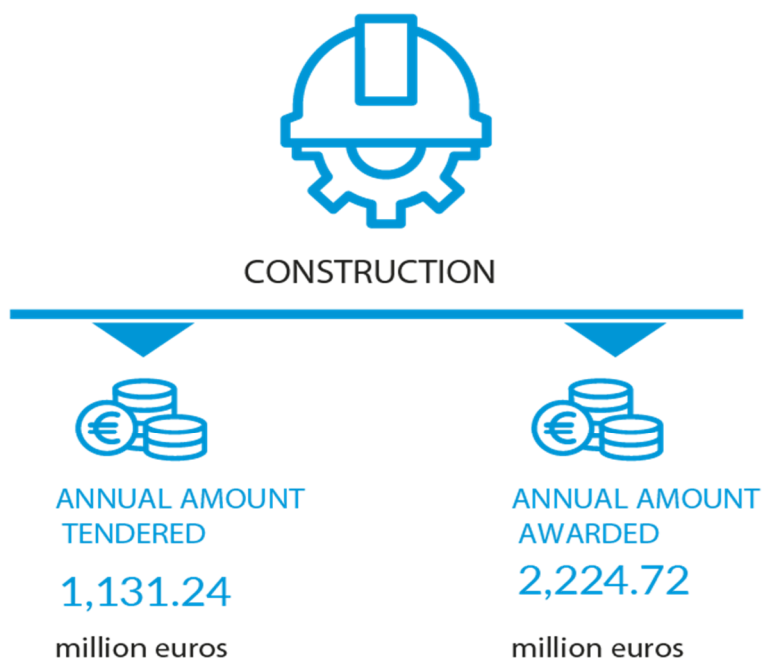
These activities are certified in accordance with the main quality, environmental and occupational safety standards, so that they are in line with its commitment to society.

5.4.1. Construction

During more than 25 years of history of high speed in Spain, one of the most modern and advanced railways of this type in the world has been developed. This infrastructure has generated development, improving the structure of the country and the quality of life of the people.

At present, Adif-AV's strategy continues with the objectives of structuring the territory and social cohesion, taking advantage of the European funds given to the projects currently underway, and allowing their completion.

Adif-AV closed the 2019 financial year with an investment budget of 1,199.5 million euros (VAT included), of which 1,110.22 million euros refer to the construction of new lines and the rest to the replacement and improvement of assets in operation.



MAIN CONSTRUCTION AND INFRASTRUCTURE IMPROVEMENT ACTIVITIES

The following is the status of some of Adif-AV's most important construction works.

- Madrid-Extremadura High Speed Line: Work continues on the platform of the works between Talayuela and Badajoz. On the Plasencia - Cáceres - Badajoz section, the platform is almost complete, and track assembly, electrification and signalling work has begun.
 Work has begun on the architectural actions in the stations of Cáceres, Mérida, Plasencia and Badajoz.
- Antequera-Granada High Speed Line: the works were completed and put into service on 25 June 2019.
 Work is underway on the conventional-gauge access to Antequera station and platform work will soon begin between Quejigares and Variante de Loja.
- León-Asturias High Speed Line (Pajares Bypass): during 2019, all platform works were completed and electrification, civil protection, energy and safety and communications installations have continued.
- Almería-Murcia High Speed Line: there are 4 sections with platform works completed between Vera and Los Arejos and platform works have begun on another 10 sections
- High-speed line to Galicia: work has been completed between Zamora and Pedralba de la Pradería, pending commissioning.
 On the Pedralba de la Pradería - Taboadela section, almost all the platform work has been completed, and work has begun on track assembly, electrification, civil protection and telecommunications installations.
 Track assembly, electrification, signalling and telecommunications works have also commenced on the Taboadela - Orense section.

Asset Management Platform (AMP)

Adif-AV has an Asset Management System based on the ISO 55000 standard, with a systematic process of operation (PR 110 Asset Strategy), which allows the updating of the organization's assets in a profitable way during the whole life cycle, where engineering and mathematical analyses are combined with good business practices and economic theory.

Today, Asset Management (AM) is a reference in the transformation of companies towards excellent management models both within and outside the railway infrastructure sector. Although sustained for more than 20 years, its development has experienced a qualitative leap thanks to standards such as PAS 55 (2008) or the more recent ISO 55000 (2014). The latter has become the fundamental guide for achieving "best in class" asset management at an international level, establishing the 4 foundations on which asset management is based:

1. **Value:** the assets must provide value to the organization and its stakeholders.
2. **Alignment:** organizational objectives must be translated into technical and financial decisions, plans and activities.
3. **Leadership and commitment** of all management levels.
4. **Ensuring that assets serve their purpose.**

Adif-AV currently has an Asset Management Platform (AMP), implemented for the conventional Iberian-wide network, which allows the updating of the organization's assets in a profitable way during their life cycle.

In order to reinforce a knowledge-based management culture that allows maximum value to be obtained from the company's assets, taking advantage, now and in the future, of the gradual integration of new capacities, techniques and technological tools, in 2019 the asset management process implemented in ADIF was consolidated and evolved along three lines of work:

- Integration of the Strategic Infrastructure Asset Management Process (ADIF-PR-110-001-001) into the ADIF Integrated Management System through the preparation of relevant procedures and technical instructions.
- Study and analysis for inclusion of standard and metric gauge network in the asset management process.

Begin design and implementation of a corporate asset management model certifiable to ISO 55000 and a new maintenance management model resulting from the review of the current maintenance model and the requirements and criteria established by the asset management model.

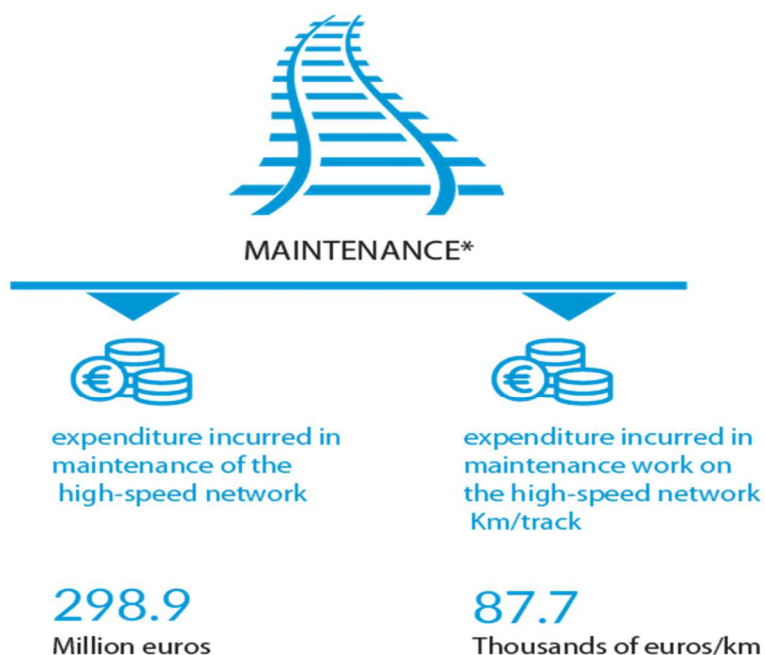
5.4.2. Maintenance

In the maintenance of the infrastructures owned by Adif-AV, the Entity focuses its resources, both human and technical, on the activities that provide the greatest value, optimizing preventive maintenance, managing inspection activities more efficiently and reducing incidents. All this makes it possible to offer transport operators maximum availability of railway facilities.

Adif-AV allocates both human and technical resources to carry out maintenance activities, with the aim of optimizing preventive maintenance, managing inspection activities as efficiently as possible, thus reducing incidents.

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The total expense incurred in maintenance work on the high-speed network was 281.2 298.9 million euros in 2019 (excluding VAT).



* amounts without VAT

MAIN SAFETY ACTIVITIES

- On the High Speed Line Cáceres - Badajoz: 100% execution of the laying of optical fibre cable. The Plasencia-Cáceres Phase II Project has been drafted and supervised and is currently being executed.
- On the Antequera-Granada High Speed Line, work has been completed on fixed telecommunications and the commissioning of all the networks.
- On the Olmedo-Zamora-Lubián-Orense High Speed Line:
 - 60% of all the trunk fibre optic lines have been laid
 - 60% of the buildings are equipped with the elements that make up the telecommunications networks
- On the Chamartin-Atocha high-speed line, work has been completed on fixed telecommunications and the commissioning of all the networks.
- On the Monforte del Cid-Murcia High Speed Line, access to Murcia has been implemented and the El Reguerón - Murcia section is in service.
- On the Valladolid-Burgos High Speed Line, fibre optic cable has been laid on the Arlanzón River viaduct since February, thus completing the installation to Burgos.

KEY ENERGY ACTIVITIES

In the area of Electrical Energy Management, ADIF-Alta Velocidad managed the supply of electricity to 3,402 supply points in 2019, with an incoming energy consumption of 2,830 TWh. This represents 99% of consumption, and corresponds to a total of 1,255 supply points equipped with telemetering systems, for which the following average costs were obtained:

Cost of Energy:	63.72 €/MWh
Cost of ATRs:	36.30 €/MWh
Total cost consumed MWh:	100.02 €/MWh

The remaining 2,147 supply points, which represent 1% of consumption, correspond to low voltage supply points with very low consumption demands, which are not equipped with telemetering systems, and for which a total cost of 174.76 euros/MWh has been obtained (energy and TPA included).

In 2019, progress has continued to be made in obtaining resolutions from the Ministry for Ecological Transition for the economic recognition of compensation for train braking energy returned to the electricity system in the UIC network, obtaining authorisation in October 2019 for 10 substations corresponding to the Madrid-Valladolid, Córdoba-Málaga and Galicia lines, which began on 1 December 2019. With these 10 authorised substations, the total number of UIC substations that are compensating for the energy discharged by the braking of railway compositions is 36, which in 2019 has meant a saving of 3.18 million euros (without VAT), corresponding to the compensation for 46.7 GWh of energy discharged.

In October 2019, the tender for the supply of electricity in 2020 and 2021 at non-telemetered supply points was awarded, with the possibility of an extension for 2022. A price reduction of 15.7% was obtained with respect to the period October 2018-September 2019, which represents an estimated saving of 1.35 million euros for the period 2020-2021. It is also worth noting that the contract includes renewable energy certificates.

The remaining 2,147 supply points, representing 1% of consumption, correspond to low voltage supply points with very low consumption demands, which are not equipped with telemetering systems, and for which a total cost of 174.76 euros/MWh (energy and TPA included) has been obtained.

In regards to invoicing with suppliers (retailers and distributors), individualised management of TPA invoices per supply point was consolidated in 2019 after adaptation at the end of 2018 to the exchange procedure between retailers and distributors established by the CNMC. In 2019, 55,907 receipts have been technically checked, representing an estimated turnover of close to 282.3 million euros (excluding VAT).

Within the current framework of liberalisation, the Energy Management sub-directorate has carried out the following work to be able to comply with the milestones established in the implementing regulation (EU) 2018/868 of the Commission of 13 June 2018 with regard to the provisions relating to the energy measurement system and the data collection system:

- The evolution of the Traction Power Supply Additional Service billing mode has been published in the Network Statement allowing billing to more than one operator on UIC lines.

KEY ENERGY ACTIVITIES

- In order to comply with transparency and non-discrimination criteria, a tender was launched to define the methodology ("Establishment of the Billing Methodology for the Complementary Service for Traction Current Supply in the ADIF and ADIF-Alta Velocidad Network") that will define billing for the complementary traction current supply service in an auditable, transparent and non-discriminatory manner, introducing the on-board measurement as the billing unit. It is estimated that this tender will be awarded in January 2020.
- On-board Energy Measurement: Standard EN 50463-4:2017 (UNE-EN 50463-4:2018 Spanish version) has been transposed, resulting in Adif Standard NAT 760 on "On-board Energy Measurement Communication", which defines the communications between an EMS (On-board Measurement Equipment) registered with Adif and the DCS (Adif Ground Measurement Concentrator). This standard is expected to be approved by the Standards Committee in January 2020 for publication.
- Based on NAT 760, a study has begun on how the development and/or evolution of the current On-board Measurement Concentrator (OMC) should be. This work will continue throughout 2021.
- On January 1, 2020, ADIF joined the ERESS Association, to provide a system for billing energy consumption based on on-board measurement of traction units. ERESS is a non-profit association that has developed a reliable, flexible, efficient and accurate energy billing system for European railway companies.

FIBER NETWORK

In 2019, support services for billing and commercial reporting, development of the Plan Renove and the provision of Professional Services continued to be provided.

The additional income for Adif-AV derived from the actions for the Reintel work amounted to 776,871 euros. Recurring income amounted to 181,118 euros.

More than 1.3 million euro have been certified for the Plan Renove in 2019, with the new cables coming into service in Astorga-Ponferrada, Miranda de Ebro-Orduña and Alsasua-Zumárraga.

5.4.3. Exploitation of renewable infrastructure

In regard to the operation of the infrastructures owned by Adif-AV, Adif is the entity in charge of managing the network's traffic, allocating capacity to the railway companies and other candidates, directing and coordinating traffic, programming and verifying installations.

At present, Adif-AV has the following resources for the planning and management of railway traffic:

- 1 capacity allocation department
- 22 Regulation and Control Centres (18 of them in the conventional network and 4 in the high-speed network)
- 1 Network Management Centre H24
- Circulation Cabinets
- Itinerant Traffic Services (SIC)

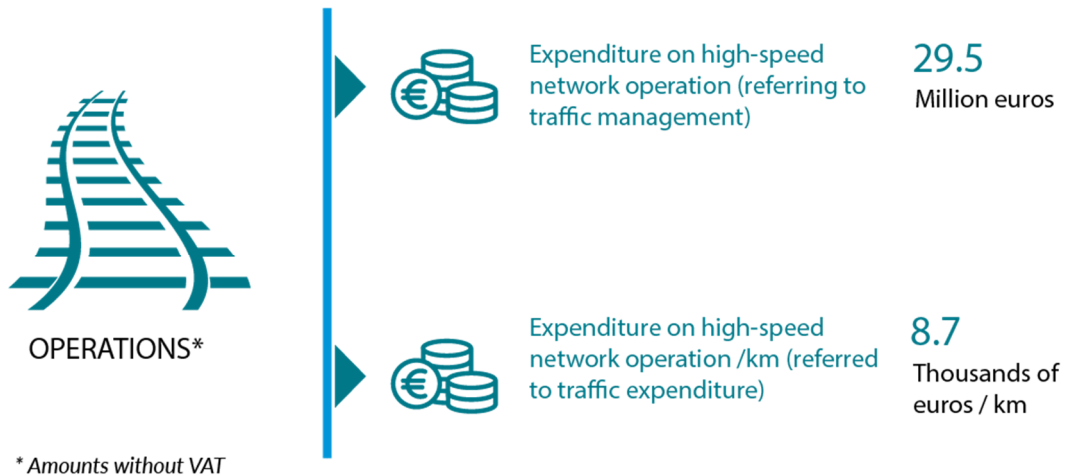
The allocation of capacity to railway companies and the management of the movement of their trains, 24 hours a day, 365 days a year, are aimed at satisfying the needs of these companies, applying non-discriminatory treatment and guaranteeing the safe movement of trains with criteria of optimum use of the railway network.

H24 NETWORK MANAGEMENT CENTER

This Center, which operates 24 hours a day, 7 days a week, leads and coordinates the territorial areas of circulation and is the central interlocutor with the maintenance and construction areas of Adif, Adif AV and with the railway companies, both to make compatible the temporary restrictions of capacity in the RFIG, which the former generate, with the needs of use of the latter, and to provide a prompt response to contingencies that disrupt the normal development of the Transport Plan and the scheduled execution of works and infrastructure.

It hosts communication representatives and other operational areas of the company in order to coordinate actions and share information in real time.

In order to carry out its management and control tasks, it has computer tools shared with all the Traffic areas and other participants in railway traffic.



Adif carries out the material tasks of traffic management and allocation of capacity also in the network owned by Adif-AV.

The length of the network managed by Adif-AV is 3,456* km and can be summarized as follows

Figures in km/line (data at 31 December)	2017	2018	2019
Total managed network	3,152	3,300	3,456
High-speed network in standard width (UIC)	2,514	2,514	2,619

**The total network managed is increased by transfers of ownership from Adif to Adif-AV, of Iberian wide and narrow gauge network paths necessary for the development of the high speed network.*

On the other hand, the indicators relating to the volume of traffic managed by Adif-AV are as follows

	2017	2018	2019
Circulations (daily average of the number of trains)	747	845	952
Circulations (total)	272,730	308,390	347,480
Km-train (daily average)	156,019	162,333	169,503
Km-train (total)	56,946,995	59,251,500	61,868,768

Throughout 2019, there has been a slight increase in traffic on the General Interest Railway Network, RFIG, managed by Adif and Adif-AV, increasing passengers by 0.04% and freight by 1.24%.

Station Management

The management of stations is a fundamental element in the development of rail transport, since it is through these infrastructures that Adif completes the quality service to passengers, railway operators and commercial operators. The design, construction, maintenance and operation of railway stations is carried out with integral sustainability criteria (innovation, safety, efficiency, intermodality, accessibility, etc.), taking into account the entire life cycle of these infrastructures and the provision of services with high quality standards:

- Correct operation and sizing of the facilities (cleaning, maintenance, conservation, air conditioning, etc.).
- The creation of safe environments.
- A commercial offer adapted to the needs of the clients and the city.
- Adequate information related to the station and the services offered therein, in Spanish and, where appropriate, in the co-official languages of the respective Autonomous Communities.

In 2019, Adif/Adif-AV owns **1,495 stations** (42 are AV). Of these, **639 stations are managed by these entities**, and **in 856 the management has been entrusted to Renfe Operadora** by virtue of the Agreement for the provision of services in suburban stations, signed by both entities in September 2011.

Liberalisation of passenger transport

2019 has been the year in which the first steps have been taken towards the liberalisation of passenger transport, the main issue on which we are focusing in order to fulfil the commitments before December 2020.

In this sense, throughout 2019, work has been carried out to define those commercial services in passenger stations that have been offered in the Network Declaration in order to enable the entry of new transport operators in the rail passenger transport sector.

Specifically, work has been done on the preparation of the catalogue of services where the aspects related to the services provided in the area of passenger stations have been developed; as well as on the description of the services offered in these stations (preparing an information sheet for all stations), the procedure for requesting and awarding services, the prices applicable

for their provision, the general principles and conditions that regulate the operation process of passenger transport railway companies. The document prepared as a result of this work has been published on the Adif website as part of the Network Declaration, and will serve as a starting point for 2020, when the particular needs of each operator will be specified and work will have to be done to be able to provide service to all of them efficiently.

Digital transformation of the stations

Although in 2018 the digital transformation of the stations began, with the definition of the **Digital Transformation of Passenger Stations Plan** based on the customer's experience and supported by the new technologies available, 2019 has been the year in which the digital transformation begun has begun to take shape, seeking to evolve towards personal stations, with better service to customers, more competitive and containing multidimensional concepts, stations in which, in addition to travelling, it is possible to work, enjoy oneself, become cultured, etc.

In collaboration with the D. of Digital Transformation and Systems, the **Digital Transformation Office (DTO)** has been designed, with the mission of launching and monitoring the initiatives defined in the Plan, defining its competencies, processes, operational and monitoring relationship governance models, and formally beginning its activity in the month of May, with meetings of the Strategic Committee held since then, Technical Committee, creation of a collaborative space, development of the scorecard, workshops and monographs, so that of the 41 initiatives, work has been done mainly on 20 initiatives (1 completed, 7 launched and 12 in progress) such as, among others, the identification of cars on platforms, new digital formats, study for intelligent guidance, Adif Space or **Neuronal Centre of Stations**.

Likewise, in collaboration with other Adif departments, the use cases to be deployed in Malaga María Zambrano station during the years 2020 and 2021 have been defined (improvement of Wi-Fi service in station, transparent biometric access in station, personal digital railway record and BIM-5G) for the public call for RED.ES aid for the development of **5G technology pilot projects** in the Autonomous Community of Andalusia.

Milestones in 2019

In addition, other actions have been taken in 2019:

- In relation to the centre **VIALIA Vigo station**:
 - Beginning of the construction and commercialization, by the awarded CEETRUS, of the centre **VIALIA Vigo station**. The shopping centre integrated in the railway station has 35,000 square meters of profitable surface and becomes a reference for the city of Vigo.
 - Drafting of an addendum to the agreement and pooling with the administrations involved for the accesses and new urban viability, which will be signed at the beginning of 2020
 - Approval of the Access construction project, allowing the Xunta de Galicia to begin work on the bus station.

In short, during 2019 work has been coordinated in order to maintain the objective set by the three administrations of completing the works in April 2021.

- Other **commercial actions**:
 - Tender for consultancy contract to establish the **commercial strategy for passenger stations in the future**, carried out in the second half of 2019. Faced with the challenges of the described process of liberalization of passenger transport by rail, Adif must define a new commercial model that will provide solutions to the new scenario of entry of new railway companies and the corresponding increase in capacity. Likewise, to position the commercial activity of Adif stations with a reference commercial model in the "retail" sector in our country and at an international level in the "travel" sector. At the same time, progress has been made in the tool of large digital formats in which a museum concept of video art is linked, Atocha Visual Art, which relates the station to a new digital cultural concept, and which will serve as the basis for the drafting of a Madrid Puerta de Atocha Master Plan, one of the first works to be developed by the consultancy firm.
 - Development of the **Adif-AV's Ecomilla brand**, which aims to create zero emission areas around the stations, to encourage sustainable mobility in the first and last mile of passengers (transfer from the initial destination to the station and from the station to the final destination). As a result of this development, the pilot test of the Ecomilla project will be implemented at the Madrid Puerta de Atocha station.
 - Carrying out work on the marketing of new products that help to improve the perception and satisfaction of our customers:
 - Continued implementation of new "multistore" premises under the umbrella brand of Adif **MASCOSAS** (implemented in 3 new stations), has meant a consolidation of this new commercial format implemented just two years ago. This brand unifies the restaurant and shop activities in a single location operated by a specialized operator. Five stores currently operate under this brand.
 - Continued implementation of the **new consignment service**, which has been consolidated with the establishment of premises in Barcelona Sants and, following a new tender process, the service of paid toilets in the stations has been extended.
 - **SAP Real Estate computer application** for managing the property inventory of the Station Management, an interface has been developed in 2019 to reconcile it with SAP Financial, which will enable the economic management of the buildings of the aforementioned Management.
 - implementation of the social **"co-working" activity** for the first time in one of our stations (Maria Zambrano road station).

In regards to improving stations from the point of view of the building, during 2019 the activity has focused on drafting projects and executing works to improve their functionality and operation, optimising the performance of the facilities and increasing their useful life, with special emphasis on improving accessibility and the use of new technologies so that the stations evolve towards the concept of intelligent installation.

In 2019, an investment of 25.87 million euros (including VAT) has been made in the drafting and execution of works, of which **12.7 million euros (including VAT) correspond to actions related to accessibility**. Currently 85.07% of passengers transit through accessible stations.

- **Improvement of the functionality and operation of the stations**, drafting of projects and execution of works, giving continuity to the work required by the transfer of the sales channel by Adif to Renfe Operadora, in which it is necessary to undertake the separation between the sales premises leased to Renfe Viajeros and the rest of the premises owned by Adif and, above all, with a view to the new needs deriving from the liberalisation mainly in the high-speed stations of Madrid Puerta de Atocha, Madrid Chamartín, Barcelona Sants and Sevilla Santa Justa.
- **Improvement of station accessibility**, execution of complex works to extend platforms to allow the construction of underpasses or overpasses with lifts or ramps that in many cases affect the track and must be resolved without interrupting normal station service.

In this sense, both in the entity's own assets and those derived from the management assignments signed with Adif Alta Velocidad, important works have been completed to improve accessibility in Areta, Barcelona França, Portbou, Valencia Nord, Xeraco, Villarrobledo and Cabeza de Buey, as well as emergency works for the rehabilitation of the roof in Barcelona França, the adaptation of the air conditioning installation in Zaragoza Delicias or small adaptation actions with a view to liberalization in Chamartín and Barcelona Sants. In addition, projects have been completed such as the improvement of platform evacuation at Barcelona Sants, expansion of the Cádiz car park, improvement of accessibility at Legazpi, preliminary project for the refurbishment of the Barcelona Plaza de Cataluña station or improvement of the Torre Pacheco station. Finally, important others have been initiated, such as the new Albal station or the improvement of the accessibility and evacuation of Madrid-Recoletos.

- **Optimisation of station maintenance and increased control** of stations in a centralised and remote manner, mainly through progress in the execution of work for the remote management of passenger stations and the commencement of work on the implementation of the future Neuronal Centre of Stations, with actions having been carried out in 35 stations, intervening in basic service installations, mainly for the opening and closing of access doors, lighting or intercoms for communication with customers. In addition, tenders have been prepared for another 13 and a technical assistance support for the process of drafting the project and execution of the centre, as well as the associated systems and actions at the stations.
- Definition of the **model for a multipurpose fibre network in Passenger Stations**, which has been specified in the tender (at the end of 2019) for the "Drafting of construction projects, execution of work and maintenance of fixed telecommunications and Wi-Fi networks in Adif and Adif AV passenger stations" to be implemented in 2020-2021.

Finally, another milestone of great impact for the improvement of the safety of crossings between platforms, responding to the **"Technical Recommendation 7/2018 of the State Railway Safety Agency on Crossings between Platforms for Passengers"** of 31 October 2018, is the tender and awarding in 2019 of the framework agreement for the adaptation of crossings (lighting, signalling, tactile pavement, etc.), which sets the prices to be applied in the building works to be carried out, as well as the supply and installation of signs, and technical assistance for the drafting of projects and their optional management. In 2019, 12 of the 26 projects have been drafted in accordance with the lots in the framework agreement. With regard to signals, the class 1P measure of passive protection relating to signal actions has been implemented, covering 396 stations, and the class 1-A1 measure of active protection warning the user of the arrival of trains has been implemented, covering 255 passenger stations, and a total of 615 signals have been installed, whose installation work did not affect the traffic safety gauge, and 3 have been delivered and collected. 522 signals to be installed in 2020 along with the actions, contracted in 2019, for beaconing and lighting on platforms at track crossings.

Furthermore, in the **quality surveys** carried out during 2019 on the services provided in high-speed and conventional stations, the overall rating obtained is 7.76 out of 10, exceeding the 2018 rating.

5.5. The environment and the fight against climate change

Adif-AV has always taken into account the integration of environmental criteria in its business management. Proof of this is the existence of documents such as the Environmental Policy, or the Code of Ethics and Conduct. The PT2030 places the environment as one of the priorities of the business strategy. This is reflected in Strategic Objective 17 on the Environment and Climate of the Sustainability Pillar, which aims to contribute to transport that is respectful of the environment and responsible in the use of resources.

