

**AENA S.M.E., S. A.**

Financial Statements and Management Report for the year ended 31 December 2019.

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## AENA S.M.E., S.A.

### BALANCE AT 31 DECEMBER 2019 AND 2018 (In thousand euros)

<b>ASSETS</b>	<b>Note</b>	<b>2019</b>	<b>2018</b>
<b>NON-CURRENT ASSETS</b>			
<b>Intangible assets</b>	<b>6</b>	<b>110,687</b>	<b>99,302</b>
Service concessions		9,386	10,050
Software		42,164	39,687
Other intangible assets		1,897	1,267
Intangible assets in progress		57,240	48,298
<b>Property, plant and equipment</b>	<b>7</b>	<b>12,417,714</b>	<b>12,611,779</b>
Land and buildings		10,339,219	10,536,781
Plant and machinery		382,899	372,380
Other facilities, tools and furnishings		1,205,127	1,348,202
Fixtures and fittings		3,834	3,162
Under construction and advances		486,635	351,254
<b>Investment properties</b>	<b>8</b>	<b>140,928</b>	<b>138,183</b>
Land and buildings		140,797	138,015
Other installations		131	168
<b>Non-current investments in group companies and associates</b>		<b>516,638</b>	<b>174,723</b>
Equity instruments	11	176,638	174,723
Loans to companies	10-11	340,000	-
<b>Non-current investments</b>	<b>10-11</b>	<b>80,840</b>	<b>74,528</b>
Equity instruments		180	180
Other financial assets		80,660	74,348
<b>Non-current commercial debts</b>		<b>4,363</b>	<b>3,259</b>
Long-term credit right	10	4,363	3,259
<b>Deferred tax assets</b>	<b>22</b>	<b>103,975</b>	<b>115,605</b>
<b>TOTAL NON-CURRENT ASSETS</b>		<b>13,375,145</b>	<b>13,217,379</b>
<b>CURRENT ASSETS</b>			
<b>Inventories</b>	<b>17</b>	<b>6,148</b>	<b>6,641</b>
<b>Trade debtors and other receivables</b>	<b>13</b>	<b>461,709</b>	<b>411,912</b>
Trade receivables	10-13	444,496	391,602
Trade receivables from group companies and associates	10-12-13	1,083	3,161
Other receivables	10-13	7,735	7,542
Personnel	10-13	769	865
Other receivables from public administrations	13-22	7,626	8,742
<b>Current investments in group companies and associates</b>	<b>11-12</b>	<b>30,282</b>	<b>1,288</b>
Loans to companies	12	30,212	1,288
Other financial assets		70	-
<b>Short-term financial investments</b>	<b>14</b>	<b>1,610</b>	<b>1,594</b>
Loans to companies	10-12	172	151
Other financial assets	10	1,438	1,443
<b>Short-term accruals</b>	<b>20</b>	<b>5,509</b>	<b>6,654</b>
<b>Cash and other equivalent liquid assets</b>	<b>18</b>	<b>149,375</b>	<b>467,444</b>
<b>TOTAL CURRENT ASSETS</b>		<b>654,633</b>	<b>895,533</b>
<b>TOTAL ASSETS</b>		<b>14,029,778</b>	<b>14,112,912</b>

## AENA S.M.E., S.A.

### BALANCE AT 31 DECEMBER 2019 AND 2018 (In thousand euros)

<b><u>EQUITY AND LIABILITIES</u></b>	<b>Note</b>	<b>2019</b>	<b>2018</b>
<b>EQUITY</b>			
<b>Capital and reserves without valuation adjustments</b>	<b>19</b>	<b>6,376,945</b>	<b>5,995,162</b>
<b>Capital</b>	19a	1,500,000	1,500,000
<b>Share premium</b>	19b	1,100,868	1,100,868
<b>Capitalisation reserve</b>	19b	133,714	113,626
<b>Legal reserve</b>	19b	300,000	300,000
<b>Other reserves</b>	19b	1,921,037	1,679,486
<b>Profit/(loss) for the period</b>	19b	1,421,326	1,301,182
<b>Valuation adjustments</b>	<b>19c</b>	<b>(94,333)</b>	<b>(66,963)</b>
Hedging transactions		(94,333)	(66,963)
<b>Grants, donations and bequests received</b>	<b>7-19d</b>	<b>373,002</b>	<b>398,109</b>
<b>TOTAL NET EQUITY</b>		<b>6,655,614</b>	<b>6,326,308</b>
<b>NON-CURRENT LIABILITIES</b>			
<b>Non-current provisions</b>	<b>21</b>	<b>84,193</b>	<b>92,862</b>
Long-term employee benefits		9,541	9,313
Environmental actions		61,637	59,708
Other provisions		13,015	23,841
<b>Non-current bonds received</b>	<b>10</b>	<b>144,750</b>	<b>123,186</b>
<b>Non-current payables</b>	<b>10</b>	<b>353,412</b>	<b>717,487</b>
Debt with financial institutions	10-15b	250,000	649,913
Financial lease payables	9-10	9,036	10,697
Derivatives	10-15d	94,115	56,543
Other financial liabilities		261	334
<b>Group companies and associates, non-current</b>	<b>10-12-15</b>	<b>4,705,603</b>	<b>5,338,514</b>
<b>Non-current accruals</b>	<b>20</b>	<b>9,378</b>	<b>43,157</b>
<b>Deferred tax liabilities</b>	<b>22</b>	<b>129,710</b>	<b>138,080</b>
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>5,427,046</b>	<b>6,453,286</b>
<b>CURRENT LIABILITIES</b>			
<b>Current provisions</b>	<b>21</b>	<b>84,303</b>	<b>59,808</b>
<b>Current payables</b>	<b>10</b>	<b>867,508</b>	<b>257,516</b>
Bonds and other marketable securities	10-15c	159,000	-
Debt with financial institutions	10-15b	391,040	1,841
Financial lease payables	9-10	1,673	1,655
Derivatives	10-15d	31,662	32,740
Other financial liabilities	10	284,133	221,280
<b>Group companies and associates, current</b>	<b>10-12-15</b>	<b>648,898</b>	<b>653,013</b>
<b>Trade and other payables</b>	<b>16</b>	<b>308,158</b>	<b>321,267</b>
Suppliers, group companies and associates	10-12-16	24,141	25,372
Other payables	10-16	164,933	171,947
Personnel	10-16	30,373	27,975
Current tax liabilities	16-22	32,010	46,359
Advance from customers	10-16	56,701	49,614
<b>Current accruals</b>	<b>20</b>	<b>38,251</b>	<b>41,714</b>
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,947,118</b>	<b>1,333,318</b>
<b>TOTAL NET EQUITY AND LIABILITIES</b>		<b>14,029,778</b>	<b>14,112,912</b>

# INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019 AND 2018 (In thousand euros)

<b>CURRENT OPERATIONS</b>	<b>Note</b>	<b>2019</b>	<b>2018</b>
<b>Net turnover</b>	<b>23b</b>	<b>4,159,546</b>	<b>3,962,568</b>
<b>Work carried out by the Company for its assets</b>	<b>7</b>	<b>5,099</b>	<b>4,747</b>
<b>Subcontracted work and other supplies</b>	<b>23a</b>	<b>(170,205)</b>	<b>(173,862)</b>
Consumption of raw materials and other consumables		(1,220)	(630)
Work performed by other companies		(168,985)	(173,232)
<b>Other revenue</b>		<b>12,107</b>	<b>12,935</b>
Miscellaneous income and other current management income		10,991	11,228
Operating grants incorporated into the profit (loss) of the financial year		1,116	1,707
<b>Personnel expenses</b>	<b>23c</b>	<b>(402,881)</b>	<b>(370,984)</b>
Wages, salaries and similar		(290,749)	(272,768)
Social contributions		(115,419)	(106,371)
Provisions		3,287	8,155
<b>Other operating expenses</b>		<b>(957,755)</b>	<b>(896,864)</b>
External services	23d	(794,290)	(737,780)
Taxes	23e	(149,517)	(148,787)
Losses, impairment and change in trading provisions	13	(13,024)	530
Other ordinary expenses		(924)	(10,827)
<b>Depreciation and amortization</b>	<b>6 -7 -8</b>	<b>(716,985)</b>	<b>(750,692)</b>
<b>Capital grants taken to income</b>	<b>19d</b>	<b>39,655</b>	<b>95,076</b>
<b>Provisions surpluses</b>	<b>23g</b>	<b>4,701</b>	<b>7,679</b>
<b>Impairment and profit/loss on fixed asset disposals</b>		<b>(21,106)</b>	<b>(60,256)</b>
Impairments and losses	3.2	-	(46,249)
Results by disposals and others	6-7	(9,339)	(15,835)
Other results		(11,767)	1,828
<b>RESULTS FROM OPERATING ACTIVITIES</b>		<b>1,952,176</b>	<b>1,830,347</b>
<b>Financial income</b>	<b>23f</b>	<b>4,808</b>	<b>3,204</b>
Marketable securities and other financial instruments			
- Group and associate companies		1,472	1,029
- Third party		2,850	1,571
Activation of financial expenses	6-7	486	604
<b>Financial expenses</b>	<b>23f</b>	<b>(96,265)</b>	<b>(124,247)</b>
- Debts with group and associate companies	15-19c	(76,621)	(106,967)
- Debts with third parties		(19,506)	(17,161)
- Update of provisions	21	(138)	(119)
<b>Exchange differences</b>	<b>23f</b>	<b>(41)</b>	<b>(9)</b>
<b>NET FINANCIAL INCOME/(EXPENSE)</b>	<b>23f</b>	<b>(91,498)</b>	<b>(121,052)</b>
<b>PROFIT/(LOSS) BEFORE INCOME TAX</b>		<b>1,860,678</b>	<b>1,709,295</b>
<b>Income tax expenses</b>	<b>22</b>	<b>(439,352)</b>	<b>(408,113)</b>
<b>PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING ACTIVITIES</b>		<b>1,421,326</b>	<b>1,301,182</b>
<b>PROFIT/(LOSS) FOR THE PERIOD</b>		<b>1,421,326</b>	<b>1,301,182</b>

**AENA S.M.E., S.A.**

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019  
AND 2018**

**(In thousand euros)**

**A) Statement of recognised income and expenses**

	<b>Note</b>	<b>2019</b>	<b>2018</b>
<b>Profit/(loss) for the period</b>		<b>1,421,326</b>	<b>1,301,182</b>
<b>Income and expenses recognised directly in equity</b>			
Cash flow hedges		(70,192)	(43,961)
Grants, donations and bequests received	19d	6,179	73,808
Actuarial gains and losses		(5)	(96)
Tax effect		16,004	(7,438)
<b>Total income and expenses recognised directly in equity</b>		<b>(48,014)</b>	<b>22,313</b>
<b>Amounts transferred to income statement</b>			
Cash flow hedges	19c	33,699	37,333
Grants, donations and bequests received	19d	(39,655)	(95,076)
Tax effect		1,489	14,436
<b>Total amounts transferred to income statement</b>		<b>(4,467)</b>	<b>(43,307)</b>
<b>TOTAL RECOGNISED INCOME AND EXPENSES</b>		<b>1,368,845</b>	<b>1,280,188</b>

# STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019 AND 2018

(In thousand euros)

## B) Statement of total changes in equity

	Capital (Note 19.a)	Share premium (Note 19.b)	Profit/ (loss) for the period (Note 19.b)	Capitalisation reserve (Note 19.b)	Legal Reserve (Note 19.b)	Other reserves (Note 19.b)	Valuation adjustment (Note 19.c)	Grants, donations and bequests received (Note 19.d)	TOTAL
<b>Balance at 01 January 2018</b>	<b>1,500,000</b>	<b>1,100,868</b>	<b>1,219,751</b>	<b>70,566</b>	<b>299,198</b>	<b>1,478,700</b>	<b>(61,992)</b>	<b>414,060</b>	<b>6,021,151</b>
Total recognised income and expenses	-	-	1,301,182	-	-	(72)	(4,971)	(15,951)	<b>1,280,188</b>
Other operations with partners and owners	-	-	-	-	-	(31)	-	-	<b>(31)</b>
Distribution of dividends	-	-	-	-	-	(975,000)	-	-	<b>(975,000)</b>
Application of results from previous year	-	-	(1,219,751)	43,060	802	1,175,889	-	-	-
<b>Balance at 31 December 2018</b>	<b>1,500,000</b>	<b>1,100,868</b>	<b>1,301,182</b>	<b>113,626</b>	<b>300,000</b>	<b>1,679,486</b>	<b>(66,963)</b>	<b>398,109</b>	<b>6,326,308</b>
Total recognised income and expenses	-	-	1,421,326	-	-	(4)	(27,370)	(25,107)	<b>1,368,845</b>
Other operations with partners and owners	-	-	-	-	-	(39)	-	-	<b>(39)</b>
Distribution of dividends	-	-	-	-	-	(1,039,500)	-	-	<b>(1,039,500)</b>
Application of results from previous year	-	-	(1,301,182)	20,088	-	1,281,094	-	-	-
<b>Balance at 31 December 2019</b>	<b>1,500,000</b>	<b>1,100,868</b>	<b>1,421,326</b>	<b>133,714</b>	<b>300,000</b>	<b>1,921,037</b>	<b>(94,333)</b>	<b>373,002</b>	<b>6,655,614</b>

**CASH FLOWS STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019 AND 2018**  
**(In thousand euros)**

	Note	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES (I)</b>		<b>2,050,176</b>	<b>1,894,731</b>
Profit/(loss) for the year, before tax		1,860,678	1,709,295
Adjustments for:		<b>834,894</b>	<b>867,587</b>
Depreciation and amortization	6 -7 -8	716,985	750,692
Impairment valuation adjustments	13	13,024	(530)
Grants recognised in the income statement	19d	(39,655)	(95,076)
Impairment of fixed assets	6-7	-	46,249
Results from retirements and disposals of fixed assets		9,339	15,835
Financial income	23f	(4,808)	(3,204)
Financial expenses and exchange rate gain/losses	23f	62,607	86,923
Financial expenses settlement for financial derivatives	23f, 15	33,699	37,333
Changes in provisions		44,681	29,653
Other		(978)	(288)
<b>Changes in operating assets and liabilities</b>		<b>(132,541)</b>	<b>(178,107)</b>
Inventories		493	(184)
Trade and other receivables		(61,410)	(112,513)
Other current assets		412	12
Creditors and other payables		(16,987)	(14,659)
Other current liabilities		(53,892)	(49,969)
Other non-current assets and liabilities		(1,157)	(794)
<b>Other cash flow from operating activities</b>		<b>(512,855)</b>	<b>(504,044)</b>
Interest payments		(84,899)	(115,727)
Interest received		1,590	1,079
(Payments) / collections for income tax		(429,197)	(389,396)
Other payments / (collections)		(349)	-
<b>CASH FLOW FROM/USED IN INVESTING ACTIVITIES (II)</b>		<b>(868,239)</b>	<b>(479,853)</b>
<b>Payments for investments</b>		<b>(900,735)</b>	<b>(491,656)</b>
Group companies and associates		(401,915)	(8,500)
Intangible assets		(31,440)	(20,790)
Property, plant and equipment		(451,259)	(445,051)
Investment properties		(7,660)	(4,410)
Other financial assets		(8,461)	(12,905)
<b>Proceeds from sale of investments</b>		<b>32,496</b>	<b>11,803</b>
Group and associate companies		30,000	1,700
Property, plant and equipment		347	33
Other financial assets		2,149	-
Other assets		-	10,070
<b>CASH FLOW FROM FINANCING ACTIVITIES (III)</b>		<b>(1,500,006)</b>	<b>(1,665,549)</b>
<b>Proceeds from and payments for equity instruments</b>		<b>6,453</b>	<b>88,097</b>
Grants, donations and bequests received	19d	6,453	88,097
<b>Proceeds from and payments for financial liability instruments</b>		<b>(466,959)</b>	<b>(778,646)</b>
Emissions:			
- Bonds and other marketable securities	15c	159,000	-
- Debts with financial institutions	15b	641,000	-
- Other		60,117	31,728
Redemption and repayment of:			
- Debts with financial institutions	15b	(650,000)	-
- Debts with group companies and associates	15a	(633,744)	(798,060)
- Other payables		(43,332)	(12,314)
<b>Dividends and interest on other equity instruments paid</b>	19	<b>(1,039,500)</b>	<b>(975,000)</b>
Dividends		(1,039,500)	(975,000)
<b>NET INCREASE / DECREASE OF CASH AND EQUIVALENTS</b>		<b>(318,069)</b>	<b>(250,671)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>		<b>467,444</b>	<b>718,115</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<b>149,375</b>	<b>467,444</b>



## 1. Activity

AENA S.M.E., S.A. (Hereinafter, the “Company” or “AENA”) was founded as an independent legal entity by virtue of Article 7 of Royal Decree Law 13/2010, of 3 December, which authorised the Council of Ministers to incorporate the company. The authorisation for the effective incorporation took place on 25 February 2011 in the agreement of the Council of Ministers of that date in which the incorporation of the state corporation Aena Aeropuertos, S.A. was authorised pursuant to the provisions of article 166 of Law 33/2003, of 3 November, of the Patrimony of the Public Administrations (LPAP).

On 5 July 2014, in virtue of Article 18 of Royal Decree Law 8/2014 (subsequently confirmed by Law 18/2014), the name of Aena Aeropuertos, S.A. was changed to AENA, S.A. and the public business entity “Aeropuertos Españoles y Navegación Aérea” was renamed ENAIRE (“Parent Company”).

As a result of Law 40/2015, of 1 October, concerning the Legal Regime for the Public Sector, at the General Meeting of Shareholders on 25 April 2017 the Company’s corporate name was changed to “Aena S.M.E., S.A.”.

In accordance with its statutes, the Company’s corporate purpose is as follows:

- The organisation, management, co-ordination, operation, maintenance, administration and management of general interest, state-owned airports, heliports and associated services by AENA S.M.E., S.A.
- The co-ordination, exploitation, maintenance, administration and management of the civil areas of air bases open to civil aviation traffic and joint-use airports.
- The design and preparation of projects, execution, management and control of investments in infrastructures and facilities referred to in the previous paragraphs and in goods intended for the provision of aerodrome air traffic services attached to said airport infrastructures.
- The evaluation of needs and, if appropriate, the proposal for planning new airport infrastructures and airport and acoustic rights of way associated with airports and services for which the Company is responsible for managing.
- The performance of organisational and security services at airport facilities that it manages, notwithstanding the authority assigned to the Ministry of Public Works in this respect.
- Training in areas relating to air traffic, including the training of aeronautical professionals that require licenses, certificates, authorisations or ratings and the promotion, reporting or development of aeronautical or airport activities.

In addition, the Company may engage in all commercial activities directly or indirectly related to its corporate purpose, including the management of airport facilities outside Spanish territory and any other ancillary and complementary activity that allows a return on investments.

The corporate purpose may be carried out by the Company directly or through the creation of trading companies and, specifically, the individualised management of airports may be carried out through subsidiary companies or through the concession of services.

The integrity of the airport network insofar as its survival ensures the mobility of citizens and economic, social and territorial cohesion in terms of accessibility, adequacy, suitability, sustainability and continuity, was also established in the aforementioned Law 18/2014. The latter sets out the framework to which the basic airport services are subject and the characteristics and conditions that the said network must boast in order to guarantee the objectives of general interest. Thus, the closure or sale of all or part of any facilities or airport infrastructure necessary to maintain the provision of airport services is prohibited, unless authorised by the Council of Ministers or the Ministry of Public Works, and which authorisation can only be granted provided it does not affect the objectives of general interest that must guarantee the said network or compromise its sustainability, the absence of such authorisation will render the foregoing as a guarantee for the entire maintenance of the state airport

## AENA S.M.E., S.A. Report for 2019

*(Amounts in thousands of euros unless otherwise stated)*

network null and void; Airport charges and their key elements, basic airport services and the framework to determine minimum standards of quality, capacity and conditions for the provision of the services and investments required for compliance, as well as the conditions for recovering the costs of providing these basic airport services have been defined (see Note 4p).

The Company was incorporated to the issue of 61 fully subscribed and paid shares with a par value of €1,000 by the public business entity “Aeropuertos Españoles y Navegación Aérea”, which was its sole shareholder at the time. The public business entity Aeropuertos Españoles y Navegación Aérea will maintain, in any event, a majority of the share capital in the Company in the terms established by Article 7.1, paragraph two of Royal Decree Law 13/2010, of 3 December, and may sell the rest in accordance with Law 33/2003, of 3 November, on Public Institution Equity.

The incorporation of the Company was entered into the Companies Register based on the Resolution adopted by the Board of Directors on 23 May 2011, which approved the contribution to the Company of the airport activity branch and its measurement, which took place on 31 May 2011.

The Resolution adopted by the Council of Ministers on 3 June 2011 subsequently approved the Company’s share capital increase in order to support the Company’s activity, and in accordance with Article 9 of Royal Decree Law 13/2010 (3 December), through which the sole shareholder at the time, contributed all of the assets, rights, debts and obligations associated with the airport and commercial activities and other state services associated with the airport management, including the air traffic services at the airport. Said capital increase is carried out through a contribution of non-monetary capital valued in accordance with the accounting standards in force, specifically the General Accounting Plan approved by Royal Decree 1514/2007, 16 of November, subsequently modified by Royal Decree 1159/2010, of 17 September (see Note 3.1).

The functional ownership of the Company falls to the Ministry of Development, together with the authority to propose the appointment of one-third of the members of the Board of Directors.

AENA S.M.E., S.A., is the beneficiary of the expropriations associated with the infrastructures it manages.

The domicile of AENA S.M.E., S.A. is located in Madrid (Spain), calle Peonías, 12, after the change thereof adopted by its Board of Directors on 30 October 2018.

The Company is the head of a group of subsidiaries and, in accordance with current legislation, is required to formulate consolidated accounts separately. The consolidated annual accounts of the Aena Group (“Group”), for the financial year 2019, have been formulated by the Board of Directors on 25 February 2020 and will be deposited in the Companies Registry of Madrid.

The consolidated annual accounts of the Group have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-EU, hereinafter the “IFRS”) and the IFRIC interpretations in force on 31 December 2019, as well as with commercial legislation applicable to entities that prepare financial information in accordance with IFRS.

Moreover, at the Board of Directors’ meeting held on 11 July 2014, the public business entity ENAIRE was authorised to initiate proceedings for the sale of the share capital of AENA, S.A. and to dispose of up to 49% of its capital.

Shares in AENA, S.M.E., S.A. were admitted to trading on the four Spanish stock exchanges, and they have been listed on the Spanish continuous market since 11 February 2015. It was first listed on the Madrid stock exchange after the IPO for 49 % of their capital, with a starting price of 58 euros per share. Later on, in June 2015, Aena joined the Ibex 35, an indicator that includes the top 35 Spanish companies listed on the stock exchange.

## 2. Bases of presentation

### a) Regulatory framework for financial information applicable to the Company

These annual accounts have been prepared in accordance with the regulatory framework for financial information applicable to the Company, which is that established in:

- Code of Commerce and other commercial legislation.
- General Accounting Plan approved by Royal Decree 1514/2007, its adaptations, the amendments incorporated in Royal Decree 1159/2010, of 17 September, Royal Decree 602/2016, of 17 December, and Order EHA/733/2010, of 25 March, on accounting aspects of public companies that operate under certain circumstances.
- The mandatory standards approved by the Accounting and Audit Institute in development of the General Accounting Plan and its complementary standards.
- Order EHA/3362/2010, of 23 December, enacting the rules for adapting the General Accounting Plan to concessionary companies of public infrastructures.
- The rest of the Spanish accounting regulations that are applicable.

### b) True and fair view

The attached annual accounts have been obtained from the accounting records of the Company and are presented in accordance with the applicable regulatory framework on financial information and, in particular, with the accounting principles and criteria contained therein, so as to reflect a true and fair view of the equity, financial situation, results and cash flows of the Company during the year. These annual accounts, which have been formulated by the Board of Directors on 25 February 2020, will be submitted for approval by the General Shareholders' Meeting, and it is expected that they will be approved without modification.

### c) Accounting principles applied

These annual accounts have been submitted taking into account all the accounting principles and standards of mandatory application that have a significant effect on said annual accounts. There is no accounting principle that, being mandatory, has not been applied.

### d) Functional and presentation currency

The annual accounts are presented in thousands of euros, unless otherwise indicated, rounded to the nearest thousand, which is the functional and presentation currency of the Company. The use of rounded figures can in some cases lead to a negligible rounding difference in the totals or in the variations.

### e) Critical aspects of assessment and estimating uncertainty

In the preparation of the attached annual accounts, estimates made by the Company's administrators have been used to value some of the assets, liabilities, income, expenses and commitments that are recorded herein. These estimates basically refer to:

- The evaluation of possible impairment losses of certain assets (Note 4a).
- The useful life of tangible and intangible assets and real estate investments (Notes 4a, 4b and 4c).
- Revenue recognition (Note 4p).
- Determination of current and deferred tax (Note 22).
- Recoverability of deferred tax assets (Note 22).

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- Evaluation of litigation, provisions, commitments, assets and contingent liabilities at closing date (Note 4j and 4K).
- The market value of certain financial instruments (Note 4f).

Some of these accounting policies require the application of a significant degree of judgement by management in selecting the appropriate assumptions to calculate these estimates. These assumptions and estimates are based on past experience, advice received from expert consultants, projections and other circumstances and expectations at the end of the year. Management's evaluation and agreement is taken into consideration with respect to the overall economic situation of the industry in which the Company operates, taking into account the future development of the business. By nature, these judgements are subject to an inherent degree of uncertainty and, therefore, actual results may materially differ from the estimates and assumptions used. In such cases, the values of assets and liabilities would be adjusted.

The important judgements in applying the Company's accounting policies include the following:

Reporting of income from minimum annual guaranteed rents from the contract with World Duty Free Global (DUFY)

During financial year 2013, AENA S.M.E., S.A. awarded World Duty Free Group (DUFY) a multi-year contract to manage the duty free and duty paid specialty shops in the three sets of airports until 2020. The fees are based on the volumes of sales in these specialty shops. The management of the Company has evaluated the substantial characteristics of the contract and has concluded that the revenue from the contract should be recognised on an accrual basis, while considering the charges imposed as contingent, although contractually certain fees are set regardless of the volume of sales made by the Specialty shops. The judgement of management when determining the variability of contract fees is based on the substance thereof and future variability factors that influence the determination of such fees, including spaces allocated to stores, duration of availability of such spaces, the variability of airport passenger traffic and the ability of parties to obtain a minimum cost associated with contract, among other factors.

Future changes to contract conditions evaluated by the management of the Company could result in a different revenue recognition compared to what AENA S.M.E., S.A. has applied to this contract. For contracts with characteristics similar to this one, the Company has continued to follow the same revenue recognition criteria.

f) Comparison of information

In compliance with current regulations, in addition to the figures for the year ended 31 December 2019, for comparative purposes, those corresponding to the year ended 31 December 2018 are also provided.

g) Groups of headings

Certain items in the balance sheet, the income statement, the statement of changes in net equity and the cash flow statement are grouped together so as to aid their understanding. However, mandatory material information has been broken down in the corresponding notes.

### 3. Corporate transactions between group companies

#### 3.1 Non-monetary contribution 2011

In accordance with the provisions of Article 9 of Royal Decree-Law 13/2010, of 3 December, and based on the Agreement of the Council of Ministers dated 3 June 2011, the Company was authorised to carry out a capital increase which was fully subscribed by its sole shareholder at that time, the public business entity “Aeropuertos Españoles y Navegación Aérea”. This capital increase was subscribed through the contribution of all assets, rights, debts and obligations associated with the airport and commercial activities and other state services associated with the airport management, including the air traffic services at the airport (hereinafter the “Activity”). The Board of Directors of the public business entity “Aeropuertos Españoles y Navegación Aérea” approved on 23 May 2011 the contribution to the Company of the Activity and its valuation prepared by its technical services which used the carrying value of the line of business at 31 May 2011 taking as a reference, in accordance with the accounting standards in force and, specifically, the Spanish General Chart of Accounts approved by Royal Decree 1514/2007, partially amended by Royal Decree 1159/2010.

For this reason, all the assets and liabilities incorporated in the non-monetary contribution were done so at their net book value, except for the assets corresponding to the investments in the equity of group, multi-group and associated companies, which were incorporated at their consolidated value of the Aena Group as of 8 June 2011, effective date of the operation. Likewise, in accordance with valuation rule 4a and 4b, the assets corresponding to fixed assets were shown at their net book value at the time of the operation, as detailed in the intangible fixed assets and tangible fixed assets notes.

The Company’s single shareholder at the time, the public business entity “Aeropuertos Españoles y Navegación Aérea”, adopted the following single shareholder resolutions on 6 June 2011:

- Reduce the par value of the Company’s € 1,000 shares by dividing the 61 outstanding shares into 6,100 shares, consisting of 100 new shares for each old share, without changing the amount of the Company’s share capital. As a result, the Company’s share capital is 61,000 euros represented by 6,100 shares with a nominal value of 10 euros each, and all shares are of the same class and bear the same financial and voting rights.
- The Company’s share capital is increased from 61,000 euros to 1,500,000,000 euros and, therefore, the share capital increase amounts to 1,499,939,000 euros.
- A total of 149,993,900 common shares are issued representing the aforementioned capital increase, each with a nominal value of 10 euros, all with the same rights and obligations as those already in existence. These new shares are issued with a total share premium of 1,100,868,000 euros, thus with a total amount to be disbursed as capital and share premium of 2,600,807,000 euros.
- In accordance with Article 9 of Royal Decree Law 13/2010 and the Resolutions dated 25 February and 3 June 2011, the public business entity “Aeropuertos Españoles y Navegación Aérea” fully subscribed and paid the total nominal value of the shares and the share premium through the contribution of the activity mentioned in paragraph 1 of this section of the report.
- The public business entity “Aeropuertos Españoles y Navegación Aérea” contributes to all of the Activities as an operating unit in the state in which they are located (ownership, usage rights, situation, charges, etc.) in the terms of RDL 13/2010. The public business entity “Aeropuertos Españoles y Navegación Aérea” in accordance with Article 66 of the Corporate Enterprises Law approved by Royal Decree Law 1/2010 (2 July) is only liable, with respect to the contribution, if the defect or encumbrance affects all or an essential part of the Activity. For these purposes, it shall be understood as an essential part that affects 20 % or more the total value of the Activity contribution or when it affects an individual airport such that the airport activity cannot be carried out, notwithstanding jurisdictional control over the applicable legal system.

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In addition to the above, any difference that could arise, during the period between the date of contribution to the date of transfer to private investors of part of the Company's capital, between the estimated value of the contributed assets and liabilities one which the Company's necessary share capital increase and the value of the assets and liabilities actually contributed will be adjusted, in the same amount, as an increase or decrease in the loan granted by the public business entity "Aeropuertos Españoles y Navegación Aérea" to the Company, without the adjustment affecting the share capital increase in any event.

- All of the personnel of the public business entity "Aeropuertos Españoles y Navegación Aérea" that are necessary to render the Activity will be transferred and integrated into the Company under the same collective agreements and conditions currently in force, respecting length of service and any other rights vested when the Company starts to perform its duties.

The *split* and the measurement of the contributed activity will be approved by the Board of Directors of the public business entity "Aeropuertos Españoles y Navegación Aérea" dated 23 May 2011 in accordance with the assessment report prepared that stated that the transferred Activity is valued at €2,600,807,000. This measurement took place using the carrying value of the contributed line of business as a reference in accordance with current accounting standards and, specifically, the Spanish General Chart of Accounts, and complied with the requirements of Article 114 of the LPiA.

- In accordance with Articles 70 and 300.1 of the Corporate Enterprises Act, the members of the Board of Directors of the Company have signed the Directors' report of Aena Aeropuertos, S.A. that has been examined by the single shareholder.
- The Company will start to carry out the Activity on an effective basis on the date determined by the Order of the Ministry of Public Works under the Second Transitory Provision of Royal Decree Law 13/2010.
- The contribution of the Activity is subject to the application of the special system established by Title VII, Chapter VIII of Royal Decree Law 4/2004 (5 March), which approves the Revised Text of the Corporate Income Tax Act, in accordance with the third additional provision 2 of Royal Decree Law 13/2010.

The non-monetary contribution and the measurement prepared by the technical services of Aena was gathered in the "Measurement Report", which used the carrying value of the line of business at 31 May 2011 as a reference, in accordance with the accounting standards in force and, specifically, the Spanish General Chart of Accounts approved by Royal Decree 1514/2007 (16 November), partially amended by Royal Decree 1159/2010 (17 September), as provided for in the Resolution of 25 February 2011.

The property, plant and equipment contributed relates to rights of any type that were held by the public business entity "Aeropuertos Españoles y Navegación Aérea" regarding the land, buildings and equipment at the airports managed or used by the activity. It also includes the use of rights relating to the public business entity "Aeropuertos Españoles y Navegación Aérea" regarding certain land located at airports, military airport and air bases. The contributed rights refer to the following airports, aerodromes and air bases:

- Civil airports: La Coruña, Alicante, Almería, Asturias, Barcelona, Bilbao, Burgos, Córdoba, El Hierro, Fuerteventura, Girona, Granada, Huesca Pirineos, Ibiza, Jerez de la Frontera, La Gomera, La Palma, Logroño, Adolfo Suárez Madrid-Barajas, Melilla, Menorca, Palma de Mallorca-Son Bonet, Pamplona, Reus, Sabadell, San Sebastián, Santander, Seville, Tenerife Sur, Valencia, Vigo and Vitoria.
- Civil part of jointly used airports with the Defence Ministry: Gran Canaria-Gando, Lanzarote, Tenerife Norte, Madrid-Cuatro Vientos, Málaga, Palma de Mallorca-Son Sant Joan, Santiago and Zaragoza
- Air bases and military airports open to civil use: Talavera La Real (Badajoz), Matacán (Salamanca), San Javier (Murcia), Villanubla (Valladolid), Los Llanos (Albacete), and León military airfield.
- Heliports: Heliport in Ceuta and Algeciras.



### **3.2 Non-monetary contribution of civil activity branch of Murcia San Javier Airport**

On 7 December 2011, the Ministry of Development and the Ministry of Public Works and Planning of the Autonomous Community of the Murcia Region signed a “Protocol to establish the bases of civil aviation development in the Autonomous Community of the Murcia Region” (published in the Official Gazette of the Murcia Region No. 281, dated 7 December 2011), whereby both parties highlighted the need for civil traffic in the Murcia Region to be carried out only through the International Airport of the Murcia Region (hereinafter, AIRM), just 30 kilometres (approximately) from the Murcia San Javier Airport, which would be destined, once the AIRM was opened, exclusively to military aviation (except in cases of emergency). For this purpose, the offer submitted by Aena in the public tender for the management and operation of the AIRM, expressly contemplated the closure to civil traffic at the San Javier air base in a coordinated manner with the entry into operation of the AIRM, avoiding any type of duplicity of airport functions in the Autonomous Region of Murcia.

In this sense, the operation, maintenance and operation of the AIRM were subject to public bidding, and the Bidding documents for the “Management, Operation, Maintenance and Preservation of the Murcia International Airport” were published in 2017, which could qualify as a contract for the management of public services in the concession modality, the successful bidder of which was to provide all the services that correspond to an airport manager, such as: the operation and preservation of airport infrastructures, exploitation of commercial activities, control tower service, operation of the area of complementary activities, etc. After processing the appropriate contracting file, by Order of the Ministry of Presidency and Development of the Murcia Region dated 15 January 2018, the contract was awarded to AENA S.M.E., S.A. (hereinafter, AENA), with a concession term of 25 years.

In this regard, as required by clause 33 of the Specific Tendering Clauses, AENA, as the successful bidder, proceeded to establish, on 25 January 2018, as a private limited company and with a share capital of 8.5 million euros (fully disbursed), the company Aena, Sociedad Concesionaria del Aeropuerto Internacional de la Región de Murcia, S.M.E., S.A. (hereinafter, SCAIRM). The creation of the aforementioned Concessionaire Company, whose capital is 100% owned by AENA- and, therefore, State Corporation-, was authorised by the Council of Ministers on 29 December 2017 (see Note 11).

With the inauguration of the new International Airport of the Region of Murcia (AIRM) on 15 January 2019, the San Javier Air Base was destined exclusively for military aviation. Therefore, Aena carried out the segregation in order to contribute to the Beneficiary Company, current manager of the AIRM, the branch of activity corresponding to the area open to civil traffic of the San Javier Air Base, through the universal succession mechanism.

The AIRM Concessionaire Company is a company 100% owned by AENA, so it is therefore not only companies in the same group (under the terms of Article 42 of the Code of Commerce) but one is the parent of the other.

The segregation is provided for in Articles 71 and following of Law 3/2009, of 3 April, on Structural Modifications of Commercial Companies, in the following terms: “Block transfer by universal succession of one or more parts of the assets of a company, each of which forming an economic unit, to one or more companies”. AENA (parent company) used said segregation mechanism in order to provide SCAIRM with the branch of activity corresponding to Murcia San Javier, through the universal succession mechanism.

This universal succession allowed all the personnel, as well as the suppliers/customers (source of commercial revenue) of San Javier, to be able to continue with their activities in the new AIRM with normality, without the need to tender the positions of the personnel or the services of the airport. Likewise, the application of the principle of universal succession allowed the Company to continue with all the contracts awarded by AENA for Murcia San Javier Airport, with the consequent benefits that this entailed, both from the point of view of the most efficient and orderly transition possible of the operation of Murcia San Javier Airport to AIRM, as from the point of view of the maintenance of employment and social peace.

The segregation was authorised by the Council of Ministers, in accordance with the provisions of Article 169.f) of Law 33/2003 on Public Institution Equity dated 3 August 2018. Likewise, the segregation project was approved by the Segregated Company and the Beneficiary Company, dated 30 October 2018.

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According to the approved segregation project, the total value of the Economic Unit was 1,191 thousand euros, which corresponded to the net book value of the same, as was the result of the part of the AENA books that corresponded to the segregated activity. The accounting treatment of segregation meant an increase in financial investment in the investee company Aena Sociedad Concesionaria del Aeropuerto Internacional de la Región de Murcia, S.M.E., S.A., as a non-monetary contribution from the shareholders.

The elements of the assets and liabilities of the Segregated Equity in 2018 that make up the Economic Unit are presented below:

<b>LIST OF ASSETS AND LIABILITIES</b>	<b>Thousand euros</b>
A) NON-CURRENT ASSETS	1,439
Property, plant and equipment	1,426
Deferred tax assets	13
B) CURRENT ASSETS	1,142
Trade debtors and other receivables	1,142
Trade receivables for sales and services rendered	1,142
<b>TOTAL ASSETS</b>	<b>2,581</b>
A) NET EQUITY	-
B) NON-CURRENT LIABILITIES	86
Long-term provisions	86
C) CURRENT LIABILITIES	1,304
Short-term provisions	165
Trade creditors and other accounts payable	1,139
<b>TOTAL LIABILITIES AND NET</b>	<b>1,390</b>
<b>NET CARRYING VALUE</b>	<b>1,191</b>

In accordance with the provisions of the General Accounting Plan, since segregation is an operation between group companies, the operations related to the civil branch of the San Javier airport carried out by AENA, for accounting purposes, were understood to be carried out on behalf of the beneficiary company as of 1 January 2018. The amount and nature of the operations related to the civil branch of Murcia San Javier airport during 2018, subject to segregation at AIRM, was as follows:

	<b>Thousand euros</b>
Airport services	7,634
Commercial Revenue	4,750
<b>TOTAL TURNOVER</b>	<b>12,384</b>
Other revenue	77
<b>TOTAL OPERATING REVENUE</b>	<b>12,461</b>
Subcontracted work and other supplies	786
Employment costs	3,851
Other operating expenses	2,830
Other results	(1)
<b>TOTAL OPERATING EXPENSES</b>	<b>(7,466)</b>
<b>OPERATING REVENUE</b>	<b>4,995</b>
Financial income	2
Financial expenses	(56)
<b>FINANCIAL RESULT</b>	<b>(54)</b>
<b>INCOME BEFORE TAX (I)</b>	<b>4,941</b>
Trade debtors and other receivables	100
Provisions	(9)
Creditors and other payables	90
<b>NET BALANCE SHEET ASSETS (II)</b>	<b>181</b>
<b>TOTAL NET ACCOUNTING (I+II)</b>	<b>5,122</b>



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The result of 5,122 thousand euros was recognised by AENA as a liability payable to Aena Sociedad Concesionaria del Aeropuerto Internacional de la Región de Murcia, S.M.E., S.A., for which the corresponding item to be paid intragroup was included in the annual accounts for 2018 (see Note 12), since the cash generated by these operations remained in the Aena treasury system.

Likewise, on 15 January 2019, the interruption of civil air operations at Murcia San Javier Air Base took place. This fact was considered to be one of the assumptions that the applicable accounting regulations include within the so-called “signs of impairment” of an asset associated to an activity that is ceased. In this sense, given that, at 31 December 2018, the cash flows derived from the continued use thereof, up to its definitive closure, were insignificant, it could be estimated that the value in use of San Javier is very close to its fair value less the costs of sale. As a result, the impairment test was performed at individual level of said airport and in 2018 an impairment loss amounting to 46,249 thousand euros was recognised, corresponding to the carrying amount of all the assets that could not be reused at the AIRM or at the rest of the airports of the network (see Notes 6 and 7). On the other hand, the balance of the capital grants related to the aforementioned assets was also been applied to results for an amount of 26,700 thousand euros, giving rise to a negative net impact in the Profit & Loss Account for 2018 of 19,549 thousand euros.

#### **4. Recognition and measurement standards applied**

The main rules of recognition and measurement used in the preparation of the annual accounts of the Company, in accordance with the provisions of the General Accounting Plan, have been the following:

##### **a) Intangible fixed assets**

Intangible fixed assets are recorded in the assets of the balance sheet at their acquisition price, production cost, or venal adhesion value corrected by the amortisation and impairment losses they have experienced.

“Development expenses” are individualised by projects, are capitalised based on studies that support their viability and financial profitability, and are reviewed on an annual basis during the time the project is being developed. In the event of any change in the circumstances that enabled a project to be capitalised, the accumulated cost is assigned to the income statement.

In the “Computer Applications” item, the Company records the amounts paid with respect to the acquisition and development of software. The maintenance costs of the computer applications are recorded in the profit and loss account for the year in which they are incurred.

As “Other intangible fixed assets” the Company mainly capitalises the airports’ master plans and the studies associated with them, and they are amortised over 8 years.

The master plans are resources controlled by the Company from which legal rights are derived, since they are required by law and are approved by the Ministry of Development.

##### **Concession agreement, regulated asset**

The sector plan of public infrastructure concession companies regulates the treatment of service concession contract agreements, defining these as those under which the granting entity entrusts a concessionary company with the construction, including improvement, and operation of infrastructures that are intended for the provision of public services of an economic nature during the period of time provided for in the agreement, obtaining in return the right to receive remuneration.

Every concession agreement must meet the following requirements:

- The granting entity controls or regulates what public services the concessionary company must provide with the infrastructure, to whom it must provide them and at what price; and
- The granting entity controls any significant residual participation in the infrastructure at the end of the term of the agreement.

In these concession agreements the concessionaire acts as a service provider, specifically on the one hand construction or infrastructure improvement services, and, on the other, operating and maintenance services during the agreement period. The consideration received by the concessionaire in relation to the construction or infrastructure improvement service is accounted for at the fair value of said service, and can be recorded as:

- *Intangible fixed assets:* In those cases where the right is received to charge users a price for the use of the public service, and this is not unconditional but depends on the users actually using the service, the consideration of the construction or improvement service is recorded as an intangible asset under the heading "Concession agreement, regulated asset" under the heading "Intangible assets" in application of the intangible asset model, in which the demand risk is assumed by the concessionaire. In the case of the Company, intangible assets include the investment made in the facilities that the Company has received and which, once construction is completed, will operate under an administrative concession regime.
- *Financial assets:* In those cases in which the unconditional right to receive from the granting entity (or on behalf of the latter) cash or other financial assets is received, and the granting entity has little or no ability to avoid payment, the consideration for the construction or improvement service is recorded as a financial asset under the heading "Concession agreement, collection right" in application of the financial model, in which the concessionaire does not assume the demand risk (collecting even in the absence of infrastructure use since the granting Entity guarantees payment to the Concessionaire of a fixed or determinable amount or of the deficit if any).

The right of access to the infrastructure in order to provide the exploitation service that the granting entity grants to the concessionary company, will be accounted for by the latter as an intangible asset, in accordance with recording and valuation standard 5 "Intangible fixed assets" of the General Accounting Plan.

If there is no consideration, the counterpart will be recognised in accordance with the provisions of recording and valuation standard 18 "grants, Donations and Legacies" of the General Accounting Plan.

If there is consideration, but this is substantially less than the fair value of the aforementioned right, the difference will be treated in accordance with the provisions of the preceding paragraph.

In any case, it will be understood that there is consideration and that this corresponds to the fair value of the aforementioned right, provided the transfer of the infrastructure is included within the conditions of a tender in which the concessionary company undertakes to make a investment or deliver another type of consideration and in return obtains the right to exploit either the pre-existing infrastructure or the aforementioned infrastructure along with the newly built infrastructure.

Subsequent costs incurred in intangible assets are recorded as an expense, unless the expected future economic benefits of the assets increase.

For each intangible asset acquired, the Company assesses whether its useful life is finite or indefinite. To this effect, it is understood that an intangible fixed asset has an indefinite useful life when there is no foreseeable limit to the period during which it will generate net cash inflows.

The Company has no intangible assets of indefinite useful life.

With respect to intangible assets with finite life, the amortisation is calculated according to the straight-line method based on the useful life of the different assets using the following percentages:

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	Years
Development	4
Software	6
Other fixed intangible assets	4 - 8

For these purposes, depreciable amount is understood to be the acquisition cost less, if applicable, its residual value.

The Company reviews the residual value, useful life and amortisation method of intangible assets at the end of each year. Modifications in the initially established criteria are recognised as a change in estimate.

Impairment of intangible and tangible assets

Assets that have an indefinite useful life and intangible fixed assets that are not in a condition to be used are not subject to amortisation and are tested annually for impairment. Property, plant and equipment and intangible assets subject to depreciation/amortisation are subject to impairment reviews provided that some event or change in circumstances indicates that their carrying value may not be recoverable. Impairment losses are recognised for the carrying value of the asset that exceeds its recoverable amount. The recoverable amount is determined as fair value net of costs to sell and value in use, whichever is higher.

AENA S.M.E., S.A. deems that all its assets are cash flow generators. For the purposes of assessing impairment losses, assets are grouped together at the lowest level for which there are separately identifiable cash flows (cash-generating units).

Throughout the Company's history, the determination of cash-generating units has been influenced by the regulation applicable in each period and the mechanisms for establishing the airport charges associated with the assets included in these cash-generating units.

As of fiscal year 2011, the legislation applicable to airport charges has been Act 1/2011 which regulates the determination of the airport charges associated with the assets assigned to airport activity, establishing a single till principle (*single till*) for recovery of the assets and only considering in the calculation of airport charges the investments and costs of the network of airports as a whole, including commercial activities inside airport terminals, although excluding car parks and other off-terminal services.

This initial regulatory framework was amended in *Royal Decree Act 20/2012, of 13 July, on measures to ensure budgetary stability and foster competitiveness*, in which Title VI amends the formula for updating the airport charges received by AENA, so that income, expenses and investments derived from commercial services and activities that are not strictly aeronautical are not included for the purpose of determining airport charges. This Royal Decree establishes as a substantial change the progressive decoupling of activities related to private prices derived from terminal areas, since as of 2014 a corrective coefficient is applied that allows the commercial revenue to be decoupled from the determination of public airport charges (2014: 80%, 2015: 60 %, 2016: 40 %, 2017: 20% and 2018: 0 %). As a result, as of 2018 the dual till system (*dual till*) was applied entirely.

Until fiscal year 2015, the management of the Company had identified cash-generating units in the individual assets that make up the off-terminal services segment (which was composed mainly of each of the real estate assets and the car parks considered as a whole), in the financial investments and in the airport network for the Airports segment (which consists of the infrastructure assigned to aeronautical activity and the commercial areas included in it).

The establishment of the "progressive *dual till*" with Royal Decree Act 20/2012, of 13 July, on measures to ensure budgetary stability and foster competitiveness, and Act 18/2014 referred to above (see Note 1) breaks the connection of commercial activities within the terminal with the establishment of airport charges, particularly from 2016 onwards in which most (60%) of the commercial costs and revenue of such activities is not included in the calculation of airport charges. As a result, the value judgement that underlay all airports, including commercial areas, being treated as a single cash-generating unit due to the interrelationship of the cash flows of both activities had to be reconsidered starting in 2016. This legislative novelty does not affect the consideration

of financial investments in subsidiaries and associates as independent cash-generating units, which continue to be considered as such.

The analysis carried out for this purpose concluded that the commercial activity within the terminal should continue to be part of the cash-generating unit of the airport network together with aeronautical activity. Among other reasons this was firstly because of the high interdependence of income between the two activities and the existence of a single asset shared by both activities due to the legal impossibility of disposing of, selling or splitting airport assets; and secondly, and for the same reasons, it is also concluded that activity corresponding to the “car park network”, until 2015 included in the cash-generating unit and segment of “Off-terminal services” and as it is not included in the *single till*, should from 2016 onwards become part of the cash-generating unit and the segment of the “airports network” within the “Commercial” sub-segment. As a consequence, in 2016 the segment and the cash-generating unit of “Off- terminal services” was renamed “Real estate services” as it is constituted exclusively by each of the real estate assets.

As regards the calculation of the recoverable value, the procedure implemented by the Company’s management to perform impairment tests at the cash-generating unit level, where appropriate, is as follows:

- Management prepares a business plan on an annual basis that generally covers a period of five years, including the current year. The main components of this plan, on which the impairment *tests* are based, are as follows:
  - Projected results.
  - Projected investments and working capital.

These projections take into account the financial projections included in the Airport Regulation Document (DORA) for the period 2017-2021 (see Note 5). Other variables that influence the recoverable value calculation are:

- Discount rate to be applied, where this is the weighted average cost of capital, and the main variables that influence its calculation are the cost of liabilities and the specific of risks affecting the assets.
  - The cash flow growth rate used to extrapolate the cash flow projections beyond the period covered by the budgets or projections.
- The business plans are prepared based on the best estimates available and are approved by the Board of Directors.

