AENA, S.A.

Financial Statements and Management Report for the year ended on 31 December 2016.

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Aena, S.A.

BALANCE SHEET AT 31 DECEMBER 2016 AND 2015
(Expressed in thousand euros)

ASSETS

	Note	2016	2015
Non-current assets			
Fixed intangible assets	6	**86,754**	**91,698**
Development		110	375
Fixed intangible assets, concession agreement		11,338	12,197
Software		35,707	37,870
Other fixed intangible assets		2,596	3,520
Property, plant and equipment under construction		37,003	37,736
Fixed assets	7	**13,369,417**	**14,697,883**
Land and buildings		11,143,925	12,240,126
Plant and machinery		416,385	439,753
Other facilities, tools and furnishings		1,670,466	1,870,989
Other fixed assets		1,636	1,896
Property, plant and equipment under construction		137,005	145,119
Investment properties	8	**135,690**	**165,265**
Land and buildings		135,435	164,812
Other installations		255	453
Long-term investments in group and associated companies		**165,032**	**165,032**
Equity instruments	11	165,032	165,032
Long-term financial investments	10-11	**58,877**	**54,421**
Equity instruments		180	180
Other financial assets		58,697	54,241
Non-current trade payables		**2,599**	**-**
Long-term credit right		2,599	-
Deferred tax assets	22	**131,710**	**120,642**
TOTAL NON-CURRENT ASSETS		**13,950,079**	**15,294,941**
CURRENT ASSETS			
Inventories	17	**7,026**	**6,084**
Trade and other receivables		**398,705**	**431,842**
Trade receivables for sales and services rendered	**10-13**	258,569	298,799
Trade debtors, group and associated companies	**10/12/2013**	75	318
Sundry debtors	**10-13**	7,425	7,428
Staff	**10-13**	321	522
Current tax assets	**22**	110,456	107,840
Other receivables from public administrations	**13-22**	21,859	16,935
Short-term investments in group and associated companies	10-12	**1,319**	**52,992**
Credit to companies	**12**	1,319	52,992
Short-term financial investments	10-14	**1,630**	**2,658**
Credit to companies		218	489
Other financial assets	**10-11**	1,412	2,169
Short-term accruals and prepayments	20	**5,939**	**6,903**
Cash and other similar liquid assets	18	**482,758**	**510,784**
TOTAL CURRENT ASSETS		**897,377**	**1,011,263**
TOTAL ASSETS		**14,847,456**	**16,306,204**

Notes 1 to 29 of the attached report are an integral part of these annual financial statements

Aena, S.A.

BALANCE SHEET AT 31 DECEMBER 2016 AND 2015
(Expressed in thousand euros)

NET EQUITY AND LIABILITIES	Note	2016	2015
NET EQUITY			
Own equity	**19**	**5,023,844**	**4,282,312**
Share capital	**19a**	1,500,000	1,500,000
Share premium	**19b**	1,100,868	1,100,868
Capitalisation Reserve	**19b**	42,406	-
Legal Reserves	**19b**	184,393	103,225
Other reserves	**19b**	1,048,116	766,543
Profit/Loss for the year	**19c**	1,148,061	811,676
Valuation change adjustments	**19d**	**(97,262)**	**(55,427)**
Coverage transactions		(97,262)	(55,427)
Grants, donations and legacies received	**7-19e**	**436,985**	**457,687**
TOTAL NET EQUITY		**5,363,567**	**4,684,572**
NON-CURRENT LIABILITIES			
Long-term provisions	**21**	**142,235**	**1,153,368**
Long-term obligations for benefits to personnel		8,596	7,984
Environmental action		63,254	108,958
Other provisions		70,385	1,036,426
Long-term deposits received	**10**	**89,203**	**63,605**
Long-term debt	**10**	**104,342**	**47,332**
Financial lease creditors		13,822	15,366
Derivatives		90,031	31,396
Other financial liabilities		489	570
Long-term debt in group and associated companies	**10-11-12-15**	**7,487,181**	**8,309,752**
Long-term accruals and prepayments	**20**	**125,917**	**166,108**
Deferred tax liabilities	**22**	**151,038**	**157,939**
TOTAL NON-CURRENT LIABILITIES		**8,099,916**	**9,898,104**
CURRENT LIABILITES			
Short-term provisions	**21**	**128,468**	**119,095**
Short-term debt	**10**	**129,618**	**134,466**
Financial lease creditors		1,544	1,506
Derivatives		39,475	40,821
Other financial liabilities		88,599	92,139
Short-term debt in group and associated companies	**10-11-12-15**	**813,365**	**1,153,770**
Trade creditors and other accounts payable		**273,082**	**278,428**
Suppliers	**10-16**	-	3
Trade creditors, group and associated companies	**10/12/2016**	33,510	34,434
Sundry payables	**10-16**	145,955	144,612
Staff	**10-16**	19,289	26,807
Others debts with Public Administrations	**16-22**	23,045	18,720
Prepayments from customers:	**10-16**	51,283	53,852
Short-term accruals and prepayments	**20**	**39,440**	**37,769**
TOTAL CURRENT LIABILITIES		**1,383,973**	**1,723,528**
TOTAL EQUITY AND LIABILITIES		**14,847,456**	**16,306,204**

Notes 1 to 29 of the attached report are an integral part of these annual financial statements

Aena, S.A.

PROFIT AND LOSS STATEMENT FOR THE YEAR ENDED ON 31 DECEMBER 2016 AND 2015
(Expressed in thousand euros)

ONGOING TRANSACTIONS	Note	2016	2015
Net turnover	**23b**	**3,508,705**	**3,244,781**
Own work capitalised	**7**	**4,323**	**4,212**
Supplies	**23a**	**(182,188)**	**(182,822)**
Consumption of raw materials and other consumable materials		(613)	(1,140)
Work performed by other companies		(181,575)	(181,682)
Other operating revenue		**7,598**	**8,313**
Sundry and other operating revenues		7,491	6,883
Operating grants taken to revenue		107	1,430
Personnel expenses	**23c**	**(349,806)**	**(321,684)**
Wages, salaries and other payroll costs		(250,706)	(252,517)
Social security charges		(100,598)	(95,563)
Provisions		1,498	26,396
Other operating expenses		**(806,043)**	**(775,075)**
Outside services	**23d**	(644,862)	(622,778)
Taxes	**23e**	(146,463)	(147,020)
Losses, impairment and changes in provisions for commercial transactions	**13**	(7,845)	(3,351)
Other ordinary expenses		(6,873)	(1,926)
Fixed asset depreciation	**6-7-8**	**(778,158)**	**(786,711)**
Release of non-financial fixed asset grants and other	**19e**	**41,590**	**45,928**
Excess provisions	**23g**	**8,831**	**7,913**
Impairment and profit/loss on fixed asset disposals		**(6,039)**	**(1,849)**
Profits/losses from disposals and others		(6,438)	(6,835)
Other results		399	4,986
OPERATING PROFIT/LOSS		**1,448,813**	**1,243,006**
Financial revenue	**23f**	**205,352**	**6,985**
From tradable securities and other financial instruments			
- from group and associated companies		4	276
- From third parties		204,686	3,789
Capitalisation of finance charges	**6-7**	662	2,920
Financial expenses	**23f**	**(105,208)**	**(193,866)**
- from debts with group and associated companies		(95,325)	(167,698)
- from debts with third parties		(9,423)	(25,005)
- From updating of provisions		(460)	(1,163)
Variation in the fair value of financial instruments	**15-19d**	**(44,472)**	**(25,203)**
Exchange differences	**23f**	**(5)**	**(20)**
Impairment and profit/loss from disposals of financial instruments	**23f**	**0**	**97**
FINANCIAL PROFIT/LOSS	**23f**	**55,667**	**(212,007)**
PROFIT /LOSS BEFORE TAX		**1,504,480**	**1,030,999**
Profits Tax:	**22**	(356,419)	(219,323)
PROFIT/LOSS FOR THE FINANCIAL YEAR FROM ONGOING OPERATIONS		**1,148,061**	**811,676**
PROFIT FOR THE YEAR		**1,148,061**	**811,676**

Notes 1 to 29 of the attached report are an integral part of these annual financial statements

Aena, S.A.

STATEMENT OF CHANGES IN NET EQUITY FOR THE YEAR ENDED ON 31 DECEMBER 2016 AND 2015
(Expressed in thousand euros)

A) Statement of recognised revenue and expense

	Note	2016	2015
Profit/Loss of the profit and loss account		**1,148,061**	**811,676**
Revenue and expense directly imputed to net equity			
From cash flow hedges		(100,252)	(92,371)
Grants, donations and legacies received	**19e**	13,987	6,113
For actuarial gains and losses		(39)	77
Tax effect		21,576	24,131
Valuation adjustments Act 27/2014	**22.2**	-	(2,060)
Total revenue and expense directly imputed to net equity		**(64,728)**	**(64,110)**
Transfers to the profit and loss account			
For cash flow hedges	**19d**	44,472	25,203
Grants, donations and legacies received	**19e**	(41,590)	(45,928)
Tax effect		(720)	5,803
Total transfers to the profit and loss account		**2,162**	**(14,922)**
TOTAL RECOGNISED REVENUE AND EXPENSE		**1,085,495**	**732,644**

B) Statement of overall changes in net equity

	Issued share capital (Note 19.a)	Share premium (Note 19.b)	Profit/Loss for the year (Note 19.c)	Capitalisation Reserve (Note 19.b)	Legal Reserve (Note 19.b)	Other reserves (Note 19.b)	Valuation change adjustments (Note 19.d)	Grants, donations and legacies received (Note 19.e)	TOTAL
Balance at 01 January 2015	**1,500,000**	**1,100,868**	**452,169**	**-**	**58,008**	**359,533**	**(4,951)**	**486,301**	**3,951,928**
Total recognised revenue and expense	-	-	811,676	-	-	58	(50,476)	(28,614)	**732,644**
Allocation of prior year profit/loss	-	-	(452,169)	-	45,217	406,952	-	-	-
Balance at 31 December 2015	**1,500,000**	**1,100,868**	**811,676**	**-**	**103,225**	**766,543**	**(55,427)**	**457,687**	**4,684,572**
Total recognised revenue and expense	-	-	1,148,061	-	-	(29)	(41,835)	(20,702)	**1,085,495**
Distribution of dividends	-	-	-	-	-	(406,500)	-	-	**(406,500)**
Allocation of prior year profit/loss	-	-	(811,676)	42,406	81,168	688,102	-	-	-
Balance at 31 December 2016	**1,500,000**	**1,100,868**	**1,148,061**	**42,406**	**184,393**	**1,048,116**	**(97,262)**	**436,985**	**5,363,567**

Notes 1 to 29 of the attached report are an integral part of these annual financial statements

Aena, S.A.

CASH FLOW STATEMENT FOR THE YEAR ENDED ON 31 DECEMBER 2016 AND 2015
(Expressed in thousand euros)

	Note	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES (I)		**1,772,340**	**1,523,022**
Pre-tax profit		1,504,480	1,030,999
Adjustments to the profit		**767,410**	**982,571**
Fixed asset depreciation	**6-7-8**	778,158	786,711
Impairment valuation adjustments	**13**	7,845	3,351
Attribution of grants	**19e**	(41,590)	(45,928)
Profit/loss on disposals and sales of fixed assets		6,438	6,835
Profit/loss on disposals and sales of financial instruments		-	(97)
Financial revenue	**23f**	(205,352)	(6,985)
Financial expenses and exchange rate differences	**23f**	105,213	193,886
Variation in the fair value of financial instruments	**12**	44,472	25,203
Change in provisions		74,484	17,816
Others		(2,258)	1,779
Changes in working capital		**(66,934)**	**(107,042)**
Inventories		(942)	585
Debtors and other receivables		30,825	(43,023)
Other current assets		1,026	(125)
Creditors and other accounts payable		(53,683)	(56,240)
Other current liabilities		(42,947)	-
Other non-current assets and liabilities		(1,213)	(8,239)
Other cash flows from operating activities-		**(432,616)**	**(383,506)**
Interest payments		(132,624)	(223,324)
Interest receivable		1,493	2,745
Payments/recoveries of corporate revenue taxes		(301,485)	(162,927)
CASH FLOWS FROM INVESTMENT ACTIVITIES		**(247,541)**	**(209,187)**
Payments for investments		**(248,166)**	**(238,307)**
Fixed intangible assets		(16,120)	(13,066)
Fixed assets		(226,799)	(214,066)
Investment properties		(1,346)	(87)
Other financial assets		(3,901)	(11,088)
Collections from divestments		**625**	**29,120**
Group and associated companies		614	28,699
Other assets		11	421
CASH FLOWS FROM INVESTMENT ACTIVITIES (III)		**(1,552,825)**	**(1,052,360)**
Collections and payments from equity instruments		**10,665**	**22,287**
Grants, donations and legacies received	**19e**	10,665	22,287
Collections and payments from equity instruments		**(1,157,124)**	**(1,074,647)**
Issue:			
- Other		19,392	13,207
Reimbursement and amortisation of:			
- Debts with group and associated companies	**15**	(1,172,339)	(1,080,128)
-Other debts		(4,177)	(7,726)
Dividends and interest on other equity instruments paid		**(406,366)**	-
Dividends		(406,366)	-
NET INCREASE/DECREASE OF CASH OR EQUIVALENTS		**(28,026)**	**261,475**
CASH OR OTHER EQUIVALENT LIQUID ASSETS AT THE BEGINNING OF THE PERIOD		**510,784**	**249,309**
CASH OR OTHER EQUIVALENT LIQUID ASSETS AT THE END OF THE PERIOD		**482,758**	**510,784**

Notes 1 to 29 of the attached report are an integral part of these annual financial statements

1. Activity

Aena, S.A. (hereinafter the Company) was created by virtue of Royal Decree Law 13/2010 (3 December) which authorises the Council of Ministers to incorporate the Company. The authorisation for effective incorporation took place on 25 February 2011 by resolution adopted by the Council of Ministers on that date authorising the incorporate of the State-owned corporation Aena Aeropuertos, S.A. as provided in Article 166 of Act 33/2003 (3 November) on Public Institution Assets (LPIA).

On 5 July 2014, in virtue of Article 18 of Royal Decree Law 8/2014, the name of Aena Aeropuertos, S.A. was changed to Aena, S.A. and the Public Business Entity “Aeropuertos Españoles y Navegación Aérea” was renamed ENAIRE (“Parent Company”).

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

- The organisation, direction, coordination, operation, maintenance, administration and management of the airports of general and State-owned interest and the heliports and services pertaining to these managed by Aena, S.A.

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

- The design and development of projects, execution, management and control deriving from the investments in infrastructures and facilities relating to the preceding sections and in assets intended for the rendering of the airport air traffic services associated with those airport infrastructures.

- The evaluation of needs and, if appropriate, the proposal for planning new airport infrastructures and airport and acoustic rights of way associated with airports and services for which the Company is responsible for managing.

- The performance of organisational and security services at airport facilities that it manages, notwithstanding the authority assigned to the Ministry of the Interior in this respect.

- Training in areas relating to air traffic, including the training of aeronautical professionals that require licenses, certificates, authorisations or ratings and the promotion, reporting or development of aeronautical or airport activities.

In addition, the Company may carry out any other commercial activities that are directly or indirectly related to its corporate purpose, including the management of airport facilities located outside Spain and any associated and supplementary activity that allows yields to be obtained on investments.

The corporate purpose may be carried out by the Company directly or through the creation of mercantile companies and, specifically, the individualised management of airports may be carried out through subsidiaries or service concessions.

The integrity of the airport network insofar as its survival ensures the mobility of citizens and economic, social and territorial cohesion in terms of accessibility, adequacy, suitability, sustainability and continuity, was also established in the aforementioned Royal Decree 8/2014. The latter sets out the framework to which the basic airport services are subject and the characteristics and conditions that the said network must boast in order to guarantee the objectives of general interest. Thus, the closure or sale of all or part of any facilities or airport infrastructure necessary to maintain the provision of airport services is prohibited, unless authorised by the Council of Ministers or the Ministry of Public Works, and which authorisation can only be granted provided it does not affect the objectives of general interest that must guarantee the said network or compromise its sustainability; the absence of such authorisation will render the foregoing as a guarantee for the entire maintenance of the state airport network null and void. Airport charges and their key elements, basic airport services and the framework to determine minimum standards of quality, capacity and conditions for the provision of the services and investments required for compliance, as well as the conditions for recovering the costs of providing these basic airport services have been defined (see note 4p).

The company was founded by the issue of 61 shares with a value €1,000 each, fully subscribed and paid-up by the Public Business Entity "Aeropuertos Españoles y Navegación Aérea" that was its sole shareholder at that time. The Public Business Entity "Aeropuertos Españoles y Navegación Aérea" will maintain, in any event, a majority of the share capital of the Company in the terms established by Article 7.1. Second paragraph of Royal Decree Law 13/2010 (3 December), and may sell the rest in accordance with Act 33/2003 (3 November) on Public Institution Equity.

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

The Resolution adopted by the Council of Ministers on the 3rd of June 2011 subsequently approved the Company's share capital increase in order to support the Company's activity, and in accordance with Article 9 of Royal Decree Law 13/2010 of the 3rd of December, for the capital increase of the company through which the shareholder makes a contribution of all of the assets, rights, debts and obligations associated with the airport and commercial activities and other state services associated with airport management, including the air traffic services at the airport. This capital increase is carried out through a non-cash contribution of capital valued in accordance with the current accounting principles, in particular the Spanish General Accounting Plan approved by Royal Decree 1514/2007 of the 16th of November, subsequently amended by the Royal Decree 1159 / 2010 of the 17th of September.

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

Aena, S.A., is the beneficiary of the expropriations associated with the infrastructures it manages.

The registered address for Aena, S.A. is located in Madrid, at Arturo Soria St., 109.

The company is the head of a group of subsidiaries and in accordance with current legislation, it is required to separately prepare consolidated accounts. The annual consolidated financial statements of the Aena Group ("Group"), for financial year 2016 were prepared by the Board of Directors on the 21st of February 2017.

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards adopted by the European Union (IFRS-EU, hereinafter the "IFRS") and the IFRIC interpretations in force at the 31st of December 2016, as well as the commercial legislation applicable to companies that prepare financial information in accordance with IFRS. In 2012, the Company's management decided to make the adaptation to IFRS of the Group's consolidated annual financial statements in order to present the operations and the financial position of the Group in accordance with the IFRS for financial years 2011 and 2012 with the aim of exploring a potential partial divestiture by the ultimate holding company both through private investors as well as through transactions on the capital markets.

Moreover, in the Council of Ministers' meeting of 11 July 2014, the Public Business Entity "ENAIRE" was authorised to initiate proceedings for the sale of the share capital of Aena, S.A. and to dispose of up to 49% of its capital.

This process culminated with the IPO of Aena, S.A. The shares of Aena, S.A. are quoted on the four Spanish stock exchanges and have been traded on the continuous market since the the 11th of February 2015. It was first listed on the Madrid stock exchange after the IPO for 49 % of their capital, with a starting price of 58 euros per share. Later on, in June 2015, Aena joined the Ibex 35, an indicator that includes the top 35 Spanish companies listed on the stock exchange.

The price performance of Aena, S.A. during the year 2016 was very positive, with a revaluation at year end 23.0 % to 129.65 euros per share compared to the evolution of the IBEX 35, which fell by 2.0 %.

2. Basis of presentation

a) Regulatory framework of the financial information applicable to the company

These annual financial statements have been prepared in accordance with the regulatory framework of the financial information applicable to the company, as set out in:

- The Commercial Act and other mercantile legislation.
- The Spanish General Accounting Plan approved by Royal Decree 1514/2007, its adaptations, the amendments of Royal Decree 1159/2010, of 17 September , Royal Decree 602/2016, of 17 December, and Order EHA/733/2010 of 25 March on the accounting aspects of state-owned companies that operate in certain circumstances.
- The compulsory standards passed by the Institute of Accountancy and the Audit of Accounts in giving details of the Spanish General Accounting Plan and its supplementary regulations.
- Order EHA/3362/2010, of the 23rd of December, which approved the rules for the adaptation of the Spanish General Accounting Plan to the concessionary companies for public infrastructure.
- Any other applicable Spanish legislation.

b) True and fair view

The attached annual financial statements have been obtained from the company's accounting records and are presented in accordance with the applicable regulatory framework for financial information and particularly with the accounting principles and criteria contained therein, so that they show a true and fair view of the equity, the financial situation, the profit and loss of the company and of the cash flows that occurred during the financial year. These annual financial statements that have been prepared by the Board of Directors on the 23rd of February 2017 will be submitted to the approval of the Shareholders' General Meeting, it being deemed that they will be approved without any modification.

c) Accounting principles applied

These annual financial statements have been presented taking into consideration all the applicable mandatory accounting principles and regulations that have a significant effect on these annual financial statements. There is no mandatory accounting principle that has not been applied.

d) Functional and presentation currency

The annual financial statements are presented in thousands of euros, unless otherwise specified, rounded to the nearest thousand, which is the functional currency and that for presentation of the company.

e) Going concern company

On 31 December 2016 the Company has negative working capital, calculated as the difference between current assets and current liabilities in the attached balance sheet, of 486,596 thousand euros (2015: 712,265 miles de euros) and a profit for the financial year of 1,148,061 thousand euros (2015: profit of 811,676 thousand euros). To meet its short-term commitments the company has its own positive operating cash flows, which have helped reduce the negative working capital in the past few financial years and that the company expects to remain positive in the short-term. On the other hand, on the 29th of July 2015 the company took up credit lines with banks for 1,000 million euros to address any specific cash needs, this being available in its entirety at the end of the financial year (see Notes 5c and 15).

Under these circumstances, the company's directors deem that there will be no problems in meeting payment commitments and have therefore formulated these annual financial statements on a going concern basis.

f) Critical valuation aspects and estimation of uncertainty

In the preparation of attached annual accounts estimates made by the company's directors have been used to value some of the assets, liabilities, revenue, expense and commitments disclosed in these. Basically these estimates refer to:

- The evaluation of possible losses by impairment of certain assets (Note 4a).
- The useful life of tangible and intangible fixed assets and capital investments (Notes 4a, 4b and 4c).
- Recognition of revenue (Note 4p).
- Determination of current and deferred tax (Note 22)
- Recoverability of deferred tax assets (Note 22)
- Evaluation of litigation, provisions, commitments, assets and contingent liabilities at closing date (Notes 4j and 4k).
- The market value of certain financial instruments (Note 4f).
- Presentation of the reversal of the Provision for late-payment interest of expropriations as financial revenue (Notes 21, 23.f).

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

Among the significant judgements in applying the company's accounting policies there are the following:

Revenue recognition of minimum guaranteed annuities contract with World Duty Free Global (WDFG)

During 2013, Aena, S.A. awarded to World Duty Free Group (WDFG) a multi-annual contract for the management of duty free and duty paid stores in three airport lots until 2020, whose fees are based on sales volumes made by those stores. The Company's management has assessed the substantive features of the contract and has concluded that the revenue derived from it should be recognised on an accrual basis, whereas the fees received are considered contingent, even though the payment of certain fees is set by contract, regardless of sales volume. The judgement of management when determining the variability of contract fees is based on the substance thereof and future variability factors that influence the determination of such fees, including spaces allocated to stores, duration of availability of such spaces, the variability of airport passenger traffic and the ability of parties to obtain a minimum cost associated with contract, among other factors. Future changes to the contract terms assessed by the company's management, could lead to a different revenue recognition criterion, other than that Aena, S.A. has applied to this contract. For contracts with features similar to this one, the Company has continued to follow the same revenue recognition criteria.

Recoverability of tax deductions for investments in Canary Islands

The Management of Aena, S.A. has decided to offset the tax deductions for investments in the Canary Islands from the total state tax due. Deductions for investments in the Canary Islands were applied at the end of 2013, after consultation with the Directorate General of Taxes regarding the recoverability conditions, where the necessary conditions were in existence. In 2016, total deductions utilised amounted to 10,466 thousand euros (corresponding to deductions for investments in the Canary Islands), and a use in deductions for all items amounting to 12,801 thousand euros, corresponding to 81.76 % deductions for investments in the Canary Islands (in 2015 a total of 112,007 thousand euros in deductions were used, of which 99.17 % corresponded to deductions for investments in the Canary Islands) (See Note 22.3).

The Company no longer has tax deductions activated for the Canary Islands at the end of 2016 (31 December 2015: 0 thousand euros) (See Note 22.3).

g) Comparison of information

In compliance with current regulations, in addition to the figures for the financial year ended the 31st of December 2016, the comparative figures are presented for the financial year ended the 31st of December 2015.

The figures for in 2015 have been changed in order to make them comparable with those for 2016, duly drafted according to the criteria explained in the Note 4 (s).

Also in Note 23.b the figures for the distribution of turnover in 2015 have been modified to make them comparable with those for 2016, prepared according to the criteria explained in Note 4 (a) (Impairment of property, plant and equipment).

h) Grouping of items

Certain items of the balance sheet, the profit and loss account, the statement of changes in net equity and the cash flow statement are presented in a grouped form to facilitate their understanding, although insofar as it is relevant, the mandatory broken down information has been included in the related notes of the report.

3. Non-cash contribution

In accordance with the contents of article 9 of the Royal Decree Law 13/2010 of the 3rd of December and from the agreement of the Council of Ministers of the 3rd of June 2011, the company was authorised to increase its share capital, which was fully subscribed by its sole shareholder at that time, the public entity "Aeropuertos Españoles y Navegación Aérea". Said capital increase was subscribed through the contribution of the entirety of the property, rights, debts and obligations affected by the undertaking of the airport, commercial and other State services activities relating to airport management, including those of the air traffic services. On the 23rd of May 2011, the Board of Directors of the public enterprise "Aeropuertos Españoles y Navegación Aérea" approved the contribution to the company the activity and its prepared valuation by its technical services, taking as a reference the net equity of the branch of activity as at the 31st of May 2011, in accordance with the current accounting regulations and particularly, the Spanish General Accounting Plan approved by the Royal Decree 1514/2007 amended by the Royal Decree 1159/2010.

For this reason, all the assets and liabilities included in the non-cash contribution were done so at their net book value, except for the assets relating to investments in equity of Group. multi-group and associated companies, which are incorporated at their consolidated value in the AENA Group, as at the 8th of June 2011, the effective date of the transaction. Similarly, in accordance with valuations standard 4-a and 4-b, the assets relating to fixed assets were disclosed at their net book value at the time of the transaction as broken down in the notes on intangible and tangible fixed assets.

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

- Reduce the par value of the Company’s €1,000 shares by dividing the 61 outstanding shares into 6,100 shares, consisting of 100 new shares for each old share, without changing the amount of the Company’s share capital. As a result, the Company’s share capital is 61,000 euros represented by 6,100 shares with a par value of 10 euros each, and all shares are of the same class and bear the same financial and voting rights.

- Increase the Company’s share capital from €61,000 to €1,500,000,000 and, therefore, the share capital increase amounts to €1,499,939,000.

- Issue of 149,993,900 common shares with a par value of €10 each, all with the same rights and obligations as those already in existence. The new shares were issued with a share premium of €1,100,868 thousand, and therefore the amount payable for share capital and share premium totals €2,600,807 thousand.

- In accordance with Article 9 of Royal Decree Law 13/2010 and the Resolutions dated 25 February and 3 June 2011, the Public Business Entity “Aeropuertos Españoles y Navegación Aérea” fully subscribed and paid the total par value of the shares and the share premium through the contribution of the activity referred to in paragraph 1 of this section of the report.

- The Public Business Entity “Aeropuertos Españoles y Navegación Aérea” contributes to all of the activities as an operating unit in the state in which they are located (ownership, usage rights, situation, charges, etc.) in the terms of RDL 13/2010. The public business entity "Aeropuertos Españoles y Navegación Aérea" in accordance with Article 66 of the Corporate Enterprises Act approved by Royal Decree Law 1/2010 (2 July) is only liable, with respect to the contribution, if the defect or encumbrance affects all or an essential part of the Activity. For these purposes, it shall be understood as an essential part that affects 20 % or more the total value of the Activity contribution or when it affects an individual airport such that the airport activity cannot be carried out, notwithstanding jurisdictional control over the applicable legal system.

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

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

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

- In accordance with Articles 70 and 300.1 of the Corporate Enterprises Act, the members of the Company’s Board of Directors have endorsed the report that has been examined by the Single Shareholder.

- The Company will start to carry out the activity on an effective basis on the date determined by the Order of the Ministry of Public Works under the Second Transitory Provision of Royal Decree Law 13/2010.

- The contribution of the Activity is subject to the application of the special system established by Title VII, Chapter VIII of Royal Decree Law 4/2004 (5 March), which approves the Revised Text of the Corporate Revenue Tax Act, in accordance with the third additional provision 2 of Royal Decree Law 13/2010.

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

The tangible fixed assets contribution relates to the rights of any nature that Aena, S.A. has on the land, buildings, plant and equipment of the airports managed or used by the activity. It similarly includes the usage rights that relate to Aena, S.A. of certain land located in airports, military airfields and air bases. The contributed rights refer to the following airports, aerodromes and air bases:

- Civil airports: La Coruña, Alicante, Almería, Asturias, Barcelona, Bilbao, Burgos, Córdoba, El Hierro, Fuerteventura, Girona, Granada, Huesca Pirineos, Ibiza, Jerez de la Frontera, La Gomera, La Palma, Logroño, Adolfo Suárez Madrid-Barajas, Melilla, Menorca, Palma de Mallorca-Son Bonet, Pamplona, Reus, Sabadell, San Sebastián, Santander, Seville, Tenerife Sur, Valencia, Vigo and Vitoria.

- Civil part of jointly used airports with the Defence Ministry: Gran Canaria-Gando, Lanzarote, Tenerife Norte, Madrid-Cuatro Vientos, Málaga, Palma de Mallorca-Son Sant Joan, Santiago and Zaragoza

- Air bases and military airports open to civil use: Talavera La Real (Badajoz), Matacán (Salamanca), San Javier (Murcia), Villanubla (Valladolid), Los Llanos (Albacete), and León military airfield.

- Heliports: Heliport in Ceuta and Algeciras.

4. Recording and valuation rules

The main recording and valuation rules used in the preparation of the company's annual financial statements, in accordance with the Spanish General Accounting Plan, were the following:

a) Fixed intangible assets

The elements of fixed intangible assets are recorded in the assets of the balance sheet at their price of acquisition, production cost or market value, written down by their depreciation and the losses from impairment they may have experienced.

The “Development costs” are individualized by project and their capitalisation is done on the basis of studies that support their viability and profitability and which are reviewed annually during the period of development of the project. In the event that the circumstances that allowed a project to be capitalised undergo changes, the accumulated cost is realised on the revenue statement.

In the “IT applications” heading the company includes the amounts paid relating to the acquisition and development of IT programs. The maintenance costs of the IT applications are recorded in the profit and loss account of the period in which they were incurred.

As "Other fixed intangible assets" the Company mainly capitalizes the Airport Steering Plans and the studies associated with them, and they are amortized over 8 years.

The Steering Plans are resources controlled by the company from which legal rights are derived, as these are required by Law and are approved by the Ministry of Public Works.

<u>*Concession agreement, regulated asset*</u>

The Sectoral Public Infrastructure Plan of concessionary companies, regulates the treatment of contracts of the concession service agreements, defining these as those by virtue of which the granting entity entrusts to a concessionary company the construction, including the improvement and operation of infrastructures that are intended for the providing of public services of a financial nature for the period of time envisaged in the agreement, obtaining in exchange the right to receive a remuneration.

Any concessionary agreement must comply with the following requirements:

- The granting entity shall control or regulate which public services must be provided by the concessionary company, to whom it must provide them and at what price; and

- The granting entity shall control any significant residual stake in the infrastructure at the end of the term of the agreement.

In these concession agreements, the concessionary company acts as a service provider, specifically on one hand in services for the construction or improvement of the infrastructure, and on the other, in operation and maintenance services for the duration of the agreement. The remuneration received by the concessionary company relating to the service of construction or improvement of the infrastructure is accounted for using the fair value of said service and it may be recorded for accounting purposes as:

- *Fixed intangible assets*: In such cases in which the right to charge a price to users for the use of the public service received and insofar as it is not unconditional but depends on the users actually using the service, the remuneration for the construction or improvement service shall be recorded as a fixed intangible asset within the item "Concession agreement, regulated asset" under the "Fixed intangible assets" heading in application of the model of the intangible, in which the demand risk is assumed by the concessionary company. In the case of the company, the fixed intangible assets include the investment made in installations that the company has received and that, once construction has been completed, is operated as an administrative concession.

- *Financial asset*: In such cases in which the unconditional right is received, to receive from the granting entity (or on its account) cash or another financial asset and the granting entity were to have little or no capacity to prevent the payment, the consideration for the construction or improvement service shall be recorded as a financial asset within the item "Concession agreement, collection rights" in application of the financial model in which the concessionary company does not assume the risk of demand (it collects even in the absence of use of the infrastructure as the granting entity guarantees payment to the concessionary company of a fixed or determinable amount or of the deficit, if there were any).

The right of access to the infrastructure in order to provide the operating service that the granting entity has granted to the concessionary company is recognised by the latter as a fixed intangible asset in accordance with recording and valuation standard 5 for Fixed intangible assets of the Spanish General Accounting Plan.

If there is no consideration, the consideration shall be recognised in accordance with recording and valuation standard 18 for "Grants, donations and legacies" of the Spanish General Accounting Plan.

If there is a consideration but it was substantially less than the reasonable value of the aforementioned right, the difference will be dealt with in accordance with that provided for in the previous paragraph.

In any event, it shall be understood that there is a consideration and that this corresponds to the reasonable value of said right, provided that the cession of the infrastructure is included within the conditions of an invitation to tender in which the concessionary company commits itself to make an investment or provide another type of consideration and in return obtains the right to operate only the pre-existing infrastructure or otherwise the cited infrastructure together with the newly constructed infrastructure.

The subsequent costs incurred in the fixed intangible assets shall be recorded as a expense, unless they increase the future economic benefits expected from the assets.

(Thousand euros unless otherwise stated)

The company shall assess for each fixed intangible asset acquired, whether its useful life is finite or indefinite. For these purposes it is understood that a fixed intangible asset has an indefinite useful life when there is no foreseeable limit to the period during which it will generate net cash flow revenue.

The company has no fixed intangible assets with an indefinite useful life.

With regards to the elements of fixed intangible assets with finite lives, the amortisation is calculated on a straight-line basis, based on the useful life of the different related assets, using the following percentages:

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

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

The company reviews the residual value, the useful life and the amortisation method of the fixed intangible assets at the end of each financial year. The modifications to the initially set criteria are recognised as a change in estimate.

Impairment of the value of intangible and tangible fixed assets

Assets that have an indefinite useful life and fixed intangible assets that are not in a state of use are not subject to amortisation and are tested annually for impairment. Property, plant and equipment and fixed intangible assets subject to depreciation/amortisation are subject to impairment reviews provided that some event or change in circumstances indicates that carrying value may not be recoverable. Al loss from impairment of the value is recognized for the book value that exceeds the recoverable amount. The recoverable amount is determined as the fair value less sales costs or the value-in-use, whichever is higher.

Aena, S.A. deems that all its assets are cash flow generators. For the purposes of assessing impairment losses, assets are grouped together at the lowest level for which there is separately identifiable cash flows (Cash Generating Units).

For the periods presented in these financial statements, the determination of the cash-generating units has been influenced by the rules applicable in each period and the mechanisms for establishing the economic benefits associated with the assets in these cash-generating units.

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

This initial regulatory framework was amended in Royal Decree Law 20/2012, of 13 July, on measures to ensure budgetary stability and foster competitiveness, in which Title VI amends the formula for updating the airport charges received by Aena Aeropuertos, S.A., so that revenue, expenses and investments derived from commercial services and activities that are not strictly aeronautical are not included for the purpose of determining airport tariffs. This Royal Decree establishes as a substantial change the progressive decoupling of private prices from terminal areas as from 2014 a weighting coefficient is applied to decouple commercial revenue from the determination of airport charges 80%, 2015: 60%, 2016: 40%, 2017: 20%, 2018: 0%). Therefore, from 2018 a dual till system will be used in full.

Until fiscal year the company's management has identified cash-generating units in the individual assets that make up the off-terminal services segment (which consist primarily of each of the property assets and the car parks as a whole), in the financial investments and in the airport network for the Airports segment (which consists of the infrastructure assigned to aeronautical activity and the commercial spaces included in it). This identification has been based on the following considerations:

1. The company considered the network of airports as a whole as a cash-generating unit in light of the legislation regulating the airport charges contained in Act 1/2011 mentioned above, mainly due to the following reasons:

   - Individually speaking, the airports do not have independence with respect to the management of revenues, as management is carried out on a joint basis and fees are calculated based on the entire network.

   - Control over airport operations is carried out by Company management on a joint basis.

   - The fees that are received by the Company for performing its activities are calculated taking into account practically all of the activities carried out by the Company and they seek a balanced budget such that commercial revenues could give rise to a reduction in aviation fees, with the beneficiaries being the users of the airport infrastructure, notwithstanding the provisions of Royal Decree Law 20/2012.

   - Finally, the regulatory framework established by Act 1/2011 stipulates that the fees must be calculated based on the entire network, allowing the recovery of the cost of the network taken as a whole, and not at the level of individual airports.

2. In relation to the cash-generating unit of the car parks within the Off-terminal services segment, the Company has also considered them as a network as a whole, taking into account all applicable regulations and reasons considered for the airport network, primarily for the following reasons:

   - Revenue generated by the network of car parks is intimately dependent on airport activity, since they cannot operate independently of the other integral assets of the network. Consequently, the recovery of such assets is also considered as a whole, with car parking being considered an accessory to airport activity.

   - Parking management is considered as a whole, due to its interdependence with airport assets and the nature of the compulsory service that must be provided in relation to airport activity. In this regard, it worth noting that Company Management assesses the adequacy of the infrastructure at airports depending on the traffic, and as the car parks form part of the airport service, evaluates investment, management and operating decisions taking passenger traffic into account.

   - The price of parking is based on the characteristics described above, so the said prices are comparable to prices set according to the parameters for public services. Therefore, the car parks should be considered as a whole and not separately, since their existence is conditional on the existence of the airport assets as a whole.

   - Valet parking is considered a mandatory public service for the provision of airport services in accordance with the rules governing the management of airports of general interest and their service areas.

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

The analysis carried out for this purpose concludes that commercial activity in the terminal should continue to be part of the cash-generating unit of the airport network together with aeronautical activity, among other reasons because of the high interdependence of revenue between the two activities and the existence of a single asset shared by both activities because it is impossible by law to dispose, sell or spin-off the airport assets. Secondly, and for the same reasons, it is also concluded that activity corresponding to the “car park network”, hitherto included in the “Off-terminal services” cash-generating unit and segment and as it is not included in the single till, should from 2016 onwards become part of the “Airports network” cash-generating unit and segment under “Commercial” activity. As a consequence the “Off-terminal services” cash-generating unit is renamed “Real estate services” as it is made up exclusively of each of the real estate assets.

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

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

    - Projected results

    - Projected investments and working capital

These projections take into account the financial projections included in the Airport Regulation Document (DORA) for the period 2017-2021 (see Note 29). Other variables that influence the recoverable value calculation are:

- Discount rate to be applied, which is understood to be the average weighted cost of capital and the main variables that influence its calculation is the cost of liabilities and the specific of risks affecting the assets.

- The cash flow growth rate used to extrapolate the cash flow projections beyond the period covered by the budgets or projections.

- The business plans are prepared based on the best estimates available and are approved by the Board of Directors.

In the event that an impairment loss must be recognised, the Company reduces the assets of the cash generating unit, in proportion to their carrying value, to the recoverable value of that unit. Impairment is charged against the revenue statement.

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

b) Fixed assets

The elements of the tangible fixed assets are valued at their acquisition cost, production cost or value of the non-monetary contribution corrected by the accumulated depreciation and losses for impairment that they may have experienced, if any, in accordance with the criteria mentioned in the previous note.

Subsequent additions are valued at their acquisition price which includes all the costs required to put assets in operating condition.

(Thousand euros unless otherwise stated)

The company capitalises as greater value of the fixed assets, the initial estimate of the costs of rehabilitation of the site on which it stands, when these constitute obligations incurred by company pursuant to using the element.

The interest and other finance charges incurred that are directly attributable to the acquisition or construction of assets at the different airports, which necessarily require a period of at least 12 months to be in operating condition, are considered as a greater cost of these. The capitalisation is done through the "Capitalisation of finance charges" item in the revenue statement.

The replacements or renovations of complete elements that increase the useful life of the asset or its economic capacity, are accounted for as a greater amount of the tangible fixed assets, with the consequent accounting withdrawal of the elements replaced or renovated.

The periodic maintenance, preservation and repair expenses are expensed, following the accrual principle, as a cost of the financial year in which they were incurred.

The company depreciates its tangible fixed assets once these are in condition for use on a straight-line basis, distributing the book value of the assets over the years of their estimated useful lives, except for land which is considered an asset with an indefinite useful life and is not depreciated. Depreciation is calculated on a straight-line basis, based on the useful lives of the related assets:

	Years
Buildings	12-51
Plant	4-22
Machinery	5 - 20
Other installations	6-12
Furnishings	4-13
Other property, plant and equipment	5 - 7

Property, plant and equipment at airports are depreciated using the straight-line method in terms of their useful lives, the years of useful life being as follows:

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

c) Investment properties

Investment properties consist of land, buildings, other properties and spaces outside of the owned airport terminals that are maintained to obtain long-term revenue and are not occupied by the Company. The items included under this heading are stated at acquisition cost less accumulated depreciation and any impairment losses.