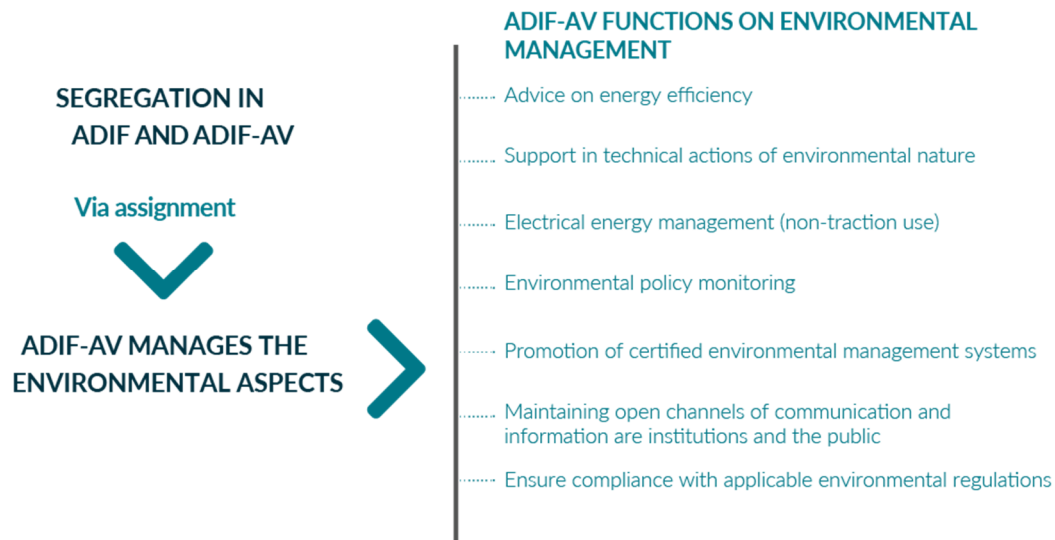
Although it is true that railway represents an environmental advantage over the use of other means of transport due to its low impact on pollution and its low emissions of greenhouse gases, Adif-AV is aware of the negative impact that its works generate on the environment. For this reason, the Entity understands the importance of ensuring environmental prevention and monitoring.

5.5.1. Environmental Management

The aspects related to business sustainability and energy efficiency are managed by Adif's Strategy Department, while the operational aspects are handled by Adif-AV's Environmental Sub-Directorate.

Thus, the strategy and environmental policy of Adif-AV is defined jointly by the Sub-directorate of Corporate Responsibility and Sustainability, belonging to the strategy area of Adif, and the Sub-directorate of Environment of Adif-AV.

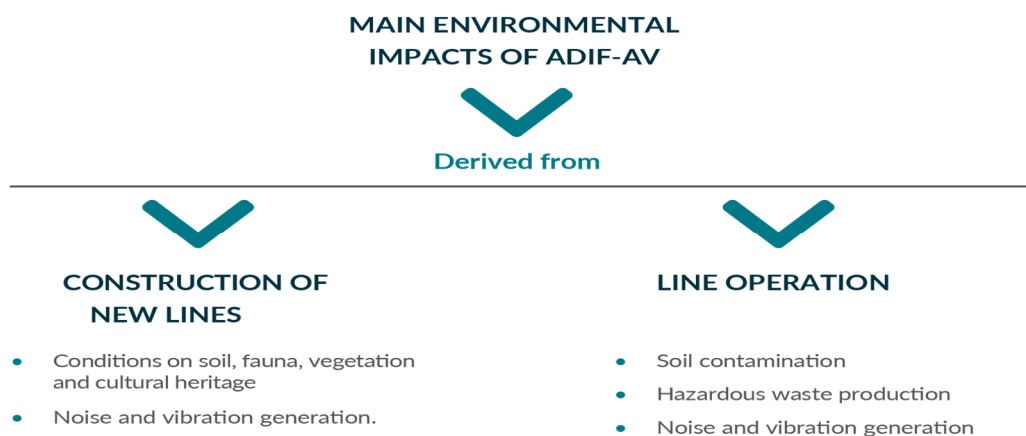
It is Adif-AV that, after the segregation into Adif and Adif-AV, and via the assignment, implements and supervises this policy in both Adif and Adif-AV. Adif-AV also provides other environmental management services to Adif.



The Adif-AV's General Procedure for the Management and Coordination of Environmental Activities sets out the guidelines to be followed for environmental management at an internal level, in order to reduce environmental risks, optimise available resources and define guidelines for action.

The entity has developed an Environmental Management System, in order to prevent, mitigate, correct or compensate for the environmental impacts derived from its activity. The objective of this initiative is environmental legal compliance, as well as the preservation of the environment and biodiversity.

This Environmental Management System begins with the identification of those environmental aspects derived from Adif-AV's activity and which are mainly due to the operation of the new lines, including the circulation of trains and the conservation and maintenance of the infrastructures, installations and stations associated with them, as well as those derived from the construction activities of new lines.



Adif-AV's Environmental Management System is based on the ISO 14001:2015 Standard and is certified by AENOR. With this certification, Adif-AV ensures to:

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- Guarantee compliance with the environmental legislation applicable to the scope of certified activities and centres.
- Establish and implement objectives of continuous improvement in the scope of the certified system that allow to improve the environmental management of these activities.

The scope of this certification covers the following aspects of Adif-AV's activity:

- The direction and coordination of the drafting of studies and projects of the railway infrastructure and installations of the High-Speed Network.
- The control and monitoring of compliance with the environmental conditions established in the Environmental Impact Statements (EISs), in the Environmental Monitoring Plans and applicable requirements in the construction activities of the High-Speed Network's railway infrastructure and installations.
- The management of the maintenance of the high-speed railway platform, track and facilities.
- The operation of high-speed passenger stations.

The relevance of environmental management in the development of business activity is supported as a strategic component in the Integrated Risk Management model, requiring the corresponding periodic monitoring and control from the perspective of risk management. For this purpose, Adif-AV allocates specialized human resources which, together with its Environmental Management System, allow for the minimization of any negative impact.

As a result of the Entity's good environmental practices, **no serious or very serious environmental administrative penalties imposed on Adif-AV have been recorded during 2019.**

VOLUNTARY INITIATIVES

With a firm commitment to act in line with the protection of the environment, Adif-AV carries out various actions and participates in different voluntary initiatives with third parties to promote respect for the natural environment and minimise the environmental impacts derived from its activity. The main actions aimed at protecting natural resources in the area of the railway infrastructures it builds, maintains and operates are as follows:

- Monitoring the consumption of natural resources: Adif-AV periodically prepares indicators on the consumption of water, energy and fuel.
- Approval of ballast quarries: Adif-AV has a list of quarries that have an Environmental Impact Study and the corresponding Restoration Plan.
- Use of solar energy: Adif continues to develop actions for the use of this type of renewable energy that contributes to sustainable development without affecting the quality of air and soil.

Historically, Adif-AV has participated in various initiatives to improve knowledge of both the natural environment and the impact of its activities on it. Adif participates in the activities of the UIC (Union Internationale des Chemins de Fer) Environment, Energy and Sustainability Platform.

5.5.2. Sustainable use of resources

Adif-AV consumes different resources necessary for the development of its activity. In order to develop good environmental practices and with the support of its Environmental Management

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System, the Entity aims to minimize, as far as possible, the consumption of resources necessary for the development of its activity, as well as the impact of its activities on the environment.

The main resources used are related to the consumption of energy, water, materials, atmospheric emissions, soil contamination, waste management and other significant potential impacts.

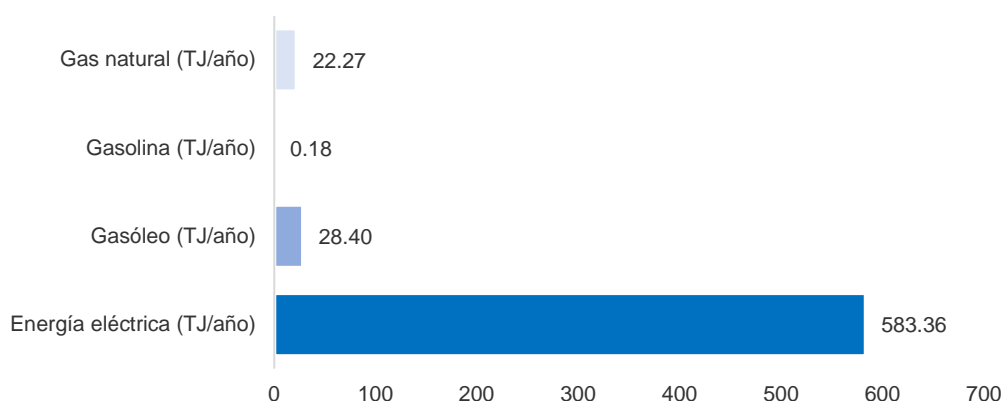
Energy consumption

Energy consumption in Adif-AV's own activities comes mainly from electricity (92%). To a lesser extent, there is low consumption of diesel (4.5%) and natural gas (3.5%). Finally, there is practically no consumption of petrol (0.03%).

Type of Energy/Fuel	2017	2018	2019
Electrical power (TJ/year)	531.56	570.79	583.36
Traction Uses (UT)	218.34	254.39	267.10
Non-Traction Uses (UDT)	313.22	316.40	316.27
Diesel fuel (TJ/year)	28.59	26.73	28.40
Diesel A - Automotive	1.29	1.21	1.21*
Diesel B - Maintenance Track	26.30	8.46	10.02
Diesel B - Manoeuvres to Workshops	0.00	0.00	0.00
Diesel B - Oper. Terminal Assistants	0.00	0.00	0.00
Diesel B - Manoeuvres Stations	0.00	16.77	17.17
Diesel C - Heating	1.01	0.28	0.00
Gasoline (TJ/year)	0.00	0.18	0.18*
Autogas (TJ/year)	0.00	0.00	0.00
Natural Gas (TJ/year)	40.67	35.85	22.27
TOTAL	600.82	633.56	634.22

* 2018 values. To be updated.

ENERGY CONSUMPTION BY TYPE OF FUEL



As can be seen in the graph, energy consumption in Adif-AV's own activities comes mainly from electricity.

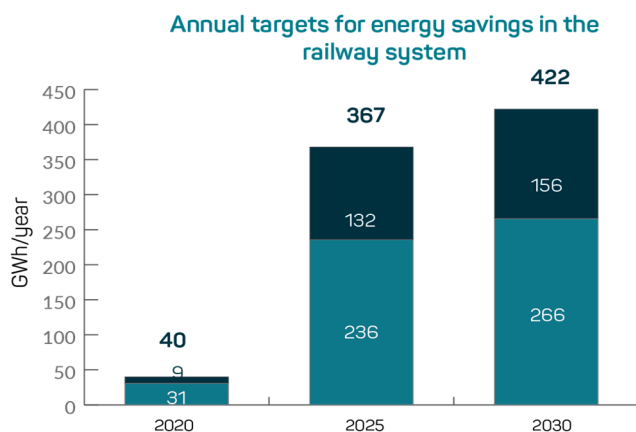
One of Adif's strategic objectives is to improve energy efficiency, which translates into a reduction in energy consumption (GWh equivalent). This year, 2019, thanks to the implementation of the

actions derived from **Adif's Plan to Combat Climate Change and Adif-AV 2018-2030**, as well as the measures implemented since 2009 as a result of the previous Energy Saving and Efficiency Master Plans, the following data on energy savings in the railway system have been obtained, both for traction and non-traction use:

	2017 (GWh/year)	2018 (GWh/year)	2019 (GWh/year)
UT (traction use)	56.36	56.36	77.86
UdT (non-traction use)	25.09	25.11	25.70
TOTAL	81.45	81.47	103.56

103.56
GWheq/year of
energy consumption
saved since 2009.

In terms of energy savings, the aforementioned Adif and Adif-AV Plan to Combat Climate Change for the period 2018-2030 has established the following goals for three different times:



Through the implementation of the projects included in this Plan, the accumulated reduction in energy consumption estimated for the period 2018-2030 is a total of 2,900 GWheq for both entities.

On the other hand, indirect consumption of primary energy is mainly attributed to electricity consumption. Thus, the following table shows the indirect consumption derived from the final consumption of electrical energy, broken down by type of primary energy source

Primary energy sources (TJ/year)	2017*	2018*	2019
Coal	267.49	263.86	80.22
Natural gas and fuel	-	-	-
Combined cycle	212.74	200.23	386.18
Nuclear	350.39	402.34	421.63
Cogeneration and non-renewable waste	193.97	233.92	238.80
Turbination pumping	14.08	14.97	13.06

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Fossil Resources	1.038.67	1.115.32	1.139.89
Hydraulics	48.32	81.32	133.14
Wind	124.73	116.68	35.30
Solar (photovoltaic and thermal)	35.26	28.29	11.15
Other renewables ²	11.75	10.02	241.51
Renewable resources	220.07	236.31	241.51
TOTAL	1.258.73	1.351.63	1.381.41

Note: Values calculated based on data from Red Eléctrica de España on the structure of annual electricity generation on the peninsula.

** Data updated according to methodology applied for 2019.*

Final and primary energy intensity

Energy intensity is understood as the consumption of final or primary energy (in MJ consumed) per unit of production representative of Adif-AV activity (managed traffic, in km-train).

These two indicators make it possible to quantify the energy efficiency of the Entity's management, in addition to the dependence of energy consumption on the growth of the activity.

	2017	2018	2019
Managed km-train (km-train/year)	56,946,995	59,251,500	61,868,768
Final energy intensity (MJ/km-train)	10.55	10.69	10.25
Primary energy intensity (MJ/km-train)	22.06*	22.57*	23.15

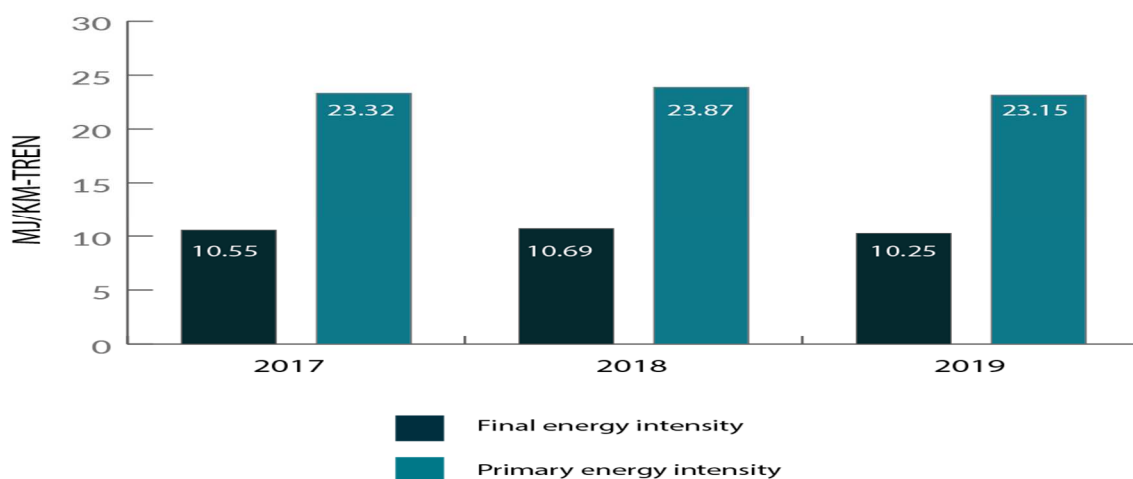
** Data updated according to methodology applied for the year 2019*

In spite of the fact that the number of train kilometres managed has been increasing, in the period 2017-2019 a decrease of 0.7% can be observed in the primary energy intensity, with a value of 23.15 MJ/train-km in 2019, 3% less than the previous year.

In the case of final energy intensity, it has decreased by 3% with respect to 2017, reaching 10.25 MJ/train-km in 2019, and 4% with respect to 2018.

² Other renewables include biogas, biomass, marine hydraulics and geothermal

Energy intensity



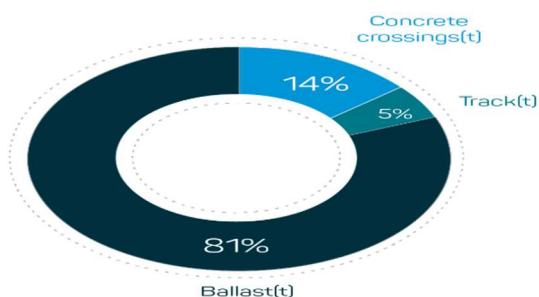
Consumption of materials in construction and maintenance operations

The final energy intensity is reduced in **Adif-AV during 2019**, which translates into a more sustainable use of energy by the Entity.

The consumption of materials at Adif-AV is mainly concentrated on railway materials used in network maintenance and construction activities, such as sleepers, rails and ballast.

Total railway material	2016	2017	2018	2019
Track (t)	12,356	11,815	21,638	45,947
Wooden sleepers (t)	0	0	0	0
Concrete sleepers (t)	94,488	27,354	64,638	139,102
Ballast (t)	387,275	461,593	638,051	813,005

MATERIALS CONSUMPTION



Material consumption is reduced mainly to the use of ballast (81%), followed by concrete sleepers, which account for 14% of total material consumption.

Herbicide consumption

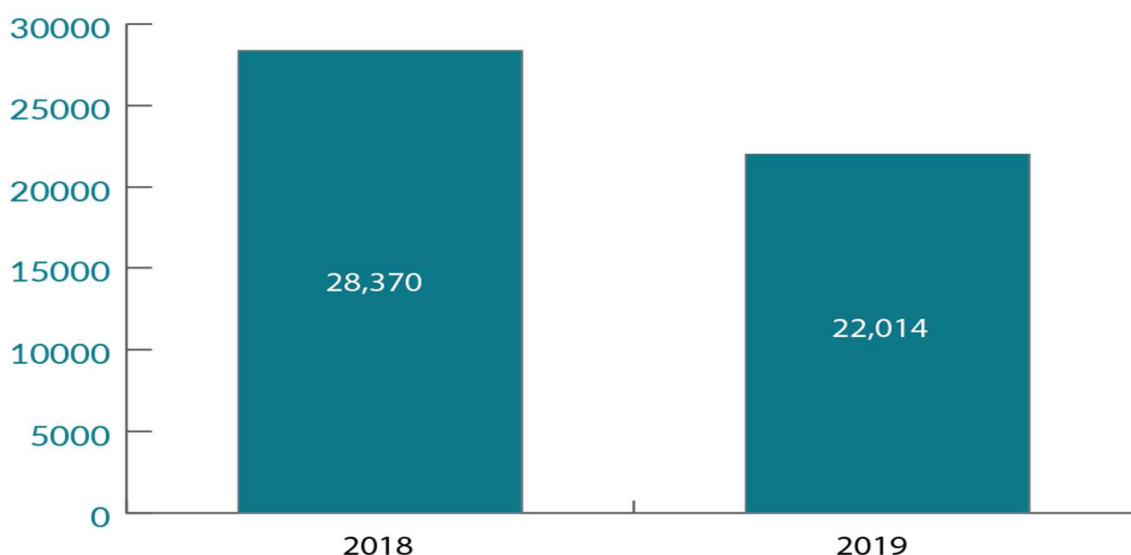
Adif-AV uses herbicides in order to prevent the growth of herbaceous plants in its infrastructure and facilities, the growth of which can generate traffic problems and a greater risk of fires on the edges of the roads. Herbicide consumption per unit of surface treated in 2018 has been reduced by 31% compared to 2017.

* Latest available data

Water consumption

Water consumption at Adif-AV is mainly due to sanitary use and cleaning of the facilities. The main source of supply is the public supply network, although there is a small consumption from wells.

AMOUNT OF WATER USED (m³)



5.5.3. Fight against climate change

Adif-AV complies with the current regulations that establish the parameters for atmospheric emissions.

Emissions from Adif-AV's own activities

The emissions generated by Adif-AV's activity are indirect emissions (from the generation of the electrical energy it consumes) and direct emissions (from the consumption of diesel and natural gas boilers, from the traction motor material and machinery used and those of the vehicle fleet).

These emissions are monitored by calculating the carbon footprint, a tool that enables the greenhouse gas (GHG) emissions associated with the activities carried out by an organisation to be known. These emissions are defined based on two scopes:

ADIF-AV'S CARBON FOOTPRINT

Scope 1 emissions

DIRECT GHG EMISSIONS

- Oil and natural gas boilers.
- Traction motor material.
- Track maintenance machinery, shunting and auxiliary operations.
- Vehicle fleet usage.

Scope 2 emissions

INDIRECT GHG EMISSIONS

Generation of electricity acquired and consumed by Adif-AV.

The following table shows the CO₂ equivalent emissions (tCO₂eq/year) for 2017-2019.

		2017	2018	2019
Scope 1	Combustion plants	2,377.07	2,046.72	1,257.14
	Track work, shunting and auxiliary operations	1,870.99	1,795.6	1,934.58
	Vehicles	92.10	99.01	99.01*
	Total Scope 1	4,340.16	3,941.49	3,292.38
Scope 2	Electrical power consumption	38,135.11	34,684.49	25,963.29
TOTAL (tCO₂eq)		42,475.26	38,625.98	29,254.02

(*) According to 2018 values

The Adif-AV **Carbon Footprint** in the period 2017 - 2019 **has been reduced by 31.1%, with a 24.3% decrease compared to 2018.**

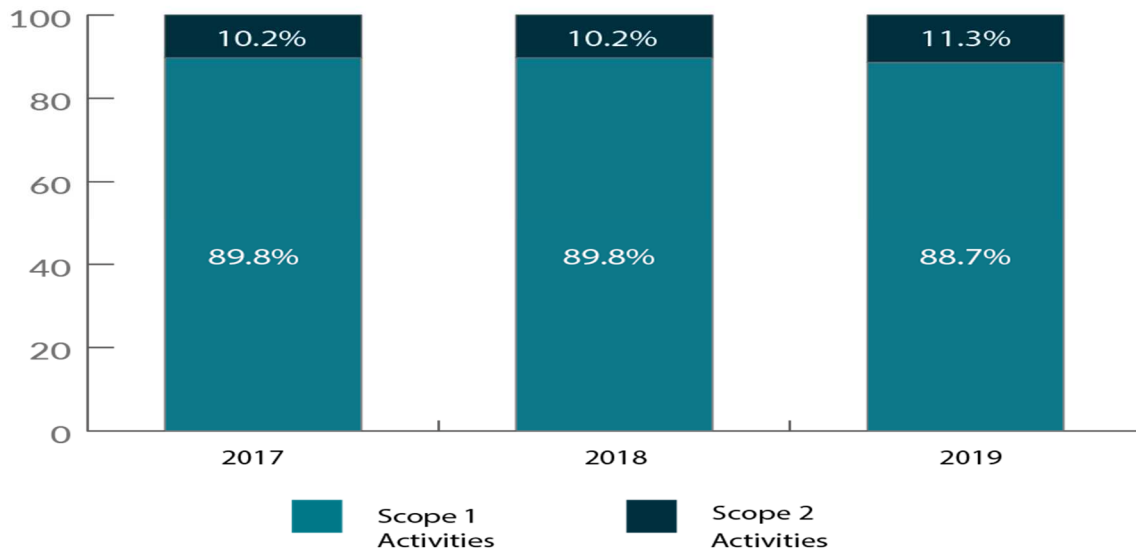
The reduction in the Carbon Footprint compared to 2018 is mainly due to the emissions corresponding to Scope 2 and is explained by the fact that, having recorded higher electricity consumption, the CO₂ emission factor for 2019 has been lower. Likewise, the Footprint decreases in Scope 1 due to lower consumption in combustion facilities, while it has increased in rail vehicles for maintenance, shunting and auxiliary operations.

On the other hand, in 2019, all the electrical energy consumed by Adif has been with **Guarantee of Origin (GoO) certificates**, so if we take this circumstance into account, it is possible to make a calculation of the Carbon Footprint assuming that the emissions corresponding to scope 2 are zero. Thus, in 2019, the Footprint would be 3,292.38 tCO₂eq, corresponding to Scope 1. This would mean that the reduction with respect to 2017 would be **92%** and **91%** with respect to 2018, which shows the weight of electricity in Adif-AV's energy consumption balance.

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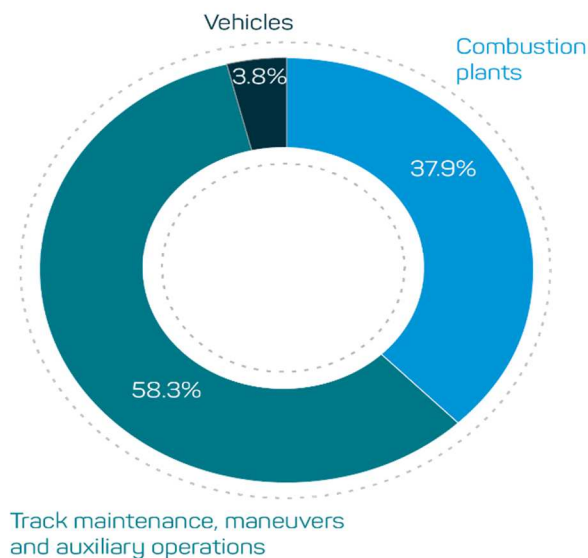
The contribution of the two scopes to the Carbon Footprint is expressed in the following graph:

SHEET1

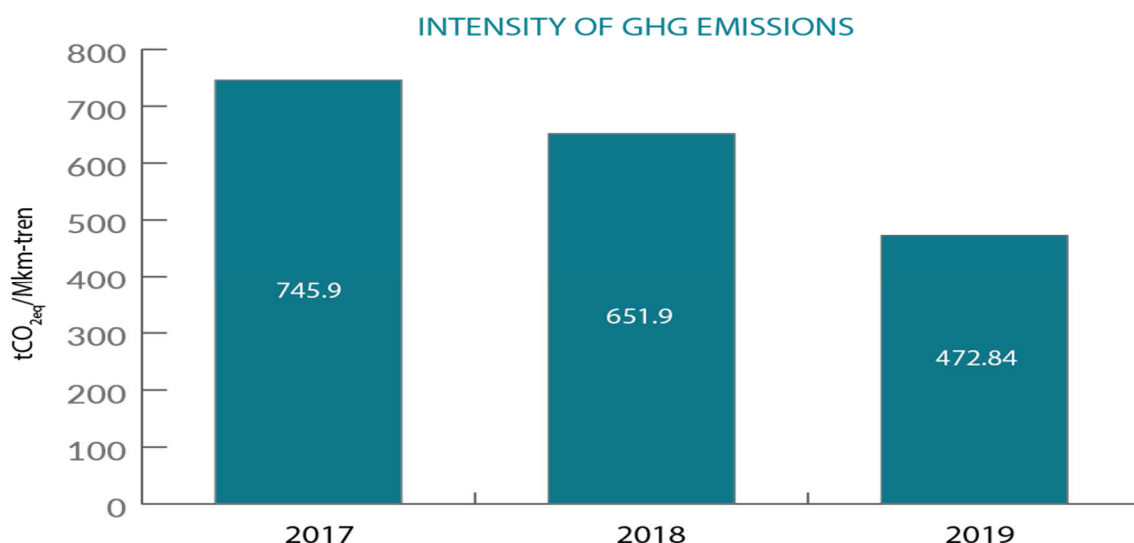


It is noted that the scope 2 is the main contribution with almost 90%. Within Scope 1, activities related to track maintenance, shunting and auxiliary operations are those that cause the greatest amount of direct GHG emissions (58.3%), followed by emissions caused by combustion installations (37.9%).

SCOPE 1 ACTIVITIES

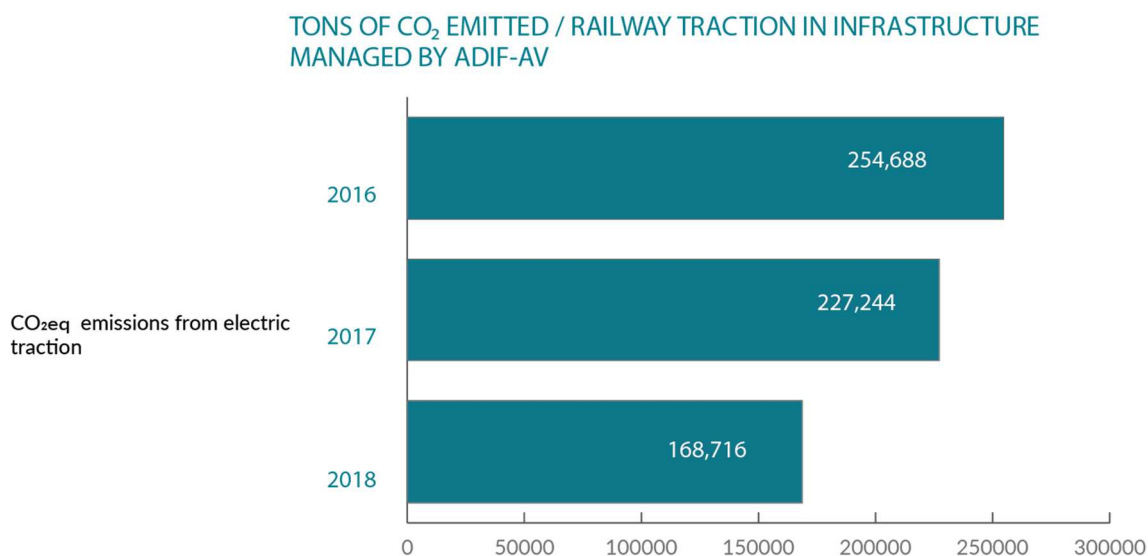


Analysing the emissions and taking into account the representative production unit (Mkm-train), it can be seen that the intensity of GHG emissions has been reduced by 27.5% in the period 2018-2019 and a decrease of 36.5% since 2017.



