Aena Desarrollo Internacional S.M.E. S.A. (Single Shareholder Company)

Financial statements for the year ended 31 December 2019 and Management Report

(Originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails)

Aena Desarrollo Internacional S.M.E. S.A. (Single Shareholder Company)
STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2019 and 2018
(Expressed in euros)

ASSETS	Notes	2019	2018
NON-CURRENT ASSETS		**722,414,310**	**193,776,344**
Intangible assets		**216,562**	**-**
Computer applications	5	216,562	-
Property, plant and equipment		**939,675**	**1,507,831**
Technical installations and other property, plant and equipment	6	939,675	1,507,831
Long-term investments in group companies and associates		**721,066,506**	**192,068,801**
Equity instruments	7.1	664,323,211	138,099,459
Long term credits	7.1-9-13	56,743,295	53,969,342
Long-term financial investments	7.2-9	**166,666**	**166,666**
Equity instruments		166,666	166,666
Deferred tax assets	14.4	**24,901**	**33,046**
CURRENT ASSETS		**44,333,009**	**163,099,812**
Advance payments to suppliers		**-**	**200**
Trade and other receivables		**10,420,679**	**4,669,635**
Trade receivables for sales and services	9	57,907	159,645
Trade receivables, group companies and associates	9-13	10,362,058	4,494,845
Personnel	9	714	2,206
Other receivables from Public Administration entities	14.1	-	12,939
Short-term investments in group companies and associates	7.3-9	**1,381,856**	**1,943,290**
Company receivables		1,381,856	414,011
Other financial assets		-	1,529,279
Short-term financial investments		**1,700**	**-**
Prepayments, deferred income, etc. (short term)	9	**5,577**	**13,828**
Cash and cash equivalents	4.d	**32,523,197**	**156,472,859**
Cash in hand		32,523,197	156,472,859
TOTAL ASSETS		**766,747,319**	**356,876,156**

Notes 1 to 20 form an integral part of these financial statements.

Aena Desarrollo Internacional S.M.E. S.A. (Single Shareholder Company)
STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2019 and 2018
(Expressed in euros)

LIABILITIES AND EQUITY	Notes	2019	2018
EQUITY		**392,170,619**	**354,837,429**
OWN FUNDS -		**392,170,619**	**354,837,429**
Capital	10	**161,182,190**	**161,182,190**
Registered capital		161,182,190	161,182,190
Reserves	10	**193,655,239**	**149,457,143**
Legal and statutory		21,473,110	17,053,300
Other reserves		172,182,129	132,403,843
Profit/(loss) for the year	3	**37,333,190**	**44,198,096**
NON-CURRENT LIABILITIES		**340,000,000**	**-**
Long-term debts with group companies and associates	**12**	**340,000,000**	**-**
CURRENT LIABILITIES		**34,576,700**	**2,038,727**
Short-term debts with group companies and associates	12	**30,000,000**	**191,254**
Trade and other payables		**4,576,700**	**1,847,473**
Creditors		2,758,004	778,315
Creditors, group companies and associates	13	1,565,262	790,391
Personnel		180,896	201,746
Other amounts owed to Public Administration entities	14.1	72,538	77,020
TOTAL EQUITY AND LIABILITIES		**766,747,319**	**356,876,156**

Notes 1 to 20 form an integral part of these financial statements

Aena Desarrollo Internacional S.M.E. S.A. (Single Shareholder Company)
INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018
(Expressed in euros)

	Notes	2019	2018
CONTINUING OPERATIONS			
Total net revenue	16.1	**54,896,301**	**52,914,354**
Provision of services		16,134,508	10,322,850
Revenue from holdings of equity instruments of group companies and associates	7.1-7.2	34,351,029	38,229,271
Finance income from loans to group companies		4,410,764	4,362,233
Other operating revenue		**203,750**	**200,821**
Non-core and other current operating income		203,750	200,821
Staff costs	16.2	**(2,010,133)**	**(1,998,699)**
Wages and salaries and similar		(1,616,799)	(1,613,787)
Social security costs		(393,334)	(384,912)
Other operating expenses		**(10,837,400)**	**(4,975,801)**
External services	16.3	(10,833,020)	(4,971,151)
Taxes		(4,380)	(4,650)
Depreciation and amortisation	6	**(351,594)**	**(418,686)**
Impairment and net gain or loss on disposals of fixed assets	6	**-**	**(2,145)**
OPERATING PROFIT/(LOSS)		**41,900,924**	**45,719,843**
Finance income		**52,639**	**45,990**
From negotiable securities and other third party, group company and associate financial instruments		52,639	45,990
Finance expenses		**(7,755,298)**	**-**
Interest on debts to group companies and associates	12	(1,471,667)	-
Variation in the fair value of financial instruments	9	(6,283,631)	-
Exchange differences	15	**2,521,340**	**(502,008)**
Impairment and gain/loss on disposal of financial instruments	7.1	**349,257**	**(116,165)**
Net gains and losses on disposals and other		349,257	(116,165)
NET FINANCE INCOME/(EXPENSE)		**(4,832,062)**	**(572,183)**
PROFIT/(LOSS) BEFORE TAX		**37,068,862**	**45,147,660**
Corporate income tax	14.3	**264,328**	**(949,564)**
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**37,333,190**	**44,198,096**
PROFIT/(LOSS) FOR THE YEAR		**37,333,190**	**44,198,096**

Notes 1 to 20 form an integral part of these financial statements.

Aena Desarrollo Internacional S.M.E. S.A. (Single Shareholder Company)
STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018
(Expressed in euros)

A) STATEMENTS OF RECOGNISED REVENUE AND EXPENSES

	Notes	2019	2018
RESULT OF THE PROFIT AND LOSS ACCOUNT (I)	3	**37,333,190**	**44,198,096**
TOTAL RECOGNISED REVENUE AND EXPENSES (I+II)		**37,333,190**	**44,198,096**

B) STATEMENTS OF COMPREHENSIVE CHANGES IN EQUITY

	Capital	Legal reserve	Capitalisation reserves	Other reserves	Profit/(loss) for the year	TOTAL
BALANCE AT THE BEGINNING OF 2018	**161,182,190**	**13,145,830**	**2,918,340**	**94,318,270**	**39,074,703**	**310,639,333**
Total recognised revenue and expenses	-	-	-	-	44,198,096	44,198,096
Transactions with shareholders						
- Capital increases	-	-	-	-	-	-
- Distribution of dividends	-	-	-	-	-	-
- Other transactions	-	3,907,470	1,337,341	33,829,892	(39,074,703)	-
CLOSING BALANCE 2018	**161,182,190**	**17,053,300**	**4,255,681**	**128,148,162**	**44,198,096**	**354,837,429**
Total recognised revenue and expenses	-	-	-	-	37,333,190	37,333,190
Transactions with shareholders						
- Capital increases	-	-	-	-	-	-
- Distribution of dividends	-	-	-	-	-	-
- Other transactions	-	4,419,810	3,508,373	36,269,913	(44,198,096)	-
CLOSING BALANCE 2019	**161,182,190**	**21,473,110**	**7,764,054**	**164,418,075**	**37,333,190**	**392,170,619**

Notes 1 to 20 form an integral part of these financial statements.

Aena Desarrollo Internacional S.M.E. S.A. (Single Shareholder Company)

STATEMENT OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

(Expressed in euros)

	Notes	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES (I)		**40,144,582**	**47,324,617**
Profit/(loss) for the year before taxes		**37,068,862**	**45,147,660**
Adjustments to the result:		**(33,601,140)**	**(41,847,639)**
- Depreciation and amortisation	5 and 6	351,594	418,686
Net gain or loss on disposals of fixed assets		-	2,145
Net gains or loss on derecognitions and disposals of financial instruments		(349,257)	116,165
- Finance income		(52,639)	(45,990)
- Finance expenses		1,471,667	-
- Exchange differences		(2,521,340)	502,008
- Dividend income	7.1-7.2	(34,351,029)	(38,229,271)
- Interest income on loans to group companies		(4,410,764)	(4,362,233)
- Change in fair value of financial instruments	9	6,283,632	-
- Others revenue and expense		(23,004)	(249,149)
Changes in working capital		**(2,957,543)**	**931,399**
- Inventories		200	(177)
- Trade and other receivables		(5,797,178)	(368,402)
- Other current assets		8,251	(10,168)
- Trade and other payables		2,831,184	1,310,146
Additional cash flow from operating activities		**39,634,400**	**43,093,197**
- Interest payments		(1,471,667)	-
- Dividend collections	7-16.1	35,452,926	39,192,968
- Interest received		4,504,266	4,412,459
- Other receipts (payments)		1,148,875	(512,230)
CASH FLOW FROM/(USED IN) INVESTING ACTIVITIES (II)		**(534,094,244)**	**3,029,629**
OPERATING PROFIT/(LOSS)			
Payments for investments		**(539,729,363)**	**(315,000)**
- Property, plant and equipment		-	(315,000)
- Long-term investments in group companies and associates	7.1	(539,729,363)	-
Proceeds of divestments		**5,635,119**	**3,344,629**
- Group companies and associates		5,635,119	3,344,043
- Other financial assets		-	586
CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES (III)		**370,000,000**	**-**
Collections and payments in respect of debt instruments	12	**370,000,000**	**-**
- Issue of debts with group companies and associates		400,000,000	-
- Repayment and amortisation of debts with group companies and associates		(30,000,000)	-
EFFECT OF EXCHANGE RATE FLUCTUATIONS (IV)		**-**	**87,700**
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III+IV)		**(123,949,662)**	**50,441,946**
Cash and cash equivalents at the beginning of the year		**156,472,859**	**106,030,913**
Cash and cash equivalents at the end of the year		**32,523,197**	**156,472,859**

Notes 1 to 20 form an integral part of these financial statements

1. Business activity

Aena Desarrollo Internacional S.M.E. S.A. (Sociedad Unipersonal) (hereinafter "the Company" or "AENA INTERNACIONAL") was incorporated on 13 November 1991 under the name Empresa de Mantenimiento Aeronáutico, S.A. and its sole shareholder is Aena S.M.E. S.A. (hereinafter "AENA").

Its registered office is at Calle Peonías 12, Madrid, Spain.

The corporate object of AENA INTERNACIONAL is as follows:

1. The operation, conservation, management and administration of airport infrastructures, as well as complementary services thereto and the provision of assistance to aircraft, passengers, air cargo and crews.

2. The planning and elaboration of projects, direction and control of execution of works for infrastructures and airport and air navigation facilities.

3. The construction, expansion, remodelling and equipping of airport infrastructures.

4. The carrying out of studies, advisory assignments, engineering, consultancies, preparation and evaluation of projects directly related to the aeronautical, airport and air navigation business.

5. All other activities that are ancillary and complementary or related to the above, especially those relating to commercial airport areas.

6. The Company may also carry out aircraft maintenance and engage in avionics equipment and other activities.

The corporate object may be pursued by the Company directly or indirectly by taking equity interests in other companies or entities at national and international level. Likewise, and in order to achieve the corporate object, it may promote and participate in any form of business collaboration that is admitted by law.

Its main activity consists of developing the international activity of the Aena group, to which the Company belongs, through investments in companies established outside Spain. The Company also carries out in-flight verification services activities for radio aids to air navigation and flight procedures.

The Company is the controlling company of a group of companies in accordance with current legislation, although it is part of the AENA Group, the parent company of which is AENA with registered office at Calle Peonías 12 and which prepares consolidated financial statements, which is why the Company does not present consolidated financial statements. AENA's consolidated financial statements for 2019 will be prepared by its Board of Directors and filed with the Madrid Trade and Companies Register in accordance with the legal deadlines established for this purpose.

The effect of applying consolidation criteria compared with the individual financial statements would mean for 2019 an increase in assets amounting to €570,415,000, a decrease in equity of €121,756,000, an increase in net turnover of €256,906,000 and a decrease in profit of €11,308,000.

These financial statements were approved by the Board of Directors on 18 February 2020.

2. Basis of presentation

2.1 True and fair view

The financial statements have been prepared from the accounting records of the Company and are presented in accordance with current commercial legislation and with the regulations established in the General Accounting Plan approved by Royal Decree 1514/2007 as amended by Royal Decrees 1159/2010 and 602/2016 with a view to giving a true and fair view of the Company's assets, financial situation and results as well as of the cash flows shown in the statement of cash flows.

(Expressed in euros)

2.2 Accounting principles applied

The Directors have drawn up these financial statements taking into account all mandatorily applicable accounting principles and standards that have a significant effect on them. All mandatory accounting principles have been applied.

2.3 Comparison of information

For purposes of comparison, the Financial Statements show, for each item in the statement of financial position, the income statement, the statement of changes in equity, the statement of cash flows, the notes to the financial statements and, in addition to the figures for 2019, those corresponding to the previous financial year, which were part of the financial statements for 2018 approved by the General Shareholders' Meeting of 8 April 2019.

Some of the amounts for 2018 shown in Notes 5 and 6 have been reclassified in these financial statements in order to make them comparable with those of the current financial year. The reclassification, from information processing equipment to computer applications, amounts to €295,313.

2.4 Critical aspects of valuation and estimates of uncertainty

The preparation of the financial statements requires the application of significant accounting estimates and the making of judgements, estimates and assumptions in the process of applying the Company's accounting policies. Details of aspects involving a significant degree of judgement or complexity or for which the assumptions and estimates are significant for the preparation of the financial statements are summarised below.

- Analysis of indications of impairment and impairment test on investments in group companies (see Note 7.1).

Although these estimates have been made on the basis of the best information available at the end of 2019, it could be that as a result of external changes or the availability of additional information, these estimates are re-evaluated in future years, which would be done prospectively.