The company recognises and values real estate investments following the criteria established for tangible fixed assets.

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

	Years
Buildings	32-51
Parking Facilities	20-51
Plant	15

d) Inventories

The inventories include spare parts and sundry materials stored at the Central Warehouses and at the Logistics Support Depot and are initially valued at the acquisition price (weighted average price). Acquisition cost is determined based on the historical price for the items identified in the purchase orders. Subsequently, if the replacement cost of the inventories is lower than the acquisition price, the corresponding valuation corrections are made. If the circumstances which caused the valuation correction of the inventories were to cease to exist, the amount of the correction is reversed.

e) Leasing agreements

Financial leases

Leases are classified as financial leases whenever their conditions substantially transfer to the lessor the inherent risks and rights of ownership of the asset that is the object of the contract. All other leases are classified as operating leases.

Initially, an asset is recorded according to its nature, depending on whether it is an element of tangible or intangible fixed assets and a financial liability for the same amount, which will be the lower of the reasonable value of the leased asset and the present value at the beginning of the lease of the minimum agreed payments, including the payment for the purchase option when there is no reasonable doubt that it will be exercised and any amount that has been directly or indirectly guaranteed and that excludes amounts of a contingent nature, the cost of the services and the taxes attributable by the lessor. The total finance charge is spread over the duration of the lease and is imputed to the profit and loss account of the financial year in which it is accrued, using the effective interest rate method. The contingent amounts are an expense of the financial year in which they were incurred. The related lease obligations, net of finance charges are included under "Financial lease creditors".

The lessee shall apply to the assets to be recognised in the balance sheet as a result of the lease, the criteria of amortisation, impairment and disposal as relate to these according to their nature.

Operating lease

- The revenue and expense relating to operating lease agreements are recorded in the profit and loss account of financial year in which they were accrued.

- Any collection or payment that may occur on contracting an operating lease is treated as a prepayment or pre-collection that is imputed to the profit and loss account throughout the lease period.

f) Financial instruments

f.1) Financial assets

The company's financial assets are classified into the following categories:

1. Loans and amount receivable: are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. Are included in current assets, except for those with maturities greater than 12 months as from the balance sheet date that are classified as non-current assets. The loans and amounts receivable are included in "Trade debtors and other accounts receivable" in the balance sheet.

These financial assets are initially valued at their reasonable value, including the directly imputable transaction costs and subsequently at their amortised cost. Notwithstanding the above, the credit given for trade transactions with a maturity not exceeding one year are valued, both at the time of their initial recognition and subsequently at their nominal value so that the effect of not updating the work flows is not significant.

At least at the end of the financial year, the required impairment valuation adjustment are made if there is objective evidence that all amounts owing shall not be collected.

The amount of the impairment value loss is the difference between the book value of the asset and the present value of the future estimated cash flows, discounted at the effective interest rate at the time of initial recognition. The value adjustments, as well as if applicable their reversal, are recognised in the profit and loss account.

2. Financial assets held for trading: are those acquired in order to dispose of them in the short term or those that are part of a portfolio of which there is evidence of recent actions with this aim. This category also includes financial derivatives that are not financial guarantee contracts (i.e. securities) or that have been designated as hedging instruments. At 31 December 2015 and 2015 no assets have been recorded in this category.

3. Investments in group, associated and multi-group companies' equity: group companies are considered to be those related to the company by a relationship of direct or indirect control through subsidiaries and associated companies those on which the company exerts a significant direct or indirect influence through subsidiaries. Moreover, the multi-group category includes such companies that by virtue of an agreement over which joint control are exerted by one or more shareholders. The investments were recognised at the consolidated valuation as at the date of the non-monetary contribution.

   If there were objective evidence that the book value is not recoverable, the appropriate valuation corrections shall be made for the differences between their book values and the recoverable amount, the latter being understood as the greater of the reasonable value less the selling costs and the present value of the cash flows derived from the investment. Barring better evidence of the recoverable amount, in the estimation of the impairment of these investments the net equity of the investee company is taken into account corrected by the tacit capital gains existing as at the date of the valuation. The valuation correction and, where appropriate, its reversal are recorded in the profit and loss account of the financial year in which they occur.

   The effect of applying consolidation principles compared with the individual annual financial statements involves an increase of assets amounting to 666,318 thousand euros in 2016 (2015: 717,176 thousand euros), an increase in the net equity of 244,830 thousand euros in 2016 (2015: 133,396 thousand euros), the net turnover increased by 200,876 thousand euros in 2016 (2015: 205,928 thousand euros) and an increase in the profit for financial year 2016 of 16,088 thousand euros (2015: 21,861 thousand euros).

4. Financial assets available for sale: This category includes securities and debt instruments of the equity that are not classified under any of the previous categories. They are included under non-current assets unless Management intends to dispose of the investment in the 12 months after the balance sheet date. They are valued at their reasonable value, recording the changes that occur directly in the net equity until the asset is disposed of or impaired, at which time the accumulated profits and losses in the net equity are imputed to the profit and loss account, insofar as it is possible to ascertain the aforementioned reasonable value. If this is not the case, they are stated at cost less impairment losses. In the case of financial assets available for sale, valuation corrections are made if there is objective evidence that their value has been impaired as a result of a reduction or delay in the future estimated cash flows in the case of acquired debt instruments or due to the lack of recoverability of the book amount of the asset in the case of investments in equity instruments. The valuation correction is the difference between its cost or amortised cost less, where applicable, any valuation correction previously recognised in the profit and loss account and the reasonable value at the time that the valuation was made. In the case of equity instruments that are valued at their cost as their reasonable value cannot be ascertained, the valuation is corrected in the same manner

as for investments made in the equity of group, multi-group and associated companies.

If there is objective evidence of impairment, the company recognises in the profit and loss account the cumulative losses previously recognised in net equity by a decrease in the reasonable value.

The losses from impairment in the profit and loss account from equity instruments are not reversed through the profit and loss account. The reasonable values of the quoted investments are based on current purchase prices. If the market for a financial asset is not active (and for securities that are not publicly traded), the company establishes the reasonable value using valuation techniques that include the use of recent transactions between interested and duly informed parties, transaction references to other substantially equal instruments, methods for discounted future estimated cash flows and models for setting the prices of options making the utmost use of observable market data and relying as little as possible on subjective considerations of the company. The financial assets are disposed of on the balance sheet when all the risks and benefits inherent in the ownership of the asset are substantially transferred. In the specific case of accounts receivables it is understood that this fact occurs in general if the risks of insolvency and delinquent debts have been transferred. The assets that are assigned as covering items are subject to the requirements of the accounting coverage valuation requirements.

f.2) Financial liabilities

This category includes debits for trading operations and amounts owed for non-trading operations. These external resources are classified as current liabilities unless the company has an unconditional right to defer settlement for at least 12 months after the balance sheet date.

These debts are initially recognised at their reasonable value adjusted for directly attributable transaction costs, subsequently being recorded at their amortised cost.

Notwithstanding the above, the debts for trade transactions with a maturity not exceeding one year and that do not have a contract interest rate shall be valued, both at the time of their initial recognition and subsequently at their nominal value insofar as the effect of not updating the cash flows is insignificant.

The company disposes of a financial liability when the obligation has expired.

When an interchange of debt instruments with a lender occurs, insofar as these have substantially different terms, the disposal of the original financial liability is recorded and the new financial liability that arises is recognised. Similarly, a substantial modification of the current conditions of a financial liability is recorded.

The difference between the book value of the financial liability or a part thereof that may have been disposed of and the consideration paid, including the attributable transaction costs and which similarly any asset ceded other than cash or liabilities assumed, is recognised in the profit and loss account of the financial year in which it occurred.

When an interchange occurs of debt instruments that do not have substantially different terms, the original financial liability is not written off the balance sheet, the amount of the commissions paid being recorded as an adjustment of its book value. The new amortised cost of the financial liability is ascertained by applying the effective interest rate, which is that which equals the book value of the financial liability as at the date of amendment of the cash flows payable according to the new conditions.

For these purposes, it is considered that the terms of the contracts are substantially different when the lender is the same as the one who granted the initial loan and the present value of the cash flows of the new financial liability, including the net commissions, differs by at least 10 % of the present value of the outstanding cash flows of the original financial liability, both updated at the effective interest rate of the original liability.

f.3) Derivative instruments

The company uses derivative financial instruments to largely cover variations in interest rates.

The company documents the coverage relationships and verifies at the end of each financial year that the coverage is effective, in other words, that it is expected that the changes in the cash flows of the covered item are almost entirely offset by the coverage instrument and that, in retrospect, the coverage results have oscillated within a range of variation of the 80 to 125 % with regards to the result of the coverage instrument.

The qualified derivative financial instruments, in accordance with the previous paragraph, as coverage are recorded as an asset or liability, according to its sign, at its reasonable value, plus, if applicable, the transaction costs that are directly attributable to the contracting of these, with a contra entry in the account “Coverage operations” of the net equity, up until their due date, when they are imputed to the profit and loss account as well as to the covered element.

Nevertheless, the transaction costs are subsequently recognised in the profit and loss account insofar as they are not part of the effective variation of the coverage.

The inefficient part of the coverage is directly expensed to the profit and loss account in the financial year.

The accounting of coverages is interrupted when the coverage instrument expires or is sold, terminated or exercised or no longer meets the criteria for the accounting of coverages. At that time, any accumulated profit or loss relating to the coverage instrument is transferred to the profit and loss account of the period.

g) Cash and other similar liquid assets

The cash and other equivalent liquid assets include cash on hand and the bank deposits at credit institutions. Other short-term high liquidity investments that are readily convertible into certain amounts of cash and that are subject to an insignificant risk of changes in value are also included under this concept. Thus these include investments with maturities of less than three months as from the date of acquisition.

In its cash flow statement the company presents the cash payments and receipts from financial assets and liabilities with high rotation by their net amounts. For these purposes the rotation period is considered high when the time between the acquisition date and the maturity date does not exceed six months.

h) Net equity

The share capital is represented by ordinary shares. The costs of issuance of new shares or options are disclosed directly against the net equity, as lower reserves. In the event of the acquisition of own shares of the company, the consideration paid, including any directly attributable incremental costs, is deducted from the net equity until its cancellation, a new issue or a sale. When these shares are sold or are subsequently issued, any proceeds received, net of any incremental directly attributable transaction cost, is included in the net equity.

i) Grants, donations and legacies received

The grants, donations and legacies of non-refundable capital are accounted for as such when there is an individualised agreement of the awarding of the subsidy, having fulfilled the conditions set out for granting it and there are no reasonable doubts about his receipt. The company applies Order EHA/733/2010 of 25 March on the accounting aspects of state-owned companies that operate in specified circumstances. In the case of grants awarded for the construction of an asset whose execution has not been completed, the subsidy is treated as non-refundable in proportion to the work executed provided that there is no reasonable doubt that the construction will conclude according to the conditions set out in the concession agreement. In general, these are valued at the reasonable value of the amount or the ceded asset and are recorded in the net equity, after deducting the tax effect, being imputed to the profit and loss account in proportion to the depreciation experienced by the assets financed by these grants, unless it involves non-depreciable assets, in which case they are imputed to the profit and loss of the financial year in which their disposal or the valuation adjustment occurs. The official grants awarded to offset costs are recognised as revenue on a systematic basis over the periods in which the costs are spread that they are intended to balance.

(Thousand euros unless otherwise stated)

The grants, donations and legacies of a refundable nature will be recorded as liabilities until they become non-refundable or their refund occurs.

The operating grants are credited to revenue at the time they are granted. If they are granted to finance specific expenses the imputation is done as the expenses are accrued, in the meantime being recorded as a liability or as net equity on the basis of their consideration of refundable or otherwise.

j) Provisions and contingencies

In the presentation of the annual financial statements the company differentiates between:

- Provisions: credit balances that cover current obligations derived from past events, whose cancellation it is probable will cause an outflow of resources but that they are indeterminate in terms of their amount and/or time of cancellation.

- Contingent liabilities: possible obligations arising as the result of past events, whose future materialisation is conditioned to the occurrence, or otherwise, of one or more future events that are beyond the company's control.

The balance sheet includes all the provisions with regards to which it is expected that the probability that the obligation will have to be met is greater than otherwise. Contingent liabilities are not booked but are reported in the annual report.

Provisions are recorded at their present value of the best possible estimate of the amount needed to cancel or transfer the obligation to a third party, recording the adjustments arising from the provision as a financial expense as they are accrued.

k) Provisions for labour commitments acquired

The cost of the obligations derived from commitments concerning personnel is recognised on an accrual basis, according to the best estimate calculated with the data available to the company.

The company has the commitment pay long-term remuneration to its staff both for defined contribution as well as for defined benefit. In the case of defined contribution remuneration there shall be liabilities for remuneration when, as at the end of the financial year, unmet accrued contributions were to occur. In the case of defined benefit remunerations the amount to be recognised as a provision relates to the difference between the current value of committed remunerations and the reasonable value of the eventual assets subject to the commitments, with which the obligations shall be settled.

Specifically, the accompanying balance sheet encompasses the following provisions for labour commitments acquired:

Length of service awards

Article 138 of the I Collective Bargaining Agreement for the Aena Group of Companies (Public Business Entity Aena and Aena, S.A.) stipulates length of service awards for services effectively rendered for a period of 25, 30 or more years. The Company makes provision for the present value of the best estimate possible of future commitments, based on actuarial calculation. The most relevant assumptions taking into account to obtain the actuarial calculation are as follows:

	2016	**2015**
Technical interest rate:	1.42%	2.09%
Salary increases:	2.0%	2.0%
Mortality table:	PERMF 2000 NP	PERMF 2000 NP
Financial system used:	Individual capitalisation	Individual capitalisation
Accrual method:	Projected Unit Credit	Projected Unit Credit

Retirement age:	According to Act 27/2011	According to Act 27/2011
Disability tables:	OM 1977	OM 1977

Early-Retirement Bonuses

Article 154 of the I Collective Bargaining Agreement for the Aena Group of Companies (Public Business Entity ENAIRE and Aena, S.A.) stipulates that any employee between the ages of 60 and 64 who, in accordance with current provisions is entitled thereto, may take voluntary early retirement and will receive an indemnity, taken together with the vested rights in the Pension Plan, at the time their employment contract is terminated, equal to four monthly base salary payments and length of service bonuses for each year remaining until reaching the age of 64, or the relevant pro-rate amount.

In 2004 the early retirement awards were externalized by obtaining a lump sum-payment insurance policy from Mapfre Vida on 25 March 2004. Currently, pension obligations are insured through Group Life Insurance policies. The Company makes provision for the present value of the best estimate possible of future commitments, based on actuarial calculation. The most relevant assumptions taking into account to obtain the actuarial calculation are as follows:

	2016	**2015**
Technical interest rate:	1.57 %	2.28%
Long-term salary growth:	1.00% (2% successive years)	3.00% (1% for 2016)
Yield on Defined Contribution Fund:	4.00%	4.00%
Rate guaranteed by Mapfre:	3.10%	3.10%
Mortality table:	PERMF 2000 NP	PERMF 2000 NP
Financial system used:	Individual capitalisation	Individual capitalisation
Accrual method:	Projected Unit Credit	Projected Unit Credit
Retirement age:	Between 60-63 years and 11 months	Between 60-63 years and 11months

l) Severance indemnities

In accordance with the current labour laws, the company is obliged to pay indemnities to employees with whom it terminates their employment relationships under certain circumstances.

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary severance in exchange for these benefits. The company recognises these costs when it is demonstrably committed to terminate the jobs of workers in accordance with a formal detailed plan without the possibility of withdrawal or providing severance indemnities as the result of an offer to encourage a voluntary resignation. Benefits which are not going to be paid within 12 months of the balance sheet date are discounted at present value.

m) Variable remuneration

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

n) Profits Tax:

The expense or revenue from corporate revenue tax comprises the part relating to the expense or revenue for current taxation and the part relating to the expense or revenue relating for deferred tax.

Current tax is the amount that the Company pays as a result of the tax returns it files in relation to its tax on profits for a particular financial year.

Deductions and other tax benefits applicable to tax payable, excluding withholdings and interim payments, and tax-loss carry-forwards applied in the current year, result in a reduction in current tax.

The expenditure or revenue for deferred tax relates to the recognition and cancellation of deferred tax liabilities and assets. These include timing differences that are identified as such amounts expected to be payable or recoverable arising from the differences between the amounts of book values of assets and liabilities and their tax value, as well as the loss carry-forwards pending offsetting and tax credit deductions that have not been applied for tax purposes. These amounts are recorded by applying to the timing difference or deduction that relates to tax rate at which it is expected to recover or settle these.

In general deferred tax liabilities are recognised for all tax timing differences.

On the other hand, the deferred tax assets are only recognised insofar as it is deemed likely that the company will have future taxable profits against which it can offset them.

The deferred tax assets and liabilities are recognised in the balance sheet as non-current assets and liabilities, regardless of their expected date of realisation or settlement.

Similarly, the deferred tax assets and liabilities resulting from transactions with direct debits or credits to equity accounts are also accounted for with their contra entry in net equity.

The deferred tax assets recognised are reassessed at the end of each reporting period and the appropriate adjustments are made to the extent that there are doubts as to their future recoverability. Deferred tax assets not recognised in the balance sheet are also reviewed at each year end in order to recognise the extent to which it is likely that they may be offset against future taxable profits.

Until 2014 the Company was taxed under the tax consolidation system within the scope of consolidation of its single shareholder at the time together with certain subsidiaries since the conditions established to do so were met.

The Companies that formed part of the tax group in 2014 were as follows:

1. ENAIRE
2. AENA, S.A.
3. Aena Desarrollo Internacional, S.A. ("ADI")
4. Concesionaria del Aeropuerto Madrid-Barajas, S.A.
5. Concesionaria del Aeropuerto Barcelona-El Prat, S.A.

The listing of the Company on the stock exchange in February 2015 (see Note 1), as explained above, via the IPO of 49% of Aena S.A.'s capital, meant that the Parent Entity, ENAIRE's holding in Aena S.A. fell to 51%, compared to its previous holding of 100%.

In accordance with the tax regulations in force (art. 59.2 of Act 27/2014 on Corporation Tax), and with effect from 1 January 2015, Aena S.A. and its subsidiaries withdrew from the tax consolidation group headed by ENAIRE.

On the occasion of such termination, at 1 January 2015, the AENA Tax Group to which they belonged, together with ENAIRE, as subsidiaries AENA and AENA International Development, and according to the will expressed by the Boards of both companies, at 7 April 2015, Aena informed the Tax Office on the application to the tax consolidation system of companies AENA S.A. and Aena Desarrollo Internacional S.A.U.

Consequently, the debit balances of pending deductions credits and of credits for tax losses which, within the tax Group, where owned by Aena S.A. vis-à-vis ENAIRE, and therefore, they were included in the "Other receivables" heading on the Balance Sheet, are owned since the date of termination of 1 January 2015, against the Treasury, so since that date these were reclassified to heading "Deferred tax assets" (see Note 22.3)

At year-end 2015, such balances had been cancelled when used in the calculation of tax for that year. Standing just as a receivable vis-à-vis ENAIRE the outcome of the outstanding repayment on corporate tax for the financial year 2014 amounting to 50,217 thousand euros. This amount has been charged in 2016 (see Note 12 and 22.3).

On 5 June 2015, the Tax Office announced the creation of the new Tax Group 471/15 comprised by AENA S.A. as parent company and Aena Desarrollo Internacional as subsidiary and, henceforth, be taxed at the corporate revenue tax in the years 2015 and 2016 as Tax Group.

o) Transactions denominated in foreign currency

The company's functional currency is the Euro. Consequently, transactions in currencies other than the Euro are deemed to be denominated in "foreign currency" and are recorded in accordance with the exchange rates prevailing on the dates of the transactions.

The exchange differences of monetary amounts in foreign currency arising both when settling them, as well as when converting them to year-end exchange rate, are recognised, as a general rule, in the profit and loss account.

p) <u>Revenues and expenses</u>

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

Ordinary revenues are recognised as follows:

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

- Sales of services are recognised in the financial year in which the services are rendered, with reference to the end of the specific transaction evaluated based on the actual service provided as a percentage of the total service to be provided, when the revenue and the costs relating to the service contract, as well as the percentage of completion, may be reliably estimated and it is likely that the related receivables will be recoverable. Where one or more of these service agreement items cannot be reliably estimated, service sales revenues are only recognized up to the limit of contract costs incurred that are likely to be recovered.

<u>Rendering of services:</u>

Most of the Company's revenues derived from airport services rendered, which mainly relate to the use of airport infrastructure by airlines and passengers (including public equity gains and private prices). In addition, the Company records commercial revenues that mainly consist of the rental of space in airport terminals for stores, restaurants and advertising and off-terminal facilities such as the rental of premises and land, vehicle parking and rental cars.

<u>Aviation (Public charges):</u>

The establishment of fees for public charges is carried out in accordance with Act 1/2011 (4 March), which establishes the State Operational Security Programme for Civil Aviation and amends Act 21/2003 (7 July) on Air Security. Furthermore, Article 68 of Act 21/2003 defines the following items as equity benefits of a public nature:

- Use of runways at civil and joint-use airports and the airbases open to civil aircraft traffic and the rendering of the necessary services for that use, other than ground handling of aircraft, passengers and cargo.

- Airport air traffic services provided by the airport manager, regardless of whether such services are rendered through duly certified air traffic service providers that may have been contracted by the airport manager and designated as such by the Ministry of Public Works.

- Weather services provided by the airport manager, regardless of whether such services are rendered through duly certified weather service suppliers and, furthermore, designated in this respect by the Ministry of the Environment and Rural and Marine Resources.

- Inspection and screening services of passengers and luggage in airport premises as well as the means, facilities and equipment necessary for the provision of services for control and monitoring in the areas of aircraft movement, open access areas, controlled access areas and restricted security areas around the airport grounds linked to the public property contributions.

- Airport facilities made available to passengers, not accessible to visitors, in terminals, platforms and runways necessary to enforce its air transport contract.

- Services that allow the general mobility of passengers and the necessary assistance to persons with reduced mobility to allow them to travel between the point of arrival at the airport to the aircraft, or from the aircraft to the exit, including boarding and exiting the aircraft.

- Use of aircraft stand areas prepared for this purpose at airports.

- Use of the airport installations to facilitate the boarding and exiting of passengers for airlines through telescopic boarding gates or the mere use of a platform that impedes the use by other users of the relevant boarding gate.

- Use of the airport facilities for the transportation and supply of fuel and lubricants, regardless of the mode of transportation or supply.

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

Title VI of Royal Decree Law 20/2012 (13 July), on measures to guarantee budgetary stability and to encourage competitiveness, amends the adjustment of the public charges received by Aena Aeropuertos, S.A., in order to change the formula applied to updates, under which the revenues, expenses and investments deriving from commercial services and activities not strictly related to economics are not included when calculating airport fees.

However, in order to smooth the increase in airport charges, it states that from 2014 and for a period of five years to obtain the Regulated Revenues Required, it will add to the match resulting formula, the costs exploitation generated by activities related to private rates Terminal Areas and deducted likewise, the corresponding revenue to private prices resulting from these Terminal Areas affected both by the correction coefficient K, which is represented in 2014 by the 80% of sales revenues, in 2015 by 60%, in 2016 by 40%, in 2017 by 20% and 0% in 2018.

In article 71 of Act 36/2014, of the 26th of December, on the General State Budget for 2015 is set the maintaining of prices with effect as from the 1st of March 2015. In accordance with it, the amount of equity services of a public nature of Aena, S.A., established in Title VI, Chapters I and II of Act 21/2003, of the 7th of

July on Aviation Safety, these shall be kept at the same levels as those called for as at the 28th of February 2015 and in 2014.

On 5 July 2014, Royal Decree Law 8/2014 of 4 July was published in the Official State Gazette (BOE), further amended by Act 18/2014 of 15 October, approving urgent measures for growth, competitiveness and efficiency. These regulations set out:

- The regime governing the network of airports of general interest as a service of general economic interest, with the objective of guaranteeing the mobility of citizens and economic, social and territorial cohesion, to ensure the accessibility, adequacy and suitability of the airport infrastructure capacity, the economic sustainability of the network, as well as the continuity and adequate provision of basic airport services. Moreover, the network management guarantees the economic sustainability of the airports included in the network by allowing, under conditions of transparency, objectivity and non-discrimination, support for loss-making infrastructures.

- The closure or sale of all or part of any facilities or airport infrastructures required to maintain the provision of airport services is prohibited, unless authorised by the Council of Ministers or the Secretary of State for Infrastructure, Transport and Housing. (Amount as appropriate).

- On a regulatory level, a procedure could be implemented making it possible to close down or sell airport facilities or infrastructures. Such a regulatory development could also contemplate transfers to the State of capital gains generated during the disposal process.

- The Airport Regulation Document (DORA) is created with a five-year term, which will determine the maximum revenue per Aena passenger in the period, quality conditions of the provision of services, the capacity of facilities and the investments to be made.

- Regarding revenue of the airport operator in relation to the basic airport services, these are considered as public service benefits. Their regulation respects the legal right established by Act 21/2003, on Air Safety, as amended by Act 1/2011, and the determination of its essential elements. Non-essential airport services, as well as the commercial management of infrastructures and their urban operation, are subject to the free market.

- In compliance with Act 18/2014, the DGAC is responsible for drafting the Airport Regulation Document (DORA) and forwarding it to the competent bodies at the Ministry of Public Works for its subsequent approval by the Council of Ministers.

- The revenue of the airport operator associated with basic airport services will be subject to compliance with a maximum annual revenue per passenger, determined on the basis of the recovery of efficient costs as recognised by the regulator along with traffic forecasts. The maximum annual revenue per passenger contained in the DORA will be adjusted annually based on a series of incentives or penalties established based on the degree of compliance with service quality levels and penalties for any delay in the execution of strategic investments.

- For the 2015-2025 period, the maximum increase in charges will be zero. Charges may only be increased above this maximum increment if during the period of the second Airport Regulation Document (DORA) and for exceptional reasons, such as unpredictable and non-deferrable investments, the annual average investment is increased above the amount approved, subject to the prior approval of the Council of Ministers. For the first DORA, which should enter into force within a maximum of three years from the publication date of Act 8/2014, it has been determined that at its completion any accumulated shortfall in charges corresponding to previous years (see Note 28) may not be transferred to the following DORA.

The supervision of the fees proposed by Aena, S.A. for 2013 applied, for the first time, the new regulatory framework deriving from Directive 2009/12/EC of 11 March 2009 on airport charges. This framework consists mainly of Act 21/2003 of 7 July on Air Security, in accordance with the wording provided by Act 1/2011 of 4 March, which establishes the State Operational Security Program for Civil Aviation and amends Act 21/2003 of 7 July on Air Security, and furthermore Royal Decree Law 11/2011 of 26 August, which creates the Airport Economic Regulatory Commission, and regulates its composition and duties, and Act 3/2013 of 4 June, which creates the National Commission on Financial Markets and Competition (CNMC).

As a result of this new regulatory framework, a significant portion of the revenue received by Aena, S.A. is considered to be equity benefits of a public nature and, as a result, they must be established, updated and modified through legislation with the rank of law. In addition, the update of these benefits are first subject to a transparency and consultation procedure involving the airline, user and other associations or organisations and, secondly, to a supervisory procedure by the supervisory authority.

On 23 April 2015, the CNMC issued an agreement establishing criteria for the separation of the costs of airport and commercial activities of Aena, S.A. airports. In that agreement, the CNMC states that the share of costs between regulated activity should be performed in a different manner than that of the previous year. Pursuant to such agreement, part of the costs relating to airport terminals amounting to 69.8 million euros per year, which were accounted as regulated airport activity costs, should be considered as commercial activity costs. This agreement was appealed by Aena. This administrative appeal was declared inadmissible at first instance by ruling of 29 July and 10 November 2015 of the Spanish National High Court. AENA has appealed before the Supreme Court, the ruling is still pending.

On 23 July 2015, the CNMC issued its Resolution adopting the proposal for modification of tariffs of Aena, S.A. for 2016, and establishing the measures to be adopted in future consultation procedures.

Under this Resolution, the CNMC agrees that public service benefits of Aena, S.A. for 2016 should be reduced by 1.9 % compared to those adopted for 2015, instead of the proposed fees freeze by Aena, S.A. The CNMC established that this proposal must be included in the Draft Bill on the General State Budget for 2016. Against this Resolution, the Company filed and administrative appeal before the National High Court, which is still pending. However, Article 80 of Act 48/2015 of 29 October, on the State General Budget for 2016, reflects the reduction agreed by the CNMC, with effect from 1 March 2016 and which shall remain in force indefinitely.

On 8 March 2016, and after thorough preliminary consultation with the airline associations that bring together its main customers, Aena, S.A., sent to the DGAC its final DORA proposal, which included a proposed tariff freeze for the period 2017-2021 (both included). The freezing proposal resulted from application of the Sixth Transitional Provision of Act 18/2014, which imposes freezing as the ceiling on movements in fees until 2025.

As has been said, this proposal was subject to the process of review and approval established by Act 18/2014 so that in no case could it be considered as a final document. On 21 June 2016 the CNMC issued its non-binding supervision and control report under the new framework established by the aforementioned Act 18/2014 in which it sets out its recommendation to update the fees in the DORA period by -2.02 % per year (compared to Aena's proposed fee freeze). The main divergences between this CNMC report and Aena's proposal were as follows:

- The CNMC maintains its principle of 23 July 2015 on the allocation of costs between regulated airport activity and commercial activity, under which 69.8 million euros a year should move from the regulated cost base to commercial activity. Aena appealed against this allocation of costs and did not apply this principle in its final DORA proposal.

- The Weighted Average Cost of Capital Before Tax ($WACC_{BT}$) proposed by the CNMC is 6.26% (with a risk-free rate of 2.3% and a market risk premium of 4.9%), while the $WACC_{BT}$ included in Aena's final proposal was 8.4% (with a risk-free rate of 3.38% and a market risk premium of 6.85%).

On 27 January 2017, the Council of Ministers approved the Airport Regulation Document (DORA) for the period 2017-2021. As a result of this process, this document establishes a 2.2% annual reduction in the Maximum Annual Revenue per Passenger (IMAP) for this period (see Note 29).

All the new regulatory rules and the CNMC public consultation have not resulted in any change to the revenue recognition policy of the Company, which continues to be subject to the rules set out at the beginning of this Note (see also Note 28 with regard to Contingent assets -Tariffs shortfall).

Commercial

Revenues from the rental of commercial spaces located within the airport infrastructures are recognised on a straight-line basis in accordance with the lease agreements concluded with the counterparties. The contingent part of the receivables for leases relating to the variable level of revenues generated by commercial spaces is recognised as revenue in the period in which it accrues. Car park revenue, which up to 2015 was in the "Off-terminal services" segment and became part of the Commercial component of the Airport network in 2016 as a result of the considerations set out in Note 4.a, is recognised as the services are provided.

Real estate services

Real estate service revenues relate to land leases, warehouses and hangars, and the management and operation of cargo centres. Revenues from the rental agreements are recognized on a straight-line basis in accordance with the lease agreements concluded with the counterparties. The conditional portion of revenues from leases is recognized as revenues in the period in which they accrue.

q) Interest and dividends

Interest revenue is recognised using the effective interest method. When a loan or receivable are impaired, the carrying amount is reduced to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, unwinding the discount as interest revenue. Interest revenue on impaired loans is recognised either when cash is collected or on a cost-recovery basis when the conditions are guaranteed.

Dividend revenue is recognized when the right to receive payment is established.

r) Activities affecting the environment

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

In this sense, the investments derived from environmental activities are valued at their acquisition cost and are capitalised as a greater cost of the fixed assets in the financial year in which they are incurred, according to the criteria described section b) of this same note.

Costs incurred to protect and improve the environment are taken to the revenue statement when they accrue, irrespective of when the related monetary or financial flows take place.

The provisions relating to probable or certain liabilities underway and indemnities or obligations pending of an undetermined amount of an environmental nature, not covered by the subscribed insurance policies, are constituted at the time of the inception of the liability or obligation that determines the indemnity.

s) Related party transactions

A party is considered to be related to another party when one of the two, or several parties acting together, exercises or has the possibility to exercise control over the other party, directly, indirectly or through shareholder or equity holder agreements, or has a significant influence in the financial and operating policy decisions of the other party.

Entities that are considered group companies, associates or jointly controlled entities are deemed to be related parties.

As a company in the public-interest business sector, Aena is exempt from disclosing information on transactions with related parties when the other company is also controlled or significantly influenced by the same government entity provided that there are no indications of influence between the two companies or when the transactions are not significant in terms of size. Such influence shall be considered to exist when, for example, transactions are not at arm's length (except where these conditions are imposed by a specific regulation).

The company does all its transactions with related parties at market values. In addition, transfer prices are appropriately supported, and therefore the Directors of the Company do not consider that any significant risks that could give rise to material liabilities in the future exist in this connection.

In general, the transactions between group companies are accounted for they occur at their reasonable value. If applicable, if the agreed on price were to differ from the reasonable value, the difference is recorded according to the economic reality of the transaction. The subsequent valuation is made in accordance with that provided for in the relevant standards.

Notwithstanding the above, in transactions for the merger, split or non-monetary contribution to a business that comprise the acquired business, these are valued at the amount which relates to them, after the transaction has been realised, in the annual consolidated financial statements of the group or subgroup.

When the parent company of the group or subgroup and their subsidiary do not intervene, the annual financial statements for these purposes shall be those of the main group or subgroup in which to equity elements are integrated, the parent company of which is Spanish.

In these cases the difference that may arise between the net value of the assets and liabilities of the acquired company, adjusted for the balance of the groupings of grants, donations and legacies received and adjustments for changes in value and any amount of the capital and the share premium, if applicable, issued by the acquiring company are recorded as reserves.

t) Business combinations

The mergers, splits and non-cash contribution transactions between group companies are recorded as provided for in that set out for related party transactions.

The merger and split transactions other than the above and the business combinations arising from the acquisition of all the assets of an company or a part that constitute one or more businesses, are recorded according to the acquisition method.

In the case of business combinations arising as a result of the acquisition of shares or holdings in the capital of a company, the company recognises the investment in accordance with that set out investments in the equity of group, multi-group and associated companies.

u) Joint ventures

A joint venture is a business activity that is jointly controlled by two or more natural or legal persons. For this purpose, joint control is a statutory or contractual agreement by virtue of which two or more participants agree to share the power of managing the financial and operating policies of an economic activity in order to obtain economic benefits, so that the strategic decisions, both financial as well as operational, relating to the activity require the unanimous consent of all the venture partners.

The joint ventures may be:

- The joint ventures that do not bear fruit through the constitution of a company or the establishment of a financial structure independent of the participants, such as temporary ventures of companies and communities of assets and among which one can distinguish:

    - Jointly controlled operations: activities that involve the use of assets and other resources owned by the participants.

    - Jointly controlled assets: assets that are owned or are jointly controlled by the participants.

- Joint ventures that are expressed through the constitution of an independent legal person or jointly-controlled companies.

Jointly controlled operations and assets

Through an Agreement with the Ministry of Defence, the Company has interests in assets controlled jointly with the said Ministry to operate Air Bases Open to Civil Traffic (BAATC). This agreement establishes the key distribution and compensation criteria for the use of air bases open to civil traffic in Villanubla, León, Albacete, Matacán, Talavera, San Javier, and the aerodrome in Zaragoza used jointly by civil aircraft. This Agreement is based on the application of Royal Decree 1167/1995 (7 July) on the system for using airports jointly used by an airbase and an airport and the airbases open to civil traffic.

In this sense, in its annual accounts the company recognises the assets and liabilities derived from this agreement pursuant to usage of the BAATCs. Similarly, in the profit and loss account the part relating to the revenue generated and the expenses incurred from the operation of the jointly controlled assets is recognised.

5. Managing operational and financial risks

Description of the main operating risks

Regulatory risks

Aena, S.A. operates in a regulated sector, and any change or future developments to the applicable regulations can have negative impacts on revenues, operating results and the Aena's financial position. Act 18/2014 sets forth the mechanisms governing the determination of airport charges for the first Document on Airport Regulation ("DORA").

On 27 January 2017, the Council of Ministers approved the Document for Airport Regulation (DORA) for the period 2017-2021, in which the minimum service conditions that will be in force in airports in the AENA network are set forth the next five years, providing a foreseeable regulatory framework in the medium-term that will enable improved levels of efficiency and competitiveness in terms of airport operations. In this sense, and in relation to airport tariffs, the aforesaid document provides for a reduction of 2.22% annually in the Annual Maximum Revenue per Passenger (IMAP) for that period, which will come into force on 1 March 2017.

Annual increases in passenger traffic in the whole of the upper network by 10 percentage points the annual percentage of initially expected growth may lead to a modification of DORA.

Additionally, the DORA establishes standards of service quality, instrumented through 17 indicators, of which 11 are part of the system of incentives and penalties to encourage continuous quality improvement. These indicators have set a standard minimum quality value demanded a neutral band without incentive or penalty and a maximum level of incentive and penalty. Failure to comply with the quality standards established minimum service associated will involve a sanction in the value of IMAP. Conversely, exceeding these levels will result in a bonus. The penalty / maximum annual bonus applicable to Aena would be a ± 2% of IMAP.

Similarly, the DORA seeks to ensure that airports provide the necessary capacity and infrastructure to meet appropriate levels of capacity, offering good quality, ensuring the adequacy and suitability of the network. The investments required to meet the standards of capacity are considered strategic investments and are subject to a scheme of penalties should planned commissioning dates be breached. The maximum annual penalty applicable to Aena, SA could represent up to 2% of the annual volume of regulated investment. Moreover, since maintaining the level of quality of infrastructure is the responsibility of Aena, SA, irrespective of the evolution of demand, the additional cost associated with the necessary actions to adapt capacity to the real demand will similarly be borne by Aena, SA.

Finally, the activity of Aena, S.A., 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 those which require significant expenditure.

Operational risks

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

- ✓ Economic developments both in Spain and in the main countries that are the source/destination of traffic (United Kingdom, Germany, France and Italy, among others).

- ✓ Following the outcome of the referendum in the United Kingdom for its departure from the European Union (Brexit), there are no additional risks from the operational point of view since in terms of passengers the United Kingdom already has specific treatment as it is not in the Schengen Area while with regard to aircraft operations an agreement that enables the movement of aircraft between the European Union and the United Kingdom is expected.

- ✓ Economic developments both in Spain and in the main countries that are the source/destination of traffic (United Kingdom, Germany, France and Italy, among others).

- ✓ In this regard, following the outcome of the referendum in the UK for his departure from the European Union (Brexit), the following risks have been considered, the final completion is subject to the negotiation process that the British government has to start with the Union Europe to determine the final terms of its departure:

    - ✓ Currently, 18.1% of passengers of the airport network of Aena, SA 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. With regard to passengers, the UK and had a specific treatment due to not belonging to the Schengen Treaty so an additional impact would be felt. That said, during 2016, the volume of British passengers was reduced (British passenger growth was 15.7%).

    - ✓ From a business revenue viewpoint, the depreciation of the pound against the euro means a loss of purchasing power on the part of British passengers, which could affect sales of commercial dealers at airports and, therefore, the revenue of Aena, SA, although an important part of Aena S.A.'s business ensured by the Minimum Annual Guaranteed revenue agreements.

- ✓ 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 revenue of its two main airports.

- ✓ Revenues from commercial activities are linked to sales of commercial areas by tenant companies of, which can be affected both by the volume of passengers and by their degree of spending power.

- ✓ In the operation of its airports, the Company 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.

- ✓ Industrial disputes may have an impact on Aena's activities.

- ✓ Aena is dependent on information technology and communications, and systems and infrastructures face certain risks including the risks of cybersecurity.

- ✓ Aena is exposed to risks related to the operation at its airports (operational and physical security).

- ✓ Aena is exposed to the risk of a major plane accident.

- ✓ Natural disasters and weather conditions could adversely affect business.

- ✓ 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 curtailment to the fiscal situation of Aena.

- ✓ The Company is, and will continue to be in the future, exposed to the risk of losing in judicial or administrative proceedings in which it is involved, especially in relation to A.S. Madrid-Barajas.

The management bodies of the Company have implemented mechanisms to identify, quantify and cover risk situations. Notwithstanding the foregoing, those situations that may pose a risk as well as the relevant the measures taken thereof, will be closely monitor.

Description of the main financial risks

The activities of the Company are exposed 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 global risk management programme of the Company focuses on the uncertainty of the financial markets and strives to minimise the potential adverse effects on its financial profitability.

The Board of Management provides policies for the management of global risk, as well as for specific areas such as currency risk, interest rate risk, liquidity risk, use of derivatives and investment of liquidity surpluses.

There is a financial debt recognition agreement between Aena, S.A. and its parent company ENAIRE, originating with the non-monetary contribution that gave rise to the creation of Aena Aeropuertos, S.A., under which 94.9% of the parent company’s bank borrowings was initially assumed. As of 29 July 2014, the contract was renewed (See Note 15).

The main risks of a financial nature are described below:

a) *Market risk*

(i) Exchange rate risk

The company does not usually do significant commercial transactions in a currency other than the euro.

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

The interest rate risk of the Company arises from the financial debt. The loans issued at variable rates expose the Company to risk of interest rate fluctuating in cash flows. The fixed interest rate loans expose the Company to fair value interest rate risk.

The aim of the Company in its interest rate risk management is the optimisation of the financial expense within the established limits, the risk variable being 3 and 6 month Euribor, main references 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.