In the event that an impairment loss has to be recognised, the Company reduces the assets of the cash- generating unit in proportion to their carrying value down to the recoverable value of that unit. Impairment is charged against the profit and loss account.

The possible reversal of impairment losses affecting the value of non-financial assets is analysed at all dates on which financial information is reported. When an impairment loss is subsequently reversed, the carrying value of the cash- generating unit is increased up to the limit of the carrying value that the unit’s assets would have had at that time if the impairment had not been recognised. This reversal is classified in the same line in which the impairment loss was originally recognised.

#### b) Property, plant and equipment

The items of property, plant and equipment are valued at the acquisition cost, production cost or value of the non-monetary contribution corrected for the accumulated amortisation and for the losses due to impairment that it has experienced, if any, according to the criteria mentioned in the previous note.

Subsequent additions are valued at their acquisition price, which includes all the necessary costs until the asset is put into operating conditions.

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The Company capitalises the initial estimate of the cost of refurbishing the site on which it stands as an increase in fixed assets when these are obligations incurred by the Company as a result of using the item.

Interest and other financial charges incurred directly attributable to the acquisition or construction of assets in the different airports, which necessarily require a period of at least 12 months to be in operating conditions, are considered as their higher cost. The capitalisation of interest is carried out through the item “Financial income-Activation of financial expenses” of the profit and loss account.

Replacements or renewals of complete elements that increase the useful life of the asset, or its economic capacity, are accounted for as a greater amount of property, plant and equipment, with the consequent accounting withdrawal of the replaced or renewed elements.

Periodic maintenance, preservation and repair expenses are charged to income, following the accrual principle, as an expense for the year in which they are incurred.

The Company amortises its property, plant and equipment elements once they are in conditions of use following the straight-line method, distributing the book value of the assets over the years of estimated useful life, except in the case of the lands that are considered assets of indefinite useful life and are therefore not amortised. The useful life of the various assets is as follows:

	<u>Years</u>
Buildings	12-51
Technical installations	4 -22
Machinery	5 - 20
Other installations	6 -12
Furniture	4 -13
Other property, plant and equipment	5- 7

Fixed assets corresponding to airports are amortised following the straight-line method based on their useful life, with the years of useful life being as specified below:

	<u>Years</u>
Passenger and cargo terminals	32-40
Airport civil engineering	25-44
Terminal equipment	4-22
Transport of passengers between terminals	15-50
Airport civil engineering equipment	15

c) Investment properties

Real estate investment consist of land, buildings, other constructions and areas outside the owned airport terminals that are held to obtain long-term income and are not occupied by the Company. The items included under this heading are measured at acquisition cost net of accumulated depreciation and any impairment losses.

The Company recognises and measures real estate investments following the established criteria for property, plant and equipment.

Depreciation is applied to investment properties on a straight line basis in accordance with the estimated useful lives of the assets concerned.

	<u>Years</u>
Buildings and warehouses	32-51
Technical installations	15

d) Inventories

Stocks include the various spare parts and materials in the central warehouses and in the logistic support warehouse, and are initially measured at the acquisition price (weighted average price). Commercial discounts, rebates obtained, other similar items and interest included in the nominal debts are deducted in the acquisition price determination. Acquisition cost is determined based on the historical price for the items identified in the purchase orders. Subsequently, if the replacement cost of the stock is lower than the acquisition price, the corresponding value corrections are made. If the circumstances that caused the value correction of the stocks cease to exist, the amount of the correction is subject to reversal.

e) Leases

Financial leases

Leases are classified as financial leases provided that their conditions substantially transfer to the lessee the risks and rights inherent to the ownership of the asset object of the contract. Other leases are classified as operating leases.

At the initial moment, an asset is recorded according to its nature, depending on whether it is an item of tangible or intangible fixed assets, and a financial liability for the same amount, which will be the lower of either the fair value of the leased asset and the current value at the beginning of the lease of the agreed minimum payments, including payment for the purchase option when there are no reasonable doubts about its exercise and any amount that has been guaranteed, directly or indirectly, and excluding instalments of a contingent nature, the cost of the services and the taxes payable by the lessor. The total financial burden is distributed over the lease term and is allocated to the profit and loss account for the year in which it is accrued, applying the effective interest rate method. Contingent instalments are expenses for the year in which they are incurred. The relevant lease obligations, net of financial charges, are included under "Creditors for financial lease".

The lessee will apply to the assets that it has to recognise in the balance sheet as a result of the lease the criteria of amortisation, impairment and retirement that correspond to them according to their nature.

Operating lease

The income and expenses corresponding to operating lease agreements are recorded in the profit and loss account in the year in which they are accrued. Any collection or payment that may be made when contracting an operating lease is treated as an advance payment or collection that is charged to income throughout the lease period.

f) Financial instruments

f.1) Financial assets

The financial assets held by the Company are classified in the following categories:

1. Loans and receivables: are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. These are included in current assets, except for maturities exceeding 12 months as of the balance sheet date which are classified as non-current assets. Loans and receivables are included in "Trade debtors and other accounts receivable" in the balance sheet.

These financial assets are initially valued at their fair value, including transaction costs that are directly attributable to them, and subsequently at amortised cost. Notwithstanding the foregoing, credits for commercial operations with maturities not exceeding one year are valued, both at the time of initial recognition and subsequently, at their nominal value provided that the effect of not updating the flows is not significant.

At least at the end of the year, the necessary value corrections are made for impairment if there is objective evidence that not all amounts due will be collected.

The amount of the impairment loss is the difference between the carrying amount of the asset and the current value of the estimated future cash flows, discounted at the effective interest rate at the time of initial recognition. Value corrections, as well as their reversal, are recognised in the profit and loss account.

2. Financial assets held for trading: those which are acquired with the objective of disposing of them in the short term or those that are part of a portfolio of which there is evidence of recent actions with that objective. This category also includes financial derivatives that are not financial guarantee contracts (for example, guarantees) nor those which have been designated as hedging instruments. As of 31 December 2019 and 2018, no assets in this category have been registered.
3. Investments in the equity of group, associated and multi-group companies: group companies are those related to the Company by a control relationship, directly or indirectly through subsidiaries, and associate companies those over which the Company exerts a significant influence, directly or indirectly through subsidiaries. Additionally, the multi-group category includes those Companies over which, under an agreement, joint control is exercised with one or more partners. The investments were recognised at the consolidated value made on the date of the non-monetary contribution.

If there is objective evidence that the book value is not recoverable, appropriate value corrections will be made for the differences between its book value and the recoverable amount, this being understood as the largest amount of either its fair value less costs of sales and current value of the cash flows derived from the investment. In the absence of better evidence, the recoverable amount will be considered as the net equity of the invested Company corrected by the tacit capital gains existent on the assessment date. Value corrections, as well as their reversal, are recognised in the profit and loss account in the year in which they occur.

The effect of applying consolidation criteria compared to individual annual accounts implies an increase in assets amounting to 860,766 thousand euros in 2019 (2018: 786,158 thousand euros), an increase in net worth amounting to 223,604 thousand euros in 2019 (2018: 228,308 thousand euros), an increase in turnover of 284,014 thousand euros in 2019 (2018: 238,838 thousand euros), and an increase in net profit for the year 2019 amounting to 20,696 thousand euros (2018: 26,700 thousand euros).

4. Available for sale financial assets: This category includes debt securities and equity instruments that are not classified in any of the previous categories. They are included in non-current assets unless the management intends to dispose of the investment in the 12 months following the balance sheet date. They are valued at their fair value, recording the changes that occur directly in net equity until the asset is disposed of or impaired, at which point the accumulated gains and losses in net equity are allocated to the profit and loss account, provided that it is possible to determine said fair value. If this is not the case, they are stated at their cost net of impairment losses. In the case of financial assets available for sale, valuation corrections are carried out if there is objective evidence that their value has deteriorated as a result of a reduction or delay in the estimated future cash flows in the case of debt instruments acquired or due to the lack of recoverability of the book value of the asset in the case of investments in equity instruments. The value correction is the difference between its cost or amortised cost minus, if applicable, any value correction previously recognised in the profit and loss account and the fair value at the time the valuation is carried out. In the case of equity instruments that are valued at their cost because their fair value cannot be determined, the value correction is determined in the same way as for investments in the equity of group, multi-group and associate companies.

If there is objective evidence of impairment, the Company recognises in the profit and loss account the accumulated losses previously recognised in equity due to a decrease in fair value.

The impairment losses recognised in the profit and loss account for equity instruments are not reversed through the profit and loss account. The fair values of the listed investments are based on current purchase prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes the fair value using valuation techniques that include the use of recent transactions between interested and duly informed parties, references to other substantially equal instruments, discount methods of estimated future cash flows and pricing models of options making maximum use of observable market data and relying



as little as possible on subjective considerations of the Company. Financial assets are written off in the balance sheet when all the risks and rewards inherent to the ownership of the asset are substantially transferred. In the specific case of accounts receivable, it is understood that this occurs in general if the insolvency and default risks have been transferred. Assets that are designated as hedged items are subject to the valuation requirements of hedge accounting.

#### f.2) Financial liabilities

This category includes debits for commercial operations and debits for non-commercial operations. These borrowed resources are classified as current liabilities, unless the Company has an unconditional right to defer settlement for at least 12 months after the balance sheet date.

These debts are initially recognised at their fair value adjusted for transaction costs directly attributable, and are subsequently recognised at their amortised cost.

Notwithstanding the foregoing, debts for trade operations with maturity not exceeding one year which do not have a contractual interest rate, are initially and subsequently valued at their nominal value, when the effect of not updating the cash flows is insignificant.

The Company retires a financial liability when the obligation has been extinguished.

When there is an exchange of debt instruments with a lender, provided that they have substantially different conditions, the retirement of the original financial liability is recorded and the new financial liability that arises is recognised. In the same way, a substantial modification of the current conditions of a financial liability is recorded.

The difference between the carrying amount of the financial liability, or the part of it that has been written off, and the consideration paid, including the attributable transaction costs, and which also includes any asset assigned other than cash or assumed liability, is recognised in the profit and loss account of the year in which it takes place.

When there is an exchange of debt instruments that do not have substantially different conditions, the original financial liability is not written off the balance sheet, recording the amount of commissions paid as an adjustment to its book value. The new amortised cost of the financial liability is determined by applying the effective interest rate, which is the one that equals the carrying amount of the financial liability on the date of modification with the cash flows payable under the new conditions.

For these purposes, the conditions of the contracts are considered to be substantially different when the lender is the same as the one who granted the initial loan and the current value of the cash flows of the new financial liability, including net commissions, differs by at least 10% from the current value of the cash flows pending payment of the original financial liability, both updated at the effective interest rate of the original liability.

#### f.3) Derivative instruments

The Company uses derivative financial instruments fundamentally to hedge against changes in interest rates.

The Company documents the hedging relationships and verifies at the close of each financial period that the hedge is effective, that is, it is expected that changes in the cash flows of the hedged item will be almost completely compensated by those of the hedging instrument and that, retrospectively, the results of the hedge have fluctuated within a variation range of 80 to 125% with respect to the result of the hedged item.

Derivative financial instruments classified, in accordance with the preceding paragraph, as for hedging are recorded as assets or liabilities, according to their sign, at fair value, plus, where appropriate, transaction costs that are directly attributable to the procurement of the same, with a counterpart in the "Hedging operations" account of the net assets, until their maturity takes place, at which point they are charged to the profit and loss account at the same time as the hedged item.



However, transaction costs are subsequently recognised in income, to the extent that they are not part of the effective variation of the hedge.

The inefficient hedging part is taken directly to the profit and loss account for the year.

Hedge accounting is interrupted when the hedging instrument expires, or is sold, finalised or exercised, or fails to meet the criteria for hedge accounting. At which point, any accumulated profit or loss corresponding to the hedging instrument is transferred to the income statement for the period.

g) Cash and other equivalent liquid assets

Cash and other equivalent liquid assets include cash on hand and bank deposits on demand held at credit institutions. Other short-term investments of high liquidity are also included in this concept provided they are easily convertible into certain amounts of cash and are subject to an insignificant risk of changes in value. For these purposes, investments with maturities of less than three months from the date of acquisition are included.

In the cash flow statement, the Company presents payments and collections from financial assets and liabilities of high rotation at their net amount. For these purposes, the rotation period is considered to be high when the period between the acquisition date and the expiration date does not exceed six months.

h) Equity

The share capital is represented by ordinary actions. The issuance costs of new shares or options are presented directly against net equity, as lower reserves. In the case of the acquisition of the Company's own shares, the consideration paid, including any incremental cost directly attributable, is deducted from net equity until their cancellation, new issuance or disposal. When these shares are sold or reissued thereafter, any amount received, net of any incremental cost directly attributable to the transaction, is included in net equity.

i) Grants, donations and legacies received

Grants, donations and non-refundable capital legacies are accounted for as such when there is an individual agreement for granting the subsidy, the conditions established for its granting have been met and there is no reasonable doubt regarding its receipt. The Company applies, Order EHA/733/2010, of 25 March, on accounting aspects of public companies that operate under certain circumstances. In the case of grants granted for the construction of an asset whose execution has not been completed, the subsidy is classified as non-refundable in proportion to the work performed provided there is no reasonable doubt that the construction will be completed according to the conditions established in the concession agreement. In general, they are valued at the fair value of the amount or of the asset granted and are accounted for in net equity, deducting the tax effect, and charged to the income statement in proportion to the depreciation experienced by the assets financed by said grants, except in the case of non-depreciable assets, in which case they are charged to profit and loss in the year in which the sale or valuation of the same occurs. Official grants granted to offset costs are recognised as income on a systematic basis, over the periods in which the costs they are to balance extend.

Grants, donations and legacies that are reimbursable will be recorded as liabilities until they become non-refundable or their refund occurs.

Operating grants are paid into income at the time they are granted. If they are granted to finance specific expenses, the allocation will be carried out as the financed expenses are accrued by registering them either as a liability or as net equity depending on their consideration of reimbursable or not.

j) Provisions and contingencies

When presenting its annual accounts, the Company differentiates between:

- Provisions: credit balances that cover current obligations arising from past events, whose cancellation is likely to result in an outflow of resources, but which are indeterminate in terms of their amount and/or time of cancellation.

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- Contingent liabilities: possible obligations arising as a result of past events, whose future materialisation is conditional upon the occurrence, or not, of one or more future events regardless of the will of the Company.

The balance sheet includes all provisions with respect to which it is estimated that the probability of having to meet the obligation is greater than otherwise. Contingent liabilities are not accounted for, but they are included in the report.

Provisions are recorded at the current value of the best possible estimate of the amount necessary to cancel or transfer the obligation to a third party, recording the adjustments arising from the update of the provision as a financial expense as it accrues.

k) Provisions for labour commitments acquired

The cost of the obligations derived from commitments in matters of personnel is recognised according to their accrual, according to the best estimate calculated with the data available to the Company.

The Company has the commitment to pay long-term compensation to staff, both in terms of defined contribution and defined benefit. In the case of defined contribution remuneration, there will be liabilities for remuneration when, at the end of the year, there are accrued contributions outstanding. In the case of defined benefit remuneration, the amount to be recognised as a provision corresponds to the difference between the current value of the committed remuneration and the fair value of any assets affected by the commitments with which the obligations will be settled.

Specifically, the attached balance sheet includes the following provisions for work commitments acquired:

Length of service awards

Article 138 of the 1st Collective Bargaining Agreement for the Aena Group of Companies (public business entity Enaire and AENA, S.M.E., S.A.) stipulates length of service awards for services effectively rendered for a period of 25, 30 or more years. The Company makes provisions for the current value of the best possible estimate of future commitment obligations based on an actuarial calculation. The most relevant assumptions taken into account to obtain the actuarial calculation are as follows:

	2019	2018
Technical interest rate:	0.50%	1.51 %
Salary increases:	3.85% in 2020 and 2% thereafter	2.75 %
Mortality table:	PERM/F 2000 P	PERM/F 2000 P
Financial system used:	Individual capitalisation	Individual capitalisation
Accrual method:	Projected Credit Unit	Projected credit unit
Retirement age:	According to Act 27/2011	According to Act 27/2011
Disability tables:	MO 1977	MO 1977

Early retirement awards

Article 154 of the 1st Collective Bargaining Agreement for the Aena Group of Companies (public business entity ENAIRE and AENA, S.M.E., S.A.) stipulates that any employee between the ages of 60 and 64 who is entitled to do so under current provisions may take voluntary early retirement and will receive an indemnity which taken together with the vested rights in the pension plan at the time the employment contract is terminated is equal to four monthly base salary payments and the length of service bonus for each year remaining until they reach the age of 64 or the relevant prorated amount.

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In 2004 the early retirement awards were outsourced by taking out a single payment life insurance policy with Mapfre Vida on 25 March 2004. Currently, pension obligations are insured through Group Life Insurance policies. The Company makes provisions for the current value of the best possible estimate of future commitment obligations based on an actuarial calculation.

The most relevant assumptions taken into account to obtain the actuarial calculation are as follows:

	<b>2019</b>	<b>2018</b>
Technical interest rate:	0.50%	1.53 %
Long-term salary growth:	3.85% in 2020 and 2% thereafter	2.75 %
Yield on Defined Contribution Fund:	4.00 %	4.00 %
Mortality table:	PERM/F 2000 P	PERM/F 2000 P
Financial system used:	Individual capitalisation	Individual capitalisation
Accrual method:	Projected Credit Unit	Projected credit unit
	Mutual funds: Between 60-63	Mutual funds: Between 60-63
	years and 11 months	years and 11 months
Retirement age:	Non-mutual funds: In	Non-mutual funds: In
	accordance with RDL 5/2013	accordance with RDL 5/2013

It can be seen that the discount rate used in the valuation at 31 December 2019 was 0.50%, which is much lower than the rates used in the valuation for 2018, which were 1.51% for length of service awards and 1.53% for early retirement awards.

This lower discount rate is due to the falls in interest rates that have occurred throughout this year 2019. The rate of 0.50% used in the valuation is that derived from the maximum credit rating (AA) corporate debt curve for the term of 10 years, the financial term of the commitments being valued being 10.46 years.

The decrease in the discount rate results in an increase in the present value of the accrued obligation.

l) Compensation for dismissals

In accordance with current labour regulations, the Company is obliged to pay compensation to employees with whom it terminates its labour relations under certain circumstances.

Compensation for dismissal is paid to employees when the Group decides to terminate their employment agreement before the normal retirement date or whenever an employee accepts voluntary separation in exchange for these benefits. The Company acknowledges these benefits when it has demonstrably committed itself to cease its employment relationship with the workers in accordance with a detailed formal plan without the possibility of withdrawal or to provide compensation for termination as a result of an offer to encourage voluntary resignation. Benefits which are not going to be paid within 12 months from the balance sheet date are discounted at their present value.

m) Variable remuneration

The Company recognises a liability and expense for variable remuneration based on the results of the annual performance evaluation of workers. The Company recognises a provision when it is contractually bound or when past practice has created an implicit obligation.

n) Tax on profits

The expense or revenue from income tax includes the part related to the expense or revenue from current tax and the part corresponding to the expense or revenue from deferred tax.

Current tax is the amount that the Company pays as a result of the tax returns it files for income tax for a particular financial year.

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Tax credits and other tax benefits applicable to tax due, excluding withholdings and prepayments and tax loss carry forwards from previous years applied in the current year, result in a reduction in current tax.

Deferred tax expense or income corresponds to the recognition and cancellation of deferred tax assets and liabilities. These include the temporary differences that are identified as those amounts that are expected to be payable or recoverable derived from the differences between the carrying amounts of the assets and liabilities and their tax value, as well as the negative tax bases pending compensation and the credits for tax deductions not applied to taxation. These amounts are recorded by applying to the temporary difference or credit that corresponds to the tax rate at which they are expected to be recovered or settled.

Deferred tax liabilities are recognised, in general, for all taxable temporary differences, except those derived from the initial recognition of goodwill or other assets and liabilities in an operation that does not affect either the tax result or the accounting result and is not a business combination.

On the other hand, deferred tax assets are only recognised to the extent that it is considered probable that the Company will have future taxable profits against which they can be made effective.

Deferred tax assets and liabilities are recognised in the balance sheet as non-current assets or liabilities, regardless of the expected date of realization or settlement.

Deferred tax assets and liabilities, arising from operations with direct charges or payments in equity accounts, are also accounted for with a counterpart in net equity.

Recognised deferred tax assets are reassessed at the end of each reporting period and the appropriate adjustments are made to them to the extent that there are doubts as to their future recoverability. Likewise, deferred tax assets not recognised in the balance sheet are also reviewed at the end of each reporting period and are recognised insofar as their recovery with future tax benefits becomes probable.

On 5 June 2015, the Tax Agency announced the creation of the new Fiscal Group 471/15 comprising Aena S.M.E., S.A. as the parent company and Aena Desarrollo Internacional S.M.E., S.A. as a subsidiary, therefore, to be taxed in Corporation Tax as of 2015 within said tax group. In the 2018 financial period, the newly created company Aena Sociedad Concesionaria del Aeropuerto Internacional de la Región de Murcia S.M.E., S.A. was included in the consolidated tax group.

o) Foreign currency transactions

The functional currency of the Company is the euro. Consequently, transactions in currencies other than the euro are considered to be denominated in “foreign currency” and are recorded according to the exchange rates prevailing on the transaction dates.

The exchange rate differences of the monetary items in foreign currency that arise both when settling them and when converting them at the closing exchange rate, are recognised as a general rule in the profit and loss account for the year.

p) Revenue and expenses

Ordinary revenue is measured at the fair value of the compensation received or to be received, and represents the amounts receivable for goods sold net of discounts, refunds and value added tax. Ordinary revenue is recognised when the income may be reliably measured, it is likely that the company will receive a future financial benefit when certain conditions are met for each of the Company’s activities.

Ordinary revenue is recognised as follows:

- Sales of goods are recognised when the Company has delivered the products to the customer, the customer has accepted the products and the collectability of the relevant trade receivable is reasonably assured.

- Sales of services are recognised in the reporting period in which the services are rendered, with reference to the end of the specific transaction evaluated based on the actual service provided as a percentage of the total service to be provided, when the income and costs relating to the service agreement and the extent to which it has been completed may be reliably estimated and it is likely that the related receivables will be recoverable. Where one or more of these service agreement items cannot be reliably estimated, income from sales of services is recognised only up to the limit of the costs of the agreement incurred that are likely to be recovered.

Services rendered:

The majority of the Company's income is from the airport services provided, which mainly correspond to the use of airport infrastructure by airlines and passengers (including airport charges and private prices). In addition, the Company has commercial revenue that mainly consists of the rental of areas in airport terminals for stores, food and beverage outlets and advertising and also off-terminal facilities such as the rental of premises and land, vehicle parking and rental cars.

Aeronautical (airport charges):

Airport charges are set pursuant to Act 1/2011, of 4 March, which establishes the State Operational Security Programme for Civil Aviation and amends the Aviation Safety Act 21/2003, of 7 July. Furthermore, Art. 68 of Act 21/2003 specifies the following items as provision of property of a public nature:

- Use of runways at civil and joint-use airports and the airbases open to civil aircraft traffic and the rendering of the services required for such use, other than ground handling of aircraft, passengers and cargo.
- Airport air traffic services provided by the airport operator, regardless of whether such services are rendered through duly certified air traffic service providers that have been contracted by the airport operator and designated for this purpose by the Ministry of Public Works.
- Weather services provided by the airport operator, regardless of whether such services are rendered through duly certified weather service suppliers and furthermore designated for this purpose by the Ministry of the Environment and Rural and Marine Affairs.
- Inspection and screening services for passengers and luggage on airport premises as well as the resources, facilities and equipment required for the provision of services for control and monitoring in aircraft movement areas, open access areas, controlled access areas and restricted security areas on the entire airport grounds connected to airport charges.
- Airport facilities made available to passengers, and which are not accessible to visitors, in terminals, on aprons and on runways which are required to perform their air transport contract.
- Services that allow the general mobility of passengers and the necessary assistance to persons with reduced mobility to allow them to travel between the point of arrival at the airport to the aircraft, or from the aircraft to the exit, including boarding and disembarkation from the aircraft.
- Use of aircraft stand areas prepared for this purpose at airports.
- Use of airport facilities to facilitate passenger boarding and disembarking for airlines using airbridges or the mere use of an apron position that impedes the use of the airbridge by other users.
- Use of airport premises for the transport and supply of fuel and lubricants, regardless of the means of transport or supply.

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- Use of airport premises to render ground assistance services that are not subject to any other specific compensation.

On 5 July 2014, Royal Decree Act 8/2014, of 4 July, was published in the Official State Gazette (BOE) and subsequently confirmed by Act 18/2014, of 15 October, enacting urgent measures for growth, competitiveness and efficiency. This regulation sets out:

- The system governing the network of general interest airports as a service of general economic interest with the objective of guaranteeing the mobility of the public and economic, social and territorial cohesion to ensure the accessibility, adequacy and suitability of airport infrastructure capacity, the financial sustainability of the network and the continuity and appropriate provision of basic airport services. Moreover, network management ensures the financial sustainability of the airports included in the network by allowing support for loss-making infrastructures under conditions of transparency, objectivity and non-discrimination.
- The closure or disposal of all or part of any airport facilities or infrastructures required to maintain the provision of airport services is prohibited, unless authorised either by the Cabinet or by the Secretary of State for Infrastructure, Transport and Housing depending on the amount concerned. (As applicable by amount).
- Under regulations a procedure may be implemented making it possible to close down or sell any of the airport facilities or infrastructures. Such regulatory implementation could also provide for transfers to the national government of capital gains generated during the disposal process.
- The Airport Regulation Document (DORA) is created with a five-year term and will determine Aena's maximum revenue per passenger in the period, quality conditions for the provision of services, the capacity of facilities and the investments to be made.
- The income of the airport operator in relation to basic airport services is considered to be airport charges. Regulation of them complies with the principle of legal provision in their creation by the Aviation Safety Act 21/2003, as amended by Act 1/2011, and in the specification of their essential components. Non-essential airport services together with the commercial management of infrastructures and their development operation are subject to the free market.
- In compliance with Act 18/2014, the Dirección General de Aviación Civil (Spanish Civil Aviation Authority) is responsible for drafting the Airport Regulation Document (DORA) and presenting it to the relevant bodies in the Ministry of Public Works for its subsequent approval by the Cabinet.
- The airport operator's income associated with basic airport services will be subject to compliance with a maximum annual revenue per passenger (IMAP) determined on the basis of the recovery of efficient costs as recognised by the regulator along with traffic forecasts. The maximum annual revenue per passenger contained in the DORA will be adjusted annually in line with a series of incentives or penalties based on the degree of compliance with service quality levels and penalties for any delay in the execution of strategic investments. Aena believes that it has met the required quality levels in 2019, as well as having executed strategic investments planned, so it does not expect the maximum annual income per passenger to be penalized for these reasons.
- For the 2015-2025 period, the maximum increase in charges will be zero. Charges may only be increased above this maximum increment if during the period of the second Airport Regulation Document (DORA) and due to exceptional reasons, such as unpredictable and non-deferrable investment required by regulation, the annual average investment is increased above the amount approved subject to the prior agreement of the Cabinet. For the first DORA, it is established that upon completion the cumulative tariff deficit, together with that corresponding to previous years, cannot be transferred to the next DORA.



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On 27 January 2017, the Cabinet approved the Airport Regulation Document (DORA) for the 2017-2021 period. This document establishes an annual reduction of 2.2% in the Maximum Annual Revenue per Passenger (IMAP) for this period (see Note 5).

In application of the provisions of Article 34 of Law 18/2014 of 15 October, following the holding of the corresponding consultation process, on 27 January 2017, the Council of Ministers approved the Airport Regulation Document (DORA) for the 2017-2021 period. This document establishes the minimum service conditions that will prevail in the airports of the Aena network over the next five years, providing a framework of predictable regulation in the medium term that will enable the improvement of the levels of efficiency and competitiveness of airport operations. In this respect, and in relation to airport tariffs, this document established a reduction of 2.22% per year in the Maximum Annual Passenger Revenue (IMAP) for this period, which entered into force on 1 March 2017, affecting January and February 2018.

Also in application of the provisions of Article 34 of Law 18/2014, the Board of Directors of Aena S.M.E., S.A. at its meeting held on 26 July 2017, and after holding the corresponding consultation process with the associations of users, approved a 2.22 % reduction over prevailing rates at that time, in the airport services rates applicable as of 1 March 2018.

On the other hand, on 24 July 2018 the Aena Board of Directors approved the proposed charges for 2019, consisting in the freezing of the adjusted maximum annual income per passenger (IMAAJ) for 2019 relative to the adjusted maximum annual income per passenger (IMAAJ) for 2018. Said freeze is a consequence of the adjustments the regulation provides in relation to the quality-based performance incentive, the execution of investments and the factor of 100% fulfilment of the adjusted maximum annual income per passenger (Spanish acronym: IMAAJ) at the close of 2017.

It should also be noted that Royal Decree 162/2019 of 22 March, which develops the mechanism for calculating the P index for updating airport tariffs, was published on 10 April 2019. The P index includes annual variations in the price of *inputs* outside the operator control (staff, air navigation services, security, repairs, cleaning, care for people with reduced mobility (PRM), labour-intensive services, electricity, local taxes, etc.), but which affect their activity, in accordance with the principles of economic efficiency and good business management. The P index is not specified in the DORA given that the amount of this is determined every year during the process of establishing the airport tariffs for the following year. The aforementioned royal decree introduces the mechanism for calculating the P index through a formula that depends on specific indexes applicable to the cost review of the airport manager and which are defined in its text, along with the procedure for determining its annual value.

The CNMC is the body responsible for approving the value of the P index in accordance with current regulations. On 7 November 2019, the CNMC approved the Resolution on the P index applicable to Aena S.M.E., S.A. airport charges for the financial year 2020, setting it at 0.8%.

On 11 December 2019, the CNMC issued two resolutions, on the supervision of the airport charges applicable by Aena, S.M.E., S.A. in 2020 and on the accumulated disputes presented by ALA, IATA, ACETA and Norwegian against the Agreement of the Board of Directors of Aena, S.M.E., S.A. dated 30 July 2019, which fixed the airport charges for 2020. In view of the fact that certain aspects of these Resolutions are contrary to Aena's interests, both have been appealed before the High Court. These appeals do not suspend the effect of these decisions.

On 28 January 2020, the Board of Directors approved the charges for 2020, in accordance with the criteria set out in the aforementioned Resolutions, which will enter into force on 1 March 2020. According to these criteria, the IMAAJ that must be applied to the charges for 2020 is 10.27 per passenger, which constitutes an average decrease of -1.44% compared to Aena's charges in force in the tariff year 2019.

All these new regulatory rules have not resulted in any changes to the Company's income recognition policy, which continues to be subject to the rules set out at the beginning of this Note. In particular, the regulated revenues in the DORA period have been recognised in 2019 according to the same criteria as in previous periods, when the service is provided, based on the approved regulated rates.

### Commercial

Income from the rental of commercial areas located within the airport infrastructures are recognised on a straight-line basis in accordance with the lease agreements concluded with the counterparties (see Note 2e). The contingent part of the income for leases relating to the variable level of income generated by commercial areas is recognised as income in the period in which it accrues. Parking revenue (which until 2015 belonged to the “Out of terminal services” segment, as a result of what is explained in note 4 a), become part of the Commercial component of the Airport Network as of 2016) and are recognised as services are provided.

### Real estate services

Real estate service income is from leases of land, warehouses and hangars and the management and operation of cargo centres. Income from the rental contracts is recognised on a straight-line basis in accordance with the lease agreements concluded with the counterparties. The conditional part of income from leases is recognised as income in the period in which it accrues.

#### q) Interest and dividends

Interest income is recognised using the effective interest method. When a loan or receivable is impaired its carrying value is reduced to its recoverable amount by discounting the estimated future cash flows at the original effective interest rate of the instrument and maintaining the discount as a reduction in interest income. Interest income on impaired loans is recognised either when cash is collected or on a cost-recovery basis when the conditions are guaranteed.

Dividend income is recognised when the right to receive payment is established.

#### r) Activities affecting the environment

Any operation designed mainly to prevent, lessen or repair damage to the environment is treated as an environmental activity.

Investments arising from environmental activities are measured at their acquisition cost and capitalised as an increase in the cost of the fixed asset in the year in which they are incurred, following the criteria described in point b) of this same note.

Costs incurred to protect and improve the environment are assigned to the income statement when they accrue irrespective of when the related monetary or financial flow takes place.

Provisions for probable or certain liabilities, litigation in progress and outstanding indemnity payments or obligations of an indeterminate amount related to environmental issues, not covered by the insurance policies taken out, are constituted at the time when the liability or obligation determining the indemnity arises.

#### s) Related-party transactions

One party is considered to be linked to another when one of them exercise or has the possibility of exercising, directly or indirectly, or by virtue of agreements or covenants between shareholders or participants, control over the other or significant influence in making financial and operating decisions of the other.

In any case, companies that have the status of group, associate or multi-group company will be considered related parties.

As a company that belongs to the public business sector, Aena is exempt from including the information contained in the section of the report on related-party transactions when the other company is also controlled or significantly influenced by the same Public Administration, as long as there are no signs of influence between them, or when the transactions are not significant in terms of their size. This influence is understood to exist



when the operations are not conducted under normal market conditions (unless these conditions are imposed by a specific regulation), among other cases.

The Company conducts all its related-party transactions at market values. Additionally, the transfer prices are properly supported, so the Company administrators believe that there are no significant risks in this respect which could come from any liabilities that may exist in the future.

Generally speaking, the transactions among the companies in the Group are entered in the books initially at their fair value. If needed, if the price agreed upon differs from its fair value, the difference is posted bearing in mind the economic reality of the transaction. The subsequent valuation is performed in line with the provisions of the corresponding regulations.

Despite this, in transactions of mergers, splits or non-monetary contributions of a company, the constituent elements of the acquired business are valued for the proper amount once the transaction has been performed in the annual consolidated accounts of the group or subgroup.

When the dominant company is not involved, from the group or subgroup, and its dependent company, the annual accounts to consider for these purposes will be those of the largest group or subgroup in which the assets whose dominant Company is Spanish belong.

In these cases, the differences which may be found between the net value of the assets and liabilities of the acquired Company, adjusted by the balance of the groupings of grants, donations and legacies received and adjustments of changes in value, and any amount of the capital and share premium, if applicable, issued by the absorbing company are recorded in reserves.

t) Business combinations

Any merger, spin-off and non-monetary contribution of a business between group companies is recorded in accordance with the provisions for transactions between related parties.

Merger or spin-off operations other than the above and business combinations arising from the acquisition of all assets of a company or of a part that constitutes one or more businesses, are recorded in accordance with the acquisition method.

In the case of business combinations originated as a result of the acquisition of shares or stakes in the capital of a company, the Company recognises the investment in accordance with the provisions for investments in the equity of group, multi-group and associated companies.

u) Joint ventures

A joint venture is an economic activity jointly controlled by two or more individuals or legal entities. For these purposes, joint control is a statutory or contractual agreement by virtue of which two or more participants agree to share the power to manage financial and exploitation policies on an economic activity in order to obtain financial benefits, thus the strategic decisions, both financial and operational, related to the activity require the unanimous consent of all the participants.

Joint ventures can be:

- Joint ventures that are not manifested through the constitution of a company or the establishment of a financial structure independent of the participants, such as temporary joint ventures of companies and communities of assets, and among which the following are differentiated:
  - Jointly controlled holdings: activities that involve the use of assets and other resources owned by the participants.
  - Jointly controlled assets: assets that are owned or controlled jointly by the participants.

- Joint ventures that manifest themselves through the constitution of an independent legal entity or jointly controlled companies.

Holdings and jointly controlled assets (Note 7.i)

The Company maintains interests in jointly controlled assets along with the Ministry of Defence to operate Air Bases Open to Civilian Traffic (ABOCT) via an agreement with the Ministry of Defence, which stipulates the rules on the assignment and compensation criteria for civilian aircraft using the ABOCTs in Villanubla, León, Albacete, Matacán, Talavera and the joint-use airfield in Zaragoza. This agreement is grounded upon the application of Royal Decree 1167/1995, dated 7 July, on the system of using airfields used jointly by an air base and an airport and on Air Bases Open to Civilian Traffic.

In this regard, the Company recognises in the annual accounts the assets and liabilities arising from this agreement as a result of the use of the BAATC. Likewise, the corresponding part of the income generated and of the expenses incurred for the exploitation of jointly controlled assets is recognised in the profit and loss account.

## 5. Operational and financial risk management

### Description of key operational risks

#### Risks related to Brexit

Following the result of the referendum in the United Kingdom in favour of its exit from the European Union (Brexit), and its materialisation as from 31 January 2020, the following risks are considered, the final realization of which is subject to the negotiation process that the British government has to initiate during the transitional period (until 31 December 2020) with the European Union to determine the final conditions of its exit, as well as to the regulatory developments that both the United Kingdom and the European Union may carry out in the event of a no-deal exit as from 1 January 2021

- In 2019, 16.3% of passengers in the Aena S.M.E., S.A. airport network in Spain either came from or went to the United Kingdom, closing with an increase of 1.7% over 2018. The adverse economic developments in the United Kingdom could reduce tourism originating in that country.
- From an operational viewpoint, the risk is focused on airlines as it would involve agreements that will allow the movement of aircraft between the European Union and the United Kingdom. Regarding border control operations, the United Kingdom already enjoyed special treatment since it was not adhered to the Schengen Treaty, so there would be no additional impact. On the other hand, European legislation prevents airlines from operating between European Union countries without a majority ownership and control of community ownership, which could put into question the European ownership of, among others, Iberia, Vueling and Iberia Express to operate in Spain, both in domestic and European routes.
- Additionally, the departure of the United Kingdom from the European Union could affect the fare stability of flights with the United Kingdom as of 1 January 2021 as they would no longer be considered as flights to the European Economic Area and a fee would apply as passengers embarked with international destination, which can mean increases of around 25 %.
- From the standpoint of commercial revenue, the depreciation of the pound compared to the euro means a loss in purchasing power for British passengers, which is affecting the sales of the retail concessions in the airports, and therefore Aena S.M.E., S.A.'s revenues, although much of Aena S.M.E., S.A.'s commercial activity is ensured by the Annual Guaranteed Minimums. Additionally, British passengers would go from the Duty Paid regime to the Duty Free regime.
- Activity at Luton Airport could be reduced as a result of restrictions on the free movement of persons or economic developments in the United Kingdom, given that a high percentage of its traffic is international.
- Investments, expenses and operational difficulties caused by the reconfiguration of passenger flows at airports.
- The Group has evaluated the possible scenarios arising from Brexit, concluding that the risk of deterioration is remote.

The Group's management bodies have implemented mechanisms aimed at identifying, quantifying and covering situations of risk. Regardless of the above, situations that can entail a major risk are closely tracked, as are the measures taken in this regard.

### **Regulatory risks**

AENA S.M.E., S.A. operates in a regulated sector and changes or future developments in the applicable regulation may have a negative impact on the income, operating profit and financial position of AENA. In particular, said regulation affects:

- Management of the airport network with public service criteria.
- Regime of airport tariffs.
- Airport security measures (security).
- Operational safety.
- Assignment of slots.

Act 18/2014 introduces the mechanism governing the determination of airport charges for the first Airport Regulation Document ("DORA").

On 27 January 2017, the Council of Ministers approved the DORA for the period 2017-2021, in which the minimum service conditions that will be in force in airports in the AENA network are set for the next five years, providing a foreseeable regulatory framework in the medium-term that will enable improved levels of efficiency and competitiveness in terms of airport operations.

DORA has been prepared by the Directorate General of Civil Aviation (DGAC), following the proposal submitted by AENA and approved by its Board of Directors on 8 March 2016, duly adjusted to the conditions and principles set out in Act 18/2014, of 15 October. It contains AENA's obligations for a period of five years, establishing amongst other aspects:

- The tariff path, with the establishment of a maximum annual income per passenger (IMAP (MAIP)) that allows AENA to recover costs associated with the provision of basic airport services, costs that also respond to efficiency criteria set forth by the regulator. AENA IMAP (MAIP) will undergo an annual decrease of 2.22 % over the period 2017-2021, starting from 1 March 2017.
- CAPEX investments that AENA must carry out and that have to meet the standards of capacity and service levels, whilst also remaining in line with traffic forecasts. Regulated CAPEX related to airport services amounts to 2,185 million euros for the five years (437.1 million euros on average per year). Furthermore, a series of strategic investment projects have been drawn up, although any delay in their execution will mean a penalty in the IMAP (MAIP).
- The levels of service quality, as well as a system of incentives and penalties to ensure compliance with them. The penalty/maximum annual bonus applicable to AENA for this item would be a  $\pm 2\%$  of IMAP (MAIP).
- The amount of operating costs reported in the DORA 2017-2021 were estimated without price effect and prospectively and must be updated through the P index, so any unexceptional deviation such as the current inflationary pressure which may be transferred to service providers is considered an operator risk.

In 2012, the European Commission initiated an infringement procedure to the Kingdom of Spain to assess whether there has been an incorrect transposition of Directive 2009/12/EC, or an incorrect application of Regulation (EC) No. 1008/2008, on common rules for the operation of air services in the Community. The resolution of this procedure could lead to changes in the regulatory framework applicable to airport tariffs.

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In addition, the activity of AENA is regulated by both domestic and international law in terms of operational safety regarding persons, property and the environment, which may limit activities or growth of AENA airports, and/or require significant investments or expenses. AENA is a state trading company and, as such, its management capacity may be conditioned.

The main shareholder of AENA is a company belonging to the Spanish State. The Spanish State will continue to have control of AENA's operations, and its interests may differ from those of the other shareholders.

#### **Operational risks**

The Company's activity is directly related to the levels of passenger traffic and air operations in its airports, so it can be affected by the following factors:

- ✓ Negative developments (economic, financial or other) in Spain and other countries, both those that are origin/destination of traffic (United Kingdom, Germany, France and Italy, among others), as well as others that are competing tourist destinations. In this sense, the recovery of geopolitical stability which competing tourist destinations are beginning to experience affects the number of passengers in the Aena network of airports who may return to those destinations. Additionally, Aena faces risks arising from the dependence of airlines as well as possible bankruptcies and mergers of airlines.
- ✓ It operates in a competitive environment both with respect to other airports and compared to other means of transport that can affect its revenue.
- ✓ Aena is exposed to risks related to airport operations (operational and physical security). Events such as terrorist attacks, wars, global epidemics and accidents could have a negative impact on international air traffic.
- ✓ Aena is dependent on information and communication technology and systems and infrastructures face certain risks including the risks of cybersecurity.
- ✓ Aena is a publicly traded state-owned company and, as such, its management capacity in certain areas (international expansion, recruitment of personnel and suppliers, among others) is affected by the application of public and private laws.
- ✓ Aena depends on the services provided by third parties at its airports. Aspects such as labour disputes and breaches in service levels by these suppliers could have an impact on operations.
- ✓ Aena is exposed to the effects of climate change. This risk entails impacts at economic, operational and reputational levels derived from changes in regulations that may lead to an increase in the price of carbon emissions, the social perception of the air transport business, measures established in relation to the reduction of emissions that could affect short-haul flights and the need to undertake adaptation actions at airports in the medium-long term.
- ✓ Aena's international activity is subject to risks associated with the planning and subsequent development of operations in third countries and the fact that profitability prospects may not be as expected. In specific, the Company's investment in Brazil requires an on-going analysis of its recovery and of the evolution of its main indicators, which could be affected by the circumstances of the market/country in which it operates.
- ✓ Risk that Aena suffers penalties, financial losses or impairment of its reputation or that it is found liable due to the breach or defective compliance with legal regulations, rules of conduct and other standards required in its operation.
- ✓ Changes in tax legislation could result in additional taxes or other forms of harm to the tax position of Aena.

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- ✓ The Group is and could continue to be exposed to the risk of loss in the legal or administrative proceedings in which it is involved.
- ✓ Commercial revenues are associated with the sales of the companies that rent the retail spaces, which could be affected by both the volume of passengers and their higher or lower spending power.
- ✓ Aena's profitability could be affected if it is unable to maintain its current efficiency levels.
- ✓ The regulations for environmental protection could limit the activities or growth of Aena airports, and/or require significant disbursements.
- ✓ Natural disasters and weather conditions may adversely affect the business.
- ✓ Insurance coverage may be insufficient.
- ✓ Aena is exposed to risks related to its indebtedness, the obligations of which may limit Aena's activity and the possibility of accessing financing, distributing dividends or making its investments, among others.

The Company's management bodies have implemented mechanisms aimed at identifying, quantifying and covering situations of risk. Regardless of the above, situations that can entail a major risk are closely tracked, as are the measures taken in this regard.

#### **Description of the main financial risks**

The Company's activities are exposed to several financial risks: market risk (including exchange rate risk, fair value risk due to interest rates), credit risk and liquidity risk. The Company's global risk management programme focuses on the uncertainty of financial markets and seeks to minimise the potential adverse effects on its financial profitability. In specific cases, the Company uses derivative financial instruments to hedge certain risk exposures.

The Board of Management issues policies to manage global risk, as well as specific areas, such as foreign exchange risk, interest rate risk, liquidity risk, the use of derivatives and investment of surplus liquidity.

There is an acknowledgement of financial debt contract between Aena S.M.E., S.A. and its parent company ENAIRE, which originated in the non-monetary contribution that led to the creation of Aena Aeropuertos, S.A., through which 94.9% of the parent company's bank debt was initially taken on ("Model loan with ENAIRE"). On 29 July 2014, this contract was renewed (See Note 15.a).

The main financial risks are described below:

a) Market risk

(i) Exchange rate risk

The Company does not usually carry out significant commercial transactions in a currency other than the euro.

(ii) Interest rate risk on cash flows and fair value

The Company's interest rate risk results from borrowings. Loans issued at variable rates expose the Company to interest rate risk from cash flows. Fixed interest rate loans expose the Company to fair value interest rate risks.

Financial expenses are mainly due to the financial debt recognised with the parent company. The Company also has financial expenses derived from its own debt with credit institutions (see Note 15).

The Company's goal when managing interest rates is to optimise the financial expense within the risk limits established, with the risk variable being the Euribor at three and six months, the main reference for long-term debt.

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In addition, the value of the financial expense risk over the horizon of the projects is calculated and rate trend scenarios are established for the period to be taken into consideration.

AENA S.M.E., S.A. manages the interest rate risk in the cash flows through swaps from variable to fixed interest rates (see Note 15.c). On 10 June 2015, the Company engaged in an operation from variable interest coverage to fixed for a notional amount of 4,195 million euros to cover part of its exposure to its Model Loan with ENAIRE. The average spread of these loans over 3- and 6-month Euribor is 1.0379%. The execution fixed rate was 1.978%. The objective of the transaction was to provide a stable framework of interest rates in the DORA 2017-2021 period. On 31 December 2019, the total amount of liability for these interest rate swaps was 125,777 thousand euros (2018: 89,283 thousand euros) (Note 15.c).

On 31 December 2019, if the interest rate of the variable-interest loans had increased or decreased by 20 basic points while the other variables remained constant, the pre-tax profit for the year would have been 1,473 thousand euros more and 1,473 thousand euros less, respectively (2018: 1,638 thousand euros more and 1,638 thousand euros less, respectively).

The revisable interest rate, which is primarily applicable to the loan with the European Investment Bank, has a fixed interest rate which remains steady throughout the entire period (usually 4 years). Upon termination of this period, it is reviewed by the Company to decide whether to continue with the same system or change it for a fixed rate at maturity or a variable rate. In this regard, in 2019 25,573 thousand euros of EIB loans have been converted, from a revisable type regime to a fixed rate regime at maturity, going from an interest rate of 1,630% to 0,719% (in 2018 there was no regime modification).

As a result of all of this, the composition of debt by type of interest rate on 31 December 2019 remains at 87 % for fixed rate debt, compared to 13 % with variable interest (on 31 December 2018: 88% fixed and 12% variable), if the effect derived from the interest rate swaps contracted is taken into account.

### *b) Credit Risk*

The Company's credit risk originates from cash and cash equivalents, derivative financial instruments and bank and other deposits, as well as exposure to trade receivables and agreed transactions.

Credit risk relating to trade accounts is reduced, given that the main clients are airlines, usually collected in advance. As for retail customers who have leased premises in the various airports, their risk is managed by obtaining sureties and guarantees. At 31 December 2019, in addition to the guarantees and other sureties imposed in cash included in the balance sheet, the Company has guarantees and other sureties related to the normal course of business for an amount of 509,496 thousand euros (359,928 thousand euros at 31 December of the previous year).

On 5 March 2011 the Official Gazette published Law 1/2011 dated 4 March 2011, which amends Law 21/2003 dated 7 July 2003 on Air Security, which stipulated that for the management, liquidation and payment of all public airport charges of Aena S.M.E., S.A. or its subsidiaries, debt collection proceedings may be used to effect the payment, which shall be managed by the collecting bodies of the State Tax Administration Agency.

Credit limits have not been exceeded during the year and the management does not expect any losses not provisioned as a result of default by these counterparties.

### *c) Liquidity Risk*

The main risk variables are: limitations in the financial markets, increase in planned investment and reduction in cash flow generation.

The credit risk policy described in the previous section results in short average collection periods. Additionally, the Company has undertaken a substantial reduction in costs and investments needs to be made in the forthcoming years, which have had a positive effect on the Company's cash flow generation. Although at 31 December 2019, the Company presents a negative working capital of 1,292,485 thousand euros (negative in

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2018: 437,785 thousand euros), an EBITDA, calculated as the sum of the operating revenue and depreciation and amortisation of fixed assets of 2,669.161 thousand euros (2018: 2,581,089 thousand euros) and does not believe that there is a risk to deal with its short-term commitments given the positive operating cash flows, which the Company predicts will remain positive in the short term. The increase in the negative working capital is mainly due to needs for funds arising due to the investment in Brazil. The Company tracks cash flow generation to ensure that it is capable of meeting its financial commitments.

At 31 December 2019, Aena S.M.E., S.A. has 409,000 thousand euros available in a syndicated line of credit, with long-term maturity (Note 15); 741,000 thousand euros available from its Short-Term Promissory Notes Programme (ECP) issued on 30 October 2019; 400,000 and 86,460 thousand euros of available financing (not drawn) corresponding to long-term loans with EIB and 150,000 thousand euros of long-term financing available with Unicaja with a contractual disposal date of 15 January 2020, which corresponds to a bilateral loan signed on 12 December 2019. In addition, the Company has a cash balance at 31 December 2019 of 149,375 thousand euros.