2.5 Grouping of items

Certain items in the statement of financial position, the income statement, the statement of changes in equity and the statement of cash flows are presented in grouped form to facilitate their understanding, although if they are significant, the disaggregated information is included in the corresponding Notes to the financial statements.

3. Appropriation of profit/(loss)

The proposed appropriation of the profit obtained in 2019, drawn up by the Board of Directors for submission to the sole shareholder for approval, is as follows:

	Euros
Basis of distribution:	
Profit for the year	37,333,190
Appropriation:	
Legal reserve	3,733,319
Capitalisation reserve	3,977,634
Voluntary reserves	29,622,237
Total	**37,333,190**

At 31 December 2019 the amount of non-distributable reserves corresponded to the legal reserve and the capitalisation reserve in the amounts of €21,473,110 and €7,764,054 respectively (€17,053,300 and €4,255,681 respectively in 2018) (see Note 10).

4. Rules for recognition and valuation

The main rules for recognition and valuation applied by the Company in preparing its financial statements for 2019 and 2018 are those established by the current General Accounting Plan:

a. Intangible assets

Computer applications

This includes licences for computer programs that are capitalised based on the costs incurred to acquire and prepare them for use of the specific program. These costs are amortised over their estimated useful lives (5 years).

Expenses relating to the maintenance of computer programs are recognised as expense as and when incurred. The costs directly related to the production of unique and identifiable computer programs controlled by the Company, and that are likely to generate economic benefits in excess of the costs for more than one year, are recognised as intangible assets. Direct costs include the costs of the staff developing the software and an appropriate percentage of overheads.

b. Property, plant and equipment

Items of property, plant and equipment are initially valued at acquisition price, which includes the additional costs incurred until the asset starts operating but without in any case exceeding market value.

Subsequently, they are measured at acquisition price less accumulated depreciation and any impairment losses.

Conservation and maintenance expenses for the various items that make up property, plant and equipment are charged to profit and loss in the year in which they are incurred. Amounts invested in improvements that contribute to increasing the capacity or efficiency or lengthening the useful life of these assets are recognised as increases in their acquisition cost in the corresponding account.

The Company depreciates property, plant and equipment using the linear method, applying annual depreciation percentages calculated based on the years of estimated useful life of the respective assets as follows:

	Years of useful life
Furniture	10
Information processing equipment	4
Means of transport - Aeroplane	17
Means of transport - Others	5

The residual value and service life of assets are reviewed, and adjusted if appropriate, at each balance sheet date. If the carrying amount of an asset is greater than its estimated recoverable amount, its value is immediately reduced to its recoverable amount.

Gains and losses on the disposal of property, plant and equipment are calculated by comparing the sale proceeds with the carrying amount and are recognised in profit and loss.

Impairment of property, plant and equipment

At the end of each year, if there are indications of loss of value, the Company carries out an impairment test to estimate whether the loss of value reduces the recoverable amount of the assets concerned to below their carrying amount.

The recoverable amount is determined as the higher of the fair value less selling costs and the value in use.

The value in use is calculated from the estimated future cash flows, discounted at a rate that reflects current market valuations with respect to the value of money and the specific risks associated with the asset. Fair value is understood as the value at which the asset in question could be disposed of under normal conditions and is determined based on market information, external transactions, etc.

If it is estimated that the recoverable amount of an asset is less than its carrying amount, the latter is reduced to its recoverable amount and the corresponding value adjustment recognised in profit and loss.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased up to the limit of the value at which the asset would have been measured at that later time if such loss in value had not been recognised.

As a result of the above-mentioned analysis, no existence of indications of impairment in property, plant and equipment was identified in 2019 or 2018.

c. Finance leases

Lessee accounting:

The Company has acquired the right to use certain assets under lease agreements.

Leases in which the contract transfers to the Company substantially all the risks and benefits inherent in ownership of the assets are classified as finance leases and, otherwise, as operating leases. The Company's leases are operating leases.

The Company evaluates the economic substance of the contracts in order to determine the existence of implicit leases. A contract is or contains a lease if the performance of the agreement depends on the use of a specific asset or assets. In these cases, the Company separates, at the start of the contract, based on their fair values, the payments and considerations relating to the lease from those corresponding to the rest of the elements incorporated in the agreement. Payments relating to the lease are recognised applying the criteria referred to in this section.

Finance leases:

The Company recognises a receivable in the statement of financial position for the present value of the minimum payments to be received for the lease plus the residual value of the asset, even if it is not guaranteed, discounted at the interest rate implicit in the contract. Financial revenue is recognised in profit and loss in accordance with the effective interest rate method.

Contingent lease rentals are recognised as revenue when it is probable that they will be obtained, which is generally when the conditions agreed in the contract occur.

At 31 December 2019 and 2018, the Company had no finance leases.

d. Financial instruments

d.1 Financial assets

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

a) Loans and receivables: financial assets originating from the sale of goods or the provision of services as part of the company's commercial operations, rights to receive dividends declared by investee companies, temporary loans of cash to third parties or related companies, where the amounts to be received are fixed or determinable and the instruments are not traded on an active market, plus the corresponding accrued interest.

b) Cash and cash equivalents: cash includes both cash in hand and demand bank deposits. Cash equivalents are current investments with maturities at less than three months and which are not subject to a significant risk of changes in value.

At 31 December 2019, the heading “Cash and cash equivalents” in the enclosed statement of financial position consisted of balances in current accounts and cash in euros. In 2018 there was only a cash balance in pounds sterling (GBP), which was valued at the closing exchange rate. Details of this heading at 31 December 2019 and 2018 are as follows:

(Expressed in euros)

	Euros	
	31/12/2019	**31/12/2018**
Balances in bank current accounts in euros	32,522,139	156,471,498
Cash balance in foreign currency	-	32
Cash balance in euros	1,058	1,329
Total "Cash and cash equivalents"	**32,523,197**	**156,472,859**

c) Investments in the equity of Group companies and associates: Group companies are those related to the Company through a controlling relationship and associates are those over which the Company exercises significant influence.

d) Other long-term financial investments: this includes debt securities and equity instruments of other companies where the Company does not have control or significant influence in their decision-making. In particular, the Company includes in this category the non-controlling interest that it holds in European Satellite Services Provider, SAS.

Initial valuation

Investments in group companies, associates and joint ventures are initially recognised at cost. This cost is equivalent to the fair value of the consideration given, including, for investments in associates and joint ventures, transaction costs incurred. The investments are subsequently valued at cost less the cumulative amount of any value adjustments for impairment. Investments in group companies acquired prior to 1 January 2010 include the acquisition cost and transaction costs incurred.

Subsequent valuation

- Loans and receivables are valued at amortised cost.

- Investments in the equity of Group companies and associates are subsequently valued at cost less the cumulative amount of any value adjustments for impairment. These adjustments are calculated as the difference between the carrying amount and the recoverable amount, understood as the higher of fair value less selling costs and the present value of the future cash flows deriving from the investment.

The impairment calculation is determined by comparing the carrying amount of the investment with its recoverable amount, understood as the greater of value in use and fair value less selling costs. Value in use is calculated based on the Company's share in the present value of the estimated cash flows from ordinary activities and the final disposal or of the estimated flows expected to be received from the distribution of dividends and final disposal of the investment.

Impairment losses and reversals are recognised in profit and loss. In subsequent years, impairment reversals are recognised, to the extent that there is an increase in the recoverable amount, subject to the limit of the carrying amount that the investment would have had if the impairment had not been recognised.

- Financial assets available for sale are measured at their fair value, and changes in this fair value are recognised in equity until the asset is disposed of or has suffered a stable or permanent decline in value, at which time the cumulative results previously recognised in equity are transferred to profit and loss.

In this regard, equity instruments the fair value of which cannot be reliably determined are valued at cost. In this case, the value correction for impairment of these investments is calculated in accordance with the provisions for “Investments in the equity of Group companies and associates”. Consequently, any impairment provisions are recognised in profit and loss for the year and the reversal of impairment recognised in previous years is not possible.

Finally, the Company derecognises financial assets when they mature and are collected or when the rights to the cash flows of the corresponding financial asset are transferred and the risks and benefits inherent to their ownership have been substantially transferred.

d.2 Financial liabilities

Financial liabilities are debts and payables of the Company originating from the acquisition of goods and services as part of the company’s commercial operations, by way of loan or credit transactions of a financial nature. These external resources are classified as current liabilities, unless the Company has an unconditional right to defer settlement for at least 12 months after the date of the statement of financial position. In this regard, debts and payables are initially valued at the fair value of the consideration received, adjusted for directly attributable transaction costs. Subsequently, these liabilities are measured at amortised cost using the effective interest rate method. The effective interest rate is the discount rate that matches the present value of the estimated future payments to maturity of the liability with the carrying amount of the instrument.

However, trade payables with no contractual interest rate and falling due within one year are measured both initially and subsequently at their nominal amount when the effect of not discounting the cash flows to their present value is not significant.

Finally, the Company derecognises financial liabilities when the obligations generating them are extinguished.

d.3 Derivative financial instruments

Derivative financial instruments that meet hedge accounting criteria are initially recognised at their fair value plus or minus transaction costs directly attributable to their contracting or issue as the case may be. However, transaction costs are subsequently recognised in profit or loss, insofar as they do not form part of the effective variation of the hedge.

The Company contracts fair value and cash flow hedges. Also, the Company has chosen to recognise hedges of the exchange rate risk of a firm commitment as a cash flow hedge.

At the beginning of the hedge, the Company formally designates and documents the hedging ratios, as well as the objective and the strategy it assumes with respect thereto. Hedge accounting applies only when the hedge is expected to be effective at the start of the hedge and in subsequent years so as to offset the changes in fair value or in cash flows attributable to the hedged risk during the period for which it has been designated (prospective analysis) and the actual effectiveness is in a range of 80-125% (retrospective analysis) and can be reliably determined.

Likewise, in the case of cash flow hedges of expected transactions, the Company assesses whether these transactions are highly probable and whether they present an exposure to variations in cash flows that could ultimately affect results for the year.

(i) Cash flow hedges

Changes in the fair value of hedging instruments corresponding to the part that has been identified as effective hedging are recognised directly in equity. The part of the hedge that is considered ineffective, as well as the specific component of the loss or gain or cash flows related to the hedging instrument excluded from the valuation of the hedge effectiveness, are recognised under change in the fair value of financial instruments.

The separate component of equity associated with the hedged item is adjusted to the lower of the accumulated result of the hedging instrument since its inception and the accumulated change in the fair value or present value of the expected future cash flows of the hedged item from the start of the hedge. However, if the Company does not expect all or part of a loss recognised in equity to be recovered in one or more future years, the amount that will not be recovered is reclassified to change in fair value of financial instruments.

In hedging expected transactions that give rise to the recognition of a financial asset or liability, the associated gains or losses that have been recognised in equity are reclassified to profit and loss in the same financial or financial years in which the asset acquired or the liability assumed affect the result and under the same heading of the income statement.

In hedging expected transaction that subsequently give rise to the recognition of a non-financial asset or liability, the gains or losses recognised in equity are reclassified against the initial cost or carrying amount of the non-financial asset or liability.

The Company prospectively discontinues hedge accounting when the circumstances indicated in the fair value hedges occur. In these cases, the cumulative amount in equity is not recognised in profit and loss until the expected transaction takes place. However, the aforementioned amounts accumulated in equity are reclassified to change in fair value of financial instruments in the income statement as soon as the Company no longer expects the transaction in question to take place.

However, the hedging instrument is not considered to have expired or been terminated if, as a consequence of laws or regulations or the introduction of laws or regulations, the Company agrees with the counterparty that a central counterparty or clearing organisation will act as counterparty for each party to the instrument and any changes to the instrument are limited to those necessary to effect the replacement of the counterparty. The effects of such replacement must be recognised in the valuation of the instrument and therefore in the calculation and measurement of its effectiveness.

e. Transactions and balances in foreign currency

The functional currency used by the Company is the euro. Consequently, transactions in currencies other than the euro are considered to be in a foreign currency and are recognised according to the exchange rates in force on the dates of the transactions.

At the end of the year, monetary assets and liabilities denominated in foreign currency are converted by applying the exchange rate on the date of the balance sheet. The resulting gains or losses are recognised directly in profit and loss for the financial year in which they occur.

f. Corporate income tax

Income tax expense or income consists of the portion relating to current tax expense or income and the portion relating to deferred tax expense or income.

Current tax is the amount that the Company pays in respect of profit for the year. Deductions and other tax benefits, excluding withholding and payments on account, as well as applicable tax loss carryforwards, give rise to reductions in the amount of current tax payable.

Deferred tax expense or income corresponds to the recognition and cancellation of deferred tax assets and liabilities. These include temporary differences that are identified as expected amounts payable or recoverable deriving from differences between the book amounts of assets and liabilities and their tax value, as well as negative tax bases pending offset (tax loss carryforwards) and tax deduction credits not applied fiscally. These amounts are recognised by applying to the relevant temporary difference or credit the tax rate at which they are expected to be recovered or settled in accordance with current regulations or those pending publication at the closing date of the financial year.

Deferred tax assets are recognised only to the extent that it is considered probable that the Company will have future taxable profits against which to make them effective.

Deferred tax assets and liabilities originating from transactions with direct debits or credits in equity accounts are also accounted for with balancing entries in equity.

At each accounting close, recognised deferred tax assets are reconsidered, and appropriate corrections made thereto if there are any doubts as to their future recovery. Also, at each close of year, deferred tax assets not recognised in the statement of financial position are evaluated and recognised to the extent that their recovery against future taxable profits becomes probable.

g. Classification of assets and liabilities as current or non-current

Assets are classified as current when they are expected to be realised or are intended to be sold or consumed in the course of the Company's normal cycle of operation, they are held primarily for trading purposes, they are expected to be realised within the twelve-month period after closing date or they consist of cash and cash equivalents, except in those cases which they cannot be exchanged or used to settle a liability, within at least twelve months of closing date.