The financial expenses are mainly due to the financial debt recognised with the parent company. Likewise, the parent company has concluded interest rate hedging agreements for an extremely limited number of loans which are transferred to the Company. The cost of these derivatives is charged to the Company, given that Aena, S.A. is responsible to the parent company in this proportion for some loans.

Additionally, Aena, SA has contracted hedging interest rate that protects it against possible increases in the Euribor over 3 and 6 months, and on June 10, 2015 a hedging transaction with a variable rate was underwritten at a fixed rate, for the notional amount of 4.195 billion euros. The average differential over 3 and 6 month Euribor of these loans is of 1.0379%. The execution fixed rate was 1.9780%. The objectives pursued in this transaction were:

- ✓ Adaptation of the fixed rate/variable rate structure of debt to that of comparable entities: 79% fixed / 21 % variable (previously 50% fixed / 50% variable).

- ✓ To have a stable framework of interest rates for the 2017-2021 DORA period.

On 31 December 2016, the total amount of liabilities for interest rate swaps amounted to 129 596 thousand euros. Upon the aforesaid date, if the interest rate of variable rate loans had increased or decreased by 20 basic points, with all other variables remaining constant, profit before tax for the year would have been 3,620 thousand euros less and 3,620 thousands of euros higher, respectively (in 2015: 3,928 thousand euros lower and 3,928 thousand euros higher, respectively).

In regard to reviewable rate loans, the Company has modified the system for those loans due to be revised in 2016. The revised total amounts to 781,304 thousand euros for EIB loans are linked to fixed rates with maturity at an average rate of 0.82%.

Notwithstanding the above, the Regulatory Framework established by Act 1/2011 of 4 March, establishing the State Programme for Operational Security for Civil Aviation and modifying Act 21/2003 of 7 July on Aviation Safety, establishes a system of fee updates that protects Aena SA, in the long term, in terms of the regulated part, against increases in costs of financing, in that it enables the recovery of its Cost of Capitals via the remuneration of its asset base, according to the legislation in force.

In this sense, the Company has carried out a sensitivity analysis in relation to possible interest rate fluctuations that could occur; on the basis of this analysis the directors of the Company considered that any potential changes in these would not have a significant effect on the “Equity" of the Company.

b) *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 for trade receivables is low since the main customers are airlines and they are usually paid in cash or in advance, and guarantees and sureties are obtained for them. As for retail customers who have leased premises in the various airports, their risk is managed by obtaining sureties and guarantees.

(Thousand euros unless otherwise stated)

The BOE of 5 March 2011 included Act 1/2011 of 4 March, modifying Act 21/2003 of 7 July on Aviation Safety, allowing the use of legal proceedings for collection, managed by the collection agencies of the State Tax Administration Agency, in the management, settlement and collection of all amounts for public services owed to Aena Aeropuertos, S.A. or its subsidiaries.

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

c) *Liquidity Risk*

The main risk variables are: limitations in financial markets, increase in the projected investment and reduction of the generation of cash flows.

The credit risk policy and the Company's operations in its sector result in short average collection periods. In addition, the Company has carried out a substantial reduction in costs and needs for investment in the coming years, which have had a positive effect on the Company's cash flow generation. Although on 31 December 2016 the Company has negative working capital of 486,596 thousand euros (negative in 2015: 712,265 thousand euros), it has an EBITDA, calculated as the sum of operating revenue and depreciation of property, plant and equipment, amounting to 2,226,971 thousand euros (2015: 2,029,717 thousand euros), and it is not considered that there is a risk in dealing with short-term commitments due to the positive operating cash flows, which have allowed a reduction in the negative working capital in recent years, and that the Company forecasts will continue to be positive in the short term.

In turn, on 29 July 2015 the Parent Company signed loan agreements with banking entities for 1 billion euros to meet timely cash needs.

In these circumstances, the Company Directors consider that there will be no problem to meet payment commitments.

The details of loans with related parties by interest rate applicable and average interest rate at 31 December 2016 and 31 December 2015 were as follows:

Thousand euros	2016		2015	
	Balance	Average rate	Balance	Average rate
Variable	1,810,244	0.16%	1,964,242	1.23%
Reviewable	543,404	1.30%	1,473,656	1.98%
Fixed	5,917,923	1.78%	6,006,012	2.23%
TOTAL	8,271,571	1.36%	9,443,910	1.86%

Details on related party loans

6. Fixed intangible assets

The movements in the accounts included in the fixed intangible assets for financial years 2016 and 2015 were the following:

	2016					
	Thousands of euros					
	Development	**Fixed intangible assets, concession agreement**	**Software**	**Other fixed intangible assets**	**Fixed intangible assets Fixed assets in progress**	**Total**
Cost						
Beginning balance	813	15,783	130,450	7,441	37,736	192,223
Additions	-	60	11,203	3	4,854	16,120
Disposals (*)	-	(6)	(185)	-	(211)	(402)
Transfers (Note 7 and 8) (*)	-	(357)	5,245	(54)	(5,376)	(542)
Final balance	813	15,480	146,713	7,390	37,003	207,399
Depreciation:						
Beginning balance	(438)	(3,586)	(92,580)	(3,921)	-	(100,525)
Allocation	(265)	(690)	(18,573)	(968)	-	(20,496)
Disposals (*)	-	-	124	-	-	124
Transfers (Note 7 and 8)	-	134	23	95	-	252
Final balance	(703)	(4,142)	(111,006)	(4,794)	-	(120,645)
Net:	**110**	**11,338**	**35,707**	**2,596**	**37,003**	**86,754**

(*) The disposals relating to the assets that entered at net book value in the non-cash contribution are done so at net book value.

	2015					
	Thousands of euros					
	Development	**Fixed intangible assets, concession agreement**	**Software**	**Other fixed intangible assets**	**Fixed intangible assets in progress**	**Total**
Cost						
Beginning balance	813	15,838	112,494	7,180	35,566	171,891
Additions	-	51	13,813	33	7,650	21,547
Disposals (*)	-	(66)	45	(212)	(950)	(1,273)
Transfers (Note 7 and 8) (*)	-	(40)	4,188	440	(4,530)	58
Final balance	813	15,783	130,450	7,441	37,736	192,223
Depreciation:						
Beginning balance	(173)	(2,939)	(70,059)	(2,920)	-	(76,091)
Allocation	(265)	(694)	(22,397)	(1,267)	-	(24,623)
Depreciation adjustment	-	24	(153)	153	-	24
Disposals	-	23	29	113	-	165
Final balance	(438)	(3,586)	(92,580)	(3,921)	-	(100,525)
Net:	**375**	**12,197**	**37,870**	**3,520**	**37,736**	**91,698**

(*) The transfers and disposals relating to the assets that entered at net book value in the non-cash contribution are done so at net book value.

The Company has acquired the following intangible assets (in thousands of euros) from related companies during 2016 and 2015:

	2016		2015	
	Book value (gross)	**Accumulated depreciation**	**Book value (gross)**	**Accumulated depreciation**
Software	194	(29)	1,051	(81)
Other fixed intangible assets	1	-	-	-
Fixed intangible assets in progress	4,205	-	3,260	-
Total	**4,400**	**(29)**	**4,311**	**(81)**

The main additions in 2016 and 2015 under the heading "IT applications" and "Fixed intangible assets under development" were acquisitions, as well as upgrades and developments, of new technologies for IT applications relating to central airport services. Worth special mention in 2016 is the integrated parking management system at airports and the work done in 2015 on the Aena public website.

Of the total capitalized costs at 31 December 2016 and 2015 relating to the various classes of fixed intangible assets, assets in progress are included as follows:

	Thousands of euros	
	2016	**2015**
Software	3,305	6,293
Other fixed intangible assets	33,698	31,443
Total	**37,003**	**37,736**

The "Other fixed intangible assets" heading includes mainly the master plans for airports.

In 2016, 67 thousand euros were capitalised as financial expenses associated with fixed intangible assets (2015: 274 thousand euros).

As at the 31st of December 2016, there were fixed intangible assets in use with an original cost of 312,361 thousand euros (2015: 287,903 thousand euros) that is fully amortised. On the other hand, due to the fact that the non-cash contribution was made at net book value, in 2016 the original cost of said fixed intangible assets was greater than the cost of fixed intangible assets disclosed in the movement. The breakdown is as follows:

	Thousands of euros	
	2016	**2015**
Concessions	87	81
Software	185,915	162,043
Other fixed intangible assets	126,359	125,779
Total	**312,361**	**287,903**

Concession agreement, regulated asset

The company operates the heliports of Ceuta and Algeciras under administrative concession contracts. The main conditions are described below:

- Ceuta Heliport: The Company operates the civil Ceuta heliport with all services under a service concession contract made with the Port Authority of Ceuta. This concession has a start date of 28

(Thousand euros unless otherwise stated)

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

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

Impairment tests for unamortised intangible assets (under development)

In accordance with the procedure described in the Note 4a) and for the cash-generating units also described in said note, the company has performed an impairment test of the unamortised fixed intangible assets not identifying adjustments as at the 31st of December 2016 and 2015, even after having applied the sensitivities on the variables used.

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow estimates based on the DORA projections for the period 2017-2021 (See Note 29). Cash flows beyond these five years are extrapolated using the estimated growth rate indicated below.

The main assumptions used to calculate value-in-use are as follows:

	2016	**2015**
Growth rate	1.50%	2.00%
Pre-tax discount rate	6.98%	7.11%
Post-tax discount rate	5.23%	5.33%

The discount rate applied to the cash flow projections is the weighted average cost of capital (WACC), and is determined by the weighted average of the cost of own funds and the cost of the external funds, according to the financial structure determined for each cash generating unit.

In 2016, the pre-tax value of WACC is the one used in the DORA approved by the Council of Ministers on 27 January 2017 (Note 29), and has been estimated in accordance with Act 18/2014 applying CAPM (Capital Asset Pricing Model) methodology.

Projections of cash flows from the sixth year calculated using a constant expected growth rate, considering the air traffic growth estimates contained in the DORA document (CAGR of 1.8% in passenger traffic for the period 2022-2031).

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

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

As a result of the sensitivity analysis performed at year-end 2016, it appears that there are no significant risks associated with reasonably possible changes to the assumptions, considered on an individual basis. That is, management believes that, within the above ranges, no corrections for impairment will be necessary.

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

7. Property, plant and equipment

The movements in the accounts included in the fixed intangible assets for financial years 2016 and 2015 were the following:

	2016					
	Thousands of euros					
	Land and buildings	**Plant and machinery**	**Other facilities, tools and furnishings**	**Other property, plant and equipment**	**Property, plant and equipment under construction**	**Total**
Cost						
Beginning balance	13,926,718	699,168	3,093,107	6,513	145,119	17,870,625
Additions	64,241	27,433	43,702	568	84,207	220,151
Disposals (*)	(816,426)	(1,027)	(1,868)	(15)	(3,052)	(822,388)
Transfers (Note 6 and 8) (*)	73,268	17,672	44,111	2	(89,269)	45,784
Final balance	13,247,801	743,246	3,179,052	7,068	137,005	17,314,172
Depreciation and impairments						
Beginning balance	(1,686,592)	(259,415)	(1,222,118)	(4,617)	-	(3,172,742)
Allocation	(398,195)	(66,788)	(287,124)	(824)	-	(752,931)
Disposals (*)	-	30	197	9	-	236
Transfers (Note 6 and 8)	(19,089)	(688)	459	-	-	(19,318)
Final balance	(2,103,876)	(326,861)	(1,508,586)	(5,432)	-	(3,944,755)
Net:	**11,143,925**	**416,385**	**1,670,466**	**1,636**	**137,005**	**13,369,417**

(*) The transfers and disposals relating to the assets that entered at net book value in the non-cash contribution are done so at net book value.

	2015					
	Thousands of euros					
	Land and buildings	**Plant and machinery**	**Other facilities, tools and furnishings**	**Other fixed assets**	**Fixed assets in progress**	**Total**
Cost						
Beginning balance	13,862,149	670,241	3,022,429	6,560	309,195	17,870,574
Additions	90,629	25,837	49,665	104	76,281	242,516
Disposals (*)	(153,370)	(4,585)	(11,065)	(7)	(10,376)	(179,403)
Transfers (Note 6 and 8) (*)	127,310	7,675	32,078	(144)	(229,981)	(63,062)
Final balance	13,926,718	699,168	3,093,107	6,513	145,119	17,870,625
Depreciation and impairments						
Beginning balance	(1,343,596)	(193,866)	(930,493)	(3,818)	-	(2,471,773)
Allocation	(388,878)	(69,678)	(298,058)	(885)	-	(757,499)
Transfers (*)	23,992	605	60	80	-	24,737
Disposals	21,890	3,524	6,373	6	-	31,793
Final balance	(1,686,592)	(259,415)	(1,222,118)	(4,617)	-	(3,172,742)
Net:	**12,240,126**	**439,753**	**1,870,989**	**1,896**	**145,119**	**14,697,883**

(*) The transfers and disposals relating to the assets that entered at net book value in the non-cash contribution are done so at net book value.

At year-end 2016 and 2015, the Company owns properties with separate net value from buildings and the land, which is as follows:

	Thousands of euros	
	2016	**2015**
Land	3,570,172	4,341,700
Buildings	7,573,753	7,898,426
Total	**11,143,925**	**12,240,126**

During 2016 and 2015, the Company has acquired from Aena Desarrollo Internacional (ADI) and the related parties Ingeniería y Economía del Transporte, S.A. (INECO) and Ingeniería de Sistemas para la Defensa de España (ISDEFE) the following items of property, plant and equipment:

	2016		**2015**	
	Book value (gross)	**Accumulated depreciation**	**Book value (gross)**	**Accumulated depreciation**
Land and buildings	186	(6)	895	(12)
Plant and machinery	53	(1)	6	-
Other facilities, tools and furnishings	113	(21)	32	(1)
Property, plant and equipment under construction	3,927	-	3,187	-
Total	**4,279**	**(28)**	**4,120**	**(13)**

During the financial year 2016 a total of 596 thousand euros of financial expenses accrued in the related financial year have been capitalised relating to the financing of the fixed assets in progress (2015: 2,646 thousand euros), as well as 4,323 thousand euros of internal work done by the company for its tangible fixed assets (2015: 4,212 thousand euros).

a) Additions to fixed assets

The main additions recognized in 2016 and 2015 are described below:

Land and buildings

In 2016 additions in land and buildings amounted to 64,241 thousand euros. The main additions in the period were the regeneration of the paving on the runway and taxiways of the airports of Palma de Mallorca, Gran Canaria, Ibiza and Lanzarote, amongst others, works for the relocation of aerial navigation equipment at Adolfo Suárez Madrid-Barajas Airport, waterproofing at terminals and modules in Palma de Mallorca, remodelling and upgrading of the lounges of Adolfo Suárez Madrid-Barajas Airport, regeneration of taxiway paving at Tenerife Sur Airport and the new footbridge at Vigo Airport.

As for the work in progress, the most significant investments in 2016 are in Spain: the work at Santiago de Compostela Airport in unfinished areas of the terminal and parking facilities, the works for the new airport in Reus and the renovation of screeds on plant-life in T1 of Adolfo Suárez Madrid-Barajas Airport. In addition the new power plant has been brought into service at Asturias airport and there have been actions for the commissioning to II/III category at Zaragoza airport.

In 2015, additions to Land and buildings totalled 90,629 thousand euros, mainly motivated by the work related to the Noise Insulation Scheme in Tenerife Norte and Madrid airports, by the screed of the runway of A Coruña, the lengthening of the 36L/18R runway of Adolfo Suárez Madrid-Barajas airport, the conditioning of the southern entrance of Málaga airport and the works performed on taxiways, runways and platform at the airport of Palma de Mallorca.

The most significant ongoing investments in buildings were related to the remodelling and adaptation of five VIP lounges in Terminal 1, 2 and 3, and the upgrading works of the boarding area of regional traffic at T4 Airport Adolfo Suárez Madrid-Barajas; the supply and installation of a new check-in desks set, and remodelling of the passenger boarding bridges at T2 in Barcelona; and works in the new FPP building of Ibiza airport.

In terms of completed and operational works, the most representative work was the new terminal (south embankment) at Gran Canaria Airport and the new group of continuity for the supply of electricity to Barcelona airport.

Plant and other property, plant and equipment

The most important additions in 2016 were:

- Supply with installation of air-bridges and equipment to handle aircraft at Malaga Airport.
- Broadening the multiservice network at Gran Canaria airport.
- Replacing several lifts, escalators and moving walkways in the airport terminals in Adolfo Suárez Madrid-Barajas Airport.
- The acquisition of new database servers for SAP.
- The replacement of news-stands and new check-in counters at Barcelona Airport.
- The work related to low voltage distribution at Málaga Airport
- Replacement of various self check-in desks at Adolfo Suárez Madrid-Barajas airport.
- Renovation of the Wi-Fi network in the airports of Barcelona and Madrid
- New fire engines at Palma de Mallorca, A Coruña, León, Santiago, Seville and Vigo airports
- Fitting out communication networks at Palma de Mallorca airport (in progress).
- Remodelling of the airfield medium voltage circuit at Fuerteventura airport.

The most representative additions in 2015 corresponded to installations related to the provision of luggage trolleys at Barcelona and Madrid airports, new boarding bridges and all its ancillary elements (power and air conditioning systems for aircraft, docking guide display systems, etc.) at Adolfo Suárez Madrid-Barajas and Gran Canaria airports, the new kiosks, printers and boarding card readers at Adolfo Suárez Madrid-Barajas, and the activities associated with the landing aid system of Palma de Mallorca airport.

In other installations, it is worth mentioning the new explosive trace detectors installed in all airports in the networks and the works carried on the electrical system of the airports of Adolfo-Suárez Madrid-Barajas and Palma de Mallorca.

Property, plant and equipment under construction

In 2016 the main works underway concern completing unfinished areas at Santiago Airport, renovation of screeds for floor 1 in T-1 at Adolfo Suárez Madrid-Barajas Airport, upgrades at Santiago Airport, expansion of the terminal building in Reus, fitting out communication networks at Palma de Mallorca and Málaga airports, and replacement of equipment to handle aircraft in Palma de Mallorca.

The main works under the heading of construction work in progress during the year ended 31 December 2015, related to the extension of the terminal building and construction of a new parking area (P3) at Gran Canaria Airport, the extension of runways at A Coruña Airport, and the construction of a new power plant in Asturias.

b) Profits/losses from the sales/disposals of tangible fixed assets

In 2016 land derecognitions resulted from favourable rulings in several expropriation disputes, in particular for Adolfo Suárez Madrid-Barajas Airport (see Note 21). Also derecognised due to their demolition are the old airport lounges at Adolfo Suárez Madrid-Barajas airport, the departures building at Reus Airport and part of the La Coruña terminal building; also the screeds of the runways at the airports of Badajoz, Ibiza and Gran Canaria; airport facilities in Barcelona and Adolfo Suárez Madrid-Barajas relating to check-in desks as a result of renewal; and computerised equipment due to its replacement.

In addition, derecognitions in 2016 included the following items, the amount of which has not been assigned to the revenue statement:

- Reversals of provisions recorded in previous years for fair value differences arising primarily from land expropriations and estimated environmental investments to comply with current legislation, and for litigation related to works. In these cases, the disposals were carried out and charged to accounts of provisions for risks and expenses (see Note 21) amounted to a total of 808,309 thousand euros.

- Payments to suppliers of fixed assets in relation to amounts activated in previous years, amounted to 6,743 thousand euros.

In 2016 there have been gains of 556 thousand euros due to repurchase of assets by suppliers of computer equipment, 91 thousand euros due to sale of assets and 96 thousand euros due to asset emergence.

During 2015, land derecognitions were motivated by favourable rulings that led to the calculation of a new revaluation of open proceedings, particularly for Adolfo Suárez Madrid-Barajas airport. Similarly, favourable rulings have been passed on creditor claims on works carried out in the car parks at airports in Barcelona and La Palma, and the removal by replacement of the screed on the runway at Adolfo Suárez Madrid- Barajas Airport. Facilities renewed at Gran Canaria and Adolfo Suárez Madrid-Barajas airports relating to passenger boarding and check-in counters, respectively, were been cancelled, so have the signage and beacons system at Palma de Mallorca airport, the walkways at Málaga airport and the explosives detection systems at Adolfo Suárez Madrid-Barajas airport.

In addition, the disposals in 2015 included the following items, the amount of which was not charged to the profit or loss account:

- Reversals of provisions recorded in previous years for fair value differences arising primarily from land expropriations and estimated environmental investments to comply with current legislation, and for litigation related to works. In these cases, the disposals were carried out and charged to accounts of provisions for risks and expenses (see Note 21) amounted to a total of 127,441 thousand euros.

- Payments to suppliers of fixed assets in relation to amounts activated in previous years, amounted to 12,848 thousand euros.

In 2015, there were gains amounting to 524 thousand euros from the asset repurchase by computer vendors.

c) Impairment in the value of tangible fixed assets

In accordance with the procedure described in Note 4a), and for the cash-generating units described in that note, at the close of fiscal year 2016 and 2015 the Company performed the impairment test for the airport network and did not identify any significant impairments in the financial statements as of 31 December 2016 and 2015 even after applying sensitivities to the variables used The main assumptions used were:

	2016	2015
Growth rate	1.50%	2.00%
Pre-tax discount rate	6.98%	7.11%
Post-tax discount rate	5.23%	5.33%

In 2016 and 2015, the Management has not recognized any asset impairment.

d) Grants received

As at 31st December 2016, the company had grants relating to the fixed assets for an amount of 436,985 thousand euros net of taxes (2015: 457,687 thousand euros) (see Note 19e). The gross cost of the assets affected by these grants was of 2,517 million euros, relating to tangible fixed assets (2015: 2,504 million euros).

Of the above amount, Aena, S.A. has a recognised debit balance for this concept of 13,860 thousand euros (2015: 10,790 thousand euros) (see Note 22).

e) Limitations

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

There are certain restrictions on the sale of airport assets (see Note 15).

f) Fully depreciated assets

As at the 31st of December 2016 and 2015 there were tangible assets that were fully depreciated and that are still in use, in accordance with the following detail:

	Thousands of euros (*)	
	2016	**2015**
Buildings	868,501	809,718
Plant and machinery	352,646	351,086
Other facilities, tools and furnishings	954,725	828,533
Other property, plant and equipment	11,338	9,969
Total	**2,187,210**	**1,999,306**

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

g) Commitments

At 31 December 2016, outstanding investments amount to approximately 379.5 million euros (2015: 303.6 million euros), which include allocated investments pending formalisation by contract and confirmed investments awaiting execution.

h) Insurance policies

The company's policy is to formalise insurance policies to adequately cover the possible risks that it various fixed tangible assets are subject to. As at the close of financial years 2016 and 2015 it was estimated that there was no coverage shortfall.

i) Leases

The company leases part of its tangible fixed assets from third parties for its business operation. The operating and financial leases of company are detailed in Note 9.

j) Jointly controlled assets

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

The amounts displayed below represent the company's holdings in the assets and liabilities, without including the imputation of indirect costs, which have been included in the balance sheet (in thousands of euros):

	2016	**2015**
Non-current assets	253,417	268,945
Non-current/current liabilities	-	-
Net assets	**253,417**	**268,945**
Revenue	25,145	24,620
Expenses	(43,720)	(42,197)
Net profit/loss	**(18,575)**	**(17,577)**

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

k) Refurbishing costs

In accordance with the accounting policy described in Note 4b), the company capitalises as an increase in the value of its fixed assets, the initial estimate of the costs for refurbishing the site on which it stands, when these constitute obligations incurred by Aena as the result of using the asset. Thus, these are capitalised as a higher value of the airport assets for all the obligations laid down for carrying out the works of acoustic insulation and soundproofing of residential areas in order to comply with current legislation on noise generated by the airport infrastructures (see Note 21 with regards to the Provision of acoustic insulation).

l) Assets by line of business

As a result of the reorganisation of the business segments carried out by Aena in 2016 explained in Note 4 a), car parks have become part of the property, plant and equipment of the airport network as a whole, so there is no breakdown of assets belonging to property, plant and equipment by business segment as of 31 December 2016, and the value of car parks broken down in 2015 has been reclassified to the airport segment for comparison purposes.

8. Property Investment

The movement of the investment on real estate as of 31 December 2016 and 2015 and 2015 is as follows:

	2016		
	Thousands of euros		
	Real estate land and buildings	**Other installations**	**Total**
Cost			
Beginning balance	209,315	3,648	212,963
Additions	1,346	-	1,346
Disposals	(14)	-	(14)
Transfers (Note 6 and 7) (*)	(44,985)	(257)	(45,242)
Final balance	165,662	3,391	169,053
Depreciation:			
Beginning balance	(38,260)	(3,195)	(41,455)
Allocation	(4,681)	(50)	(4,731)
Transfers (Note 6 and 7)	18,957	109	19,066
Final balance	(23,984)	(3,136)	(27,120)
Impairment			
Opening and closing balance	(6,243)	-	(6,243)
Net:	**135,435**	**255**	**135,690**

(*) The transfers relating to the assets that entered at net book value in the non-cash contribution are done so at net book value.

	2015		
	Thousands of euros		
	Real estate land and buildings	**Other installations**	**Total**
Cost			
Beginning balance	146,083	3,652	149,735
Additions	224	-	224
Transfers (Note 6 and 7) (*)	63,008	(4)	63,004
Final balance	209,315	3,648	212,963
Depreciation:			
Beginning balance	(9,306)	(2,798)	(12,104)
Allocation	(4,189)	(400)	(4,589)
Transfers (Note 6 and 7)	(24,765)	3	(24,762)
Final balance	(38,260)	(3,195)	(41,455)
Impairment			
Opening and closing balance	(6,243)	-	(6,243)
Net:	**164,812**	**453**	**165,265**

(*) The transfers relating to the assets that entered at net book value in the non-cash contribution are done so at net book value.

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

At the end of 2016 and 2015 were no investment properties subject to guarantees.

The Company's policy is to obtain insurance policies to cover all risks that could affect its investment properties. At the end of 2016 and 2015, the Company had reasonably covered these risks.

At 30 December 2016 transfers from tangible fixed assets to investment property were made of those properties which were leased to third parties or where there was a plan for them to be leased, having begun their development for marketing, for a net accounting value of 8,772 thousand euros, and a fair value of 13,552 thousand euros. In the contrary sense, there were transfers from investment property to tangible fixed assets of those buildings which do not fulfil the above requirements, as well as buildings which are being used, in a not insignificant part, for the production or supply of goods or services or for administrative purposes, for a net accounting value of 34,948 thousand euros, and a fair value of 120,388 thousand euros. The net accounting result of both movements, -26,176 thousand euros, is shown in the movements in investment properties in this note (transfer of cost for -45,242 thousand euros plus transfer of depreciation for 19,066 thousand euros).

Investments amounted to 1,345 thousand euros and relate to renovation and improvements, in particular the waterproofing of the Aena III building located at Palma de Mallorca Airport.

In financial year 2015, 38,242 thousand euros of net book value of the tangible fixed assets were transferred to real estate investments as assets that were leased to a third party or had a plan to be leased.

As at the 31st of December 2016 and 2015 there were tangible assets that were fully depreciated and that are still in use, in accordance with the following detail:

	Thousands of euros	
	2016	**2015**
Real estate constructions	12,279	14,431
Real estate installations	2,945	2,945
Total	**15,224**	**17,376**

The fair value of investment properties, taking into account current values (some of which are being revised) at the presented dates are as follows:

	Thousands of euros	
	2016	**2015**
Land	325,236	301,359
Buildings	393,842	489,615
Total	**719,078**	**790,974**

The Company commissioned an independent valuation company to undertake a review and valuation of the Group's real estate portfolio as of 31 December 2016 with the aim of determining the fair value of its investment property. The assets were valued in accordance with the Regulatory Rules of the Royal Institution of Chartered Surveyors (RICS) compiled in the 'Red Book' Ratings Manual, as well as the provisions of International Accounting Standard 40 (IAS 40 - Investment property), on the basis of market value, where this means the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The market value is obtained by capitalising the estimated net proceeds of the property, depending on the lease period and reversal. This involves capitalisation of current revenue over the period together with the assessment of each of the likely subsequent rents after updates of rents or after conclusion of new leases for each of the periods permitted, always based on current value. Return or returns applied to the different categories of revenue reflect all expectations and risks associated with cash flow and investments, and are located in a range around 5.50% - 9.50%, with the lower part corresponding to prime sites.

Returns are obtained from a combination of analysis of similar investments whose prices are usually set by the market in terms of gross return and overall experience along with market knowledge. That said, the profile of the return on investment over time, especially as regards the initial yield at the time of valuation, must be taken into account.

With regard to flows of expected gross revenues, the necessary adjustments have been made to reflect non-recoverable expenses. Since it is not known with any certainty whether periods of vacancy will occur in the future or their duration, the forecast has been based on the quality and location of the building, and generally a period of average tenure is adopted when information is not available on the future intentions of each tenant.

The selling price per square metre, determined from the analysis of investments and available information on global prices per square metre, currently in force in the market, has been taken into account by introducing appropriate adjustments at the time the valuation is prepared.

All valuations reflect the price that would be applicable in a sales contract and it therefore represents the net value without taking into account transfer costs. In line with usual practice, an amount corresponding to the normal costs of the buyer has been deducted from the gross amount of the valuation to get a net valuation amount.

As a growth rate to be applied to future revenue, an average rate of 1.90% (equivalent to an annual growth of 1.60% in the first year, 1.50% the second year, 1.50% in the third and 2.0% in the fourth and following) has been used to calculate fair value.

As a result of this first evaluation, the fair value of these assets has been adjusted. Accordingly, the management of Aena does not believe that any significant impairment exist other than that recognised at 31 December 2016. The reduction observed in the fair value of investment properties at 31 December 2016, with respect to that given for 31 December 2015, is largely explained by the transfers to and from tangible fixed assets referred to above, which by themselves result in a lower figure for that value, in 106,836 thousand euros.

At 31 December 2015 the calculation of fair value in Tier 3 was obtained by internal calculations based on discounted cash flows individualised for each asset. The principal assumptions used were as follows:

	31 December 2015
Growth rate	1.50%
Discount rate	7-9 % (*)

(*) Range of discount rates used for assets according to the location, activity level and category of the airport.

This discount rate reflects a specific premium based on the characteristics of the real estate business. In the determination of the fair value for investment property in 2015 the Group analysed the situation contract by contract; for contracts in force using the rents established in the contracts and supposing that the contracts would be complied with in the term fixed; the flows were estimated for ten years with a perpetual return after year eleven. For assets undergoing an awarding process, only assets for which no debts existed in relation to their future awarding and generation of cash flows were included. For the calculation of cash flows, annual guaranteed minimum rents (in the case of awards) or rents determined according to market conditions were used.

9. Leasing agreements

Operating leases

The Company records operating leases obtained from third parties covering certain assets, notably those indicated below together with the main characteristics of the relevant agreements:

Asset	Location	Maturity date	Annual rent excluding VAT (in thousands of euros)	Remarks
Piovera building	Madrid	31/01/2019	3,595	Rent may be reviewed in accordance with the contractual terms
Arturo Soria building	Madrid	31/12/2018	942	Rent may be reviewed in accordance with the contractual terms

The total future minimum payments for non-cancellable operating leases (up to the contract expiry date) are as follows:

	Thousands of euros	
	2016	**2015**
Less than one year	4,391	3,595
Between one and five years	4,834	7,925
More than 5 years	-	-
Total	**9,225**	**11,520**

The Company leases several shops and warehouses under irrevocable operating leases. These contracts have a duration of between five and ten years, mostly being renewable at their expiry in accordance with market conditions.

The total minimum payments for non-cancellable operating leases are as follows for the designated terms:

	Thousands of euros	
	2016	**2015**
Less than one year	588,063	503,700
Between one and five years	1,727,573	1,784,000
More than 5 years	114,283	53,500
	2,429,919	**2,341,200**

Financial leases

In its fixed assets the company has an electricity cogeneration plant of the Adolfo Suárez Madrid-Barajas airport that is under a financial lease contract in which the company is the lessee. The amount for which the assets were initially recognised amounted to 17,829 thousand euros, relating to its estimated reasonable value. The amounts shown below are expressed in thousands of euros:

	Thousands of euros	
	2016	**2015**
Cost- capitalized finance leases	17,829	17,829
Accumulated depreciation	(4,457)	(2,971)
Carrying amount	**13,372**	**14,858**

As at the 31st of December 2016 and 2015 the current value of the minimum lease instalments payable in the future, excluding inflation increases or other contingent amounts, derived from said financial lease contract is as follows (in thousands of euros):

	Thousands of euros	
	2016	**2015**
Less than one year	1,544	1,506
Between one and five years	6,570	6,410
More than 5 years	7,252	8,956
	15,366	**16,872**

10. Financial instruments

Analysis by categories

The book value of each of the categories of the financial instruments set out in the standard for the recording and valuation of "Financial instruments", except for investments in the equity of group, multi-group and associated companies (Note 11), is as follows (in thousands of euros):

	Long-term financial assets							
	Equity instruments		Credit to companies		Other financial instruments		Total	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Investments held until their due date (*)		-	-	-	58,697	54,241	58,697	54,241
Loans and receivables (Note 12)		-	-	-	2,599	-	2,599	-
Available-for-sale assets:							-	-
- Valued at cost (Note 11.3)	180	180	-	-			180	180
Total	**180**	**180**	**-**	**-**	**61,296**	**54,241**	**61,476**	**54,421**

	Short-term financial assets							
	Equity instruments		Credit to companies		Other financial instruments		Total	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Investments held until their due date (*)	-	-			1,412	2,169	1,412	2,169
Loans and receivables (**)	-	-	1,537	53,481	266,390	307,067	267,927	360,548
Total	**-**	**-**	**1,537**	**53,481**	**267,802**	**309,236**	**269,339**	**362,717**

(*) The heading "Other financial instruments" largely encompasses deposits left due to legal requirement in the different public institutions of the Autonomous Regional Governments, relating to the deposits previously received from lessees of the commercial spaces of Aena, S.A., in compliance with Act 29/1994, of the 24th of November, on Urban Leases.
(**) The heading "Other financial instruments" contains the entirety of the heading "Trade debtors and other accounts receivable", excluding "Other liabilities with Public Administrations".

(Thousand euros unless otherwise stated)

	Long-term financial liabilities							
	Financial lease creditors and others		**Group debts**		**Deposits and Derivatives**		**Total**	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Debits and accounts payable (*)	14,311	15,936	7,487,181	8,309,601	89,203	63,605	**7,590,695**	**8,389,142**
Hedging derivatives (**)					90,031	31,547	**90,031**	**31,547**
Total	**14,311**	**15,936**	**7,487,181**	**8,309,601**	**179,234**	**95,152**	**7,680,726**	**8,420,689**

(*) Including in the heading *"Debts with the Group" the effect of the novation expenses and expenses recorded following the criterion of amortised cost for a total amount of 6,761 thousand euros (2015: 8,821 thousand euros), but without including the amount imputed for the liabilities of the "swaps" with Enaire in the amount of 151 thousand euros in 2015 (2016: 0 thousand euros) (see Note 15).*
(**) Includes the amount of the swaps imputed by Enaire, for an amount of 0 thousand euros (2015:151 thousand euros), which were disclosed in the balance sheet under the heading "Long-term debts with Group and associated companies".

	Short-term financial liabilities					
	Debts with group and associated companies		**Others**		**Total**	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Loan to the ultimate parent company (Note 15)	777,629	1,125,488	-	-	**777,629**	**1,125,488**
Accrued loan interest pending payment (Note 15)	33,812	26,453	-	-	**33,812**	**26,453**
Associated company fixed assets supplier	2,787	2,003	-	-	**2,787**	**2,003**
Coverage derivatives (Note 15)	176	1,535	39,475	40,821	**39,651**	**42,356**
Subtotal	**814,404**	**1,155,479**	**39,475**	**40,821**	**853,879**	**1,196,300**
Amortised cost criterion commissions	(1,039)	(1,709)	-	-	**(1,039)**	**(1,709)**
Subtotal	**813,365**	**1,153,770**	**39,475**	**40,821**	**852,840**	**1,194,591**
Amounts payable (*)	-	-	250,037	259,708	**250,037**	**259,708**
Financial leases payable	-	-	1,544	1,506	**1,544**	**1,506**
Other financial liabilities	-	-	88,599	92,139	**88,599**	**92,139**
Total	**813,365**	**1,153,770**	**379,655**	**394,174**	**1,193,020**	**1,547,944**

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

Analysis by due dates

As of 31st December 2016, the amounts of the financial instruments with a determined or determinable maturity classified by year of maturity are as follows (in thousands of euros):

Financial assets	**2017**	**2018**	**2019**	**2020**	**2021**	**2022 and subsequent**	**Total**
Investments held until their maturity	1,412	5,709	5,392	29,592	3,212	14,792	**60,109**
Loans with ADI (*)	-	-	-	-	-	-	**-**
Other receivables	266,390	-	-	-	-	-	**266,390**
Tax effect credit with ENAIRE (*)	-	-	-	-	-	-	**-**
Tax effect credit with ADI (*)	1,319	-	-	-	-	-	**1,319**
Other credit to companies	218	-	-	-	-	-	**218**
Other financial instruments	-	117	-	-	-	2,482	**2,599**
Equity instruments	-	-	-	-	-	180	**180**
Total	**269,339**	**5,826**	**5,392**	**29,592**	**3,212**	**17,454**	**330,815**

(*) Included in "Credit to Group companies" of "Short-term investments in group and associated companies" for a total of 218 thousand euros.

Financial liabilities	**2017**	**2018**	**2019**	**2020**	**2021**	**2022 and subsequent**	**Total**
Loans with ultimate parent company (*) (Note 15)	777,629	742,701	744,461	744,335	657,066	4,605,379	**8,271,571**
Accrued loan interest pending payment	33,812	-	-	-	-	-	**33,812**
Associated company fixed assets supplier (Note 12)	2,787	-	-	-	-	-	**2,787**
ENAIRE coverage derivatives (Note 15)	176	-	-	-	-	-	**176**
Subtotal debts of Group and associated companies	**814,404**	**742,701**	**744,461**	**744,335**	**657,066**	**4,605,379**	**8,308,346**
Aena coverage derivatives (Note 15)	39,475	34,344	27,613	20,808	13,478	(6,212)	**129,506**
Financial lease creditors	1,544	1,582	1,622	1,662	1,704	7,252	**15,366**
Other long-term debts	121	121	82	82	82	122	**610**
Trade creditors and other accounts payable	311,395	-	-	-	-	-	**311,395**
Securities received	27,120	8,485	6,495	33,393	5,826	35,004	**116,323**
Total	**1,194,059**	**787,233**	**780,273**	**800,280**	**678,156**	**4,641,545**	**8,881,546**

(*) Excluding the effect of the commissions and costs of novation booked following an amortised cost criterion for a total amount of 7,800 thousand euros (2015:10,530 thousand euros) (see note 15), as these concepts do not involve any cash disbursement.

(Thousand euros unless otherwise stated)

The net gains and losses of the financial assets and liabilities as of 31st December 2016 and 2015 are shown in Note 23f).

11. Investments in group and associated companies and other holdings

Equity instruments

The main data of the holdings in Group and Associated companies, as well as that of other holdings, none of which are quoted on a stock exchange as of 31st December 2016 and 2015, are shown below:

1) Holdings in group companies

The breakdown of the Group's subsidiaries at 31 December 2016 and 2015, all consolidated using the full consolidation method in the consolidated financial statements, is as follows:

2016

Subsidiaries	Address	Activity	%		Owner of the Shareholding
			Direct	Indirect	
Aena Desarrollo Internacional, S.A. (1) ("ADI")	Madrid	Operation, maintenance, management and administration of Airport infrastructures, as well as supplementary services.	100	-	AENA, S.A.
London Luton Airport Holdings III Limited ("LLAH III")	Luton United Kingdom:	Holding of shares in the company that holds the concession for the operation of Luton Airport.	-	51	Aena Desarrollo Internacional, S.A
London Luton Airport Holdings II Limited ("LLAH II")	Luton United Kingdom:	Holding of shares in the company that holds the concession for the operation of Luton Airport.	-	51	London Luton Airport Holdings III Limited ("LLAH III")
London Luton Airport Holdings I Limited ("LLAH I")	Luton United Kingdom:	Holding of shares in the company that holds the concession for the operation of Luton Airport.	-	51	London Luton Airport Holdings II Limited ("LLAH II")
London Luton Airport Group Limited ("LLAGL")	Luton United Kingdom:	Guarantor company for the acquisition of the concession for the operation of Luton Airport.	-	51	London Luton Airport Holdings I Limited (LLAH I)
London Luton Airport Group Limited ("LLAOL")	Luton United Kingdom:	Company holding the concession for the operation of Luton Airport.	-	51	London Luton Airport Group Limited ("LLAGL")

(1) Companies audited by the PwC network.

(Thousand euros unless otherwise stated)

2015

Subsidiaries	**Address**	**Activity**	**%**		**Owner of the Shareholding**
			Direct	**Indirect**	
Aena Desarrollo Internacional, S.A. (1) ("ADI")	Madrid	Operation, maintenance, management and administration of Airport infrastructures, as well as supplementary services.	100	-	AENA, S.A.
London Luton Airport Holdings III Limited ("LLAH III")	Luton (United Kingdom)	Holding of shares in the company that holds the concession for the operation of Luton Airport.	-	51	Aena Desarrollo Internacional, S.A
London Luton Airport Holdings II Limited ("LLAH II")	Luton (United Kingdom)	Holding of shares in the company that holds the concession for the operation of Luton Airport.	-	51	London Luton Airport Holdings III Limited ("LLAH III")
London Luton Airport Holdings I Limited ("LLAH I")	Luton (United Kingdom)	Holding of shares in the company that holds the concession for the operation of Luton Airport.	-	51	London Luton Airport Holdings II Limited ("LLAH II")
London Luton Airport Group Limited ("LLAGL")	Luton (United Kingdom)	Guarantor company for the acquisition of the concession for the operation of Luton Airport.	-	51	London Luton Airport Holdings I Limited (LLAH I)
London Luton Airport Group Limited ("LLAOL")	Luton (United Kingdom)	Company holding the concession for the operation of Luton Airport.	-	51	London Luton Airport Group Limited ("LLAGL")

(1) Companies audited by the PwC network.

