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

Condensed Consolidated Interim Financial Statements

30 June 2018

Consolidated Interim Directors' Report

2018

(With Limited Review Report thereon)

(Free translation from the original in Spanish.
In the event of discrepancy, the Spanish-language version prevails.)

KPMG Auditores, S.L.
Paseo de la Castellana, 259 C
28046 Madrid

Limited Review on the Condensed Consolidated Interim Financial Statements

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

To the Shareholders of

Aena S.M.E., S.A. commissioned by the Board of Directors

REPORT ON THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Introduction

We have carried out a limited review of the accompanying condensed consolidated interim financial statements (the "interim financial statements") of Aena S.M.E., S.A. (the "Company") and subsidiaries (the "Group"), which comprise the statement of financial position at 30 June 2018, the income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and the explanatory notes for the six-month period then ended (all condensed and consolidated). The directors of the Company are responsible for the preparation of these interim financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union, for the preparation of condensed interim financial statements, pursuant to article 12 of Royal Decree 1362/2007. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of Review

We conducted our limited review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with prevailing legislation regulating the audit of accounts in Spain and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the accompanying interim financial statements.

Conclusion

Based on our limited review, which under no circumstances can be considered an audit, nothing has come to our attention that causes us to believe that the accompanying interim financial statements for the six-month period ended 30 June 2018 have not been prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting", as adopted by the European Union, for the preparation of condensed interim financial statements, pursuant to article 12 of Royal Decree 1362/2007.

Emphasis of Matter

We draw your attention to the accompanying note 2, which states that these interim financial statements do not include all the information required in complete consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The accompanying condensed interim financial statements should therefore be read in conjunction with the Group's consolidated annual accounts for the year ended 31 December 2017. This matter does not modify our conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The accompanying consolidated interim directors' report for the six-month period ended 30 June 2018 contains such explanations as the directors of the Company consider relevant with respect to the significant events that have taken place in this period and their effect on the interim financial statements, as well as the disclosures required by article 15 of Royal Decree 1362/2007. The consolidated interim directors' report is not an integral part of the interim financial statements. We have verified that the accounting information contained therein is consistent with that disclosed in the interim financial statements for the six-month period ended 30 June 2018. Our work is limited to the verification of the consolidated interim directors' report within the scope described in this paragraph and does not include a review of information other than that obtained from the accounting records of Aena S.M.E., S.A. and subsidiaries.

Paragraph on Other Matters

This report has been prepared at the request of the Board of Directors of Aena S.M.E., S.A. in relation to the publication of the six-monthly financial report required by article 119 of the Revised Securities Market Law, enacted by Royal Decree 1362/2007 of 19 October 2007.

KPMG Auditores, S.L.

Manuel Martín Barbón

(Signed on the original in Spanish)

24 July 2018

AENA S.M.E., S.A. AND SUBSIDIARIES

Condensed Consolidated Interim Financial Statements and Interim Consolidated Management Report for the six-month period ended 30 June 2018

Contents

(Amounts in thousands of euros unless otherwise indicated)

Condensed consolidated interim statement of financial position at 30 June 2018 and 31 December 2017

	Note	30 June 2018	31 December 2017 (*)
ASSETS			
Non-current assets			
Property, plant and equipment	6	13,020,939	13,205,946
Intangible assets and goodwill	7	527,149	491,173
Investment property		134,612	135,108
Equity-accounted investees		56,388	63,955
Other receivables		3,076	2,831
Deferred tax assets		117,778	122,369
Available-for-sale financial assets	8.a	-	347
Other financial assets	8.a	67,236	71,506
Derivative financial instruments for hedging	8.a, b	1,679	360
		13,928,857	**14,093,595**
Current assets			
Inventories		6,886	7,051
Trade and other receivables		460,494	351,809
Cash and cash equivalents	8.a	296,870	854,977
		764,250	**1,213,837**
Total assets		**14,693,107**	**15,307,432**
EQUITY AND LIABILITIES			
Equity			
Share capital	9	1,500,000	1,500,000
Share premium		1,100,868	1,100,868
Retained earnings		2,720,347	3,180,024
Foreign currency translation differences		(20,253)	(22,523)
Other reserves		(76,195)	(75,931)
Non-controlling interests		(2,746)	5,426
		5,222,021	**5,687,864**
Liabilities			
Non-current liabilities			
Loans and borrowings	8.a, 10	6,847,418	7,276,016
Derivative financial instruments for hedging	8.a, b	50,238	45,645
Deferred tax liabilities		76,346	80,153
Employee benefits		57,951	59,126
Provisions	11	90,661	70,901
Grants		494,324	511,927
Other non-current liabilities		70,206	91,409
		7,687,144	**8,135,177**
Current liabilities			
Trade and other payables	8.a	774,361	588,419
Loans and borrowings	8.a, 10	890,797	734,943
Derivative financial instruments for hedging	8.a, b	35,022	37,010
Grants		40,153	40,152
Provisions	11	43,609	83,867
		1,783,942	**1,484,391**
Total liabilities		**9,471,086**	**9,619,568**
Total equity and liabilities		**14,693,107**	**15,307,432**

Notes 1 to 15 form an integral part of these condensed consolidated interim financial statements.
(*) The Statement of financial position at 31 December 2017 is presented solely and exclusively for purposes of comparison (see Note 2).

(Amounts in thousands of euros unless otherwise indicated)

Condensed consolidated interim statements of profit or loss for the six-month periods ended 30 June 2018 and 30 June 2017

	Note	30 June 2018	30 June 2017 (*)
Continuing operations			
Revenue	5	1,936,334	1,826,254
Other operating income		6,255	5,366
Capitalised cost of in-house work on assets		2,575	2,431
Cost of sales		(86,734)	(87,751)
Employee benefits		(210,385)	(210,648)
Losses, impairment and change in trading provisions	8	7,238	-
Other operating expenses		(545,946)	(506,120)
Depreciation and amortisation	6.7	(401,551)	(396,953)
Portion of grants for fixed assets and others taken to income		17,608	24,472
Surplus provisions		2,540	3,040
Impairment and net gain or loss on disposals of fixed assets	6.7	(4,453)	(3,981)
Other gains/(losses) – net		1,433	1,204
Operating profit/(loss)		**724,914**	**657,314**
Finance income		1,036	2,550
Finance costs	2.4	(60,878)	(64,514)
Other financial income/(expense) - net	2.4	1,385	(2,829)
Net finance income/(expense)		**(58,457)**	**(64,793)**
Share in profit or loss of equity-accounted associates and joint ventures		8,636	10,539
Profit before tax		**675,093**	**603,060**
Income tax expense	12	(162,822)	(147,004)
Consolidated profit for the period		**512,271**	**456,056**
Profit for the period attributable to non-controlling interests		**(2,227)**	**(4,866)**
Profit for the period attributable to shareholders of the parent company		**514,498**	**460,922**
Earnings per share (euros per share)			
Basic earnings per share for the period		3.43	3.07
Diluted earnings per share for the period		3.43	3.07

Notes 1 to 15 form an integral part of these condensed consolidated interim financial statements.

(*) The condensed consolidated statement of profit or loss for the six-month period ended 30 June 2017 is presented solely and exclusively for purposes of comparison (see Note 2). See restated balances in Note 2.4.

(Amounts in thousands of euros unless otherwise indicated)

Condensed consolidated interim statements of comprehensive income for the six-month periods ended 30 June 2018 and 30 June 2017

	Note	30 June 2018	30 June 2017 (*)
Profit for the period		**512,271**	**456,056**
Other comprehensive income - Items that will not be reclassified to profit or loss		**1,599**	**(3,520)**
Revaluation/(reversal of revaluation) of property, plant and equipment and intangible assets			-
Actuarial gains and losses and other adjustments		1,925	(4,242)
Share in other comprehensive income of equity-accounted joint ventures and associates		1	1
- Related tax		(327)	721
Other comprehensive income - Items that may be reclassified subsequently to profit or loss		**2,096**	**32,996**
2. Cash flow hedges		**(540)**	**43,971**
- Net change in fair value		(19,430)	23,638
- Amounts transferred to profit or loss		18,890	20,333
3. Currency translation differences		**2,337**	**(108)**
- Net change in fair value		2,337	(108)
-6. Related tax		**299**	**(10,867)**
Total comprehensive income for the period		**515,966**	**485,532**
- Attributable to owners of the parent company		516,504	492,177
- Attributable to non-controlling interests		(538)	(6,645)

Notes 1 to 15 form an integral part of these condensed consolidated interim financial statements.

(*) The condensed consolidated interim statement of comprehensive income for the six-month period ended 30 June 2017 is presented solely and exclusively for purposes of comparison (see Note 2).

(Amounts in thousands of euros unless otherwise indicated)

Condensed consolidated interim statements of changes in equity for the six-month periods ended 30 June 2018 and 30 June 2017 (*)

	Attributable to owners of the parent company									
	Share capital (Note 9)	Share premium	Retained earnings	Hedging reserve	Actuarial gains and losses	Foreign currency translation differences	Share of other comprehensive income of equity-accounted investees	Total	Non-controlling interests	Total equity
Balance at 1 January 2017	**1,500,000**	**1,100,868**	**2,521,852**	**(101,830)**	**(11,310)**	**(16,261)**	**30**	**4,993,349**	**32,400**	**5,025,749**
Profit for the period	-	-	460,922	-	-	-	-	460,922	(4,866)	456,056
Share of other comprehensive income of equity-accounted investees	-	-	-	-	-	-	1	1	-	1
Other comprehensive income for the period	-	-	-	32,318	(1,795)	731	-	31,254	(1,779)	29,475
Total comprehensive income for the period	**-**	**-**	**460,922**	**32,318**	**(1,795)**	**731**	**1**	**492,177**	**(6,645)**	**485,532**
Distribution of dividends (Note 9)	-	-	(574,500)	-	-	-	-	(574,500)	(6,821)	(581,321)
Other movements	-	-	722	-	-	-	-	722	-	722
Total contributions from and distributions to owners of the company recognised directly in equity	**-**	**-**	**(573,778)**	**-**	**-**	**-**	**-**	**(573,778)**	**(6,821)**	**(580,599)**
Balance at 30 June 2017	**1,500,000**	**1,100,868**	**2,408,996**	**(69,512)**	**(13,105)**	**(15,530)**	**31**	**4,911,748**	**18,934**	**4,930,682**
Balance at 31 December 2017	**1,500,000**	**1,100,868**	**3,180,024**	**(64,225)**	**(11,729)**	**(22,523)**	**23**	**5,682,438**	**5,426**	**5,687,864**
Adjustment on initial adoption of IFRS 9 (Note 2.1)			(795)					(795)		(795)
Adjusted balance at 1 January 2018	**1,500,000**	**1,100,868**	**3,179,229**	**(64,225)**	**(11,729)**	**(22,523)**	**23**	**5,681,643**	**5,426**	**5,687,069**
Profit for the period	-	-	514,498	-	-	-	-	514,498	(2,227)	512,271
Share of other comprehensive income of equity-accounted investees	-	-	-	-	-	-	1	1	-	1
Other comprehensive income for the period	-	-	-	(1,080)	815	2,270	-	2,005	1,689	3,694
Total comprehensive income for the period	**-**	**-**	**514,498**	**(1,080)**	**815**	**2,270**	**1**	**516,504**	**(538)**	**515,966**
Distribution of dividends (Note 9)	-	-	(975,000)	-	-	-	-	(975,000)	(8,898)	(983,898)
Other movements	-	-	1,620	-	-	-	-	1,620	1,264	2,884
Total contributions from and distributions to owners of the company recognised directly in equity	**-**	**-**	**(973,380)**	**-**	**-**	**-**	**-**	**(973,380)**	**(7,634)**	**(981,014)**
Balance at 30 June 2018	**1,500,000**	**1,100,868**	**2,720,347**	**(65,305)**	**(10,914)**	**(20,253)**	**24**	**5,224,767**	**(2,746)**	**5,222,021**

Notes 1 to 15 form an integral part of these condensed consolidated interim financial statements. (*) The condensed consolidated Statement of changes in equity for the six-month period ended 30 June 2017 is presented solely and exclusively for purposes of comparison (see Note 2).

(Amounts in thousands of euros unless otherwise indicated)

Condensed consolidated interim statements of cash flows for the six-month periods ended 30 June 2018 and 30 June 2017

	Note	30 June 2018	30 June 2017 (*)
Profit before tax		**675,093**	**603,060**
Adjustments for:		**444,479**	**454,073**
- Depreciation and amortisation	6, 7	401,551	396,953
- (Gains)/losses on disposal of property, plant and equipment	6, 7	4,453	3,981
- Portion of grants taken to income		(17,608)	(24,472)
- Value corrections for impairment of trade receivables	8	(7,238)	(1,977)
- Change in provisions		12,523	23,847
- Finance income		(2,173)	(2,550)
- Finance costs		60,878	64,514
- Exchange differences		(248)	2,829
- Others income and expense		977	1,487
- Share in losses/(profits) of equity-accounted investees		(8,636)	(10,539)
Changes in working capital:		**(19,780)**	**25,713**
- Inventories		168	399
- Trade and other receivables		(85,571)	7,408
- Other current assets		(333)	(56)
- Trade and other payables		86,647	39,364
- Other current liabilities		(20,388)	(20,594)
- Other non-current assets and liabilities		(303)	(808)
Other cash flows from operating activities		**(90,005)**	**9,053**
Interest paid	10	(55,058)	(71,919)
Interest received		63	339
Taxes received (paid)		(35,178)	81,450
Other proceeds (payments)		168	(817)
Net cash from operating activities		**1,009,787**	**1,091,899**

(Amounts in thousands of euros unless otherwise indicated)

Condensed consolidated interim statements of cash flows for the six-month periods ended 30 June 2018 and 30 June 2017

	Note	30 June 2018	30 June 2017 (*)
Cash flows from investing activities			
Acquisition of property, plant and equipment		(264,399)	(147,600)
Acquisition of intangible assets		(9,714)	(14,736)
Acquisition of investment property		(528)	(103)
Acquisition of other financial assets		(5,783)	(2,865)
Proceeds from divestment in group companies and associates	2.3	5,045	5,376
Proceeds from other financial assets		9,923	106
Dividends received	13.c	4,630	5,478
Net cash used in investing activities		**(260,826)**	**(154,344)**
Cash flows from financing activities			
ERDF grants received		-	9,340
Shareholder contributions		3,410	-
Proceeds from borrowings from credit institutions	10	19,323	628,004
Other proceeds	10	19,865	13,871
Repayment of borrowings from credit institutions	10	-	(334)
Repayment of Group financing	10	(360,493)	(1,153,798)
Dividends paid	9	(983,898)	(581,321)
Other payments	10	(5,351)	(6,362)
Net cash used in financing activities		**(1,307,144)**	**(1,090,600)**
Effect of exchange rate fluctuations on cash held		**76**	**(1,288)**
Net increase (decrease) in cash and cash equivalents		(558,107)	(154,333)
Cash and cash equivalents at the beginning of the period		**854,977**	**564,616**
Cash and cash equivalents at the end of the period		**296,870**	**410,283**

Notes 1 to 15 form an integral part of these condensed consolidated interim financial statements.

(*) The condensed consolidated interim statement of cash flows for the six-month period ended 30 June 2017 is presented solely and exclusively for purposes of comparison (see Note 2).

Notes to the condensed consolidated interim financial statements for the six-month period ended 30 June 2018

1 General information

Aena S.M.E., S.A. ("the Company" or "Aena") is the parent company of a group of companies (the "Group") consisting of seven subsidiaries and four associates at 30 June 2018. Aena S.M.E, S.A. was incorporated as an independent legal entity by virtue of Article 7 of Royal Decree Law 13/2010 of 3 December authorising the Council of Ministers to incorporate the Company. Authorisation for effective incorporation was issued on 25 February 2011 in a resolution of the Council of Ministers authorising the incorporation of the State-owned corporation Aena Aeropuertos, S.A. as provided in Article 166 of Law 33/2003 of 3 November on Public Authority Assets.

On 5 July 2014, by virtue of Article 18 of Royal Decree Law 18/2014, the name of Aena Aeropuertos, S.A. was changed to Aena, S.A. and the public business entity "Aeropuertos Españoles y Navegación Aérea" was renamed ENAIRE (the "Parent Company"). As a result of the provisions of Law 40/2015 of 1 October on the Legal Framework for the Public Sector, the General Meeting of Shareholders of 25 April 2017 resolved to change the name of the Company to "Aena S.M.E., S.A.".

The Company's corporate object, according to its Articles of Association, is the following:

- The organisation, direction, co-ordination, operation, maintenance, administration and management of general interest and state-owned airports and heliports and associated services.

- The co-ordination, operation, maintenance, administration and management of the civil areas of air bases open to civil aviation traffic and of joint-use airports.

- The design and development of projects, execution, management and control of investments in infrastructure and facilities to which the foregoing sections refer and in assets intended for the provision of the air traffic service assigned to each particular airport.

- The evaluation of needs and, if appropriate, the proposal for planning new airport infrastructures and airport and noise restrictions associated with the airports and services that the Company is responsible for managing.

- The performance of public order and security services at the airport facilities which it manages, without prejudice to the powers vested in the Ministry of the Interior in this respect.

- Training on matters relating to air transport, including training of aeronautical professionals who require licences, certificates, authorisations or ratings and the promotion, dissemination and development of aeronautical and airport activities.

The Company may also carry out such commercial activities as may be directly or indirectly related to its corporate object, including the management of airport facilities located outside Spain and any other associated and complementary activity allowing returns to be obtained on investments.

At 30 June 2018 the Company's main activity was that first mentioned above among the activities forming its corporate object. The corporate object may be carried out by the Company directly or through the creation of commercial companies, and in particular the individualised management of airports may be carried out through subsidiaries or service concessions.

The registered office of Aena S.M.E., S.A. is at Calle Arturo Soria 109, Madrid, Spain.

(Amounts in thousands of euros unless otherwise indicated)

2 Basis of preparation

The Group's consolidated financial statements for the year 2017 were prepared by the Company's directors in accordance with the provisions of the International Financial Reporting Standards (IFRS) adopted by the European Union, applying the accounting policies described in Note 2 to the consolidated financial statements so as to provide a true and fair view of the consolidated equity and the consolidated financial position of the Group at 31 December 2017 and of the consolidated results of its operations, changes in consolidated equity and consolidated cash flows for the year then ended.

These condensed consolidated interim financial statements at 30 June 2018 have been subjected to a limited review by the Company's auditors under ISRE 2410. The figures at 30 June 2017 (which were also subject to the same kind of review) and 31 December 2017 (audited) are presented solely for purposes of comparison.

These condensed consolidated interim financial statements are presented in accordance with IAS 34 *Interim Financial Reporting* and were approved by the Group's directors on 24 July 2018.

In accordance with the provisions of IAS 34, interim financial information is presented solely with the intention of updating the content of the last consolidated annual financial statements, with emphasis, by means of selected explanatory notes, on new activities, events, transactions and circumstances arising that are important for an understanding of the changes that have taken place in the Group's financial position and results since the end of the last financial year, without duplicating the information published previously. Accordingly, they do not include all the information required by the IFRS adopted by the European Union for a complete set of financial statements.

In view of the foregoing, for a proper understanding of the information contained in these condensed consolidated interim financial statements, they should be read in conjunction with the Group's consolidated annual financial statements for 2017, which were drawn up on 27 February 2018 and approved by the Ordinary General Meeting of Shareholders of Aena held on 10 April 2018.

These condensed consolidated interim financial statements at 30 June 2018 constitute the first financial statements to which IFRS 15 and IFRS 9 have been applied. The changes in significant accounting policies are described in Note 2.1.

2.1 Changes in significant accounting policies

Except as described below, the accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the consolidated financial statements at and for the year ended on 31 December 2017.

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements at and for the year ending 31 December 2018. The Group has initially adopted IFRS 15 *Revenue from Contracts with Customers* (see A) and IFRS 9 *Financial Instruments* (see B) from 1 January 2018.

Additionally, during the first half of 2018 the European Union has adopted the following interpretations and amendments, which have not had any impact on the Group's consolidated financial statements at the initial application date:

Area	Basic requirements	Effective date
IFRIC 22 *Foreign Currency Transactions and Advance Consideration*	This interpretation deals with the recognition of advance payments in a currency other than the functional currency for the purchase of goods and how to recognise exchange rate differences on these advance payments.	For financial years starting on or after 1 January 2018.
Annual Improvements to IFRS, 2014–2016 cycle	Includes amendments to IFRS 1, eliminating certain exemptions, and IAS 28, allowing certain entities to measure their investments in associates or joint operations at fair value with changes through profit or loss.	For financial years starting on or after 1 January 2018.
Amendments to IAS 40 *Transfers of Investment Property*	These amendments clarify the cases and circumstances allowing transfers from inventories or property, plant and equipment to investment property.	For financial years starting on or after 1 January 2018.

A. IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes the criteria for recognising revenue from contracts with customers.

IFRS 15 establishes a new model with five steps for recognising revenue from contracts with customers:

Step 1: Identify the contract(s) with the customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price among the performance obligations
Step 5: Recognise revenue as and when the performance obligations are fulfilled

In accordance with IFRS 15 revenue is recognised for an amount that reflects the consideration that an entity expects to be entitled to receive in exchange for transferring goods or services to a customer at the time the customer obtains control of the goods or services supplied. Determining the timing of the transfer of control – at a point in time or over time – requires the Group to exercise judgement. This Standard replaces the following standards: (a) IAS 11 *Construction Contracts*; (b) IAS 18 *Revenue* and the related interpretations (IFRIC 13 *Customer Loyalty Programmes*; IFRIC 15 *Agreements for the Construction of Real Estate*; IFRIC 18 *Transfers of Assets from Customers*; and SIC-31 *Revenue—Barter Transactions Involving Advertising Services)*.

The Group has chosen 1 January 2018 as the initial application date. As for its transition strategy, the Aena group has opted for option C3 b) established in the Standard, which involves applying IFRS 15 retroactively, such that the cumulative impact of the adoption will be recognised in retained earnings as at initial application date and that the information presented in 2017 under the previous standards referred to will therefore not be restated.

The Group has carried out an analysis and concluded that the application of this standard will not have a significant impact on its operations, no adjustments to its financial situation at the beginning of financial year 2018 having been identified:

(a) Recognition of revenue

i. Most of the Group's revenue comes from the airport services it provides, which mainly correspond to the use of airport infrastructure by airlines and passengers (including public service charges and private prices). For this type of revenue, under IFRS 15 the customers are considered to be the airlines, with which there are no long-term contracts and to which are applied the regulated tariffs approved by law in accordance with the current regulatory framework as and when the infrastructure is used, and hence revenue is recognised at that time of provision of the airport service. This procedure is the same as that used before the coming into force of IFRS 15 (see Notes 2.21 and 4.1 to the 2017 consolidated financial statements).

ii. The new IFRS 15 requires the use of a uniform means of recognising revenue for contracts and performance obligations with similar characteristics (IFRS 15 p. 40). The method chosen by the Group as the preferred one for measuring the value of the goods and services control of which is transferred to the customer over time is the output method, providing progress on the work performed can be measured through the contract and during its execution. Output methods recognise revenue on the basis of direct measurements of the value to the customer of the goods or services transferred up to a given date relative to the goods and services committed to in the contract and pending transfer. With different goods and services contracts that are highly interrelated to produce a combined product, the output method applied will be the survey of performance completed to date. With contracts for routine services where the goods and services are substantially the same and are transferred with a single pattern of consumption, such that the customer benefits from them as they are provided by the Company, the method selected by the Group for recognising revenue is an input method based on time elapsed, while the costs are recognised in accordance with the accrual principle. In line with the foregoing, the input method will be applied only in cases where progress on work cannot be reliably measured.

   At present there are only a few small technical assistance and technology transfer contracts in the Group for which recognition of revenue will be based on time elapsed, as has been done hitherto until 2017, so no impact has been identified for this type of contract either.

(b) Presentation and disclosure requirements

IFRS 15 includes presentation and disclosure requirements that are more detailed than in the previous standards. The presentation requirements represent a significant change with relative to previous practice and significantly increase the volume of disclosures required in the Group's financial statements. In particular, the Group expects that the notes to the financial statements will be expanded by the disclosures concerning judgements made about the identification of the performance obligations and other judgement aspects in the standard.

In summary, the impact of the adoption of IFRS 15 on the Aena Group's consolidated financial statements for the year is not expected to be significant.

B. IFRS 9 Financial instruments

On 24 July 2014 the BIAS issued IFRS 9, which as of 1 January 2018 replaced IAS 39 and includes requirements for the classification and financial measurement of financial instruments, impairment of financial assets and hedge accounting.

As regards its transition strategy, the Group has opted not to restate previous periods and to use a single initial application date for all requirements (1 January 2018). In particular, the Group has chosen to apply the requirements of Chapter 6 of IFRS 9 from the date of initial application, since in general the IFRS 9 hedge accounting model is more advantageous than the IAS 39 one as it facilitates the application of hedge accounting to more transactions.

Consequently, the information presented for 2017 does not reflect the requirements of IFRS 9, but those of IAS 39, and the Group has recognised the differences arising between the carrying amounts at 31 December 2017 and at the beginning of the annual presentation period, which includes the initial application date, in initial retained earnings. The following table summarises the impacts, net of tax, of the transition to IFRS 9:

In thousands of euros	***Note***	**Impact of adoption of IFRS 9 on opening balance sheet**
Retained earnings		
Recognition of expected credit losses under IFRS 9	*(ii)*	(2,543)
Debt restructuring under IFRS 9	*(iii)*	1,748
Total		**(795)**

Details of the new significant accounting policies and the nature and effects of the changes to the previous accounting policies are set out below:

(i) Classification and valuation of financial assets and liabilities

IAS 39 had four categories of financial assets: (i) financial assets at fair value through profit or loss, (ii) available-for-sale financial assets, (iii) loans and receivables and (iv) held-to-maturity investments. Under IFRS 9 the last three IAS 39 categories are eliminated and the classification criterion for financial assets will depend as much on how an entity handles its financial instruments (its business model) as on the existence and characteristics of the contractual cash flows from the financial assets. Based on the foregoing, financial assets will be measured at amortised cost, at fair value with changes through other comprehensive income, or at fair value with changes through profit or loss, in the following manner:

— If it is held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, the financial assets will be measured at amortised cost.

— If it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, a debt investment will be measured at fair value with changes through other comprehensive income (equity).

— All financial assets not classified as measured at amortised cost or fair value with changes through other comprehensive income as described above will be measured at fair value with changes through profit or loss. All equity instruments (such as shares for example) will be measured in this category by default. This is because the contractual cash flows do not meet the condition of being solely payments of principal and interest. Financial derivatives are also classified as financial assets at fair value with changes through profit or loss unless they are designated as hedging instruments.

Notwithstanding the foregoing, there are two options for irrevocable designation upon initial recognition:

— An equity instrument, providing it is not held for trading, can be designated as measured at fair value with changes through other comprehensive income (equity). Subsequently, when the instrument is sold, the amounts recognised in equity cannot be reclassified to profit and loss and only dividends can be recognised in profit and loss.

— A financial asset may also be designated to be measured at fair value with changes through profit or loss if this eliminates or reduces an accounting mismatch that would otherwise arise (see pp. B4.1.29 to B4.1.32 IFRS 9).

Apart from this, unlike IAS 39, when there is an embedded derivative in a main contract which is a financial asset within the scope of IFRS 9, the embedded derivative is not treated separately and the classification rules are applied to the entire hybrid instrument.

Financial assets and liabilities are recognised initially at fair value plus or minus, in the case of a financial asset or liability not recognised at fair value with changes in profit or loss, transaction costs directly attributable to the acquisition or issuance of the financial asset or liability. Notwithstanding the foregoing, upon initial recognition an entity will measure trade receivables not having a significant financial component (determined in accordance with IFRS 15) at their transaction price.

The following accounting policies apply to the subsequent measurement of financial assets:

Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by any impairment losses (see (ii) below). Any gain or loss on derecognition or foreign exchange gains and losses and impairments are recognised in profit or loss. Interest calculated using the effective interest method is recognised in profit and loss under “Financial Income”.
Financial assets at fair value with changes through profit or loss	Financial assets at fair value with changes through profit or loss are recognised initially and subsequently at fair value, without including transaction costs, which are charged to profit and loss. Gains and losses from changes in the fair value are presented in the profit and loss account under “other financial income/(expense) – net” in the period in which they arise. Any dividend or interest income is also taken into profit and loss. See (iv) below for derivatives designated as hedging instruments.
Debt instruments at fair value with changes through other comprehensive income	These assets are subsequently measured at fair value, with changes in fair value being recognised in “Other comprehensive income”. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. On disposal or derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss under “other financial income/(expense) – net”.
Equity instruments at fair value with changes through other comprehensive income	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in “Other comprehensive income” and are never reclassified to profit or loss.