The breakdown of Aena S.M.E., S.A. loans by applicable interest rate and the annual average interest rate on 31 December 2019 and 31 December 2018, taking into account the hedging derived from the interest rate swaps contracted (see Note 15c), is the following:

Thousand euros	31 December 2019		31 December 2018	
	Balance	Average rate	Balance	Average rate
Variable	736,602	0.21	818,772	0.18
Reviewable	-	1.61	27,400	1.61
Permanent	4,855,878	1.40	5,780,052	1.45
<b>TOTAL</b>	<b>5,592,480</b>	<b>1.25</b>	<b>6,626,224</b>	<b>1.30</b>



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**6. Intangible assets**

The movements in the accounts included in the intangible assets for the years 2019 and 2018 are as follows:

	2019					
	Thousand euros					
	Development	Service Concessions	Software	Other intangible assets	Intangible assets in progress	Total
<b>Cost:</b>						
Beginning balance	813	15,500	184,808	8,000	48,298	257,419
Additions	5	23	16,016	-	15,375	31,419
Disposals (*)	-	-	(286)	(16)	(679)	(981)
Transfers (Notes 7 and 8)	-	5	4,858	756	(5,754)	(135)
Closing balance	<b>818</b>	<b>15,528</b>	<b>205,396</b>	<b>8,740</b>	<b>57,240</b>	<b>287,722</b>
<b>Amortisation:</b>						
Beginning balance	(813)	(5,450)	(145,121)	(6,490)	-	(157,874)
Allocations	(5)	(692)	(18,483)	(448)	-	(19,628)
Disposals (*)	-	-	282	16	-	298
Transfers (Notes 7 and 8)	-	-	90	79	-	169
Closing balance	<b>(818)</b>	<b>(6,142)</b>	<b>(163,232)</b>	<b>(6,843)</b>	<b>-</b>	<b>(177,035)</b>
<b>Impairment:</b>						
Beginning balance	-	-	-	(243)	-	(243)
Application	-	-	-	243	-	243
Closing balance	-	-	-	-	-	-
Net:	-	<b>9,386</b>	<b>42,164</b>	<b>1,897</b>	<b>57,240</b>	<b>110,687</b>

2018						
Thousand euros						
Development	Service Concessions	Software	Other intangible assets	Intangible assets in progress	Total	
<b>Cost:</b>						
Beginning balance	813	15,483	161,781	7,429	52,228	237,734
Additions	-	17	15,951	-	4,821	20,789
Disposals (*)	-	-	(144)	(60)	(1,280)	(1,484)
Transfers (Notes 7 and 8)	-	-	7,220	631	(7,471)	380
Closing balance	<b>813</b>	<b>15,500</b>	<b>184,808</b>	<b>8,000</b>	<b>48,298</b>	<b>257,419</b>
<b>Amortisation:</b>						
Beginning balance	(813)	(4,742)	(127,660)	(5,710)	-	(138,925)
Allocations	-	(708)	(17,606)	(840)	-	(19,154)
Disposals (*)	-	-	117	60	-	177
Transfers (Notes 7 and 8)	-	-	28	-	-	28
Closing balance	<b>(813)</b>	<b>(5,450)</b>	<b>(145,121)</b>	<b>(6,490)</b>	<b>-</b>	<b>(157,874)</b>
<b>Impairment:</b>						
Beginning balance	-	-	-	-	-	-
Allocations (Note 3.2)	-	-	-	(243)	-	(243)
<b>Closing balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(243)</b>	<b>-</b>	<b>(243)</b>
<b>Net:</b>	<b>-</b>	<b>10,050</b>	<b>39,687</b>	<b>1,267</b>	<b>48,298</b>	<b>99,302</b>

(\*) The disposals corresponding to assets that entered at net book value in the non-monetary contribution are made at net book value.

The “Other fixed intangible assets” heading mainly includes the Master plans for airports.



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The main additions in the 2019 and 2018 financial periods under the headings “IT Applications” and “Intangible Fixed Assets in progress” correspond to acquisitions as well as improvements and developments of new technologies for computer applications related to the airports and central services. In 2018, investments in free “WiFi” systems in several airports in the network are noteworthy.

Of the total costs activated on 31 December 2019 and 2018 in the different kinds of intangible fixed assets include assets underway in accordance with the following breakdown:

	Thousand euros	
	2019	2018
Software	19,533	10,240
Other fixed intangible assets	37,707	38,058
<b>Total</b>	<b>57,240</b>	<b>48,298</b>

Intangible assets acquired from related companies

The Company acquired the following elements of its intangible assets (in thousands of euros) from related companies during the 2019 and 2018 financial years:

	2019		2018	
	Carrying amount (gross)	Accumulated depreciation	Carrying amount (gross)	Accumulated depreciation
Intellectual property	5	(5)	-	-
Software	974	(217)	984	(131)
Other intangible assets	743	-	1,355	-
Intangible assets in progress	574	-	54	-
<b>Total</b>	<b>2,296</b>	<b>(222)</b>	<b>2,393</b>	<b>(131)</b>

Financial expenses

In 2019, a total of 28 thousand euros in financial expenses were activated associated with intangible fixed assets (2018: 36 thousand euros), which are registered under the Financial income heading “Activation of financial expenses” (see Note 23.f).

Fully amortised assets

At 31 December 2019, there are intangible assets fully amortised and in use according to the following detail:

	Thousand euros	
	2019	2018
Concessions	39	5
Development	794	794
Software	234,344	217,829
Other intangible assets	87,529	86,593
<b>Total</b>	<b>322,706</b>	<b>305,221</b>

Given that the non-monetary contribution mentioned in note 3.1 was made at net book value, in 2019 and 2018 the original cost of these fixed assets is higher than the intangible fixed asset cost shown in the movement.

Concession agreement, regulated asset

- Ceuta Heliport: the Company operates the Ceuta civil heliport with all services under a service concession contract entered into with the Port Authority of Ceuta. This concession has a start date of

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28 March 2003 with a maturity of 30 years. The Company pays an annual fee of 39,000 euros for the occupancy of the public port. Likewise, and in accordance with Article 69 bis of Law 27/92, the Company pays a fee amounting to 0.823386 euros per passenger to the Port Authority, depending on volume of passengers.

- Algeciras Heliport: the Company has an administrative concession agreement with the Port of Algeciras Bay for the occupation of the facilities that will be used for the installation and operation activities of publicly owned heliport at the Port of Algeciras. This concession has a start date of 3 February 2009 with duration of 25 years. The contract establishes an occupancy rate of public port deprivation of 82,000 euros per year and a rate of special use of the public domain of 1 euro per passenger loaded or unloaded at the facility.

Impairment of intangible assets

As mentioned in note 3.2, at 31 December 2018, the assets related to the civil operations of the Murcia San Javier airport not reusable at another airport were impaired, which generated in 2018 a decrease in the value of intangible assets for the amount of 243 thousand euros. In 2019, said provision for impairment is applied with the definitive withdrawal of said assets with the cessation of activity at Murcia San Javier airport on 15 January 2019.

Impairment test for unamortised intangible assets (under development)

In accordance with the procedure described in Note 4a), and for the cash-generating units also described in that note, the Company has carried out the impairment test of the non-amortised intangible assets not identifying adjustments at 31 December 2019 and 2018.

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow estimates based on DORA projections for the 2020-2023 period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates indicated below.

The main assumptions used to calculate value-in-use for the 2019 and 2018 financial periods are as follows:

	2019	2018
Growth rate	1.50 %	1.50%
Before-tax discount rate	5.40 %	6.98%
Post-tax discount rate	4.05 %	5.23%

The discount rate applied to cash flow projections is the Weighted Average Cost of Capital (WACC), and is determined by the weighted average of the cost of own resources and the cost of external resources, according to the financial structure set for each cash generating unit applying the CAPM (*Capital Asset Pricing Model*) methodology.

Cash flow projections from the sixth year are calculated using an expected constant growth rate, taking into account the growth estimates for air traffic contained in the DORA (CAGR of 1.8% of passenger traffic for the period 2022-2031).

The Company performed a sensitivity analysis of the impairment calculation, using reasonable variations of the main financial assumptions considered in the calculation, assuming the following increases or decreases in percentage points (p.p.):

- Discount rate (-1 p.p./+1 p.p.)
- Perpetuity growth rates (+1 p.p./-1 p.p.)

As a result of the sensitivity analysis performed at year-end 2019, it appears that there are no significant risks associated with reasonably possible changes to the assumptions, considered on an individual basis. That is, management believes that, within the above ranges, no corrections for impairment will be necessary. The main

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assumptions affecting the Company's cash flows are passenger traffic, change in prices, investment levels and efficiencies in operating costs.

During 2019 and 2018 the management has not recognised impairment of intangible assets in progress.

## 7. Property, plant and equipment

The movements in this heading for the years 2019 and 2018 have been the following:

	2019					
	Thousand euros					
	Land and buildings	Plant and machinery	Fixtures and fittings	Other property, plant and equipment	Under construction and advances	Total
<b>Cost:</b>						
Beginning balance	13,426,164	816,335	3,391,836	10,030	351,615	17,995,980
Additions	94,573	35,419	49,777	1,258	347,008	528,035
Disposals (*)	(90,368)	(20,345)	(28,794)	(209)	(4,196)	(143,912)
Transfers (Notes 6 and 8)	115,923	40,268	53,966	333	(207,792)	2,698
<b>Closing balance</b>	<b>13,546,292</b>	<b>871,677</b>	<b>3,466,785</b>	<b>11,412</b>	<b>486,635</b>	<b>18,382,801</b>
<b>Amortisation</b>						
Beginning balance	(2,847,591)	(441,521)	(2,042,216)	(6,868)	-	(5,338,196)
Allocations	(383,671)	(63,422)	(244,117)	(915)	-	(692,125)
Disposals (*)	27,479	16,155	24,666	205	-	68,505
Transfers (Notes 6 and 8)	(3,181)	47	19	-	-	(3,115)
<b>Closing balance</b>	<b>(3,206,964)</b>	<b>(488,741)</b>	<b>(2,261,648)</b>	<b>(7,578)</b>	<b>-</b>	<b>(5,964,931)</b>
<b>Impairment:</b>						
Beginning balance	(41,792)	(2,434)	(1,418)	-	(361)	(46,005)
Application	41,683	2,397	1,408	-	361	45,849
<b>Closing balance</b>	<b>(109)</b>	<b>(37)</b>	<b>(10)</b>	<b>-</b>	<b>-</b>	<b>(156)</b>
<b>Net carrying value</b>	<b>10,339,219</b>	<b>382,899</b>	<b>1,205,127</b>	<b>3,834</b>	<b>486,635</b>	<b>12,417,714</b>

(\*) The disposals corresponding to assets that entered at net book value in the non-monetary contribution are made at net book value.

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	<b>2018</b>					
	<b>Thousand euros</b>					
	<b>Land and buildings</b>	<b>Plant and machinery</b>	<b>Fixtures and fittings</b>	<b>Other property, plant and equipment</b>	<b>Under construction and advances</b>	<b>Total</b>
<b>Cost:</b>						
Beginning balance	13,303,515	794,572	3,265,799	8,901	263,809	17,636,596
Additions	102,395	23,803	95,460	1,003	234,233	456,894
Disposals (*)	(40,792)	(23,496)	(16,954)	(164)	(11,047)	(92,453)
Transfers (Notes 6 and 8)	61,046	21,456	47,531	290	(135,380)	(5,057)
<b>Closing balance</b>	<b>13,426,164</b>	<b>816,335</b>	<b>3,391,836</b>	<b>10,030</b>	<b>351,615</b>	<b>17,995,980</b>
<b>Amortisation</b>						
Beginning balance	(2,479,602)	(394,492)	(1,787,950)	(6,147)	-	(4,668,191)
Allocations	(391,229)	(68,946)	(265,933)	(811)	-	(726,919)
Disposals (*)	22,324	19,765	13,568	100	-	55,757
Transfers (Notes 6 and 8)	916	2,152	(1,901)	(10)	-	1,157
<b>Closing balance</b>	<b>(2,847,591)</b>	<b>(441,521)</b>	<b>(2,042,216)</b>	<b>(6,868)</b>	<b>-</b>	<b>(5,338,196)</b>
<b>Impairment:</b>						
Beginning balance	-	-	-	-	-	-
Allocations (Note 3.2)	(41,792)	(2,434)	(1,418)	-	(361)	(46,005)
<b>Closing balance</b>	<b>(41,792)</b>	<b>(2,434)</b>	<b>(1,418)</b>	<b>-</b>	<b>(361)</b>	<b>(46,005)</b>
<b>Net carrying value</b>	<b>10,536,781</b>	<b>372,380</b>	<b>1,348,202</b>	<b>3,162</b>	<b>351,254</b>	<b>12,611,779</b>

(\*) The disposals corresponding to assets that entered at net book value in the non-monetary contribution are made at net book value.

The Company owns real estate whose separate net values for construction and land, at the close of financial years 2019 and 2018, are the following:

	<b>Thousand euros</b>	
	<b>2019</b>	<b>2018</b>
Cargo logistics centres	3,537,030	3,540,519
Buildings	6,802,189	6,996,262
<b>Total</b>	<b>10,339,219</b>	<b>10,536,781</b>

a) Tangible assets acquired from related companies

During the years 2019 and 2018, the Company acquired from the Group company Aena Desarrollo Internacional S.M.E., S.A. (ADI) and the related companies Ingeniería y Economía del Transporte, S.A. (INECO) and Ingeniería de Sistemas para la Defensa de España (ISDEFE) the following elements of its property, plant and equipment:

	<b>2019</b>		<b>2018</b>	
	<b>Carrying amount (gross)</b>	<b>Accumulated depreciation</b>	<b>Carrying amount (gross)</b>	<b>Accumulated depreciation</b>
Land and buildings	548	(32)	201	(13)
Plant and machinery	245	(17)	432	(22)
Fixtures and fittings	554	(123)	434	(82)
Other property, plant and equipment	132	(24)	-	-
Under construction and advances	7,848	-	887	-
<b>Total</b>	<b>9,327</b>	<b>(196)</b>	<b>1,954</b>	<b>(117)</b>

b) Financial and other expenses

In 2019, a total of 458 thousand euros in financial expenses were activated, accrued during the year, associated with financing property, plant and equipment under construction (2018: 568 thousand euros), which are registered under the Financial income heading “Activation of financial expenses” (see Note 23.f). Additionally, 5,099 thousand euros of internal work carried out by the Company for its tangible assets have been activated, which are registered under the heading “Work carried out by the Company for its assets” of the attached profit and loss account (2018: 4,747 thousand euros).

c) Additions of property, plant and equipment

The main additions recognised in 2019 and 2018 are described below:

Land and buildings

During FY 2019, the main additions of the period have been the “Runway regeneration 32R-14L” of Madrid airport, the “New floor of the terminal building” of Palma de Majorca airport, the “Improvement and adaptation of civil works and facilities of the VIP lounges” of Barcelona airport, the planned actions related to the “Acoustic insulation plans” of the Gran Canaria and Tenerife North airports, and the “Refurbishment of the general aviation platform” of Ibiza airport.

The most significant examples of commissioning have been the “Refurbishment of the platform” of Tenerife South airport, the “Refurbishment of the pavement on the platform” of Girona airport, the “Supply with installation of airbridges and aircraft assistance equipment for terminal 2 phase II” of Malaga airport, the “Screeding of the paving of runway 12-30” of Bilbao airport, and the “Expansion of air conditioning/heating ring of modules C” at Palma de Mallorca airport.

In FY 2018, the main additions of the period were the “General refurbishment of the platform” at Tenerife South airport, the planned actions related to the “Acoustic insulation plans” at Palma de Majorca and Valencia airports, and the “Screeding of the paving on runway 12/30” at Bilbao airport.

The most significant examples of commissioning were the “Reconstruction of platforms B and C” and the “Increase in the peak capacity of the SATE and new functionalities in check-in” at the airport of Palma de Mallorca, the “Regeneration of the pavement of runway 07L-25R” of Barcelona airport, the “Screeding of the runway” at Fuerteventura airport, and the “New flooring on the ground floor of T1 and T2” at Madrid airport.

Technical facilities, machinery, furniture and other fixed assets

In financial year 2019, the most important additions were:

- Self-extinguishing vehicles 6X6 DE 10000L at the airports of Gran Canaria, Málaga, Tenerife Norte and Zaragoza, among others.
- Actions related to the marking of the flight field at Ibiza airport.
- Unattended passport control positions at the airports of Lanzarote, Fuerteventura, Gran Canaria and Bilbao.

In financial year 2018, the most important additions were:

- The supply and installation of new passport control systems, put into use at Palma de Mallorca, Alicante and Barcelona airports.
- The actions related to the marking of the flight field at Malaga airport.
- The expansions of multi-service networks of several airports in the network.
- The supply of new benches for passengers at the T4 and T4S of Madrid airport.

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- The new electromechanical installations to improve the vertical communications at Madrid airport.
- The acquisition of communications and videoconference equipment of the Central Services of Aena.
- The new equipment for check-in desks and auto check-in stations at various airports in the network.

Property, plant and equipment under construction

During FY 2019, the main additions of fixed assets in progress refer to the work related to the “Remodelling and expansion of the southern dike building” of Barcelona airport, the “Adaptation of the Baggage Inspection System in Warehouse to the new EDS 3 standard” of several airports of the network, the “Screeding of the runway” at Seville airport, and the “Functional improvements in the terminal building” at Tenerife South airport.

In addition to those indicated in the previous paragraph, the main actions that are underway at 31 December 2019 are: “SICA Systems” in several airports of the network, the “Beaconing actions for compliance with technical standards” and the “Remodelling of the Picasso T-2 terminal building” at Malaga airport.

In 2018, the additions to the fixed assets in progress totalled 234,233 thousand euros. The main additions of fixed assets in progress referred to the work related to the “General refurbishment of the platform” at Tenerife South airport, “Multiservice network extensions” of several airports in the network, and “Supply and installation of new passport control systems” at the Madrid, Malaga, Ibiza and Menorca airports.

In addition to those indicated in the previous paragraph, the main actions in progress at 31 December 2018 were: “Extension of air conditioning/heating ring of modules C and D” at Palma de Mallorca airport, and “Boarding bridges and service equipment” at Malaga airport, among others.

d) Results from retirements and disposals of fixed assets

During 2019, the elements of the Murcia San Javier airport that were not transferred to the Sociedad Concesionaria del Aeropuerto Internacional de la Región de Murcia (SC AIRM, S.M.E, S.A.) have been retired for a net book value of 46,005 thousand euros, which refer to assets that were impaired at 31 December 2018 for an amount of 45,849 thousand euros (see Note 3.2). Additionally, there have been retirements due to the replacement of assets in renovation, as in the case of 32R-14L runway regeneration works at Madrid airport, the increase in runways at Tenerife North and Tenerife South airports and the multi-service network at Menorca airport.

Disposals of property, plant and equipment in 2019 assigned to income have resulted in a total negative result of 9,272 thousand euros (the negative result of 9,339 thousand euros in the accompanying profit and loss account also includes 67 thousand euros from disposals of real estate investments). In addition, disposals included the following items which have not generated any amount to be recorded in the profit and loss account:

- Reversals of provisions recorded in previous years for fair value differences arising primarily from land expropriations and estimated environmental investments to comply with current legislation, and for litigation related to works, which have been charged to the provisions for risks and expenses accounts (see Note 21) amounted to a total of 13,089 thousand euros.
- Payments to suppliers of fixed assets in relation to amounts activated in previous years, amounted to 6,849 thousand euros.

During the 2018 period, assets were withdrawn due to their renovation, such as the screed works of the runway of La Palma airport, and platforms B and C of Palma de Mallorca airport and the floors of the T1 at Madrid airport; as well as various facilities at Barcelona and Madrid airports.

Disposals of property, plant and equipment in 2018 assigned to income have resulted in a total negative result of 15,731 thousand euros (the negative result of 15,835 thousand euros in the accompanying profit and loss account also includes one thousand euros of losses on disposals of property, plant and equipment and 103 thousand euros of losses from real estate investments). In addition, disposals included the following items which have not generated any amount to be recorded in the profit and loss account:

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- Reversals of provisions recorded in previous years for fair value differences arising primarily from land expropriations and estimated environmental investments to comply with current legislation, and for litigation related to works, which were charged to the provisions for risks and expenses accounts (see Note 21) amounted to a total of 13,523 thousand euros.
- Payments to suppliers of fixed assets in relation to amounts activated in previous years, amounted to 6,628 thousand euros.
- Disposals due to universal segregation of branch of activity of Murcia San Javier airport, which were contributed to the concessionary company of the AIRM, for the operation of the International Airport of the Region of Murcia, for a net amount of 1,426 thousand euros (Note 3.2), according to the following breakdown:

	<b>Cost</b>	<b>Amortisation</b>	<b>Total</b>
Land and buildings	(31)	10	(21)
Plant and machinery	(1,508)	845	(663)
Other facilities, tools and furnishings	(1,872)	1,182	(690)
Other property, plant and equipment	(83)	31	(52)
<b>Total</b>	<b>(3,494)</b>	<b>2,068</b>	<b>(1,426)</b>

e) Impairment of property, plant and equipment

As mentioned in Note 3.2, in 2018, the assets related to the civil operations of the Murcia San Javier airport not reusable at another airport were retired, of which 45,849 thousand euros have been applied in 2019, according to the following breakdown:

	<b>2018</b>	<b>Application</b>	<b>2019</b>
Land and buildings	(41,792)	41,683	(109)
Plant and machinery	(2,434)	2,397	(37)
Other facilities, tools and furnishings	(1,418)	1,408	(10)
Fixed intangible assets underway	(361)	361	
<b>Total</b>	<b>(46,005)</b>	<b>45,849</b>	<b>(156)</b>

In 2019 and 2018, the Company has not detected any signs of impairment of fixed assets other than those mentioned in the previous paragraph. However, at the end of the 2019 and 2018 financial periods, the Company carried out the impairment test in accordance with the procedure described in Note 4a) for the cash generating units also described in said note, not identifying any impairment, even after applying sensitivities on the variables used. The main premises used in 2019 and 2018 were:

	<b>2019</b>	<b>2018</b>
Growth rate	1.50 %	1.50%
Before-tax discount rate	5.40 %	6.98%
Post-tax discount rate	4.05 %	5.23%

f) Capital grants (Note 19.d)

At 31 December 2019, the Company has grants related to fixed assets in the amount of 373,002 thousand euros net of taxes (2018: 398,109 thousand euros) (see Note 19d). The gross cost of assets in use related to these grants is 2,410 million euros, which correspond to property, plant and equipment (2018: 2,483 million euros)

Of the previous quantity, AENA S.M.E., S.A. has collected almost all the amounts, and a debit balance for this concept at 31 December 2019 of only 1,345 thousand euros remains (2018: 1,618 thousand euros) (see Note 22).



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g) Limitations

Contributed land, buildings and other construction contributed have lost their status as public domain assets due to the effect of the release established by Article 9 of Royal Decree Law 13/2011 (3 December), which stipulates that all state public domain assets associated with the public business entity ENAIRE that are not linked to air traffic services, including those used for airport air traffic services, will cease to be public domain assets but this does not mean that the purpose of the expropriation is not altered and therefore the reversal of that process is not appropriate.

There are certain limitations to the sale of airport assets (see Note 15)0.

h) Fully amortised assets

At 31 December 2019 and 2018, there are property, plant and equipment that are fully amortised and still in use, in accordance with the following breakdown:

	Thousand euros (*)	
	2019	2018
Buildings	1,232,528	1,190,274
Plant and machinery	467,201	380,916
Other facilities, tools and furnishings	1,639,321	1,267,762
Other property, plant and equipment	13,694	13,173
<b>Total</b>	<b>3,352,744</b>	<b>2,852,125</b>

(\*) These amounts refer to the original cost of the assets (the non-monetary contribution was made at net book value).

i) Commitments

At 31 December 2019, the commitments for outstanding investments amount to approximately 1,300.2 million euros, approximately (2018: 829.7 million euros), which include allocated investments pending formalisation by contract and confirmed investments awaiting execution.

j) Insurance policies

The Company's policy is to obtain insurance policies to appropriately cover all risks that could affect its investment properties. At the end of the 2019 and 2018 financial years, it is considered that there is no hedging deficit.

k) Leases

The Company leases part of its property, plant and equipment to third parties for commercial exploitation. The operating and financial leases of the Company are detailed in Note 9.

l) Jointly controlled assets

The Company has an agreement with the Ministry of Defence to establish the key distribution and compensation criteria for the use by civil aircraft of the Air Bases Open to Civil Traffic in Villanubla, León, Albacete, Matacán, Talavera, and the joint-use aerodrome in Zaragoza. This Agreement is based on the application of Royal Decree 1167/1995 (7 July) on the system for using airports jointly used by an airbase and an airport and the airbases open to civil traffic.

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The following amounts represent the Company's stake in the assets and liabilities, without including the allocation of indirect costs, which have been included in the balance sheet (in thousand euros):

	2019	2018
- Non-current assets	187,022	183,490
<b>Net assets</b>	<b>187,022</b>	<b>183,490</b>
- Income	14,541	15,585
- Expenses	(35,680)	(34,520)
<b>Profit/ (loss) after taxes</b>	<b>(21,139)</b>	<b>(18,935)</b>

There are no contingent liabilities relating to the Company's interest in the joint operations or contingent liabilities in the joint operations itself.

m) Refurbishment costs

According to the accounting policy described in Note 4b), the Company capitalises the initial estimate of the cost of refurbishing the site on which it stands as an increase in fixed assets when these are obligations incurred by the Company as a result of using the item. Thus all the obligations envisaged for carrying out noise insulation and soundproofing of residential areas in order to comply with current legislation on noise generated by airport infrastructures are capitalised as an increase in airport assets (see Note 21).

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## 8. Investment Properties

The movement of real estate investments during the 2019 and 2018 financial periods is as follows:

	2019		
	Thousand euros		
	Real estate land and buildings	Others facilities	Total
<b>Cost:</b>			
Beginning balance	180,415	3,359	183,774
Additions	7,660	-	7,660
Disposals	(75)	-	(75)
Transfers (Notes 6 and 7)	(2,563)	-	(2,563)
Closing balance	<b>185,437</b>	<b>3,359</b>	<b>188,796</b>
<b>Amortisation:</b>			
Beginning balance	(36,157)	(3,191)	(39,348)
Allocations	(5,195)	(37)	(5,232)
Disposals	9	-	9
Transfers (Notes 6 and 7)	2,946	-	2,946
Closing balance	<b>(38,397)</b>	<b>(3,228)</b>	<b>(41,625)</b>
<b>Impairment:</b>			
Initial and closing balance	<b>(6,243)</b>	-	<b>(6,243)</b>
<b>Net:</b>	<b>140,797</b>	<b>131</b>	<b>140,928</b>
	2018		
	Thousand euros		
	Real estate land and buildings	Others facilities	Total
<b>Cost:</b>			
Beginning balance	171,558	3,391	174,949
Additions	4,410	-	4,410
Disposals	(220)	(42)	(262)
Transfers (Notes 6 and 7)	4,667	10	4,677
Closing balance	<b>180,415</b>	<b>3,359</b>	<b>183,774</b>
<b>Amortisation:</b>			
Beginning balance	(30,423)	(3,175)	(33,598)
Allocations	(4,579)	(40)	(4,619)
Disposals	26	28	54
Transfers (Notes 6 and 7)	(1,181)	(4)	(1,185)
Closing balance	<b>(36,157)</b>	<b>(3,191)</b>	<b>(39,348)</b>
<b>Impairment:</b>			
Initial and closing balance	<b>(6,243)</b>	-	<b>(6,243)</b>
<b>Net:</b>	<b>138,015</b>	<b>168</b>	<b>138,183</b>

(\*) The transfers corresponding to assets that entered at net book value in the non-monetary contribution are made at net book value.

This heading mainly includes real estate assets used for operations in rental form (land, offices, hangars and warehouses). In the cases in which these properties are composed of one part which generate income, and another part which is used in the production or supply of goods or services or for administrative purposes, such properties are considered as investment properties when only an insignificant portion of them is used for the production or supply of goods or services or for administrative purposes.

At the end of 2019 and 2018 there were no investment properties subject to guarantees.

The Company's policy is to obtain insurance policies to cover all risks that could affect its investment properties. At the end of 2019 and 2018 the Company had reasonably covered these risks.

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In FY 2019, the main additions in real estate investments corresponds to two hangars of the airport of Santiago de Compostela, which were built by a third party and delivered at the start of the contract with a value of 7,112 thousand euros, 154 thousand euros derived from reversals at the end of the contract of assets constructed by third parties on leased lots and 393 thousand euros for the investment in refurbishment projects in different buildings.

In 2018, the additions in real estate investments totalled 4,410 thousand euros, 137 thousand of which correspond to reversals at the end of contracts of assets built by third parties on leased plots, 3,300 thousand euros correspond to the acquisition of a warehouse exercising the pre-emptive right and the remainder primarily to refurbishment projects of various buildings.

During 2019, the Company has not acquired real estate constructions from group or related companies. In 2018, it acquired from the related company Ingeniería y Economía del Transporte, S.A. (INECO), real estate constructions worth 4 thousand euros.

At 31 December 2019 and 2018, there are real estate investments that are fully amortised and still in use, in accordance with the following breakdown:

	Thousand euros	
	2019	2018
Real estate constructions	13,878	12,238
Real estate facilities	2,767	2,812
<b>Total</b>	<b>16,645</b>	<b>15,050</b>

(\*) These amounts refer to the original cost of the assets (the non-monetary contribution was made at net book value).

The fair value of the real estate investments bearing in mind the current values on the dates presented are the following:

	Thousand euros	
	2019	2018
Cargo logistics centres	303,476	302,855
Buildings	588,807	592,602
<b>Total</b>	<b>892,283</b>	<b>895,457</b>

The Company has commissioned an independent appraisal company (CBRE Valuation Advisory S.A.) to review and assess the real estate portfolio as of 30 June 2019, as it also did on 31 December 2018, in order to determine the fair value of its real estate investments. It is not considered that there were significant changes in the market conditions or in the appraised assets during the second half of 2019 that could invalidate the valuations made.

The assets were valued in accordance with the *Royal Institution of Chartered Surveyors* (RICS) Valuation - Professional Standards (the Red Book) as well as the provisions of International Accounting Standard 40 (IAS 40 - Investment property) on the basis of market value, where this means the estimated amount that would be obtained for the property in a transaction effected on the date of valuation between a willing and independent seller and buyer after a reasonable marketing period, and in which both parties have acted knowledgeably, prudently and without coercion.

The market value is obtained using the “Cash Flow Discounts Method”, whose results are always compared with recent transactions in the market in terms of price per square metre and initial profitability. The key variables of the “Cash Flow Discounts Method” are: determining net income, the period of time during which this net income is discounted, the approximate value at the end of the period and the “objective” internal profitability rate used to discount cash flows.

The valuation hypotheses used were:

- *Income inflation*: The cash flow predictions for properties is based on assumptions on the income and expense structure of the property, its occupancy status and operation. CPI (Consumer Price Index) predictions and growth in Spain's Gross National Product were taken to determine the inflation in income.
- *Growth in income*: Annual income growth has been used, which depends on the market conditions forecasted for the forthcoming years.
- *Non-recoverable expenses*: Non-recoverable expenses related in general with the structural repairs of the property, refurbishments and rehabilitations were considered.
- *Income fees*: This assumes management fees for the new rental contract of 10% of the annual income, always considering the date they book place.
- *Income loss insurance*: 0.25% of gross annual income is applied for this item.
- *Cash flow discount period*: The forecast of the possible future value (initial value) of the property should be considered at best "imprecise", such that the lower the impact it has on the valuation process, the more approximate the valuation will be. This lower impact is easier to achieve when longer discount periods are taken, usually 10 years. The return rate of the investment depends on the risk it entails and the level of profitability that other alternative investments offer.
- *Return rate*: It was considered that the Spanish real estate market should offer a profitability of between 300 and 400 basic points above a risk-free asset in the long term. Currently this means a return rate of between 9 and 10%, approximately. The added basic points margin is due to the lack of liquidity of the real estate market compared to other more liquid markets, such as stocks, and the greater risk entailed by the uncertainty of income.
- *Initial profitability*: At the end of the discount period, it is essential to determine the initial (sale) value of the property, which is based exclusively on future income, not bearing in mind any other kind of reversal value, accordance with common market practice.

As a result of this evaluation, the impairment test was performed on each of the assets contained in the real estate portfolio to compare their fair values with their value in pounds. In this sense, Aena considers that there are no significant impairments different to those existing on 31 December 2018, which were recorded in previous FYs.

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## 9. Leases

### Operating lease

The Company uses a variety of assets in the system of operating leases to third parties, including those outlined below along with the main characteristics of the corresponding contracts:

Asset	Location	Date of maturity	Annual income without VAT (In thousand euros)	Notes
Piovera building	Madrid	31/01/2024	3,551	Rent according to contract conditions
Arturo Soria building	Madrid	29/02/2020	116	Unrevised rent

The total minimum future payments of operating leases that cannot be cancelled (until the contract expires) are the following:

	Thousand euros	
	2019	2018
Less than one year	3,644	3,551
Between one and five years	11,920	15,545
More than 5 years	-	-
<b>Total</b>	<b>15,564</b>	<b>19,096</b>

The Company rents out several specialty shops and stores under non-cancellable operating lease contracts. These contracts last between five and ten years, and most of them can be renovated upon expiration in market conditions.

The total minimum charges for non-cancellable operating leases are the following for the indicated terms:

	Thousand euros	
	2019	2018
Less than one year	797,758	707,679
Between one and five years	3,197,262	1,402,744
More than 5 years	80,108	148,219
<b>Total</b>	<b>4,075,128</b>	<b>2,258,642</b>

### Financial leases

The Company presents in its property, plant and equipment a power cogeneration plant at the Adolfo Suarez Madrid Barajas Airport and certain computer equipment (acquired in 2018) that are under a financial lease contract in which the Company is the lessee. The amount for which the assets were initially recognised amounted to 17,955 thousand euros, corresponding to their estimated fair value. The amounts are shown below in thousands of euros:

	Thousand euros	
	2019	2018
Cost- capitalized finance leases	17,955	17,956
Accumulated depreciation	(8,946)	(7,440)
<b>Carrying amount</b>	<b>9,009</b>	<b>10,516</b>

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At 31 December 2019 and 2018, the current value of the minimum lease instalments payable in the future, not including increases in inflation or other contingent instalments, derived from said financial lease agreement is as follows (in thousands of euros):

	Thousand euros	
	2019	2018
Less than one year	1,673	1,655
Between one and five years	7,123	6,982
More than 5 years	1,913	3,715
	<b>10,709</b>	<b>12,352</b>



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#### 10. Financial instruments

##### Analysis by categories

The carrying amount of each of the categories of financial instruments established in the recording and valuation standard for “Financial instruments”, except for investments in the equity of group, multi-group and associated companies (Note 11), is as follows (in thousands of euros):

Non-current financial assets							
	Equity instruments		Loans to companies		Other financial instruments		Total
	2019	2018	2019	2018	2019	2018	2019 2018
Held-to-maturity investments (*)	-	-	-	-	80,660	74,348	80,660 74,348
Credits with group companies (Note 12)			340,000	-	-	-	340,000 -
Other loans and receivables (Note 13)	-	-	-	-	4,363	3,259	4,363 3,259
Available-for-sale assets:							
- Valued at cost (Note 11.3)	180	180	-	-	-	-	180 180
<b>Total</b>	<b>180</b>	<b>180</b>	<b>340,000</b>	<b>-</b>	<b>85,023</b>	<b>77,607</b>	<b>425,203 77,787</b>

Current financial assets							
	Equity instruments		Loans to companies		Other financial instruments		Total
	2019	2018	2019	2018	2019	2018	2019 2018
Held-to-maturity investments (*)	-	-	-	-	1,438	1,443	1,438 1,443
Credits with group companies (Note 12)	-	-	30,282	1,288	-	-	30,282 1,288
Loans and receivables (**)	-	-	172	151	454,083	403,170	454,255 403,321
<b>Total</b>	<b>-</b>	<b>-</b>	<b>30,454</b>	<b>1,439</b>	<b>455,521</b>	<b>404,613</b>	<b>485,975 406,052</b>

(\*) The heading “Other financial instruments” contains mainly deposits consigned by legal mandate in different public institutions of Autonomous Communities, corresponding to bonds previously received from lessees of the commercial spaces of AENA S.M.E., S.A., in compliance with Law 29/1994, of 24 November, on Urban Leases.

(\*\*) The heading “Other financial instruments” contains the total of the heading “Trade debtors and other accounts receivable”, excluding “Other credits with Public Administrations” and “Current tax assets”.

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	Non-current financial liabilities							
	Creditors for financial lease and other		Debts		Finance and Derivatives		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Debts (*)	9,297	11,031	4,705,603	5,338,514	144,750	123,186	4,859,650	5,472,731
Debts and items payable with credit institutions (**) (Note 15)	-	-	250,000	649,913	-	-	250,000	649,913
Hedging derivatives	-	-	-	-	94,115	56,543	94,115	56,543
<b>Total</b>	<b>9,297</b>	<b>11,031</b>	<b>4,955,603</b>	<b>5,988,427</b>	<b>238,865</b>	<b>179,729</b>	<b>5,203,765</b>	<b>6,179,187</b>

(\*) The heading "Debts" refers to "Debts with group companies" and includes the effect of commissions and novation expenses accounted for at amortised cost criteria for a total amount of 3,257 thousand euros (2018: 3,965 thousand euros) (see Note 15).

(\*\*) Including the effect of commissions and novation expenses accounted for at amortised cost criteria for a total amount of 0 thousand euros (2018: 87 thousand euros) (see Note 15).

	Current financial liabilities					
	Debts with Group and Associated Companies		Other		Total	
	2019	2018	2019	2018	2019	2018
Loan with ultimate Parent Company	633,619	633,744	-	-	633,619	633,744
Interest accrued outstanding loans	13,162	14,895	-	-	13,162	14,895
Current account with AIRM	-	3,672	-	-	-	3,672
Debts due to tax effect	2,475	1,103	-	-	2,475	1,103
Hedging derivatives	-	-	31,662	32,740	31,662	32,740
<b>Subtotal</b>	<b>649,256</b>	<b>653,414</b>	<b>31,662</b>	<b>32,740</b>	<b>680,918</b>	<b>686,154</b>
Commissions at zero cost criteria	(358)	(401)	-	-	(358)	(401)
<b>Subtotal</b>	<b>648,898</b>	<b>653,013</b>	<b>31,662</b>	<b>32,740</b>	<b>680,560</b>	<b>685,753</b>
Bonds and other marketable securities	-	-	159,000	-	159,000	-
Debts with credit institutions	-	-	391,000	-	391,000	-
Accounts payable (*)	-	-	276,148	274,908	276,148	274,908
Creditor from financial leases	-	-	1,673	1,655	1,673	1,655
Interest accrued with credit institutions pending payment	-	-	40	1,841	40	1,841
Other financial liabilities (**)	-	-	284,133	221,280	284,133	221,280
<b>Total</b>	<b>648,898</b>	<b>653,013</b>	<b>1,143,656</b>	<b>532,424</b>	<b>1,792,554</b>	<b>1,185,437</b>

(\*) The heading "Trade creditors and other accounts payable" excluding "Other debts with Public Administrations."

(\*\*) It mainly includes debts to Suppliers of fixed assets, for an amount of 256,754 thousand euros (2018: 192,410 thousand euros), as well as guarantees received.

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#### Maturity analyses

At 31 December 2019, the amounts of the financial instruments with a determined or determinable maturity classified by year of maturity are the following (in thousands of euros):

<b>Financial assets</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025 and after</b>	<b>Total</b>
Held-to-maturity investments	1,438	15,339	7,204	8,943	5,523	43,651	<b>82,098</b>
Other receivables	454,083	-	-	-	-	-	<b>454,083</b>
Credits with group companies	30,282	-	-	340,000	-	-	<b>370,282</b>
Other loans to companies	172	-	-	-	-	-	<b>172</b>
Other financial instruments	-	-	22	-	-	4,341	<b>4,363</b>
Equity instruments	-	-	-	-	-	180	<b>180</b>
<b>Total</b>	<b>485,975</b>	<b>15,339</b>	<b>7,226</b>	<b>348,943</b>	<b>5,523</b>	<b>48,172</b>	<b>911,178</b>

<b>Financial liabilities</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025 and after</b>	<b>Total</b>
Loan with ultimate Parent Company (*) (Note 15)	633,619	546,349	535,836	514,364	512,641	2,599,670	<b>5,342,479</b>
Interest accrued outstanding loans	<b>13,162</b>	-	-	-	-	-	<b>13,162</b>
Debts due to tax effect (Note 12)	2,677	-	-	-	-	-	<b>2,677</b>
<b>Subtotal Debts with group and associate companies</b>	<b>649,458</b>	<b>546,349</b>	<b>535,836</b>	<b>514,364</b>	<b>512,641</b>	<b>2,599,670</b>	<b>5,358,318</b>
Debentures and other marketable securities (Note 15)	159,000	-	-	-	-	-	<b>159,000</b>
Bank borrowings (Note 15)	391,000	-	50,000	50,000	50,000	100,000	<b>641,000</b>
Interest Debts with credit institutions	40	-	-	-	-	-	<b>40</b>
Aena hedge derivatives (Note 15)	31,662	27,194	22,011	16,958	12,816	15,136	<b>125,777</b>
Creditors from financial leases	1,673	1,736	1,762	1,790	1,835	1,913	<b>10,709</b>
Other long-term debts	121	82	82	82	15	-	<b>382</b>
Trade creditors and other accounts payable	532,891	-	-	-	-	-	<b>532,891</b>
Guarantees received	27,269	21,492	19,274	16,294	10,709	76,981	<b>172,019</b>
<b>Total</b>	<b>1,793,114</b>	<b>596,853</b>	<b>628,965</b>	<b>599,488</b>	<b>588,016</b>	<b>2,793,700</b>	<b>7,000,136</b>

(\*) Excluding the effect of commissions and novation expenses accounted for at amortised cost criteria for a total amount of 3,615 thousand euros, of which 3,257 thousand euros correspond to the long term (2018: 4,366 thousand euros, of which an amount of 3,965 thousand euros corresponds to the long term) (see note 15), as these concepts do not involve cash outflow.

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At 31 December 2018, the amounts of the financial instruments with a determined or determinable maturity classified by year of maturity are the following (in thousands of euros):

<b>Financial assets</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024 and after</b>	<b>Total</b>
Held-to-maturity investments	1,443	37,564	4,719	10,509	8,675	12,881	<b>75,791</b>
Other receivables	403,170	-	-	-	-	-	<b>403,170</b>
Credits with group companies	1,288	-	-	-	-	-	<b>1,288</b>
Other loans to companies	151	-	-	-	-	-	<b>151</b>
Other financial instruments	-	-	-	22	-	3,237	<b>3,259</b>
Equity instruments	-	-	-	-	-	180	<b>180</b>
<b>Total</b>	<b>406,052</b>	<b>37,564</b>	<b>4,719</b>	<b>10,531</b>	<b>8,675</b>	<b>16,298</b>	<b>483,839</b>

<b>Financial liabilities</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024 and after</b>	<b>Total</b>
Loan with ultimate Parent Company (*) (Note 15)	633,744	633,619	546,349	535,836	514,364	3,112,311	<b>5,976,223</b>
Interest accrued outstanding loans	14,895	-	-	-	-	-	<b>14,895</b>
Current account with AIRM	3,672	-	-	-	-	-	<b>3,672</b>
Debts due to tax effect (Note 12)	1,103	-	-	-	-	-	<b>1,103</b>
<b>Subtotal Debts with group and associate companies</b>	<b>653,414</b>	<b>633,619</b>	<b>546,349</b>	<b>535,836</b>	<b>514,364</b>	<b>3,112,311</b>	<b>5,995,893</b>
Bank borrowings (**) (Note 15)	-	-	-	650,000	-	-	<b>650,000</b>
Interest Debts with credit institutions	1,841	-	-	-	-	-	<b>1,841</b>
Aena hedge derivatives (Note 15)	32,740	27,135	19,118	11,200	5,074	(5,984)	<b>89,283</b>
Creditors from financial leases	1,655	1,694	1,736	1,762	1,790	3,715	<b>12,352</b>
Other long-term debts	121	82	82	82	82	6	<b>455</b>
Trade creditors and other accounts payable	467,318	-	-	-	-	-	<b>467,318</b>
Guarantees received	28,749	44,417	8,836	21,442	14,758	33,733	<b>151,935</b>
<b>Total</b>	<b>1,185,838</b>	<b>706,947</b>	<b>576,121</b>	<b>1,220,322</b>	<b>536,068</b>	<b>3,143,781</b>	<b>7,369,077</b>

(\*) Excluding the effect of commissions and novation expenses accounted for at amortised cost criteria for a total amount of 4,366 thousand euros, of which 3,965 thousand euros correspond to the long term (2017: 5,337 thousand euros, of which an amount of 4,866 thousand euros corresponds to the long term) (see note 15), as these concepts do not involve cash outflow.

(\*\*) Excluding the effect of commissions and novation expenses accounted for at amortised cost criteria for a total amount of 87 thousand euros (2017: 112 thousand euros) (see Note 15), since these items do not constitute a cash outflow.

The net gains and losses of financial assets and liabilities at 31 December 2019 and 2018 are shown in Note 23.f.

## 11. Investments in group, associate and multi-group companies and other interests

### Equity instruments

The main data of the interests in group and associate companies, as well as other interests, none of which are publicly traded at 31 December 2019 and 2018, are set out below:

#### 1) Interests in group companies

The breakdown of the Group's subsidiaries at 31 December 2019 and 2018, all consolidated using the full consolidation method in the consolidated annual accounts of the group for which the Company is the parent company, is as follows:

2019					
Subsidiaries	Address	Activity	%		Holder of the stake
			Direct	Indirect	
Aena, Sociedad Concesionaria del Aeropuerto Internacional de la Región de Murcia S.M.E., S.A. ("SCAIRM") (1)	Murcia	Company holding the concession for the operation of the Aeropuerto Internacional de la Región de Murcia.	100	-	AENA S.M.E., S.A.
Aena Desarrollo Internacional S.M.E., S.A. ("ADI") (1)	Madrid	Operation, maintenance, management and administration of airport infrastructures, as well as supplementary services.	100	-	AENA S.M.E., S.A.
London Luton Airport Holdings III Limited ("LLAH III") (2)	Luton (United Kingdom)	Holding of shares in the company that holds the concession for the operation of Luton Airport.	-	51	Aena Desarrollo Internacional S.M.E., S.A.
London Luton Airport Holdings II Limited ("LLAH II") (2)	Luton (United Kingdom)	Holding of shares in the company that holds the concession for the operation of Luton Airport.	-	51	London Luton Airport Holdings III Limited (LLAH III)
London Luton Airport Holdings I Limited ("LLAH I") (2)	Luton (United Kingdom)	Holding of shares in the company that holds the concession for the operation of Luton Airport.	-	51	London Luton Airport Holdings II Limited (LLAH II)
London Luton Airport Group Limited ("LLAGL") (2)	Luton (United Kingdom)	Guarantor company for the acquisition of the concession for the operation of Luton Airport.	-	51	London Luton Airport Holdings I Limited (LLAH I)
London Luton Airport Operations Limited ("LLAOL") (2)	Luton (United Kingdom)	Company holding the concession for the operation of Luton Airport.	-	51	London Luton Airport Group Limited ("LLAGL")
Aeroportos do Nordeste do Brasil S.A. (ANB) (2)	Sao Paulo (Brazil)	Provision of public services for the expansion, preservation and exploitation of the airport infrastructure of the airport complexes of the Northeast block of Brazil.	-	100	Aena Desarrollo Internacional S.M.E., S.A.

(1) Companies audited by KPMG Auditores, S.L.

(2) Companies audited by the KPMG network

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<b>2018</b>					
<b>Subsidiaries</b>	<b>Address</b>	<b>Activity</b>	<b>%</b>		<b>Holder of the stake</b>
			<b>Direct</b>	<b>Indirect</b>	
Aena, Sociedad Concesionaria del Aeropuerto Internacional de la Región de Murcia S.M.E., S.A. ("SCAIRM") (1)	Murcia	Company holding the concession for the operation of the Aeropuerto Internacional de la Región de Murcia.	100	-	AENA S.M.E., S.A.
Aena Desarrollo Internacional S.M.E., S.A. ("ADI") (1)	Madrid	Operation, maintenance, management and administration of airport infrastructures, as well as supplementary services.	100	-	AENA S.M.E., S.A.
London Luton Airport Holdings III Limited ("LLAH III") (2)	Luton (United Kingdom)	Holding of shares in the company that holds the concession for the operation of Luton Airport.	-	51	Aena Desarrollo Internacional S.M.E., S.A
London Luton Airport Holdings II Limited ("LLAH II") (2)	Luton (United Kingdom)	Holding of shares in the company that holds the concession for the operation of Luton Airport.	-	51	London Luton Airport Holdings III Limited (LLAH III)
London Luton Airport Holdings I Limited ("LLAH I") (2)	Luton (United Kingdom)	Holding of shares in the company that holds the concession for the operation of Luton Airport.	-	51	London Luton Airport Holdings II Limited (LLAH II)
London Luton Airport Group Limited ("LLAGL") (2)	Luton (United Kingdom)	Guarantor company for the acquisition of the concession for the operation of Luton Airport.	-	51	London Luton Airport Holdings I Limited (LLAH I)
London Luton Airport Operations Limited ("LLAOL") (2)	Luton (United Kingdom)	Company holding the concession for the operation of Luton Airport.	-	51	London Luton Airport Group Limited ("LLAGL")

(1) Companies audited by KPMG Auditores, S.L.

(2) Companies audited by the KPMG network

No interest has recorded impairment in the 2019 and 2018 financial years, thus valued at cost.

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The main amounts of capital, equity, results and book value related to the Group's companies at the end of the 2019 and 2018 financial years are the following:

**a) Aena, Sociedad Concesionaria del Aeropuerto Internacional de la Región de Murcia S.M.E., S.A. ("SCAIRM")**

31 December 2019							
Thousand euros (*)							
Denomination /	Fraction of	Share	Profit/(Loss)		Rest of	Total	Value in
Address / Activity	Direct	capital	Exploitation	Net	Equity	equity	value (*)
Capital (%)							
<b>Aena Sociedad Concesionaria del Aeropuerto Internacional de la Región de Murcia S.M.E., S.A.</b>	100%	8,500	(4,610)	(3,948)	3,091	7,643	11,606
Avenida España 101, Valladolides y Lo Jurado (Murcia)/ Administrative Concession for the Management, Operation and Maintenance of the Airport of the Region of Murcia.							
<b>Total</b>							<b>11,606</b>

(\*) Data obtained from the individual annual accounts at 31 December 2019.

