# 2017 Results Presentation

2017 full year results

**28 February 2018**

# Disclaimer

This report includes the most significant data regarding Aena S.M.E., S.A. and its subsidiary companies (hereafter “Aena” or “the Company”) and its management during 2017, including information relevant to all business areas, the main figures and the lines of action that have guided the management of the Company.

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# I. Key highlights

**Passenger traffic**

- Passenger traffic[1] grew to 265.0 million (+8.3%).
- New traffic record in the Aena airport network in Spain, with cumulative growth of +8.2% and 249.2 million passengers, which means that in the fourth quarter of 2017 traffic grew by 8.0 % (compared to increases of 6.3% in the first quarter, 11.0% in the second quarter and 7.2% in the third quarter).
  - The contribution of international traffic is kept stable at 70.5%.Growth in international passengers stood at +8.4% and for domestic traffic at +8.1%.
- Traffic at Luton airport reached its historical record of 15.8 million passengers (+8.6%).

**Results**

- Total consolidated revenue has increased to 4,027.6 million euros (+6.8% compared to 2016), of which 26.3% correspond to commercial revenue[2] (25.3% in 2016). Commercial revenue grew +11.3% to 1,060.6 million euros.
- The EBITDA for the period stood at 2,517.4 million euros, which represents a growth of +9.8% compared to 2016, placing the margin at 62.5% (60.8% in 2016), due to maintenance of the efficiency achieved in spite of the operational tension derived from the increase in traffic.
- Consolidated attributable net profit came to 1,232.0 million euros (+5.8% compared to 2016).This variation is specially significant since an exceptional positive impact of the reversal of provisions for legal proceedings related to expropriations of land at Adolfo Suárez Madrid-Barajas Airport is included in 2016.Excluding this effect net profit would have increased by 21.9%.
- The Board of Directors of Aena S.M.E., S.A. proposes to the Ordinary General Shareholders Meeting the distribution of a gross dividend of 6.5 euros[3] per share out of 2017 net profit. This dividend, which implies distributing 80% of net profit, represents an increase of 69.7% on last year.

**Cash flow**

- Increase in operating cash flow by 9.8% to 2,014.6 million euros compared to 1,834.7 million euros in 2016.
- The accounting net financial debt[4] has decreased to 7,156.0 million euros (including Luton's net financial debt amounting to 396.3 million euros) compared to 8,228.0 million euros at the end of 2016, reducing the net financial debt ratio to EBITDA[5] from Aena SME, SA from 3.6x in 2016 to 2.8x as of 31 December 2017.
- Investment paid in 2017 amounted to 371.2 million euros (including 66.2 million euros at Luton).

(1) Total passengers in the airport network in Spain and at Luton Airport. It does not include the traffic of airports of associates that are not consolidated for accounting purposes.
(2) Car parks activity, which until 2016 was included in Off-Terminal Services, is presented grouped in Commercial Revenue.
(3) Calculated as: 80% of the net Profit of the issuer (Aena, SME, SA) in 2017.
(4) Accounting net financial debt calculated as: Financial Debt (current and non-current) minus Cash and cash equivalents.
(5) Net Financial Debt / EBITDA Ratio calculated according to the criteria set in debt novation agreements reached with banks on 29 July 2014.

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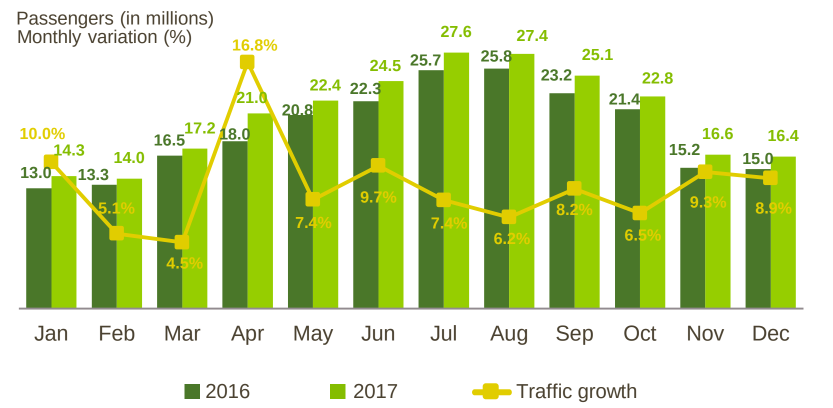
# II.Traffic data

- Solid growth in both the airport network in Spain and at Luton Airport.
- These figures for traffic growth in Spain have not been negatively affected by the Brexit, by the terrorist acts that occurred in Barcelona and Cambrils on 18 August, by the political environment in Catalonia, or by the reduction, or if any, by the cessation of operations of the Alitalia, Air Berlin, Monarch and Niki airlines.
- Regarding Brexit, during 2017, the growth of passengers with origin / destination in the United Kingdom has returned to be positive, 9.0% (3.7 million additional passengers), although, during the fourth quarter this experienced a progressive deceleration, mainly due to the slowdown of the British economy and to the recovery of alternative destinations.

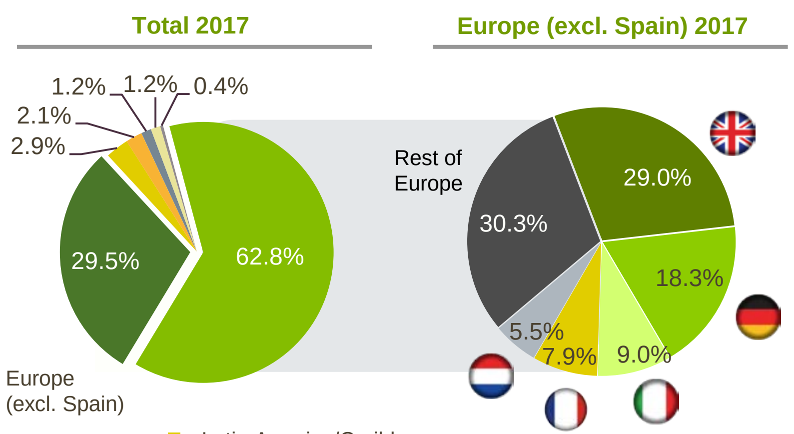
| Network in Spain | 2017 | 2016 | Variation |
|---|---|---|---|
| Passengers | 249,223,044 | 230,231,359 | +8.2% |
| Operations | 2,174,263 | 2,045,106 | +6.3% |
| Cargo (kg) | 918,305,644 | 798,592,161 | +15.0% |

| Luton | 2017 | 2016 | Variation |
|---|---|---|---|
| Passengers | 15,799,219 | 14,551,774 | +8.6% |
| Operations | 135,538 | 131,536 | +3.0% |
| Cargo (kg) | 22,061,000 | 25,787,630 | -14.5% |

## Monthly evolution of passenger traffic[1]




## Breakdown of passenger traffic[1] by market




- Europe (excl. Spain)
- Spain
- Latin America/Caribbean
- Africa
- North America (USA, Canada and Mexico)
- Middle East
- Asia and Other

| Airports/Groups[2] | Passengers[1] (Millions) | Variation (%) | Share |
|---|---|---|---|
| Adolfo Suárez Madrid-Barajas | 53.4 | 5.9% | 21.4% |
| Barcelona - El Prat | 47.3 | 7.1% | 19.0% |
| Palma de Mallorca | 28.0 | 6.5% | 11.2% |
| Canary Islands Group | 44.0 | 8.8% | 17.7% |
| Group I | 62.5 | 11.0% | 25.1% |
| Group II | 12.8 | 11.3% | 5.1% |
| Group III | 1.3 | 10.6% | 0.5% |
| **TOTAL** | **249.2** | **8.2%** | **100.0%** |

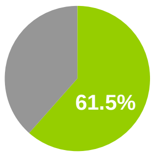
Please refer to the Appendix for the breakdown between domestic and international traffic.

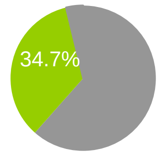
(1) Total passengers in the Spanish airport network.
(2) Group I: Alicante-Elche, Bilbao, Girona, Ibiza, Málaga-Costa del Sol, Menorca, Seville and Valencia.
Group II: A Coruña, Almería, Asturias, FGL Granada-Jaén, Jerez de la Frontera, Murcia-San Javier, Reus, Santiago, SB-Santander, Vigo and Zaragoza.
Group III: Albacete, Algeciras-Heliport, Badajoz, Burgos, Ceuta-Heliport, Córdoba, Huesca-Pirineos, Logroño, Madrid-Cuatro Vientos, Melilla, Pamplona, Sabadell, Salamanca, San Sebastián, Son Bonet, Valladolid and Vitoria.

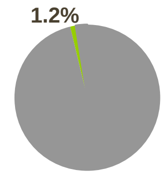
# II.Performance by business line

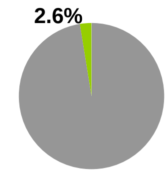
## Airports

| 2017 | Aeronautical | Commercial | Real estate services | International |
|---|---|---|---|---|
| **Total revenue €4,027.6 M** | **€2,692.4 M (+5.6%)** | **€1,060.6 M (+11.3%)** | **+€4.1 M (-5.8%)** | **€215.5 M (+3.6%)** |
| **EBITDA €2,517.4 M EBITDA margin 62.5%** | €1,549.0 M (+10.4%) | €873.4 M (+11.5%) | €30.6 M (-15.2%) | €64.6 M (-9.4%) |




### Highlights

**Aeronautical**

- Increase in ordinary revenue of +5.6% (+€140.5 M).
- Traffic growth(1): +8.2% in passengers and +6.3% in operations.
- K Factor(2): for the 2017 fiscal year, this represents a difference in revenue of 57.8 million euros, which should be incorporated into the WACC (6.98%) in the revision of the 2019 rates.
- -1.9% reduction in airport charges from 1 March 2016 and -2.22% from 1 March 2017: -€56.9 M
- Commercial incentives: €36.4 M, net of the adjustment of €3.9 M of provisions from previous years (compared with €67.7 M in 2016, net of the adjustment of €4.5 M).
- Rebates for connecting passengers: €69.9 M (compared to €70.4 M in 2016) including the effect of the increase from 35% to 40% from 1 March 2016.
- EBITDA: includes the impact of the reallocation of costs to the Commercial sub-segment in accordance with the “Cost separation adjustment” applied in the DORA 2017-2021 (€13.2 M).

**Commercial**

Ordinary revenue growth of +11.2% (+€105.6 M).

- Duty Free: +8.4% (+€23.9 M)
- Food and beverage: +13.7% (+€21.1 M)
- Specialty shops: +2.3% (-€2.0 M)
- Car rental: +30.5% (+€34.9 M)

Affected by:

- Effect of the evolution of the RMGA(3) acknowledged in commercial contracts.
- New contracts and solid performance, especially in Car Rental and Food and Beverages.
- Brexit and GBP devaluation in tourist airports.

- Car parks(4): +8.6% (+€10.5 M) linked to the increase in domestic traffic (+8.1% in passengers) and to booking, marketing and loyalty programs.

**Real estate services**

Reduction of ordinary revenue of -4.4% (-€2.7 M) mainly due to the impact in 2016 of the accounting recognition of accumulated credit rights on real estate built on land subject to assignment agreements. Excluding this effect, ordinary revenue remains stable. During 2017 there was an increase in expenses associated with the development of the Real Estate Master Plan (€1.4 M).

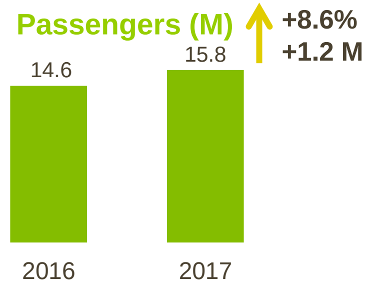
**International**

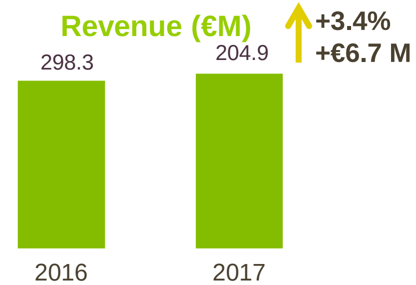
- Includes Luton’s consolidation which comes to €204.9 M in revenue and €58.7 M in EBITDA, both affected by the devaluation of the GBP (-7.0%).
- Luton traffic rose by +8.6% compared to 2016.
- Employment costs include an extraordinary cost of €8.0 M resulting from the recognition of the expense associated with one of the agreements reached with the employees of Luton airport for the closure of the defined benefit pension plan, which took place on 31 January 2017(5). This accounting adjustment has no impact on cash.
- Excluding the extraordinary impact in employment costs and the exchange rate, the change in Luton’s EBITDA would have been +8.9%.

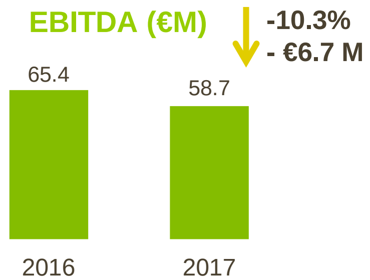
(1) Total passengers in the Spanish airport network.
(2) The K factor includes the difference between the maximum annual revenue per passenger (IMAP) approved in the DORA and the actual IMAP for the year 2017.
(3) Minimum Annual Guaranteed Rents.
(4) Car park activity, which in 2016 was included in Off-Terminal Services, is presented grouped in the Commercial revenue sub-segment.
(5) See section 3.3 of the Consolidated Management Report for the 12-month period ended 31 December 2017.

# II.International shareholdings

## Luton




- Luton's revenue in GBP grew by +10.6% in 2017 (+17.3 MGBP) compared to 2016 thanks to the excellent performance of commercial revenue, and despite the impact of Ryanair's loss of passengers (the operation of two aircraft was shifted to Stansted) and the bankruptcy of Monarch.
  - In GBP, aeronautical revenue was up +7.6% and commercial revenue +13.4%. The latter includes the good performance of the car parks revenue (+13.8%) reflecting traffic growth, the opening of the new car park and the management and prices strategies implemented, as well as the food and beverages and shop lines (+13.0% as a whole) driven by increased passenger traffic, opening of the walk-through shop in June 2016 and improved conditions for commercial contracts, although there has been a slight delay in the entry into operation of some premises due to works in the terminal.
- Reported EBITDA in GBP has fallen -2.1 MGBP compared to 2016 impacted by the extraordinary expense of 6.9 MGBP (€8.0 M) associated with one of the agreements reached with Luton Airport employees to close the defined benefit pension plan which took place on 31 January 2017, reducing the EBITDA margin to 29.1% (33.2% in 2016). Excluding the effect of this extraordinary expense, which has no cash impact, EBITDA in GBP would have increased by +4.8 MGBP and it would have meant growth coming to 8.9%.
- The Curium Project, which is aimed to increase the airport's capacity to 18 million passengers per year by the second half of 2018, is making significant progress in all its areas.
- Refinancing of Luton's debt (390 MGBP) was completed in August to extend maturities, set the rate for a larger percentage of the debt and ensure funding for the entire expansion plan.

## Other shareholdings

- Strong growth in passenger traffic in GAP and SACSA.

| | Main figures[1] | 2017 | 2016 | Variation (%) | Exchange rate[2] | 2017 | 2016 | Currency variation (%) |
|---|---|---|---|---|---|---|---|---|
| GAP | Traffic[3] | 40.7 | 36.5 | 11.4% | EUR - MNX | 21.33 | 20.67 | -3.2 |
| | Revenue | (4) | 537.4 | | | | | |
| | EBITDA | (4) | 308.7 | | | | | |
| AEROCALI | Traffic | 5.2 | 5.7 | -9.8% | EUR - COP | 3,336.16 | 3,378.32 | 1.2 |
| | Revenue | 60.3 | 57.0 | 5.8% | | | | |
| | EBITDA | 12.4 | 13.7 | -9.0% | | | | |
| SACSA | Traffic | 4.8 | 4.4 | 7.2% | EUR - COP | 3,336.16 | 3,378.32 | 1.2 |
| | Revenue | 36.6 | 31.1 | 17.7% | | | | |
| | EBITDA | 22.6 | 19.1 | *18.4%* | | | | |

(1) Traffic in millions of passengers and economic data in millions of euros. 2016 according to period-end closing figures.
(2) Average exchange rate for each period.
(3) GAP includes traffic at Sangster International Airport in Montego Bay (Jamaica).
(4) The Company has not published the closing figures for 2017.

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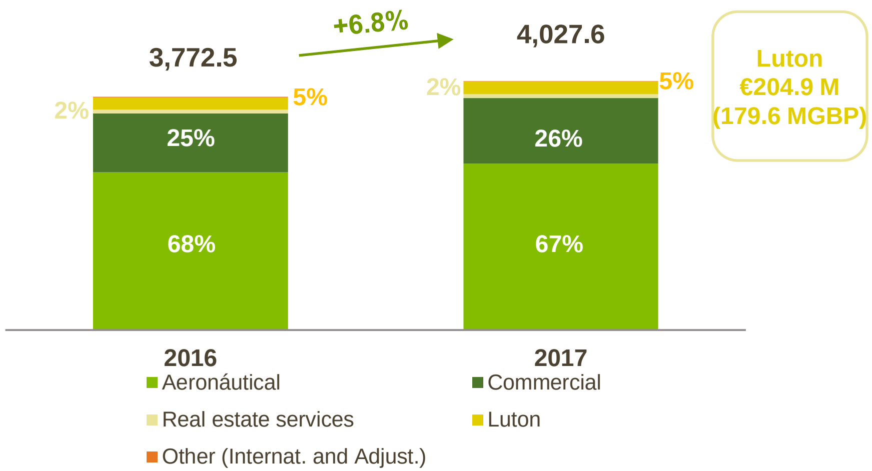
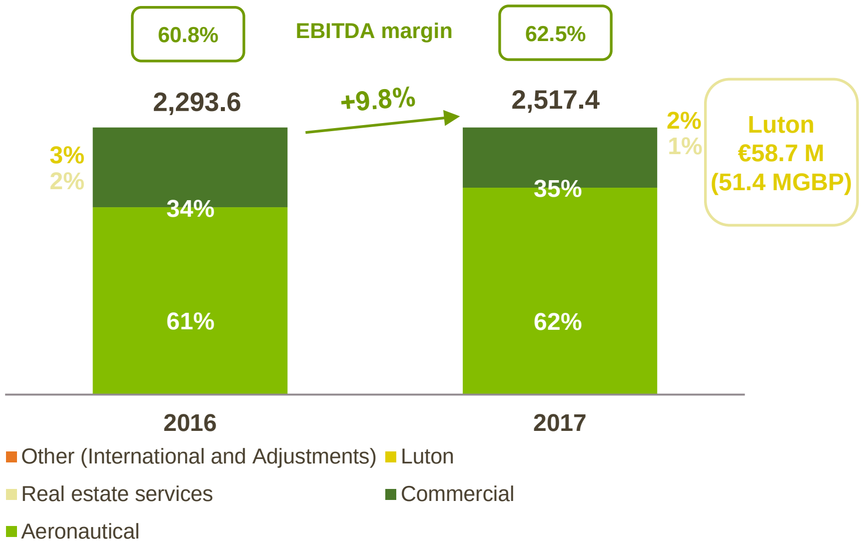
# III.Financial results

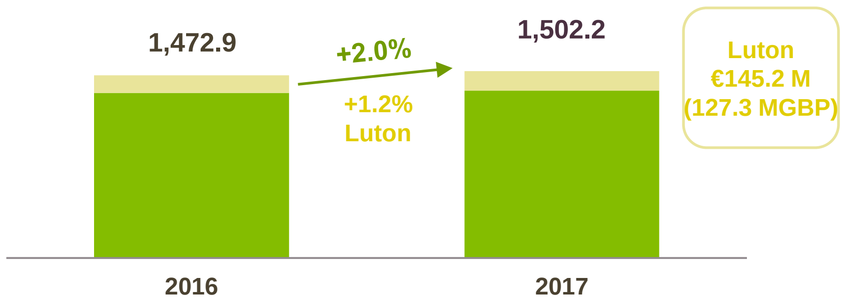
## Total revenue (€M)



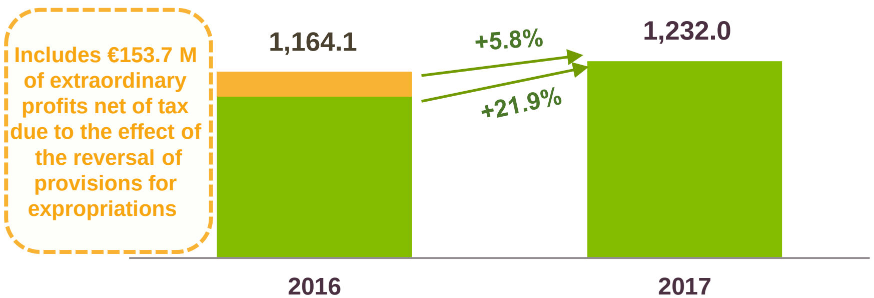

## EBITDA(1) (€M)




## OPEX(2) (€M)




## Net profit (M €)






(1) Reported EBITDA.
(2) OPEX includes: Supplies, Employment costs and Other operating expenses.

# III. Income statement

| €M | 2017 | 2016 | Variation €M | Variation % |
|---|---|---|---|---|
| Ordinary revenue | **3,960.6** | **3,709.6** | **251.0** | **6.8%** |
| Airports: Aeronautical | 2,638.5 | 2,498.0 | 140.5 | 5.6% |
| Airports: Commercial | 1,049.3 | 943.6 | 105.6 | 11.2% |
| Real estate services | 59.7 | 62.4 | -2.7 | -4.4% |
| International | 215.3 | 207.7 | 7.6 | 3.7% |
| Adjustments(1) | -2.2 | -2.2 | 0.0 | -0.9% |
| Other operating revenue | **67.0** | **62.9** | **4.1** | **6.5%** |
| **Total revenue** | **4,027.6** | **3,772.5** | **255.1** | **6.8%** |
| Supplies | -174.2 | -180.4 | -6.2 | -3.4% |
| Staff costs | -417.2 | -390.7 | 26.4 | 6.8% |
| Other operating expenses | -910.9 | -901.8 | 9.1 | 1.0% |
| Impairment and profit/loss on disposal of fixed assets | -10.9 | -6.4 | 4.5 | 70.5% |
| Other results | 3.0 | 0.4 | 2.6 | 644.1% |
| Depreciation and amortisation | -800.0 | -825.8 | -25.8 | -3.1% |
| **Total operating expenses** | **-2,310.2** | **-2,304.7** | **5.5** | **0.2%** |
| **Reported EBITDA** | **2,517.4** | **2,293.6** | **223.8** | **9.8%** |
| % of margin (of Total revenue) | *62.5%* | *60.8%* | - | - |
| **EBIT** | **1,717.4** | **1,467.8** | **249.6** | **17.0%** |
| % of margin (of Total revenue) | *42.6%* | *38.9%* | - | - |
| Finance expenses and Other financial results | -144.2 | -169.2 | -25.0 | -14.8% |
| Interest expenses on expropriations | 4.6 | 201.4 | -196.8 | -97.7% |
| Share in profits obtained by associates | 18.9 | 16.1 | 2.8 | 17.4% |
| **Profit/loss before tax** | **1,596.7** | **1,516.1** | **80.6** | **5.3%** |
| Corporate Income tax | -374.7 | -351.7 | 23.0 | 6.5% |
| **Consolidated profit (/loss) for period** | **1,222.0** | **1,164.4** | **57.6** | **4.9%** |
| Profit/loss for the period attributable to minority interests | -10.0 | 0.2 | 10.3 | 4,334.6% |
| **Profit/loss for the period attributable to the shareholders of the parent company** | **1,232.0** | **1,164.1** | **67.9** | **5.8%** |

(1) Inter-segment adjustments.
(2) Total passengers in the airport network in Spain and Luton Airport.

- **Consolidated passenger traffic**(2): **+8.3%** up to 265.0 million passengers.
- **Total revenuee:** Up **+6.8%** (+€255.1 M). See details on slide 7.
- **Total operating expenses:** remain stable with a slight increase of €5.5 M. Luton's operating expenses increased +5.7% (+€10.3 M) affected by the recognition of the expense associated with one of the agreements reached with Luton airport employees to close the defined benefit pension plan (+€8.0 M). Excluding Luton, operating expenses decreased -0.2% (-€4.7 M) due to:
  - **Supplies**: down by -3.4% (-€6.2 M) mainly due to the new conditions of the air navigation services agreement signed with ENAIRE.
  - **Staff costs:** increased by +5.0% (+€17.6 M) due to the increase in basic payments (+€7.3 M), the salary review of 1%, the incorporation of personnel as interns, variable remuneration (+€8.5 M) resulting from the acknowledgment of the pre-agreement reached on 25 September between Aena and the trade union representatives, which was ratified on 31 January 2018.
  - **Other operating expenses:** increased by 0.6% (+€5.2 M), mainly due to the increase in technical assistance (+€10.3 M), security (+€9.4 M), PRM services (+€4.6 M), cleaning (+€3.1 M), taxes (+€2.7 M) and VIP lounges (+€2.3 M), partially offset by variations in customer insolvencies (-€13.9 M), electrical energy (-€6.6 M) and expenses arising from maintenance (-€6.5 M).
  - **Depreciation and amortisation:** fell by -2.9% (-€22.7 M) mainly due to the end of the amortisation of assets partially offset by the technical review of the useful life of assets of runways and taxiways.
- **Finance expenses and Other financial results:** they decreased by €25.0 M (-14.8%) due to the fall in the interest rate (€9.9 M), the reduction in the principal of the debt (€9.8 M) and the variation in the differences of the exchange rate incurred in 2016 derived from the loan in pounds with Luton (€6.7 M). In addition, an expense of €11.8 M was recorded in 2016 to cover the eventual increase in costs caused by the change in the risk weighting coefficient of the Bank of Spain to Aena. This is offset by the recognition in September 2017 of 6.9 MGBP (€8.0 M) for the repayment of activated costs associated with Luton's 2015 financing as a result of debt refinancing.
- **Interest expenses on expropriations:** up by €196.8 M due to the reversal in 2016 of provisions for late payment interest due to risk elimination in this period (€204.9 M).
- **Corporate Income tax**: up by €23.0 M (+6.5%) mainly due to the increase in the profit/loss for the period and the reduction of deductions for investments in the Canary Islands. The effective rate for the period increases to 23.5% (23.2% in 2016).
- **Net attributable profit** of 1,232.0 million euros; increasing by €67.9 M (+5.8%). This variation is specially significant since an exceptional positive impact of the reversal of provisions for legal proceedings related to expropriations of land at Adolfo Suárez Madrid-Barajas Airport is included in 2016. Excluding this effect net profit would have increased by 21.9%.