On 30 September 2015 the articles of termination of the two Concessionary Company (Concesionaria del Aeropuerto de Madrid-Barajas S.A. y Concesionaria del Aeropuerto de Barcelona-El Prat S.A) are signed. These companies did not present any activity since their establishment on 26 July 2011.

The main amounts of share capital, equity, profit and loss and book values relating to the group companies as at the end of 2016 and 2015, were as follows:

Name / Address / Activity	31 December 2016 — Thousands of euros (**)						
	Fraction of the Direct Capital (%)	Share capital	Profit Operation	Profit Net	Rest of Equity	Total Equity	Value in Books (*)
Aena Desarrollo Internacional, S.A. Arturo Soria, 109. Madrid/ Operation, maintenance, management and administration of Airport infrastructures (1)	100 %	161,182	23,988	18,102	92,281	271,565	165,032
Total							**165,032**

(*) No holding has any recorded or accumulated impairment in the financial year, being valued at cost price.
(**) Data obtained from the individual financial statements for 2016
Company audited by the PwC network.

Name / Address / Activity	31 December 2015 — Thousands of euros (**)						
	Fraction of the Direct Capital (%)	Share capital	Profit 2015 Operation	Profit 2015 Net	Rest of Equity	Total Equity	Value in Books (*)
Aena Desarrollo Internacional, S.A. Arturo Soria, 109. Madrid/ Operation, maintenance, management and administration of Airport infrastructures (1)	100 %	161,182	27,477	32,426	59,855	253,463	165,032
Total							**165,032**

(*) No holding has any recorded or accumulated impairment in the financial year, being valued at cost price.
(**) Data obtained from the individual financial statements at 31 December 2015
Company audited by the PwC network.

In the years 2016 and 2015, Aena Desarrollo Internacional, S.A. (“ADI”) has not distributed dividends.

On the other hand the company Aena, S.A. owns the control of London Luton Airport Holding III Limited (hereinafter “LLAH III”) and all its subsidiaries through Aena Desarrollo Internacional, S.A. (hereinafter “ADI”). The main amounts of share capital, equity, profit and loss and book value expressed in local currency and under local accounting principles and including the valuation of the identifiable assets acquired and liabilities assumed as at the date of acquisition, relating to this company to this company as at the end of financial year 2016 and 2015 are the following (expressed in thousands):

(Thousand euros unless otherwise stated)

		31 December 2016			
Name / Address / Line of business	**% Holding**	**Share capital and share premium**	**Profit/Loss for the year**	**Other equity**	**Total equity**
		GBP	GBP	GBP	GBP
London Luton Airport Holdings III Limited (*) (1)	51.0%	98,600	396	(42,619)	56,377

		31 December 2015			
Name / Address / Line of business	**% Holding**	**Share capital and share premium**	**Profit/Loss for the year**	**Other equity**	**Total equity**
		GBP	GBP	GBP	GBP
London Luton Airport Holdings III Limited (*) (1)	51.0%	98,600	(4,080)	(9,714)	84,806

(*) Data obtained from the consolidated financial statements at 31 December 2016 and 2015.
(1) Company audited by other auditors.

Due to the process of disinvestment through TBI (Note 11), in the financial year 2013, Aena Internacional subscribed for shares amounting to 39.4 million pounds (corresponding to 47.3 million euros), which represents 40% of the share capital of London Luton Airport Holdings III limited (LLAH III) . (Aerofi) is the other shareholder of the Company, with 60% of the shares.

LLAHL III is a purpose vehicle created with the objective, through its 100% owned subsidiary London Luton Airport Holdings II Limited (LLAHL II), which turn owns 100% of London Luton Airport Holdings I Limited (LLAHL I), to carry out the acquisition, dated 27 November 2013, of London Luton Airport Group Limited and its subsidiary London Luton Airport Operations Limited, management company of Luton airport in the United Kingdom. As part of the transaction, Aena Internacional and Aerofi signed an agreement under which Aena Internacional had the option (purchase option) to acquire from Aerofi the shares representing 11 % of the capital stock of LLAHL III, for a period of eleven months from 27 November 2013, equivalent to the subscription price of such shares adjusted for certain factors related to dividends received by Aerofi, the financial costs of 51 % of debt signed by Aerofi in LLAHL II, a shareholder profitability and emissions LLAHL III new shares that have occurred during the exercise period.

On 16 October 2014, Aena Internacional, after obtaining the necessary approvals, proceeded with the purchase option, buying 51% capital in LLAHL III amounting to 13.7 million pounds (corresponding to 17.2 million euros). Likewise, Aena Internacional took 51% of the debt underwritten by Aerofi in LLAHL II amounting to 48.3 million pounds (corresponding to 61.9 million euros in 2014 and 65.5 million euros in 2015). Such debt corresponds to a 10-year shareholders loan at 8% interest, with semi-annual interest payments and repayment at maturity in November 2023. Funding for the operation was implemented via capital increase in Aena Internacional subscribed 100% by Aena matrix. In 2016 this loan generated interest in favour of Aena Internacional coming to 4,720,313 euros (in 2015 the amount was 5,452,195 euros).

As a result of this transaction, in 2014 Aena Internacional acquired control of LLAHL III and therefore the Aena Group consolidated this company (and its subsidiaries) by the full consolidation method.

Through its investee ADI and with the advice of independent experts, in 2014 the Company completed the process of assessing (i) the fair value of the previous 40% holding held in LLAH III and (ii) the fair values of the assets and liabilities of the business acquired. Therefore, the consolidated accounts of the Aena Group recognised and valued the identifiable assets acquired and the liabilities assumed at the acquisition date.

The main amounts of the aforementioned LLAH III investees as regards share capital, equity, profit and loss and book value, expressed in local currency and under local accounting principles and including the valuation of the identifiable assets acquired and liabilities assumed on the date of acquisition, relating to these companies at the end of financial year 2016 and 2015 are the following (expressed in thousands):

	31 December 2016				
Name / Address / Line of business	**% Holding**	**Share capital and share premium**	**Profit/Loss for the year**	**Other equity**	**Total equity**
		GBP	GBP	GBP	GBP
London Luton Airport Holdings II Limited (*) (1)	51.0%	98,600	2,197	(89,750)	11,047
London Luton Airport Holdings I Limited (*) (1)	51.0%	193,011	9,800	(96,564)	106,247
London Luton Airport Group Limited (*) (1)	51.0%	5,274	34,805	2,811	42,890
London Luton Airport Operations Limited (**) (1)	51.0%	5,274	36,835	1,999	44,108

(*) Data obtained from the consolidated financial statements at 31 December 2016
(**) Data obtained from the individual financial statements at 31 December 2016
(1) Company audited by other auditors.

	31 December 2015				
Name / Address / Line of business	**% Holding**	**Share capital and share premium**	**Profit/Loss for the year**	**Other equity**	**Total equity**
		GBP	GBP	GBP	GBP
London Luton Airport Holdings II Limited (*) (1)	51.0%	98,600	(0.757)	(54,308)	43,535
London Luton Airport Holdings I Limited (*) (1)	51.0%	193,011	6,842	(61,321)	138,532
London Luton Airport Group Limited (*) (1)	51.0%	5,274	21,548	22,732	49,554
London Luton Airport Operations Limited (**) (1)	51.0%	5,274	22,273	21,695	49,242

(*) Data obtained from the consolidated financial statements at 31 December 2015
(**) Data obtained from the individual financial statements at 31 December 2015
(1) Company audited by other auditors.

2) Stakes in associated companies

On 30 January 2015, the Extraordinary Shareholders Meeting of Sociedad Restauración de Aeropuertos Españoles, S.A (in liquidation) approves the final liquidation balance sheet, a complete report on the liquidation transactions, and a proposal for dividing the remaining assets and proceeds of liquidation between the shareholders, resulting in payment of liquidation proceeds in the amount of 697 thousand euros on 16 March 2015.

In fiscal year 2015, the Company received no dividends from the Sociedad Restauración de Aeropuertos Españoles, S.A (company wound up in 2015).

However, the Company has an indirect stake in other Companies through Aena Desarrollo Internacional, S.A. The principal figures for capital, equity, results and carrying value expressed in local currency and under local accounting principles, related with these companies at the closure of 2016 and 2015, are as follows (expressed in thousands):

(Thousand euros unless otherwise stated)

Name / Address / Line of business	% Holding	Share capital	Profit for the year	Other equity	Total equity
	31 December 2016				
Sociedad Aeroportuaria de la Costa S.A. (SACSA) Rafael Núñez Airport. Cartagena de Indias-Colombia (*) Operation of Cartagena Airport	37.89%	COP 3,698,728	COP 26,668,324	COP 7,156,123	COP 37,523,175
Aeropuertos Mexicanos del Pacífico, S.A. de CV (AMP) México DF Operador de 12 aeropuertos en México (*)	33.33%	MXN 2,243,400	MXN 576,543	MXN 925,546	MXN 3,745,489
Aerocali, S.A. Alfonso Bonilla Aragón Airport Cali-Colombia Operation of Cali Airport (*)	50.00%	COP 3,800,000	COP 24,638,643	COP 21,503,771	COP 49,942,414

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(*) Data obtained from the financial statements at 31 December 2016

Name / Address / Line of business	% Holding	Share capital	Profit for the year	Other equity	Total equity
	31 December 2015				
Sociedad Aeroportuaria de la Costa S.A. (SACSA) Rafael Núñez Airport. Cartagena de Indias-Colombia (*) Operation of Cartagena Airport	37.89%	COP 3,698,728	COP 17,451,373	COP 8,203,196	COP 29,353,297
Aeropuertos Mexicanos del Pacífico, S.A. de CV (AMP) México DF Operador de 12 aeropuertos en México (*)	33.33%	MXN 2,378,400	MXN 449,160	MXN 880,261	MXN 3,707,821
Aerocali, S.A. Alfonso Bonilla Aragón Airport Cali-Colombia Operation of Cali Airport (*)	50.00%	COP 3,800,000	COP 21,182,045	COP 21,347,992	COP 46,330,037

(*) Data obtained from the financial statements at 31 December 2015

The net equity of part-held Companies in Colombia and México includes the item of adjustments for inflation, following the standards established for the purpose in the respective country.

Due to the evolution of these companies, the directors have not considered it necessary to make any impairment provisions.

On 29 May 2014, the subsidiary Aena Desarrollo Internacional, S.A. purchased 63,355 Aerocali, S.A. additional ordinary shares, corresponding to 16.67%. In light of this acquisition Aena Desarrollo Internacional, S.A. came to hold a 50% interest in the company. The amount paid for this acquisition amounted to 2,036 thousand euros. In accordance with the analysis made by the Management of Aena Desarrollo Internacional, S.A. this acquisition does not bring control of the part-held company as there is already joint control, so that on 31 December 2015 and 31 December 2016 it continued to be recorded by the equity method with the change in percentage stake since the acquisition of the new shares.

On 24 February 2006, Grupo Aeroportuario del Pacifico, S.A. (a company in which AMP has invested) began to be listed on the Mexican and New York stock markets through an IPO carried out by the Mexican Government (former owner of the remaining 85% of the share capital). In addition, Aeropuertos Mexicanos del Pacífico acquired 2.296% of Grupo Aeroportuario del Pacífico, S.A. on the stock market for 286,297,895 Mexican pesos (MXN), thereby increasing its stake to 17.296% of its share capital. In May 2008, 640,000 shares were acquired on the stock market for 26,229,376 Mexican pesos (capital MXN), representing 0.11396%, thereby raising the stake held by Grupo Aeroportuario del Pacífico, S.A. to 17.40996%. The average acquisition price for the shares that Aeropuertos Mexicanos del Pacífico holds in Grupo Aeroportuario del Pacífico totals 23.12 Mexican pesos (MXN), while the listed value at 31 December 2016 was 170.48 Mexican pesos (MXN) (2015: 152.05 Mexican pesos (MXN)).

At the General Meeting of Shareholders of AMP on 28 April 2016 it was decided to reduce the company's capital stock in its variable portion in the amount of 135 million Mexican pesos charged to the Capital Contribution account balance. The effect of this reduction in the accounts of the investee Aena Internacional resulted in a reduction in the value of its stake in AMP by 45 million Mexican pesos, equivalent to 2.3 million euros.

3) Other stakes

The most important information on the stakes included in this heading is as follows:

	2016 Thousands of euros (*)						
Name/ Address / Activity	**% Holding**	**Share capital**	**Profit**		**Rest of Equity**	**Total equity**	**Total Books at 31 December 2016**
			Operation	**Net**			
Agencia Barcelona Regional Town planning consultant and environmental promoter Edificio Centreservei, Zona Franca Carrer 60, 25-27 Barcelona (*)	11.76%	1,533	21	6	224	1,763	180
Total							**180**

(*) Data obtained from the provisional financial statements at 31 December 2016

Name/ Address / Activity	2015 Thousands of euros (*)						
	% Holding	Share capital	Profit		Rest of Equity	Total equity	Total Books at 31 December 2015
			Operation	Net			
Agencia Barcelona Regional Town planning consultant and environmental promoter Edificio Centreservei, Zona Franca Carrer 60, 25-27 Barcelona (*)	11.76%	1,533	19	4	324	1,861	180
Total							**180**

(*) Data obtained from the provisional financial statements at 31 December 2015

(Thousand euros unless otherwise stated)

12. Related party transactions and balances

The details of the debtor and creditor balances maintained with Group and related companies at the closure of 2016 and 2015 are as follows:

Year 2016:

	Debtor (Note 12)	Credits Credits	Long-term Credits (taxes) (Note 22)	Short-term credits (Note 15)	Short-term credits (note 15)	Supplier Property, plant and equipment (Note 15)	Creditors (Note 16)
Parent company:							
ENAIRE	32	-	-	(7,487,181)	(810,578)	-	(26,599)
Transactions with group and associated companies:							
Aena Desarrollo Internacional, S.A.	49	-	1,319	-	-	(154)	(557)
Related party transactions:							
Agencia Estatal de Meteorología (AEMET)	-	-	-	-	-	-	(1,842)
Ingeniería de Sistemas para la Defensa de España, S.A. (ISDEFE)	-	-	-	-	-	(346)	(764)
Ingeniería y Economía del Transporte, S.A. (INECO)	(6)	-	-	-	-	(2,287)	(3,748)
	75	**-**	**1,319**	**(7,487,181)**	**(810,578)**	**(2,787)**	**(33,510)**

Year 2015:

	Debtor (Note 12)	Credits Credits	Long-term Debts (Taxes) (Note 22)	Short-term Debts (Note 15)	Short-term Debts (Note 15)	Supplier Property, plant and equipment (Note 15)	Creditors (Note 16)
Parent company:							
ENAIRE	249	-	50,217	(8,309,752)	(1,151,767)	-	(27,487)
Transactions with group and associated companies:							
Aena Desarrollo Internacional, S.A.	66	614	2,161	-	-	-	(330)
Related party transactions:							
Agencia Estatal de Meteorología (AEMET)	-	-	-	-	-	-	(833)
Ingeniería de Sistemas para la Defensa de España, S.A. (ISDEFE)	-	-	-	-	-	(367)	(389)
Ingeniería y Economía del Transporte, S.A. (INECO)	3	-	-	-	-	(1,636)	(5,395)
	318	**614**	**52,378**	**(8,309,752)**	**(1,151,767)**	**(2,003)**	**(34,434)**

The details of transactions with group and associated companies during 2016 are as follows (in thousands of euros):

	ENAIRE (Public Body)	Aena Desarrollo Internacional	INECO	AEMET	ISDEFE	London Luton Airport Operations Limited
Agreement to render services:	(99)	(56)	56	-	(5)	(13)
Services received (*)	146,534	1,822	8,696	-	2,462	-
Supplies Work performed by other companies (Note 23.a)	-	-	3,691	10,000	-	-
Acquisitions of spare parts (Note 17)	25	-	-	-	-	-
Acquisitions of fixed assets (Note 6 and 7)	-	333	6,068	-	2,278	-
Financial revenue (Note 23f)	-	(4)	-	-	-	-
Losses imputed in hedge instruments (Note 19d)	1,547	-	-	-	-	-
Financial expenses (Note 23f)	95,325	-	-	-	-	-

(*) Services received from ENAIRE include principally those mentioned in Note 23.a, for an amount of 145,441 thousand euros, and other outside services.

The details of transactions with group and associated companies during 2015 are as follows (in thousands of euros):

	ENAIRE (Public Body)	Aena Desarrollo Internacional	INECO	AEMET	ISDEFE
Agreement to render services:	(1,212)	(60)	(47)	-	(6)
Services received (*)	146,561	1,854	8,829	-	2,849
Supplies Work performed by other companies (Note 23.a)	-	-	3,691	10,000	-
Acquisitions of spare parts (Note 17)	151	-	-	-	-
Acquisitions of fixed assets (Note 6 and 7)	-	-	6,371	-	2,060
Financial revenue (Note 23f)	-	(276)	-	-	-
Losses imputed in hedge instruments (Note 19d)	5,120	-	-	-	-
Financial expenses (Note 23f)	167,698	-	-	-	-

(*) Services received from ENAIRE include principally those mentioned in Note 23.a, for an amount of 145,480 thousand euros, and other outside services.

Long-term investments in Group and associated companies - Credits to companies

This item included a loan granted to Aena Desarrollo Internacional, S.A. amounting to 9.8 million euros, with constant quarterly repayments and maturing on 26 June 2016 (2015: 0.6 million euros). It was referenced to the average rate of financing of Aena, S.A. plus a differential of 125 base points.

Principal contracts:

The contracts in force between Public Business Entity “ENAIRE” and Aena S.A. in 2016 and 2015 are set out below:

Year 2016:

- ATM (Air Traffic Management) and CNS (Communication, Navigation Surveillance) Agreement.

Year 2015:

- ATM (Air Traffic Management) and CNS (Communication, Navigation Surveillance) Agreement.

On 20 December 2016 the "Agreement for the provision of air navigation services between ENAIRE and Aena" was approved by the Board of Directors of Aena, SA, which was also approved by the Board of Directors of ENAIRE on 23 December 2016. This agreement extends to the period 2017-2021, for a total amount of 662,367 thousand euros.

On 1 October 2014 and with effects from 1 April 2012 a contract was signed with the subsidiary Aena Desarrollo Internacional, S.A. in which the latter supplied AENA with in-flight verification services. The duration is for 3 years with annual renewals unless expressly terminated.

Additionally, there is a collaboration agreement with Ingeniería y Economía del Transporte, S.A. (INECO) for drafting and reviewing projects, construction supervision and technical assistance on surveillance monitoring, engineering for certification, maintenance and operation of airport facilities and processes planning, airport development and the environment, airport commercial development and logistics studies and designs in terminal buildings to improve operational efficiency and achieve greater cost reduction, whose annex of actions has been renewed on an annual basis.

The related company ISDEFE has been providing Aena with a series of services that fall under any of the activities forming its corporate purpose, including the following activities in accordance with the agreement dated 8 November 2013:

- General Coordination of Information and Communication Technology, hereinafter ICT.
- Definition of ICT systems and infrastructure.
- Life cycle management of software applications.
- Office management of ICT projects.
- Quality and testing software applications and ICT infrastructure.
- Systems integration and support for service start-up.

The State Meteorological Agency (AEMET), in its capacity as State meteorological authority and as a certified service provider, is the only body officially designated in Spain to provide meteorological services to aviation activity. Prior regulatory implementation would be required to designate more providers of this service. AEMET also provides weather services to other Spanish airports not managed by Aena, S.A.

Additionally, AEMET owns facilities and basic equipment to provide meteorological services for air navigation.

Due to the need for such services Aena and AEMT signed an agreement regulating the aforesaid provision of services covering the period from 30 December 2014 to 29 December 2016, and signed a new contract which came into force on 30 December 2016 and will last for one year from the earlier date. It may be extended by mutual agreement of the parties year after year, running for a maximum of two additional years.

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

Given that the provision of this service is essential for the performance of operations, it is considered necessary to continue with it, ensuring compliance with the current quality, safety and efficiency requirements while maintaining the same economic conditions.

Therefore the cost of the contract for Aena is set at TEN MILLION euros (€10,000,000.00) per year, with no variation from the current agreement.

13. Trade and other receivables

The balance on the heading "Trade debtors and other receivables" of the Balance Sheet attached at the closure of 2016 and 2015 is broken down as follows:

	Thousands of euros	
	2016	**2015**
Clients for services supplied	288,689	324,192
Clients with doubtful debts	93,013	96,243
Less: provision for impairment	(123,133)	(121,636)
Clients, group and associated companies (Note 12)	75	318
Sundry debtors (*)	7,425	7,428
Staff	321	522
Assets for current tax (Note 22)	110,456	107,840
Other receivables from public administrations (Note 22)	21,859	16,935
	398,705	**431,842**

(*) The heading on sundry debtors includes the outstanding balance corresponding to the invasion of the tracks incident in the El Prat Airport on 28 July 2006 amounting to 7,422 thousand euros, the Company has accrued this amount.

The BOE of the 5 March 2011 published the Act 1/2011 of 4 March, modifying Act 21/2003 of 7 July on Aviation Safety, allowing the use of legal proceedings for collection, managed by the collection agencies of the State Tax Administration Agency, in the management, settlement and collection of all amounts for public services owed to Aena, S.A. or its subsidiaries.

A significant part of the balances in the heading "Clients for services supplied" pertains to the following companies:

	Thousands of euros	
	2016	**2015**
World Duty Free	76,274	67,532
Iberia, Líneas Aéreas de España, S.A.	23,774	24,295
Cemusa Corporación Europea	17,297	15,066
Áreas, S.A.	15,900	15,502
Air Europa Líneas Aéreas, S.A.	15,160	15,255
Air Nostrum	10,259	9,741
Easy Jet Airlines Co. Ltd.	7,659	6,296
Pansfood S.A	4,819	4,188
Select Service Partner, S.A.	4,290	3,888
Lagardere Travel Retail, S.A.	4,574	3,502
CLH Aviación	4,490	2,151
Others	104,193	156,776
	288,689	**324,192**

The movement in the account of provisions for trading transactions in 2016 and 2015 was as follows:

	Thousands of euros	
	2016	**2015**
Beginning balance	121,636	126,469
Variation in provision for impairment	1,497	(5,495)
Disposal	-	
Encumbrance adjustment	-	662
	123,133	**121,636**

In addition to the negative variation of 1,497 thousand euros (2015: 5,495 thousand positive euro) in the provision for impairment of transactions, during 2016, in the heading of "Losses, impairment and variation in provisions for transactions" of the Profit & Loss Account, losses were recorded of 6,348 thousand euros (2015: 8,846 thousand euros), for final cancellations by the State Taxation Authorities of debts transferred to the enforcement route.

On 31 December 2016 and 2015 there were no balances receivables in currencies other than the euro.

14. Short-term financial investments

The balance on the accounts under the heading "Short-term Financial Investments" at the closure of 2016 and 2015 was as follows:

	Thousands of euros	
	2016	**2015**
Credit to companies	218	489
Short-term sureties and deposits	1,412	2,169
	1,630	**2,658**

15. Borrowings

Debts with group and associated companies

The heading "Long-term debts with group and associated companies" shows an amount of 7,487,181 thousand euros (2015: 8,309,752 thousand euros). The 2015 figure includes 151 thousand euros due to the assignment of the long-term derivative with ENAIRE (2016: 0 thousand euros). In the same way, the heading "Short-term debts with group and associated companies" shows a total amount of 813,365 thousand euros (2015: 1,153,770 thousand euros), of which, 777,629 thousand euros (2015: 1,125,488 thousand euros) refers to current loans payable to the group for the financing of airports with an established repayment schedule. This heading also includes 33,812 thousand euros (2015: 26,453 thousand euros) for interest accrued on loans with the ultimate parent company; 176 thousand euros for the assignment of the short-term derivative with ENAIRE (2015: 1,535 thousand euros); the short-term balance of suppliers of fixed assets of group companies and associates amounting to 2,787 thousand euros (2015: 2,003 thousand euros), and -1,039 thousand euros for commissions at amortized cost criteria (2015: -1,709) (See Note 10).

Company's loans and credits were formalised in 78%, at fixed/fixed reviewable interest rates, and the remaining percentage was formalised at variable rates, generally referenced to Euribor (2015: 79%, at fixed/fixed reviewable interest rates, and the remaining percentage was formalised at variable rates, generally referenced to Euribor). The average interest rate on debts during 2016 was 1.36% (2015: 1.86%).

In connection with the non-financial contribution described in Note 3, the Company and its sole shareholder at that time signed a financing contract through which the debts corresponding to the branch of activity contributed in the increase of capital described in that Note 3 were transferred from the Public Business Entity "Aeropuertos Españoles y Navegación Aérea" to Aena, S.A. That contract between both parties recognised the initial debt and the conditions for future cancellation of the debt and procedures for the settlement of interest and repayment of the debt. It also specifies that the Public Business Entity "Aeropuertos Españoles y Navegación Aérea" is the formal borrower as regards the financial lending institutions, but it also recognises that Aena, S.A. is obliged to pay the percentage of the active balance of the debt of the Public Entity Aena attributable to the airport line of business at the time of the contribution of any of the payments that the Public Business Entity "Aeropuertos Españoles y Navegación Aérea" is required to pay to the financial institutions, in accordance with the financial conditions and the other terms and stipulations established in the Financing Agreements.

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

In the context of offering company shares to private investors, and in order to ensure the process was compatible with the financing agreements (long- and short-term financial debt) and hedging agreements taken out with all of the financial institutions, on 29 July 2014, the Public Business Entity "ENAIRE", Aena S.A. and the respective financial institutions agreed a novation amending but not extinguishing the corresponding financial agreements.

The re-wording of the new financing agreements supersedes entirely, and for all legal effects, the original contracts and their novations, in order to, amongst other amendments, eliminate any contractual restriction that may affect the privatisation process and to include Aena S.A. as jointly liable together with the Public Business Entity "ENAIRE" under the various Financing Contracts and to make all the necessary adjustments to these financing contracts that may be required for this purpose.

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

- The joint and several nature of the borrowers, namely the Public Business Entity "ENAIRE" and Aena, S.A., which are jointly and severally obliged vis-à-vis the bank to repay the amount of the loan which had been arranged by either of them and to pay any interest, commissions, costs, expenses and any other concept owed by them directly to the bank under the contracts. The banks recognise expressly that payment under any heading received from any of the borrowers in accordance with the contractual provisions, will have full releasing effect for the item and amount.

- The removal of clauses imposing limitations on the transfer of Aena, S.A. shares and the sale of a percentage of shares exceeding 49%.

- The obligatory nature of compliance with certain financial ratios, on the basis of the consolidated financial statements of the Aena group, is to be certified through the delivery of a certificate proving compliance with these ratios, on a semi-annual and annual basis. The definition of terms included in the calculation of these ratios (net financial debt, EBITDA and financial expenses) are established in novated contracts as follows:

Financial debt: means any financial indebtedness with a financial expense as a result of:

a) loans, credits and trade discounts;

b) any amount due in respect of bonds, debentures, notes, debt and in general instruments of a similar nature;

c) any amount due by way of lease or leasing which, in accordance with applicable accounting standards, would be treated as financial debt;

d) financial guarantees made by Aena covering part of the entire debt, excluding those in relation to a debt already computed by consolidation; and

e) any amount received under any other agreement that has the commercial effect of financing and which under applicable accounting standards would be treated as financial debt.

For clarification purposes, it is stated that any indebtedness resulting from the debt recognition agreement that was signed on 1 July 2011 (as novated at any time) between Aena and ENAIRE will be computed as financial debt.

Net Financial Debt: means financial debt less (i) cash and cash balances, (ii) other current financial assets, understood as such temporary net financial investments (excluding available-for-sale financial assets) at their settlement value, and (iii) unrestricted treasury stock valued according to the closing price of the last trading day related to the calculation period, provided that it was not already accounted for in section (ii) above.

Subordinate debt: means indebtedness subordinated to Aena's present and future obligations under this Agreement and which also: (a) does not establish amortisation obligations (except for capital increases to offset debts) until after the final maturity date; (b) its creditors are not entitled to request the early maturity of the debt until the obligations of the Borrowers under this Agreement have been fully met; (c) is not guaranteed by any real or personal security unless such guarantee is also subordinate; and (d) the subordination and other characteristics described in this definition are granted in favour of the Lender.

EBITDA: means the operating result plus (i) the provisions for amortisation and impairment and results from disposal of fixed assets and provisions for the reversion fund (provided they were previously deducted for the calculation of operating revenue), and goodwill impairments, (ii) the share of the dividend actually received from the companies that consolidate by the equity method, and (iii) the dividends received from any company not included in Aena's consolidated EBITDA. For all purposes the operating result for those subsidiaries that, despite being consolidated in the consolidated balance sheet of Aena, obtained financing without recourse to Aena will be excluded from the calculation of

(Thousand euros unless otherwise stated)

EBITDA, provided that such financing has been excluded from the computation of the Financial Debt for the purpose of calculating ratios.

Financial expenses: means the expenses associated with the financial debt, i.e. financial expenses recorded as such, for the twelve (12) months prior to the corresponding calculation date, including (i) exchange differences relating to interest on the financial debt if they are not already recorded in this item and (ii) changes in the fair value any hedging documents signed in relation to this financing.

Net Financial Debt / EBITDA ratio: means the ratio resulting from the quotient between Net Financial Debt and EBITDA for each calculation period during the term of the Agreement.

EBITDA / financial expenses ratio: means the ratio resulting from the quotient between EBITDA and Financial Expenses for each calculation period during the term of the Agreement.

Ratio	2015	2016	2017	2018	2019 and subsequent
Net debt/adjusted EBITDA less than or equal to:	8.00x	8.00x	7.00x	7.00x	7.00x
EBITDA / Financial expenses greater than or equal to:	3.00x	3.00x	3.00x	3.00x	3.00x

- In terms of the option of granting charges and levies, a more favourable framework compared to the one stipulated in the initial financing contracts has been established, to allow the granting of certain real guarantees on international assets in relation to international financing operations without recourse to Aena, S.A. or the Public Business Entity “ENAIRE”, contrary to the prohibition stipulated in many initial contracts which in many cases hinder business expansion.

- The unification of clauses that restrict the disposal of assets: Aena, S.A. shall retain, directly or indirectly, proprietary ownership of all airport assets and shall not dispose of them in a single transaction or in a series of transactions, whether linked or unlinked, with a few exceptions in relation to airport assets located outside Spain.

- Certain clauses will be unified in order to qualify the events subject to which financing contracts could be subject to early termination, as a result of defaults arising from the commercial relationships of Aena, S.A.

The novations of these financing contracts mean that Aena, S.A. had to pay novation fees to all the financial institutions, as well as the costs of legal advisers amounting to a total of €12,163 thousand, of which €11,772 thousand were recognised in the carrying amount of the liability.

As a result of these novations, and in order to include the changes to the contractual loan relationship with the Public Business Entity “ENAIRE”, on 29 July 2014, the Company signed an amending and non-extinguishing novation to the debt recognition contract with the Public Business Entity “ENAIRE”, which amends the contract of 1 July 2011 transferring to Aena, S.A. all property, rights, debts and obligations of the Public Business Entity “ENAIRE” earmarked for the development of airport and commercial activities and other state services linked to airport management, including amounts allocated to the airfield’s air traffic services, amounting to €11,672,857 thousand.

By virtue of this novation, the parties agreed to amend certain aspects of the debt-recognition contract solely for the effect of novation and under no circumstances with extinguishing effect, in order to, among others, i) indicate the updated amount of the debt recognised, ii) regulate the payment by the Public Business Entity “ENAIRE” and Aena, S.A. of the amounts owed under the Financing Agreements, iii) specify the exercising of powers by the co-borrowers under the scope of these Financing Agreements, iv) determine the mandatory compliance by Aena, S.A. of the same financial ratios, as detailed in the novations of the financial agreements, and v) commit to the future pledging of receivables (the amount corresponding to one year of servicing the debt owed under financing agreements) by the Company to the benefit of the Public Business Entity

“ENAIRE” in the event of any breach of its obligations under the debt-recognition contract or loss of the majority of the share capital of Aena by the Public Business Entity “ENAIRE”.

During the debt novation process, the parties expressly agreed that, without prejudice to their status as joint-debtors who are jointly and severally responsible for compliance with the obligations stipulated in the financing agreements, any payments to be made for reason under the scope of these financing agreements, would be paid by the Public Business Entity “ENAIRE”; therefore, the contractual relationship between Aena S.A. and the Public Business Entity “ENAIRE” shall be maintained through the debt recognition contract.

Without prejudice to joint and principal responsibility that Aena, S.A. and the Public Business Entity “ENAIRE” assume vis-à-vis financial entities under the financing agreements, payments made by Aena, S.A. will reduce proportionally, for the Public Business Entity “ENAIRE”, its payment obligations stemming from the contribution.

In any event, the failure by Aena, S.A. to pay its obligations arising from the debt-recognition contract, shall not exempt the Public Business Entity “ENAIRE” from complying with its payment commitments under the provisions stipulated in the financing agreements.

Consequently, any amendments made to the financing contracts with banks and the Public Business Entity “ENAIRE” did not change the accounting treatment of the Company's financial debt with the Parent Company, the Public Business Entity “ENAIRE”.

The financial agreements set out the following reasons for early termination under ordinary market terms:

a) Any breach of the payment obligations arising from each and every one of the financing agreements.

b) Any breach of the payment obligations arising from other financing contracts.

c) The breach of any payment obligation stemming from usual business relationships in the ordinary activities of Aena, unless it has filed a judicial or extra-judicial challenge against the corresponding payment claim in relation to the breach and/or it has filed, or intends to file the corresponding procedural actions to which Aena, S.A. is entitled to bring by law, and when no contrary ruling has been made regarding the payment.

d) Generalised seizure of the property of Aena, S.A. and/or ENAIRE.

e) The constitution by ENAIRE and/or by the Companies, organisations and entities of the ENAIRE Group (with the exception of Aena, S.A. and the Companies of its group, which are governed by the limitation indicated in the point below) of any right in rem, charge, encumbrance or privilege over any of the (present or future) assets or rights.

f) The constitution by Aena, S.A. and/or by Companies of its group of any right in rem, charge, encumbrance or privilege over any of the existing assets or rights existing in its balance sheet, with exception of any right in rem, charge, encumbrance or privilege constituted over assets located outside of Spain (this exception includes shares or holdings in Companies domiciled in Spain provided that all of its operating assets are located outside of Spain) exclusively, to guarantee financing or other obligations without recourse to Aena, S.A. and contracted by subsidiaries and/or other companies of the Aena group.

g) Unless the bank had given its written consent: Aena, S.A. shall retain, directly or indirectly, proprietary ownership of all airport assets and shall not dispose of them in a single transaction or in a series of transactions, whether linked or unlinked, with a few exceptions in relation to airport assets located outside Spain owned directly or indirectly by Aena, of disposals to an aggregate amount set for the duration of the contract that shall not exceed 20% of the consolidated assets of Aena, determining the value of both the consolidated and the disposed asset at all times by reference to the values recorded in Aena's consolidated balance at 31 December of the last financial year closed at the time of signing the agreement on disposal of assets. For the purposes of this clause "Airport Assets" means any property part of the airport activity, included in Aena's consolidated property plant and equipment.

h) Any change to the risk weighting of ENAIRE or the loans or credit granted through the financial agreements.

Only the occurrence of the above reasons for early termination entitle the financial entities, in accordance with the specific terms and conditions stipulated in the respective agreements, to declare the early termination of their respective financing agreements.

All this, without prejudicing the need for competition in good faith and the essential nature of the reason put forward.

If Aena, S.A. breaches its obligations under the debt-recognition contract:

- Aena, S.A. agrees to the future constitution of a first-ranking pledge contract for certain credit rights (the amount corresponding to one year of servicing the debt accrued under the financial agreements) in favour of ENAIRE (this obligation also arises if ENAIRE loses control of Aena); any amounts Aena, S.A. fails to pay shall bear late-payment interest.

- The amounts unpaid by Aena, S.A. shall accrue penalty interest.

- In the event that ENAIRE is required to pay amounts to the financial institutions that, under the terms of the debt-recognition contract, Aena, S.A. should have paid, ENAIRE will be subrogated in the rights and guarantees of the creditor vis-à-vis Aena, S.A. and the debt acknowledged in the debt recognition contract will be automatically incremented by the amount paid by ENAIRE.

- Moreover, if, as a result of the breach of an obligation by Aena, S.A. under the terms of the financing agreements, one or more of the financing contracts are terminated early and the actual payment of any amounts is requested, Aena, S.A. must pay to ENAIRE a penalty equivalent to 3% of the principal amount due on the respective unfulfilled finance contract. This provision also applies in the event that the defaulting party is ENAIRE, in which case ENAIRE will be the party required to pay the above-mentioned penalty to Aena, S.A.

The breakdown of the "**Total financial debt with financial institutions in relation to which ENAIRE**" (hereinafter "joint borrowers' debt") with financial entities on 31 December 2016 is as follows (in thousands of euros):

Financial institutions	Amount
EIB	4,454,338
ICO	2,265,000
DEPFA	1,050,000
FMS	800,000
BBVA	30,300
BANKINTER	8,333
POPULAR	5,700
TOTAL Co-borrowed	**8,613,671**

Of the 8,613,671 thousand euros above, Aena S.A owes to the Public Entity "ENAIRE" a debt stemming from the contribution of the airport activity, which on 31 December 2016 amounted to 8,271,571 thousand euros, 96 % of the total (see Note 10).

With regard to the causes of declaration of early termination, ENAIRE as principal in the financing contracts is not in breach of any of the conditions leading to early termination, so that this does not affect the Company's balance at 31 December 2016 and 31 December 2015.

On 9 February 2016, Bank of Spain Circular 2/2016 to credit institutions on monitoring and solvency which completes the adaptation of Spanish law to Directive 2013/36/EU and Regulation (EU) No 575/2013 was published in the Official State Gazette. This Circular aims to complete the adaptation of the Spanish legal framework for banking supervision and solvency to Basel III standards.

After a series of consultations with the Bank of Spain with the aim of clarifying the interpretation and consequences of the provisions of the Circular, it has been confirmed that it introduces a change in the risk weighting that credit institutions had been applying thus far to ENAIRE's debt, of which Aena is co-borrower (mirror debt).

In particular, the entry into force of the Circular obliges lender financial institutions to assign a different risk weighting to their exposures with regard to ENAIRE from the one assigned to their exposures with regard Central Government, which is 0%.

Some of the financing agreements in which ENAIRE and AENA are co-borrowers, whose outstanding balance at 31 December 2016 amounted to 2,940 million euros (of which 2,804.9 million euros corresponds to debt assigned to Aena, S.A.), include as a possible cause of early maturity, at the lender's request, a change in the risk weighting of the borrower by the Bank of Spain or, in accordance with Spanish banking regulations, for the purpose of the solvency ratio of credit institutions, unless the borrowers compensate the credit institutions affected for the duly proven costs that they might incur for this reason according to the interpretation of the agreements made by the company.

In response to claims received in this respect, Aena has recorded 11,834 thousand euros as a financial expense in the attached revenue statement for fiscal 2016 to cover the amount of claims received to date from credit institutions as incurred costs as a result of the change in risk weight. While other similar claims by other institutions might be made in the future, it is not possible at this time to estimate their amount.

Furthermore, as a result of the application of the new risk weight, the interest rate applied in the future to the aforementioned loans could be revised upwards. Although the effect of the reviews cannot be estimated at present, taking into account the company's current solvency and liquidity situation and its ability to access new financing, it is estimated that the resulting impact would not be significant.

The maturity schedule of the outstanding instalments of the principal of the short-term and long-term debt with the public entity ENAIRE for the financing of airports (Note 10) at the end of 2016 is as follows:

Instalments with Maturity	Thousands of euros 2016
2017	777,629
2018	742,701
2019	744,461
2020	744,335
2021	657,066
Following	4,605,379
Total	**8,271,571**

The details of the headings "Long-term debts with group and associated companies" and "Short-term debts with group and associated companies" in the liabilities of the Balance Sheet at 31 December 2016 and 2015 are shown below:

	Thousands of euros		
	2016		
	Long term	**Short term**	**Total**
Debts with group and associated companies - Debt with ENAIRE (Note 12)	7,493,942	777,629	8,271,571
Debts with group and associated companies. - Debt commissions (Note 12)	(6,761)	(1,039)	(7,800)
Debts with group and associated companies - Derivatives (Note 12)	-	176	176
Debts with group and associated companies - Interest due (Note 12)	-	33,812	33,812
Other (Note 12)	-	-	-
Fixed asset suppliers - Group and associated companies (Note 12)	-	2,441	2,441
Total	**7,487,181**	**813,019**	**8,300,200**

	Thousands of euros		
	2015		
	Long term	**Short term**	**Total**
Debts with group and associated companies - Debt with ENAIRE (Note 12)	8,318,422	1,125,488	9,443,910
Debts with group and associated companies. - Debt commissions (Note 12)	(8,821)	(1,709)	(10,530)
Debts with group and associated companies - Derivatives (Note 12)	151	1,535	1,686
Debts with group and associated companies - Interest due (Note 12)	-	26,453	26,453
Other (Note 12)	-	-	-
Fixed asset suppliers - Group and associated companies (Note 12)	-	1,636	1,636
Total	**8,309,752**	**1,153,403**	**9,463,155**

At 31 December 2016 and 2015 the long-term and short-term debts were denominated in Euro.