31 December 2018							
Thousand euros (*)							
Denomination /	Fraction of	Share	Profit/(Loss)		Rest of	Total	Value in
Address / Activity	Direct	capital	Exploitation	Net	Equity	equity	value (*)
Capital (%)					(Partner contribution)		
<b>Aena Sociedad Concesionaria del Aeropuerto Internacional de la Región de Murcia S.M.E., S.A.</b>	100%	8,500	1,167	(14)	1,191	9,677	9,691
Avenida España 101, Valladolides y Lo Jurado (Murcia)/ Administrative Concession for the Management, Operation and Maintenance of the Airport of the Region of Murcia.							
<b>Total</b>							<b>9,691</b>

(\*) Data obtained from the individual annual accounts at 31 December 2018.

As mentioned in Note 3.2, on 25 January 2018, Aena established the concessionary company which holds the contract to manage, operate, maintain and preserve the Aeropuerto Internacional de la Región de Murcia (AIRM) as a concession of that airport and its area of complementary activities for a period of 25 years, with the award contract being formalised on 24 February 2018. Aena thereby complied with the requirements of the Specific Administrative Terms and Conditions of the contract that was awarded by the Autonomous Community of the Murcia Region on 20 December 2017. The new company, which is set up as private limited company, is called "Aena Sociedad Concesionaria del Aeropuerto Internacional de la Región de Murcia S.M.E., S.A.", and its sole shareholder is AENA, S.M.E., S.A.

On 17 December 2019, the Company, as sole shareholder of AIRM, has made a monetary contribution of 1,914,648 euros in accordance with the provisions of the Economic-Financial Plan of the Airport Activities of the Concessionary Company for the 2019 financial period.



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**b) Aena Desarrollo Internacional S.M.E., S.A.**

31 December 2019							
Thousand euros (*)							
Denomination /	Fraction of	Share	Profit/(Loss)		Rest of	Total	Value in
Address / Activity	Direct	capital	Exploitation	Net	equity	equity	value (*)
	Capital (%)						
<b>Aena Desarrollo Internacional S.M.E., S.A.</b>	100%	161,182	41,901	37,333	193,655	392,170	165,032
Peonías, 12. Madrid/ Operation, maintenance, management and administration of airport infrastructures.							
<b>Total</b>							<b>165,032</b>

(\*) Data obtained from the individual annual accounts at 31 December 2019.

31 December 2018							
Thousand euros (*)							
Denomination /	Fraction of	Share	Profit/(Loss)		Rest of	Total	Value in
Address / Activity	Direct	capital	Exploitation	Net	equity	equity	value (*)
	Capital (%)						
<b>Aena Desarrollo Internacional S.M.E., S.A.</b>	100%	161,182	45,720	44,198	149,457	54,837	165,032
Peonías, 12. Madrid/ Operation, maintenance, management and administration of airport infrastructures.							
<b>Total</b>							<b>165,032</b>

(\*) Data obtained from the individual annual accounts at 31 December 2018.

In the 2019 and 2018 financial years, Aena Desarrollo Internacional, S.A. (“ADI”) has not distributed dividends.

**- London Luton Airport**

The Company AENA S.M.E., S.A. has control of London Luton Airport Holding III Limited (hereinafter, “LLAH III”) and all its investees through Aena Desarrollo Internacional S.M.E., S.A. (hereinafter “ADI”). The main amounts of capital, equity, income and book value, expressed in local currency and under local accounting principles and including the valuation of identifiable assets acquired and liabilities assumed on the date of acquisition, related to this company at the end of the years 2019 and 2018 are the following (expressed in thousands):

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31 December 2019

Name / Address / Line of business	% Holding	Share capital	Profit/(loss) for the	Other equity	Total equity
			period		
		Thousand	Thousand	Thousand	Thousand
		GBP	GBP	GBP	GBP
London Luton Airport Holdings III Limited (*)	51.0 %	986	6,547	(49,074)	(41,541)
London Luton Airport Holdings II Limited (*)	51.0 %	986	9,499	(82,873)	(72,388)
London Luton Airport Holdings I Limited (*)	51.0 %	1,930	17,074	3,830	22,834
London Luton Airport Group Limited (*)	51.0 %	5,274	47,061	50,415	102,750
London Luton Airport Operations Limited (**)	51.0 %	5,274	47,061	50,415	102,750

(\*) Data obtained from the consolidated annual statements at 31 December 2019.

(\*\*) Data obtained from the individual annual statements at 31 December 2019.

31 December 2018

Name / Address / Line of business	% Holding	Share capital	Profit/(loss) for the	Other equity	Total equity
			period		
		Thousand	Thousand	Thousand	Thousand
		GBP	GBP	GBP	GBP
London Luton Airport Holdings III Limited (*)	51.0 %	986	(236)	(20,952)	(20,202)
London Luton Airport Holdings II Limited (*)	51.0 %	986	2,994	(57,782)	(53,802)
London Luton Airport Holdings I Limited (*)	51.0 %	1,930	10,566	28,950	41,446
London Luton Airport Group Limited (*)	51.0 %	5,274	39,302	33,564	78,140
London Luton Airport Operations Limited (**)	51.0 %	5,274	39,302	33,564	78,140

(\*) Data obtained from the consolidated annual statements at 31 December 2018.

(\*\*) Data obtained from the individual annual statements at 31 December 2018.

In 2013, “ADI” subscribed shares representing 40% of the capital of the company London Luton Airport Holdings III Limited (LLAHL III) for an amount of £ 39.4 million (corresponding to 47.3 million euros), with Aeroñ S.a.r.l. (Aeroñ) being the other shareholder of the company with a stake of 60 %.

LLAHL III is a special-purpose vehicle created with the objective, through its 100%-owned subsidiary London Luton Airport Holdings II Limited (LLAHL II), which in turn owns 100% of London Luton Airport Holdings I Limited (LLAH I), to carry out the acquisition, dated 27 November 2013, of London Luton Airport Group Limited and its subsidiary London Luton Airport Operations Limited, the management company of Luton airport in the United Kingdom. In the framework of the transaction, Aena Desarrollo Internacional S.M.E., S.A. and Aeroñ signed an agreement whereby Aena Desarrollo Internacional S.M.E., S.A. had the option (purchase option) to acquire from Aeroñ the shares representing 11% of the share capital of LLAHL III, for a period of eleven months from 27 November 2013, at a price equivalent to the subscription price of said shares adjusted for certain factors linked to the dividends received by Aeroñ, the financial costs of 51% of the debt subscribed by Aeroñ in LLAHL II, at a shareholder’s return and due to the issuance of new LLAHL III shares that may have occurred during the financial period.

On 16 October 2014, Aena Desarrollo Internacional S.M.E., S.A., once the relevant authorisations were obtained, proceeded to execute the purchase option, reaching 51% of the capital of LLAHL III for an amount of £ 13.7 million (corresponding to 17.2 million euros). Likewise, Aena Desarrollo Internacional S.M.E., S.A. assumed 51% of the debt subscribed by Aeroñ in LLAHL II, which amounted to 48.3 million pounds sterling (corresponding to 56.7 million euros in 2019 and 54.0 million euros in 2018). This debt corresponds to a 10-year shareholder loan, at 8% interest, with semi-annual interest payments and with repayment at maturity in November 2023. The financing of the operation was implemented via capital increase in Aena Desarrollo Internacional S.M.E., S.A. subscribed 100% by the AENA parent company. In 2019, this loan generated interest in favour of Aena Desarrollo Internacional S.M.E., S.A. of 4,410,764 euros (in 2018 the amount was 4,362,233 euros).

As a result of this operation, in 2014 Aena Desarrollo Internacional S.M.E., S.A. acquired control of LLAHL III and therefore the Aena Group consolidated this company (and its subsidiaries) by means of full consolidation.

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The Company, through its investee ADI and with the advice of independent experts, completed in 2014 the process of carrying out the valuations of (i) the fair value of the previous 40% stake held in LLAH III and (ii) the fair values of the assets and liabilities of the acquired business. Therefore, in the consolidated accounts of the Aena Group, the identifiable assets acquired and the liabilities assumed at the date of acquisition were recorded and valued.

- **Airport Group of Northeast Brazil**

Within the scope of the objectives of Strategic Plan 2018-2021, on 15 March 2019 Aena was declared the winner by the Brazilian National Civil Aviation Agency (ANAC) in the auction held in connection with the concession for the operation and maintenance of the airports of Recife, Maceió, Aracajú, Campina Grande, João Pessoa and Juazeiro do Norte in Brazil, grouped under the so-called Airport Group of Northeast Brazil.

In accordance with Law 40/2015, of 1 October, on the Legal Regime of the Public Sector, at its meeting on 12 April 2019 the Council of Ministers agreed to authorise Aena Desarrollo Internacional, S.M.E., S.A. to create the state trading company Aeroportos do Nordeste do Brasil S.A. (hereinafter, "ANB") as the concession holder for airport management of the aforementioned airports. On 30 May 2019, the new Brazilian company was incorporated, wholly owned by Aena Desarrollo Internacional S.M.E., S.A., with a share capital of 10,000 Brazilian reais and whose specific and exclusive corporate purpose is the provision of public services for the expansion, maintenance and operation of the airport infrastructure of the airport complexes comprising the Northeast block of Brazil. At its meeting held on 1 July 2019, the Board of Directors of the Brazilian company approved a share capital increase of 2,388,990,000 Brazilian reais, fully subscribed by its sole shareholder. The method and timing in which this disbursement has been carried out is as follows:

- 18 July 2019: 488,894,033 Brazilian reais (110.1 million euros at the insured exchange rate previously referred to) corresponding to the contribution stipulated by the Brazilian Government for the expenses of the concession to be paid to Infraero (advisors, auction expenses and the plan to disassociate Infraero workers) and the remaining cash.
- 26 August 2019: 1,900,000,000 Brazilian reais (427.7 million euros at the insured exchange rate mentioned previously) corresponding to the amount of the bid.

Furthermore, the amount of shareholding has increased by 14,601,360 Brazilian reais (3,233,465.45 euros at the exchange rate 4.5157 EUR/BRL), which corresponds to the Company's assumption of expenses for bidding processes derived from the procurement of the aforementioned concession recorded in ANB.

In 2019, the Northeast Airport Group registered more than 13.8 million passengers, 6.5 % of the total Brazilian traffic. Specifically, Recife airport is the eighth airport in Brazil in terms of total passenger traffic and the sixth in terms of international passenger traffic.

In January 2020, Aena Brasil started operating the airports of Juazeiro do Norte and Campina Grande. In the following weeks, the above-mentioned concessionary company will start managing the remaining airports.

Given the characteristics of the tender specifications, this contract can be classified as a public service management contract under the concession modality, and the successful bidder must provide all the services that an airport operator is entitled to, although it does not include ATC (Air Traffic Control) services. The main lines summarised in this agreement are as follows:

- The concession, which has a 30-year period extendible for an additional 5 years, is of the BOT type (build, operate and transfer). Once the total term of the concession has expired, the full and unlimited possession of the land and all the existing facilities (including the useful expenditure paid by the concession holder and the improvements that may have been incorporated by the latter) will revert to the Brazilian National Civil Aviation Agency without any right to compensation in favour of the Concession Holder.
- Income from the aeronautical activity is regulated under a dual-till model.

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- The new Concession Holder Company will have the right to remuneration in the form of a price for the use of the facilities and for the provision of services connected with the management of the airport.
- For its part, the Administration receives a fixed fee of BRL 1,900 million (approximately 427.7 million euros) on the date of signing the contract and a variable fee from the fifth year onwards depending on the gross revenue from the concession agreement. This variable financial consideration is fixed at 8.16 % of gross income, with an initial 5-year grace period and five progressive years, which would begin in 2025 at 1.63 % and gradually increase to 3.26 % in 2026, 4.90 % in 2027 and 6.53 % in 2028, reaching the 8.16 % contractual rate applicable in 2029 and in subsequent years.
- The National Civil Aviation Agency (ANAC) estimated in the tender document an investment of 2,153 million Brazilian reais (equivalent to 486.6 million euros at the exchange rate of 4.4239 euros EUR/BRL) distributed among investments aimed at adapting infrastructures to traffic (25.6% of the total estimated by the Brazilian authority); non-compulsory discretionary investments (31.7%), mainly for commercial areas; and maintenance of infrastructures, runways and equipment (42.7%).

The main amounts of capital, equity, income and book value, expressed in local currency and under local accounting principles and including the valuation of identifiable assets acquired and liabilities assumed on the date of acquisition, related to this company at the end of the years 2019 are the following (expressed in thousands):

Denomination / Address / Activity	31 December 2019						Thousand euros
	Thousand RBL (*)						
	Fraction of	Share	Profit/(Loss)		Rest of	Total	
	Indirect Capital (%)	capital	Exploitation	Net	equity	equity	Value in value (*)
Aeroportos do Nordeste do Brasil S.A.(ANB) <i>State of Sao Paulo-Brazil</i>	100%	2,388,895	(27,695)	(14,667)	-	2,374,228	531,453
Provision of public services for the expansion, preservation and exploitation of the airport infrastructure of the airport complexes of the Northeast block of Brazil.							
Total							531,453

(\*) Data obtained from the individual annual accounts at 31 December 2019.

2) Holdings in associated companies

On the other hand, the Company indirectly participates in other Companies through Aena Desarrollo Internacional S.M.E., S.A. The main amounts of capital, equity, income and book value expressed in local currency and under local accounting principles, related to these companies at the end of the 2019 and 2018 financial periods are the following (expressed in thousands):

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Name / Address / Line of business	% Holding	Share capital	31 December 2019		
			Profit/(loss) for the period	Other equity	Total equity
Sociedad Aeroportuaria de la Costa S.A. (SACSA)		Thousand COP	Thousand COP	Thousand COP	Thousand COP
Rafael Núñez Airport. Cartagena de Indias-Colombia.	37.89%	3,698,728	51,860,776	(17,427,678)	38,131,826
Operation Cartagena Airport (*)					
Aeropuertos Mexicanos del Pacífico, S.A. de CV (AMP)		Thousand MXN	Thousand MXN	Thousand MXN	Thousand MXN
Mexico DF Operator of 12 airports in Mexico (*)	33.33%	1,306,400	932,459	1,202,529	3,441,388
Aerocali, S.A.		Thousand COP	Thousand COP	Thousand COP	Thousand COP
Alfons Bonilla Aragon Cali-Colombia Airport	50.00%	3,800,000	19,679,055	3,666,252	27,145,307
Operation Cali Airport (*)					

(\*) Data obtained from the annual statements at 31 December 2019.

Name / Address / Line of business	% Holding	Share capital	31 December 2018		
			Profit/(loss) for the period	Other equity	Total equity
Sociedad Aeroportuaria de la Costa S.A. (SACSA)		Thousand COP	Thousand COP	Thousand COP	Thousand COP
Rafael Núñez Airport. Cartagena de Indias-Colombia.	37.89%	3,698,728	47,506,185	(18,370,670)	32,834,243
Operation Cartagena Airport (*)					
Aeropuertos Mexicanos del Pacífico, S.A. de CV (AMP)		Thousand MXN	Thousand MXN	Thousand MXN	Thousand MXN
Mexico DF Operator of 12 airports in Mexico (*)	33.33%	1,668,400	925,010	1,096,748	3,690,158
Aerocali, S.A.		Thousand COP	Thousand COP	Thousand COP	Thousand COP
Alfons Bonilla Aragon Cali-Colombia Airport	50.00%	3,800,000	9,890,221	25,701,730	39,391,951
Operation Cali Airport (*)					

(\*) Data obtained from the annual statements at 31 December 2018.

The net equity of the investee companies in Colombia and Mexico include the item of adjustments for inflation, following the rules established for that purpose in the respective country.

On 1 September 2020, the concession of Alfonso Bonilla Aragón International Airport, Cali, managed by Aerocali S.A., expired. Also, on 26 September 2020, the concession of Rafael Núñez International Airport in Cartagena de Indias, managed by Sociedad Aeroportuaria de la Costa S.A., expired.

Notwithstanding the previous statements, it is worth noting that negotiations are ongoing with the Colombian National Infrastructure Agency (ANI) for the development of the private initiative (APP), corresponding both to Cali Airport and to Cartagena Airport, the objective of which is to sign a concession contract once the current concession ends in 2020, having submitted the latest amendments requested by the ANI in March.

At 31 December 2019, the Group has conducted an impairment test that enables determining the recovery of the amount of stake in these companies. Moreover, given the evolution of AMP, the directors have not considered it necessary to make provisions for impairment.

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- **Aerocali**

On 29 May 2014, the subsidiary Aena Desarrollo Internacional S.M.E., S.A., purchased an additional 63,335 common shares of Aerocali, S.A., representing 16.67%. With this acquisition, Aena Desarrollo Internacional S.M.E., S.A. obtained a 50% interest in this company. The amount paid for this acquisition came to 2,036 thousand euros. In accordance with the analysis conducted by the management of Aena Desarrollo Internacional S.M.E., S.A. with this acquisition it would not obtain control of the investee due to the existence of joint control, which is why at 31 December 2019 and 2018 it continued to use the equity method with the change in the shareholding percentage since the acquisition of the new shares.

- **Aeropuertos Mexicanos del Pacífico**

On 24 February 2006, Grupo Aeroportuario del Pacífico, S.A. (a company in which AMP has invested) was listed on the Mexican and New York stock markets through an IPO carried out by the Mexican Government (former owner of the remaining 85% of the share capital). In addition, Aeropuertos Mexicanos del Pacífico acquired 2.296% of Grupo Aeroportuario del Pacífico, S.A. on the stock market for 286,297,895 Mexican pesos (MXN), thereby increasing its stake to 17.296% of its share capital. In May 2008, 640,000 shares were acquired in the stock for an amount of 26,229,376 Mexican pesos (MXN), 0.11396%, reaching 17.40996% of Grupo Aeroportuario del Pacífico, S.A. On 19 December 2018, in compliance with the provisions of the board, AMP made the sale of 250,000 Series B shares representing 1.85% of the 2.41% of the shares it owned, therefore disposing of 0.04% and maintaining 17.4% (17.36996% vs. 17.40996%) of GAP with a result of 29.6 million Mexican pesos.

The average acquisition price for the shares that Aeropuertos Mexicanos del Pacífico holds in Grupo Aeroportuario del Pacífico amounts to 23.12 Mexican pesos (MXN), while the listed value at 31 December 2019 was 224.67 Mexican pesos (MXN) 2018: 159.84 Mexican pesos (MXN)).

On 11 May 2018, the General Shareholders' Meeting of the associate company Aeropuertos Mexicanos del Pacífico, S.A.P.I. de C.V. approved a reduction of share capital in its variable part by 235,000 thousand Mexican pesos (amount that has been paid to the shareholders according to their stake in the company). Therefore, 33.33% of said reduction, that is, 78,333 thousand Mexican pesos, corresponded to Aena Desarrollo Internacional. As a result of this transaction, the Group recognised a cash receipt of 3,344 thousand euros, reduced the shareholding in the associate by 3,518 thousand euros and recorded the difference as a result of this transaction in equity. This transaction did not generate changes in the shareholding percentage.

On 7 January 2019, the General Shareholders' Meeting of the investee Aeropuertos Mexicanos del Pacífico, S.A.P.I. de C.V. approved the reduction of the variable part of the share capital by 60,000 thousand shares, to a total of 1,608,400 thousand Mexican pesos. As a result of this operation, the Group recognised a cash inflow of 919 thousand euros, reduced the ownership interest in the associate by 917 thousand euros and recognised the difference in equity as a result of this operation. Also, on 14 May 2019, the General Shareholders' Meeting of the investee Aeropuertos Mexicanos del Pacífico, S.A.P.I. de C.V. approved the reduction of the variable part of the share capital by 302,000 thousand shares, to a total of 1,306,400 thousand Mexican pesos. As a result of this operation, the Group recognised a cash inflow of 4,716 thousand euros, reduced the ownership interest in the associate by 4,313 thousand euros and recognised the difference in equity as a result of this operation. These operations did not give rise to any changes in the percentage of ownership.

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3) Other holdings

The most significant information on the holdings included in this section is as follows:

Denomination / Address / Activity	2019 Thousand euros (*)						Total book value at 31 December 2019
	% Holding	Share capital	Profit		Other equity	Total equity	
			Exploitation	Net			
Agencia Barcelona Regional Urban and environmental consultancy Edificio Centreservei, Zona Franca Carrer 60, 25-27 Barcelona (*)	11.76 %	1,533	32	24	353	1,910	180
<b>Total</b>							<b>180</b>

(\*) Data obtained from the provisional annual statements at 31 December 2019.

Denomination / Address / Activity	2018 Thousand euros (*)						Total book value at 31 December 2018
	% Holding	Share capital	Profit		Other equity	Total equity	
			Exploitation	Net			
Agencia Barcelona Regional Urban and environmental consultancy Edificio Centreservei, Zona Franca Carrer 60, 25-27 Barcelona (*)	11.76 %	1,533	13	10	343	1,886	180
<b>Total</b>							<b>180</b>

(\*) Data obtained from the annual statements at 31 December 2018.



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## 12. Related party transactions and balances

The breakdown of debit and credit balances held with group and associate companies at the end of the 2019 and 2018 financial years is as follows:

### Financial year 2019:

	Debtor (Note 13)	Long-term credits	Short-term credits	Short-term credits (Taxes) (Note 22)	Other short-term financial assets	Long-term debts (Note 15)	Short- term debts (Note 15)	Short-term debts (Taxes) (Note 15)	Fixed Asset Suppliers (Note 15)	Customer advances (Note 16)	Creditors (Note 16)
<b>Parent company:</b>											
ENAIRE	190	-	-	-	-	(4,705,603)	(646,423)	-	-	-	(23,863)
<b>Transactions with group and associate companies:</b>											
Aena Desarrollo Internacional S.M.E., S.A. (ADI)	232	340,000	30,000	212	-	-	-	(1,159)	-	-	(278)
Aena, Sociedad Concesionaria del Aeropuerto Internacional de la Región de Murcia S.M.E., S.A. (AIRM)	151	-	-	-	70	-	-	(1,316)	-	-	-
Aeroportos do Nordeste do Brasil, S.A.(ANB)	510	-	-	-	-	-	-	-	-	-	-
<b>Transactions with related parties:</b>											
Servicios y Estudios para la Navegación Aérea y la Seguridad Aeronáutica, S.A.U. (SENASA)	7	-	-	-	-	-	-	-	-	-	-
State Meteorological Agency (AEMET)	1	-	-	-	-	-	-	-	-	-	(1,008)
Ingeniería de Sistemas para la Defensa de España, S.A. (ISDEFE)	-	-	-	-	-	-	-	-	(280)	-	(393)
Ingeniería y Economía del Transporte, S.A. (INECO)	-	-	-	-	-	-	-	-	(1,808)	-	(1,644)
Other related parties	8,654	-	-	-	-	-	-	-	(3,240)	-	(1,585)
	<b>9,745</b>	<b>340,000</b>	<b>30,000</b>	<b>212</b>	<b>70</b>	<b>(4,705,603)</b>	<b>(646,423)</b>	<b>(2,475)</b>	<b>(5,328)</b>	<b>-</b>	<b>(28,771)</b>

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#### Financial year 2018:

	Debtor (Note 13)	Short-term credits (Taxes) (Note 22)	Other short-term financial assets	Long-term debts (Note 15)	Short- term debts (Note 15)	Short-term debts (Taxes) (Note 15)	Fixed Asset Suppliers (Note 15)	Other short-term financial liabilities	Customer advances (Note 16)	Creditors (Note 16)
<b>Parent company:</b>										
ENAIRE	692	-	-	(5,338,514)	(648,238)	-	-	-	-	(25,099)
<b>Transactions with group and associate companies:</b>										
Aena Desarrollo Internacional S.M.E., S.A. (ADI)	10	1,288	-	-	-	(1,097)	-	-	(13)	(405)
Aena, Sociedad Concesionaria del Aeropuerto Internacional de la Región de Murcia S.M.E., S.A. (AIRM)	2,427	-	-	-	-	(6)		(3,672)	(4)	-
Aeroportos do Nordeste do Brasil, S.A.(ANB)	32	-	-	-	-	-	-	-	(18)	-
<b>Transactions with related parties:</b>										
Servicios y Estudios para la Navegación Aérea y la Seguridad Aeronáutica, S.A.U. (SENASA)	17	-	-	-	-	-	-	-	-	(1)
State Meteorological Agency (AEMET)	1	-	-	-	-	-	-	-	-	(833)
Ingeniería de Sistemas para la Defensa de España, S.A. (ISDEFE)	5	-	-	-	-	-	(613)	-	-	(407)
Ingeniería y Economía del Transporte, S.A. (INECO)	8	-	-	-	-	-	(1,617)	-	-	(2,836)
	<b>3,192</b>	<b>1,288</b>	<b>-</b>	<b>(5,338,514)</b>	<b>(648,238)</b>	<b>(1,103)</b>	<b>(2,230)</b>	<b>(3,672)</b>	<b>(35)</b>	<b>(29,581)</b>

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The breakdown of the transactions carried out with group and associate companies during 2019 is as follows (in thousands of euros):

	<b>ENAIRE (Public entity)</b>	<b>ADI</b>	<b>INECO</b>	<b>AEMET</b>	<b>ISDEFE</b>	<b>SENASA</b>	<b>ANB</b>	<b>AIRM</b>	<b>London Luton Airport Operations Limited</b>	<b>Other related parties</b>
Revenue for provision of services	(512)	(329)	(13)	-	(2)	(67)	(510)	(1,543)	(18)	(9,546)
Services received	291	-	7,724	-	2,165	9	-	-	-	7,078
Supplies: Work performed by other companies (Note 23.a)	130,923	1,131	284	10,000	-	-	-	-	-	202
Acquisitions of fixed assets (Note 6 and 7)	371	167	2,943	-	2,363	-	-	-	-	5,778
Voluntary reserve	40	-	-	-	-	-	-	-	-	-
Financial income (Note 23f)	-	(1,472)	-	-	-	-	-	-	-	-
Other results	161	-	-	-	-	-	-	-	-	-
Financial expenses (Note 23f)	42,870	53	-	-	-	-	-	-	-	-

The breakdown of the transactions carried out with group and associate companies during 2018 is as follows (in thousands of euros):

	<b>ENAIRE (Public entity)</b>	<b>Aena Desarrollo Internacional S.M.E., S.A.</b>	<b>INECO</b>	<b>AEMET</b>	<b>ISDEFE</b>	<b>SENASA</b>	<b>AIRM</b>	<b>London Luton Airport Operations Limited</b>
Revenue for provision of services	(401)	(113)	(23)	-	(7)	(70)	(2,004)	(13)
Services received	1,158	-	12,417	-	3,005	3	-	-
Supplies: Work performed by other companies (Note 23.a)	136,472	1,758	1,428	10,000	-	-	-	-
Acquisitions of fixed assets (Note 6 and 7)	-	284	2,058	-	1,999	-	-	-
Financial income (Note 23f)	(1,029)	-	-	-	-	-	-	-
Losses attributed to hedging instruments (Note 19d)	-	-	-	-	-	-	-	-
Financial expenses (Note 23f)	69,588	46	-	-	-	-	-	-

All Related-party transactions are conducted at market values. Additionally, the transfer prices are properly supported, so the Company administrators believe that there are no significant risks in this respect which could come from any liabilities that may exist in the future.

**Main contracts:**

Listed below are the contracts formalised by the Company with its majority shareholder, the public business entity “ENAIRE”, and the rest of the group and associate companies for the years 2019 and 2018:

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#### - ENAIRE

On 20 December 2016, the Board of Management of Aena S.M.E, S.A. approved the ATM Agreement (Air Traffic Management) and CNS (Communication, Navigation, Surveillance), "Agreement to provide air navigation services between ENAIRE and Aena", which was also approved by the Board of Management of ENAIRE on 23 December 2016. This agreement extends the period 2017-2021 for a total amount of 662,367 thousand euros.

On 31 October 2017, Aena and ENAIRE signed a service provision contract for the car parks of the Aena network for the free use of the car park 15 days a year for ENAIRE employees. Derived from this agreement, the economic benefits between the parties during 2019 amounted to 104.3 thousand euros (2018: 80.3 thousand euros) recorded at market value, although the amount paid by ENAIRE has amounted to 26.1 thousand euros (2018: 20.1 thousand euros).

#### - Aena Desarrollo Internacional S.M.E., S.A.

On 1 October 2014, with effects since 1 April 2012, a contract was signed with the dependent company Aena Desarrollo Internacional, S.M.E., S.A. in which it provides AENA with flight verification services. The length of the contract is 3 years with annual extensions unless either party expressly wishes not to extend it.

On 1 December 2017, with the purpose of efficiently and appropriately implementing the Group's policies for more efficient corporate management, Aena Desarrollo Internacional, S.M.E., S.A. contracted with Aena S.M.E., S.A. for the provision of certain consulting and management support services which are outlined in the agreement signed for this purpose. The period in which the contract is in force is three years with up to a maximum of four annual extensions, as long as there is agreement between the parties. The price of the services provided is set annually and is revised according to the volume of services rendered. In 2019, the services rendered amount to 329 thousand euros (2018: 113 thousand euros).

On 20 June 2019 and effective on this day, a credit line agreement was signed between AENA (accrediting) and Aena Desarrollo Internacional (accredited) for 400 million euros, of which 30 million euros had been repaid before 31 December 2019, to finance the treasury needs of the capital contribution of the airports of northeast Brazil. The duration is 4 years and may be extended for periods of 2 years up to a maximum of three extensions, provided that neither party requests its cancellation 15 days before the date of maturity. This credit line accrues interest referenced to the Euribor for 1 month plus a differential of 1%,

On the other hand, on 16 March 2018 and effective on this day, a credit line agreement was signed between Aena Desarrollo Internacional (accrediting) and AENA (accredited) for a maximum limit of 100 million euros to finance general treasury needs. The duration is 2 years and may be extended for 2 more years, provided both parties agree to such an extension.

#### - Aena, Sociedad Concesionaria del Aeropuerto de la Región Internacional de Murcia S.M.E., S.A.

On 25 April 2018, an agreement was signed whereby Aena, Sociedad Concesionaria del Aeropuerto de la Región Internacional de Murcia S.M.E., S.A., contracts Aena, S.M.E, S.A. for the provision of advisory services and assistance in the planning, organisation, coordination and management of business activity areas. The contract has a duration of 3 years from the signing thereof. Among the services provided, the following stand out;

- Financial management
- Legal and equity management consultancy
- Human Resources Management
- Management of the President's Office
- Commercial management
- Communication management

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The provision of services will be developed in two phases;

1. Pre-operative stage: from the signing of the agreement until the start of operation of the Airport.
2. Operational Stage: begins from the entry into operation of the Airport until the termination of the agreement.

In 2019, the services provided under this agreement amount to 1,500 thousand euros (2018: 2,000 thousand euros).

### - INECO

Additionally, there is a cooperation agreement with Ingeniería y Economía del Transporte, S.A. (INECO) to draw up and revise projects, supervise construction and provide technical monitoring assistance, engineering for certification, maintenance and operation of facilities and airport processes, planning, airport and environmental development, commercial airport development and logistics designs in terminal buildings to improve operating efficiency and lower costs even further. Its appendix of actions is renewed every year.

### - ISDEFE

The related company ISDEFE has been providing Aena with a series of services which are framed in some of the activities within its mission, including the following activities in conformance with the contract signed in 2016 December and which replaced the previous one dated 8 November 2013. Its appendix of actions is renewed every year:

- General coordination of Information and Communication Technologies, henceforth ICT.
- Definition of ICT systems and infrastructures.
- Lifecycle management of IT applications.
- Office management of ICT projects.
- Quality and tests of IT applications and infrastructures.
- Integration of systems and support for operations.

### - AEMET

The State Meteorology Agency (AEMET), in its capacity as the meteorological authority of the state and as the supplier of certificate services, is the sole officially designated organisation in Spain to provide meteorological services for aeronautical activities. In order for more suppliers of this service to be designated, regulations must previously be developed. AEMET also provides the meteorological services to the rest of Spanish airports that are not managed by AENA S.M.E., S.A.

Additionally, AEMET is the owner of facilities and basic equipment to manage the meteorological services for air navigation.

Motivated by the need for these services Aena and AEMET signed an agreement which regulated this provision of services that covered the period from 30 December 2014 to 29 December 2016, and a new contract was signed with entered into force on 30 December 2016 and a duration of one year starting this date, which can be extended by mutual agreement by the parties from year to year up to a maximum of two additional years and which has been renewed for the 2020-2024 period for an amount of 60.2 million euros.

Since 2014, Aena has paid for the services provided by AEMET with an initial payment of €7,500,000 for the period March-November of 2014, and monthly payments of €833,333 since then, which is equivalent to payment totalling 10 million euros per year.

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**13. Trade debtors and other receivables**

The balance of the heading “Trade debtors and other accounts receivable” of the attached balance sheet for the 2019 and 2018 financial periods is broken down as follows:

	Thousand euros	
	2019	2018
Trade receivables	465,504	408,744
Doubtful trade receivables	99,281	90,712
Less: impairment of trade receivables	(120,289)	(107,854)
Trade receivables, group companies and associates (Note 12)	1,083	3,161
Other receivables (*)	7,735	7,542
Personnel	769	865
Other receivables from Public Administrations (Note 22)	7,626	8,742
	<b>461,709</b>	<b>411,912</b>

(\*) The heading “Other receivables” includes the outstanding balance due to the incident involving an incursion onto the runway at El Prat Airport on 28 July 2006 amounting to 7,423 thousand euros, an amount that the Group has provisioned.

On 5 March 2011 the Official Gazette published Law 1/2011 dated 4 March 2011, which amends Law 21/2003 dated 7 July 2003 on Air Security, which stipulated that for the management, liquidation and payment of all public airport charges of AENA S.M.E., S.A. or its subsidiaries, debt collection proceedings may be used to effect the payment, which shall be managed by the collecting bodies of the State Tax Administration Agency.

A significant part of the balances included in the heading “Trade receivables” belong to the following companies:

	Thousand euros	
	2019	2018
World Duty Free (DUFY)	123,464	115,243
Vueling Airlines	59,764	28,410
Áreas, S.A	30,839	25,443
Iberia, Líneas Aéreas de España, S.A.	24,075	30,315
Air Europa Líneas Aéreas, S.A.	17,657	16,698
Sinapsis Trading	12,747	9,149
Pansfood S.A	11,889	6,707
Air Nostrum	11,638	10,488
Select Service Partner, S.A.	9,669	7,388
Lagardere Travel Retail S.A.	7,419	4,790
UTE Exact Change 2	7,138	2,809
Autogrill Iberia SLU	5,474	5,247
Easy Jet Airlines Co. Ltd.	5,081	8,659
Priority Pass LTD	4,925	3,727
Other	133,725	133,671
	<b>465,504</b>	<b>408,744</b>

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The movement of the provisions account for trade operations in 2019 and 2018 has been as follows:

	Thousand euros	
	2019	2018
Beginning balance	107,854	114,491
Variation in provision for impairment	12,184	(6,042)
Segregation of Murcia San Javier airport	251	(595)
	<b>120,289</b>	<b>107,854</b>

In addition to the variation of 12,184 thousand euros (2018: 6,042 thousand euros) in the provision for impairment due to trade transactions, in the 2019 financial period, in the heading “Losses, impairment and variation in provisions for transactions” of the profit and loss statement, losses of 840 thousand euros (2018: 5,512 thousand euros) were posted for permanent disposals granted by the State Tax Administration Agency from debts sent to debt collection proceedings, up to an expense totalling 13,024 thousand euros, which appears in that heading (2018: income totalling 530 euros).

At 31 December 2019 and 2018 there are no balances receivable in a currency other than the euro.

#### 14. Current financial investments

The balance of the accounts under “Short-term financial investments” at the end of the 2019 and 2018 financial periods is as follows:

	Thousand euros	
	2019	2018
Loans to companies	172	151
Short-term deposits and guarantees	1,438	1,443
	<b>1,610</b>	<b>1,594</b>

#### 15. Financial debts

##### a) Debts with group and associate companies

87% of the loans and credits of the Company are formalised at revisable fixed/fixed interest rates (see Note 5), and the remaining percentage is formalised at variable rates generally referenced to Euribor (2018: 88 % at revisable fixed/fixed interest rates and the remaining percentage is formalised at variable rates generally referenced to Euribor). The average rate of the debt during 2019 was 1.25 % (2018: 1.30%) (Note 5).

As a result of the non-monetary contribution described in Note 3.1, the Company and its sole shareholder at the time concluded a financing agreement under which the debts relating to the contributed line of business forming part of the share capital increase described in Note 3 were transferred from the public business entity “Aeropuertos Españoles y Navegación Aérea” to AENA, S.M.E., S.A. In this agreement between both parties, the initial debt and future debt cancellation conditions are recognised, as is the procedure for settling interest and the repayment of the debt. It also specifies that the public business entity “Aeropuertos Españoles y Navegación Aérea” is the formal borrower as regards the financial lending institutions, but it also recognises that AENA S.M.E., S.A. is obliged to pay the percentage of the active balance of the debt of the public entity Aena attributable to the airport line of business at the time of the contribution of any of the payments that the public business entity “Aeropuertos Españoles y Navegación Aérea” is required to pay to the financial institutions, in accordance with the financial conditions and the other terms and stipulations established in the Financing Agreements.

Moreover, in the Council of Ministers’ meeting of 11 July 2014, the public business entity “Aeropuertos Españoles y Navegación Aérea” was authorised to initiate proceedings for the sale of the share capital of AENA S.M.E., S.A. and to dispose of up to 49% of its capital.

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In the context of offering company shares to private investors, and in order to ensure the process was compatible with the financing agreements (long- and short-term borrowings) and the hedging agreements taken out with all of the financial institutions, on 29 July 2014, the public business entity "ENAIRES", AENA S.M.E., S.A. and the respective financial institutions agreed a novation amending but not extinguishing the corresponding financial agreements.

The re-wording of the new financing agreements superseded entirely, and for all legal effects, the original contracts and their renovations, in order to, amongst other amendments, eliminate any contractual restriction that may affect the privatisation process and to include AENA, S.M.E., S.A. as jointly liable together with the public business entity "ENAIRES" under the various financing contracts and to make all the necessary adjustments to these financing contracts that were required for this purpose.

These renovations did not alter the financial terms of the loan transactions granted at the time to the public business entity "ENAIRES", nor those outlined in the model loans taken out from AENA, S.M.E., S.A. (such as, among others: repayment of principal, maturity dates, interest rate regime, terms of repayment, etc.). The main clauses that were changed are summarised below:

- The joint nature of the lenders, the public business entity "ENAIRES" and AENA S.M.E., S.A., which are mutually obligated to each other before the bank with regard to the obligation to pay back the amount of the loan that has been used by either of them and to pay interest, commissions, costs, expenses and any other amount payable by either of them directly to the bank by virtue of the contracts. The banks expressly recognise that the payment that they receive for any heading from either of the lenders in accordance with the stipulations of the contract will have full clearing effects for that item and amount.
- The elimination of the clauses that imposed limitations on the transmission of AENA S.M.E., S.A. shares and the sale of a percentage of shares higher than 49%.
- The obligation to fulfil certain financial ratios over the base of the consolidated annual accounts of Grupo Aena with appeal, which shall be certified by the delivery of a certificate accrediting fulfilment of these ratios on a half- yearly and yearly basis with the following limits:

Ratio	2018	2019	2020	2021	2022 and after
Net financial debt/EBITDA Less than or equal to:	7.00 x	7.00 x	7.00 x	7.00 x	7.00 x
EBITDA / Financial expenses Higher than or equal to:	3.00 x	3.00 x	3.00 x	3.00 x	3.00 x

- With regard to the possibility of granting charges and duties, a more favourable framework is established compared to what had been provided for in the initial financing contracts, as certain real guarantees on international assets may now be granted in international financing operations without recourse to AENA S.M.E., S.A. or the public business entity "ENAIRES", as opposed to the prohibition which existed in many initial contracts and which have often hindered business expansion.
- The unification of the clauses that restrict the disposal of assets: AENA S.M.E., S.A. will retain, either directly or indirectly, ownership of all the airport assets and will not dispose of them in even a single operation or series of operations, related or not, with several exceptions in relation to airport assets located outside Spain.
- Certain clauses were unified in order to clarify the events in which financial contracts may be the object of early maturity as the result of defaults derived from the commercial relationships of AENA S.M.E., S.A.



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As a consequence of these novations, and in order to capture the modifications in the contractual relationship for the loan with the public business entity “ENAIRES”, on 29 July 2014, the Company signed a modifying non-extinguishing novation of the debt contract with the public business entity “ENAIRES”, which changes the contract signed on 1 July 2011, which provided AENA S.M.E., S.A. all the assets, rights, debts and obligations of the public business entity “ENAIRES” for the purposes of developing airport and commercial activities and other state services related to airport management, including those affected by the air transit services at the airfield, for the amount of 11,672,857 thousand euros.

By virtue of this novation, the parties agreed to modify certain aspects of the recognition of debt contract with merely substitutive effects and under no circumstances extinguishing effects, for the purposes of stipulating the following: i) the updated amount of the recognised debt, ii) the regulation of the payment by the public business entity “ENAIRES” and AENA S.M.E., S.A. of the amounts due under the financing agreements, iii) the co-creditors’ exercise of authorities based on these financing agreements, iv) AENA S.M.E., S.A.’s obligation to fulfil the same financial ratios, as outlined in the novations of the financial agreements, v) the commitment to the future pledge on credit rights (the amount corresponding to one year of service of the debt which is paid back under the financing agreements) by the Company in favour of the public business entity “ENAIRES” in the event of failure to fulfil its obligations under the recognition of debt contract or loss of the majority share capital of AENA S.M.E., S.A. by the public business entity “ENAIRES”.

In the debt novation process, the parties expressly agreed that, notwithstanding their status as co-debtors and their joint responsibility to fulfil the obligations called for in the financing agreements, the payments that must be made under any concept based on these financing agreements shall be made by the public business entity “ENAIRES” and therefore maintaining the contractual relationship between AENA S.M.E., S.A. And the public business entity “ENAIRES” through the recognition of debt contract.

Notwithstanding the joint principal responsibility that AENA S.M.E., S.A. and the public business entity “ENAIRES” accept with regard to the financial entities under the financing agreements, the payments made by AENA S.M.E., S.A. will proportionally lower its obligations of payment stemming from the contribution before the public business entity “ENAIRES”.

In any event, the failure of AENA S.M.E., S.A. to pay its obligation stemming from the recognition of debt contract will not release the public business entity “ENAIRES” from fulfilling its commitments to pay by virtue of the provisions in the financing agreements.

For all of these reasons, the modifications agreed to in the financing contracts with banks and with the public business entity “ENAIRES” did not change the accounting treatment of the Company’s financial debt with the ultimate dominant Company, the public business entity “ENAIRES”.

The financing agreements include the following causes of early maturity rated in ordinary market terms:

- a) Failure to meet any of the payment obligations stemming from each of the financing agreements.
- b) Failure to meet any payment obligation stemming from other financing contracts.
- c) Failure to meet any payment obligation stemming from habitual commercial relations in the ordinary traffic of AENA S.M.E., S.A., unless it has judicially or extrajudicially opposed the corresponding claim for payment stemming from this failure to meet the obligation or has filed or is going to file the corresponding legal actions which AENA S.M.E., S.A. has the right to file as long as it has received a guilty verdict on payment against it.
- d) General embargoes of the assets of AENA S.M.E., S.A. and/or ENAIRES.
- e) The constitution by ENAIRES and/or by the Companies and entities of the ENAIRES group (with the exception of AENA S.M.E., S.A. and the companies in its group, which are governed by the limitation indicated in the following point) of any real right, burden, duty or privilege over any of the assets or rights, present or future.

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- f) The constitution by AENA S.M.E., S.A. and the companies in its group of any real right, burden, duty or privilege over any of the assets of rights existing in its balance sheet, with the exception of any real right, burden, duty or privilege over assets located outside Spain (including in this exception shares or stock in companies located in Spain as long as all their operating assets are located outside of Spain) exclusively in guarantee of financings or other obligations without recourse to AENA S.M.E., S.A. contracted by subsidiaries and/or other companies in the Aena group.
- g) Unless the bank has given its authorisation in writing: Aena shall conserve, directly and indirectly, the ownership of all its airport assets and shall not dispose of them in either a single operation or in a series of operations related or not, with the exception, exclusively in relation to airport assets located outside of Spain which are directly or indirectly owned by Aena, of disposals up to a joint aggregate amount during the entire lifetime of the contract that does not exceed 20% of the consolidated assets of Aena, with the value of both the consolidated assets and the alienated assets being determined at all times by reference of the values accounted in Aena's consolidated balance sheet corresponding to 31 December of the last financial accounting year closed at the time that the asset alienation contract is signed. For the purposes of this clause, "Airport Assets" means any assets that are part of the airport activity included in the consolidated tangible fixed assets of Aena.
- h) The change in the risk weight of ENAIRE or of the loans or credits generated by means of the financing agreements.

Solely these causes of early maturity could authorise the banks, in accordance with the specific terms and conditions of their respective agreements, to declare early maturity of their respective financing agreements, notwithstanding the need for good faith and the essential nature of the cause cited.

In the case that AENA S.M.E., S.A. fails to fulfil its obligations under the recognition of debt contract:

- AENA S.M.E., S.A. pledges to the future establishment of a first-ranking pledge contract on certain creditors' rights (the amount corresponding to one year servicing the debt which shall be paid back under the financing agreements) in favour of ENAIRE (this obligation also holds if ENAIRE loses control of AENA S.M.E., S.A.).
- The amounts owed by AENA S.M.E., S.A. are charged penalty interest.
- In the case that ENAIRE has had to pay any amount to the banks in accordance with the recognition of debt contract that AENA S.M.E., S.A. should have paid, ENAIRE shall subrogate in the rights and guarantees of the creditor before AENA S.M.E., S.A. and the debt recognised in the recognition of debt contract shall automatically increase by the amount paid by ENAIRE.
- Likewise, in the event that as a consequence of AENA S.M.E., S.A.'s failure to fulfil an obligation under the financing contracts, there is early maturity of one or several financing contracts and a claim for cash payment of any amounts, AENA S.M.E., S.A. must pay ENAIRE a penalty equivalent to 3% of the total principal due of the respective unfulfilled financing contract. This provision shall also be applied in the event that the delinquent party was ENAIRE, in which case it must pay the aforementioned penalty to AENA S.M.E., S.A.

The breakdown of the **"Financial debt in which the Company appears as a joint creditor with ENAIRE"** (henceforth, "Co- accredited Debt") with banks on 31 December 2019 is the following (in thousands of euros):

<b>Financial institutions</b>	<b>Amount</b>
BEI	3,231,082
ICO	1,541,100
FMS	569,400
<b>TOTAL Co-accredited</b>	<b>5,341,582</b>

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Of the 5,341,582 thousand euros above, AENA S.M.E., S.A. owes the public entity "ENAIRES" the debt derived from the contribution to the airport activity, which on 31 December 2019 totalled 5,303,393 thousand euros, 99 % of the total debt owed. In addition, AENA S.M.E., S.A. owes to the public entity "ENAIRES" in concept of other loans 39,086 thousand euros. The maturity schedule of both items, at year-end, is detailed further on.

Regarding the causes of declaring early maturity, ENAIRES, as the owner of the financing contracts, does not fail to fulfil any of the conditions of early maturity, so this does not affect the Company's balance sheet on 31 December 2019 and 31 December 2018.

On 9 February 2016 the Official Gazette published Bank of Spain Circular 2/2016 to credit institutions on supervision and solvency which completes the adaptation of the Spanish legal system to Directive 2013/36/EU and Regulation (EU) No 575/2013. The purpose of this Circular is to complete the adaptation of the Spanish legal framework in terms of banking supervision and solvency to Basel III standards.

In 2016, following a series of consultations with the Bank of Spain in order to clarify the interpretation and consequences of the provisions of the Circular, it was confirmed that it introduced a change in the risk weight that credit institutions had been applying until that moment to the debt of ENAIRES, of which Aena is co-borrower.

In particular, the entry into force of the Circular obliged some lenders to assign to their exposure to ENAIRES a risk weight different from that assigned to their exposures to the Spanish Government, which is 0 %.

Some of the financing agreements in which ENAIRES and AENA are co-credited establish a change in the risk weight of the borrower by the Bank of Spain as a possible cause of early termination, at the request of the lender.

To address this risk, on 25 May 2017 Aena carried out the novation of the ICO loan agreements affected, cancelling the weighting change clause in those operations that included it, and on 15 June 2017, it carried out early repayment of 797.2 million euros of variable rate debt held with Depfa Bank, using the cash generated and borrowing with various entities amounting to 600 million euros (see section b of this Note), with a maturity of 5 years and interest rate fixed at close to 0.69 % per annum.

Likewise, in July 2018, Aena carried out a new early amortisation of the total debt outstanding with Depfa at that date, which amounted to 166,075 thousand euros.

As a result of these actions, at 31 December 2019 there Aena records no debt affected by the change in the risk weighting.

In relation to the costs incurred as a result of the change in the risk weighting, they are expected to be adjusted throughout the next years. In 2017 these costs amounted to 11.8 million euros, corresponding to the payment of the guarantee required by DEPFA bank to maintain its debt with AENA, were provisioned at 31 December 2016 and paid on 22 March 2017. On 31 December 2017, income of 0.9 million euros was recorded for recovery of part of this expense. In 2018, the costs associated with the early cancellation of the debt with Depfa amounted to 17.2 million euros corresponding to the present value of the interest pending payment from the date of the early cancellation until the original maturity (15 September 2022). As of 31 December 2018, an income of 1.0 million euros was recorded as a partial recovery of the guarantee imposed on the debt cancelled during that year.