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# IV. Outlook for 2018

**Passenger traffic**

- We estimate an increase in the number of passengers[1] in 2018 by 5.5%. This estimate could suffer variations of around ± 1%.

**Strategic Plan**

Main strategic lines in which we work on and that will be reflected in the strategic Plan:

- On the regulated business, compliance with the commitments set forth in the Airport Regulation Document will be prioritized (DORA).
- In terms of commercial activities, the future strategy will be reviewed, optimising both spaces, as well as new contracts and business activity lines.
- Real Estate Development, which will take place following the studies undertaken.
- Aena's international expansion model.

**Barcelona Airport Master Plan**

The aims of this Plan can be summarised in the adaptation of infrastructures to demand, the improvement of connectivity and inter-modality, as well as the incorporation of the Girona-Costa Brava Airport to the Barcelona-El Prat airport system.

Finally, the total estimated investment for the period 2017-2026 stands at 1,264 million euros[1]. This amount does not involve an additional increase on the period of the first DORA 2017-2021.



(1) Passengers in the airport network in Spain
(2) Includes regulated and non-regulated investment.

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# V. Appendix. Commercial information. Ordinary revenue

| Business line (Million euros) | Revenue | | Variation | | MAG[4] | |
|---|---|---|---|---|---|---|
| | 2017 | 2016 | € thousand | % | 2017 | 2016 |
| Duty-Free Shops[1] | 309.0 | 285.2 | 23,863 | 8.4% | | |
| Food & Beverage | 175.6 | 154.5 | 21,150 | 13.7% | | |
| Specialty shops[1] | 91.7 | 89.7 | 2,043 | 2.3% | | |
| Car Parks | 132.0 | 121.6 | 10,459 | 8.6% | | |
| Car Rental | 149.4 | 114.5 | 34,907 | 30.5% | | |
| Advertising | 31.6 | 30.3 | 1,271 | 4.2% | | |
| Leases[2] | 32.1 | 25.0 | 7,124 | 28.5% | | |
| Other commercial activities[2] [3] | 127.8 | 123.0 | 4,788 | 3.9% | | |
| VIP services[5] | 41.1 | 32.6 | 8,456 | 25.9% | | |
| **Commercial** | **1,049.3** | **943.6** | **105,605** | **11.2%** | **79.2** | **67.3** |
| **Average revenue/passenger** | **4.2** | **4.1** | **0.1** | **2.7%** | | |

(1) In 2017 the revenue of the Multi-Store at Fuerteventura Airport, which until August 2016 had been recognised in the Specialty Shops line, became part of the Duty-Free Shops line as it was added to the Duty-Free Shops General Contract at that time. On a like-for-like basis, the increase in the revenue of Duty-Free Shops amounted to +7.1% and the growth of Specialty Shops revenue to +6.4%.
(2) Revenue from area leases for mobile telephone stations has been reclassified to Leases (formerly in Other commercial iactivities).On a like-for-like basis, revenue from Leases rose by 1.5% and Other commercial revenue increased by 9.7%.
(3) Includes: Commercial activities, commercial supplies, use of conference rooms and filming and recording, Fast Track and Aircraft Housing.
(4) Minimum Annual Guaranteed Rent.
(5) Includes use of conference rooms and areas not delimited and Fast-Track.

- Total commercial revenue includes the minimum guaranteed rent (MGR) recognised under contract in the following business lines: Duty-Free Shops, Food & Beverage, Specialty shops, Advertising and Commercial operations.
- In 2017 the amount recorded in revenue from minimum guaranteed rent (MAG) accounts for 10.8% of revenue for lines with contracts that include these clauses (9.9% in 2016).

# V. Appendix. Other financial information. Main figures. Quarterly evolution

| €M | First Quarter | | | Second Quarter | | | Third Quarter | | | Fourth Quarter | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2017 | 2016 | Var. | 2017 | 2016 | Var. | 2017 | 2016 | Var. | 2017 | 2016 | Var. | 2017 | 2016 | Var. |
| **Traffic (thousands of passengers)[1]** | **48,702.1** | **45,488.2** | **7.1%** | **72,192.0** | **65,064.7** | **11.0%** | **84,865.9** | **79,183.0** | **7.2%** | **59,262.3** | **55,047.2** | **7.7%** | **265,022.3** | **244,783.1** | **8.3%** |
| **Aena domestic network traffic (thousands of passengers)** | **45,455.8** | **42,742.2** | **6.3%** | **67,902.4** | **61,157.7** | **11.0%** | **80,078.1** | **74,683.6** | **7.2%** | **55,786.8** | **51,647.8** | **8.0%** | **249,223.0** | **230,231.4** | **8.2%** |
| **Total revenue** | **794.2** | **744.3** | **6.7%** | **1067.4** | **988.2** | 8.0% | **1,234.7** | **1,156.6** | 6.8% | **931.3** | **883.4** | 5.4% | **4,027.6** | **3,772.5** | **6.8%** |
| Aeronautical revenue | 515.9 | 489.9 | 5.5% | 701.9 | 650.6 | 7.9% | 817.7 | 779.9 | 4.8% | 603.0 | 577.6 | 4.4% | 2,638.5 | 2,498.0 | 5.6% |
| Commercial revenue | 203.6 | 182.9 | 11.3% | 273.6 | 245.0 | 11.7% | 326.4 | 289.3 | 12.8% | 245.7 | 226.4 | 8.5% | 1,049.3 | 943.6 | 11.2% |
| Real estate services | 14.9 | 14.4 | 3.4% | 14.4 | 18.0 | -19.9% | 15.2 | 15.6 | -2.8% | 15.2 | 14.4 | 5.4% | 59.7 | 62.4 | -4.4% |
| International[2] | 44.1 | 43.2 | 1.9% | 57.8 | 58.4 | -1.0% | 62.9 | 57.8 | 8.9% | 48.3 | 46.1 | 4.7% | 213.1 | 205.5 | 3.7% |
| Other revenue | 15.8 | 14.8 | 6.9% | 19.5 | 15.3 | 27.4% | 12.6 | 14.0 | -10.1% | 19.1 | 18.8 | 1.7% | 67.0 | 62.9 | 6.5% |
| **Total operating expenses** | **-673.5** | **-674.6** | **-0.2%** | **-530.7** | **-536.9** | **-1.2%** | **-536.7** | **-529.3** | **1.4%** | **-569.2** | **-563.9** | **0.9%** | **-2,310.2** | **-2,304.7** | **0.2%** |
| Supplies | -44.2 | -46.3 | -4.6% | -43.6 | -44.7 | -2.6% | -43.7 | -45.3 | -3.6% | -42.7 | -44.0 | -3.0% | -174.2 | -180.4 | -3.4% |
| Staff costs | -109.4 | -99.2 | 10.3% | -101.2 | -98.7 | 2.5% | -96.7 | -92.5 | 4.5% | -109.8 | -100.3 | 9.6% | -417.2 | -390.7 | 6.8% |
| Other operating expenses | -319.5 | -322.1 | -0.8% | -186.6 | -187.7 | -0.6% | -199.6 | -190.0 | 5.0% | -205.2 | -201.9 | 1.6% | -910.9 | -901.8 | 1.0% |
| Depreciation and Amortisation | -199.5 | -205.6 | -3.0% | -197.5 | -205.1 | -3.8% | -196.7 | -200.5 | -1.9% | -206.4 | -214.6 | -3.8% | -800.0 | -825.8 | -3.1% |
| Impairment and profit/(loss) on fixed asset disposals and others results | -1.0 | -1.4 | -28.6% | -1.8 | -0.6 | 186.2% | -0.1 | -0.9 | -88.5% | -5.1 | -3.1 | 63.1% | -7.9 | -6.0 | 32.4% |
| **Total operating expenses (excluding Luton)** | **-623.3** | **-631.5** | **-1.3%** | **-483.3** | **-488.6** | **-1.1%** | **-488.3** | **-484.0** | **0.9%** | **-525.1** | **-520.6** | **0.9%** | **-2,120.0** | **-2,124.8** | **-0.2%** |
| Supplies | -44.2 | -46.3 | -4.5% | -43.6 | -44.7 | -2.5% | -43.7 | -45.3 | -3.6% | -42.7 | -44.0 | -3.0% | -174.2 | -180.4 | -3.4% |
| Staff costs | -91.9 | -89.4 | 2.8% | -90.9 | -88.5 | 3.9% | -86.0 | -82.8 | 4.0% | -100.4 | -91.0 | 10.4% | -369.2 | -351.6 | 5.0% |
| Other operating expenses | -297.9 | -301.7 | -1.3% | -160.7 | -162.3 | -1.0% | -172.7 | -165.2 | 4.5% | -182.4 | -179.2 | 1.8% | -813.7 | -808.5 | 0.6% |
| Depreciation and Amortisation | -188.4 | -192.8 | -2.3% | -186.3 | -192.5 | -3.2% | -185.9 | -189.8 | -2.0% | -195.4 | -203.6 | -4.0% | -756.0 | -778.7 | -2.9% |
| Impairment and profit/(loss) on fixed asset disposals and others results | -1.0 | -1.4 | -28.6% | -1.8 | -0.6 | 200.0% | 0.0 | -0.9 | -100.0% | -4.1 | -2.7 | 48.7% | -6.9 | -5.6 | 21.9% |
| **EBITDA** | **320.2** | **275.3** | **16.3%** | **734.1** | **656.4** | **11.8%** | **894.7** | **827.9** | **8.1%** | **568.4** | **534.0** | **6.4%** | **2,517.4** | **2,293.6** | **9.8%** |
| **EBITDA (excluding Luton)** | **317.4** | **264.1** | **20.2%** | **714.7** | **635.7** | **12.4%** | **871.5** | **806.3** | **8.1%** | **555.1** | **522.1** | **6.3%** | **2,458.7** | **2,228.2** | **10.3%** |
| **Consolidated profit (/loss) for period** | **80.8** | **29.2** | **176.8%** | **380.1** | **463.1** | **-17.9%** | **504.5** | **453.1** | **11.3%** | **266.5** | **218.9** | **21.7%** | **1,232.0** | **1,164.1** | **5.8%** |
| **Consolidated profit/(loss) for the period excluding reversal of provisions[3]** | **80.8** | **29.2** | **176.8%** | **380.1** | **309.4** | **22.8%** | **504.5** | **453.1** | **11.3%** | **266.6** | **218.9** | **21.7%** | **1,232.0** | **1,010.4** | **21.9%** |

(1) Total passengers in the airport network in Spain and at Luton Airport.
(2) Net of Inter-segment Adjustment.
(3) Extraordinary reversals in 2016 of provisions for legal proceedings related to expropriation of land at Adolfo Suárez Madrid-Barajas Airport

# V. Appendix. Other financial information. Cash flow statement

| €M | 2017 | 2016 | Variation €M | Variation % |
|---|---|---|---|---|
| **Profit/loss before tax** | **1,596.7** | **1,516.1** | 80.6 | *5.3%* |
| Depreciation and amortisation | 800.0 | 825.8 | | |
| Changes in working capital | -107.6 | -3.2 | | |
| Financial result | 139.6 | -32.2 | | |
| Shareholding in affiliates | -18.9 | -16.1 | | |
| Interest flow | -131.7 | -146.6 | | |
| Tax flow | -263.5 | -309.0 | | |
| **Operating cash flow** | **2,014.6** | **1,834.7** | *179.9* | *9.8%* |
| Acquisition of property, plant and equipment | -371.2 | -305.4 | | |
| Operations with affiliates | -12.9 | 2.0 | | |
| Dividends received | 17.1 | 15.6 | | |
| (Repayment) / Obtaining financing | -784.5 | -1,140.9 | | |
| Other flows from investment / financing activities / dividend distribution | -574.3 | -396.0 | | |
| **Cash flow from Investment/Financing** | **-1,725.9** | **-1,824.7** | *98.8* | *-5.4%* |
| Exchange rate impact | 1.6 | -2.1 | | |
| **Cash and cash equivalents at start of the period** | 564.6 | 556.7 | | |
| Net (decrease)/increase in cash and cash equivalents | 290.4 | 7.9 | *282.5* | *3,587.1%* |
| **Cash and cash equivalents at the end of the period** | **855.0** | **564.6** | *290.4* | *51.4%* |

# V. Appendix. Other financial information. Balance sheet

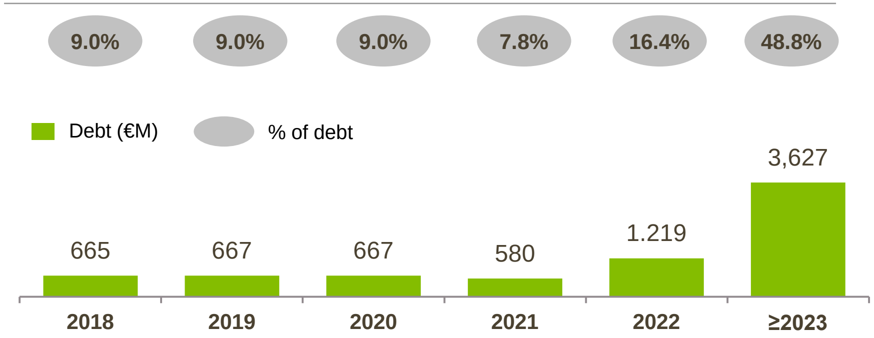
| €M | 2017 | 2016 |
|---|---|---|
| Property, plant and equipment | 13,205.9 | 13,563.9 |
| Intangible assets | 491.2 | 525.6 |
| Investment properties | 135.1 | 135.7 |
| Investments in affiliates | 64.0 | 71.7 |
| Other non-current assets | 197.4 | 205.6 |
| **Non-current assets** | **14,093.6** | **14,502.6** |
| Inventories | 7.1 | 9.0 |
| Trade and other receivables | 351.8 | 437.6 |
| Cash and cash equivalents | 855.0 | 564.6 |
| **Current assets** | **1,213.8** | **1,011.2** |
| **Total assets** | **15,307.4** | **15,513.8** |

| €M | 2017 | 2016 |
|---|---|---|
| Share capital | 1,500.0 | 1,500.0 |
| Share premium | 1,100.9 | 1,100.9 |
| Retained profits/(losses) | 3,180.0 | 2,521.9 |
| Other reserves | -98.5 | -129.4 |
| Minority interests | 5.4 | 32.4 |
| **Total net equity** | **5,687.9** | **5,025.7** |
| Financial debt | 7,276.0 | 7,912.2 |
| Provisions for other liabilities and expenses | 70.9 | 133.6 |
| Grants | 511.9 | 544.4 |
| Other long-term liabilities | 276.3 | 372.0 |
| **Non-current liabilities** | **8,135.2** | **8,962.2** |
| Financial debt | 734.9 | 880.4 |
| Provisions for other liabilities and expenses | 83.9 | 128.5 |
| Grants | 40.2 | 38.3 |
| Other current liabilities | 625.4 | 478.7 |
| **Current liabilities** | **1,484.4** | **1,525.9** |
| **Total liabilities** | **9,619.6** | **10,488.0** |
| **Total net equity and liabilities** | **15,307.4** | **15,513.8** |

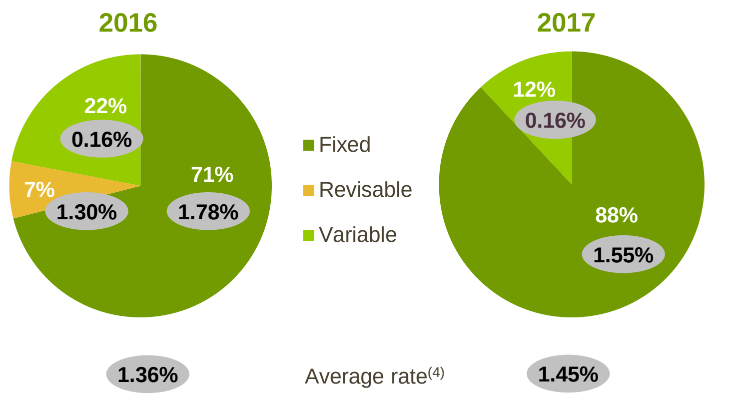
# V. Appendix. Other financial information. Aena debt ex-Luton

- In 2017 debt has been repaid at an amount of €1,497.3 M, including €797.2 M corresponding to the early amortisation of debt of the variable rate held with Depfa. €650 M in new fixed rate debt has been raised (0.69% per annum) with 5 years maturity, slightly impacting the average rate of the period.
- As of 31 December 2017 Aena's cash balance amounts to €718.1 M.
- The volume of future maturities is significantly lower than in previous years.
- In this period €478.6 M were converted (EIB loan) from an adjustable to a fixed rate. The average rate of these operations fell from 1.14% to 0.78%.

## Schedule of Aena debt maturity(1)
## Total: €7,424.3 M; Average life: 11.1 years




## Distribution of debt by regime and average interest rate of the period



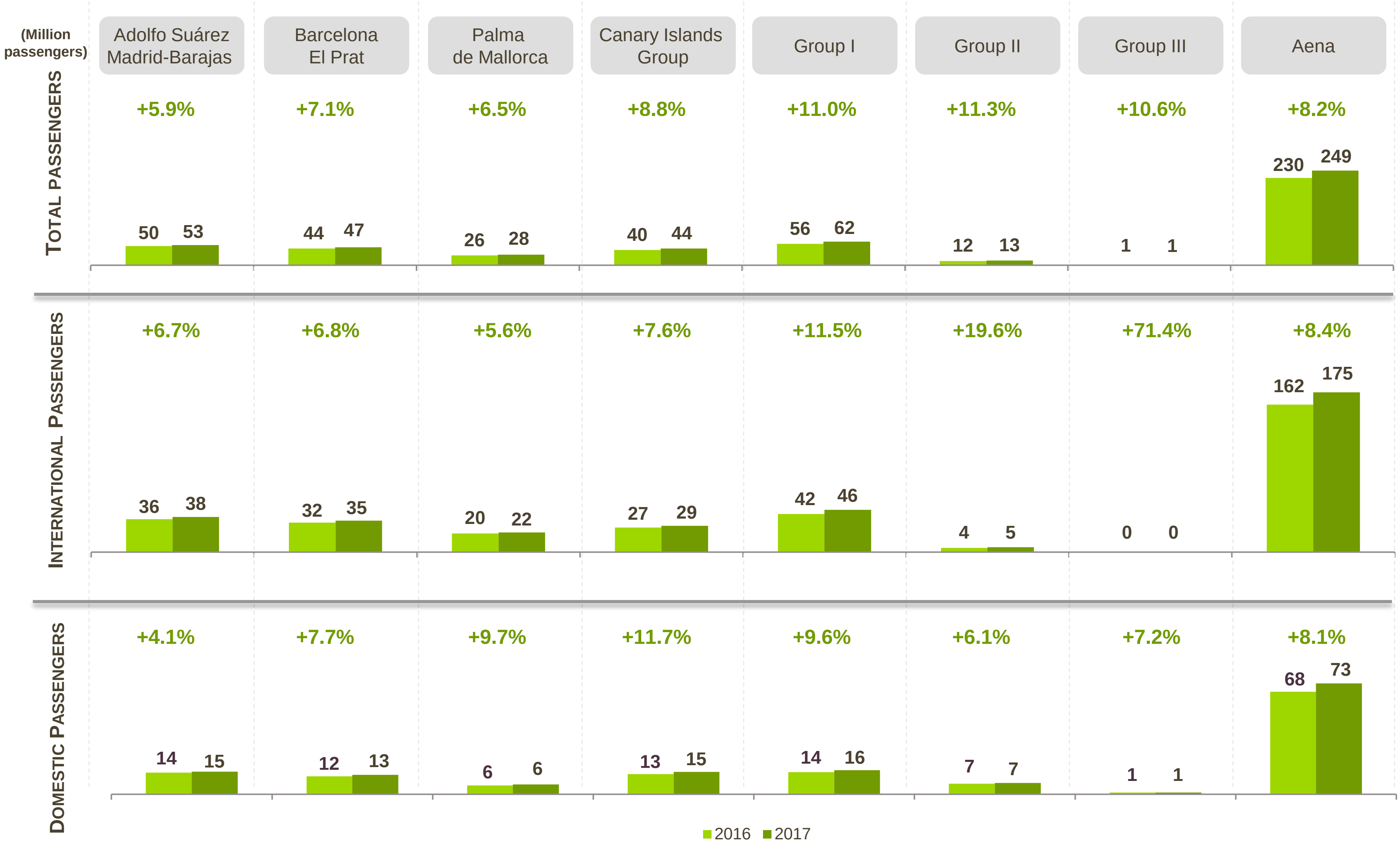

## Net financial debt (covenants)(2)

| €M | 2017 | 2016 |
|---|---|---|
| Gross financial debt (covenants) | (7,638) | (8,524) |
| Cash and cash equivalents | 718 | 483 |
| Net financial debt (covenants) | (6,920) | (8,041) |
| Net financial debt (covenants) / EBITDA(3) | 2.8x | 3.6x |

(1) As of 31 December 2017
(2) Net debt in accordance with covenants calculated in accordance with that set out in the novation agreements for debt signed on 29 July 2014. It does not include non-recourse debt or Luton cash.
(3) EBITDA in accordance with covenants adjusted by the updating of the WDFG advance according to IFRS.
(4) Average rate 2017 includes cost of the financial guarantee of Depfa (0.14%).

# V. Appendix. Passenger figures by airport group[1] . Traffic 2017

Generalized traffic growth in the airport network in Spain.




(1) Passengers in the airport network in Spain.

# V. Appendix.Traffic informationTraffic by airline (Top 10)

| Carrier | Passengers[1] 2017 | Passengers[1] 2016 | Variation % | Variation Passengers | Share of total (%) 2017 | Share of total (%) 2016 |
|---|---|---|---|---|---|---|
| Ryanair | 44,026,617 | 39,857,790 | 10.5% | 4,168,827 | 17.7% | 17.3% |
| Vueling Airlines | 34,802,563 | 32,235,760 | 8.0% | 2,566,803 | 14.0% | 14.0% |
| Iberia | 17,306,385 | 16,591,665 | 4.3% | 714,720 | 6.9% | 7.2% |
| Air Europa | 15,652,871 | 16,185,061 | -3.3% | -532,190 | 6.3% | 7.0% |
| Easyjet[2] | 15,434,439 | 13,861,134 | 11.4% | 1,573,305 | 6.2% | 6.0% |
| Norwegian[3] | 9,772,231 | 7,750,724 | 26.1% | 2,021,507 | 3.9% | 3.4% |
| Iberia Express | 8,577,187 | 7,641,353 | 12.2% | 935,834 | 3.4% | 3.3% |
| Air Nostrum | 7,748,709 | 7,540,063 | 2.8% | 208,646 | 3.1% | 3.3% |
| Binter Group[4] | 6,148,079 | 5,324,997 | 15.5% | 823,082 | 2.5% | 2.3% |
| Jet2.Com | 6,057,937 | 3,982,830 | 52.1% | 2,075,107 | 2.4% | 1.7% |
| **Total Top 10** | **165,527,018** | **150,971,377** | **9.6%** | **14,555,641** | **66.4%** | **65.6%** |
| **Total Low Cost Passengers[5]** | **134,283,235** | **118,793,085** | **13.0%** | **15,490,150** | **53.9%** | **51.6%** |

(1) Total passengers in the Spanish airport network.
(2) Includes Easyjet Switzerland, S.A. and Easyjet Airline Co.Ltd.
(3) Includes Norwegian Air International and Norwegian Air Shuttle A.S.
(4) Includes Binter Canarias, Naysa and Canarias Airlines.
(5) Includes low-cost carriers' traffic in scheduled flights. Provisional data pending final publication.
(6) Includes British Airways, Iberia, Vueling, Iberia Express, Aer Lingus and Level.

- Low-cost airlines' share has increased (53.9% in 2017 versus 51.6% in 2016). There is growing airline consolidation with passengers progressively being absorbed by other airlines (for instance, Air Berlin or Monarch passengers are being progressively absorbed by other airlines). However, the degree of concentration is still moderate.
- Long-haul operations by low-cost carriers are still just beginning in Spain. In June 2017 both Norwegian and Level (IAG Group) opened new routes from Barcelona which have added a total of 307,000 passengers up to December 2017.
- The major airlines are:
  - The IAG Group[6] with a 26.0% share of total passenger traffic in 2017 (26.2% in 2016).
  - Ryanair with a share of 17.7% (17.3% in 2016)
  - Jet2.Com has increased its activity by 52.1%, mainly from the United Kingdom, to the most popular tourist destinations in Spain.

# Thank you

# Consolidated management report

for the financial year ended on 31 December 2017

Aena S.M.E., S.A. and subsidiaries

**Webcast / Conference-call:**
Wednesday, 28 February 2018
13:00 (Madrid time)
https://edge.media-server.com/m6/p/chojsi87

**Telephones:**
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Access code: 5290266

# 1. Executive summary

2017 reflects Aena's[1] outstanding performance in terms of both operations and results.

The following aspects can be highlighted in this period:

- On 27 January 2017, the Council of Ministers approved the Airport Regulation Document (DORA) for the period 2017-2021, in which the minimum service conditions that will be in force in airports in the AENA network are set for the next five years, providing a foreseeable regulatory framework in the medium-term that will enable improved levels of efficiency and competitiveness in terms of operational activity. In this respect, and in relation to airport charges, the aforesaid document provided for an annual reduction of 2.22% in the Annual Maximum Income per Passenger (IMAP - MAIP) for that period which came into force on 1 March 2017.