Liabilities are classified as current when they are expected to be settled in the Company's normal operating cycle, they are held mainly for trading purposes, they have to be settled within the twelve-month period from the closing date or the Company does not have the unconditional right to defer settlement of the liabilities for the twelve months following the closing date.

h. Revenue and expense

Revenues and expenses are recognised based on accrual criteria, that is, when the real flow of goods and services that they represent occurs, regardless of when the monetary or financial flow derived from them occurs. Said revenue is valued at the fair value of the consideration received, less any discounts and taxes.

<u>Provision of services</u>

Revenue from the provision of services is recognised on the basis of the percentage completed at the date of the statement of financial position, providing the result of the transaction can be reliably estimated.

Revenue is registered at the fair value of the consideration to be received and represents the amounts receivable for services rendered in the ordinary course of the Company's activities, less returns, rebates, discounts and value added tax.

<u>Interest income</u>

Interest is recognised using the effective interest rate method.

<u>Dividend income</u>

Income from dividends resulting from investment in equity instruments is recognised at the point when the Company has the right to receive said payments. If the dividends distributed derive unequivocally from profits which predate the acquisition date, as amounts have been distributed which exceed the profits generated by the investee company, the book value of the investment is reduced.

i. Provisions and contingencies

In drawing up the financial statements the Company's Directors differentiate between:

a) Provisions: credit balances covering current obligations arising from past events, cancellation of which is likely to result in an outflow of resources, but which are uncertain in terms of their amount and/or time of cancellation.

b) Contingent liabilities: possible obligations arising as a result of past events, the future materialisation of which is conditional on the occurrence, or not, of one or more future events independent of the Company's will.

The statement of financial position includes all the provisions with respect to which it is estimated that the probability of having to meet the obligation is greater than otherwise. Contingent liabilities are disclosed in the notes to the report, but are not recognised in the accounts.

Provisions are recorded at their present value considering the estimated amount of the obligation and the time at which it will be discharged. Increases in the provisions established deriving from their updating to reflect the passage of time are charged to profit and loss as a financial expense as and when they accrue.

j. Provisions for employee benefit obligations

Severance pay

In accordance with current legislation, the Workers Statute and the Offices Collective Agreement, the Company is obliged to pay compensation to those employees with whom, under certain conditions, it terminates its labour relations. Therefore, severance pay that can be reasonably quantified is recognised as an expense in the year in which the dismissal decision is made. In the statement of financial position at 31 December 2019 and 2018, no provision for compensation has been recognised.

Pension commitments: Defined contribution pension plans

A defined contribution plan is one under which the Company makes fixed contributions to a separate entity and has no legal, contractual or implicit obligation to make additional contributions if the separate entity does not have sufficient assets to meet the commitments assumed.

For defined contribution plans, the Company pays contributions to publicly or privately managed pension insurance plans on a mandatory, contractual or voluntary basis. Once the contributions have been paid, the Company has no obligation to make additional payments. Contributions are recognised as employee benefits as and when they accrue. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction of future payments is available.

The Company recognises a liability for contributions to be made when, at the end of the financial year, there are unpaid accrued contributions.

Pension plans

The Company stipulates a pension plan as a post-employment benefit for its workers. Based on Royal Decree-Law 24/2018, Article 3. Two, final paragraph, in 2019 the Company agreed to make contributions to the pension plan. However, pursuant to Law 6/2018 of 3 July on the General State Budgets for 2018, contributions could not be made to employment pension plans or group insurance contracts that include coverage of the retirement contingency, so no contributions were made in either year.

Profit sharing plans and bonuses

The Company recognises a liability and an expense for bonuses and profit sharing based on a formula that takes into account the profit attributable to its shareholders after certain adjustments. The Company recognises a provision when it is contractually obliged or when past practice has created an implicit obligation.

k. Assets of an environmental nature

Assets of an environmental nature are considered to be assets that are used in a lasting manner in the Company's activity, the main purpose of which is to minimise the environmental impact and protect and improve the environment, including the reduction or elimination of future pollution.

Given the activity in which the Company is engaged, it has no responsibilities, expenses, assets, provisions or contingencies of an environmental nature that could be significant in relation to its assets, financial situation or results. For this reason, no specific disclosures are included in these notes to the financial statements with regard to information on environmental issues.

l. Related party transactions

The Company carries out related party transactions at market prices. In addition, transfer prices are appropriately supported, and therefore the Company's Directors do not consider that any significant risks that could give rise to material liabilities in the future exist in this connection.

5. Intangible assets

The details and movement in this item of the statement of financial position in 2019 and 2018 were as follows (in euros):

- **2019:**

	Balance at 1 January 2019	Additions	Transfers (Note 6)	Balance at 31 December 2019
Cost:				
Computer applications	501,781	-	-	501,781
Total cost	**501,781**	**-**	**-**	**501,781**
Amortisation:				
Computer applications	(206,468)	(78,751)	-	(285,219)
Total amortisation	**(206,468)**	**(78,751)**	**-**	**(285,219)**
Net total	**295,313**	**(78,751)**	**-**	**216,562**

- **2018:**

	Balance at 1 January 2018	Additions	Transfers	Balance at 31 December 2018
Cost:				
Computer applications	186,781	315,000	-	501,781
Total cost	**186,781**	**315,000**	**-**	**501,781**
Amortisation:				
Computer applications	(186,781)	(19,687)	-	(206,468)
Total amortisation	**(186,781)**	**(19,687)**	**-**	**(206,468)**
Net total	**-**	**295,313**	**-**	**295,313**

In 2019, the transfers corresponded mainly to the Automatic Flight Inspection System (AFIS), in respect of which after detailed analysis and based on its characteristics the Company determined that it corresponds more appropriately to a computer application than to information processing equipment. The remaining useful life of the asset was not changed.

At the end of 2019 and 2018, the Company had fully amortised intangible assets that were still in use amounting to €3,737,692 and €186,781 respectively.

Assets relating to the in-flight calibration unit (automated aircraft and flight inspection system) are covered by insurance policies for the possible risks to which they are subject. The Company's Directors consider the insurance coverage at 31 December 2019 and 2018 to be sufficient.

6. Property, plant and equipment

The movement under this heading of the statement of financial position in 2019 and 2018 was as follows (in euros):

- **2019:**

	Balance at 1 January 2019	Additions	Transfers (Note 5)	Balance at 31 December 2019
Cost:				
Furniture	332	-	-	332
Information processing equipment	3,552,547	-	-	3,552,547
Means of transport	3,238,173	-	-	3,238,173
Total cost	**6,791,052**	**-**	**-**	**6,791,052**
Depreciation:				
Furniture	(332)	-	-	(332)
Information processing equipment	(3,552,547)	-	-	(3,552,547)
Means of transport	(2,025,655)	(272,843)	-	(2,298,498)
Total depreciation	**(5,578,534)**	**(272,843)**	**-**	**(5,851,377)**
Net total	**1,212,518**	**(272,843)**	**-**	**939,675**

- **2018:**

	Balance at 1 January 2018	Additions	Derecognitions	Balance at 31 December 2018
Cost:				
Furniture	32,137	-	(31,805)	332
Information processing equipment	3,566,399	-	(13,852)	3,552,547
Means of transport	3,227,074	22,199	(11,100)	3,238,173
Other property, plant and equipment	1,400	-	(1,400)	0
Total cost	**6,827,010**	**22,199**	**(58,157)**	**6,791,052**
Depreciation:				
Furniture	(28,200)	(1,792)	29,660	(332)
Information processing equipment	(3,444,220)	(122,179)	13,852	(3,552,547)
Means of transport	(1,761,867)	(274,888)	11,100	(2,025,655)
Other property, plant and equipment	(1,260)	(140)	1,400	0
Total depreciation	**(5,235,547)**	**(418,686)**	**56,012**	**(5,578,534)**
Net total	**1,591,463**	**(81,487)**	**(2,145)**	**1,212,518**

At the end of 2019 and 2018, the Company had fully depreciated items of property, plant and equipment that were still in use, as follows:

Description	2019 Carrying amount (gross)	2018 Carrying amount (gross)
Computer applications	-	3,550,912
Information processing equipment	1,636	1,636
Furniture	332	332
Total	**1,968**	**3,552,880**

Property, plant and equipment is covered by insurance policies for the possible risks to which it is subject. The Company's Directors consider the insurance coverage at 31 December 2019 and 2018 to be sufficient.

7. Financial investments

7.1 Long-term investments in group companies and associates

Details and movement in 2019 and 2018 were as follows (in euros):

(Expressed in euros)

	Euros	
	Balance at 31 December 2019	**Balance at 31 December 2018**
Investments in shares (Cost) -		
Aeropuertos Mexicanos del Pacífico, S.A.P.I. de C.V. (AMP)	66,237,461	71,466,719
Aerocali S.A. (AEROCALI)	2,926,672	2,926,672
Sociedad Aeroportuaria de la Costa S.A. (SACSA)	690,040	690,040
London Luton Airport Holdings III Limited (LLAHL III)	63,016,028	63,016,028
Aeroportos do Nordeste do Brasil (ANB)	531,453,010	-
Long-term loans to related parties		
Shareholder loan granted to London Luton Airport Holdings II Limited (LLAHL II)	56,743,295	53,969,342
Total “Long-term investments in group companies and associates”	**721,066,506**	**192,068,801**

LONDON LUTON AIRPORT HOLDINGS III LIMITED

In 2014, AENA INTERNACIONAL acquired 51% of the shares representing the capital of London Luton Airport Holdings III Limited (LLAHL III) for a total amount of £53.1 million (equivalent to €63 million), Aerofi S.a.r.l. (Aerofi) being the other shareholder, with a 49% stake.

As a result of this transaction AENA INTERNACIONAL acquired control of LLAHL III in 2014 and from that year on the AENA Group has therefore fully consolidated this company and its subsidiaries.

LLAHL III is an instrumental company created for the purpose, through its 100% subsidiary London Luton Airport Holdings II Limited (LLAHL II), which in turn owns 100% of London Luton Airport Holdings I Limited (LLAHL I), of carrying out the acquisition, on 27 November 2013, of London Luton Airport Group Limited and its subsidiary London Luton Airport Operations Limited, the managing company of Luton airport in the United Kingdom. In the framework of the transaction, AENA INTERNACIONAL and Aerofi signed an agreement whereby AENA INTERNACIONAL had the option (purchase option) to acquire from Aerofi 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 Aerofi, the financial costs of the 51% of the debt subscribed by Aerofi in LLAHL II and to shareholder return, and for the issue of any new shares of LLAHL III that may have occurred during the exercise period. Option exercised in 2014.

In addition and deriving from the execution of the aforementioned purchase option, AENA INTERNACIONAL assumed 51% of the financing granted to LLAHL II, which amounted to £48.3 million (equivalent to €56.7 million in 2019 and €54 million in 2018). This debt corresponds to a 10-year shareholder loan at 8% interest, with semi-annual interest payments and repayment at maturity in November 2023. In 2019, this loan generated interest in favour of AENA INTERNACIONAL of €4,410,764 (in 2018 the amount was €4,362,233), which is recognised under the heading “Financial revenue from loans to group companies” in the income statement.

At 31 December 2019, impairment tests were carried out on the Company’s investment in LLHAL III and on the loan granted to LLAHL II, in accordance with the value in use, estimating the recoverable amount by valuing its share in the cash flows expected to be generated by this company. These calculations use cash flow projections based on financial budgets approved by the Management that cover the duration of the operating concession of Luton Airport (London, United Kingdom). Flows consider past experience and represent Management's best estimate of future market developments. Therefore, at the end of 2019 the impairment tests carried out did not detect any impairment.

AEROPORTOS DO NORDESTE DO BRASIL

Within the scope of the objectives of the 2018-2021 Strategic Plan, 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 Recife, Maceió, Aracaju, Campina Grande, João Pessoa and Juazeiro do Norte airports in Brazil, grouped into the North-east Brazil Airports Group.

In accordance with Law 40/2015 of 1 October on the Legal Regime of the Public Sector, at its meeting of 12 April 2019 the Council of Ministers resolved to authorise Aena Desarrollo Internacional S.M.E. S.A. to create a state trading company in Brazil called Aeroportos do Nordeste do Brasil S.A. (hereinafter “ANB”) as the concessionaire for the 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 the specific and exclusive corporate object of providing public services for the expansion, maintenance and operation of the airport infrastructure of the airport complexes comprising the North-east block of Brazil. The Board of Directors of the Brazilian company, in its meeting held on 1 July 2019, approved a capital increase for 2,388,990,000 Brazilian reais fully subscribed by the Company, its sole shareholder, the equivalent value at the date of the commitment being €531,453,010. With the objective of reducing exposure to changes in the BRL/EUR exchange rate of these commitments up to the dates indicated, the Company put in place a fair value hedging strategy ensuring an exchange rate of 4.4425 BRL/EUR, as described in Note 9. The form and term for making this disbursement was as follows:

- On 18 July 2019: 488,894,033 million Brazilian reais (€110,048,304 at the aforementioned locked-in exchange rate) corresponding to the contribution stipulated by the Brazilian Government for the concession expenses to be paid to Infraero (advisers’ fees, auction expenses and Infraero’s lay-off programme) and residual cash.

- On 26 August 2019: 1,900,000,000 Brazilian reais (€427,687,113.11 at the aforementioned locked-in exchange rate) corresponding to the amount of the offer.