Apart from the changes in nomenclature, the effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements, as described further below:

(in thousands of euros)	*Note*	*Original classification under IAS 39*	*New classification under IFRS 9*	*Carrying amount under IAS 39*	*New carrying amount under IFRS 9*
Financial Assets					
Equity Instruments	(a)	Available-for-sale financial assets	Fair value with changes through profit or loss	347	347
Derivative financial instruments for hedging	(iv)	Hedging instrument at fair value	Hedging instrument at fair value	360	360
Trade and other receivables	(b)	Loans and receivables	Amortised cost	329,322	328,397
Cash and cash equivalents	(c)	Loans and receivables	Amortised cost	854,977	854,962
Other financial assets	(d)	Loans and receivables	Amortised cost	71,506	69,903
Total financial assets				**1,256,512**	**1,253,969**

The Group held no debt instruments among its financial assets at 1 January 2018.

a) The equity instruments correspond to minority shareholdings in Agencia Barcelona Regional (€180,000) and European Satellite Service Provider, SAS (€167,000), which the Group holds available for sale. Neither of these companies is listed on the stock exchange.

b) Customers and receivables (excluding prepaid expenses and other non-financial assets) classified as “Loans and receivables” under IAS 39 are classified under IFRS 9 as “Financial assets at amortised cost”. An increase of €925,000 in the provision for impairment of trade receivables was recognised in “Retained earnings” at 1 January 2018 in the transition to IFRS 9, which entailed a decrease in equity in the same amount.

c) Cash and cash equivalents. This item, which was classified as “Loans and receivables” under IAS 39, is classified under IFRS 9 as “Financial assets at amortised cost”. At 31 December 2017, there were no balances of cash or cash equivalents not available for use. The cash held with financial institutions is subject to credit risk although the maturity is very short since the Group can withdraw the cash at any time without penalty. In the calculation of the impairment, which gave rise to a provision of €15,000 at 1 January 2018, the exposure was performed at two days. Consequently, equity was reduced by the same amount.

d) Other financial assets. These assets, which were classified as “Loans and receivables” under IAS 39, are classified under IFRS 9 as “Financial assets at amortised cost”. They correspond mainly to deposits in guarantee established in accordance with legal requirements with various public institutions of autonomous regional governments. Therefore they are exposed to the risk of default by the public bodies. Maturities can be very long, although the weighted average maturity was approximately three years at 1 January 2018. An increase of €1,603,000 in the provision for impairment of financial assets was recognised in “Retained earnings” at 1 January 2018 in the transition to IFRS 9. Consequently, equity was reduced by the same amount.

Apart from this, the classification of financial liabilities under IFRS 9 remains similar to that of IAS 39. In general terms, liabilities will be measured at amortised cost, except for financial liabilities held for trading, such as derivatives for example, which will be measured at fair value with changes through profit or loss. Accordingly there are no impacts in this category of financial instruments.

(ii) Impairment of financial assets

The new impairment model of IFRS 9 is based on expected loss, unlike the incurred loss model of IAS 39. Therefore under IFRS 9 impairment losses are recognised wearier than under IAS 39. The new impairment model is applicable to all the following elements:

- Financial assets at amortised cost
- Debt instruments at fair value with changes through other comprehensive income

Financial assets at amortised cost include “Trade and other receivables” (which include receivables and other contractual assets within the scope of IFRS 15 *Revenue from Contracts with Customers* and lease receivables within the scope of IAS 17), Cash and cash equivalents, Debt instruments at amortised cost and ”Other financial assets” (in the Group, deposits and deposits in guarantee). At 1 January 2018 there were no contractual assets within the meaning of IFRS 15 or debt instruments in the Aena Group.

Under the new standard, the impairment model is based on a dual approach to valuation whereby there will be a provision for impairment based on expected losses in the next 12 months or on expected losses during the whole life of the asset. The determinant for switching from the former to the latter provision is a significant deterioration in credit quality.

For trade and lease receivables, whether or not they contain a significant financial component, the Group has opted to measure the value correction as a lifetime expected loss in accordance with the simplified approach (p. 5.5.15 of IFRS 9).

In order to determine whether a financial asset has suffered significant impairment of its credit risk since its initial recognition, or to estimate the expected lifetime credit losses of the asset, the Group takes account of all such reasonable and supported information as may be relevant and available without disproportionate effort or cost. This includes both quantitative and qualitative information, based on the Group’s experience or that of other entities with historical credit losses and observable market information on the credit risk of the specific financial instrument or similar ones.

The Group assumes that the credit risk of a financial asset has increased significantly if payments are more than 30 days overdue. Similarly, it presumes default for a financial asset that is more than 90 days overdue, unless reasonable and well-founded information is held demonstrating recoverability.

The Group considers that a debt instrument is low risk when its credit rating from at least one of the rating agencies Moody´s, S&P and Fitch is “investment grade”.

The maximum period over which expected credit losses must be estimated is the maximum contractual period during which the entity is exposed to the credit risk.

Measurement of expected credit losses

La IFRS 9 defines expected credit loss as the weighted average of the credit losses weighted by the probability of their occurrence. Credit losses are measured as the difference between all the contractual cash flows to which the entity is entitled according to the contract and all the cash flows that the entity expects to actually receive (that is to say, all the cash shortfalls) discounted to NPV at the original effective interest rate.

The definition of expected loss as an expected average implies that it will be necessary to use judgement and make estimates to a significant extent.

In broad terms, expected loss is based on the following formula: EAD (*Exposure at Default*) x PD (*Probability of default*) x LGD (*Loss Given Default*) x DF (*Discount factor*):

- EAD is the exposure to risk. It will be measured by the carrying amounts (balances pending receipt of cash flow or other financial asset) less any advance payments made and any guarantees granted by the customer.

- PD is probability of default. It is usually the hardest parameter to estimate.

Probability of default will be determined historically, based on historical unpaids of the company itself or rating agencies' historical transition matrices, or in line with market parameters.

Obtaining the probability of default based on market parameters will vary depending on the information held on debtors. Following a hierarchy in accordance with IFRS 13 from the most to the least observable variables, the following methods are used:

1. If the debtor has listed credit default swaps (CDS), generally the probability of default is obtained from the CDS, given that it is the most objective market credit metric of the probability of a company's default at a particular point in time.
2. If the debtor does not have listed CDS, we select the company's rating assigned by each rating agency that has issued a report, and calculate the probability of default from these.
3. If the debtor has no rating, one possibility is to calculate a theoretical rating by comparing the debtor's financial ratios with those of other companies that do have ratings.
4. For customers to which exposure is relatively minor, we use the generic probability of default of BBB-rated CDS of European companies.

- LGD is the loss that would arise if the debtor were to default, and is calculated as (1 – the recovery rate). The recovery rate depends on the specific security (collateral) held in cover of the credit or loan. In general, if there is no more information, we use 60%, assuming a 40% recovery rate.

- DF is the time value of money.

Financial assets with credit impairment

At each reporting date the Group applies the impairment requirements of IFRS 9 in measuring and recognising any value corrections for financial assets measured at amortised cost or at fair value with changes through other comprehensive income. A financial asset is credit impaired when one or more events having an adverse impact on the estimated future cash flows from that financial asset have occurred. Indications that a financial asset is credit impaired include, *inter alia*, observable information on the following events:

(a) significant financial difficulties of the issuer or borrower;
(b) breach of contract, such as default or overdue payment
(c) its becoming likely that the borrower will become bankrupt or undergo some other form of financial reorganisation.

Presentation

Provisions for impairment of financial assets measured at amortised cost are deducted from the gross carrying amount of said assets.

For debt instruments at fair value with changes through other comprehensive income, the value correction for impairment must be recognised in other comprehensive income and will not reduce the carrying amount of the financial asset in the statement of financial position.

Impairment losses on trade and other receivables, including on any contractual assets under IFRS 15, are presented separately in the profit and loss account.

Impairment losses on other financial assets are presented under the heading "other financial income/(expense) – net", in similar form to the presentation under IAS 39, and are not presented separately in the profit and loss account in view of their non-material size.

Impact of the new impairment calculation model

For financial assets within the scope of application of IFRS 9, the new impairment calculation model will lead to an increase in losses and in volatility. The Group has determined that the application of the impairment requirements of IFRS 9 to the financial assets in existence at 1 January 2018 has produced the following increase in the provision for impairment:

(in thousands of euros)

Balance of the provision for impairment at 31 December 2017 under IAS 39	**114,977**
Increase in the provision on 1 January 2018 by:	
Provision for value impairment of trade and other receivables	925
Impairment of other financial assets	1,603
Cash and cash equivalents	15
Balance of the provision for impairment at 1 January 2018 under IFRS 9	**117,520**

The following analysis provides additional information on the calculation of expected credit losses in the transition to IFRS 9 by category of financial asset. The Group considers this calculation model and the variables and future assumptions used as key sources of uncertainty in the estimation.

Trade, lease and other receivables

In quantitative terms this is the most important category of financial assets subject to the impairment calculation model. The biggest customer categories are the aeronautical sector (which produces revenue in the scope of application of IFRS 15) and the commercial sector (which produces lease revenue in accordance with IAS 17).

For receivables not yet due, probability of default is calculated by reference to market parameters, in accordance with the methodology previously explained.

For past due receivables we used historical data for each bucket. Based on an S&P historical transition matrix (in which issuers' ratings at the beginning of a period are compared with those at the end of the period) we estimated the probability of a company with a given rating defaulting after a certain time. For overdue of less than a year this would be one year; for overdue of more than 365 days it would be two years.

(Amounts in thousands of euros unless otherwise indicated)

The rating categories assigned would reflect increasing risk as the overdue period increased:

Period	***S&P rating***	***Meaning***
Not due	BBB	Satisfactory credit quality
Up to 3 months	BB	Questionable credit quality. Uncertain future but with current capability.
From 3 to 6 months	B	Poor/doubtful credit quality. Capability in the long term is low.
From 6 to 12 months	CCC/ C 1 year	Very poor credit quality (CCC) up to imminent default situation (C).
More than one year	CCC/ C 2 years	Very poor credit quality (CCC) up to imminent default situation (C).

Such historical probability would give rise to an adjustment for a forward-looking component in cases where the CDS of the Kingdom of Spain at five years were more than 100 bps (1%), as an indicator of high credit risk. Given that at 1 January 2018 the value of this CDS stood at 50 bps (0.5%), no adjustment was made in this respect.

Apart from this, all amounts due by customers in bankruptcy or involved in litigation, as well as all debts more than 90 days overdue where recoverability could not be demonstrated were considered impaired.

The following table provides information on the exposure to credit risk and the expected credit losses for trade, lease and other receivables at 1 January 2018:

S&P rating		***Buckets (due date tranches, days)***	***Exposure to Receivables risk 31.12.2017***	***Expected loss rate***	***Estimation of expected loss***
BBB	Not due	< 1	200,945	0.09 %	180
BB	Up to 3 months	1-90	111,386	0.46 %	512
B	From 3 to 6 months	91-180	1,485	2.60 %	39
CCC/ C 1 year	From 6 to 12 months	181-365	3,213	28.02 %	900
CCC/ C 2 years	More than one year	>365	1,594	37.51 %	598
I	Impaired		113,673	100 %	113,673
	Total				**115,902**

(*) Accounting balances less advance payments ad guarantees
Other financial assets (guarantees and deposits in guarantee established)

This heading mainly contains deposits consigned by legal order in various public institutions of Autonomous Regions corresponding to deposits in guarantee previously received from lessees of commercial spaces of Aena S.M.E., S.A., pursuant to Law 29/1994 of 24 November on Urban Leases. Maturities can be very long term.

Since the risk on the regional governments is low, we apply the probability of default at one year. Low risk is considered to be investment grade of at least one rating agency from among Moody's, S&P and Fitch. Assuming low risk, for the Autonomous Region we apply the default data or the spread between the German Bund and Spanish sovereign debt at one year, irrespective of due dates and guarantees.

A risk is considered high when the counterparty has a rating and the risk is not assessed as low. In this case, we apply the probability of default with a duration equivalent to the average maturity of the deposits in guarantee. It is determined by default that deposits in guarantee with no maturity will have a maximum duration of 30 years.

The main impact is due to the high risk situation for certain deposits in guarantee that led to the expected loss being calculated for their entire remaining average lifetime (3 years). The total estimated expected loss for this heading amounted to €1,603,000.

Cash and cash equivalents

The cash held with financial institutions is subject to credit risk although the maturity is very short since the Group can withdraw the cash at any time without penalty. The exposure was performed at two days. The probability of default assigned is the average of the main Spanish banks and the standard loss given default (LGD) is 60%.

The total estimated expected loss for this heading amounted to €15,000.

The methodology described for the calculation of the impairment of financial assets was applied in the same way for the six-month period ended 30 June 2018 (see Note 8.c).

(iii) Debt restructuring

On 9 October 2017 the BIAS issued an amendment to IFRS 9: "Prepayment Features with Negative Compensation". This amendment, as well as clarifying how these kinds of financial instruments with prepayment clauses are to be classified and accounted for, also add two paragraphs to the Basis for Conclusions of IFRS 9. In these paragraphs the BIAS clarifies that the requirements of IFRS 9 regarding the adjustment to the amortised cost of a financial liability when the modification or exchange does not result in the derecognition of the financial liability are consistent with the requirements applied to financial assets that are also not de recognised. Therefore the gain or loss arising from the modification of a financial liability that is not derecognised (calculated by discounting the change in contractual cash flows to NPV at the original effective interest rate) must be recognised immediately in profit and loss.

This amendment has been applied retroactively in the transition. The Group has not carried out any significant debt restructuring in the past that would be affected by the new Standard, and the refinancing carried out in 2017 of the LLAH III sub-group (see Note 20 to the consolidated annual financial statements for 2017) involved a substantial change to existing loans. Accordingly the effects deriving from this as regards the application of IFRS 9, deriving from certain minor restructurings, are limited to an amount of €1,748,000 less debt, with a corresponding increase in reserves at 1 January 2018, which will be offset by an increase in financial expense in 2018, 2019 and 2020 until that figure is reached. The impact on the accounts for the six-month period ended 30 June 2018 amounted to €436,000.

(iv) Hedge accounting

In the transition, the Group has chosen to apply the requirements of Chapter 6 of IFRS 9 from the date of initial application, since in general the IFRS 9 model is more advantageous, as it facilitates the application of hedge accounting to more transactions.

The Group manages interest rate risk on cash flows by means of floating-for-fixed interest rate swaps. The Group considers that all existing hedging transactions designated as effective hedges under IAS 39 continue to meet the requirements for hedge accounting in accordance with IFRS 9.

Thus for interest rate swaps of the parent Aena the notional and principal amounts, the term, reset dates, payment dates for principal and interest, and bases of measurement of interest rates, are the same for hedging instruments as for the hedged item, meaning that hedging is fully effective and furthermore the credit risk is negligible, so the requirements set forth in p. 6.4.1 of IFRS 9 are met. The interest rate swaps used for the LLAH III sub-group also meet these requirements. Accordingly in all cases there is continuity of hedging transactions and there have been no initial adoption adjustments.

Since IFRS 9 does not change the general principles for recognising effective hedges, the Group has not experienced any impact as a result of the application of this standard to hedge accounting.

2.2 Standards, amendments and interpretations that have not been adopted by the EU or have been adopted by the EU but do not apply until subsequent financial years

At the date of drawing up these condensed consolidated interim financial statements, the Group had not early adopted any other standard, interpretation or amendment that had not come into force.

Additionally, at the date of drawing up these condensed consolidated interim financial statements, the BIAS and the IFRIC had published a series of standards, amendments and interpretations that have not been adopted by the European Union or, having been adopted by the European Union, are not applicable until subsequent financial years.

Based on the analyses carried out to date, the Group does not expect the application of most of these standards and amendments to have a significant impact on the consolidated financial statements in the initial application period. Nevertheless, for the most relevant standard, IFRS 16, the Group has carried out the following analyses to date, with the following conclusions:

IFRS 16 Leases

This Standard replaces the following Standards and Interpretations:

(a) IAS 17 Leases;
(b) IFRIC 4 Determining whether an Arrangement contains a Lease;
(c) SIC-15 Operating Leases — Incentives; and
(d) SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items.

The liability is recognised initially for the present value of the future lease payments, discounted at the implied interest rate of the lease, or if this cannot be obtained, at the interest rate at which the lessee would finance itself in the market for a transaction with a similar maturity and risk.

It is worth pointing out that variable payments not linked to an index such as the CPI or an applicable lease price index or to a rate such as EURIBOR are not included in future lease payments for purposes of calculating the initial value of the lease liability to be recognised. Basically the following are included: fixed payments, exercise price of purchase options if it is reasonably certain that they will be exercised, guaranteed residual values, penalties for cancellation options if it is reasonably certain that they will be exercised, and variable payments linked to an index or a rate such as the CPI or EURIBOR or that are updated to reflect the new market price of leases.

Since IFRS 16 mainly affects lessee accounting, barely affecting lessor accounting, the majority of the Group's lease activity, which is as lessor, will not be affected.

IFRS 16 eliminates the classification of leases into operating and finance leases for lessee accounting.

The Group has carried out a detailed analysis of all its leases both as lessor and lessee. The conclusion of this analysis is that the Group will have to recognise the rights-of-use and their corresponding liabilities related to the lease of the land and the business buildings of Luton airport in the UK (see Note 2.24 to the consolidated financial statements for 2017), for which a fixed minimum payment of some £3 million is payable until the end of the concession, plus those corresponding to leases of vehicles for transport within the airport facilities and possibly some leases for vehicles and buildings for the business in Spain (the Piovera Building in Madrid). In this latter case, the total future minimum payments for the non-cancellable operating leases (to maturity of the contract) amount to €19.1 million from 2019, before discounting to present value.

The impact to be recognised has not yet been accurately determined as there are a number of transition alternatives and the estimates are complex and depend on the specific conditions on the date of effective application, among them the borrowing rate on 1 January 2019 in Spain and the UK (the rate at which the lessee would finance itself in the market for a transaction with a similar maturity and risk), the euro/sterling exchange rate at that date, the specific composition of the lease portfolio and the assessment made of the options for renewing existing contracts. However, considering the volume and characteristics of the affected contracts, the Group's initial estimates of the impact that the amendments introduced by IFRS 16 would have on the Group's financial statements from the date of adoption represent an increase in financial liabilities and fixed assets of less than 1% of the current balances of these assets and liabilities, including recognition in the statement of financial position of the right-of-use assets and the corresponding liabilities in relation to most of the agreements, which under the current standards are classified as operating leases. Amortisation of the right to use the assets and recognition of interest on the lease liabilities will replace a significant part of the amount recognised in the statement of profit or loss as operating lease expense under the current standard. The classification of payments in the statement of cash flows will also be affected by this new standard. In 2018 the Group continues to evaluate the potential effect of IFRS 16 on its consolidated financial statements.

As for the transition strategy, the Group has opted for the practical solution of paragraph C3; as such:

— it will apply IFRS 16 to the leases previously identified in accordance with IAS 17 and IFRIC 4 "Determining whether an Arrangement contains a Lease";

— it will not apply IFRS 16 to contracts identified previously as contracts not containing leases in accordance with IAS 17 and IFRIC 4; and

— it will apply the IFRS 16 definition of lease in assessing whether contracts signed after the initial application date of the new standard are or contain leases.

Additionally, the Group as lessee opts to apply IFRS 16 using the modified retrospective approach and therefore will not restate comparative information but will recognise the cumulative effect of the initial application of the standard as an adjustment to equity at initial application date. Under the modified retrospective approach the lessee decides how to value the right-of-use asset for each lease at the time of transition to IFRS 16.

2.3 Consolidation and changes in group composition

The principles of consolidation used in drawing up the condensed consolidated interim financial statements are consistent with those used in drawing up the consolidated financial statements for 2017.

There have been no transactions carried out by the Group in the six-month period ended 30 June 2018 leading to changes in the scope relative to that existing at 31 December 2017, with the following exception:

On 25 January 2018, Aena established the concessionary company which holds the contract to manage, operate, maintain and conserve the International Airport of the Region of Murcia (AIRM in the Spanish abbreviation) as a concession of that airport and its zone of complementary activities for a period of 25 years.

Aena thus fulfils the requirements in the List of Particular Administrative Conditions of the contract that was awarded to Aena by the Autonomous Region of Murcia on 20 December 2017.

The new company, which is set up as 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 signed the contract awarding the concession on 24 February 2018, being designated as the airport manager of the AIRM.

Once the AIRM begins operating, and once all the necessary legal and administrative procedures have been completed, Aena S.M.E., S.A. is planning to discontinue civil air traffic operations at Murcia San Javier airport, whereupon that airport will solely operate military flights. The definitive closure of the civil air operations on this air base must be carried out by a joint Ministerial Order between the Ministry of Public Works and the Ministry of Defence.

At that time, Aena there will be a fall in the value of Aena's fixed assets used in the civil operations at that airport, totalling around €30 million.

The above-mentioned concession agreement has been classified as belonging to the Intangible Asset Model of IFRIC 12. Consequently, the Group has recognised during the period an intangible asset (see Note 7), which will be amortised on a straight-line basis over the 25-year life of the concession, the balancing entry being a liability in the same amount to the Public Entity granting the concession (see Note 10). Other significant accounting criteria applied by the Group in relation with this service concession arrangement in accordance with IFRIC 12 are described in Note 2.24 to the consolidated financial statements for 2017.

Apart from this, on 14 May 2018 the General Meeting of Shareholders of associate company Aeropuertos Mexicanos del Pacífico, S.A.P.I. de C.V. approved a reduction in the variable part of its share capital of 235 million Mexican pesos, which amount was paid to shareholders in proportion to their shareholdings in the company. Accordingly, 33.33% of this reduction, or 78,333,000 Mexican pesos, corresponded to Aena Desarrollo Internacional. As a consequence of this transaction the Group recognised a cash inflow of €3,344,000, reduced its holding in the associate by €3,518,000 and recognised the difference directly in equity. This transaction did not lead to any change in the percentage shareholding.

2.4 Comparative information

During the six-month period ended 30 June 2018 there were no changes in significant accounting criteria relative to those applied in 2017, except as indicated in point 2.1 above.

For purposes of comparison, as in the consolidated financial statements for 2017, we have restated the amount of -€20,333,000 shown in the six-month period ended 30 June 2017 in "Gains/(Losses) on interest rate derivatives: hedging of interest flows" under the heading "Other net financial income/(expense)" to the heading "Finance expense", in accordance with the accounting rules currently in force.

The figures in the condensed consolidated interim financial statements are expressed in thousands of euros unless otherwise indicated.

2.5 Seasonality of operations

The activity of the main segments in terms of the Group's revenue is subject to seasonal effects as indicated hereunder:

- Aviation revenue is affected by passenger traffic, with the highest volumes see at holiday times (Christmas, summer, Easter Week and public holidays). Commercial revenue is also affected by the increase in passenger traffic and the increased buying in shops located in terminals that tends to be seen in the Christmas season.

- Off-terminal service revenue, in the specific case of car parks, is influenced by passenger traffic.

Also, pursuant to IFRIC 21, annual accrual of the IBI land value tax and other local taxes totalling €145 million (2017: €145 million), were recognised in full on 1 January without their yet being due. Expenses in the airports segment are also influenced by weather conditions, especially in winter, giving rise to action plans for contingencies of ice and snow at airports that are at risk of suffering these adverse weather conditions.

3 Use of judgements and estimates

The preparation of condensed consolidated interim financial statements under IFRS requires assumptions and estimates to be made which have an impact on the recognised amounts of assets, liabilities, income, expenses and related disclosures. The estimates and assumptions made are based among other things on historical experience, advice from expert consultants and forecasts and expectations of future events considered reasonable in light of the facts and circumstances taken into account as at balance sheet date. Actual results may differ from those estimated.

An understanding of the accounting policies for these elements is important for the interpretation of these consolidated interim financial statements. The significant judgements made by management in applying the accounting policies and the key sources of uncertainty in estimates are the same as those described in the latest consolidated annual financial statements, except for the new judgements and sources of uncertainty relating to the application of IFRS 9 and IFRS 15, as set out in Note 2.1.

Estimation of fair value

The following table includes an analysis of the financial instruments that are measured at fair value, classified by valuation method. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

(Amounts in thousands of euros unless otherwise indicated)

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The following table shows the Group's assets and liabilities measured at fair value at 30 June 2018:

	Level 1	Level 2	Level 3	Total balance
Assets				
Derivatives (Note 8)	-	1,679	-	1,679
Total assets	-	**1,679**	-	**1,679**
Liabilities				
Derivatives (Note 8)	-	85,260	-	85,260
Total liabilities	**-**	**85,260**	**-**	**85,260**

The following table shows the Group's assets and liabilities measured at fair value at 31 December 2017:

	Level 1	Level 2	Level 3	Total balance
Assets				
Derivatives (Note 8)	-	360	-	360
Total assets	**-**	**360**	**-**	**360**
Liabilities				
Derivatives (Note 8)	-	82,655	-	82,655
Total liabilities	**-**	**82,655**	**-**	**82,655**

There were no transfers between Level 1 and Level 2 financial instruments during the period.

a) Level 1 financial instruments:

The fair value of financial instruments traded on active markets is based on listed market prices at balance sheet date. A market is considered active when listed prices are easily and regularly available from a stock exchange, a dealer, a broker, an industry group, a pricing service or a regulatory authority and the prices represent actual and regularly occurring arm's length transactions. The listed market price used for the financial assets held by the Group is their current bid price. These instruments are included in Level 1. There were no financial instruments in Level 1 at either of the dates.

b) Level 2 financial instruments:

The fair value of financial instruments not traded on an active market (such as OTC derivatives) is determined using valuation techniques. Valuation techniques are applied making as much use as possible of observable market data, if available, and relying as little as possible on the company's own estimates. An instrument is classified to the Level 2 category when all important inputs that are required for determining fair value are observable. The financial instruments included in Level 2 are interest rate derivatives (swaps) hedging floating rate loans.

If one or more of the significant data are not based on observable market data, the instrument is classified as Level 3. There were no financial instruments in Level 3 at either of the dates.

The specific techniques for valuing financial instruments include:

- Listed market prices or prices established by financial intermediaries for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on estimated interest rate curves (see Note 8.b).
- Other techniques such as discounted cash flow analysis are used to assess the fair value of other financial instruments.

4 Operating segments

The Group carries on its business activities in the following segments: Airports, Real estate services and International, in accordance with the criteria set forth in the latest consolidated annual financial statements.

The Chairman and CEO assesses the returns of the operating segments based on EBITDA (earnings before interest, tax, depreciation and amortisation). During the six-month periods ended 30 June 2018 and 2017 EBITDA calculated in the manner previously explained, was adjusted for impairment and derecognition of items of fixed assets.

The financial information by segment at 30 June 2018 is as follows (in thousands of euros):

	Airports						
30 June 2018	**Aviation**	**Commercial**	**Real estate services**	**Sub-total**	**International**	**Adjustments**	**Consolidated total**
Revenue-	1,273,801	519,139	33,208	1,826,148	111,472	(1,286)	1,936,334
External customers	*1,273,754*	*519,139*	*33,208*	*1,826,101*	*110,233*	-	*1,936,334*
Inter-segment	*47*	-	-	*47*	*1,239*	*(1,286)*	-
Other operating income	24,326	3,882	571	28,779	98	*101*	28,978
Total Income	**1,298,127**	**523,021**	**33,779**	**1,854,927**	**111,570**	**(1,185)**	**1,965,312**
Cost of sales	(87,844)	-	-	(87,844)	-	1,110	(86,734)
Employee benefits	(162,256)	(18,587)	(4,508)	(185,351)	(25,034)	-	(210,385)
Other operating expenses	(380,003)	(93,667)	(14,403)	(488,073)	(50,682)	47	(538,708)
Depreciation and amortisation	(313,807)	(53,423)	(8,245)	(375,475)	(26,076)	-	(401,551)
Losses on impairment & derecognition of property, plant & equipment	(3,896)	(372)	(145)	(4,413)	(40)	-	(4,453)
Other results	270	1,155	8	1,433	-	-	1,433
Total expenses	**(947,536)**	**(164,894)**	**(27,293)**	**(1,139,723)**	**(101,832)**	**1,157**	**(1,240,398)**
EBITDA	**664,398**	**411,550**	**14,731**	**1,090,679**	**35,814**	**(28)**	**1,126,465**
Losses on impairment & derecognition of property, plant & equipment	(3,896)	(372)	(145)	(4,413)	(40)	-	(4,453)
Adjusted EBITDA	**668,294**	**411,922**	**14,876**	**1,095,092**	**35,854**	**(28)**	**1,130,918**
Operating profit/(loss)	**350,591**	**358,127**	**6,486**	**715,204**	**9,738**	**(28)**	**724,914**
Net finance income/(expense)	(43,292)	(5,220)	(1,229)	(49,741)	(8,716)	-	(58,457)
Share in profit or loss of equity-accounted associates	-	-	-	-	8,636	-	8,636
Profit before tax	**307,299**	**352,907**	**5,257**	**665,463**	**9,658**	**(28)**	**675,093**
Total Assets at 30 June 2018				14,060,978	907,567	(275,438)	14,693,107
Total Liabilities at 30 June 2018				8,920,939	654,583	(104,436)	9,471,086

In the financial information by segment at 30 June 2018 we have also adjusted the costs in accordance with the aforementioned Resolution. In accordance with this document and for regulatory purposes the costs of the airport activity must be reduced annually by €38.8 million (including the 6.98% cost of capital) with the following breakdown: Employee Benefits €1.6 million; Depreciation and Amortisation €11.7 million; Other Operating Expenses €11.7 million and Cost of Capital €13.8 million. We have therefore reduced the cost of the aviation activity in the six-month period by €12.5 million in operating expenses through the aforementioned reallocation of costs, transferring these costs to the services subject to private prices included in the “Commercial” activity.