Railway traction emissions in infrastructures managed by Adif-AV

In the case of the high-speed network, there is only electricity consumption by the railway operators, so the emission of greenhouse gases is indirect and related to the generation of this electricity consumed. The evolution of these emissions for the 2017-2019 series is shown below:



In the period of 2017-2019, emissions generated by electric traction were reduced by 34%. These emissions are not produced during the operation of the railway, but originate from the electricity generation facilities, a situation that makes them dependent on the peninsular electricity generation system (whose scheme varies annually).

Adif and Adif-AV 2018-2030 Plan to Combat Climate Change

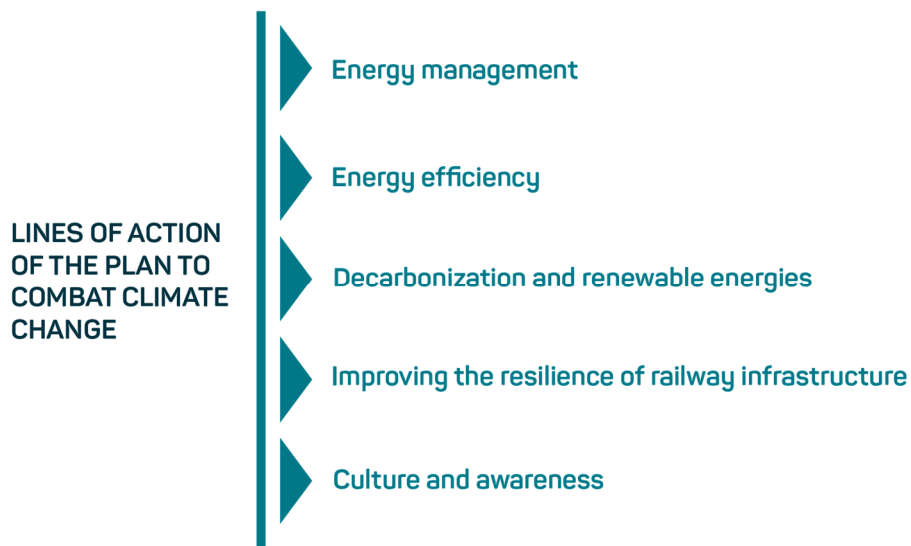
In the area of climate change mitigation, as mentioned in previous sections, Adif had a Master Plan for Energy Saving and Efficiency 2014-2020 that has allowed for a reduction in CO₂ emissions thanks to the development and implementation of measures that have achieved savings in energy consumption since the previous Master Plan began to be implemented in 2009.

On the basis of this Master Plan, and taking advantage of the experience and knowledge acquired, work has been carried out in 2018 to draw up a **Plan to Combat Climate Change 2018 - 2030** common to both Adif and Adif-AV which, since its approval in the first quarter of 2019, has replaced the Energy Saving and Efficiency Master Plans 2014 - 2020 of both entities.

The purpose of this Plan is to **increase the contribution of Adif and Adif-AV to the fight against climate change**.

To this end, this Plan, in line with the Plan to Combat Climate Change 2018-2030, drawn up jointly with Renfe, aims to go beyond energy efficiency, contemplating measures for action in the area of decarbonisation of the railway system and increased use of renewable energies. It also includes a line of action related to the field of adaptation to climate change, the aim of which is to improve the resilience of the railway infrastructures managed by Adif and Adif-AV.

Thus, the Adif and Adif-AV's Plan to Combat Climate Change is structured along the following lines:

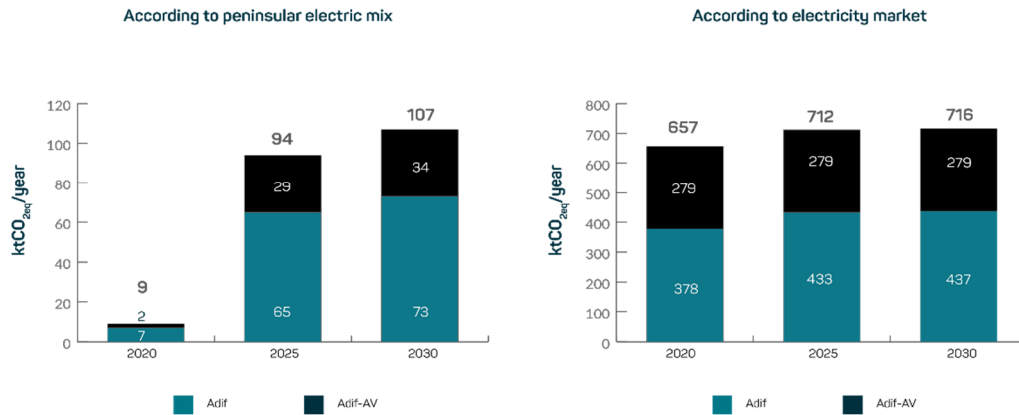


The Adif and Adif-AV's **Plan to Combat Climate Change** was approved in the first quarter of 2019, establishing objectives to reduce energy consumption and GHG emissions and setting specific targets for the years 2020, 2025 and 2030.

Within the framework of this Plan, it should be noted that since 2019, Adif and Adif-AV have committed to the **Purchase of Green Electrical Energy** with Guarantee of Origin Certificates (GoO), so that the GHG emissions associated with the consumption of electrical energy could be considered zero.

However, in order to define the Plan's objectives for reducing GHG emissions, a double calculation has been carried out, applying the recommendations of international standards. Therefore, annual goals have been established for reducing GHG emissions for Adif and Adif-AV according to the peninsular electricity mix and according to the electricity market with the Purchase of Green Energy with GoO:

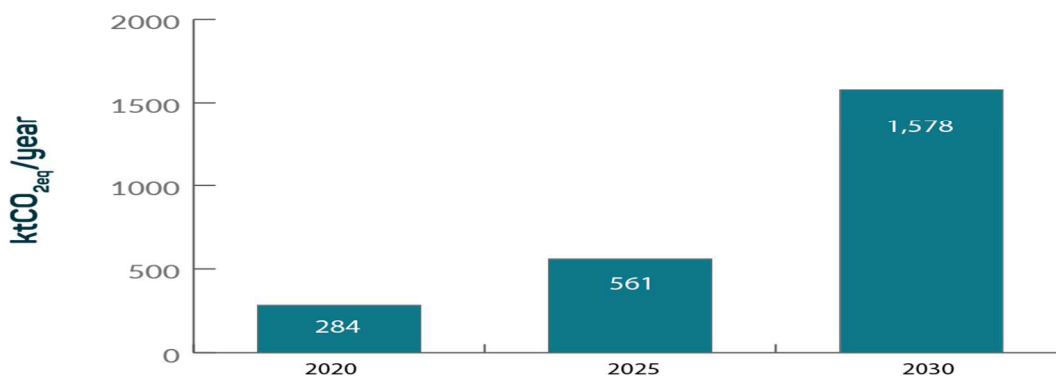
ANNUAL TARGETS FOR THE REDUCTION OF GHG EMISSIONS FROM THE RAILWAY SYSTEM



The accumulated emissions reduction for Adif-AV's Plan 2030 for would be **777 ktCO_{2eq}** (according to the electricity mix) and **3,700 ktCO_{2eq}** (according to the electricity market with the purchase of green energy with GdO).

The Plan also takes into account the contribution of the actions developed to promote the modal shift to the railway. Thus, based on a hypothesis of an increase in the modal share of railways in 2030 for both passenger and freight transport, in line with the objectives of the White Paper on Transport and the targets set by the European Union and the International Energy Agency, the GHG emissions avoided by the modal shift to rail are estimated.

ANNUAL TARGETS FOR GHG EMISSION REDUCTIONS FROM MODAL SHIFT



The cumulative emission reduction by 2030 from modal shift is estimated at over **8,400 ktCO_{2eq}**.

Thus, adding up the estimated emissions for the modal shift, the Adif and Adif-AV's Plan to Combat Climate Change would generate a total reduction in accumulated GHG emissions for

2030 of **9,100 ktCO_{2eq}** according to the electricity mix and **12,000 ktCO_{2eq}** according to the electricity market with the purchase of green energy with GdO.

REDUCTION OF TOTAL CUMULATIVE GHG EMISSIONS (2030)

According to peninsular electric mix

9,100 ktCO_{2eq}

According to electricity market

12,000 ktCO_{2eq}

As in the case of energy consumption, there is a strategic indicator that measures the reduction of GHG emissions thanks to the implementation of the actions derived from the **Adif and Adif-AV's Plan to Combat Climate Change 2018-2030**, as well as the measures implemented since 2009 as a result of the previous Energy Saving and Efficiency Master Plans.

The data for this indicator for the period 2017-2019 are:

	2017	2018 ⁽¹⁾	2019
UT (tCO ₂ /year)	14,471	12,375	17,083
UdT (tCO ₂ /year)	6,449	5,499	5,629
TOTAL(tCO₂/year)	20,921	17,874	22,712

(1) Data updated according to emission factor published by REE for the peninsular mix in 2017.

In the area of adaptation, in relation to **improving the resilience of railway infrastructures**, it should be noted that in 2019 work has continued in the Adif and Adif-AV Climate Change Working Group created the previous year. This group has been working on the preparation of an internal standard that establishes the methodology to be followed to assess the vulnerability of railway infrastructures to the adverse effects of climate change in the design phase. The intention is that, in the initial phases of defining construction projects for the infrastructures, the impact of climate change on them will be one more variable to be taken into consideration for the design of the infrastructures.

5.5.4. Contamination

Noise pollution

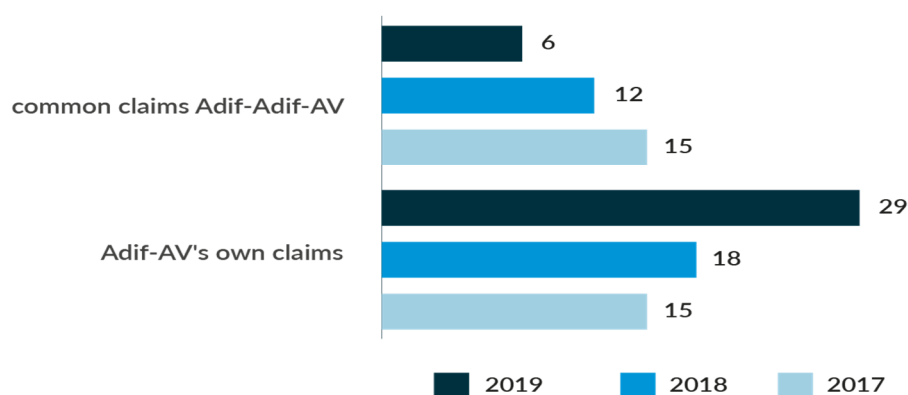
Another adverse environmental aspect resulting from Adif-AV's railway activity is noise pollution. The emission of noise and vibrations comes mainly from the movement of passenger and freight trains. Additionally, there are other sources of noise and vibration emissions, such as:

- Activities carried out in Adif-AV passenger stations, such as public address systems, train composition shunting and building air conditioning systems.
- Infrastructure maintenance operations fundamentally derived from the use of mechanized track equipment.
- Construction work on the new high-speed lines.

Adif-AV has a procedure for the reception, documentation and processing of complaints of an acoustic nature within the framework of its Management System.

Approximately **90%** of the complaints received are related to **noise problems** and the remaining **10%** to **vibration problems** (Adif/Adif-AV aggregate data).

EVOLUTION OF ACOUSTIC TYPE COMPLAINTS



On behalf of the Ministry of Public Works and Transport, Adif-AV has been carrying out the Strategic Noise Maps (SRM) and the Action Plans (PAR) corresponding to the Major High Speed Railway Axes (axes with more than 30,000 trains per year).

Land pollution

As is usual in the execution of projects on high-speed lines, Adif-AV contemplates all the aspects necessary to prevent contamination of the soils where the works are carried out. However, sometimes, during the execution of the works, a soil condition may arise, caused by various causes. In 2019, no incident of this type was recorded at Adif-AV works.

5.5.5. Waste Management and Circular Economy

Adif-AV generates commercial, industrial and hazardous waste, mainly derived from the development of activities in passenger stations and logistics centres.

Adif's Waste Management model is based on two axes: a corporate system and a decentralized system.

ADIF'S WASTE MANAGEMENT MODEL AXES

operating system

network of 60 temporary storage and transfer centres (CAR) to the authorised operators for removal

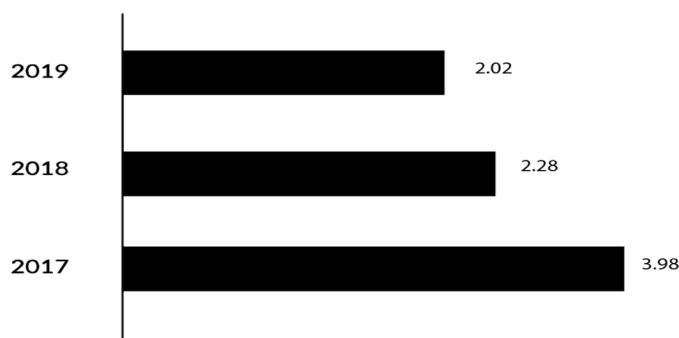
decentralized system

management of hazardous waste congestion at the points of generation itself, preventing its transport to the CAR

In 2019, Adif-AV generated a total of 2.02 tons of hazardous waste, with the production of electrical and electronic equipment waste (RAEE), gases in pressure vessels and paint being particularly significant. The intensity of waste generation stands at 0.03 t of waste/million km of train (PCB, asbestos and health care waste are not included in the calculation as their generation is not related to Adif-AV's own activities).

Adif-AV has a **hazardous waste management system**, which is complemented by an Integrated Management Manual and its corresponding procedures.

HAZARDOUS WASTE GENERATED IN THE OPERATION AND MAINTENANCE OF INFRASTRUCTURES (T)



HAZARDOUS WASTE GENERATION INTENSITY (T WASTE/MILLION KM-TRAIN)



In relation to commercial and domestic waste, this is mainly generated in Adif-AV stations as a result of passenger traffic and existing commercial and catering activities that take place in the establishments. This waste is usually removed by the public cleaning or waste collection services,

so its final destination is unknown. For the collection of this waste, a total of more than 260,000 euros has been paid in 2018* as rubbish collection fees.

With regard to dumping, the most significant comes from the use of the public toilets in the stations. In stations with significant traffic, sanitary wastewater is discharged into the public sewage network for treatment at the corresponding Wastewater Treatment Plants (WWTP). However, in the rest of the stations of the conventional network, work continues on replacing cesspools with connections to the network.

(*) *latest available data.*

Spanish Strategy for the Circular Economy²

During 2018 and 2019, Adif together with Adif-AV collaborated in the elaboration of the Spanish Strategy of Circular Economy (EEEC) contributing with a total of 7 projects within the action lines in which the Strategy is structured.

Specifically, these projects are located in the axes of Consumption, Waste Management, Secondary Raw Materials Market and Employment and Training.

The projects that were finally selected to form part of the EEEC were:

- Elaboration of a Catalogue of environmental criteria that facilitates the incorporation of the same ones in the Administrative Clauses with the objective that Adif and Adif-AV promote the strategy of the Circular Economy and the Ecological Public Contracting in a transversal way.
- "Ecomilla" Project (Last Green Mile).
- Efficient management of surplus land from railway infrastructure works to favour the environmental recovery of degraded environments.
- Management of Construction and Demolition Waste in station works assigned to the Passenger Station Management.
- Increase the reuse of topsoil in works for restoration and landscape integration.
- Recycled, regional and sustainable materials in Station Architecture Projects.
- Integral program for the social recovery of disused railway assets, generating value through entrepreneurial or public service projects.

The EEEC passed the public information phase at the end of 2018 and is pending approval.

5.5.6. Biodiversity Protection

In the area of environmental management, Adif-AV considers the protection of biodiversity to be a priority, mainly due to the high occupation of the land dedicated to the network and the facilities managed by Adif-AV. The active railway network has a total length of 3,403 km, with an occupied surface area of approximately 10,889 ha, and an estimated area of 31,257 ha.

According to data from 2007, the last year for which information is available, 11.11% of the total length of the railway network managed by Adif and Adif-AV affected Natural Protected Spaces and others with some form of environmental protection.

In order to comply with current regulations on biodiversity, the company ensures that both its construction projects and its activities meet the requirements of the Environmental Impact Statements (EIS).

In 2019 Adif-AV, in relation to the environmental management of its projects, carried out **225 environmental review reports**, including **15 environmental adequacy reports**, in accordance with environmental legislation.

In 2019, Adif-AV, in relation to the environmental management of its projects, carried out **39 environmental monitoring reports** for projects not subject to EIS and **248 periodic regulatory reports** for environmental monitoring of projects with EIS.

Fire prevention plan in and around the road

The measures aimed at preventing the risk of forest fires are articulated in the **Road and Proximities Fire Prevention Plan** throughout the national territory. This Plan, drawn up in accordance with fire prevention regulations, identifies risks, risk areas and preventive and corrective actions, as well as recommendations to be taken into account in typical cutting and welding operations and in the operation of hot axle detectors.

Since 2006, Adif-AV has signed collaboration agreements with the autonomous communities to develop joint actions for the prevention and, where appropriate, extinction of forest fires in areas close to the railway platform, as part of the development of the Plan.

By virtue of these agreements, the Entity undertakes to implement Self-Protection Plans aimed at the integrity and conservation of the facilities it owns and to prevent the potential consequences of possible fires in forest areas or within the perimeter of the municipalities.

Regardless of the measures adopted by Adif-AV, the railway track and the driving and traffic management staff are becoming important as effective tools not only in the detection but also in the extinction of forest fires near the infrastructure.

The track acts as a firebreak and the railway staff can often see fires early on, which will allow them to warn the fire-fighting bodies of the different administrations through the command posts and the Adif-AV H24 Network Management Centre.

MAIN FIRE PREVENTION MEASURES AND ACTIONS

- Control of train braking systems.
- Monitoring of track work with ignition sources.
- Periodic monitoring of the proper functioning of the temperature detectors of the train axles, as they pass by, and regulatory action in the event of alarms.
- Chemical and mechanical cleaning of vegetation and waste material on the track margins.
- Monitoring of trains as they pass through stations to determine whether there are any anomalies in their operation.

During 2018, there were no fires on the margins of the High-Speed rail network caused by faulty installations or line maintenance work.

	2016	2017	2018	2019
Fire prevention expenses (euros)	2,833,756	1,701,007	999,724.73*	-
Fires	0	0	0*	-

(*) latest available data

Environmental management indicators in design and construction

❖ In Infrastructure projects

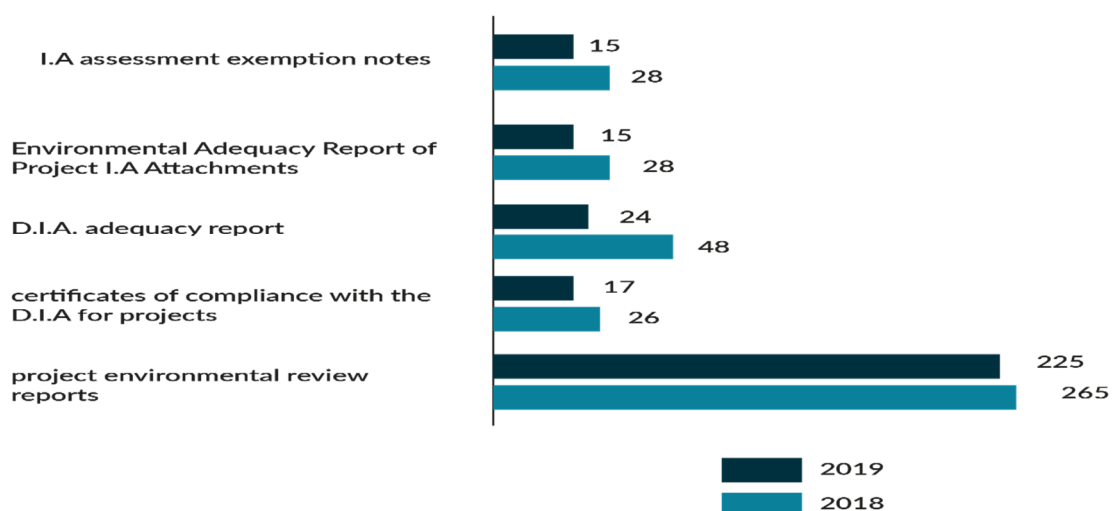
The Ministry of Public Works and Transport has delegated the approval of the projects entrusted to this public business entity to the presidency of Adif-AV. In addition, in accordance with Adif-AV's statutes, this entity is responsible for supervising the projects that are approved by it, and also for certifying compliance with the Declaration or the Environmental Impact Report of the same, if applicable.

Adif-AV, as the substantive body for the purposes set forth in the legislation on Environmental Impact Assessment, plays a fundamental role in ensuring that railway infrastructures comply with the provisions of the legislation, both at the project level and in the works. In this sense, all the environmental integration (E.I.) annexes of the projects are supervised, in order to ensure compliance with the provisions of the environmental legislation in force, the regulations and the internal recommendations of Adif-AV.

The evolution of the indicators related to environmental management in projects over the last two years has been as follows:

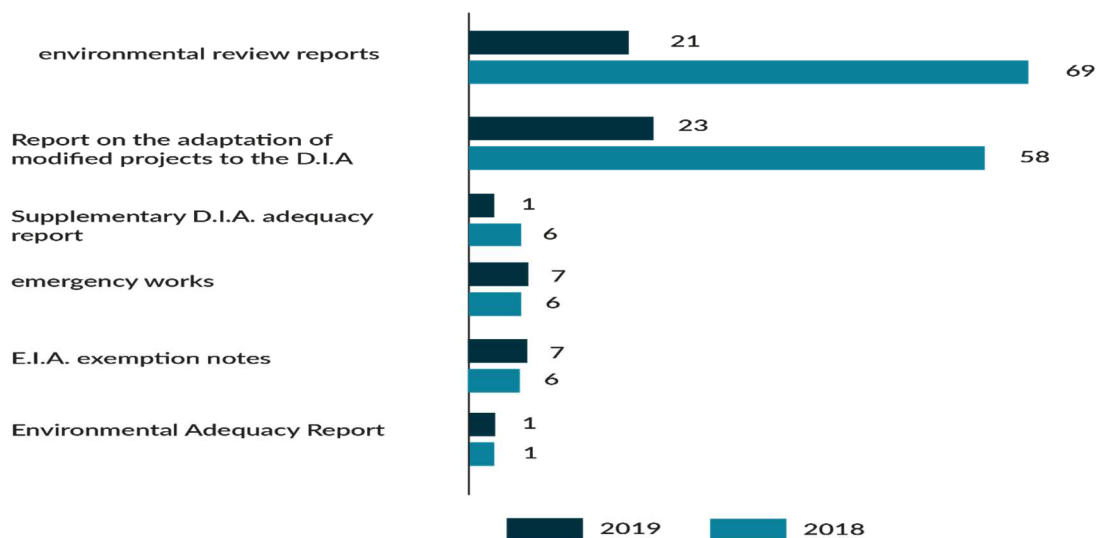
Design phase:

ENVIRONMENTAL LAW COMPLIANCE



Construction phase:

ENVIRONMENTAL LAW COMPLIANCE

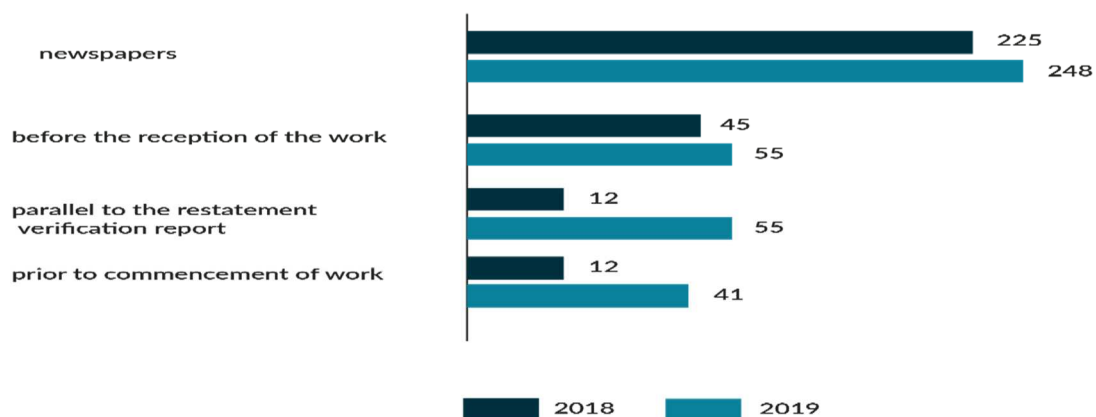


❖ Related to the environmental monitoring of works:

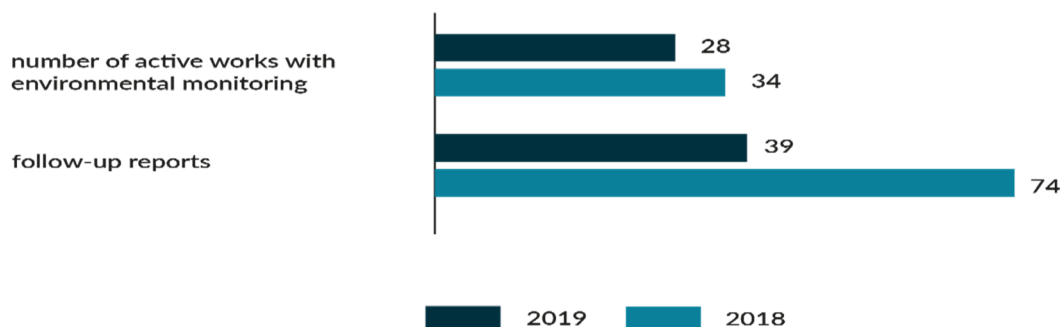
Just as environmental supervision has been carried out since 2005 for works with EISs, through the figure of Environmental Works Directors, since mid-2018 environmental supervision of works without EISs has been consolidated in the maintenance of the AV network by means of Environmental Works Guards, due to the growing presence of this type of action.

The evolution of the indicators related to environmental management in construction over the last two years has been as follows:

REGULATORY REPORTS OF ENVIRONMENTAL MONITORING OF WORKS WITH D.I.A



MONITORING OF WORKS NOT SUBJECT TO D.I.A



❖ In railway operations

Promoting commitments to continuous environmental improvement based on the implementation, certification and periodic audit of Management Systems based on the ISO 14001 Environmental Management Standard is one of the points of Adif-AV's environmental policy.