The Company will begin operating the airports forming the object of the concession from January 2020, for a period of 30 years, extendable by 5 additional years.

AEROPUERTOS MEXICANOS DEL PACÍFICO

On 24 February 2006, Grupo Aeroportuario del Pacifico S.A.B. de CV (hereinafter “GAP”) (a company owned by AMP, whose sole activity is the holding of GAP shares) was listed on the Mexico and New York stock exchanges through an IPO carried out by the Mexican Government (previous owner of the remaining 85% of the capital). Additionally, AMP acquired 2,296% of GAP in the stock market for 286,297,895 Mexican pesos (MXN), to reach 17.296% of its capital. In May 2008, 640,000 shares were purchased on the stock exchange for an additional amount of 26,229,376 Mexican pesos (MXN), 0.11396%, reaching 17.40996% of GAP. On 19 December, in compliance with the decisions of the board, AMP sold 250,000 series B shares, which represented 1.85% of the 2.41% held in these shares, in other words selling 0.04% and retaining 17.4% (17.36996% vs. 17.40996%) of GAP with a result of 29.6 million Mexican pesos.

The average purchase price of the shares that AMP owns in GAP amounts to 23.12 Mexican pesos (MXN), while the listed price at 31 December 2019 was 224.67 MXN (2018: 159.84 MXN).

On 7 January and 14 May 2019 the General Meeting of Shareholders of associate Aeropuertos Mexicanos del Pacífico, S.A.P.I. de C.V. approved reductions in the variable part of its share capital of 60 million and 302 million Mexican pesos respectively, which amounts were paid to shareholders in proportion to their shareholdings in the company. Accordingly, 33.33% of these reductions, or 120,666,000 Mexican pesos, corresponded to Aena Desarrollo Internacional. As a consequence of this transaction the Group recognised a cash inflow of €5,635,000, reduced its holding in the associate by €5,229,000 and recognised the difference directly in equity. This operation did not generate changes in the percentage of the holding and had a positive effect recognised under the heading “Impairment and net gain or loss on disposals of financial instruments” in an amount of €349,257.

The theoretical accounting value of the Company's shareholding in AMP is less than its actual carrying amount. In these circumstances, the Company carries out an impairment test considering the estimated fair value of AMP taking into account the value of the portion of GAP listing investment in which corresponds to AMP’s activity.

AEROCALI

On 29 May 2014, AENA INTERNACIONAL acquired 63,335 additional shares, 16.66%, reaching 50% in Aerocali, S.A., for €2 million. With this acquisition, AENA INTERNACIONAL did not acquire control of the investment, but rather joint control. This company is in charge of managing the concession of the Alfonso Bonilla Aragón International Airport in Cali, until 1 September 2020, the end date of the aforementioned concession.

The Company’s Directors estimate that the cash flows generated and to be generated until the end of the concession will allow recovery of the value of the Company’s investment in this subsidiary.

SOCIEDAD AEROPORTUARIA DE LA COSTA

The Rafael Núñez International Airport in the city of Cartagena de Indias is managed by Sociedad Aeroportuaria de la Costa SA. This management ends on 26 September 2020.

The Company's Directors estimate that the cash flows generated and to be generated until the end of the concession will allow recovery of the value of the Company's investment in this subsidiary.

Details of the main characteristics of the investments in the equity of group companies and associates that the Company held at 31 December 2019 and 2018 are as follows:

Name and address	Activity	Percentage of Capital	
		31/12/2019	31/12/2018
Aeropuertos Mexicanos del Pacífico, S.A.P.I. de C.V. (AMP) Mexico DF	Operator of GAP airports	33.33	33.33
Aerocali S.A. Alfonso Bonilla Aragón Airport Cali, Colombia	Operation of Cali Airport	50	50
Sociedad Aeroportuaria de la Costa S.A. (SACSA) Rafael Núñez Airport Cartagena de Indias, Colombia	Operation of Cartagena Airport	37.89	37.89
Aeropuertos del Caribe S.A. (ACSA) Carrera 53 No. 76-57 Barranquilla, Colombia	Inactive (*)	40	40
London Luton Airport Holdings III Limited (LLAHL3) London Luton Airport	Operation of Luton Airport	51	51
Aeroportos do Nordeste do Brasil S.A. (ANB) State of São Paulo, Brazil	Operation of airports in Northeast Brazil	100	-

(*) The Barranquilla airport concession ended in 2012

During 2019 and 2018 the Company recognised the following revenue deriving from dividends distributed by group companies and associates (see Note 13):

	2019			2018		
	Date	Local currency (thousands)	Euros	Date	Local currency (thousands)	Euros
SACSA	05/03/2019	COP 7,578,502	2,164,093	07/03/2018	COP 12,693,991	3,567,466
	02/09/2019	COP 9,094,202	2,406,459	03/09/2018	COP 9,094,202	2,717,900
				20/12/2018	COP 1,909,025	510,128
Total		**16,672,704**	**4,570,552**		**23,697,218**	**6,795,494**
Aerocali	29/03/2019	COP 11,017,739	3,079,224	28/03/2018	COP 3,144,000	907,348
	31/10/2019	COP 4,945,111	1,312,397			
Total		**15,962,850**	**4,391,620**		**3,144,000**	**907,348**
AMP	14/05/2019	MXN 273,333	12,702,662	11/05/2018	MXN 248,000	10,771,603
Total		**273,333**	**12,702,662**		**248,000**	**10,771,603**
LLAHL III	16/05/2019	GBP 5.100	5,831,037	24/05/2018	GBP 8,160	9,328,380
	21/11/2019	GBP 5.508	6,438,491	15/11/2018	GBP 8,772	9,926,446
Total		**10,608**	**12,269,528**		**16,932**	**19,254,825**
Total dividends			**33,934,362**			**37,729,270**

Dividends approved by said group companies and associates on the indicated dates were collected over the course of 2019. The total amount received in 2019 for dividends amounted to €35,452,926, including €1,522,966 of dividends declared in 2018 and pending collection at the end of that year.

These companies are not publicly traded and at 31 December 2019 and 2018, they show the following equity situation in local currency as per financial statements prepared in accordance with IFRS:

2019:

31 December 2019					**(Figures in thousands)**	
Name / Address / Activity	**% Holding**	**Capital**	**Operating profit/(loss)**	**Profit/(loss) for the year**	**Other equity**	**Total equity**
Aeropuertos del Caribe S.A. (ACSA) Carrera 53 No. 76-57 Barranquilla, Colombia Inactive (**) (1)	40%	COP 500,000	COP (5,613,499)	COP (5,672,833)	COP (46,162,891)	COP (51,335,724)
Sociedad Aeroportuaria de la Costa S.A. (SACSA) Rafael Núñez Airport. Cartagena de Indias, Colombia Operation of Cartagena Airport (*)	37.89%	COP 3,698,728	COP 79,073,923	COP 51,860,776	COP (17,427,678)	COP 38,131,826
Aeropuertos Mexicanos del Pacifico, S.A.P.I. de CV (AMP) Mexico DF Operator of 12 airports in Mexico (*)	33.33%	MXN 1,306,400	MXN 932,025	MXN 932,459	MXN 1,202,529	MXN 3,441,388
Aerocali S.A. Alfonso Bonilla Aragón Airport, Cali, Colombia Operation of Cali Airport (*) (1)	50%	COP 3,800,000	COP 23,732,810	COP 19,679,055	COP 3,666,252	COP 27,145,307
London Luton Airport Holdings III Limited (LLAH III) (***)	51%	GBP 98,600	GBP 29,464	GBP 6,547	GBP (146,688)	GBP (41,541)
Aeroportos do Nordeste do Brasil S.A. (ANB) Operation of airports in north-eastern Brazil (*)	100%	BRL 2,388,895	BRL (27,695)	BRL (14,667)	BRL 14,601	BRL 2,388,829

(*) Data obtained from the financial statements at 31 December 2019
(**) Data obtained from the financial statements at 31 December 2018
(***) Data obtained from the consolidated financial statements at 31 December 2019
(1) Company audited by other auditors.

2018:

31 December 2018					**(Figures in thousands)**	
Name / Address / Activity	**% Holding**	**Capital**	**Operating profit/(loss)**	**Profit/(loss) for the year**	**Other equity**	**Total equity**
Aeropuertos del Caribe S.A. (ACSA) Carrera 53 No. 76-57 Barranquilla, Colombia Inactive (**) (1)	40%	COP 500,000	COP (5,613,499)	COP (5,672,833)	COP (46,162,891)	COP (51,335,724)
Sociedad Aeroportuaria de la Costa S.A. (SACSA) Rafael Núñez Airport. Cartagena de Indias, Colombia Operation of Cartagena Airport (*)(1)	37.89%	COP 3,698,728	COP 75,142,422	COP 47,506,185	COP (18,370,670)	COP 32,834,243
Aeropuertos Mexicanos del Pacifico, S.A.P.I. de CV (AMP) Mexico DF Operator of 12 airports in Mexico (*)	33.33%	MXN 1,668,400	MXN 925,143	MXN 925,010	MXN 1,096,748	MXN 3,690,158
Aerocali S.A. Alfonso Bonilla Aragón Airport, Cali, Colombia Operation of Cali Airport (*) (1)	50%	COP 3,800,000	COP 11,479,964	COP 9,890,221	COP 25,701,730	COP 39,391,951
London Luton Airport Holdings III Limited (LLAH III) (***)	51%	GBP 98,600	GBP 20,963	GBP (236)	GBP (118,566)	GBP (20,202)

(*) Data obtained from the financial statements at 31 December 2018
(**) Data obtained from the financial statements at 31 December 2017
(***) Data obtained from the consolidated financial statements at 31 December 2018
(1) Company audited by other auditors.

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

Given the performance of these companies, the Directors have not considered it necessary to make provisions for impairment, except for the investment made in ACSA, which has been fully written down.

7.2 Other long-term financial investments

Details and movement in the balance of the accounts under the heading "Long-term financial investments" in the enclosed statements of financial position at 31 December 2019 and 2018 are as follows (in euros):

2019	Euros		
	Balance at 01/01/2019	**Derecognitions**	**Balance at 31/12/2019**
Equity instruments			
Financial assets available for sale-			
Valued at cost:			
Cost			
European Satellite Services Provider (ESSP SAS)	166,666	-	166,666
Total investments in equity instruments	**166,666**	**-**	**166,666**
Long-term deposits	**-**	**-**	**-**
Total long-term financial investments	**166,616**	**-**	**166,666**

2018	Euros		
	Balance at 01/01/2018	**Derecognitions**	**Balance at 31/12/2018**
Equity instruments			
Financial assets available for sale-			
Valued at cost:			
Cost			
European Satellite Services Provider (ESSP SAS)	166,666	-	166,666
Total investments in equity instruments	**166,666**	**-**	**166,666**
Long-term deposits	**50**	**(50)**	**-**
Total long-term financial investments	**166,716**	**(50)**	**166,666**

European Satellite Services Provider

In 2019 and 2018, the Company received a dividend from European Satellite Services Provider SAS (ESSP SAS) of €416,667 and €500,000 respectively. ESSP SAS is not listed.

At the close of 2019 and 2018, there were no indications of impairment of this investment.

Details of the main characteristics of the investments in "Financial assets available for sale" at 31 December 2019 and 2018 are as follows:

Name and address	Activity	% Direct Capital	
		31/12/2019	31/12/2018
European Satellite Services Provider, SAS (ESSP, SAS) Toulouse, France	Operation of the satellite navigation system	16.67	16.67

7.3 Short-term investments in group companies and associates

At 31 December 2019, the Company had recognised **€1,381,856** of which €435,291 (€414,011 in 2018) by way of accrued interest pending receipt corresponding to the shareholder loan granted to LLAHL II. Furthermore, as a consequence of joining the Group's tax consolidation regime, at 31 December 2019, a tax receivable from its parent company Aena S.M.E. S.A. was recognised in an amount of €946,565 resulting from the settlement of corporation tax for the current financial year in the amount of €1,158,746 offset by the creditor item for the settlement of the corporation tax for the previous year, amounting to €212,181. Dividends pending collection at the beginning of 2019 and valued at the exchange rate of the previous year, corresponding to SACSA, were collected at the beginning of January 2019.

(Expressed in euros)

	Balance at 01/01/2019	Derecognitions	Additions	Balance at 31/12/2019
Short-term investments in group companies and associates	**1,943,290**	**(1,943,290)**	**1,381,856**	**1,381,856**
Dividends receivable	1,529,279	(1,529,279)	-	-
Receivables in respect of tax effect	-	-	946,565	946,565
Accrued interest pending collection	414,011	(414,011)	435,291	435,291

	Balance at 01/01/2018	Derecognitions	Additions	Balance at 31/12/2018
Short-term investments in group companies and associates	**3,026,718**	**(3,026,718)**	**1,943,290**	**1,943,290**
Dividends receivable	2,609,300	(2,609,300)	1,529,279	1,529,279
Accrued interest pending collection	417,418	(417,418)	414,011	414,011

8. Risk management

<u>Financial risk factors:</u>

The Company's activity is exposed to various financial risks: market risk (including exchange rate risk and interest rate risk), credit risk and liquidity risk. The Company's global risk management programme focuses on the uncertainty of the financial markets and seeks to minimise the potential adverse effects on its financial profitability.

The main financial risks that potentially affect the Company are indicated below:

a) Credit risk:

The main financial assets affected by credit risk are “cash and cash equivalents” (see Note 4.d.1), as well as loans to and receivables from related companies (see Note 13). The Company generally holds its cash and cash equivalents with highly rated financial institutions. In addition, the main loans and receivables are with related companies which have historically attended to payment in the established terms. AENA INTERNACIONAL has a debt with LLAHL II, which amounts to £48.3 million (equivalent to €56.7 million in 2019 and €54 million in 2018). It is a related company over which control is exercised and which has historically attended to its payments. It is estimated that it will generate sufficient cash flows in the future to return these amounts (see Note 13).