The repayment schedule for the principal of the short and long-term debt with ENAIRES for financing airports (Note 10) at the end of 2019 is as follows:

<b>Quotas with Maturity</b>	<b>Thousand euros 2019</b>
2020	633,619
2021	546,349
2022	535,836
2023	514,364
2024	512,641
Following	2,599,670
<b>Total</b>	<b>5,342,479</b>

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The breakdown of the headings “Long-term debts with group and associate companies” and “Short-term debts with group and associate companies” of the balance sheet liabilities at 31 December 2019 and 2018 are shown below:

	Thousand euros					
	2019			2018		
	Long-term	Short-term	Total	Long-term	Short-term	Total
<b>Debts with group and associate companies (Note 12)</b>						
Debts with ENAIRE	4,708,860	633,619	5,342,479	5,342,479	633,744	5,976,223
Debt commissions	(3,257)	(358)	(3,615)	(3,965)	(401)	(4,366)
Accrued interest	-	13,162	13,162	-	14,895	14,895
Debts due to tax effect	-	2,474	2,677	-	1,103	1,103
Current account with SCAIRM	-	-	-	-	3,672	3,672
<b>Total</b>	<b>4,705,603</b>	<b>648,897</b>	<b>5,354,703</b>	<b>5,338,514</b>	<b>653,013</b>	<b>5,991,527</b>

At 31 December 2019 and 2018, long and short-term debts are denominated in euros.

The variations in the balance of the loan from ENAIRE which occurred in financial year 2019 primarily correspond to repayment of the principal for the amount of 633,744 thousand euros. The reconciliation between the opening and closing balances in the statement of financial position of the component of Borrowings from the parent company is as follows:

	Cash flow						31 December 2019
	31 December 2018	Financing activities Collections	Financing activities Payments	Operating activities Interest payments	Short/ long-term transfers	Accrued interest	
<b>Non-current</b>							
Loan to AENA S.M.E., S.A. from ENAIRE	5,342,479	-	-	-	(633,619)	-	4,708,860
Adjustment of the loan from ENAIRE using the effective cost criterion.	(3,965)	-	-	-	45	663	(3,257)
<b>Subtotal Aena, S.M.E., S.A. non-current debt with ENAIRE</b>	<b>5,338,514</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(633,574)</b>	<b>663</b>	<b>4,705,603</b>
<b>Current</b>							
Loan from ENAIRE	633,744	-	(633,744)	-	633,619	-	633,619
Adjustment of the loan from ENAIRE using the effective cost criterion.	(401)	-	-	-	(45)	88	(358)
Interest accrued on loans from ENAIRE	14,895	-	-	(43,851)	-	42,118	13,162
<b>Subtotal Aena, S.M.E., S.A. current debt with ENAIRE</b>	<b>648,238</b>	<b>-</b>	<b>(633,744)</b>	<b>(43,851)</b>	<b>633,574</b>	<b>42,206</b>	<b>646,423</b>
<b>Total</b>	<b>5,986,752</b>	<b>-</b>	<b>(633,744)</b>	<b>(43,851)</b>	<b>-</b>	<b>42,869</b>	<b>5,352,026</b>

The variations in the balance of the ENAIRE debt produced in financial year 2018 correspond primarily to repayment of the principal for the amount of 798,060 thousand euros, 166,075 thousand euros of which corresponds to the early repayment of the fixed interest loan with Depfa Bank, as explained above. The reconciliation between the opening and closing balances in the statement of financial position of the component of Borrowings from the parent company is as follows:

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	31 December 2017	Cash flow			Short/ long-term transfers	Accrued interest	31 December 2018
		Financing activities Collections	Financing activities Payments	Operating activities Interest payments			
<b>Non-current</b>							
Loan to AENA S.M.E., S.A. from ENAIRE	6,109,084	-	-	-	(766,605)		5,342,479
Adjustment of the loan from ENAIRE using the effective cost criterion.	(4,866)	-	-	-	45	856	(3,965)
<b>Subtotal Aena, S.M.E., S.A. non-current debt with ENAIRE</b>	<b>6,104,218</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(766,560)</b>	<b>856</b>	<b>5,338,514</b>
<b>Current</b>							
Loan from ENAIRE	665,199	-	(798,060)	-	766,605		633,744
Adjustment of the loan from ENAIRE using the effective cost criterion.	(471)	-	-	-	(45)	115	(401)
Interest accrued on loans from ENAIRE	18,812	-	-	(55,285)		51,368	14,895
<b>Subtotal Aena, S.M.E., S.A. current debt with ENAIRE</b>	<b>683,540</b>	<b>-</b>	<b>(798,060)</b>	<b>(55,285)</b>	<b>766,560</b>	<b>51,483</b>	<b>648,238</b>
<b>Total</b>	<b>6,787,758</b>	<b>-</b>	<b>(798,060)</b>	<b>(55,285)</b>	<b>-</b>	<b>52,339</b>	<b>5,986,752</b>

The carrying and fair values of non-current debts with ENAIRE are as follows:

	Carrying amount		Fair value	
	31 December		31 December	
	2019	2018	2019	2018
Debts with ENAIRE	4,705,603	5,338,514	4,882,783	5,347,229
<b>Total (Note 12)</b>	<b>4,705,603</b>	<b>5,338,514</b>	<b>4,882,783</b>	<b>5,347,229</b>

The fair value of current borrowings is similar to their carrying value, as the impact of the discount is not significant. Fair values for debt with a term greater than one year are based on cash flows discounted at risk-free rates (OIS curve) plus a spread equal to the modelised 5-year Aena CDS (46 bps) (2018: cash flows discounted at risk-free rates (OIS curve) plus a spread equal to the modelised Aena CDS (81 bps).

As reported in Note 5, the Company modified the interest rate scheme for loans with a revisable rate which can be revised in 2019. The revised total amounted to 25,573 thousand euros entirely for EIB loans which have moved to a fixed rate to maturity, at an average annual rate of 0.719 % (previously 1.63 %).

In 2018, no review process took place that involves modification of the type regime of the debt.

*b) Debts with credit institutions*

During 2017, Aena took debt with various entities amounting to 650,000 thousand euros with a maturity of 5 years. These loans bore fixed interest close to 0.69 % per annum. The breakdown is as follows:

Financial institutions	Amount
BBVA	250,000
UNICAJA	150,000
ING	50,000
KUTXABANK	50,000
POPULAR	50,000
BNP	50,000
BANKINTER	25,000
SABADELL	25,000
<b>TOTAL</b>	<b>650,000</b>

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In December 2019, this debt was settled early, without any breakage costs, and new transactions were arranged for 400,000 thousand euros at a fixed annual rate of 0.29%, without any arrangement fees, and maturing in 2026, of which 150,000 thousand euros was still pending at 31 December 2019, which was disbursed on 15 January 2020. At 31 December 2019, the breakdown of this new disposal is as follows:

<b>Financial institutions</b>	<b>Amount</b>
UNICAJA	150,000
KUTXABANK	100,000
<b>TOTAL</b>	<b>250,000</b>

Thus, the balance of long-term debts with credit entities totals 250,000 thousand euros on 31 December 2019 (31 December 2018: 649,913 thousand euros).

On 29 July 2015, credit policies were signed with banks for an amount of 1,000 million euros with a maturity in 2019 to cover any specific treasury needs. In December 2018, these policies were cancelled by signing, on 12 December 2018, a new contract for a Sustainable Syndicated Credit Line (ESG-linked RCF) in the amount of 800 million euros according to the following breakdown by entities:

<b>BANKING ENTITY</b>	<b>AMOUNT (thousand euros)</b>
BBVA	190,000
SANTANDER	160,000
BANKINTER	100,000
SABADELL	100,000
UNICAJA	100,000
KUTXA	100,000
IBERCAJA	50,000
<b>TOTAL</b>	<b>800,000</b>

The maturity of this new Credit Facility, of which 391,000 thousand euros has been drawn down at 31 December 2019, is 5 years, renewable for a further year. The interest rate is variable, with an initial spread of 0.275% on one-month Euribor and a usage commission of between 0.075%, 0.15% and 0.33%, depending on the average balance used according to  $\leq 33\%$ ,  $> 33\% \leq 66\%$  or  $> 66\%$ , respectively.

The initial spread is reviewed annually based on the following two variables:

- a) Moody's and/or Fitch's credit evolution of AENA according to the following table:

<b>CREDIT RATING</b>	<b>Applicable margin</b>
A+/A1 or above	0.225%
A/A2	0.250%
A-/A3	0.300%
BBB+/Baa1	0.350%
BBB/Baa2	0.400%
BBB-/Baa3 or lower	0.550%

- b) The evolution of Aena's sustainability parameters in environmental, social and good governance issues (ESG "Environmental, Social and Governance" rating) evaluated by the ESG rating provider selected by AENA (Sustainalytics), so if the score increases or diminishes by 5 or more points with respect to the initial one, the resulting applicable margin will be reduced by 0.025% in the first case and will increase in the second.

The balance of short-term debts with credit institutions of AENA S.M.E., S.A. on 31 December 2019 amounted to 391,040 thousand euros, of which 40 thousand euros correspond to interest pending payment (31 December 2018: 1,841 thousand euros from unpaid accrued interest).

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*c) Marketable securities*

On 30 October 2019 the Company registered a Euro Commercial Paper Programme with the CNMV for a maximum balance of 900,000 thousand euros in the BME Fixed Income Market. With this new instrument, Aena can flexibly place promissory notes with minimum unit nominal values of 500 thousand euros and maturities of between 3 and 364 days over the course of a year.

At 31 December 2019, the paper issued under this programme amounted to 159,000 thousand euros, leaving a balance of 741,000 thousand euros available.

*d) Cash flow hedges*

- Aena S.M.E., S.A. derivatives

As was explained in Note 5, on 10 June 2015 Aena signed a hedging transaction from variable interest rate to fixed with lending entities with a credit rating equal to or better than BBB (Standard & Poor's), in order to avoid the risk of fluctuation in interest rates on various credits, for an amount of 4,196 million euros.

Its main characteristics as of 31 December 2019 and 31 December 2018 are as follows:

	Classification	Type	Contracted amount	Start	Maturity	Settlement
Interest rate swaps	Cash flow hedge	Variable (3M Euribor) to Fixed (0.9384%)	3,041,833	15/06/2015	15/12/2026	Quarterly
Interest rate swaps	Cash flow hedge	Variable (6M Euribor) to Fixed (1.1735 %)	854,100	15/06/2015	15/12/2026	Biannual
Interest rate swaps	Cash flow hedge	Variable (6M Euribor) to Fixed (0.1440 %)	290,000 (*)	27/12/2016	15/12/2020	Biannual

(\*) Initially contracted for a notional of 300,000 thousand euros.

The sums of notional principal in those interest rate swap contracts outstanding at 31 December 2019 amounted to 2,436,726 thousand euros (31 December 2018: 2,750,720 thousand euros).

The balance recognised in the reserve for equity cover in interest rate swap contracts at 31 December 2019 will be continuously transferred to the income statement until the bank loans are repaid. During 2019, 33,699 thousand euros were assigned to the income statement as financial expenses for settlement of these hedging instruments (in 2018: 37,333 thousand euros).

The fair value of these derivatives totals 125,777 thousand euros on 31 December 2019 (31 December 2018: 89,283 thousand euros) and its breakdown between current and non-current parts is as follows:

Fair value registered in "Non-current liabilities" on 31 December 2019 (in thousand euros)	Fair value recorded in "Current liabilities" on 31 December 2019 (in thousand euros)
94,115	31,662
Fair value registered in "Non-current liabilities" on 31 December 2018 (in thousand euros)	Fair value recorded in "Current liabilities" on 31 December 2018 (in thousand euros)
56,543	32,740

On 31 December 2019 and 2018, hedging derivatives held by the Company were effective and met the requirements needed to apply hedge accounting, such that there is no ineffectiveness recorded in the income statement.



## 16. Trade creditors and other accounts payable

The breakdown of credit balances for trade operations is as follows:

	Thousand euros	
	2019	2018
<b>Trade creditors and other accounts payable</b>		
Suppliers, group and associate companies (Note 12)	24,141	25,372
Other payables	164,933	171,947
Personnel	30,373	27,975
Other debts with Public Administrations (Note 22.1)	32,010	46,359
Advance payments from customers	56,701	49,614
<b>Total</b>	<b>308,158</b>	<b>321,267</b>

Information on the average payment period of to suppliers is as follows:

	2019	2018
	Days	Days
Average payment period	46	48
Average collection period	50	51
Ratio of outstanding payments	15	21

These parameters were calculated per Art. 5 of Resolution of 29 January 2016 published by the Accounting and Auditing Institute, on the information to be included in the financial statement report in relation to the average payment period to suppliers in commercial transactions, as follows:

1. Average payment period to suppliers = (Ratio of paid operations \* total value of payments made + Ratio of outstanding payment operations \* total amount outstanding payments) / (total amount of payments made + total amount of outstanding payments).
2. Ratio of transactions paid =  $\Sigma$  (Days Payment Outstanding \* amount of the transaction paid) / total amount of payments made.

Days Payment Outstanding is understood to mean the calendar days that have elapsed since the date the calculation begins until the actual payment of the transaction.

3. Ratio of outstanding payments =  $\Sigma$  (Days Payment Outstanding \* amount of operations pending payment) / Total amount of outstanding payments.

Days Payment Outstanding is understood to mean the calendar days that have elapsed since the date the calculation begins until the last day referred to in the financial statements.

4. For the calculation of both the number of days of payment as well as the days' payment outstanding, the company calculates the term as of the date of provision of the services. However, given the lack of reliable information on the time that this has taken place, the date of receipt of the invoice is used.

	Amount 2019 (thousand euros)	Amount 2018 (thousand euros)
Total payments made	976,392	845,628
Total payments outstanding	126,522	96,975

The calculation of the APP (Average Payment Period) is carried out on the invoices received and approved pending payment corresponding to the suppliers that, by their nature, are suppliers of goods and services, so that only the data relating to the item "Sundry creditors" of the heading "Trade creditors and other accounts payable" are considered. The balance of "Sundry creditors" is greater than that of "Payments outstanding", because the former includes balances from invoices pending receipt and/or approval.



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In 2019 average payment period has complied with the deadlines set out by Law 15/2010. The cases in which a payment has been made outside of the legally binding period are due mainly to reasons not attributable to the Company: invoices not received on time, AEAT expired certificates, lack of certificates of proof of supplier bank accounts, amongst others.

## **17. Inventories**

The balance of the heading “Inventories” at the end of the 2019 and 2018 financial periods is broken down into the following items:

	Thousand euros	
	2019	2018
Spare parts	6,282	6,775
Provision for stock impairment	(134)	(134)
	<b>6,148</b>	<b>6,641</b>

The stock balance mainly includes materials and spare parts used by the Company in airport operations.

## **18. Cash and other equivalent liquid assets**

The breakdown of the heading “Cash and other equivalent liquid assets” is as follows:

	Thousand euros	
	2019	2018
Cash and bank deposits	149,375	467,444
	<b>149,375</b>	<b>467,444</b>

At 31 December 2019 and 2018, there are no cash balances and other equivalent liquid assets that are not available for use.

## **19. Equity**

### **a) Share Capital**

The Company was created on 31 May 2011 with an initial capital of 61,000 euros (1,000 euros for 61 shares) contributed entirely by the public business entity ENAIRE. On 6 June 2011, the Shareholders’ Meeting of ENAIRE approved a capital increase with the non-monetary contribution of the branch of airport activity, where it is agreed to:

- Reduce the nominal value by splitting the 61 shares, leaving 10 euros per share, which would give rise to 6,100 shares.
- Increase the share capital to 1,500,000 thousand euros, by contributing 1,499,939 thousand euros (149,993,900 shares are issued at 10 euros each). These shares are issued with a premium of 1,100,868 thousand euros. So the capital and the share premium would amount to 2,600,807 thousand euros.

On 23 January 2015 the Council of Ministers approved the sale of 49 % of Aena by an Initial Public Offer, registering the IPO prospectus with the CNMV (National Securities Market Commission) on 23 January 2015. Trading in AENA S.M.E., S.A. shares opened on the Continuous Market, in the four Spanish stock markets, on 11 February 2015.

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The listing of the Company on the stock exchange, as explained above, via the IPO of 49 % of AENA S.M.E., S.A.'s capital, meant that the Entity, ENAIRE's holding in AENA S.M.E., S.A. fell to 51 %, compared to its previous 100 %.

On 31 December 2019 and 2018, the share capital of AENA S.M.E., S.A. was represented by 150,000,000 ordinary shares worth 10 euros in nominal value each, which have been totally disbursed. These shares have equal political and economic rights.

Moreover, on 31 December 2019 and 2018, there are no capital increases in progress nor authorisations to operate in own shares.

According to the information available, on 31 December 2019 the shares over 10% are the following:

Enaire	51.00 %
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At 31 December 2018 the shares over 10% are the following:

Enaire	51.00 %
--------	---------

#### b) Reserves

##### Share premium

The consolidated text of the Capital Companies Law expressly allows the use of the balance of the share premium to increase the capital and does not establish any specific restriction regarding the disposition of said balance.

This reserve is freely available as long as, as a result of its distribution, the net worth of the Company is not less than the share capital figure.

At 31 December 2019 and 2018, the Company's Share Premium amounts to 1,100,868 thousand euros.

##### Capitalisation reserve

The Capitalisation Reserve amounts to 133,714 thousand euros (2018: 113,626 thousand euros) originating from the approval of the distribution of profits of the Company for the year ended 31 December 2015. This capitalisation reserve has been allocated in accordance with Articles 25 and 62 of the Corporate Income Tax Law, which establishes that the reserve be set aside for the amount of the right to the reduction of the tax base of the tax group for the year. The right to reduce the tax group's tax base amounts to 10% of the increase of the equity of the tax group, as defined in said article, without in any case exceeding the amount of 10% of the positive tax base of the tax group of the tax period prior to the reduction and integration referred to in section 12 of Article 11 of the Law and the compensation of negative tax bases. However, in the event of insufficient tax base of the tax group to apply the reduction, the pending amounts may be applied in the tax periods ending in the two years immediately following the closing of the tax period in which the right to the reduction was generated, together with the reduction that may correspond in that year and with the indicated limit. The reserve is unavailable and is conditioned on maintaining the increase of the equity of the tax group for a period of 5 years from the close of the tax period to which the reduction corresponds, except for the existence of accounting losses.

##### Legal reserve

The legal reserve must be allocated in accordance with article 274 of the Law on Capital Companies. This article requires that, in any event, a figure equal to 10 % of the profits from the period is earmarked for the legal reserve, until its amount attains at least 20 % of the share capital

The legal reserve, as long as it does not exceed the amount indicated above, can only be used to offset losses if no other reserves are available for this purpose.

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At the end of 2019, the legal reserve amounted to 300,000 thousand euros (31 December 2018): 300,000 thousand euros), reaching the minimum limit legally established in accordance with Article 274 of the Capital Companies Law.

Other reserves

At the end of the 2019 and 2018 financial periods, this section includes fully available voluntary reserves.

Distribution of income

The distribution of the income from the 2019 financial period proposed by the Board of Directors to the General Shareholders' Meeting is as follows:

	Thousand euros
Allocation basis:	
Profit from the year	1,421,326
Distribution:	
Dividends	1,137,061
Capitalisation reserve	26,163
Voluntary reserve	258,102

The distributions of the income of the Company from the financial year ending on 31 December 2018, approved by the General Shareholders' Meeting on 10 April 2019, was the following:

	Thousand euros
<b>Allocation basis:</b>	
Profit from the year	1,301,182
<b>Distribution:</b>	
Dividends	1,039,500
Capitalisation reserve	20,089
Voluntary reserve	241,593

After this approval by the General Shareholders' Meeting, during 2019 the proposed dividend of 1,039,500 thousand euros was paid (2018: payment of dividends of 975,000 thousand euros).

Likewise, the Board of Directors proposes to the General Shareholders' Meeting a reclassification of voluntary reserves to capitalization reserve, in the amount of 4,299 thousand euros, as a result of the new criterion of the State Tax Administration Agency (AEAT) on how to calculate the increase in equity for the purpose of applying the reduction for capitalization reserve in the corporate income tax for 2018, once this possibility has been consulted with the AEAT within the framework of the Code of Best Tax Practices.

However, the Company's reserves allocated as free distribution, as well as the profit from the year, are subjected to the limitation that they may only be paid out if the value of the net equity is not lower than the share capital as a result of the payment.

c) Valuation adjustments

The movements produced in the 2019 and 2018 financial periods in this reserve due to the value corrections of the derivatives designated as cash flow hedges (see Note 15) is as follows:

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	<b>2019</b>			
	<b>Beginning balance</b>	<b>Variations Fair value</b>	<b>Postings to results</b>	<b>Balance at 31/12/2019</b>
<b>Cash flow hedge</b>				
Aena interest rate swaps	89,283	70,193	(33,699)	125,777
Tax effect	(22,320)	(17,548)	8,425	(31,443)
<b>Total</b>	<b>66,963</b>	<b>52,645</b>	<b>(25,274)</b>	<b>94,334</b>

	<b>2018</b>			
	<b>Beginning balance</b>	<b>Variations Fair value</b>	<b>Postings to results</b>	<b>Balance at 31/12/2018</b>
<b>Cash flow hedge</b>				
Aena interest rate swaps	82,655	43,961	(37,333)	89,283
Tax effect	(20,663)	(10,990)	9,333	(22,320)
<b>Total</b>	<b>61,992</b>	<b>32,971</b>	<b>(28,000)</b>	<b>66,963</b>

The breakdown of the years in which this reserve is expected to affect the profit and loss account is included in Note 10, in the “Derivatives” section of the Maturity Analyses.

d) Grants, donations and bequests received

The breakdown and movement of this heading on 31 December 2019 and 2018 is as follows:

	<b>Beginning balance</b>	<b>Additions</b>	<b>Postings to results</b>	<b>Balance at 31/12/2019</b>
<b>Capital grants from official European bodies</b>				
Amount	530,812	6,180	(39,655)	497,337
Tax effect	(132,703)	(1,545)	9,913	(124,335)
<b>Net</b>	<b>398,109</b>	<b>4,635</b>	<b>(29,742)</b>	<b>373,002</b>

	<b>Beginning balance</b>	<b>Additions</b>	<b>Postings to results</b>	<b>Balance at 31/12/2018</b>
<b>Capital grants from official European bodies</b>				
Amount	552,080	73,808	(95,076)	530,812
Tax effect	(138,020)	(18,452)	23,769	(132,703)
<b>Net</b>	<b>414,060</b>	<b>55,356</b>	<b>(71,307)</b>	<b>398,109</b>

Proceeds from Grants

The breakdown of the gross grants by operative programmes which were earned in financial years 2019 and 2018 is as follows in thousands of euros:

	<b>Thousand euros</b>	
	<b>2019</b>	<b>2018</b>
Andalusia Operative Programme	-	2,443
Valencian Operative Programme	529	-
Region of Murcia Operative Programme	1,051	4,579
Galician Operative Programme	-	42,714
Canary Islands Canary Islands	4,687	18,233
Extremadura Operative Programme	-	1,561
Castile and León Operative Programme	-	904
Knowledge Economy Operative Programme	(7)	17,663
Menorca Airport treatment plant grant	193	-
<b>Total ERDF Funds earned</b>	<b>6,453</b>	<b>88,097</b>

At the close of financial year 2019, the Company believes that all the conditions needed to receive and enjoy the grants listed above have been met.

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## 20. Accruals

On 14 February 2013, AENA S.M.E., S.A. signed three contracts with World Duty Free Group España, S.A. (DUFY) for the commercial rental of the duty free and duty paid shops across the entire network of airports in Spain. These contracts are valid until 31 October 2020 and include an advance by 332,442 thousand euros, which is periodically offset by billing during said duration period. In this sense, at 31 December 2019 all short-term advances amounted to 38,251 thousand euros (2018: 41,714 thousand euros in the short term and 38,296 thousand euros in the long term).

	Long-term liabilities		Short-term liabilities	
	2019	2018	2019	2018
Guarantees	3,634	4,861	-	-
Accruals	5,744	38,296	38,251	41,714
<b>Total</b>	<b>9,378</b>	<b>43,157</b>	<b>38,251</b>	<b>41,714</b>

The long-term accrual account, initially recorded for the amount received (278,933 thousand euros) is subject to annual updating against financial expenses. These financial expenses in 2019 amounted to 12,133 thousand euros (2018: 9,471 thousand euros) (Note 23.f).

At 31 December 2019, the balance of asset accruals includes 4,882 thousand euros corresponding mainly to anticipated insurance premiums (2018: 6,003 thousand euros); 557 thousand euros corresponding to the commissions for opening credit lines that the Company has contracted with credit institutions (2018: 651 thousand euros) (see Note 15); and 71 thousand euros for prepaid card advanced expenses.

	Short-term assets	
	2019	2018
Accruals	5,509	6,654
<b>Total</b>	<b>5,509</b>	<b>6,654</b>

## 21. Provisions

The movement in the years 2019 and 2018 in the accounts included under this heading has been the following:

	Thousand euros (2019)						Total
	Provision for Labour Commitments	Expropriations and late-payment	Liabilities	Taxes	Environmental actions	Other operating provisions	
<b>Beginning balance</b>	<b>9,313</b>	<b>13,251</b>	<b>21,573</b>	<b>10,576</b>	<b>70,722</b>	<b>27,235</b>	<b>152,670</b>
Charge for the period	652	3,104	18,719	952	16,148	35,115	74,690
Discount additions	137	-	-	-	-	-	137
Reversals / Excesses	-	(7,251)	(2,208)	(2,877)	(8,372)	(2,720)	(23,428)
Amounts Used	(561)	(1,092)	(965)	(124)	(7,398)	(25,433)	(35,573)
<b>Closing balance</b>	<b>9,541</b>	<b>8,012</b>	<b>37,119</b>	<b>8,527</b>	<b>71,100</b>	<b>34,197</b>	<b>168,496</b>
Current portion	-	4,999	35,114	5,961	9,463	28,766	<b>84,303</b>
Non-current portion	9,541	3,013	2,005	2,566	61,637	5,431	<b>84,193</b>

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	Thousand euros (2018)						
	Provision for Labour Commitments	Expropriations and late-payment	Liabilities	Taxes	Environmental actions	Other operating provisions	Total
<b>Beginning balance</b>	<b>8,646</b>	<b>15,081</b>	<b>22,172</b>	<b>11,798</b>	<b>56,646</b>	<b>49,071</b>	<b>163,414</b>
Charge for the period	1,276	434	12,971	2,198	26,771	31,120	74,770
Discount additions	119	-	-	-	-	-	119
Reversals / Excesses	-	(2,142)	(10,319)	(3,242)	(6,386)	(8,587)	(30,676)
Amounts Used	(646)	(122)	(3,243)	(178)	(6,309)	(44,209)	(54,707)
AIRM segregation	(82)	-	(8)	-	-	(160)	(250)
<b>Closing balance</b>	<b>9,313</b>	<b>13,251</b>	<b>21,573</b>	<b>10,576</b>	<b>70,722</b>	<b>27,235</b>	<b>152,670</b>
Current portion	-	2,861	16,159	7,428	11,014	22,346	<b>59,808</b>
Non-current portion	9,313	10,390	5,414	3,148	59,708	4,889	<b>92,862</b>

The movement of the Provisions account for labour commitments in 2019 and 2018, in thousand euros, has been as follows:

	2019		
	Provision for Length of service awards	Provision for Early retirement awards	Total Provision for labour commitments
<b>Opening balance 1 January 2019</b>	<b>8,649</b>	<b>664</b>	<b>9,313</b>
Charge for the period	639	30	669
Actuarial (gains)/losses	(21)	4	(17)
Discount increase	127	10	137
(Applications) / Returns	(561)	-	(561)
<b>Closing balance 31 December 2019</b>	<b>8,833</b>	<b>708</b>	<b>9,541</b>

	2018		
	Provision for Length of service awards	Provision for Early retirement awards	Total Provision for labour commitments
<b>Opening balance 1 January 2018</b>	<b>8,106</b>	<b>540</b>	<b>8,646</b>
Charge for the period	577	26	603
Actuarial (gains)/losses	577	96	673
Discount increase	111	8	119
(Applications) / Returns	(646)	-	(646)
AIRM segregation	(76)	(6)	(82)
<b>Closing balance 31 December 2018</b>	<b>8,649</b>	<b>664</b>	<b>9,313</b>

a) Provision for labour commitments

Provision for length of service awards

At 31 December 2019, the balance of liabilities recorded in the balance sheet for this provision is 8,833 thousand euros (2018: 8,649 thousand euros). The allocation for 2019 has amounted to 766 thousand euros (2018: 688 thousand euros), of which 127 thousand euros correspond to the financial cost (2018: 111 thousand euros), having obtained actuarial gains of 21 thousand euros (2018: actuarial losses of 577 thousand euros).

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Provision for Early retirement awards

At 31 December 2019, the balance of liabilities recorded in the balance sheet is 708 thousand euros (2018: 664 thousand euros), which corresponds to the difference between the present value of the obligation accrued at 31 December 2019 of 708 thousand euros (2018: 664 thousand euros) and the fair value of the assets under the Plan of 0 euros (2018: 0 thousand euros). The net additions of the year corresponded to the normal cost of services for the year: 30 thousand euros (2018: 25 thousand euros), financial cost: 10 thousand euros (2018: 8 thousand euros), returns: 0 thousand euros (2018: 0 thousand euros), actuarial losses of 4 thousand euros (2018: actuarial losses of 96 thousand euros), and active returns affected 0 thousand euros (2018: 0 thousand euros).

Other labour commitments

The agreement stipulates a pension plan as a post-employment compensation for workers. For this benefit, the Company has made definite contributions to the fund during the years prior to 2013. However, for the years 2017, 2016, 2015, 2014 and 2013, the Company has not made these contributions due to the suppression established in Law 3/2017, of 27 June, Law 48/2015, of 29 October, Law 36/2014, of 26 December, Law 22/2013, of 23 December, and RDL 17/2012, of 27 December, respectively. They state that public business entities cannot make contributions to employee pension plans or collective insurance contracts that include coverage of the retirement contingency.

For the years 2018 and 2019, extraordinary contributions have been made to the Pension Plan based on the application of the last paragraph of Art. 18.2 of LPGE 2018 and Art. 3.2 of RD-Law 24/2018, for amounts of 498 and 650 thousands of euros, respectively.

b) Expropriations and late-payment

The provision for expropriations and late-payment interest records the best estimate of the amount relating to the difference between the prices paid for the expropriation of land required for the expansion of airports and the estimates of the prices that the Company would have to pay, considering that it is likely that certain legal claims in progress regarding some of the prices paid will be successful for the claimants. When estimating the amount of the differences affecting these prices, the Company has taken into account late-payment interest using the current legal interest rate in force for each year as a basis of calculation.

At 31 December 2019 there were provisions allocated, principally, for contentious proceedings related with the expropriation of land for the Adolfo Suárez Madrid-Barajas airport and Vigo airport. As a whole, these procedures have given rise to a provision for an amount of 8,012 thousand euros at 31 December 2019, of which 6,630 thousand euros corresponded to differences in assessment, balanced against the higher land value, and 1,382 thousand euros for late-payment interest due at 31 December 2019, balanced against the expense for late-payment interest on expropriations (31 December 2018: 13,251 thousand euros, of which 9,603 thousand euros were for differences in assessment, balanced against higher land value, and 3,648 thousand euros in late-payment interest due at 31 December 2018, balanced against the expense for interest for delay on expropriations).

Reversals during Financial year 2019 are principally the result of a Supreme Court ruling that a cassation appeal filed by the expropriated party was inadmissible. Of the 7,251 thousand euros reversed (2018: 2,142 thousand euros), 4,607 thousand euros was credited to the value of the property, plant and equipment against which they were originally recorded, and the remaining 2,644 thousand euros was credited to income (at the time they were credited to interest expense for expropriation delays).

The financial income from interest for expropriations at 31 December 2019, once the aforementioned reversals were taken into account, amounted to 2,270 thousand euros (31 December 2018: expense of 310 thousand euros) (see Note 23.f).

c) Provisions for liabilities

This heading mainly records provisions made based on the best estimates available to Company directors to cover risks relating to litigation, claims and commitments in progress that are known at the end of the year and for which the expectation is that an outflow of resources in the medium or long-term is likely. At 31 December 2019 and 2018, the balances of the Provision corresponded, mainly, to unfavourable judgements in claims made by lessees, and to labour and other claims made by contracting companies and airlines.

The provisions made by the Company during 2019, for a total amount of 18,719 thousand euros, correspond mainly to unfavourable judgements in land tenant claims (14,436 thousand euros) and labour claims (2,345 thousand euros). During 2018, the provisions made by the Company for a total of 12,971 thousand euros corresponded mainly to employment claims (3,271 thousand euros), various claims by tenants of premises and land (1,014 thousand euros) and claims by works contractors and other risks (8,686 thousand euros).

During 2019, reversals amounting to 2,208 thousands of euros correspond mainly to the resolution favourable to the Company of labour disputes in the amount of 1,114 thousand euros. Of this total of 2,208 thousand euros, 2,098 thousand euros were paid into the profit and loss account, under the heading "Provision releases", or decreasing personnel expenses due to said favourable labour judgements obtained; and the remaining 110 thousand euros, with payment to the value of the fixed assets against which the provisions were provided at the time.

During 2018, reversals amounting to 10,319 thousands of euros corresponded, mainly, to rulings favourable to the Company of disputes with construction companies for the amount of 5,047 thousand euros for which it was estimated that unfavourable economic consequences would not be derived, therefore that amount was reverted with payment to the value of the fixed assets against which the provisions were provided at the time. The remaining reversals, in the amount of 5,272 thousand euros, were credited to the profit and loss account, mainly in the "Provision releases" heading, or decreasing employment costs due to various favourable labour judgements obtained. In particular, with regard to the provision made at the time for unfavourable judgements on claims made by airlines, amounting to 4,111 thousand euros, against the rates applicable from 1 July 2012, the repercussion of which had not been possible for end passengers, 1,380 thousand euros were reversed, given that finally some companies submitted requests for the refund of undue income (as required by the judgement) for an amount lower than initially provided. During the 2018 financial period, 1,169 thousand euros were paid for this concept.

The Company's directors do not estimate that from all the liability proceedings underway, additional liabilities can emerge that could significantly affect these annual accounts.

d) Taxes

This heading mainly records provisions allocated with respect to appeals filed by the Company due to its disagreement with the proposed settlements received from the Tax Authorities regarding certain local taxes associated with airport assets and for which final decisions have yet to be made, of which the expectation is that an outflow of cash is likely, the definitive amounts and the definitive settlement of which are uncertain on the date that these financial statements were prepared.

The amount of the reversals, credited in their entirety to the profit and loss account under "Provision releases", is mainly related to favourable rulings in settlements that were in dispute or the requirements of these tax settlements in favour of the Company.

e) Provisions for environmental actions

This heading records provisions amounting to 69,700 thousand euros (31 December 2018: 68,869 thousand euros), relating to the expected obligations in regard to noise abatement and sound-proofing residential areas, in order to comply with current legislation on noise generated by airport infrastructures.



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Additionally, up to a total of 71,100 thousand euros (2018: 70,722 thousand euros) is recorded, an environmental provision of 1,400 thousand euros (2018: 1,853 thousand euros) in relation to the additional measures referred to in the Resolution of the Secretary of State for the Environment of 9 April 2015, which amended condition nine of the Environmental Impact Assessment of Adolfo Suárez Madrid-Barajas airport of 30 November 2001, and envisaged actions on Gravera de Arganda, biological corridors and the River Jarama.

The provision of 16,148 thousand euros for environmental actions during 2019 was due to the updating of the acoustic footprints of certain insulation plans, which has resulted in an increase in the number of dwellings that might require acoustic insulation. The balancing entry for these provisions is included under "Property, plant and equipment". The increase in the provision for environmental actions during 2018 in 26,771 thousand euros was due to the approval of acoustic easements in several airports of the Spanish network.

The reversal that occurred during 2019 for 8,372 thousand euros is related, fundamentally, to a decrease in the average amount of the estimated cost of home insulation. In this sense, the estimated cost of insulation per home for the amount of 8,943 euros/home (except for the Adolfo Suárez Madrid-Barajas airport, for which a cost of 15,311 euros was estimated due to the typology of the homes and buildings yet to be insulated in this airport); and for a further 4 airports, for which the mean estimated cost amounts to 4,880 euros/home). The Annual Accounts for 2018 recorded an average unit cost of insulation per home for the amount of 8,956 euros/home (except for the Adolfo Suárez Madrid-Barajas airport, for which a cost of 16,743 euros was estimated due to the typology of the homes and buildings yet to be insulated in this airport); and for a further 3 airports, for which the mean estimated cost amounted to 5,567 euros/home). Such reversal has been made against the value of the property, plant and equipment against which the provision was originally made.

The reversal of 6,386 thousand euros in 2018 related mainly to a decrease in the average estimated cost of insulation per home. In the Annual statement for the 2017 financial period, an average cost per unit of 9,111 euros was used (except for the Adolfo Suárez Madrid-Barajas airport, for which a cost of 16,795 euros was estimated due to the type of homes and buildings yet to be insulated in this airport).

Environmental evaluation legislation (currently Law 21/2013), requires that certain AENA S.M.E., S.A. projects are submitted to an environmental impact assessment (particularly runway extensions exceeding 2,100 m), finalised by the formulation of the corresponding environmental impact statements (EIS) by the Ministry for Environmental Transition, which contain the obligation to develop and execute Soundproofing Plans.

In terms of noise, Law 5/2010, of 17 March, amending Law 48/1960, of 21 July, on Air Navigation, stipulates the adoption of action plans, including any corrective measures, when acoustic easements are established to achieve acoustic quality objectives in relation to building exteriors, flight paths, number of flights and associated environmental impacts in airports with more than 50,000 flights/year.

The Company will post the corresponding provisions at the time when the obligation arises to insulate homes, that is, either when a new acoustic footprint is approved with importance in terms of acoustic insulation, an easement and its action plan (via Royal Decree), or through the approval of a new Environmental Impact Statement as the result of the environmental evaluation of projects that require it. These published standards are the ones that must be considered when making provisions, regardless of whether the insulating actions on the affected buildings later are executed, which leads to a time difference between the provision and the execution of the works. The Company's directors do not expect there to be any significant liabilities or additional contingencies for this reason.

#### f) Other provisions

This heading records the provision for credits applicable to public service benefits for landing services and passenger departures, accrued by airlines operating during certain days of the week at airports located in the Canary Islands. Also the General State Budgets Law for the year 2016 established incentives in the public service benefits for passenger traffic, for growth in passenger numbers on the routes operated in the Aena network.

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Furthermore, in accordance with section 3.9.2. of the Airport Regulation Document (DORA) 2017-2021, which states that Aena may establish a scheme of incentives compatible with Act 18/2014 which has a positive effect on demand and fosters the establishment of new routes or strengthens existing ones, on 22 February 2017 Aena approved a new commercial incentive scheme for the DORA period:

- Incentive for opening a route to a new destination from all the airports in the Aena network consisting of a discount on the public charges for passenger departures and an additional discount in the following equivalent season if the carrier maintains at least the number of passenger departures operated on that route.
- Incentive for growth in the number of passengers on short and medium-haul routes operated from network airports with fewer than two million passengers per year and on long-haul routes operated from all network airports. Aena may also decide to apply this incentive to airports which are above this threshold but are performing worse than airports with similar traffic structures. The incentive will consist of a discount on the average amount of the public charges for passenger departures of the air carrier on the route and shall apply exclusively to the number of additional passenger departures on the route in question with respect to the equivalent previous season. The incentive will be proportional to the contribution of each airline to the growth generated on each route by all the airlines operating on it. An additional discount will be given in the following equivalent season if the carrier maintains at least the number of passenger departures operated on such route.
- Incentive for growth in the seasonal airports included in Law 21/2003 (Canary Islands, Balearic Islands, Ceuta and Melilla) during their low season consisting of a discount on the average amount of the public charges for passenger departures of the carrier on the route and which shall apply to the number of additional passengers on the route with respect to the previous low season of the airport. The incentive to which each airline operating on the route in question will be entitled shall be proportional to its contribution to the growth generated on such route by all the airlines operating on it. An additional discount will be given in the following equivalent season if the carrier maintains at least the number of passenger departures operated on such route.

As indicated in section 3.9.2 of the DORA, in 2019 the commercial incentive scheme approved in February 2017 is maintained, with the aim of continuing to encourage the opening of new routes, the increase of long-haul passengers, incentivise traffic at airports with lower traffic volume and reduce the seasonality of airports with a strong seasonal component.

Additionally, and as a complement to the previous incentives, through a decision by Aena's Board of Directors on 2 October 2019, the so-called "Extraordinary Incentive to mitigate the reduction of activity of the Thomas Cook Group" was created, by which airlines will be entitled to an incentive for the number of additional seats to international destinations and on commercial flights that finally operate during the entire 2019 winter season with respect to those scheduled on August 31 of that year, at the Canary Islands and Balearic Islands airports. These additional seats will be incentivised with a 100% discount on the average passenger fare of each company in the whole of the Canary and Balearic Islands airports during the 2019 winter season, which runs from 27 October 2019 to 28 March 2020

The joint effect of traffic incentives amounted to a provision of 32,395 thousand euros in 2019 (net of the reversal of 2,720 thousand euros of provisions from previous years) compared to 22,533 thousand euros in the same period in 2018 (net of the reversal of 8,587 thousand euros of provisions from previous years). There have been applications for 25,433 thousand euros against this provision during the period (2018: 44,209 thousand euros).

At 31 December 2019 the sum of the amount provisioned for all these items amounted to a balance of 34,197 thousand euros (31 December 2018: 27,235 thousand euros).

## 22. Taxation

### 22.1 Balances with Public Administrations

The composition of debit and credit balances with Public Administrations is as follows:

#### Tax receivables

	Thousand euros			
	2019		2018	
	Current	Non-current	Current	Non-current
Deferred tax assets (Note 22.3)	-	103,975	-	115,605
Tax receivable for VAT	6,258	-	7,121	-
Tax receivable for IGIC	23	-	3	-
Tax receivable for grants granted (Note 7d)	1,345	-	1,618	-
	<b>7,626</b>	<b>103,975</b>	<b>8,742</b>	<b>115,605</b>

The heading Tax receivables for grants granted included at 31 December 2018, an amount of 1,618 thousand euros related to accounts receivable for ERDF grants granted to the Company. At the end of the 2019 financial period, there is no amount pending for this concept, although there is a debit balance of 1,345 thousand euros related to a subsidy for the construction of a sewage plant at an airport in the network. During 2019, the Company has collected 6,453 thousand euros (2018: 88,097 thousand euros) in grants (see Note 19d).

#### Tax payable

	Thousand euros			
	2019		2018	
	Current	Non-current	Current	Non-current
Deferred tax liabilities (Note 22.3)	-	129,710	-	138,080
Tax payable for Corporation Tax (Note 22.2)	7,870	-	21,417	-
Tax payable for IRPF (income tax)	7,245	-	7,486	-
Tax payable for local taxes	-	-	-	-
Social Security bodies, payable	13,366	-	12,934	-
Tax payable for other taxes	698	-	491	-
Tax payable for VAT	2,831	-	4,031	-
	<b>32,010</b>	<b>129,710</b>	<b>46,359</b>	<b>138,080</b>

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## 22.2 Reconciliation of accounting result and taxable income

The reconciliation between the accounting result and the corporate tax base in 2019 is as follows:

Thousand euros						
2019						
	Profit and loss account			Income and expenses recognised directly in equity		
	Increases	Decreases	Total	Increases	Decreases	Total
Balance of income and expenses for the year			1,421,326			
Corporation tax	439,352	-	439,352			
Profit/(loss) before tax	-	-	1,860,678			
Permanent differences	1,325	(26,163)	(24,838)			
Temporary differences:						
- Amortisation	42,765	(68,390)	(25,625)	-	-	-
- Impairment losses	6,719	(931)	5,788	-	-	-
- Pension plans	1,434	(562)	872	-	-	-
- Provisions	220	(6,260)	(6,040)	-	-	-
- Provision for impaired fixed assets	-	(46,202)	(46,202)	-	-	-
- Hedging derivatives	-	-	-	33,699	(70,192)	(36,493)
- Grants, donations and legacies received	-	-	-	6,179	(39,655)	(33,476)
- Other	-	-	-	-	(5)	(5)
	51,138	(122,345)	(71,207)			
Compensation negative tax bases			-			
Taxable base (taxable income)			1,764,633			(69,974)
Total tax liability			441,158			(17,493)
Deductions (Note 22.3)			(20,909)			
Sum paid			420,249			
Withholdings and payments on account			(409,906)			
Rate to pay to the Tax Revenue			10,343			

Thousand euros						
2018						
	Profit and loss account			Income and expenses recognised directly in equity		
	Increases	Decreases	Total	Increases	Decreases	Total
Balance of income and expenses for the year			1,301,182			
Corporation tax	408,113	-	408,113			
Profit/(loss) before tax	-	-	1,709,295			
Permanent differences	2,135	(20,089)	(17,954)			
Temporary differences:						
- Amortisation	45,831	(66,137)	(20,306)	-	-	-
- Impairment losses	12,278	(13,536)	(1,258)	-	-	-
- Pension plans	1,299	(669)	630	-	-	-
- Provisions	428	(1,421)	(993)	-	-	-
- Provision for impaired fixed assets	46,248	-	46,248	-	-	-
- Hedging derivatives	-	-	-	37,333	(43,961)	(6,628)
- Grants, donations and legacies received	-	-	-	73,808	(95,076)	(21,268)
- Other	-	-	-	-	(96)	(96)
	106,084	(81,763)	24,321			
Compensation negative tax bases			-			
Taxable base (taxable income)			1,715,662			(27,992)
Total tax liability			428,916			(6,998)
Deductions (Note 22.3)			(16,515)			
Sum paid			412,401			
Withholdings and payments on account			(391,175)			
Rate to pay to the Tax Revenue			21,226			

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Under a consolidated Corporation Tax return, the fee payable to the Treasury in 2019 amounts to 7,668 thousand euros (Note 22.1), of which 10,343 thousand euros correspond to the share of Aena S.M.E., S.A., (1,160) thousand euros correspond to a negative share (to be returned) to Aena Desarrollo Internacional S.M.E., S.A., and (1,513) thousand euros correspond to a negative share (to be returned) to Aena Sociedad Concesionaria del AIRM S.M.E., S.A.

The main permanent differences in the financial year primarily correspond to the reduction of the Taxable Base stemming from the adjustment in capitalisation reserve established in article 25 of Law 27/2014 on the Corporate tax (see Note 19c) and non-deductible expenses. As for the main temporary differences of the financial year, they correspond to the impairment of assets of the Murcia San Javier Airport mentioned in note 7 d), which loss has been considered definitive in FY 2019, the difference between the tax depreciation and book depreciation, the allocation to the provisions for insolvency and provisions for risks and staffing costs.

The general tax rate for Corporation Tax for the year 2019 is 25%, as in 2018.

The expense for Corporation Tax is composed of:

	Thousand euros	
	2019	2018
Current income tax	441,158	428,916
Deferred taxes	17,802	(6,080)
Registered tax deductions (Note 22.3)	(18,577)	(14,180)
Other	(1,031)	(543)
	<b>439,352</b>	<b>408,113</b>

The heading “Adjustments from previous financial years and others” primarily corresponds to the regularisation between the estimate made at the close of the financial year and the submission of the corporate tax in the following year. The main difference is a result of the new criterion of the State Tax Administration Agency (AEAT) on how to calculate the increase in equity for the purpose of applying the reduction of capitalisation reserve in the corporate income tax for 2018, once this possibility had been consulted with the AEAT within the framework of the Code of Best Tax Practices, the amount derived from the definitive calculation for 2018 totalled 27,896 thousand euros, compared to the initial proposal for allocation of profits, which totalled 23,472 thousand euros.

The breakdown by company of credits and debits between group companies resulting from the tax effect generated by the consolidated tax regime is as follows:

	Thousand euros			
	2019		2018	
	Debtor	Creditor	Debtor	Creditor
Aena Desarrollo Internacional S.M.E., S.A.	212	1,159	1,288	1,097
Aena Sociedad Concesionaria del Aeropuerto Internacional de la Región de Murcia S.M.E.	-	1,316	-	6
	<b>212</b>	<b>2,475</b>	<b>1,288</b>	<b>1,103</b>

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## 22.3 Deferred taxes

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

	Thousand euros	
	2019	2018
<b>Deferred tax assets:</b>		
- Temporary differences (Note 22.1)	103,975	115,605
	<b>103,975</b>	<b>115,605</b>
<b>Deferred tax liabilities:</b>		
- Temporary differences (Note 22.1)	(129,710)	(138,080)
	<b>(129,710)</b>	<b>(138,080)</b>
<b>Deferred taxes</b>	<b>(25,735)</b>	<b>(22,475)</b>

The breakdown of deferred tax assets and liabilities whose term of realisation or reversal is greater than 12 months is as follows:

	Thousand euros	
	2019	2018
<b>Deferred tax assets:</b>		
- Temporary differences:	74,422	82,372
	<b>74,422</b>	<b>82,372</b>
<b>Deferred tax liabilities:</b>		
- Temporary differences:	(120,798)	(129,276)
	<b>(120,798)</b>	<b>(129,276)</b>
	<b>(46,376)</b>	<b>(46,904)</b>

The movement during the 2019 and 2018 financial periods in deferred tax assets and liabilities has been as follows:

Deferred tax assets	Amortisation (*)	Losses impairment	Pension plans	Immobilised impairment	Provisions Responsible	Derived from Hedge	Increase in share value	Other	Total
<b>Opening balance</b>	<b>68,570</b>	<b>5,309</b>	<b>1,761</b>	<b>11,562</b>	<b>6,927</b>	<b>22,321</b>	<b>(920)</b>	<b>75</b>	<b>115,605</b>
Charge (credit) to profit and loss account	(6,406)	1,447	218	(11,551)	(1,510)	-	-	-	(17,802)
Charge (credit) to net equity	-	-	-	-	-	9,124	-	-	9,124
Addition for tax group break	-	-	-	-	-	-	-	-	-
Use of credits in period	(2,335)	-	-	-	-	-	-	-	(2,335)
Other (**)	(195)	(122)	124	-	(418)	-	-	(6)	(617)
<b>Balance at 31 December 2019</b>	<b>59,634</b>	<b>6,634</b>	<b>2,103</b>	<b>11</b>	<b>4,999</b>	<b>31,445</b>	<b>(920)</b>	<b>69</b>	<b>103,975</b>

Deferred tax assets	Amortisation (*)	Losses impairment	Pension plans	Immobilised impairment	Provisions Responsible	Derived from Hedge	Increase in share value	Other	Total
<b>Opening balance</b>	<b>76,821</b>	<b>6,464</b>	<b>1,579</b>	<b>-</b>	<b>7,175</b>	<b>20,664</b>	<b>(920)</b>	<b>180</b>	<b>111,963</b>
Charge (credit) to profit and loss account	(5,077)	(315)	158	11,562	(248)	-	-	-	6,080
Charge (credit) to net equity	-	-	24	-	-	1,657	-	-	1,681
Use of credits in period	(2,335)	-	-	-	-	-	-	-	(2,335)
San Javier Airport segregation	(13)	-	-	-	-	-	-	-	(13)
Other (**)	(826)	(840)	-	-	-	-	-	(105)	(1,771)
<b>Balance at 31 December 2018</b>	<b>68,570</b>	<b>5,309</b>	<b>1,761</b>	<b>11,562</b>	<b>6,927</b>	<b>22,321</b>	<b>(920)</b>	<b>75</b>	<b>115,605</b>

(\*) The heading "Amortisation" includes 11,671 thousand euros (2018: 14,005 thousand euros) of the outstanding balance of the loan initially recorded for the amount of 21,944 thousand euros, once the 2,335 thousand euros used during 2019 was considered (2018: 2,335 thousand euros) see deductions table below).