Since the creation of Adif-AV in 2014, Adif's environmental certification was maintained in relation to the management of passenger stations and freight terminals; and since that year, Adif-AV has been deepening the scope of the certification, including new facilities. In the last two years, the evolution has been as follows:

	2017	2018	2019
Percentage of passengers in stations certified according to ISO: 14.001 Environmental Management Standard, in relation to the total number of passengers in Adif-AV stations	45.3%*	46%*	59.3%*

(*) in stations managed by the D.G. for Business and Commercial Operations

5.6. Our team

For Adif-AV, its employees are people before more so than employees. With this maxim in mind, it strives to offer its team an attractive environment in which to develop professionally and where personal life and work can be reconciled, with equal opportunities, transparency and health and safety as basic management principles.

In November 2019, Adif AV undertook an organisational restructuring whose most relevant change involved changing the model of the Construction function, moving from a model in which a distinction is made between Conventional Network Construction and High Speed Construction, to another in which a distinction is made between the Construction of European Corridors and Integration in Cities, and the Construction of High Speed Axes.

EMPLOYMENT PUBLIC OFFER

In 2019 the Call for Public Employment was published. A total of 578 applications were submitted, of which 498 were accepted. This EPO sought to cover a total of 5 positions.

5.6.1. Employees

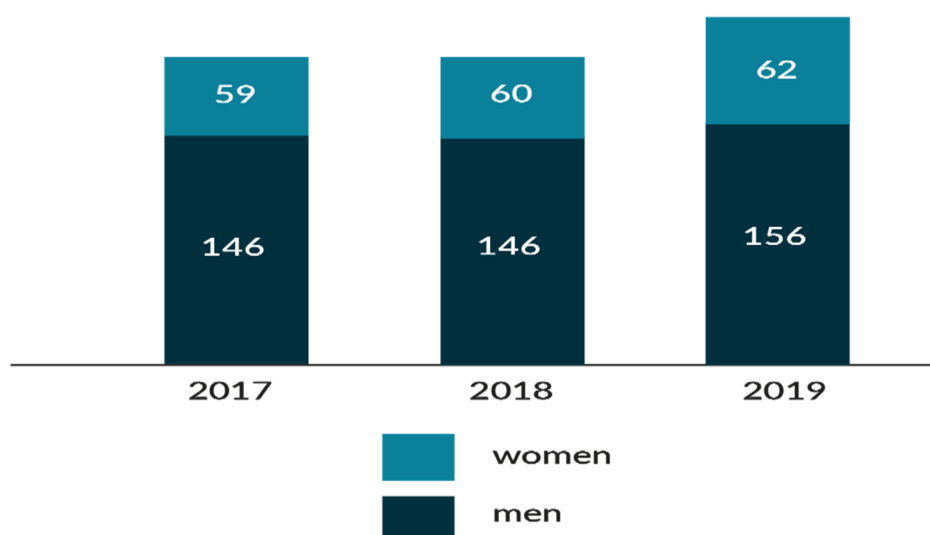
With the fulfilment of the strategic objectives as a basis, the management of people is a fundamental aspect in the activity of the Entity. Adif-AV believes that the satisfaction, productivity, talent and participation of its employees is key to achieving the mission, vision and values defined in the Transforma 2030 Plan. On 31 December 2019, Adif-AV had 218 employees, distributed as follows:

Management areas	Male	Female	Total
Construction A.V.	113	49	162
Telecommunications	31	10	41
Electric Energy	6	2	8
Traffic Safety Directorate	4	1	5
Corporate and General Services	2	-	2
TOTAL	156	62	218

The evolution of the workforce by gender in the last three years is as follows:

In 2019 the Adif-AV workforce consisted of **218 employees**, twelve more than in 2018.

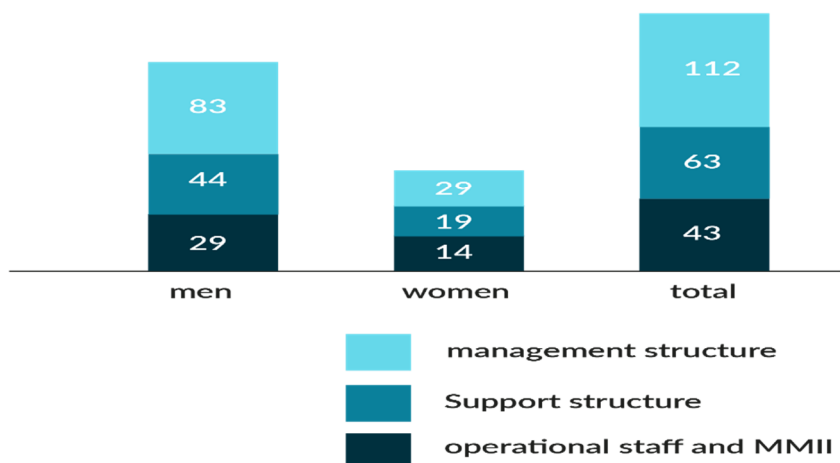
EVOLUTION OF STAFF BY GENDER



The staff is distributed according to their professional category as follows:

97.57% of employees have a **permanent contract** and **97.56%** are full time workers.

STAFF BY PROFESSIONAL CATEGORY



About **19.72%** are operational staff and middle management, while **80.28%** are in the support and management structure.

The **rate of women** in the workforce is **28.44%**, decreasing slightly from 2018.

The following breakdowns by **age and seniority** can be observed:

Age	Male	Female	Total
Up to 35 years	2.75%	-	2.75%
Between 36 and 50 years old	40.83%	19.27%	60.10%
More than 50 years	27.98%	9.17%	37.15%

Seniority	Male	Female	Total
Between 0 and 11 years old	20.64%	9.18%	29.82%
Between 12 and 19 years old	29.82%	13.30%	43.12%
Between 20 and 27 years old	4.59%	2.29%	6.88%
Between 28 and 35 years old	3.67%	1.83%	5.50%
More than 35 years	12.84%	1.84%	14.68%

Adif-AV employees are **geographically distributed** throughout the Peninsula (average number of workers in 2019):

MANAGEMENT REPORT ADIF ALTA VELOCIDAD 2019

AUTONOMOUS COMMUNITIES	TOTAL	MALE	FEMALE
GRANADA	2	1	1
MALAGA	3	3	0
SEVILLA	10	8	2
ANDALUCIA	15	12	3
LEON	8	7	1
SALAMANCA	1	1	0
VALLADOLID	3	2	1
CASTILLA LEON	12	10	2
BARCELONA	8	6	2
CATALUÑA	8	6	2
BADAJOS	1	1	0
CACERES	1	1	0
EXTREMADURA	2	2	0
MADRID	168	117	51
MADRID	168	117	51
VIZCAYA	3	1	2
PAIS VASCO	3	1	2
ALICANTE	2	2	0
VALENCIA	2	2	0
COMUNIDAD VALENCIANA	4	4	0
EXTRANJERO	1	0	1
EXTRANJERO	1	0	1
TOTAL	213	152	61

Non-financial information (Law 11/2018, of December 28)	Descriptive text	Indicators of result/impact				
		QUANTITATIVE DATA				
		Indicator description	Units	2017	2018	2019
PEOPLE AND SOCIAL ISSUES	Distribution of employees by professional category	Operating Staff and MMII	No. workers	25	30	43
		Support structure	No. workers	75	69	63
		Management structure	No. workers	105	107	112
	Measures the degree of retention and attraction of the managerial staff. Useful to achieve strategic direction of society.	Management retention rate	(Additions+Withdrawals) * 100/2 / Average workers and without taking into account the staff affected by the sale of tickets that was transferred in 2017 to the RENFE Group	0.47	0.25	1.87

MANAGEMENT REPORT ADIF ALTA VELOCIDAD 2019

Non-financial information (Law 11/2018, of December 28)	Descriptive text	Indicators of result/impact				
		QUANTITATIVE DATA				
		Indicator description	Units	2017	2018	2019
	Measures the turnover rate of the workforce, regardless of the employee's role.	Staff retention rate	(Additions+Withdrawals) * 100/2 / Average workers and without taking into account the staff affected by the sale of tickets that was transferred in 2017 to the RENFE Group	2.84	3.64	7.11
	New additions	New employees (EPO)	Growth of the workforce in the period (number of workers increased)	0	0	8
	Collective negotiation	Collective negotiation	nº collective agreements signed in force	1	1	1
		Employees covered by collective bargaining agreement	% of employees covered by collective bargaining agreement	48.78	48.06	50.96

Adif-AV encourages and promotes stable and quality employment among its employees. As a result, practically all of the staff have a permanent, full-time contract. The distribution of contracts among the staff by gender, age and professional category is as follows:

Distribution of employment contract modalities	2019
Indefinite	214
Temporary	4
Part-time	0
TOTAL	218

Sex	Indefinite	Temporary	Part-time	TOTAL
Male	153	3	0	156
Female	61	1	0	62
TOTAL	214	4	0	218

Age	Indefinite	Temporary	Part-time	TOTAL
Up to 35 years	5	1	0	6
Between 36 and 50 years old	128	3	0	131
More than 50 years	81	0	0	81
TOTAL	214	4	0	218

MANAGEMENT REPORT ADIF ALTA VELOCIDAD 2019

Professional category	Indefinite	Temporary	Part-time	TOTAL
Management Structure	112	0	0	112
Support structure	63	0	0	63
Middle management	32	3	0	35
Operative	7	1	0	8
TOTAL	214	4	0	218

In 2019 the **average salaries by professional category and gender** were as follows:

Average remuneration by professional category and gender		
Management Structure	Average salary	Wage gap*
Female	60,448.67	6.57%
Male	64,697.55	
Support structure	Average salary	Wage gap*
Female	51,293.27	-2.94%
Male	49,826.35	
Middle management	Average salary	Wage gap*
Female	35,134.33	1.97%
Male	35,840.35	
Operative	Average salary	Wage gap*
Female	28,446.69	-17.88%
Male	24,130.14	

(*) Calculated as: $\frac{\text{Average pay men} - \text{Average pay women}}{\text{Average pay men}} \times 100$

Average pay by age	Male	Female
Up to 35 years	-	-
Between 36 and 50 years old	54,512.78	52,815.70
More than 50 years	52,371.15	50,815.23

The labour regulations and salary tables applied by Adif-AV prevent any kind of discrimination on the basis of gender. The difference in average pay between men and women is due to the later incorporation of women into the labour market, which also affects Adif and Adif-AV in particular. It is therefore to be expected that the trend in the coming years will be towards a continued reduction in the wage gap, with average wage equality between men and women.

In accordance with article 21 of Royal Decree 1044/2013 of 27 December 2013, which approved the company's articles of association, the members of the Board of Directors do not receive any remuneration in the form of per diems for attending the meetings of the Board of Directors or for any other reason.

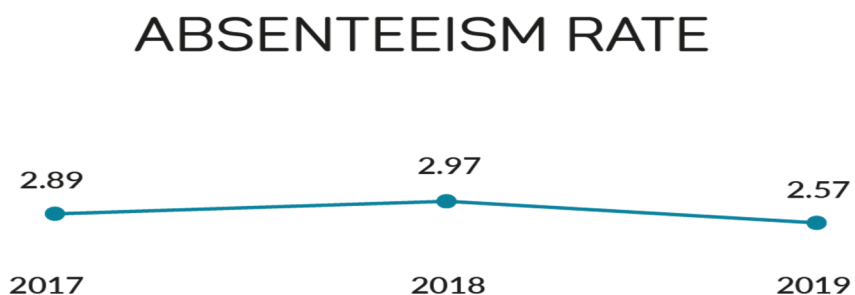
With regard to the integration of people with disabilities, in 2019 0.46% of Adif-AV's staff had some kind of disability, i.e. one employee.

In 2019, Adif-AV did not dismiss any employees.

5.6.2. Organization of work

The Collective Agreement of Adif and Adif-AV establishes the annual working hours to be complied with. There are different working hours and shifts depending on the job and the tasks to be carried out.

In 2019, the rate of absenteeism, measured as a percentage of absences over the theoretical working hours to be worked, was 2.58% for a total of 1,353 hours, which represents a decrease of 0.39% with respect to 2018. In the last three years, the evolution experienced was as follows:



INCENTIVES AND SOCIAL BENEFITS

In addition to variable remuneration based on the fulfilment of different objectives to be achieved by the employees (cross-cutting personal, contribution to the team and the catalogue of skills), Adif-AV offers its workers covered by the Agreement a wide range of social benefits to improve their personal and working life, offering its employees non-remunerative benefits or social benefits such as

- Health promotion: medical examinations, preventive medicine campaigns, aid for extraordinary medical expenses, vaccination campaigns, aid for temporary incapacity complementary to Social Security, supplements to temporary incapacity benefits, aid against drug addiction and alcoholism, etc.
- Life insurance.
- Transport tickets with free fares on local and regional trains, and special fares on main lines and high-speed trains.
- Aid for disabled children.
- Ex gratia aid and aid for temporary disability.
- Death benefits.
- Advances: maximum three monthly payments.
- Legal protection: in cases of railway accidents that could lead to criminal liability.
- Foster care and guardianship of elderly disabled persons.
- Common-law couples: regardless of their sexual orientation, they are entitled to the same benefits as those provided by law.
- Coupling to other positions due to loss of faculties.
- Mobility due to the reunion of a spouse or common-law partner.
- Facilities and/or discounts on services: banking, leisure, travel, housing, etc.
- Staff notice board.

In addition to the measures already mentioned, following the signing of the Second Collective Agreement between Adif and Adif-AV, the system of aid for children with intellectual disabilities and death benefits has been substantially improved.

On the other hand, the indicators of the I Equality Plan in Adif-AV did not collect data referring to the number of employees who have used maternity or paternity leave. In the new indicators of the 1st Adif High Speed Equality Plan, they will be included.

	Males	Females
Employees who have taken maternity leave	0	0
Employees who have taken paternity leave	1	0
TOTAL	1	

5.6.3. Labour Relations

The dialogue between Adif-AV and its staff is carried out through periodic meetings between the Entity and different committees and modalities of employee representation, which participate in the decision-making process:

- **Works Committees and Staff Delegates:** Committee in Madrid and delegates in Sevilla, León and Barcelona. The Committee holds bimonthly meetings with Management, in which the issues within its territorial scope are discussed.
- **Health and Safety Committee:** This is the participatory body in matters of occupational risk prevention
- **Traffic Safety Commission:** this is the body that consults and deals with technical aspects of traffic safety, approves plans and monitors specific indices.
- **Training Advisory Council:** this Council has been created to prepare and monitor the Adif AV Training Plan.
- **Social Policy and Equality Commission:** this commission manages and monitors the social aid fund, proposes action measures and manages the monitoring of equal opportunity and non-discrimination indicators. In 2019, it approved the 1st Adif Alta Velocidad Equality Plan, the first one that the company had as such, which was later ratified with the unanimous approval of the Negotiating Commission of the Agreement and published in the BOE (Official State Gazette).
- **Labour Conflicts Commission:** this commission serves to mediate or resolve conflicts in the interpretation and application of the collective agreement or when a strike is announced.

The Second Collective Agreement is effective from January 1, 2019 until December 31, 2023, with the possibility of extension until December 31, 2015, by agreement between the parties.



The Second Collective Agreement between Adif and Adif-AV was signed on 9 May

The agreement includes, among other measures, those related to flexible working hours, social aspects, equality and labour conciliation that extend those already existing in the labour regulations, it also establishes different committees (employment, regulations, professional management, working hours and schedules and conciliation) that will develop strategic aspects of transformation, among which the elaboration of the new model of professional management

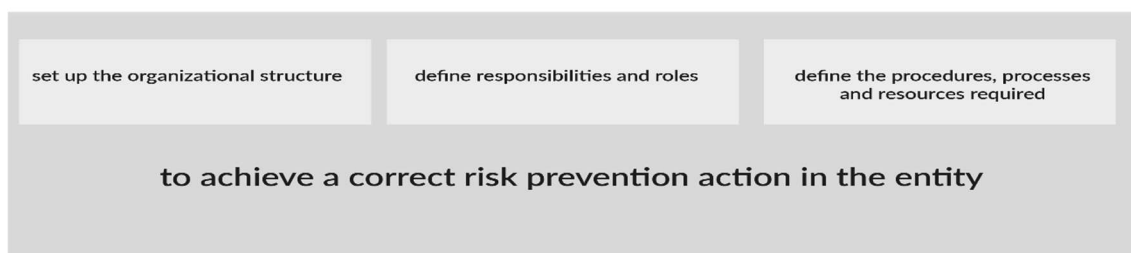
structured in professional groups stands out, adapting the functions and operational environments to face with guarantees the challenges that arise in the future of the entity.

50.96% of Adif-AV staff are covered by the **Collective Agreement**.

5.6.4. Occupational Risks Prevention

In compliance with the provisions of Article 16 of Law 31/1995, of 8 November, on the Prevention of Occupational Risks, Adif-AV has an Occupational Risk Prevention Plan.

OCCUPATIONAL RISK PREVENTION PLAN



In addition, every year Adif-AV carries out the Planning of the preventive activity (Programming of the Prevention Service) with different purposes:

OBJECTIVES FOR THE PROGRAMMING OF THE PREVENTION SERVICE



The main actions in the field of Occupational Risk Prevention during 2019 are as follows:

- ORP training: 806 hours of training have been given out of the 1,115 planned, representing 72.3% compliance with the objective.
- A technical seminar on occupational risk prevention was held.
- Internal audit program: 3 programmed audits have been carried out.
- Consolidation and reinforcement of the prevention culture: In order to consolidate the organisation's commitment to the Prevention Management System, a planned consolidation action (information campaign) was carried out in 2019.
- Health Surveillance: Health Examinations and Psychophysical Examinations. In 2019, 13 Health Surveillance examinations were carried out. In addition, 61 Medical Campaigns and 13 Vaccinations have been carried out.

In the year 2019, there has been 1 accident in itinere with sick leave, and no fatalities have been registered.

			Accidents	Acc. In itinere	Relapse	Occupational diseases
2016	Total	With leave	0	1	0	0
		Without leave	0	4	0	0

MANAGEMENT REPORT ADIF ALTA VELOCIDAD 2019

			Accidents	Acc. In itinere	Relapse	Occupational diseases
2017	Total	With leave	3	0	0	0
		Without leave	2	2	0	0
2018	Male	With leave	0	0	0	0
		Without leave	4	0	0	0
	Female	With leave	0	0	0	0
		Without leave	0	1	0	0
	Total	With leave	0	0	0	0
		Without leave	4	1	0	0
2019	Male	With leave	0	0	0	0
		Without leave	2	0	0	0
	Female	With leave	0	1	0	0
		Without leave	2	0	0	0
	Total	With leave	0	1	0	0
		Without leave	4	0	0	0

		2016	2017	2018	2019
Accident Severity Rate*	Male	0	0.01	0	0
	Female	0	0.08	0	0
	Total	0	0.03	0	0
Accident frequency rate**	Male	0	3.74	0	0
	Female	0	20.79	0	0
	Total	0	8.19	0	0
Occupational accident rate***	Male	0	6.62	0	0
	Female	0	33.06	0	0
	Total	0	14.06	0	0

(*) Severity rate is: (No. of days lost/no. of hours worked) *1,000

(**) Frequency rate is: (no. of accidents / hours worked) *1,000,000

(***) Incident rate (No. of accidents *1,000) / No. of average workers

In accordance with the above, there have been no days lost due to accidents at work (not in itinere) or occupational diseases.

		2016	2017	2018	2019
Days lost due to occupational accidents or diseases*	Male	0	3	0	0
	Female	0	8	0	0
	Total	0	11	0	0

In 2019, two meetings were held of the Adif-AV Health and Safety at Work Commission, a company body with the highest level of participation on health and safety at work issues, from which the guidelines on these matters emanate.

Indicator description		Units	2016	2017	2018	2019
Social and personnel issues	Preventive Medicine Index	% of employees participating in preventive medicine	25	19.72	21.62	20.42
	Supplementary social assistance	Amount of social aid (for medical expenses) per employee	1,800	1,226	2,472	793

5.6.5. Training

Training in Adif-AV is a support activity to achieve the objectives of the areas. The main objective of Adif-AV in terms of training is to promote the professional and personal development of workers, so that they contribute to operational excellence. Training, in addition to focusing on the effectiveness of processes and the optimisation of results, gives importance to the involvement of employees in the key values of the Entity, such as innovation, continuous improvement, excellence, social responsibility and sustainability, among others.

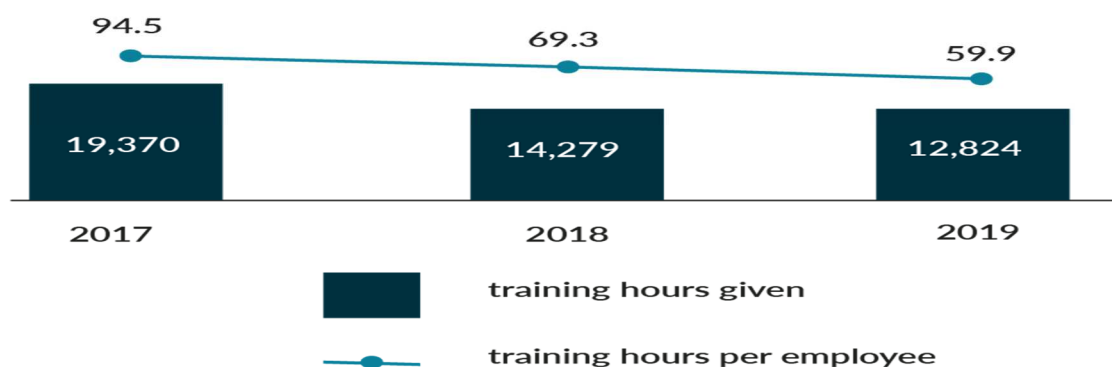
The identification of training needs is carried out jointly by all areas of activity and by the employees' legal representatives. Based on the needs identified, an Annual Training Plan is drawn up, in which the training initiatives to be undertaken during the year are planned, detailed and shaped.

The annual Adif-AV Training Plan for 2019 included an average of 59.9 hours of training per worker, for a total of 12,824 hours of training. This training has been carried out according to the specific competence needs of each business and always in line with the Mission, Vision and Values of the Entity. During the year, meetings were held with representatives of the Training Advisory Council, a consultative body provided for in the labour regulations, made up of company representatives and workers' trade union representatives, and its functions include the supervision and monitoring of the training process.



In 2019 there were **9 hours** less on average per employee than in 2018, which is a total of **1,455 hours** less.

EVOLUTION OF TRAINING HOURS



Professional category	Training hours	Man's training hours	Woman's training hours
Operational Staff	8.9	2.3	12.8
Middle Managers	77.9	74.8	87.0
Support Structure	75.4	78.6	67.9
Management Structure	47.1	43.1	58.2
ARITHMETIC MEAN	59.9	57.6	61.9

Professional category	Training hours
Operational Staff	71
Middle Managers	2,727
Support Structure	4,750
Management Structure	5,277
TOTAL	12,824

In 2019, **4,227,744** euros have been invested in **training** for **Adif and Adif-AV**.

To carry out an efficient management of the Training Plan, Adif-Alta Velocidad uses several systems or computer applications connected to the network that introduce continuous improvements. Additionally, new methodologies and tools are used to make the training process more effective and efficient, such as the use of simulators, videoconferences or tele-training. Around 65% of the training that is developed uses non-attendance methodologies through different platforms, such as the Virtual Training Centre (VTC), the Virtual Classroom, the Videoconference System, and the TV Training Portal, among others.

5.6.6. Talent management and professional development

Adif-AV's personnel selection processes are established in the Labour Regulations for staff subject to a Collective Bargaining Agreement. In 2019, 8 people joined Adif-AV from the Public Employment Service.

The **staff turnover rate** in 2019 was 7.11, up from the previous year, and 1.87 in management, which also increased.

The success of the activity carried out by Adif-AV depends fundamentally on the performance of its workers, while this depends directly on their satisfaction and motivation. In order to achieve this, the drive of the organization's leaders takes on special relevance, with the 3C Management being the methodological system that articulates and develops the Adif Leadership Model, with criteria of transparency, rationality and efficiency.

The model systematically manages the Capacities, Behaviours and Growth of the organisation's leaders, in a context presided over by Commitment (acting as reference models of the obligation contracted with the Mission, Vision and Values of Adif-AV), Collaboration (as a priority axis for improvement) and Creativity (to question and innovate existing paradigms).

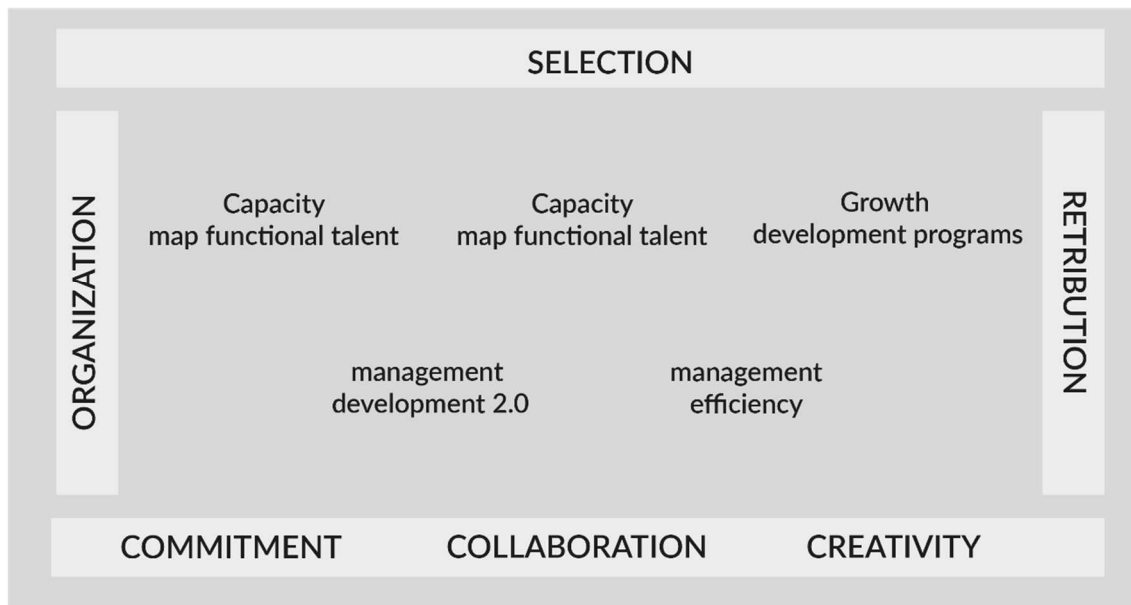


The **Leadership Model: 3C Management** seeks to boost the performance of the organization's leaders.

Since its birth in 2013, there have been numerous projects and activities carried out within this framework, and in order to reinforce the spirit that underlies the model and increase the momentum it provides, we wanted to renew its image by making a nod to the Olympic motto *Citius*

altius fortius (faster, higher, stronger), seeking to convey the importance of continuing to improve in order to overcome the imponderables that will inevitably appear along the way, and remembering that one can always go "further" in the development of the Mission, Vision and Values.

LEADERSHIP MODEL: EXECUTIVE MANAGEMENT



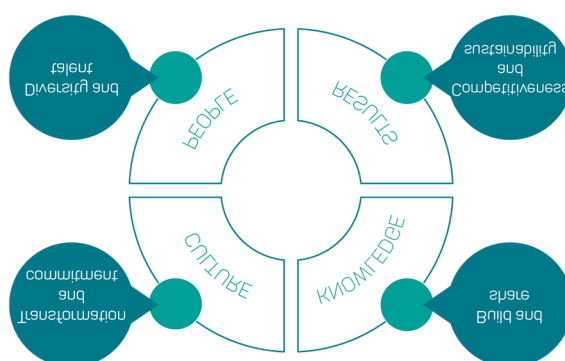
In 2019, we have continued with the deployment of the Competence Management Model - Digital Transformation, which was launched by the Human Resources Management in 2016 to adapt the behaviour of its catalogue to the demands of the new Digital Transformation scenario.