Consequently, the Company's Directors do not consider that any situation affecting the low level of credit risk of AENA INTERNACIONAL is likely to arise.

b) Liquidity risk:

Management of this risk, which is not significant, focuses on the detailed monitoring of the maturity schedule of the Company's financial debt, as well as the proactive management and maintenance of credit lines covering anticipated liquidity requirements.

The Company also systematically makes cash forecasts with the objective of evaluating cash requirements. This liquidity policy pursued by the Company ensures compliance with the payment commitments acquired without having to resort to obtaining funds on burdensome conditions and allowing the Company's liquidity position to be continuously monitored.

c) Market risk (includes interest rate and exchange rate risk):

Interest rate risk

Both the Company's treasury and financial debt are exposed to interest rate risk, which could have an adverse effect on financial results and cash flows.

In this regard, the Company had no bank borrowings at the end of the year, although on 20 June 2019, the Company signed a line of credit with the parent company Aena SME SA, the end date of which is 20 May 2023.

Exchange rate risk

The Company is exposed to exchange rate fluctuations that may affect its sales, results, equity and cash flows, basically deriving from:

1. Investments in foreign countries (mainly in Brazil, Mexico, Colombia and the United Kingdom) (see Notes 7.1 and 7.2).

2. Transactions carried out by associates and other related parties that operate in countries with a currency other than the euro (mainly Mexico, the United Kingdom and Colombia) (see Note 13).

3. Loans granted in a foreign currency (see Note 9). In relation to the loan granted to LLAHL II in sterling, the Company regularly follows trends in the exchange rate and if and when appropriate will consider contracting hedges to protect against fluctuations of sterling against the euro.

Operational risk factors:

The interest in London Luton Airport Holding III Limited exposes the Company to risk deriving from the United Kingdom's exit from the European Union (Brexit), however, Luton Airport constantly monitors Brexit and its potential impact on the airport. Operationally there will be no impact in 2020. As for a potential impact on traffic, it is difficult to anticipate the post-Brexit scenario, which will depend on how economic dynamics unfold in the UK. In any case, airport traffic has reached its capacity, so the airport cannot meet additional demand. This, coupled with the fact that in the medium term the London airport system may be under strain due to a lack of capacity as a new runway has not been authorised, reduces the risk of loss of traffic in Luton.

9. Analysis of financial instruments (other than investments in equity instruments of group companies and associates)

Financial instruments by category:

The carrying amount of each of the categories of financial instruments established in the recognition and valuation rules for “Financial instruments”, except for investments in the equity of group companies, joint ventures and associates (see Note 7.1), is as follows (in euros):

	Non-current financial assets							
	2019				2018			
	Equity instruments	Debt securities	Credits, derivatives and others	Total	Equity instruments	Debt securities	Credits, derivatives and others	Total
Financial assets available for sale: Valued at cost	166,666	-	-	166,666	166,666	-	-	166,666
Loans and receivables	-	-	56,743,295	56,743,295	-	-	53,969,342	53,969,342
	166,666	-	56,743,295	56,909,961	166,666	-	53,969,342	54,136,008

	Current financial assets							
	2019				2018			
	Equity instruments	Debt securities	Credits, derivatives and others	Total	Equity instruments	Debt securities	Credits, derivatives and others	Total
Loans and receivables	-	-	8,570,770	8,570,770	-	-	6,599,986	6,599,986
Financial assets available for sale:	-	-	-	-	-	-	-	-
	-	-	8,570,770	8,570,770	-	-	6,599,986	6,599,986

	Non-current financial liabilities							
	2019				2018			
	Debts to credit institutions	Bonds and other negotiable securities	Derivatives and other financial instruments	Total	Debts to credit institutions	Bonds and other negotiable securities	Derivatives and other financial instruments	Total
Debts and payables	-	-	340,000,000	340,000,000	-	-	-	-
	-	-	340,000,000	340,000,000	-	-	-	-

	Current financial liabilities							
	2019				2018			
	Debts to credit institutions	Bonds and other negotiable securities	Derivatives and other financial instruments	Total	Debts to credit institutions	Bonds and other negotiable securities	Derivatives and other financial instruments	Total
Debts and payables	-	-	34,504,162	34,504,162	-	-	1,961,707	1,961,707
	-	-	34,504,162	34,504,162	-	-	1,961,707	1,961,707

Currency forward contracts

In 2019 the Company signed NDF currency forward contracts to hedge the fair value of the foreign currency exchange rate risk relating to the firm commitment to contribute to a company based in Brazil 488,894,033 BRL (Brazilian reais) on 18 July 2019, as well as contributing 1,900,000,000 BRL on 26 August 2019, as a result of its winning bid for the concession of a group of airports in north-eastern Brazil in an auction held by the Brazilian government (see Note 7.1). The company's project in said tender envisaged the creation of a concessionaire company in Brazil to which the total amount of the aforementioned economic bid would be contributed as equity.

Since the aforementioned firm commitment is made in Brazilian reais (BRL), an exposure to the EUR/BRL exchange rate risk arises. The hedging strategy established by the Company in this operation was based on the contracting of two NDF currency forward contracts with Société Générale, Paris to lock in an exchange rate of 4.4425 BRL/EUR (which when applied to the amount of 2,388,894,033 BRL produces €537,736,417), and which coincide in all their essential economic terms with said firm commitments:

- Firm commitment amount (in euros) compared with the notional amount of the EUR part of the hedging instrument.
- Expected maturity date of the firm commitment compared with the maturity date of the hedging instrument.
- EUR/BRL exchange rate used to determine the fair value of (a) the hedging instrument and (b) the hedged commitment.

The final impact on the Income Statement, once the firm commitments acquired had been fulfilled and the derivatives cancelled, amounted to €6,283,632, resulting from the difference between the value of the firm commitment at the beginning of the hedge (the €531,455,847 previously mentioned) and the €537,739,479 assured through the contracting of the derivatives.

(Expressed in euros)

<u>Financial assets and liabilities:</u>

Financial assets and liabilities that have a defined maturity are detailed below by maturity:

- **2019:**

	Financial assets (Euros)						
						Years	
	2020	2021	2022	2023	2024	Subsequent years	Total
Other financial investments:							
- Loans to companies and other receivables	8,569,070	-	-	56,743,295	-	-	64,312,365
- Other financial assets	1,700	-	-	-	-	-	1,700
	8,570,770	-	-	56,743,295	-	-	65,314,065

	Financial liabilities (Euros)						
						Years	
	2020	2021	2022	2023	2024	Subsequent years	Total
Debts to group companies and associates	31,565,262	30,000,000	30,000,000	30,000,000	30,000,000	220,000,000	371,565,262
Other financial liabilities	2,938,900	-	-	-	-	-	2,938,900
	34,504,162	-		-	-	-	374,504,162

- **2018:**

	Financial assets (Euros)						
						Years	
	2019	2020	2021	2022	2023	Subsequent years	Total
Other financial investments:							
- Loans to companies	7,697,158	-	-	-	53,969,342	-	61,666,500
- Other financial assets	-	-	-	-	-	-	-
	7,697,158	-	-	-	53,969,342	-	61,666,500

	Financial liabilities (Euros)						
						Years	
	2019	2020	2021	2022	2023	Subsequent years	Total
Debts to group companies and associates	2,078,817	-	-	-	-	-	2,078,817
Other financial liabilities	980,062	-	-	-	-	-	980,062
	3,058,879	-		-	-	-	3,058,879

The fair value of financial assets and liabilities approximates their carrying amount. During 2019 and 2018, financial assets generated €4,463,403 and €4,408,223 respectively. During 2019, financial liabilities generated financial expenses in the amount of €1,471,667 (during 2018, no financial expenses were generated).

10. Equity

Share Capital

At 31 December 2019 and 2018, the Company's capital amounted to €161,182,190, represented by 26,819 shares each with a nominal value of €6,010, all of the same class, fully subscribed and paid up by AENA, the sole shareholder.

Legal reserve

At 31 December 2019 the non-distributable legal reserve stood at €21,473,110 (2018: €17,053,300), equivalent to 13.32% of the share capital (2018: 10.58%).

Capitalisation reserve

At the end of 2019 the non-distributable capitalisation reserve amounted to €7,764,054, which corresponds to the appropriation of the 2016-2018 results after payment of corporation tax.

Other reserves

All these reserves are freely available.

11. Guarantees committed to third parties, contingent assets and liabilities

Guarantees committed to third parties

The Company signed a counter-guarantee in respect of the performance bond issued on behalf of its subsidiary Aeroportos do Nordeste do Brasil SA, to guarantee fulfilment of the Concession Contract in favour of the Brazilian Civil Aviation Agency (ANAC) up to the limit of the equivalent value in euros of BRL 173,572,237.37, valid for one year expiring on 1 September 2020.

Contingencies

In 2011, Infraestructura y Transportes México S.A. de CV (“ITM”), a shareholder of GAP and part of Grupo México SAB de CV (“Grupo México”), instigated legal proceedings against Aena Internacional, among others, with the purpose of ending AMP's ownership of GAP's shares, arguing that this shareholding was contrary to the law and to GAP’s own Articles of Association. The Court of First Instance ruling found in favour of the defendants (including Aena Internacional) and ordered ITM to pay the costs, arguing that ITM lacked active standing in the suit. This ruling was appealed and confirmed on appeal, by means of a second instance ruling handed down on 7 June 2018. Against this second instance ruling, ITM filed a direct appeal in cassation which was granted by a ruling on 3 January 2019, referring the matter back to the Court of Appeal, which, on 11 March 2019 , confirmed the ruling again, declaring that ITM lacked standing. Against this judgement of 11 March 2019, ITM filed a new direct appeal in cassation which was dismissed by a judgement of 9 October 2019. This last ruling has been appealed in review by ITM, and a decision on whether or not to admit the appeal is currently pending. However, the Company's Directors, considering the opinion of their legal advisers, believe that this legal proceeding will be resolved in favour of the interests of Aena Internacional, the probability of an adverse ruling being remote.

As a result of the development and expansion work of Luton Airport carried out since 2015, additional liabilities to local government could arise, estimated at €12.9 million, due to changes in local environmental legislation that occurred during 2018. The Group considers it unlikely that this contingency will eventually materialise since all necessary measures have been taken to resolve this issue in the event that a claim procedure for this liability is initiated.

12. Debts

In June 2019, the Company signed a line of credit with its sole shareholder for an initial amount of €400 million to finance the capital contribution to the Concessionaire Corporation Aeroportos do Nordeste do Brasil SA whose activity is the operation of six airports in north-eastern Brazil (see Note 7).

(Expressed in euros)

This credit has a duration of four years (final maturity in 2023), with the possibility of up to three extensions, each of two years, providing neither party requests cancellation 15 days before the expiry date. In this regard, the Company intends to effect some of these extensions. The applicable interest rate is the rate resulting from adding a 1% annual margin to the 1-month EURIBOR reference rate. The Company may amortise any total or partial amount that it decides subject to at least two business days' notice prior to the amortisation date. In 2019, €1,471,667 was paid in interest and a principal amortisation of €30 million was made.

13. Transactions and balances with related parties

Details of transactions carried out with related parties and their balances in the statement of financial position at 31 December 2019 and 2018 are as follows:

- **2019:**

Euros	Assets	Assets	Assets	Liabilities	Liabilities
	Customers	Receivables	Account receivable in respect of Income Tax (Note 14.1)	Suppliers	Debts
Group companies -					
AENA	323,724	-	949,565	186,725	370,000,000
EPE ENAIRE	97,614	-	-	-	-
ANB	4,793,806	-	-	-	-
LLAHL III	-	-	-	-	-
LLAHL II	-	56,743,295	-	-	-
	5,215,144	**56,743,295**	**949,565**	**186,725**	**370,000,000**
Associates - Joint control and significant influence					
SACSA	138,525	-	-	-	-
AMP	4,950,904	-	-	-	-
AEROCALI	57,485	-	-	1,378,537	-
	5,146,914	**-**	**-**	**1,378,537**	**-**
Other related parties -					
ICEX ESPAÑA	-	-			-
INECO	-	-	-	860,014	-
SENASA	17,041	-	-	72,997	-
ESSP SAS	-	-	-	-	-
	17,041	**-**	**-**	**933,011**	**-**
	10,379,099	**56,743,295**	**949,565**	**2,498,273**	**370,000,000**

Euros	P&L	P&L	P&L	P&L	P&L	P&L
	Operating expenses	Finance income	Finance expenses	Provision of services and others Operating revenue (Note 16.1)	Dividends received Operating revenue (Notes 7.1 and 16.1)	Interest on credits Operating revenue (Note 16.1)
Group companies -						
AENA	322,879	52,639	1,471,667	1,297,769	-	-
EPE ENAIRE	-	-	-	967,383	-	-
ANB				4,793,806		
LLAHL III	-	-	-	-	12,269,528	-
LLAHL II	-	-	-	-		4,410,764
	322,879	**52,639**	**1,471,667**	**7,058,958**	**12,269,528**	**4,410,764**
Associates - Joint control and significant influence						
SACSA	-	-	-	1,033,793	4,570,552	-
AMP	7,287	-	-	7,271,679	12,702,662	-
AEROCALI	596,823	-	-	424,004	4,391,620	-
	604,110	**-**	**-**	**8,729,476**	**21,664,834**	**-**
Other related parties -						
ICEX ESPAÑA	2,487	-	-	-	-	-
INECO	907,860 -	-	-	-	-	-
SENASA	1,142,900	-	-	168,514	-	-
ESSP SAS	-	-	-	-	416,667	-
	2,053,247	**-**	**-**	**168,514**	**416,667**	**-**
	2,980,236	**52,639**	**1,471,667**	**15,956,948**	**34,351,029**	**4,410,764**