The financial information by segment at 30 June 2017 is as follows (in thousands of euros):

30 June 2017	Airports – Aviation	Airports – Commercial	Real estate services	Sub-total	International	Adjustments	Consolidated total
Revenue-	1,217,829	477,221	29,286	1,724,336	103,101	(1,183)	1,826,254
External customers	*1,217,810*	*477,221*	*29,286*	*1,724,317*	*101,937*	-	*1,826,254*
Inter-segment	*19*	-	-	*19*	*1,164*	*(1,183)*	-
Other operating income	28,972	5,437	723	35,132	81	*96*	35,309
Total Income	**1,246,801**	**482,658**	**30,009**	**1,759,468**	**103,182**	**(1,087)**	**1,861,563**
Cost of sales	(88,793)	-	-	(88,793)	-	1,042	(87,751)
Employee benefits	(159,386)	(18,192)	(4,211)	(181,789)	(28,859)	-	(210,648)
Other operating expenses	(355,809)	(87,429)	(13,535)	(456,773)	(49,366)	19	(506,120)
Depreciation and amortisation	(312,886)	(53,435)	(7,967)	(374,288)	(22,665)	-	(396,953)
Losses on impairment & derecognition of property, plant & equipment	(3,385)	(392)	(204)	(3,981)	-	-	(3,981)
Other results	770	173	261	1,204	-	-	1,204
Total expenses	**(919,489)**	**(159,275)**	**(25,656)**	**(1,104,420)**	**(100,890)**	**1,061**	**(1,204,249)**
EBITDA	**640,198**	**376,818**	**12,320**	**1,029,336**	**24,957**	**(26)**	**1,054,267**
Losses on impairment & derecognition of property, plant & equipment	(3,385)	(392)	(204)	(3,981)			(3,981)
Adjusted EBITDA	**643,583**	**377,210**	**12,524**	**1,033,317**	**24,957**	*(26)*	**1,058,248**
Operating profit/(loss)	**327,312**	**323,383**	**4,353**	**655,048**	**2,292**	*(26)*	**657,314**
Net finance income/(expense)	(45,517)	(6,207)	(1,297)	(53,021)	(11,772)	-	(64,793)
Share in profit or loss of equity-accounted associates	-	-	-	-	10,539	-	10,539
Profit before tax	**281,795**	**317,176**	**3,056**	**602,027**	**1,059**	*(26)*	**603,060**
Total Assets at 30 June 2017				14,279,059	843,412	(165,835)	14,956,636
Total Liabilities at 30 June 2017				9,441,140	586,150	(1,336)	10,025,954

In the financial information by segment at 30 June 2017 we have adjusted the costs in accordance with the Resolution of the Airport Regulation Document (DORA in the Spanish acronym) of 27 January 2017. In accordance with this document and for regulatory purposes the costs of the airport activity must be reduced annually by €39.4 million (including the 6.98% cost of capital) with the following breakdown: Employee Benefits €1.5 million; Depreciation and Amortisation €12.2 million; Other Operating Expenses €11.6 million and Cost of Capital €14.1 million. We have therefore reduced the cost of the aviation activity in the six-month period by €12.7 million in operating expenses through the aforementioned reallocation of costs, transferring these costs to the services subject to private prices included in the "Commercial" activity.

The reconciliation of EBITDA and adjusted EBITDA with Profit for the six month periods ended 30 June 2018 and 30 June 2017 is as follows:

Item	**30 June 2018**	**30 June 2017**
Total adjusted EBITDA	**1,130,918**	**1,058,248**
Losses on impairment & derecognition of property, plant & equipment	(4,453)	(3,981)
Total segment EBITDA	**1,126,465**	**1,054,267**
Depreciation and amortisation	(401,551)	(396,953)
Net finance expense	(58,457)	(64,793)
Share in profit or loss of equity-accounted associates	8,636	10,539
Income tax expense	(162,822)	(147,004)
Profit for the period	**512,271**	**456,056**
Profit attributable to non-controlling interests	**(2,227)**	**(4,866)**
Profit for the period attributable to shareholders of the parent company	**514,498**	**460,922**

(Amounts in thousands of euros unless otherwise indicated)

5. Revenue

The Group's operations and sources of revenue are as described in its latest consolidated annual financial statements. As indicated in Note 2.1, the Group has initially adopted IFRS 15 Revenue from Contracts with Customer and IFRS 9 Financial instruments from 1 January 2018. The nature of this adoption and the effects deriving from it are also set forth in the above-mentioned Note.

A. Breakdown of revenue

The breakdown of the revenue subtotal included in the financial information by segments (without taking account of the international segment or the adjustments), by type of services provided is as follows:

	30 June 2018	30 June 2017
Airport services	**1,273,801**	**1,217,829**
Airport charges	**1,235,632**	**1,181,322**
Landing charges	339,688	323,061
Parking charges	17,902	16,932
Passenger fees	564,261	537,990
Passenger boarding bridges	51,719	51,828
Security charges	194,901	189,808
Handling	46,365	41,616
Fuel	15,746	15,380
On-board catering	5,050	4,707
Other airport services (1)	**38,169**	**36,507**
Commercial services	**519,139**	**477,221**
Leases	16,696	15,792
Specialty shops	48,264	42,120
Duty free shops	142,609	137,897
Food & Beverage	87,858	76,465
Car rental	68,543	66,068
Car parks	67,977	62,730
Advertising	15,173	15,750
VIP services (2)	29,648	18,964
Other commercial revenue (3)	42,371	41,435
Real estate services	**33,208**	**29,286**
Leases	6,060	6,065
Land	12,464	9,436
Hangars and warehouses	4,343	4,280
Freight logistics centres	7,237	6,695
Real estate operations	3,104	2,810
Total Net Revenue	**1,826,148**	**1,724,336**

1) Includes check-in counters, use of 400 Hz airbridges, fire-fighting services, left luggage, and other revenue.

2) Includes rental of VIP lounges, VIP packages, other lounges, fast track and fast lane

3) Includes commercial operations (banking services, plastic-wrapping machines, telecommunications services, vending machines, etc.), commercial supplies and filming and recording.

Pursuant to the provisions of Article 34 of Law 18/2014 of 15 October, following the corresponding consultation process and approval of the Airport Regulation Document (DORA) for 2017-2021, the Board of Directors of Aena, in its meeting of 21 February 2017, approved a reduction of 2.22% in airport charges from 1 March 2017, which affected January and Fenruary 2018.

Also pursuant to the aforesaid Document, on 1 March 2018 the a further 2.22% reduction to the airport charges came into force.

Pursuant to Law 48/2015 of 29 October on General State Budgets for 2016, airport charge were reduced by 1.9% from 1 March 2016, affecting January and February 2017.

Since 1 April 2018, Aena, S.M.E., S.A. has maintained the current commercial incentive scheme for the DORA period 2017-2021, centred on the opening of new routes, growth in long-haul passenger volumes, incentivising traffic at airports with low passenger volumes and reducing the seasonality of highly seasonal airports.

A significant proportion (43.5%) of revenue from airport services in the six months to 30 June 2018 was concentrated in three customers, with revenue of €201 million, €184.1 million and €169.4 million respectively (30 June 2017: €189.5 million, €165.5 million and €162.6 million respectively, 42.5% of revenue from airport services).

B. Geographical information

The Group’s operations are in Spain, except for the International segment, whose main investments are in the UK, Mexico and Colombia.

For the six-month periods to 30 June 2018 and 2017, revenue from external customers was distributed geographically as follows (figures in thousands of euros):

Country	30 June 2018	30 June 2017
Spain	1,826,513	1,725,086
UK	106,289	97,588
Colombia	625	627
Mexico	2,907	2,953
TOTAL	**1,936,334**	**1,826,254**

6 Property, plant and equipment

Additions and disposals/derecognitions

During the six-month period ended 30 June 2018, additions to the Group's property, plant and equipment amounted to €210,890,000 (30 June 2017: €168,556,000). These additions included capitalisation of interest in an amount of €337,000 (30 June 2017: €247,000). The main additions recognised during the first half of 2018 are set forth hereunder:

We acquired new equipment for the communications systems of several airports in the network, some of which are already in operation. As for work in progress, we would highlight the work on the extension of the London Luton Airport terminal building, the runway and apron expansion at Fuerteventura Airport, the reconstruction of B and C aprons and the new passport control system at Palma de Mallorca Airport, the new electro-mechanical installations at Adolfo Suárez Madrid-Barajas, the apron expansion at Tenerife South Airport and the reinforcement of the runway at Bilbao Airport.

The main facilities commissioned were those at Palma de Mallorca Airport for increasing peak capacity of the automated luggage transport system and new check-in functionalities: the adaptation of taxiways and aprons to the regulations at Barcelona El Prat Airport, the supply and installation of new benches for passengers in T4 and T4 satellite at Adolfo Suárez Madrid Barajas and the new freight terminal and border control point at Tenerife North Airport.

Items of property, plant and equipment with an acquisition cost of €108,433,000 were derecognised druing the six-month period ended 30 June 2018 (six-month period ended 30 June 2017: €96,759,000), producing results on derecognition of property, plant and equipment of €4,364,000 (six-month period ended 30 June 2017: €3,975,000). These derecognitions correspond mainly to reversals of provisions recognised in respect of expropriations or claims by suppliers following judgements favourable to Aena. In addition, various items of installations and equipment were replaced in several airports in the network.

Lastly, during the period items of property, plant and equipment with an acquisition cost of €1,592,000 were transferred to investment property.

Impairment of property, plant and equipment

At 31 December 2017 Group management reviewed the results for 2017 in order to assess whether there were any significant changes that might lead to impairment of intangible assets, property, plant and equipment or investment property, concluding that there were no indications of impairment. Nevertheless, in accordance with the procedure described in Note 2.8 to the latest consolidated annual financial statements, and for the network of airports constituting the Airports segment also described in that Note, the Group performed an impairment test with the premises and variables described in said consolidated annual financial statements, and did not detect any impact on the consolidated financial statements at 31 December 2017, even after applying sensitivities to the variables used.

At 30 June 2018 the Group did not perform an impairment test but reviewed the results for the first half-year and assessed whether there were any significant changes that might indicate value impairment of intangible assets, property, plant and equipment or investment property. In this regard, the first six months of the year saw an improvement in passenger traffic of 7.2% and in operations of 6.9% relative to the same period of last year, and this, together with the good performance of the commercial business and the continuing policy of cost containment started in previous years led to a 5.8% improvement in revenue and a 5.8% improvement in EBITDA of the airport segment. These increases exceed those envisaged in the scenario used for the impairment test performed at the end of 2017. All these factors had a positive impact on results for the first six months of 2018.

(Amounts in thousands of euros unless otherwise indicated)

7 Intangible assets and goodwill

The main addition in the first half of 2018 was the intangible asset deriving from the agreement with the Regional Government of Murcia for the management, operation, maintenance and conservation of the Murcia Region International Airport (AIRM) in the form of a concession for this airport and its zone of complementary activities over a period of 25 years (see Note 2.3). This concessionary company will be considered as a single cash generating unit (CGU) in itself.

The initial amount for which this asset was recognised was €50,861,000, corresponding to the present value of the consideration to be paid to the regional government, without taking account of the contingent payments associated with the transaction.

Intangible assets with an acquisition cost of €2,295,000 were derecognised during the six-month period ended 30 June 2018 (six-month period ended 30 June 2017: €144,000), producing results on derecognition of property, plant and equipment of -€1,000 (six-month period ended 30 June 2017: -€6,000). These derecognitions correspond mainly to the old Master Plan for Melilla Airport pursuant to the publication in the B.O.E (Official State Gazette) of 22 May of Order FOM/508/2018 of 8 May approving the updating of the Master Plan for Melilla Airport.

At 30 June 2018 a total of €24,000 (30 June 2017: €18,000) in financial expenses associated with intangible assets were capitalised.

8 Financial instruments

a) Financial instruments by category

	30 June 2018			
	Financial assets at amortised cost	Hedging derivatives	Assets at fair value with changes through profit or loss	Total
Assets in the statement of financial position				
Derivative financial instruments (Note 3)	-	1,679	-	**1,679**
Other financial assets	66,889	-	347	**67,236**
Trade and other receivables (excluding advance payments and non-financial assets)	430,789	-	-	**430,789**
Cash and cash equivalents	296,870	-	-	**296,870**
Total	**794,548**	**1,679**	**-**	**796,574**

	30 June 2018			
	Liabilities at fair value with changes through profit or loss	Hedging derivatives	Other financial liabilities at amortised cost	Total
Liabilities in the statement of financial position				
Financial liabilities (excluding finance lease liabilities) (Note 10)	-	-	7,716,972	**7,716,972**
Finance lease liabilities (Note 10)	-	-	21,243	**21,243**
Derivative financial instruments (Note 3)	-	85,260	-	**85,260**
Trade and other payables (excluding non-financial liabilities)	-	-	381,768	**381,768**
Total	**-**	**85,260**	**8,119,983**	**8,205,243**

(Amounts in thousands of euros unless otherwise indicated)

	31 December 2017 (*)			
	Loans and receivables	Hedging derivatives	Available for sale	Total
Assets in the statement of financial position				
Available-for-sale financial assets	-	-	347	**347**
Derivative financial instruments	-	360	-	**360**
Other financial assets	71,506	-	-	**71,506**
Trade and other receivables (excluding advance payments and non-financial assets)	329,322	-	-	**329,322**
Cash and cash equivalents	854,977	-	-	**854,977**
Total	**1,255,805**	**360**	**347**	**1,256,512**

	31 December 2017 (*)			
	Liabilities at fair value with changes through profit or loss	Hedging derivatives	Other financial liabilities at amortised cost	Total
Liabilities in the statement of financial position				
Financial liabilities (excluding finance lease liabilities) (Note 10)	-	-	7,988,655	**7,988,655**
Finance lease liabilities (Note 10)	-	-	22,304	**22,304**
Derivative financial instruments	-	82,655	-	**82,655**
Trade and other payables (excluding non-financial liabilities)	-	-	452,828	**452,828**
Total		**82,655**	**8,463,787**	**8,546,442**

(*) The Group initially applied IFRS 9 at 1 January 2018. Under the transition options chosen, it has not restated the comparative information (see Note 2.1).

b) Measurement of fair values

The only financial instruments measured at fair value in the statement of financial position are derivative financial instruments (interest rate swaps) used to hedge cash flows to reduce exposure to changes in EURIBOR:

	30 June 2018		31 December 2017	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps - cash flow hedges Aena	-	85,260	-	82,655
Interest rate swaps - cash flow hedges LLAH III	1,679	-	360	-
Total	**1,679**	**85,260**	**360**	**82,655**
Current portion	**-**	**35,022**	**-**	**37,010**
Non-current portion	**1,679**	**50,238**	**360**	**45,645**

The breakdown of derivative financial instruments at 30 June 2018 and 31 December 2017 is shown in the preceding table.

During the six-month periods ended 30 June 2018 and 30 June 2017 the hedging derivative met the necessary requirements for the application of hedge accounting.

The fair value of the interest rate swaps was obtained by discounting the net cash flows expected over the contractual period to their present value, using the discount factors obtained from the zero coupon curve at each valuation point. To estimate the variable cash flows, we use forward rates or implied rates obtained from the zero coupon interest rates existing in the market at the time of valuing the interest rate swap. The fair value thus obtained is adjusted for credit risk, which is understood as being both the counterparty credit risk and own credit risk when necessary. To quantify the credit risk of a financial agent there are three methods commonly accepted in the market, which are applied in the following order of priority: 1) Providing there are credit default swaps (CDS) listed in the market, the credit risk is quantified as a function of its market price. 2) providing there are debt issues listed on various financial markets, the credit risk can be quantified as the difference between the internal rate of return or yield on the bonds and the risk-free rate. 3) If it is not possible to quantify the risk using either of the first two methods, the use of comparables is generally accepted, that is to say taking as a reference companies or bonds of companies in the same sector as that being assessed.

c) Concentration of credit risk

The Group has determined that the application of the impairment requirements of IFRS 9 to the financial assets in existence has produced the following change in the provision for impairment during the six-month period ended 30 June 2018:

(in thousands of euros)

	Trade and other receivables	***Other financial assets and cash and cash equivalents***	***Total***
Balance of the provision for impairment at 1 January 2018 under IFRS 9	**115,902**	**1,618**	**117,520**
Change in the provision during the first half of 2018:			
Provision for value impairment of trade and other receivables	(13,434)	-	(13,434)
Impairment of other financial assets		(1,125)	(1,125)
Cash and cash equivalents		(12)	(12)
Balance of the provision for impairment at 30 June 2018 under IFRS 9	**102,468**	**481**	**102,949**

Of the €13,434,000 reversal of the provision for impairment of trade and other receivables, €1,780,000 would not have taken place under the previously applicable IAS 39.

The following analysis provides additional information on the calculation of expected credit losses by category of financial asset.

Trade, lease and other receivables

The following table provides information on the exposure to credit risk (balances of trade and lease receivables less advance payments, collateral and deposits in guarantee) and the expected credit losses for trade and other receivables at 30 June 2018:

S&P rating		***Buckets (due date tranches)***	***Exposure to risk 30 June 2018***	***Expected loss rate***	***Estimation of expected loss***
BBB	Not due	< 1	192,437	0.014 %	26
BB	Up to 3 months	1-90	11,385	0.46 %	52
B	From 3 to 6 months	91-180	816	2.60 %	3
CCC/ C 1 year	From 6 to 12 months	181-365	129	28.02 %	36
CCC/ C 2 years	More than one year	>365	278	37.51 %	104
I	Impaired		102,247	100 %	102,247
		Total			**102,468**

Other financial assets (guarantees and deposits in guarantee established)

The main impact is due to the high risk situation for certain deposits in guarantee that led to the expected loss being calculated for their entire remaining average lifetime (3 years). Total estimated expected loss for this heading at 30 June 2018 amounted to €478,000; since at 31 December 2017 expected loss had been estimated at €1,603,000 (see Note 2.1 B (ii)), the difference was reversed during the period, producing a favourable impact on profit and loss of €1,125,000.

(Amounts in thousands of euros unless otherwise indicated)

Cash and cash equivalents

Total estimated expected loss for this heading at 30 June 2018 amounted to €3,000; since at 31 December 2017 expected loss had been estimated at €15,000 (see Note 2.1 B (ii)), the difference was reversed during the period, producing a favourable impact on profit and loss of €12,000.

Besides, the Group's general policy on financial risks described in its 2017 consolidated financial statements continues in force at the date of issue of these financial statements. In this context, the instruments and classes of hedging have the same characteristics as those described in the consolidated annual financial statements. Although at 30 June 2018 the Group had negative working capital (calculated as total current assets less total current liabilities) of €1,019,692,000 (31 December 2017 €270,554,000), its EBITDA for the six months ended 30 June 2018 (see Note 4) came to €1,126,465,000 (Hi 2017: €1,054,267,000), and it is not considered that there is any risk of its not being able to meet its short-term commitments given the positive operating cash flows (see enclosed statement of cash flows), which the Group expects to continue to be positive in the short term.

Additionally, the parent company Aena has €1 billion in completely available credit lines, with long-term maturities considering the extension of maturity to two years; and €550 million of financing available (unavailed) corresponding to a loan from Unicaja of €150 million and a loan from the EIB of €400 million. The Group monitors cash generation to ensure that it is able to meet its financial commitments.

9 Capital and reserves

At 30 June 2018 there were no capital increases under way, nor were there any authorisations in place for operating with treasury stock.

According to the information available on CNMV, at 30 June 2018 the most significant investments in associates were the following:

	% of voting rights attributed to the shares			% of voting rights through financial instruments	Total % of voting rights
Name	% of Total (A)	% Direct	% Indirect	% (B) (1)	(A+ B)
ENAIRE	51.00 %	51.00%	0.00%		51.00%
Hahn, Christopher Anthony (*)	4.687%	0.00%	4.687%	3.607%	8.294%
TCI Fund Management Limited	0.00 %	0.00%	0.00%	3.607%	3.607%

(*) Indirect holding through various companies
[1] Both The Children's Investment Fund Management and Christopher Anthony Hahn are indirect holders of 3.607% each through certain equity swaps (CFDs)

Following the approval by the General Meeting of Shareholders of 10 April 2018 of the proposal for the distribution of profit for 2017 made by the Board of Directors during the six-month period ended 30 June 2018, the proposed dividend of €975 million was paid (six-month period ended 30 June 2017: €574 million). With this distribution of profit for 2017, the amount of the legal reserve was established at €300 million, thus complying with the legally stipulated minimum for Aena S.M.E, S.A. in accordance with Article 274 of the Corporate Enterprises Act.

Also, following this approval, in accordance with the provisions of Article 25 of Law 27/2014, the Corporation Tax Act, the Company has recognised a capitalisation reserve in 2018 in an amount of €43,060,000 resulting from the application of the reduction established in the aforementioned article in the settlement of Corporation Tax for 2017, with the commitment to maintain both the restricted reserve allocated for this item and the increase in equity used as the basis of this reduction for the next five years.

(Amounts in thousands of euros unless otherwise indicated)

10 Loans and borrowings

	30 June 2018	31 December 2017
Non-current		
Loans from ENAIRE	5,608,883	6,104,218
Loans from credit institutions, Aena	649,900	649,888
Other loans from credit institutions	347,179	346,585
Loans from shareholders of LLAH III	52,349	52,280
Finance lease liabilities	19,064	20,152
Public Entity for AIRM concession (Note 2.1)	51,211	-
Other financial liabilities	118,832	102,893
	6,847,418	**7,276,016**
Current		
Loans from ENAIRE	821,260	683,540
Interest accrued on Loan from credit institutions, Aena	443	1,848
Other loans from credit institutions	38,365	19,346
Loans from shareholders of LLAH III	402	401
Finance lease liabilities	2,179	2,152
Other financial liabilities	28,148	27,656
	890,797	**734,943**
Total current and non-current	**7,738,215**	**8,010,959**

The reconciliation between the initial and final balances of the components of Loans and Borrowings in the statement of financial position is as follows:

		Cash flows								
	31 December 2017	Financing activities Proceeds	Financing activities Payments	Operating activities Interest payments	Adjustments to opening balance in respect of coming into force of IFRS 9 (Note 2.1 B)	Transfers short/long term	Accrual of interest	Addition of AIRM to consolidation scope	Exchange differences	30 June 2018
Non-current										
Loan from ENAIRE	6,104,218	-	-	-	(877)	(494,859)	401	-	-	5,608,883
Loans from credit institutions, Aena	649,888	-	-	-	-	-	12	-	-	649,900
Other loans from credit institutions	346,585	-	-	-	-	-	133	-	461	347,179
Loans from LLAH III shareholders	52,280	-	-	-	-	-	-	-	69	52,349
Finance lease liabilities	20,152	-	-	-	-	(1,375)	274	-	13	19,064
Public Entity for AIRM concession	-	-	-	-	-	-	350	50,861	-	51,211
Other financial liabilities	102,893	19,326	(3,743)	-	-	(13)	369	-	-	118,832
Total non-current	**7,276,016**	**19,326**	**(3,743)**	**-**	**(877)**	**(496,247)**	**1,539**	**50,861**	**543**	**6,847,418**
Current										
Loan from ENAIRE	683,540	-	(360,493)	(23,978)	(871)	494,859	28,203	-	-	821,260
Accrued interest, credit institutions Aena	1,848	-	-	(3,647)	-	-	2,242	-	-	443
Other borrowings from credit institutions	19,346	19,323	-	(5,867)	-	-	5,673	-	(110)	38,365
Loans from LLAH III shareholders	401	-	-	(2,088)	-	-	2,087	-	2	402
Finance lease liabilities	2,152	-	(1,538)	-	-	1,375	189	-	1	2,179
Other financial liabilities	27,656	539	(70)	-	-	13	10	-	-	28,148
Total current	**734,943**	**19,862**	**(362,101)**	**(35,580)**	**(871)**	**496,247**	**38,403**	**-**	**(107)**	**890,797**
Total Loans and Borrowings	**8,010,959**	**39,188**	**(365,844)**	**(35,580)**	**(1,748)**	**-**	**39,943**	**50,861**	**436**	**7,738,215**

(Amounts in thousands of euros unless otherwise indicated)

The carrying amounts and fair values of non-current borrowings are as follows:

	Carrying amount		Fair value	
	30 June 2018	31 December 2017	30 June 2018	31 December 2017
Loan from ENAIRE	5,608,883	6,104,218	5,581,946	6,105,413
Loans from credit institutions, Aena	649,900	649,888	646,711	643,051
Other loans from credit institutions	347,179	346,585	347,179	346,585
Loans from LLAH III shareholders	52,349	52,280	52,349	52,280
Finance lease liabilities	19,064	20,152	19,064	20,152
Public Entity for AIRM concession	51,211	-	51,211	-
Other financial liabilities	118,832	102,893	118,832	102,893
Total	**6,847,418**	**7,276,016**	**6,817,292**	**7,270,374**

The fair value of current borrowings is equal to their carrying amount, as the impact of applying the discount to NPV is not significant. The fair values of borrowings at over one year are based on future cash flows discounted to present value at the risk-free interest rates (three-month EURIBOR swap curve) plus a spread equal to a CDS estimated by Bloomberg for Aena of 78 bps (2017: 12-month EURIBOR swap curve plus a spread equal to a CDS estimated by Bloomberg for Aena of 62 bps) and are at Level 2 in the fair value hierarchy.

Financial debt to the parent company

	30 June 2018	31 December 2017
Non-current		
Loan to Aena, S.M.E., S.A. from ENAIRE	5,613,319	6,109,084
Adjustment to the balance of the loan from ENAIRE as per effective cost criterion	(4,436)	(4,866)
Subtotal, Aena, S.M.E., S.A., long-term debt to ENAIRE	**5,608,883**	**6,104,218**
Current		
Loan to Aena, S.M.E., S.A. from ENAIRE	799,159	665,199
Adjustment to the balance of the loan from ENAIRE as per effective cost criterion	(452)	(471)
Accrued interest on loans from ENAIRE	22,553	18,812
Subtotal, Loans from related parties	**821,260**	**683,540**
Total	**6,430,143**	**6,787,758**

(Amounts in thousands of euros unless otherwise indicated)

The reconciliation between the initial and final balances of the components of Loans and Borrowings from the parent company in the statement of financial position is as follows:

	31 December 2017	Cash flows: Financing activities Proceeds	Cash flows: Financing activities Payments	Cash flows: Operating activities Interest payments	Adjustments to opening balance in respect of coming into force of IFRS 9 (Note 2.1 B)	Transfers short/long term	Accrual of interest	30 June 2018
Non-current								
Loan to Aena, S.M.E., S.A. from ENAIRE	6,109,084	-	-	-	(877)	(494,888)	-	5,613,319
Adjustment to the balance of the loan from ENAIRE as per effective cost criterion	(4,866)	-	-	-	-	29	401	(4,436)
Subtotal, Aena, S.M.E., S.A., long-term debt to ENAIRE	**6,104,218**	**-**	**-**	**-**	**(877)**	**(494,859)**	**401**	**5,608,883**
Current								
Loan from ENAIRE	665,199	-	(360,493)	-	(871)	494,888	436	799,159
Adjustment to the balance of the loan from ENAIRE as per effective cost criterion	(471)	-	-	-	-	(29)	48	(452)
Accrued interest on loans from ENAIRE	18,812	-	-	(23,978)	-	-	27,719	22,553
Subtotal, Aena, S.M.E., S.A., short-term debt to ENAIRE	**683,540**	**-**	**(360,493)**	**(23,978)**	**(871)**	**494,859**	**28,203**	**821,260**
Total	**6,787,758**	**-**	**(360,493)**	**(23,978)**	**(1,748)**	**-**	**28,604**	**6,430,143**

At the date on which these financial statements were approved, neither ENAIRE as holder of the financing contracts nor Aena or any of its subsidiaries is in a situation of default on its financial or of any other type of obligations that might give rise to the early maturity of its financial obligations, meaning that the existence of the covenants referred to in Note 20 to the Consolidated Financial Statements for 2017 does not affect the classification of liabilities into current and non-current as shown in the enclosed condensed interim consolidated statements of financial position. Also, at that date the Group complied with the required ratios.

(Amounts in thousands of euros unless otherwise indicated)

11 Provisions and contingencies

a) Provisions

	Environmental actions	Liabilities	Taxes	Expropriations and delay interest	Other operating provisions	Total
Balance at 01 January 2018	**56,647**	**22,171**	**11,798**	**15,081**	**49,071**	**154,768**
Additions to provisions	27,326	2,605	2	332	17,368	47,633
Reversals/Surpluses	(3,192)	(7,984)	(53)	(2,142)	(4,457)	(17,828)
Applications	(2,171)	(2,978)	(845)	(86)	(44,223)	(50,303)
At 30 June 2018	**78,610**	**13,814**	**10,902**	**13,185**	**17,959**	**134,270**

Analysis of total provisions:

	30 June 2018	31 December 2017
Non-current	90,661	70,901
Current	43,609	83,867
Total	**134,270**	**154,768**

Provisions for environmental actions

The increase of €22 million in the provision for environmental actions during the six-month period ended 30 June 2018 was due to the approval of noise restrictions at several airports in the Spanish network, leading to an addition of €27.3 million, the balancing entry being Property, plant and equipment.