COMPETENCE CATALOGUE - DIGITAL TRANSFORMATION

In 2016 the competencies catalogue, in force since 2006, was revised, incorporating concepts associated with the digital transformation: agility, flexibility, collaboration and cooperation, efficiency, transparency, participation, speed, etc.

The new catalogue, which will be in force in 2019, is based on four dimensions:

- **Knowledge:** it is not enough just to acquire and maintain it; it is necessary to generate and share it, taking advantage of the possibilities offered by Information and Communication Technologies (ICTs).
- **Results:** competitiveness and sustainability are the axes that support this dimension.
- **People:** capacity to manage diversity, which is increasingly broad, and talent, which is increasingly complex.
- **Culture:** commitment to assume and transmit the scenario of permanent and increasingly accelerated transformation in which we live.



The Competence Catalogue - Transformation, as in the previous year, articulated the 2018 360 Performance Evaluation. The 360 Performance Evaluation model offers different visions (one's own, that of the boss, and that of peers and collaborators) of the behaviours of those evaluated and allows them to become aware of strengths and opportunities, while they can discover aspects of those behaviours that with their vision alone they would not have been able to detect, facilitating continuous improvement and promoting a culture of talent development.

In 2019 the **Average Global Performance of Adif-AV** was **87.26%** and **85 employee evaluations** were carried out, nearly 40% of the workforce.

In addition, in 2019, the Integrated Management by Objectives Model (DPO) continued to be applied, which, supported by three pillars (transparency, coherence and ease), favours the development and deployment of company and area objectives to all personnel subject to the Objectives System, thus generating greater personnel commitment to the Entity's key objectives. Senior Management is directly involved in the elaboration of the company's objectives and all of them are managed with an absolutely transparent form for the evaluator and the evaluated. In 2018* the degree of achievement of Adif-AV's objectives was 98%, evaluating a total of 191 people, representing 92% of the staff. (*) *latest available data*

Two outstanding actions have been carried out as a result of this performance evaluation and the Integrated Management by Objectives Model:

- Further implementation of the Management Development Community, integrated within the Conecta 3.0 platform, which generates its own content related to the development of

competencies and promotes the exchange of knowledge and the collective intelligence of the organisation.

- Continue with the preparation of the monthly newsletter entitled "La marmita", which all members of the community receive by e-mail and which includes the main news from the blog. By 2018, 65 editions have been made, with more than 400 blog entries and nearly 200 file shares.

In line with the results of the performance evaluation, and during 2019, the development of the TV Training Portal, Adif's Video on Demand (VOD) platform, which promotes learning, participation and recognition, has continued. Below are the definitions of each of the channels and the accumulated results up to 2019. The most relevant data is that the Billboard of Success, the showcase that displays the premieres of each of the channels, has exceeded 100,000 views in 2019.



98% of those evaluated in the Integrated Management by Objectives Model (DPO) have achieved the objectives set.

	SUCCESSFUL EXPERIENCES	IN THE FLESH	THE MANAGEMENT CLUB	MY DAY AT ADIF	SUCCESS STORIES
Definition	Circumstances or professional events experienced by the protagonist that produced successful results (2013)	Management processes as told by their protagonists (2014)	Humour in monologue format as a persuasive tool (2015)	Put a face to the day. A channel destined to universalize the protagonism (2016)	The showcase, hosted by the corporate portal, announcing the premieres of the different TV training portal channels (2015)
Videos	208	36	30	27	550
Displays	52,083	4,486	6,359	6,419	101,371
Comments	4,656	124	809	231	7,733
"I like it"	7,275	106	941	342	11,547
Average	4.48 / 5	4.50 / 5	4.59 / 5	4.53 / 5	4.51 / 5

Finally, in 2019, other unique development programmes have continued to be developed, such as

PEER-TO-PEER COACHING

Innovative Talent Development practice aimed at enhancing people's experience and management skills through professional support and accompaniment work that is reinforced by self-knowledge and peer learning and based on ethical commitment, collaboration, trust and horizontality.

The program, which began in 2015, has 3 lines of evolutionary training L1 "Peer Coaching", L2 "Coaching Community" and L3 "Internal Coaching" being this last line the one that grants the professional accreditation of "Internal Coach". Currently, the program has 8 accredited internal coaches and 43 people integrated in the 3 training lines. In 2019 the programme has received the Honorary Award in the first AECOP competition "Coaching Culture in the Company" in recognition of the work of disseminating executive coaching.

PEOPLE WHO CHANGE THE COMPANY

This programme aims to identify future trends within the framework of the Transforma 2020 Strategic Plan, as well as to reflect on the impact of the trend in our sphere of influence, favouring the establishment of close relations between programme participants. The people who participate in the programme select the areas of activity, favouring the participation of the youngest managers.

Recorded monthly conferences are held to encourage the transmission of knowledge and in which the participants worked as a team as a Think Tank, detecting trends for personal improvement, organizational trends and social trends.

In 2019 this programme has been developed giving the absolute protagonism to the participants: "From Spectator to Protagonist", and has completed its third and definitive stage closing the cycle that started in 2017 with the following objectives:

- Identify future trends.
- To reflect on the impact of the trend in our area of influence.
- To establish close relationships between the participants in the programme.

To maintain permanently updated capacities, behaviours and knowledge about the new trends in order to satisfy the needs of the organisational map when necessary.

LEAVING A FOOTPRINT

In 2019 the second edition of the program "Dejando Huella" has been completed and the third season that will end in 2020 has begun. "Dejando Huella" is a program in which the senior managers of the organization act as transmission agents of knowledge, experience, attitudes and business culture in three formats: something to read (a book), something to tell (a power point presentation) and something to watch (a video).



EXTERNAL EXAMINATIONS

In 2019, the development initiatives mentioned above have been presented to the different national awards, which recognize the best practices in HR: "Cegos Equipos & Talento" in its 10th edition we presented "Experiencias de Éxito"; "Expansión a la innovación en RRHH" in its 17th edition we presented "Dejando Huella" and to the "Club de Excelencia en la Gestión a las Buenas Prácticas" in its 3rd edition we presented "Formación TV, plataforma de vídeos bajo demanda (VOD) de Adif".



5.6.7. Equality

Adif-AV has always shown its interest in and commitment to participating in and carrying out actions in favour of non-discrimination between women and men in employment, as an essential principle of human resources policy.

In this way, the First Adif Collective Agreement, in force in Adif Alta Velocidad since its inception, based on the agreement on guarantees for the segregation of Adif in accordance with RD 15/2013, was a decisive milestone in this area as it included such important issues as conciliation, selection and training measures, the creation of the Joint Commission for Equal Opportunities and Non-Discrimination, measures against gender violence, the preparation of diagnoses of the situation in terms of equality and negotiation and the approval of the first Company Equality Plan.

The Second Collective Agreement between Adif and Adif Alta Velocidad has continued to make progress in these areas, creating technical development committees on issues such as regulations, working hours and schedules and conciliation, as well as matters such as setting the annual working day at 1642 hours, counting as eight hours a day, increasing death benefits and aid for disabled children, leave of absence for care of dependent persons, new system of leave up to the second degree of consanguinity or affinity, unpaid leave of up to one month for the death of certain family members, unpaid leave for assisted reproduction, teleworking, new timetables, incorporation into the body of the collective agreement of the new equality plan when agreed, among many other measures.

The First Adif Alta Velocidad Equality Plan was approved unanimously by the company and all the trade unions represented in the Adif Alta Velocidad Social Policy and Equality Commission and later ratified also unanimously by the Negotiating Commission of the Second Collective Agreement and incorporated into the BOE of 9 November 2019. This agreement includes many actions to be developed in accordance with its different specific objectives: access to employment, equality, working conditions and professional career, training, information and awareness, working time and conciliation, remuneration and gender violence.



RECONCILIATION MEASURES

Adif-AV classifies the labour regulations applicable to collective bargaining personnel in terms of the reconciliation of work, family and personal life into six groups:

General

- **De facto couples:** the rights granted to de facto couples are granted regardless of their sexual orientation.
- **Time flexibility:** New regime of flexible working hours and establishment of a time limit of 18:00 in many of the company's premises.
- **Reduction of working hours:** Establishment of a new regime of reduction of working hours agreed with the representation of personnel in accordance with the provisions of the 2018 GMP, consisting of a reduction of 10 days less working hours in 2019 and 2020 under the agreed conditions.
- **Part-time work.**
- **Paid leave:** for marriage (fifteen working days), death of family members (from 2 to 6 days), fulfilment of an inexcusable public and personal duty, transfer of habitual residence, own affairs without justification (three days per working year). After the signing of the Second Collective Agreement, they are extended to the second degree of consanguinity or affinity.
- **Unpaid leave:** between six and ninety days per calendar year.
- **Holidays:** thirty-five calendar days plus public holidays.
- **Voluntary leave:** between four months and five years.
- **Geographical mobility:** for meeting with a spouse or partner and temporary for medical or social-family reasons.

Specific

- **Maternity protection:** paid leave; change of position when work performance has a negative influence on the health of the mother or child; temporary suspension of the work contract in risky pregnancies; protection against dismissal.
- **Birth of children, adoption-fostering:** reductions in working hours; leave during hospitalisation and continuous treatment; absences or reductions due to premature births; paid leave of 2-3 days for the birth of children; extension of paternity leave, breastfeeding leave; voluntary leave; geographical mobility; protection against dismissal.

Family Members care

- **Guardianship permits for the elderly disabled.**
- **Reduced working hours** for legal guardianship or care of a relative.
- **Paid leave:** for serious illness or surgery without hospitalisation. And extension of unpaid leave due to the death of some family members.
- **Leave to care for a relative** up to the second degree of consanguinity or affinity.

Protection against gender violence

- **Reductions in working hours,** leave of absence, geographical mobility, leave of absence, justified absences allowed.

Training opportunities

- **Preference for choosing work shifts.**
- **Paid leave** to take examinations for a professional qualification.
- **Vocational training** provided by Adif-AV.

With regard to work-life balance, the Equality Plan establishes the initiatives promoted and offered in terms of work-life balance to Adif-AV employees. All the measures for conciliation existing in Adif-AV are included in its labour regulations and their content can be consulted by all employees within the Inicia Portal.

GENDER EQUALITY INITIATIVES

In 2019 Adif-AV has participated in different initiatives in favour of women and gender equality:

- **Project "Women and Engineering"**: Adif-AV has started the procedures to participate and sponsor the project "Women and Engineering", promoted by the Royal Academy of Engineering (RAI). The project aims to contribute to solving the problem of the worrying shortage of women in the field of science and technology and in MINT professions (mathematics, engineering, natural sciences, technology), with a gender gap that leads to a lack of creative potential and talent needed by companies and society in general.
- **"Paredes que Hablan" (Walls that Speak)** Campaign: this campaign promoted by the Fundación Mujeres aims to raise awareness of the reality of the sons and daughters of victims of gender violence, through the stories of the families that care for the children who are victims. Adif-AV has exhibited four panels with bone conduction technology at different stations so that the recording of the story can be heard by leaning on them.

In addition, the president of Adif and Adif-AV Isabel Pardo de Vera, has participated in some events in 2019 to contribute to the promotion of gender equality in society:

- Event at the Gerardo Diego de Pozuelo High School in Alarcón for the promotion of scientific and technological vocations.
- STEM & Retail Innovation Forum: topics such as the talent deficit in STEM, the most demanding sectors, the current state and the most urgent challenges facing the sector were discussed.
- Round table at the Women NOW initiative (Museo Reina Sofía) with the title: Women & Work: still a world for men?

Finally, with regard to other actions in favour of gender equality, it should be noted that Adif-AV participated in 2019 in the questionnaire "Women's employment in European railway companies", promoted by the European Community of Railway and Infrastructure Companies (ECCI) and the European Transport Workers' Federation (ETF). The aim is to compare with the rest of the companies in the sector in terms of equality, thus promoting continuous improvement.

On the other hand, in addition to promoting gender equality, Adif-AV is against any type of discrimination that may occur in the performance of its activity. The Code of Ethics and Conduct establishes that no employee may exercise or permit degrading treatment against any other employee, regardless of the position they hold. Any action that implies contempt and/or harassment for sexual reasons, religion, ethnicity, race, nation, illness, disability or any other personal, family or social circumstance is totally prohibited.



Adif-AV has drawn up a **protocol for action in the face of possible situations of sexual harassment, gender-based harassment and moral harassment**, with the agreement of all the unions. There is also an action **protocol for dealing with harassment in the workplace**. Both are currently being reviewed.

5.7. Customer orientation

Adif-AV works daily to meet service needs and to maintain collaborative relationships with its clients. In addition to users of the railway system, its external customers include railway operators, customers of companies and traders and governments of other countries.

The promotion of accessibility and care for people with disabilities is one of the positive social impacts in which Adif-AV is most involved, always seeking to make the managed infrastructures as accessible as possible for all its customers.

5.7.1. Customer Satisfaction

Adif-AV has different channels through which it maintains continuous and updated communication with its users and other external clients. The most widely used channel is its corporate website, where it makes available to all interest groups all the updated information concerning its activity. In addition, and as more direct channels of contact, there are Customer Service Offices, e-mail and telephone.

Depending on the type of customer in question, Adif-AV surveys their opinion in different ways and establishes mechanisms to improve the service:

Passenger Stations



In 2019, the result of the study on the Quality Perceived by Users of Travellers' Stations was presented. This study showed a perceived quality of the stations of 7.76 out of 10.

Based on this data, Adif-AV is carrying out a continuous process of improvement of the stations in different aspects to be able to offer the passenger a better service. In this way, work is being done to improve the accessibility of the stations, to enlarge the waiting and boarding areas, and to improve accesses or underpasses.

Indicator description		Units	2016	2017	2018	2019
INFORMATION PERFORMANCE IN SOCIETY AND PRODUCT RESPONSIBILITY	Perceived quality in stations	points/10	7.61	7.55	7.00	7.76
	Perceived quality in freight transport	points/10	5.6	7.3	7.3	ND

**Customer satisfaction surveys at Passenger Stations: In 2019 the result of the study on the Quality Perceived by Passenger Stations users was presented. It contains the results of a survey carried out.*

Railway operators



- **Periodic contact:** Adif-AV seeks to know first-hand your opinions and expectations and thus identify opportunities for improvement that will favour the development of the business.
- **Biennial satisfaction studies:** on the services provided.

Retailers



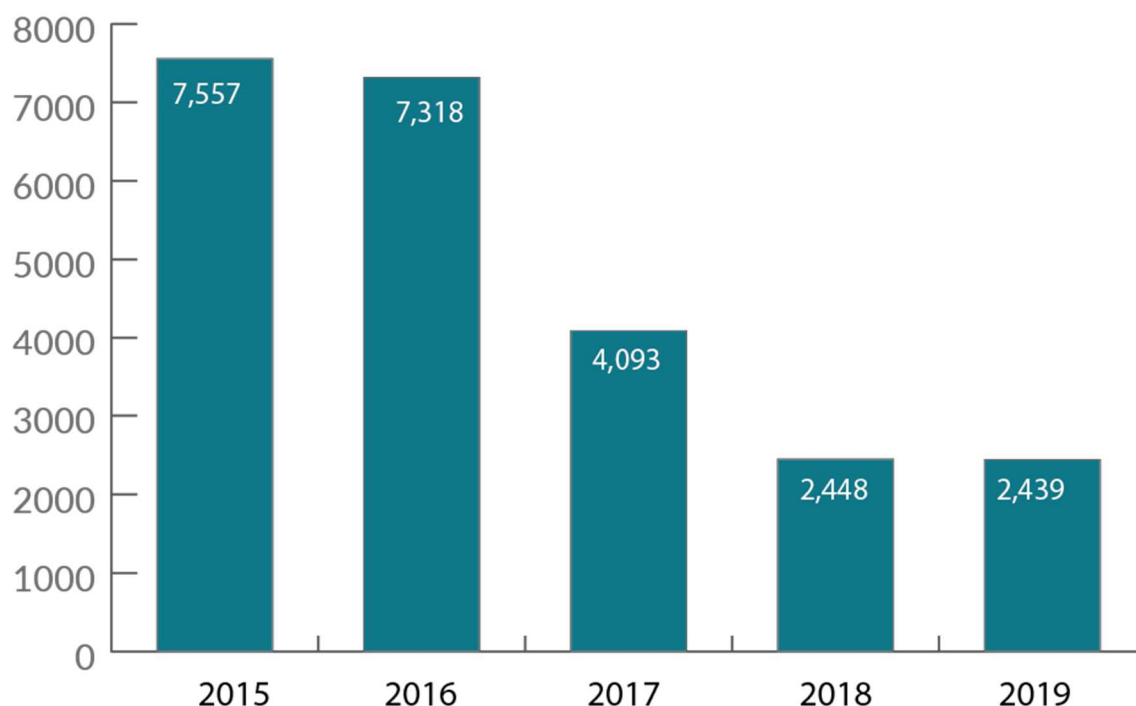
- **Satisfaction surveys:** in 2019 they were not carried out as they are biannual.
- **Management and dynamisation of the station's store** profiles on social networks (Facebook, Instagram, Twitter) where the stores collaborate with promotional content and the end users participate in them and interact with the brands.
- **Annual award for the best establishment** with a station or Vialia Brand

Adif-AV has a complaints and suggestions service that facilitates communication with customers to find out their expectations and detect areas for improvement in management and their correct treatment. A computer application called RECLAMA is used to manage all the files. The answers provided to the users are made in writing to their postal address or by e-mail. Additionally, at the stations themselves, citizens have complaint books where they can express their grievances.

Claims, complaints and suggestions, derived from possible breaches of legal or other requirements, incidents or deviations, facilitate Adif-AV's communication with customers to find out their expectations and detect areas for improvement in our station management. These can be submitted to the Passenger Service Offices at the stations themselves or, in some cases, can be received by e-mail

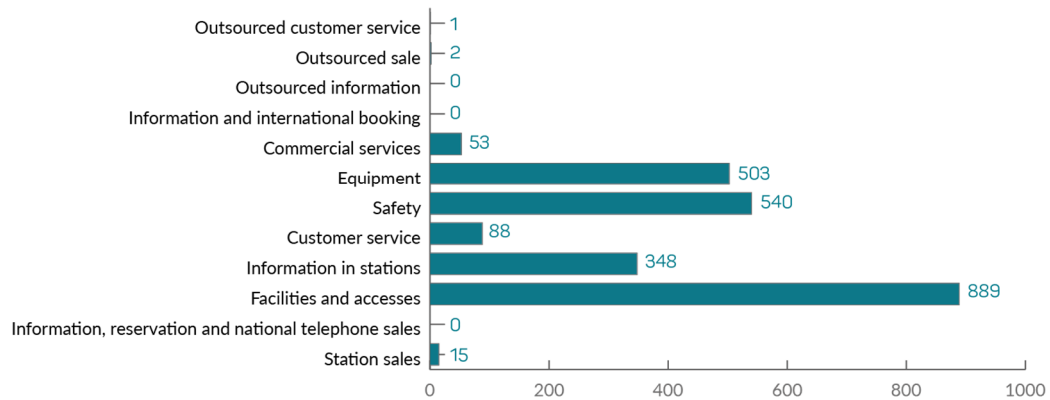
In 2019, 2,439 complaints corresponding to Adif and Adif-AV stations were resolved and 158 suggestions and 36 congratulations were received. This information allows Adif-AV to identify possible areas for improvement in order to achieve a higher level of customer satisfaction.

COMPLAINTS AT PASSENGER STATIONS



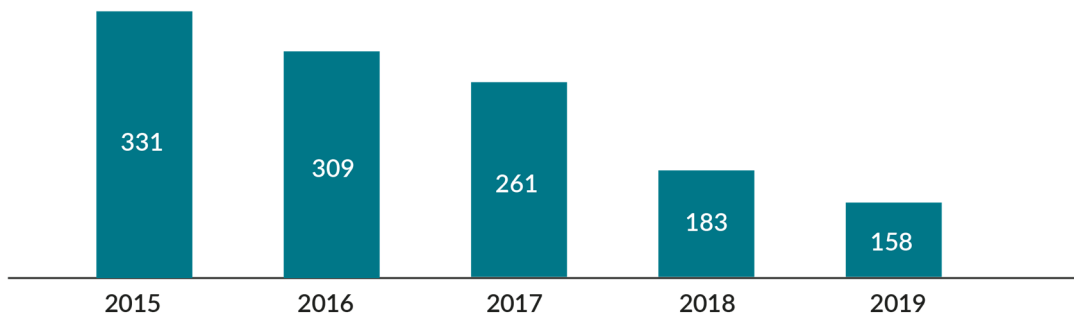
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COMPLAINTS RECEIVED BY SUBJECT

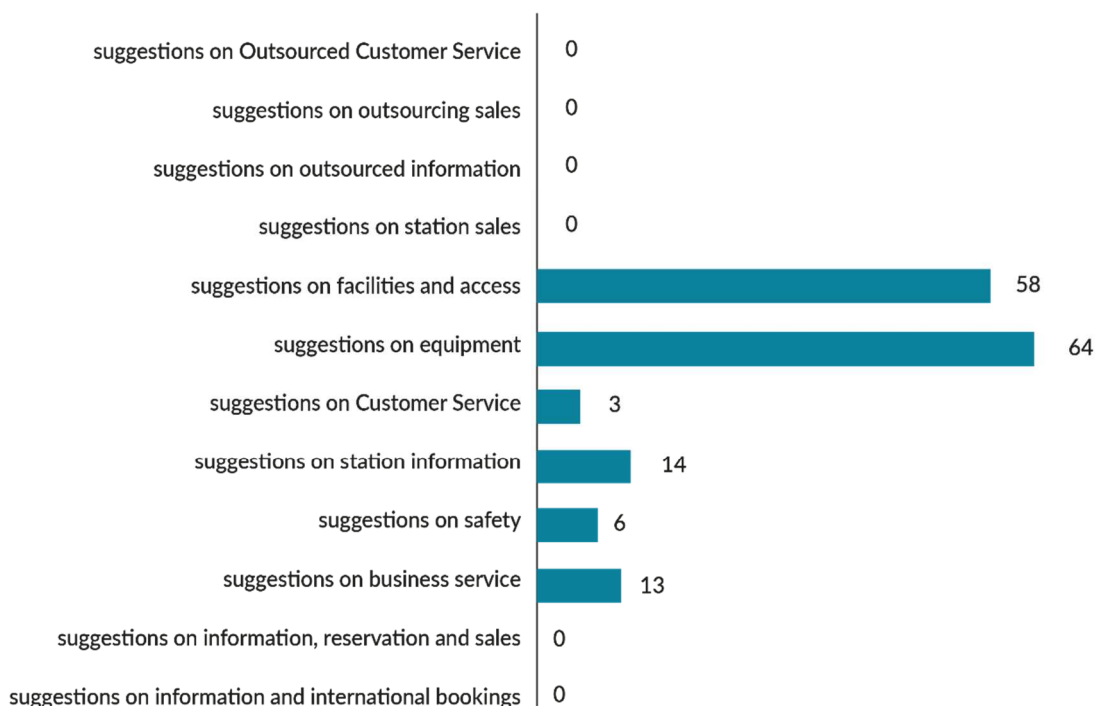


In 2019 there was a **0.37% drop in complaints** compared to the previous year, with complaints about facilities and accesses being the most numerous.

SUGGESTIONS RECEIVED AT PASSENGER STATIONS



SUGGESTIONS RECEIVED BY TOPIC



The total number of **suggestions** received at Adif and Adif-AV stations in 2019 **fell by 15.8%** compared to the previous year, with equipment, facilities and accesses being the categories that received the most suggestions.

5.7.2. Accessibility

Within the Strategic Objective of social cohesion of the PT2030, all the improvements made in terms of station accessibility are also included, this being an issue of maximum relevance for Adif-AV. Therefore, it is a matter of progressively improving the conditions of accessibility of the stations we manage, thus eliminating the difficulties that may represent discrimination in access to railway transport.

Along these lines, Adif/Adif-AV and Renfe-Operadora are working together to draw up a Master Plan for Railway System Accessibility (Plan Accede 360), which will aim to develop a model in the short, medium and long term (2019-2028) that will define the framework for carrying out actions to improve accessibility, from a global (the whole travel cycle) and integrated (infrastructure-trains) approach, with the ultimate aim of ensuring transport based on criteria of equality, dignity, maximum autonomy, comfort and safety, which is accessible and does not represent barriers for people with disabilities.

It is therefore a tool that can be complemented with the annual action plans defined by each entity, so that it is possible to further specify the actions to be developed in this framework.

To this end, a joint Adif/Adif AV-Renfe Operadora working group was created in 2018, made up of professionals from both entities, with the aim of having a document in place by 2020. The starting point was RENFE's Integral Accessibility Plan 2019-2023 and the actions planned by Adif/Adif AV for the coming years.

The Plan consists of three phases:

- Phase 1. - Legal: development in stations with more than 750 passengers per year or provincial capitals and in their station-train systems (arrival at the station, transit, access-stay-departure of the train, transit, departure from the station).
- Phase 2 - Deployment: progressive development in stations with less than 750 passengers per year. It will be carried out according to the available resources.
- Phase 3 - Continuity and deepening: complete cycle of the journey with actions aimed at informing and raising awareness among the population (communication and information channels before and after the journey).

The Accede 360 Plan will provide Adif/Adif AV for the first time with a planning and action tool to cover, in collaboration with Renfe, the three main needs demanded:

- ✓ The right of people with any type of disability to be able to use public transport such as the Railway to get around.
- ✓ The growing social demand both at the level of social awareness in the country and the guidelines at the international level (EU/UN-SDG).
- ✓ The duty to comply with the applicable regulations in force within the established deadlines

In addition, we have continued to collaborate with representative organizations in the disability sector, such as the State Confederation of Deaf People (CNSE) or the Spanish Committee of Representatives of People with Disabilities (CERMI).

In 2019 the Master Plan is in the final phase of joint drafting between Adif/Adif AV and Renfe. For its validation, it is necessary to provide the Plan with an economic amount that allows its subsequent development and implementation through annual action plans.

Adif-AV has a service for the hearing impaired called DIALOGA, which facilitates communication and access to service information at the stations. DIALOGA consists mainly of a video interpretation service in sign language at the Customer Service Offices and a public address service at the station that is represented textually on the information monitors. Through the information monitors, the most relevant incidents, emergency situations and other general messages are transmitted in sign language. In addition, a telephone information and communication service via text is available for mobile devices.



Through the corporate website of Adif-AV you can consult the Adif stations adapted in their services and facilities to the needs of deaf and hearing-impaired people.

www.adifaltavelocidad.es

In 2019 the **DIALOGA** service has been provided at **20 stations**: Alicante (AV), A Coruña (Multioperador), Albacete Los Llanos (AV), Barcelona Sants (AV), Ciudad Real (AV), Córdoba (AV), Cuenca Fernando Zóbel (AV), Gijón (Multioperador), Girona (AV), León (AV), Madrid Chamartín (AV), Madrid Puerta de Atocha (AV), Málaga María Zambrano (AV), Ourense (AV), Oviedo (Multioperador), Santiago de Compostela (AV), Sevilla Santa Justa (AV), Valencia Joaquín Sorolla (AV), Valladolid Campo Grande (AV) y Vigo Guixar (Multioperador).

Adif-AV is fully aware that much remains to be done in the field of accessibility. At present, of the 1,495 passenger stations in the network owned by the Railway Infrastructure Manager, specifically 841 stations managed by Adif/Adif-AV are accessible (aggregate data), and serve 865.9 million passengers per year; and allow around 85.07% of passengers who transit the entire network to do so autonomously. In the remaining 654 stations that are not accessible at present, work is being carried out in 113 of them (including 4 high-speed stations: Alicante, Loja, Murcia and San Sebastián, which are affected by works), so that when these actions underway are completed, 954 stations will be adapted, which will mean that around 93% of the passengers who travel through the 1,495 stations will do so autonomously.