(Expressed in euros)

- **2018:**

Euros	Assets	Assets	Liabilities	Liabilities
	Customers	Receivables	Suppliers	Account payable - Income Tax (Note 14.1)
Group companies -				
AENA	453,832	-	8,677	191,254
EPE ENAIRE	98,376	-	-	-
LLAHL III	-	-	-	-
LLAHL II	-	53,969,342	-	-
	552,208	**53,969,342**	**8,677**	**191,254**
Associates - Joint control and significant influence				
SACSA	122,182	-	-	-
AMP	3,793,019	-	-	-
AEROCALI	27,436	-	781,714	-
	3,942,637	-	**781,714**	**-**
Other related parties -				
ICEX ESPAÑA	-	-		-
INECO	130,810	-	-	-
SENASA	16,957	-	114,469	-
ESSP SAS	-	-	-	-
	147,767	**-**	**114,469**	**-**
	4,642,612	**53,969,342**	**904,860**	**191,254**

Euros	P&L	P&L	P&L	P&L	P&L
	Operating expenses	Finance Income	Provision of services and others Operating revenue (Note 16.1)	Dividends received Operating revenue (Notes 7.1 and 16.1)	Interest on credits Operating revenue (Note 16.1)
Group companies -					
AENA	117,257	45,990	2,042,107	-	-
EPE ENAIRE	-	-	1,050,135	-	-
LLAHL III	-	-	-	19,254,825	-
LLAHL II	-	-	-		4,362,233
	117,257	**45,990**	**3,092,242**	**19,254,825**	**4,362,233**
Associates - Joint control and significant influence					
SACSA	-	-	930,634	6,795,495	-
AMP	-	-	5,764,364	10,771,603	-
AEROCALI	-	-	360,358	907,348	-
	-	**-**	**7,055,356**	**18,474,446**	**-**
Other related parties -					
ICEX ESPAÑA	242	-	-	-	-
INECO	-	-	89,103	-	-
SENASA	1,333,971	-	166,052	-	-
ESSP SAS	-	-	-	500,000	-
	1,334,213	**-**	**255,155**	**500,000**	**-**
	1,451,470	**45,990**	**10,402,753**	**38,229,271**	**4,362,233**

Operating Revenue and the debit balances recognised in the "Customers, related companies" account held with Group companies and associates mainly originate from revenue from holdings of equity instruments, interest on shareholder loans and assistance services provided to them by the Company (see Note 16.1).

Contracts signed by AENA INTERNACIONAL and AENA.

The main contracts signed between AENA INTERNACIONAL and AENA are detailed below:

(Expressed in euros)

- On 20 June 2019 and with effect from that date, a credit line contract for €400 million was signed. The duration is four years, extendable up to three times for periods of two years at a time (see Note 12). The balance drawn at 31 December 2019 amounted to €340 million.

- On 16 March 2018 and with effect from that date, a credit line contract for up to €100 million was signed. The duration is two years, extendable for two more years, providing there is an agreement between the parties. No amount has been drawn.

- On 1 December 2017 and with effect from that date, a support services agreement was signed. The duration is three years, extendable up to four times for one year at a time, providing there is an agreement between the parties.

- On 1 October 2014, a contract was signed with AENA to provide in-flight verification services. The duration is three years with annual extensions unless express notice of non-renewal is given.

- On 31 March 2008, a collaboration contract was signed between EPE AENA (currently ENAIRE) and AENA INTERNACIONAL for the creation of an in-flight verification unit for AENA's radio and aid systems. The duration of this contract is seven years, with automatic extensions for periods of two years.

14. Public administrations and tax situation

14.1. Current balances with Public Administration bodies

The composition of balances with Public Administration bodies at 31 December 2019 and 31 December 2018 is as follows:

	Euros	
	31/12/2019	**31/12/2018**
Deferred tax assets	24,901	33,046
Total "deferred tax assets"	**24,901**	**33,046**
Value Added Tax	-	12,939
Total "Other receivables from public administration bodies"	**-**	**12,939**
Value Added Tax	3,422	-
Personal income tax and other taxes	34,812	46,750
Payable to Social Security organisations	34,304	30,270
Total "Other debts to Public Administration bodies"	**72,538**	**77,020**

14.2. Reconciliation between accounting result, tax base and corporate tax expense

With effect from 1 January 2015, Aena S.M.E. S.A. and Aena Desarrollo Internacional S.M.E. S.A. and in accordance with the will expressed by the Boards of both companies, AENA informed the Tax Agency on 7 April 2015 of the application for both companies to join the tax consolidation regime.

For the previous tax periods, both companies were part of the ENAIRE tax group, ENAIRE being the head of that group.

For AENA INTERNACIONAL, the Corporation Tax settlement for 2019 has meant the recognition of €1,158,746 in the statement of financial position of a current asset under the heading "Receivables from group companies and associates".

Corporation tax for 2019 was calculated based on the economic or accounting result, obtained by applying generally accepted accounting principles, which does not necessarily have to coincide with the tax result, understood as the taxable base, among other reasons due to the reduction in the Tax Base deriving from the adjustment to the capitalisation reserve, pursuant to Article 25 of the Corporation Tax Act 27/2014.

(Expressed in euros)

2019	Euros		
	Increases	Decreases	Total
Accounting result for the year before taxes			37,068,862
Permanent differences			
Exemption for dividends received		(34,351,029)	(34,351,029)
Exemption for revaluation reserves		(3,977,634)	(3,977,634)
Gain/Loss AMP capital reduction		(365,535)	(365,535)
Others	20,717	(19,315)	1,402
	20,717	(38,717,012)	(38,696,295)
Temporary differences -			
Depreciation and amortisation		(32,577)	(32,577)
		(32,577)	(32,577)
Taxable base			(1,660,010)
Tax payable before adjustments (25% on the tax base)			(415,003)
Deductions for international double taxation			(743,743)
Other deductions			(1,804)
Net tax payable			(1,160,550)
Withholdings and payments on account			-
Tax payable			(1,160,550)

2018	Increases	Decreases	Total
Accounting result for the year before taxes			45,147,660
Permanent differences			
Exemption for dividends received		(38,229,271)	(38,229,271)
Exemption for revaluation reserves		(3,382,990)	(3,382,990)
Gain/Loss AMP capital reduction	116,165		116,165
Others		(19,315)	(19,315)
	116,165	(41,631,576)	(41,515,411)
Temporary differences -			
Depreciation and amortisation		(36,077)	(36,077)
		(36,077)	(36,077)
Taxable base			3,596,173
Tax payable before adjustments (25% on the tax base)			899,043
Deductions for international double taxation			(700,412)
Other deductions			(1,804)
Net tax payable			196,827
Withholdings and payments on account			-
Tax payable			196,827

The accounting result for 2019 and 2018 is shown net of withholdings for services rendered abroad.

The main permanent differences for the year correspond to revenue from dividends from investees and capitalisation reserve.

(Expressed in euros)

14.3. Breakdown of corporation tax expense

The breakdown of corporation tax expense is as follows:

(euros)	31/12/2019	31/12/2018
Current tax	1,150,602	(207,650)
Withholdings for services provided abroad	(872,723)	(761,379)
Others	(13,550)	19,466
	264,329	**(949,563)**

In the years 2019 and 2018, the amount of the 10% withholding on revenue received from investee companies in Colombia and Mexico is recognised as a tax expense in the line "Withholdings for services provided abroad", amounting to €872,723 and €761,379 respectively.

The difference between the 2018 corporation tax estimate and the final presentation is included in the line “Others”.

14.4 Deferred tax assets recognised

Details of “deferred tax assets recognised” are as follows:

	Euros	
	2019	**2018**
Depreciation and amortisation	45,096	54,116
Others	(20,195)	(21,070)
	24,901	**33,046**

At 31 December 2019, the Company had a net corporation tax receivable on Aena in the amount of €946,565 (2018: account payable in the amount of €191,254).

14.5 Tax years pending verification and inspection

Pursuant to current legislation, taxes cannot be considered definitively settled until the relevant returns have been inspected by the tax authorities or until a four-year prescription period has elapsed from filing. The Company has the tax years 2016 to 2019 open to inspection for VAT, Personal Income Tax and Social Security and 2015 and subsequent tax years for Corporation Tax.

However, at the end of 2019, the Company did not have any tax inspection in progress.

The Company’s Directors consider that the tax settlements have been properly made so that, even in the event that discrepancies should arise in the interpretation of the current standards as regards the tax treatment given to transactions, any possible resulting liabilities would not significantly affect the accompanying financial statements.

15. Foreign currency

Details of the most significant foreign currency balances and transactions valued at the closing exchange rate at the end of 2019 and 2018, are as follows:

(Expressed in euros)

	Euros	
	2019	**2018**
Balances:		
Assets -		
Accounts receivable (see Note 13)	5,122,507	3,942,637
Cash and cash equivalents (see Note 4.d.1)	435,291	1,943,322
Loan to LLAHL III (see Note 7.1)	56,743,295	53,969,342
Liabilities -		
Accounts payable (see Notes 9 and 13)	1,393,072	802,576
Transactions:		
Revenue -		
Revenue from provision of services	8,661,928	7,083,692
Revenue from holdings of equity instruments by group companies and associates (see Notes 7.1 and 16.1)	33,934,362	37,729,271
Finance income from loans to group companies	4,410,764	4,362,233
Expenses -		
External services	821,885	1,087,709

The amount of exchange differences recognised in the results for 2019 and 2018, by classes of financial instruments, is as follows:

2019	Euros		
	On transactions settled in the financial year	On outstanding balances	**Total**
Financial assets -			
Other financial assets	(266,586)	2,851,966	2,585,380
Total financial assets (see Note 4.e)	**(266,586)**	**2,851,966**	**2,585,380**
Financial liabilities -			
Invoices received	(64,040)	-	(64,040)
Total financial liabilities (see Note 4.e)	(64,040)	-	(64,040)
Net	**(330,626)**	**2,851,966**	**2,521,340**

2018	Euros		
	On transactions settled in the financial year	On outstanding balances	**Total**
Financial assets -			
Other financial assets	92,336	(587,748)	**(495,412)**
Total financial assets (see Note 4.e)	**92,336**	**(587,748)**	**(495,412)**
Financial liabilities -			
Invoices received	(6,596)	-	(6,596)
Total financial liabilities (see Note 4.e)	(6,596)	-	(6,596)
Net	**85,740**	**(587,748)**	**(502,008)**

(Expressed in euros)

16. Revenue and expenses

16.1 Total net revenue

The breakdown of "Total net revenue" corresponding to 2019 and 2018, by categories of activities carried out by the Company is as follows:

Activities	31/12/2019	31/12/2018
Revenue from the provision of Aena services	1,297,769	2,042,107
Revenue from the provision of ENAIRE services	967,383	1,066,190
Revenue from the provision of miscellaneous services	13,869,356	7,214,553
Total "Services provided" (see Note 13)	**16,134,508**	**10,322,850**
Revenue from holdings of equity instruments of associates (dividends (see Notes 7.1 and 13)	33,934,362	37,729,271
Interest income on shareholder loan granted (see Note 13)	4,410,764	4,362,233
Revenue from holdings of equity instruments available for sale (dividends) (see Notes 7.1 and 13)	416,667	500,000
Total "Revenue from holdings of financial instruments"	**38,761,793**	**42,591,504**
"Total net revenue"	**54,896,301**	**52,914,354**

The breakdown of "Total net revenue" corresponding to 2019 and 2018 by geographical markets is as follows:

Country	Euros	
	Year 2019	**Year 2018**
Spain	2,298,925	3,239,159
United Kingdom	16,680,292	23,617,058
Rest of Europe	700,517	500,000
Colombia	10,419,969	8,993,834
Mexico	19,974,341	16,535,967
Brazil	4,793,806	-
Cuba	-	28,335
United States	28,451	-
Total	**54,896,301**	**52,914,354**

16.2 Personnel

The balance of the heading "Staff costs" in 2019 and 2018 is as follows:

	Euros	
	31/12/2019	**31/12/2018**
Wages and salaries and similar -	**1,616,799**	**1,613,787**
Wages and salaries	1,616,799	1,613,787
Social security charges and provisions	**393,334**	**384,912**
Social security, employer contribution	324,411	324,582
Other social charges	68,923	60,330
Total	**2,010,133**	**1,998,699**

The average numbers of persons employed during 2019 and 2018, detailed by category, were as follows:

Job category	2019	2018
Executives and graduates	19	21
Support staff	6	6
	25	**27**

The breakdown by gender at the end of 2019 and 2018, detailed by category, was as follows:

	31/12/2019			31/12/2018		
Job category	Men	Women	Total	Men	Women	Total
Executives and graduates	11	6	17	14	7	21
Support staff	1	6	7	1	5	6
Totals	**12**	**12**	**24**	**15**	**12**	**27**

At 31 December 2019, the Company did not have any personnel with disabilities.

The Company's Board of Directors is made up of three women and seven men.

16.3 External services

The balance of the accounts under the heading “External services” in 2019 and 2018 is as follows:

	Euros	
	31/12/2019	31/12/2018
Leases and fees	178,031	170,162
Repair and maintenance	65,526	79,989
Independent professional services	9,720,368	4,029,797
Transport and messaging	5,420	2,560
Banking services	2,159	1,834
Advertising and public relations	20,705	11,038
Supplies	25,392	32,639
Other services	815,419	643,132
	10,833,020	**4,971,151**

Under the heading “Independent professional services”, the Company includes the contracting of advisory services that require the analysis of business opportunities, as well as the preparation of tenders to present in selected bidding processes.