There were also reversals during the first six months of 2018 in an amount of €3,192,000 which basically related to the downward revision of the estimated average cost per home of noise insulation to €8,276 (except for Adolfo Suárez Madrid-Barajas airport, for which a cost of €16,619 is estimated due to the types of homes and buildings to be insulated), compared with the €9,111 used in the consolidated annual financial statements for 2017 (except for Adolfo Suárez Madrid-Barajas, for which a cost of €16,795 was estimated for the above reason). This reversal was made against the value of the property, plant and equipment items against which the provision was originally made.

Provisions for liabilities

During the first half of 2018 additions made by the Group for a total of €2,605,000 related mainly to labour claims (€1,394,000), various claims by tenants of land and premises (€500,000) and by contractors (€154,000).

During the period from January to June 2018 reversals amounting to €7,984,000 corresponded mainly to judgements in favour of the Group in lawsuits with constructors for €5,047,000 for which no adverse economic consequences are expected, and this amount was accordingly reversed against the value of the fixed assets against which the provisions had originally been made. The remaining reversals (€2,937,000) were credited to the consolidated interim statement of profit or loss, mainly to the heading "Surplus provisions". In particular, regarding the provisions recognised in respect of unfavourable judgements arising from claims made by airlines, for an amount of €4,111,000 against the tariffs applicable with effect from 1 July 2012 which they had not been able to pass on to passengers, we reversed €1.38 million, since in the end some airlines presented requests for reimbursement of overcharged tariffs (as required by the judgement) for less than the amount initially provisioned. During the first half we paid out €1,169,000 under this head.

Other operating provisions

In accordance with section 3.9.2. of the DORA, in 2018 Aena is maintaining the scheme of commercial incentives approved in February 2017 with a view to continuing to promote the opening up of new routes, boosting long-haul passenger volumes, encouraging traffic at low-volume airports and reducing the seasonality of highly seasonal ones.

The traffic incentives entailed provisioning €12,911,000 in the first half of 2018 (net of the reversal of €4,457,000 of provisions from previous years) as against €16,738,000 in the same period of 2017 (net of the reversal of €3,940,000 of provisioning from previous years), it being important to point out that the commercial incentive for 2017 started on 1 April, coinciding with the start of the summer season, so no incentives accrued in respect of traffic of the first quarter of 2017. Payments of €44,223,000 were made against this provision during the period (H1 2017: €68,267,000).

b) Contingent liabilities

Note 23 to the consolidated annual financial statements for 2017 contained a detailed breakdown of the main legal disputes in which the various group companies were involved at the end of 2017. The main changes that have taken place during the first half of 2018 in the situation of these lawsuits are as follows:

Environmental actions

As a result of aircraft overflying the community 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, demanding 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). Subsequently, there were various pronouncements and incidents of enforcement which were appealed by all the parties involved in the proceedings.

Finally, on 3 April 2017 the Supreme Court ruled that a check be carried out on the noise levels inside and outside the homes using the methodology referred to by Regulation (EU) 598/2014.

Since then, Aena, ENAIRE and the Ministry of Public Works have been carrying out the necessary actions to check the noise levels.

By a ruling of 22 March 2018, the parties and the Public Prosecution Service were granted one month in which to react to the documentation presented by the State Attorney's Office on 15 March 2018 relating to all the actions taken and reports produced so far in fulfilment of the Supreme Court order.

This deadline has been extended several times at the parties' request, and was finally set at 15 June 2018.

12 Income tax expense

Corporation tax for the first six months of 2018 has been calculated on the basis of the tax rate applicable to profits of the consolidated companies. The resulting implicit tax rate before applying deductions and activating deferred tax assets was 25% (2017: 25%), except for profit of the LLAH III group, for which the tax rate is 19% (2017: 19.5%).

In addition, the pre-tax profit includes certain items with no tax effect, which therefore have to be excluded when calculating the effective rate of Corporation Tax:

- Impact of profit or loss of equity-accounted investees, which in accordance with accounting regulations are presented net of their tax effect, for an amount of €8,636,000 (H1 2017: €10,539,000).

- Impact of consolidation adjustments deriving from equity accounting of joint ventures, mainly due to the elimination of financial revenue by way of dividends in an amount of -€24,487,000 (H1 2017: -€23,015,000).

- Tax effect deriving from the adjustment to the statutory result (taxable profit) of the LLAH III sub-group as a consequence of the allocation, upon acquisition, of the cost of the business combination between the fair value of the assets acquired and the liabilities assumed, for an amount of -€1,995,000 (H1 2017: -€2,039,000).

- Tax effect deriving from the increase in financial expense relating to debt restructuring under IFRS 9 for an amount of €436,000 - see Note 2.1.B (iii)-.

-Tax effect deriving from the positive change in the provision for impairment of financial assets during the period made under IFRS 9 for an amount of €2,917,000, of which €1,780,000 correspond to the provision for trade and other receivables and the remaining €1,137,000 to other financial assets (see Note 8.c).

(Amounts in thousands of euros unless otherwise indicated)

The following table shows the corporate income tax expense for the six-month periods ended 30 June 2018 and 2017:

	30 June 2018	30 June 2017
Consolidated profit before tax	**675,093**	**603,060**
Permanent differences	(19,597)	(22,045)
Adjustments to the profit of the LLAH III sub-group deriving from the acquisition method	1,995	2,039
Consolidation adjustments in respect of equity-accounted investees	24,487	23,015
Change in impairment under IFRS 9	(2,917)	-
Financial expense re debt restructuring under IFRS 9	436	-
Share in profit or loss of equity-accounted associates	(8,636)	(10,539)
Adjusted accounting profit	**670,861**	**595,530**
Tax calculated at the applicable national tax rate (25%)	(167,715)	(148,883)
Tax effects of:		
Lower rates applicable to LLAH III	130	(510)
Adjustments to deferred assets and liabilities of UK subsidiary	(143)	(363)
Deductions applied	4,947	3,236
Adjustments to tax on profits	(41)	(484)
Income tax expense	**(162,822)**	**(147,004)**

The main permanent differences correspond basically to non-taxable income, mainly deriving from the exemption of dividends from foreign associates, and to non tax-deductible expenses. As for the main temporary differences during the period, they relate to the difference between depreciation for tax purposes and depreciation for accounting purposes, the provision for bad debts and provisions for risks and costs.

At 30 June 2018 and 30 June 2017 the adjustments to tax on income are mainly negative adjustments to prior years in the case of the LLAH III sub-group, foreign tax withheld at source and negative adjustments in the associate Aena Desarrollo Internacional.

Other matters:

As established by current legislation, taxes cannot be considered definitively settled until the relevant returns have been inspected by the tax authorities or until the four-year prescription period has elapsed from filing. At 30 June 2018 all Group companies had the period from 2014 to 2017 open for inspection as regards all taxes with the exception of Corporation Tax which was open for financial year 2013 onwards.

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

Taxes for the first six months of 2018 are also open to inspection.

Taxes for the last six years of the UK companies forming the LLAH III sub-group are also open to inspection by their tax authority.

With effect from 1 January 2018, the composition of the tax group headed by Aena S.M.E., S.A changed, with the inclusion of Aena Sociedad Concesionaria del Aeropuerto Internacional de la Región de Murcia.

(Amounts in thousands of euros unless otherwise indicated)

13 Related party transactions

The Group is controlled by the public business entity "ENAIRE".

All related party transactions are conducted at market values. In addition, transfer prices are appropriately supported, and therefore the directors of the Group do not consider that any significant risks that could give rise to material liabilities in the future exist in this connection.

The transactions carried out with related parties are set out below:

(a) Sale of goods and provision of services

	30 June 2018	30 June 2017
Provision of services:		
- Public business entity "ENAIRE"	562	832
- Associates	3,532	3,580
- Related companies	93	51
Total	**4,187**	**4,463**

(b) Purchase of goods and services

	30 June 2018	30 June 2017
Services received:		
- Public business entity "ENAIRE"	68,693	69,936
- Related companies	14,573	12,652
Total	**83,266**	**82,588**
Acquisition of assets (non-current)		
- Group companies	101	96
- Related companies	1,190	2,671
Total	**1,291**	**2,767**

The amount for the service provided by ENAIRE relates mainly to ATM and CNS services received at airports. In this respect, the appropriate service agreement has been entered into between the airport manager and the provider of the air traffic services in order to determine the remuneration to be paid for the services. The cost of these services is recognised in "Cost of Sales" in the enclosed consolidated statement of profit or loss. For the six months ended 30 June 2018 services provided by the ultimate parent company by way of ATM and CNS amounted to €68,220,000 (six months to 30 June 2017: €69,465,000). This item also includes the consideration paid by Aena for special authorisation for the temporary use of the office building at Arturo Soria owned by ENAIRE, in an amount of €471,000 for the six-month period ended 30 June 2018 (six months to 30 June 2017: €471,000).

The remaining contract between Aena S.M.E., S.A. and its related companies for 2018 and 2017 are listed in Note 34.b) to the consolidated financial statements for 2017.

(c) Income from equity holdings in related companies

	30 June 2018	30 June 2017
- Related companies	500	417
Total	**500**	**417**

In the first half of 2018 the Group received a dividend from European Satellite Services Provider SAS (ESSP SAS) in the amount of €500,000 (30 June 2017: €417,000).

During the first half of 2018 financial income by way of dividends from associates amounted to €15,247,000. At 30 June 2018, the Group presented a balance of €13,916,000 corresponding to dividends receivable from associates.

During the first half of 2018 subsidiary LLAH III distributed to its shareholders dividends for an amount of £16 million (€18.159,000 at the transaction exchange rate), of which Aena Desarrollo Internacional received €9,261,000 and the remaining €8,898,000 was received by external shareholders (first half of 2017: dividends of £12.2 million or

(Amounts in thousands of euros unless otherwise indicated)

€13,869,000 at the transaction exchange rate, of which Aena Desarrollo Internacional received €7,048,000 and the remaining €6,821,000 was received by external shareholders).

(d) Remuneration of key management personnel

See Note 14 Other Information.

(e) Closing balances deriving from the sale and purchase of goods and services

	30 June 2018	31 December 2017
Receivables on related parties:		
- Associates	2,241	3,376
- Related companies	-	33
- Public business entity "ENAIRE"	761	100
Total receivables, related parties:	**3,002**	**3,509**

Payables to related parties:		
- Related companies	7,598	9,089
- Public business entity "ENAIRE"	25,045	25,498
Total payables, related parties:	**32,643**	**34,587**

Receivables on related parties arise mainly from transactions for the provision of services. Receivables are not guaranteed, by their nature, and do not accrue interest.

Payables to related companies arise mainly from transactions for the purchase of fixed assets and provision of the ATM and CNS services referred to in section b). The aforementioned balances are included under the heading "Related party creditors".

(f) Loans from related parties (See Note 10)

14 Other information

Average workforce

The average number of employees in consolidated group companies during the first six months of 2018 and 2017 by category and sex was as follows:

Job category	30 June 2018 (*) Men	Women	Total	30 June 2017 (*) Men	Women	Total
Senior Management	10	1	11	8	2	10
Executives and graduates	945	709	1,654	905	680	1,585
Coordinators	816	318	1,134	789	271	1,060
Technicians	3,014	1,414	4,428	3,015	1,443	4,458
Support personnel	559	494	1,053	542	481	1,023
	5,344	**2,936**	**8,280**	**5,259**	**2,877**	**8,136**

(*) The above figures include temporary employees, who in the first half of 2018 totalled 968 (first half of 2017: 971)

The inclusion of the LLAH III figures in the condensed consolidated interim financial statements at 30 June 2018 brings the average workforce to 774 (30 June 2017: 741).

As for the Board of Directors of the parent company, at 30 June 2018, it consisted of eleven men and two women (first half 2017: 11 men and 4 women).

In the first half of 2018 the Group had an average workforce of 112 employees with disabilities (first half 2017: 117).

Remuneration of Senior Management and Directors

Remuneration received during the first half of 2018 and 2017 by Senior Management and Directors of the Group, classified by type, was as follows (in thousands of euros):

Item	30 June 2018 Senior Management	Board of Directors	Total	30 June 2017 Senior Management	Board of Directors	Total
Salaries	605		**605**	568		**568**
Attendance fees	16	75	**91**	15	67	**82**
Pension schemes			**0**			**0**
Insurance premiums	3		**3**	3		**3**
Total	**624**	**75**	**699**	**586**	**67**	**653**

Remuneration in the first half of 2018 corresponds to that received in Aena S.M.E., S.A. In respect of 10 Senior Management positions and the Chairman and CEO.

The difference in remuneration between Salaries of the periods analysed is mainly due to the fact that in 2018 a new position was added to Senior Management.

No advances, balances or loans had been granted at 30 June 2018 or 30 June 2017. Nor were there any pension obligations vis-à-vis current or former directors.

Directors' conflicts of interest

In fulfilling their duty to avoid situations of conflict of interest of the Company, during the period the directors occupying positions on the Board of Directors complied with the obligations provided in Article 228 of the Recast Text of the Corporate Enterprises Act. Similarly, they and persons related to them refrained from becoming involved in any of the situations of conflict of interest referred to in Article 229 of that Act, except where the relevant authorisation had been granted.

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

At 30 June 2018 and 31 December 2017 members of the Board of Directors did not have any interest in the share capital of companies that directly carry on activities that are the same as or similar or complementary to those constituting the Company's corporate object. Nor did they carry on activities on their own behalf or on behalf of third parties that are the same as or similar or complementary to those constituting the Company's corporate object.

No person linked to a member of the Board of Directors holds any shareholding whatsoever in the capital of Companies, or holds any position or performs any function within any Company whose corporate object is the same as or similar or complementary to that of the Company.

Commitments to buy fixed assets

Committed capital expenditure at 30 June 2018 amounted to €545.8 million (31 December 2017: €563 million).

Guarantees

Bank guarantees presented to various Bodies at 30 June 2018 amounted to €514,000 (31 December 2017: €588,000). The directors consider that no significant liabilities will derive from the granting of these guarantees.

15 Events after the reporting period

Subsequently to 30 June 2018 and up until the date of approval of these Condensed Consolidated Interim Financial Statements, the following events considered significant have occurred:

- On 16 July, the Board of Directors of Aena resolved, in order to fill the vacancy existing on the Board as a result of the removal of Mr Jaime Garcia-Legaz Ponce from his post as Chairman and CEO and his resignation as Director of the Company:

    1) To appoint Mr Maurici Lucena Betriu as an executive Director of the Company, by cooptation, subject to approval or ratification by the next General Meeting of Shareholders.

    2) To appoint Mr Maurici Lucena Betriu as Chairman of the Board of Directors and Chief Executive Officer of the Company with effect from 16 July 2018.

- In relation to the application of Banco de España Circular 2/2016 of 2 February to credit institutions, on supervision and solvency, which completed the adaptation of the Spanish legal system to Directive 2013/36/EU and Regulation (EU) No 575/2013, obliging some financial institutions to assign to their exposures to ENAIRE, with which Aena is a joint borrower, a risk weighting different from that assigned to the Spanish Government, which is zero, on 18 July 2018 Aena fully prepaid the outstanding loan it had from Depfa Bank for an amount of €166.1 million.

    Apart from this, in accordance with the contractual conditions of this loan, we paid the cost of unwinding the associated interest rate hedge in an amount of €24.0 million. This amount accrued in full at the time of payment.

- On 24 July 2018 the Board of Directors of Aena approved the proposed charges for 2019, consisting in the freezing of the adjusted maximum annual income per passenger (IMAAJ/AMAIP) for 2019 relative to the maximum annual income per passenger (IMAP/MAIP) for 2018 established in the DORA at €10.42 per passenger. This freezing comes about as a result of the adjustments established by the DORA regarding the performance incentives for levels of quality and structure of traffic at year-end 2017. This proposal, approved by the Board of Directors, will be communicated to the CNMC, the users' associations and the General Directorate of Civil Aviation (DGAC) before 31 July 2018.

Consolidated interim management report

for the six-month period ended 30 June 2018

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

Webcast / Conference-call:
25 July 2018
1 p.m. (Madrid time)
https://edge.media-server.com/m6/p/b6vm8xfi

Telephones:
Spain: +34 914 192 514
UK: +44 (0) 330 336 9411
USA: +1 323 794 2423

Access code: 3102583

1. Executive summary

The first half of 2018 continues to reflect Aena's's[1] positive performance in terms of both operations and results.

The following aspects can be highlighted in this period:

- As regards the Airport Regulation Document ("DORA" in the Spanish acronym) for the period 2017-2021, in May, June and July the process of consultation took place between Aena and the associations of airlines using the airports on the setting of airport charges applicable from 1 March 2019, in accordance with the provisions of the legislation (Law 18/2014 and Directive 2009/12/EC on airport charges).

  As a result of this process, the Board of Directors of Aena approved the proposed charges applicable in 2019, consisting in the freezing of the adjusted maximum annual income per passenger (IMAAJ) for 2019 relative to the maximum annual income per passenger (IMAP) established in the DORA at €10.42 per passenger for 2018, as a result of the adjustments established by the DORA regarding the performance incentive for levels of quality and the traffic structure corresponding to year-end 2017.

- On the operational side, traffic at the airports managed by Aena continues to post new records, with a volume of 128.8 million passengers including Luton airport (up by 6.5%) in the first six months.

  At the airports in the Spanish network, traffic grew by 6.8%, reaching a new all-time record of 121.1 million passengers, driven by the continuing favourable figures from the tourist sector and the excellent performance of domestic traffic. This growth is in line with Aena's passenger traffic forecast for 2018, estimated to increase by 5.5% (with a ± 1% margin) in the Spanish airport network.

  International traffic continues to grow strongly (+4.7%), although we are seeing a decline in the number of passengers to and from the UK (-3.2%), due among other things to the recovery of alternative tourist destinations to Spain and the depreciation of sterling.

  Domestic traffic (+11.8%) was favoured by the positive trend in the Spanish economy and by the increase in central government's subsidy of inter-island traffic from 50% to 75% with effect from 28 June 2017.

- The growth in traffic at Aena's airports contributed to the increase in total revenue to €1,965.3 million (up by 5.6% on the same period of 2017[2]), partly offset by the 2.22% reduction in airport charges from 1 March 2017 and another 2.22% from 1 March 2018.

- In commercial activity, it is worth mentioning that May saw the start of work on 36 of the 49 Food and Beverage points of sale awarded in the first quarter of 2018 at Barcelona-El Prat Airport. The new offering will increase the food and beverage area of Barcelona airport by 19% and will incorporate the latest gastronomic trends.
  The new contracts involve an estimated increase in revenue from this business line in Barcelona of close to 30% relative to 2017 on a full-year basis and with the new minimum annual guaranteed rents.

  Additionally, following a bidding process the concessions for the renewal of the food and beverage services at Málaga-Costa del Sol Airport have been awarded. The new spaces will cover a total area of more than 6,500 m², spread among 25 establishments in 12 concessions, which will come into operation in the second half of 2018. The new contracts represent an estimated improvement of 30% in revenue from this activity in Málaga relative to 2017 (on a full-year basis and with the new minimum annual guaranteed rent).

- EBITDA for the period reached €1,126.5 million (including the €33.2 million effect of consolidating Luton), representing an increase of 6.8%. It should be pointed out that results for the period were affected by application of IFRIC 21, in accordance with which annual local taxes (€145.8 million in 2018 and €145.2 million in 2017) are recognised in full at the beginning of the year, affecting both EBITDA and profit before tax.

  As for the upward pressure on costs seen in bidding processes since the end of 2016, this has started to be reflected in "Other operating expenses", which increased by 7.9%. The contracts for private security services awarded in the second quarter for 44 of the 47 airports for which tenders were invited, came into force in June with the exception of Madrid airport, where it came into force in July.

[1] Aena S.M.E., S.A. and Subsidiaries ("Aena" or "the Company")
[2] In this executive summary, the percentage changes in financial figures have been calculated by taking the figures in thousands of euros as the base.

The total value of the contracts awarded for a two-year period amounts to €345.5 million, and the contracts signed contain therequirements established in the 2017-2021 DORA as well as the conditions agreed on in the State Collective Bargaining Agreement with private security companies for the period 2017-2020, which was signed on 8 November 2017.

- Profit before tax reached €675.1 million compared with €603.1 million in the same period of last year, and net profit for the period amounted to €514.5 million, 11.6% more than that posted in the first half of 2017 (€460.9 million).

- Cash flow from operating activities came to €1,009.8 million for the period, compared with €1,091.9 million in the same period of 2017 (a decrease of 7.5%), affected by an extraordinary tax refund in 2017 and, in 2018, the change of payment method by one airline from pre-payment to guarantee. Excluding both effects, cash flow from operating activities would have increased by 6.7%.

  At 30 June 2018 the ratio of net financial debt to EBITDA (excluding Luton) as established in the debt novation agreements for the calculation of covenants held steady at the 31 December 2017 figure of 2.8x.

  This financial solidity was reflected in Moody's upgrade of Aena's credit rating on 17 April 2018, from "Baa1" to "A3", with the outlook held at stable, and in Fitch's confirmation of its "A" credit rating, with outlook stable on 14 May 2018.

- As for the execution of capital expenditure, the amount paid out in the period amounted to €274.6 million (including €20.6 million invested in Luton airport), representing an increase of €112.2 million relative to the same period of last year, of which €101.8 million corresponded to payments for capex certified at the end of 2017. Capital expenditure in the network of airports in Spain centred mainly on security and maintenance, in accordance with the regulated capex programme established in the DORA.

- On 29 May, Aena's Board of Directors approved the Strategic Plan 2018-2021, the main actions of which focus on guaranteeing airport capacity and meeting high standards of quality of service, developing sustainable airports and airport cities that boost economic activity, expand the supply of services and promote new business opportunities, growth in new markets to mitigate the risks of traffic concentration by means of geographical diversification, maintaining leadership in the efficient and profitable management of resources, and adapting the organisation and its talent to the challenges of the future.

- Also on 29 May, and in the framework of the Strategic Plan 2018-2021, Aena's Board of Directors approved a shareholder remuneration policy consisting in the distribution as dividends of an amount equivalent to 80% of each individual year's net profit, excluding non-recurring (exceptional) items. This policy will be applied to the distribution of profits for 2018, 2019 and 2020. However, the Board of Directors may change it in exceptional circumstances, in the terms set forth in the policy.

- The reflection of Aena's operating and financial performance in its share price fluctuated during the first half of 2018, in which the share price peaked at €179.5 and reached a low point of €155.0, ending the period at €155.5 (a fall of 8%) compared with the IBEX35 which lost 4.2% in the same period.

Subsequently to 30 June 2018, the Board of Directors of Aena resolved to appoint Mr Maurici Lucena Betriu as Chairman of the Board of Directors and CEO of the Company effective 16 July 2018, following the removal of Mr Jaime García-Legaz Ponce as Chairman and CEO.

2. Macroeconomic environment and activity figures

2.1. Macroeconomic and sector situation

The Spanish economy continues on its growth path. According to figures published by the Spanish National Statistics Institute, Spain's GDP grew by 0.7% in the first quarter of 2018[1], a similar rate to that of the fourth quarter of 2017.

Air transport is a strategic sector for Spain due to its economic and social impact as well as its connection with tourism. Furthermore, it contributes in terms of territorial connectivity, accessibility, cohesion and connection.

The indicators relating to tourism in Spain continued on their positive trend of the past three years, which have seen record numbers of foreign tourist arrivals. This factor is of great importance given that tourism accounted for 11.5% of Spain's GDP in 2017. According to figures published by the National Statistics Institute[2], in the five months to the end of May 2018 there were 28.6 million foreign tourist arrivals in Spain, 2.0% more than in the same period of 2017.

The main countries of origin are the UK (6.3 million, down by 2.3% on the first five months of 2017), Germany (3.9 million, down by 2.7%) and France (3.9 million, up by 0.6%).

As regards the decline in arrivals of tourists from the UK in the current environment of negotiations on the UK's leaving the EU (Brexit), the percentage of total passenger traffic represented by passengers to and from the UK has declined to 16.4% compared with 18.1% in the same period of 2017.

By autonomous regions, Catalonia remained the leading tourist destination (more than 6.5 million, 2.1% down on the same period of 2017), followed by the Canary Islands (5.8 million, down by 2.0%) and Andalusia (4.1 million, up by 2.4%).

The majority of foreign tourists visiting Spain in the first five months of 2018 came by air (23.7 million, or 82.8% of the total), 15.1% came by road and 2.1% used other means of transport (rail and sea). That said, it is appropriate to highlight the fact that Spain has a significant position as a gateway to and from Latin America by air. Figures for the first five months of the year show 24.3% of traffic between Europe and Latin America originating from Adolfo Suárez Madrid-Barajas Airport.

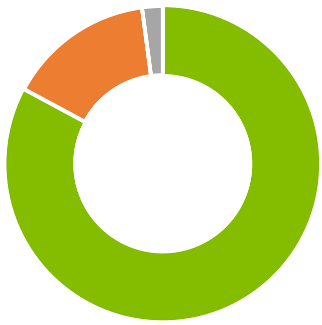


Figure 1. Distribution of tourists by means of access

[1] Information for the first quarter of 2018 published on 31 May 2018.
[2] Provisional data to May published by the National Statistics Institute (FRONTUR) on 2 July 2018.

2.2. Traffic in the Aena airport network in Spain

In the first half of 2018 passenger traffic in the airport network in Spain grew by 6.8%, reaching 121.1 million. This growth was favoured by the positive trend in domestic traffic (+11.8), driven by the growth trend in the Spanish economy and by the increase in the central government subsidy of inter-island traffic from 50% to 75%, applied since 28 June 2017.

International traffic increased by 4.7%, reducing its contribution to the total number of passengers (68.6%) slightly, compared to the first half of 2017 (70.0%). Despite the international traffic growth, we saw a decrease in the number of passengers to and from the UK (-3.2%), due among other reasons to the progressive recovery of alternative tourist destinations that, in a stable environment, are very competitive and to the impact of Brexit being reflected in the trends in exchange rates.

As regards the number of movements, 1,073,712 flights were recorded, representing an increase of 6.1% relative to the same period of last year.

The volume of freight continued to increase significantly, by 13.3%, to reach 481,673 metric tons.