(\*\*) The heading "Others" primarily includes the effect of the differences in the Corporation Tax expense accounted for at the end of the each year and the expense recorded with the final Tax return filed before the State Administration Agency Tax (AEAT).

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	Thousand euros		
	Grants	Valuation increase of holdings	Total
<b>Deferred tax liabilities</b>			
<b>Opening balance</b>	(132,703)	(5,377)	(138,080)
Charge to net equity	8,370	-	8,370
<b>Balance at 31 December 2019</b>	<b>(124,333)</b>	<b>(5,377)</b>	<b>(129,710)</b>
<b>Deferred tax liabilities</b>			
<b>Opening balance</b>	(138,019)	(5,377)	(143,396)
Charge to net equity	5,316	-	5,316
<b>Balance at 31 December 2018</b>	<b>(132,703)</b>	<b>(5,377)</b>	<b>(138,080)</b>

Financial periods pending verification and inspection actions

As established by current legislation, taxes cannot be considered to be definitive until the relevant returns have been inspected by the tax authorities or until four years have elapsed since filing. In this respect, the companies in the AENA tax group have 2015 and subsequent years open for review for income tax purposes; in the case of Sociedad Concesionaria del Aeropuerto Internacional de Murcia SME., S.A., the first year open for review is 2018, the year in which it joined the group.

At the close of FY 2019, however, no Group company had a tax inspection procedure open.

The directors of AENA consider that the tax settlements have been properly prepared and made so that, even in the event that discrepancies should arise in the interpretation of the current standards for the tax treatment granted to the transactions, any possible resulting liabilities would not significantly affect the accompanying consolidated financial statements.

Tax deductions

In financial year 2019, the following deductions were applied in the payment of the Corporate Tax:

<b><u>Tax deductions for 2019</u></b>						
	Year generated (1)	Amount pending at 31/12/2018	Amount Recognised in 2019	Amount applied	Amount pending at 31/12/2019	Year due (2)
<b>Deductions in the Canary Islands for investments in fixed assets (2)</b>						
	2019	-	18,499	(18,499)	-	2,034
<b>Deduction for investments in R&amp;D+i</b>						
	2019	-	78	(78)	-	2037
<b>Subtotal</b>		-	<b>18,577</b>	<b>(18,577)</b>	-	
<b>Deduction 30% Amortisation (3)</b>						
	2019	-	2,335	(2,335)	-	
<b>Total</b>		-	<b>20,912</b>	<b>(20,912)</b>	-	

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In 2018, the following deductions were applied in the payment of Corporation Tax:

**Tax deductions for 2018**

	Year generated (1)	Amount pending at 31/12/2017	Amount Recognised in 2018	Amount applied	Amount pending at 31/12/2018	Year due (2)
<b>Deductions in the Canary Islands for investments in fixed assets (2)</b>	2018	-	14,168	(14,168)	-	2033
<b>Deduction for donations (2)</b>	2018	-	12	(12)	-	2028
<b>Subtotal</b>		-	<b>14,180</b>	<b>(14,180)</b>	-	
<b>Deduction 30% Amortisation (3)</b>	2018	-	2,335	(2,335)	-	
<b>Total</b>		-	<b>16,515</b>	<b>(16,515)</b>	-	

(1) The year of generation responds to the period in which the assets or personnel who qualified for the generation thereof were associated with the branch of airport activity.

(2) Deduction in the Canary Islands for investments in fixed assets: RD Law 15/2014, Transitional Provision Four, establishes a period of use of 15 years; deduction for R+D and innovation: Art. 39 of Act 27/2014 concerning the Corporation Tax establishes a period of use of 18 years. Donation deduction: Law 49/2002 on the tax regime of non-profit entities and tax incentives for patronage establishes in Article 20 that the amounts corresponding to the tax period not deducted may be applied in the settlements of the tax periods that conclude in the immediately successive 10 years.

(3) Recoverability deduction 30% amortisation adjustment: Corporation Tax Law: Transitional Provision Thirty Seven, does not establish a limit on its use. The 2,335 thousand euros of this deduction, recognised and applied to taxation in 2019 and 2018, does not reduce the expense for tax in that period since it were recognised in the accounting in 2015. They include 2 thousand euros corresponding to ADI, as AENA S.M.E., S.A. is the head of the tax group.



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## 23. Revenue and Expenses

### a) Subcontracted work and other supplies

The breakdown of the “Supplies” heading for financial years 2019 and 2018 is as follows:

	Thousand euros	
	2019	2018
Purchases of other supplies	(1,220)	(630)
Work performed by other companies	(168,985)	(173,232)
<b>Total</b>	<b>(170,205)</b>	<b>(173,862)</b>

The work performed by other companies corresponds mainly to the communication, navigation and surveillance (CNS) services, air transit services (ATM) and aeronautical information services (AIS) provided by ENAIRE by virtue of the agreements signed with said company (Note 12), which totalled 130,923 thousand euros (2018: 136,472 thousand euros). This heading also includes expenses stemming from the agreement signed with the Spanish Meteorological Agency (AEMET) to provide meteorological services to the network of airports managed by Aena (Note 12) for the amount of 10,000 thousand euros (2018: 9,959 thousand euros, the services provided by the Ministry of Defence deriving from the agreement reached with it (see Note 4.u), which totalled 2,532 thousand euros (2018: 3,631 thousand euros), as well as 284 thousand euros of services provided by INECO (2018: 1,428 thousand euros) (Note 12).

As indicated in Note 3.2, the operations carried out by Aena corresponding to the civil activity branch of Murcia San Javier Airport, for accounting purposes, were understood to have been carried out, from 1 January 2018, by the investee company Aena, Sociedad Concesionaria del Aeropuerto Internacional de la Región de Murcia, S.M.E., S.A. In this sense, the amount indicated for 2018 is net of the amounts segregated in the AIRM (see Note 2.g) for a total of 786 thousand euros.

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**b) Distribution of net turnover**

The Company's activity is carried out geographically in the national territory, having obtained the income amounts in 2019 and 2018 that are detailed below:

	Thousand euros	
	2019	2018
<b>Airport services</b>	<b>2,843,948</b>	<b>2,746,614</b>
<b><i>Aeronautics - Airport Charges</i></b>	<b>2,768,380</b>	<b>2,668,991</b>
Landings/Air Traffic Service/Meteorology Service	743,409	730,810
Parking charges	44,696	37,409
Passengers	1,284,742	1,224,522
Telescopic boarding gates	101,183	106,830
Security	440,930	424,519
<i>Handling charges</i>	108,591	100,416
Fuel	32,980	33,637
Catering	11,849	10,848
<b><i>Other airport services <sup>(1)</sup></i></b>	<b>75,568</b>	<b>77,623</b>
<b>Commercial services</b>	<b>1,236,939</b>	<b>1,149,014</b>
Leases	34,452	33,454
Shops	114,805	106,298
<i>Duty Free shops</i>	343,755	326,037
Food and Beverages	224,345	199,772
<i>Car Rental</i>	154,362	151,344
Parking facilities	158,489	143,469
Advertising	26,043	33,102
VIP services <sup>(2)</sup>	78,833	64,226
Other commercial revenue <sup>(3)</sup>	101,855	91,312
<b>Real estate services</b>	<b>78,659</b>	<b>66,940</b>
Leases	14,672	12,607
Cargo logistics centres	29,908	23,921
Warehouses and hangars	8,092	8,140
Cargo logistic centres	17,412	15,383
Real Estate Operations	8,575	6,889
<b>Total Net Turnover</b>	<b>4,159,546</b>	<b>3,962,568</b>

(1) Includes Check-in desks, Use of 400Hz, Fire services, Left-luggage offices and Other income.

(2) Includes rental of VIP Lounges, VIP packages, other rooms, Fast-track and Fast-lane.

(3) Includes Commercial premises (Banking Services, Vending Machines, Telecommunications, Luggage plastic-wrapping machines, etc.), Commercial Supplies, Use of Rooms and Filming Recordings.

The positive evolution of revenues compared to FY 2018 has been fundamentally related to the increase in passenger traffic (+4.4%) and operations (+2.6%), which has compensated for the freezing of fares during large part of 2019 (see Note 4p).

As indicated in Note 3.2, the operations carried out by Aena corresponding to the civil activity branch of Murcia San Javier Airport, for accounting purposes, were understood to have been carried out, from 1 January 2018, by the investee company Aena, Sociedad Concesionaria del Aeropuerto Internacional de la Región de Murcia, S.M.E., S.A. In this sense, the amount indicated for 2018 is net of the amounts segregated in the AIRM for a total of 12,384 thousand euros.

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c) Personnel expenses

Personnel expenses in the 2019 and 2018 financial periods are broken down as follows:

	Thousand euros	
	2019	2018
Wages and salaries and compensation	290,749	272,768
Social Security paid by the company and other social expenses	114,769	105,874
Contributions to labour commitments	650	497
Excess provision remuneration and other benefits	(3,935)	(9,334)
Other	648	1,179
	<b>402,881</b>	<b>370,984</b>

The increase in staffing expenses is mainly due to the salary review provided for in Royal Decree 24/2018 of 21 December, with a 2.50% salary increase for the first half of 2019, effective from 1 January 2019 to 30 June 2019; and an additional 0.25% increase for the second half of 2019 (2.50% +0.25%), effective from 1 July 2019 to 31 December 2019, together with the incorporation of new staff and the increase in variable remuneration (2018: 1.50% increase for the first half of 2018, effective from 1 January 2018 to 30 June 2018; and an additional 0.25% increase for the second half of 2018 (1.50% +0.25%), effective from 1 July 2018 to 31 December 2018).

In addition, contributions have been made to the Pension Plan, as foreseen in article 18. Two and Three of the LGPE in the amount of 650 thousand euros for 2019 and 498 for 2018 (see Note 21).

Social Security increased for the same reasons.

As indicated in Note 3.2, the operations carried out by Aena corresponding to the civil activity branch of Murcia San Javier Airport, for accounting purposes, were understood to have been carried out, from 1 January 2018, by the investee company Aena, Sociedad Concesionaria del Aeropuerto Internacional de la Región de Murcia, S.M.E., S.A. In this sense, the amount indicated for 2018 is net of the amounts segregated in the AIRM for a total of 3,851 thousand euros.

d) External services

The breakdown of this heading for the 2019 and 2018 financial periods is as follows:

	Thousand euros	
	2019	2018
Leases and royalties	4,779	6,160
Repairs and maintenance	269,572	261,685
Independent professional services	52,455	50,168
Insurance premiums	11,610	11,146
Bank services	730	675
Advertising and public relations	4,888	3,767
Supplies	100,013	89,272
Surveillance and security services	183,577	160,382
Other services	166,666	154,525
	<b>794,290</b>	<b>737,780</b>

The heading of “Repairs and maintenance” includes, principally, repairs of the airport infrastructures, maintenance of the SATE system (automatic baggage handling system) and cleaning for the buildings and passenger terminals. “Utilities” relates mainly to lighting, water and telephone costs. “Other services” relates mainly to car park management services, the cost of services to assist passengers with limited mobility and public information services.

The increase in this heading is mainly related to the effect of the entry into force, throughout 2018, of new contracts in the airports of the network, with higher costs associated to private security services, the passengers with reduced mobility service as well as new cleaning services.

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As indicated in Note 3.2, the operations carried out by Aena corresponding to the civil activity branch of Murcia San Javier Airport, for accounting purposes, were understood to have been carried out, from 1 January 2018, by the investee company Aena, Sociedad Concesionaria del Aeropuerto Internacional de la Región de Murcia, S.M.E., S.A. In this sense, the amount indicated for 2018 is net of the amounts segregated in the AIRM for a total of 2,709 thousand euros.

#### e) Taxes

The balance in Taxes primarily corresponds to the amounts paid in local taxes, primarily the property tax (IBI) and the Economic Activity Tax (IAE).

#### f) Financial results

The financial results obtained for the 2019 and 2018 financial periods have been the following:

	Thousand euros	
	2019	2018
<b>Financial income</b>	<b>4,808</b>	<b>3,204</b>
Marketable securities and other financial instruments		
- Group and associate companies (Note 12)	1,472	1,029
- Interest from expropriations (Note 21)	2,270	-
- Third party	580	1,571
Activation of financial expenses (Notes 6 and 7)	486	604
<b>Financial expenses</b>	<b>(96,265)</b>	<b>(124,247)</b>
- Debts with group and associate companies (Note 12)	(42,922)	(69,634)
- Debts with third parties	(19,506)	(16,851)
- Derivatives (Notes 15 and 19 c)	(33,699)	(37,333)
- Interest from expropriations (Note 21)	-	(310)
- Update of provisions	(138)	(119)
<b>Exchange differences</b>	<b>(41)</b>	<b>(9)</b>
<b>FINANCIAL RESULT</b>	<b>(91,498)</b>	<b>(121,052)</b>

In this chapter, the main variations in financial year 2019 compared to 2018 are the following:

- The decrease of 26.7 million euros in the heading “Financial expenses for debts with group companies” is the result of the early cancellation of the debt with Depfa in July 2018, which was associated to a severance cost of 17,249 thousand euros corresponding to the current value of the interest pending payment from the date of the early cancellation until the original maturity date (15 September 2021) (see Note 15). During 2019 there has also been a decrease in average debt and interest rates.
- The increase of 2.7 million euros in the heading “Financial expenses for debts with third parties” is mainly due to the cost derived from the annual update of the advances received for the contracts with World Duty Free Group (see Note 20), and financial expenses accrued from interest and late payment charges.

#### g) Provisions surpluses

Of the total amount of 4,701 thousands of euros included in the “Excess Provisions” heading of the 2019 profit and loss account, 2,908 thousand euros correspond to favourable resolutions in local tax settlements that were in dispute (2018: 7,679 thousand euros) and the remaining 1,793 thousand euros, correspond to Provisions for responsibilities of various natures (trade contracts, court decisions that modify the amount of litigation, etc.) (2018: 4,357 thousand euros).

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**24. Other information**

a) Employee information

The number of employees of AENA S.M.E., S.A., at the end of the 2019 and 2018 financial periods, by category and gender, was the following:

Professional Category	31 December 2019			31 December 2018		
	Men	Women	Total	Men	Women	Total
Senior Management	7	4	11	9	2	11
Executives and graduates	993	799	1,792	905	711	1,616
Coordinators	791	322	1,113	805	320	1,125
Technicians	2,983	1,495	4,478	2,972	1,411	4,383
Support staff	221	252	473	224	246	470
<b>Total</b>	<b>4,995</b>	<b>2,872</b>	<b>7,867</b>	<b>4,915</b>	<b>2,690</b>	<b>7,605</b>

The figures above include temporary employees, which at year-end 2019 totalled 799 (2018: 803).

The number of employees of AENA S.M.E., S.A., during the 2019 and 2018 financial periods, by category and gender, was the following:

Professional Category	Year 2019			Year 2018		
	Men	Women	Total	Men	Women	Total
Senior Management	7	3	10	9	2	11
Executives and graduates	938	753	1,691	888	697	1,585
Coordinators	795	322	1,117	796	314	1,110
Technicians	2,978	1,460	4,438	2,962	1,410	4,372
Support staff	223	253	476	228	241	469
<b>Total</b>	<b>4,941</b>	<b>2,791</b>	<b>7,732</b>	<b>4,883</b>	<b>2,664</b>	<b>7,547</b>

The figures above include temporary employees, which in 2018 amounted to 822 (2018: 930).

As of 31 December 2019, AENA S.M.E., S.A. has 117 employees with disabilities (2018: 114).

b) Remuneration of directors and senior management

Remuneration received during 2019 and 2018 by the senior management and directors of the Company, classified by item, was as follows (thousand euros):

Item	Year 2019			Year 2018		
	Senior Management	Board of Directors	Total	Senior Management	Board of Directors	Total
Salaries	1,328	-	1,328	1,372	-	1,372
Per Diems	37	115	152	26	120	146
Insurance premiums	7	-	7	7	-	7
<b>Total</b>	<b>1,372</b>	<b>115</b>	<b>1,487</b>	<b>1,405</b>	<b>120</b>	<b>1,525</b>

The Board of Directors of AENA S.M.E., S.A. consisted of 15 members (11 men and 4 women) at 31 December 2019 (2018: 12 men and 3 women).

The remuneration received during 2019 corresponds to the amounts received in AENA S.M.E., S.A. for 10 senior management positions and by the Chairman-Managing Director. In addition, the Directors have not been granted advances or credits, nor have obligations been assumed on their behalf as collateral, nor have civil liability insurance premiums been paid for damages caused by acts or omissions in the exercise of the position. Likewise, the Company has no obligations in relation to pensions and life insurance with respect to former or current Directors or senior management of the same.

c) Transactions unrelated to ordinary traffic or in non-market conditions carried out by the Company's Directors

During 2019 and 2018 tax periods, the Directors did not carry out transactions with the Group or with Group companies outside of ordinary traffic or under conditions other than market conditions.

d) Shareholdings and positions held, and activities carried out, by members of the Board of Directors in other similar companies.

In 2019 and 2018 the members of the Board of Directors did not have any interest in the share capital of Companies that directly carry out activities that are the same, similar or supplementary to those forming part of the Company's corporate purpose. In addition, no activities that are the same, similar or complementary to the Company's corporate purpose have been carried out or are currently being carried out by Members on their own behalf or on behalf of third parties.

At 31 December 2019 and 2018 there are no members of the Board of Directors that hold directorship or executive positions at other Group companies.

None of the persons associated with the members of the Board of Directors hold any shareholding whatsoever in the share capital of Companies, and hold no position and fulfil no duties within any Company with the same, similar or supplementary corporate purpose as the Company.

In order to avoid situations of conflict with the interests of the Company, during the year the directors who have held positions on the Board of Directors have complied with the obligations set out in article 228 of the Consolidated Text of the Corporate Enterprises Law. Similarly, they and those related to them, have refrained from engaging in any conflict of interest situations mentioned in article 229 of that Law, except where the relevant authorisation has been granted.

## 25. Audit fees

The auditing company KPMG Auditores, S.L. of the annual accounts has charged, during the years ended on 31 December 2019 and 2018, professional fees and expenses, according to the following breakdown:

Item	2019	2018
Audit services	143	143
Other verification services	42	42
Other services	90	95
<b>Total</b>	<b>275</b>	<b>280</b>

Other verification services correspond to services for limited review of intermediate financial statements, assurance services on regulatory compliance and services for agreed procedures about financial information provided by KPMG Auditores, S.L. to Aena during the years ended on 31 December 2019 and 2018.

The amounts included in the table above include all the fees for services rendered during financial years 2019 and 2018 regardless of when they were invoiced.

## 26. Sureties, commitments and other guarantees

The bank guarantees provided to various bodies at 31 December 2019 amounted to 299 thousand euros (31 December 2018: 454 thousand euros).

The directors of the Company do not expect them to generate significant liabilities.

## 27. Environmental commitments

The Company's management, faithful to its commitment to preserve the environment and to the quality of life around it, has been making investments in this area which allow it to minimise the environmental impact of its actions and protect and improve the environment.

On 31 December 2019 tangible fixed assets included environmental investments totalling 545.4 million euros, whose accrued depreciation totals 259.1 million euros (2018: investments of 529 million euros and depreciation of 243 million euros).

The environmental investments made in 2019, which encompass the elements included in the Company's assets with the goal of their being used in a lasting way in its activity, and whose main purpose is to minimise the environmental impact and to protect and improve the environment, including control, prevention, reduction or elimination of future pollution caused by operations performed by the Company, totalled 37,235 thousand euros (2018: 59,635 thousand euros), broken down as follows:

	Thousand euros	
	2019	2018
Bilbao	5,768	2,776
Alicante	5,398	309
Madrid/Barajas	4,161	936
Palma Mallorca	3,967	24,785
Lanzarote	3,048	38
Malaga	2,364	144
Seville	1,820	1,817
A Coruña	1,668	-
Valencia	1,605	23,655
Tenerife Norte	1,539	645
Tenerife South	1,287	1,277
Gran Canaria	1,093	480
Fuerteventura	1,022	67
Ibiza	444	491
Barcelona	159	543
Other airports	1,736	1,672
<b>Total</b>	<b>37,079</b>	<b>59,635</b>

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The profit and loss statements of financial years 2019 and 2018 include the following environmental expenses, broken down by category:

	Thousand euros	
	2019	2018
Repairs and maintenance	8,488	9,490
Independent professional services	2,775	2,388
Other environmental services	2,346	2,438
<b>Total</b>	<b>13,609</b>	<b>14,316</b>

The environmental provisions and contingencies are outlined in Note 21. Environmental evaluation legislation (currently Law 21/2013), requires that certain AENA S.M.E., S.A. projects are submitted to an environmental impact assessment (particularly runway extensions exceeding 2,100 m), finalised by the formulation of the corresponding environmental impact statements (EIS) by the Ministry for Environmental Transition, which contain the obligation to develop and execute Soundproofing Plans.

At 31 December 2019, in application of the Soundproofing Plans, a total of 24,395 homes (2018: 23,817 homes) were soundproofed, most notably the 12,909 homes near Adolfo Suárez Madrid-Barajas airport (2018: 12,902 homes), 2,992 in Alicante- Elche (2018: 2,990 homes), 1,963 homes in Valencia-Manises (2018: 1,800 homes), 1,562 in Bilbao (2018: 1,520), 925 in Palma de Mallorca (2018: 836), 890 at Tenerife North (2018: 705) and 811 in Málaga-Costa del Sol (2018: 811 homes).

Likewise, in accordance with the resolutions of the Ministry for Environmental Transition for which environmental impact statements are formulated for the Company's airports, the preventative, corrective and compensatory measures cited in the preventative environmental impact studies and in the aforementioned Environmental Impact Statements are being carried out, thus fulfilling a series of conditions primarily with the protection of the hydrological and hydrogeological system; soil protection and conservation; air quality protection; acoustic protection; protection of the flora, fauna and natural habitats; protection of the cultural heritage, service restoration and livestock trails, location of cliffs, loan zones, landfills and auxiliary facilities.



## 28. Contingencies

### Contingent liabilities

At the end of 2019 and 2018, the Company was involved in claims and legal disputes against it which arose during the normal course of its business, which the management considers possible liabilities and hence considers, with the support of its attorneys, that it is unlikely that there will be an outflow of resources.

#### *Environmental actions*

As a result of aircraft flyovers in towns near Adolfo Suárez Madrid/Barajas and Josep Tarradellas Barcelona El Prat Airports, the Company is involved in lawsuits derived from the possible acoustic impact from these flyovers, which could have had a negative effect both on traffic and on airport operations.

In the end, during FY 2019, these lawsuits have been settled favourably for the Company.

#### *Ministry of Defence*

The Ministry of Defence has requested compliance with the sixth section of the Framework Agreement between the Ministry of Defence and the Ministry of Public Works on the transfer of airport premises to be affiliated with Aena dated 28 June 1998, and in consequence to obtain payment of the budgetary compensation agreed to by the Council of State in its ruling dated 8 October 1998. Regarding the effective risk which this claim may entail, it is difficult to evaluate, although the aforementioned report of the Council of State, in its SECOND conclusion, states that the economic compensation for the change in affiliation will only take place in the event that the installation had had a military use. In consequence, if this installation was meant for civil aviation, even if it was located within a military installation, Defence would not have to be indemnified. At the date of preparation of these accounts, there is a claim relating to Son Bonet airport, as well as another claim for a compensation payment relating to Cuatro Vientos aerodrome, although this could be extended to other facilities.

It appears from the investigation conducted that Son Bonet aerodrome never had any military use. No reference has been found to the military use of the facility; on the contrary, all reviews speak of Son San Joan as the military airfield of the island, and hence this budget compensation does not fit.

#### *Expropriations*

The Company is also involved in proceedings relating to claims involving expropriations that have taken place and which at 31 December 2019 could not be quantified since a court decision is yet to be reached and which could give rise to additional cash outflows for expropriations, although the directors do not anticipate that a decision that is contrary to the interests of the Company is likely.

#### *Commercial activities*

At 31 December 2019 and 31 December 2018 the parent Company is involved in legal disputes with leases at airports in the Aena network which are either pending final decisions or are going through the courts. The aggregate total of these claims amounts to 8.1 million of euros, but the Group's Management does not anticipate that such claims will give rise to financial penalties against it.

#### *Construction company claims*

In addition to the above, at 31 December 2019 and 31 December 2018 there are claims that have been filed against the parent Company by several construction companies deriving from the execution of various construction contracts relating to the airport network. The Company's Management does not anticipate that such claims will give rise to financial penalties against it.

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#### *Airline claim relating to fees*

After the increase in the fee implemented by the General State Budget Law for 2012, the airlines have appealed against the amounts charged before the Central Administrative-Economic Court.

The Central Administrative-Economic Court ruled on the judicial review claims filed by various companies by dismissing them and confirming the settlements issued by Aena.

In 2015, various airlines filed administrative appeals in the National High Court against the withdrawing decisions of the administrative appeals filed by these companies before the Central Administrative-Economic Court.

The National High Court resolved most of the administrative appeals by rulings which considered that the rise in rates applied under Law 2/2012, in not having been through a period of consultation or been published two months in advance, contravened article 6 of Directive 2009/12/EC, of 11 March. On this basis, considering that article 6 recognises rights for users clearly and directly, and in virtue of the principle of primacy of Union Law, it concluded that the rise in rates under Law 2/2012 should not be applied and in consequence cancelled the settlements made in application of that rule. These rulings by the National High Court specified that this could not involve any application for repayment of the difference in payments due in relation with those indicated as paid without first turning to the procedure for the return of payments unduly made. In the procedure, the claimant must evidence payment of the settlement made and the determination of what would be correct, having recorded that in the period under study the amounts of the benefits due were not passed on to the passengers, as is envisaged in article 77 paragraph 2 of Law 21/03 on Air Safety. These unfavourable rulings gave rise to the initial allocation of a provision for liabilities of 4,111 thousand euros (see the section on Provision for liabilities in Note 21).

Therefore, the Company's Management does not consider that any further financial consequences can arise against it.

#### *Other claims with airlines*

The Parent Company maintains claims and controversies for specific incidents that have caused damage to aircraft in the airports of the network. At 31 December 2019, the management of the parent Company estimates that they would not be significant.

### **Contingent assets**

- a) Aena appeals 318/2015 against the CNMC Agreement of 23 April 2015

This contingency has been resolved by the High Court Judgment of 3 June 2019, notified on 6 June.

The CNMC Agreement of 23 April 2015 (Agreement of 23 April) on the 2016 tariffs provided that the accounting to be used as the basis for the tariff update for 2016 should reflect in a different way how the "costs arising from commercial revenue generated by a higher volume of traffic" had been incurred in the previous year. Pursuant to the Agreement of 23 April, that consequence would establish that part of the costs arising in airport terminals, and which were recorded as regulated airport activity, would be part of business activities and be considered as costs thereof.

The appeal 318/2015 now resolved by the High Court was directed against the CNMC Agreement of 23 April 2015, as well as against a Resolution of 30 June 2015. The Resolution of 30 June 2015 had already been issued as part of the first phase of the procedure for approving airport charges. In the latter Resolution, CNMC had requested AENA to modify its tariff proposal for 2016, with a view to complying with the criteria of the Agreement of 23 April 2015.

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The criterion of the National High Court is that these two resolutions are correct. On the one hand, because it considers that the Agreement of 23 April 2015 would not have had binding effect on AENA and would have been handed down in a purely preparatory procedure of the subsequent one without further effect. And, as for the Resolution of 30 June 2015, it is considered to form part of the tariff review procedure in which the CNMC can indicate to AENA what changes should be introduced in its proposal, without prejudice to the fact that in the end the decision corresponds to the legislator when it approves the General State Budget Law.

b) Appeal 355/2015 against the CNMC Resolution of 23 July 2015

On 23 July 2015, the CNMC issued the “Resolution adopting the Proposal for modification of fees of AENA for 2016, and establishing the measures to be adopted in future consultation procedures”.

On 17 June 2019, Aena’s contentious-administrative appeal was dismissed. The Judgment upholds the CNMC’s theory, according to which the shortfall to be offset would be exclusively the actual shortfall produced each year and not the prospective shortfall estimated at the start of each period, as claimed by AENA.

These judgements do not imply any impact on the Company’s financial statements nor do they have an effect on the criteria for setting the rates contained in the current Airport Regulation Document (DORA), which covers the 2017-2021 financial periods.

After having analysed the judgements mentioned in Sections a) and b) above, the Company does not consider it appropriate to appeal them.

c) Administrative appeals of Aena against the Resolution of the CNMC of 10 December 2018.

1.(PO 215/2019) The subject of this administrative appeal is the Resolution of the Regulatory Supervision Division of the Spanish National Markets and Competition Commission of 10 December 2018 concerning the airport charges that can be applied by Aena S.M.E., S.A. (Aena) in FY 2019.

The Contested Resolution emanates from the Resolution of Aena’s Board of Directors of 24 July 2018. By virtue of this Resolution, Aena approved the updating of the airport charges for the year 2019, applying the Airport Regulation Document 2017-2021 (DORA) and pursuant to Act 18/2014 of 15 October, concerning approval of urgent measures for growth, competitiveness and efficiency.

In this Resolution, the CNMC corrects the parameters K, B and D determined in the Resolution of 24 July that fixes the IMAAJ corresponding to 2019 based on the IMAJ provided for in the DORA; it attempts to impose a series of criteria for applying the formula for the IMAAJ—regarding parameters K, B and D— that are contrary to the criteria set out in Act 18/2014 –and, in addition, it corrects and overrides the tools for determining the remuneration parameters and variables such as the DORA 2017-2021 (with reference to estimated and planned traffic) and in the Technical Supervision Report 2017 of AESA –with reference to parameters B and D –.

On 16 May 2019, Aena proceeded to lodge the complaint, which received a response from the Government Attorney’s Office on 29 July 2019.

2.(PO 490/2019) This Appeal is directed against the Resolution of the Regulatory Supervision Division of the CNMC of 10 December 2018 concerning the accumulated disputes submitted by ALA, IATA and ACETA against the Resolution of the Board of Directors of AENA, S.M.E., S.A., of 24 July 2018, which fixes the airport tariffs for FY 2019.

The Contested Resolution is intended to settle the tariff disputes submitted by certain associations representing the airlines -i.e. ALA, IATA and ACETA– which result from the Resolution of Aena’s Board of Directors of 24 July 2018.

In accordance with these criteria, and in breach of the legal criteria for determining the tariffs from Act 18/2014, the Contested Resolution corrects parameters K and B, included in Resolution of 24 July for fixing the IMAAJ for the year 2019 based on the IMAJ stipulated in the DORA; for this reason it must be annulled.

AENA S.M.E., S.A.  
Report for 2019

*(Amounts in thousands of euros unless otherwise stated)*

In this manner, it includes in full the claims of the Associations –which was also the case with the Supervision Report– even though they contradict Act 18/2014; it is required, for determining parameters K and B, to take into account the DORA and the Annual Technical Supervision Report (approved by AESA). Nevertheless, as we have seen, the Contested Resolution applies a series of criteria for fixing the IMAAJ that depart clearly and directly from Act 18/2014; this means that they must be corrected to prevent improper application of the Act and distortions for future fiscal years that could result from the application of the (arbitrary) criteria of the CNMC.

On 04 July 2019, Aena proceeded to lodge the complaint, which received a response from the Government Attorney's Office on 17 January 2020.

d) Appeals against the CNMC Resolutions of 11 December 2019.

On 7 February, Aena has lodged two administrative appeals against two Resolutions of the CNMC. Both Resolutions date from 11 December 2019.

On the one hand, the Supervision Resolution for Airport Charges to be applied by Aena, S.M.E., S.A., in FY 2020. The purpose of this Resolution is to supervise the procedure for transparency and consultation related with the updating of the airport charges for the year 2020. Aena's appeal focuses on the calculation of parameter K of the IMAAJ –and, in specific, on determination of the traffic estimate or  $Q_t$ – and on the competence that the CNMC has arrogated to itself to determine an estimate or forecast for traffic based on its own sources that differs from the one that figures in DORA.

On the other hand, the Resolution on the accumulated disputes lodged by ALA, IATA, ACETA and Norwegian against the agreement of the Board of Directors of Aena S.M.E., S.A., dating from 30 July 2019, which fixes the airport tariffs for FY 2020. The purpose of the appeal is similar to the purpose emanating from the challenge to the Supervision Resolution, that is, to dispute the scope of the competence of the CNMC. Aena considers that the Commission, on the occasion of this Resolution, overreaches by applying different traffic estimates different, notwithstanding that the result is the same: the modification of the tariff updating stipulated by Aena.

## **29. Events after the balance sheet date**

From the closing date of the financial period and until the date of formulation of these annual accounts, there have been no significant events that may affect these annual accounts.



# Management Report

for the year ended 31 December 2019

Aena S.M.E., S.A.

# 1. Executive summary

The close of 2019 shows the positive performance of the Aena Group<sup>(1)</sup> in terms of activity and results.

The following aspects can be highlighted in this period:

- In relation to the Airport Regulation Document (DORA) for the period 2017-2021, pursuant to the application of said document, the 2019 airport charges came into force on 1 March 2019 based on the freezing of adjusted annual maximum income per passenger (IMAAJ) of 2019 with respect to the adjusted annual maximum income per passenger (IMAAJ) for 2018.

Also, 10 April 2019 saw the publication of Royal Decree 162/2019 of 22 March, which develops the mechanism for calculating the P index for updating airport charges that will be applied for the first time in 2020.

In relation to the airport charges applicable from 1 March 2020, the Board of Directors of Aena S.M.E., S.A. approved the adjusted annual maximum income per passenger (IMAAJ) for 2020 at €10.27 per passenger, which represents a decrease of -1.44% compared with the IMAAJ of 2019 (€10.42 per passenger), according to the CNMC criteria.

- At the operational level, traffic continues to reach new records, with a volume of 275.2 million passengers in the period (+4.4% year-on-year) driven by the good performance of the tourism industry and national traffic.

Domestic traffic increased by 6.4% and international traffic by 3.5%. It was observed that the growth in passenger volume to and from the United Kingdom

was moderate (+1.7%) and that of the second international market, Germany, had decreased (-2.1%).

For 2020, the Company reported in October 2019 an estimate of passenger volume growth in the Spanish airport network of 1.1%. As of the date of publication of this report, Aena has revised the annual forecast rounded up, estimating an increase in the volume of passengers in the Spanish airport network of + 1.9%. This traffic forecast does not envisage a potential impact of coronavirus on the global and the European air traffic, in particular.

- Growth in traffic contributed to the increase in total revenue by 3.4%<sup>(2)</sup> in comparison with the same period in 2018, to €4,159.5 million, despite the 2.22% reduction in airport charges from 1 March 2018. As from 1 March 2019, tariffs did not change.

- In terms of commercial activity, it is noteworthy that the Board of Directors of Aena agreed on 24 September to extend the contracts of the Tax and Duty Free Shops in the network's airports to the current operator. The extension, which will start at the end of the validity of the current contracts on 31 October 2020, will have an initial period of three years and two possible additional extensions of one year each.

The technical and economic conditions of the contracts will remain the same as those currently in force, except for an annual remuneration increase of the fixed component of minimum annual guaranteed rents of 1.56% weighted annual average, during the entire extension period. The variable

remuneration percentages have not been modified.

Regarding the progress of the projects for food & beverage supply, at the end of July the new food & beverage contracts were awarded for 33 premises at Palma de Mallorca Airport in the month of January, in addition to the 18 premises awarded at Alicante-Elche Airport, as well as refurbishment work carried out by the new tenants of the premises in the airports of Barcelona, Málaga and Gran Canaria.

- The operating result has increased 6.7%, to €1,952.2 million.
- Profit before tax was €1,860.7 million, compared with €1,709.3 million in 2018, and net profit for the period amounted to €1,421.3 million, a year-on-year growth of 9.2% (€1,301.2 million in 2018).
- Cash flow from operating activities totalled €2,050.2 million for the period, an increase of 8.2% compared with €1,894.7 million in 2018.

The ratio of consolidated net financial debt (calculated as Current plus Non-current "Borrowings", less "Cash and cash equivalents") to EBITDA was 2.3x at 31 December 2019 (2.5x at 31 December 2018).

This financial strength was reflected in the confirmation by Fitch Ratings (dated 9 May 2019) and Moody's (dated 26 July 2019) of their respective credit ratings: "A" and "A3", both with a stable outlook.

Fitch Ratings also assigned a "F1" short-term rating for the first time.

<sup>1</sup> Aena S.M.E., S.A. ("Aena" or "the Company")

<sup>2</sup> In this executive summary, the change percentages for financial figures have been calculated by taking the figures in thousands of euros as the base.

- Regarding investments in infrastructures, the amount paid in the period increased to €490.4 million in 2019 compared to €470.3 million in 2018), which remain focused on security and maintenance in accordance with the regulated investment programme established in DORA for airports in the network.

- As part of the objectives of the 2018-2021 Strategic Plan, on 15 March 2019, Aena, through its subsidiary Aena Desarrollo Internacional SME, SA, won the auction for the concession for the operation and maintenance of the airports of the so-called North-east Brazil Airports Group, comprising the airports of Recife, Maceió, Aracaju, Campina Grande, João Pessoa and Juazeiro do Norte.

The company Aeroportos do Nordeste do Brasil S.A. (hereinafter "ANB") was founded on May 30 2019, and the Board of Directors of ANB, at its meeting held on 1 July 2019, approved a capital increase in an amount of 2,389.0 million Brazilian Real, which was fully subscribed and paid in by its sole shareholder Aena

Desarrollo Internacional S.M.E., S.A.

As of 30 September 2019, ANB paid out 2,232 million Brazilian Real (€510.8 million) corresponding to the fixed concession fee offered and the additional contribution stipulated by the Government of Brazil.

The signing of the concession contract took place on 5 September, with the deadline set on 9 October. During 2019, airport operations have continued to be managed by the Brazilian public manager, Infraero.

Under the concession agreement, operations began in January 2020 in Juazeiro do Norte and Campina Grande. In February, operations began at the other airports, with the exception of Recife, which are expected to begin in March.

In 2019, this airport Group registered traffic of 13.7 million passengers:

- It should also be noted that as part of the development of the objectives linked to the Strategic Plan, a new corporate

management area was created in 2019 with the objective of promoting important strategic projects such as innovation, digital transformation, the search for passenger excellence and sustainability. The new management area, called the Innovation and Transversal Strategic Projects Department, is led by Amparo Brea, who previously led the Planning and Environment Department.

- The Board of Directors has agreed to propose to the General Shareholders' Meeting the distribution of a gross dividend of €7.58 per share from the 2019 profit. This dividend involves distributing 80% of the net profit of Aena SME, SA and represents an increase of 9.4% over the previous year.
- During 2019, the share price fluctuated between a minimum of €137.00 and a maximum of €178.05, ending the period at €170.50, representing a revaluation of 25.6%, outperforming the IBEX35, which gained 11.8% in the same period.

## 2. Macroeconomic environment and activity data

### 2.1. Macroeconomic and sector situation

Spain's economy has continued its growth path throughout 2019 and air transport, one of its main industries, has evolved positively.

According to advanced data from the National Statistics Institute, GDP as a whole in 2019 registered 2.0% growth and a year-on-year growth of 1.8% in the fourth quarter, which is a rate one tenth less than that of the previous quarter.

The contribution made by air transport is particularly significant (according to ACI-InterVISTAS it generates approximately 5.9% of Spain's GDP) and is strongly linked to one of the main industries: tourism, which according to Exceltur accounted for 11.8% of Spain's GDP in 2018, with indicators that continue to evolve favourably with record numbers of foreign tourists once again in 2019.

Thus, the advanced data from the National Institute of Statistics shows that in 2019, 83.7 million tourists visited Spain, 1.1% more than the previous year, the main countries being: United Kingdom (18.1

million tourists), Germany (11.2 million) and France (11.2 million).

However, these markets have shown lower growth rates than those experienced in recent years: United Kingdom -2.4%, Germany -2.1% and France 1.2% less. Among other reasons, due to the recovery of alternative tourist destinations to Spain, to a European economic environment of lower growth and, additionally, in the case of tourists from the United Kingdom (which in the Aena network accounted for 16.3% of traffic in 2019) due to the uncertainty caused by the negotiation of the exit of the United Kingdom from the European Union (Brexit).

By regional community, Catalonia was the main destination in 2019 with 23.1% of total tourists, followed by the Balearic Islands with 16.3% and the Canary Islands with 15.7%.

In this very important position that Spain has once again had, Aena's role is remarkable, since the airport has served as an entry for the

greatest number of tourists: 82.1% of tourists accessed Spain through any of the Company's airports.

Likewise, we must highlight the relevant position of Spain as an entry and exit door for Latin America by air, since in 2019 it concentrated 28% of the seats offer between Europe and Latin America.

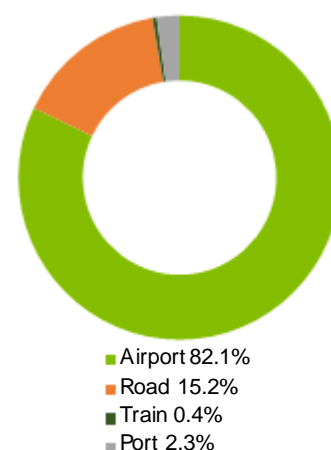


Figure 1. Distribution of tourists by means of access



2.2. Aena airport network traffic

In 2019, the Aena network registered more than 275.2 million passengers, a record figure and an increase of 4.4% compared to the previous year, with August 2019 being the best month in the history of Aena airports.

The increase of passenger traffic in the period was boosted by the positive trend in domestic traffic, +6.4%, with a volume of 85.9 million passengers, driven by the good performance of the Spanish

economy and by the increase in the state subsidy for inter-island traffic and flights to and from the Peninsula by residents of the islands, Ceuta and Melilla, which increased from 50% to 75%, from 28 June 2017 and 16 July 2018 respectively.

International traffic grew by 3.5% to 189.3 million passengers, while its contribution to total traffic fell slightly to 68.8% (69.4% in 2018). The volume of passengers with origin/destination United Kingdom

has moderated its growth (+1.7%), and traffic in the second international market, Germany, has contracted (-2.1%).

In number of aircraft movements, 2,360,957 operations were recorded, which represents an increase of 2.6% compared to 2018.

Cargo volumes reached 1,068,395 metric tons, up by +5.6% higher than the previous year.

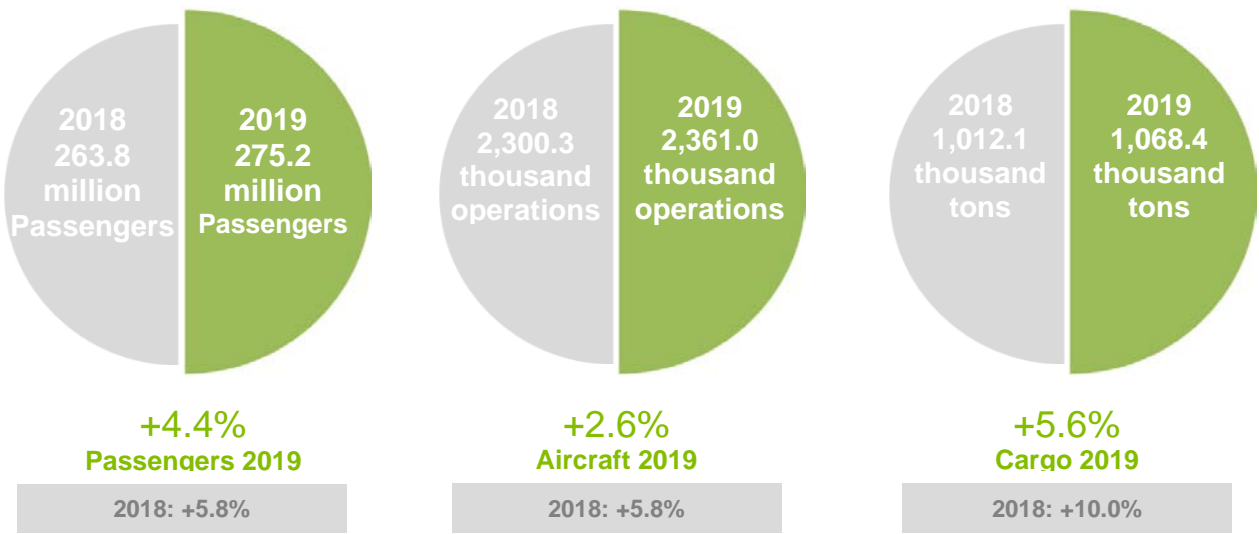


Figure 2. Operational data of airports

Percentages calculated based on commercial traffic.  
2019 Includes data from the Región de Murcia International Airport (AIRM): 1,090,954 passengers and 7,976 aircraft movements. In 2018 Murcia San Javier Airport registered: 1,273,424 passengers and 9,179 aircraft movements (see note 3.2 of the Report)

## 2.3. Analysis of air passenger traffic by airports and airlines

The percentage distribution of passengers remains concentrated in the 7 main airports, which represent 73.9% of the total:

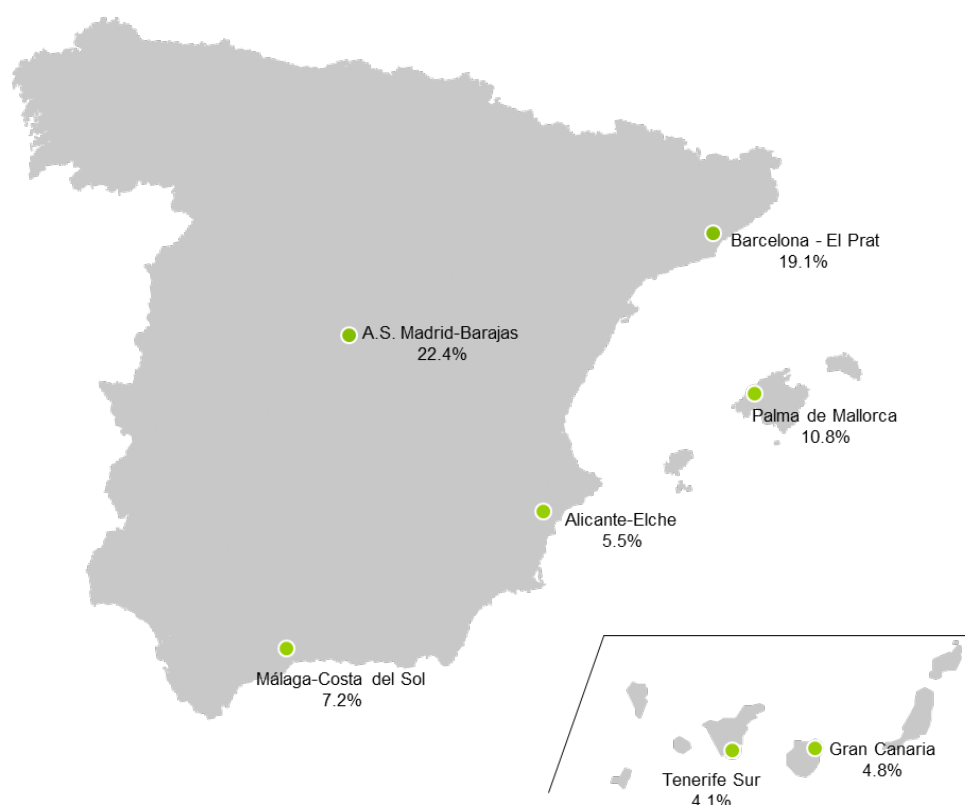


Figure 3. Share of passenger traffic at major airports

The evolution of traffic by airports is detailed below:

Airports and Airport groups	Passengers			Aircraft			Cargo		
	Millions	Variation <sup>(1)</sup>	Share of Total	Thousands	Variation <sup>(1)</sup>	Share of Total	Tons	Variation <sup>(1)</sup>	Share of Total
Adolfo Suárez Madrid-Barajas	61.7	6.6%	22.4%	426.4	4.0%	18.1%	558,567	7.4%	52.3%
Josep Tarradellas Barcelona-El Prat	52.7	5.0%	19.1%	344.6	2.7%	14.6%	177,271	2.5%	16.6%
Palma de Mallorca	29.7	2.2%	10.8%	217.2	-1.4%	9.2%	9,022	-9.9%	0.8%
Total Canary Islands Group	45.0	-0.6%	16.4%	410.7	-1.4%	17.4%	37,030	-1.2%	3.5%
Total Group I	70.5	6.5%	25.6%	565.0	3.1%	23.9%	35,251	-7.2%	3.3%
Total Group II <sup>(2)</sup>	13.8	1.5%	5.0%	191.2	2.0%	8.1%	186,583	9.0%	17.5%
Total Group III	1.8	17.0%	0.6%	205.9	12.8%	8.7%	64,671	3.5%	6.1%
<b>TOTAL</b>	<b>275.2</b>	<b>4.4%</b>	<b>100.0%</b>	<b>2,361.0</b>	<b>2.6%</b>	<b>100.0%</b>	<b>1,068,395</b>	<b>5.6%</b>	<b>100.0%</b>

Traffic data pending final closure, not subject to significant changes.

<sup>(1)</sup> Percentage changes calculated in passengers, aircraft and kg.

<sup>(2)</sup> Includes data from the Región de Murcia International Airport (AIRM): 1,090,954 passengers and 7,976 aircraft movements. In 2018 Murcia San Javier Airport registered: 1,273,424 passengers and 9,179 aircraft movements (see note 3.2 of the Report).

Table 1. Analysis of air traffic by airport and groups of airports

The growth in passenger traffic at **Adolfo Suárez Madrid-Barajas Airport** was distributed between increases of 4.7% in domestic traffic (to 16.7 million passengers) and of 7.3% in international traffic (to 44.9 million passengers).