In 2019, an **investment** of 25.87 million euros (with VAT) has been made in the drafting and execution of works, of which **12.7 million euros (with VAT) correspond to actions related to accessibility**.

Indicator description		Units	2016	2017	2018	2019
INFORMATION PERFORMANCE IN SOCIETY AND PRODUCT RESPONSIBILITY	Accessibility in stations*	of passengers accessing stations with accessible itineraries managed by Adif / Adif-AV*	80.08	81.21	83.19	85.07

*(Adif and Adif-AV integrated indicator) Universal accessibility for people with disabilities

5.8. Commitment to communities

Adif-AV is aware of the relevant impact that the development of its activity has on the communities in which it operates and on the country as a whole. The quality and availability of railway infrastructures, as well as their safety, the impact of these infrastructures on economic development and social cohesion, among many other impacts, have effects on the quality of life of citizens, in line with the purpose of "improving people's lives".

Therefore, it is important to take into account the different impacts generated on citizens and the strategy to deal with them is increasingly positive, covering the purely operational and service dimension, but also the economic, social, environmental and governance dimension of the Entity.

5.8.1. Open Station Program

The Open Station Program is a cross-cutting program that will catalyse much of the social action of Adif-AV, being the main instrument to materialize the collaboration with the third sector. In this way, an excellent platform (every year more than 150 million people pass through Adif/Adif-AV stations) is made available to them, free of charge, to carry out activities that help them achieve their objectives, while the stations increase their value to citizens by providing them with cultural, social or environmental content.



The Open Station Program contributes, through its activities, to the fulfillment of Adif-AV's Social Action objectives and to the **Sustainable Development Goals**.

Collaborative work with non-profit organisations is regulated by an internal working procedure ("General Procedure for the Assignment of Space in Stations"). This procedure ensures that responses to requests for space are homogeneous, with explicit and shared criteria, regardless of the channel through which they are received. It also makes the process of attention and response to third sector organisations more agile and transparent.

Within the framework of the Plan Transforma 2030 and located within the strategic pillar of Sustainability, Adif-AV has set itself the objective of **contributing to social cohesion**. This objective is formulated as follows: "To provide an **accessible public service** and contribute to the **improvement of local communities** and **vulnerable groups**".

SOCIAL COHESION

On the other hand, and in a strategic way, in the actions of the Open Station Program, the groups defined as priorities prevail. The WP 2030 includes in the Strategic Objective "Social Cohesion" two strategic indicators of the Open Station Program:



Education, culture and values: number of people impacted (beneficiaries and participants) by education, culture and values campaigns.



Solidarity campaigns: direct economic return obtained from fundraising campaigns and partners. In 2019, this return was 146,351 euros, down from 379,124 euros the previous year.

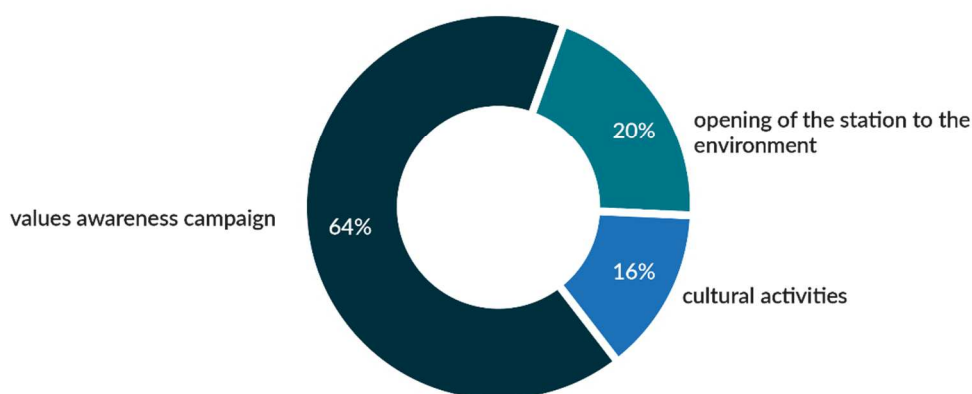
In 2019, the activities carried out increased by 18% with respect to the previous year, with 486* activities, on 78* different stations and with an estimated audience of 2.22* million people (*Adif/Adif-AV aggregate data). The number of entities that have carried out some activity at the stations follows the same upward trend. In 2019, Adif-AV collaborated with 106 organisations (associations, foundations, town councils, public agencies or ministries), in this case the increase is 1% compared to the 105 entities with which it collaborated in 2018. Adif-AV's indirect contribution to the Open Station Program, measured as lost profits, was 65% more in 2019 than in the previous year, with 958,548 euros due to the increase in the duration of activities at the stations.

In 2019 the number of activities and entities with which Adif-AV has collaborated has increased

The Adif-AV Open Station Program has three lines of action that combine the activities carried out and that can be enjoyed in different stations of the railway network:

- **Opening of the station to the surroundings**, which includes information and dialogue actions with citizens
- **Awareness campaigns in values**
- **Culture**, highlighting artistic events by new artists, concerts, exhibitions, etc.

OPEN STATION ACTIVITIES 2019



All entities to which Adif-AV assigns space within the framework of this program must complete an action evaluation form from which two indicators are derived, the average assessment of the result of the activity as a whole and the average assessment of the collaboration provided by stations.



In 2019 the **NGO's** evaluated their satisfaction with the activity in this program framework with a 9.3 rating and an 8.8 rating for the collaboration with Adif-AV.

The 2019 evaluations reflect very similar results to those of previous years. The rating given to the collaboration provided by the stations continues to be high, having reached 9.3 and the assessment of the result of the activity as a whole obtains a very satisfactory score of 8.8. In 2019, a great effort has continued to be made to ensure that a high percentage of organisations complete this form. Specifically, 55% of the entities with which we have collaborated have completed it.

Some entities have voluntarily reported the direct return of their activities within the framework of the Open Station Programme. The economic return reported by the participating entities amounts to 19,871.25 Euros (2,547.25 Euros more than in 2018). A different trend is maintained with the recruitment of members, in 2019 1,054 members were obtained (1,961 less than in 2018).

Indicator description		Units	2017	2018	2019
INFORMATION ON PERFORMANCE IN SOCIETY AND PRODUCT RESPONSIBILITY*	Collaboration with NGOs and other non-profit organisations				
	(Education, culture and values)	M people impacted	1.81	2.00	2.22
	(Integrated ADIF - ADIF AV).				

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Indicator description	Units	2017	2018	2019
Collaboration with NGOs and other non-profit organizations (Solidarity campaigns) (Integrated ADIF - ADIF AV).	M euros	299.93	379.12	146.35
Sponsorship Contracts signed with non-profit associations	Nº	-	2	2
Membership in national associations (CR)	Nº	3	3	3

* The company's commitment to sustainable development: the impact of society's activity on employment and local development; the impact of society's activity on local populations and the territory; the relations maintained with local community actors and the modalities of dialogue with them; membership of national and international associations; sponsorship actions; agreed collective agreements.

5.8.2. Heritage and Urbanism

Adif and Adif-AV manage the real estate assets they own with the ultimate aim of having a positive impact on the communities in which they are located, generating a shared value that benefits society as a whole. In this way, they contribute to the sustainable development of the railway system and its urban-railway integration in the cities, in line with the policies set by the competent institutions. In 2019, the Madrid Nuevo Norte Project has been continued:



MADRID NUEVO NORTE

Pursuant to Clause Twelve of the Amendment Contract of 28 December 2018, the Follow-up Commission was established on 8 March 2019, and it was agreed to create four Technical Committees that have met on a monthly basis.

On 22 April 2019, the Madrid City Council, Adif, Adif-Alta Velocidad, EMT and DCN signed the *General Protocol of Action for the Execution of the Singular Actions Identified in the Modification of the Madrid General Urban Development Plan related to the Areas APE 05.27 Colonia Campamento and APR 08.03 Extension of La Castellana in order to guarantee the Correct Technical Viability of the Operation of the Urban Development Operation called "Madrid Nuevo Norte"*.

On 29 July 2019, the Plenary Session of the Madrid City Council provisionally approved the modification of the 1997 Madrid General Urban Development Plan for RPA 08.03 "Extension of La Castellana" and RPA 05. 27 "Colonia Campamento", for the definition of the determinations and planning parameters of the urban operation "Madrid Nuevo Norte", with the creation of a Planning Area referred to 05.10 "Estación Chamartín" and three Specific Planning Areas called APE 08.20 "Malmea-San Roque-Tres Olivos", APE 08.21 "Las Tablas- Oeste" and APE 05.31 "Centro de Negocios Chamartín".

In addition, the Entity has continued to develop its regular asset management activity, with the following activities being particularly noteworthy:

- **Agreements with other administrations and organisations:** The company has collaborated with other departments in the negotiation of agreements in the cities of: A Coruña (future intermodal station), Lugo (future intermodal station), Vigo (accesses to Vialia and urban tunnels), Barcelona, (new urban planning around the Barcelona-Sants station). A Coruña (future intermodal station), Lugo (future intermodal station), Vigo (accesses to Vialia and urban tunnels), Barcelona, (new urban planning around the Barcelona-Sants station).
- **Urban Planning Reports:** Numerous urban planning reports have been issued, as well as suggestions and/or allegations to different planning instruments, including Barcelona (Initial Approval MPGM Sector Prim), Logroño (Final Approval of the Modification of the PERI Railway), Lleida (Provisional Approval of the POUM) and Valladolid (2nd Public Information of the Revision of the PGOU) Barcelona, (PMU Les Glories). Bilbao (Revision of the Urban Plan). Camargo (PGOU). Irún (Mod nº1 PGOU). Vilafant (POUM).
- **Inventory:** The Annual Real Estate Inventory Incorporation Program for the land corresponding to High Speed lines in service has involved the incorporation of 65 Inventory Units, 15,468 properties with 45,041 associated documents corresponding to 16.7 million m².
- **Property and Urban Planning Reports:** 66 Property and Urban Planning Reports have been issued at the request of other Directorates, 24 of which correspond to High Speed actions. Likewise, several reports have been issued to projects and informative studies of High-Speed actions.
- **Proposals for a Declaration of Unnecessity and Agreement for the Reversal of the Decision:** Reversal proceedings have been carried out on 364,705.79 m² of surface area (mostly land used for rubbish dumps or the extraction of material for the AVE, and also for supported expropriations and requests for reversal). Files on the reduction of the building boundary line and the public domain area: 3 files on RLLE in urban areas have been opened and 1 file on the reduction of the public domain area has been resolved.

5.8.3. Corporate Group

With respect to the management of the Corporate Group, it should be noted that Adif - AV has stakes in 20 entities (companies, consortiums, foundations, economic interest groups and associations).

The entities and companies in which Adif - AV has participation are the following:

Consulting and Business Companies	Ineco, S.M.E, M.P., S.A. [Adif AV (20,68%)]	
Public-Private Partnerships	Track and Facilities	Albali Señalizaciones, S.A. [Adif AV (10%)]
		Energía Olmedo – Ourense, S.A. Fase I [Adif AV (10%)]
		Vía Olmedo – Pedralba, S.A. [Adif AV (10%)]
Others	International	Hit Rail, B.V. [Adif AV (4,35%)]
	Alta Velocidad Alicante Nodo del Transporte, S.A. [Adif AV (30%)]	
	Almería Alta Velocidad, S.A. in liquidation [Adif AV (40%)]	

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Integration	Barcelona Sagrera Alta Velocitat, S.A. [Adif AV (30%)]
	Cartagena Alta Velocidad, S.A. [Adif AV (40%)]
	Gijón al Norte, S.A. [Adif AV (30%)]
	León Alta Velocidad, S.A. (in liquidation) [Adif AV (37,50%)]
	Logroño Integración del Ferrocarril, S.A.[Adif AV (30%)]
	Murcia Alta Velocidad, S.A. [Adif AV (40%)]
	Palencia Alta Velocidad, S.A. [Adif AV (40%)]
	Valencia Parque Central, S.A. [Adif AV (30%)]
	Valladolid Alta Velocidad, S.A. [Adif AV (30%)]
	Alta Velocidad Vitoria – Gasteizko Abiadura H., S.A. [Adif AV (40%)]
	Zaragoza Alta Velocidad, S.A. [Adif AV (30%)]
Foundations	Fundación de los Ferrocarriles Españoles [Adif AV (25%)]
Associations	Asociación ERESS

Adif - Alta Velocidad has entrusted Adif with the management of its corporate group. In relation to this assignment, in 2018, Adif launched the "Plan de Posicionamiento del Grupo Societario", with the intention of establishing the role that Adif - AV plays in these entities in which it participates and assessing the importance and the need to continue being part of them, analysing the competitive, economic, legal, operational, social, sustainability and environmental advantages that may arise from this.

This plan is in line with the following SDG:



Within the framework of this Plan, different projects are being developed:

- Reduction and Rationalisation of the Corporate Group, in line with the agreement of the Council of Ministers of 16 March 2012 approving the Plan for the restructuring and rationalisation of the state-owned public business and foundation sector.
- Definition of the Adif - Alta Velocidad Subsidiary Group Model.
- Improvement of the impact of Adif - Alta Velocidad's participation in the different entities (foundations, associations, specific purpose companies and integration companies).
- Development of a new internal regulatory framework to improve the management of the corporate group.

The activity carried out in the area of the **management of the Corporate Group** was as follows:

- The monitoring and control of the different entities, their operating programmes and the annual accounts, as well as the management reports.
- The supervision of the agreements adopted in the governing bodies of these entities, ensuring that these agreements are in line with Adif - Alta Velocidad's strategy.
- The supervision of the technical and economic viability of the different entities, as well as their proposals for action.

In particular, the continuation of the development of the Positioning Plan, and, in particular, the project of "Definition of the Subsidiary Group Model" for which meetings are being held with all the areas of the company in order to capture all the points of view that will serve as a basis for the future definition of the Adif - Alta Velocidad Corporate Group.

Over the next few years it is intended to continue the development of the Positioning Plan with the projects that derive from it and, in the next few months, it is planned that Adif - Alta Velocidad will acquire 12.5% of Emfesa.

5.8.4. Integration companies

In relation to the Integration Companies, it should be noted that Adif AV participates in 13 Railway Integration Companies in the following cities (Alicante, Almería, Barcelona, Cartagena, Gijón, León, Logroño, Murcia, Palencia, Valencia, Valladolid, Vitoria and Zaragoza).

These companies are the result of agreements signed since 2002 between the Ministry of Public Works and Transport and its regional and local administrations, in order to achieve a better integration of the railway in urban areas.

These agreements include all the necessary railway and urban development actions, detailing their costs and method of financing, as well as the powers and obligations of the signatories and of the Company, with the latter's mission being to manage urban development and execute the infrastructure and urban development works corresponding to the land released in the city's various spheres of action.

Furthermore, the Company is responsible for defining the programming and economic balance of the operation, taking into account that all the economic resources obtained as a result of the urban development of the land transferred by the partners and/or private owners of the land will be applied, in the first place, to the payment of the railway works included in the agreement.

The activity carried out in the area of **integration companies** derives from the decisions that had to be taken as a result of the imbalances that occurred in these companies due to the economic and financial difficulties that Spain suffered from 2011 onwards. Therefore, within the framework of the Integration Companies, it has been necessary to reinforce work aimed at guaranteeing the development of the actions committed to in agreements, fundamentally aimed at:

- Making the Integration Societies viable by reviewing the integration plans defined at source, promoting each of the milestones that make up the global project to rethink, modify or extinguish the Agreements, proposing new integration solutions, or adapting the integration model to the current situation.
- Adapt the financing of these operations to the costs defined in the integration solutions.
- To eliminate the bank debt of the Companies in order to minimise the extra costs involved in these contracts.
- Implement different financing methods so as not to link these operations to urban development gains.

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- To value the disaffected lands in order to obtain economic resources and to return the bank, participative and mercantile debt of the SIF.

To this end, the following documents have been signed for integration operations linked to Integration Companies in 2019:

- Protocol for the integration of the railway in the city of Valencia (9/4/2019).
- Agreement for the integration of the railway in the city of Gijón (8/5/2019)
- Amending addendum to the Convention for the integration of the railways in the city of Murcia (17/5/2019)
- Addendum to the Convention for the integration of the railway in the city of Alicante (1/10/2019).

In addition to the above documents, some of which propose new operations and others modify the agreements that gave rise to the Integration Companies, Adif Alta Velocidad and these companies have signed others necessary for their management or operation, which are listed below:

- Lease contract for the car park located next to Palencia railway station, on 25 February 2019.
- Addendum to the Framework Agreement for the execution of Sant Andreu Comtal station, on 8 July 2019.
- Addendum to the Framework Agreement for the execution of civil protection and safety installations in the Sagrera tunnels, dated 25 June 2019.

Furthermore, in order to improve communication between the central, regional and local administrations, in 2019 the Technical Commissions have been promoted in which all the partners share updated information on the progress of integration actions and also constitute forums for solving possible incidents generated by the execution of these integration actions.

On the other hand, and with the aim of providing improvements in the integration of the railway in the cities, so that these are more sustainable, a preliminary analysis of the situation of the railway in the provincial capitals has been carried out, with a collection of data of a socio-economic, railway and town-planning nature whose ultimate objective is to have information to facilitate the adoption of future decisions regarding the possible solutions for the integration of the railway in the cities in line with the SDG.

Over the next few years, it is planned to continue working on updating the different Protocols or Conventions that need to be updated according to the recommendations of the Court of Audit in 2017, the entry into force of Law 40/2015 on the Legal System of the Public Sector and the new models for integrating railways into cities that guarantee sustainable integration that takes ODS into account.

As for the most relevant actions carried out within the companies during 2019, the following should be highlighted:

- **Alicante Nodo del Transporte:**
 - In October 2019, a Modifying Addendum to the Agreement was signed to promote the completion of urban development actions, contemplating the execution of the rest when funding becomes available.

- **Almería Alta Velocidad:**

- The works for the integration of the railway in the area of El Puche are in progress and the works for the stretch between the River Andarax and El Puche have started (both works belong to Phase 1 of the railway integration).
- Work has begun on the drafting of Phase 2 of the integration project, which consists of the extension of the underground access section to Avda Mediterráneo (1.5 km underground), which includes the adaptation of the intermodal station to the high-speed rail system, with tracks and platforms on the surface.
- Adif and Adif Alta Velocidad have purchased the shareholding of Renfe Operadora in the company Almería Alta Velocidad.

- **Barcelona Sagrera Alta Velocitat:**

- Work on the station structure, accesses and the Garcilaso collector is in progress. In addition, the works contract for the Sant Andreu Sector has been resolved and the pending projects will have to be redefined.
- Signing of the Addenda for the execution of Sant Andreu Comtal station in July 2019 and for the execution of the works of non-railway installations corresponding to the tunnels of Sagrera station and its accesses in June 2019.
- In October 2019, the FR-05 plot in the surrounding area of the Sant Andreu sector was awarded for 10.44 million euros.

- **Cartagena Alta Velocidad:**

In February 2019, the Ministry of Public Works and Transport presented a Feasibility Study and it was agreed to continue with the necessary actions for the arrival of the High Speed Railway along the current access corridor, guaranteeing its compatibility with urban integration solutions for the railway.

It was also agreed that a new Information Study would be drawn up for a variant for freight that avoids passing through urban areas.

- **Gijón Al Norte:**

- In April 2019, the emptying of the Metrotrén tunnel was completed.
- In May 2019, a new agreement was signed that contemplates the completion of the Metrotrén by Adif and the construction of a new station in front of the railway museum and coverage up to La Calzada and Avenida Príncipe de Asturias.
- The Ministry of Public Works and Transport is drafting a new information study for the integration of the railway, comparing the current proposed location in front of the railway museum with that of Moreda.
- Adif is drafting the civil works construction projects for the Plaza de Europa station, the Bibio and Viesques stations and the Viesques-Hospital de Cabueñes section.

- **Logroño Integración del Ferrocarril:**

- In execution the works of the bus station and urbanization of the area financed by the City Council and Society.
- Work is in progress on the transfer of the La Portalada electric traction substation.
- In March 2019, the creation of a working group was approved to analyse the Agreement and the viability of phases 2 and 3.
- In June 2019, the modification of the Special Plan for Interior Reform was definitively approved.

- **Murcia Alta Velocidad:**

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- Work on Phase 0 of integration (Santiago El Mayor-Senda de los Garres) is underway.
- Work has begun on Phases 1 and 2 (Estación-Barriomar and Nonduermas).
- In May 2019, a Modifying Addendum to the 2006 Agreement was signed, allowing for the execution of all integration actions pending execution, financed by contributions from the partners. The partners have already made the contribution corresponding to the first year through a Participative Loan to the Company.
- **Palencia Alta Velocidad:**
 - The Ministry of Public Works and Transport is analysing a solution for integration in the city by keeping the station on the surface and burying it underground to a lesser extent than initially envisaged.
 - Adif AV and the company have signed a new lease for the station car park, and the latter has signed an agreement for the management of the car park with the City Council.
- **Valencia Parque Central:**
 - In April 2019, a Cooperation Agreement was signed, incorporating the commitments already made by which the Access Channel Phase III is co-financed by the Partners and Adif - Alta Velocidad/Adif assumes the execution of the Eje Pasante and the New Station.
 - The drafting of the basic and construction project of the New Access Channel (Phase III) by Adif - Alta Velocidad is still underway.
 - Regarding the urbanization, the works in the area of the Central Park pending execution have been tendered and the works for the qualification of the plots of Phase 1 A have been tendered and awarded.
- **Valladolid Alta Velocidad 2003:**
 - In April 2019, Renfe began the transfer to the NBMI, which is expected to be completed in the first half of 2020.
 - In May 2019, the City Council initially approved the revision of the PGOU.
 - In relation to the East Bypass, in May 2019 Adif put out to tender the contract for the supply and transport of sleepers for the East Bypass for an amount of 8.036M euros (VAT included) and that of track equipment for an amount of 6.12M euros (VAT included) for the East Bypass.
 - In September 2019, the Company signed the contract for the drafting of the construction project for the underpass in Panaderos y Labradores streets to the company GOC, S.A., which is currently being drafted
 - In October 2019, Adif AV awarded the project for the adaptation and expansion of the station to the company TYPESA, currently being drafted.
 - The 3-wire branch line was put into service in October 2019.
- **Vitoria-Gasteizko Abiadura Handia:**
 - At the Company's Board of Directors meeting on 17 January 2019, a new solution for the integration of the railway in the city of Vitoria was presented, urging the Ministry of Public Works and Transport to draw up a new Information Study.
 - In July 2019, the Ministry of Public Works and Transport published the announcement that the new Information Study for the integration of the railway in Vitoria would be submitted to public information.
- **Zaragoza Alta Velocidad:**
 - In May 2019, Manzana 6 (area G44/2) was sold for an amount of 15.97 million Euro (without VAT).

As of 2019 there are a total of **54 Integration Agreements, Protocols, Addenda, etc. with the companies** in which Adif-AV has participated since its creation.

5.9. Supplier Management

Suppliers are an essential part of the development of Adif-AV's activity and its relationship with them is based on guaranteeing the maintenance of partnerships and legal certainty in the concession and the transparency of the contracting process.

Both Adif and Adif-AV are public business entities and therefore subject to the provisions of **current legislation on public procurement**.

Specifically, Adif-AV's contracts are governed in their preparation, award, effects and termination by Law 9/2017, of 8 November, on Public Sector Contracts, (hereinafter, "Law 9/2017"), in accordance with the provisions of article 3.3 d) of said Law.

In addition, Adif-AV's contracts have the following legal regime:

- Contracts with a value equal to or greater than the thresholds for harmonised contracts established in article 16 of Law 31/2007, of 30 October, on procurement procedures in the water, energy, transport and postal services sectors (hereinafter, "Law 31/2007"), are governed in their preparation and award by the said Law; and in their effects and termination by the rules of Private Law.
- According to the eighth additional provision of Law 9/2017, contracts with a value lower than that indicated in the previous paragraph are governed, in general terms, for their preparation and award, by the rules of non-harmonised contracts established in Law 9/2017 for contracting authorities that are not Public Administration; and in their effects and extinction, by Private Law.

The Adif-AV supplier contracting process is established through the Contracting Policy, which includes rigorous selection parameters, and articulates all purchasing procedures through management based on transparency and security, contemplating all processes and their possible incidents.

5.9.1. Responsible Public Procurement

Adif-AV faces the challenge of making Public Procurement a fundamental and legitimate tool to contribute to objectives related to sustainability and social integration, while at the same time being compatible with the fundamental principles of Public Procurement: competition, freedom of access and transparency, non-discrimination and equal treatment.

For this reason, for each contracting process, Adif-AV carries out a supplier selection process in which suppliers must prove their business solvency, as well as their compliance with social and environmental requirements determined for each approval file. The processes of homologation and evaluation of suppliers in the contracting of Adif and Adif-AV are comparable to the conditions of solvency and capacity that are regulated in articles 65 to 97 of Law 9/2017 (for Adif contracts and, as far as applicable, to the non-harmonized contracts of Adif-AV) and in articles 21 to 31 of Law 31/2007 (for the harmonized contracts of Adif-AV). In addition, the contract specifications

specify the prerequisites to be met by bidders, which must be accredited prior to the awarding of the respective contracts.

In regards to the social, equality and environmental criteria used to select the bidders, these are set by the aforementioned solvency criteria or by the award criteria. Both criteria categories are set by the contracting authority in the contract specifications and are made available to the tenderers prior to the submission of their tenders. In the event of a tie, articles 131.1, and 145 to 148 of Law 9/2017 (for Adif contracts and, in those aspects applicable to contracts below the threshold of harmonised Adif-AV contracts) and articles 60 to 62 of Law 31/2007 (for contracts with an estimated value equal to or greater than those established in article 16 of the aforementioned Law 31/2007) are considered for the tie-breaking process.

CATALOGUE OF SOCIAL AND ENVIRONMENTAL CLAUSES

As a result of the new Public Sector Contracts Law (LCSP) and, specifically, Article 1.3, which establishes the obligation to incorporate social and environmental criteria in all public contracts in a transversal and mandatory manner, Adif-AV is working on the preparation of a Social and Environmental Clauses Catalogue to be included in the different phases of the contracting process and for each type of contract. Thus, clauses are being defined at three levels:

- Requirements to be met by bidders in the design phase, preparation and drafting of the contract and its specifications.
- Clauses to be applied as evaluation criteria for the contractor selection phase.
- Special execution conditions to be taken into account in the contract execution phase.

In addition, with the aim of enriching the work being carried out, we are counting on the help of the Forética Public Companies Action Group, to be able to incorporate ideas born from similar initiatives into the catalogue.

As a result of all this work, Adif-AV has defined the social and environmental criteria that it will evaluate in the suppliers that present themselves to its purchasing processes. The social criteria will be more transversal while the environmental criteria will be more linked to the nature of the contract:

- Social criteria: equality, conciliation, hiring people with disabilities, hiring people at risk of exclusion/vulnerable groups, hiring and job stability, health and safety protection at work, improvement of salary and working conditions, collective agreements, training, corporate social responsibility, transparency and good tax practices.
- Environmental criteria: waste and emissions, environmental management system, works contracts, cleaning services, security services, consulting and engineering services, maintenance services, fleet vehicle supply, energy supply, supply of other materials.

The contracting procedures of Adif and Adif-AV are subject to the **control of numerous institutions**, such as the General Intervention of the State Administration and the Court of Auditors.

	Indicator description	Units	2016	2017	2018	2019
Information on performance in society and product responsibility	Responsible Purchasing	%	N/D	N/D	100	100
	<i>* integrated indicator for Adif and Adif AV</i>					

6. ABOUT THIS REPORT AND GRI STANDARDS

6.1. Scope

Since 2006, Administrador de Infraestructuras Ferroviarias has prepared its Sustainability Report. In the 2019 report, Adif-AV gives an account of its commitments and performance in financial and non-financial matters from 1 January 2019 to 31 December of the same year.