- On 22 February 2017, Aena published the new scheme of commercial incentives for the DORA period 2017-2021, which seeks to encourage the opening of new routes, increase long-haul passengers, provide incentives for traffic in the airports with the least traffic, and reduce the seasonality of airports which are highly seasonal. The scheme has been applied since 1 April 2017.

- On the operational side, there has been strong and widespread growth of traffic in most of the airports managed by Aena driven in the Spanish network by the excellent figures for the tourism industry. Passenger traffic (including Luton Airport) grew to 265.0 million (+8.3%), and at the Spanish network's airports it grew by 8.2%, reaching a new historical record of 249.2 million passengers.

- The positive evolution of traffic in Aena's airports during 2017 has contributed to the increase in total income up to 4,027.6 million euros (+6.8% compared to 2016),[2] partially offset by the lower airport charges in Spain compared to the previous year which affects January and February (-1.9%) and from March (-2.22%).

  To date, these figures for the increase in traffic in Spain have not been negatively affected by the Brexit process, by the terrorist attacks that took place in Barcelona and Cambrils on 18 August, by the political situation in Catalonia, or by the decrease and demise of the Alitalia, Air Berlin, Monarch and Niki airlines.

  As regards Brexit, the increase in passengers with origin/destination in the United Kingdom was once again positive in 2017, at 9.0% (3.7 million additional passengers). However, during the fourth quarter it experienced a gradual deceleration, due to both the slowdown in the British economy, and to the recovery of alternative tourist destinations to Spain.
  In the commercial field concession operator sales at airports did reflect a downward trend in British passenger spending, although this reduction has moderated in line with the devaluation of the pound.

- Turning to commercial operations, there has been the positive impact of the new car rental contracts in the airport network which came into force in November 2016. The new contract based on a higher variable rent has increased income from this activity by 30.5% with respect to the previous year.

  Furthermore, the tendering process to operate the concessions for the food & beverage services at Barcelona-El Prat Airport has concluded in February 2018. The new range increases the area by 19%, providing a genuine gastronomic experience for passengers and airport users, and combines the latest trends in restaurants with local tradition and flavour. As a result of this process, income from this line in Barcelona, considered in terms of a full year, will increase by almost 30%.

- It should also be noted that cost efficiency levels were maintained (the EBITDA margin was 62.5% in 2017), although the total expenses for the period (not including amortizations) increased by 2.1% compared to 2016. It was slightly affected by the increased activity and the upward trend in the cost of most of the services awarded since late 2016. This will continue to be a factor in operating expenses throughout 2018.

  Here it should be noted that during the second half of the year the cost pressure affecting Aena's service providers has become apparent through the strikes called by workers in

[1] Aena S.M.E., S.A. and Subsidiaries ("Aena" or "the Company").

[2] In this executive summary, the variation percentages for financial figures have been calculated by taking the figures in thousands of euros as the base.

several companies that provide services in the Spanish network.

- On the employment area and following negotiations, on 25 September Aena reached a pre-agreement with the trade unions on remuneration, employment, work-life balance measures and an extension of the collective agreement up to 31 December 2021. The impact in the period amounts to 8.5 million euros. This agreement was ratified on 31 January 2018.

- EBITDA for the year has increased to 2,517.4 million euros, which is growth of 9.8% compared to 2016.

- The profit before tax was 1,596.7 million euros, compared to 1,516.1 million euros in the previous year and the net profit for the period was 1,232.0 million euros, 5.8% more than the profit recorded for the previous year (1,164.1 million euros).

  This increase is especially significant given that in 2016, profit before tax and net income reflected the extraordinary impact of the reversal of provisions for legal proceedings related to expropriation of land at Adolfo Suárez Madrid-Barajas Airport (204.9 and 153.7 million euros respectively). Excluding this effect, Aena's profit before tax would have increased by 21.8% and net profit by 21.9% in 2017.

- Cash flow from operating activities has risen to 2,014.6 million euros compared to 1,834.7 million euros in 2016 (up 9.8%), thus reducing the ratio of net financial debt to EBITDA (excluding Luton) as established in debt renewal agreements for the calculation of covenants, from 3.6x at 31 December 2016 to 2.8x at the close of 2017.

- As for investments, in 2017 investment paid amounted to 371.2 million euros, including 66.2 million euros invested at Luton Airport which is undergoing a significant transformation to reach a capacity of 18 million passengers in the second half of 2018. The main investments in the network of airports in Spain have been focused on security and improvements in maintenance.

- This operating and financial performance continues to be reflected in the evolution of Aena's share price in 2017 in which it has risen by 30.4% to 169.0 euros per share compared to the evolution of the IBEX35, which grew by 7.4%. During this period Aena's stock peaked at 183.7 euros and registered a minimum of 129.7 euros.

- On 16 October 2017 Aena's Board of Directors appointed Mr. Jaime García-Legaz Ponce as Chairman of the Board of Directors and Chief Executive Officer of the Company following the resignation of Mr. José Manuel Vargas Gómez. The first commitment adopted by the new Chairman was to work on a strategic plan covering the period 2018-2021.

- The Board of Directors of Aena has agreed to propose to the General Shareholders' Meeting the distribution of a gross dividend of 6.50 euros per share charged to the results of 2017. This dividend, which implies distributing 80% of net profit, represents an increase of 69.7% on last year.

# 2. Macroeconomic environment and activity figures

## 2.1. Macroeconomic situation and sector details

The Spanish economy continues its positive trend. According to figures published by the Spanish National Institute of Statistics, the variation in Spain's Gross Domestic Product (GDP) in the fourth quarter of 2017 compared to the same quarter of the previous year stood at 3.1%, making the estimate for growth in the year 3.1% compared to 2016.

This economic growth fosters air transport, which is a strategic sector for Spain due to its economic and social impact and also its connection with tourism. Furthermore, it contributes in terms of connectivity, accessibility, cohesion and territorial connection.

The indicators related to tourism in Spain continued their positive trend of the last three years, during which record numbers of foreign tourists visited. This factor is very important, given that the contribution of tourism to GDP amounted to 11.2 % in 2016, according to the data published by the Spanish National Institute of Statistics. 81.8 million international tourists visited Spain in 2017, 8.6% more than in 2016, ranking it as the second most visited country in the world.

The main source countries are the United Kingdom (18.8 million tourists, an annual increase of 6.2% over 2016), Germany (11.9 million tourists and an increase of 6.1%) and France (11.2 million tourists and a slight decrease of 0.1%).

With regard to the arrival of tourists from the United Kingdom in the current business environment after the United Kingdom voted to leave the European Union (Brexit), it is worth noting that in the Aena airport network in Spain passengers with origin and destination in the United Kingdom account for 18.2% of total passenger traffic. However, the figures for tourism for December showed a decline of 7.6% in the number of visitors from the United Kingdom during that month, although it is too early to determine whether this is an isolated event or a trend.

By autonomous regions, in 2017 Catalonia continues to be the leading tourist destination (over 19.0 million, +5.0% more than in 2016), followed by the Canary Islands (14.2 million, +7.2%) and the Balearic Islands (13.8 million, +6.1%).
The number of international tourists who visited Catalonia in December fell by 13.9%, and the figure for visitors to the Balearic Islands by 2.0%.

By type of access, out of the total foreign tourists that visited Spain during the last year, 66.6 million (81.5% of the total figure) travelled by air, 15.7% came by road and 2.8% used other means of transport (rail and sea). That said, Spain has an important position as the gateway to and from Latin America by air, with a share of European traffic with destinations in the region of 27.0%.


**Figure 1. Distribution of tourists by access means in 2017**

## 2.2. Traffic in the Aena airport network in Spain

In 2017, the airports in the Aena network ended the year with more than 249.2 million passengers, which is 8.2% more than the previous year, breaking a historical record. This growth continues to be driven by excellent figures from the tourism industry which has reached record levels again, helped by different factors such as the increase in the number of people using travel and recreational options, the stability of macroeconomic conditions in the Eurozone and in the main countries of origin of the foreign tourists who visit Spain, the geopolitical instability that persists in tourist destinations in the Mediterranean and the price of fuel that contribute to the growing activity of European airlines.

[1] Estimate published on 30 January 2018.
² Provisional data published by the Spanish National Institute of Statistics on 1 February 2018.

The contribution of international and domestic traffic remained stable in 2017, at 70.5% and 29.5% respectively. Growth in international passengers reached 8.4% and domestic traffic reached 8.1%.

As regards the number of aircraft, 2,174,263 flights were registered, representing an increase of 6.3% over last year.

Meanwhile the volume of freight has grown by 15.0% in 2017 to reach 918,306 tonnes.


Figure 2. Traffic in the Aena airport network in Spain

## 2.3. Analysis of air passenger traffic by airports and airlines

The percentage distribution of passengers remains largely concentrated in the seven major airports within the network, although virtually all the airports have experienced significant growth:

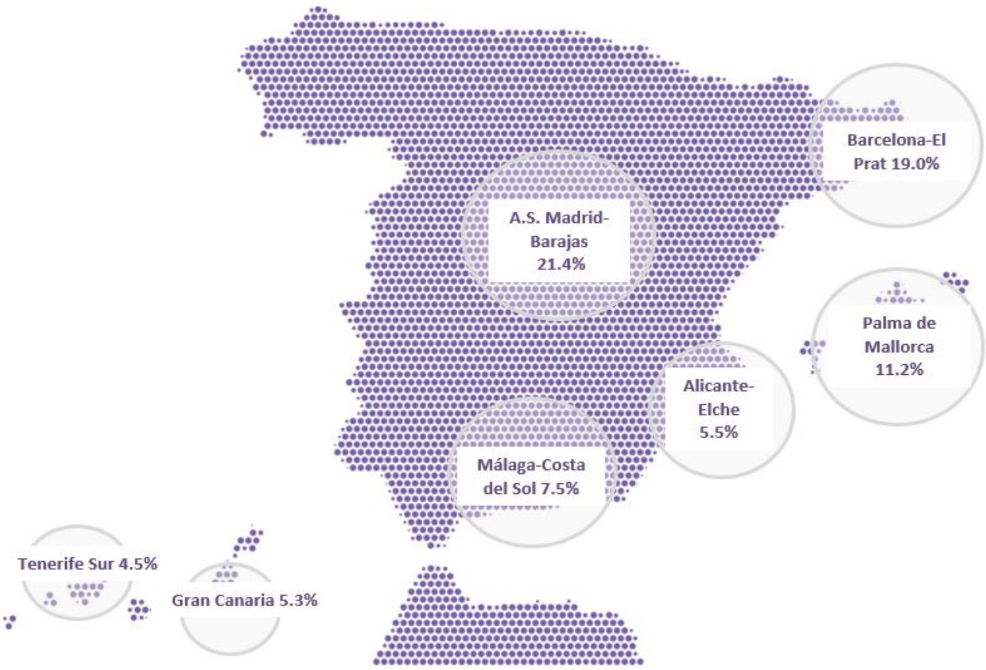



Figure 3. Share of passenger traffic at major airports in Spain

| Airports and airport groups | Passengers | | | Aircraft | | | Freight | | |
|---|---|---|---|---|---|---|---|---|---|
| | Barcelona-El Prat | Variation 2017 / 2016 | Share of total | Thousands | Variation 2017 / 2016 | Share of total | Tonnes | Variation 2017 / 2016 | Share of total |
| Adolfo Suárez Madrid-Barajas | 53.4 | 5.9% | 21.4% | 387.6 | 2.5% | 17.8% | 470.796 | 13.1% | 51.3% |
| Barcelona-El Prat | 47.3 | 7.1% | 19.0% | 323.5 | 5.1% | 14.9% | 156.105 | 14.9% | 17.0% |
| Palma de Mallorca | 28.0 | 6.5% | 11.2% | 208.8 | 5.6% | 9.6% | 10.191 | -2.5% | 1.1% |
| Total Canary Islands Group | 44.0 | 8.8% | 17.7% | 381.0 | 6.9% | 17.5% | 37.344 | 0.3% | 4.1% |
| Total Group I | 62.5 | 11.0% | 25.1% | 521.3 | 7.0% | 24.0% | 37.370 | 12.4% | 4.1% |
| Total Group II | 12.8 | 11.3% | 5.1% | 180.1 | 4.3% | 8.3% | 145.844 | 28.8% | 15.9% |
| Total Group III | 1.3 | 10.6% | 0.5% | 172.0 | 18.4% | 7.9% | 60.655 | 15.9% | 6.6% |
| **TOTAL** | **249.2** | **8.2%** | **100.0%** | **2.174.3** | **6.3%** | **100.0%** | **918.306** | **15.0%** | **100.0%** |

Table 1. Analysis of air passenger traffic by airports and airport groups

**Adolfo Suárez Madrid-Barajas** Airport is the main airport in the network for passenger traffic, flights and freight, representing 21.4% of total passengers (53.4 million). In 2017, its number of passengers has increased by 5.9% over last year (+6.7% in international traffic and +4.1% in domestic traffic).

A total of 387,566 aircraft have operated out of this airport in the last year, 2.5% more than in 2016. In addition, freight, which accounts for more than half of the total volume passing through the network, registered an increase of 13.1% to 470,796 tonnes transported.

Picture 1. Terminal T4 – Adolfo Suarez Madrid-Barajas Airport

At **Barcelona-El Prat** Airport, passengers have increased by 7.1% compared to 2016 (+6.8% in international traffic and +7.7% in domestic traffic) to reach 47.3 million.

This growth was not affected particularly negatively by the terrorist attacks that took place in Barcelona and Cambrils on 18 August, or by the political situation in Catalonia.

There have been 323,539 flights, a year-on-year increase of 5.1%, while freight has consolidated its growth with a significant 14.9% increase in the volume of freight to 156,105 tonnes.

Picture 2. Apron – Barcelona-El Prat Airport

Traffic in **Palma de Mallorca** airport amounted to 28.0 million passengers - an increase of 6.5% compared to 2016 (+9.7% in domestic traffic and +5.6% in international traffic).

Aircraft operations increased by 5.6% to 208,787.

Picture 3. Inside the terminal - Palma de Mallorca Airport

In the **Canary Islands Group,** the number of passengers who passed through the airports in the Canary Islands came to 44.0 million (up 8.8% compared to 2016), of which 28.8 million were passengers on international flights (up 7.6%) and 14.7 million were passengers on domestic flights (up 11.7% compared to the previous year).

Picture 4. Aerial view - La Palma Airport

The eight airports in **Group I** grew by 11.0% during 2017 to reach 62.5

million passengers, with especially high growth in Valencia (16.3%), Málaga-Costa del Sol (11.7%) and Alicante-Elche (11.1%). Both international traffic (+11.5%) and domestic traffic (+9.6%) have contributed to the growth of this group of airports.


Picture 5. Inside the terminal - Málaga-Costa del Sol Airport

All 11 airports of **Group II** registered a global increase in passenger traffic of 11.3%, which dropped to a total of 12.8 million passengers. This growth was due to the positive evolution in international traffic (+19.6%) and to a lesser extent in domestic traffic (+6.1%).

Of particular interest in this group was the increase in the volume of freight handled at Zaragoza Airport, which increased by 29.1% compared to the previous year.

The **Group III** airports (those with lowest traffic) recorded 1.3 million passengers, an increase of 10.6% over the previous year.

This increase in freight volume included a growth of 16.0% at Vitoria Airport.

**Airport marketing** has had a very positive impact in 2017 resulting in the opening of 449 new routes[1] from the airports in Aena's network: 427 for short/medium-haul destinations (57 with domestic destinations and 370 in Europe) and 22 on long-haul routes[2].

The airports with the most new routes were Palma de Mallorca (80), Barcelona-El Prat (38), Adolfo Suárez Madrid-Barajas (31) and Valencia (25).

The companies with the largest number of new routes are Ryanair

[1] Routes with more than 5,000 passengers in 2017 and less than 1,000 in 2016.
[2] Routes longer than 4,000 km and with a non-EEA destination.

(86), Niki (56), Jet2 (33), Norwegian (23) and Eurowings (22).

Barcelona-El Prat Airport significantly expanded its long-haul routes during the year, as 15 new routes from the airport (8 to North America, 4 to Asia and 3 to Latin America) were opened by the following airlines: Level (4) to Buenos Aires, Los Angeles, Havana and Oakland; Norwegian (4) to New York, Los Angeles, Fort Lauderdale and Oakland; Cathay Pacific to Hong Kong; Korean Air to Seoul; Air China to Shanghai; Mahan Air to Tehran; American Airlines to Chicago; Sata to Boston (via Punta Delgada); and Plus Ultra to Havana.

From Adolfo Suárez Madrid-Barajas Airport, the following long-haul routes started: Air Europa to San Pedro de Sula, Recife and Boston (in the summer season only); Plus Ultra to Santiago de Chile; Evelop to Jamaica; Estelar Latinoamerica to Caracas; and Wamos to Varadero.

Furthermore, in 2017 four bases for easyJet, Jet2, Germania and Eurowings have been opened at Palma de Mallorca Airport.

The distribution of traffic by **geographic area** remained practically stable. The increase of passengers with "Asia Pacific" was particularly noteworthy at 76.2%, and although this market continues to account for a small volume in absolute terms, it shows the positive impact the airport marketing measures implemented by the Company are having, as well as the measures carried out by various institutions to promote Spain as a destination in the region. These have led to the increase in the routes in this market, which now has 15 destinations (compared to 9 in 2016).

| Region | Passengers 2017 | Variation % |
|---|---|---|
| Europe[1] | 156,553,587 | 8.0% |
| Spain | 73,438,358 | 8.0% |
| Latin America | 7,135,432 | 6.2% |
| North America | 5,124,059 | 13.1% |
| Africa | 3,097,647 | 8.2% |
| Middle East | 2,992,394 | 9.4% |
| Asia Pacific | 881,567 | 76.2% |
| **TOTAL** | **249,223,044** | **8.2%** |

Table 2. Breakdown of traffic by geographical area

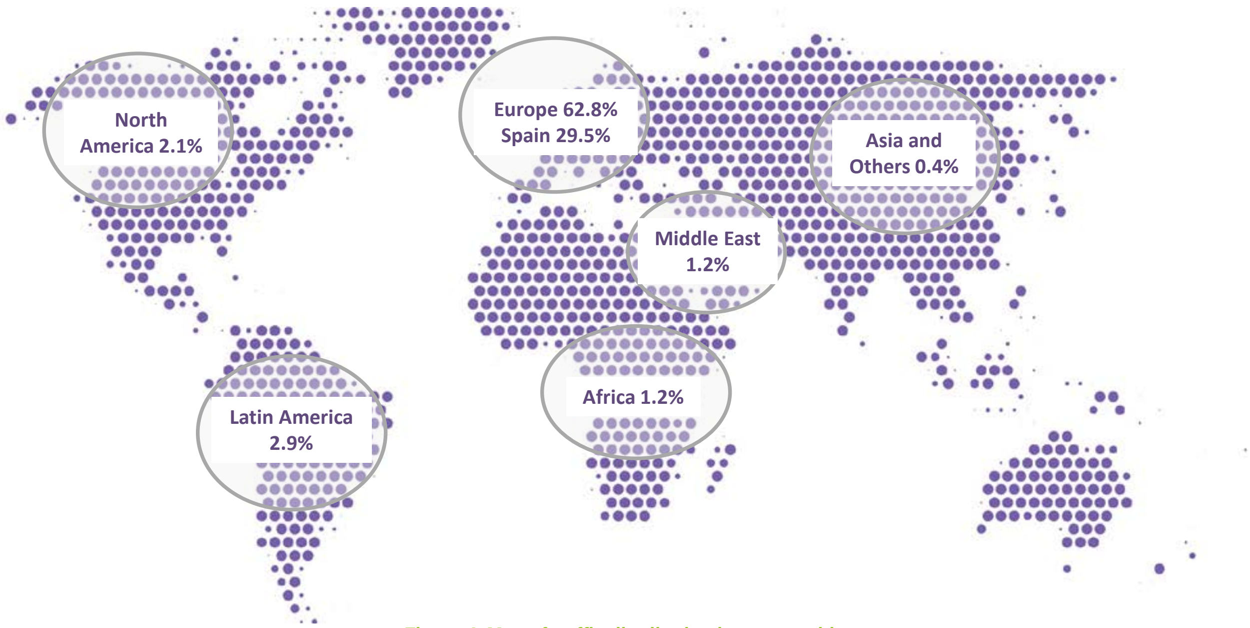



Figure 4. Map of traffic distribution by geographic area

By **countries** the ranking remains stable, with Spain, the United Kingdom, Germany, Italy and France (five countries) accounting for 70% of total traffic.

In particular, passenger traffic with an origin/destination in the United Kingdom continued to perform positively, and increased by 9.0% (more than 3,700,000 passengers) compared to 2016. However, during the last quarter of 2017 there was a gradual deceleration of growth due to the weakness of the pound and the situation of the British economy, as well as the recovery of some competing destinations such as Turkey, which had an effect on demand. This slowdown led to a decline of 2.8% in passengers with the United Kingdom in December, as a result of flights not yet operated in the slots occupied by the airline Monarch.

| Country | Passengers | | Variation | | Share (%) | |
|---|---|---|---|---|---|---|
| | 2017 | 2016 | % | Passengers | 2017 | 2016 |
| Spain | 73,438,358 | 67,978,770 | 8.0% | 5,459,588 | 29.5% | 29.5% |
| United Kingdom | 45,461,099 | 41,701,009 | 9.0% | 3,760,090 | 18.2% | 18.1% |
| Germany | 28,676,238 | 27,729,971 | 3.4% | 946,267 | 11.5% | 12.0% |
| Italy | 14,026,867 | 13,031,946 | 7.6% | 994,921 | 5.6% | 5.7% |
| France | 12,355,015 | 11,801,750 | 4.7% | 553,265 | 5.0% | 5.1% |
| Holland | 8,604,443 | 7,588,189 | 13.4% | 1,016,254 | 3.5% | 3.3% |
| Switzerland | 6,391,061 | 6,127,187 | 4.3% | 263,874 | 2.6% | 2.7% |
| Belgium | 5,989,852 | 5,672,109 | 5.6% | 317,743 | 2.4% | 2.5% |
| Portugal | 4,296,233 | 3,612,387 | 18.9% | 683,846 | 1.7% | 1.6% |
| Ireland | 4,166,935 | 3,948,529 | 5.5% | 218,406 | 1.7% | 1.7% |
| Sweden | 4,048,155 | 3,452,789 | 17.2% | 595,366 | 1.6% | 1.5% |
| United States | 3,719,985 | 3,296,614 | 12.8% | 423,371 | 1.5% | 1.4% |
| Denmark | 3,442,213 | 3,114,183 | 10.5% | 328,030 | 1.4% | 1.4% |
| Norway | 3,190,934 | 3,012,432 | 5.9% | 178,502 | 1.3% | 1.3% |
| Poland | 2,472,076 | 2,124,677 | 16.4% | 347,399 | 1.0% | 0.9% |
| **Total Top 15** | **220,279,464** | **204,192,542** | **7.9%** | **16,086,922** | **88.4%** | **88.7%** |
| **Rest of the world** | **28,943,580** | **26,038,798** | **11.2%** | **2,904,782** | **11.6%** | **11.3%** |
| **Total Passengers** | **249,223,044** | **230,231,340** | **8.2%** | **18,991,704** | **100.0%** | **100.0%** |

**Table 3. Air traffic distribution by country**

With regard to distribution of passenger traffic by type of **airline company**, low-cost carriers are continuing to increase their share and account for 53.9% of the total (51.6% in 2016) while the remaining 46.1% are legacy carriers (48.4% in 2016). However, the degree of concentration is still moderate.

Aena's main client airlines continue to be the IAG Group and Ryanair. The former, which includes Iberia, Iberia Express, Vueling, British Airways, Aer Lingus and Level, had a share of 26.0% of total passenger traffic in 2017 (26.2% in 2016) and Ryanair had a share of 17.7% (17.3% in 2016). The activity of the airline Jet2.Com also increased, with a 52.1% growth in passengers, travelling mainly from the United Kingdom to tourist destinations in Spain.

Long-haul operations by low-cost carriers are still just beginning in Spain. After Norwegian and Level established new routes from Barcelona in June, the total traffic on these routes amounted to 307,000 passengers until December 2017.

It is also important to underscore the consolidation process taking place in the European aviation industry, which will probably lead to operations becoming concentrated in a smaller number of airlines and which implies reabsorbing passengers. In this sense, although Alitalia, Air Belín, Monarch and Niki have reduced/discontinued their activity, the impact on Aena has not been material since other airlines have taken over most of the routes previously covered by these carriers.

| Airline | Passengers | | Variation | | Share (%) | |
|---|---|---|---|---|---|---|
| | **2017** | **2016** | **%** | **Pasajeros** | **2017** | **2016** |
| Ryanair | 44,026,617 | 39,857,790 | 10.5% | 4,168,827 | 17.7% | 17.3% |
| Vueling | 34,802,563 | 32,235,760 | 8.0% | 2,566,803 | 14.0% | 14.0% |
| Iberia | 17,306,385 | 16,591,665 | 4.3% | 714,720 | 6.9% | 7.2% |
| Air Europa | 15,652,871 | 16,185,061 | -3.3% | -532,190 | 6.3% | 7.0% |
| Easyjet [1] | 15,434,439 | 13,861,134 | 11.4% | 1,573,305 | 6.2% | 6.0% |
| Norwegian Air [2] | 9,772,231 | 7,750,724 | 26.1% | 2,021,507 | 3.9% | 3.4% |
| Iberia Express | 8,577,187 | 7,641,353 | 12.2% | 935,834 | 3.4% | 3.3% |
| Air Nostrum | 7,748,709 | 7,540,063 | 2.8% | 208,646 | 3.1% | 3.3% |
| Grupo Binter [3] | 6,148,079 | 5,324,997 | 15.5% | 823,082 | 2.5% | 2.3% |
| Jet2.Com | 6,057,937 | 3,982,830 | 52.1% | 2,075,107 | 2.4% | 1.7% |
| **Total Passengers** | **165,527,018** | **150,971,377** | **9.6%** | **14,555,641** | **66.4%** | **65.6%** |
| **Total Low Cost Passengers[4]** | **134,283,235** | **118,793,085** | **13.0%** | **15,490,150** | **53.9%** | **51.6%** |

(1) Includes Easyjet Switzerland, S.A. and Easyjet Airline Co. Ltd.