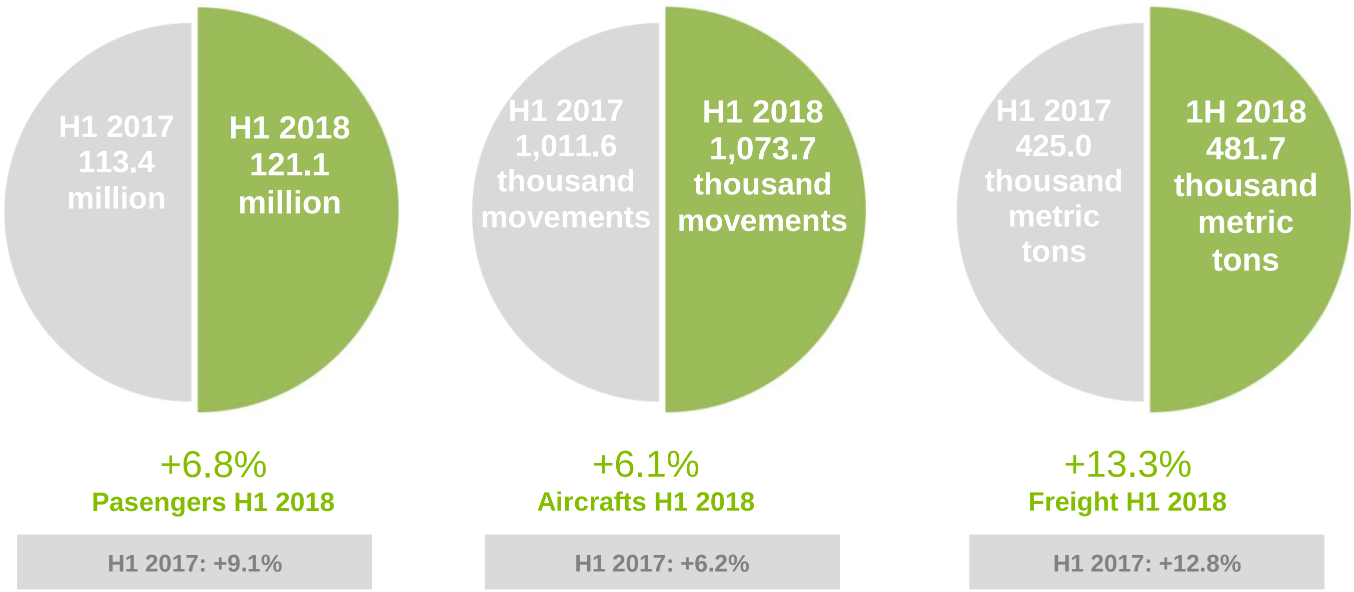


Figure 2. Traffic in the Aena airport network

2.3. Analysis of air passenger traffic by airports and airlines

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

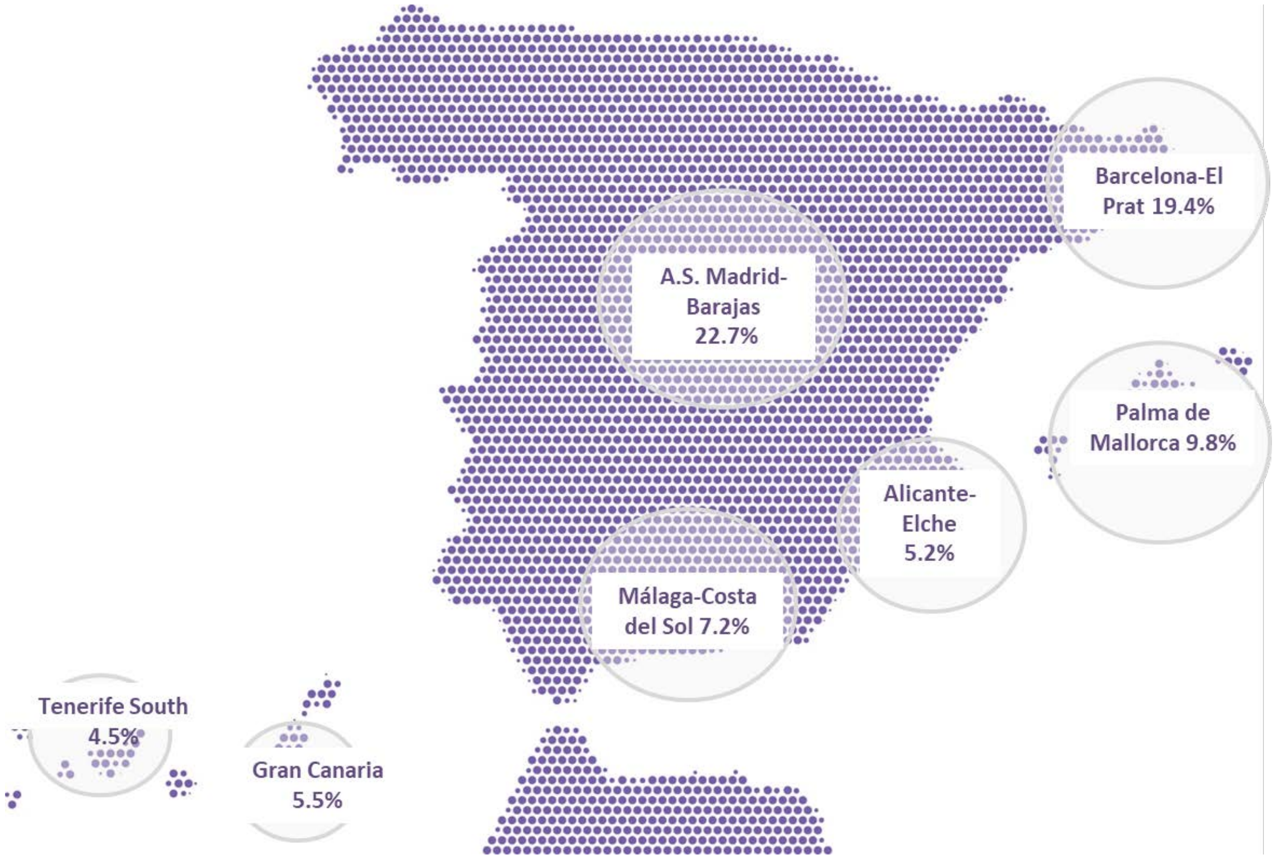


Figure 3. Share of passenger traffic at major airports in Spain

Airports and Groups of airports	Passengers			Aircraft movements			Freight		
	Millions	**Change 2018 / 2017**	**Share of Total**	**Thousands**	**Change 2018 / 2017**	**Share of Total**	**Metric tons**	**Change 2018 / 2017**	**Share of Total**
Adolfo Suárez Madrid-Barajas	27.5	8.2%	22.7%	198.4	5.0%	18.5%	249,481	12.3%	51.8%
Barcelona-El Prat	23.5	6.5%	19.4%	160.1	4.3%	14.9%	81,167	12.7%	16.9%
Palma de Mallorca	11.9	4.5%	9.8%	92.4	4.7%	8.6%	5,042	3.2%	1.0%
Total Canary Islands Group	21.9	4.7%	18.1%	202.4	11.6%	18.9%	18,405	-2.1%	3.8%
Total Group I	29.3	7.8%	24.2%	247.6	5.8%	23.1%	19,416	2.4%	4.0%
Total Group II	6.2	7.6%	5.1%	87.8	2.9%	8.2%	76,509	29.4%	15.9%
Total Group III	0.7	24.1%	0.6%	85.0	6.0%	7.9%	31,652	8.9%	6.6%
TOTAL	**121.1**	**6.8%**	**100.0%**	**1,073.7**	**6.1%**	**100.0%**	**481,673**	**13.3%**	**100.0%**

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

Adolfo Suárez Madrid-Barajas is the leading airport of the network in terms of passenger traffic, aircrafts and freight, accounting for 22.7% of the total number of passengers in the Spanish network (27.5 million). In the first half of 2018, the number of passengers increased by 8.2% relative to the same period of last year (domestic traffic by 9.1% and international traffic by 7.9%).

As regards the number of aircraft movements, a total of 198,375 flights operated out of this airport, 5.0% more than in the same period of 2017.

In addition, freight, which accounts for more than half of the total volume passing through the network, increased by 12.3% to 249,481 metric tons transported.

At **Barcelona-El Prat Airport,** passenger traffic grew by 6.5% (domestic by 6.7% and international by 6.3%) to 23.5 million.

There were 160,127 movements, a year-on-year increase of 4.3%, while freight maintained its significant growth trend with a 12.7% increase in volume to 81,167 metric tons (16.9% of the total freight handled in the network).

Passenger traffic at **Palma de Mallorca Airport** reached 11.9 million, up by 4.5% year-on-year (domestic up 11.2% and international by 2.2%).

Aircraft movements increased by 4.7% to 92,406.

In the **Canary Islands Group**, the number of passengers passing through the islands' eight airports increased by 4.7% to 21.9 million (those on domestic flights increasing by 20.0% and those on international flights falling by 2.1%).

The eight airports in **Group I** grew by 7.8% in passenger traffic, to 29.3 million, the main increases being seen in Seville (+26.9%) and Valencia (+20.1%). Traffic at Málaga-Costa del Sol Airport increased by 3.1% and traffic at Alicante-Elche Airport was up by 2.0%. In this group domestic traffic grew by 12.9% and international traffic by 5.9%.

The 11 airports in **Group II** posted overall growth in passenger traffic of 7.6%, to 6.2 million. This growth was seen in both domestic and international traffic (8.8% and 5.9% respectively).

In this group it is worth highlighting the 29.7% increase in the volume of freight handled at Zaragoza airport, which accounted for 15.5% of the freight handled in the network.

The airports in **Group III**, those with the lowest volumes of traffic, posted an increase of 24.1% (to 0.7 million passengers).

In this group the 8.9% growth in freight volumes seen at Vitoria airport stands out (6.5% of all cargo handled in the network).

As part of the result of the **airport marketing** activity, 201 new routes[1] were opened during the first half of 2018 from airports in the Aena network: 22 with domestic destinations, 170 medium-haul[2] and nine long-haul[3] (Madrid-San Francisco with Iberia and Tenerife South-Moscow with S7 Airlines and Siberian, among others).

The airports with the greatest numbers of new routes were: Palma de Mallorca (40), Málaga-Costa del Sol (21), Fuerteventura (13), Adolfo Suárez Madrid-Barajas (12) and Alicante-Elche (12).

By airlines, those with the greatest numbers of new routes were: Ryanair (29), Laudamotion (24), Vueling (14), easyJet (12), Olympus Airways (11) and Volotea (11). Also notable were the four new routes opened in June from Málaga to Riyadh (Saudia), Doha (Qatar Airways), Kuwait (Wataniya Airways) and Jeddah (Saudia).

We would also mention the operational base established on 22 March by Volotea at Bilbao Airport from which it will operate a Boeing 717.

As far as the distribution of traffic by **geographical regions** is concerned, in addition to the increase in the share of domestic passengers already commented on, it is worth pointing out the sustained growth in traffic to “Asia and others” (+32.5%) and “North America” (+17.9%), which despite these being lightweight markets in absolute terms, shows the positive impact that the airport marketing measures implemented by the Company are having.

Region	Passengers H1 2018	Change %
Europe (1)	73,385,891	3.9%
Spain	38,008,856	11.8%
Latin America	3,664,194	6.3%
North America (2)	2,536,223	17.9%
Africa	1,526,741	10.1%
Middle East	1,429,849	6.9%
Asia and Others	516,272	32.5%
TOTAL	**121,068,026**	**6.8%**

(1) *Excluding Spain*
(2) *Comprises the US, Canada and Mexico*

Table 2. Distribution of air traffic by geographical regions

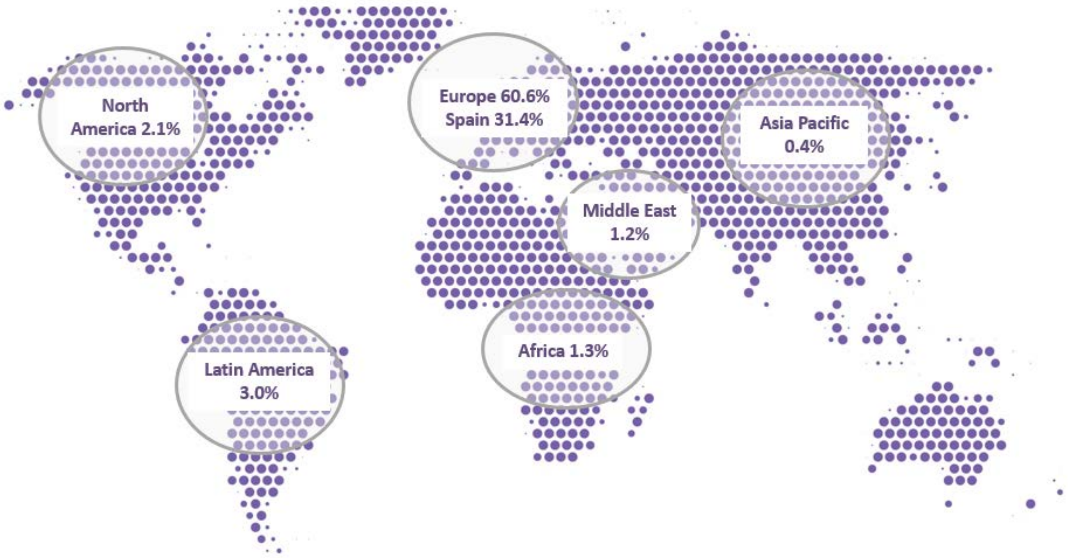


Figure 4. Map of distribution of traffic by geographical regions

[1] Routes with more than 5,000 passengers in 2018 and fewer than 1,000 in 2017.
[2] Routes of less than 4,000 Km and destination in the EEA (excluding Spain).
[2] Routes of more than 4,000 Km and destination non-EEA.

By **countries**, total traffic of the network of airports continues to be concentrated in Spain, the UK, Germany, Italy and France, five countries that together account for a 69.6% market share, slightly lower than in the first half of 2017 (70.1%).

Notable among these countries, as already remarked, is the 3.2% decline in the number of passengers to and from the UK, reflecting the slowing trend relative to the same period of 2017, affected among other things by the recovery of alternative tourist destinations to Spain and its effect on demand.

Country	Passengers		Change		Share (%)	
	H1 2018	H1 2017	%	Passengers	H1 2018	H1 2017
Spain	38,008,856	33,998,465	11.8%	4,010,391	31.4%	30.0%
UK	19,883,942	20,545,431	-3.2%	-661,489	16.4%	18.1%
Germany	13,246,106	12,845,620	3.1%	400,486	10.9%	11.3%
Italy	6,925,587	6,306,474	9.8%	619,113	5.7%	5.6%
France	6,224,239	5,782,461	7.6%	441,778	5.1%	5.1%
Netherlands	4,113,040	3,933,955	4.6%	179,085	3.4%	3.5%
Switzerland	2,958,848	2,919,556	1.3%	39,292	2.4%	2.6%
Belgium	2,876,269	2,770,025	3.8%	106,244	2.4%	2.4%
Portugal	2,259,420	1,944,242	16.2%	315,178	1.9%	1.7%
Ireland	1,972,958	1,876,465	5.1%	96,493	1.6%	1.7%
Sweden	1,921,464	1,903,027	1.0%	18,437	1.6%	1.7%
US	1,916,280	1,581,185	21.2%	335,095	1.6%	1.4%
Denmark	1,691,590	1,604,349	5.4%	87,241	1.4%	1.4%
Norway	1,484,127	1,455,510	2.0%	28,617	1.2%	1.3%
Poland	1,213,779	1,055,982	14.9%	157,797	1.0%	0.9%
Total Top 15	**106,696,505**	**100,522,747**	**6.1%**	**6,173,758**	**88.1%**	**88.7%**
Other countries	**14,371,521**	**12,835,394**	**12.0%**	**1,536,127**	**11.9%**	**11.3%**
Total Passengers	**121,068,026**	**113,358,141**	**6.8%**	**7,709,885**	**100.0%**	**100.0%**

Table 3. Distribution of air traffic by country

With regard to the distribution of passenger traffic by **airline**, we see low-cost carriers consolidating the growth in their share and accounting for 55.6% of the total (54.2% in the first half of 2017) while the remaining 44.4% are legacy carriers (45.8% in the first half of 2017). Nonetheless, the degree of concentration remains moderate.

By airlines, Aena's main customers continue to be the IAG Group and Ryanair. The former, comprising Iberia, Iberia Express, Vueling, British Airways, Aer Lingus and Level, increased its share of total passenger traffic from 26.2% in the first half of 2017 to 27.8%, while Ryanair also increased its share but only slightly, from 18.0% to 18.3%. Among the remaining airlines mention should be made of the sustained increase in activity of Jet2.Com, with 30.0% growth in the number of passengers, mainly from the UK to tourist destinations in Spain, and the 22.4% of Grupo Binter, which mainly operates among the airports of the Canary Islands Group.

As for the long-haul flights started by low-cost carriers Norwegian and Level (IAG Group) in June 2017 with new routes from Barcelona, from then until the end of this period this activity, which is new for Spain, has carried more than 647,000 passengers (close to 340,000 in the first half of 2018).

It is also appropriate to highlight the continuing and growing trend in the process of consolidation in the airline industry, involving the gradual absorption of passengers by other airlines, as is happening in the cases of Air Berlin and Monarch.

Company	Passengers		Change		Share (%)	
	H1 2018	H1 2017	%	Passengers	H1 2018	H1 2017
Ryanair	22,123,250	20,410,695	8.4%	1,712,555	18.3%	18.0%
Vueling	17,884,266	15,597,357	14.7%	2,286,909	14.8%	13.8%
Iberia	9,099,718	8,294,774	9.7%	804,944	7.5%	7.3%
Air Europa	8,088,262	7,412,914	9.1%	675,348	6.7%	6.5%
Easyjet (1)	7,669,836	7,087,039	8.2%	582,797	6.3%	6.3%
Norwegian Air (2)	4,745,730	4,453,166	6.6%	292,564	3.9%	3.9%
Iberia Express	4,478,247	3,980,858	12.5%	497,389	3.7%	3.5%
Air Nostrum	4,053,414	3,600,999	12.6%	452,415	3.3%	3.2%
Binter Group (3)	3,295,576	2,692,753	22.4%	602,823	2.7%	2.4%
Jet2.Com	2,988,280	2,299,312	30.0%	688,968	2.5%	2.0%
Eurowings	2,525,160	1,568,319	61.0%	956,841	2.1%	1.4%
Thomson Airways	2,113,462	2,191,964	-3.6%	-78,502	1.7%	1.9%
Lufthansa	1,980,949	1,729,154	14.6%	251,795	1.6%	1.5%
Transavia	1,711,983	1,730,396	-1.1%	-18,413	1.4%	1.5%
Condor	1,477,143	1,370,687	7.8%	106,456	1.2%	1.2%
Total Passengers	**121,068,026**	**113,358,141**	**6.8%**	**7,709,885**	**100.0%**	**100.0%**
Total Low Cost Passengers (4)	**67,298,437**	**61,405,070**	**9.6%**	**5,893,367**	**55.6%**	**54.2%**

(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 passenger traffic of low-cost carriers on regular flights.

Table 4. Distribution of air traffic by airlines

International activity

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

Millions of passengers	H1 2018	H1 2017	Change (1) %	Aena's shareholding %
London Luton (UK)	7.7	7.5	2.5%	51.0%
Grupo Aeroportuario del Pacífico (GAP) (2) (Mexico)	22.4	20.1	11.8%	5.8%
Aerocali (Cali, Colombia)	2.3	2.7	-15.5%	50.0%
SACSA (Cartagena de Indias, Colombia)	2.5	2.4	7.1%	37.9%
TOTAL	**35.0**	**32.7**	**7.0%**	**-**

(1) Percentage changes calculated in passengers

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

Table 5. Passenger traffic at investee airports

London Luton Airport saw its passenger traffic increase by 2.5%. This growth was moderate, due to the bankruptcy of Monarch and the reduction in routes offered by Ryanair to EU destinations, which was only partly offset by new operations of Easyjet and Wizz Air.

Total passenger traffic of **GAP** ("Grupo Aeroportuario del Pacífico") grew by a significant 11.8% in the first half of 2018, in line with the annual estimate published by the Company on 16 January 2018, with traffic performing particularly well at the group's main Mexican airports: Guadalajara, Tijuana, Guanajuato and Mexicali, as well as Montego Bay in Jamaica.

As for **Cali Airport,** it is worth mentioning that passenger traffic here has yet to benefit from the recovery in the Colombian macroeconomic environment, which was severely affected between 2015 and 2017 by the fall in the price of petrol. In addition to the loss of both national and international routes due to the economic slowdown, the Avianca pilots' strike in the last quarter of 2017 also had a negative impact on passenger traffic at the airport. As of June 2018, not all the flights cancelled during the conflict had been recovered, although the majority of these are expected to resume in September.

Cartagena de Indias Airport was also affected by the Avianca strike, albeit to a lesser extent than Cali due to its lesser degree of dependence on this airline and its greater tourism component, which enabled it to recover routes more quickly. Growth in international traffic also favoured the 7.1% increase due to the introduction of new routes and airlines.

2.4. Commercial activity

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

During the first half of 2018 revenue from this activity, accounting for 26.8% of the Group's total revenue, reached €519.1 million, representing an increase of 8.8%. This growth comes mainly from the positive evolution of passenger traffic, as well as the boost to commercial activity from new bidding processes with improved contractual conditions, providing access to airports for new operators with recognised experience and reputation, although the increase in the proportion of low-cost carrier passengers with less propensity to spend in the passenger traffic mix, as well as Brexit and the depreciation of sterling, continue to affect revenue from this activity.

On a per passenger basis, commercial revenue in the first half of 2018 was €4.3, slightly less than in the same period of 2017 (€4.2). This amount includes revenue from commercial activities inside the terminal and from car parks, but does not take into account income from real estate services, which form a different business segment.

As for contractual conditions, we would point out that 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 a minimum annual guaranteed rent (MAG) which ensures that the lessee pays a minimum amount regardless of the level of sales made. The following graph shows how the minimum annual guaranteed rents for each business line will evolve until 2022 for contracts in force at 30 June 2018:

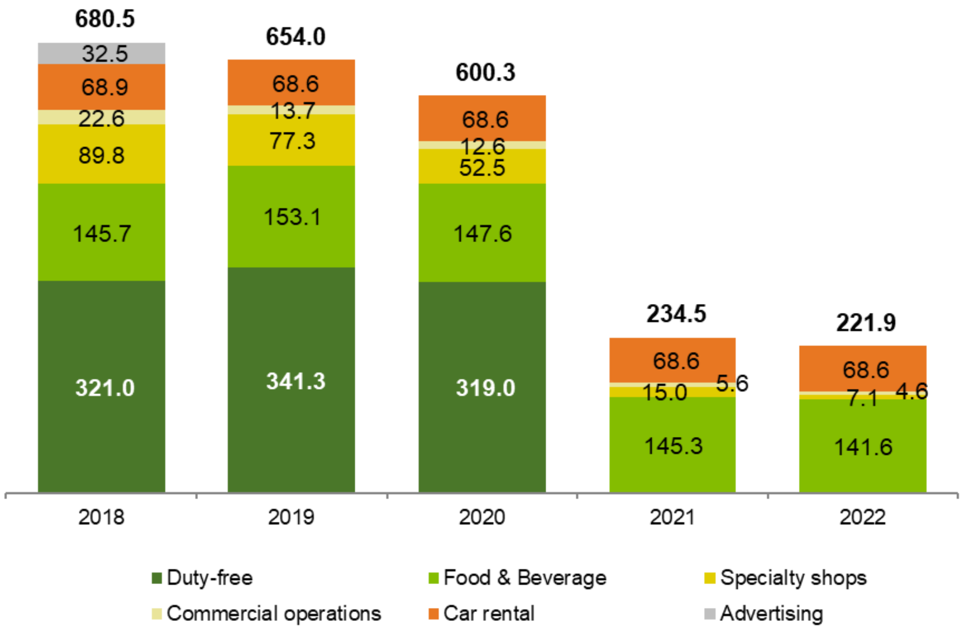


Figure 5. Minimum annual guaranteed rents by business line

Figures in millions of euros. The MAGs have been adjusted pro rata to the actual days on which contracts begin and end. Commercial operations include contracts for financial and regulated services (currency exchange, pharmacies, tobacco shops, etc.)

3. Business lines

The main results figures for Aena for the six months to 30 June 2018 are shown below itemised by segments. The airports segment accounts for 95.5% of total EBITDA (aeronautical activity represents 59.0% and commercial activity contributes 36.5%), the real estate services segment contributes 1.3%, and international business accounts for 3.2%.

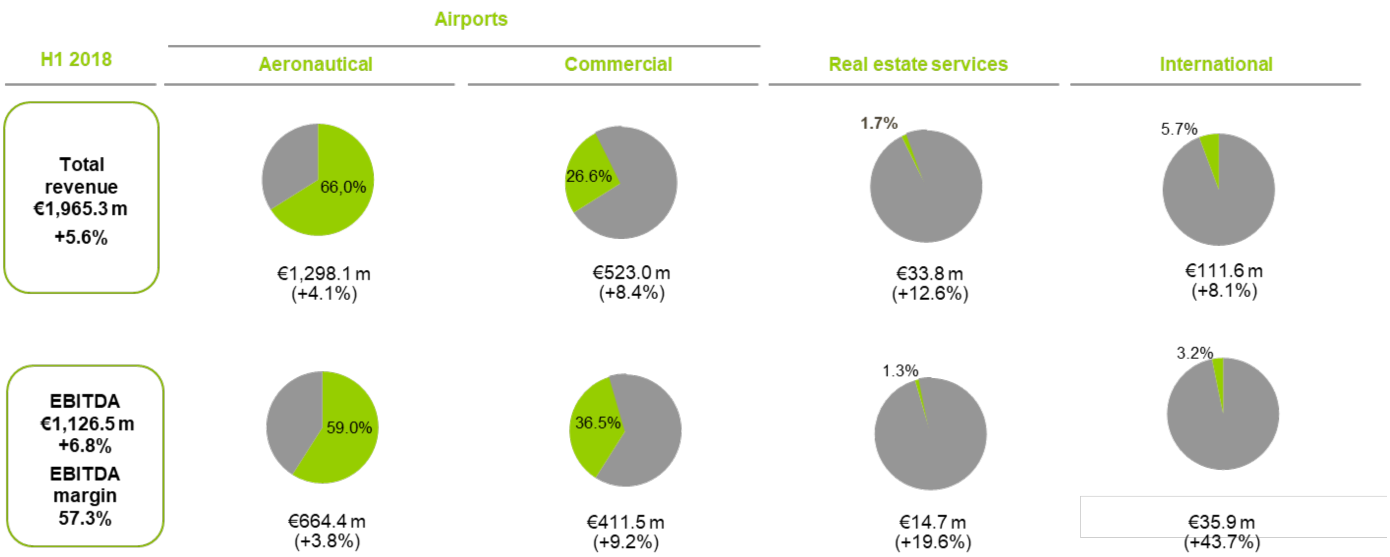


Figure 6. Aena main results by business line

3.1 Airports segment

3.1.1 Aeronautical

Process of consultation on airport charges 2019

In accordance with the provisions of the legislation (Law 18/2014 and Directive 2009/12/EC on airport charges), in May, June and July the process of consultation took place between Aena and the associations of airlines using the airports on the updating or revision of airport charges for 2019.

In the course of this process of consultation Aena has provided users and the CNMC (Spain's National Authority for Markets and Competition), which performs the functions of Independent Supervisory Authority, with the information required by the legislation and a proposal of charges which meets the requirements established in the Airport Regulation Document (DORA).

The first meeting in the consultation process was held on 21 May, the second on 21 June, and a third on 13 July, at which the definitive charges proposal for 2019 was presented to the Board of Directors of Aena, which approved it on 24 July. The new charges must be communicated to the CNMC, the users' associations and the General Directorate for Civil Aviation (DGAC) by 31 July.

The users called upon by Aena to take part in the consultative process belong to the following associations and airlines:

- IATA: International Air Transport Association
- A4E: Airlines for Europe
- AIRE: Airlines International Representation in Europe
- ACETA: Asociación de Compañías Españolas de Transporte Aéreo (Association of Spanish Air Transport Companies)
- ALA: Asociación de Líneas Aéreas
- AECA: Asociación Española de Compañías Aéreas (Spanish Airline Association)
- AOC España: Comité de Operadores de Líneas Aéreas (Committee of Airline Operators)
- RACE: Real Aeroclub de España (Royal Aero-Club of Spain)
- RFAE: Real Federación Aeronáutica Española (Spanish Royal Aeronautical Federation)
- AOPA: Aircraft Owners and Pilots Association
- Ryanair
- Norwegian
- Jet2.com

The meetings of this process were also attended by the CNMC, the DGAC and AESA (the Spanish Aviation Safety and Security Agency) as observers.

As a result of this process, the Board of Directors of Aena approved the proposed charges applicable from 1 March 2019, consisting in the freezing of the adjusted maximum annual income per passenger (IMAAJ) for 2019 relative to the maximum annual income per passenger (IMAP) established in the DORA at €10.42 per passenger for 2018, as a result of the adjustments established by the DORA regarding the performance incentive for levels of quality and the traffic structure corresponding to year-end 2017.

International Airport of the Region of Murcia

February saw the signing of the contract for the management, operation, maintenance and conservation of the International Airport of the Region of Murcia for a term of 25 years, incorporating this airport into Aena’s Spanish network. According to the forecast calendar, this airport is expected to start operations in January 2019.

Aeronautical activity

During the period there have been some important changes in the provision of **airport services**. Prominent among them were the launch, between February and April, of the new assistance service for persons with reduced mobility (at the main airports of Aena's Spanish network), as well as the new contrats for private security service (in the majority of the airports awarded) and the cleaning and luggage cart services (at 15 airports) that went into operation in May and June.

In the field of **operational security and emergency management**, we completed the implementation of the Business Continuity and Disaster Recovery Plan at the seven busiest airports in the network. This plan defines the sequence of actions to be taken at the airport following an emergency, to ensure continuity of the activity and the operations in strict conditions of safety with the objective of avoiding or minimising the associated potential risks.

In the area of **facilities and maintenance**, we launched the Strategic Airport Maintenance Plan for 2018-2021 (PEMA in the Spanish acronym), which aims to rationalise and standardise maintenance services in the network.

As regards **airport security**, it is important to highlight the awarding of the contract to provide passenger assistance service at the passport control point of the main airports in support of the National Police. Also, in line with the foregoing, automated border control (ABC) equipment has been supplied to Adolfo Suárez Madrid-Barajas, Barcelona, Palma de Mallorca, Málaga, Alicante, Menorca and Ibiza airports.

Last but not least we must pay tribute to the work done in the second quarter by the 24-hour network management centre (CGRH24) in resolving operational issues, in coordination with ENAIRE, due to strikes in France and adverse weather conditions affecting air traffic in Aena's network.

The following is a summary of the most significant figures of the aviation activity during the first half of 2018:

Thousands of euros	H1 2018	H1 2017	Change	% Change
Revenue	1,273,801	1,217,829	55,972	4.6%
Airport charges[1]	1,235,632	1,181,322	54,310	4.6%
Passenger	564,261	537,990	26,271	4.9%
Landing	339,688	323,061	16,627	5.1%
Security	194,901	189,808	5,093	2.7%
Boarding bridges	51,719	51,828	-110	-0.2%
Handling	46,365	41,616	4,749	11.4%
Fuel	15,746	15,380	366	2.4%
Parking	17,902	16,932	970	5.7%
Catering	5,050	4,707	344	7.3%
Other airport services[2]	38,169	36,507	1,662	4.6%
Other operating income	24,326	28,972	-4,646	-16.0%
Total Income	1,298,127	1,246,801	51,326	4.1%
Total expenses (including depreciation and amortisation)	-947,536	-919,489	28,047	3.1%
EBITDA[3]	664,398	640,198	24,200	3.8%

(1) The amounts for passenger fees, landing charges and security charges are shown net of commercial incentives: €9.6 million en H1 2018 (€14.4 million in H1 2017).

(2) Includes airport products, use of 400 Hz airbridges, fire-fighting services, check-in counters and other revenue.

(3) Earnings before interest, tax, depreciation and amortisation.

Table 6. Key figures of the aeronautical activity

Total income from the aviation activity increased to €1,298.1 million (up by 4.1% compared with the first half of 2017) due to the growth in traffic (6.8% increase in passenger traffic and 6.1% increase in the number of aircraft movements).