The variations in the balance on the ENAIRE loan in fiscal 2016 corresponded to amortising the principal for an amount of 1,172,339 thousand euros and, in reverse, 7,359 thousand euros for an increase in interest payable and 2,730 thousand euros for the effect of expenses written off.

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

	Carrying amount		Fair value	
	At 31 December		At 31 December	
	2016	**2015**	**2016**	**2015**
Debt with ENAIRE	7,487,171	8,309,601	7,372,180	8,052,886
Debt with ENAIRE - Derivatives	-	151	-	151
Total (Note 12)	**7,487,171**	**8,309,752**	**7,372,180**	**8,053,037**

The fair value of current borrowings is equal to their carrying value, as the impact of the discount is not significant. The fair values for debt with a term of over one year were based on discounted cash flows at a rate based on the rate for outside resources valued at the 0 coupon curve plus a spread of 0.99% (2015: the 0 coupon curve plus a spread of 1.14%) and were at Tier 3 of the fair value hierarchy.

As a result of a review of variable rate loans, in October 2016 loans amounting to 15,000 thousand euros whose due date was 15 March 2017, loans amounting to 30,000 thousand euros whose due date was 30 September 2017 and loans amounting to 75,000 thousand euros whose due date was 15 December 2019 were paid off in advance.

In regard to reviewable rate loans, the parent company has modified the system for those loans due to be revised in 2016. The total revised amount totalled 781,304 thousand euros for loans from the European Investment Bank, which have been set at a fixed rate to maturity going from an average rate of 1.765% to an average rate of 0.82%. 290 million euros in variable rate loans from the Official Credit Institute with a 0.98% spread have also been revised, thus achieving a reduction of this spread to 0.75%, while the payment schedule has also been amended.

In 2015 the total amount revised was 2,432,139 thousand euros, of which 945,372 thousand euros pertained to BEI loan and were set at a fixed rate to maturity at an average rate of 1.04% and 1,486,767 thousand euros pertained to FMS and DEPFA loans that were variable interest rate loans (3 month Euribor + 0.11).

In addition, in December 2015 variable rate loans were negotiated with spreads greater than 1.58% (with an average spread of 4.42%) for a total of 613,239 thousand euros, reducing the spread to 0.98%.

Debts with lending entities

On 29 July loan agreements were signed with banks for an amount of 1,000 million euro to provide for possible occasional cash needs, for which a sum of 1,575 thousand euros was paid in arrangement fees. At the end of 2016, the amount not yet repaid of this amount, 459 thousand euros (2015: 1,247 thousand euros), is shown in the heading “short-term year-end adjustments” in the Assets of the Balance Sheet (see note 20).

The interest rate is variable, with a spread varying between 0.70 and 0.98%. The duration, conditions and amount contracted per financial institution are listed below:

BANK	AMOUNT (thousands of euro)	EURIBOR	DUE DATE
POPULAR	100,000	1M	July 2017
BANKINTER	100,000	1M	July 2017
KUTXA BANK	50,000	1M	July 2017
SABADELL	100,000	1M	July 2017
UNICAJA	100,000	1M	July 2017
TARGO BANK	50,000	1M	July 2017
SOCIETE GENERAL	100,000	1M	July 2017
SANTANDER	100,000	1M	July 2017
CAIXA	200,000	1M	July 2017
BBVA	100,000	1M	July 2017
	1,000,000		

All amounts are not available.

The credit facilities arranged by Aena expire in June 2017, and are automatically renewed for a period of two years.

Cash flow hedges

The parent company has contracted certain financial instruments for interest rate cover which are transferred to Aena, S.A. to cover the debt between the two companies. At 31 December 2016, the breakdown is as follows:

	Classification	Type	Amount contracted	Start	Maturity	Liquidation
Swap	Interest rate hedging	Variable (Euribor 6M) to Fixed (0.98%)	66,500	13/12/2012	13/12/2017	Semi-annual

At 31 December 2015, the breakdown was as follows:

	Classification	Type	Amount contracted	Start	Maturity	Liquidation
Swap	Interest rate hedging	Variable (Euribor 3M) to Fixed (2.57%)	255,000	15/12/2011	15/03/2016	Quarterly
Swap	Interest rate hedging	Variable (Euribor 6M) to Fixed (0.98%)	66,500	13/12/2012	13/12/2017	Semi-annual

Of the interest rate swap with a contracted sum of 255,000 thousand euros, only 94.9% had been transferred to Aena, S.A., up to the moment of its due date on 15 March 2016; of the interest rate swap with a contracted sum of 66,500 thousand euros, 66.67% had been transferred to Aena. The amounts of notional principal of these interest rate swap contracts outstanding at 31 December 2016 amounted to 14,778 thousand euros (31 December 2015: 214,611 thousand euros).

The main variable interest rates references are Euribor 3 and 6 Months. These parent company loans and derivatives are intended to finance airports and, therefore, the parent attributed the interest and depreciation to the Company.

Fair value recorded in "Non-Current Liabilities" at 31 December 2016 (in thousands of euros) through the mirror debt	Fair value recorded in "Current Liabilities" at 31 December 2016 (in thousands of euros) through the mirror debt
-	176

Fair value recorded in "Non-Current Liabilities" at 31 December 2015 (in thousands of euros) through the mirror debt	Fair value recorded in "Current Liabilities" at 31 December 2015 (in thousands of euros) through the mirror debt
151	1,535

On 10 June 2015, Aena signed a fixed variable interest hedged transaction with financial institutions with credit rating of or above BBB (Standard&Poors), in order to avoid the risk of fluctuations in interest rates of several loans totalling to 4,195.9 million euro, and in order to place Aena S.A.'s percentage of fixed debt by 79% on average, a similar level to that of its peers in the market, providing stability to tariff framework DORA until 2026 and taking advantage of the situation in interest rates which are at record low. Once the transaction is performed, between 31 December 2015 and 31 December 2026, Aena will stand at an average of 79% Fixed+Adjustable debt rate and 21% Variable debt. Aena pays interest for these credits at Euribor at three and six months, plus a differential of 1.0379%, the average fixed rate of the derivative being 1.978%. This transaction provides hedging until 15 December 2026. This cover protects Aena from the fluctuations in interest rates foreseeable in a stage of economic growth.

At 31 December 2016, the breakdown is as follows:

	Classification	Type	Amount contracted	Start	Maturity	Liquidation
Swap	Interest rate hedging	Variable (Euribor 3M) to Fixed (0.9384%)	3,041,833	15/06/2015	15/12/2026	Quarterly
Swap	Interest rate hedging	Variable (Euribor 6M) to Fixed (1.1735%)	854,100	15/06/2015	15/12/2026	Semi-annual
Swap	Interest rate hedging	Variable (Euribor 6M) to Fixed (0.1440%)	290,000	27/12/2016	15/12/2020	Semi-annual

At 31 December 2015, the breakdown is as follows:

	Classification	Type	Amount contracted	Start	Maturity	Liquidation
Swap	Interest rate hedging	Variable (Euribor 3M) to Fixed (0.9384%)	3,041,833	15/06/2015	15/12/2026	Quarterly
Swap	Interest rate hedging	Variable (Euribor 6M) to Fixed (1.1735%)	854,100	15/06/2015	15/12/2026	Semi-annual
Swap	Interest rate hedging	Variable (Euribor 6M) to Fixed (0.2941%)	300,000	27/06/2015	27/12/2018	Semi-annual

The main variable interest rate indexes are Euribor 3 and 6 Months.

As mentioned above, the ICO loan of 300 million euros was novated. The derivative associated with this loan has also been amended to make it coincide with the new payment schedule, moving from a fixed rate of 0.2941% to 0.144%.

The fair value of these new derivatives at 31 December 2016 and 2015 is as follows:

Fair value recorded in "Non-Current Liabilities" at 31 December 2016 (in thousands of euro)	Fair value recorded in "Current Liabilities" at 31 December 2016 (in thousands of euros)
90,031	39,475

Fair value recorded in "Non-Current Liabilities" at 31 December 2015 (in thousands of euro)	Fair value recorded in "Current Liabilities" at 31 December 2015 (in thousands of euros)
31,396	40,821

The Company's notional principal amounts in the interest rate swap contracts outstanding at 31 December 2016 amounted to 3,393,484 thousand euros (2015: 4,095,596 thousand euros).

During 2016 sums have been imputed to the Profit & Loss Account for "mirror" derivatives with Enaire of 1,547 thousand euros and for derivatives contracted by Aena of 42,925 thousand euros (Note 19d), up to a total of 44,472 thousand euros for losses on cover instruments (2015: 25,203 thousand euros) (Note 23f).

At December 31 2016 and 2015, the hedging derivatives are effective and meet the requirements for applying hedge accounting, so that there is no ineffectiveness recorded in the profit and loss account.

16. Trade creditors and other accounts payable

The details of creditor balances for trading transactions are as follows:

	Thousands of euros	
Trade creditors and other accounts payable	**2016**	**2015**
Suppliers	-	3
Suppliers, group and associated companies (Note 12)	33,510	34,434
Sundry payables	145,955	144,612
Staff	19,289	26,807
Other debts with Public Authorities (Note 22.1)	23,045	18,720
Prepayments from customers:	51,283	53,852
Total	**273,082**	**278,428**

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

	2016	2015
	Days	**Days**
Average supplier payment period	52	56
Ratio of transactions paid	54	59
Ratio of transactions outstanding payment	18	25

These parameters have been calculated in accordance with what is set forth in Art. 5 of Ruling *of 29 January 2016, of the Institute of Accounting and Accounts Auditing, on the information to include in the financial statements report in regard to Days Payment Outstanding to suppliers in commercial transactions,* as follows:

1) Average supplier payment period = (Ratio of transactions paid * total amount of payments made - outstanding transactions * total amount of pending payments)/ (total amount of payments mad payments outstanding).

2) Ratio of operations paid = ∑ (days payment outstanding* amount of transaction paid)/ total amounts paid.

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

3) Ratio of operations outstanding payment = ∑ (days payment outstanding * amount of transaction outstanding)/total amount of payments outstanding.

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

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

	Amount 2016 (thousands of euro)	Amount 2015 (thousands of euro)
Total payments made	766,900	882,676
Total payments outstanding	95,076	93,357

In 2016 average payment periods have been reduced to meet the periods set out in Act 15/2010. The cases in which a payment has been made outside of the legally stipulated period are due mainly to reasons not attributable to the Company: invoices not received on time, expired tax certificates, lack of certificates of proof of supplier bank accounts, etc.

17. Stock

The balance on the heading "Stocks" at the close of 2016 and 2015 is broken down in the following items:

	Thousands of euros	
	2016	**2015**
Spare parts	7,160	6,218
Provision for impairment of stocks	(134)	(134)
	7,026	**6,084**

The balance of stocks includes principally materials and spare parts used by the Company in airport operations. At 31 December 2016, this includes 25 thousand euros (2015: 151 thousand euros) for spare parts purchased from the Parent Company ENAIRE (Note 12).

18. Cash and other similar liquid assets

The details of the heading "Cash and other equivalent liquid assets" are as follows:

	Thousands of euros	
	2016	**2015**
Cash and bank deposits	482,758	510,784
	482,758	**510,784**

As of 31 December 2016 and 2015, cash balances and other equivalent liquid assets are not available for use.

19. Net equity

a) Share Capital

The Company was formed on 31 May 2011 with initial capital of 61,000 euro (61 shares of 1,000 euro each) subscribed in its entirety by the Public Business Entity ENAIRE. On 6 June 2011 the ENAIRE Shareholders' Meeting approved an increase of capital with the non-monetary contribution of the airport branch of activity, in which it was agreed:

- To reduce the par value by splitting the 61 shares, leaving them at 10 euro per share for a total of 6,100 shares.

- To increase the share capital to 1,500,000 thousand euros by the contribution of 1,499,939 thousand euros (issuing 149,993,900 shares at 10 euro each). These shares were issued with a share premium of 1,100,868 thousand euros. So that capital and issue premium would amount to 2,600,807 thousand euros.

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

(Thousand euros unless otherwise stated)

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

On 31 December 2016 and 2015, the Aena S.A.'s share capital was represented by 150,000,000 ordinary fully paid shares of 10 euro each. These shares bear the same financial and voting rights.

On 31 December 2016, there are no capital increases in progress nor authorisations to operate in own shares.

According to the information available at 31 December 2016, the holdings above 10% are:

ENAIRE	51.00%
TCI Fund Management Limited [1]	11.32%

[1] The Children's Investment Fund Management is the indirect owner of 3.61 % through certain equity swaps (CFDS)

At 31 December 2015, the holdings above 10% were:

Enaire	51.00%
TCI Fund Management Limited [1]	11.32%

[1] The Children's Investment Fund Management is the indirect owner of 3.61% through certain equity swaps (CFDS)

b) Reserves

Share premium

The redrafted text of the Corporate Enterprises Act expressly allows the share premium balance to be used to increase the capital and sets no specific restriction on the disposal of that balance.

This reserve is of free disposal provided that, as a consequence of its distribution the net equity value of the Company does not fall below the share capital figure.

At 31 December 2016 and 2015, the Share Premium of the Company amounted to 1,100,868 thousand euros.

Capitalisation Reserve

The capitalisation reserve amounting to 42,406 thousand euros comes from the approval of the distribution of the company's profits for the year ended 31 December 2015 (Note 19.c).

Legal reserves

The legal reserve must be funded in accordance with Article 274 of the Corporate Enterprises Act. This article requires that, in any event, a figure equal to 10 % of the profits from the period is earmarked for the legal reserve, until its amount attains at least 20 % of the share capital. At 31 December 2016 and 2015, the Legal Reserve was not fully funded.

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

After the application of the Result for 2015, at the close of 2016 the legal reserve amounted to 184,393 thousand euros (31 December 2015: 103,225 thousand euros).

Other reserve

At the closure of 2016, this heading included 1,048,116 thousand euros corresponding, principally, to disposable voluntary reserves.

At 31 December 2015 the amount of Other Reserves, a total of 766,543 thousand euros, was fully disposable.

Distribution of the result

The distribution of the result for 2016 proposed by the Board of Directors to the General Shareholders' Meeting was the following:

	Thousands of euros
Basis of allocation:	
Profit for the year	1,148,061
Distribution:	
Dividends	574,500
Legal Reserves	114,806
Capitalisation Reserve	28,160
Voluntary Reserves	430,595

The company has used for the calculation of Corporation Tax the tax profit established in art. 25 of the Act 27/2014 on Corporation Tax, the Capitalisation Reserve, for which a reduction has been made in the taxable base, with an appropriation to the capitalisation reserve for an amount of 28,160 thousand euros, and a commitment to maintain both the non-disposable reserve funded for this purpose and the increase in Own Funds used as a basis for this reduction during the next 5 years.

With the suggested distribution of the profits/losses from 2016, the Legal Reserve stands at 299,199 thousand euros, 99.7% of the legally established minimum amount for Aena, S.A. which is set at 300,000 thousand euros in accordance with Article 274 of the aforementioned Corporate Enterprises Act.

The distribution of the profits of the Company for the year ended 31 December 2015, adopted by the General Shareholders Meeting on 28 June 2016 was as follows:

	Thousands of euros
Basis of allocation:	
Profit for the year	811,676
Distribution:	
Dividends	406,500
Legal Reserves	81,168
Capitalisation Reserve	42,406
Voluntary Reserves	281,602

The Company's freely disposable reserves and the profit for the year are, however, subject to the limitation on their distribution that the net equity value may not fall below the share capital figure as a result of the distribution.

(Thousand euros unless otherwise stated)

c) Adjustments for value changes

The movements in 2016 and 2015 in this reserve due to value corrections in the cash flow hedges (see Note 15) are as follows:

	Beginning balance	Variations in Fair value	Adjustments for Reform of Tax Act 27/2014	Amount attributed to the revenue statement	Balance 31/12/2016
Cash flow hedges					
ENAIRE interest rate swaps (*)	1,685	38	-	(1,547)	176
Aena interest rate swaps	72,217	100,214	-	(42,925)	129,506
Tax effect	(18,475)	(25,063)	-	11,118	(32,420)
Total	**55,427**	**75,189**	**-**	**(33,354)**	**97,262**

*The breakdown of the 55,427 thousand euros of the final balance 2015 has been fixed

	Beginning balance	Variations in Fair value	Adjustments for Reform of Tax Act 27/2014	Amount attributed to the revenue statement	Balance 31/12/2015
Cash flow hedges					
ENAIRE interest rate swaps	6,807	71	-	(5,120)	1,758
Aena interest rate swaps	-	92,300	-	(20,083)	72,217
Tax effect	(1,856)	(25,864)	2,115	7,057	(18,548)
Total	**4,951**	**66,507**	**2,115**	**(18,146)**	**55,427**

A breakdown of the years in which this reserve is expected to affect the Profit & Loss Account is included in Note 10, in the section “Derivatives” of the Analysis by maturity dates.

d) Grants, donations and legacies received

The breakdown and movements for this heading at 31 December 2016 and 2015 are as follows:

	Beginning balance	Additions	Amount attributed to the revenue statement	Balance 31/12/2016
Capital grants from official European bodies				
Amount	610,250	13,987	(41,590)	582,647
Tax effect	(152,563)	(3,497)	10,398	(145,662)
Net	**457,687**	**10,490**	**(31,192)**	**436,985**

	Beginning balance	Additions	Adjustments for Reform of Tax Act 27/2014 (*)	Amount attributed to the revenue statement	Balance 31/12/2015
Capital grants from official European bodies					
Amount	650,065	6,113	-	(45,928)	610,250
Tax effect	(163,764)	(1,712)	53	12,860	(152,563)
Net	**486,301**	**4,401**	**53**	**(33,068)**	**457,687**

(*) The balances on grants have been increased, with the corresponding value adjustment in Liabilities for deferred tax, as a consequence of approval of the Act 27/2014 on Corporation Tax (see Note 22).

Grants from the European Regional Development Fund (ERDF)

The details by operative programmes of gross grants received during 2016 and 2015 are as follows, in thousands of euros:

	Thousands of euros	
	2016	**2015**
Com. Operative Programme Canary Islands	9,013	22,287
A.T. Governance	38	-
Knowledge-based Economy Operating Prog,	1,614	-
Total Funds from ERDF	**10,665**	**22,287**

At the end of 2016, the Company understands that it has complied with all requirements necessary to receive and enjoy the above grants.

20. Accruals and prepayments

On 14 February 2013, Aena, S.A. signed three contracts with World Duty Free Group Spain, S.A. for the commercial rental of the duty free and duty paid stores across the entire network of airports in Spain. These contracts are valid until 31 October 2020 and included an advance by € 332,442 thousand, which is periodically offset by billing. In this sense, at 31 December 2016 short-term advances amounts to 39, 440 thousand euros (2015: 37,769 thousand euros), and the long-term advance amounts to 120,508 thousand euros (2015: 159,993 thousand euros).

	Long-term liability		Short-term liability	
	2016	**2015**	**2016**	**2015**
Sureties	5,409	6,115	-	-
Accruals and prepayments	120,508	159,993	39,440	37,769
Total	**125,917**	**166,108**	**39,440**	**37,769**

	Short-term asset	
	2016	**2015**
Accruals and prepayments	5,939	6,903
Total	**5,939**	**6,903**

At 31 December 2016, the balance of asset accruals includes 5,480 thousand euros corresponding mainly to early insurance premiums (2015: 5,656 thousand) and 459 thousand euros corresponding to the arrangement fees for credit lines held by the Company with credit institutions (2015: 1,247 thousand euros) (see Note 15).

21. Provisions

The movements in 2016 and 2015 in the accounts included under this heading were as follows:

2016 – Thousands of euros	Provision for Employment Commitments	Expropriations and late-payment	Liabilities	Taxes	Environmental action	Other operating provisions	Voluntary Redundancy Plan	Total
Beginning balance	**7,984**	**1,033,922**	**34,483**	**17,367**	**128,459**	**50,248**	**-**	**1,272,463**
Charge for the Year	823	15,997	10,057	5,632	1,254	72,206	-	**105,969**
Discount additions	174	-	-	-	284	-	-	**458**
Reversals/Excesses	-	(987,145)	(6,910)	(7,569)	(31,527)	(4,505)	-	**(1,037,656)**
Amounts Used	(386)	(5,061)	(1,077)	(805)	(17,458)	(45,744)	-	**(70,531)**
Final balance	**8,595**	**57,713**	**36,553**	**14,625**	**81,012**	**72,205**	**-**	**270,703**
Short-term part	-	17,135	16,864	4,506	17,758	72,205	-	**128,468**
Long-term part	8,595	40,578	19,689	10,119	63,254	-	-	**142,235**

2015 – Thousands of euros	Provision for Employment Commitments	Expropriations and late-payment	Liabilities	Taxes	Environmental action	Other operating provisions	Voluntary Redundancy Plan	Total
Beginning balance	**8,263**	**1,110,328**	**74,106**	**21,959**	**131,207**	**29,800**	**24,211**	**1,399,874**
Charge for the Year	5	36,620	11,437	5,064	21,893	49,740	-	**124,759**
Discount additions	140	-	-	-	1,022	-	-	**1,162**
Reversals/Excesses	-	(88,780)	(45,693)	(2,544)	(19,253)	(5,470)	(24,211)	**(185,951)**
Amounts Used	(424)	(24,246)	(5,367)	(7,112)	(6,410)	(23,822)		**(67,381)**
Final balance	**7,984**	**1,033,922**	**34,483**	**17,367**	**128,459**	**50,248**	**-**	**1,272,463**
Short-term part	-	35,665	7,429	6,252	19,501	50,248	-	**119,095**
Long-term part	7,984	998,257	27,054	11,115	108,958	-	-	**1,153,368**

The movements on the accounts of Provision for employment commitments during 2016 and 2015, in thousands of euros, were as follows:

2016	Provision for long service awards	Provision for early retirement bonuses	Total Provision for employment commitments
Opening balance 1 January 2016	**7,579**	**405**	**7,984**
Charge for the Year	526	22	548
Retained (profits)/losses	236	39	275
Increase due to discounts	165	9	174
Applications) / Rebates	(409)	23	(386)
Closing balance 31 December 2016	**8,097**	**498**	**8,595**

2015

(Thousand euros unless otherwise stated)

	Provision for long service awards	Provision for early retirement bonuses	Total Provision for employment commitments
Opening balance 1 January 2015	**7,861**	**402**	**8,263**
Charge for the Year	577	72	649
Retained (profits)/losses	(567)	(77)	(644)
Increase due to discounts	132	8	140
Amounts Used	(424)	-	(424)
Closing balance 31 December 2015	**7,579**	**405**	**7,984**

a) Provision for employment commitments

Length of service awards

The balance corresponds to the provision made for long service awards, with an appropriation in 2016 of 691 thousand euros (2015: 709 thousand euros), of which 165 thousand euros are for the financial expense (2015: 132 thousand euros), with actuarial losses of 236 thousand euros (2015: actuarial gains of -567 thousand euros) being obtained.

Early-retirement bonuses

At 31 December 2016, the balance of the Liability recognised in the Balance Sheet was 498 thousand euros (2015: 405 thousand euros), corresponding to the difference between the current value of the obligation due at 31 December 2016 of 498 thousand euros (2015: 427 thousand euros) and the fair value of the assets attached to the Plan of 0 euros (2015: -22 thousand euros). The net additions for the year corresponded to the Normal cost of services for the year: 22 thousand euros (2015: 25 thousand euros), financial expense: 10 thousand euros (2015: 8 thousand euros), rebates: 23 thousand euros (2015: 48 thousand euros), actuarial losses of 39 thousand euros (2015: actuarial gains of -77 thousand euros), returns on plan assets -1 thousand euros (2015: -2 thousand euros).

Other employment commitments

The Convention stipulates a pension plan as post-employment remuneration for the employees. For this benefit the Company has made defined contributions to the fund in recent years. However, in 2016, 2015, 2014 and 2013, the Company did not make these contributions due to the suppression established in Act 48/2015 of 29 October, Act 36/2014 of 26 December, Act 22/2013 of 23 December and Royal Decree Law17/2012 of 27 December, respectively. In these it is established that public business enterprises cannot make contributions to pension plans for employees or group insurance contracts which include cover for retirement.

b) Expropriations and late-payment

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

At 31 December 2016, the provisions set aside corresponded mainly to judicial proceedings relating to the expropriation of land at Adolfo Suárez Madrid-Barajas Airport. Such proceedings include, in particular, several rulings concerning the revaluation of expropriation procedures conducted in connection with the expansion of the Adolfo Suárez Madrid-Barajas Airport, as well as the risk involved in the cancellation of the delimitation of the Public Water Domain in force, which allows the former owners of the lands included within the delimited area to claim payment for surface areas previously acquired at zero cost.

As a whole, these rulings and risks have given place to a provision for an amount of 21,570 thousand euros at 31 December 2016, of which 15,543 thousand euros corresponded to differences in assessment, balanced against the higher land value, and 6,027 thousand euros for interest on delay due at 31 December 2016, balanced against the expense for interest for delay on expropriations (31 December 2015: 38,859 thousand euros, of which 23,596 thousand euros were for differences in assessment, balanced against higher land value, and 15,263 thousand euros in interest for delay due at 31 December 2015, balanced against the expense for interest for delay on expropriations).

Moreover, particularly noteworthy is the ruling notified to Aena on 29 October 2014 and delivered by the High Court of Justice in Madrid (TSJ) on 1 October, in Ordinary Procedure 1/2011, recognised the right for the revaluation of a number of properties acquired for the extension of the Adolfo-Suárez Madrid-Barajas Airport, along with two other similar procedures, resulted in the addition of land amounting to 758,605 thousand euros (see Note 23). The rulings were based on the occurrence of what is called “positive administrative silence” and, in consequence, cancel the Ministry of Public Works Order which dismissed the appeals to a higher court filed by the appellants against the dismissals (by administrative silence) of their applications for revaluation of the expropriated plots. This ruling gave rise to an accumulated value of the provision for expropriations and interest for delay on expropriations of 963,491 thousand euros, of which 758,605 thousand euros were for differences in assessment (396,400 thousand euros for Proceedings 1/2011 referred to, the rest of the amount being for two other cases relating to the first: Proceedings 66/2011 with an amount provided for of 351,403 thousand euros, and Proceedings 427/2011 with an amount of 10,802 thousand euros), which were balanced against the higher land value, and 204,886 thousand euros for due interest for delay, balanced against the expense for interest for delay on expropriations (31 December 2015: 952,1742 thousand euros, of which 758,605 thousand euros were for differences in assessment, balanced against higher land value, and 193,569 thousand euros in interest for delay due at 31 December 2015, balanced against the expense for interest for delay on expropriations).

In relation with the 3 proceedings mentioned, Aena received the respective notifications of Rulings favourable to its interests from the Supreme Court, dated 20 and 27 June 2016 in relation with the Ministry of Works Resolutions of 12 November 2010 and that notified on 15 February 2011, mentioned above, dismissing the appeal to a higher court lodged by various expropriated owners against the presumed dismissal of their application for revaluation of various expropriated properties in relation with the Madrid-Barajas Airport expansion project. In consequence, it is estimated that the risk of these proceedings is non-existent and the aforesaid provisions have been reversed for the total cumulative amount of 963,491 thousand euros, of which 758,605 thousand euros are credited to the value of the land for which they were made at the time, and the rest, 204,886 thousand euros, is shown as financial revenue in the revenue statement.

The rest of reversals identified in the movement of the provision are the consequence, in favour of Aena, of the result of several procedures considered at that time, by the experience in similar cases, which would be resolved contrary to the interests of Aena. In these procedures, the TSJ of Madrid has extended the consideration of out-of-time repricing claim for all cases where the owner did not make the reservation of shares at the time of payment, restricting and significantly delimiting the cases in which the right to reprice occurs depending on the attitude of the owner at that time of payment.

To sum up, of the total reversals indicated in this provision, for an amount of 987,145 thousand euros, 771,690 thousand euros were credited to the fixed asset values against which the provision was charged at the time, and the rest – 215,455 thousand euros – was credited in the revenue statement (31 December 2015: total of 88,780 thousand euros, of which 67,516 thousand euros were credited to the fixed asset values against which the provisions were charged at the time, and the rest –21,264 thousand euros– was credited in the revenue statement, under the heading “Expense for interest on expropriations”).

There are additional provisions for an amount of 36.1 million euros, corresponding to other less significant cases regarding the Adolfo Suárez Madrid-Barajas airport and for other airports in the network.

Interest expenses for expropriations as of 31 December 2016, after taking into account the aforementioned reversals and provisions made, has a positive effect on the revenue statement, amounting to 201,406 thousand euros (31 December 2015: costs of 9,922 thousands of euros) (see Note 23.f).

c) Liabilities

This heading mainly records provisions made based on the best estimates available to Company Directors to cover risks relating to litigation, claims and commitments in progress that are known at the end of the year and for which the expectation is that an outflow of resources in the medium or long-term is likely. At 31 December 2016 and 2015, the allocations made by the Company mainly related to claims made by contractors. In 2016, provisions have been made concerning adverse judgements on claims filed by airlines amounting to 4,111 thousand euros, recorded under the entry for "Other current operating expenses" in the accompanying revenue statement, against the charges applicable from 1 July 2012 whose impact it had not been possible to pass on to end passengers (see Note 28 on contingent liabilities for claims from airlines). It also includes an amount of 3,017 thousand euros for a provision to address a Settlement Certificate from the Labour and Social Security Inspectorate received during the year due to differences in the criteria for contributions for industrial accidents and occupational diseases in certain occupations in the period August 2011-July 2015 (see the Social Security section in Note 28 on personnel costs).

During 2016, reversals for an amount of 6,910 thousand euros (2015: 45,693 thousand euros) correspond mainly to rulings favourable to the Company in disputes with constructors for which it is estimated that no unfavourable financial consequences will arise, so that a sum of 5,092 thousand euros has been reversed (2015: 40,750 thousand euros) credited to the value of fixed assets against which the provision was made at the time. The rest of the reversals, for an amount of 1,818 thousand euros (2015: 4,943 thousand euros) has been credited to the revenue statement, principally to the “Excess provisions” heading.

On the other hand, there are other proceedings pending rulings with construction companies for which the Company has made a provision amounting to approximately 18 million euro at 31 December 2016 (31 December 2015: 23 million euros).

The Company’s Directors do not believe that liabilities in addition to those already known that could significantly affect these financial statements will arise.

d) Taxes

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

e) Provision for environmental action

This heading recognises provisions amounting to 76,916 thousand euros (31 December 2015: 120,132 thousand euros), relating to the expected obligations in regard to noise abatement and sound-proofing residential areas, in order to comply with current legislation on noise generated by airport infrastructures.

In addition and for up to a total of 81,012 thousand euros (2015: 128,459 thousand euros), an environmental provision of 4,096 thousand euros (2015: 8,327 thousand euros) has been recognised in relation to the additional measures under Resolution 9 April 2015, of the Ministry of Environment, by which the 9th condition of the Environmental Impact Statements of project Madrid-Barajas Airport of 30 November 2001 is modified, and foresees actions in Gravera de Arganda, biological corridors and in the Jarama River.

The reversal for an amount of 31,527 thousand euros is fundamentally related with the fall in the estimated average cost of insulation per home to an amount of 9,451 euros, as against the 12,407 euros used in the Financial statements for 2015. This reversal has been set against the value of the assets for which the provision was made at the time.

In 2015 Reversals/Excesses during the year were caused mainly by refusals of dwellings pending to be soundproofed at airports in Bilbao (49), Gran Canaria (60 dwellings), Alicante-Elche (79 dwellings) and A

Coruña (520 dwellings) as well as the decrease in the average estimated price in the soundproofing of dwellings of 13,154 euros to 12,407 euros

Environmental evaluation legislation (currently Act 21/2013), requires that certain Aena projects are submitted to an environmental impact assessment (particularly runway extensions exceeding 2,100 m), finalised by the formulation of the corresponding Environmental Impact Statements (DIA) by the Ministry of Agriculture, Food and Environment, which confer environmental feasibility on the execution of projects, and contain the obligation to develop and execute Soundproofing Plans. The provisions include the soundproofing actions set out in the Declarations of Environmental Impact published up till now.

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

On the date of preparation of these consolidated financial statements, a Royal Decree had approved acoustic easements and their corresponding action plans at the airports of Adolfo Suárez Madrid-Barajas (RD 1003/2011 of 8 July, BOE (Official State Gazette) No. 174 of 21 July 2011), Barcelona-El Prat (RD 1002/2011 of 8 July, BOE No. 174 of 21 July 2011) and Palma de Mallorca (RD 769/2012 of 27 April, BOE No. 119 of 18 May 2012).

At the airports where acoustic easements have been approved (Adolfo Suárez Madrid-Barajas, Barcelona-El Prat and Palma de Mallorca), the number of homes where soundproofing work is required is estimated to be 321 (all relating to Palma de Mallorca Airport). These actions are already included in the accounting provisions established. In the case of the airports of Adolfo Suárez Madrid-Barajas and Barcelona El Prat, no additional dwellings have been added, since the area delimited by the current easement scenario is smaller than the isophonic area determined by the Soundproofing Plans already in force.

In addition, at the date of preparation of these financial statements, the public information stage had closed for sound easements and action plans for the airports of Bilbao, Ibiza, Málaga-Costa del Sol, Seville and Valencia, the processing of the Royal Decrees of approval being pending with the Ministry of Public Works. The estimated increase in additional dwellings to be included in the scope of the respective Soundproofing Plans amounts to 2,742 for all of the aforementioned airports. These properties are not covered by the provisions as the corresponding acoustic easements have not yet been approved. For all other airports with more than 50,000 flights a year (Gran Canaria, Tenerife Norte and Alicante-Elche), the process of updating and approving the acoustic easements has not yet started; full compliance with Act 5/2010 in relation to these airports is estimated to be completed during the period from 2017 to 2020.

The Company will recognise in the accounts the corresponding provisions at the moment in which the need arises to soundproof dwellings, that is, either when an easement and its action plan have been approved (by Royal Decree), or following the adoption of a new Environmental Impact Statement as the result of environmental assessment of projects requiring such measures.

f) Other provisions

This heading records the provision for credits applicable to public service benefits for landing services and passenger departures, accrued by airlines operating during certain days of the week at airports located in the Canary Islands. At the same time the General State Budgets Acts for 2015 and 2016 established incentives in public service benefits for growth in passenger departures on the routes operated in the Aena, S.A. network. The reversal for an amount of 4,504 thousand euros (2015: 5,470 thousand euros), is principally due to the difference between the sum estimated at the closure of 2015 as probably payable to Aena and that which was finally paid as incentive in application of the legal mechanisms laid down by the Act referred to.

At 31 December 2016 the sum estimated for all these items amounted to 72,205 thousand euros (31 December 2015: 50,248 thousand euros).

g) Provisions for the voluntary severance plan

This heading recorded the provision for voluntary severance of employees of Aena, S.A., as a result of the approval in June 2012 by the Ministry of Public Works of the airport efficiency plan proposed by Aena, S.A. to adapt the offer of services at certain airports and heliports to actual demand at any given time.

With the aim of carrying out this plan, in October 2012 Aena, S.A. signed an agreement with the employees' representatives with a series of measures directed to improving flexibility in hours, geography and functions, and conditions for voluntary severance for those employees who had certain requirements of access and who applied for severance before 31
December 2012. In relation with the applications received, Aena, S.A. checked that the employees who applied for it had complied with the conditions of the plan and in January 2013 those employees were advised of the approval of their requests and their conformity with the plan. The employees left the Company in the period between January 2013 and 30 June 2013. The amount of the compensation was settled with a charge to the provision funded in 2012.

The voluntary severance scheme was considered to be an employment termination benefit and the provision totalling €134.468 thousand allocated in 2012 was estimated on the basis of actuarial calculations.

On 31 December 2014, Aena, S.A. kept a provision of 24,211 thousand euros for the assessment of the potential cost to Aena, S.A. in connection with its voluntary severance scheme as a result of contributory unemployment benefits for those affected by the scheme. However, at the end of 2015, Aena reversed this provision, since, considering the circumstances, it no longer considered feasible a future outflow of resources for this reason, although there has been no legal change.

22. Public Administrations and tax situation

22.1 Balances with Public Authorities

The composition of the debtor and creditor balances with the Public Authorities was the following:

Tax Authorities, debtor	**Thousands of euros**			
	2016		**2015**	
	Current	**Non-current**	**Current**	**Non-current**
Assets for deferred tax (Note 22.3)	-	131,710	-	120,642
Assets for current tax (Note 22.2)	110,456	-	107,840	-
Tax Authorities debtor for VAT	6,274	-	6,145	-
Tax Authorities debtor for IGIC (Canaries Indirect Tax)	1,725	-	-	-
Tax Authorities debtor for grants awarded (Note 7d)	13,860	-	10,790	-
	132,315	**131,710**	**124,775**	**120,642**

The heading of Tax Authorities debtor for grants awarded showed at 31 December 2016 a sum of 13,860 thousand euros related with accounts receivable for ERDF grants awarded to the Company (2015: 10,790 thousand euros). During 2016 the Company received 10,665 thousand euros (2015: 22,287 thousand euros) for this item (see Note 19e).

Tax Authorities, creditor	**Thousands of euros**			
	2016		**2015**	
	Current	**Non-current**	**Current**	**Non-current**
Liabilities for deferred tax (Note 22.3)	-	151,038	-	157,939
Corporate Revenue Tax payables (Note 22.2)	3,282	-	-	-
Tax Authorities creditor for IRPF (Personal Revenue Tax)	6,125	-	5,947	-
Tax Authorities creditor for local taxes	15	-	895	-
Social Security organisations, creditors	10,343	-	11,128	-
Tax Authorities creditor for other taxes	476	-	560	-
Tax Authorities creditor for VAT	2,804	-	190	-
	23,045	**151,038**	**18,720**	**157,939**

22.2 Reconciliation of the accounting result and the taxable base

The reconciliation between the accounting result and the taxable base for Corporation Tax for 2016 is as follows:

	Thousands of euros					
	2016					
	Profit & Loss Account			Revenue and expenses directly imputed to net equity		
Balance of revenue and expenses for the year			1,148,061			
	Increases	**Reductions**	**Total**	**Increases**	**Reductions**	**Total**
Corporate Tax	356,419	-	356,419			
Profit/loss before tax	-	-	1,504,480			
Permanent differences:	1,298	(28,160)	(26,862)			
Timing differences:						
- Amortisation	54,758	(62,506)	(7,748)	-	-	-
- Impairment loss	15,350	(8,573)	6,777	-	-	-
- Pension plans	958	(409)	549	-	-	-
- Provisions	69	(474)	(405)	-	-	-
- Hedging derivative	-	-	-	44,472	(100,252)	(55,780)
- Grants, donations and legacies received	-	-	-	13,987	(41,590)	(27,603)
- Other	284	-	284	-	(39)	(39)
	71,419	(71,962)	(543)			(83,422)
Set-off of Negative Taxable Bases			-			
Taxable base (tax result)			1,477,075			(83,422)
Total tax due			369,269			(20,856)
Deductions			(12,799)			
Liquid quota			356,470			
Withholdings and payments on account			(353,299)			
Tax payable to the Treasury			3,171			

Under a consolidated corporate tax return, the amount payable to the Treasury amounts to 3,282 thousand euros (Note 22.1), taking into account the payable amount of 111 thousand euros corresponding to Aena Desarrollo Internacional, in addition to the 3,171 thousand euros corresponding to Aena.

The main permanent differences in the year relate mainly to a reduction in Taxable Revenue derived from the capitalisation reserve adjustment established in Article 25 of Act 27/2014 on Corporate Tax (see Note 19c) and non-deductible expenses. The main temporary differences relate to the difference between tax depreciation and book depreciation, provision for insolvency and contingencies and staffing costs.

The standard rate of corporation tax for the financial year 2016 is 25%. Act 27/2014 of 27 November on Corporation Tax, which entered into force on 1 January 2015, provides that the standard rate for those subject to this tax will be 28% in 2015 and 25% from 2016. In the financial year 2014, the tax rate was 30%.

In 2015, the impact of such Act 27/2014 was as follows:

- Decreased expenses under the heading “Revenue tax expenses” in the financial statement for the amount of 19,350 thousand euros which was credited, increasing them, to assets for temporary differences (heading “Deferred tax assets” under Non-current assets in the balance sheet).

- A reduction in the heading “Liabilities for deferred tax” for an amount of 53 thousand euros, with its balancing entry in the heading “Grants, donations and legacies received” in Net Equity (Note 19e).

- A charge in “Hedging transactions” under net equity to the amount of 2,115 thousand euros to reduce “deferred tax assets” in respect of items previously paid under the aforementioned heading in net equity (Note 19e).

- A charge in "Actuarial gains and losses" under net Equity to the amount of 2 thousand euros, to reduce "deferred tax assets" in respect of items previously paid under the aforementioned heading in net equity.

The expense for Corporation Tax is composed of:

	Thousands of euros	
	2016	**2015**
Current revenue tax	369,269	269,787
Deferred tax	136	10,226
Recorded tax deductions	(10,466)	(38,884)
Others	(2,520)	(21,806)
	356,419	219,323

The "Others" heading in 2016 includes the effect of the differences in the corporation tax expense recognised at the close of 2015 and the expense recorded in the final corporation tax return to the Tax Agency (-2,520 thousand euros).