The fees accrued during the year by KPMG Auditores for the accounts auditing services and other verification services amounted to €17,026 (€17,012 in 2018). No services were accrued by other companies in the KPMG network during 2019.

17. Information on the average period of payment to suppliers during the year. Third additional provision “Duty of information” of Law 15/2010 of 5 July, as redrafted.

At 31 December 2019, the information regarding the average period of payment to suppliers is as follows:

	2019	2018
	Days	Days
Average term of payment to suppliers	13	30
Ratio of transactions paid	13	30
Ratio of transactions pending payment	51	4
	Amount (thousands of euros)	Amount (thousands of euros)
Total payments made	8,280	4,086
Total payments pending	23	293

For the calculation of the average payment period, the amount of invoices pending receipt of €4,461,337 in 2019 (€1,677,954 in 2018) has been excluded.

18. Remuneration of the Board of Directors and Senior Management

18.1 Board of Directors

The remuneration received by the members of the Board of Directors of the Company by way of allowances for attending Board and Audit Committee meetings amounted in 2019 to €54,924, which corresponds to the total amount of remuneration of all kinds accrued by the Directors of the Company. During 2019 and 2018, the Company has not granted advances or credits to the members of its Board of Directors, nor are there any commitments to them regarding life insurance, pension plans or other similar benefits.

The Directors have not been granted any advances or loans, nor have obligations been assumed on their behalf by way of guarantee or individualised premiums for civil liability insurance paid for damages caused by acts or omissions in the exercise of the position. The Company has not contracted pension or life insurance obligations with respect to former or current Directors.

18.2 Senior management

The Company does not have senior management in its workforce. The senior management function in the Company is performed by the executives of the parent company, Aena S.M.E. S.A.

19. Directors' conflicts of interest

The Directors of the Company and the people related to them have not been affected by any situation of conflict of interest that has had to be reported pursuant to the provisions of Article 229 of the Consolidated Text of the Corporate Enterprises Act.

20. Events after the reporting period

In relation to the information contained in Note 11, the Supreme Court of Justice of the Nation, by order dated 2 December 2019, published on 12 February 2020, dismissed the appeal for review that ITM filed against the ruling dismissing the appeal in cassation. Such dismissal can be challenged through a remedy of complaint that must be promoted within three days of notification of the dismissal order.

(Expressed in euros)

AENA DESARROLLO INTERNACIONAL S.A.
MANAGEMENT REPORT 2019

Aena Internacional

Aena Desarrollo Internacional S.M.E. S.A. (AENA INTERNACIONAL), a subsidiary of Aena S.M.E. S.A. (AENA), carries out airport infrastructure management activities internationally, with the aim of marketing AENA's experience and know-how abroad and projecting its position as a leading airport operator in the global market.

AENA INTERNACIONAL is therefore an instrumental company of AENA (49% of the capital of AENA is listed on the stock exchange) which has been entrusted with promoting the development of the airport business outside Spain, for which it has AENA's support, experience, know-how, resources and technical support.

AENA INTERNACIONAL's activity is carried out through equity interests in airport asset operating companies. Its holdings in these companies as an Industrial Shareholder, with extensive experience in the airport sector, are complemented by technical assistance activities and technology transfer to these airports.

AENA INTERNACIONAL has direct interests in 21 airports outside Spain (twelve in Mexico, six in Brazil, two in Colombia and one in the UK), and an indirect interest through GAP in the Montego Bay and Norman Manley (Kingston) airports in Jamaica. The management of the six airports in Brazil begins in January 2020.

The traffic performance at these airports has been as follows:

			Variation [1]	Aena's shareholding %	
Millions of passengers	**2019**	**2018**	**%**	**Direct**	**Indirect**
London Luton (United Kingdom)	18	16.6	8.6%	51%	-
Grupo Aeroportuario del Pacífico (GAP) [2] (Mexico)	48.7	44.9	8.4%	-	5.8%
Aerocali (Cali, Colombia)	5.7	5.1	12.5%	50%	
SACSA (Cartagena de Indias, Colombia)	5.8	5.5	5.7%	37.9%	
Aeroportos do Nordeste do Brasil S.A. (ANB)[3]	13.7	14	(1.6%)	100%	

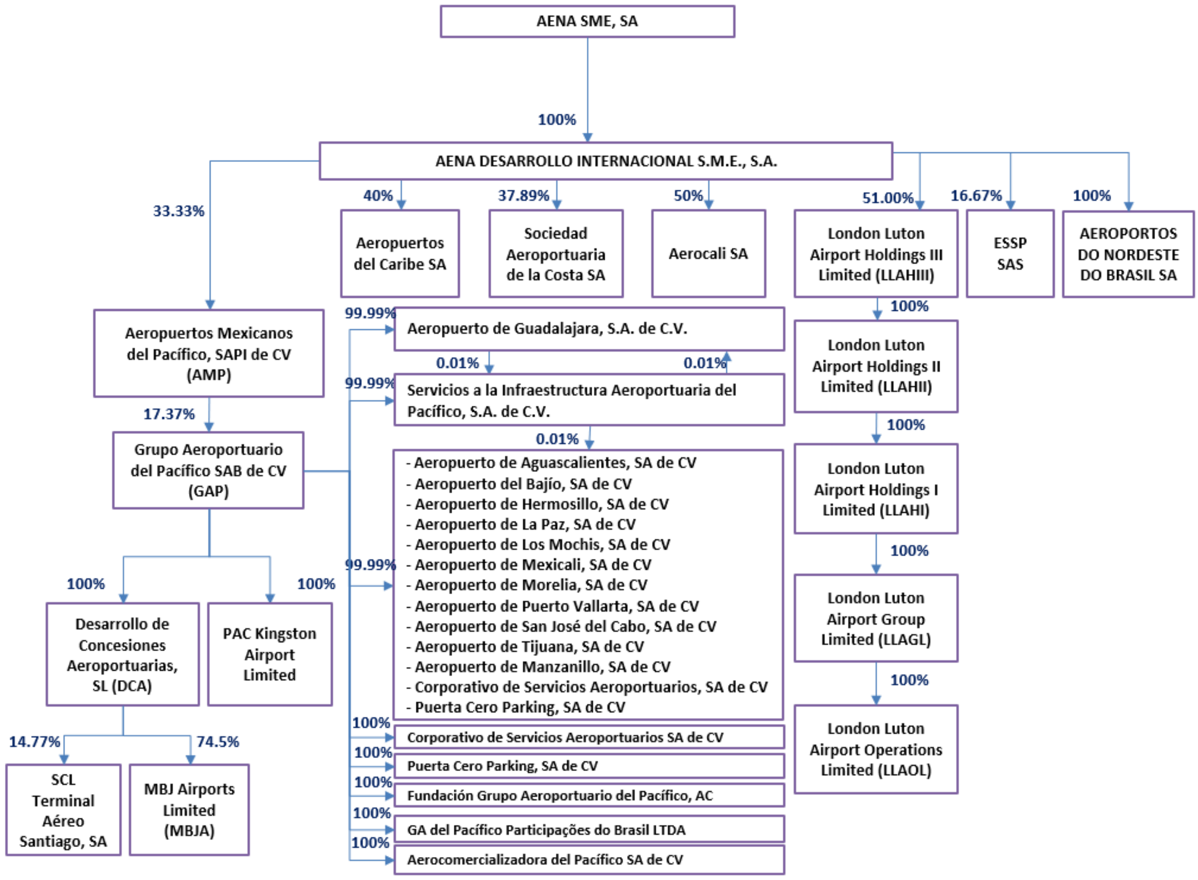
[1] Percentage changes calculated in passengers
[2] GAP includes traffic at Montego Bay and Kingston airports (Jamaica)
[3] ANB begins operation in the 2020 financial year

Driving international expansion to capture key opportunities is one of Aena's main strategic lines and a source of the company's growth in the future.

In a global context of strong growth, Aena is committed to the consolidation of its current assets and also to the acquisition of new assets, with an open approach to entering new geographical areas, always with the right partners. The sufficient endowment of resources and the maintenance of dialogue with global market players will be key factors in the deployment of the corresponding initiatives.

Description of the assets of Aena Internacional during 2019

Aena Internacional's equity holdings at the end of 2019 were those shown in the following table.



LONDON LUTON AIRPORT

Aena Internacional holds a 51% stake in the group of companies that operate the concession for London Luton Airport. The Luton Borough Council concession ends in 2031.

London Luton Airport saw its passenger traffic increase by 8.6% in 2019. Particularly notable was the 16.8% growth contributed by Wizz Air, making it the airport's main airline by volume of passengers, surpassing easyJet, and the 32.8% of Ryanair, which has based new aircraft at the airport, bringing the total to six. At the end of 2019 the airport had 150 destinations (two more than the previous year).

Luton closed 2019 with 17,999,969 passengers, a record number for the airport and almost reaching its maximum authorised capacity of 18 million passengers a year.

Luton's total revenues have grown in the period to £226.9 million (12.7% up on 2018) driven by the good performance of commercial revenues.

Aeronautical revenue grew by 13.3% in sterling terms, and commercial revenue by 12.2%. In commercial revenues, the good performance of retail activities stood out (shops and food and beverage), with a growth of 20.4% in 2019, driven by the opening of new shops (with better concession fees) as a result of the expansion of the terminal, where passenger flow has also been improved. For its part, parking revenue also developed positively (+5.9%) thanks to the partial opening of the new Multi-Storey Car Park 2-MSCP II) and the new drop–off zone (DOZ).

EBITDA in GBP increased by 18.9% to £87,464,000 compared with 2018 figures. The EBITDA margin for the period was 38.6% compared with 36.5% in 2018.

At Luton Airport, capital expenditure continued on both maintenance and renewal of equipment and on the Curium Project. June saw the formalisation of the deed of acceptance of the first and main phase of the London Luton Airport extension works (the Curium Project) completed in December 2018.

(Expressed in euros)

During 2019, the completion and operation of the new Foxtrot taxiway, including the de-icing platform, is worthy of special mention. The works on the new high-rise parking building (Multi-story Car Park 2), which partially entered service during August, were completed by year-end.

The connection works between the terminal building and the Luton Airport Parkway train station are also being carried out, which are financed and executed by Luton City Council, with the successful completion of the placement of the DART bridge with minimal impact on the airport's operation.

In association with the Municipality of Luton, the airport continues to explore options for providing new capacity.

AEROPORTOS DO NORDESTE DO BRASIL

As part of the objectives of the 2018-2021 Strategic Plan, on 15 March 2019, Aena, through its subsidiary Aena Desarrollo Internacional S.M.E. S.A., 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 at Recife, Maceió, Aracaju, Campina Grande, João Pessoa and Juazeiro do Norte.

In 2019, the group saw 13.7 million passengers pass through its airports:

Millions of passengers	**2019**
Recife	8.5
Maceió	2.1
João Pessoa	1.3
Aracaju	1.1
Juazeiro do Norte	0.5
Campina Grande	0.1
TOTAL	**13.7**

On 30 May 2019, the new Brazilian company, Aeroportos do Nordeste do Brasil S.A., was incorporated, wholly owned by Aena Desarrollo Internacional S.M.E. S.A., with a share capital of 10,000 Brazilian reais and the specific and exclusive corporate object of which is the provision of public services for the expansion, maintenance and operation of the infrastructure of the airport complexes comprising the north-eastern block of Brazil. At its meeting held on 1 July, the Board of Directors of the Brazilian company approved a capital increase of 2,389 million Brazilian reais (approximately €537.8 million[1]) which was fully subscribed and paid up by its single shareholder.

On 5 September, the concession agreement was signed and payment of the fixed concession fee offered: 1,917 million Brazilian reais (€427.7 million[1]). This disbursement concluded that carried out on 18 July 2019: 488.9 million Brazilian reais (approximately €110.1 million[1]) corresponding to the contribution stipulated by the Brazilian Government for the expenses of the call for tenders to be paid to Infraero (advisers, auction expenses and the personnel reallocation programme) and residual cash.

The concession term was activated on 9 October, with all the contractual milestones met to date. The Operational Transition Plan was approved by ANAC (Brazilian Civil Aviation Agency) on 27 December, thus initiating Stage 2 of Phase 1A (operation shared with the current operator, Infraero) and the minimum deadline for taking control of the airports. On 13 January 2020, operations began at Juazeiro do Norte and on 16 January at Campina Grande. At the rest of the airports, operations are expected to start sequentially from 13 February 2020.

This concession, with a duration of 30 years that can be extended for an additional five years, is of the BOT type (build, operate and transfer), does not include ATC (air traffic control) services. It follows a Dual-Till model, in which revenue from aeronautical activity is regulated for airports with more than one million passengers and established by agreement with the airlines for the remaining airports. Commercial activity is not regulated.

The variable economic consideration is set at 8.16% of gross revenue, with five initial grace years and five progressive years that would start in 2025 at 1.63% and gradually increase to 3.26% in 2026, 4.9% in 2027, 6.53% in 2028, reaching the contractual 8.16% applicable in 2029 and in subsequent years.

GRUPO AEROPORTUARIO DEL PACÍFICO S.A.B. de C.V. (GAP)

The company was incorporated in 1998 as part of the Federal Government's programme to open the Mexican Airport System to private investment. In a first stage, it sold 15% of GAP to a strategic partner, Aeropuertos Mexicanos del Pacífico SAPI de CV (AMP) through a public bidding procedure. In February 2006, the Government listed the remaining 85% of GAP and the shares are currently listed on the New York and Mexico Stock Exchanges.