Conversely, the impact of the 2.22% reduction in charges from 1 March 2017 and a further 2.22% from 1 March 2018 amounted to €27.2 million.

The effect of the traffic incentives entailed provisioning €9.6 million in the first half of 2018 (net of the reversal of €3.0 million of provisions from previous years) as against €14.4 million in the same period of 2017 (net of the regularisation of €3.9 million), it being important to point out that the commercial incentive for 2017 started on 1 April, coinciding with the start of the summer season, so no incentives accrued in respect of traffic of the first quarter of 2017.

Rebates for passengers on connecting flights amounted to €35.1 million, slightly higher than the amount for the first half of 2017 (€32.9 million).

Total expenses of the aviation activity increased by 3.1% relative to the same period of 2017. Without including depreciation and amortisation, total expenses increased by 4.5%. This increase was due to the increase in employee benefits and other operating expenses as explained in section 4. Statement of profit or loss.

As a result of the above-mentioned effects, EBITDA improved by 3.8% to €664.4 million.

As for the main actions carried out at the airports in the network and with the main objective of maintaining the quality of service provided to passengers and airlines, the following are particularly noteworthy:

Passenger services

To improve the passenger experience at its airports, Aena continuously carries out actions both in the terminal buildings and in other landslide areas by improving cleaning services, assistance services to persons with reduced mobility (PRM), passenger information and other services.

Cleaning

In the second quarter of 2018 the contracts for cleaning and luggage cart services were awarded at 15 airports for a total of €18.7 million for one year period. These contracts correspond to Phases I and II of the Strategic Cleaning Plan, which concerns 30 airports in the network and for which the total amount put out to tender is €70.2 million.

Between May and June the new contracts came into force at ten airports, and on 1 July the new services started at five of the Canary Islands Group airports, corresponding to lots 2 and 3 of Phase II.

The main objective of the new contracts is to fulfil the commitment to improving levels of quality, complying with the Airport Regulation Document (DORA) for 2017-2021 and enhancing the quality offered to passengers. It establishes a model that stresses the values of quality, efficiency and flexibility, as well as modernising the service, for which it introduces digitisation of the service by means of a centralised management tool which works through a real-time incident resolution platform.

PRM service

From February to April, the new service contracted entered into operation to assist persons with reduced mobility at the 20 main airports in the network. The amount of the four-year contract is €272.5 million.

This new service awarded is aimed directly at improving quality, for passengers and airlines, with more stringent demands, incorporating 117 ambulifts, 79 vans and 2,962 wheelchairs, as against the 67 ambulifts, 53 vans and 1,445 wheelchairs that the service had previously.

Additionally, we are implementing the use of mobile devices for customer attention, including a new format for assessing satisfaction surveys allowing language barriers to be overcome and the number of surveys assessed to be increased. This project forms part of the digitisation of the PRM assistance service initiated with the implementation of these technological innovations.

Passenger information

With the dual objective of enhancing both the passenger experience at the airports and the Company's image, we have designed new uniforms for the Passenger, User and Customer Service staff.

Additionally, the Contact Centre has come into operation, replacing the former Call Centre, to provide services in addition to telephone assistance, such as chats on websites, management of complaint and suggestion boxes and telephone booking of PRM and parking services, which allow expansion of the channels of communication with and services to passengers.

Other services

During this period, Aena also took part in the 39th ACI Europe (Airports Council International) Facilitation & Customer Services Committee Meeting, the objective of which is to promote best practices that ensure the highest quality standards at airports.

It also took part in organising a meeting of the AQC (Airports Quality Club) committee at Madrid airport with the objective of continuously improving the passenger experience at the airport.

Airline services

With the aim of providing better service to airlines in their activity at its airports, Aena regularly carries out various actions, notably relating to handling and fuel services. During the period the following actions were particularly noteworthy:

Handling

Among the various projects to expand and improve handling services on which Aena is working, the following stand out:

- The creation of a new check-in service (self bag drop) giving passengers an automated system for carrying out the entire check-in process without the need for external human intervention**.**
- The study on the current use of conventional check-in counters at the Adolfo Suárez Madrid-Barajas and Barcelona-El Prat airports, aimed at proposing improvements contributing to better distribution of passenger traffic and increased service capacity.
- Benchmarking against other European airports as regards IATA Resolution 753 which requires airlines, in collaboration with handling agents and airports, to implement baggage tracking in real time from check-in to return to passenger, informing the passenger of its location.

Fuel and Into-Plane services

As regards this service, during the period we continued with the competitive bidding process for the provision of fuel services at 41 Aena network airports for a period of seven years.

Increased competition, improved quality of service and limitation of prices are the key factors in these bidding processes.

Air traffic services

A notable milestone was passed on 26 April with the start of provision of air traffic services (ATS) at Córdoba airport. It is a form of AFIS (aerodrome flight information service) facilitating the operation of commercial passenger flights at the airport.

In the second quarter we also contracted the provider of air traffic services for the International Airport of the Region of Murcia (AIRM), and carried out the calibration of radio assistance and manoeuvres at that airport.

International Airport of the Region of Murcia

Operational systems

Having obtained "Advanced Tower" certification for Ibiza and Menorca airports in the first quarter of 2018, during the second quarter we continued to move ahead with the integration of the airports in the Aena network with the A-CDM (Airport Collaborative Decision Making) and Advanced Tower programmes promoted by Eurocontrol.

These programmes are based on the exchange of information among all players involved in operating flights, with the objective of promoting joint decisions, improving punctuality, reducing the cost of movements and mitigating the environmental impact.

At the same time, the integration projects were started in Lanzarote and Fuerteventura among the airports certified as Advanced Tower with the objective of incorporating close to 70% of the network's operational traffic into them in 2018.

We also implemented the changes incorporated in:

- Apron Safety Rules, which introduce safety improvements for vehicles circulating in restricted zones, and

- the Operational Safety Information Management System (SGISO in the Spanish acronym) which incorporates the Internal Occurrence Reporting System (IORS) in the new standard European format (ECCAIRS) to improve the quality and availability of information relating to safety incidents.

Operations

Air field and apron

In order to define the procedures associated with the implementation of the new model for reporting runway surface conditions in the event of snow, ice or water which must be applied starting in November 2020, we launched a working group together with ENAIRE and AESA (Spanish Aviation Safety and Security Agency). This new reporting model will standardise the information transmitted to flight crews, allowing more precise adjustment of operation on runways.

Apart from this, we updated the operating instructions to comply with the new requirements of Royal Decree 1036/2017 on the coordination of operations with RPAS (Remotely Piloted Aircraft Systems, or drones) and Royal Decree 920/2017 regarding technical inspections of vehicles.

Aena also hosted the fifth ACI-organised Aerodrome Regulation Implementation Exchange (ARIE) workshop. This workshop brought together a technical group to exchange experiences on implementing the Airport Certification processes in Europe.

Operational safety

In the area of operational safety we would highlight the fact that in the second quarter of 2018, ten checks were carried out on the Operational Safety Management System. These checks were performed at the Sabadell, Málaga, Tenerife South, Ibiza, Granada, Pamplona, Valencia, Jerez and Palma de Mallorca airports and at the Algeciras Heliport.

In May we also established the Central Operational Safety Office, with the objectives of continuous improvement of the operational safety management systems and maintaining certifications so as to provide support for the airports in groups II and III and the Canary Islands group, with fewer than 20,000 operations per year.

This period also saw the launch of the coordination meetings for airports verified in the framework of Royal Decree 862/09, with AESA, the Spanish Aviation Safety and Security Agency.

Aircraft rescue and fire fighting (ARFF)

During the second quarter of 2018, the annual review of the ARFF categories of the airports was carried out, and AESA, the Spanish Aviation Safety and Security Agency, was asked to approve ARFF category 7 for Burgos Airport, which will allow aircraft of 39 to 49 metres in length and up to 5 metres body width to be routinely operated at this airport.

Emergency management

The Emergency Drills Plan in the Aena airport network covers the scheduling of drills that each airport and heliport must carry out pursuant to the relevant AESA Technical Instruction.

During the second quarter of 2018, 14 full-scale drills were conducted at airports in the network (Málaga-Costa del Sol, San Sebastián, La Palma, Madrid-Cuatro Vientos, Palma de Mallorca, Barcelona-El Prat, Pamplona, Lanzarote, FGL Granada-Jaén, Valencia, Asturias, El Hierro, Gran Canaria and Vigo).

We also completed the implementation of the Business Continuity and Disaster Recovery Plan at the seven busiest airports in the network. This plan defines the sequence of actions to be taken at the airport following an emergency, to ensure continuity of the activity and the operations in strict conditions of safety with the objective of avoiding or minimising the associated potential risks.

Meteorological service

In the course of the process of coordinating with AEMET (the Spanish State Meteorological Agency) and the ATS providers on the agreement for the implementation of an automated service issuing periodic aviation weather reports at several airports, during this period the second follow-up meeting was held.

Control of fauna

In accordance with the European regulations, during the second quarter of 2018, we drew up and reviewed Fauna Risk Management Programmes for 40 airports. These programmes define the procedures for self-assessment and updating in accordance with changes in the environment and in airport traffic so as to manage the fauna-related risks inherent in the airport environment.

Operating capacity

For the 2018 summer season started at the end of March, the runway operating capacity of Alicante-Elche and Málaga-Costa del Sol airports has been increased, as has the operating capacity of the terminal building at Seve Ballesteros-Santander Airport.

Alicante Airport

Other operational safety actions

As regards actions carried out in the field of operational safety, we would mention that the "Products of Animal Origin for Human Consumption" category of the Vitoria Airport border inspection post, which was suspended in 2012 for lack of activity, has been reinstated.

Border inspection posts (BIPs) are facilities that airports must have for health inspection prior to products of animal origin and live animals from third countries being allowed into the country, with the agreement of both the ministries concerned (Ministry of Health and/or Ministry of Agriculture) and the European Commission.

Physical security

In this area we would highlight the fact that in April contracts were awarded for the private security service of 44 of the 47 airports for which bids were submitted, covering the requirements set forth in the Airport Regulation Document (DORA) for 2017-2021, as well as the conditions of the State Collective Bargaining Agreement with private security companies for the period 2017-2020, which was signed on 8 November 2017 by the business associations of the sector and the trade union organisations.

These services started in June at all airports with the exception of Adolfo Suárez Madrid-Barajas airport, where they went into operation in July.

The total value of the contracts awarded amounts to €345.5 million for a period of two years, and the contracts have the dual objective of continuous improvement of the levels of quality provided in the security service, in accordance with the DORA, and maintaining the highest quality standards reached in the past few years, endorsed by the AESA and European Commission audits. Based on the cost of this service in 2017, the new contracts represent a cost increase of more than 20%.

They also establish different management models focused on boosting effectiveness, efficiency and quality depending on the characteristics of each airport, and the involvement of all the players (security companies and guards) by including bonuses and penalties linked to achievement of objectives.

Border control

In order to make the National Police's passport control easier, automatic equipment is to be installed in July, and in the second quarter of 2018 contracts were awarded for the passenger assistance service at the passport control points at several airports in the network: Madrid, Barcelona, Palma de Mallorca, Málaga, Alicante, Gran Canaria, Tenerife South, Lanzarote and Fuerteventura.

The supply of automated border control (ABC) equipment to Madrid, Barcelona, Palma de Mallorca, Málaga, Alicante, Menorca and Ibiza airports also started.

Security Equipment

In compliance with the requirements of Commission Implementing Regulation (EU) 2015/1998, the operational trials of the Standard 3 hold inspection equipment were completed at Adolfo Suárez Madrid-Barajas Airport.

Apart from this, a start was also made on automating processes in security filters at Madrid and Ibiza airports.

Other physical security actions

During the period Airport Security Checks were carried out at five airports (Palma de Mallorca, Alicante, Girona, Logroño-Agoncillo and Melilla) auditing the application of the National Civil Aviation Security Programme.

We also held an all-day session on Contingency Plans together with the Guardia Civil and private security to coordinate any contingencies that might arise and minimise their effects on the operation of the airports.

Facilities and Maintenance

During the second quarter of 2018, we started the first phase of the Strategic Airport Maintenance Plan (PEMA in the Spanish acronym), covering a period of four years, 2018-2021. This plan aims to rationalise and standardise maintenance services in the Aena airport network.

24-Hour Network Management Centre

The 24-Hour Network Management Centre ("CGRH24"), as the centre for operational incidents of the Aena network, permanently monitors the operational status of the entire airport network, coordinating with SYSRED, the program used by ENAIRE on incidents affecting flight operations.

Among the main incidents in the second quarter were the ATC strike at the Marseille Area Control Centre during the weekends of 7-8 and 28-29 April, which affected the entire network and particularly traffic controlled by the Barcelona area control centre, the general strike in France on 22 and 23 May which affected the whole of Europe and in particular the whole of the Aena network, the failure of Eurocontrol's ETFMS system which provides information with flight plans, as a result of which the Contingency Plan was activated for six hours, affecting air traffic throughout Europe and the application of Specific Regulations for Adverse Weather Conditions, which affected the whole of Europe and the whole of the Aena network in widely different ways during the period.

CGRH24 Madrid-Barajas Airport

3.1.2 Commercial activity

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

Thousands of euros	H1 2018	H1 2017	Change	% Change
Revenue	519,139	477,221	41,918	8.8%
Other operating income	3,882	5,437	-1,555	-28.6%
Total Income	523,021	482,658	40,363	8.4%
Total expenses (including depreciation and amortisation)	-164,894	-159,275	5,619	3.5%
EBITDA (1)	411,550	376,818	34,732	9.2%

(1) Earnings before interest, tax, depreciation and amortisation.

Table 7. Key figures of the commercial activity

In the first half of 2018, total revenue of the commercial activity increased by 8.4% relative to the same period of 2017, to €523.0 million. Revenue, accounting for 26.8% of the Group's total revenue, reached €519.1 million, representing an increase of 8.8% relative to 2017.

This growth was due partly to the favourable trend in passenger traffic, but also to the contractual conditions in the various bidding processes, which include minimum annual guaranteed rents (MAG), and to the arrival of new operators with recognised experience and standing.

Revenue from the businesses that Aena operates itself, namely car parks and VIP services, continues to evolve positively.

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

Commercial services Thousands of euros	Revenue		Change		Minimum annual guaranteed rents	
	H1 2018	**H1 2017**	**Thousands of €**	**%**	**H1 2018**	**H1 2017**
Duty free shops	142,609	137,897	4,712	3.4%		
Specialty shops	48,264	42,120	6,144	14.6%		
Food & Beverage	87,858	76,465	11,393	14.9%		
Car rental	68,543	66,068	2,475	3.7%		
Car parks	67,977	62,730	5,247	8.4%		
VIP services	29.648	18,964	10,684	56.3%		
Advertising	15,173	15,750	-577	-3.7%		
Leases	16,696	15,792	904	5.7%		
Other commercial revenue (1)	**42,371**	**41,435**	**936**	**2.3%**		
Ordinary commercial revenue	**519,139**	**477,221**	**41,918**	**8.8%**	**55,851**	**35,347**

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

Table 8. Analysis of commercial business lines

In the first half of 2018, the amount posted in revenue from commercial activity corresponding to minimum annual guaranteed rents represented 16.6% of the revenue of the business lines that have contracts with these clauses, compared with 11.3% in 2017. This difference was due mainly to the trend in sales (€9.8 million), the conditions agreed in new contracts (€5.5 million) and to the increase on existing ones (€1.9 million).

Total expenses of this activity increased by 3.5%, or by 5.3% if depreciation and amortisation are excluded. This increase is explained in Section 4. Statement of profit or loss.

EBITDA came to €411.6 million, 9.2% more than in the same period of last year.

These figures were driven by the continuation of various commercial actions, notably, by business line:

Duty free shops

Revenue from the generic duty free shops grew by 3.4% in the first half of 2018 relative to H1 2017 and represented 27.5% of revenue from Aena's commercial activity, generated at 86 points of sale (76 shops and 10 “Buy-Byes”) with a total area of approximately 45,000 m², managed by Dufry under the trade name World Duty Free Group (WDFG), through contracts signed with Aena divided into three lots.

This activity generates assured revenue through the application of minimum annual guaranteed rents in the contracts signed.

With a view to optimising commercial performance, WDFG, in collaboration with Aena, launched a diagnostic analysis and action plan on a trial basis in the duty free shops of five airports: Barcelona-El Prat (only in T2), Málaga, Alicante, Gran Canaria and Bilbao.

Also, with a view to strengthening sales and the offering, marketing and floor space improvement actions were carried out, such as:

- Promotions were carried out to enhance purchases of products in categories with the greatest appeal to British passengers, in order to offset the effect of the depreciation of sterling, which seems still to be affecting purchases by these passengers.
- A campaign communicating guaranteed best prices at Madrid, Barcelona and tourist airports, aimed at changing passenger perceptions of prices in our duty free shops. With this action, launched in May, WDFG offers discounts and special promotions: discounts of up to 40% on perfume goods and up to 30% on liquor, as well as a 50% reduction on the third item of perfume goods at shops in the airports of Madrid, Barcelona, the Canary Islands and the Balearic Islands.
- The remodelling and opening of shops at Málaga Airport (on the piers and in the main walk-through shop), the opening of the new walk-through shop at Bilbao Airport, and the start of work on remodelling the shops at Madrid airport: *Atrio (T4)* and *Millenium (T2-T3)*.

It is also relevant to mention the positive support for duty-free sales provided by the new routes to emerging countries, such as those to Asia and Latin America from Madrid and Barcelona Airports and to the Middle East from Málaga Airport.

Apart from this, the designs have been planned and carried out to secure the range of duty free shops in the new non-Schengen areas resulting from the transfer of ABC filters at Barcelona, Alicante, Málaga, Ibiza and Reus airports.

Lastly, we would point out that the future location of the duty free shop at the International Airport of the Region of Murcia has been identified.

Adolfo Suárez Madrid-Barajas Airport

Specialty shops

Retail activity, which includes over 350 premises with 22 in the luxury segment, generated €48.3 million in revenue, a 14.6% increase compared with the same period in 2017.

In order to boost revenue from this commercial line we have set in train initiatives for the renovation of premises, by means of bidding processes at various airports:

- At Barcelona-El Prat Airport, the first phase of the renewal of the range in Module 3 of T2 has been put out to tender, five shops occupying more than 1,500 m² to be awarded in July.
- A stand at Bilbao Airport was awarded for the TOUS brand, with the installation for the first time in Aena of a stand with a very novel design in the form of a TOUS handbag.

Also, in the first half of the year 16 new shops were opened in the T123 terminals at Adolfo Suárez Madrid-Barajas Airport, and the remaining six outlets awarded will be opened during the second half of the year.

Additionally, with a view to providing specialised assistance to passengers, following the trends established at international airports to improve the customer experience, a bidding process is under way for the Personal Shopper service which will be provided in terminals T1 and T2 of Barcelona Airport following on from that started in the first quarter of 2018 at Málaga-Costa del Sol Airport and on 15 June at Adolfo Suárez Madrid-Barajas Airport.

Food & Beverage

In the first half of 2018, the more than 320 food and beverage outlets continued to perform well, with revenue amounting to €87.9 million, representing growth of 14.9% relative to the same period of 2017.

Notable events in this period were the start of activity of new concessionaires at the Gran Canaria and Barcelona airports, and the awarding of the contract for the renewal of the food and beverage range at Málaga Airport:

- At the beginning of April the new food & beverage concessions at Gran Canaria Airport began to operate, and a start was made on execution of the works on the premises for the establishment of the new commercial brands, contracts for which were awarded in late 2017.

  The complete food and beverage range comprises 19 points of sale spread among five concessions, under which Select Service Partner (SSP) manages 10 locales, the EatOut Group four and Autogrill three.

- On 8 May in terminals T1 and T2 of Barcelona-El Prat Airport, 36 of the 49 food and beverage points of sale for which contracts were awarded in the first quarter of 2018 opened for business.

  The food and beverage operators awarded the greatest numbers of outlets were the EatOut Group, Areas, Select Service Partner (SSP) and Autogrill.

  The new food and beverage range will occupy an area of close to 16,000 m², representing an increase of nearly 19% relative to the existing area. With these initiatives, Aena aims to provide passengers and users of the airport with a true gastronomic experience, and has succeeded in attracting local, national and international brands of acknowledged prestige. They include notably TV chefs the Torres Brothers, with a high-level restaurant in terminal T1 called Alas (“Wings”) and a “grab-and-go” called Slam in terminal T2. Among the new brands are restaurants with local flavour such as La Botiga and Mussol from the AN Group; a multi-cuisine concept with a market-type atmosphere under the La Place brand; international coffee shops Starbucks, Coffee Republic and Paul; healthy food eateries Exki, Central Café, Good Mood Food from Eat and Go Natural; a gourmet venue for Iberian produce from Origins by Enrique Tomás; and local bakeries and cafés such as Boldú, Pannus, Santa Gloria, Café Pans and Cooofe Bar.

- At the end of June contracts for the renewal of the food and beverage range at Málaga-Costa del Sol Airport were awarded. The spaces involved will cover a total area of more than 6,500 m², divided among 25 shops, which will come into service in the second half of 2018.

  Of the 12 concessions put out to tender, the food and beverage operators awarded the greatest numbers of premises were: Select Service Partner (SSP) with 8 premises, the EatOut Group with 6, Lagardère Travel Retail with 4 and Areas with 7. Prominent among the renowned local, national and international brands are chef Dani García with his Premium BIBO Brioche Bar, celebrity chef Jamie Oliver with his Jamie´s Deli concept, Kirei restaurant by Kabuki, the international grab-and-go Eat and Casual Food Giraffe. There is also a multi-cuisine concept with a market-type atmosphere featuring several brands such as Enrique Tomás, Malaga native Gorki, Shikku from the East, the healthy Mamá Campo, the Italian La Mafia, the Mexican Chelinda and the Fonzie Abbot cafeteria. There will also be two Burger Kings, two Starbucks and a Costa Coffee, La Manon bakery-café, the La Gelatería and Carte D´Or ice cream parlours, pizzeria La Boutique de la Mafia, and other well-known brands such as Más Q Menos, Dehesa Santa María, Pans, Café Pans and Caffè Di Fiore.

Barcelona-El Prat Airport

Car rental

Revenue from this activity increased by 3.7% relative to the same period of 2017, to €68.5 million.

This period saw confirmation of interest in six new licences at Santander, Asturias, Pamplona, Fuerteventura, Vigo and A Coruña airports, which will entail an improvement in both fixed and variable components of revenue for the second half-year, since the new licences are expected to be in operation from July on.

In the field of management of this activity, to facilitate real-time oversight of rental contracts and vehicle returns, we continued to implement the car park access control systems at Madrid, Bilbao, Reus and Girona airports, and these will be extended to another five airports in the third quarter of 2018.

Car parks

Aena has a network of more than 80 car parks with more than 130,000 parking spaces, distributed among 32 airports.

This business line is managed by Aena, which ensures control of all operational processes as well as the marketing actions, pricing policy and the structuring of the various parking services, with the aim of meeting the needs of the wide range of passengers (low-cost/long-stay, general, preferential, express, VIP service with pick-up and drop-off, with driver, and additional services).

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

In the first half of the year revenue increased by 8.4% year-on-year (to €68.0 million) and reservations increased by 24.3% YoY in number of operations and by 19.9% in terms of revenue.

The following actions in particular were carried out to improve management of this activity:

- The development of new products and services, such as the express parking at departures at Madrid (T2) and Barcelona (T1 and T2) airports which facilitate and order operations. They are already in operation at Alicante, Bilbao, Menorca, and Málaga airports and at arrivals at Valencia and Palma de Mallorca.
- The increase in the number of channels and companies operating directly with Aena, improving and expanding the sales network.
- We continued with the adaptation to new means of payment, both by mobile phone (throughout the Aena network) and by licence plate (car registration number) which is available at Madrid, Barcelona, Bilbao and Alicante airports.
- The reservations website was adapted in time to the new GDPR, complying with the more rigorous standards of the new European data protection legislation.

VIP services

This business line includes revenue from the VIP lounges and from the fast lane and fast track services.

Aena has 24 VIP lounges at 15 airports, operated through an integrated management model, and since 2017 revenue from the fast lane and fast track services have also been included in this business line. Under the integrated management model, Aena sets the commercial and pricing policy, contracting with a provider the provision of the necessary services.

The fast lane service gives preference in access to the security checks. It is offered at six airports in the network (Barcelona, Palma de Mallorca, Málaga, Alicante, Gran Canaria and Tenerife South) and is scheduled to start at Valencia airport in July. The fast track service is an independent, exclusive security control offered at Adolfo Suárez Madrid-Barajas Airport.

In this period, revenue from VIP services activity grew by 56.3% compared to the same period last year, to €29.6 million, and revenue from VIP lounges contributed €26.4 million, a 27.1% growth in revenue, driven by a 19.9% increase in the number of users.

Over the course of the second quarter of 2018, Aena continued to incorporate new lounges into the current management model, remodelling existing ones and expanding usage agreements with airlines and other companies. The following actions stand out:

- In June the new 200 m² VIP lounge at Santiago Airport opened.
- The remodelling of the lounges at Palma de Mallorca Airport, featuring an additional lounge ("Sala Mediterráneo") which opened on 9 November, and completion of the remodelling of "Sala Formentor" in July 2018.
- The call for tenders for the comprehensive management of the VIP lounges at Seville and Lanzarote Airports.
- We continued the process of formalising and expanding commercial agreements for the use of the VIP lounges in the Aena airport network with airlines and other companies, strengthening the guarantees for Aena and expanding the customer base.

Additionally, the contract was awarded for the T1 Business Centre at Barcelona airport, with 25 rest units, going into operation on 1 July.

New VIP lounge at Santiago Airport

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, with the companies that operate the advertising spaces in the network responsible for marketing them: JFT at airports in the Canary Islands and JCDecaux at mainland and Balearic Island airports.

The advertising sector in general and outdoor advertising in particular continue to show moderate growth, but with different performances depending on the segment, with outdoor media growing at much lower rates than digital and online advertising.

Specifically airport advertising as a sub-segment of outdoor advertising follows the general trend.

3.2 Real estate services segment

The activity of the real estate services segment consist of the provision of leasing or transfer of use of land (built on or not), office buildings, warehouses, hangars and cargo sheds to airlines, airfreight operators, handling agents and other providers of airport services aimed at supporting the activity and developing complementary services, such as the 24 service stations (15 landside and 9 airside) at 12 airports and the FBO (fixed-base operator) terminals at five of the major airports in the network, where private jets are handled exclusively.

As regards the **real estate development plans for Adolfo Suárez Madrid-Barajas and Barcelona-El Prat Airports**, both have been publicly presented.

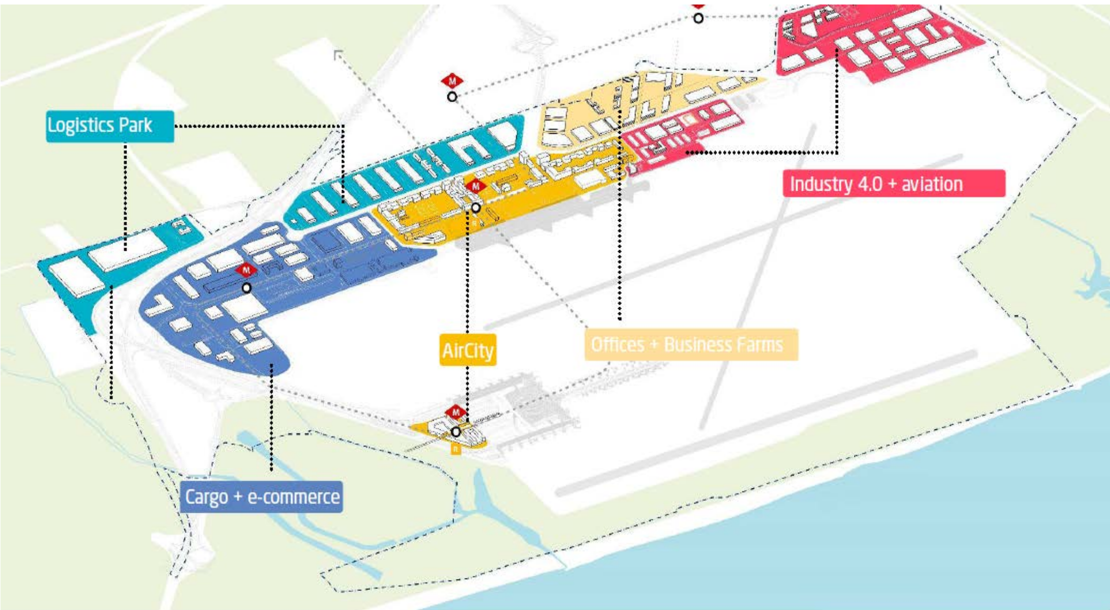
The real estate plan for Adolfo Suárez Madrid-Barajas Airport involves the development, in the next 40 years, of 562 hectares of the 902 hectares of potentially saleable free land, with 244 hectares of available land remaining to provide capacity for continued real estate growth at the airport.

The objective is to position Adolfo Suárez Madrid-Barajas Airport as a global connectivity gate, a major logistics centre, a global business hub and a zone of services for passengers and zones of influence. The plan is to build on nearly 2.7 million m^2 for mixed uses, notably logistics, e-commerce, offices and hotels and commercial leisure centre, which will be complemented by aviation facilities such as airfreight and hangars. To carry out this development it has been estimated that capital expenditure of nearly €3 billion on the part of numerous agents will be required.