(2) Includes Norwegian Air International and Norwegian Air Shuttle A.S.

(3) Includes Binter Canarias, Naysa and Canarias Airlines

(4) Includes low-cost carriers' passenger traffic in scheduled flights.

**Table 4. Distribution of air traffic by airlines**

## International activity

Aena has a direct interest in fifteen airports outside Spain (twelve in Mexico, two in Colombia and one in the United Kingdom), and indirectly through GAP in the Montego Bay Airport in Jamaica. The evolution of traffic at these airports has been as follows:

| Millions of passengers | 2017 | 2016 | Variation[1] % | % Aena share % |
|---|---|---|---|---|
| London Luton United Kingdom) | 15.8 | 14.6 | 8.6% | 51.0% |
| Grupo Aeroportuario del Pacífico (GAP)[2] (Mexico) | 40.7 | 36.5 | 11.4% | 5.8% |
| Aerocali (Cali, Colombia) | 5.2 | 5.7 | -9.8% | 50.0% |
| SACSA (Cartagena de Indias, Colombia) | 4.8 | 4.4 | 7.2% | 37.9% |
| **TOTAL** | **66.5** | **61.2** | **8.4%** | **-** |

[1] Variation percentages calculated in passengers

[2] GAP includes the traffic at the Montego Bay Airport, MBJ (Jamaica)

Table 5. Passenger traffic in investee airports

**London Luton Airport** posted a record in 2017 after a significant increase in traffic of 8.6%, reaching 15.8 million passengers and 135,518 aircraft operations (3.0%). This was despite the impact of the loss of Ryanair passengers after the airline moved the operation of two aircraft to Stansted, and the bankruptcy of Monarch.

Picture 6. London Luton Airport

Total passenger traffic in **GAP ("Grupo Aeroportuario del Pacífico")** increased by 11.4% in 2017 in line with the annual forecast published by the Company on 19 July 2017. This was despite being affected in August and September by the passage of the tropical storm "Lidia" as well as hurricanes "Harvey" and "Irma" which interrupted the connections of some airports with Texas and Florida respectively.

The excellent performance of GAP traffic (40.7 million passengers) includes a strong performance by the group's major Mexican airports: Guadalajara, Tijuana, Los Cabos and Puerto Vallarta, and Montego Bay in Jamaica.

In the case of **Cali**, the airport is suffering in particular from the impact of the slowdown in the Colombian economy. Its traffic has been affected by the loss of both domestic and international routes, by the hurricanes that affected the operation of flights with the United States, and by the significant effect of the strike by Avianca pilots during the months of September, October and November.

**Cartagena de Indias** Airport experienced significant growth of 23% in international traffic. This is mainly due to the positive effect of the new routes operated from the airport, including the KLM route to Amsterdam and the LATAM route to Lima, as well as the increased frequency of international flights to Panama (Air Panama, Wingo and COPA).

## 2.4. Commercial activity

Commercial activity is a fundamental part of the experience of the passengers that pass through our airports. Accordingly, Aena focuses its efforts on meeting the needs and demands of various user profiles, adapting the commercial range and making it increasingly attractive to clients. This improvement also contributes to the increase in commercial income.

In 2017, ordinary income from commercial activity came to 1,049.3 million euros, which represent 26.5% of total ordinary income. This is a 11.2% increase over 2016. The contribution of the seven main airports in the network was significant, accounting for 79.6% of the total. This growth comes mainly from the positive evolution of passenger traffic, as well as the boost to commercial activity from new tenders with improved contractual conditions, providing access to airports for new operators with recognised experience and reputation.

The contractual conditions in most of Aena's commercial contracts stipulate a variable income based on sales made (these percentages can vary according to the category of the product and/or service) and an minimum annual guaranteed rents (MAGR) that ensures that the lessee pays a minimum amount regardless of the level of sales made. The following graph shows the evolution for the next 5 years of the minimum annual guaranteed rents for each business line for the contracts in force on 31 December 2017:

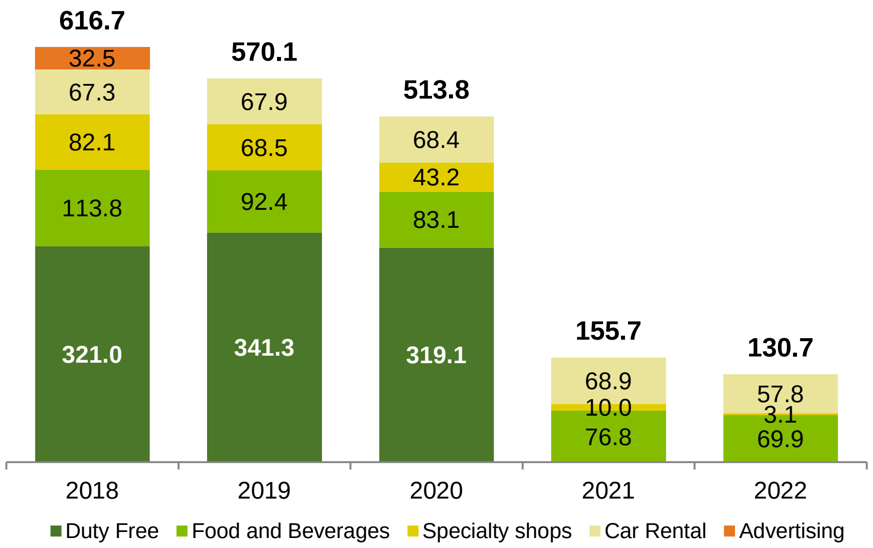



**Figure 5. Minimum annual guaranteed rents (MAGR) by business line**

*Amounts in million euros. The MAGR has been prorated to the actual days at the beginning and end of the contracts. Commercial services contracts include contracts from other commercial operations: financial and regulated services (exchange, pharmacy, tobacco shops, etc.).*

The rate of commercial income per passenger was €4.2 in 2017, an improvement compared to the same period of 2016 (€4.1). This rate includes income from commercial activities inside the terminal and income from car parks, and does not take into account income from real estate services, which are a different business segment.

Additionally, in the marketing area, the development of the strategy for the implementation of Aena's Digital Transformation began in the third quarter, aimed at improving the passenger's experience, increasing commercial income and establish a change in culture and work within the Company. In this strategy, we will identify and implement projects in five lines of action: improving the passenger experience, developing e-commerce, business with third parties, digitising own business and boosting our loyalty programme entitled *Aena Customer Club*.

# 3. Business lines

The main results figures for Aena at 31 December 2017 are shown below itemised by segments: The airports segment accounts for 96.2% of total EBITDA (aeronautical activity represents 61.5% and commercial activity contributes 34.7%), the real estate services segment contributes 1.2%, while international activity accounts for 2.6%.

| | Airports | | | |
|---|---|---|---|---|
| 2017 | Aeronautical | Commercial | Real estate services | International |
| Total income €4,027.6 M | €2,692.4 M (+5.6%) | €1,060.6 M (+11.3%) | €61.1 M (-5.8%) | €215.5 M (+3.6%) |
| EBITDA €2,517.4 M EBITDA margin 62.5% | 61,5% €1,549.0 M (+10.4%) | 34,7% €873.4 M (+11.5%) | 1,2% €30.6 M (-15.2%) | 2,6% €64.6 M (-9.4%) |

Figure 6. Aena main results by business area

## 3.1. Aeronautical segment

### 3.1.1 Aeronautical Activity

Through the application of Law 48/2015, of 29 October, on the State General Budget for 2016, airport charges decreased by 1.9% from 1 March 2016 onwards, thus affecting January and February in 2017.

On 27 January 2017, the Council of Ministers approved the Airport Regulation Document (DORA) for the 2017-2021 period, which is the basic instrument that defines the minimum conditions necessary to ensure accessibility, adequacy and appropriateness of airport infrastructures and the adequate provision of basic airport services in Aena's Spanish airports network.

The DORA has been prepared by the Dirección General de Aviación Civil (DGAC - Spanish Civil Aviation Authority), as an amendment to the proposal submitted by Aena and approved by its Board of Directors on 8 March 2016, duly adjusted to the conditions and principles set out in Law 18/2014, of 15 October.

- The charges path, with the establishment of a maximum annual income per passenger ("IMAP") that allows Aena to recover costs associated with the provision of basic airport services, costs that also respond to efficiency criteria set forth by the regulator. Aena "IMAP" will undergo an annual decrease of 2.22% over the period 2017-2021, starting from 1 March 2017.

- CAPEX investments that Aena must carry out and that have to meet the standards of capacity and service levels, whilst also remaining in line with traffic forecasts. Regulated CAPEX related to airport services amounts to 2,185 million euros for the five years (437.1 million euros on average per year). Additionally, a series of strategic investment projects have been specified and any delay in their implementation will entail a penalisation in the "IMAP".

- The levels of service quality, as well as a system of incentives and penalties to ensure compliance with them. The penalty / maximum annual bonus applicable for this item would be a ±2% of "IMAP".

Aena considers that it met the required quality standards in 2017, as well as executing the planned strategic investments, and as such it does not anticipate the maximum annual income per passenger to be penalised for these reasons.
As for the quality levels required, in general terms there has been an overcompliance with the objectives established by the DORA, although in some isolated cases the assessment obtained was lower than the reference index. During the 2018 financial year, measures will be taken to improve the results for these indicators, although the system for calculating bonuses established in the DORA allows non-compliance to be compensated in excess by the results obtained in airports above the indicator. In the execution of strategic investments

planned in the DORA for 2017, as of 31 December the deadline established for the strategic investment in the period had been met.

The DORA also sets a dual till mechanism meaning that the costs of basic airport services subject to public charges can be covered solely with the income generated by these services starting from 2018.

Likewise, it establishes that the "IMAP" will be adjusted by the increase or decrease in prices (the "P factor") to recognise the impact on the base of operating costs that variations in the price of inputs outside the control of the operator will have. This index is awaiting regulatory definition.

Meanwhile, the difference between the "IMAP" approved in the DORA and the real "IMAP" for 2017 amounted to a difference in income of 57.8 million euros, to be incorporated in the review of the 2019 rates by means of the "K[1] factor", capitalised at the capital cost for the regulatory period (6.98%).

## New commercial incentive scheme

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

- Incentive for opening a route to a new destination from all the airports in the network consisting of a discount on the public charges for passenger departures and an additional discount in the following equivalent season if the carrier maintains at least the number of passenger departures operated on that route.

- Incentive for growth in the number of passengers on short and medium-haul routes operated from network airports with fewer than two million passengers per year and on long-haul routes operated from all network airports. Aena may also decide to apply this incentive to airports which are above this threshold but are performing worse than airports with similar traffic structures. The incentive will consist of a discount on the average amount of the public charges for passenger departures of the air carrier on the route and shall apply exclusively to the number of additional passenger departures on the route in question with respect to the equivalent previous season. The incentive will be proportional to the contribution of each airline to the growth generated on each route by all the airlines operating on it. An additional discount will be given in the following equivalent season if the carrier maintains at least the number of passenger departures operated on such route.

- Incentive for growth in the seasonal airports included in Law 21/2003 (Canary Islands, Balearic Islands, Ceuta and Melilla) during their low season consisting of a discount on the average amount of the public charges for passenger departures of the carrier on the route and which shall apply to the number of additional passengers on the route with respect to the previous low season of the airport. The incentive to which each airline operating on the route in question will be entitled shall be proportional to its contribution to the growth generated on such route by all the airlines operating on it. An additional discount will be given in the following equivalent season if the carrier maintains at least the number of passenger departures operated on such route.

In implementation of this incentive scheme, Aena's Board of Directors agreed that for the 2017 summer season (the first season when the new incentive scheme is applicable), which for these purposes began on 1 April 2017 and ended on 31 October 2017, and for the 2017 winter season, which also for these purposes runs from 1 November 2017 to 31 March 2018, the discount applicable in the case of the first two incentives (for new routes and growth in the number of passengers on existing routes) will be 75% of the public charges for passenger departures in the first season and 25% in the following equivalent season.

In these first two seasons the growth incentive for the number of passengers on existing short and medium-haul routes will be applied to airports with annual traffic coming to fewer than 3 million passengers.

In the case of the incentive for growth at seasonal airports, the discount will be 5% in the first two successive low seasons in which it will apply.

[1] The K factor includes the difference between Maximum Annual Income per Passenger ("IMAP") approved in the DORA and the actual "IMAP" for 2017. The calculation methodology is determined in paragraph 2 of Appendix IX of Law 18/2014.

The most significant figures for aeronautical activity during 2017 are summarised below:

| Thousand euros | 2017 | 2016 | Variation | % Variation |
|---|---|---|---|---|
| Ordinary income | 2,638,505 | 2,498,024 | 140,481 | 5.6% |
| Airport charges[1] | 2,562,051 | 2,426,613 | 135,438 | 5.6% |
| Passengers | 1,166,406 | 1,079,620 | 86,786 | 8.0% |
| Landings | 697,341 | 681,395 | 15,946 | 2.3% |
| Security | 419,869 | 396,205 | 23,664 | 6.0% |
| Telescopic boarding bridges | 110,166 | 109,054 | 1,112 | 1.0% |
| Handling | 90,432 | 85,960 | 4,472 | 5.2% |
| Fuel | 33,535 | 31,885 | 1,650 | 5.2% |
| Parking facilities | 34,188 | 32,821 | 1,367 | 4.2% |
| Catering | 10,114 | 9,673 | 441 | 4.6% |
| Other Airport Services[2] | 76,454 | 71,411 | 5,043 | 7.1% |
| Other income | 53,848 | 50,926 | 2,922 | 5.7% |
| **Total income** | **2,692,353** | **2,548,950** | **143,403** | **5.6%** |
| **Total expenses (depreciation included)[3]** | **-1,774,813** | **-1,812,574** | **-37,761** | **-2.1%** |
| **EBITDA [4]** | **1,548,960** | **1,402,687** | **146,273** | **10.4%** |

**Table 6. The most significant figures in aeronautical activity**

*[1] The amounts for Passenger, Landing and Security lines are shown net of commercial incentives: 36.4 million euros in 2017 (67.7 million euros in 2016).*

*[2] Includes Airport Products, Use of 400 Hz, Fire Service, Counters, and Other Income.*

*[3] According to the DORA approved on 27 January 2017 and for regulatory purposes, the costs of airport activity must be reduced annually by 39.4 million euros, including the cost of capital to 6.98%, broken down as follows: Employment costs €1.5 M, Other Operating Expenses €11.6 M, Amortization €12.2 M and Capital Cost €14.1 M. The cost of airport activity has therefore been reduced as operating expenses due to the aforementioned reallocation of costs, and that expenses has been transferred to commercial activity.*

*[4] Earnings before interest, taxes, depreciation and amortization.*

Total income from aeronautical activity increased to 2,692.3 million euros (+5.6% compared to 2016) due to the positive evolution in traffic (8.2% increase in passenger traffic and 6.3% increase in the number of aircraft) and the lower impact of traffic incentives (36.4 million euros in 2017, compared to 67.7 million euros in 2016), which correspond to the second year of the incentives approved in 2016 and to the new incentives applied since 1 April 2017.

These increases were partly offset by the 1.9% reduction in airport charges as of 1 March 2016 and 2.22% as of 1 March 2017 (56.9 million euros fall in income).

The connection passenger bonus, which rose from 35% to 40% in March 2016, has come to 69.9 million euros, in line with the amount in 2016 (70.4 million euros).

As regards expenses in aeronautical activity, they amounted to 1,774.8 million euros, 2.1% lower than those recorded in 2016. This drop is mainly due to the reallocation of aeronautical activity expenses as stipulated in the DORA (-25.3 million euros) excluding capital cost. These reductions were partially offset by the increase in employment costs. For a discussion of operating expenses, see section 4. Income Statement.

The above effects have made it possible to improve EBITDA by 10.4%, up to 1,549.0 million euros.

From the operational point of view, in addition to the increase in traffic, all the airports owned by Aena were certified at the end of 2017 according to EU Regulation 139/2014.

The European Regulation 2017/458 on the reinforcement of checks on passports against relevant databases at external borders was approved on 7 April. Its implementation has led to longer waiting times at the border control for arrivals and departures in several airports in the network, affecting the management of passenger traffic and negatively impacting the commercial activity of the airports most heavily affected.

In order to improve effective traffic management, the Ministry of Internal Affairs (which is responsible for compliance with this regulation) and Aena have taken measures to deal with the increased border control activity, and are working on medium and long-term plans to adapt the facilities and the functional designs of the infrastructures, and to equip them with ABC (*Automated Border Control*) equipment in order to comply with the requirements of the ER 2017/458 more efficiently, given the volume of passengers in Aena's network of airports, and extra-Schengen international traffic in particular.

The most significant measures carried out at airports in 2017 related to Aena's primary objective of maintaining the quality of service provided to passengers and companies include the following:

## Passenger services

With the aim of improving the passenger experience in airports, Aena has undertaken ongoing actions both in terminal buildings and at entrances.

### Information systems

Improved guidance within the terminal with measures in static signage and the public information service, mainly as follows:

- Improvement of emergency signage, information at security controls and boarding gates at Madrid, Barcelona, Gran Canaria and Palma de Mallorca airports.
- The installation of new counters, information points in the boarding modules and new location plans in the airports of Palma de Mallorca and Malaga.


**Picture 7. New information point in Palma de Mallorca Airport**

**Picture 8. New location plan in** Malaga Airport

- Installation of new passenger information screens (SIPA) at Madrid, Barcelona, Alicante and A Coruña airports, featuring a new design providing greater visibility and easier flight searches.

### Cleanliness

Actions taken to improve the passenger experience have involved refurbishing toilets, floor surface treatments, wall cleaning and installing devices to measure perception of quality at the exit from the toilets, among other actions.

- The toilets at the airports of Barcelona, Palma de Mallorca, Malaga, Alicante, Valencia, Girona, Tenerife Sur, Tenerife Norte, Fuerteventura, Lanzarote, Granada, Asturias, Santiago and Almeria were refurbished and modernised.

**Picture 9. Refurbishing of toilets. Alicante Airport**

- To measure quality as perceived by passengers, “Happy or not” devices have been installed at the exit from the toilets in 33 airports in the network.

**Picture 10. "Happy or not" device at the exit to the toilets in Adolfo Suárez Madrid-Barajas Airport**

### Comfort

In order to guarantee passengers' comfort during their time at its airports, Aena pays special attention to waiting areas, focusing on improving lighting, air conditioning, electromechanical facilities, seating, children's play areas and work stations. In this period these measures have included:

- Improvements to air conditioning and thermal insulation carried out in several airports: Adolfo Suárez Madrid-Barajas, Málaga-Costa del Sol, Gran Canaria, Alicante, Lanzarote and Palma de Mallorca.

Picture 11. New cooler in boarding module A in Palma de Mallorca

- Waterproofing of roofs and outer walls at a number of airports including Tenerife Norte Airport and Fuerteventura Airport.
- New flooring in Adolfo Suárez Madrid-Barajas Airport, Barcelona-El Prat and Malaga, Seville, Tenerife Norte, Lanzarote and Reus.

Picture 12. New flooring in the hall of T2B of Barcelona Airport

- Reorganisation of the passenger waiting area in check-in queues at Alicante-Elche Airport.
- Extension of the Schengen arrivals hall at Gran Canaria Airport to 200 $m^2$ of floor area.
- Improvement of lighting at Palma de Mallorca and Seville airports.
- Improvement of the Premium retail plaza in terminal T4 at Adolfo Suárez Madrid-Barajas Airport.

Picture 13. Improved retail plaza. AS Madrid-Barajas Airport

- New workstations with power outlets for charging devices installed in the two terminals at Barcelona Airport, in departure lounges 10 and 11 in terminal T4 at Adolfo Suárez Madrid-Barajas Airport, and in the departure areas in the terminals at Palma de Mallorca, Gran Canaria, Menorca, Girona and Zaragoza airports.
- Electrical charging facilities were installed at various points in the terminal building of Malaga and Gran Canaria airports.
- Replacing and increasing the number of benches in several airports. Most prominently at Palma de Mallorca with a total of 2,553 new benches, which means 11,105 seats, an 11% increase. At Madrid, Málaga, Valencia, Bilbao, Menorca and La Gomera airports as well. Seating for long waits and emergencies were added in Malaga Airport.

Picture 14. Seats in the Multipurpose Hall of Malaga Airport

## PRM service

In order to meet the needs of passengers with reduced mobility (PRM), in 2017:

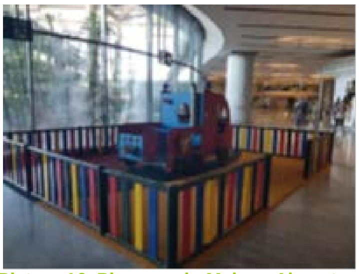
- Accesses were installed at the control points of terminals T1 and T4 in Madrid Airport.

Picture 15. Installation of PRM accesses in the controls of T1 and T4 of Madrid Airport

- Two new lifts were installed in module A of Palma de Mallorca Airport, for the exclusive use of PRM.
- And at Fuerteventura Airport: creating a new PRM service desk inside the boarding area.
- In addition, in December Aena awarded the contract for the provision of this service in 20 airports in the network, for a period of four years (extendable for up to two additional years) and a total sum in the tender process of 272.5 million euros. The contracts will be formalised in 2018.

## Other passenger services

- For passengers travelling with children or babies, new waiting areas have been built that include play areas, an area for parents from which they can keep an eye on their children, a library, an overhead projection area, a breastfeeding room with a microwave and nappy changing facilities at Palma de Mallorca, Tenerife Norte, Tenerife Sur, Santiago de Compostela, Menorca and Málaga airports. In the latter airport, 7 new play areas were installed in different areas of the terminal building (check-in, arrivals and gates B, C and D).



Picture 16. Play area in Malaga Airport.

- Free high speed wi-fi without advertising in the main airports in the Aena network.


## Access

- The organisation of passenger flows due to the closure of Metro line 8 at Adolfo Suárez Madrid-Baraja Airport has been coordinated with Madrid Metro.
- At Barcelona El-Prat Airport, ADIF has replaced the old RENFE footbridge which connected terminal T2 with the train station and has also refurbished the area connecting with the terminal.

Picture 17. Refurbishment of the RENFE footbridge. Barcelona Airport

- Improvements were made in the airports of Gran Canaria (urban development, roads and creation of a rank for taxis), Tenerife Sur (lighting system on the access road) and Zaragoza (new roundabout for access to the airport).

## Operations

In the operational sphere, all the airports owned by Aena have obtained the aerodrome certification in accordance with European regulations, as part of a demanding process involving adapting the infrastructures to European and Spanish regulations.

Furthermore, in order to provide the best service to companies working at the airports, several measures are regularly carried out, and in 2017 these included the following:

### Airfield and platform

- The paving on main runway 07L/25R at the Barcelona Airport was refurbished, in addition to the updating of the beacon and the improvement of the paving of the rapid departure taxiways. Refurbishing the pavement on taxiway T0 at Reus Airport and on the runway at Son Bonet Airport.

Picture 18. Runway refurbishment. Son Bonet Airport

- At Palma de Mallorca Airport, executing two new entrance taxiways leading to head 24R on the north runway and three new entrance taxiways to head 06R on the south runway to improve management of large aircraft operations.

Picture 19. New entrance taxiways. Palma de Mallorca Airport

- Installation of blast fences, which reduce stopover times and taxiing times on the platform, by simplifying starting and reverse manoeuvres for aircraft. An example is the one in Gran Canaria Airport.

Picture 20. Blast fence. Gran Canaria Airport

- Installation of acoustic barriers, such as the one located in header 06R of Palma de Mallorca Airport.
- Completion of improvements to pavements to repair various kinds of damage in airfield areas, backing up points and taxiing areas at Málaga-Costa del Sol Airport.
- Actions arising from the change in designation of the runway at Tenerife Sur Airport (signage and runway markings and a change in the command system and presentation of beacons).
- Actions on the coastline of head 03 at Lanzarote Airport to give it a RESA (Runway End Security Area) and on the airfield at La Palma Airport.
- Integrating Gran Canaria and Malaga-Costa del Sol airports into the ATM network as an Advanced Tower to improve air traffic management and punctuality.

## Safety

In addition to the certification of airports according to the European Union Regulation 139/2014, other measures in this area included:

- Replacing the old fences in critical areas at Palma de Mallorca Airport, specifically locator 24R, locator 06L, locator 24L and path 24L.
- New coordination centre at Santiago Airport.
- Optimisation and reduction of runway closure times due to works and maintenance of the visual aids facility with a new system for monitoring regulators' cut-outs at Palma de Mallorca Airport.
- The operating hours of Vitoria Airport have been extended by 55%.

## Handling

The measures taken in handling included:

- Installing 30 new kiosks for Vueling in terminal T1 at Barcelona Airport to make check-in faster and more efficient, especially during peak operating times.

Picture 21. Check-in kiosks. Barcelona Airport

- Construction of a new area for trolleys in international arrivals at Gran Canaria Airport, with three baggage carousels to improve baggage reclaim times.
- At Palma de Mallorca Airport, replacement of the servers installed in the Automatic Baggage Handling System (SATE) with new servers featuring state-of-the-art technology which will provide the system with 100% redundancy. Likewise, the classifier control IT systems in the SATE have been replaced to enable data to be managed in real time.
- New text and mail messaging to handling agents for advance notice of baggage delivery times at Alicante Airport.
- Automatic re-inspection of unaccompanied baggage for airlines at Madrid Airport.

## Parking facilities

The measures taken include:

- Redesigning parking stands on the general aviation apron at Almeria Airport, increasing the number of stands from 13 to 19.
- At Tenerife Sur Airport: apron slabs and the hydrant network have been refurbished, as well as layout of aircraft parking stands and moving the taxiway to the south to eliminate the spam restriction from the apron's internal inner.