At **Josep Tarradellas Barcelona-El Prat Airport**, domestic traffic increased by 4.2% and international traffic by 5.4% (reaching 14.0 and 38.6 million passengers respectively).

**Palma de Mallorca Airport** recorded growth of 6.7% in domestic passengers, compared with a 0.8% increase in international traffic, with passenger volumes standing at 7.5 and 22.2 million respectively.

With respect to the 8 airports of the **Canary Islands Group**, the number of Spanish passengers increased by 6.9% (up to 18.2 million), compared to the 4.9% decrease in the volume of international passengers (standing at 26.5 million).

Growth in passenger traffic of the 8 airports in **Group I** was led by: Sevilla (+18.2%), Valencia (+9.9%) and Bilbao (+8.0%). Traffic at Alicante-Elche Airport grew by 7.6% (to 15.0 million passengers) and at Málaga-Costa del Sol by 4.4% (to 19.9 million passengers). Traffic at both airports accounted for 50% of the volume of Group I. Domestic traffic at this group of airports increased by 7.9% in 2019 and international traffic by 6.0%.

The airports in **Group II** registered an overall increase in passenger traffic of 1.5%, to 13.8 million passengers, driven by the 7.0% increase in domestic traffic compared with the 6.8% decrease in international traffic. In this group, we would highlight the increase in the volume of cargo handled at Zaragoza airport (+9.5%), 182,659 metric tons, most of it international.

In **Group III** it should be noted that the volume of cargo handled at Vitoria airport reached 64,463 metric tons (+3.7%).



Málaga-Costa del Sol Airport

In relation to **airport marketing** activity, it should be noted that, as a result of it, during 2019, 330 new routes were opened from the airports in the Aena network: 69 with domestic destinations, 242 medium-haul and 19 long-haul.

The airports with the highest number of new routes were: A.S. Madrid-Barajas (44), Palma de Mallorca (38), J.T. Barcelona-El Prat (30),

Tenerife Sur (22) and Málaga-Costa del Sol (23).

By airline, those with the greatest numbers of newly opened routes were: Ryanair (62), Vueling (40), Air Nostrum (17), Volotea (16), Air Europa and easyJet (15).

Regarding long-haul routes, the opening of the following should be noted:

- J.T. Barcelona-El Prat Santiago de Chile and New York with Level, Toronto with WestJet, Chicago and San Francisco (previously flying Oakland) with Norwegian, Sialkot with Pakistan Airlines and Mexico with Aeromexico and Emirates.
- A.S. Madrid-Barajas: Xian with China Eastern, Boston with Norwegian, Guayaquil and Quito with Plus Ultra, Samana with Wamos, Guayaquil with Iberia,

- Medellín, Panama and Iguazú with Air Europa.
- Málaga-Costa de Sol Airport to Bahrain with Gulf Air.
  - Tenerife Sur Airport to Kiev with Skyup Airlines.

It is also noteworthy that Laudamotion increased its operational base at the Palma de Mallorca Airport, with 4 aircraft operating during the summer season 2019, and that Vueling added 1 new aircraft in each of its bases in Barcelona, Bilbao, Seville, Alicante, Valencia and Santiago.

In the opposite direction, Ryanair and Norwegian closed bases in Spain. Ryanair, the bases of Gran Canaria, Tenerife Sur and Lanzarote, and Norwegian its Madrid base, due to the operational restrictions affecting B737-MAX aircraft.

It is also worth noting that Thomas Cook Group plc went bankrupt in September and Thomas Cook UK, which carried more than 2.6 million passengers between Spain and the United Kingdom in 2018, ceased operating.

To mitigate the effects of the reduction of the Thomas Cook Group's activity in the most affected markets, the Canary Islands and the Balearic Islands, Aena will apply an extraordinary incentive in the winter season 2019, which will run from 27 October 2019 to 28 March 2020. The incentive applies to seats on international flights in addition to those scheduled on 31 August 2019 at Canary Islands and Balearic Islands airports. The additional seats will have an incentive of 100% discount on the average passenger fare of each company in all Canary Islands Airports and independently in the Balearic Islands airports.

Regarding traffic distribution by geographical area, all markets grew in 2019 with significant growth of long-haul traffic (+12.1%), especially with origin/destination in Asia (+20.6%), whose passenger volume continues to grow significantly and has almost quadrupled in the last four years. In 2019, there were around 1.4 million passengers and 17 destinations in this market, compared to 0.4 million passengers and 6 destinations in 2015

The increase in traffic to and from North America (+13.8%) and Latin America (+9.7%) is also noteworthy, with 25.9% of the seats offer between Europe and Latin America concentrating at AS Madrid-Barajas.

Region	Passengers (millions) □ 2019	Variation %
Europe <sup>(1)</sup>	165.3	2.3%
Spain	85.9	6.4%
Latin America	8.4	9.7%
North America <sup>(2)</sup>	6.8	13.8%
Africa	3.9	14.4%
Middle East	3.6	11.0%
Asia Pacific	1.4	20.6%
<b>TOTAL</b>	<b>275.2</b>	<b>4.4%</b>

<sup>(1)</sup> Excluding Spain

<sup>(2)</sup> USA, Canada and Mexico

Table 2. Breakdown of passenger traffic by geographical area

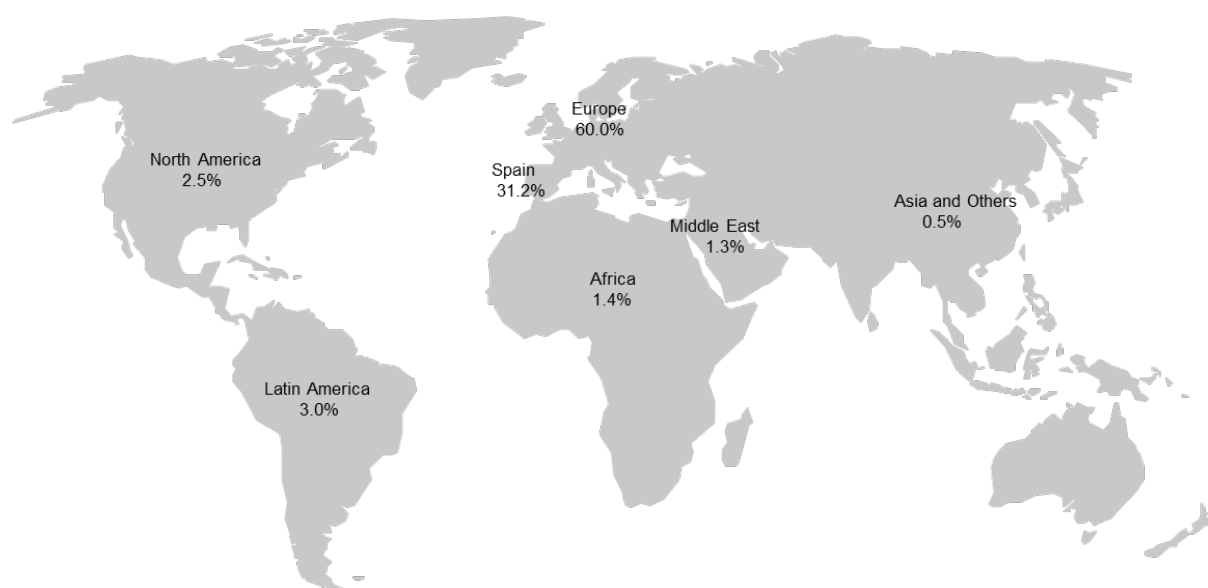


Figure 4. Map of traffic distribution by geographical area

By countries, total traffic of the airport network is concentrated in Spain (31.2%), and in the UK, Germany, Italy and France, which together account for 37.9% of the total (38.8% in 2018).

Of these countries, as already mentioned, it is worth noting that the volume of passengers from/to the United Kingdom has moderated its growth in 2019 with a year-on-year increase of 1.7%. This trend has increased in the fourth quarter in which the increase was 0.1%, compared to + 0.8% in the third quarter, + 3.0% in the second quarter and + 3.7% in the first quarter. In 2019, there was also less traffic to and from Germany, the second international market, recording a 2.1% decrease at the end of 2019 (-8.4% in the fourth quarter, -4.8% in the third quarter and +1.7% in the second quarter and +5.6% in the first quarter). This traffic evolution has been affected by the uncertainty caused by Brexit, the recovery of alternative tourist destinations to Spain, as well as by slower growth in the economic environment.

Country	Passengers (millions)		Variation		Share (%)	
	2019	2018	%	Passengers	2019	2018
Spain	85.9	80.8	6.4%	5.2	31.2%	30.6%
United Kingdom	44.9	44.1	1.7%	0.8	16.3%	16.7%
Germany	29.1	29.7	-2.1%	-0.6	10.6%	11.3%
Italy	16.3	15.3	6.2%	1.0	5.9%	5.8%
France	14.0	13.2	6.1%	0.8	5.1%	5.0%
Holland	8.8	8.8	0.4%	0.0	3.2%	3.3%
Switzerland	6.4	6.4	-0.1%	0.0	2.3%	2.4%
Belgium	6.3	6.1	3.0%	0.2	2.3%	2.3%
Portugal	5.7	4.9	15.9%	0.8	2.1%	1.8%
United States	5.0	4.4	13.2%	0.6	1.8%	1.7%
Ireland	4.7	4.3	7.8%	0.3	1.7%	1.6%
Sweden	3.7	3.9	-4.8%	-0.2	1.3%	1.5%
Denmark	3.1	3.5	-9.7%	-0.3	1.1%	1.3%
Norway	2.9	3.1	-6.0%	-0.2	1.1%	1.2%
Austria	2.6	1.8	41.9%	0.8	0.9%	0.7%
<b>Total Top 15</b>	<b>239.4</b>	<b>230.3</b>	<b>3.9%</b>	<b>9.1</b>	<b>87.0%</b>	<b>87.3%</b>
<b>Rest of the world</b>	<b>35.8</b>	<b>33.4</b>	<b>7.3%</b>	<b>2.4</b>	<b>13.0%</b>	<b>12.7%</b>
<b>Total Passengers</b>	<b>275.2</b>	<b>263.8</b>	<b>4.4%</b>	<b>11.5</b>	<b>100.0%</b>	<b>100.0%</b>

Table 3. Breakdown of passenger traffic by country

As regards the distribution of passenger traffic by airline, it can be seen that low-cost carriers increased their share to 57.6% (56.4% in 2018), the remaining 42.4% corresponding to full service airlines (43.6% in 2018), which shows that the degree of concentration remains at a moderate level.

Aena's main client airlines continue to be the IAG Group (28.7% out of the total passenger volume) and Ryanair (18.7%). Among the other airlines, it is important to mention the increased activity of Jet2.com (passengers coming mainly from the United Kingdom to tourist destinations in Spain), the sustained growth of Air Europa and the increase in the Binter Group that mainly operates traffic between airports of the Canary Islands Group.

Regarding the long-distance activity of low-cost companies initiated by Norwegian and Level at the Barcelona airport in June 2017, it should be noted that it has continued to grow and add new routes that also began operations at the Madrid airport in July 2018. Thus, since the beginning of this operation, it has reached 2.4 million passengers. In 2019 the volume of passengers has exceeded 1.2 million, a year-on-year growth of 46.8%.

Airline	Passengers (millions)		Variation		Share (%)	
	2019	2018	%	Passengers	2019	2018
Ryanair <sup>(1)</sup>	50.0	46.8	6.8%	3.2	18.2	17.8
Vueling	42.7	39.4	8.5%	3.4	15.5	14.9
Iberia	20.7	19.3	7.1%	1.4	7.5	7.3
Air Europa	19.0	17.4	9.7%	1.7	6.9	6.6
Easyjet <sup>(2)</sup>	17.9	16.8	6.7%	1.1	6.5	6.4
Iberia Express	10.3	9.5	8.1%	0.8	3.7	3.6
Air Nostrum	8.9	8.4	6.2%	0.5	3.2	3.2
Norwegian Air <sup>(3)</sup>	8.9	10.0	-10.7%	-1.1	3.2	3.8
Jet2.Com	8.0	7.2	11.0%	0.8	2.9	2.7
Grupo Binter <sup>(4)</sup>	7.7	7.1	9.2%	0.6	2.8	2.7
Eurowings	5.6	5.6	0.2%	0.0	2.0	2.1
Thomson Airways	4.6	4.8	-4.3%	-0.2	1.7	1.8
Lufthansa	4.5	4.2	5.7%	0.2	1.6	1.6
Transavia	3.8	3.7	3.0%	0.1	1.4	1.4
Condor	3.4	3.4	0.3%	0.0	1.2	1.3
<b>Total Top 15</b>	<b>216.2</b>	<b>203.6</b>	<b>6.2%</b>	<b>12.6</b>	<b>78.5%</b>	<b>77.2%</b>
Other airlines	59.1	60.1	-1.8%	-1.1	21.5%	22.8%
<b>Total Passengers</b>	<b>275.2</b>	<b>263.8</b>	<b>4.4%</b>	<b>11.5</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Total Low Cost Passengers <sup>(5)</sup></b>	<b>158.4</b>	<b>148.7</b>	<b>6.5%</b>	<b>9.7</b>	<b>57.6%</b>	<b>56.4%</b>

<sup>(1)</sup> Comprising Ryanair Ltd. and Ryanair Sun, S.A.

<sup>(2)</sup> Includes Easyjet Switzerland, S.A., Easyjet Airline Co. LTD. and Easyjet Europe Airline GMBH.

<sup>(3)</sup> Comprising Norwegian Air International, Norwegian Air Shuttle AS and Norwegian Air UK.

<sup>(4)</sup> Comprising Binter Canarias, Naysa and Canarias Airlines.

<sup>(5)</sup> Includes traffic of low-cost carriers on regular flights.

Table 4. Breakdown of passenger traffic by airline

## 2.4. Commercial activity

The commercial services that Aena provides to its different users, whether passengers, companions or employees are adapted to their profiles. This commercial offering presents a varied and attractive type of concepts, both local and international.

In 2019, ordinary commercial revenue from airports €1,236.9 million, an increase of 7.7% compared to the previous year. The factors contributing this growth include improved contractual conditions of the new tenders that include higher minimum annual guaranteed rents (MAG), their increases in the contracts in force and the favourable evolution of the businesses managed by Aena: parking and VIP services.

In unit terms per passenger, the commercial revenue ratio was €4.49, up +3.16% from €4.36 in 2018. This ratio calculation includes the total ordinary revenue from the different commercial activities within the terminal and from the car parks, not including that from real estate services, which constitutes a separate business segment.

Most of Aena's commercial contracts provide for a variable revenue based on sales made (the percentage varies according to the product and service categories) and MAG, which ensures that the lessee pays a minimum amount by committing a percentage of its Business Plan. The following graph shows how the minimum annual guaranteed rents for each business line corresponding to the contracts in force at 31 December 2019 will evolve until 2024:

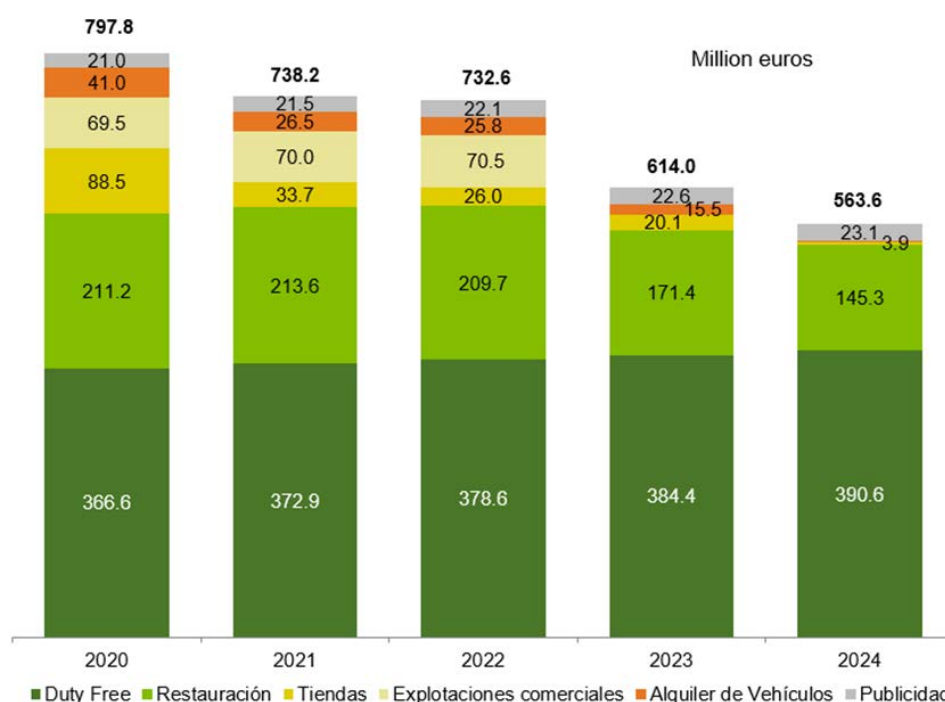


Figure 5. Minimum annual guaranteed rents (MAGR) by lines of business

MAGs adjusted pro rata to the actual contract start and end days.

Other commercial lines include contracts for financial and regulated services (currency exchange, pharmacies, tobacco shops, etc.)

Duty Free: includes the amounts of the contract extension that ends in October 2020.



## 3. Business lines

### 3.1 Airport services

#### Airport Regulation Document (DORA 2017-2021)

##### Regulated Asset Base

The regulated asset base stood at €10,103 million on 31 December 2018.

##### 2019 Airport charges

In relation to the Airport Regulation Document (DORA) 2017-2021 and pursuant to the application of said document, on 1 March 2019 the 2019 airport charges, based on the freezing of the adjusted maximum annual revenue per passenger (IMAAJ) for 2019 came into force with respect to the 2018 IMAAJ.

##### P-index

10 April 2019 saw the publication of Royal Decree 162/2019 of 22 March, which develops the mechanism for calculating the P-index for updating airport charges by means of a formula that depends on certain specific indices applicable to the review of certain costs defined in this Royal Decree, together with the procedure for determining their annual value.

##### Airport charges 2020 consultation process

In accordance with the provisions of the legislation (Law 18/2014 and Directive 2009/12/EC on airport charges), in May, June and July the process of consultation was held between Aena and the associations of airlines using the airports on the updating of airport charges for 2020. In the course of this process of consultation Aena provided users and the CNMC (Spain's National Commission on Markets and Competition), which performs the functions of Independent Supervisory Authority, with the

information required by the legislation and a proposal of charges which meets the requirements established in the Airport Regulation Document (DORA).

The first meeting in the consulting process was held on 13 May, the second on 17 June, and a third meeting on 16 July, at which the definitive proposal for tariffs for 2020 was submitted.

The users called upon by Aena to take part in the consultative process belong to the following associations and airlines:

- IATA: International Air Transport Association
- A4E: Airlines for Europe
- AIRE: Airlines International Representation in Europe
- ACETA: Asociación de Compañías Españolas de Transporte Aéreo (Association of Spanish Air Transport Companies)
- ALA: Airlines Association
- AECA: Asociación Española de Compañías Aéreas (Association of Spanish Airlines)
- AOC España: Airlines Line Operators Committee
- RACE: Real Aeroclub de España (Royal Aero-Club of Spain)
- RFAE: Real Federación Aeronáutica Española (Royal Aeronautical Federation of Spain)
- AOPA: Aircraft Owners and Pilots Association
- Ryanair
- Norwegian
- Jet2.com

Moreover, the CNMC, the DGAC and the Spanish Aviation Safety and Security Agency (AESA) attended the meetings as observers in this process.

In relation to the airport charges applicable from 1 March 2020, the

Board of Directors of Aena S.M.E., S.A. approved the adjusted annual maximum income per passenger (IMAAJ) for 2020 at €10.27 per passenger, which represents a decrease of -1.44% compared with the IMAAJ of 2019 (€10.42 per passenger), according to the CNMC criteria.

##### Aeronautical activity

In the field of aeronautical activity, it should be noted that Murcia Region International Airport (AIRM) started its activity on 15 January. This airport is managed under concession for a period of 25 years by Aena Sociedad Concesionaria del Aeropuerto Internacional de la Región de Murcia S.M.E., S.A. (100% owned by Aena S.M.E., S.A.) and its operational and financial information is included in the Airports segment.

The services provided to passengers in 2019 include the award of the new cleaning service contracts at the airports of Madrid and Barcelona as well as Aena's participation in the ASQ (Airport Service Quality) Tablets programme aimed at improving the real-time monitoring of passenger survey results.

In terms of the services provided to the airlines, the pilot facial recognition project in the boarding process stands out at the Menorca and Madrid airports.

In the operations and security section, the development of the coordinated actions procedure in the presence of a drone and the start of the replacement project for warehouse inspection equipment to adapt it to the guidelines defined in European regulations are highlighted.



With respect to air navigation services, during the last quarter of the year a new tender was issued for the provision of aerodrome traffic control at the twelve airports for which this service was liberalised in 2011, with the new contracts expected to be awarded in the third quarter of 2020. Finally, it should be noted that airport security, border control and

customs control are the three basic aspects affected at operational level by Brexit. Aena is working with all the agents involved and with the institutions involved to minimise the operational impact on airports and to undertake the necessary changes in both the infrastructure and the resource requirements of the main processes affected.

In order to prepare activities for Brexit, a model procedure has been agreed with the Ministry of Agriculture, Fisheries and Food for managing companion animals from third countries for the airports designated as the point of entry.

The income of this activity is detailed below:

Thousands of euros	2019	2018
Airport charges <sup>(1)</sup>	2,768,380	2,668,991
Passengers	1,284,742	1,224,522
Landings/Air Traffic Service/Meteorology Service	743,409	730,810
Security	440,930	424,519
Airbridges	101,183	106,830
Handling	108,591	100,416
Fuel	32,980	33,637
Parkings	44,696	37,409
Catering	11,849	10,848
Other Airport Services <sup>(2)</sup>	76,260	77,623
Total Revenue Airport Services	2,844,640	2,746,614

<sup>(1)</sup> The amounts for passenger fees, landing charges and security charges are shown net of commercial incentives: €26.1 million in 2019 (€20.9 million in 2018).

<sup>(2)</sup> Includes: Check-in counters, use of 400 Hz airbridges, fire service, luggage lockers and other revenue.

Table 5. Most significant figures for Airport Services

Ordinary revenue from the aviation industry increased to €2,844.6 million (+3.6%), driven by traffic growth (+4.4% passenger volume and +2.6% the number of aircraft).

On the other hand, the reduction of the rates of -2.22% since 1 March 2018, in 2019 revenue was €4.6 million lower. As from 1 March

2019, there was no variation of the tariff.

The effect of traffic incentives has totalled €26.1 million over the period (net of the regularisation of €1.3 million of provisions from previous years) compared with €20.9 million in 2018 (net of the regularisation of €4.4 million). The provision for the extraordinary

incentive in the 2019 winter season to mitigate the effects of the reduction in activity of the Thomas Cook Group was €1.7 million.

Rebates for connecting passengers amounted to €77.7 million, €4.3 million more than in the same period in the previous year. Connecting traffic was 7.2% of the total passengers in this period.

As for the main actions carried out at the airports in the network, with the main objective of maintaining the quality of service provided to passengers and airlines, the following stand out:

## Passenger services

To improve the passenger experience, AENA pays special attention to the services it offers at its airports.

During 2019, the tender for cleaning services started in 2018 within the framework of the Strategic Cleaning Plan continued. To date, the provision of this service has been awarded in a total of 21 airports. The new contracts have an annual awarded value of €69.9 million, which represents an annual cost increase of 26.8% compared to the previous contracts at these airports.

During this period, the cleaning services of the Madrid and Barcelona airports were awarded for an amount of €133.4 million for a period of three years, extendible for two periods of one year.

The contract for the new Barcelona airport service entered into force on 1 August and was awarded to Sacyr Facilities for an amount of €57.8 million, which represents an estimated increase of 36.5% over the previous tender (in the first annuity) and 34% of the personnel destined to carry out the cleaning tasks.

The cleaning service at the Madrid airport was awarded three lots in September, for a total of €75.6 million, an increase of 12.9% compared to the cost of the previous tender (in the first annuity) and 17% of the staff assigned to perform the cleaning tasks. The successful bidders on each of the lots were: Sacyr Facilities (Lot 1, T123), Ferrovial Servicios (Lot 2, T4) and Óptima Facility Servicios (Lot 3, T4S).

Phase V of the Plan was also tendered in 2019, which includes cleaning services at the Santiago, Vigo, A Coruña, Granada, Seville, Fuerteventura, La Gomera and El Hierro airports. The tender amount amounts to €4.0 million per year, representing an increase of 15.3%.

The main objective of the new contracts is to improve the quality

offered to passengers in compliance with the quality standards set out in the Airport Regulation Document 2017-2021 (DORA). It provides a model that promotes the values of quality, efficiency and flexibility, as well as modernising the service by means of a digital platform for resolving incidents in real time.

With regard to the progressive incorporation of all airports in the Aena network to the ASQ (*Airport Service Quality*) programme with electronic tablets, in the last quarter of 2019, eight airports were incorporated into the programme initiated at the Malaga airport: A Coruña, Santander, Zaragoza, Reus, Valencia, Tenerife Norte and La Palma. As of 2020, it is expected that the 33 airports in the Aena network that participate in the ASQ programme will be managed using these electronic devices.

This new technology enables real-time monitoring of the results of passenger experience surveys, so that immediate action can be taken if there is a problem detected, which will result in improved passenger service.

Finally, in the area of passenger services, it should be noted that a new defibrillator tender has been awarded, which will increase the number of units distributed among all airports in the Aena network from 291 to a total of 502.

## Services to airlines

Among the actions that Aena carries out on a regular basis to offer a better service to airlines, the different pilot projects related to the use of facial recognition technology to improve the flow of passengers passing through the airport stand out. This technology increases the capacity of the handling service by allowing passengers to pass through the security filter and boarding without having to show their documentation.

This pilot project started at Menorca Airport in the first quarter of 2019 and was extended to AS Airport in 2019 Madrid-Barajas, where the

tests, which were carried out in the last quarter, incorporate registration from a mobile device with the APPs of Aena and Iberia, an airline that participates in the initiative at this airport, to the process. It is planned to add JT Airport in the coming months. Barcelona-El Prat in the testing process.

It is also noteworthy in the area of service to airlines that Aena has added a new service related to baggage self-check-in (*Self Bag Drop*). This technology offers passengers an automated system to carry out the complete check-in process without requiring the intervention of external personnel. Currently, JT Barcelona-El Prat has counters with this automated check-in system for airlines including Vueling, Air France-KLM, Lufthansa and Air Europa. Looking ahead to the start of the 2020 summer season, devices are expected to be installed at AS Airport Madrid-Barajas to offer this service.

In 2019, it should also be noted that on 1 December, the operational transition of the 41 licenses awarded to service aviation fuel activity ended. With the entry into force of the new contracts, the new maximum rates for airline companies begin to apply, which have been reduced by more than 30% in some cases, maintaining the highest levels of quality, safety and the environment.

## Air traffic services

Regarding the aerodrome aerial transit services ATS The provider for both ATC (*Air Traffic Control*) and AFIS (*Aerodrome Flight Information System*) was changed in March in the control towers at the El Hierro, La Gomera, Burgos and Huesca airports. The service was contracted for an amount similar to that of the previous contract, the duration being seven years plus an additional one-year extension.

In June, the Advanced Data Link Service with the D-DCL aircraft (*Datalink Departure Clearance*) was implemented in the Barcelona and Palma de Mallorca airport Control

Towers. This service makes it possible to automate and improve take-off clearance tasks by significantly reducing voice communications over the aeronautical frequency by linking data between the controller and pilots.

In the third quarter, D-ATIS services (*Datalink Automatic Terminal Information Service*) were activated at eight airports in the network (Alicante, Cuatro Vientos, Ibiza, Jerez, Valencia, Seville, Fuerteventura, Lanzarote). This service allows aircraft to have the aerodrome information in the route phase and not only in the approach phase, as with the conventional ATIS. It is currently installed in a total of eighteen airports.

It is also noteworthy that a new tender was issued during the last quarter for the provision of aerodrome traffic control at twelve airports, whose current contracts expire between the end of 2020 and the beginning of 2022. The new contracts are expected to be awarded in the third quarter of 2020.

It is also important to note that Aena is working on installing remote tower projects at the Vigo and Menorca airports that will be operational in the first quarter of 2021. The Remote Tower concept provides operational and security advantages, incorporating new technologies offer a more efficient and safer service compared to a new conventional tower.

## Operational systems

In 2019, progress was made in the integration of the airports of the Aena network into the "A-CDM" (*Airport-Collaborative Decision Making*) and Advanced Tower programmes, under the auspices of Eurocontrol. These programmes encourage the exchange of information between all agents involved in the operation of a flight, in order to foster joint decision-making, improve timeliness, reduce the cost of movements and mitigate the environmental impact, as explained in chapter 2.4 of Section

14. Non-financial statement of information, which is part of this report.

Tenerife North and Valencia airports obtained the Advanced Tower Certification in the fourth quarter, thereby integrating the operational data of these airports into the European real-time information network managed by Eurocontrol. With this, 2019 ends with around 75% of the network traffic in Spain integrated into said European network. In the fourth quarter of 2019, migration work began from Advanced Tower to A-CDM at the Malaga Costa del Sol airport, with the aim of being certified in early 2020.

## Operations

Within the scope of the Annual Maintenance Plan for the execution of certifications and verifications, 27 internal supervisions have been carried out. Support was also provided to the 30 inspections that AESA (State Air Safety Agency) carried out at 29 airports during 2019. These activities are added to the support of the USOP audit (ICAO Universal programme for Audit of State Safety Oversight) conducted at the Madrid airport.

In 2019, work also continued on implementing production processes and managing the aeronautic information of Aena airports according to the quality required by EASA and Eurocontrol. Procedures have thus been updated and a joint Monitoring Commission has been established between Aena and EAMA (ENAIRES Airspace and Environment), signing a coordination procedure between the two. In accordance with these quality requirements, updated information on the obstacles around seven airports and the update of four other airports have been published throughout 2019.

Regarding safety, it is also noteworthy that in 2019 the standard procedure that airports must use to prepare the coordinated response protocol in the presence of a drone as a security threat to air transport

was approved on 26 June 2019 by the National Civil Aviation Security Committee.

Within the scope of European regulatory compliance, it is noteworthy that drug controls have been initiated at airports in the network, complying with the requirement set forth in ADR.OR.C.045 of Reg (EU) 139/2014. (*ADR.OR.C.045 Use of alcohol, psychoactive substances and medicines*).

Another aspect to be highlighted among safety actions is the implementation throughout this year of the standardised classification of incidents involving wildlife and the modification of the SGISO tool (Information Security Management System) to adapt it to said standard. This has improved the analysis capacity of these incidents, which will result in improved diagnosis.

As regards to modifying operational schedules, the modifications to the operational schedules of the Asturias, Jaén, Fuerteventura, Vitoria airports and the Ceuta Heliport have been coordinated and implemented.

In order to prepare activities for Brexit, a model procedure has been agreed with the Ministry of Agriculture, Fisheries and Food for managing companion animals from third countries for the airports designated as the point of entry.

## Physical safety

In this area, it is worth noting that the first of the two years of the contract for the new private safety tenders has been completed. These files, based on indicators of quality of safety and passenger service, which are aligned with the objectives established in the DORA, have had a positive result so far. Regarding this service, it should be noted that an indefinite strike started at JT Barcelona-El Prat airport in August, whose operational impact has been zero since its inception and during all the weeks of the strike.

During 2019, AESA continued its audit activity in airport security at different airports in the network, with satisfactory results and a total of 56 inspections throughout the year. Aena continues to work on internal quality control to achieve continuous improvement in operations and processes. A total of 36 verifications were therefore carried out throughout the year.

Other relevant actions undertaken in the field of security and which may be mentioned are:

- ▶ The creation of a working group with the National Police to monitor the installation of the Entry Exit System project. The purpose of this European project is to record the entry and exit of passengers from third countries across European borders.
- ▶ The award of Border Support Auxiliary tenders at the Madrid and Barcelona airports. The tenders for border support in Gran Canaria, Lanzarote and Fuerteventura were also tendered throughout the year.
- ▶ Two Illicit Interference Act drills were carried out at Malaga and Fuerteventura airports. The purpose of these air hijacking drills is to analyse the actions to be carried out in each group.

### Security equipment

In order to improve security processes, 2018 saw the start of automation of the connections filter at T4 of Madrid airport, which is now in operation. These actions have been completed at Sevilla airport and are continuing at Ibiza airport.

## 3.1.2 Commercial activity

Commercial revenue reached €1,236.9 million in 2019 with a year-on-year growth of 7.7%.

This increase was mainly due to the growth in traffic, the improvement in the contractual conditions of new tenders, which include higher minimum annual guaranteed rents (MAGR), the increase in these rents under current contracts, and to the

Regarding the supply and installation of the EDS Warehouse Luggage Inspection Equipment (Standard 3), supplies for the following airports were awarded during 2019: Menorca, Madrid, Barcelona, Palma, Gran Canaria, Málaga, Granada, Alicante, A Coruña, Almería, Valencia, Reus, Vigo, Seville. Girona, Zaragoza, Ibiza, Santiago, Fuerteventura and Asturias.

A final block of airports included in this project is in the final allocation phase.

The detection standards or standards for the EDS warehouse baggage inspection equipment are defined by the European Commission and are included in the European regulations (Regulations and Decisions) and in the Spanish regulations (National Security Programme-PNS). Standard 3 involves a higher ability to detect explosives, relative to the previous standard (Standard 2).

In this area of security equipment operation, the awards of two pilot projects to perform tests with filter equipment are also noteworthy. The first project focuses on filter equipment that allows passengers to carry liquid and portable carry-on luggage, and the second is aimed at implementing remote inspection rooms.

### Facilities and Maintenance

IN 2019, the Strategic Airport Maintenance Plan (PEMA) started in July 2018 has continued, which aims to rationalise and standardise

maintenance services at all airports in the Aena network, over a time horizon of three years.

Its implementation in 2019 was mainly focused on the grouping of files, in order to reduce the number of contracts, generate synergies in the execution of services and increase efficiency in their management. This group has the following objectives:

- ▶ Adjusting the scope of services to the requirements of the regulations in force.
- ▶ To improve the quality of the service, aligning it with the DORA indicators,
- ▶ Improving the control of facilities through the digitalisation of services; and
- ▶ Cost optimisation.

By 2019, the PEMA also envisaged the finalisation of the manuals for the preventive maintenance of airport facilities and infrastructures, whose objective is to standardise assets, tasks and processes. A total of 13 facility specialisation manuals have been prepared.

The rationalisation of maintenance services through the grouping of tenders between the airports of Groups I, II, III and Grupo Canarias will achieve standardised service management in the airport network and will also significantly reduce the number of contracts, from 350 to 18. In 2019, three contracts were awarded, another seven were tendered, another five were approved and three others were drafted. Throughout 2020, these 18 new contracts will start.

good performance of the two businesses managed by Aena (car parks and VIP services).

In 2019, the amount recorded in ordinary revenue from minimum annual guaranteed rents was €144.4 million, 17.8% of revenue from activities with contracts that include such clauses (duty free, shops, food & beverage, advertising

and commercial operations) compared to the 16.5% they represented at the end of 2018. The difference is due mainly to the evolution of sales under existing contracts (€5.0 million), the better conditions of the new contracts (€9.9 million) and the increase in MAG under current contracts (€2.0 million).

The following table shows the trends for commercial activity.

Thousands of euros	Revenue	
	2019	2018
Duty Free Shops	343,755	326,037
Specialty Shops	114,805	106,298
Food and Beverage	224,344	199,772
Car rental	154,362	151,344
Car Parks	158,489	143,469
VIP services	78,833	64,226
Advertising	26,043	33,102
Leases	34,452	33,454
Other commercial revenue <sup>(1)</sup>	101,855	91,312
<b>Total revenue Commercial Services</b>	<b>1,236,939</b>	<b>1,149,014</b>

<sup>(1)</sup> This includes sundry commercial activities carried out at airports such as banking services, baggage wrapping machines, other vending machines and regulated services (pharmacies, tobacco shops and lotteries).

Table 6. Analysis of the Commercial Services activity lines

During this period, it is relevant to note that the Aena Board of Directors agreed on September 24 to extend the contracts of the Tax Free shops to the current operator, in the twenty-five airports of the Aena network. The technical and economic conditions of the contracts will remain the same as those currently in force, except for the annual remuneration increase of the fixed component of minimum annual guaranteed rents, which will be 1.56% weighted annual average, during the entire extension period. The variable remuneration percentages remain unchanged.

With regard to speciality shops, the current offer has continued to be complemented, bidding for renovations in several Aena airports that allow the incorporation of recognised fashion brands and accessories.

The food & beverage activity highlighted during this period was the award of new contracts from 18 premises in Alicante-Elche Airport and 33 premises from Palma de Mallorca Airport, as well as renovation work carried out by the new tenants of the premises in Barcelona, Málaga and Gran Canaria airports.

The vehicle rental service, of great relevance in tourist airports, opened a new lobby at the Malaga Costa del Sol Airport that concentrates the counters of the car rental companies, with a modern and open concept.

More management improvements have been included in the car parks business line, operated by Aena, and new long stay car parks (Tenerife Norte Airport) and express (Palma de Mallorca and Vigo Airports) and promotion of the pay-by-plate service.

Revenue from the VIP lounge business, managed by Aena derives from the 16.0% increase in users, which in turn is the result of the marketing actions and pricing policy implemented during the year. The extensions and redesigns of VIP Lounges that are being undertaken at various airports, and additional services and fares that are being implemented to improve the offer of the Premium segment are also notable.

In the field of commercial marketing and digital development, it should be noted that throughout 2019, actions were taken to reinforce the communication of Aena's commercial offer and boost sales of the different commercial services, in-house as well as retail, through the marketing budget. More than 50 marketing campaigns with commercial operators in the main airports of the network, with the aim of increasing shop and restaurant sales. Marketing campaigns have also been carried out for the two in-house business lines (parking and VIP lounges). In car parks, designed to promote this service and online bookings, as well as the positioning of its own brand "Aena Parking". In the VIP lounges, marketing campaigns have focused on advertising new openings and new services offered, such as the Meet & Assist service. New commercial profiles have also been opened on social networks @enjoyaena (Facebook, Instagram) as a new communication channel, which, together with the campaigns through the CRM, enable better direct and personalised communication with customers.

By lines of business, the following commercial actions carried out during the period stand out more specifically:



## Duty Free Shops

Revenue derived from Duty Free Shops has reached €343.8 million, 5.4% more than in 2018.

This business area is operated by the World Duty Free Group (DUFY), through the contracts signed with Aena, broken down into three lots. It provides Aena with a guaranteed income, derived from minimum annual guaranteed rents.

On 24 September, Aena's Board of Directors agreed to extend the contracts of the Tax-Free Shops, expiring on 31 October 2020, to the current operator at the twenty-five airports of the Aena network. The extension has a period of five years; three initial years plus two possible additional extensions of one year each.

The technical and economic conditions will remain the same, except for an annual remuneration increase of the fixed component of minimum annual guaranteed rents, during the entire extension period, of 1.56% weighted annual average. This increase is calculated based on the total minimum annual guaranteed rent from 2020, which includes 10 months at the rent set out in the initial contract, plus the minimum guaranteed rent in the extension of the contract for the last 2 months. The variable remuneration percentages have not changed.

Regarding the project launched by Dufry, in collaboration with Aena in

June 2018, in order to identify actions to optimise its commercial performance in five pilot airports (JT Barcelona-El Prat T2, Málaga-Costa del Sol, Alicante-Elche, Gran Canaria and Bilbao), Dufry has continued to carry out actions that will extend to the other airports throughout 2020, in order to improve passengers' experience, thus favouring commercial revenue.

The following actions were taken in 2019:

- Optimisation of the pricing policy: repositioning, widening the range and promotions of certain product categories.
- Improved design and layout of the current shops: changed layout and reinforced *sense of place* (Bilbao), reform and/or extension of the main shop (Alicante, Barcelona and Gran Canaria), a new shop concept developed in Arrivals (Alicante and Malaga) and the new shop opened in the non-Schengen area of Malaga airport.
- Optimised range and new brands introduced, with special focus on the perfumery and cosmetics and alcoholic beverage categories.
- Actions with the sales force, such as performance related incentives at Barcelona and Alicante, and competitions among pilot airports to boost sales.
- Marketing and digital development: partnership

between Aena and Dufry (in the VIP lounges in Alicante and Málaga and the Bilbao car park), launch of the *Reserve & Collect* service (all airports) and *Home Delivery* (only in Madrid and Barcelona) and the digitisation of the main shop in Málaga as a *New Generation shop*.

Joint actions have also been carried out to attract customers from the *Red by Dufry* and *Aena Club Cliente* loyalty programs, new payment methods such as *WeChat* and *Alipay* have been introduced and, the development of sales assistance with the use of tablets and a virtual assistant has begun.

For its part, Aena has also carried out both marketing and improvement actions, with the operator redistributing the surfaces, focusing on:

- Promotions aimed at reinforcing the purchase of the most attractive product categories for British passengers.
- Refurbishment of the T1 Non-Schengen shop at A.S. Madrid-Barajas.

Opening of new refurbished shops at JT Barcelona-El Prat airport (M0 modules due to change of location, M1 and M2), and at Palma de Mallorca Airport Module C shops in their new location, and Module A shops.



Alicante Airport walk-through shop

## Specialty Shops

The revenues generated by this business line in 2019 was €114.1 million, with inter-annual growth of 8.0%, driven by the renovation of commercial premises at different airports in the network.

In this regard, it is noteworthy that as of 31 December 2019, nine shops are open at the Malaga airport (of the 11 foreclosed tenders corresponding to the first phase of the renovation), and that the estimate of having operations starting up at the beginning of the high season is maintained (April 2020) of the seven Menorca Airport shops awarded in the last quarter of 2019.

The following initiatives were also implemented in 2019, focused on the renewal of the offer:

- At the Malaga airport, the second phase has been tendered, which affects 1,033 m<sup>2</sup> and includes eight shops that will include activities such as deli, press and multi-shop, sale of glasses. The award is scheduled for the first

quarter of 2020. The retail offer at this airport will therefore have been completely renewed with the entry of new concepts and brands.

- The VAT refund financial services have been tendered at airports in Madrid and Barcelona, the award of which is scheduled for the first quarter of 2020. Automated tellers have also been tendered throughout the airport network.
- The commercial strategy for the Madrid, Barcelona-El Prat Terminal T1, Palma de Mallorca, Tenerife Sur and Ibiza airports has been defined.

The commercial strategy for AS Madrid-Barajas Airport will involve tendering approximately 10,000 m<sup>2</sup> and 81 premises in the first quarter of 2020. The objective of this tender is to maintain an attractive and varied commercial mix while aligning future maturities with the defined construction plans.

At J.T. Barcelona-El Prat 12 shops will be tendered (in 9 tenders) in the first quarter of 2020, which are expected to be awarded in the first half of 2020. The 12 shops have a total area of 1,350 m<sup>2</sup>.

In Palma de Mallorca and Tenerife Sur, the strategy will focus on extensions of current contracts, while in Ibiza, six tenders (642 m<sup>2</sup>) will be offered with activities such as deli, press and multi-shop, and fashion and accessories.

- It is also noteworthy that continuing with the objective of diversifying the commercial offer, and seeking innovation, a gym will be incorporated in the range of services at T4 AS Madrid-Barajas. The gym was awarded in the fourth quarter of 2019.

In addition to the above-mentioned actions, in order to continue improving passenger experience, Aena continues to offer the Personal Shopper service at four of its main airports. This free service has been available at the Madrid (T1, T4 and

T4S), Josep Tarradellas Barcelona-El Prat and Málaga-Costa del Sol airports since 2018, and since February 2019 is now available at Alicante airport.

It should also be noted that actions are being taken to cover the specific needs of Asian passengers, who have high potential for expansion and expenditure. In this sense, support continues to be provided by a company that specialises in preparing and publishing content for the most widely established social network in China (WE CHAT), in which Aena already has 2,150 followers and more than 22,000 views of the published content. A profile has also been created in the second most important social network by number of users: Xiaohongshu (*Red Little Book*), and progress has been made in facilitating Asian passengers to use their preferred means of payment, WE CHAT Pay, which is already available at these customers' main receiving shops.

Aena also launched two social profiles on Instagram and Facebook (@enjoyaena) in 2019, to carry out communication and marketing campaigns through the main social networks.

Attracting new brands and potential business opportunities is another of the levers that have driven commercial activity in 2019, with connections being re-established with the retail sector in order to renew the portfolio of potential bidders for our spaces.

## Food and Beverage

Restoration income was €224.3 million and an increase of €24.6 million (+12.3% year-on-year).

During this period, the start of new food & beverage contracts for the 18 shops in Alicante-Elche Airport awarded in January, 33 shops in Palma de Mallorca Airport awarded in

July and the 250 vending machines were notable at AS Madrid-Barajas Airport, which started operating in May.

It should also be noted that the renovation work carried out by the new tenants of the premises at Gran Canaria, Barcelona and Málaga airports are almost complete.

- ✦ At the Gran Canaria airport, 17 shops are already operational, with the renewed brands of the 19 shops awarded in 2018.
- ✦ In J.T. Barcelona-El Prat Airport, as a result of the extensive renovation in 2018 of the food & beverage offer, there are now 47 points of sale operating with the new brands out of the 49 that were awarded. The new premises will occupy an area of about 16,000 m<sup>2</sup>, which is an increase of 19% compared with the area prior to the bidding process.
- ✦ Since September, Malaga-Costa del Sol Airport has also had 22 refurbished restaurants under the new brands, with the 25 outlets awarded in June 2018.

The new establishments will occupy a total area of more than 6,500 m<sup>2</sup>.

- ✦ At Alicante Airport, the new operators have started their activity: Áreas, Select Service Partner (SSP), Grupo EatOut (Pansfood) and Airfoods. At the end of 2019, 12 premises were opened with the new brands *Burger King* and *Santa Gloria*, *Lavazza*, *Häagen Dazs*, *Costa Coffee*, *Carlsberg*, *Eat*, *Foodmarket*, *Enrique Tomás* and *Tim Hortons*.

The renovation of the food & beverage offer for the 18 premises awarded in January

covers an area of approximately 5,600 m<sup>2</sup>.

- ✦ Regarding the new food & beverage contracts for 33 premises at Palma de Mallorca Airport, the new operators will start to provide services as of November.

The food & beverage companies with the highest number of awarded premises are Áreas (23 premises), Airfoods (5) and SSP (2), in addition to Burger King Spain, McDonald's and Lagardère, which will manage 1 premises each.

The new offer will occupy an area of more than 10,600 m<sup>2</sup>, which will mean an increase in the food & beverage area at this airport of around 9%.

The new contracts represent an estimated increase in the income from this line of activity in Palma de Mallorca, for a full year and based on the new minimum guaranteed annual income, of close to 75% compared to the 2018 income.

- ✦ At Girona-Costa Brava Airport, the five new points of sale and food and beverage vending machines, awarded to Áreas at the beginning of the year, have commenced operations with the following brands: *Burger King*, *La Pausa*, *Carlsberg*, *Exploring the World* and *Lavazza*.
- ✦ A.S. At the end of May, Adolfo Suárez Madrid-Barajas Airport began operating the 250 food and beverage vending machines installed by the new tenant, Selecta Vending, with the brands *Selecta* and *Starbucks On the Go*.





New "PAUL" brand premises in Terminal T1 of JT Airport Barcelona - El Prat

## Car rental

This line of business generated revenue of €154.4 million, representing a year-on-year increase of 2.0%.

The number of contracts has increased by 5.4%, while sales have increased by 2.0%. In airports with a business profile, the vehicle rental service maintained a favourable trend in 2019.

Regarding the main actions carried out in this activity, it should be mentioned that car rental operators have been unified at Málaga-Costa del Sol Airport, in a lobby with modern counters and open concepts.

## Car Parks

Aena manages this important business line, which encompasses a diverse range of car parks, dealing with operations, marketing policies and sales channel management.

During 2019, income from this activity increased to €158.5 million, a 10.5% increase, driven by the improvement of the non-reserve segment and online bookings at the main airports, as well as by the opening of express car parks at Madrid Barajas and Barcelona-El Prat airports.

The income derived from the number of reserves through the different sales channels was €48.8 million, a 24% increase with respect to 2018, driven by loyalty policies and campaigns to attract new customers, as well as the continuous improvement on the website.

In its management, Aena has continued to add improvements and new parking facilities, and has promoted the number plate payment service. A new long-term car park has also been opened at Tenerife North Airport, express car parks in Palma de Mallorca and Vigo and Santiago, and the number plate payment service is operating at airports in Madrid, Barcelona, Bilbao, Alicante and Valencia.

In addition, Aena has promoted this activity through marketing campaigns

focused on increasing customer share, the number of bookings and the positioning of our own brand, "Aena Parking".

## VIP services

Revenue from the VIP services activity was recorded at €78.8 million in the period, which represents 22.7% growth with respect to the previous year.

The income from this business line comes from the operation of 27 own VIP lounges, 1 Premium lounge, 2 VIP lounges leased to Iberia, the preferential security service access points: *Fast Lane* and *Fast Track* (service at security checkpoints in 8 airports of the network), business centres, rest rooms (in Madrid and Barcelona), *Meet & Assist* service (in Palma de Mallorca, Alicante and Málaga) and meeting rooms.

The income figure for its own VIP lounges managed by Aena was €73.3 million, representing a 23.4% year-on-year increase as a result of the 15.6% increase in the number of

users and the price policy that has been implemented.

Throughout 2019, Aena completed the works on the new lounges, *Jable* in Fuerteventura, *Tramuntana* in Menorca and *Illas Cíes* in Vigo.

All the rooms at Barcelona airport, the Valldemossa room in Palma de Mallorca, the VIP room in Málaga and the Joan Olivert room in Valencia have also been remodelled.

The construction of the new lounge at Tenerife North and the remodelling of the lounge at Ibiza have started. Spaces are also being redesigned at Madrid, Palma de Mallorca, Alicante, Gran Canaria, Tenerife North, Tenerife Sur and Ibiza airports.

Regarding the management services, changes have been made at the Palma de Mallorca, Alicante, Gran Canaria, Tenerife Sur, Tenerife North,

Valencia and Bilbao airports, and the change at AS Madrid-Barajas is undergoing. The service of the Vigo VIP lounge has been awarded (it is scheduled to open in the first quarter of 2020).