The "Others" heading shows in 2015:

- The effect of the differences in the corporation tax expense recognised at the close of 2014 and the expense recorded in the final corporation tax return to the Tax Agency (-2,456 thousand euros).
- The effect of changes in the tax rate (from 28% to 25%) on assets for temporary differences pending recovery (-19,350 thousand euros). Of this amount, -21,944 thousand euros corresponds to the credit amount activated by differences in tax depreciation and book depreciation non-deductible by temporary measures at 30%, resulting from the deduction provided for in the transitory provision of Act 27/2014, of which 933 thousand euros were used in 2015.

In 2016 the Company recognised and applied tax deductions for Corporation Tax for an amount of 10,466 thousand euros (2015: 38,884 thousand euros)(see Note 22.3).

The Balance Sheet headings Investments in group and associated companies at long and short term include the credit that the Company keeps with its shareholder on the basis of negative taxable bases, payments on account not used in the year and other deductions activated by tax consolidation, originated by the settlement of Corporation Tax for the year. At 31 December 2016 the current receivable comes to 0 euros (2015: current receivable for 55,252 thousand euros corresponding to payments on account of Corporation Tax not cleared at the closing date of the financial statements for 2015). In addition, 1,319 thousand euros of tax credits are recorded under the tax consolidation regime of its subsidiary Aena Desarrollo Internacional (2015: 2,161 thousand euros) (see Note 12).

"Short-term current tax assets" in the balance sheet includes the receivable held by the company against the tax authorities for unused payments in the year 2015 which, following the filing of the final corporation tax declaration with the Treasury amounts to 110,456 thousand euros, compared to the estimated 107,840 thousand euros at the end of the 2015 financial year. Of this amount, 109,368 thousand euros correspond to Aena, while the rest corresponds to Aena Desarrollo Internacional, S.A. At the date of these financial statements, the Tax Agency has already paid back the Corporate Revenue Tax for 2015 for the "common territory" for 108,419 thousand euros, and the Territory of Vizcaya for 1,796 thousand euros.

<u>Other information:</u>

Act 16/2012 (27 December), which adopts several tax measures intended to consolidate public finances and to drive economic activity, establishes the possibility of a voluntary update of the value of certain assets (property, plant and equipment and real estate investments), in company balance sheets. The Company has decided not to update its assets.

22.3 Deferred taxes

The details of deferred taxes at 31 December 2016 and 2015 were as follows:

	Thousands of euros	
	2016	**2015**
Deferred tax assets:		
- Timing differences (Note 22.1)	131,710	120,642
	131,710	120,642
Deferred tax liabilities:		
- Timing differences (Note 22.1)	(151,038)	(157,939)
	(151,038)	(157,939)
Deferred taxes	**(19,328)**	**(37,297)**

The details of assets and liabilities for deferred tax where the period of implementation or reversal is greater than 12 were as follows:

	Thousands of euros	
	2016	**2015**
Deferred tax assets:		
- Timing differences	98,859	88,891
	98,859	88,891
Deferred tax liabilities:		
- Timing differences	(141,472)	(146,984)
	(141,472)	(146,984)
	(42,613)	**(58,093)**

Movements during 2016 and 2015 in deferred tax assets and liabilities, not taking into account the offset of balances relating to the same tax authorities, are as follows:

Thousands of euros

Deferred tax assets	**Amortisation**	**Losses for impairment**	**Pension plans**	**Provisions Liabilities**	**Cover derivative**	**B.I.N credits**	**Credits deductions**	**Increase in value of stakes**	**Others**	**Total**
Opening balance	**87,536**	**7,074**	**1,215**	**7,295**	**18,477**	-	-	**(1,131)**	**176**	**120,642**
Charge (payment) to Profit & Loss Account	(1,937)	1,694	137	(101)					71	**(136)**
Charge (payment) to net equity	-	-	10	-	13,944	-	-	-	-	**13,954**
Use of credits in the year	(2,335)	-	-	-	-	-	-	-	-	**(2,335)**
Other (**)	**(20)**	**(726)**	**204**	**(39)**	**-**	**-**	**-**	**211**	**(45)**	**(415)**
Balance at 31 December 2016	**83,244**	**8,042**	**1,566**	**7,155**	**32,421**	**0**	**0**	**(920)**	**202**	**131,710**

Deferred tax assets	**Amortisation**	**Losses for impairment**	**Pension plans**	**Provisions Liabilities**	**Cover derivative**	**B.I.N credits**	**Credits deductions**	**Increase in value of stakes**	**Others**	**Total**
Opening balance	**72,251**	**8,329**	**1,147**	**14,196**	**1,858**	-	-	**(1,154)**	**194**	**96,821**
Charge (payment) to Profit & Loss Account	(4,211)	822	88	(7,001)	-			-	76	(10,226)
Charge (payment) to net equity	-	-	-	-	18,734			-	-	18,734
Addition tax break	-	-	-	-	-	37,186	63,548	-	-	100,734
Use of credits in the year	-	-	-	-	-	(37,186)	(63,548)	-	-	(100,734)
Valuation adjustments Act 27/2014 (*)	19,572	(993)	(13)	(130)	(2,115)			23	(45)	16,299
Other (**)	(76)	(1,084)	(7)	230	-			-	(49)	(986)
Balance at 31 December 2015	**87,536**	**7,074**	**1,215**	**7,295**	**18,477**	**-**	**-**	**(1,131)**	**176**	**120,642**

(*) The "Amortisation" heading includes 18,676 thousand euros (2015: 21,011 thousand euros) of the outstanding balance of the credit initially recognised for an amount of 21,944 thousand euros (see Note 22.2), having considered the 2,335 thousand euros used in 2016 (2015: 933 thousand euros) (see deductions table below).
The "Others" heading includes the effect of the differences in the corporation tax expense recognised at the close of each financial year and the expense recorded in the final corporation tax return to the Tax Agency.

	Thousands of euros		
	Grants	**Increase in value of stakes**	**Total**
Deferred tax liabilities			
Opening balance	**(152,562)**	**(5,377)**	**(157,939)**
Charge to net equity	6,901	-	**6,901**
Balance at 31 December 2016	**(145,661)**	**(5,377)**	**(151,038)**
Deferred tax liabilities			
Opening balance	**(163,763)**	**(5,377)**	**(169,140)**
Valuation adjustments Act 27/2014	53	-	53
Charge to net equity	11,148	-	11,148
Balance at 31 December 2015	**(152,562)**	**(5,377)**	**(157,939)**

As stated in Note 4n, the listing of the Company on the stock exchange in February 2015 (see Note 1) via the IPO of 49% of Aena S.A.'s capital, meant that the Parent Entity, ENAIRE's holding in Aena S.A. fell to 51%, compared to its previous holding of 100%.

In accordance with the tax regulations in force (art. 59.2 of Act 27/2014 on Corporation Tax), and with effect from 1 January 2015, Aena S.A. and its subsidiaries withdrew from the tax consolidation group headed by ENAIRE.

On the occasion of such termination, at 1 January 2015, the Aena Tax Group to which they belonged, together with ENAIRE, as subsidiaries Aena and Aena International Development, and according to the will expressed by the Boards of both companies, at 7 April 2015, Aena informed the Tax Office on the application to the tax consolidation system of companies Aena S.A. and Aena Desarrollo Internacional S.A.U.

Consequently, the debit balances of pending deductions credits and of credits for tax losses which, within the tax Group, where owned by Aena S.A. vis-à-vis ENAIRE, and therefore, they were included in the "Other receivables" heading on the Balance Sheet, are owned since the date of termination of 1 January 2015, against the Treasury, so since that date these were reclassified to heading "Deferred tax assets" totalling 63,548 and 37,186 thousand euros, respectively.

At year-end 2015, such balances had been cancelled when used in the calculation of tax for that year. As of December 31, 2016 there remains no account receivable with respect to ENAIRE regarding this item (see Note 12). At year-end 2015 tax due for the final corporation tax return for the financial year 2014 amounting to 50,217 thousand euros was pending, and it was collected in February 2016.

Years open to checking and inspection actions

As established by current legislation, taxes cannot be considered to be definitive until the relevant returns have been inspected by the tax authorities or until four years have elapsed since filing. At 31 December 2016, inspection is open for all taxes between 01 January 2013 and 31 December 2016.

The state-owned entity "ENAIRE", head of the above Tax Group (see Note 4m), has open the period of limitation of Corporate Revenue Tax for the years 2012 to 2014 in which the Company was taxed under a tax consolidation regime with ENAIRE.

The Directors of Aena, S.A. believe that taxes have been appropriately settled, so that even in case of discrepancies arising in the interpretation of the rules in effect for the tax treatment of the transactions, any resulting liabilities, should there be any, would not have a significant effect on the accompanying financial statements.

Tax deductions

In 2016, the following deductions have been applied in the corporation tax settlement:

Tax deductions for 2016

	Year generated (1)	Amount Recognised in 2016	Amount applied	Amount pending	Year due (2)
Deductions in the Canary Islands due to investments in fixed assets	2016	10,466	(10,466)	-	2031
Deduction 30 % Depreciation (3)	2016	2,335	(2,335)	-	
	Total	**12,801**	**(12,801)**	**-**	

(1) The year of generation responds to the period in which the assets or personnel who qualified for the generation thereof were associated with the branch of airport activity.
(2) Deduction in the Canaries for investment in fixed assets, Royal Decree Law 15/2014, Fourth Transitional Provision, establishes a period of use of 15 years; Deduction recoverable at 30% adjusted for depreciation on Corporation Tax, Thirty-seventh Transitional Provision.
The 2,335 thousand euros of this deduction, recognised and applied to taxation in 2016, does not reduce the tax expense in that period since it was recognised in the accounting in 2015 (see Note 22.2) They include 2 thousand euros corresponding to ADI, as Aena, S.A. is the head of the tax group.

In 2015 the following deductions were applied in the corporation tax settlement:

Tax deductions for 2015

	Year generated	Amount recognised in 2015	Registered amount generated in 2015	Amount applied	Amount pending	Year due
Deductions in the Canary Islands due to investments in fixed assets	2011	34,411	-	34,411	-	2016
	2012	37,779	-	37,779	-	2027
	2013	-	-	-	-	2028
	2014	-	-	-	-	2029
	2015	-	38,884	38,884		2030
Deduction 30% Depreciation	2015	-	933	933	-	2025
	Total	**72,190**	**39,817**	**112,007**	**-**	

The column "Amount recognised in 2015" includes the deductions pending after accounting for the expense of Corporation Tax for 2015 (thousands of euros) plus the differences between the deductions applied in the calculation for the expense of Corporation Tax for 2015 and those effectively applied in the final settlement for that year filed with the Taxation Agency (thousands of euros).

The "Registered amount generated in 2015" column reflects the actual deductions generated in 2015.

23. Revenue and expenses

a) Supplies

The breakdown of the heading "Supplies" for 2016 and 2015 was as follows:

	Thousands of euros	
	2016	**2015**
Purchases of other supplies	(613)	(1,140)
Work performed by other companies	(181,575)	(181,682)
Total	**(182,188)**	**(182,822)**

The work performed by other companies corresponds mainly to the services provided by the Ministry of Defence derived from the agreement concluded with it (Note 4. u), amounting to 3,039 thousand euros (2015: 3,128 thousand euros), as well as communication, navigation and surveillance (CNS) services, air traffic services (ATM) and aeronautical information services (AIS) provided by ENAIRE under the agreements concluded with it (Note 12), amounting to 145,441 thousand euros (2015: 145,480 thousand euros). This heading also includes the expenses from the agreement signed in March 2014 with the Spanish Meteorological Agency (AEMET) for the provision of meteorological services to the airport network managed by Aena (Note 12) for an amount of 10,000 thousand euros (2015: 10,000 thousand euros), as well as 3,691 thousand euros of services provided by INECO (2015: 3,691 thousand euros) (see Note 12).

b) Distribution of the net amount of business turnover

The Company's activity is developed geographically in the national territory, obtaining revenues in 2016 and 2015 as set out below:

	Thousands of euros	
	2016	**2015**
Airport services	**2,502,081**	**2,332,976**
Monetary benefits	***2,426,613***	***2,264,966***
Landings/Air Traffic Management/Meteorological Service	681,395	632,790
Parking	32,821	28,617
Passengers	1,079,620	1,017,609
Telescopic boarding gates	109,054	104,228
Security	396,205	363,539
Handling	85,960	80,276
Fuel	31,885	29,092
Catering	9,673	8,815
Other airport services (1)	***75,468***	***68,010***
Commercial Services	**945,505**	**854,601**
Leases	25,005	26,490
Stores	89,660	82,353
Duty-Free Shops	290,871	254,893
Food & Beverage	154,493	132,086
Car Rental	114,466	104,526
Advertising	30,290	28,564
Car parks (2):	121,554	110,767
Other commercial revenue (3)	119,166	114,922
Real estate services	**61,119**	**57,204**
Leases (4)	10,312	-
Land	22,601	12,739
Warehouses and hangars	10,275	17,962
Cargo Logistic Centres	12,503	21,165
Real Estate Operations	5,428	5,338
Total Net Business Turnover	**3,508,705**	**3,244,781**

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

(2) With regard to the explanation in Note 4. (a), in order to make the figures for 2015 comparative, car park revenue has been reclassified under "Commercial services" from "Off-terminal Services" in which it appeared in that year.
(3) Includes Commercial operations, Commercial supplies, Use of conference rooms, and Filming and recording.
(4) In 2016 this item includes revenue which in 2015 was mainly included in "Warehouses and hangars".

c) Personnel expenses

The personnel expenses in 2016 and 2015 break down as follows:

	Thousands of euros	
	2016	**2015**
Wages and salaries and compensation	250,706	252,517
Voluntary Redundancy Plan (Note 21)	-	(24,211)
Social Security charged to the company and other social charges	100,580	95,557
Contributions to employment commitments	18	6
Excess of provision for remuneration and other benefits	(2,282)	(2,221)
Others	784	36
	349,806	**321,684**

The increase in this heading is due to the effect of the reversal in 2015 of the remaining balance of the Provision for the Voluntary Redundancy Plan amounting to 24,211 thousand euros (see Note 21). Furthermore, in 2015 the heading "Wages, salaries and allowances" includes, pursuant to the provisions of the LPGE 2016 (General State Budget Act), an estimate amounting to 7.8 million euros of the extra payment for 2012 which each employee was not paid pursuant to Article 2 of Royal Decree Law 20/2012, an amount that was paid in 2016. The Social Security item includes the impact of the Settlement Certificate from the Labour and Social Security Inspectorate received during the year due to differences in the criteria for contributions for industrial accidents and occupational diseases in certain occupations in the period August 2011-July 2015 (See Note 21 Liability Provision).

d) Outside services

The breakdown of this heading in 2016 and 2015 was as follows:

	Thousands of euros	
	2016	**2015**
Rent and royalties	5,785	5,858
Repairs and maintenance	253,457	244,611
Independent professional services	34,307	28,784
Insurance premiums	10,949	11,494
Bank services	868	1,420
Advertising and public relations	4,688	3,780
Utilities	91,818	96,856
Vigilance and security services	130,844	123,682
Expenses for services with ENAIRE	-	(251)
Other services	112,146	106,544
	644,862	**622,778**

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

The analysis of variations in this group shows:

- Increase in the heading for "Surveillance and security services" by 7.2 million euros due to the new regulations on hand-luggage screening operational from March 2015 and the significant growth in traffic recorded in the Spanish airport network.
- Increase under the heading for "Other services" also due to expenses incurred as a result of meeting needs arising from the increase in traffic.
- Decreases under the heading for "Supplies" due to a fall in electricity costs.

e) Taxes

Balance collected in Taxes mainly corresponds to the amounts paid in local taxes, mainly in property tax (IBI) and tax on commercial and professional activities (IAE).

f) Financial results

The financial results obtained in 2016 and 2015 were as follows:

	Thousands of euros	
	2016	**2015**
Financial revenue	**205,352**	**6,985**
From tradable securities and other financial instruments		
- Of group and associated companies (Note 12)	4	276
- From expropriation interest (Note 21)	201,406	-
- From third parties	3,279	3,789
Activation of financial expenses (Notes 6 and 7)	663	2,920
Financial expenses	**(105,208)**	**(193,866)**
- For debts with group and associated companies (Note 12)	(95,325)	(167,698)
- For debts with third parties	(9,423)	(25,005)
- From updating of provisions	(460)	(1,163)
Variation in the fair value of financial instruments (Notes 15 and 19d)	**(44,472)**	**(25,203)**
Exchange differences	**(5)**	**(20)**
Impairment and profit/loss from disposals of financial instruments	-	**97**
FINANCIAL PROFIT/LOSS	**55,667**	**(212,007)**

The Company records the provisions for financial adjustments under the heading "Update of provisions" as a result of the modification of the provisions concerned (Note 21).

The main variations in 2016 with respect to 2015 are the following:

- The decrease of -72.4 million euros in "Financial expenses due to debts to group companies" is due to the decrease in the average debt of the period (-1,122.6 million euros) and the decrease in the average interest rate for the period by 0.50%. The decrease in average debt is due to the fact that the cash flow generated has been enough to cover debt servicing without resorting to new financing. The decrease in the average interest rate is due to the lowering of the index rates Euribor 3m and 6m, the negotiation carried out in 2015 of a reduction in loans with spreads coming to more than 1.58%, and the review of EIB loan interest rates that is being carried out.

  Furthermore 11,834 thousand euros have been allocated to cover the possible increase in financial costs due to the change in the risk weight of ENAIRE after the new regulation issued by the Bank of Spain (see Note 15).

(Thousand euros unless otherwise stated)

- In 2016 the financial revenue heading includes profits of 201,406 thousand euros arising from the reversal of late-payment interest in expropriation disputes, while in 2015, 9,922 thousand euros were recorded as an expense under this heading in "Financial expense on amounts owed to third parties" (Note 21 Provision for expropriations and late-payment interest).

g) Excess provisions

Of the total amount of 8,831 thousand euros included in the heading “Excess Provisions” in the results account for 2016, 7,243 thousand euros correspond to favourable resolutions in settlements of local taxes which were controversial (2015: 2,970 thousand euros) and the remaining 1,588 thousand euros corresponds to excess Provisions for liabilities of a different kind (commercial contracts, court rulings altering amounts in litigation, etc.) (2015: 4,743 thousand euros).

24. Other information

a) Information on employees

The number of employees at the closure of 2016 and 2015 by categories and sexes was as follows:

	2016 (*)			2015 (*)		
Professional Category	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**
Senior management	8	2	**10**	8	2	**10**
Executives and graduates	836	653	**1,489**	776	591	**1,367**
Coordinators	755	256	**1,011**	779	276	**1,055**
Technicians	2,905	1,423	**4,328**	2,853	1,420	**4,273**
Support personnel	221	238	**459**	241	258	**499**
Total	**4,725**	**2,572**	**7,297**	**4,657**	**2,547**	**7,204**

(*) The number of temporary employees at year-end 2016 amounted to 940 employees (2015: 748 employees).

The average number of employees by professional category is as follows:

Professional Category	**2016 (*)**	**2015 (*)**
Senior management	10	9
Executives and graduates	1,376	1,361
Coordinators	1,037	1,073
Technicians	4,312	4,258
Support personnel	479	495
Total	**7,214**	**7,196**

(*) The average number of temporary employees in 2016 was 819 (2015: 701 temporary employees).

With regard to the members of the Board of Directors, this is formed of 15 people (12 men and 3 women) at the date of formulation (2015: 11 men and 4 women).

At 31 December 2016, the company has an average of 115 employees with disability (2015: 115).

b) Remuneration to Directors and Senior Management

The remuneration received during 2016 and 2015 by the Directors and Senior Management of the Company, classified by concepts, was as follows (in thousands of euros):

	2016			2015		
	Senior management	**Board of Directors**	**Total**	**Senior manageme nt**	**Board of Directors**	**Total**
Salaries	1,259	-	**1,259**	1,190	-	**1,190**
Per Diems	26	118	**144**	26	131	**157**
Pension plans	-	-	-	-	-	-
Insurance premiums	7	-	**7**	6	-	**6**
	1,292	**118**	**1,410**	**1,222**	**131**	**1,353**

The compensation received during 2016 corresponds to those perceived by Aena, S.A. for 9 senior management positions and for the Chairman-CEO.

The compensation received during 2015 corresponds to those perceived by Aena, S.A. for 9 senior management positions and for the Chairman-CEO.

The difference in remuneration between the periods analysed is mainly due to the fact that in the first half of 2015 there were organisational movements and one post was vacant for much of this period, along with the 1% increase in salaries with effect as of 1 January 2016 authorised by the State Budget Law 2016 and payment for the recovery of 49.73% of the fourteenth of total annual remuneration, which was discounted as equivalent to the Extra Payment from December 2012 and suspended due to the application of Royal Decree Law 20/2012, of 13 July.

Aena, S.A. has purchased as the policyholder a liability policy for the period from 1 May 2016 to 1 May 2017, whose net premium amounts to 176,700 euros. The purpose of this policy is to cover the possible loss caused by a liability claim against any director, officer, manager or person who has any position of responsibility at Aena, S.A. or any of its investees.

There are no advances or credits granted at the end of the 2016 or 2015 financial years. Likewise, there are no pension obligations contracted with former or current directors.

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

In 2016 and 2015 the members of the Board of Directors did not have any interest in the share capital of companies that directly carry out activities that are the same, similar or supplementary to those forming part of the Company's corporate purpose. In addition, no activities that are the same, similar or complementary to the Company's corporate purpose have been carried out or are currently being carried out by Members on their own behalf or on behalf of third parties.

At 31 December 2016 and 2015 there are no members of the Board of Directors that hold directorship or executive positions at other Group companies.

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

d) Directors' conflicts of interest

As part of the duty to avoid any conflicts with the interests of the Company, throughout the year Directors holding positions on the Board of directors have complied with the obligations set out in article 228 of the Redrafted Text of the Corporate Enterprises Act. Similarly, they and those related to them, have refrained from engaging in any conflict of interest situations mentioned in article 229 of that Act, except where the relevant authorisation has been granted.

25. Audit fees

The audit fees contracted during 2016 and 2015 by PricewaterhouseCoopers Auditores, S.L. (PwC) for audit and other verification services are set out below:

Item	**2016**	**2015**
Audit services	47	47
Other attest services	67	34
Other services	-	77
Total	**114**	**158**

The fees accrued in 2016 and 2015 by other audit firms for audit and other services are indicated below (thousands of euros):

Item	**2016**	**2015**
Audit services	-	-
Other attest services	-	-
Other services	54	-
Total	**54**	-

26. Commitments and other guarantees

At 31 December 2016 and 2015 Aena, S.A had no warranty or guarantee granted to third parties. The Directors of the Company do not expect any liabilities of consideration to arise.

27. Environmental commitments

Company management, faithful to its commitment to preserve the environment and the quality of life in the surrounding areas, has been making investments in this area to minimize the environmental impact of its actions and to protect and improve the environment.

Property, plant and equipment at 31 December 2016 include environmental investment amounting to 509.2 million euros, whose accumulated depreciation amounts to 212.91 million euros (2015: 538.2 million euros in investment and 197.9 million euros in depreciation).

Environmental investment in 2016, which includes items added to the company's equity in order to be used permanently in its activity, whose main purpose is to minimise environmental impact and protect and improve the environment including control, prevention, reduction or elimination of future pollution by the company's operations, amounted to 6,324 thousand euros (2015: 26,058 thousand euros), broken down as follows:

	Thousands of euros	
	2016	**2015**
Madrid/Barajas	2,840	10,511
Málaga	1,409	114
Palma Mallorca	113	1,439
Bilbao	389	513
Alicante	311	1,887
Barcelona	191	-
Santiago	116	40
Menorca	113	4
Gran Canaria	52	834
Tenerife Norte	84	7,457
Valencia	76	824
Ibiza	44	1,723
Pamplona	-	1
A Coruña	12	253
Other airports	574	458
Total	**6,324**	**26,058**

The Profit & Loss Account for 2016 and 2015 includes the following expenses of an environmental nature, detailed by concepts:

	Thousands of euros	
	2016	**2015**
Repairs and maintenance	7,956	7,466
Independent professional services	1,344	1,351
Other environmental services	3,164	2,511
Total	**12,464**	**11,328**

Environmental provisions and contingencies are detailed in Note 21. Environmental assessment legislation (currently Act 21/2013), requires that certain Aena projects are submitted to an environmental impact assessment (particularly runway extensions exceeding 2,100 metres), finalised by the formulation of the corresponding environmental impact statements by the Ministry of Agriculture, Food and Environment, which contain the obligation to develop and execute Soundproofing Plans. These environmental impact statements published are the ones considered at the time of making provisions, regardless of whether soundproofing of the buildings concerned is carried out later on, thus causing a temporary difference between the provision and execution of the works. The Directors of the Company do not expect any additional liabilities or contingencies to appear for this item which could be significant.

As of 31 December 2016 under the Soundproofing Plans a total of 21,271 residential units have been soundproofed (2015: 19,639 units), highlighting the 12,841 homes in the vicinity of Adolfo Suárez Madrid-Barajas Airport (2015: 12,828 homes), 2,602 homes in Alicante-Elche and 811 in Malaga-Costa del Sol (2015: 2,087 homes in Alicante-Elche and 810 in Malaga-Costa del Sol), 1,325 in Bilbao (2015: 1,071) and 803 in Palma de Mallorca (2015: 779). Under this heading and during the year works worth 13,259 thousand euros and 4,199 thousand euros have been carried out for actions related to the compensatory measures of the river basins of the Jarama and Henares Rivers.

In addition, work to soundproof homes located in the areas surrounding the airports in Sabadell, Girona and Melilla was started in 2007 and is ongoing as at the end of 2016.

Moreover, it has been found that in the period between December 2015 and November 2016 the actions carried out have been less extensive so the unit cost per outstanding home has been reviewed and fallen from 12,407 euros to 9,451 euros (Note 21).

In addition, in accordance with the resolutions issued by the Ministry of the Environment under which Environmental Impact Statements are prepared for the Company's airports, measures are being taken to prevent, correct and compensate for matters indicated in the above-mentioned environmental impact studies and in the Environmental Impact Statements, in accordance with a series of conditions relating mainly to the protection of the hydrological and hydrogeological system, the protection and preservation of soil, the protection of air quality, acoustic protection, the protection of vegetation, fauna and natural habitats, the protection of cultural heritage, the restoration of services and livestock trails, and the location of quarry dump sites, landfill and auxiliary installations.

28. Contingencies

Contingent liabilities

At the end of 2016 and 2015 the Company was involved in claims and legal disputes against it which arose as a natural consequence of the normal course of its business and for which its Management considers it unlikely that there will be an outflow of resources, or which involve an amount that cannot be reasonably estimated.

Environmental action

As was described in the "Provisions for environmental actions" heading, as a result of the necessary actions to comply with environmental regulations regarding the airport network's various expansion and improvement works, the Company is obliged to make a series of investments to minimise the impact of noise on homes affected by such works. At the end of 2016 and 2015, the Company was involved with several claims which, if resolved in an unfavourable manner, could give rise to liabilities that cannot yet be quantified at the end of the aforementioned years.

As a result of overflying aircraft in the settlement named Ciudad Santo Domingo (Algete, Madrid), some inhabitants of this area consider that their fundamental rights have been violated due to excessive noise levels in their homes. These residents lodged appeal for judicial review 109/2004 against Aena, S.A., ENAIRE and the Ministry of Public Works, claiming a cessation of the violation of their rights, which for them would mean paralysing the use of runway 18R (one of the four at the Adolfo Suárez Madrid-Barajas airport). Up to now, no Court has agreed to this measure.

On 31 January 2006, the High Court of Justice in Madrid (hereinafter "TSJ") issued a judgement rejecting the aforementioned judicial appeal. The ruling was appealed by five of the initial appellants, and the Supreme Court partially upheld the appeal in a ruling of 13 October 2008 on the grounds of violation of the right to privacy at home.

Subsequently, there have been various pronouncements and incidents of execution which have been appealed by all the parties involved in the proceedings.

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

With respect to this measure, the TSJ clarified the following:

- The 30% reduction in the number of overflights must begin within a period not exceeding two months following the notification of the decree of 2 December 2014, and imposing the obligation to inform the court of the start date. The deadline expired on 5 February 2015.

- Six months after the start of the reduction, ENAIRE, Aena, SA and the Ministry of Public Works are required to inform the court within a period of one month of the impact of the measure on noise levels in the area. In this same one-month period the appellants are required to furnish their own corresponding arguments and measurements in this respect.

The Order of 2 December 2014 was the subject of an appeal for reversal before the same chamber of the TSJ. Along with the presentation of this appeal, the suspension of the Order of 2 December 2014 was requested. By an Order of 18 December the Supreme Court acceded to the suspension applied for so that, at the present time, the Adolfo Suárez Madrid-Barajas airport can go on operating in the same conditions as hitherto, without having to reinitiate the reduction in the number of flights over Ciudad Santo Domingo until they are down to 30% less than those existing in 2004. On 9 April 2015, the Supreme Court in Madrid dismissed all the appeals for review against the order of 2 December 2014; on 27 April 2015 Aena and ENAIRE filed the preparation of their appeal to the Supreme Court and on 15 June a Certificate of Ordinance was received accepting the appeal as prepared, giving a term for it to be lodged. Aena's appeal to the Supreme Court was lodged on 27 July 2015. All the appeals to the Supreme Court against the Order of 2 December 2014, both by Aena and of the rest of the parties involved, were admitted by a Resolution of the Supreme Court of 9 May 2016; at the present time, the parties were summonsed to formulate their opposition to these appeals. In addition, the residents appealed for reversal of the Order of 18 December 2014 which agreed the suspension of the 30% reduction. This appeal to the Supreme Court was admitted by Order of the Supreme Court of 9 May 2016. Aena was summonsed to file its opposition to these appeals for reversal against the Order of 18 December 2014, having now filed its opposition.

The Company is analysing the measures to be taken to mitigate the possible economic impact of a potential unfavourable ruling.

Should this claims process be resolved unfavourably, they could result in current liabilities at the close of this period that can not be quantified.

Expropriations

The Company is also involved in proceedings relating to claims involving expropriations that have taken place and which at the end of 2016 and 2015 could not be finally quantified since a court decision is yet to be reached and which could give rise to additional cash outflows for expropriations, although the directors do not anticipate that a decision that is contrary to the interests of the Company is likely.

Commercial activities

At the end of the financial year, the Company is involved in legal disputes with certain hospitality and catering companies with concessions in airports within the Aena network, which are either pending final decisions or suspended pending a potential agreement between the parties.

Construction company claims

In addition to the above, at the end of 2016 and 2015, there are claims that have been filed against the Company by several construction companies, deriving from the execution of various construction contracts relating to the airport network. The Company's Management does not consider that such claims will give rise to financial penalties against it.

Airline claim relating to fees

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

The airlines operating in Spain broadened their claim against the Spanish State, filed with the European Commission, complaining of irregularities in the system established by Spanish Law for updating the benefits to be received by Aena, S.A., in 2012. The aviation sector asked for the Community body's intervention on the price rise 2012 and after the rise in 2013, also calling for the setting up of an independent supervisory body for air transport. In the year 2013 the National Commission on Financial Markets and Competition (CNMC), which is an independent body was created. Until its operation in October 2013, the supervision of the proposed 2014 rates was attributed to temporary Committee and Airport Railway Regulation (CRFA) acting in the exercise of their work impartially and transparently. The process of consultation on the fee proposal for 2014 ended long-term agreement on fees for the period 2014-2018. After the agreement reached with the airlines the latter suggested to their associates to withdraw from the claims filed. The situation at 31 December 2016 is as follows: the percentage of companies whose claims have been rejected by the Central Economic-Administrative Court or which have withdrawn the claims filed is 97%.

Additionally:

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

As of 30 June 2016, various airlines filed 38 administrative appeals in the National High Court against the dismissal decisions of the administrative appeals filed by these companies before the Central Administrative-Economic Court.

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

The Company's management does not consider that there will be any additional economic consequences against it.

Employment

There are various proceedings on the dismissals of employees, both of Aena and under contracts, which are in various stages of processing, but cannot be taken as finalised as no ruling has been given, or if it has, it is not yet firm.

In the event that there should be rulings unfavourable to Aena, declaring the dismissals unfair, and that the option of readmission should be taken, this would mean that the Company would have to pay the salaries of processing corresponding to the employees. In the event that termination of the relationship was chosen, this would mean paying the appropriate compensation for unfair dismissal, and in those dismissals prior to 12 February 2012, there would also be the payment of the salaries while in process.
Furthermore, there are several procedures in which employees have filed claims against the termination of their contracts due to forced retirement. These procedures are in various stages of completion but have not been completed as no judgements have been issued or the judgements that have been issued are not final. In the event of judgements that are unfavourable for the Company, the employees must be reemployed and the salary amounts they did not receive must be paid up until the time that they are reemployed.

In addition, there are challenges against (internal and external) hiring procedures, the composition of reserve candidate pools and the right to conclude contracts, which may lead to the claimants being awarded positions or the entitlement to conclude contracts. In the event of the claims being upheld, periods of time would have to be awarded to the claimants and they would have to be paid their salaries (or equivalent compensation) or the salary differences generated.

The Company is involved in several business liability administrative procedures (which in some cases have resulted in legal proceedings) that establish its liability for social security surcharges relating to occupational accidents.

It is not considered that any of these employment disputes would be significant, either in terms of the amount claimed or in terms of the low probability that Aena, S.A. would ultimately have to bear any financial consequence. When assessing the likelihood of success of these cases, an individual analysis of their content and legal basis is carried out and, based upon experience drawn from previous similar disputes and existing case law in this area, it is not considered likely that the Group will have to assume liability in these matters.

Claims by airlines

The Company is involved in claims and disputes over specific incidents that have generated damage to aircraft at airports within the network. As at 31 December 2016, the Management of Aena, S.A. considers that these would not be significant.

Contingent assets – Fee shortfall

In September 2012 the General Directorate of Civil Aviation (DGAC) carried out the supervision of the proposal of updating and fee amendment submitted by Aena, S.A. for 2013.

The supervision of the fees proposed by Aena, S.A. for 2013 applied, for the first time, the new regulatory framework deriving from Directive 2009/12/EC of 11 March 2009 on airport charges. This framework consists mainly of Act 21/2003 of 7 July on Air Security (Act 21/2003), in accordance with the wording provided by Act 1/2011 of 4 March, which establishes the State Operational Security Program for Civil Aviation and amends Act 21/2003 of 7 July on Air Security, and furthermore Royal Decree Law 11/2011 of 26 August, which creates the Airport Economic Regulatory Commission, and regulates its composition and duties, and Act 3/2013 of 4 June, which creates the National Commission on Financial Markets and Competition (CNMC).

As a result of this new regulatory framework, a significant portion of the revenue received by Aena, S.A. is considered to be equity benefits of a public nature and, as a result, they must be established, updated and modified through legislation with the rank of law. Additionally, the updating and modification of the greater part of these benefits is submitted, first, to a procedure of transparency and consultation with the associations and organizations of user airlines and, second, to a procedure of supervision by the supervising authority.

According to the Supervision Report on the Proposal of fee changes by Aena, S.A. for 2014, issued by the Committee Regulating Railways and Airports (CRFA) on 12 September 2013, the fee deficit for 2013 was set at 298 million euros (which corresponds with that approved by the DGAC adjusted to the real consumer price index) which, capitalised at 7.04% to obtain the value at 31 December 2014, took the value of 318.98 million euros. The fees shortfall declared by the CNMC for 2013 in the Resolution approving Aena, S.A.’s fee modification proposal for 2015 and setting out the measures that should be adopted in future consultation processes, amounts to €179.33 million.

Furthermore, in the above-mentioned Oversight Report on Aena, S.A.’s fee modification proposal for 2014, the CRFA has verified that the modified fees for 2014 sets out a shortfall adjustment for 2014 of €286,790 million. This Report also establishes that in the event that, having published the CPI in October 2013, it was decided that the increase to be applied to the amounts of the benefits should be less than 2.5%, the value of the shortfall for 2014 must be updated in accordance with the value of the regulated revenue forecast for 2014 at that time.

On 13 May 2015 Aena filed a judicial review appeal against the CNMC Resolution of 23 April 2015. In that Agreement, the CNMC establishes that the accounting that should be used as a basis for updating rates for

2016 should reflect in a different manner than that of the previous year the "costs arising from the commercial revenue generated by a higher volume of traffic". Pursuant to the contested Agreement, that consequence would establish that part of the costs arising in airport terminals, and which were recorded as regulated airport activity, would be part of business activities and be considered as costs thereof. Following the gradual application of the criterion of the dual till system, reallocation of regulated business activities costs supported by the contested Agreement corresponds to 40% of the amount of 69.8 million euros, that is, a variation of 27.9 million euros. This administrative appeal was declared inadmissible at first instance by ruling of 29 July and 10 November 2015 of the Spanish National High Court, which AENA has appealed before the Supreme Court. This appeal is awaiting resolution.

On 23 July 2015, the CNMC issued the "Resolution adopting the Proposal for modification of tariffs of Aena for 2016, and establishing the measures to be adopted in future consultation procedures". This Resolution incorporates the criteria established in the Agreement of 23 April 2015, for the purpose of the proposed fee review which has been submitted for approval by the General State Budgets Act for 2016. Against this Resolution, the Company has filed an administrative appeal before the National High Court. The processing of this administrative appeal has been suspended until Aena's appeal to the Supreme Court against the National High Court Rulings of 29 July and 10 November 2015 has been settled.

The Company considers that these types of assets do not comply with all of the requirements to be recognized in the balance sheet since they involve an asset that depends on future events.

29. Post balance sheet events

From 31 December 2016 until the date of preparation of these Consolidated Financial Statements, the following events have taken place within Aena S.A.:

1) The Council of Ministers of 27 January 2016 approved the Airport Regulation Document (DORA) for the five years from 2017 to 2021, which is the basic instrument that defines the minimum conditions necessary to ensure accessibility, adequacy and appropriateness of airport infrastructures and the adequate provision of basic airport services in Aena network airports.

The DORA has been prepared by the Directorate General of Civil Aviation (DGAC), following the proposal submitted by Aena and approved by its Board of Directors on 8 March 2016, duly adjusted to the conditions and principles set out in Act 18/2014, of 15 October. It contains Aena's obligations for a period of 5 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 tariffs will undergo an annual decrease of 2.22% over the period 2017-2021.

- Investments that Aena must carry out and that have to meet capacity standards and service levels, whilst also remaining in line with traffic forecasts.

- The levels of service quality, as well as a system of incentives and sanctions to ensure compliance with them.

DORA sets a dual till mechanism meaning that the costs of basic airport services subject to public charges can be covered solely with the revenues generated by these services.

DORA establishes the strategic guidelines for Aena in the period 2017-2021, namely:

- Viable and efficient management of the airport network
- The provision of airport services under the most appropriate conditions of quality and safety
- Environmental sustainability while ensuring the public’s mobility
- Social and territorial cohesion

The main elements and conditions applicable to the services provided by Aena during the five years 2017-2021 are detailed below.

1- **Traffic level forecast**

In recent years, traffic at Aena airports has experienced a recovery that culminated in 2016 with an increase of 11% in passenger traffic figures.
The forecasts contained in the 2017-2021 DORA reflect growth expectations in line with the macroeconomic environment and the data for historical records which are summarised below:

Traffic	2015	2016	2017	2018	2019	2021	2021
Passengers (in millions)	207.4	230.2	241.6	244.4	246.7	248.6	250.0
%	5.9%	11.0%	5.0%	1.1%	1.0%	0.8%	0.6%
Operations (in thousands)	1,903.0	2,045.0	2,134.6	2,154.9	2,171.1	2,184.7	2,194.7
%	3.8%	7.5%	4.4%	0.9%	0.8%	0.6%	0.5%
Freight (in millions of kg)	715.6	795.6	827.2	853.7	880.2	906.7	931.7
%	4.8%	11.2%	4.0%	3.2%	3.1%	3.0%	2.8%
ATU* (millions)	404.9	442.7	463.4	468.4	472.6	476.1	478.8
%	4.9%	9.3%	4.7%	1.1%	0.9%	0.7%	0.6%

Source: DORA 2017-2021
* ATU: ATU: Passengers (10 * tonnes of freight) (100 * operations)

As established in Annex VIII of Act 18/2014, in its seventh paragraph, variations in the number of passengers in relation to the values planned and established in DORA are at the risk and expense of Aena, unless exceptional situations occur under the terms defined by DORA.

In this respect, the 2017-2021 DORA establishes as an exceptional situation an annual increase of passenger traffic in the whole network which exceeds by 10 percentage points the values initially provided during any of the years contained within the period.

This could lead to a modification of DORA for the purposes of reversing the revenue system generated by the increase in traffic compared to forecast values.

2- **Capacity Standards**

Aena has made major efforts in recent years that have allowed it to build the capacity of Spanish airports to meet the future demands of airlines and passengers.

The current capacity is more than 335 million passengers a year, and it is estimated that this figure will increase after the implementation of investments planned for expansion projects over the five-year period to reach 338 million passengers a year.

The DORA reflects the value of the indicators corresponding to the overall capacity of the network, the current maximum capacity per airport and infrastructure and the level of use envisaged for each year of the five-year period. Regardless of the validity of existing indicators, Aena shall perform all actions necessary to ensure the capacity of the infrastructure in adequate quality conditions.

3 - **Quality standards**

In order to ensure that airport services continue to be provided with their current high levels of quality, Aena will implement a comprehensive quality plan to ensure the highest standards that will be measured through a series of indicators.