## Fuel

- Measures include starting up the process for renewing licences for fuel handlers with Stage I which covers the 21 airports in the network with low traffic levels over a period of seven years. The increase in competition, improved service quality and price caps are key points of the new tender.
- At Zaragoza Airport there has been an agreement with CLH to improve the response times for beginning the service.

## Security

In addition to the measures taken immediately to improve traffic management during the application of the new border control regulations, other measures in the security field were carried out throughout the year, in order to improve the passenger experience in the airports in the Aena network.

- In particular, Aena has increased its support service to improve passenger assistance at passport control and promote the use of ABC systems at Madrid, Barcelona, Palma de Mallorca, Malaga and Alicante airports.

Picture 22. ABC systems. Barcelona Airport

- Passport booths were added in Madrid and Bilbao airports. At Adolfo Suárez Madrid-Barajas, to the T4S arrivals and departures controls and in T1 to increase infrastructure capacity and minimise waiting times. At Bilbao, a second booth has been added to arrivals passport control. And at Valencia Airport the passport control booths have been relocated in order to allow a greater number of simultaneous controls and reduce waiting time for passengers.


Picture 23. New arrivals passport control booth. Bilbao Airport

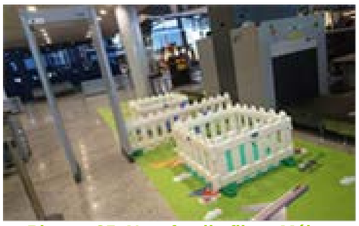
- At Adolfo Suárez Madrid-Barajas Airport, improvement actions in managing waiting times through alarms in security filters and passport controls and single file management in the main security controls.

- A virtual assistant has been installed which welcomes passengers in exit security filter P30 in terminal T1 and terminal T2B in Barcelona. This is a hologram that provides information to passengers in five languages (Spanish, Catalan, English, Chinese and Russian) to facilitate their journey through the security filters.

- Refurbishing and enlarging the security filters to improve flows at Madrid, Málaga, Alicante, Granada, A Coruña, Jerez, Murcia San Javier, San Sebastián and Valladolid airports.

Picture 24. Expansion of security equipment. Adolfo Suárez Madrid-Barajas Airport

- Installation of new security filters for families with babies and improvements for exclusive access by employees, buggies and PRMs.



Picture 25. New family filter. Málaga Airport

## Facilities

### Baggage claim

Measures taken in the baggage claim areas include:

- Installing “Happy or not” devices to measure perceived quality at 33 airports in the network.

- Opening of a new baggage claim area in terminal T2 at Barcelona Airport for easyJet passenger arrivals, thus bringing all the airline’s operations together in the same area of the airport.


Picture 26. New baggage claim area at Barcelona Airport

- New baggage carousel at La Gomera Airport and a plan to refurbish the baggage carousels in terminal T1 at Lanzarote Airport.

### Airbridges and boarding gates

The actions carried out during this period related to the airbridge service include:

- Replacing airbridges T20, T22 and T23 in terminal T2 at Adolfo Suárez Madrid-Barajas Airport.

Picture 27. New airbridge. Adolfo Suárez Madrid-Barajas Airport

- The opening of the new airbdridges 21 and 27 at Malaga airport.

Picture 28. New airbridges at Malaga Airport

- Installing automatic doors in disembarkation for each of the airbridges at Tenerife Norte Airport.

- Reopening of the boarding gates area at Barcelona and Fuerteventura airports (boarding gates 1 and 2 with double airbridge, stand 15), increasing the number of gate parking positions and the number of remote gates.

Picture 29. Improved boarding gates at Barcelona Airport

## 3.1.2 Commercial Activity

The following table shows the most significant figures for commercial activity.

| Thousand euros | 2017 | 2016 | Variation | % Variation |
|---|---|---|---|---|
| Ordinary income | 1,049,251 | 943,645 | 105,606 | 11.2% |
| Other income | 11,299 | 8,987 | 2,312 | 25.7% |
| Total Income | 1,060,550 | 952,632 | 107,918 | 11.3% |
| Total expenses (depreciation included) | -294,427 | -264,153 | 30,274 | 11.5% |
| EBITDA (1) | 873,387 | 783,639 | 89,748 | 11.5% |

Table 7. Most significant figures with regard to commercial activity

*(1) Earnings before interest, taxes, depreciation and amortization.*

In 2017, the total income from commercial activity increased by 11.3% compared to 2016, to 1,060.6 million euros. Ordinary income amounted to 1,049.3 million euros (26.5% of the Group's total ordinary income), an increase of 11.2% compared to 2016 (943.6 million euros).

In addition to the favourable trend in passenger traffic, this growth is due to the improvement in the contractual conditions through the bidding for the various different tenders, including the minimum annual guaranteed rents (MAGR), and new operators with recognised experience and reputation entering the airports.

In the businesses Aena operates itself, i.e. car parks and VIP lounges, the marketing initiatives carried out and the pricing strategies implemented have had a very positive impact on their income.

The detail and analysis of the commercial business lines are set out below:

| Commercial services<br>Thousand euros | Income | | Variation | | Minimum Guaranteed Rent | |
|---|---|---|---|---|---|---|
| | 2017 | 2016 | Thousand euros | % | 2017 | 2016 |
| Duty-Free Shops[1] | 309,017 | 285,154 | 23,863 | 8.4% | | |
| Specialty shops[1] | 91,703 | 89,659 | 2,044 | 2.3% | | |
| Food & Beverage | 175,643 | 154,493 | 21,150 | 13.7% | | |
| Car rental | 149,373 | 114,466 | 34,907 | 30.5% | | |
| Car parks | 132,013 | 121,554 | 10,459 | 8.6% | | |
| VIP services | 41,053 | 32,597 | 8,456 | 25.9% | | |
| Advertising | 31,561 | 30,290 | 1,271 | 4.2% | | |
| Leases[2] | 32,129 | 25,005 | 7,124 | 28.5% | | |
| **Other commercial income** [2][3] | **86,759** | **90,427** | **-3,668** | **-4.1%** | | |
| **Ordinary income** | **1,049,251** | **943,645** | **105,606** | **11.2%** | **79,234** | **67,275** |

Table 8. Analysis of commercial business lines

*(1) In 2017 the income of the Multi-Store at Fuerteventura Airport, which until August 2016 had been recognised in the Specialty Shops line, became part of the Duty-Free Shops line as it was added to the Duty-Free Shops General Contract at that time. On a like-for-like basis, the increase in the income of Duty-Free Shops amounted to +7.1% and the growth of Specialty Shops income to +6.4%.*

*(2) Income from leases of areas for mobile telephony stations have been reclassified to Leases (formerly in Other commercial income). For the purposes of comparison, the Leases income amount to 1.5% and Other commercial income increased by 9.7%.*

*(3) Includes Commercial income (banking services, Luggage plastic-wrapping machines, telecommunications services, vending machines, etc.), Commercial supplies, and Filming and recording.*

In 2017 the minimum annual guaranteed rents account for 10.8% of the income for lines with contracts that include these clauses (9.9% in 2016).

Total expenses (depreciation included) increased by 11.5%. This increase is affected by the application of the DORA, which reallocates operating costs amounting to 25.3 million euros between aeronautical activity and commercial activity, including 12.2 million euros for amortisation. Excluding the reallocation effect, the total expenses for the period would have grown by 1.9% (5.0 million euros) and the EBITDA would have increased by 13.1% (to 886.5 million euros)

EBITDA stood at 873.4 million euros, 11.5% higher than in the previous year.

These figures have been possible thanks to the continuation of different commercial actions. The highlights by business line are:

## Tax and Duty Free Shops

Income from this activity increased by 8.4% in 2017 compared to 2016 and accounts for 29.5% of the income of Aena's commercial activity, generated through 86 points of sale (76 premises and 10 Buy-Byes), with a total area of approximately 45,000 m².

Aena has signed three contracts, distributed in three lots, with the company Dufry that manages generic duty and tax-free shops under the trade name of WorldDuty Free in 26 airports in the network: A Coruña, Adolfo Suárez Madrid-Barajas, Alicante-Elche, Almería, Asturias, Barcelona-El Prat, Bilbao, FGL Granada-Jaén, Fuerteventura, Girona- Costa Brava, Gran Canaria, Ibiza, Jerez, La Palma, Lanzarote, Málaga-Costa del Sol, Menorca, Murcia- San Javier, Palma de Mallorca, Reus, Seve Ballesteros-Santander, Santiago, Sevilla, Tenerife Norte, Tenerife Sur and Valencia.

This activity generates a stream of guaranteed income via the minimum annual guaranteed rents. Lots I (Madrid and other airports) and II (Barcelona and other airports) maintain the growth derived from the interannual improvements in their minimum annual guaranteed rent. In Lot III (Canary Islands airports), in which the evolution has been positive, the minimum annual guaranteed rent has not been applied since 2013.

The following projects took place in 2017:

- Promotions were carried out to enhance purchases of products in categories with the greatest appeal to passengers, especially British passengers, in order to offset the effect of the devaluation of the british pound, which continues to affect purchases by those passengers, which fell 8.3% during the period. The most heavily affected product categories were perfumery, cosmetics and alcoholic beverages, mainly in tourist airports, such as Malaga-Costa del Sol, Alicante-Elche, Tenerife Sur and Gran Canaria, where there is a significant level of dependence on British passengers.
- The new routes to emerging countries, have been a positive reinforcement to Duty Free sales.
- A project for the modernisation and digitisation of the Duty-Free Shop located in Satellite Terminal T4 of the Adolfo Suarez Madrid-Barajas Airport has been carried out. Under the *Next Generation Store* concept, digital elements have been incorporated that allow passengers to interact and thus enjoy a better shopping experience.


Picture 30. Dufry Shop Robot in T4S.

- A new specialty shop has been opened in the longitudinal dam of T1 at Barcelona-El Prat Airport.


Picture 31. Barcelona-El Prat Airport

- Plans are being developed to redesign the commercial layout of the airports of Madrid, Palma de Mallorca and Seville, in order to optimise the spaces in the tax and duty free shops.

## Specialty shops

More than 350 specialty shops were operational in 2017. Twenty-two of these were for luxury brands, which offer a varied range suitable for all passengers.

The leading brands present with specialty shops in Aena's terminals are the Inditex Group, Mango, Desigual and GAP among other well-known brands, as well as Loewe, Carolina Herrera, Bulgari, Coach, Weekend by Max Mara, Longchamp, Burberry, Ferragamo, Omega and MontBlanc among luxury brands.

Noteworthy events in 2017 include:

- The commercial income from the Canary Islands airports increased after the renewal of the commercial range carried out in 2016 and the first full year of its business. A 19% increase in commercial income was achieved in Gran Canaria, 22% in Lanzarote and 10% in Tenerife Sur Airport. Four premises at Tenerife Sur Airport were tendered in 2017.

- It has been the first full year of business of the new commercial range at Alicante - Elche Airport. The minimum annual guaranteed rents for these tenders were 73% higher than the income of the previous range of specialty shops. In 2017, the remaining 3 premises were tendered for the full renewal of the range of retail facilities at the airport.

- The awarding of the second phase of the renovation of terminals T123 specialty shops at Adolfo Suárez Madrid-Barajas Airport (10 premises), which, together with the first phase awarded at the end of 2016 (23 premises), will entail the total renewal of the commercial offer in these terminals.

  Eight specialty shops were opened to the public in 2017, and the openings are anticipated to be completed in early 2018. These dates have led to a postponement in the schedule due to the delay in the processing of the licenses, which has temporarily halted the contracts awarded, and consequently had an impact on the income and the image of the commercial range in these terminals.

- The tender for 4 new spaces in Terminal T4 of the Adolfo Suárez Madrid-Barajas Airport will be allocated to commercial premises for the Carolina Herrera brand, the Fedon brand and two "Pop up" specialty shops awarded to Scalpers and DODO.

- The opening of the new commercial range in Module C (11 specialty shops) in Palma de Mallorca Airport, with the incorporation of a wider range of brands (Natura, Parfois, Sibarium, Swarovski, and Sunglass, among others), wihich has led to an increase of more than 9% in commercial income.
  An additional 11 premises have been tendered and awarded at this airport.

- The renewal of the commercial range at Barcelona-El Prat Airport, through the tender of various premises in terminals T1 and T2, has taken place.

- The start of the Personal Shopper service in terminals T4, T4S and T1 (non-Schengen) of Adolfo Suárez Madrid-Barajas Airport in January, and in the two terminals of Barcelona-El Prat Airport in September, in order to improve the customer experience following the trends implemented in international airports, providing specialised assistance for passengers. This service has been tendered in Malaga-Costa del Sol Airport, and is scheduled to start in March 2018.

**Picture 32. Personal Shopper. Adolfo Suárez Madrid-Barajas Airport**

## Food & Beverage

The process of renewing the Food & Beverage range in the airports continued in 2017 to meet the varied demands from passengers, involving a wide range of products and services ranging from the standard range of products and fast services for those with little time, to "signature cuisine" for passengers who have more time and want to enjoy new gastronomic experiences.

The leading Spanish and international Food & Beverage brands are present in the airports in the Aena network. They include a wide variety of fast food alternatives: McDonald's, Burger King, Más que Menos, Costa Coffee, Starbucks, Coffee Republic, Lavazza, Paul or Rodilla. And for "signature cuisine", we have 5 restaurants by Michelin-starred chefs at our airports in Madrid ("Kirei by Kabuki" by Ricardo Sanz in terminals T1 and T4 and "Gastrohub" by Paco Roncero in T4), in Barcelona ("Porta Gaig" and "Gastrobar" by Carles Gaig), in Málaga ("Delibar" by Dani García) and in Bilbao ("Yandiola" by Ricardo Pérez).

In 2017, the more than 320 Food & Beverage outlets performed very well and generated income amounting to 175.6 million euros, an increase of 13.7% compared to 2016.

Income growth in this activity is due primarily to improved sales figures of our Food & Beverage operators, owing to the good traffic figures, the growth of spending per passenger in tourist airports and the consolidation of the full range of Food & Beverage services, adapted to the different passenger profiles, through the diverse brands offered.

Worthy of special mention in this period are the following actions:

- The publication of the tender for almost all of the Food & Beverage services on offer at Barcelona-El Prat Airport. It includes the tendering of 50 sales points in 23 files and it is designed to improve quality and expand the range while also increasing the presence of international, domestic and local brands which will help to drive the rise in income.

  The tendering process concluded in February 2018 with the award of the 23 processes tendered. The new food & beverage range will occupy an area of about 16,000 $m^2$, an increase of about

19% compared to the existing area, spread over 50 locations in terminals T1 and T2, which will provide the airport with a wide range of food & beverage facilities.

Aena aims to provide a genuine gastronomic experience for passengers and airport users, combining the latest trends in restaurants with local tradition and flavour. Aena has incorporated a variety of food & beverage operators and the presence of Spanish and international brands of recognised prestige.

Income from this line in Barcelona, considered in terms of a full year, will consequently increase by almost 30%.


**Picture 33. Food & Beverage at Barcelona-El Prat Airport**

- The tender for the renewal of the range of Food & Beverage in Malaga-Costa del Sol Airport was also published in November. The new spaces will occupy a total area of more than 6,500 m², divided into 25 premises tendered in 12 procedures, which will open in late 2018.
- The award of the tender for the range of Food & Beverage in Gran Canaria Airport (19 points of sale in 5 files), to improve the quality and variety of the range, which will lead to an increase in income.
- The opening of practically all of the new Food & Beverage services offered at the airports of Bilbao (5 premises), Ibiza (6 premises, leaving 3 for the summer season in 2018), Fuerteventura (6 premises), as well as 1 new point at Madrid-Barajas Airport and 2 new points in module C at Palma de Mallorca Airport.
- An action plan has been implemented to improve the quality of the sales points at Adolfo Suárez Madrid-Barajas Airport, and the competitiveness of prices.
- A campaign of discounts and gastronomic promotions was carried out at Bilbao Airport.
- The renewal of the vending machines in the airports of Ibiza, Tenerife Sur and Gran Canaria, coupled with a significant improvement in the quality of the products and image offered, as well as income received. The tender for the machines at Fuerteventura Airport and another 10 at Malaga Airport, which is due to be renewed at the beginning of 2018, was also published in 2017.

## Car rental

The business of vehicle rentals without a driver is managed within a concession system in the airports in the Aena network, and is operated by the leading companies in the sector in Europe and worldwide, including AVIS, Europcar, Hertz, Enterprise, Sixt and Goldcar. Important Spanish companies such as CICAR, TOP CAR, Autorreisen and RecordGo are also present in the main tourist airports, in addition to the presence of local companies at various airports. With this variety, Aena is able to offer passengers a wide range of products and services.

In order to provide this service, the airport network provides the vehicle rental companies with 19,000 parking spaces, 256 customer service counters (checking counters) and 500,000 m² of parking areas for vehicles, as well as other facilities.

An income of 149.4 million euros was achieved in 2017 (+30.5% compared to 2016), which is a record high in the series for this line of business.

In 2017, the contract for business awarded to 16 companies in the sector in November 2016 to operate the service in 36 airports and which extended licenses and facilities, led to:

- A volume of more than 5 million vehicle rental agreements signed in airports.
- Improvements in the facilities, in terms of both quantity and quality. Service counters, parking spaces for collecting and dropping off vehicles, and maintenance and cleaning areas for the operators' fleets were enlarged and improved.
- The companies' operations were made more flexible, with additional facilities at the times required by demand, to increase parking spaces, counters or areas as needed.

## Car parks

The Aena network of car parks has more than 80 car parks and more than 130,000 parking spaces, distributed across 32 airports.

Aena manages this area of business, which guarantees that all operational processes are monitored, as well as the active management of marketing initiatives, the pricing policy and the structuring of the various parking services, in order to meet the needs of the wide range of passengers (Low Cost/Long Stay, General, Preferential, Express, VIP Service with pickup and drop-off with driver, and additional services).

Reservations can be made online using a web platform from the Aena app, as well as through various distribution channels. This platform allows customers to book in advance at discounted prices.

Parking income in 2017 amounted to 132.0 million euros, an increase of 8.6% compared to 2016. This figure is a record high for income, surpassing the record for 2007.

The main actions of this period are as follows:

- As well as the increase in income, the market share increased in a highly competitive environment.
- The bookings channel continued to grow, reaching a new high in 2017, with more than 1.2 million users and a share of more than 30% of total income.
- Technological improvements, with the expansion of the mobile payment service and the introduction of the registration number payment service in Madrid and Barcelona.
- New products and services were developed, such as the express parking at departures and the service for businesses.
- Online sales with prepaid reservations was one of the biggest enhancements in service.
- Marketing campaigns, a strong online positioning and the personalisation of messages for each airport and car park maintained and improved the brand's positioning in the online channel.
- Knowledge of the clients and personalised communication through the loyalty club ("Aena Customer Club") retained clients and improved the service to them, compared to other means of access and competitors.


Picture 34. Aena Customer Club

## VIP services

This business line includes income from the VIP lounges and income from the *Fast Lane*[1] and *Fast Track*[2].

Aena has 22 VIP lounges in 14 airports in the network, operated by Aena itself, except for the 4 lounges at Barcelona El-Prat Airport, which were incorporated into the overall management model in January 2018.

The income from the Fast Lane and Fast Track have also been incorporated into this business line since 2017.

The total for the VIP services line performed well last year, amounting to 41.0 million euros in income, a 26% increase compared to 2016, and the Aena lounges hosted 2,662,000 users in 2017.

Noteworthy events in 2017 included:

- The openings of the VIP lounges in A Coruña (in January) and at Valencia Airport, *the Sala Joan Oliver* (in August).
- The incorporation into the overall management model of the VIP lounges at the airports of Tenerife Sur, Lanzarote, Bilbao and Seville, as well as the 5 lounges at Madrid-Barajas Airport from March 2017.
- The refurbishing of the lounges of the Palma de Mallorca Airport, with the inclusion of an additional lounge, the *Sala Mediterraneo*, which opened on 9 November.
- The tender for the 4 VIP lounges at Barcelona Airport. The project for the expansion and renovation of the 4 VIP lounges was drafted in 2017. This work that will be carried out in phases in order not to interrupt the service in 2018.
- The tender process has begun for Santiago Airport, which has not had a VIP lounge, and the tender process for Menorca, Fuerteventura and Vigo airports is due to begin in 2018.

Picture 35. VIP lounges. Tenerife Sur Airport

- The commercialisation of the preferential access service ("Fast Lane") in the security filters was consolidated at the airports of Barcelona, Palma de Mallorca, Gran Canaria, Tenerife Sur and Alicante. It started at Alicante Airport in July and in Malaga in November, with a good reception.

## Advertising

Advertising in the airports in the network involves outdoor advertising, and competes with media in urban fixtures, the metro and billboards.

At Aena, it is managed using a concession model, and the companies that operate the advertising spaces in the network are those responsible for their commercialisation: JFT in the Canary Islands airports, and JCDecaux in the airports on the Spanish mainland and the Balearic Islands.

The investment in updating and renewal of media by the two operators was completed in 2017, in order to compete with the media with the greatest international market value.

[1] *Fast Lane*: this is a priority track passing through the security filters that is not segregated from the other filters.
[2] *Fast Track:* this is a filter for exclusive use, and is physically segregated from the other security filters.

This business line generates assured annual income through the application of contractually minimum annual guaranteed rents.

The improvement in sales, the number of advertisers and the volume of investment was the general trend in the business unit. However, the recovery of this sector, which has been heavily affected by the last recession and by the cuts in foreign advertising investment, is still under way.

Picture 36. Advertising media..A.S. Adolfo Suárez Madrid-Barajas Airport

### Other commercial income

It includes various commercial activities carried out at airports such as banking services, baggage wrapping machines, other vending machines and regulated services (pharmacies, tobacco shops, lotteries, etc.).

The main actions carried out in 2017 included:

- The tender and award of the currency exchange business for terminals T123 of the Madrid airport and for the three Balearic Islands airports.
  The joint venture Maccorp Exact Change won the tender for the business in Madrid, and the company Bestand Fast Change Spain won the tender for the airports in the Balearic Islands.
- The award of the new Wi-Fi service in the airports, with connection speeds of between 5 Mbps and 15 Mbps.

## 3.2. Real estate services segment

The real estate services segment consists of the provision of leasing or transfer of use of land, office buildings, warehouses, hangars and cargo units to third parties.

Aena has variety of real estate assets for the support of airport activity (operating airlines, operating air cargo, handling agents and other airport operators) and the development of complementary services.

Thus, to support the real estate activity, airports have office buildings and warehouses, hangars, cargo units, surfaces (paved and unpaved) and land (developed and undeveloped) where various types of buildings and facilities may be built.

Amongst the additional services are 24 stations (15 in the Land Side and 9 in the Air Side) in 12 airports and FBOs (*Fixed Base Operations*) terminals in 5 of the most relevant airports in the network, where business aviation is handled in a unique way.

Regarding to the study of marketable land at Adolfo Suárez Madrid-Barajas and Barcelona-El Prat airports, the process continued and the potential lines of development were defined.

Accordingly, in Madrid the plan is to commercialise a total of 2.7 million $m^2$ over 40 years, for a mixture of uses that would entail a significant diversification of the business at the airport, and would bring it closer to the modern concept of the *Airport City*. The estimated maximum potential development amounts to 3.6 million $m^2$, including future reserves.

Meanwhile, at Barcelona Airport, the commercialisation would last 20 years and cover 1.8 million $m^2$, with a proposal for varied uses which in addition to the development of the cargo and logistics areas, would also include an *Airport City* project.

Key financial data for the real estate services segment is set out below:

| Thousand euros | 2017 | 2016 | Variation | % Variation |
|---|---|---|---|---|
| Ordinary income | 59,687 | 62,403 | -2,716 | -4.4% |
| Real estate services[1] | 59,687 | 62,403 | -2,716 | -4.4% |
| Other income | 1,382 | 2,429 | -1,047 | -43.1% |
| **Total Income** | **61,069** | **64,832** | **-3,763** | **-5.8%** |
| **Total expenses (depreciation included)** | **-47,065** | **-45,507** | **1,558** | **3.4%** |
| **EBITDA [2]** | **30,550** | **36,012** | **-5,462** | **-15.2%** |

Table 9. Key financial data for the real estate services segment

*[1] Includes Warehouses, Hangars, Real Estate Operations, Off-Terminal Supplies and Others.*

*[2] Earnings before interest, taxes, depreciation and amortization.*

In 2017, ordinary income derived from these activities amounted to 59.7 million euros, 4.4% below those obtained in 2016, mainly due to the impact in 2016 of the accounting recognition of credit rights on buildings built on land subject to assignment contracts. Excluding this effect, ordinary income remains stable.

The expenses on real estate services increased by 3.4% due to the costs related to the study of the commercial land at Adolfo Suárez Madrid-Barajas and Barcelona-El Prat airports (1.4 million euros).

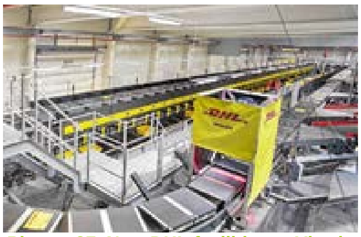
Regarding the main actions of the period, it is worthwhile emphasising:

- Implementation of the FBOs (Fixed Base Operations) at Ibiza Airport, which joins those already in existence at Adolfo Suárez Madrid-Barajas, Barcelona-El Prat, Palma de Mallorca and Malaga-Costa del Sol airports.
- In the leasing of hangars, at Adolfo Suárez Madrid-Barajas Airport H2 was leased and H1 was tendered; two hangars at Sabadell airport were awarded, in addition to another one at Girona-Costa Brava.
- The awarding of two service stations at Gran Canaria and La Palma airports.
- Other spaces have also been allocated as: a clean point for waste collection and management of the waste plant at Seville Airport; two plots for Ground Equipment Maintenance (GEM) at Barcelona-El Prat Airport, and the 110-hectare agricultural operation at Jerez Airport.