In 2019, the *Fast Lane* service has also been incorporated at A Coruña airport, and the new *Meet & Assist* service at Palma de Mallorca, Mallorca, Málaga and Alicante airports.

Finally, it should be noted that given the dynamic nature of this activity, Aena has updated the rates to improve the offer of the Premium segment, has established a price incentive plan for partners with a high volume of links and business in the network and has approved the applicable pricing strategy for the activity in 2020.

## Other commercial revenue

This category includes sundry commercial activities carried out at airports such as banking services, baggage wrapping machines, other vending machines and regulated services (pharmacies, tobacco shops and lotteries, etc.).

In 2019, the revenue from these activities has reached €101.9 million, and an increase of €10.5 million (+11.5% interannually), derived mainly from the banking services activity.

As regards regulated businesses, it must be noted the joint strategy of the pharmacies in the entire network has been defined, with the aim of standardising their conditions and tendering 14 establishments.



VIP lounge at Menorca Airport

## Advertising

On 14 June, the activity of the new companies awarded the advertising and promotional activity at Aena airports began.

The new licences have been awarded during April in eight lots, for a term of seven years, to four different providers: Exterior Plus SL, Sistemas e Imagen Publicitaria SLU,

JFT Comunicación, and the JV New Business Media Ceko Centros Comerciales.

As a result of the new economic conditions, the minimum annual

guaranteed rent will decrease by €32.5 million in 2018 to €21.0 million in 2020 (first yearly payment). In

spite of this, it is expected that these contracts will operate with variable

income, representing estimated revenue of roughly €27 million.

## 3.2 Real estate services segment

The real estate services activity segment includes the provision of leasing or transfer of use of land (built on or not), office buildings, warehouses, hangars and cargo sheds to airlines, airfreight operators, handling agents and other airport service providers aimed at supporting the activity and developing complementary services, such as the 24 service stations (15 land-side and 9 air-side) at 12 airports and the FBO (fixed-base operator) terminals at five of the major airports in the network, where service is provided for private jets in a customised manner.

As regards the plans for **real estate development of the A.S. Madrid-Barajas and J.T. Barcelona-El Prat airports**, in 2019, Aena has continued work with external advisers to define the main aspects of the marketing of airport land available at both airports.

- ✦ **A.S. Madrid-Barajas Airport**, after the initial evaluations carried out with the hired experts, an area of up to 2.2 million m<sup>2</sup> will be developed over the next few years by occupying 349 net hectares (out of the total of 909 gross hectares available) for a range of uses, which will represent significant diversification of the activity implemented at the airport, bringing it closer to the modern concept of *Airport City*.
- ✦ For its part, the Real Estate Plan for the **J.T. Barcelona-El Prat Airport** will cover a maximum of 1.1 million new buildable m<sup>2</sup>, through the occupation of close to 200 net hectares (out of the total of 290 gross hectares available) in a global development project that is very aware of the conservation of the environmental and ethnographic values of the Delta del Llobregat.

The main objective pursued by these projects is to enable Aena to define the strategy for implementing the business model to be developed. Once defined, the process of selecting partners through public tender for the first developments will begin. The beginning of the process is estimated to take place throughout the first half of 2020.

In line with the work carried out at both airports, Aena has hired a consultant, ARUP, who will support the definition of real estate development plans at other airports where land and assets with high potential are available for the development of complementary airport activities, specifically at Palma de Mallorca, Malaga, Valencia and Seville airports. Work commenced in mid-September and is expected to last one year.

Key financial data for the real estate services segment is set out below:

Thousands of euros	2019	2018
Leases	14,672	12,607
Land	29,908	23,921
Warehouses and hangars	8,092	8,140
Logistic cargo centres	17,412	15,383
Real Estate Holdings	8,575	6,889
Total rjRevenue Real Estate Services	78,659	66,940

Table 7. Most significant figures for Real Estate services

Revenue from real estate services amounted to €78.7 million, 17.5% higher than those obtained in 2018.

Regarding the most outstanding actions of the period, the following should be noted:

### Hangar activity:

- ✦ At Seville Airport, in January the operation began on a hangar of approximately 6,000 m<sup>2</sup> built to support the aircraft maintenance of a major airline. The paperwork for the construction of a second hangar of approximately 10,000 m<sup>2</sup> for the same operator has also begun.
- ✦ A.S. Madrid-Barajas is adapting a hangar of 8,800 m<sup>2</sup> located in the "Old Industrial Zone", which is estimated to start activity during 2020.
- ✦ At the Valencia Airport, a plot of 15,600 m<sup>2</sup> was contracted for the construction of a new hangar of 4,750 m<sup>2</sup> with a private platform.

- ✦ At Palma de Mallorca Airport, a 5,000 m<sup>2</sup> plot was contracted in July for the construction of a 3,500 m<sup>2</sup> hangar.
- ✦ In August, an 800 m<sup>2</sup> plot was contracted at the Ceuta Airport for the construction of a hangar of the same size.

**Executive aviation activity:**

- ✦ In January, the activity of the new awardees of the executive aviation terminals (FBOs) at the Madrid and Barcelona airports began, which completes the renewal of this service.
- ✦ Since mid-June, a new exclusive filter for users of these facilities has been fully operational at the FBO of Ibiza Airport, thereby significantly improving customer experience.
- ✦ The tender for the executive aviation terminal (FBOs) at

Palma de Mallorca Airport was launched in December 2019, as well as the lease of an area in the entrance hall of the terminal to carry out multi-brand retail activity.

**Spaces dedicated to air cargo:**

- ✦ A.S. Madrid-Barajas Airport has started operating within a 7,200 m<sup>2</sup> warehouse. It is also worth noting that the development of new loading facilities in the area known as "Rejas" continues to progress, with the execution of the construction work on a 12,500 m<sup>2</sup> import warehouse having been awarded to Correos in this period.
- ✦ J.T. Barcelona-El Prat Airport was awarded the contract to execute the refurbishment work on the cargo building operated by Swissport, which entails an increase in lease income from 2020. Construction

work has also been awarded for the construction of a 5,139 m<sup>2</sup> second-line cargo warehouse.

- ✦ The construction of a new cargo building of more than 3,500 m<sup>2</sup> was awarded at Zaragoza Airport, which will provide the airport with greater capacity to meet the strong growth in transported goods that has been occurring at this airport in recent years. This building will be operated by Swissport.

**Other activities:**

- ✦ In December, the contract and the start of activity of the old control centre of Son Bonet Airport was signed as a hospitality centre, training and food & beverage school.



## 4. Income statement

Thousands of euros	2019	2018	Variation	% Change
Ordinary revenue	4,159,546	3,962,568	196,978	5.0%
Other operating revenue	61,562	120,437	-58,875	-48.9%
<b>Total revenue</b>	<b>4,221,108</b>	<b>4,083,005</b>	<b>138,103</b>	<b>3.4%</b>
Supplies	(170,205)	(173,862)	-3,657	-2.1%
Staff costs	(402,881)	(370,984)	31,897	8.6%
Other operating expenses	(957,755)	(896,864)	60,891	6.8%
Depreciation and amortisation	(716,985)	(750,692)	-33,707	-4.5%
Impairment and net gain or loss on disposals of fixed assets	(21,106)	(60,256)	-39,150	-65.0%
<b>Total expenses</b>	<b>(2,268,932)</b>	<b>(2,252,658)</b>	<b>16,274</b>	<b>0.7%</b>
<b>OPERATING REVENUE</b>	<b>1,952,176</b>	<b>1,830,347</b>	<b>121,829</b>	<b>6.7%</b>
Finance income	4,808	3,204	1,604	50.1%
Finance costs	(96,265)	(124,247)	-27,982	-22.5%
Exchange differences	(41)	(9)	32	355.6%
<b>FINANCIAL RESULTS</b>	<b>(91,498)</b>	<b>(121,052)</b>	<b>29,554</b>	<b>-24.4%</b>
<b>PROFIT BEFORE TAX</b>	<b>1,860,678</b>	<b>1,709,295</b>	<b>151,383</b>	<b>8.9%</b>
Income tax expend	(439,352)	(408,113)	31,239	7.7%
<b>RESULT OF THE FINANCIAL YEAR FROM CONTINUED OPERATIONS</b>	<b>1,421,326</b>	<b>1,301,182</b>	<b>120,144</b>	<b>9.2%</b>
<b>RESULT OF THE FISCAL YEAR</b>	<b>1,421,326</b>	<b>1,301,182</b>	<b>120,144</b>	<b>9.2%</b>

Table 8. Income statement

As a result of the positive evolution of all business lines, Aena's **total revenue** increased by 5.0% year-on-year, up to €4,159.5 million. This increase of €197.0 million is explained above in the analysis of the various business lines.

The **other operating revenue** item reflects a reduction of €58.6 million, mainly due to the extraordinary effect in 2018 of the application to results of subsidies from the collection of much higher resources granted by the Fund of Regional Development (ERDF) for the development of airport infrastructure, as well as the application of the income from capital grants associated with assets affected by the civil operations of Murcia San Javier airport, once that the Murcia International Airport entered into operation. Excluding both impacts, other operating revenue increased by 0.2%.

Due to the effect explained above, the year-on-year comparison of total revenues, €4,221.1 million, reflects an increase of 3.4% (€138.1 million). Excluding this impact, total revenue for the period increased by 4.9% and €197.3 million.

With regard to **total expenses**, there was an increase of 0.7% (€16.3 million) in this period as a result of changes in the following items:

- Supplies fell by 2.1% (€3.7 million), mainly due to the lower cost of the ATM/CNS (Air Traffic Management and Communications, Navigation and Surveillance) service due to the agreement signed with ENAIRE until 2021 (€-4.9 million), partially offset by the increase in the Agreement with the Ministry of Defence (€+1.4 million) and a higher cost of spare parts.

- Personnel expenses increased 8.6% (€31.9 million) derived mainly from the salary review of Aena S.M.E., S.A. staff planned according to RD 24/2018, 21 December, which was 2.375% annual average in 2019 while it was 1.625% in 2018 (€8.5 million), from the increase of productivity bonus (€4.6 million), as well as, due to the new hires (252 in 2019 and 99 in 2018; €6.5 million), and the effect of the review of categories and recognition of three-year plans (€2.7 million) and the reversal in 2018 of an excess of 2017 provision (€5.4 million).
- Other operating expenses increased by 6.8% (€60.9 million), mainly due to the effect of the entry into force in 2018 of new contracts at airports in the network, with higher costs associated with private security

services (€23.2 million; +14.5% year-on-year), to the service for passengers with reduced mobility (€5.0 million; +9.0%) as from February, as well as new cleaning services (€4.8 million; +7.7%).

Electricity costs also increased (€9.3 million; +12.2% year-on-year), the cost of VIP lounges managed by Aena (€4.1 million; +19.2%) due to the increase in users and new contracts initiated in 2018, maintenance expenses (€3.1 million; +1.5%), professional services (€2.3 million; +4.6%), as well as due to changes in customer insolvencies (€15.6 million) partially offset by contribution in 2018 (€7.4 million) for expenses associated with the 2018 closure of the Murcia San Javier Air Base.

- Depreciation of fixed assets decreased by €33.7 million (4.5%), mainly due to the full

depreciation of certain assets, partly offset by the depreciation of the new investment associated with the investments in runways and taxiways on the network and other actions on the Aena network.

- Impairment and net gain or loss of fixed assets decreased €39.2 million, mainly due to the recognition in 2018 of the impairment (€46.2 million) corresponding to the assets related to the civil operations at the Murcia San Javier airport that cannot be reused at another airport, when civil air operations were interrupted there, once the Murcia Region International Airport began operations.

This variation has been partially offset by the extraordinary expense recognised in Other results by the extraordinary effect of a land tenant's claim (€13.5 million).

The **operating result** has increased 6.7%, to €1,952.2 million.

For their part, **Financial expenses** fell by €28.0 million (22.5%), mainly due to the reduction in interest on the debt, both due to the reduction in interest rates and the volume of debt (-12.9 million euros), as well as the variation in financial expenses of the cost of breach of the interest rate hedging associated with the loan held with Depfa Bank, which was cancelled in July 2018 (-17.2 million euros).

**Income tax** amounted to €439.4 million, an increase of €31.2 million, as a result of higher earnings for the period. The effective rate for the period was 23.6% (23.9% in 2018).

The **result of the year** has reached €1,421.3 million, 9.2% higher than in 2018.

## 5. Investments

The total amount of the investment paid in 2019 amounted to €490.4 million, an increase of €20.1 million (4.1%) compared to 2018.

The investment executed in 2019 amounted to €546.3 million, compared to €460.1 million in 2018, an increase of €86.2 million (+18.7%).

This amount was mainly used for investments in infrastructure maintenance.

As regards the main **actions completed** during the period, it is worth noting that the focus was on the flight field: the adequacy of the Tenerife-South airport platform, the Palma de Mallorca, Girona-Costa Brava and Lanzarote platforms, as well as the regeneration of runways at Madrid, Bilbao and Tenerife-North airports.

In facilities, the peak capacity of the automatic baggage handling system in Palma de Mallorca was increased, the supply of gateways in Malaga-Costa del Sol and the supply of aircraft air conditioning equipment in contact positions in T2 of the JT Barcelona-El Prat airport.

In the field of security, the following stand out: the beaconing actions in Málaga-Costa del Sol and in AS Madrid-Barajas and a new building for the fire fighting service at Ibiza and Santiago.

As for the actions completed in the buildings, it is worth noting the improvement and adaptation of the

VIP lounges and the completion of construction work on a new building for a border inspection post, still pending transfers and commissioning, both in JT Barcelona-El Prat airport.

Regarding the **investments in execution**, which will last for the coming months, those for the terminal area should be highlighted: the remodelling and expansion of the JT Barcelona-El Prat airport South Dock building, the adaptation of the T2 building to the boarding processes and the functional improvements of the buildings at Tenerife-Sur, Seville and Reus according to the functional designs. In the flight field, the actions on the platforms at Ibiza and Zaragoza airports, the internal split of the platform at Alicante-Elche and the regrowth of the runway at Seville stand out.

As regards the facilities, the supply with the installation of walkways at A.S. Madrid-Barajas and J.T. Barcelona-El Prat airports and the conditioning of the Seville power plant are noteworthy.

In the chapter on people safety, it is worth noting the suitability of automatic baggage handling systems for the replacement of inspection machines with better performance equipment at several airports, and the provision of automated baggage inspection systems in the operational state in security filters. Other notable actions include the replacement of switchboards and fire detectors at the Palma de Mallorca airport, and a

fire detection system at terminals 1, 2 and 3 at AS Madrid-Barajas. In buildings, the construction of a new cargo terminal in Zaragoza stands out.

There are also important actions in the area of the environment, the sound insulation of homes in adjoining areas and efficient lighting at several airports. A 7.5 MW photovoltaic solar plant was also installed for self-consumption at the AS Madrid-Barajas airport.

**Recent actions** include the construction of the new power plant at the AS Madrid-Barajas airport, improvement works on the pavement of the north platform of La Palma airport and the adaptation of obstacles in strips and guards along the margins of taxiways and runways at Gran Canaria airport. The supply and installation of access control equipment and TRAZAS detection equipment (traces of explosives and/or drugs) at several airports are also noteworthy.

Finally, it is important to mention that the functional design studies of the extensions of the T4, T4S and the new T123 processor at AS Madrid-Barajas as well as JT Barcelona-El Prat airports have been carried out, on T1 and the construction of a new satellite terminal. The consultancy service for the drafting of the construction projects corresponding to the Barcelona airport is currently in tender, and the one for T4 and T4S at the Madrid airport has been awarded.

Information on the breakdown of capital expenditure payments in the Spanish airports network at 31 December 2019 is shown hereunder together with a comparison with the same period of 2018:

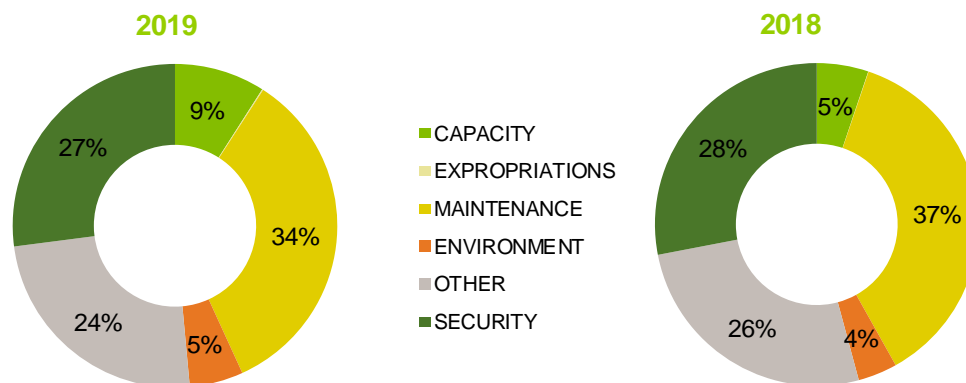


Figure 7. Analysis of capital expenditure by areas of application

- Investments in service **maintenance** amounted to €166.9 million in 2019 (€172.5 million in 2018). On the flight field, it is worth noting the general adaptation investments on the platform in Tenerife Sur, the airfield adaptation on the movement area in Valencia and the screeding of the taxiway in Girona. The actions in terminal buildings include: supply and installation of boarding bridges at T123 in Madrid, and at T1 and T2 in Barcelona, as well as remodelling the shopping arcade and the departure lounge in Gran Canaria.
- In the area of **safety**, €132.6 million (€131.8 million in 2018) was invested. The actions carried out in relation to safety include those aimed at improving airfields on various areas of the flight field at Madrid, Ibiza, Tenerife-North, Seville, Lanzarote and Girona airports, as well as those aimed at improving the beaconing in Malaga and Seville, the new fire fighting service building in Santiago and the acquisition of specific snow equipment at the

Madrid airport, all of them in the aircraft movement zone. In the area of people and facilities safety, actions were focused on providing terminals with new passport control equipment, access control systems and automated hand luggage inspection equipment.

- Investments in **capacity** totalled €44.3 million (€24.3 million in 2018). In the airfield, the following developments stand out: the remodelling and extension of the South Pier apron at Barcelona, the paving of the south-west triangle of the commercial aviation apron and the merger of the commercial apron with the parallel taxiway in Ibiza, the commercial apron extension for aircraft in Zaragoza, the new parking spaces in T4S at Madrid airport. In the terminal buildings: improved automatic luggage handling system in Palma de Mallorca, the T2 building's adaptation to the boarding processes in Tenerife-South and the adaptation of the Reus terminal building to the functional design.

- In the **environmental** category, investment increased from €18.5 to €26.3 million. These investments correspond mainly to thermal insulation work in Palma de Mallorca, sound insulation work in homes in adjoining areas at several airports, the installation of efficient lighting systems, and the new hot water connection from the co-generation plant in Madrid, as well as the installation and commissioning of self-consumption photovoltaic solar plants at Canary Island airports.
- Other investments** reflect actions amounting to €119.7 million (€123.0 million in 2018), including investments in information technologies, mainly those aimed at improving communication infrastructure at several airports and storage servers and networks. Also noteworthy are those aimed at commercial activities, most notably the upgrading of VIP lounges in Barcelona and various improvements in car parks at Madrid, Palma de Mallorca and Málaga airports.



## 6. Statement of financial position

### 6.1 Net assets and capital structure

Thousands of euros	2019	2018	Variation	% Change
<b>ASSETS</b>				
Non-current assets	13,375,145	13,217,379	157,766	1.2%
Current assets	654,633	895,533	-240,900	-26.9%
<b>Total assets</b>	<b>14,029,778</b>	<b>14,112,912</b>	<b>-83,134</b>	<b>-0.6%</b>
<b>EQUITY AND LIABILITIES</b>				
Equity	6,655,614	6,326,308	329,306	5.2%
Non-current liabilities	5,427,046	6,453,286	-1,026,240	-15.9%
Current liabilities	1,947,118	1,333,318	613,800	46.0%
<b>Total equity and liabilities</b>	<b>14,029,778</b>	<b>14,112,912</b>	<b>-83,134</b>	<b>-0.6%</b>

Table 9. Summary of financial position

**Non-current assets** have increased by €157.8 million as a result of the increase in financial assets associated with investments in group companies for the long-term credit of €340 million granted to the investee ADI (see Notes 10 and 12 of the attached report). The aforementioned increase has been largely offset by a €194.1 million decrease in the "Property, plant and equipment" heading, explained by trends in capital expenditure in the Spanish network, as a result of which additions to non-current assets for the period were less than the depreciation and amortisation recognised.

For their part, **Current assets** have decreased by €240.9 million, mainly due to the reduction of the balance of "Cash and cash equivalents" by €318.1 million (the variation of which is explained in section 7. Statement of cash flows) and the increase in the balance of "Trade debts and other receivables" by €49.8 million, for the accrual in December 31, 2019 of higher minimum annual guaranteed rents compared to 2018, as well as the increase in turnover for the period.

**Net equity** has increased by €329.3 million as a consequence mainly of the difference between the result of the period (€1,421.3 million) and dividends distributed over the period (€1,039.5 million) (see

Statement of Changes in the Net Equity of the attached report).

The decrease in **Non-current Liabilities** of €1,026.2 million is due, on one hand, to the decrease of heading "Long-term financial debt with companies of the group and associates" of €632.9 million, explained by the short-term transfer of €633.6 million corresponding to repayment of €633.7 of Aena's debt to ENAIRE (as a co-borrowing entity with various financial institutions) in accordance with the established repayment schedule. On the other hand, the debt with existing credit institutions at the end of 2018 for €650 million has been cancelled in advance, with a new amount of €250 million (see Note 15 of the attached report). Likewise, the balance of "Long-term accruals" has decreased by €33.8 million, mainly due to the compensation of €38.3 million in the billing made during the period, of the advance payment at the time to World Duty Free Group España, SA (DUFREY) for the rental contracts of the commercial premises of the *duty free* and *duty paid* stores of the entire network of airports in Spain (see Note 20 of the Report).

On the other hand, the increase in the heading "Long-term bonds received" is due to new bonds by lessees of the Company's commercial spaces, in compliance

with Law 29/1994, of November 24, on Urban Leases.

The increase of €613.8 million in **Current liabilities** mainly reflects the increase of €610 million in the heading "Short-term Debts", by provision of a line of credit amounting to €391 million and the Payment Program (Euro Commercial Paper) of which €159 million had been issued as of December 31, 2019 (see Note 15.b of the attached report). Additionally, there is an increase of €62.9 million in the heading "Other financial liabilities" due to the increase in the balance of debts to fixed assets suppliers (see Note 10 of the attached report), as a consequence of the increase in registrations of property, plant and equipment (€528 million in 2019 compared to €456.9 million in 2018; see Note 7 of the attached report). The €24.5 million increase in the "Short-term provisions" section is explained in Note 21 of the attached Report.

**Working capital**, calculated as the difference between current assets and current liabilities, which is generally negative in the Company as a result of its operations and financing structure, stood at -€1,292.5 million at the end of the period (-€437.8 million at 31 December 2017), due to the changes in current assets and liabilities mentioned previously.

## 6.2 Changes in loans and borrowings

The net financial debt of Aena SME, SA (calculated as Current financial debt plus Non-current financial debt minus Cash and cash equivalents), stands as of December 31, 2019 at 6,200.4 million versus €6,334.9 million as of December 31, 2018, and the associated ratio continues to decrease:

Thousands of euros	2019	2018
Gross financial debt for accounting purposes	6,349,811	6,802,372
Cash and cash equivalents	149,375	467,444
<b>Net financial debt for accounting purposes</b>	<b>6,200,436</b>	<b>6,334,934</b>
<b>Net financial debt for accounting purposes/EBITDA<sup>(1)</sup></b>	<b>2.3x</b>	<b>2.5x</b>

<sup>(1)</sup>Earnings before interest, tax, depreciation and amortisation.

Table 10. Net financial accounting debt of Aena SME, SA

Aena's financial strength is reflected in the confirmation by Fitch Ratings of the "A" credit rating with a stable outlook on 9 May 2019 and by Moody's of the "A3" credit rating with a stable outlook on 26 July 2019.

In 2019, Fitch Ratings also assigned a "F1" short-term rating for the first time.

During the period, Aena amortised long-term debt amounting to €1,284 million, of which €634 million correspond to the payment schedule established by contract and €650 million to the cancellation of bilateral loans, which were partially replaced by other new bilateral loans, arranged in December for an amount of €250 million, with better interest rate conditions, and for an amount of €150 million in January 2020.

On 30 October 2019, Aena registered a Euro-Commercial Paper Short-Term Promissory programme (CNMV) for the maximum amount of €900 million. At 31 December 2019, the paper issued under this programme amounted to €159 million, with a balance of €741 million available.

At 31 December, Aena drew €391 million of its sustainable syndicated credit line ("ESG-linked RCF") of €800 million, with a balance of €409 million available.

It is also worth noting that the Company has €486 million of available long-term funding with the European Investment Bank, of which €86 million is allocated to funding 75% of the investments aimed at improving energy efficiency and promoting renewable energy consumption at Aena's airport and helipad network in Spain, planned in the 2017-2021 DORA.

The average interest rate of Aena's debt was 1.24% (1.30% at 31 December 2018).

## 6.3 Information on average payment terms

Regarding the information on the average payment period (PMP) to suppliers of Aena SME, SA:

Days	2019
Average term of payment to suppliers	46
Ratio of transactions paid	50
Ratio of transactions pending payment	15

Table 11. Average payment terms

These parameters have been calculated according to the provisions set forth in Article 5 of the Resolution of 29 January 2016 of

the Accounting and Auditing Institute, regarding the information to be included in the notes to the financial statements with regard to the average period of payment to trade suppliers based on the balance of suppliers who, by their nature, are suppliers of goods and services, so that it includes the data pertaining to the items of trade payables in the statement of financial position.

Thousands of euros	2019
Total payments made	976,392
Total payments outstanding	96,975

Table 12. Balance concerning suppliers

Over the period as a whole, these average payment terms were in accordance with those established by Law 15/2010. Cases in which payment was made outside the legally stipulated period were due mainly to reasons not attributable to the Company: invoices not received on time, expired AEAT certificates, lack of certificates of proof of supplier bank accounts, among others.

The calculation of the PMP is carried out on the invoices received and made pending payment.

## 7. Cash flow

Thousands of euros	2019	2018	Variation	% Change
Net cash from operating activities	2,050,176	1,894,731	155,445	8.2%
Net cash flows from investment activities	(868,239)	(479,853)	-388,386	44.7%
Net cash flows generated/(used) from financing activities	(1,500,006)	(1,665,549)	165,543	-11.0%
Cash and cash equivalents at the beginning of the period	467,444	718,115	-250,671	-53.6%
<b>Cash and cash equivalents at the end of the period</b>	<b>149,375</b>	<b>467,444</b>	<b>-318,069</b>	<b>-212.9%</b>

Table 13. Summary of the consolidated statement of cash flows

The financing needs of the Company and the payment of the dividend amounting to €1,039.5 million have been covered during the period with cash flows from operating activities (€2,050.2 million), with foreign financing amounting to €800 million and reducing the cash balance to €149.4 million, from the initial €467.4 million, allowing the financing of the non-financial fixed assets investment program (€490.4 million), the settlement of the debt according to the established calendar (€633.7 million), the early cancellation of the debt with pre-existing credit institutions of €650 million and the financing to the ADI subsidiary for the contribution of capital to the Company established for the management of the airports in the northeast of Brazil

### Net cash from operating activities

The main cash inflows from operating activities related to payments from customers, both airlines and commercial tenants, and the main operating outflows involved payments for sundry services received, employee benefits and local and state taxes.

Cash flow from operating activities before changes in working capital and other cash from operations (interest and tax on profits paid and received), increased in the period by +4.6% up to €2,695.6 million, from €2,576.9 million in the same period of 2018, mainly as a result of the improvement in the Group's

operations as also reflected in EBITDA (earnings before interest, tax, depreciation and amortisation).

After considering the variations in working capital and heading "Other cash flows derived from operating activities", the net cash generated by operating activities during the period (€2,050.2 million) reflects an increase in 8.2% compared to 2018 (€1,894.7 million).

### Net cash used in investing activities

Net cash used in investment activities in this period amounted to €868.2 million and mainly consisted of payments for acquisition and replacement of property, plant and equipment relating to airport infrastructure for an amount of €490.4, as well as payment of investments in property, plant and equipment for €410.4 million.

Investments in non-financial fixed assets have mainly focused on the improvement of the facilities and the operational safety of the airports of the network, since no significant investments in capacity increase have been necessary (see section "5. Investments").

Investments in financial assets mainly refer to the credit line agreement between AENA (creditor) and Aena Desarrollo Internacional (accredited) for €400 million, of which €30 million have been repaid before December 31, 2019, to finance the cash needs

of the capital contribution of the airports of the northeast of Brazil (see Note 12 of the attached report).

Within the investment activities, payments of €8.5 million are also collected for deposits consigned by legal mandate in different public institutions of Autonomous Communities (corresponding to deposits previously received from tenants of the Company's commercial spaces, in compliance of Law 29/1994, of November 24, on Urban Leases) and collections of other financial assets amounting to €2.2 million.

### Cash used in financing activities

The main outflows of financing flows correspond to the payment of dividends for €1.0395 million and the repayment of the principal of the debt in compliance with the payment schedule established by contract for an amount of €633.7 million. Additionally, early cancellation was carried out without the cost of breaking the debt with existing credit institutions at the end of 2018 amounting to €650 million.

As for inflows, new long-term operations for €250 million have been conducted, a credit line for €391 million has been executed and, as of December 31, 2019, €159 million of the Promissory Note Program have been issued (Euro Commercial paper) (see Note 15.b of the attached report).

## 8. Operating and financial risks

The main risks to which Aena is exposed in its operational and financial activity are described in Note 5 of the Consolidated Report ("Operational and Financial Risk Management").

In the operational field, this section describes the **risks related to Brexit**, on the one hand, following the result of the referendum in the United Kingdom in favour of its exit from the European Union (Brexit), and its materialisation as of 31 January 2020, a series of risks is considered, whose final outcome is subject to the negotiation process that the British government has to initiate during the transitional period (until December 31, 2020) with the European Union to determine the final conditions of their

departure, as to the regulatory developments that both the United Kingdom and the European Union can make in the event of a no-deal Brexit on January 1, 2021; the **regulatory risks** associated with the regulated sector in which Aena carries out its activity and which governs the determination of airport tariffs for the first Airport Regulation Document ("DORA"), as well as future changes or developments in applicable national and international regulations, in terms of safety of people or goods and environment, which could limit the activities or growth of Aena airports, and/or require significant disbursements.

On the other hand, **operational risks** are detailed, derived from various

factors that may affect Aena's activity because it is directly related to the levels of passenger traffic and air operations at its airports.

With respect to the financial risks to which Aena Group's operations are exposed, the main risks are indicated in the content of the aforementioned Note 5 to the consolidated report: market risk (including exchange rate risk and interest rate risk, cash flow and fair value interest rate risk), credit risk and liquidity risk.

This information is completed with the content of chapter 1.2 of section 14. Non-financial Information Statement, which is part of the Consolidated Management Report 2019.

## 9. Main legal proceedings

Note 28 of the Report ("Contingencies") describes the provisions made on the basis of the best estimates made by the Company's directors for dealing with risks related to litigation, claims and ongoing commitments known to date at the end of the year for those that are expected to be likely to withdraw resources in the medium or long term, indicating that the directors do not consider that, from the liabilities in progress, additional liabilities could arise that could significantly affect these annual accounts.

## 10. Human resources

In the area of human resources, in order to drive the actions provided for in the 2018-2021 Strategic Plan, actions have been defined to plan and anticipate the people and organisational changes necessary to address the increase in activity and new roles and challenges, as well as measures to improve working conditions, facilitate training and develop talent and professional skills, fostering diversity and equality.

The most relevant actions carried out during 2019 by the Organisation and Human Resources Directorate are detailed below, and are completed with the information contained in Chapter 3. (Social and personnel issues) of section 14. Non-financial Information Statement, which is part of the Consolidated Management Report 2019.

### Selection processes

During 2019, the following selection processes were carried out:

- ◀ Completion of the Call for External Selection of CF Levels. This call for proposals began in 2018 and ended in 2019, with

the stock exchanges set up for five occupations in the maintenance and operations areas.

- ◀ Call for Candidate Exchanges through the Public Employment Services for technicians serving passengers, users and

customers at 27 airports in the network.

- ◀ Call for Internal Provision of CF Levels, dated 27 June 2019. Through this process, 245 positions were filled, of which 152 were awarded with internal stock market candidates, 73

positions were filled with external stock market candidates and 20 seats are pending a new internal provisioning process.

- Completion of the Call for Internal Provision of Levels A and B. This call began in 2018 offering 165 vacancies and ended, in 2019, awarding 52 vacancies and making up seats for 23 jobs.
- Scholarships: more than 90 university students from the last courses have received scholarships to complete their practices during 2019, which has given them the possibility of acquiring practical knowledge about Aena's business reality.

### Potential Management

A Potential Management project has been initiated, with the following objectives:

- Have greater knowledge of our employees (knowledge, skills and competencies).

- Support workers' professional growth.
- Prepare employees for the future challenges facing the company.
- Be prepared for future successions.

The evaluation process was designed in 2019, which will be carried out throughout 2020.

### Employer Branding

This project was launched in 2019. It aims to foster talent attraction and retention and improve Aena's brand as an employer.

An Employer Value Proposal (EVP) has been defined, taking the internal climate survey and external source valuations into account (Universum, Merco).

Within the scope of this project, among other actions, Aena also participated in Employment Fairs (Universidad Carlos III, Universidad Pontificia de Comillas, Employment Fair of the Digital Age), signed work experience agreements with

vocational training centres and participated in the EU Women in Transport project, with the appointment of a Diversity Ambassador.

### Digital transformation of the HR area

In 2019, SuccessFactors was selected as the base computer application to improve automation in the human resources area. This application will improve talent management processes, bringing management to mobiles and the internet, and will integrate new tools into the management computer system used.

Implementation began in the last months of 2019. It is estimated that the different modules will be operational between 2020 and 2021.

## 11. Procurement

In the field of procurement, as a complement to the information contained in chapter 6.4 (Subcontracting and suppliers) of section 14. Non-financial Information Statement, which forms part of this report, the digital transformation that Aena SME, SA is carrying out in the commercial and supplier contracting processes, as well as the actions carried out taking the regulatory framework that is applicable to the Company as a reference are noteworthy.

In this regard, progress was made during 2019 and developments carried out related to digital transformation in Aena's contracting area and with the adaptation of the contracting suppliers' processes and procedures to the requirements established in *Law 9/2017, 8 November, on Public Sector Contracts, which transposes the Directives of the European Parliament and of the Council 2014/23/EU and 2014/24/EU of 26 February 2014 into the Spanish legal system.*

The progressive development and implementation of the electronic contracting programme in Aena is contributing to the improvement and automation of contracting processes, as well as reducing administrative deadlines and procedures for both bidders and contracting units. Within the scope of this multi-year programme and the rest of the projects, the following notable actions have been carried out:

- Analysis, design and development of the new electronic bidding (eLicita) and electronic notification (eNotifica) systems. eLicita is the electronic platform for electronic processing of the complete supplier contracting and commercial process, with the highest technical, legal and security guarantees. It is expected to be implemented in the first quarter of 2020. eNotifica is the electronic platform that allows the signature and electronic transmission of notifications and documents to Aena's external agents, reliably, with the guarantee of the legal validity of the operations carried out, and generating the corresponding evidence.
- Implementation of the electronic signature and the OFISPA electronic signature holder, within the scope of the internal procedure for exchanging documents electronically.



- Consolidation of the implementation and use of the electronic PPO submission platform. This platform enables bidders to submit proposals for the tenders issued. As a statistic, it should be noted that at the end of 2019 a total of 1,902 tenders were processed electronically, of which 1,201 were in 2019.
- Consolidation of the electronic auction process defined and regulated in *article 143 of Law 9/2017, 8 November, on Public Sector Contracts*. As a statistic, since its implementation in March 2015, a total of 1,062 electronic auctions were executed in supplier contracting and 59 in commercial contracting at the end of 2019.

## 12. Stock market performance

During 2019, the share price fluctuated between a minimum of €137.00 and a maximum of €178.05, ending the period at €175.50, representing a revaluation of 25.6%, outperforming the IBEX35, which gained 11.8% in the same period.



Figure 8. Stock market performance

The main figures of performance of Aena's share price on the continuous market of the Madrid Stock Exchange are summarised as follows:

31/12/2019	AENA.MC
Total volume traded (no. shares)	63,973,255
Daily average volume traded in the period (No. of shares)	250,876
Capitalisation (€)	25,575,000,000
Closing price (€)	170.50
Number of shares	150,000,000
Free Float (%)	49%
Free Float (shares)	73,500,000

Table 19. Main data on Aena's share trading

As regards the acquisition and disposal of treasury shares, at 31 December 2019 Aena did not hold treasury shares, so there was no impact on the yield obtained by the shareholders or on the value of the shares.

## 13. Subsequent events

After December 31, 2019 and until the date of publication of this report, no significant events have occurred.

## 14. Non-financial Information Statement

The Non-financial Information Statement, in accordance with the provisions of Directive 2014/95/EU of the European Parliament and of the Council and with law 11/2018, which modifies the Commercial Code, the revised text of the Law of Capital Companies approved by Royal Legislative Decree 1/2010, of July 2, and Law 22/2015, of July 20, on Account Auditing, regarding non-financial information and diversity, is contained in the Consolidated Non-Financial Information Statement that is part of the Consolidated Management Report and, therefore, is subject to the same approval, deposit and publication criteria as the Consolidated Management Report, having been formulated by the Board of Directors along with the Management Report at its session of February 25, 2020. This report is available on the Aena website ( [www.aena.es](http://www.aena.es) ).



APPENDICES:

- I. Financial statements
- II. Summary of Relevant Events published
- III. Corporate Governance Report

## APPENDIX I: Financial statements

Balance as of December 31, 2019 and 2018

Thousands of euros	2019	2018
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible Assets	110,687	99,302
Property, plant and equipment	12,417,714	12,611,779
Investment properties	140,928	138,183
Investments in group companies and long-term associates	516,638	174,723
Long-term financial investments	80,840	74,528
Non-current commercial debts	4,363	3,259
Deferred tax assets	103,975	115,605
	<b>13,375,145</b>	<b>13,217,379</b>
<b>Current assets</b>		
Inventories	6,148	6,641
Trade debts and other receivables	461,709	411,912
Short-term investments in group companies and associates	30,282	1,288
Short-term financial investments	1,610	1,594
Short term accruals	5,509	6,654
Cash and cash equivalents	149,375	467,444
	<b>654,633</b>	<b>895,533</b>
<b>Total assets</b>	<b>14,029,778</b>	<b>14,112,912</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Own funds	6,376,945	5,995,162
Adjustments for value change	-94,333	-66,963
Grants, donations and heritages received	373,002	398,109
	<b>6,655,614</b>	<b>6,326,308</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Long-term provisions	84,193	92,862
Long-term bonds received	144,750	123,186
Long-term debts	353,412	717,487
Long-term debts with group companies and associates	4,705,603	5,338,514
Long term accruals	9,378	43,157
Deferred tax liabilities	129,710	138,080
	<b>5,427,046</b>	<b>6,453,286</b>
<b>Current liabilities</b>		
Short-term provisions	84,303	59,808
Short term debts	867,508	257,516
Short-term debts with group companies and associates	649,100	653,013
Trade creditors and other payables	307,956	321,267
Short term accruals	38,251	41,714
	<b>1,947,118</b>	<b>1,333,318</b>
<b>Total liabilities</b>	<b>7,374,164</b>	<b>7,786,604</b>
<b>Total equity and liabilities</b>	<b>14,029,778</b>	<b>14,112,912</b>

# APPENDIX I: Financial statements

## Profit and loss account for the year ended December 31, 2019 and 2018

Thousands of euros	2019	2018
<b>Ongoing activities</b>		
Net turnover	4,159,546	3,962,568
Work carried out by the Company for its assets	5,099	4,747
Subcontracted work and other supplies	-170,205	-173,862
Other operating revenue	12,107	12,935
Staff costs	-402,881	-370,984
Other operating expenses	-957,755	-896,864
Depreciation and amortisation	-716,985	-750,692
Portion of grants for fixed assets and others taken to income	39,655	95,076
Surplus provisions	4,701	7,679
Impairment and net gain or loss on disposals of fixed assets	-21,106	-60,256
<b>Operating revenue</b>	<b>1,952,176</b>	<b>1,830,347</b>
Finance income	4,808	3,204
Finance costs	-96,265	-124,247
Exchange differences	-41	-9
<b>Financial result</b>	<b>-91,498</b>	<b>-121,052</b>
<b>Profit before tax</b>	<b>1,860,678</b>	<b>1,709,295</b>
Tax on profit	-439,352	-408,113
<b>Result for the year from continuing operations</b>	<b>1,421,326</b>	<b>1,301,182</b>
<b>Result of the fiscal year</b>	<b>1,421,326</b>	<b>1,301,182</b>

## APPENDIX I: Financial statements

## Statement of cash flows for the year ended December 31, 2019 and 2018

Thousands of euros	2019	2018
<b>Profit before tax</b>	1,860,678	1,709,295
<b>Result adjustments:</b>	<b>834,894</b>	<b>867,587</b>
Depreciation and amortisation	716,985	750,692
Valuation corrections for impairment	13,024	-530
Accrual of grants	-39,655	-95,076
Impairment of fixed assets	-	46,249
Results for losses and disposals of fixed assets	9,339	15,835
Finance income	-4,808	-3,204
Financial expenses and exchange differences	62,607	86,923
Financial expenses settlement of financial derivatives	33,699	37,333
Changes in provisions	44,681	29,653
Others	-987	-288
<b>Changes in current capital</b>	<b>-132,541</b>	<b>-178,107</b>
Inventories	493	-184
Trade and other receivables	-61,410	-112,513
Other current assets	412	12
Trade and other payables	-16,987	-14,659
Other current liabilities	-53,892	-49,969
Other non-current assets and liabilities	-1,157	-794
<b>Net cash from operating activities</b>	<b>-512,855</b>	<b>-504,044</b>
Interest payments	-84,899	-115,727
Interest received	1,590	1,079
(Payments) / benefits tax charges	-429,197	-389,396
Other payments / (charges)	-349	-
<b>Other cash flow from investment activities</b>	<b>2,050,176</b>	<b>1,894,731</b>
<b>Payments for investments</b>	<b>-900,735</b>	<b>-491,656</b>
Group companies and associates	-401,915	-8500
Intangible Assets	-31,440	-20,790
Property, plant and equipment	-451,259	-445,051
Investment properties	-7,660	-4,410
Other financial assets	-8,461	-12,905
<b>Collections for divestments</b>	<b>32,496</b>	<b>11,803</b>
Group companies and associates	30,000	1,700
Property, plant and equipment	347	33
Other financial assets	2,149	-
Other assets	-	10,070
<b>Cash flow from investment activities</b>	<b>-868,239</b>	<b>-479,853</b>

# APPENDIX I: Financial statements

## Statement of cash flows for the year ended December 31, 2019 and 2018 (continued)

Thousands of euros	2019	2018
<b>Collections and payments for equity instruments</b>	<b>6,453</b>	<b>88,097</b>
Grants, donations and heritages received	6,453	88,097
<b>Collections and payments for financial liability instruments</b>	<b>-466,959</b>	<b>-778,646</b>
Issue:		
- Marketable securities	159,000	-
- Debts with credit institutions	641,000	-
- Other	60,117	31,728
Return and settlement of:		
- Debts with credit institutions	-650,000	
- Debts with group companies and associates	-633,744	-798,060
- Other debts	-43,332	-12,314
<b>Dividend payments and remuneration of other instruments</b>	<b>-1,039,500</b>	<b>-975,000</b>
Dividends	-1,039,500	-975,000
<b>Cashflow from financing activities</b>	<b>-1,500,006</b>	<b>-1,665,549</b>
<b>Net increase/decrease in cash or cash equivalents</b>	<b>-318,069</b>	<b>-250,671</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>467,444</b>	<b>718,115</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>149,375</b>	<b>467,444</b>

## APPENDIX II: Summary of Significant Events published 2019

Register	Date	Type of event	Description
273536	04/01/2019	Composition of the Board of Directors	The Company communicates changes in the composition of the Board of Directors, Executive Committee and Appointments and Remuneration Committee
274244	29/01/2019	Composition of the Board of Directors	The Company communicates changes in the composition of the Board of Directors and the Appointments and Remuneration Committee
274582	07/02/2019	Others re corporate governance	The Company communicates the change of the chairman of the Audit Committee
274937	20/02/2019	Announcements of public presentations and meetings	Aena, S.M.E., S.A. announces the presentation of the Group's results for FY2018
275161	26/02/2019	Annual corporate governance report	The company publishes its Annual Corporate Governance Report for 2018
275164	26/02/2019	Interim financial information	The Company publishes information on results for H2 2018
275165	26/02/2019	Information on results	Results Presentation and Consolidated Management Report FY 2018
275167	26/02/2019	Announcements and resolutions of general shareholders meetings	The Company announces the approval of the call of the General Meeting of Shareholders
275168	26/02/2019	Board of directors remuneration annual statement	The Company publishes the Annual Report on directors' remuneration
275170	26/02/2019	Information on dividends	2018 financial year dividend proposal
275672	05/03/2019	Announcements and resolutions of general shareholders meetings	The Company communicates the call for the General Shareholder's Meeting 2019
276121	15/03/2019	Start of form Transfers and acquisitions of company shares End of form	The company announces that it has been awarded the concession for the Northeast Group of airports in Brazil
276523	28/03/2019	Placing of large numbers of shares (block trades)	Merrill Lynch informs that it is carrying out on behalf of Talos Capital Designated Activity Company, an entity managed by TCI Fund Management Limited, a private placement among qualified investors of a package of AENA shares representing approximately 0.8% of its share capital.
276543	29/03/2019	Placing of large numbers of shares (block trades)	Merrill Lynch forwards details of the private placement among qualified investors of a package of AENA shares representing approximately 0.8% of its share capital.
276946	09/04/2019	Information on dividends	The Company communicates the dividend distribution approval by the General Shareholders' Meeting
276947	09/04/2019	Announcements and resolutions of general shareholders meetings	The Company communicates the approval of Resolutions by the General Shareholders' Meeting
276948	09/04/2019	Composition of the Board of Directors	The Company communicates changes in the composition of the Board of Directors and Board of Directors' Committees
277143	15/04/2019	Announcements of public presentations and meetings	Aena, S.M.E., S.A. announces the presentation of the Group's results for Q1 2019
277144	15/04/2019	Announcements of public presentations and meetings	Aena, S.M.E., S.A. announces the presentation of the Group's results for Q1 2019
277145	15/04/2019	Announcements of public presentations and meetings	Aena, S.M.E., S.A. announces the presentation of the Group's results for Q1 2019
277415	25/04/2019	Strategic plans, profit forecasts and presentations	The Company communicates the revision of passenger traffic growth estimate for the year 2019.
277681	30/04/2019	Interim financial information	The Company communicates Q1 2019 results
277989	09/05/2019	Credit ratings	Fitch affirms long-term IDR "A" Stable and rates Aena short-term IDR "F1"

## APPENDIX II: Summary of Significant Events published 2019 (continued)

Register	Date	Type of event	Description
280407	22/07/2019	Announcements of public presentations and meetings	Aena, S.M.E., S.A. announces the presentation of the Group's results for H1 2019
280653	26/07/2019	Credit ratings	Moody's confirms the long-term credit rating "A3" with a Stable Outlook
280889	30/07/2019	Interim financial information	The Company communicates H1 2019 results
280892	30/07/2019	Information on results	1S 2019 results presentation
280914	30/07/2019	Settlement of court or administrative proceedings	The company communicates that it will not appeal the rulings of the National High Court.
281986	24/09/2019	Other remarks on business and financial situation	Aena communicates that the Board of Directors has resolved in today's meeting to extend the contracts of Duty Free and Duty Paid that are currently operated by World Duty Free Group S.A. (DUFY) and its subsidiaries.
282740	22/10/2019	Announcements of public presentations and meetings	Aena, S.M.E., S.A. announces the presentation of the Group's results for the nine-month period ended on September 30 2019
282977	29/10/2019	Strategic plans, profit forecasts and presentations	The Company communicates passenger traffic growth estimate for the year 2020.
282979	29/10/2019	Interim financial information	The Company communicates Q3 2019 results
283132	30/10/2019	Fixed Income Issues	Short-term promissory note issuance program



### APPENDIX III: Corporate Governance Report

The Aena Annual Corporate Governance Report for the 2019 financial year forms part of the Consolidated Management Report and, as of the publication date of the consolidated annual accounts, is available on the National Securities Market Commission website and on the Aena website ([www.aena.es](http://www.aena.es)).

**PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2019**

On 25 February 2020, in accordance with the requirements of article 253 of the Capital Companies Act and article 37 of the Code of Commerce, the Board of Directors of the company Aena, S.M.E., S.A. has prepared the consolidated Financial Statements and the Management Report for the financial year ended on 31 December 2019, which comprise the attached documents that precede this statement.

<b>Cargo</b>	<b>Nombre</b>	<b>Firma</b>
Chairman:	Mr. Maurici Lucena Betriu	
Director:	Mrs. Pilar Arranz Notario	
Director:	Mr. Francisco Javier Martín Ramiro	
Director:	Mr. Angel Luis Arias Serrano	
Director:	Mrs. Angélica Martínez Ortega	
Director:	Mr. Francisco Ferrer Moreno	
Director:	Mrs. Marta Bardón Fernández-Pacheco	
Director:	Mr. Juan Ignacio Díaz Bidart	
Director:	TCI Advisory Services, LLP, representado por Mr. Christopher Anthony Hohn <sup>1</sup>	
Director:	Mr. Amancio López Seijas	
Director:	Mr. Jaime Terceiro Lomba	
Director:	Mr. José Luis Bonet Ferrer	
Director:	Mr. Josep Antoni Duran i Lleida	
Director:	Mrs. Leticia Iglesias Herraiz	
Director	Mr. Jordi Hereu Boher	
Secretary (non Director):	Mr. Juan Carlos Alfonso Rubio	

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<sup>1</sup> Mr. Christopher Hohn has formulated these annual accounts attending the meeting by conference call. Because of Mr. Christopher Hohn is not present at the time of signature of the accounts he delegates the signature to Mr. Jaime Terceiro Lomba.

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