Quality will be measured in five areas using 17 indicators, 11 of which are subject to a system of incentives or penalties as detailed below:

- Satisfaction perceived by passengers, comprising the following indicators:
  - SPAX-01 Overall passenger satisfaction
  - SPAX-02 Satisfaction with cleanliness at the airport
  - SPAX-03 Satisfaction with guidance at the airport
  - SPAX-04 Passenger satisfaction with physical security
  - SPAX-05 Satisfaction with comfort in boarding areas
  - SPAX-06 Satisfaction with passengers with reduced mobility (PRM) accessibility

- Waiting time in passenger processing points, which includes as indicators:
  - TEPP-01 Waiting time in passenger security control
  - TEPP-02 Waiting time until the delivery of the last baggage item

- Availability of equipment on the land side, which includes:
  - DEET-01 Availability of electro-mechanical equipment, luggage claim belts and Baggage Handling Systems (STE)
  - DEET-02 Availability of Automatic baggage handling system (SATE)
  - DEET-03 Availability of systems connecting terminals (APM)

- Availability of equipment on the air side, with these indicators:
  - DELA-01 Availability of parking spaces
  - DELA-02 Availability of boarding air bridges
  - DELA-03 Service availability and continuity of communications, navigation and surveillance (CNS)
- Other key areas, including:
  - OTAC-01 Response time to complaints on airport management
  - OTAC-02 Delays due to airport infrastructure
  - OTAC-03 Additional time on taxiways

The indicators highlighted in bold are subject to incentive or penalty

The indicators will be used to monitor the performance of Aena in the area of quality of service. Should this performance be reduced below certain minimum levels, a penalty will be incurred in the value of the maximum annual revenue per passenger (IMAP). Conversely, if the values of the indicators are exceeded a bonus will be paid in line with the IMAP.
The maximum range of incentives or penalties for quality is between +2% and -2% of the value of the IMAP at the network level. For the calculation on an individual level of each airport the 2% limit for bonuses is maintained, establishing a limit of -5% for penalties.

The value of the incentive or penalty for each airport will be the sum of the contributions of each of the indicators, bearing in mind the fact that they all have the same specific weight.

4- **Investments**

Investments will respond to the standards of capacity and service levels commensurate with traffic forecasts contained in the DORA, respecting the limit established under which the maximum average annual investment in the period 2017-2021 will be 450 million euros.

Regulated investment related to basic airport services amounts to 2,185 million euros for the five years, with the following annual breakdown:

Million euros	2017	2018	2019	2020	2021	**Total for the period**	**Annual average**
Regulated investment	365.6	373.0	429.2	514.3	503.3	2,185.4	437.1

Source: DORA 2017-2021

The investments to be made will be classified into the following groups:

- Strategic, necessary to meet DORA capacity standards , as well as those that the Ministry of Public Works considers essential to ensure the public interest. These are mandatory, their scope or date of application cannot be changed and they must be completed by the dates indicated in DORA. Any delay in implementation will result in the corresponding adjustment to the IMAP.

  The penalty will be triggered when there is a delay of more than three months with respect to the completion date set.

  The maximum value of the penalty will not exceed 2% of the total amount of the annual programme of all investments in the network, while the annual ceiling for each strategic investment penalty will be up to 5% of its annual programme.

  Once the three-month grace period mentioned has elapsed, penalty amounts will begin to be effectively recorded for a maximum period of 4 months. The monthly penalty amount to be applied to each investment is a quarter of 5% of its annual programme. Once the four-month penalty period has ended, the maximum penalty of 5% will have been reached and thus longer delays would not increase the amount to be penalised.

- Regulatory, derived directly or indirectly from national or European regulatory obligations. They must strictly comply with the conditions that make them necessary.

- Relevant, which due to their functional necessity or the volume they represent for an airport require differentiated monitoring. Cancelling them in part or whole or changing their scope or term will require prior authorisation from the DGCA.

- Other investments, mainly designed to ensure the proper functioning of the airport and undertake actions that are difficult to predict.

Type of investment (million euros)	Total 2017-2021	
Strategic	462.88	21.2%
Standards	726.60	33.2%
Relevant	258.18	11.8%
Other investments	442.86	20.3%
Replenishment budget provision	294.89	13.5%
Total for the DORA period	2,185.41	100%

Source: DORA 2017-2021

In the event that Aena were to implement a lower investment volume relative to the total amount recognised for the period, the regulated asset base (RAB) will be adjusted downward over the next five years. By contrast, a greater volume of investment will not result in adjustments to the RAB for the next period. The RAB values provided for the five years 2017-2021 will not be adjusted in any case during the regulatory period.

Any deviation in the investment executed in relation to the investment programmed that produces a capital gain will result in a corresponding adjustment in the next regulatory period.

5- **Operating costs and Cost of Capital**

They determine the value of the X component that makes it possible to set the variation path for IMAP and thus for airport charges.

These costs combine the efficiency conditions established in Act 18/2014 and acknowledged by the regulator and which under the dual till are for basic airport services, except in 2017 in which a reduction equivalent to 20% of the profit margin of the services subject to private prices in the terminal area will be applied.

Operating Costs

This item includes personnel and supply expenses, along with other operating expenses. The recognised annual amount ensures that the ratio of operating costs per ATU for each year of the five-year period is less than the value in 2014, as established in Transitional Provision Six of Act 18/2014.

Operating expenses are the sum of operating costs, amortisation and depreciation, provisions for credit losses and risks, impairments and disposals and costs arising from the implementation of safety regulations enacted after 2014.

Operating costs and expenses for the period are shown in the following table:

Million euros	2014	2017	2018	2019	2021	2021
Operating Costs		1,221.6	1,232.9	1,242.3	1,250.1	1,256.1
ATU (millions)		463.4	468.4	472.6	476.1	478.8
OPEX/ATU Ratio	2.707	2.64	2.63	2.63	2.63	2.62
Provisions for insolvency and risks		6.7	6.7	6.7	6.6	6.6
Impairments and disposals		5.2	5.2	5.2	5.2	5.2
New security rules		17.9	18.1	18.3	18.5	18.6
Amortisation		631.0	622.0	591.2	600.2	608.4
Operating expenses		1,882.4	1,884.8	1,863.6	1,880.6	1,894.9

Source: DORA 2017-2021

Operating expenses recognised are prospective so any unexceptional deviation is to be borne by Aena and does not produce changes in the maximum revenue allowed per passenger. Therefore, DORA introduces incentives to improve efficiency on the part of Aena.

Cost of Capital

It corresponds to the result of applying the pre-tax weighted average cost of capital (pre-tax WACC) to the average value of the RAB defined for each one of the five years.

The value of the RAB recognised in the period stated is contained in the following table:

Million euros	2017	2018	2019	2020	2021
Average Regulated Asset Base (RAB)	10,996.1	10,491.6	10,305.4	10,199.3	10,122.1

Source: DORA 2017-2021

The pre-tax WACC used for the calculation of the Cost of Capital is 6.98% and is constant for the five-year period, as it has been calculated by applying the Capital Asset Pricing Model (CAPM) method.

The cost of capital recognised in each year of the five-year period is shown in the following table:

Million euros	2017	2018	2019	2020	2021
Average (RAB)	10,996.1	10,491.6	10,305.4	10,199.3	10,122.1
Pre-tax WACC	6.98%	6.98%	6.98%	6.98%	6.98%
Cost of Capital	767.5	732.3	719.3	711.9	706.5

Source: DORA 2017-2021

6 - **Limit on annual revenue per passenger**

The X component defines the maximum revenue growth corresponding to basic airport services during the five years. Its application sets the value of the maximum annual revenue per passenger (IMAP) and tariff guidelines for the next five years.

The estimation of the X component ensures that the present value of the revenue of Aena basic airport services during the regulatory period allows for the recovery of the costs incurred in providing these services. These costs are called Required Regulated Revenues (IRR) and are the sum of operating costs and Cost of Capitals.

The estimate of the value of X component is as follows:

Estimate of IRR (millions of euros)	2016	2017	2018	2019	2020	2021
Operating expenses		1,882.4	1,884.8	1,863.6	1,880.6	1,894.9
Cost separation adjustment		-31.5	-38.8	-38.5	-38.4	-38.1
Operating costs after adjustment		1,850.9	1,846.1	1,825.2	1,842.2	1,856.9
Expenses for private prices in terminals		51.8	0.0	0.0	0.0	0.0
Revenue for private prices in terminals		-180.6	0.0	0.0	0.0	0.0
Grants allocated in terminal		-32.8	-32.3	-28.2	-27.1	-26.1
Cost of Capital (PPP)		767.5	732.3	719.3	711.9	706.5
PRE-TAX WACC		6.98%	6.98%	6.98%	6.98%	6.98%
RAB		10,996.1	10,491.6	10,305.4	10,199.3	10,122.1
Required Regulated Revenues (IRR)		2,456.7	2,546.1	2,516.3	2,527.0	2,537.2
Present value of IRR (2017-2021)	10,316.2					
Estimate of anticipated revenues and X	2016	2017	2018	2019	2020	2021
Expected revenue		2,575.5	2,547.2	2,514.3	2,477.0	2,436.0
Number of passengers (millions)		241.6	244.4	246.7	248.6	250.0
IMAPt	10.90	10.66	10.42	10.19	9.96	9.74
Value 'X'		-2.22%	-2.22%	-2.22%	-2.22%	-2.22%
Present value of expected revenues (2017-2021)	10,316.2					

Source: DORA 2017-2021

Note: the cost separation adjustment includes reallocating costs of basic airport services to services subject to private prices applied to Aena's cost accounting in the DORA 2017-2021 for regulatory purposes.

Management Report

for the year ended on 31 December 2016

1. Executive summary

Aena has performed extremely well in 2016 as shown by the following points:

- The significant growth of passenger traffic at all the airports managed by Aena;
- The positive impact that this traffic growth has had on total revenues reaching 3,571.0 million euros (+ 7.8% compared to 2015), which is broken down in the following sections of this report for each segment;
- Ongoing cost containment efforts resulting in an increase in total costs coming to 53.5 million euros (+2.6%) while passenger traffic has grown by +11.0%. However, cost efficiency levels have been achieved that mean it will be difficult to make significant improvements in the future;
- The above has been reflected in the profitability achieved, increasing EBITDA to 2,227.0 million euros at 31 December 2016, which represents growth of 9.7% compared to 2015 and entails achieving an EBITDA margin of 62.4%.
- Exceptionally in this year there has also been the impact of the disappearance of the risks associated with litigation for expropriations carried out at Adolfo Suárez Madrid-Barajas Airport.

However, the most important milestone that will mark Aena's future in the regulatory arena has taken place following the closure of the year.

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

In this respect, and in relation to airport tariffs, the aforesaid document provides for an annual reduction of 2.22% in the Annual Maximum Revenue per Passenger (IMAP) for that period which will come into force on 1 March 2017.

As mentioned above, 2016 has been a record year in the history of Aena by passenger volume, reaching 230.2 million with a growth rate of 11.0%.

This increase is reflected in Spain both in domestic traffic growing by 8.8% (67.6 million passengers) and international traffic which totalled 161.8 million, an increase of 12.0%, and is generalised across the major airports in the network: Adolfo Suárez Madrid-Barajas (7.7%), Barcelona-El Prat (11.2%), Palma de Mallorca (10.6%), Málaga-Costa del Sol (15.7%), Gran Canaria (13.8%) and Alicante-Elche (16.7%).

These figures for traffic growth in Spain, which continued during January 2017 with a 10.0% increase in the number of passengers, are driven by the excellent progress of the tourism sector and have not been negatively affected by Brexit. In 2016, British passenger growth stood at 15.7% (5.7 million additional passengers) and growth in each of the months of 2016 has always been higher than 12.6%. In relation to Brexit, the only impact to have been observed so far has been in the sales of concession holders where British passengers have a lower propensity to purchase.

The ratio of commercial revenue per passenger remains stable at around 4.1 euros per passenger, based on the new criterion for allocating commercial revenue implemented in 2016 which includes commercial activity within the terminal plus car parks but does not include revenue from real estate services that form a separate business segment.

This year Aena has awarded driverless vehicle rental in 36 airports in the network to 16 companies. This contract began on 1 November 2016 for a term of six years and Aena provides the successful bidder companies with 203 premises with 15,000 parking spaces for car rental.

Likewise, in September work began on analysis of free land and the development of the Master Plans for marketable land at the airports of A.S. Madrid-Barajas and Barcelona-El Prat, which will be completed during 2017. The aim is to analyse and schedule the development of approximately 1,000 hectares of free land for use in these airports, in a coherent and proper manner, proposing possible commercial usage.

In connection with the execution of necessary investments, after a period of significant investments in new infrastructure completed in previous years, this leads to a new stage with priority for maintenance improvements and security investments without reducing service quality. In 2016 the investments paid amounted to 244.3 million euros.

As a result of the events highlighted at the beginning of this Executive Summary, Aena, S.A. recorded profit before tax of 1,504.5 million euros against 1,031.0 million euros in 2015, while net profit amounted to 1,148.1 million euros, a 41.4% increase over that registered in 2015 (811.7 million euros). This reflects positive business development, the reversal of provisions for legal proceedings related to land expropriations at Adolfo Suárez Madrid-Barajas Airport and higher corporate tax expense.

The aforementioned improvement in results is reflected in a significant increase in operating cash flow to 1,772.3 million euros compared to 1,523.0 million euros in 2015 (an increase of 16.4%) and the reduction in debt levels.

This excellent operating and financial performance has been reflected in the evolution of Aena's share price performance during 2016, which has been very positive with a rise of 23.0% to 129.65 euros per share compared to the evolution of the IBEX35, which fell by 2.0%.

During this period Aena stock peaked at 136.00 euros and registered a minimum of 94.07 euros per share.

Finally, in relation to the dividend policy and in accordance with what is reflected in the Prospectus for the IPO, in which the Company adopted a policy of distributing 50% of net profit for each year, the Board of Directors of Aena, SA resolved to propose to the General Shareholders' Meeting the distribution of a dividend of 3.83 euros per share, to be paid after the approval by the latter.

2. Macroeconomic environment and activity details

2.1. Macroeconomic situation and sector details

The Spanish economy continued with its gradual recovery reflected in the main economic figures. According to data published by the National Statistics Institute, Spanish GDP recorded a growth of 3.2% in 2016, representing confirmation of the recovery of the Spanish economy that began in 2014 (with a GDP growth of 1.4%) and in 2015 (+3.2%), after 3 consecutive years of economic downturn.

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

Tourism-related indicators have continued the favourable trend witnessed in the last three years in which record numbers of foreign tourists have been achieved, an aspect of great significance given that tourism accounts for 10.9% of Spain's GDP in 2016. According to the data published by the Spanish National Institute of Statistics, in 2016, 75.6 million international tourists visited Spain, 10.3% more than in 2015.

The major source countries are the UK (almost 17.8 million tourists, an increase of 12.4% compared to 2015), France (with 11.4 million tourists and an increase of 7.1%) and Germany (11.2 million tourists and an increase of 6.4%). With respect to the countries of origin and following the UK's referendum vote to leave the European Union (Brexit), it is worth pointing out that in 2016 passengers with origin/destination in the UK accounted for 18.1% of total passenger traffic in the Aena network in Spain.

By regions, Catalonia is the leading tourist destination (over 18.0 million, +4.0% compared to 2015), followed by the Canary Islands (13.3 million, +13.2%) and the Balearic Islands (13.0 million, +11.9%).

By type of access, of the total foreign tourists that visited Spain during 2016, 60.6 million (80.2% of the total figure) travelled by air, 17.2% travelled by road and 2.6% used other means of transport (rail and sea). Having said this, it should not be forgotten that Spain is the gateway to Latin America by air.

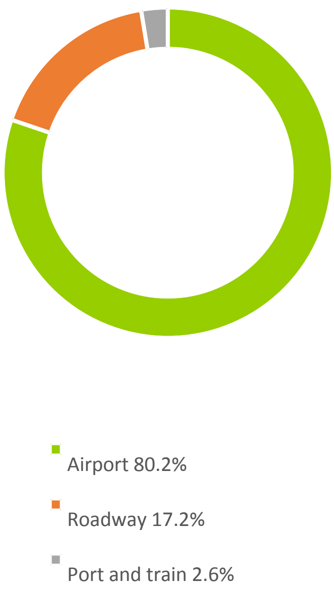


Figure 1. Distribution of tourists broken down by means of access

2.2. Traffic in the Aena airport network in Spain

In 2016 passenger traffic grew by 11.0% to 230.2 million in Aena's Spanish airports. This growth has been favoured by instability in major tourist destinations in the Mediterranean and the context of low fuel prices.

The contribution of international and domestic traffic has remained stable during this period (70.5% and 29.5% respectively), and the growth of international passengers (+12.0%) and domestic traffic (+8.8%) shows that the strong growth recorded is distributed in both markets.

As regards the number of aircraft, over 2,045,000 flights were registered, representing an increase of 7.5% over 2015.

Freight traffic has increased by 11.2% in 2016, exceeding 795,000 tonnes of cargo.

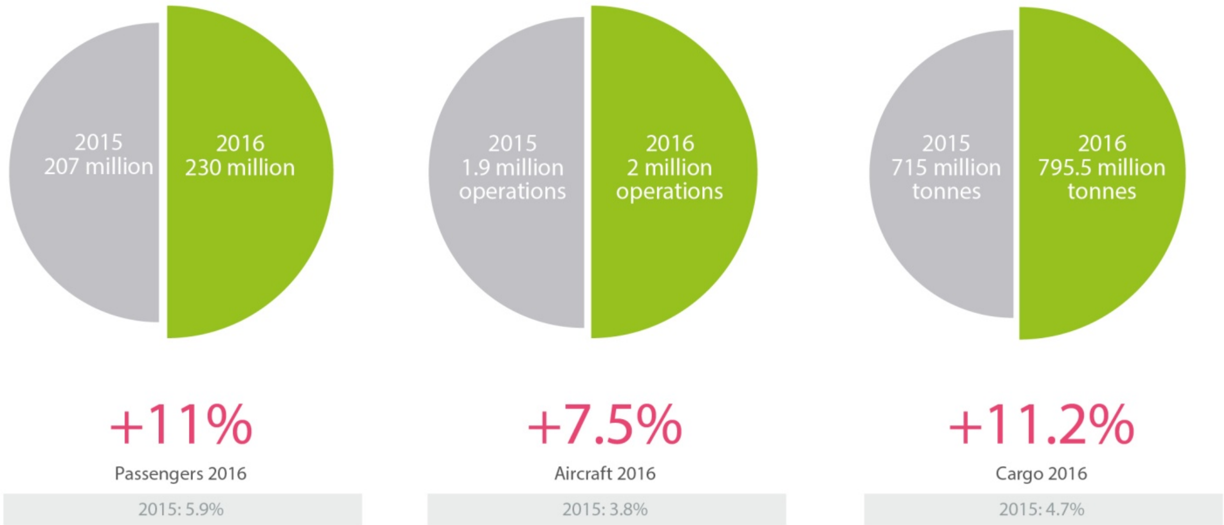


Figure 2. Traffic in the Aena airport network in Spain

2.3. Analysis of air passenger traffic by airports and airlines

As has become the norm, in 2016 the percentage share of passengers is concentrated significantly in the major airports within the network, although virtually all airports in the network have experienced significant growth:

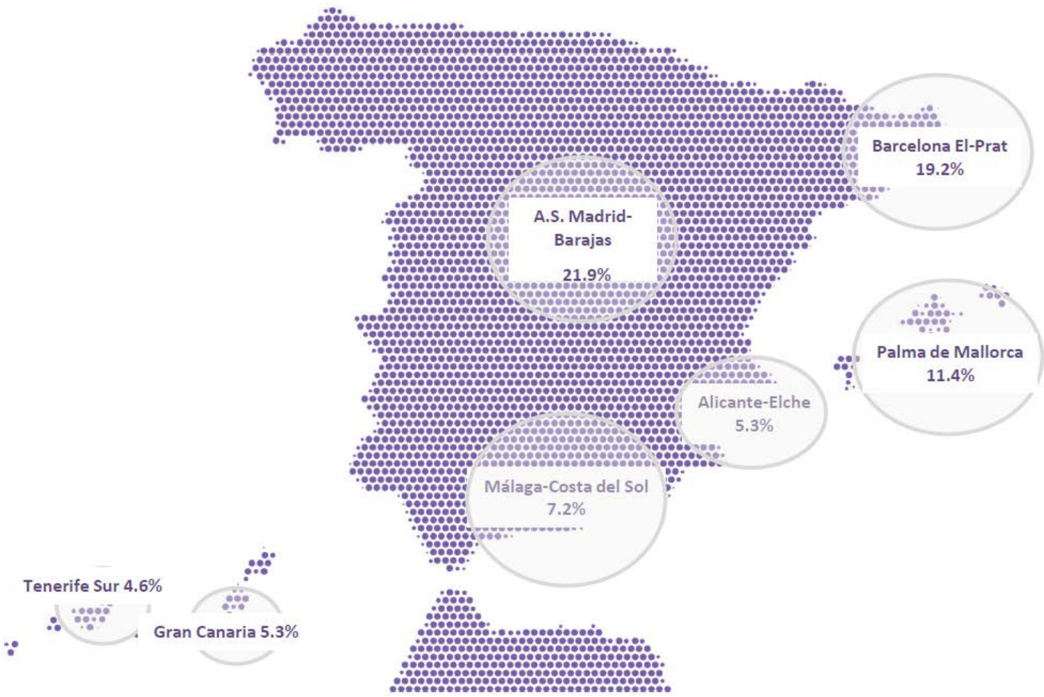


Figure 3. Share of passenger traffic at major airports in Spain

Airports and Airport Groups	Passengers			Aircraft			Freight		
	Millions	Variation 2016 / 2015	Share of total	Thousands	Variation 2016 / 2015	Share of total	Tonnes	Variation 2016 / 2015	Share of total
Adolfo Suárez Madrid-Barajas	50.4	7.7%	21.9%	378.2	3.1%	18.5%	415,774	9.0%	52.3%
Barcelona-El Prat	44.2	11.2%	19.2%	307.9	6.6%	15.1%	132,755	13.3%	16.7%
Palma de Mallorca	26.3	10.6%	11.4%	197.6	10.9%	9.7%	10,453	-8.1%	1.3%
Total Canary Islands Group	40.5	12.8%	17.6%	356.4	10.3%	17.4%	37,470	-1.0%	4.7%
Total Group I	56.3	13.2%	24.4%	487.1	9.5%	23.8%	33,197	3.4%	4.2%
Total Group II	11.5	10.2%	5.0%	172.6	7.6%	8.4%	113,614	27.9%	14.3%
Total Group III	1	5.9%	0.5%	145.2	3.1%	7.1%	52,312	12.3%	6.6%
TOTAL	**230.2**	**11.0%**	**100%**	**2,045.0**	**7.5%**	**100%**	**795,575**	**11.2%**	**100%**

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

Adolfo Suárez Madrid-Barajas is the main airport in the network for passenger traffic, flights and cargo, representing 21.9% of total passengers (50.4 million). In 2016, the number of passengers has increased by 7.7% over the same period last year (10.0% in domestic traffic and 6.8% in international traffic).

In 2016, a total of 378,150 aircraft have operated out of this airport, 3.1% more than in the same period of the previous year. In addition, freight, which accounts for more than half of the total volume passing through the network, registered an increase of 9.0% to 415,774 tonnes transported.

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

At Barcelona-El Prat airport, passenger numbers have increased by 11.2% with regard to 2015 (11.4% in domestic traffic and 11.1% in international traffic) standing at 44.2 million.

A total of 307,864 aircraft operations were registered, which accounts for an increase of 6.6% compared to 2015, and freight has consolidated its growth trend with a 13.3% increase in the volume of goods to 132,755 tonnes.

Figure 2. Barcelona-El Prat Airport Terminal

Palma de Mallorca Airport registered 26.3 million passengers in traffic in 2016 (up 10.6%), with a significant 12.7% rise in international traffic to 20.4 million passengers while domestic traffic came to 5.8 million, an increase of 3.8%.

Equally significant are the figures showing growth of aircraft flights during 2016, which totalled 197,639 (10.9%)

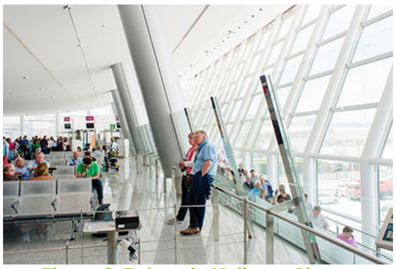


Figure 3. Palma de Mallorca Airport Terminal

In the **Canary Islands Group,** the number of passengers who passed through the airports in the Canary Islands came to 40.5 million (up 12.8% compared to the same period of 2015), of which over 13 million were passengers on domestic flights (up 10.7%) and 26.8 million on international flights (13.8% more than in the same period in the previous year).

Figure 4. Fuerteventura Airport Terminal

The eight airports in **Group I** grew by 13.2% in 2016 to reach 56.3 million passengers, with especially high growth in Alicante-Elche (16.7%), Malaga-Costa del Sol (15.7%), Valencia (14.7%), Ibiza (14.5%) and Menorca (10.8%). Both domestic traffic (5.9%) and international traffic (16.0%) have contributed to the growth of this group of airports.

Figure 5. Menorca Airport Terminal

All 11 airports of **Group II** registered a global increase in passenger traffic of 10.2%, which dropped to a total of 11.5 million passengers. These figures confirm the recovery in traffic both domestically (+9.3%) and internationally (+11.9%).

The **Group III** airports (those with lowest traffic) have recorded almost 1,143,000 passengers, an increase of +5.9% over the same period in the previous year.

Figure 6. Air freight at Vitoria Airport

As part of the result of the activity of airport marketing during 2016, 450 new routes were opened (considering those that had fewer than 1,000 total passengers in 2015 and exceeded in 2016 the figure of 5,000 total passengers) from the Aena airport network; 70 domestic destinations, 361 European and 19 intercontinental. Specifically the airports with the highest number of new routes are Palma de Mallorca (56 new routes), Adolfo Suárez Madrid-Barajas (52), Barcelona El Prat (38), Alicante (39), Málaga-Costa del Sol (37) amd Tenerife Sur (32).

The companies with the largest number of new routes are Vueling (49 new routes), Ryanair (47), Grupo Iberia (37), Air Europa (27), Jetairfly (26) and Norwegian (19).

It is worth highlighting the opening of 13 new long-haul routes, one from Barcelona to Washington (United States) and 12 from Madrid Barajas Airport AS: San Juan (Iberia), Shanghai (Iberia and China Eastern), Johannesburg (Iberia), Hangzhou (Beijing Capital Airlines), Hong Kong (Cathay Pacific), Lima (Plus Ultra), Santo Domingo (Plus Ultra), Bogota (Air Europa), Mauritius (Evelop), Varadero (Air Europa) and Tokyo (Iberia).

In addition, in February 2016 easyJet has established an operational base at Barcelona - El Prat airport where three A320 aircraft are permanently based, and in June 2016 the company Norwegian opened its seventh base in Spain in Palma de Mallorca Airport which is a permanent base that operates all year round.

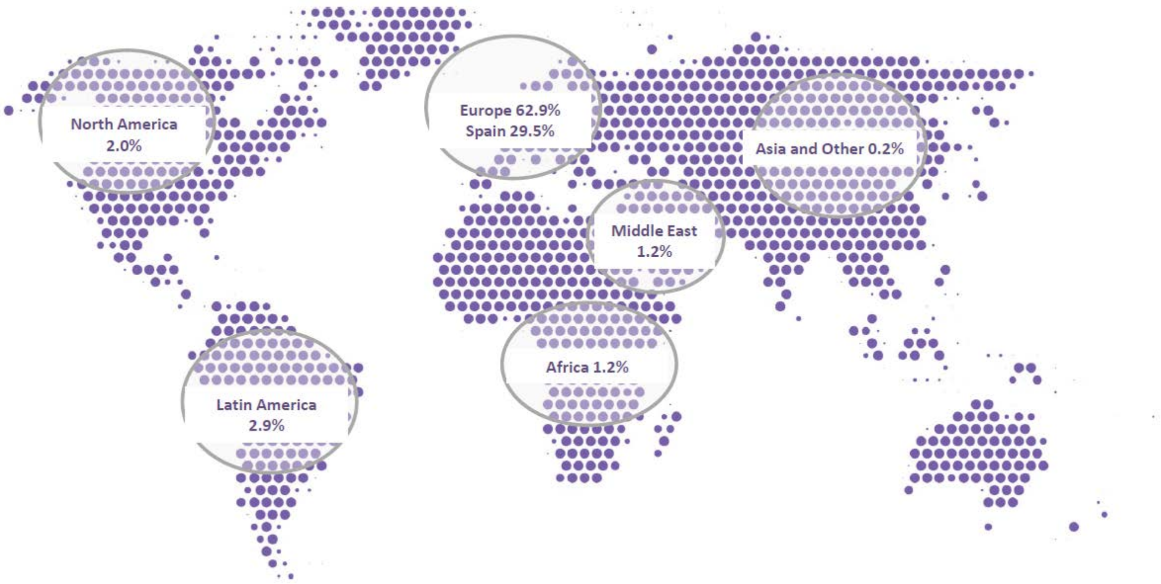
With respect to the distribution of traffic broken down into geographical regions, widespread increases are noted in all regions, although traffic shares remained virtually unchanged with respect to 2015.

Region	Passengers 2016	Variation %
Europe[1]	144,902,902	12.3%
Spain	67,976,343	8.8%
Latin America	6,721,460	9.5%
North America[2]	4,529,205	8.0%
Africa	2,862,839	5.4%
Middle East	2,735,733	13.2%
Asia and Other	501,041	35.9%
TOTAL	**230,229,523**	**11.0%**

[1] Excludes Spain

[2] Includes USA, Canada and Mexico

Table 2. Breakdown of traffic by geographical area



[1]Excluding Spain
[2]Including US, Canada and Mexico

Figure 7. Map of traffic distribution by geographic area

Passenger traffic levels by country were virtually stable, with five countries (Spain, UK, Germany, Italy and France) concentrating 70% of total traffic. Mention should be made of the excellent performance of traffic with the United Kingdom, which has not been affected by Brexit and in annual terms accumulated growth of 15.7% (5.7 million more passengers) compared to 2015, almost 5 percentage points higher than overall network growth (11.0%).

Country	Passengers 2016	Passengers 2015	Variation		Share of total (%)	
			%	Passengers	2016	2015
Spain	67,976,343	62,501,684	8.8%	5,474,659	29.5%	30.1%
United Kingdom	41,700,473	36,030,037	15.7%	5,670,436	18.1%	17.4%
Germany	27,728,750	25,195,312	10.1%	2,533,438	12.0%	12.1%
Italy	13,032,089	11,871,529	9.8%	1,160,560	5.7%	5.7%
France	11,802,321	11,088,353	6.4%	713,968	5.1%	5.3%
Holland	7,588,040	6,351,054	19.5%	1,236,986	3.3%	3.1%
Switzerland	6,127,255	5,508,689	11.2%	618,566	2.7%	2.7%
Belgium	5,672,226	5,477,091	3.6%	195,135	2.5%	2.6%
Ireland	3,947,665	3,442,969	14.7%	504,696	1.7%	1.7%
Portugal	3,612,145	3,231,641	11.8%	380,504	1.6%	1.6%
Sweden	3,452,868	3,085,441	11.9%	367,427	1.5%	1.5%
United States	3,296,634	3,044,580	8.3%	252,054	1.4%	1.5%
Denmark	3,114,005	2,526,380	23.3%	587,625	1.4%	1.2%
Norway	3,012,436	2,826,952	6.6%	185,484	1.3%	1.4%
Poland	2,125,081	1,692,005	25.6%	433,076	0.9%	0.8%
Total Top 15	**204,188,331**	**183,873,717**	**11.0%**	**20,314,614**	**88.7%**	**88.6%**
Rest of countries	**26,041,192**	**23,547,329**	**10.6%**	**2,493,863**	**11.3%**	**11.4%**
Total Passengers	**230,229,523**	**207,421,046**	**11.0%**	**22,808,477**	**100.0%**	**100.0%**

Table 3. Air traffic distribution by country

With regard to the distribution of passenger traffic by type of airline company, 51.6% are low cost carriers (50.4% in 2015) and the remaining 48.4% are legacy carriers (49.6% in 2015), confirming the distribution shown at the end of 2015. The main airline clients of Aena are the IAG Group (Iberia, Vueling, Iberia Express, British Airways and Air Lingus) with a share of 26.2% of all passenger traffic in 2016 (26.5% in 2015) and Ryanair with a share of 17.3% (17.0% in 2015).

Carrier	Passengers 2016	Passengers 2015	Variation		Share of total (%)	
			%	Passengers	2016	2015
Ryanair	39,855,897	35,159,572	13.4%	4,696,325	17.3%	17.0%
Vueling	32,236,952	29,574,360	9.0%	2,662,592	14.0%	14.3%
Iberia	16,591,832	15,035,922	10.3%	1,555,910	7.2%	7.2%
Air Europa	16,184,934	15,586,523	3.8%	598,411	7.0%	7.5%
Easyjet	12,113,790	11,023,760	9.9%	1,090,030	5.3%	5.3%
Norwegian Air	7,750,426	5,330,759	45.4%	2,419,667	3.4%	2.6%
Iberia Express	7,640,725	6,826,269	11.9%	814,456	3.3%	3.3%
Air Berlin	7,567,337	8,817,535	-14.2%	-1,250,198	3.3%	4.3%
Air Nostrum	7,539,913	7,167,546	5.2%	372,367	3.3%	3.5%
Thomson Airways	4,973,151	4,297,605	15.7%	675,546	2.2%	2.1%
Total Passengers	**230,229,523**	**207,421,046**	**11.0%**	**22,808,477**	**100%**	**100%**
Total Low Cost Passengers*	**118,791,517**	**104,585,708**	**13.6%**	**14,205,809**	**51.6%**	**50.4%**

*Includes low-cost carriers' traffic in scheduled flights. From January 2016 they incorporated the passengers of low cost IBK Norwegian codes with which it operates, and EWG with which Eurowings (formerly Germanwins) operates.

Table 4. Distribution of air traffic by airlines

2.4. Commercial activity

Aena's commercial contracts vary according to the type of business activity, and are based in general on a variable revenue as a percentage of sales (percentages vary by product category and/or services) and with a minimum annual guaranteed rent (MAG) which sets a minimum amount to be paid by the tenant regardless of the level of sales achieved. In this regard, the following chart shows the calculation of minimum annual guaranteed rents by lines of business:

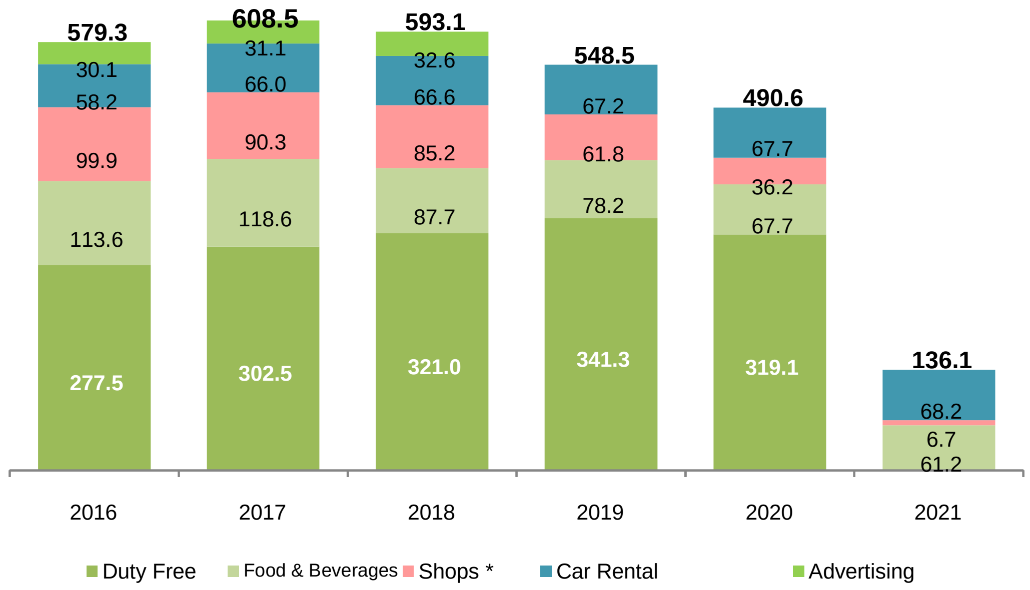


Figure 4. Minimum Annual Guaranteed Rent (MAG) by business line

(1) Figures in millions of euros of existing contracts. Potential new contracts are not considered. The MAG has been prorated to the actual days at the beginning and end of contract. Commercial services contracts include contracts from other commercial operations: financial and regulated services (exchange, pharmacy, tobacconists, etc.).

Positive traffic performance has also helped to boost commercial revenue although the rate of commercial revenue per passenger remains at 4.10 euros, the same figure as last year. Section "3.1.2 Commercial Activity" of this report contains a more detailed breakdown of each of the commercial lines of business.

3. Business segments

Below are the main results for Aena at 31 December 2016 itemised by segments: the airports segment represents 98.2% of total EBITDA (aeronautical activity accounts for 63.0% and commercial activity contributes 35.1%) while the real estate services segment contributes 1.7%.

3.1. Airport segment

3.1.1 Aeronautical Activity

Through the application of Act 48/2015, of 29 October, on the State General Budget for 2016, airport charges decreased by 1.9% from March 2016 onwards. Below is a summary of the most significant figures for aeronautical activity:

(Thousand euros)	2016	2015	Variation	% Variation
Ordinary revenue	2,502,081	2,332,976	169,105	7.2%
Monetary benefits[(1)]	2,426,613	2,264,966	161,647	7.1%
Passengers	1,079,620	1,017,609	62,011	6.1%
Landings	681,395	632,790	48,605	7.7%
Security	396,205	363,539	32,666	9.0%
Telescopic boarding bridges	109,054	104,228	4,826	4.6%
Handling	85,960	80,276	5,684	7.1%
Parking	32,821	28,617	4,204	14.7%
Fuel	31,885	29,092	2,793	9.6%
Catering	9,673	8,815	858	9.7%
Incentives (Landings, Passengers and Security)	-67,701	-44,270	-23,431	52.9%
Other Airport Services[(2)]	75,468	68,010	7,458	11.0%
Other operating revenue	50,937	54,602	-3,665	-6.7%
Total revenue	2,553,018	2,387,578	165,440	6.9%
Total expenditure (including amortisation)	-1,817,009	-1,767,928	-49,081	2.8%
EBITDA [(3)]	1,402,928	1,293,426	109,502	8.5%
Adjusted EBITDA [(4)]	1,407,776	1,277,251	130,525	10.2%

[(1)] *The total does not include incentives (Landings, Passengers and Security)*
[(2)] *Includes Airport Products, Use of 400 Hz, Fire Service, Counters, and Other Revenue.*

[(3)] *Earnings before interest, taxes, depreciation and amortisation*

[(4)]*Excludes fixed assets impairments.*

Table 6. The most significant figures in aeronautical activity

Total revenues in aeronautical activity increased to 2,553.0 million euros (6.9% compared to 2015) due to the positive evolution of traffic (11.0% increase in passenger traffic and 7.5% increase in the number of aircraft) that was partially offset by the reduction in airport charges from 1 March 2016 (41.6 million lower revenue), the tariff incentives for opening new routes and the increased bonus per transfer passenger, which has increased from 35% in 2015 to 40% in 2016, and has made 70.4 million euros in 2016 against 59.0 million euros in 2015.

Aena continues to implement commercial incentives for increased air traffic, both on existing routes and new ones, bringing the amount recorded in 2016 to 67.7 million euros (net from regularisation of 4.5 million euros in provisions for years above), compared to 44.3 million in 2015 (net from the regularisation of 5.5 million of provisions from previous years).

Expenditures for aviation activity amounted to 1,817.0 million euros, 2.8% more than those registered for 2015. This increase is due to actions associated with maintenance and the increase in activity as well as the wage review conducted in 2016. For a discussion of operating expenses, see section 4. Revenue Statement.

The above effects have made it possible to improve EBITDA by 8.5% (1,402.9 million euros).

2016 was characterised by a significant increase in the number of passengers and aircraft that have used the network of national airports. This increase in traffic, especially during peak periods (summer, Easter and Christmas), has forced airport services to adapt to users' needs, reinforcing the main services as part of the Summer Plan.

A part of this increase in traffic, from an operational viewpoint, airports have continued to be immersed in the aerodrome certification process and have introduced new handling agents. In addition, Aena's main objective to maintain the quality of service provided to passengers and companies has been met.

Below, the most significant actions that have been carried out at airports during 2016 related to the aeronautical activity are summarised:

Passengers

Revenue resulting from passengers' tariffs has grown in line with the increase of traffic noted in Aena, S.A.'s airport network in Spain. This significant increase of activity has been managed efficiently and with high levels of service quality.

The number of passengers with reduced mobility (PMR) receiving assistance has grown by 13.8% with respect to the same period the previous year. In spite of this notable increase in activity, this service has maintained the high rating levels obtained on the part of users in previous years

With the aim of improving passenger perception in their experience in the airport, ongoing actions have been undertaken in the terminal building and access points.

Flagship services:

Passenger information

Improved guidance within the terminal with performances in static signage and service information offered to the public:

- Installing new passenger information points (SIPA) that will guide passengers better, renovation of obsolete equipment, installation of illuminated maps at terminals, information service with travelling green jackets serving the passenger and training activities to improve telephone service at Madrid Barajas AS Airport.