In relation to freight transport, during this period the 15.0% annual growth ratios have been exceeded, which exceeds the accumulated growth to 11.6% in 2016.

Marketing activities for freight facilities include the following, carried out in 2017:

- In Zaragoza, the new facility managed by ACL has come into service which will increase the airport's cargo capacity.
- At Adolfo Suárez Madrid-Barajas Airport, DHL has begun construction of a new facility.
- In Vitoria, the company DHL has put in service a new facility that will allow for the automatic processing of 21,500 packages an hour.



Picture 37. New DHL facilities at Vitoria Airport

- In Valencia, new leases of cargo ships have been signed in favour of UPS and EAT / DHL that will allow these companies to maintain their operations at the airport.
- In addition, three leases for cargo warehouses were awarded at the airports of Vitoria (one to DHL) and Barcelona (two, to OSA Handling and Swissport).
- The leasing of the two modules in the new Airport Cargo Terminal at Tenerife Norte was tendered, and this will significantly improve the airport's operations.

## 3.3. International activity

Economic data for the international business segment include the consolidation of Luton Airport in London (5th airport in the United Kingdom by number of passengers), as well as advisory services to international airports. Total international business income improved by 7.6 million euros, negatively impacted by the devaluation of the GBP, offsetting the strong growth in traffic seen at Luton Airport.

| Thousand euros | 2017 | 2016 | Variation | % Variation |
|---|---|---|---|---|
| Ordinary income | 215,344 | 207,733 | 7,611 | 3.7% |
| Other income | 163 | 272 | -109 | -40.1% |
| **Total Income** | **215,507** | **208,005** | **7,502** | **3.6%** |
| **Total expenses (depreciation included)** | **-195,717** | **-184,330** | **11,387** | **6.2%** |
| **EBITDA [(1)]** | **64,595** | **71,322** | **-6,727** | **-9.4%** |

Table 10. Key data for the international activity segment

[(1)] *Earnings before interest, taxes, depreciation and amortization.*

In the forthcoming section, a more detailed appraisal of **London Luton Airport** is given, whose consolidation has meant an EBITDA contribution of 58.7 million euros, 10.3% lower than 2016 (65.4 million euros), due to the devaluation of the sterling (-7.0%) and the extraordinary recognition (31 January 2017) of 8.0 million euros for the accounting of expenses associated with one of the agreements with Luton Airport employees to close the defined benefit pensions plan. Excluding the impact of the foreign exchange rate and the extraordinary effect indicated, the EBITDA variation would have been +8.9%.

| Thousand euros)[(1)] | 2017 | 2016 | Variation | % Variation |
|---|---|---|---|---|
| Airport charges | 95,420 | 94,944 | 476 | 0.5% |
| Commercial income | 109,432 | 103,210 | 6,222 | 6.0% |
| **Total Income** | **204,852** | **198,154** | **6,698** | **3.4%** |
| Employment costs | 47,852 | 39,057 | 8,795 | 22.5% |
| Other operating expenses | 97,301 | 93,349 | 3,952 | 4.2% |
| Depreciation and impairments | 44,999 | 47,442 | -2,443 | -5.1% |
| **Total expenses** | **190,152** | **179,848** | **10,304** | **5.7%** |
| **EBITDA[(2)]** | **58,683** | **65,394** | **-6,711** | **-10.3%** |
| **Operating profit/loss** | **14,700** | **18,306** | **-3,606** | **-19.7%** |
| Net finance result | -36,651 | -23,405 | -13,246 | -56.6% |
| **Profit/loss before tax** | **-21,951** | **-5,099** | **16,852** | **330.5%** |

[(1)] *Euro/Pound exchange rate: 2017 0.8767 and 2016 0.8192*

[(2)] *Earnings before interest, taxes, depreciation and amortization.*

Table 11. Detailed financial information on the evolution of Luton Airport

On an operational level, traffic data from Luton Airport show a passenger increase of 8.6%, to 15.8 million passengers and 3.1% in the number of operations, to 135,518 aircraft movements.

These traffic figures, combined with the effect of the foreign exchange rate, put income for the period at 204.9 million euros, 3.4% higher than the same period in 2016 (198.2 million euros).

In GBP, income from Luton increased by 10.6% (GBP 17.3 million) in 2017 compared to 2016, thanks to the performance of commercial income and despite the impact of the loss of passengers on Ryanair, which moved the operation of two aircraft to Stansted, and the bankruptcy of Monarch.

- Aeronautical income in GBP has risen by 7.6% and commercial income by 13.4%.

  Amongst income from commercial activity, the remarkable performance of the car parks (+13.8%) reflecting traffic growth, the opening of the new car park and the management and prices strategies implemented. The Food & Beverage and Specialty Shop lines have also grown, 13.0% as a whole, boosted by increased passenger traffic, the opening of the walk-through shop in June 2016 and the improved conditions for commercial contracts, although there has been a slight delay in the entry into operation of some premises due to works in the terminal.

- EBITDA in GBP declined by 2.1 million in comparison with 2016.

  This effect arises mainly from the accounting of the extraordinary effect mentioned above relating to one of the agreements with Luton Airport employees to close the defined benefit pensions plan (31 January 2017). Excluding the impact of this extraordinary expenses, which has no cash impact, EBITDA in GBP would have increased by 4.8 million and would have meant growth amounting to 8.9%.

  This agreement entails a change in the commutation ratio (pension commutation factor) which will apply to the right of pension plan members to exchange a portion of their future pension for a tax-free amount received in cash at the time of retirement. The previous Pension Commutation Factor meant that for every 9 pounds received in cash the future pension was reduced by 1 pound per year, while under the new agreement this factor features a ratio of 15 to 1. According to IAS 19, the effect of this change measured as the present value of its impact on future pension liabilities amounting to 6.9 million GBP (8.0 million euros) has been accounted for in the account of employment costs as a higher cost of past services, without this accounting adjustment having an impact on cash.

  As of the closing date of the London Luton Airport Pension Scheme (LLAPS), active members of the plan have become deferred members of the plan and have ceased to accrue benefits for services rendered to the employer (LLAOL). Likewise, as from that date contributions for services rendered by both LLAOL and the members of the plan have ceased, and LLAOL only retains the obligation to make those contributions which according to regular valuations of the plan are deemed necessary to guarantee the payment of benefits for services rendered accrued prior to 31 January 2017, restated annually in accordance with the terms set out in the LLAPS rules.

It is also noteworthy that in August 2017, the refinancing of the Luton Airport debt (GBP 390 million) was completed in order to extend maturities, to set the rate for a higher percentage of the debt, and to secure financing of the entire expansion plan.

As regards the results of the non-accounting consolidated holdings, the evolution of **equity application is as** follows:

| | Equity method profit/loss | | | | Foreign exchange rates | | | |
|---|---|---|---|---|---|---|---|---|
| **Thousand euros** | **2017** | **2016** | **Variation** | **% Variation** | **Foreign exchange rate** | **2017** | **2016** | **Variation** |
| SACSA (Colombia) | 3,476 | 2,991 | 485 | 16.2% | € - COP | 3,336.16 | 3,378.32 | **1.2%** |
| AMP (Mexico) | 12,890 | 9,298 | 3,592 | 38.6% | € - MXN | 21.33 | 20.67 | **-3.2%** |
| AEROCALI (Colombia) | 2,561 | 3,833 | -1,272 | -33.2% | € - COP | 3,336.16 | 3,378.32 | **1.2%** |
| **Total Income from associates** | **18,927** | **16,121** | **2,805** | **17.4%** | | | | |

Table 12. Equity method for investee companies

# 4. Income statement

| Thousand euros | 2017 | 2016 | Variation | % Variation |
|---|---|---|---|---|
| Ordinary income | 3,960,582 | 3,709,581 | 251,001 | 6.8% |
| Other income | 67,012 | 62,906 | 4,106 | 6.5% |
| **Total Income** | **4,027,594** | **3,772,487** | **255,107** | **6.8%** |
| Supplies | -174,176 | -180,366 | -6,190 | -3.4% |
| Staff costs | -417,155 | -390,724 | 26,431 | 6.8% |
| Other operating expenses | -910,912 | -901,775 | 9,137 | 1.0% |
| Fixed asset depreciation | -800,035 | -825,805 | -25,770 | -3.1% |
| Impairment and profit/loss on fixed asset disposals | -10,915 | -6,402 | 4,513 | 70.5% |
| Other results | 2,969 | 399 | 2,570 | 644.1% |
| **Total operating expenses** | **-2,310,224** | **-2,304,673** | **5,551** | **0.2%** |
| **EBITDA (1)** | **2,517,405** | **2,293,619** | **223,786** | **9.8%** |
| **OPERATING PROFIT/LOSS** | **1,717,370** | **1,467,814** | **249,556** | **17.0%** |
| Finance expenses | -144,183 | -169,222 | -25,039 | -14.8% |
| Interest expenses on expropriations | 4,593 | 201,406 | -196,813 | -97.7% |
| **NET FINANCE EXPENSES** | **-139,590** | **32,184** | **-171,774** | **-533.7%** |
| Income from associates | 18,927 | 16,121 | 2,806 | 17.4% |
| **PROFIT/LOSS BEFORE TAX** | **1,596,707** | **1,516,119** | **80,588** | **5.3%** |
| Income tax | -374,738 | -351,733 | 23,005 | 6.5% |
| **CONSOLIDATED PROFIT/LOSS FOR PERIOD** | **1,221,969** | **1,164,386** | **57,583** | **4.9%** |
| Profit/loss for period attributable to non-controlling interest | -10,036 | 237 | 10,273 | 4334.6% |
| **PROFIT/LOSS FOR THE PERIOD ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY** | **1,232,005** | **1,164,149** | **67,856** | **5.8%** |

**Table 13. Income statement**

*(1) Earnings before interest, taxes, depreciation and amortization.*

As a result of the positive business performance in all its lines, Aena's **total income** increased to 4,027.6 million euros in 2017, up 6.8% over last year. Income from the commercial activity accounts for 26.3% of the total, which is above its share for 2016 (25.3%).

**Ordinary income** increased to 3,960.6 million euros, 6.8% compared to 2016. The increase of 251.0 million euros has been explained above in the analysis of the different business lines.

The total for **operating expenses** is in line with regard to the previous year. Eliminating depreciation, expenses increased by 31.3 million euros (+2.1%). Next, the most important variations broken down into cost concepts are analysed:

- Supplies were reduced by 3.4%, which represents 6.2 million euros lower compared to 2016, mainly due to the new conditions of the air navigation services agreement (ATM/CNS) signed with ENAIRE.
- Staff costs show the most significant increase as expenses items, at 6.8% (26.4 million euros). This rise is mainly due to the increase in basic salaries, the salary review of 1% for Aena S.M.E., S.A. personnel, and the recruitment of interns in the third quarter of 2016. It is also affected by the accounting in Luton of one of the agreements reached with employees regarding pensions.

In addition, the amount approved for productivity associated with the pre-agreement reached on 25 September between Aena and trade union representatives (ratified on 31 January 2018), with expensed of 8.5 million euros accrued as of 31 December 2017 has contributed to the increase in this item.

- Other operating expenses increased by 1.0% (9.1 million euros) to 911.0 million euros, mainly due to the effect of higher expenses, including technical assistance (10.3 million euros), security (9.4 million euros), services for passengers with reduced mobility (4.6 million euros), cleaning (3.1 million euros), local taxes (2.7 million euros), VIP lounges (2.3 million euros), and higher operating costs at Luton Airport (4.2 million euros). These increases were partially offset by the reduction in electricity costs (6.6 million euros), lower maintenance costs in 2017 (6.5 million euros), and by variations in customer insolvencies (13.9 million euros).

  The increase in costs has been affected by the increased activity and upward trend in spending for most of the services awarded since the end of 2016, which will continue to be a factor in operating expenses progressively throughout 2018.

- Depreciation and amortization amounted to 800.0 million euros and is down compared to 2016 by 25.8 million euros (3.1%), mainly due to the effect of full amortisation of assets, partially offset by the technical review of the useful life of assets such as runways and taxiways.

**EBITDA** (earnings before interest, taxes, depreciation and amortization) increased to 2,517.4 million euros, an increase of 9.8% over 2016, bringing the EBITDA margin to 62.5%. As of 31 December 2017, the amount of 58.7 million euros is included for the consolidation of Luton (65.4 million euros in the same period of 2016).

For its part, **Net finance expenses** shows a year-on-year increase of 171.8 million euros, affected by the exceptional reversal in 2016 of provisions for legal proceedings related to expropriation of land at Adolfo Suárez Madrid-Barajas Airport (204.9 million euros). "Finance expenses" fell by 25.0 million euros (14.8%) mainly as a result of the reduction in the interest rate (9.9 million euros), the reduction of the principal of the debt (9.8 million euros) and the positive variation in the losses associated with foreign exchange differences in 2016 arising from the GBP loan with Luton (6.7 million euros). Furthermore, expenses of 11.8 million euros were recorded in 2016 to cover the eventual increase in costs caused by the change in the Bank of Spain's risk weighting coefficient for Aena. On the other contrary, in September 2017, 8.0 million euros (6.9 million pounds) were recorded for the amortisation of the activated costs associated with the financing of Luton in 2015, as a result of the refinancing of the debt.
The change in the heading " Interest expenses on expropriations" is due to the reversal in 2016 of provisions for late payment interest due to the elimination of risks in this period (204.9 million euros).

The profit from the equity method of **associated companies** has increased by 2.8 million euros due to the increase in traffic and the effect of the foreign exchange rate.

With regard to **Income tax**, the resulting expenses amounted to 374.7 million euros, an increase in expenses of 23.0 million euros over the previous year as a result of the higher result for the period and the reduction of deductions for investments in the Canary Islands. The effective rate for the period stood at 23.5% (23.2% in 2016).

The **Consolidated profit/loss for the period** reached 1,222.0 million euros. The profit / loss for the period attributable to non-controlling interest amounted to -10.0 million euros (49% of Luton's net profit), which places the **profit / loss for the period attributable to the equity holders of the parent company** at 1,232.0 million euros, 67.9 million euros higher than the figure reached at the close of 2016. This variation is especially significant given that in 2016 the extraordinary impact of the reversal of provisions for legal proceedings related to expropriation of land at Adolfo Suárez Madrid-Barajas Airport was recognised. Excluding this effect, Aena's net profit would have increased by 21.9%.

# 5. Investments

The investment paid in 2017 amounted to 371.2 million euros (non-financial assests), including 66.2 million euros from Luton, an increase of 65.8 million euros (+21.5%) compared to the previous year.

Total investment in the **Spanish airport network** based on payments came to 305.0 million euros, representing a 60.7 million euros (+24.9%) increase on the 244.3 million euros in 2016. This rise is mainly due to investments in security and maintenance improvements.

The activated investment for additions of tangible fixed assets (property, plant and equipment) in 2017 amounted to 475.5 million euros (283.3 million euros in 2016).

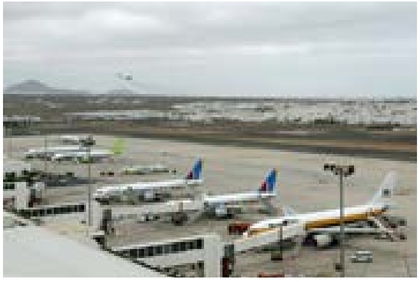
The main actions put into service in the period include at Gran Canaria Airport: "Reinforcement of the surface of runway 03R-21L and the associated taxiways" and "Renewal of the Cargo Terminal"; at Adolfo Suárez Madrid-Barajas Airport: "Refurbishment and elimination of obstacles on runway 18L-36R" and "Renewal of floors on floor P10 of Terminal T1; at Palma de Mallorca Airport: "Refurbishment of the paving of the southern runway" and the "Adaptation of gates H6, H7 and H8"; "Airfield adaptation" at La Palma Airport; "Adaptation of platform taxiways to regulations" at Barcelona-El Prat Airport; and "Runway screeding" at Villanubla Air Base.

The major projects currently under way are: "General adaptation of the platform" of Tenerife Sur Airport; "Reconstruction of platform B", "Reconstruction of platform C" and "Increase in peak capacity of the ABHS and new check-in features" at Palma de Mallorca Airport; "Beacon measures for compliance with technical standards" and the "Installation of airbridges and aircraft assistance equipment for terminal 2, Phase II" at Malaga-Costa del Sol Airport; "Refurbishing of the shopping mall and boarding hall for compliance with fire regulations" at Gran Canaria Airport.

Picture 38. Airfield. Tenerife Norte.

The coming months will see the completion of the "Refurbishment of paving on runway 07L-25R"; "Supply with installation of constant intensity regulators" and the "New CELT cabins" at Barcelona-El Prat Airport; "Expansion of the air conditioning ring in modules C and D" at Palma de Mallorca Airport; "Adaptation of the General Aviation Platform" at Ibiza Airport and "Runway screeding" at Tenerife Norte Airport.

The following works have recently begun or are scheduled in the coming months: "Screeding of the paving of runway 12-30 at Bilbao Airport"; "Adaptation of the T2 building to boarding processes" and the "Repaving of the runway" at Tenerife Sur Airport and the "Adaptation of strips and taxiways" at Ibiza Airport.



Picture 39. Apron. Lanzarote Airport

At **Luton airport**, investments continue in maintenance and renovation of equipment, and in the Curium Project. This project, which aims to increase the current capacity to 18 million passengers in the second quarter of 2018, is making significant progress in all of its areas, and involves the construction of a car park building, the refurbishing and improvement of accesses to the airport, the expansion and refurbishing of the terminal building and the expansion of the commercial areas.

The access and road expansion works were completed in 2017, and substantial progress was made on the terminal expansion works. In specific terms, 36 new commercial premises were handed over, which will increase the airport's commercial area by 2,500 m². The airfield has also been expanded with the extension of the taxiway to head 08, which has improved operations and increased the rush hour capacity by two additional operations per hour.

Picture 40. Luton Airport

With respect to investments of the associates that are not fully consolidated, it is noteworthy that on 8 March 2017 the new international terminal of the **Airport of Cali** was inaugurated. This project is part of the modernisation and expansion plan that began in 2015. It is an International Terminal adjacent to the current one, with an area of 19,600 m², with 6 jet bridges and an international platform of almost 55,000 m².

The aerodrome's operational security certificate was obtained in 2017, and Cali is the first Colombian airport to receive this certification.

In addition, the pre-feasibility study for a Public Private Partnership (PPP) to obtain a new concession at Cali Airport and others in the region (Armenia, Neiva, Ibagué and Buenaventura) has been presented to the Colombian National Infrastructure Agency (ANI) this year. It is currently in the feasibility study phase.

Meanwhile, improvement projects were carried out at **Cartagena Airport** in 2017 for the allocation of operational means (installation of CUTE), operational security (RESAS in headers) and other measures that have improved the terminal's capacity and the passenger experience.

Negotiations are currently under way with the National Infrastructure Agency (ANI) for a Public Private Partnership (PPP) aimed at a new concession contract after the current concession ends in 2020.

Investments at the **GAP airports** include the 15,000 m² extension of the terminal building of Guadalajara Airport, which amounts to an increase of 35% in the terminal area and 40% in the boarding gates. There is also the refurbishment and extension of the terminal building of Hermosillo Airport by 2,200 m², with 2 new boarding gates with airbridges. At Tijuana Airport, the expansion and refurbishing of the terminal building involved an increased area of new 25,000 m² and refurbishing of 15,000 m². It will enter into service in 2018, and at Guanajuato Airport, the refurbishing and expansion works will increase the existing facilities by more than 200%. It will enter into service in 2018.

## 5.1. Analysis of investments broken down by areas of action

Information on the breakdown of investment across the Spanish airport network in 2017 can be found below, along with a comparison with 2016:

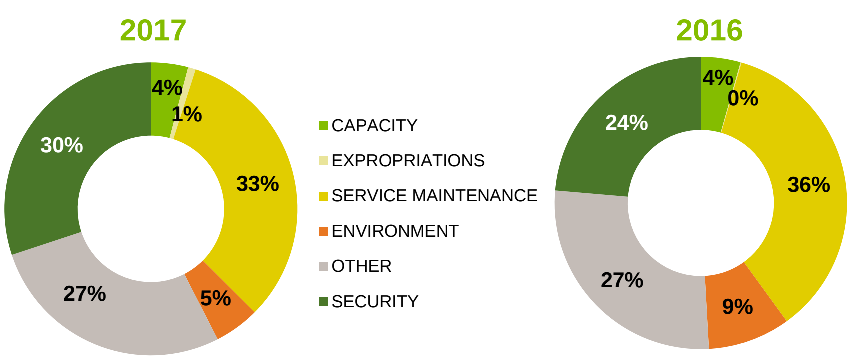



Figure 7. Analysis of investments by areas of application

- Investments made in the field of **security** account for 30% of the total investment in the network of Spanish airports (compared to 24% in 2016). In 2017, they increased by 34.0 million euros (from 57.7 million euros of investment paid in 2016 to 91.8 million euros). They include: "Refurbishment of paving on runway 07L-25R" of Barcelona-El Prat Airport", "Reinforcement of the surface of runway 03R-21L and associated roads" at the Gran Canaria Airport and "Refurbishment and elimination of obstacles on runway 18L-

36R" at Adolfo Suárez Madrid-Barajas Airport.

- The investment devoted to the improvement of facilities to ensure **service maintenance** decreased in percentage terms in 2017 compared to 2016, from 36% to 33%. It has increased quantitatively from 86.7 million euros in 2016 to 99.3 million euros in 2017, implying a rise of 14.4%. Worthy of special mention as the main action is the “Supply and installation of airbridges and aircraft service equipment in several airports" for a total amount of 11.6 million euros.

- Investments in **capacity** rose to 12.5 million euros in 2017, compared to 10.7 million euros in 2016.

  The following significant investment projects took place: "Adaptation of gates H6, H7 and H8", "Adaptation of gates H1 and H2 on the northern runway" and the "Increase in peak capacity of the ABHS and new check-in features” at Palma de Mallorca Airport, and the “Refurbishing of Hall 2 for non-Schengen connections" at Adolfo Suárez Madrid-Barajas Airport.

- A total of 15.2 million euros was invested in the field of **environment** in 2017 (7.1 million euros less than 2016). This amount is mainly in the “Actions derived from Environmental Impact Statements. Acoustic Insulation” in several airports and in the “Agreements of compensatory measures" at Adolfo Suárez Madrid-Barajas Airport.

- Payments for **expropriations** were made amounting to 2.6 million euros, compared to 0.3 million euros paid in 2016. These are mainly for the land for the "Expansion of the North-South platform and new accesses in the southern zone" at Gran Canaria airport, for an amount of 1.0 million euros.

- The **other investments**, amounting to 83.7 million euros, 25.8% more than in 2016 (66.6 million euros), include those made in computer systems and those aimed at improving commercial and real estate income, including the "Demolition of the old catering building and the adaptation of the car rental car park" at Tenerife Sur Airport.

# 6. Balance Sheet

## 6.1. Net assets and capital structure

| Thousand euros | 2017 | 2016 | Variation | % Variation |
|---|---|---|---|---|
| ASSETS | | | | |
| Non-current assets | 14,093,595 | 14,502,621 | -409,026 | -2.8% |
| Current assets | 1,213,837 | 1,011,153 | 202,684 | 20.0% |
| **TOTAL ASSETS** | **15,307,432** | **15,513,774** | **-206,342** | **-1.3%** |
| EQUITY AND LIABILITIES | | | | |
| Equity | 5,687,864 | 5,025,749 | 662,115 | 13.2% |
| Non-current liabilities | 8,135,177 | 8,962,156 | -826,979 | -9.2% |
| Current liabilities | 1,484,391 | 1,525,869 | -41,478 | -2.7% |
| **Total equity and liabilities** | **15,307,432** | **15,513,774** | **-206,342** | **-1.3%** |

Table 14. Summary of the consolidated balance sheets

As for **non-current assets**, the reduction of 409.0 million euros during the period is mainly accounted for by the reduction of 392.5 million euros in non-financial fixed assets. Due to the limitation on regulated investment applicable to the Spanish airport network, the amount for additions to fixed assets for the period was much lower than the amortisations deducted.

In turn, the increase in **Current assets** of 202.7 million euros is mainly due to the increase of 290.4 million euros in the balance of "Cash and cash equivalents" and the reduction of 85.8 million euros in the balance of "Trade and other receivables", explained by 110.5 million euros received in 2017 for the payments made in 2015 on account the corporate tax not used (recognised on 31 December 2016 under the heading "Assets for short-term current tax"), and offset mainly by the increase of 21.6 million euros in the net balance of "Clients from sales and provision of services" due to the higher turnover linked to the increase in business activity and turnover at the end of the financial year for the minimum annual guaranteed rents accrued, which increase every year.

**Equity** increased by 662.1 million euros, mainly as a result of the difference between the result of the consolidated period (+1,232.0 million euros) and dividends distributed in the period including Luton (-592.1 million euros).

The heading “Other reserves” has decreased by 37.2 million euros, due to the effect on Coverage Reserves caused by the payment during the period of 40.5 million euros of financial derivatives liabilities subscribed by the group and by the evolution of the interest rate curve and its impact on the valuation of such derivative financial instruments. Since the main maturity date of derivatives will take place in 2026 and that interest rates are at historic lows, the expectation is that these reserves will be reversed before maturity of the underlying obligations. The fair value of financial derivatives at 31 December 2017 is 82.3 million euros (136.5 million euros at 31 December 2016).

The decrease in **Non-current liabilities** in 827.0 million euros is mainly due to the drop in “Financial Debt” in 1,383.0 million euros by amortisation of the principal of Aena’s debt with ENAIRE as a co-borrower with various financial institutions, in accordance with the repayment schedule established, as well as to the early repayment of the debt held with Depfa Bank and, in the opposite direction, to the new debt underwritten (650.0 million euros).

The "Financial derivatives" item decreased by 51.3 million euros due to the reasons stated in the paragraph related to "Equity". The balance of "Provisions for other liabilities and expenses” also fell by 62.7 million euros, owing to the favourable evolution of certain expropriation disputes, legal proceedings with contractors and downward revisions of the estimate of liabilities.