Real estate development proposal for Adolfo Suárez Madrid-Barajas Airport

The Barcelona-El Prat real estate plan involves developing 328 hectares of the 543 hectares of potentially marketable free land, over 20 years, while preserving 215 hectares of land due to its high environmental value.

The objective of this development is to position Barcelona-El Prat Airport as an economic and digital services hub in the metropolitan area. In the course of the development period it is planned to build more than 1.8 million m^2 for mixed uses, in particular logistics, e-commerce, offices and hotels, and Industry 4.0, which will be supplemented by air cargo and hangar services. To carry out this development it has been estimated that capital expenditure of €1,264 million will be required, on the part of numerous agents.



Real estate development proposal for Barcelona-El Prat Airport

For the implementation of these real estate plans, Aena is currently in the process of inviting bids for the advisory services that will allow it to establish the appropriate relational model in terms of business, financial implications and legal and corporate transactions. This process is expected to be completed in the next nine months.

The following are the most significant figures for the real estate services segment:

Thousands of euros	H1 2018	H1 2017	Change	% Change
Revenue	33,208	29,286	3,922	13.4%
Real estate services(1)	33,208	29,286	3,922	13.4%
Other operating income	571	723	-152	-21.0%
Total Income	33,779	30,009	3,770	12.6%
Total expenses (including depreciation and amortisation)	-27,293	-25,656	1,637	6.4%
EBITDA (2)	14,731	12,320	2,411	19.6%

(1) Includes warehouses, hangars, real estate operations, off-terminal supplies and others.
(2) Earnings before interest, tax, depreciation and amortisation.

Table 9. Most significant figures for the real estate services segment

In the first half of 2018, revenue from these activities amounted to €33.2 million, 13.4% more than in 2017 due to the signing of new contracts at the end of the last year for Adolfo Suárez Madrid-Barajas Airport, the amounts of which were recognised entirely in 2018. Excluding the adjustment for 2017, growth would have stood at 4.5%.

Total expenses (including depreciation and amortisation) increased by 6.4%. Without including depreciation and amortisation, total expenses increased by 7.7%. This increase is explained in Section 4. Statement of profit or loss.

Among the most noteworthy actions in the period relating to hangaring, were:

- The contact for a hangar at Adolfo Suárez Madrid-Barajas Airport of nearly 15,000 m^2 and the start of operation of another hangar of 8,500 m^2.

  Additionally, construction work continues on two new large-capacity hangars, which together with a third (in the zone known as Ramp 7) which is about to come into service, will provide support for airlines operating at the airport.

- At Seville Airport, a hangar measuring approximately 6,000 m^2 is being constructed for an operator and is expected to be commissioned for the third quarter of 2018.

- At Santiago Airport too, construction of a new 1.200 m^2 hangar has started, also to become operational in the third quarter.

With regard to the marketing of cargo facilities (an activity that grew by 13.3% in the first six months of 2018), the following actions were undertaken in the period:

- At Adolfo Suárez Madrid-Barajas Airport, the pre-emptive right was exercised to acquire a new warehouse with office space measuring 7,200 m^2 from DHL, which will allow us to increase cargo handling capacity at the airport.

Nearly 4,900 m^2 of offices were awarded to DHL and a cargo terminal of more than 1,500 m^2 constructed area was put out to tender and we expect to award the contract in the third quarter of this year.

Also, the construction projects on the new cargo facilities in the zone known as Rejas continue to progress. In one of the warehouses, work commenced in October, while in the other the construction project is being drawn up.

- At Tenerife North Airport, the contract for the two modules of the new cargo terminal, with a built area of nearly 1,500 m^2, was awarded to Eurotransmex. The Terminal was handed over to the client on 6 July.
- At Seville Airport the contract for the nearly 1,200 m^2 constructed area of the cargo terminal was awarded to Groundforce Cargo.

3.3 International activity

Financial data for the international business segment consist mainly of the consolidation of London Luton Airport (the fifth biggest airport in the UK by number of passengers) and advisory services to international airports. Total international business revenue improved by €8.4 million, negatively affected (2.2%) by the depreciation of sterling.

Thousands of euros	H1 2018	H1 2017	Change	% Change
Revenue	111,472	103,101	8,371	8.1%
Other operating income	98	81	17	21.0%
Total Income	111,570	103,182	8,388	8.1%
Total expenses (including depreciation and amortisation)	-101,832	-100,890	942	0.9%
EBITDA (1)	35,814	24,957	10,857	43.5%

(1) Earnings before interest, tax, depreciation and amortisation.

Table 10. Key figures for the international activity segment

Below, information is given in greater detail on the evolution of **London Luton Airport**, consolidation of which entailed a contribution of €33.2 million to EBITDA, compared with €22.2 million in the first half of 2017, due to the effect of the exchange rate, to the exceptional recognition in January 2017 of €8.0 million in respect of expenses associated with one of the agreements reached with Luton Airport employees to close the defined benefits pension plan as well as due to the accrual, on 30 June 2018, of an extraordinary bonus of €3.4 million for employees corresponding to the 2013-2018 period. Excluding the impact of these exceptional expenses, EBITDA in GBP would have increased by £6.2 million, which would have meant growth of 23.7%.

(Thousands of euros)(1)	H1 2018	H1 2017	Change	% Change
Aviation revenue	48,038	46,414	1,624	3.5%
Commercial revenue	58,251	51,174	7,077	13.8%
Total Income	**106,289**	**97,588**	**8,701**	**8.9%**
Employee benefits	24,073	27,856	-3,783	-13.6%
Other operating expenses	49,016	47,503	1,513	3.2%
Depreciation, amortisation and impairment	25,855	22,346	3,509	15.7%
Total expenses	**98,944**	**97,705**	**1,239**	**1.3%**
EBITDA(2)	**33,160**	**22,229**	**10,931**	**49.2%**
Operating profit/(loss)	**7,345**	**-117**	**7,462**	**6,377.8%**
Net finance income/(expense)	-11,673	-11,601	72	0.6%
Profit before tax	**-4,328**	**-11,718**	**-7,390**	**-63.1%**

(1) Euro-sterling exchange rate: 0.8798 in H1 2018 and 0.8606 in H1 2017.

(2) Earnings before interest, tax, depreciation and amortisation.

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

At operational level, traffic at Luton Airport shows a moderate increase in passengers of 2.5%, to 7.7 million which, together with the positive evolution of commercial revenue, place revenue for the period at €106.3 million, 8.9% above the same period of 2017 (€97.6 million).

In sterling terms, revenue from Luton grew in the first half of 2018 by 11.3% (£9.5 million) compared with the same period of 2017, due to the good performance of commercial revenue, despite the impact of the loss of passengers from Ryanair which removed two aircraft from operations, and the cessation of operations at Monarch.

- Aviation revenue grew by 5.8% in sterling terms, and commercial revenue by 16.3%.

  Within commercial revenue, the good performance of the car parks stands out (+19.8%) reflecting the management strategies and prices implemented, along with the successful use of additional parking capacity for vehicles using the "Priority" product and the compensation on the part of Luton Borough Council for the works on the Direct Air-Rail Transit (light rail link between Luton suburban train station and the airport terminal building). Food and beverage and speciality shops also evolved positively, by 14.5% as a whole, due to the opening of new shops under the terminal expansion project, a more varied selection on offer and the shift in passenger flows.

- EBITDA in GBP increased by £10.1 million or 52.7% compared with the same period of 2017.

  As well as the improvements in revenue commented on above, this increase also reflects the recognition in January 2017 of the exceptional expense relating to one of the agreements associated with the closing of the defined benefits pension plan, as well as to the accrual, on 2018, of an extraordinary bonus of €3.4 million for employees corresponding to the 2013-2018 period. Excluding the impact of both exceptional expenses, which had no cash impact, EBITDA in GBP would have increased by £6.2 million, which would have meant growth of 23.7%.

As regards the results of equity-accounted investees, their evolution is shown hereunder as per **equity accounting**:

	Results of equity-accounted investees				Exchange rates [1]			
Thousands of euros	**H1 2018**	**H1 2017**	**Change**	**% Change**	**Exchange rate**	**H1 2018**	**H1 2017**	**Change**
AMP (Mexico)	6,428	7,119	-691	-9.7%	€ - MXN	23.09	21.04	**-9.7%**
SACSA (Colombia)	1,721	1,823	-101	-5.6%	€ - COP	3,448.55	3,165.98	**-8.9%**
AEROCALI (Colombia)	487	1,598	-1,111	-69.5%	€ - COP	3,448.55	3,165.98	**-8.1%**
Total share in profit or loss of equity-accounted associates	**8,636**	**10,539**	**-1,903**	**-18.1%**				

[1] *Weighted average exchange rate*

Table 12. Equity-accounted investees

4. Statement of profit or loss

Thousands of euros	H1 2018	H1 2017 (1)	Change	% Change
Ordinary revenue	1,936,334	1,826,254	110,080	6.0%
Other Operating Income	28,978	35,309	-6,331	-17.9%
Total revenue	**1,965,312**	**1,861,563**	**103,749**	**5.6%**
Supplies	-86,734	-87,751	-1,017	-1.2%
Staff cost	-210,385	-210,648	-263	-0.1%
Other operating expenses	-545,946	-506,120	39,826	7.9%
Losses, impairment and change in trading provisions	7,238	-	7,238	-
Depreciation and amortisation	-401,551	-396,953	4,598	1.2%
Losses on impairment & derecognition of property, plant & equipment	-4,453	-3,981	472	11.9%
Other results	1,433	1,204	229	19.0%
Total expenses	-1,240,398	-1,204,249	36,149	3.0%
EBITDA (2)	**1,126,465**	**1,054,267**	**72,198**	**6.8%**
Operating profit/(loss)	**724,914**	**657,314**	**67,600**	**10.3%**
Finance costs and Other financial results	-58,292	-66,358	-8,066	-12.2%
Interest expense on expropriations	-165	1,565	-1,730	-110.5%
Net finance income/(expense)	**-58,457**	**-64,793**	**-6,336**	**-9.8%**
Share in profit or loss of equity-accounted associates	8,636	10,539	-1,903	-18.1%
Profit before tax	**675,093**	**603,060**	**72,033**	**11.9%**
Income tax expense	-162,822	-147,004	15,818	10.8%
Consolidated profit for the period	**512,271**	**456,056**	**56,215**	**12.3%**
Profit for the period attributable to non-controlling interests	-2,227	-4,866	-2,639	54.2%
Profit for the period attributable to shareholders of the parent company	**514,498**	**460,922**	**53,576**	**11.6%**

(1) The condensed consolidated statement of profit or loss for the six-month period ended 30 June 2017 is presented solely and exclusively for purposes of comparison. See restated balances in Note 2.4 to the Condensed Consolidated Interim Financial Statements for the six-month period ended 30 June 2018.

(2) Earnings before interest, tax, depreciation and amortisation.

Table 13. Statement of profit or loss

As a result of the positive evolution of all business lines, Aena's **total revenue** increased to €1,965.3 million in the first half of 2018, representing a 5.6% increase on the same period of 2017.

Revenue from commercial activity increased as a percentage of the total to 26.6%, compared with 25.9% in the same period of 2017.

Growth in **ordinary revenue** was 6.0%, to €1.936.3 million. This increase of €110.1 million has been explained above in the analysis of the various business lines.

As regards the change in **expenses**, this period shows an increase of 3.0% in the total (€36.1 million), or 3.9% if depreciation and amortisation are excluded, due to the effect of changes in the following expense items:

- Supplies was reduced by 1.2% or €1.0 million compared with the same period of 2017, due mainly to the new conditions of the air navigation services agreement (ATM/CNS) signed with ENAIRE until 2021.

- Staff cost show a reduction of 0.1% (€0.3 million) which is affected by the recognition at Luton in January 2017 of a €8.0 million (£6.9 million) charge associated with one of the agreements reached with Luton Airport employees regarding pensions, as well as the accrual in Luton, in 2018, of an exceptional bonus of €3.4 million (£3 million) for all employees for the period 2013-2018. Excluding both effects, staff cost reflect an increase of 2.1% (€4.3 million) due mainly to provisions for the salary increase expected for 2018 and the increase in temporary hirings over the course of 2017.

- Other operating expenses increased by 7.9% (€39.8 million), due mainly to the effect of the rising trend in the cost of the majority of services for which contracts have been awarded since the end of 2016, which is reflected in the increase in expenses associated with the entry into force of new contracts such as the service for persons with reduced mobility (€10.6 million), the increase in the cost of security services (€6.6 million), maintenance (€4.4 million), the new management contracts for VIP lounges (€3.9 million) as well as the increase in consultancy services (€3.7 million) and cleaning (€2.6 million).
- Depreciation and amortisation increased by €4.6 million (1.2%), mainly due to the effect of the technical review of the useful life of runway and taxiway assets, partly offset by the certain assets becoming fully depreciated or amortised.

EBITDA (earnings before interest, tax, depreciation and amortisation) increased to €1,126.5 million (including €33.2 million from the consolidation of Luton), which represents an increase of 6.8%, bringing the EBITDA margin for the period to 57.3% (56.6% in the same period of 2017). The margin for the first half was affected by the application of IFRIC 21 on levies (€145.8 million in 2018 and €145.2 million euros in the same period of 2017), accruing entirely at the start of the financial year.

In turn **Net finance income/(expense)** shows a year-on-year reduction of €6.3 million in expenses.

“Finance costs and Other financial results” declined by €8.1 million or 12.2%, mainly due to the provisioning in January 2017 of an amount of €3.5 million for the effect of the change in the Banco de España risk weighting ratio on the cost of certain loans, the remainder being due basically to savings resulting from the reduction in the volume of debt.

Income tax expense amounted to €162.8 million, an increase of €15.8 million, as a result of the higher earnings for the period. The effective rate for the period was 24.1% (24.4% in the same period of 2017).

Consolidated profit for the period reached €512.3 million. Earnings for the period attributable to non-controlling interests came to -€2.2 million (corresponding to 49% of Luton’s net profit/(loss), which places **Profit for the period attributable to shareholders of the parent company** at €514.5 million, 11.6% more than in the first half of 2017.

5. Capital expenditure

The total amount of capital expenditure paid (property, plant and equipment, intangible assets and real estate investments) in the first half of 2018 came to €274.6 million, including €20.6 million in Luton.

Total capital expenditure in the **Spanish airport network** (based on payments) amounted to €254.0 million, representing an increase of €115.4 million or 83.3% relative to the first half of 2017 (€138.6 million). This increase was mainly due to €101.8 million of capex certified at the end of 2017 but paid in 2018, and to capex in the area of infrastructure maintenance.

Based on execution, the volume of capex in the network amounted to €174.4 million, an increase of €16 million relative to the first half of 2017, when capex amounted to €158.4 million.

With regard to the main actions put into service during this period, these focused primarily on the air field and on the zones of the terminal area: in particular the runway paving at Barcelona airport and the taxiways at Santiago Airport were improved, and the aprons at Alicante and Ibiza Airports were refurbished. As regards terminals, we would highlight the air-conditioning installations at Palma de Mallorca and Lanzarote airports and the improvement work on the VIP lounge at Palma de Mallorca Airport.

As for capex in progress, this too is particularly focused on air fields, specifically on improvements to apron paving at Tenerife South, Palma de Mallorca, Girona-Costa Brava and Lanzarote and on runway reinforcement at Bilbao, Fuerteventura, Tenerife South and Girona-Costa Brava. Major works are also in progress in terminal buildings at Málaga, Palma de Mallorca, Madrid, Barcelona and Gran Canaria airports, examples being the remodelling of Málaga Airport's Picasso Terminal, the remodelling of the shopping area and services arcade at Gran Canaria, the improvements to the VIP lounge at Barcelona, and improvements to the flooring and thermal insulation at Palma de Mallorca and to roofing at Madrid Airport. Notable capex on facilities included the improvement of the automated baggage handling system at Palma de Mallorca Airport and the airbridges at Málaga Airport. We must also mention various actions in execution for airport services, such as the drainage of Alicante Airport, the electric cabling system at Seville Airport and the improvements to the Barcelona-El Prat Airport power station.

In the coming months, actions will begin focusing mainly on terminal buildings. These include notably the remodelling and expansion of the South Pier in Terminal 1 of Barcelona Airport and the expansion of the terminal building at Reus Airport in accordance with its new functional design. In the area of aircraft movement, the aprons at Madrid-Barajas, Ibiza and Zaragoza Airports will be enlarged. Also, the runway paving at Madrid and Seville Airports will be improved.


Tenerife South Airport Runway

At **Luton Airport**, capital expenditure continued on both maintenance and renewal of equipment and the Curium Project. This project, which aims to increase the current capacity to 18 million passengers, is making significant progress in all areas, and the completion and commissioning of the terminal, which represents the most important part of the expansion, will take place in the second half of 2018.

The second quarter of 2018 saw the opening of the new Pier B with eight new departure gates and the second phase of the ground floor departure lounge where installation of the food and beverage outlets is being completed.

Apart from this, works continue on the arrivals areas, and the contract has been awarded for and work started on the construction of the new Foxtrot taxiway, which it is estimated will be completed in mid-2019.

As part of the preliminary work for the construction of a light rail system that will connect the terminal building with Luton Airport Parkway railway station, to be financed by the local authority, the drop-off area has been moved to a provisional location, and construction of the new Multi-Storey Car Park 2 has started.

Regarding capital expenditure of equity-accounted associates, on 29 June the feasibility study on a Public-Private Partnership (PPP) was presented to the Colombian National Infrastructure Agency to obtain a new concession for **Cali Airport** and three other airports in the region.

Apart from this, at **Cartagena Airport** negotiations are currently under way with the National Infrastructure Agency for the development of a private initiative PPP, the objective of which is a new concession once the current one comes to an end in 2020. It is also appropriate to mention that certification of the airport was obtained in June.

As regards capital expenditure of the **GAP airports** during 2018 we would highlight the expansion of the terminal buildings at Guadalajara, Tijuana, Bajío and Hermosillo as well as actions on the flight fields at Guadalajara, Tijuana, Hermosillo and Los Cabos.

5.1. Analysis of capex by areas of action

Information on the breakdown of capex in the Spanish airport network in the first half of 2018 (based on payments) can be found below, along with a comparison with the same period of 2017.

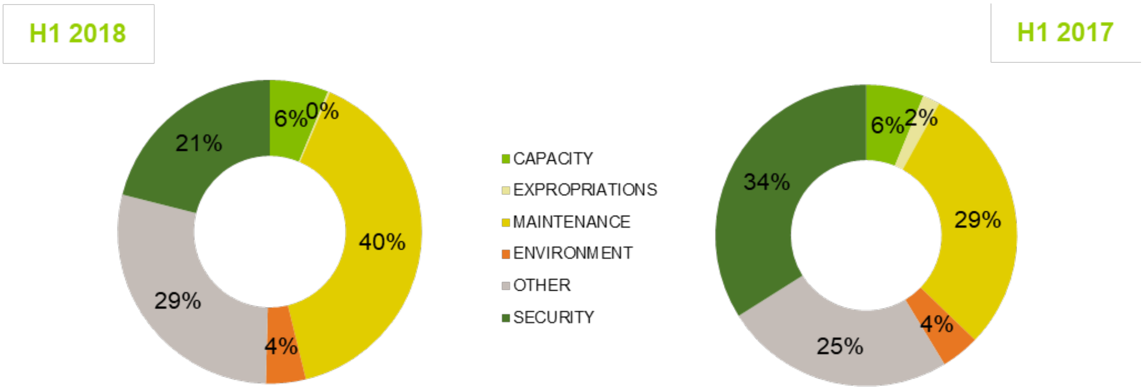


Figure 7. Analysis of capex by areas of application

- Capex in the field of **security** represented 21% of Aena's total capital expenditure (compared with 34% in the same period of 2017) and increased by €6.7 million, from €46.8 to €53.5 million. In this category, the intention is to progress especially in the field of operational security and security of people and facilities. In operational security, actions centred on the area of aircraft movement, improving the paving of various areas of the flight fields. With regard to the security of people and facilities, actions have focused on providing the terminals with security equipment (access control systems and mobile X-ray equipment).

- Capex allocated to the improvement of facilities to ensure **service continuity** increased in the first half of 2018 compared with the first half of 2017, from 29% of the total to 40%. Quantitatively too, it increased from €40.9 million in the first half of 2017 to €100.9 million in the first half of 2018, the main action being the reconstruction of apron B at Palma de Mallorca airport, for a total amount of €9.0 million.

- Capital expenditure on **capacity** amounted to €15.9 million in the first half of 2018, compared with €8.5 million in capex paid in the first half of 2017. In this area, the most significant capex made on flight fields was on the South Pier apron at Barcelona-El Prat Airport and the Palma de Mallorca Airport apron. As regards works carried out on terminals we would highlight the improvement of the automated baggage handling system at Palma de Mallorca and the bus station and enlarged car park at Alicante-Elche.

- In the area of environment we incurred capital expenditure of €10.8 million in the first half of 2018 (€5.1 million more than in the first half of 2017). This amount corresponds mainly to sound insulation of homes in the areas adjoining several airports, the construction of an oil separator at Valencia Airport and the installation of lighting systems with energy-efficient technologies at several airports.

- As regards **expropriations**, payments of €0.5 million were made in the first half of 2018, mainly in respect of Málaga Airport, as against the €2.6 million paid in the same period of 2017.

- Capex classified as **other** amounted to €72.4 million, 112.7% more than in the first half of 2017 (€34.1 million). This includes investments in information technologies, especially those aimed at airport passengers through the installation of Public Information Systems. Also noteworthy are those aimed at improving commercial and real estate revenue, notable among which is the installation of new equipment to monitor the activity of rental vehicles at several airports.

6. Statement of financial position

6.1 Net assets and capital structure

Thousands of euros	H1 2018	2017	Change	% Change
ASSETS				
Non-current assets	13,928,857	14,093,595	-164,738	-1.2%
Current assets	764,250	1,213,837	-449,587	-37.0%
Total assets	**14,693,107**	**15,307,432**	**-614,325**	**-4.0%**
EQUITY AND LIABILITIES				
Equity	5,222,021	5,687,864	-465,843	-8.2%
Non-current liabilities	7,687,144	8,135,177	-448,033	-5.5%
Current liabilities	1,783,942	1,484,391	299,551	20.2%
Total equity and liabilities	**14,693,107**	**15,307,432**	**-614,325**	**-4.0%**

Table 14. Summary of the consolidated statement of financial position

Effects of the entry into force of the new IFRS 15 and IFRS 9 accounting standards

The condensed consolidated interim financial statements at 30 June 2018 constitute the first financial statements to which IFRS 15 and IFRS 9 have been applied, as reported in Note 2.1 to the Condensed Consolidated Interim Financial Statements at and for the six-month period ended 30 June 2018 The Aena Group has opted not to restate previous periods, and the impacts on Equity at the initial application date (1 January 2018) deriving from the coming into force of these standards was not significant, being limited exclusively to a €0.8 million reduction in Reserves deriving from the transition to IFRS 9 (see Note 2.1.B to the Financial Statements).

Additionally, the available-for-sale financial assets shown in the financial statements for 2017 (€0.3 million) have been reclassified to "Other Financial Assets".

Impacts on the Statement of Profit or Loss for the first half of 2018 were also insignificant, being confined to the following:

- Increase in financial expenses of €0.4 million, deriving from the application of IFRS 9 as it relates to debt restructuring.
- €2.9 million more profit deriving from the quantification of the amount of impairment of financial assets under the new "expected loss" methodology relative to that which would have been calculated under the previous IAS 39.

Main changes

Non-current assets decreased by €164.7 million due mainly to the €185.0 million decline in "Property, plant and equipment", explained by the evolution of capex in the Spanish airport network as a result of which the amount of additions to fixed assets is much lower than depreciation and amortisation for the period.

This change was partly offset by the valuation at €50.9 million of the "Intangible Asset" associated with Aena's concluding the concession agreement for the management, operation, maintenance and conservation of the International Airport of the Region of Murcia and its zone of activities for a period of 25 years, the balancing entry for which is long-term "Financial Debt".

For its part, the €449.6 million decrease in **Current assets** was due mainly to the €558.1 million reduction in the balance of "Cash and Cash Equivalents" (the change in which is explained in section 7. Statement of Cash Flows), partly offset by the €108.7 million increase in "Trade and other receivables", mainly explained by the accrual in the first half of 2018 of the minimum annual guaranteed rents (MAG) (€53.5 million) and, in 2018, the change of payment method by Vueling airline from pre-payment to guarantee (€37.5 million).

Equity decreased by €465.8 million mainly as a result of the difference between the dividends distributed in the period (€975.0 million) and consolidated profit for the period (€514.5 million).

The €448.0 million reduction in **Non-current liabilities** was basically due to the €428.6 million reduction in "Financial Debt" (see Note 10 to the Financial Statements), which in turn was mainly due to transfer of €494.9 million to current liabilities to meet the payment of €360.5 million corresponding to the amortisation of the principal of Aena's debt to ENAIRE (as co-borrower with various financial institutions), in accordance with the repayment schedule established, and to prepay debt to Depfa Bank (previously classified as long-term) in an amount of €132.9 million.

In the opposite direction, the balance of long-term "Provisions for other liabilities and charges" increased by €19.8 million, due to the €20.4 million increase in the provision for environmental actions as a consequence of the approval of noise abatement measures at Seville, Valencia and Bilbao airports and the opening of the phase corresponding to the foreseeable development of noise abatement measures at Palma de Mallorca Airport, entailing a significant increase in the number of homes to be soundproofed.

The increase of €299.6 million in **Current liabilities** reflects the €155.9 million increase in "Loans and borrowings" mainly due to the reclassification from long to short term of bank borrowings to be repaid early, as mentioned above. Additionally, "Trade and other payables" shows an increase of €185.9 million due to the fact that pursuant to IFRIC 21, annual accrual of the IBI land value tax and other local taxes totalling €145 million were recognised in full on 1 January without their yet being due, leaving a balance of €97.9 million pending payment at 30 June 2018, whereas at 31 December 2017 they had been paid almost completely, and to the provision for Corporation Tax for the period, which will be reduced at the end of the financial year by applying the advance payments made.

Working capital, calculated as the difference between current assets and current liabilities, which is generally negative in the Company as a result of its operations and financing structure, stood at -€1,019.7 million at the end of the first half of the year (-€270.6 million at 31 December 2017), due to the changes in current assets and liabilities commented on previously.

6.2 Changes in loans and borrowings

The Aena Group's consolidated net loans and borrowings, calculated as Current loans and borrowings plus Non-current loans and borrowings less Cash and cash equivalents, stood at €7,441.3 million at 30 June 2018 (including €413.6 million from the consolidation of Luton Airport's borrowings), compared with €7,156.0 million at 31 December 2017.

Net individual financial debt of Aena, for purposes of the covenants contained in the financing agreements novated on 29 July 2014, stood at €7,200.1 million at the close of the period, compared with €6.947.9 million at the close of 2017. The associated ratios have held steady relative to year-end 2017:

Thousands of euros	H1 2018	2017
Gross Financial Debt for purpose of covenants	7,426,586	7,665,989
Cash and cash equivalents	226,503	718,115
Net Financial Debt for purpose of covenants	**7,200,083**	**6,947,874**
Net Financial Debt for purpose of covenants / EBITDA(1)	**2.8x**	**2.8x**

(1) Earnings before interest, tax, depreciation and amortisation. Includes adjustment for time value of WDFG advance payment.

Table 15. Net loans and borrowings of the Company

The difference between the Aena Group's net financial debt at 30 June 2018 (€7,441.3 million) and the net financial debt calculated for the purpose of the covenants (€7,200.1 million) is basically due to the fact that the latter does not include the debt (without recourse) associated with the subsidiaries of Aena (mainly Luton), or short-term deposits in guarantee and, on the contrary, it does include the fair value (liabilities) of financial derivatives.

During the first half of 2018 a total of €360.5 million of debt was amortised.

The average interest rate on Aena's fixed rate debt (88% of total debt) was 1.49% (1.55% for FY 2017), and that of variable rate debt was 0.18% (0.16% for FY 2017).

Another notable point is that in relation to the application of Banco de España Circular 2/2016 of 2 February to credit institutions, on supervision and solvency, which completed the adaptation of the Spanish legal system to Directive 2013/36/EU and Regulation (EU) No 575/2013, obliging some financial institutions to assign to their exposures to ENAIRE, with which Aena is a joint borrower, a risk weighting different from that assigned to the Spanish Government, which is zero, on 18 July 2018 Aena fully prepaid the outstanding loan it had from Depfa Bank for an amount of €166.1 million.

In accordance with the contractual conditions it has also been paid the cost of unwinding the associated interest rate hedge in an amount of €24.1 million. This amount accrued in full at the time of payment. This amount accrued in full at the time of payment.

Information on the average payment period to suppliers of Aena S.M.E., S.A. and Aena Desarrollo Internacional S.M.E, S.A.U. is given below:

Days	H1 2018
Average term of payment to suppliers	48
Ratio of transactions paid	53
Ratio of transactions pending payment	30

Table 16. Average term of payment to suppliers

These parameters were calculated in accordance with Article 5 of the Resolution *of 29 January 2016 of the Accounting and Auditing Institute, on the information to be included in the notes to the financial statements in relation to the average payment period to trade suppliers*.