Therefore, AENA INTERNACIONAL's holding in GAP is through AMP, which is in turn the strategic partner of GAP, and in which AENA INTERNACIONAL has a 33.33% stake, also being its operating partner. AMP's other shareholder is Controladora Mexicana de Aeropuertos, SA de CV (CMA), a Mexican partner, with 66.67%. AMP provides GAP with technical assistance and technology transfer services.

Total passenger traffic grew by 8.4% in the period. Domestic passengers increased by 7.4% and international passengers by 9.7%, the good performance of traffic in the group's main Mexican airports being particularly notable: Guadalajara, Bajío, San José del Cabo and Tijuana, the latter being driven by the increase in users of CBX (*Cross Border Xpress*).

In December 2019, GAP received the approval of the Master Development Programmes and Tariffs for the 2020-2024 period from the Secretariat of Communications and Transport in Mexico and the Jamaica Civil Aviation Authority (JCAA) respectively for airports in these two countries.

The committed investments for airports in Mexico in the period will be 24,116 million Mexican pesos, while the committed investments for the airports in Jamaica will be US$213 million.

We should also mention that on 10 October 2018, GAP concluded an agreement with the Government of Jamaica to operate, modernise and expand the Norman Manley International Airport in the city of Kingston through the signing a 25-year Concession Contract with a possible five-year extension. With this agreement, GAP has started operating Jamaica's two commercial airports (Montego Bay and Kingston), which manage and operate 99% of the country's traffic.

The company took control of Kingston Airport on 10 October 2019. For information purposes, traffic in December 2019 was 174,200 passengers, up by 19.8% compared with December 2018. Traffic in 2019 since the takeover was 408,700 passengers and the 2019 total was 1.8 million passengers.

COLOMBIAN AIRPORTS

Cartagena de Indias airport

The Rafael Núñez International Airport in the city of Cartagena de Indias is managed by Sociedad Aeroportuaria de la Costa SA (SACSA). AENA INTERNACIONAL holds 37.89% of its capital and is also its operating partner.

The Concession started in 1996. AENA INTERNACIONAL has been present since 1998, when it acquired its stake in SACSA from Schiphol Airport.

The initial concession term was 15 years, until 2011, but on 3 March 2010 an extension was granted to SACSA for the administration of the airport for nine more years. In exchange, SACSA had to undertake investments of 103 billion pesos (approximately €45 million) for the execution of the Rafael Núñez Modernisation and Expansion Works.

Cartagena de Indias Airport increased its passenger volume by 5.7%. Its domestic traffic grew by 5.5%, although it is affected by the reorganisation of routes and frequencies being carried out by Avianca.

International traffic increased by 6.6% over this period. Delta increased its winter season frequency to Atlanta by two a week and KLM operated six flights a week to Amsterdam at the end of the year. The winter season operation of Air Canada (Toronto) and Transat (Montreal) flights to Canada was confirmed as in recent years. Avianca, which is reorganising routes through its restructuring plan, stopped operating the route to New York in May (three flights a week), while in June it discontinued its San Salvador service (four flights a week).

Apart from this, it is noteworthy that negotiations are ongoing with the Colombian National Infrastructure Agency (ANI) for the development of the public-private initiative (PPP), corresponding to the Cartagena airport, the objective of which is to sign a concession contract once the current concession ends in 2020, the latest modifications requested by the ANI having been presented in March.

Cali airport

Just as Cali is the third largest city in Colombia, so the Alfonso Bonilla Aragón International Airport is the third largest airport by number of passengers, behind the airports of Bogotá and Medellín. It is a metropolitan airport with domestic traffic (78% of the total statistical traffic).

Aerocali SA is the concessionaire company, in which AENA INTERNACIONAL has a 50% stake, as well as being the Operating Partner, with an operation contract.

Traffic grew by 12.5%. The volume of domestic passengers increased by 13.7% due to LATAM's growth strategy in the period focusing on Colombia and especially Cali, as well as the recovery of Avianca frequencies in 2019 following the reorganisation process in 2018, plus the growth of Wingo and the start of Easyfly operations.

In turn, the increase in international traffic by 8.2% reflects that the reorganisation of international routes by Avianca has been compensated by the growth of COPA and the start-up of Spirit operations.

Apart from this, it is noteworthy that negotiations are ongoing with the Colombian National Infrastructure Agency (ANI) for the development of the public-private initiative (PPP), corresponding to the Cali airport, the objective of which is to sign a concession contract once the current concession ends in 2020, with the latest modifications requested by the ANI having been presented in March.

Barranquilla airport

AENA INTERNACIONAL has a 40% stake in Aeropuertos del Caribe SA in liquidation (ACSA), a company that currently has no activity and is in liquidation. ACSA was the Concessionary Company of Barranquilla Airport from 1997 to 2012 when, no agreement having been reached, Aerocivil unilaterally terminated the concession Contract. Faced with Aerocivil's termination, ACSA initiated an administrative contentious procedure before the Atlantic Administrative Court which is currently under way.

AERONAUTICAL SERVICES: IN-FLIGHT VERIFICATION UNIT

In 2007 AENA INTERNACIONAL created the In-Flight Verification Unit (IVU) to offer verification services for the radio aids of the National Navigation System, including the entire network of Spanish airports, with the added objective of marketing these services to third parties.

During 2019, the In-Flight Verification Unit provided its verification services on a regular basis, as the main provider of Aena and ENAIRE. This past year 623.5 flight hours were completed (Aena, ENAIRE and third parties).

RISK MANAGEMENT

<u>Financial risk factors:</u>

The Company's activity is exposed to various financial risks: market risk (including exchange rate risk and interest rate risk), credit risk and liquidity risk. The Company's global risk management programme focuses on the uncertainty of the financial markets and seeks to minimise the potential adverse effects on its financial profitability.

The main financial risks that potentially affect the Company are indicated below:

a) Credit risk:

The main financial assets affected by credit risk are “cash and cash equivalents” (see Note 4.d.1), as well as loans to and receivables from related companies (see Note 13). The Company generally holds its cash and cash equivalents with highly rated financial institutions. In addition, the main loans and receivables are with related companies which have historically attended to payment in the established terms. AENA INTERNACIONAL has a debt with LLAHL II, which amounts to £48.3 million (equivalent to €56.7 million in 2019 and €54 million in 2018). It is a related company over which control is exercised and which has historically attended to its payments. It is estimated that it will generate sufficient cash flows in the future to return these amounts (see Note 13).

Consequently, the Company's Directors do not consider that any situation affecting the low level of credit risk of AENA INTERNACIONAL is likely to arise.

b) Liquidity risk:

Management of this risk, which is not significant, focuses on the detailed monitoring of the maturity schedule of the Company's financial debt, as well as the proactive management and maintenance of credit lines covering anticipated liquidity requirements.

The Company also systematically makes cash forecasts with the objective of evaluating cash requirements. This liquidity policy pursued by the Company ensures compliance with the payment commitments acquired without having to resort to obtaining funds on burdensome conditions and allowing the Company's liquidity position to be continuously monitored.

c) Market risk (includes interest rate and exchange rate risk):

Interest rate risk

Both the Company's treasury and financial debt are exposed to interest rate risk, which could have an adverse effect on financial results and cash flows.

In this regard, the Company only has a loan from its parent, maturing in May 2023, so any possible fluctuations in interest rates that may occur in the markets in which it operates will not have any effect on the Company’s equity.

Exchange rate risk

The Company is exposed to exchange rate fluctuations that may affect its sales, results, equity and cash flows, basically deriving from:

1. Investments in foreign countries (mainly in Mexico, Brazil, Colombia and the United Kingdom) (see Notes 7.1 and 7.2).

2. Transactions carried out by associates and other related parties that operate in countries with a currency other than the euro (mainly Mexico, Brazil, Colombia and the United Kingdom) (see Note 13).

3. Loans granted in a foreign currency (see Note 9). In relation to the loan granted to LLAHL II in sterling, the Company regularly follows trends in the exchange rate and if and when appropriate will consider contracting hedges to protect against fluctuations of sterling against the euro.

Operational risk factors:

The interest in London Luton Airport Holding III Limited exposes the Company to risk deriving from the United Kingdom's exit from the European Union (Brexit), however, Luton Airport constantly monitors Brexit and its potential impact on the airport. Operationally there will be no impact in 2020. As for a potential impact on traffic, it is difficult to anticipate the post-Brexit scenario, which will depend on how economic dynamics unfold in the UK. In any case, airport traffic has reached its capacity, so the airport cannot meet additional demand. This, coupled with the fact that in the medium term the London airport system may be under strain due to a lack of capacity as a new runway has not been authorised, reduces the risk of loss of traffic in Luton. Apart from this, Luton Borough Council already formally accepted the attainment of the contractual milestone (acceptance of the terminal) at the end of 2018 in June 2019, so the matter was completed eliminating the operational risk.

TRENDS IN THE WORKFORCE:

The number of Aena Internacional workers at 31 December 2019 was 24. This represents a decrease in the workforce compared with 2018 (27 people). The workforce is made up of 50% women and 50% men.

PAYMENT TO SUPPLIERS

At 31 December 2019, the information regarding the average period of payment to suppliers is as follows:

	2019
	Days
Average term of payment to suppliers	13
Ratio of transactions paid	13
Ratio of transactions pending payment	51
	Amount (thousands of euros)
Total payments made	8,280
Total payments pending	23

For the calculation of the average payment period, the amount of invoices pending receipt of €4,461,337 in 2019 has been excluded.

RESEARCH AND DEVELOPMENT ACTIVITIES

The activity of the company does not require investment in R&D, so there were no actions in this field during 2019.

USE OF FINANCIAL INSTRUMENTS

During the year, the Company operated with derivative financial instruments in relation to the firm commitment acquired with the Brazilian Government as a result of its winning the tender for the concession of a group of airports in north eastern Brazil in an bidding process held by the Brazilian government.

In this regard, the Company undertook to contribute BRL 488,894,033 (Brazilian reais), on 18 July 2019 and BRL 1,900,000,000 on 26 August 2019.
Since the aforementioned firm commitment was denominated in Brazilian reais (BRL), an exposure to the EUR/BRL exchange rate risk arose. The hedging strategy established by the Group in this operation was based on the contracting of two NDF currency forward contracts with Société Générale, Paris to lock in an exchange rate of 4.4425 BRL/EUR.

The final impact on the Income Statement, once the firm commitments acquired had been fulfilled and the derivatives cancelled, amounted to €6,283,632.

At 31 December 2019, the company had not contracted any product considered risky, such as shares, ETFs, derivatives, etc.

DIVERSITY

Diversity management is increasingly important for the Company, as it is for investors, clients and employees.

Diversity is present in the Company with the following measures:

- A company code of conduct which covers this diversity and is applicable to all people who work in the organisation

- "Whistleblower's Channel", for receiving internal complaints and other communications of irregular conduct.

- A collective agreement that includes the principle of equality of treatment

- Application of the parent company's policies on diversity, equal treatment etc.

The non-financial information statement, pursuant to the provisions of Directive 2014/95/EU of the European Parliament and of the Council and Law 11/2018 amending the Commercial Code, the consolidated text of the Corporate Enterprises Act approved by Royal Legislative Decree 1/2010 of 2 July and Law 22/2015 of 20 July on Auditing of Accounts, regarding non-financial information and diversity, is contained in the Consolidated Non-Financial Information Statement forming part of the Management Report of the parent Aena SME, S.A. and, therefore, is subject to the same criteria of approval, filing and publication as the Management Report, having been approved by the Board of Directors of AENA, S.M.E. S.A., together with the Management Report at its meeting of 25 February 2020. This report is available on the Aena website (www.aena.es).

EVENTS AFTER THE REPORTING PERIOD

In relation to the information contained in Note 11, the Supreme Court of Justice of the Nation, by order dated 2 December 2019, published on 12 February 2020, dismissed the appeal for review that ITM filed against the ruling dismissing the appeal in cassation. Such dismissal can be challenged through a remedy of complaint that must be promoted within three days of notification of the dismissal order.

Statement

The Directors declare that, to the best of their knowledge, the financial statements have been prepared in accordance with the applicable accounting principles, and they provide a true and fair view of the assets, financial situation and results of Aena Desarrollo Internacional S.M.E. S.A. (Sociedad Unipersonal).

The formulation of these financial statements for the year ended 31 December 2019 was approved by the Board of Directors at its meeting of 18 February 2020.

These statements, comprising the statement of financial position at 31 December 2019, the income statement, the statement of changes in equity, the statement of cash flows, the notes to the financial statements and the management report for the year then ended, are extended on 44 sheets, all signed by the Chairman, Secretary and the members of the Board of Directors, and in token of conformity are signed below by all the members of the Board of Directors:

Maurici Lucena Betriu Chairman	María José Cuenda Chamorro Managing Director
Gema Pérez Sanz Director	Francisco Javier Marín San Andrés Managing Director
Almudena Salvadores García Director	Ignacio Biosca Vancells Director
Emilio José Rotondo Inclán Director	Jaime García-Legaz Ponce Director
Rafael Fernández Villasante Director	Juan Carlos Alfonso Rubio Secretary

I, Juan Carlos Alfonso Rubio, Secretary to the Board of Directors of Aena Desarrollo Internacional S.M,E., S.A. (Sociedad Unipersonal) hereby certify that this document, which comprises the financial statements consisting of the statement of financial position at 31 December 2019, the income statement, the statement of changes in equity, the statement of cash flows, the notes to the financial statements and the management report for the year then ended of Aena Desarrollo Internacional S.M.E. S.A. (Sociedad Unipersonal) and consisting of 44 sheets, have been drawn up and approved by the Company's Board of Directors.

Madrid, 18 February 2020

Secretary
Juan Carlos Alfonso Rubio