The reduction of 41.5 million euros in the **Current liabilities** is due to the reduction in the "Financial debt" of 145.5 million euros due to the reduction of the volume of maturities in 2018 compared to 2017, the "Provisions for other liabilities and expenses", which fell by 44.6 million euros, mainly due to the application of 68.3 million euros for commercial incentives, offset by the increase in "Trade and other payables " of 149.5

million euros, mainly as a result of the increase in the balance of suppliers of fixed assets linked to the increased volume of investment.

**Working capital**, calculated as the difference between current assets and liabilities, normally negative in the Company for its operations and financial structure, decreased from -514.7 million euros in 2016 to -270.6 million euros at the close of 31 December 2017, due to the changes in Current assets and liabilities commented in the preceding paragraphs.

## 6.2. Evolution of net financial debt

The Aena Group's consolidated net financial debt, which is calculated as Current Financial Debt plus Non-Current Financial Debt minus Cash and Cash Equivalents, stood at 7,156.0 million euros as of 31 December 2017 (including 396.3 million euros from the Luton Airport debt consolidation), compared to 8,228.0 million euros as of 31 December 2016.

Meanwhile, Aena's individual net financial debt, for the purpose of "covenants" included in financing contracts dated 29 July 2014, amounted to 6,920.0 million euros at 31 December 2017 against 8,041.0 million euros at the end of 2016. There is a substantial improvement in the associated ratios due to both the decrease in net financial debt as well as the evolution of EBITDA:

| Thousand euros | 2017 | 2016 |
|---|---|---|
| Gross financial debt covenants | 7,638,455 | 8,523,750 |
| Cash and cash equivalents | 718,115 | 482,758 |
| **Net financial debt according to covenants** | **6,920,339** | **8,040,992** |
| **Net financial debt covenants / EBITDA[1]** | **2.8x** | **3.6x** |

Table 15. Net financial debt of the Company

*[1] Earnings before interest, taxes, depreciation and amortization. Includes adjustment for updated WDF advance.*

The difference between Aena Group's net financial debt at 31 December 2017 (7,156.0 million euros) and the net financial debt according to covenants (6,920.0 million euros) is mainly due to the fact that the latter does not include the debt (without recourse) associated with the subsidiaries of Aena (mainly Luton), nor short-term bonds and, on the contrary, it does include the fair value (liabilities) of financial derivatives.

During 2017, debt amounting to 1,497.3 million euros was repaid, including 797.2 million euros corresponding to the early repayment of Depfa Bank's debt at a variable interest rate. This amortisation has been partially financed by the cash generated in the year and with 650 million euros of new bank debt at fixed interest rates (0.69% annual average) and with a five-year maturity.

In this period a total of 478.6 million euros were coverted from the revisable rate to fixed rate to maturity, with these operations shifting from an average rate of 1.14% to an average rate of 0.78%.

As a result of these actions, the percentage of debt at fixed rates stands at 88%, compared to 71% at the end of 2016.

Likewise, Aena renewed or contracted new credit policies amounting to 1,000 million euros in 2017, with terms of 1 and 2 years and extensions for the same period. Aena also signed a loan of 400 million euros with a maturity of up to 20 years with the European Investment Bank (EIB) to finance up to 50% of the investments in security related to the renewal of baggage inspection equipment stipulated in the DORA 2017-2021. All these credit facilities are currently fully available.

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

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

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

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

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

As a result of these actions, Aena's debt at 31 December 2017 affected by the change in risk weighting has been significantly reduced to an amount of 862.0 million euros, and no significant impact being expected to arise from this situation.

In relation to the costs incurred as a result of the change in the risk weight, they are expected to be regularized throughout 2018. These costs amounted to 11.8 million euros were provisioned as of 31 December 2016 and paid on 22 March 2017. Income from the partial recovery of this item amounting to 0.9 million euros was recorded in 2017.

Furthermore, credit rating agencies have supported the financial soundness of Aena. On 18 May 2017, rating agency Fitch Ratings has upgraded Aena's rating from "BBB +" to "A" by reviewing the positive to stable outlook. This improvement in Fitch Ratings is based on lower debt levels, improved operating income and lower regulatory uncertainty following the approval of the Airport Regulation Document (DORA) 2017-2021. On 18 July 2017, the rating agency Moody's Investors Service maintained the rating granted to Aena in 2016 ("Baa1" with stable outlook), so Aena remains a step above the rating assigned by this agency to the Kingdom of Spain, although in its report it emphasizes that this qualification is affected by the one of the Kingdom of Spain, so it can be superior if it were revised upwards.

It should also be noted that Luton Airport has refinanced its debt, the process of which was completed in August. The subscribed debt amounted to GBP 390 million, of which 230 have been subscribed by institutional investors, the largest private placement of an airport in the UK.

The new debt structure diversifies the sources of financing (79.5% at fixed rate and 20.5% at variable rate), extends the terms (average life of more than 10 years) and covers the entire expansion plan of Luton, in this way meeting the London Luton Airport's capacity expansion aims and those of its shareholders.

Information on the average payment period of Aena S.M.E., S.A. y Aena Desarrollo Internacional S.M.E., S.A.U. is as follows:

| Days | 2017 |
|---|---|
| Average payment period | 51 |
| Ratio of transactions paid | 54 |
| Ratio of transactions outstanding payment | 18 |

**Table 16. Average payment period**

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

- Average payment period to suppliers = (Ratio of paid operations * total value of payments made + Ratio of outstanding payment operations * total amount outstanding payments)/(total amount of payments made + total amount of outstanding payments).

- Ratio of transactions paid = Σ (Days Payment Outstanding * amount of the transaction paid) / total amount of payments made. Days Payment Outstanding is understood to mean the calendar days that have elapsed since the date the calculation begins until the actual payment of the transaction.

- Ratio of outstanding payments = Σ (Days Payment Outstanding * amount of operations pending payment) / Total amount of outstanding payments. Days Payment Outstanding is understood to mean the calendar days that have elapsed since the date the calculation begins until the last day referred to in the financial statements.

- For the calculation of both the number of days of payment as well as the days' payment outstanding, the Company calculates the term as of the date of provision of the services.

However, given the lack of precise information on the time that this has taken place, the date of receipt of the invoice is used.

This balance refers to suppliers who, given their nature, are suppliers of goods and services, so that it includes data regarding the items “Trade creditors and other accounts payable” in the balance sheet. Payments made and payments outstanding as of 31 December 2017 are as follows:

| **Thousand euros** | **2017** |
|---|---|
| Total payments made | 802,499 |
| Total payments outstanding | 79,496 |

**Table 17. Balance concerning suppliers**

The average payment period in 2017 complies with the provisions of Law 15/2010. The cases in which a payment has been made outside of the legally binding period are due mainly to reasons not attributable to the Group: invoices not received on time, AEAT expired certificates, lack of certificates of proof of supplier bank accounts, etc.

The weighted average price is calculated based on invoices received and endorsed pending payment. The accounting balance of "Trade accounts payable" is greater than that of "Payments pending", since it includes the balances from invoices pending receipt and/or endorsement, in addition to the balances from the LLAH III subgroup.

# 7. Cash flow

| Thousand euros | 2017 | 2016 | Variation | % Variation |
|---|---|---|---|---|
| Net cash flows from operating activities | 2,014,612 | 1,834,725 | 179,887 | 9.8% |
| Net cash used in investment activities | -361,614 | -291,638 | -69,976 | -24.0% |
| Net cash generated from/(used in) financing activities | -1,364,274 | -1,533,082 | 168,808 | 11.0% |
| Cash and cash equivalents at the start of the fiscal year | 564,616 | 556,741 | 7,875 | 1.4% |
| Effect of changes in foreign exchange | 1,637 | -2,130 | 3,767 | 176.9% |
| **Cash and cash equivalents at the end of the period** | **854,977** | **564,616** | **290,361** | **51.4%** |

Table 18. Summary of consolidated cash flow statement

In 2017, the Group's financing requirements and the payment of the dividend charged to profit) for the year 2016 have been covered by cash flows from operating activities (2,014.6 million euros) and with new long-term debt (991.1 million euros, of which 650 million euros correspond to the parent Company, and the remainder to the refinancing of Luton), which allowed the financing of the investment program of non-financial assets (371.2 million euros), repayment of the debt according to the established schedule (700.1 million euros) and additionally making early repayment of the debt held with Depfa Bank (797.2 million euros) and the former debt of Luton (250.8 million euros).

**Net cash flows from operating activities**

The main cash inflows from operating activities relate to payments from customers, both the airlines and concessionaires of commercial space, while the main outflows involve payments for sundry services received, staff costs and local and state taxes. The cash generated by operating activities before changes in working capital and other cash generated by operations (interest and income tax paid and collected), has increased significantly in the period (+7.9%), to 2,532.1 million euros, from 2,345.7 million euros in 2016, mainly as a result of the improvement in the Group's operations, which is reflected in the EBITDA figure (Earnings Before Interest, Taxes, Depreciation and Amortization) of 2,517.4 million euros at the end of 2017, compared to 2,293.7 million euros in 2016.

As a result of the aforementioned aspects, net cash amount generated by operating activities has grown to 2,014.6 million euros, from 1,834.7 million euros in the previous year.

**Net cash flow from investment activities**

The net cash amounts used in investing activities during this period amounted to 361.6 million euros compared to 291.6 million euros in the previous year and mainly includes payments related to acquisitions and restatements of non-financial assets relating to airport infrastructures for an amount of 371.2 million euros.

These investments in non-financial assets have mainly focused on improvements to facilities and security, since no significant capacity building investments have been required and the expansion project for London Luton Airport in the UK (please refer to section 5. Investments").

In addition, investment activities also include dividend collections from the associated affiliates for 17.1 million euros.

**Cash flow from financing activities**

The main cash flows correspond to the new debt subscribed by the parent company for 650 million euros and the refinancing of Luton (355 million euros disposed).

On the other hand, the main outflows of financing flows correspond to the repayment of the principal of the debt corresponding to the mirror debt with Enaire as a co-accredited institutions (700.1 million euros in compliance with the schedule of payments established under the contract), the early repayment of the debt with Depfa Bank (797.2 million euros), and to the repayment of Luton's former debt (261.1 million euros). In addition, dividends have been paid for a total of 592.2 million euros, of which 574.6 million euros have been paid to the shareholders of Aena and the remainder to the minority shareholders of LLAH III.

# 8. Operational and financial risks

The main risks to which Aena is exposed in its operations and financial activity are outlined in section 3 of the Consolidated Financial Statements for 2017 ("Management of operational and financial risks").

In the operational sphere, this section on one hand covers the regulatory risks associated with the regulated sector in which Aena works, and which governs the determination of airport charges for the first Airport Regulation Document ("DORA"), as well as future changes and developments in the applicable regulations, both in Spain and internationally, regarding security, people and goods and environmental issues, which could limit the activities or growth of Aena airports, and/or require significant expenses. The operational risks arising from various factors that may affect the Group's activity due to being directly related to the levels of passenger traffic and air operations at its airports are also listed.

As regards the financial risks to which the operations of the Aena Group are exposed, the contents of the section 3 outline several risks: market risk (including foreign exchange risk, interest rate risk on cash flows and fair value and price risk), credit risk and liquidity risk.

This section is supplemented with the information in this regard in chapter 3 concerning the non-financial information in the 2017 Corporate Responsibility Report.

# 9. Main legal proceedings

As a result of aircraft overflying the town of Ciudad Santo Domingo (Algete, Madrid), some inhabitants of this area considered that their fundamental rights were violated due to excessive noise levels in their homes. These residents lodged an appeal for judicial review against Aena, ENAIRE and the Ministry of Public Works, in which they asked for a cessation of the alleged violation of their rights, which for them would mean stopping the use of runway 18R (one of the four at Adolfo Suárez Madrid-Barajas Airport). No Court has agreed to this measure. On 31 January 2006, the High Court of Justice in Madrid (TSJ) issued a judgement rejecting the aforementioned judicial appeal. The ruling was appealed by five of the initial appellants, and the Supreme Court partially upheld the appeal in a ruling of 13 October 2008 on the grounds of violation of the right to privacy at home. Subsequently, there were various pronouncements and incidents of enforcement which were appealed by all the parties involved in the proceedings.

Under a third motion for enforcement, the High Court of Justice in Madrid (TSJ) issued an Order of 2 December 2014, communicated to ENAIRE and Aena on 5 December 2014, in which (i) it declared that the judgement of the Supreme Court of 13 October 2008 had not been executed, as it concluded that the breach of fundamental rights as a result of the distress caused by flyovers remained; and (ii) it ordered, via an enforcement writ, a 30% reduction in the number of flights flying over the area of Ciudad Santo Domingo, a percentage calculated on the basis of the number of flyovers in 2004, which amounted to 20,730 approaches to runway 18R.

The Court Order dated 2 December 2014 was resubmitted before the same Chamber of the High Court of Justice of Madrid and later in appeal before the Supreme Court, requesting the suspension of its enforcement, without it being necessary to initiate the reduction of the number of flyovers that were produced on Ciudad Santo Domingo until they were 30% inferior to the levels recorded in 2004.

Finally, the Supreme Court issued a judgment on 3 April 2017, revoking the Order of 18 December 2014, by which it was agreed to suspend the 30% reduction, although it does not state hat the Ruling passed on 13 October 2008 has been enforced as it lacks sufficient elements to assess the actual or non-compliance with said Ruling.

The Supreme Court ruling of 3 April 2017 has no material consequences for Aena since the current situation is maintained. Thus the Supreme Court ruling:

(i) does not entail any obligation for the Administration nor for AENA (for example, modification of routes, reduction of overflights, etc.); and

(ii) maintains the airport's current operating capacity.

In addition, the Conclusions of the Supreme Court ruling preclude court decisions that may restrict the operational capacity of the airport. This reduction may only be adopted by the competent administrations, in accordance with the provisions of Regulation (EU) 598/2014 of 16 April[1] ("Regulation 598/2014").

Following the pronouncement of the aforementioned ruling, the High Court of Justice of Madrid must continue enforcement. Thus, this Tribunal has requested information that has been communicated by the Technical General Secretariat of the Ministry of Public Works:

(i) That the bodies responsible for compliance with the judgment are Aena, Enaire and the Dirección General de Aviación Civil (Spanish Civil Aviation Authority) as a specific body of the Ministry of Public Works.

(ii) Dated 31 July 2017, the State Attorney has provided the Court with the technical report prepared jointly by Aena, Enaire and the DGAC, which outlines how the judicial mandate will be enforced. In addition, the State Attorney's Office has requested the extension of the period of enforcement provided for in Article 104.2 LJCA in order to bring it into line with the deadlines set forth in the report.

[1] Regulation (EU) No 598/2014 of the European Parliament and of the Council of 16 April 2014 on the establishment of rules and procedures with regard to the introduction of noise-related operating restrictions at European Union airports within a balanced approach and repealing Directive 2002/30/EC.

This report indicates that the Ruling passed on 3 April 2017 by the Supreme Court requires a verification of the noise level in the exterior and interior of the dwellings according to the methodology referred to in Regulation (EU) 598/2014. Consequently, the actions to be carried out will be as follows:

(i) Checking the exterior noise level in the years 2016 and 2004 so that the variations produced can be compared.

(ii) Checking the noise level inside the dwellings using the formula defined in the technical standard UNE EN 12354-3: 2001 Acoustic Performance of Buildings. Estimation of the acoustic characteristics of buildings based on the features of their elements. Part 3: Sound insulation block out aerial noise against external noise.

The estimated period of completion of these checks and presentation of results to the TSJ is the end of November, whenever it is possible to access the homes whose noise level must be checked on the dates to that effect estimated.

On 4 September, the High Court of Madrid received a ruling issued on 1 September, in which, in response to the request of the State Attorney's Office, a one-month extension of the enforcement period was granted in respect of the one contemplated in article 104.2 LJCA, pointing out that the decision on the specific content of the report submitted must be made by the rapporteur of the procedure.

This extension expired on 4 October, and the State Attorney proceeded to request a new extension of the period by informing the Supreme Court of the state of enforcement and of the proceedings already carried out. In response to this request, the TSJ issued a new ruling on 17 October, extending the term of execution for a period of 1 month. This extension period ended on 23 November, at which point the work to be done on the residents' homes had not been completed, and the State Attorney accordingly applied for a further extension of the deadline. After this application, the TSJ issued a ruling on 22 December 2017, granting a further extension of two months to complete the execution, extended the deadline to complete the work until 22 February 2018.

Meanwhile, Aena, ENAIRE and the Ministry of Public Works have been taking the necessary measures to confirm the noise levels.

# 10. Human resources

The most important information in this area during 2017 is listed below, and is complemented with the information contained in chapter 7 of the non-financial information of the 2017 Corporate Responsibility Report:

## Organisational structure

Aena has had a new organisational structure since 23 May 2017, approved by the Board of Directors to ensure compliance with the obligations and commitments acquired with the new regulatory framework and to promote the profitable growth of non-regulated activities. The new structure contains two main functional areas, a Regulated Business unit focused on the aeronautical activity of the airport network, and an Unregulated Business Unit encompassing the three unregulated business lines: commercial services, the real estate services segment and the international activity.

## Workforce

The total average workforce as of 31 December 2017 is 8,174 employees (including 753 employees at Luton Airport) compared to 7,964 (723 in Luton) as of 31 December 2016.

The average temporary workforce stands at 983 employees in December 2017 (no temporary employee in Luton Airport) compared to 829 in the previous year (2 in Luton).

## Other aspects

At the level of Aena S.M.E., S.A. the most relevant aspects were as follows:

### Stability

The pre-agreements reached on 25 September 2017 by the Company with the trade union organisations, and ratified on 31 January 2018, include the extension of the term of the collective agreement until 31 December 2021, which gives Aena a framework of employment stability during that period.

### Recruiting processes

During 2017 several processes have been carried out:

- Call for internship contracts for university graduates.

  As part of the Spanish Government's Youth 2020 Strategy initiative to provide university graduates with work experience complementing their academic training and facilitating their inclusion in the labour market by offering internship contracts, a recruiting process for 60 internship contracts (aimed at engineering and computer positions) was convened in March 2017, with contracts with a duration of one year, renewable to two. Nearly 900 applications were received.

  50 candidates were recruited for these internship contracts in September 2017.

- Call for internship contracts for university graduates.

  Two external recruiting processes took place in 2017. The first took place in March, to cover 7 places for university graduates (most of which were positions arising from the replacement rate, and authorised in 2016). The second was in November, to cover 16 places. In both cases, the call was used to create a list of candidates in reserve, for future recruitment to permanent or temporary positions (except for internship contracts).

- Internal Provisions for qualified staff

  This process ended with the award of 15 positions for graduates in September of the same year.

- Completion of the In-house Provision of 18 July 2016 for non-university graduates

  In this process, 124 vacancies were awarded based on the external lists established after the call in October 2015.

- Start of the In-house Provision of 18 December 2017 for non-university graduates

  This process began with the recruitment for 211 new places and the creation of new lists.

- Scholarships

  To provide continuity for the Young Emancipation Plan, approximately 80 university students received scholarships to do academic internships in 2017, and to have the opportunity to acquire practical knowledge of the specialised business environment, contributing to their overall training, through their participation in the world of employment.

### Training, Professional Development and Talent Management

Several actions have been supported that seek to contribute to the transformation of the organisational culture and the modernisation of the management of human resources, increasing motivation, commitment and involvement, the improvement of working conditions, development of professional capabilities, diversity and equality, while also maintaining high security levels both in the prevention of occupational hazards and in operational activities.

### Digital Transformation

In 2017, the main routes in the Digital Transformation roadmap were established in order to address the modernisation of Human Resources management systems in the coming years with a twofold purpose: harness the support of the human resources department in the shape of specific training and information schemes and at the same time continue with process automation and developing its own applications which result in greater work efficiency and the modernisation of the department.

# 11. Corporate responsibility

**Non-financial information required by Royal Decree-Law 18/2017 of 24 November**

This section includes non-financial information or information related to corporate social responsibility of a consolidated nature required under Royal Decree-Law 18/2017 of 24 November, includes the information necessary to understand the evolution, results, situation and impact of the activities in relation to, among others, environmental, social, personnel, respect for human rights or the fight against corruption and bribery issues.

## Business Model

Aena S.M.E., SA is a state-run trading company that manages 46 airports and 2 heliports in Spain and, through its subsidiary Aena Internacional, also participates in the management of 16 airports in different countries in Europe and America, including the London-Luton Airpot, of which it owns 51% of the capital.

Aena airports have modern infrastructures with ample capacity available to absorb future traffic growth. In terms of passenger numbers, Aena is the world's leading airport operator with more than 265 million passengers in 2017 (249.2 million in Spanish airports and 15.8 million in Luton).

The Board of Directors is the supervisory and control body for the company's activities, with exclusive powers over matters such as corporate governance, corporate social responsibility, dividend policy, management aims and annual budgets, or investment and financing policy, amongst other functions.

The Appointments and Remuneration Committee is the internal body in charge of evaluation and control of the corporate governance of the company, with powers for the appointments of directors, remuneration policy or incentive plans, and the deployment of the policy of corporate social responsibility, amongst others.

The main tool to guide the actions aimed towards, but not limited to, environmental, social, personnel, respect for human rights or the fight against corruption and bribery issues, etc. is the Corporate Responsibility (CR) Framework Policy, which is complemented by other policies and guidelines related to responsible communication, the disability, protection of the environment, ethical conduct, the prevention of occupational hazards or the investor relations, among others.

The CR policy is deployed through the CR Strategy, which is structured around 3 pillars:

- protection of the environment,
- social contribution
- transparency.

The CR Action Plan sets in motion the tools for cutting edge best practices in this field, and contributes to fulfill the social interest, as a fundamental part of the strategy of excellence and improvement of the competitiveness of the company.

## Environmental issues

For Aena, it is essential to make the management of its airports compatible with respect for the environment wherever these are placed. For this, the company applies an action model based on its Integrated Quality, Environment and Energy Efficiency Management Policy, with which it aims to guarantee a sustainable coexistence, both with local communities and with the natural environment.

With the aim of mitigating the effects of noise and, at the same time, responding to the concerns of stakeholders (noise accounted for more than 94% of total environmental claims in Spain and Luton received more than 15,000), Aena devotes much of its efforts to the continuous improvement of the measurement, control and minimisation programmes of the acoustic impact in the airport environment.

With the Energy Saving and Efficiency Plan, it coordinates all the programmes and actions related to environmental sustainability and energy efficiency integrated into the airport network. It aims to optimise energy consumption, as well as the use of renewable energy, in a coordinated and global manner for all its airports. A large part of the actions are included in the Aena CR Plan within the programme of environmental actions.

## Social issues

The social contribution is one of the strategic axes of the CR Action Plan of Aena, and has as its aims:

- Coherence between the activity of the company and the interests of the community.
- Creation of shared value.
- Relationship with the environment.
- Adaptability to needs.
- Permanent dialogue and transparency.
- Contribution to the welfare of the community.

Along these lines, Aena aligns its business model with the United Nations Sustainable Development Agenda, contributing to the achievement of the SDGs through concrete initiatives included in its CR Action Plan.

It also highlights the adhesion of Aena to the Global Compact in 2017 supporting its 10 Principles.

## Employment

During 2017 actions were taken to contribute to the transformation of organisational culture and the modernisation of human resources management, increasing motivation, commitment and involvement and the development of professional skills.

## Human rights

The human rights internationally recognised in the Universal Declaration of Human Rights and in the fundamental Conventions of the International Labour Organisation are included in the CR Action Plan, the Company's Code of Conduct, the Collective Agreement and the Internal Regulation on Recruitment.

To ensure compliance, Aena has implemented a General Regulatory Compliance System that includes its Code of Conduct, the Regulatory Compliance Policy, the constitution of the Supervision and Compliance Control Body and the creation of the Reporting Channel, having proceeded to carry out the necessary training on the system to the entire company.

It is worth highlighting that in June 2017, Aena reinforced its commitment by joining the more than 13,000 signatory companies of the United Nations Global Compact, assuming the commitment to defend its 10 principles regarding Human Rights, Employment Rights, the Environment and the fight against corruption.

Convinced of the importance that the private sector has in achieving the aims of the United Nations Sustainable Development Agenda, Aena contributes through multiple actions that underscore the company's role in key social areas such as:

- the reduction of inequalities and development in harmony with the territory, social inclusion and universal accessibility, promoting the exchange of cultural values, and fostering participation in the community and the contribution to social welfare,
- equal opportunities and non-discrimination fostering diversity in talent management, and the reconciliation of professional and personal life,
- the health and protection of users and employees, offering services with the highest safety standards and providing a safe and healthy working environment,
- the awareness and mobilisation to handle the most pressing social dilemmas, establishing alliances, launching social action initiatives and awareness tools.

## Supply chain

Aena ensures the regulatory compliance of all its suppliers and includes in its recruitment rules elements that promote a better environmental and social behaviour of its supply chain.

Amongst these elements are:

- Guidelines and mandatory measures regarding environmental protection.
- Requirement of respect for human and labour rights.
- Promotion of diversity.
- Safety and hygiene data.
- R&D+i demands and incentives.
- Evaluation measures and control of environmental and social matters.

## Corruption and bribery

Integrity and honesty are unquestionable convictions for Aena and all people subject to the code of conduct must be trustworthy in all work activities and negotiations that take place, making sure at all times not to be influenced by motivations, considerations or interests, personal or third-party, susceptible to cause an eventual conflict of interest or illegal or inappropriate behaviour.

The monitoring and supervisory functions of the principles included in the code of conduct fall to the Supervision and Compliance Control Body, which reports to the Board of Directors. In order to prevent or detect any irregular behavior, from the Aena intranet any person in the organisation has a reporting channel to make queries or report possible risks or breaches.

During 2017, 25 complaints were received, of which 21 related to employment issues. In relation to the complaints processed as of 31 December 2017, in none of the cases have sanctions been taken. A total of 7 complaints of harassment were received in 2017 at the consolidated level:

- 4 have been filed, after analysing the data with objectivity, as is foreseen in the harassment procedure.
- 3 have been processed after the initial inquiry and assessment phase. In the absence of sufficient evidence of presumption of harassment, complaints were filed.