Calculation of the average payment period is performed on the invoices received and approved pending payment. The balance of "Trade payables" is greater than that of "Payments pending", because the former includes amounts of invoices pending receipt and/or approval, as well as balances brought in from the LLAH III sub-group.

Thousands of euros	H1 2018
Total payments made	362,711
Total payments pending	56,342

Table 17. Balance concerning suppliers

These average payment terms are in accordance with those established by Law 15/2010 and Law 9/2017, the latter in application of contracts awarded from 9 March 2018 onwards. Cases in which payment has been made outside the legally stipulated period are due mainly to reasons not attributable to the Company: invoices not received on time, expired AEAT certificates and lack of certificates of proof of supplier bank accounts, among others.

7. Cash flow

Thousands of euros	H1 2018	H1 2017	Change	% Change
Net cash from operating activities	1,009,787	1,091,899	-82,112	-7.5%
Net cash used in investing activities	-260,826	-154,344	-106,482	-69.0%
Net cash from/(used in) financing activities	-1,307,144	-1,090,600	-216,544	-19.9%
Cash and cash equivalents at the beginning of the period	854,977	564,616	290,361	51.4%
Effect of exchange rate fluctuations on cash held	76	-1,288	1,364	105.9%
Cash and cash equivalents at the end of the period	**296,870**	**410,283**	**-113,413**	**-27.6%**

Table 18. Summary of the consolidated statement of cash flows

During the first half of 2018 the Group's financing requirements, increased by €975,0 million of the payment of dividends charged to the result of the parent company's 2017 fiscal year, have been covered by the cash flows from the operating activities (1,009.8 million euros) and by the reduction of the treasury balance to 296.9 million euros, from the initial 855.0 million euros, have made it possible to finance the non-financial fixed assets investment program (274.6 million euros) and the amortization of the debt according to the established schedule (360,5 million euros.

Net cash flows from operating activities

The main cash inflows from operating activities related to payments from customers, both airlines and commercial tenants, while the main outflows involved payments for sundry services received, employee benefits and local and state taxes. Cash flow from operating activities before changes in working capital and other cash from operations (interest and tax on profits paid and received), increased in the period by 5.9% to €1,119.6 million, from €1,057.1 million in the same period of 2017, mainly as a result of the improvement in the Group's operations as reflected in EBITDA (earnings before interest, tax, depreciation and amortisation) of €1,126.5 million for the period, as against €1,054.3 million in the same period of 2017.

Despite the foregoing, net cash from operating activities during the first half of 2018 (€1,009.8 million) was down by 7.5% on the same period of 2017 due to the effect of the €110.5 million tax reimbursement received in the first quarter of 2017 in respect of Corporation Tax for 2015 and, in 2018, the change of payment method by Vueling airline from pre-payment to guarantee. Excluding both effects, the increase in net cash from operating activities would have increased by 6.7% (€65.9 million).

Net cash flows from investing activities

Net cash used in investing activities in this period amounted to €260.8 million, compared with €154.3 million in the same period of 2017, and mainly consisted of payments for acquisition and replacement of non-financial fixed assets relating to airport infrastructure for an amount of €274.6 million (H1 2017: €162.4 million).
These investments mainly focused on improvements to facilities and operational security of the airports in the network, since no significant investments were needed to increase capacity, and the expansion project for London Luton Airport in the UK (see Section 5. "Capital expenditure").
Additionally, investment activities also include dividend proceeds from equity-accounted associates in an amount of €4.6 million and "Proceeds from other financial assets" for an amount of €9.9 million corresponding to the refund of the guarantee established for participation in the bidding process for the management, operation, maintenance and conservation of the International Airport of the Region of Murcia (AIRM) under a concession of the airport and its zone of complementary activities

Cash flows from financing activities

The main financing outflows corresponded to the payment of dividends and principal repayment of debt in accordance with contractually established payment schedules. Dividends paid amounted to a total of €983.9 million, of which €975.0 million was paid to shareholders of Aena and the rest to the non-controlling shareholders of LLAH III. Repayment of the principal of the debt corresponding to the mirror debt with ENAIRE as a co-accredited institution amounted to €360.5 million.

8. Operational and financial risks

5.2. Description of the main operational risks

Regulatory risks

Aena operates in a regulated sector and changes or future developments in the applicable regulation may have a negative impact on the revenue, operating profit and financial position of Aena. Act 18/2014 introduces the mechanism governing the determination of airport charges for the first Airport Regulation Document ("DORA").

On 27 January 2017, the Council of Ministers approved the Airport Regulation Document (DORA) for the period 2017-2021, providing a foreseeable regulatory framework in the medium-term that will enable improved levels of efficiency and competitiveness in terms of airport operations, duly adjusted to the conditions and principles set out in Act 18/2014, of 15 October.It contains Aena's obligations for a period of five years, establishing amongst other aspects:

- The tariff path, with the establishment of a maximum annual revenue 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). Furthermore, a series of strategic investment projects have been drawn up, although any delay in their execution will mean a penalty 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 to Aena for this item would be a ±2% of IMAP.
- The amount of operating costs reported in the DORA 2017-2021 were estimated without price effect and prospectively and must be updated through the P index[1], so any unexceptional deviation such as the current inflationary pressure which may be transferred to service providers is considered an operator risk.

Through the application of the DORA airport charges decreased by 2.22% from 1 March 2017 and a further 2.22% from 1 March 2018 based on the charges applicable on that time.

In addition, the activity of Aena is regulated by both domestic and international law in terms of operational safety regarding persons, property and the environment, which may limit activities or growth of Aena airports, and/or require significant investments or expenses.

Operational risks

The Group's business is directly related to passenger traffic and aircraft operations at its airports, so it can be influenced by the following factors:

- The economic evolution in both Spain and in the main origin / destination countries of air traffic (United Kingdom, Germany, France and Italy, among others).
- The recovery of alternative tourist destinations that, in a stable environment, are very competitive.
- In this sense, after the result of the referendum in the United Kingdom in favour of its leaving the European Union (Brexit), the following risks are considered, whose ultimate expression is subjected to the negotiation process that the British government must initiate with the European Union to determine the ultimate conditions of its exit:
  - Currently, 16.4% of passengers of the airport network of Aena in Spain have their origin / destination in the UK.
  - From an operational viewpoint, the risk is focused on airlines as it would involve agreements that will allow the movement of aircraft between the European Union and the United Kingdom. Regarding border control operations, the United Kingdom already enjoyed special treatment since it was not adhered to the Schengen Treaty, so there would be no additional impact. Having said this, although the volume of passengers going to or coming from the United Kingdom has decreased by 3.2%.

[1] The DORA establishes that the MAIP 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.

- From the commercial income viewpoint, the depreciation of the pound against the euro means a loss of purchasing power for British passengers, which is affecting sales of commercial concessionaires at airports and therefore Aena's revenues, although an important part of Aena's commercial business is ensured by the Minimum Annual Guaranteed Rents.
- Activity at Luton Airport could be reduced as a result of restrictions on the free movement of persons or economic developments in the United Kingdom, given that a high percentage of its traffic is international.
- It operates in a competitive environment both with respect to other airports and compared to other means of transport that can affect its revenue.
- It faces risks arising from the concentration of airlines and depends on the income of its two main airports.
- Revenues from commercial activities are linked to the sales of commercial areas by concessionaires which can be affected both by the volume of passengers and by their greater or lesser spending power.
- In the operation of its airports, the Group depends on the services provided by third parties, which may have an impact on its activity.
- Events such as terrorist attacks, wars or global epidemics could have a negative impact on international air traffic.
- The labor conflicts, both of their own and of tenants, airlines and service providers may have an impact on Aena's activities.
- Aena is dependent on information and communication technology and systems and infrastructures face certain risks including the risks of cybersecurity.
- Aena is exposed to risks related to operations at its airports (operational and physical security).
- Aena is exposed to the risk of a major aviation accident.
- Natural disasters and weather conditions could adversely affect business.
- On the other hand, the Group's international activity is subjected to risks associated with operations in third countries and the fact that the profitability outlooks may not be what was expected
- Aena's profitability could be affected if it is unable to maintain current levels of efficiency.
- Changes in tax legislation could result in additional taxes or other forms of harm to the tax position of Aena.
- The Group is, and will continue to be in the future, exposed to a risk of losing court or administrative proceedings in which it is involved.

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

5.3. Description of the main financial risks

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

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

There is an acknowledgement of financial debt contract between Aena S.M.E., S.A. and its parent company ENAIRE, which originated in the non-monetary contribution that led to the creation of Aena Aeropuertos, S. A (see Note 1), through which 94.9% of the parent company's bank debt was initially taken on. On 29 July 2014 this contract was novated.

The main risks of a financial nature are described below:

Market risk

Currency risk

The Group is exposed to fluctuations in the exchange rate that can affect its sales, results, equity and cash flows, primarily stemming from:

- Investments in foreign countries (mainly the United Kingdom, Mexico and Colombia).
- Transactions conducted by affiliate companies and other related parties which operate in countries with currencies other than the euro (mainly the United Kingdom, Mexico and Colombia).

The foreign exchange risk over net assets of the Group's transactions abroad are primarily managed with outside resources in denominations of the corresponding foreign currencies. In particular, with respect to the operation of Luton Airport, its business is hedged as its operational collections and payments are in pounds.

Interest rate risk on cash flows and fair value

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

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

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

Financial expenses are mainly due to the borrowings recognised by Aena S.M.E., S.A. with the parent company as well as the Company's own debt to credit institutions.

In relation to the application of Banco de España Circular 2/2016 of 2 February to credit institutions, on supervision and solvency, which completed the adaptation of the Spanish legal system to Directive 2013/36/EU and Regulation (EU) No 575/2013, obliging some financial institutions to assign to their exposures to ENAIRE, with which Aena is a joint borrower, a risk weighting different from that assigned to the Spanish Government, which is zero, on 18 July 2018 Aena fully prepaid the outstanding loan it had from Depfa Bank for an amount of €166.1 million.

Accordingly with the contractual conditions of that loan it has also been paid the cost of unwinding the associated interest rate hedge in an amount of €24.1 million. This amount accrued in full at the time of payment.

The Group manages interest rate risk on cash flows by variable to fixed interest rate swaps.

At 30 June 2018, the total amount of liabilities for these interest rate swaps amounted to €83.8 million (2017: €82.7 million). On that date, if the interest rate of the variable-interest loans had increased or decreased by 20 basic points while the other variables remained constant, the pre-tax profit for the year would have been €1.7 million more and €1.7 million less, respectively (at 30 June 2017: €1.9 million more and €1.9 million less, respectively).

The revisable interest rate, which is primarily applicable to the loan with the European Investment Bank, has a fixed interest rate which remains steady throughout the entire period (usually 4 years). Upon termination of this period, it is reviewed by the Group to decide whether to continue with the same system or change it for a fixed rate at maturity or a variable rate. At 30 June 2018 the total amount of debt at variable interest rate stands at €27.4 million.

Credit Risk

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

Credit risk relating to trade accounts is reduced, given that the main clients are airlines, usually collected in cash or in advance. As for retail customers who have leased premises in the various airports, their risk is managed by obtaining sureties and guarantees.

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

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

Liquidity Risk

The credit risk policy described in the previous section results in short average collection periods. Additionally, the Group has implemented has implemented policies for the management of control and monitoring of costs and investment needs to be made in the forthcoming years.

Although at 30 June 2018 the Group had negative working capital (calculated as total current assets less total current liabilities) of €1,019.7 million (31 December 2017 €270.6 million), its EBITDA for the six months ended 30 June 2018 came to €1,126.5 (€1,054.3 million at 30 June 2017), and it is not considered that there is any risk of its not being able to meet its short-term commitments given the positive operating cash flows (see enclosed statement of cash flows), which the Group expects to continue to be positive in the short term.

Additionally, the parent company Aena has €1 billion in completely available credit lines, with long-term maturities considering the extension of maturity to two years; and €550 million of financing available (unavailed) corresponding to a loan from Unicaja of €150 million and a loan from the EIB of €400 million.

The Group monitors cash generation to ensure that it is able to meet its financial commitments.

9. Main legal proceedings

As a result of aircraft overflying the community 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, demanding 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 this appeal for judicial review. 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 issued an Order of 2 December 2014, communicated to ENAIRE and Aena S.M.E., S.A. 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, as a means of execution, a 30% reduction in the number of flights flying over 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.

An appeal for reversal was filed against the Order of 2 December 2014 with the same division of the High Court of Justice of Madrid requesting suspension of its enforcement without having to begin the reduction in the number of flights over Ciudad Santo Domingo until they are down to 30% less than those existing in 2004.

Finally, the Supreme Court ruling of 3 April 2017 revoked the Order of 18 December 2014, under which it was agreed to suspend the 30% reduction although it does not declare the Ruling of 13 October 2008 to have been enforced because it lacks sufficient evidence to assess actual or non-compliance with this 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 judgement:

(i) involves no obligation for the Administration or Aena (e.g. to alter routes, reduce overflights, etc.) and

(ii) maintains the current operating capacity of the airport.

Moreover, the Conclusions of the Supreme Court ruling preclude court decisions that may restrict the operational capacity of the airport. This reduction can 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 Court 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 judgement 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) On 31 July 2017, the State Attorney provided the Court with the technical report prepared jointly by Aena, ENAIRE and the DGAC, which outlined how the judicial mandate would be enforced. In addition, the State Attorney's Office requested the extension of the period of enforcement provided for in Article 104.2 LJCA (law on appeals against administrative decisions) in order to bring it into line with the deadlines set forth in the report.

This report indicated that the Supreme Court ruling of 3 April 2017 required a check to be carried out on the noise levels inside and outside the homes using the methodology referred to by Regulation (EU) 598/2014. Consequently, the actions carried were as follows:

[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 Union airports within a Balanced Approach and repealing Directive 2002/30/EC.

(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 to block out aerial noise against external noise.*

The estimated periods for the finalisation of these verifications and the presentation of results to the TSJ was the end of November 2017, providing it were possible to access the dwellings whose noise level must be verified in the dates estimated for said purposes.

On 4 September 2017, a ruling was received from the TSJ (High Court) of Madrid handed down on 1 September 2017, in which, in response to the request from the State Attorney, an extension of one month was granted for the execution period with respect to that contemplated in Article 104.2 of the ALIA, pointing out that the specific content of the report provided must be decided upon by the rapporteur of the proceedings.

This extension expired on 4 October 2017, and the State Attorney proceeded to request a new extension of the period, informing the TSJ of the status of enforcement and of the proceedings already carried out. In response to this request, the TSJ issued a new ruling on 17 October 2017, extending the term of execution for a period of 1 month. This extension period ended on 23 November 2017, 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. Following this request, the TSJ passed a ruling on 22 December 2017, through which a new extension was granted to complete execution for two months, meaning that the term to finalise actions concluded on 22 February 2018.

On 6 March 2018 a ruling from the TSJ was received through which the State Attorney’s Office was required to inform the Court within a period of five days, “if for the technical validation pending on noise issues necessary for the passing of the ruling means it is essential to enter into the home of one of the residents, given the numerous difficulties arising in the measuring of the same”. Said request will be made once all of the actions that must be performed have been completed, with the exception of the evaluation of the noise levels in the dwelling of the resident mentioned above, in which, until now, the permission on the part of the occupant (tenant) has not been forthcoming to access the same.

In its written brief dated 15 March, the State Attorney’s Office, providing the reports drafted for this purpose, asked the TSJ to state that it is not necessary for the dwelling of the resident referred to in order for the order to be considered to have been executed, adding that in any case the parties charged with execution (Ministry of Public Works, ENAIRE and Aena) would undertake such actions as the Court might consider necessary to complete the execution. By a ruling of 22 March 2018, the parties and the Public Prosecution Service were granted one month in which to react to the documentation presented by the State Attorney’s Office relating to all the actions taken and reports produced so far in fulfilment of the Supreme Court order.

This deadline was extended several times at the parties’ request, and finally passed on 15 June 2018.

10. Stock performance

Aena's share price fluctuated during the first half of 2018, peaking at €179.5 and reaching a low point of €155.0, ending the period at €155.5, a fall of 8%, compared with the performance of the IBEX35 which fell by 4.2% in the same period.

Figure 8. Performance of the company's shares

The following table shows the main price data for Aena shares:

29/06/2018	AENA.CM
Total volume traded (number of shares)	60,089,678
Daily average volume traded in the period (number of shares)	476,902
Capitalisation €	23,325,000,000
Closing price €	155.50
Number of shares	150,000,000
Free float (%)	49%
Free float (shares)	73,500,000
Turnover rate	81.8%

Table 19. Main data on Aena's share trading

As regards the acquisition and disposal of treasury shares, at 30 June 2018, Aena did not hold treasury shares, so there was no impact on the yield obtained by the shareholders or on the value of the shares.

11. Other events

Subsequently to 30 June 2018 and up until the date of publication of this report, the following events considered significant have occurred:

- On 16 July, the Board of Directors of Aena resolved, in order to fill the vacancy existing on the Board as a result of the removal of Mr Jaime Garcia-Legaz Ponce from his post as Chairman and Chief Executive Officer and his resignation as Director:

    1) To appoint Mr Maurici Lucena Betriu as an executive Director of the Company, by cooptation, subject to approval or ratification by the next General Meeting of Shareholders.

    2) To appoint Mr Maurici Lucena Betriu as Chairman of the Board of Directors and Chief Executive Officer of the Company with effect from 16 July 2018.

- In relation to the application of Banco de España Circular 2/2016 of 2 February to credit institutions, on supervision and solvency, which completed the adaptation of the Spanish legal system to Directive 2013/36/EU and Regulation (EU) No 575/2013, obliging some financial institutions to assign to their exposures to ENAIRE, with which Aena is a joint borrower, a risk weighting different from that assigned to the Spanish Government, which is zero, on 18 July 2018 Aena fully prepaid the outstanding loan it had from Depfa Bank for an amount of €166.1 million.

    Apart from this, In accordance with the contractual conditions it has also been paid the cost of unwinding the associated interest rate hedge in an amount of €24.1 million. This amount accrued in full at the time of payment. This amount accrued in full at the time of payment.

- On 24 July 2018 the Board of Directors of Aena approved the proposed charges for 2019, consisting in the freezing of the adjusted maximum annual income per passenger (IMAAJ) for 2019 relative to the maximum annual income per passenger (IMAP) for 2018 established in the DORA at €10.42 per passenger. This freezing comes about as a result of the adjustments established by the DORA regarding the performance incentives for levels of quality and structure of traffic at year-end 2017. This proposal, approved by the Board of Directors, will be communicated to the CNMC, the users' associations and the General Directorate of Civil Aviation (DGAC) before 31 July 2018.

APPENDICES:

I. Condensed consolidated interim financial statements at and for the six-month period ended 30 June 2018
II. Summary of Significant Events published in the first half of 2018

APPENDIX I: Condensed consolidated interim financial statements at and for the six-month period ended 30 June 2018

Condensed consolidated interim statement of financial position at 30 June 2018 and 31 December 2017

Thousands of euros	30 June 2018	31 December 2017 (*)
ASSETS		
Non-current assets		
Property, plant and equipment	13,020,939	13,205,946
Intangible assets and goodwill	527,149	491,173
Investment property	134,612	135,108
Equity-accounted investees	56,388	63,955
Other receivables	3,076	2,831
Deferred tax assets	117,778	122,369
Available-for-sale financial assets	-	347
Other financial assets	67,236	71,506
Derivative financial instruments for hedging	1,679	360
	13,928,857	**14,093,595**
Current assets		
Inventories	6,886	7,051
Trade and other receivables	460,494	351,809
Cash and cash equivalents	296,870	854,977
	764,250	**1,213,837**
Total assets	**14,693,107**	**15,307,432**
EQUITY AND LIABILITIES		
Equity		
Share capital	1,500,000	1,500,000
Share premium	1,100,868	1,100,868
Retained earnings	2,720,347	3,180,024
Foreign currency translation differences	-20,253	-22,523
Other reserves	-76,195	-75,931
Non-controlling interests	-2,746	5,426
	5,222,021	**5,687,864**
Liabilities		
Non-current liabilities		
Loans and borrowings	6,847,418	7,276,016
Derivative financial instruments	50,238	45,645
Deferred tax liabilities	76,346	80,153
Employee benefits	57,951	59,126
Provisions	90,661	70,901
Grants	494,324	511,927
Other non-current liabilities	70,206	91,409
	7,687,144	**8,135,177**
Current liabilities		
Trade and other payables	774,361	588,419
Loans and borrowings	890,797	734,943
Derivative financial instruments for hedging	35,022	37,010
Grants	40,153	40,152
Provisions	43,609	83,867
	1,783,942	**1,484,391**
Total liabilities	**9,471,086**	**9,619,568**
Total equity and liabilities	**14,693,107**	**15,307,432**

(*) The statement of financial position at 31 December 2017 is presented solely and exclusively for purposes of comparison (see Note 2 to the Condensed Consolidated Interim Financial Statements for the six-month period ended 30 June 2018).

APPENDIX I: Condensed consolidated interim financial statements at and for the six-month period ended 30 June 2018

Condensed consolidated interim statements of profit or loss for the six-month periods ended 30 June 2018 and 30 June 2017

Thousands of euros	30 June 2018	30 June 2017 (*)
Continuing operations		
Revenue	1,936,334	1,826,254
Other operating income	6,255	5,366
Capitalised cost of in-house work on assets	2,575	2,431
Cost of sales	-86,734	-87,751
Employee benefits	-210,385	-210,648
Losses, impairment and change in trading provisions	7,238	-
-Other operating expenses	-545,946	-506.120
Depreciation and amortisation	-401,551	-396,953
Portion of grants for fixed assets and others taken to income	17,608	24,472
Surplus provisions	2,540	3,040
Impairment and net gain or loss on disposals of fixed assets	-4,453	-3,981
Other gains/(losses) – net	1,433	1,204
Operating profit/(loss)	**724,914**	**657,314**
Finance income	1,036	2,550
Finance costs	-60,878	-64,514
Other financial income/(expense) - net	1,385	-2,829
Net finance income/(expense)	**-58,457**	**-64,793**
Share in profit or loss of equity-accounted associates	8,636	10,539
Profit before tax	**675,093**	**603,060**
Income tax expense	-162,822	-147,004
Consolidated profit for the period	**512,271**	**456,056**
Profit for the period attributable to non-controlling interests	**-2,227**	**-4,866**
Profit for the period attributable to shareholders of the parent company	**514,498**	**460,922**
Earnings per share (euros per share)		
Basic earnings per share based on profit for the year	3.43	3.07
Diluted earnings per share based on profit for the year	3.43	3.07

(*) The condensed consolidated statement of profit or loss for the six-month period ended 30 June 2017 is presented solely and exclusively for purposes of comparison. See restated balances in Note 2.4 to the Condensed Consolidated Interim Financial Statements for the six-month period ended 30 June 2018.

APPENDIX I: Condensed consolidated interim financial statements at and for the six-month period ended 30 June 2018

Condensed consolidated interim statements of cash flows for the six-month periods ended 30 June 2018 and 30 June 2017

Thousands of euros	30 June 2018	30 June 2017 (*)
Profit before tax	**675,093**	**603,060**
Adjustments for:	**444,479**	**454,073**
Impairment, depreciation and amortisation	401,551	396,953
(Gains)/losses on disposal of property, plant and equipment	4,453	3,981
Portion of grants taken to income	-17,608	-24,472
Value corrections for impairment of trade receivables	-7,238	-1,977
Change in provisions	12,523	23,847
Finance income	-2,173	-2,550
Finance costs	60,878	64,514
Exchange differences	-248	2,829
Other revenue and expense	977	1,487
Share in losses/(profits) of equity-accounted investees	-8,636	-10,539
Changes in working capital:	**-19,780**	**25,713**
Inventories	168	399
Trade and other receivables	-85,571	7,408
Other current assets	-333	-56
Trade and other payables	86,647	39,364
Other current liabilities	-20,388	-20,594
Other non-current assets and liabilities	-303	-808
Other cash flows from operating activities	**-90,005**	**9,053**
Interest paid	-55,058	-71,919
Interest received	63	339
Taxes received (paid)	-35,178	81,450
Other proceeds (payments)	168	-817
Net cash from operating activities	**1,009,787**	**1,091,899**
Cash flows from investing activities		
Acquisition of property, plant and equipment	-264,399	-147,600
Acquisition of intangible assets	-9,714	-14,736
Acquisition of investment property	-528	-103
Acquisition of other financial assets	-5,783	-2,865
Proceeds from divestment in group companies and associates	5,045	5,376
Proceeds from other financial assets	9,923	106
Dividends received	4,630	5,478
Net cash used in investing activities	**-260,826**	**-154,344**
Cash flows from financing activities		
ERDF grants received	-	9,340
Shareholder contributions	3.410	-
Proceeds from borrowings from credit institutions	19,323	628,004
Other proceeds	19,865	13,871
Repayment of borrowings from credit institutions	-	-334
Repayment of Group financing	-360,493	-1,153,798
Dividends paid	-983,898	-581,321
Other payments	-5,351	-6,362
Net cash used in financing activities	**-1,307,144**	**-1,090,600**
Effect of exchange rate fluctuations on cash held	**76**	**-1,288**
Net increase (decrease) in cash and cash equivalents	-558,107	-154,333
Cash and cash equivalents at the beginning of the period	**854,977**	**564,616**
Cash and cash equivalents at the end of the period	**296,870**	**410,283**

(*) The condensed consolidated statement of profit or loss for the six-month period ended 30 June 2017 is presented solely and exclusively for purposes of comparison (see Note 2 to the Condensed Consolidated Interim Financial Statements for the six-month period ended 30 June 2018).

APPENDIX II: Summary of Significant Events published in the first half of 2018

Register	Date	Type of event	Description
260536	10/01/2018	Composition of the Board of Directors	The Company reports the resignation of a member of the Board of Directors
260991	25/01/2018	Composition of the Board of Directors	The Company announces changes in the composition of the Board of Directors and in the Nominations and Remuneration Committee
260992	25/01/2018	Composition of the Board of Directors	The Company announces changes in the composition of the Board of Directors and in the Nominations and Remuneration Committee
261748	20/02/2018	Calls for meetings or informative events	Aena, S.M.E, S.A. announces the holding of the presentation of earnings corresponding to FY 2017
262159	27/02/2018	Interim financial information	The Company submits information on results for the second half of 2017
262162	27/02/2018	Annual report on corporate governance	The Company submits the Annual Corporate Governance Report for 2017
262164	27/02/2018	Annual report on directors' remuneration	The Company submits the Annual Report directors' remuneration for 2017
262165	27/02/2018	Information on results	Presentation of results and Consolidated Management Report for 2017
262170	27/02/2018	Information on dividends	Dividend for 2017
262171	27/02/2018	Strategic plans, forecasts and presentations	Passenger traffic forecast for 2018
262172	27/02/2018	Calls ad resolutions for General Meetings of Shareholders	The Company announces the calling of the General Meeting of Shareholders
262602	07/03/2018	Calls ad resolutions for General Meetings of Shareholders	The Company announces the calling of the 2018 AGM
262955	15/03/2018	Composition of the Board of Directors	The Company reports the resignation of the Vice-Secretary of the Board of Directors
263764	05/04/2018	Other, re corporate transactions	The Company announces that it will not exercise its purchase option on 49% of London Luton Airport Holding III Ltd
263927	10/04/2018	Calls ad resolutions for General Meetings of Shareholders	The Company announces the approval of the Resolutions of the General Meeting of Shareholdings.
263928	10/04/2018	Calls and resolutions for General Meetings of Shareholders Composition of the Board of Directors	The Company announces the approval of the appointment of directors by the General Meeting of Shareholdings.
263929	10/04/2018	Information on dividends. Calls ad resolutions for General Meetings of Shareholders	The Company announces the approval by the General meeting of Shareholders of the payment of the dividend
264212	17/04/2018	Credit ratings	Moody's Investors Service Ltd upgrades Aena's credit rating
264217	17/04/2018	Calls for meetings or informative events	Aena, S.M.E, S.A. announce the presentation of Q1 2018 results
264560	25/04/2018	Interim financial information	The Company submits information on results for the first quarter of 2018
265651	14/05/2018	Credit ratings	Fitch Ratings confirms its "A" credit rating with stable outlook for Aena S.M.E., S.A.
265695	15/05/2018	Placing of large numbers of shares (block trades)	Citigroup Global Markets Limited and UBS Limited are carrying out on behalf of TIC Luxembourg, S.Á.R.L. and Talos Capital Designated Activity Company a private placement among professional investors of a package of Aena, S.M.E S.A. shares representing approximately 2.6% of its share capital.
265702	16/05/2018	Placing of large numbers of shares (block trades)	Citigroup Global Markets Limited and UBS Limited submit details of the private placement among professional investors of a package of shares in Aena, S.M.E S.A., representing approximately 2,7% of its share capital, on behalf of TIC Luxembourg, S.Á.R.L. and Talos Capital Designated Activity Company.
266240	29/05/2018	Strategic plans, forecasts and presentations	The Company announces the lines of action of the Strategic Plan approved by the Board of Directors and the proposed date for its presentation.
266242	29/05/2018	Information on dividends	The Company announces that the Board of Directors has approved the dividend policy
266371	01/06/2018	Strategic plans, forecasts and presentations	Strategic Plan: Postponement of presentation
267046	21/06/2018	Composition of the Board of Directors	The Company announces the resignation of members of the Board of Directors and Committees of Aena S.M.E., S.A.