The scope of the report covers Adif-AV's activity in the countries in which it operates. Most of the information contained in the report corresponds exclusively to Adif-AV, but in some cases the Entity reports information that includes Adif, as it does not have the information relating to certain aspects of management separately.

6.2. International standards

This report has been prepared taking as a reference the guidelines established in the Global Reporting Initiative's Guide for the preparation of Sustainability Reports in its GRI Standards version, in accordance with the essential conformity option. The selection of relevant aspects has been carried out based on the results of the new materiality analysis carried out in 2019 and explained in section 3.1 of this report.

In addition, the requirements established in Law 11/2018 of 28 December on non-financial information and diversity have also been taken into account in its preparation.

The table of contents and GRI performance indicators in the report indicate the pages and coverage of requirements, management approaches and indicators. In the event that the core performance indicators are omitted, the reason for the omission is explained.

Finally, the contents of the Report have been linked to the Sustainable Development Goals, SDG.

6.3. Materiality analysis

The analysis of materiality and its updating process has been described in section 3.1 Business Strategy.

7. GRI INDICATORS

General contents

GRI indicator	Reference (Page)
102-1 Name of the organization	6
102-2 Activities, brands, products and services	9-12
102-3 Location of the headquarters	C/ Sor Ángela de la Cruz, 3 - 3ª 28020 - Madrid
102-4 Location of operations	11
102-5 Ownership and legal form	137-138
102-6 Markets served	9-14
102-7 Size of the organization	59; 70-81; 160-161
102-8 Information on employees and other workers	101-106
102-9 Supply chain	135-137
102-10 Significant changes in the organization and its supply chain	In the period covered by the report, there have been no significant changes in the organization. Significant changes in the organization are communicated within the corresponding notice periods specified in the agreement.
102-11 Precautionary Principle or Approach	82-83
102-12 External initiatives	125-128
102-13 Association memberships	57-58; 128-135
102-14 Statement from senior decision makers	
102-16 Values, principles, standards and norms of conduct	9
102-18 Governance structure	38-44
102-40 List of stakeholders	54-55
102-41 Collective bargaining agreements	108-109
102-42 Identification and selection of groups and stakeholders	19-21
102-43 Approach to participation	21
102-44 Key issues and concerns mentioned	21-27
102-45 Entities included in the consolidated financial statements	137-138
102-46 Definition of report contents and subject coverage	137-138
102-47 List of material issues	19
102-48 Re-expression of information	Where possible, data for the last three years (period 2017-2019) have been included
102-49 Changes in reporting	137-138
102-50 Reporting period	137-138
102-51 Date of last report	2018
102-52 Reporting Cycle	Annual
102-53 Contact point for questions about the report	rsc@adif.es
102-54 Statement on the preparation of the report in accordance with GRI standards	137
102-56 External verification	This report has not been verified by a third party.

Management approach

Indicator	Reference
103-1 Explanation of the material subject and its coverage	The aspects reported on refer to the activities carried out by the entity and the possible direct impacts derived from them.
103-2 The management approach and its components	28; 40-41; 42; 44-49; 59-68; 77-81; 117

Economic performance indicators

Indicator	Reference
201-1 Direct economic value generated and distributed	152
201-4 Financial assistance received from the government	162

Unfair competition

Indicator	Reference
206-1 Legal actions related to unfair competition and monopolistic practices and against free competition	In 2019 there have been no claims for unfair competition, monopolistic practices or against free competition.

Materials

Indicator	Reference
301-1 Materials used by weight or volume	87
301-2 Recycled materials used	95-97

Energy

Indicator	Reference
302-1 Energy consumption within the organization	84-86
302-3 Energy intensity	86-87
302-4 Reduction of energy consumption	85

Water

Indicator	Reference
303-1 Total water collection according to the source	88

Biodiversity

Indicator	Reference
304-1 Description of the most significant impacts on biodiversity in protected areas or areas of high unprotected biodiversity value arising from activities, products and services	97-99

Emissions

Indicator	Reference
305-1 Direct greenhouse gas emissions (scope 1)	88-90
305-2 Indirect greenhouse gas emissions from energy generation (Scope 2)	89-90
305-4 Intensity of greenhouse gas emissions	91
305-5 Reduction of greenhouse gas emissions	93-94

Effluents and waste

Indicator	Reference
306-1 Total discharge of wastewater, according to its nature and destination	96-97
306-2 Total weight of the waste, according to type and method of treatment	95-97

Environmental Compliance

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Indicator	Reference
307-1 Non-compliance with environmental legislation and regulations	82-83; 99-101

Employment

Indicator	Reference
401-1 New hires and staff turnover	101; 112
401-2 Benefits for full-time employees that are not given to part-time or temporary employees	107
401-3 Parental permissions	108

Health and safety at work

Indicator	Reference
403-1 Workers' representation in formal worker-employer health and safety committees	108-109
403-2 Types of accidents and accident frequency rates, occupational diseases, lost days, absenteeism and number of deaths due to occupational accidents or diseases	109-110

Training and education

Indicator	Reference
404-1 Average hours of training per year per employee	111-112
404-2 Programs to improve employee skills	111-117
404-3 Percentage of employees receiving regular performance and career development reviews	114-115

Diversity and equal opportunities

Indicator	Reference
405-1 Diversity in governing bodies and employees	38-44; 101-106
405-2 Ratio of basic salary and remuneration of women to men	106

No discrimination

Indicator	Reference
406-1 Casos de discriminación y acciones correctivas emprendidas	49

Freedom of association and collective bargaining

Indicator	Reference
407-1 Operations and suppliers whose right to freedom of association and collective bargaining may be at risk	In 2019, no significant centres or suppliers have been identified where the freedom of association and the right to benefit from collective agreements may be infringed or threatened.

Local communities

Indicator	Reference
413-1 Operations with local community participation, impact assessments and development programs	125-135

Customer health and safety

Indicator	Reference
416-1 Assessment of health and safety impacts of product and service categories	59-68; 123-125

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Marketing and labelling

Indicator	Reference
417-3 Cases of non-compliance related to marketing communications	No cases of non-compliance with regulations or voluntary codes relating to marketing communications were recorded in 2019

Customer Privacy

Indicator	Reference
418-1 Substantiated claims regarding violations of customer privacy and loss of customer data	121-123

Socio-economic compliance

Indicator	Reference
419-1 Non-compliance with laws and regulations in the social and economic fields	In 2019, Adif-AV has not received any significant sanctions or fines for non-compliance with regulations in the social and economic fields

8. OUR CONTRIBUTION TO THE SDG



•• INNOVATION AND DIGITAL TRANSFORMATION / CHAPTER 3.4

8 9 11 12 13 17

•• GOOD GOVERNANCE, TRANSPARENCY AND RISK MANAGEMENT / CHAPTER 4

4 5 8 10 16 17

•• HEALTH AND SAFETY / CHAPTER 5.2

3 4 8 9 11 16

•• SERVICE IMPROVEMENTS / CHAPTER 5.3

3 7 8 9 10 11

•• ECONOMIC PERFORMANCE / CHAPTER 5.4

8 9 11

•• ENVIRONMENT AND CLIMATE CHANGE / CHAPTER 5.5

6 7 9 11 12 13 15 17

•• HUMAN RESOURCES / CHAPTER 5.6

3 4 5 8

•• CUSTOMER ORIENTATION / CHAPTER 5.7

3 9 11

•• COMMITMENT TO COMMUNITIES / CHAPTER 5.8

4 5 8 9 10 11 17

•• SUPPLIER MANAGEMENT / CHAPTER 5.9

8 9 11 12 17

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Accident rate: zero accidents with sick leave
no person killed or seriously injured in accidents



27.27% women on the Board of Directors
28.44% of women in total staff
6.57% salary gap in management positions



energy efficiency: 103.56GWh/year saved



investment in innovation*: 0.43M
development of the high-speed network: 75.00km or %.
collaboration and open innovation*: 50% of projects developed
100% responsible purchasing criteria*



development of the high-speed network: 71.8%
accessibility to the high-speed network: 67.95%
catalogue of social and environmental clauses of suppliers*



Emission reduction compared to 2017: 3,849tCO₂
23 R+D+I projects



57 notifications in the ethics mailbox*
45.5% women on the Board of Directors



59.9 Training hours per employee
98% of employees achieve their annual performance targets
398 employees trained in ethical matters*.



22.40% reduction in water consumption compared to 2018



execution of investments: 2,224.72M
percentage of employees on permanent contracts: 97.57%
accident rate: zero accidents with sick leave



accessibility*: 84.07% Of passengers
100% responsible purchasing criteria*
27.27% women on the Board of Directors



hazardous waste management: 0.04 Tn/MKm Train
22,047 m³ of water consumed
catalogue of social and environmental clauses of suppliers*



environmental incidents*: none
expenditure on fire prevention: 999.7 thousand



collaboration and open innovation*: 23% projects developed
audience of 2.02 million people on the open-station program

(*) integrated Adif and Adif-AV indicator

9. ANNEX: TABLE OF CONTENTS

Index of contents required by Law 11/2018 of 28 December amending the Commercial Code, the revised text of the Law on Corporations approved by Royal Legislative Decree 1/2010 of 2 July and Law 22/2015 of 20 July on the Auditing of Accounts, regarding non-financial information and diversity.

General Disclosures

Areas		Reporting framework	Reference	Comments / Reason for Omission
Business model	Description of the business model	GRI 102-2 Activities, brands, products and services	9-37; 70-81	
	Business environment	GRI 102-3 Location of headquarters		
	Organization and structure	GRI 102-4 Location of Operations		
	Markets in which it operates	GRI 102-15 Key impacts, risks, and opportunities		
	Objectives and strategies	GRI 102-6 Markets served		
	Main factors and trends that may affect its future development	GRI 102-7 Scale of the organization		
Main risks and impacts identified	Risk Management	102-15 Key impacts, risks, and opportunities	49-52	
Main risks and impacts identified	Analysis of risks and impacts related to key issues	102-15 Key impacts, risks, and opportunities	50	

Environmental issues

Areas		Reporting framework	Reference	Comments / Reason for Omission
Environmental Management	Current and foreseeable effects of the company's activities	GRI 307-1 Non-compliance with environmental laws and regulations	99-101	
	Environmental assessment or certification procedures	Qualitative description of evaluations and certifications	100	
	Resources dedicated to the prevention of environmental risks	Qualitative description of the resources dedicated to the prevention of environmental risks	99	
	Application of the precautionary principle	GRI 102-11 Precautionary Principle or approach	82-83	

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Areas		Reporting framework	Reference	Comments / Reason for Omission
	Number of provisions and guarantees for environmental risks	Qualitative description of the provisions for environmental risks	83	
Contamination	Measures to prevent, reduce or repair carbon emissions (also includes noise and light pollution)	Qualitative description of measures to prevent, reduce or repair carbon emissions	91-95	
Circular economy and waste prevention and management	Measures for prevention, recycling, reuse, other forms of recovery and disposal	GRI 306-1 Water discharge by quality and destination	95-97	
		GRI 306-2 Total weight of the waste, by type and disposal method		
	Actions to combat food waste		n/a	Not relevant for the company due to its activity.
Sustainable use of resources	Water consumption and water supply according to local constraints	GRI 303-1 Interactions with water as a shared resource	88	
	Consumption of raw materials	GRI 301-1 Materials used by weight or volume	87	
	Measures taken to improve the efficiency of their use		91-92	
	Direct and indirect energy consumption	GRI 302-1 Energy consumption within the organization	84-86	
		GRI 302-3 Energy intensity	86-87	
	Measures taken to improve energy efficiency	GRI 302-4 Reduction of energy consumption	84-85	
	Use of renewable energies	GRI 302-1 Energy consumption within the organization		
Climate change	Important elements of the greenhouse gas emissions generated	GRI 305-1 Direct (Scope 1) GHG emissions	88-91	
		GRI 305-2 Energy indirect (Scope 2) GHG emissions		
		GRI 305-4 GHG emissions intensity		
	Measures taken to adapt to the consequences of climate change	Qualitative description of the measures taken to adapt to the consequences of climate change	91-92	
	Reduction targets set voluntarily	GRI 305-4 Reduction of greenhouse gas emissions	93-94	
Protection of biodiversity	Measures taken to preserve or restore biodiversity	GRI 304-3 Habitats protected or restored	97-99	
	Impacts caused by activities or operations in protected areas	GRI 304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	97-99	
		GRI 306-5 Water bodies affected by water discharges and/or runoff		

Social and staff issues

Areas		Reporting framework	Reference	Comments / Reason for Omission
Employment	Total number and distribution of employees by sex, age, country and professional category	GRI 102-8 Information on employees and other workers	102-104	
	Total number and distribution of employment contract modalities	GRI 102-8 Information on employees and other workers	103; 105	
	Average annual number of permanent, temporary and part-time contracts by sex, age and professional category	GRI 102-8 Information on employees and other workers	102-106	
		GRI 401-1 New employee hires and employee turnover		
	Number of dismissals by sex, age and professional category	GRI 102-8 Information on employees and other workers	106	
	Wage gap	GRI 405-2 Ratio of basic salary and remuneration of women to men	106	
	Average remuneration by sex, age and professional category	Quantitative description of the average remuneration of the staff by gender, age and professional category	106	
	Average compensation of counsellors by gender	Quantitative description of average remuneration of directors by gender	106	
	Average management remuneration by gender	Quantitative description of average remuneration of directors by gender	106	
Organization of work	Implementation of labour disconnection policies		n/a	Adif-AV does not have a policy of disconnecting from work
	Employees with disabilities	GRI 405-1 Diversity of governance bodies and employees	106	
	Organisation of working time	Qualitative description of the organization of working time	107-108	
	Number of hours of absence	GRI 403-2 Types of accidents and accident frequency rates, occupational diseases, lost days, absenteeism and number of deaths due to occupational accidents or diseases	107	
Health and Safety	Measures to facilitate the enjoyment of conciliation and to promote the co-responsibility of both parents	GRI 401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	107-108	
		GRI 401-3 Parental leave		
Health and Safety	Health and safety conditions at work	GRI 403-2 Types of accidents and accident frequency rates, occupational diseases, lost days, absenteeism and number of deaths due to occupational accidents or diseases	109-111	
	Number of accidents at work and occupational diseases by sex, frequency rate and severity by sex		110-111	

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Areas		Reporting framework	Reference	Comments / Reason for Omission
Social relations	Organization of the social dialogue	GRI 403-1 Workers' representation in formal worker-employer health and safety committees	108-109	
	Percentage of employees covered by collective agreements by country	GRI 102-41 Collective bargaining agreements	109	
	Assessment of collective agreements, particularly in the field of health and safety at work	Qualitative description of collective agreements and their application in the field of health and safety	108	
Training	Policies implemented in the field of training	GRI 404-2 Programs for upgrading employee skills and transition assistance programs	111-117	
	Total number of training hours by professional category.	GRI 404-1 Average hours of training per year per employee	112	
Equality	Measures taken to promote equal treatment and opportunities between women and men	GRI 405-2 Ratio of basic salary and remuneration of women to men	117-119	
	Equality plans measures taken to promote employment, protocols against sexual and gender-based harassment	GRI 405-1 Diversity of governance bodies and employees	118-119	
	Integration and universal accessibility for people with disabilities	GRI 405-1 Diversity of governance bodies and employees	123-125	
	Policy against all forms of discrimination and, where appropriate, diversity management	GRI 406-1 Casos Incidents of discrimination and corrective actions taken	117-119	

Information on respect for human rights

Areas	Reporting framework	Reference	Comments / Reason for Omission
Application of human rights due diligence procedures	GRI 102-16 Values, principles, standards, and norms of behaviour	n/a	Due to its activity Adif-AV has not seen the need to apply human rights due diligence procedures
Prevention of risks of human rights violations and, where appropriate, measures to mitigate, manage and redress possible abuses	Qualitative description of measures to prevent the risk of human rights violations	49	
Allegations of human rights violations	GRI 407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	49	
Promotion and implementation of the provisions of the ILO fundamental conventions concerning respect for freedom of association and the right to collective bargaining, elimination of discrimination in employment and occupation, elimination of forced or	GRI 407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	49	

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Areas	Reporting framework	Reference	Comments / Reason for Omission
compulsory labour and effective abolition of child labour			

Information on the fight against corruption and bribery

Areas	Reporting framework	Reference	Comments / Reason for Omission
Measures taken to prevent corruption and bribery	GRI 102-16 Values, principles, standards, and norms of behaviour	48	
Measures to combat money laundering	Qualitative description of the measures to combat money laundering	48	
Contributions to foundations and non-profit organisations	GRI 201-1 Direct economic value generated and distributed	126-128	

Information about the company

Areas		Reporting framework	Reference	Comments / Reason for Omission
Company's commitment to sustainable development	Impact of society's activity on employment and local development	GRI 413-1 Operations with local community engagement, impact assessments and development programs	125-128	
	Impact of society's activity on local populations and the territory	GRI 102-12 External initiatives	128-135	
	Relations with local community actors and the modalities of dialogue with them	GRI 102-43 Approach to stakeholder engagement	54-58	
	Partnership or sponsorship actions	GRI 102-13 Membership of associations	124-128	
Subcontracting and suppliers	Inclusion of social, gender equality and environmental issues in procurement policy	GRI 102-9 Supply chain	135-137	
		GRI 102-10 Significant changes to the organization and its supply chain		
	Consideration in relations with suppliers and subcontractors of their social and environmental responsibility	GRI 102-9 Supply chain	135-137	
		GRI 102-10 Significant changes to the organization and its supply chain		
	Monitoring and audit systems and results	GRI 102-9 Supply chain	137	
		GRI 102-10 Significant changes to the organization and its supply chain		

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Areas		Reporting framework	Reference	Comments / Reason for Omission
		GRI 407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk		
		GRI 407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk		
Consumers	Measures for the health and safety of consumers	GRI 416-1 Assessment of the health and safety impacts of product and service categories	59-68	
	Complaint systems	Qualitative description of complaint systems	121-123	
	Complaints received and their resolution	GRI 418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	121-123	
Tax information	Benefits obtained country by country	GRI 201-1 Direct economic value generated and distributed	152	Adif-AV only taxes in Spain
	Taxes on benefits paid	Quantitative description of the result before and after taxes	151	Adif-AV only taxes in Spain
	Public subsidies received	GRI 201-4 Financial assistance received from government	162	

10. FINANCIAL INFORMATION

10.1. Analysis of the activity and the result

The main headings in the 2019 income statement of Adif Alta Velocidad compared to previous years are presented below:

Amounts in millions of euros	2018	2019
Operating income	1,101.4	1,168.7
Operating costs	-1,052.3	1,140.5
Operating profit	49.1	28.2
Gross operating profit (EBITDA)	297.9	280.6
Financial result	-272.5	-207.4
Profit before tax	-223.4	-179.2
Result for the year	-223.4	-179.2

The pre-tax result for 2019 reflects a loss of 179 million euros, compared to a loss of 223 million euros in 2018; this represents an improvement of 44 million euros over the previous year and represents 20%.

The most significant changes in the headings of the income statement are as follows:

- The profit from operations in 2019 shows a positive balance of 28.2 million euros compared with 49.1 million euros in 2018, representing a decrease of 20.9 million euros.

The main variations in this heading are as follows:

- Increase in Revenue by 6.79% (38.86 million euros) due to the increase in the collection of fees, basically as a consequence of three effects: the application throughout the 2019 financial year of the rates approved in the General State Budgets for 2018 and that in that year were applied from the month of August; the growth of rail traffic; and, lastly, the amount corresponding to the fees for parking on tracks with platforms in passenger stations (C1) for trains subject to OSP accrued in 2018 and 2019, which totals 14.7 million euros and that they have been registered in the year 2019 as a consequence of the suppression of the 100% bonus that previous Law 38/2015 of the Railway Sector for this type of services until the end of the contracts in force between the administrations and RENFE Operadora..
- Other Operating Revenues increased by 5.91% with respect to the previous year, from 412 million euros in 2018 to 436 million euros in 2019. This increase is largely due to the 28 million euro increase in income from investment activities for third parties, which shows a similar increase in the expenses for this concept borne by the Company. There was also a decrease in income from electricity supplies amounting to 6 million euros, which was partially offset by a fall in energy acquisition expenses.
- Other operating expenses" increased by 83.41 million euros, representing 12.23% on the prior year, of which 61 million euros correspond to the increase in expenses for agreements signed with Adif.

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The most noteworthy items relate to the maintenance and repair of infrastructure and stations, as well as surveillance and security costs.

53.51 million, which represents an 18.94% increase over the previous year in the concept of repair and conservation of the infrastructure owned by Adif-AV due to various factors. On the one hand, the high-speed railway section Antequera-Granada will be put into operation in June 2019, which means an increase in costs. On the other hand, in 2019 the costs increase as the transfer of conventional gauge sections from Adif, agreed in various Councils of Ministers in 2018, takes full effect.

In addition, expenditure on external services has risen sharply as a result of the preliminary agreement reached by Adif with Renfe Operadora to set the definitive cost of traction and driving services for line-scanning machines and driving services for work trains on UIC-gauge lines between 2006 and 2019. The recorded expenditure amounts to 21.33 million euros and is included as a cost of the infrastructure maintenance agreement signed between the Entity and Adif.

Finally, in 2019 there was an increase of 24.46% over the previous year (7 million euros) in the costs associated with traffic and passenger services derived from the increase in service levels in security and surveillance in stations and other special facilities.

- The Financial Result in 2019 records a negative balance of 207.44 million euros, compared to a negative result of 272.52 million euros in 2018. The main causes are summarized below:
 - Financial Expenses has decreases by 8% with respect to the previous year, going from 359 million euros in 2018, to 330 million euros in 2019. This fall is basically due to the decrease in the average rate of debt, which has gone from 1.88% in 2018 to 1.79% in 2019. In addition, given the measures adopted by the Company, in 2019 there is a sharp decrease in the estimated provision for financial expenses due to interest on late payments to contractors and expropriations.

Impairment and Gains or Losses on Disposal of Financial Instruments" includes in 2018 an amount of 23 million euros due to the impairment of a non-trade receivable arising from legal proceedings brought against a contractor. The Entity decided to impair the contingent asset as the contractor was in insolvency proceedings, which, together with a reduction in the risk provision for the stake in railway integration companies, explains the variation with respect to 2018, which is 26 million euros.

- Financial income increased by 8%, basically due to the growth in income from the activation of financial expenses attributable to high-speed lines under construction.

After all the above, the **economic value generated, distributed and retained** for 2019 is deducted.

Amounts in millions of euros	2018	2019
Economic Value Generated*	1,110.5	1,187.6
Economic Value Distributed **	1,085.1	1,114.4
Economic Value Retained***	25.4	73.2

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(*) *Economic value generated: ordinary + extraordinary income*

(**) *Distributed economic value: operating costs + financial expenses + taxes*

(***) *Economic Value Retained: Economic Value Generated - Economic Value Distributed*

In Adif Alta Velocidad, different segments of activity are identified:

- ✓ **Network Administration:** Includes the processes of Capacity Management, Traffic Safety, Network Declaration, Railway Infrastructure Maintenance and Traffic Administration.
- ✓ **Construction:** Includes the construction of the lines it is responsible for.
- ✓ **Management of stations and other assets:** This segment includes the management of stations, understood as the set of activities necessary to develop the provision of services to the end customer; as well as the management of telecommunications and the management of other assets.
- ✓ **Energy:** Manages the supply of electricity.

The following is a breakdown of the 2019 profit from operations of Adif Alta Velocidad by business segment:

(Amounts in millions of euros)	Total	Network Administration	Construction	Station and Other Asset Management	Energy	Common Expenses
Net turnover	610,980	527,385	0	83,595	0	0
Work carried out by the company for its assets	10,184	0	10,184	0	0	0
Procurement	0	0	0	0	0	0
Other operating income	436,241	2,863	33,940	133,539	264,902	997
Staffing costs	(15,817)	(228)	(11,622)	(2,668)	(489)	(810)
Other operating expenses	(765,454)	(329,536)	(37,729)	(109,827)	(268,610)	(19,752)
Income from internal operations	0	(4,165)	(1,504)	(279)	5,948	0
Excess provisions	4,515	3,318	0	0	0	1,197
Depreciation of fixed assets	(354,907)	(310,962)	(74)	(43,095)	(111)	(665)
Allocation of non-financial and other subsidies	106,814	102,814	0	3,998	0	2
Impairment and gains or losses on disposals of fixed assets	(4,360)	(1,470)	0	(643)	(88)	(2,159)
Exceptional Results	0	0	0	0	0	0
Distribution of structural costs	0	(6,874)	(11,391)	(2,398)	(527)	21,190
OPERATING INCOME	28,196	(16,855)	(18,196)	62,222	1,025	0

10.2. Economic activity indicators

In the attached table we include some general economic and financial indicators:

	2019	2018
SELF-FINANCING RATIOS		
DEGREE OF FINANCIAL AUTONOMY Indicates the degree of independence from external financing	52.70%	53.33%
FINANCING OF FIXED ASSETS Indicates the % long term resources that finance non-current assets	98.61%	98.17%
PROFITABILITY RATIOS		
TOTAL ASSET TURNOVER Indicates the degree of efficiency in asset management	2.22%	2.14%
FIXED ASSETS TURNOVER Indicates the degree of efficiency in the management of fixed assets	2.25%	2.16%
CURRENT ASSETS TURNOVER Indicates the degree of efficiency in the management of current assets	148.68%	197.61%
LIQUIDITY RATIOS		
LIQUIDITY COEFFICIENT Indicates how many monetary units for every 100 of assets are liquid	1.49%	1.08%
TREASURY COEFFICIENT Indicates the ability of the company to meet its short-term commitments	0.52	0.37
SOLVENCY RATIO Indicates the ability of the company to meet its liabilities based on the assets	2.11	2.14
FINANCIAL PERFORMANCE Indicates the remuneration to the capital	-1.28%	-1.60%
ECONOMIC PERFORMANCE Effective capacity to remunerate all available capital, wholly owned and others	-0.38%	-0.49%
WORKING CAPITAL (million €) Determines if a company can meet its current obligations with its current assets	-643.77	-833.94

Average period of payment to suppliers: Information regarding the 2019 and 2018 financial years on deferrals of payment made to suppliers as established in Additional Provision Three of Law 15/2010, of July 5 and in accordance with the methodology established in the Resolution of the

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Institute of Accounting and Auditing of Accounts of January 29, 2016, is shown in the attached table:

Payments made and pending payment at December 31		
	2019	2018
	Days	Days
Average payment period to suppliers	50.58	55.53
Ratio paid operations	51.37	57.63
Ratio of outstanding payment transactions	37.42	27.38
	Amount (thousand €)	Amount (thousand €)
Total payments	1,755,053	1,746,167
Total outstanding payments	104,520	130,573

10.3. Railway fees

Below is a table detailing revenue by type of fee for 2019 and 2018:

(Amounts in millions of euros)	2019	2018
INFRASTRUCTURE CHARGE	497,618	473,170
Awarded Capacity TOTAL Fee	90,771	87,059
* Allocation Capacity fee	90,252	86,192
* Capacity/Addition Award fee	519	867
TOTAL Railway line usage fee	371,362	358,230
* Railway line usage fee	211,960	203,868
* Use of railway lines / Addition fee	159,402	154,362
TEE installations Use Fee	36,047	34,482
Utility RFIG lines rebate	-562	-6,601
USE OF STATIONS AND OTHER INFRACTIONS FEE	113,100	98,922
passenger stations category 1-5 TOTAL Fee	83,208	83,806
* Passenger stations category 1-5 fee	54,046	53,552
* Passenger stations category 1-5 / Addition fee	29,131	30,243
* Outside station opening hours services fee	31	11
Wide Pass Changers Fee	4,626	4,596
Use of tracks with platform TOTAL Fees	25,266	10,520
* Parking fee for commercial road services	25,141	10,403
* Parking fee other operations	125	117
TOTAL FEES	610,718	572,092

Adif Alta Velocidad collects from railway companies, under the provisions of Law 38/2015 on the Railway Sector (hereinafter LSF), the fees known as railway charges for the use of railway lines belonging to the General Interest Railway Network (GRIN), and for the use of stations and other railway facilities.