## Equality and diversity

Aena acknowledges and defends the identity, uniqueness and dignity of all people in the organisation, extending its commitment to the supply chain and the services offered at its airports.

Regarding the people of the organisation, the collective agreement applicable to Spain guarantees equity in access to jobs, professional promotion, training and retribution between men and women. It also has an Equality Plan whose execution is monitored by a Joint Commission formed in equal parts by Aena and the majority unions. This plan pays special attention to the prevention of sexual harassment by having a specific protocol to manage complaints.

It is worth bearing in mind that 35.28% of the workforce are females. Likewise, the percentage of women on the Board of Directors is 26.67%, higher than the average of Spanish listed companies, and on the path of fulfilling their commitment to achieve a ratio of at least 30% in 2020.

In terms of supplier management, Aena includes in its procurement rules elements that promote better environmental and social behaviour of its supply chain, including the promotion of diversity. Aena also favours the inclusion of persons with reduced mobility by contracting with special employment services amounting to €552,558.

Aena's efforts to guarantee equality are also aimed at people with reduced mobility (PRM) through investments in the conditioning of the airports of the Spanish network and the offer of a specific service that, in 2017, under the name "Aena Without Barriers" has handled 1,520,140 PRM assistance services in Spain (11,158 in London-Luton).

## Risks related to these issues and main measures adopted

| Major risk factors | Risk events (opportunities) | Examples of control mechanisms | Issues addressed (related to non-financial aspects) |
|---|---|---|---|
| Strategy risk | • Regulatory framework<br>• Model of government, human and employment rights.<br>• Efficient infrastructures | • Corporate Governance Policy.<br>• Contingency plan of the concessionaires.<br>• Commercial development plan.<br>• Actions of the airport marketing plan.<br>• Investment planning and monitoring procedure.<br>• Master Plans.<br>Integrated Quality, Environment and Energy Efficiency Management Policy at Aena | Environmental issues<br>Social issues<br>People<br>Human Rights<br>Corruption and bribery<br>Equality and diversity |
| Compliance risk | • Industrial legislation<br>• Environmental regulations<br>• Contract frameworks<br>• Taxation<br>• Litigation and claims<br>• Fraud<br>• Others | • Code of conduct<br>• Crime prevention model.<br>• Occupational Risk Prevention System.<br>• Action procedures to ensure the correct management of plans and projects with an environmental impact.<br>• Integrated Quality and Environment Management System, certified by an accredited external entity in accordance with the UNE-EN ISO 9001 and UNE EN-ISO 14.001 standards.<br>• Management of the acoustic impact on the surrounding populations: preparation of strategic noise maps, noise monitoring systems and flight paths, sound insulation plans.<br>• Rules and systems on recruitment control.<br>• Regulatory Compliance Policy | Environmental issues<br>People<br>Human Rights<br>Supply chain corruption and bribery<br>Equality and diversity |
| Operational risks | • Recruitment processes<br>• Environmental conflicts<br>• Industrial relations | • Rules and systems on recruitment control.<br>• Management of the acoustic impact on the surrounding populations to ensure the proper management of environmental plans and programmes.<br>• Occupational Risk Prevention Systems | Environmental issues<br>Social issues<br>People<br>Supply chain |
| Reputational Risk | • Communication and reputation | • CR Action Plan, Framework of relations with stakeholders and communication policy<br>• Fiscal Strategy of Aena S.M.E., SA | Transparency and relations with stakeholders<br>Corruption and bribery |

## Main indicators of non-financial results (2017)

| Actions undertaken | Results |
|---|---|
| - Acoustic impact management: insulation plans, monitoring systems and noise maps.<br>- Acoustic improvement actions aimed at particularly sensitive areas or groups (health, teaching, childhood, etc.).<br>- Energy efficiency and protection of the environment through innovative proposals (concrete action plans in airports, emission reduction, installation of photovoltaic plants...)<br>- Increase in Airport Carbon Accreditation levels and "carbon neutrality" goal setting at Adolfo Suárez-Madrid Barajas and Barcelona-El Prat airports.<br>- Alignment with policies and CR compormises at international level.<br>- Agreements with social bodies, sponsorships and patronages related to diversity, disability, accessibility, environment, culture, etc.<br>- Assignments of spaces, guided visits, etc.<br>- Agreements and collaborative agreements with relevant entities and institutions of the business sector.<br>- Services related to accessibility, PRM, health improvement, information services and/or children's areas.<br>- Aena's commitment to equality and diversity has associated social inclusion initiatives in the supply of services, their recruitment or incorporation into the workplace.<br>- Benefits to employees (employee services, training and talent, young employment), conciliation programmes and internal communication actions.<br>- Fostering of corporate volunteering and programmes that promote healthy living habits.<br>- Perception Analysis.<br>- Promoting the value of transparency, externally and internally. | ✓ 316.9 million euros allocated for acoustic insulation actions (2000-2017).<br>✓ 23,145 homes and sensitive uses acoustically isolated since 2000 (49 corespond to London-Luton in 2017)<br>✓ Renewal of the ISO 9001 and ISO 14001 certification, adapting the system to the new requirements of these international standards.<br>✓ 4.8% reduction in energy consumption / ATU compared to 2016.<br>✓ Reduction by 5.4% of kg of $CO_2$ / ATU (*)<br>** ATU is a parameter that reflects the activity of an airport, taking into account its operations, passengers and the volume of annual cargo.*<br>*ATU = Passengers + (100 * Operations) + (10 * Tons of cargo)*<br><br>✓ Adhesion to the United Nations Global Compact<br>✓ Direct contribution to 8 Sustainable Development Goals (SDGs) through the measures included in the CSR Action Plan<br>✓ 334 current collaboration agreements in force (13 in 2017).<br>✓ 240 professionals participate in the international cooperation programme<br>✓ Reinforcement and internal and external impulse of the "Solidarity Spaces" programme.<br>✓ 1,531,298 PRM assistance services<br>✓ €552,558. Contracts with special employment services<br>✓ 336,415 hours of professional training.<br>✓ 2.51 million euros allocated for training.<br>✓ 1.4 million euros allocated for social assistance<br>✓ Corporate volunteering programme<br>✓ New Employee Service Programme (PAE).<br>✓ Improvement in Merco rankings positions.<br>✓ Inclusion in certain sustainability indexes (FTSE4Good; Standard Ethics).<br>✓ Update of the CSR portal on the Web.<br>✓ Dissemination of the Strategy and CSR Plan in the media. |

# 12. Procurement

In the procurement sphere, as a complement to the information contained in chapter 4 on non-financial information in the 2017 Corporate Responsibility Report (the "Social cash flow" section) on the volumes of procurement awarded by Aena in 2017, the Company is carrying out a digital transformation in its procurement processes.

The programme for *Definition and Implementation of Electronic Procurement in Aena* is a long-term programme consisting of more than 10 different interrelated projects. The phases covering analysis of the scope and specification of the functional, technical and security requirements of virtually all projects were carried out in 2017. These include the following projects and electronic systems: registration, notifications, communications, tendering, electronic invoices and the certified document digitalisation system. These measures will enable the automation and improvement of procurement processes, as well as the shortening of deadlines and administrative and procedures.

Aena has also taken the measures necessary to incorporate its profile as a contractor in the Public Sector Contracting Platform (PLACSP). This project was designed in 4 phases and as of December 2017, Aena was publishing the announcements of the calls for tenders in its files on the platform, as well as its results: awards and contracts.

Meanwhile, in the field of electronic procurement and the electronic auction system, in accordance with the provisions of Law 31/2007 of 30 October, on procurement procedures for the water, energy, and transport sectors and postal services, and Royal Legislative Decree 3/2011 of 14 November, approving the revised text of the Public Sector Contracts Law, which is still in force, a total of 474 electronic auctions have been carried out (368 centralised and 106 decentralised) in the procurement processes since its implementation in March 2015.

Moreover, it is important to note that during 2017 use of the new subscription system for economic operators on the Procurement Portal on Aena's website has become extended. This system improves the publicity of the tenders of Aena contracts and promotes participation in procurement processes, by cataloguing the subject of the contract according to the Common Vocabulary for Public Contracts (CPV). This system has been extended to smaller contracts this year.

As regards commercial procurement, the Food & Beverage at Gran Canaria Airport was awarded by applying the electronic auction system. As with Gran Canaria and Barcelona-El Prat, the tender for the Food & Beverage at Malaga-Costa del Sol Airport was published including electronic auctions in the award process.

# 13. Stock performance

The price performance of Aena's share during 2017 has been very positive, with a rise of 30.4% to 169.0 euros per share compared to the evolution of the IBEX35, which rose by 7.4%. During this period Aena's stock peaked at 183.70 euros and registered a minimum of 129.70 euros.

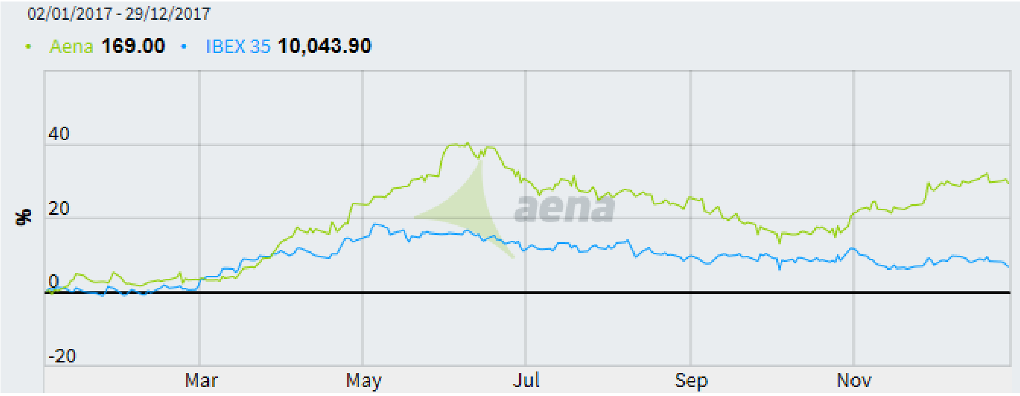



Figure 8. Stock performance of the company

The following table tracks the price performance of Aena stock in a summarised fashion:

| 29/12/2017 | AENA.MC |
|---|---|
| Total volume traded (no. shares) | 80,925,971 |
| Daily average volume traded in the period (no. shares) | 317,357 |
| Market capitalisation in € | 25,350,000,000 |
| Closing price in € | 169,00 |
| Number of shares | 150,000,000 |
| Free Float (%) | 49% |
| Free Float (shares) | 73,500,000 |
| Turnover | 110.1% |

Table 20. Main data on Aena's evolution

In connection with the acquisition and disposal of treasury shares at 31 December 2017, Aena does not own shares. For the foregoing, there has been no impact for this reason on the yield obtained by the shareholders or on the value of the shares.

# 14. Other events

Subsequent to 31 December 2017 and until the date of publication of this report, the following facts have been deemed relevant:

- On January 8, 2018, the Board of Directors of Aena was notified by the director Mr José María Araúzo González informing of his resignation as a member of the Board of Directors and of the Appointments and Remuneration Committee of Aena, as a consequence of his retirement on 28 December 2017.

- On 25 January 2018, the Board of Directors of the Company agreed to appoint Mr Angel Luis Arias Serrano as a nominee director of the Company by co-option, in order to fill the vacancy arising on as a result of the resignation by the nominee director Mr José Maria Araúzo González, following a report from the Appointments and Remuneration Committee for the term established in the Company Bylaws, subject to approval and ratification by the first meeting of the General Shareholders' Meeting of the Company.

  Likewise, as a result of the vacancy arising in the Company's Appointments and Remunerations Committee due to the resignation of Mr José Maria Araúzo González, Mr Angel Luis Arias Serrano was appointed as a new member of the Company's Appointments and Remuneration Committee.

- On 25 January 2018, Aena constituted the concessionary company holding the contract for the management, operation, maintenance and conservation contract of the *Aeropuerto Internacional de la Región de Murcia* (AIRM) as a concession from that airport and its area of complementary activities for a period of 25 years.

  Aena thereby complies with the requirements of the Specific Administrative Terms and Conditions of the contract that was awarded to Aena by the Autonomous Community of the Murcia Region on 20 December 2017.

  The new company, which takes the form of a limited company, is called *Aena Sociedad Concesionaria del Aeropuerto Internacional de la Región de Murcia* and its sole shareholder is Aena, S.M.E., S.A.

  The concessionary company has formalised the contract on 24 February 2018, being designated as the airport manager of the *Aeropuerto Internacional de la Región de Murcia*.

  Once the Aeropuerto Internacional de la Región de Murcia enters into operation, Aena S.M.E., S.A. plans to end civil air traffic operations at Murcia San Javier airport, subject to the completion of all the legal and administrative procedures necessary to do so, and this airport will only handle military flights. The final closure of civil air operations in the mentioned Air Base must be carried out by a joint Ministerial Order of the Public Works and Defence ministries.

  At that point, there would be a reduction in the value of Aena's fixed assets involved in the civil operations at the airport, estimated at around 35 million euros, although according to the offer presented by Aena S.M.E., S.A., the company would be compensated by the new Concessionaire Corporation in a similar amount.

- Aena's total passenger traffic increased by 8.4% in January 2018, to 16.5 million passengers. It grew by 8.7% to 15.5 million passengers in the airports of the network in Spain, and by 3.6% at Luton airport, exceeding 1 million passengers.

APPENDICES:

I. Consolidated financial statements for the financial year ended on 31 December 2017
II. Summary of Price Sensitive Information issued in 2017
III. Corporate Governance Report

## APPENDIX I: Consolidated financial statements for the financial year ended on 31 December 2017

### Consolidated Balance Sheets at 31 December 2017 and 31 December 2016

| **Thousand euros** | **31 December 2017** | **31 December 2016** |
|---|---|---|
| **ASSETS** | | |
| **Non-current assets** | | |
| Fixed assets | 13,205,946 | 13,563,922 |
| Intangible assets | 491,173 | 525,647 |
| Investment properties | 135,108 | 135,690 |
| Investments in associates | 63,955 | 71,741 |
| Other receivables | 2,831 | 2,599 |
| Deferred tax assets | 122,369 | 143,971 |
| Financial assets available for sale | 347 | 354 |
| Other financial assets | 71,506 | 58,697 |
| Financial derivatives | 360 | - |
| | **14,093,595** | **14,502,621** |
| **Current assets** | | |
| Inventories | 7,051 | 8,958 |
| Trade and other receivables | 351,809 | 437,579 |
| Cash and cash equivalents | 854,977 | 564,616 |
| | **1,213,837** | **1,011,153** |
| Total assets | **15,307,432** | **15,513,774** |
| **EQUITY AND LIABILITIES** | | |
| **Equity** | | |
| Share capital | 1,500,000 | 1,500,000 |
| Share premium | 1,100,868 | 1,100,868 |
| Retained profits/(losses) | 3,180,024 | 2,521,852 |
| Accumulated exchange differences | -22,523 | -16,261 |
| Other reserves | -75,931 | -113,110 |
| Non-controlling interest | 5,426 | 32,400 |
| | **5,687,864** | **5,025,749** |
| **Liabilities** | | |
| **Non-current liabilities** | | |
| Financial debt | 7,276,016 | 7,912,184 |
| Financial derivatives | 45,645 | 96,895 |
| Deferred tax liabilities | 80,153 | 89,990 |
| Employee benefits | 59,126 | 53,065 |
| Provisions for other liabilities and expenses | 70,901 | 133,639 |
| Grants | 511,927 | 544,382 |
| Other long-term liabilities | 91,409 | 132,001 |
| | **8,135,177** | **8,962,156** |
| **Current liabilities** | | |
| Providers and other payables | 588,419 | 439,045 |
| Financial debt | 734,943 | 880,439 |
| Financial derivatives | 37,010 | 39,651 |
| Grants | 40,152 | 38,266 |
| Provisions for other liabilities and expenses | 83,867 | 128,468 |
| | **1,484,391** | **1,525,869** |
| **Total liabilities** | **9,619,568** | **10,488,025** |
| **Total equity and liabilities** | **15,307,432** | **15,513,774** |

## APPENDIX I: Consolidated financial statements for the financial year ended on 31 December 2017

### Consolidated Income Statement for the years ended on 31 December 2017 and 31 December 2016

| **Thousand euros** | **31 December 2017** | **31 December 2016 (*)** |
|---|---|---|
| **Continuing operations** | | |
| Ordinary income | 3,960,582 | 3,709,581 |
| Other income | 10,852 | 7,761 |
| Own work capitalised | 4,751 | 4,615 |
| Supplies | -174,176 | -180,366 |
| Employment costs | -417,155 | -390,724 |
| Other operating expenses | -910,912 | -901,775 |
| Fixed asset depreciation | -800,035 | -825,805 |
| Release of non-financial fixed asset grants and other | 42,504 | 41,590 |
| Excess provisions | 8,905 | 8,940 |
| Impairment and loss on disposal of fixed assets | -10,915 | -6,402 |
| Other net profits / (losses) | 2,969 | 399 |
| **Operating profit/loss** | **1,717,370** | **1,467,814** |
| Financial income | 6,891 | 208,484 |
| Finance expenses | -142,134 | -162,024 |
| Other net financial income/(expenses) | -4,347 | -14,276 |
| **Net financial income / (expenses)** | **-139,590** | **32,184** |
| Income from associates | 18,927 | 16,121 |
| **Profit/loss before tax** | **1,596,707** | **1,516,119** |
| Income tax | -374,738 | -351,733 |
| **Consolidated profit/loss for period** | **1,221,969** | **1,164,386** |
| **Profit/loss for period attributable to non-controlling interest** | **-10,036** | **237** |
| **Profit/loss for the period attributable to the equity holders of the parent company** | **1,232,005** | **1,164,149** |
| **Earnings per share (Euro per share)** | | |
| Basic earnings per share based on profit for year (euros) | 8.21 | 7.76 |
| Diluted earnings per share based on profit for year (euros) | 8.21 | 7.76 |

(*) Restated figures (see Note 2.3 to the Consolidated Financial Statements)

## APPENDIX I: Consolidated financial statements for the financial year ended on 31 December 2017

### Consolidated statement of cash flow account for the financial years ended on 31 December 2017 and 31 December 2016

| Thousand euros | 31 December 2017 | 31 December 2016 |
|---|---|---|
| **Profit / (loss) for the period before tax** | **1,596,707** | **1,516,119** |
| **Adjustments for:** | **935,380** | **829,591** |
| - Depreciation and amortization | 800,035 | 825,805 |
| - Impairment valuation adjustments | -6,072 | 7,845 |
| - Changes in provisions | 50,222 | 78,349 |
| - Grants taken to income | -42,504 | -41,590 |
| - (Profit)/loss on disposal of fixed assets | 10,915 | 6,402 |
| - (Profit)/loss on disposal of financial instruments | 7 | 4,469 |
| - financial income | -6,891 | -208,484 |
| - Finance expenses | 101,604 | 117,552 |
| - Exchange differences | 4,340 | 9,807 |
| - Losses/(gains) in the fair value of financial instruments | 40,530 | 44,472 |
| - Other income and expenses | 2,121 | 1,085 |
| - Stake in profits (losses) of companies accounted for by the equity method | -18,927 | -16,121 |
| **Changes in working capital:** | **-122,326** | **-55,319** |
| - Inventories | 552 | -951 |
| - Debtors and other receivables | -4,587 | 26,155 |
| - Other current assets | -117 | -42 |
| - Creditors and other payables | -73,779 | -42,359 |
| - Other current liabilities | -43,007 | -36,909 |
| - Other non-current assets and liabilities | -1,388 | -1,213 |
| **Cash generated from operations** | **-395,149** | **-455,666** |
| Interest paid | -134,661 | -146,825 |
| Interest receivable | 4,311 | 1,533 |
| Taxes paid | -263,490 | -309,019 |
| Other amounts paid (received) | -1,309 | -1,355 |
| **Net cash generated from operating activities** | **2,014,612** | **1,834,725** |
| **Cash flows from investment activities** | | |
| Acquisitions of property, plant and equipment | -339,189 | -287,919 |
| Acquisitions of intangible assets | -31,220 | -16,120 |
| Acquisitions of investment properties | -831 | -1,346 |
| Payments for acquisitions of other financial assets | -12,933 | -3,901 |
| Payments received from divestment/loans to Companies in the group and associates | 5,376 | 2,027 |
| Payments received from property, plant and equipment divestment | - | 1 |
| Payments received for other financial assets | 124 | 11 |
| Dividends received | 17,059 | 15,609 |
| **Net cash flows from investing activities** | **-361,614** | **-291,638** |
| **Cash flow from financing activities** | | |
| Grants received (ERDF) | 9,340 | 10,665 |
| Net debt from financing | 991,053 | 31,739 |
| Other income | 22,794 | 19,392 |
| Repayment of bank borrowings | -278,285 | -333 |
| Repayment of Group financing | -1,497,288 | -1,172,339 |
| Dividends paid | -592,232 | -409,716 |
| Other payments | -19,656 | -12,490 |
| **Net cash used in financing activities** | **-1,364,274** | **-1,533,082** |
| **Effect of changes in foreign exchange** | **1,637** | **-2,130** |
| Net (decrease)/increase in cash and cash equivalents | 290,361 | 7,875 |
| **Cash and cash equivalents at start of the year** | **564,616** | **556,741** |
| **Cash and cash equivalents at end of the year** | **854,977** | **564,616** |

## APPENDIX II: Summary of Price Sensitive Information issued in 2017

| Register | Date | Tipe of information | Description |
|---|---|---|---|
| 247552 | 27/01/2017 | Other on business and financial situation | Approval of the Airport Regulation Document (DORA) 2017-2021 |
| 247614 | 27/01/2017 | Other on business and financial situation | Approval of the Airport Regulation Document (DORA) 2017-2021 |
| 248151 | 15/02/2017 | Calls for meetings or informative events | Aena, S.A. announces the holding of the presentation of earnings corresponding to the FY 2016. |
| 248341 | 21/02/2017 | Interim financial information | The company sends information on results for the second half of 2016. |
| 248343 | 21/02/2017 | Additional information on audited annual acounts | Presentation of results and consolidated management report for 2016. |
| 248344 | 21/02/2017 | Information on dividends | Proposed distribution of dividends charged to income for 2016. |
| 248345 | 21/02/2017 | Other on business and financial situation | New commercial incentives scheme for the DORA period 2017-2021 |
| 248354 | 22/02/2017 | Corporate Governance Annual Report | The Company submits the Corporate Governance Annual Report for FY2016. |
| 248356 | 22/02/2017 | Annual report on Board member compensation | The Company submits the Annual Report on Board member compensation for FY 2016. |
| 249848 | 21/03/2017 | Calls and resolutions of Board and General Shareholders' Meetings | The Company announces the approval of the calling of the General Shareholders' Meeting. |
| 249849 | 21/03/2017 | Composition of the Board of Directors | The Company notifies of changes to the Board of Directors. |
| 249896 | 23/03/2017 | Calls and resolutions of Board and General Shareholders' Meetings | The Company announces the calling of the General Shareholders' Meeting. |
| 250765 | 18/04/2017 | Calls for meetings or informative events | The Company announces the presentation of earnings for the first quarter of 2017. |
| 251084 | 25/04/2017 | Calls and resolutions of Board and General Shareholders' Meetings | The Company announces the approval of resolutions of the General Shareholders' Meeting. |
| 251087 | 25/04/2017 | Composition of the Board of Directors | The Company announces changes in the Board of Directors, approved by the General Shareholder's Meeting. |
| 251094 | 25/04/2017 | Information on dividends | Approval of dividend payment. |
| 251120 | 26/04/2017 | Interim financial information | The Company sends information on results for the first quarter of 2017. |
| 252198 | 18/05/2017 | Credit ratings | Fitch Ratings changes the credit rating of AENA from “BBB+” to “A” and revises its outlook from positive to stable. |
| 252377 | 23/05/2017 | Other on business and financial situation | The Board of Directors of Aena, with the favourable report of the Appointments and Remuneration Committee, has approved the new organizational structure of Aena. |
| 254683 | 18/07/2017 | Calls for meetings or informative events | Aena, S.A. announces the holding of the presentation of earnings corresponding to the first quarter of 2017. |
| 254700 | 19/07/2017 | Suspensions and resumptions of trading | The CNMV has decided to suspend trading of AENA, S.A. |
| 254706 | 19/07/2017 | Other on corporate operations | Aena announces the decision of its majority shareholder to reject the potential takeover bid for Abertis |
| 254707 | 19/07/2017 | Suspensions and resumptions of trading | The CNMV has decided to resume trading of AENA, S.A. with effect from 11 am as of this date. |
| 255044 | 26/07/2017 | Interim financial information | The Company sends information on results for the first half of 2017. |
| 255047 | 26/07/2017 | Information on results | Presentation of results for the first half of 2017. |
| 256736 | 26/09/2017 | Composition of the Board of Directors | The Company announces changes in the composition of its Board of Directors, Appointments and Remuneration Committee and Ececutive Committee. |
| 257333 | 13/10/2017 | Composition of the Board of Directors | The Company announces changes in the composition of its Board of Directors, Appointments and Remuneration Committee and Ececutive Committee. |
| 257483 | 17/10/2017 | Calls for meetings or informative events | Aena, S.M.E, S.A. announces the holding of the presentation of earnings corresponding to nine-month period ended on 30 September 2017. |
| 257725 | 24/10/2017 | Interim financial information | The Company sends information on results for the third quarter of 2017. |
| 259731 | 19/12/2017 | Composition of the Board of Directors | The Company announces the resignation and appointment of the Secretary of the Board of Directors and the appointment of the Deputy Chairman of the Board. |

## APPENDIX III: Corporate Governance Report

Aena's Corporate Governance Annual Report for the year 2017 is part of the Management Report, and has been available since the date of publication of the annual accounts on the website of the National Securities Market Commission and on the Aena website (www.aena.es).