The LSF Act 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 covers almost all areas of railway legislation; among others, 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 railway infrastructure access charging.

Article 23 of the LSF sets out the functions of general railway infrastructure managers, including the determination, review 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 to modify or revise the amounts of the fees must be prepared by the railway infrastructure manager, that this proposal will be submitted to the railway companies for consultation and a report from the National Commission for Markets and Competition, and that it will establish the specific values of the parameters of the fees, which will be sent to the Ministry of Development for inclusion in the preliminary draft of the State Budget Law.

Although the general administrator of railway infrastructures, Adif Alta Velocidad, drew up a proposal for the 2019 tariffs, which was submitted to the railway companies for consultation and a report by the National Commission for Markets and Competition, the tariffs applied during 2019 were the tariffs approved for 2018 by Law 6/2018 on the General State Budget for 2018; as this law was extended until the approval of the General State Budget Law for 2019, which has not been given.

In addition, the fees applicable in 2018 did not come into force until August 1 of that year, by virtue of the provisions of Law 6/2018 on the General State Budget for 2018; therefore, the fees applicable for the first seven months of 2018 were those approved for 2017.

These circumstances must be taken into account when analysing variations in royalty income in 2019 compared to 2018.

The methodology for calculating the fees, as laid down in the applicable European regulations and in the LSF, is aimed at passing on to the rail operator all costs directly attributable to the rail service.

The 2018 fees, applicable as stated above from 1 August 2018 to 31 December 2019, were calculated in accordance with the model for determining railway fees established by Directive 2012/34/EU, the LSF and Regulation (EU) 2015/909; based on the costs directly attributable to the operation of the 2016 rail service (the last financial year closed and audited at the date of preparation of the tariffs), broken down by high-performance lines (A lines) and other lines (NO A lines).

The costs directly attributable to the rail service provided are as follows:

- costs of the capacity allocation process, traffic management, traffic safety and replacement of safety and traffic control facilities (recoverable under mode A).

- maintenance and conservation costs of the railway infrastructure (recoverable under mode B).
- maintenance and conservation costs of electrification installations and their replacement costs (recoverable under mode C).

The financial charges, the replacement costs for the platform, tunnels, bridges, track, buildings and means used for maintenance and conservation, as well as those necessary for the reasonable development of this infrastructure and all those costs which enable the railway infrastructure manager to achieve the economic sustainability of the infrastructure which it manages, may be recovered; provided that the market can accept this, by adding to the total share of the charge for the use of the railway lines (mode B).

The total amount of revenue from fees accrued in 2019 shows an increase of 6.75% compared to 2018, mainly due to the increase in traffic, higher fares and the parking charge on tracks with a platform of trains subject to public service obligations

10.3.1. Fees for the use of RFIG lines

Revenue from RFIG usage fees earned in 2019 increased by 5.2% over 2018 due to increased production and a decrease in the bonus to encourage growth in rail transport.

Overall traffic, measured in train-km terms, increased by 4%, exceeding 60 million train-km in 2019 compared to 58 million in 2018.

The table below shows the variations in the number of train-kilometres travelled in 2019 and 2018 on the main Adif high-speed lines:

THOUSANDS OF KM TRAINS USING THE RFIG	2019	2018	VARIATION	% VARIATION
Madrid-Andalucía	18,670	18,005	665	3.7%
Madrid-Levante	7,773	7,540	233	3.1%
Madrid-Barcelona-Frontera Francesa	17,636	17,421	215	1.2%
Madrid-Valladolid-León-Zamora	5,556	5,407	149	2.8%
Other lines	10,708	9,655	1,053	10.9%
TOTAL	60,343	58,028	2,315	4.0%

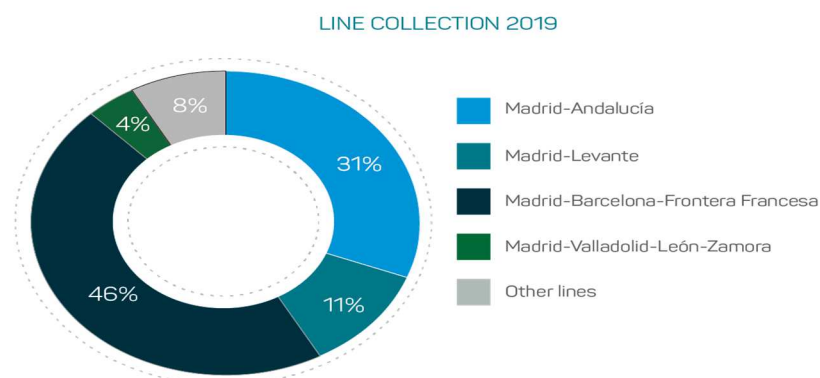
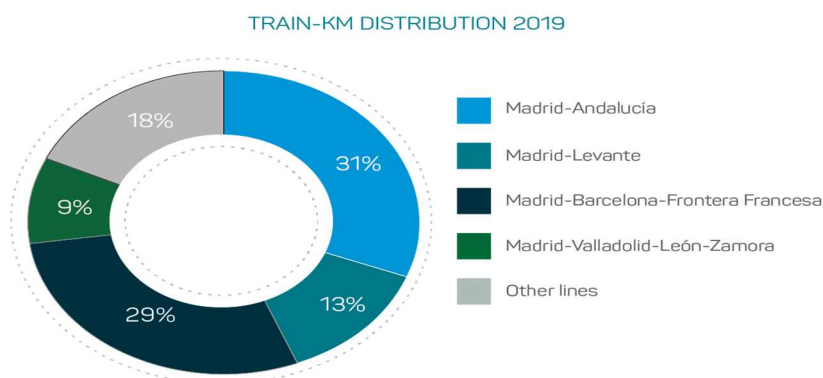
With the aim of encouraging the efficient operation of the railway network and promoting new railway transport services, in accordance with the provisions of Article 97.6 of Law 38/2015, Adif Alta Velocidad established a subsidy for 2019 on the fee for the use of the lines that make up the General Interest Railway Network, modes A and B, for the annual increases in traffic in accordance with the criteria set out in the law itself.

The lines on the Adif Alta Velocidad network that will receive the subsidy in 2019 are the following:

- Axis Lines 11-A.V. Madrid Chamartín - Valladolid - Bifurcación Venta de Baños.
- Axis Lines 12-A.V. Madrid Atocha - Barcelona - Frontera Francia.
- Axis Lines 13-A.V. Madrid Atocha - Levante (actually Valencia/Alicante).
- Axis Lines 14-A.V. Madrid Atocha - Toledo / Sevilla Sta. Justa / Málaga María Zambrano.
- Axis Lines 16-A.V. Olmedo - Medina - Zamora – Galicia.

The bonus generated in 2019 amounted to 0.57 million euros compared to 5.81 million euros in 2018. This decrease in the bonus is explained by the reference and target traffic levels set for 2019.

The following graphs show the distribution of the revenue and the train-km travelled in 2019 between the main Adif Alta Velocidad lines:



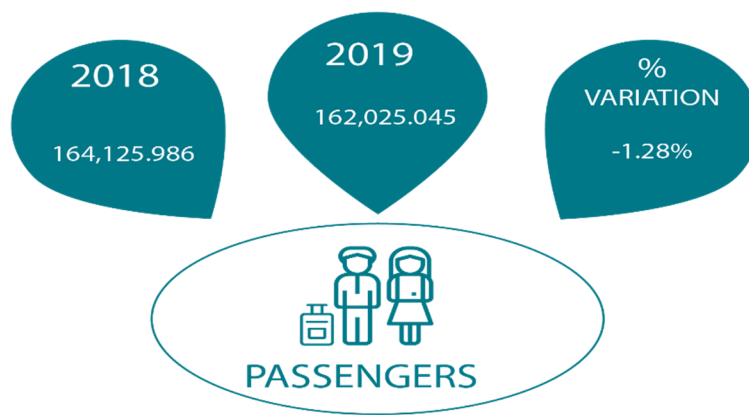
10.3.2. Fees for the use of stations and other facilities

Revenue from station fees remained at 2018 levels because the number of train stops at stations remained stable. However, revenues from the Use of Station Addition Fee registered a decrease of 3.7% due to the decrease in the number of passengers.

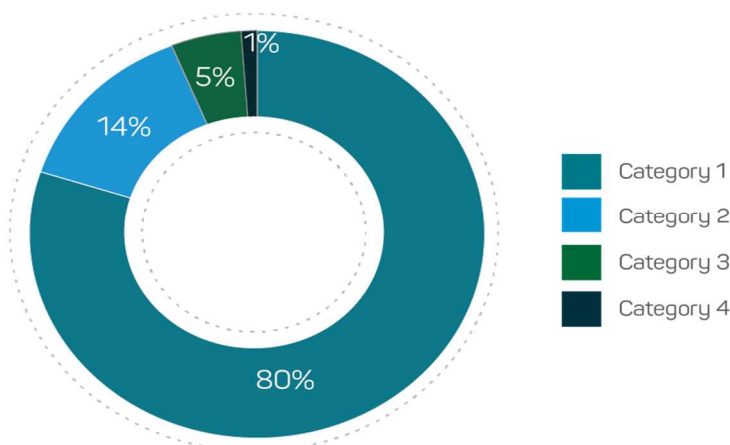
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The variation in the number of passengers boarding and alighting at stations in 2019 compared to 2018 is shown below:

The distribution by station category of the fee collected for the use of Adif Alta Velocidad stations is shown in the following graph:



STATION USE FEE REVENUE 2019 PASSENGERS



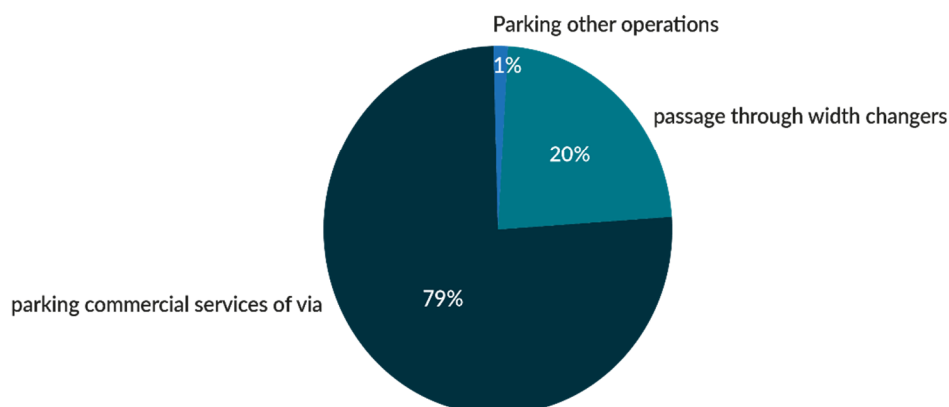
As regards fees for the use of other facilities, collection has been maintained at 2018 levels.

As mentioned above, the extinction of the bonus established in the third transitional provision of the LSF has meant that income from the C1 modality of the fee for use of other facilities has increased significantly.

Consequently, we have proceeded to re-elaborate the assessments of the track occupation charts for 2018 and 2019, taking into account the new circumstances, and to calculate the fees that had not been paid with the application of the subsidy. As indicated above, the amount of these fees for both years is 14.7 million and has been recorded in full in fiscal year 2019.

The distribution of income from fees for the use of other facilities in 2019 is shown below

REVENUE FROM FEES FOR THE USE OF OTHER FACILITIES



10.4. Financing through green bond issues ("GREEN BOND")

GREEN BONDS



On 25 April 2019, Adif Alta Velocidad carried out its third issue of fixed income securities under the "Green Bond" format. This transaction falls within the framework of the objectives of our Strategic Plan for the coming years; the Transforma 2030 Plan and the strong commitment the Company has to sustainability, as indicated in previous sections, pointing out that its entire strategy is aligned with the United Nations' sustainable development objectives (SDG); in addition, the Plan includes specific strategic objectives that aim to improve our impact on society from an economic, social, environmental and good governance point of view. Thus, for example, Objective 3.2 of the Adif Alta Velocidad Strategic Plan is "to contribute to environmentally friendly and responsible transport in the use of resources". To achieve this, initiatives have been designed to combat climate change, incorporate circular economy projects, apply ecological purchasing criteria and strengthen the environmental monitoring system.

In this context and to develop its activity as a sustainable issuer, Adif Alta Velocidad, in compliance with the Green Bonds Principles (GBP) of ICMA (International Capital Market Association) renewed in September 2019 the framework it had adopted in 2017, whose objective was to guarantee the transparency, disclosure and integrity of its Green Bonds emissions, maintaining this standard, as well as opening up the possibility of financing through other instruments such as Green Loans.

In the current framework, the entity maintains the commitment to allocate resources from green financing instruments to eligible green projects, which will include both new projects and continuation of ongoing projects, with disbursements from 2 years prior to the issuance of the bonds and up to 24 months from the date of issue. Specifically, Adif Alta Velocidad commits to allocate the funds obtained through these bonds to the two project categories described below:

- a) Investments related to new high-speed rail lines and extensions of existing high-speed lines.

- b) Investments related to maintenance, upgrades and energy efficiency of high-speed rail lines

Likewise, in order to provide investors with an independent assessment of compliance with the "Green Bond Principles", ADIF-Alta Velocidad selected CICERO (Centre for International Climate Research) as a specialized entity to review its framework of actions, and issue a Second Opinion.

The **Adif-AV Green Bonds** have received the **highest rating (Dark Green)** from CICERO.

The Second Opinion issued by CICERO on the new Framework continues to grant the maximum rating of "DARK GREEN", and confirms the compliance with the ICMA Principles in the framework of green financing instruments of Adif Alta Velocidad.

Additionally, CICERO has included in its assessment an analysis of the management structure of the Green Financing Framework, qualifying it as "Excellent".

The main characteristics of the third issue of "Green Bonds" of Adif Alta Velocidad are the following:

- | | |
|----------------------|------------------|
| ✓ Volume: | 600,000,000 EUR. |
| ✓ Date of execution: | 11 April 2019. |
| ✓ Payment Date: | 25 April 2019. |
| ✓ Maturity: | 30 April 2027. |
| ✓ Rate: | 0.95% annual. |
| ✓ Net amount: | 598,176,000 EUR. |

ADIF - AV has become the leading issuer of green bonds in the Spanish public sector and the third largest nationwide, behind Iberdrola and BBVA.

According to the annual report of the Spanish Sustainable Finance Observatory, the Spanish sustainable finance market is growing, with a volume of green, social and sustainable bonds issued that will reach

which places our country in the top ten in the classification by volume of emissions, consolidating the position it already held in 2018 and which is higher than it would be in terms of its GDP.

To these figures we should add sustainable lending operations, which amount to 13,025 million euros, according to the information available to OFISO. Thus, sustainable financing has grown in 2019 by around 34 percent compared to the previous year.

Finally, it is indicated that, in the third issue of green bonds in 2019, 60 percent of the investors who acquired these securities are socially responsible investors.

10.5. Liquidity and capital resources

The Entity's treasury is managed centrally in order to achieve maximum optimization of resources.

The evolution of the treasury during 2019 and 2018 is reflected below:

MANAGEMENT REPORT ADIF ALTA VELOCIDAD 2019

Amounts in thousands of euros	2019	2018
Cash flows from/ (used in) operating activities	(102,980)	(119,789)
Cash flows from/ (used in) in investing activities	(948,103)	(878,593)
Cash flows from/ (used in) financing activities	1,266,979	881,477
Net increase/decrease in cash and cash equivalents	215,896	(116,905)

The detail of the resources generated by financing activities is shown in the table below:

Amounts in thousands of euros	2019	2018
Grants, donations and equity issuance	103,344	116,620
Increased debts with credit entities	311,574	311,574
Collections and payments of financial instruments	852,061	453,283
Cash flows from financing activities	1,266,979	881,477

The Entity's treasury is managed centrally in order to achieve maximum optimization of resources.

The Adif Alta Velocidad Working Capital Fund went from -833.94 million euros on 31 December 2018 to -643.77 million euros on 31 December 2019, which represents a positive net variation of 190.17 million Euros. This situation does not generate liquidity tensions for the Entity given that the extension of the General State Budget for 2018 for the year 2020 guarantees the collection of the foreseen equity contributions and the possibility of having external financing in accordance with the authorised debt limit. In addition, at December 31, 2019, the Entity had subscribed and undrawn short-term credit facilities with financial institutions for a total amount of 510 million euros. These credit facilities mature at short term, with annual tacit renewal for some of them, with an established renewal limit.

It should also be noted that the Entity, in accordance with a policy of optimising its financial costs, reduced the use of external credit to a maximum in 2019, so that, although it was authorised to increase its long-term debt in nominal terms by a total of 1,890 million euros, it only increased that debt by 627 million euros.

The debt, both with credit institutions and through bond issues, includes the debt contracted by Adif Alta Velocidad, mainly with the European Investment Bank, to finance the investments in tangible fixed assets contemplated in the Multi-annual Action Plan (MAP) in previous years.

On November 15, 2019, the information leaflet on the EMTN Program was renewed at the Irish Stock Exchange for a nominal amount of 8 billion euros, and was filed with the CNMV on the same date.

The combination of the evolution of interest rates and the diversification of financing sources has placed the average interest rate of Adif Alta Velocidad's liabilities, contracted for long term, at 1.79% per year, as of December 31, 2019, for an average life of 9.82 years (1.88% per year, as of December 31, 2018, for an average life of 10.30 years).

10.6. Coverage Ratio ESA (European System of Accounts)

The Royal Decree-Law 15/2013, of 13 December, on the restructuring of the public business entity "Administrador de Infraestructuras Ferroviarias" (Adif) and other urgent measures in the economic order, includes a first additional provision which regulates the criteria and procedures to ensure compliance with the principle of financial sustainability of the new public business entity Adif Alta Velocidad and consequently the requirements demanded by the national accounting regulations.

Specifically, the additional provision states that:

- Adif Alta Velocidad, in accordance with the principle of financial sustainability, will ensure that the ratio of coverage of production costs to sales revenue, as set out in the national accounting regulations, allows it to be classified as a public unit included in the "Non-Financial Companies" sector.
- The budgeting and execution of the investments will be adjusted in time and amount so that in no case may investments be made that would put at risk the consideration of Adif Alta Velocidad as a non-financial company for national accounting purposes.

In application of this additional provision, the value of the ESA 2010 coverage ratio is calculated at 31 December 2019, taking into account the amendments proposed by the IGAE in this respect:

- The information on financial income has been broken down, distinguishing between those corresponding to the return on financial investments and those recognised by capitalisation of financial expenses, showing the ratio of 50%, without netting the income from capitalisation of total financial expenses. In order to compare the figures in homogeneous terms, the same criterion has been applied to the scenarios on the basis of which the segregation was decided.
- For the purposes of calculating the ratio, the amounts relating to Mode A, the Addition of Mode A and the Addition of Mode B have not been considered within infrastructure charge revenues, as they refer to MCV services linked to Public Service Obligations not accepted by Eurostat as market revenues.
- An increase coefficient has been applied to the accounting depreciation in the terms proposed by the Intervention for adjustment to straight-line depreciation. The value of this coefficient for 2018 is 0.80; this value has been applied provisionally to the 2019 amounts as recommended by the IGAE.

The values obtained at 31 December 2019 are as follows

National Accounting Income	970,653
National Accounting Expenses	1,713,668
Ratio ESA 2010	56.64%

10.6.1. Investments made during the year

In 2019 (compared to the previous year) the investments shown in the accompanying tables, detailed by nature and line, were made:

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NATURE	2019 THOUSAND € (VAT included)	2018 THOUSAND € (VAT included)
ELECTRIFICATION AND TELECOMMUNICATIONS	71,185	88,029
PLATFORM	453,024	700,106
SIGNS AND SAFETY FACILITIES	101,898	98,636
EQUIPMENT AND OTHER OPERATIONS	213,966	195,630
TRACK	298,637	174,649
STATIONS AND GOODS TERMINALS	60,848	53,328
TOTAL	1,199,557	1,310,378

LINES	2019 THOUSAND € (VAT included)	2018 THOUSAND € (VAT included)
VANDELLÓS-VALENCIA	24,357	32,581
L.A.V. LEVANTE	60,212	83,423
L.A.V. ALMERIA-MURCIA	38,590	21,379
L.A.V. BOBADILLA-GRANADA	36,120	73,241
VANDELLOS-TARRAGONA	19,258	39,091
PALENCIA-AGUILAR DE CAMPOO	4,315	586
CABCERA NORTE DE CHAMARTIN	12,268	857
L.A.V. ASTURIAS (VARIANTE DE PAJARES)	68,903	67,234
L.A.V. VENTA DE BAÑOS-PALENCIA-LEÓN-ASTURIAS	34,304	18,580
L.A.V. VALLADOLID-BURGOS-VITORIA	17,711	48,337
L.A.V. VITORIA-BILBAO-SAN SEBASTIÁN	111,467	68,155
L.A.V. MADRID-EXTREMADURA	162,531	139,286
L.A.V. GALICIA (OLMEDO-LUBIÁN-ORENSE)	362,645	487,652
L.A.V. ZARAGOZA-PAMPLONA (CASTEJÓN-PAMPLONA)	30,656	7,953
CONEXIÓN U.I.C CHAMARTÍN-ATOCHA-TORREJÓN	19,157	36,329
EJE ATLÁNTICO (CORUÑA-VIGO)	17,453	30,532
IMPUTABLE AL CONJUNTO DE LA RED	74,761	47,488
INVERSIÓN EN LINEAS EN EXPLOTACION	74,213	95,084
VARIANTE DE OURENSE	14,472	1,393
STATIONS AND OTHER ASSETS	16,163	11,197
TOTAL	1,199,557	1,310,378

10.6.2. Information on the recruitment carried out

Below is detailed information on Recruitment activity during the 2019 financial year:

SUMMARY OF TENDERS				(Amounts without VAT in Millions of Euros)
Management	Nº internal works	Amounts	Nº Total Tenders	Total Amount Tendered
General Management AV	0	.	.	1.00
Construction Management	88	118.07	315	1,131.24
Energy and Fibre Network Management	4	2.18	22	21.84
Technical performance Management	3	0.49	7	4.25
Sub-directorate of Traffic Safety	0	0.00	1	0.01
AV and Station Project Management	2	0.54	5	11.99
Totals	97	121.28	354	1,170.33

SUMMARY TABLE OF CONTRACTS				(Amounts without VAT in Millions of Euros)
Management	Nº internal works	Amounts	Nº Total Tenders	Total Amount Tendered
General Management AV	0	0.00	4	0.97
Construction Management	88	118.07	378	2,224.72
Energy and Fibre Network Management	4	2.18	18	20.75
Technical performance Management	3	0.49	3	0.49
Sub-directorate of Traffic Safety	0	0.00	1	0.01
AV and Station Project Management	2	0.54	2	0.54
Totals	97	121.28	406	2,247.48

SUMMARY OF TENDERS BY PROCEDURE				(Amounts without VAT in Millions of Euros)
Procedure/Criteria	Nº Filings	Amounts	% Amo.	
Open	167	1,010.72	86.4%	
• Open Criteria Price	38	82,16	7.0%	
• Open Multiple Criteria	129	928,56	79.3%	
Restricted				
• Restricted Multiple Criteria				
Negotiated	84	35.52	3.0%	

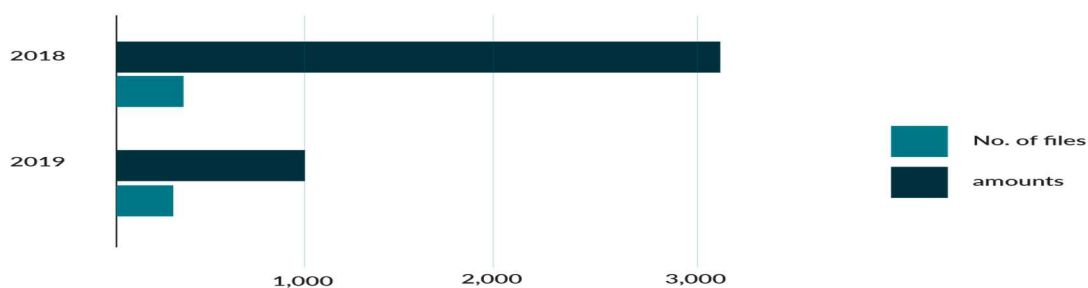
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SUMMARY OF TENDERS BY PROCEDURE			(Amounts without VAT in Millions of Euros)
Procedure/Criteria	Nº Filings	Amounts	% Amo.
• With Advertising	2	19,11	1.6%
• Without Advertising	82	16,41	1.4%
Order from Framework Agreement	6	2,81	0.2%
Total Tenders	257	1,049,05	89.6%
Nº internal works	97	121,28	10.4%
TOTALS	354	1,170.33	100.0%

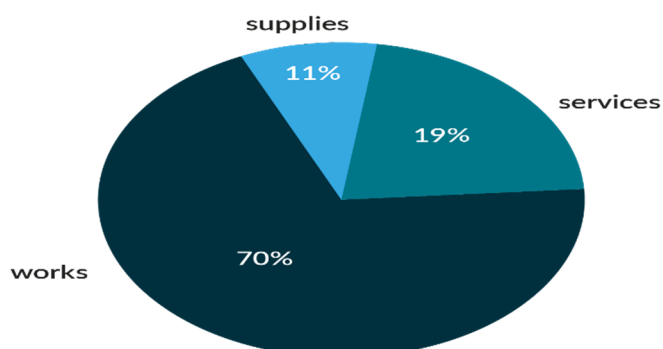
Contract Type	354	1,170.33	100.0%
• Works	79	820.75	70.1%
• Services	241	219.70	18.8%
• Supplies	34	129.88	11.1%

Investment / Operation Contract	354	1,170.33	100.0%
• Investment	321	1,068.47	91.3%
• Operation	33	101.86	8.7%

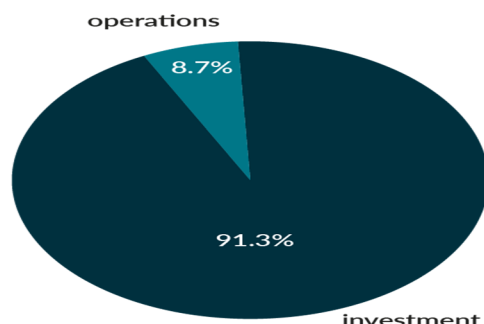
CONTRACT ACTIVITY - TENDERS



TENDERS BY TYPE OF CONTRACT



TENDERS: INVESTMENT – OPERATIONS



11. SUBSEQUENT EVENTS

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

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

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

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

In this context, the Entity, as a critical infrastructure manager, has developed the necessary contingency plans to give continuity to its activity in all its areas of action and its management is constantly monitoring the evolution of the situation in order to successfully deal with any possible financial or non-financial impacts.

At this time, it is not possible to reliably determine the impact that this health crisis will have on the Entity due to the uncertainty about its short, medium- and long-term consequences.

In any case, in the economic and financial sphere, ADIF Alta Velocidad's Management believes that it has the necessary cash flow and credit lines to deal with any liquidity pressures and credit restrictions that may arise in the coming months. The company estimates that

MANAGEMENT REPORT ADIF ALTA VELOCIDAD 2019

although this crisis may have a negative impact on its turnover and commercial activity, it will not be significant.

In Madrid. 26 March 2020

President