Figure 9. Adolfo Suárez Madrid-Barajas Airport Terminal.

- Improvements of signage in all terminals at AS Madrid Barajas Airport, renovation of signage in T2 at Barcelona Airport, new signage panels outdoors and in passenger decision-making points at Palma de Mallorca Airport and renovation of signage in the security filter and the international arrivals hall at Gran Canaria Airport.

Figure 10. Improvement of signage. Palma de Mallorca Airport

Cleanliness

Actions aimed at improving the sensation perceived by users: renovation of toilets, floor surface treatments, cleaning facades, measuring devices for perceived quality at the exits of the toilets, etc.

Renovation and modernisation of lavatory facilities in the airports of AS Madrid-Barajas (9 cores in T1 and 7 cores in T2), Barcelona, Palma de Mallorca, Gran Canaria, Tenerife Sur, Bilbao, Tenerife Norte and practically all airports in Group II.

Figure 11. Refurbishment and modernisation of lavatory facilities. Bilbao Airport

Comfort

Actions aimed at ensuring a good feeling of passenger comfort throughout their stay at the airport, with a focus on waiting areas. It involves actions involving lighting, air-conditioning, electromechanical installations, benches, playgrounds and workstations. Worthy of special mention are:

- Improvement of air-conditioning facilities in the terminals of the airports of Málaga, Gran Canaria, Girona and Saragossa with the installation of HVLS fans, and miscellaneous actions involving air-conditioning facilities in the airports of Barcelona, Fuerteventura, Lanzarote, Tenerife Norte and Almería. New waterproofing of the terminal building and modules, renovation of suspended ceilings, replacement of several air conditioning units and heat pumps, sun protection films in departures and check-in and installation of temperature displays and temperature and humidity sensors , all at Palma de Mallorca Airport.

- New high-capacity elevator and installation of a moving walkway more than 40 metres long which facilitates the transit of island resident and national passengers between the security filter and their respective boarding areas at Gran Canaria Airport. Modernisation of the most commonly used lifts in Palma de Mallorca.

- Upgrading of flooring in the public area of Terminal B at Barcelona. Replacement and polishing of marble slabs in passenger traffic areas and installation of LED lights in the check-in lobby at Fuerteventura Airport. Improved lighting in several areas of the airport terminal building in Palma de Mallorca.

- Deployment of flow control sensors for the airport terminals in Madrid, Barajas to trigger actions when a certain number of steps is detected.

- Workstations with power sockets at airports in Bilbao and Santiago, improved decoration, benches and cargo area at the airport of Seville, and installation of illuminated cube with plugs and sockets for charging USB devices at Girona Airport.

Figure 12. Improved bench seating. Seville Airport

- For passengers with reduced mobility (PRM): the launch of an electric vehicle for the service at AS Madrid Barajas Airport, improved signage and decoration items in PMR waiting lounges with adapted benches in Ibiza Airport, incorporating reserved seating at PMR meeting points and frequently used spaces at the airport of Valencia, benches and PMR waiting signaling points in Lanzarote Airport etc.

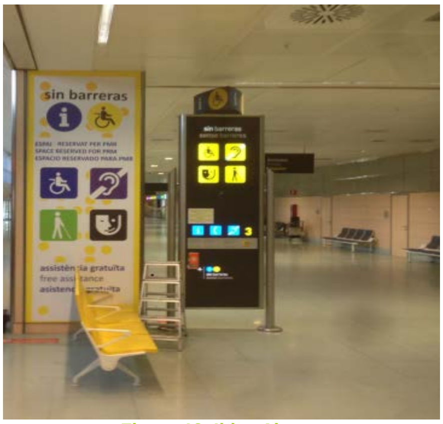


Figure 13. Ibiza Airport

- For passengers travelling with children and babies: equipment luggage trolleys with baby chairs and breast-feeding rooms at Bilbao Airport, improved baby changing facilities at Alicante Airport, new playgrounds in C module, check-in and arrivals at Palma de Mallorca Airport, near to the food and beverage area at FGL Granada-Jaen Airport and in the pre-boarding hall at Seville Airport, equipped with an interactive floor projector.

Figure 14. Child's play area. Alicante-Elche Airport

Several action plans, amongst which we can highlight in the baggage claim areas:

- Adaptation of the baggage room in Terminal 2C at Barcelona Airport.
- New baggage reclaim concourses on floor 0 of Palma de Mallorca Airport.
- Placement of benches between the collection belts in order to increase passenger comfort, increased number of trolley dispenser points, and new children's areas at Alicante Airport.
- Modification of the information provided on monitors to include the handling company dealing with the flight so that the passenger knows who to turn to in case of incidents, reinforcement of the information given to locate lost luggage and the location of other means of transport to connect with on leaving Valencia airport.
- Surveillance and monitoring services for the baggage delivery process, in order to optimise the allocation of media (delivery belts) and minimise incidents related to them, coordinating between CGA and the trolley park any deviation produced both in belt allocation and the installation itself (mechanical impact) for rapid resolution of issues at Palma de Mallorca Airport.
- Regarding access: remodelling arrivals T2 roadways at Madrid / Barajas Airport, change to the layout of the taxi-rank for single-file parking to improve capacity, improved signalling of public parking, specific signalling for scheduled public bus services and implementation of transportation management service for passengers arrivals, all in Ibiza Airport. New pedestrian awning at Bilbao Airport. New parking for coaches belonging to private companies in the waiting zone at Palma de Mallorca Airport.

Figure 15. Road access. A.S. Madrid-Barajas Airport

Landings

Revenue per landing and aerial transit service has risen with the increase of aircraft operations. Aena is currently involved in the process of certification of aerodromes in compliance with European regulation, which demands major efforts to adapt infrastructures. In the last twelve months, the certified airports have handled 81% of passengers.

With the aim of providing higher levels of service to the companies as part of their airport activities, actions are regularly performed in the platform and airfields. In 2016, worthy of special mention are:

- Adaptation of airfield paving: refurbishment of paving on taxiways AS Madrid Barajas, regeneration of the surface layer and the bearing layer on the southern runway at Palma de Mallorca Airport, base layer reinforcement on track 03L / 21R and in associated taxiways at Gran Canaria, regeneration of paving in the rapid exit lane in Lanzarote, signalling repainted at the airfield in Bilbao, regeneration of the airport runway in Ibiza, resurfacing the runway and other actions undertaken at Cuatro Vientos airfield in Madrid, and runway improvements in El Hierro.

Figure 16. Taxiway paving repair. A.S. Madrid-Barajas Airport

- Adapting runway margins and strips, along with the parallel taxiway in line with safety requirements at Ibiza Airport.
- Purchase of new apron vehicles for the airports of Gran Canaria and Fuerteventura and installation of awnings at access points for apron vehicles at Barcelona Airport.

- Actions on ground markings and signage on airfields at Malaga Airport.

- Upgrading pedestrian pathways for boarding by foot on the apron by repainting them, placement of bollards and safety chains at the airports of Alicante and Reus and expansion of the apron awning to fully cover the walkway at Granada-Jaen Airport.

Figure 17. Modernisation of pedestrian pathways. Alicante-Elche Airport

- NAVAIDs: ILS 03L modernisation at Gran Canaria, moving the 03 glide slope track at Lanzarote and installation of new ILS Cat I equipment at Santander Airport.

- Meteorological services: installation of new weather stations next to runway heads 06 and 24 at Ibiza Airport.

Added to this, safety actions include:

- In order to reduce the average age of the fleet of fire engines used in the Network, and as part of the Renewal Plan for the 6x6 10,000 l models, in 2016 a total of 10 of these vehicles have been provided for the airports of Madrid / Barajas (7), Palma de Mallorca (1) and Santander (2). They stand out due to their engine power, acceleration power and fire-fighting ability. Response times and capabilities will be improved when faced with an aeronautical emergency.

- Provision of new aprons for aircraft recovery in Palma de Mallorca.

Related to traffic control of aircraft:

- Alicante Airport has been certified as an Advance ATC Tower, thus being integrated into the European Aerial Traffic Management Network, which should lead to an increase in flight punctuality.

- Implementation of the Cherry Picking selective regulation procedure to facilitate the management of ATC capacity at Madrid / Barajas Airport. Local regulations agreement between the ACC of Palma de Mallorca and Ibiza airport, with the aim of reducing delays caused to airlines by air traffic regulations.

- The operating hours of the airports in Burgos (65%) and Logroño (75%) have been extended with restricted mode use that increases service to users.

Security

The security fee paid by passengers has grown thanks to the increase in passenger numbers. This increase in the airports' activity has been managed effectively without having a bearing on waiting times when passing through security controls.

With regard to security, with the aim of continuously improving the passenger experience in the Airport, action plans are embarked upon that optimise security processes. Amongst these, in 2016 the deployment of measurement systems on waiting time at security checkpoints in airports with an annual passenger volume exceeding 2 million was undertaken at: Madrid / Barajas, Barcelona, Palma de Mallorca, Malaga, Alicante, Gran Canaria, Tenerife, Ibiza, Lanzarote, Fuerteventura, Valencia, Bilbao, Seville, Tenerife Norte, Menorca, Girona and Santiago. Said systems are based on image analysis through overhead coverage sensors that allow for accurate measurements (without estimations) of processing times by monitoring 100% of passengers without loss of traceability.

Figure 18. Security checkpoint. Alicante-Elche Airport

Other action plans worthy of special mention with regard to security in 2016 are:

- Remodelling of installations, new passport control point, new security checkpoint for non-Schengen connections and improvements to urgent connects in T4 security. New furnishings in checkpoints. Introduction of fairing in the roller lines to prevent children from being trapped. A pilot installation project has been carried out using piped music in the T2 security checkpoint to enliven the journey for passengers. Installation of televisions in passport control to enliven the journey for passengers. All this carried out in Madrid Barajas Airport AS.

Figure 19. Control of T4 connections. A.S. Madrid-Barajas Airport

- Expansion and improvement of security filters in the airports of Palma de Mallorca, A Coruña and Asturias.

- Commissioning of works on extending security filters at T3 with four double filters and modernisation of T2 security controls to suit demand with the aim of reducing passage time at Malaga Airport.

- Adaptation of queuing areas in security checkpoints in the airports of Fuerteventura and Tenerife Sur.

Figure 20. Adaptation of waiting queues. Fuerteventura Airport

- Opening of an exclusive filter for improving the flow of families and PMRs and new access control post for the controlled area in baggage reclaim, along with surveillance in the public arrivals area at Ibiza Airport.

- Virtual assistance in security filters at Melilla Airport.

- Remodelling of security filters to give greater amplitude at San Sebastian Airport.

Air bridges

Revenue from air bridges has grown largely due to the increase in the number of aircraft operations. Stand-out actions in 2016 involving air bridge services are given below:

- Remodelling boarding air bridges at Terminal 2 at Barcelona Airport.

- Installation of 7 boarding bridges and associated equipment services at Terminal 2 at Malaga Airport.

Figure 21. New air bridges. Málaga-Costa del Sol Airport

- Installation of laminate safety-glass paving on air bridges at terminal T4 and T4S in the Airport of AS Madrid Barajas.

- Refurbishment and renovation of structures and equipment for departure air bridges in the Tenerife Sur Airport and real-time adjustment of the set-point temperature for air-conditioning facilities on air bridges in Fuerteventura.

- Renovation of air-conditioning facilities for air bridges, sliding equipment for air bridges for hand luggage that must be moved to the cargo hold and renovation of all telephones in fingers, all of the foregoing in the Airport of Bilbao.

- Installation of 6 slides in boarding air bridges at Lanzarote Airport.

- Installation of a system to improve coordination between handling agents and service providers of air bridges for disconnections with the air bridge at Palma de Mallorca Airport.

Handling

Handling services have been performed by new agents following the progressive renewal of the licences expiring at the end of 2015. In spite of the complexity of this change in handling operators, it has been carried out satisfactorily due to the efforts of the employees and without leading to incidents in the operational readiness of the airports.

Figure 22. Aircraft assisted by handling agents. A.S. Madrid-Barajas Airport

With regard to actions involving handling in 2016, the following can be highlighted:

- Currently under construction is the new area for trolleys at international arrivals at Gran Canaria Airport with three baggage carousels which will reduce baggage reclaim times due to and eliminate unnecessary trips.

Figure 23. Belts in the new trolley area. Gran Canaria Airport

- Equipping of 5 new offices for handling companies, one of them intended for use by the Civil Guard, between the check-in desks and passenger filters in the Airport of Tenerife Norte.

- New touch-button screens in the reclaim belts located on the trolley concourse for the measuring of waiting times for luggage return at Palma de Mallorca Aiport.
- Improved of signalling roadways for the service manoeuvring area, installing collection bins for foreign objects that might damage aircraft on many parts of the deck to minimise the risk of accidents / incidents at Malaga Airport. Furthermore, expansion of places for loading and parking for electrical equipment used by service companies and airport handlers, along with the construction of a new apron with recharging facilities for electric vehicles in Asturias Airport.
- Regarding the check-in process, installation of 28 check-in desks along with associated installations at Barcelona Airport and improving the counters at Bilbao Airport. Improvements to check-in lines at Terminal 1 (false ceiling and lighting) and deployment of new self-check-in booths for several companies at Madrid / Barajas Airport.

Figure 24. Self-check-in A.S. Madrid-Barajas Airport

Parking

Aircraft parking has increased due to the increase in operations and helped by the widespread increase in average stay times.

The following actions can be highlighted for 2016:

- Redesign of parking spaces in T1 and T2 at AS Airport. Madrid-Barajas with the creation of 3 new parking spaces for type E aircraft.
- Actions geared towards the improvement of the parking apron at Gran Canaria Airpot.
- Adaptation of the signage apron, new design and signage for apron 7, works on ground markings on platforms 3, 4 and 9, new regulatory signs and new apron lighting, all in Malaga Airport.

Figure 25. Deck signalling. Málaga-Costa del Sol Airport

- Actions on the parking apron and piping to put into service a parking apron for washing aircraft at Valencia Airport.

Fuel

In 2016, the supply of JET A1 fuel for commercial aviation has grown by almost 12%. However, AVGAS fuel for general aviation has been maintained in line with consumption levels from the previous year.

Measures include the launching the process of renewal of licenses for fuel handlers, Phase I, which includes 21 network airports with reduced traffic levels for a duration of seven years. The second phase will be tendered in 2017. The increase in competition, improved service quality and price caps are key points of the new tender.

Meanwhile, the refuelling apron for aircraft has been expanded at Huesca Airport and the fuel installation has been put into service at Ceuta Heliport .

Other services

In a general sense, all services have noted the increase in traffic levels, being worthy of special mention the increase of revenue from check-in desks due to greater use of them by new handling agents.

It is worth highlighting the construction of the new cargo terminal for two operators, and the construction of a border inspection post at Tenerife North Airport.

3.1.2 Commercial Activity

The following table shows the most significant figures for commercial activity. Here it should be noted that car parks are included in this activity in 2016, so the 2015 figures have been adapted to this criterion to obtain a comparable basis:

(Thousand euros)	2016	2015	Variation	% Variation
Ordinary revenue	939,787	850,676	89,111	10.5%
Other operating revenue	8,984	10,346	-1,362	-13.2%
Total revenue	948,771	861,022	87,749	10.2%
Total expenditure (including amortisation)	-261,164	-257,132	-4,032	1.6%
EBITDA (1)	782,648	700,100	82,548	11.8%
Adjusted EBITDA (2)	784,092	698,976	85,116	12.2%

(1) Earnings before interest, taxes, depreciation and amortisation

(2) Excludes fixed assets impairments.

Table 7. Most significant figures with regard to commercial activities

Total revenue from commercial activity increased by +10.2% in 2016 compared with 2015, rising to 948.7 million euros. Ordinary revenue amounted to 939.8 million euros having increased by 10.5% compared with 2015 (89.1 million euros).

The largest contribution to this increase comes from increased passenger traffic, growth in sales of commercial operators, better contractual terms, and the effect of the evolution of the Minimum Guaranteed Annual Rents (RMGA) recognised in commercial contracts. In the specific case of car parks, growth of 9.7% (to 121.6 million euros is linked to the increase in domestic traffic (+8.8% passengers) and pricing strategies, along with actions implemented in the spheres of marketing and loyalty.

Aena's commercial contracts vary according to the type of business activity, and are based, in general, on a variable revenue as a percentage of sales (percentages vary by product category and/or services) and with a minimum guaranteed annual rent (RMGA) which sets a minimum amount to be paid by the tenant regardless of the level of sales achieved.

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

Commercial Services (Thousand euros)	2016	2015	Variation	% Variation	Minimum Guaranteed Revenue 2016	Minimum Guaranteed Revenue 2015
Duty-Free Shops	285,153	250,968	34,185	13.6%		
Food & Beverage	154,493	132,086	22,407	17.0%		
Parking	121,554	110,767	10,787	9.7%		
Car Rental	114,466	104,526	9,940	9.5%		
Shops	89,660	82,353	7,307	8.9%		
Advertising	30,290	28,564	1,726	6.0%		
Leasing agreements	25,005	26,490	-1,485	-5.6%		
Other commercial revenue (1)	**119,166**	**114,922**	**4,244**	**3.7%**		
Ordinary revenue from commercial services	**939,787**	**850,676**	**89,111**	**10.5%**	**69,092**	**61,590**

(1) Includes Other Commercial Operations, Banking Services, Travel Agencies, Vending Machines, Commercial Supplies, Use of Conference Rooms, and Filming and Recording

Table 8. Analysis of commercial business lines

In 2016, the amount recorded in revenue from guaranteed minimum income stays at 11.5% of revenue for lines with contracts that include these clauses (11.5% in 2015).

Total expenses (including depreciation) increased by 1.6%, resulting in an EBITDA of 782.6 million euros, 11.8% higher than in 2015.

These figures have been made possible by the continued boost given to commercial revenues by a number of actions, including by business line:

Duty-Free Shops

Aena at present has signed three contracts with Dufry divided into three lots, which under the trading name World Duty Free operates standard duty-free shops in 26 Aena airports: A Coruña, Adolfo Suárez Madrid-Barajas, Alicante-Elche, Almería, Asturias, Barcelona-El Prat, Bilbao, FGL Granada-Jaén, Fuerteventura, Girona-Costa Brava, Gran Canaria, Ibiza, Jerez, La Palma, Lanzarote, Málaga-Costa del Sol, Menorca, Murcia-San Javier, Palma de Mallorca, Reus, Seve Ballesteros-Santander, Santiago, Seville, Tenerife Norte, Tenerife Sur and Valencia.

Revenues derived from this business line grew in 2016 by 13.6% compared to 2015 (28.4% of Aena's commercial activity revenue), generated through 86 outlets (76 Business Premises and 10 Buy-Byes), with a total area of approximately 45,000 m2.

In 2016 stand-out actions were:

- Price repositioning in Madrid and Barcelona in the categories of 400 brand leaders in cosmetics and perfumery, 70 in alcoholic beverages with discounts up to 20% off compared to mirror establishments.
- Increased promotional activity: advertising campaigns offering price advantages and promotional campaigns: 20% discount on the second purchase, vouchers with direct discounts, seasonal campaigns (summer drinks, whisky festival).
- Exclusive releases (Travel Retail formats), Cristiano Ronaldo eau de perfume range in Madrid-Barajas AS.
- Point-of-sale promotion and tastings.
- Launch of the Reserve & Collect Service: book on-line and pick up in-store.
- Launch of the RED loyalty programme, with the sponsorship of the Madrid Open.

Within the progressive incorporation of the Canary multi-stores into the contract, the addition of the new duty free shop at Fuerteventura Airport in August is worthy of mention. This has led to the redesign of the store so that this has become Walk Through and increased variable revenue due to this modernisation.

Figure 26. Fuerteventura Airport

Food & Beverages

Following intense renovation work in recent years, most of our airports already boast a variety of restaurants capable of satisfying different types of demand. We can cater for those passengers who have little time and want standard products with very fast services, through fast food in all ranges: burgers, sandwiches, ranging to those travellers who have more time and want to enjoy new experiences through "signature cuisine".

We have the best brands of national and international restaurants which are benchmarks for our customers. Among the brands that currently offer their wares are McDonald's and Burger King, Mas queen Menos, Costa Coffee, Starbucks, Coffee Republic, Lavazza, Paul, Rodilla, and for passengers who have a little more time and want to enjoy the "cuisine", we have 4 restaurants with Michelin star chefs at: Adolfo Suarez Madrid-Barajas: "Kirei by Kabuki" with Ricardo Sanz (in T1 and T4) and "Gastrohub" (T4) with Paco Roncero; Barcelona-El Prat: "Porta Gaig" and "GastroBar" by Carles Gaig and in Malaga-Costa del Sol: "Delibar" with Dani Garcia.

In 2016, the food and beverage business line, with more than 320 outlets, saw an excellent performance, with revenues amounted to €154.5 M, representing an increase of 17% compared to 2015.

Revenue growth in this business is due primarily to improved sales figures of our restaurant operators, owing to the growth of spending per passenger in tourist airports and the consolidation of the full range of hostelry adapting to the different passenger profiles, through the diverse brands offered.

Highlights in this financial year are the following actions:

- The onset of activity of the new options at the airports at Bilbao and San Sebastian (5 points in Bilbao and 1 in San Sebastian), with openings of new brands such as Burger King, Santa Gloria and Arrese and an improvement in quality and the presence of national and international brands and a top local chef Ricardo Pérez.

- The new offer at Menorca Airport (7 premises) with the presence of new brands including the opening of Ribs, Coffee Republic, Coffee Pans, Gambrinus, Paulaner, etc.

Figure 27. Food & Beverages at Menorca Airport

- The bidding on and awarding of most of the catering tenders at Fuerteventura (6 outlets) and Ibiza (9 outlets), representing a total renewal options of these airports, gaining in terms of the presence of national and international brands and quality offered. These new premises will start operating at these airports in 2017.

Also, this year Aena has worked extensively with operators which manage establishments to improve the quality of their outlets and expand their offerings to suit different special needs foods, incorporate concepts such as healthier eating trends, create more comfortable and relaxed surroundings, provide better customer service, and generally create a fine dining experience.

Parkings

Airport car parks are managed by Aena itself, ensuring control of all the processes comprising the business unit. New infrastructures are planned, the business case made for all new facilities, along with the applications of current ones, and then built so they can come into service.

The Aena car park network consists of more than 100 parking facilities with spaces for 113,000 vehicles in 32 airports.

To ensure proper operation of the facilities and customer services, an entire range of products are available for car park users, including Low Cost / Extended Stay, General, Preferential, Express, VIP service with pickup and delivery with driver as well as additional services such as car washing. With this range of services a range of products are provided in the car parks based on stay times to meet the needs of all the kinds of Aena customers, from holiday passengers at weekends or long-stay well as business travellers, national next-day or same-day return, or even long-haul.

Figure 28. Parking. Barcelona-El Prat Airport

In addition to the operational part, Aena actively manages the pricing of car parks, making price changes frequently to achieve increased market shares.

Aena has a web booking platform, which allows for reservations online and from the Aena app, as well as from the various distribution channels that have been deployed in recent years, with up to 3 hours forewarning throughout the entire parking network, which in 2016 handled more than one million bookings in the whole airport network.

Through this booking platform customers can pre-book their parking space at discounted prices, in some cases pay for it, and when they access their licence plate is detected with which they have booked their ticket.

In recent years there have been great efforts to improve the service provided to customers through the use of technology, investing in equipment, means of payment and new developments that improve the customer experience within the car parks.

The turnover for this activity amounted to 121.6 million in 2016, representing an improvement of 9.7% over 2015.

Figure 29. Parking pay stations. Girona-Costa Brava Airport

The bookings segment has seen the greatest increase by segments, with growth of operations coming to 46% and 44% in revenues. This continued and sustained improvement in the bookings sector is based mainly on a dynamic price-fixing policy which allows it to remain competitive and always offering an economic option for vehicle parking for passengers.

Additionally, marketing and communications action plans have been carried out, held throughout the year via different channels and media, along with several radio campaigns, organic SEO (Search Engine Optimisation) positioning and SEM (Search Engine Marketing) advertising , with the aim of improving the results and improving the price positioning of Aena car parks for our customers.

Car Rental

The driverless vehicle rental business in Aena airports is managed through concessions and run by the leading companies in the sector worldwide.. Aena counts amongst its customers in this business AVIS, Europcar, Hertz, Enterprise, Sixt and Goldcar, all multinationals present in the main markets in the sector, both in Europe and in the rest of the world. In addition, Aena has powerful national companies present in tourist markets as CICAR, TOP CAR, Autorreisen or Recordgo, as well as also boasting local businesses at some airports. With this stratification of customers, Aena can offer passengers all types of products and services in the business of rental cars without drivers.

At airports, a wide range of car rental services without drivers can be hired: from low cost products to premium range with different brands and vehicles for each segment.

In order to provide this service, Aena offers companies 19,000 parking spaces, 256 checking counters and 500,000 m^2 space for vehicle parking, as well as additional facilities such as storage facilities, maintenance areas, laundry rooms, etc.

Within the airports, more than 3 million vehicle rental agreements were signed with a turnover exceeding 800 million euros.

Revenues from this activity exceeds 114.5 million euros, representing an increase of 9.5% compared to the previous year.

The growth rate is mainly due to an increase in sales volume owing to the positive evolution of the international passengers' segment, although the strong competition within the sector has an impact on the unit value of the contracts.

The new tender for this activity, awarded to the 16 companies from the sector for 36 airports which makes more licences and installations available in network airports, came into force in November 2016. Associated with this contract will be the setting up of new control and management systems for the activity.

Challenges in implementing the new contract will be continuing to increase the number of companies operating within the airport, as well as increasing the facilities made available to companies (parking spaces, counters and vehicle parking areas).

Figure 30. Car Rental access. Girona-Costa Brava Airport

Shops

In 2016, more than 350 premises for retail have been operational, of which 22 belong to the luxury category, thus allowing for a wide range to suit the needs of all our passengers groups. Large retail brands are present in our terminals. We have stores from the Inditex Group, Mango, Desigual, GAP, Superdry and amongst the luxury brands we boast Loewe, CH, Bvlgari, Coach, Weekend by Max Mara, Longchamp, Burberry, Ferragamo, Omega, Mont Blanc etc.

This range turns our network airports into major shopping malls, at the same level as those in the centres of the main Spanish cities.

Revenues from this line of business in 2016 amounted to 89.7 million euros, representing an increase of 8.9% compared to 2015.

Actions carried out in 2016 include the following:

- The opening of the new revamped commercial range at Alicante-Elche and Gran Canaria airports. In the Alicante-Elche Airport, between April and June 2016, new stores that were offered for tender at the end of 2015 were opened (13 stores). Brands such as WH Smith, Victoria's Secret and Petra Mora have opened up.

Figure 31. Shops. Alicante-Elche Airport

  Likewise, at Gran Canaria Airport the new commercial offer put out for tender at the end of 2015 (8 premises) has opened its doors, meaning the entry of new brands and concepts such as Victoria's Secret, Bazar Sport and local activities such as the sale of Aloe Vera and continuance of the sale of locally-produced foodstuffs and delicatessen goods.

- The tender and award of the module C stores in Palma de Mallorca (9 premises) which will renew and improve the range available in this module. The new stores will open their doors before peak season in 2017.

- The tender and award of the 1st phase of the renovation of stores at T123 AS Madrid Barajas (20 premises) and bidding for the 2nd stage (10 premises). The new brands will be opening their stores throughout 2017 when contract terms are finalised.

Figure 32. Shopping area A.S. Madrid-Barajas Airport

Also during 2016, in order to improve the customer experience at our airports and following the trends established in international airports, a Personal Shopper service has been made available to passengers at T4S at AS Madrid Barajas Airport, with a positive impact in terms of perception by passengers. 2017 is expected to see the expansion of this service to terminals T4, T4S and T1 (non-Schengen) at AS Madrid-Barajas airport and in the medium term at Barcelona-El Prat Airport.

Advertising

Advertising activity at airports is part of outdoor publicity within the marketing industry, competing with other exterior media such as street furniture, metro stations and hoardings.

Advertising is run in the airports via the concession model as the concessionaire performs marketing tasks in the advertising spaces, both for predefined ads on digital and conventional media with more than 900 units, as well as temporary media for eye-catching marketing.

Airports in the Aena network, with more than 230 million passengers handled in 2016, represent an ideal medium for international brands, which make themselves known, strengthen their brand positioning and especially undertake product launches, choosing spectacular media such as moving walkways, large glass areas, awnings in unique buildings such as car parks or facilities within the passenger terminal.

The main sectors present in airports in 2016 were: automotive, banking, distribution, transportation and telecommunications.

This line of business grew in 2016 by 6.0% compared to 2015.

In the last quarter, the company awarded the advertising contract (in lots 1, 2 and 3), JCDecaux, has conducted an improvement of advertising media, eliminating almost all conventional media in favour of digital large-format media, to improve the eye-catching nature of their campaigns.

As an example of this renovation, we can highlight the new LED videowall in Adolfo Suarez Madrid-Barajas and

Barcelona, as well as screens at several airports.

Figure 33. Advertising media. A.S. Madrid-Barajas Airport

Other commercial revenue

The analysis of the rest of commercial revenue can be broken down into two large blocks:

VIP lounges

There are currently 21 VIP lounges in 13 Aena airports, all operated by Aena itself except for 4 lounges at Barcelona operated on a tender basis until 2018. Aena VIP lounges hosted more than 2 million passengers in 2016 including business class passengers and other passengers with privileges granted through loyalty programmes, credit cards, or who have bought access directly.

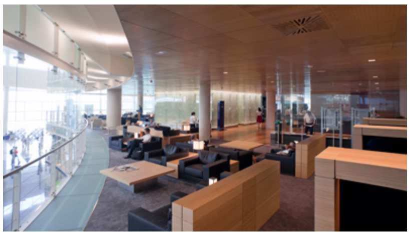


Figure 34. VIP lounges. Barcelona-El Prat Airport

Efforts in 2016 efforts were aimed at improving the facilities and service offered in the Lounges through redefining the service level agreement for management contracts and implementing infrastructure projects. Likewise, the major contracts with partner companies and airlines have also been regularised.

The business line for VIP lounges displayed excellent performance in 2016 with 20.5% more compared to 2015.

Worthy of special mention is the remodelling of the 5 lounges at Madrid-Barajas Adolfo Suarez Airport and the opening of the VIP lounges in the airports in Seville (April) and Ibiza (June).

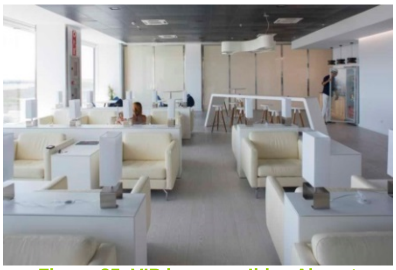


Figure 35. VIP lounges. Ibiza Airport

Likewise, remodelling projects are under way for the Lounges at Palma de Mallorca, Valencia, Tenerife Norte and Tenerife Sur, as well as the future expansion of the Lounges at Málaga-Costa del Sol and Alicante-Elche to cope with the growth in traffic. Starting this summer Aena's sales channel for lounge access (public website and Aena app) has been promoted along with new channels such as GIS (airport services marketing company), Vueling, etc.

Other commercial developments

This includes several business activities conducted at airports, such as banking services, laminated luggage wrappers, other vending machines, telecommunications services and regulated services (pharmacies, tobacconists, lottery) where a positive trend has also been seen in 2016, with an increase in revenue of 3.2% over the previous year.

The airports whose contractual terms had an impact on this growth include Alicante, where in this period the activity of currency exchange was put up for tender, with an improvement in terms of revenue, and Malaga in which the currency exchange facilities were also renewed at the end of 2015 with a major improvement in economic conditions.

3.2. Real estate services segment

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

(Thousands of euros)	2016	2015	Variation	% Variation
Ordinary revenue	62,204	57,203	5,001	8.7%
Real estate services[(1)]	62,204	57,203	5,001	8.7%
Other operating revenue	2,421	1,418	1,003	70.7%
Total revenue	**64,625**	**58,621**	**6,004**	**10.2%**
Total expenditure (including amortisation)	**-44,061**	**-43,080**	**-981**	**2.3%**
EBITDA [(2)]	**36,762**	**32,265**	**4,497**	**13.9%**
Adjusted EBITDA [(3)]	**36,908**	**32,189**	**4,719**	**14.7%**

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

[(2)] Earnings before interest, taxes, depreciation and amortisation

[(3)]Excludes fixed assets impairments.

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

The real estate services segment corresponds to assets used for the provision of leasing or transfer of use of land services to third parties outside the airport, such as land, warehouses, hangars and cargo units. In 2016, revenue from these activities totalled 62.2 million euros, 8.7% above that obtained in 2015, mainly due to the recognition of the reversion of rights of use of buildings constructed on land affections to transfer contracts (3.3 million euros). Excluding this impact, growth stands at 1.7 million euros (+2.9%) boosted by new leases for hangars.

Real estate (land, warehouses and hangars, cargo logistic centres and real estate operations)

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

In order to support the activity, the airports have offices and warehouses, hangars, cargo units, support areas (paved and unpaved) and land (developed and undeveloped) where they can build various buildings and facilities. Additional services include 17 service stations in 13 airports and FBO terminals in 4 of the most important airports in the network, where executive aviation is handled in a unique way.

Worthy of note this year was the signing of seven new leases for hangars (or to build them) at Madrid AS Airport. Madrid-Barajas (1), Sabadell (2), Son Bonet (1), Madrid-Cuatro Vientos (1), Palma de Mallorca (1) and Girona-Costa Brava (1), as well as the renovation of three service stations at A.S. Madrid-Barajas (1), Barcelona-El Prat (1) and Tenerife Sur (1).

Likewise, in September work began relating to the analysis of free land and the development of the Master Plans for marketable land in the airports of A.S. Madrid-Barajas and Barcelona-El Prat, which will be completed during 2017. The aim is to analyse and schedule the development of approximately 1,000 hectares of free land for use in these airports, in a coherent and proper manner, proposing possible commercial usage.

With regard to levels of freight transported, a notable 11.2% growth rate was experienced in comparison with 2015.


Figure 36. Airfreight. Zaragoza Airport

As proof of the development tasks in this activity, Aena has received an award from the Association of Couriers and Forwarding Agents, UNO Logística and acknowledgement on the part IATA for its collaboration in the CEIV Pharma Certification Project.

With regard to marketing actions on spaces intended for air cargo, it is worth highlighting the awarding of rights to 4 areas for the construction of facilities for handling air cargo of approximately 7,000 m^2 in Vitoria, 10,000 m^2 in Zaragoza and 32,000 m2 and 20,000 m2 both at Adolfo Suarez Madrid-Barajas Airport.

Figure 37. Airfreight. A.S. Madrid-Barajas Airport

4. Income statement

(Thousand euros)	2016	2015	Variation	% Variation
Ordinary revenue	3,508,705	3,244,781	263,924	8.1%
Other operating revenue	62,342	66,366	-4,024	-6.1%
Total revenue	**3,571,047**	**3,311,147**	**259,900**	**7.8%**
Supplies	-182,188	-182,822	634	-0.3%
Personnel expenses	-349,806	-321,684	-28,122	8.7%
Other operating expenses	-806,043	-775,075	-30,968	4.0%
Fixed asset depreciation	-778,158	-786,711	8,553	-1.1%
Impairment and profit/loss on fixed asset disposals	-6,039	-1,849	-4,190	-226.6%
Total expenses	-2,122,234	-2,068,141	-54,093	2.6%
EBITDA (1)	**2,226,971**	**2,029,717**	**197,254**	**9.7%**
OPERATING PROFIT/LOSS	**1,448,813**	**1,243,006**	**205,807**	**16.6%**
Financial revenue	205,352	6,985	198,367	2839.9%
Financial expenses	-105,208	-193,866	88,658	-45.7%
Other net financial revenue/(expenses)	-44,477	-25,126	-19,351	77.0%
FINANCIAL PROFIT/LOSS	**55,667**	**-212,007**	**267,674**	**-126.3%**
PROFIT/LOSS BEFORE TAX	**1,504,480**	**1,030,999**	**473,481**	**45.9%**
Corporate Revenue Tax	**-356,419**	**-219,323**	**-137,096**	**62.5%**
Profit/loss for the financial year from ongoing operations	**1,148,061**	**811,676**	**336,385**	**41.4%**
Profit/loss for the year	**1,148,061**	**811,676**	**336,385**	**41.4%**

(1) *Earnings before interest, taxes, depreciation and amortisation*

Table 10. Revenue statement

As a result of the positive business performance shown in virtually all its lines, Aena's **total revenues** increased to 3,571.05 million euros in 2016, up 7.8% over the same period last year.

Ordinary revenue increased to 3,508.7 million euros in the period under consideration, + 8.1% compared to 2015. The increase of 263.9 million euros has been explained above in the analysis of the different business segments.

Operating expenses increased slightly (+54.1 million euros, +2.6%) as a result of cost-saving measures initiated in previous years, which have resulted in a containment of these expenses despite the strong growth in traffic.

Next, the most important variations broken down into cost concepts are analysed:

- Supply costs have been reduced by 0.3%, which is 0.6 million less compared to 2015, mainly due to lower implementation of purchases and spare parts for air navigation services (ATM / CNS) (-0.5 million euros).
- Personnel costs are the expense which has seen the most significant increase, rising from 8.7% from 321.7 million euros in 2015 to 349.8 million euros in 2016 due to the reversal in December 2015 of the provision of Voluntary Redundancy Plan amounting to 24.2 million euros). Once this effect has been eliminated, the change is accounted for by the wage review of 1% in Spain, the effect of supplements linked to seniority and occupation and the provision created for potential liabilities to the Social Security resulting from occupational accidents and illnesses in certain occupations (+2.5 million euros).

- Other development costs rose by 4.0% (+31.0 million euros) to 806.0 million euros. The change in this item is mainly due to maintenance costs (+9.6 million euros), security, including new baggage inspection rules applied since March 2015 (+7.2 million euros), the allocation of the provision for unfavourable rulings associated with the tariff rise in 2012 (+4 million euros), the effect of changes in provisions for bad debts (+4.5 million euros) and recoverable marketing actions (4.0 million).

- Depreciation of property, plant and equipment amounted to 778.2 million euros and is down compared to 2015 at 8.6 million euros (-1.1%), mainly due to the effect of amortisation of assets, partially offset by the technical review of the working life of assets such as runways and taxiways.

- Impairment and profit/loss on fixed asset disposal amounted to 6.0 million euros and has increased (4.2 million) compared to 2015.

- Other results include, for the most part, seizures of guarantees, pledges, late fees and emergency charges; the losses mainly reflected allowances and allocations for risk provisions.

EBITDA (Earnings before interest, taxes, depreciation and amortisation) reported increased from 2,029.7 million euros in 2015 to 2,227.0 million euros in 2016, representing an increase of 9.7% and a margin of 62.4%.

Meanwhilethe **Net financial result** shows a year-on-year increase of 267.7 million euros mainly as a result of the reversal of 204.9 million euros due to Supreme Court decisions in favour of Aena in three proceedings for expropriations at A.S. Madrid-Barajas airport.

As for **Corporate revenue tax**, the resulting expenditure stood at 356.4 million euros, an increase in spending of 137.1 million euros compared to the previous period due to the increase in the result (impacted in turn by the reversal of the provision for late payment interest for the expropriations at A.S. Madrid-Barajas Airport) and declining investment tax credits in the Canary Islands. The effective rate for the period stood at 23.7%.

The **Profit / (Loss) for the period** has come to **1,148.1** million euros reflecting positive business development, the reversal of provisions for legal proceedings related to land expropriations at Adolfo Suárez Madrid-Barajas Airport, reduced financial expenses and higher corporate tax expense.

5. Investments

Total investment made (property, plant and equipment, intangible assets and property investments) in the Spanish airports network based on payments amounted to 244.3 million euros, an increase of 17.0 million euros (+7.5%) compared to the same period of 2015, when it was 227.2 million euros. This increase was mainly due to service maintenance investments.

The main works commissioned in 2016 are the “Start-up Actions in Category II / III (improved operability in low visibility conditions)” at Zaragoza Airport, the “New Power Plant” in Asturias, the “Remodelling and Adaptation of 5 VIP Lounges” at Adolfo Suarez Madrid Barajas Airport. Also noteworthy is the "Regeneration of the Runway Pavement" at Ibiza Airport, the "Regeneration of the Taxiway T Pavement" at Tenerife South Airport, "New Waterproofing Terminal Building and Modules" at Palma De Mallorca, and finally the "Apron Pavement Actions" and "Strengthening the Surface of Runways 03L-21R and Associated Taxiways" at Gran Canaria Airport.

Figure 39. Zaragoza Airport

Amongst the main actions undertaken in 2016 include the "Regeneration pf the Pavement of the South Runway" at Palma de Mallorca Airport, the "Execution of Operational Safety Requirements" in Ibiza, the "Refurbishment of the Cargo Terminal" at Gran Canaria, and in Lanzarote "Coastline Action Plans" and "Renewal of Air Conditioning System in Terminal T1".

Figure 40. Palma de Mallorca Airport

Amongst the main actions undertaken in 2016 include the "Adaptation of the Air Field" at La Palma Airport and at Barcelona-El Prat Airport "Regeneration of the Pavement of Runway 07L-25R" and "Adaptation of of Apron Taxiways to Regulations".

Figure 41. Barcelona-El Prat Airport

5.1. Analysis of investments by areas of action

Information on the breakdown of investment across the Spanish airport network in 2016 can be found below, along with a comparison with 2015:

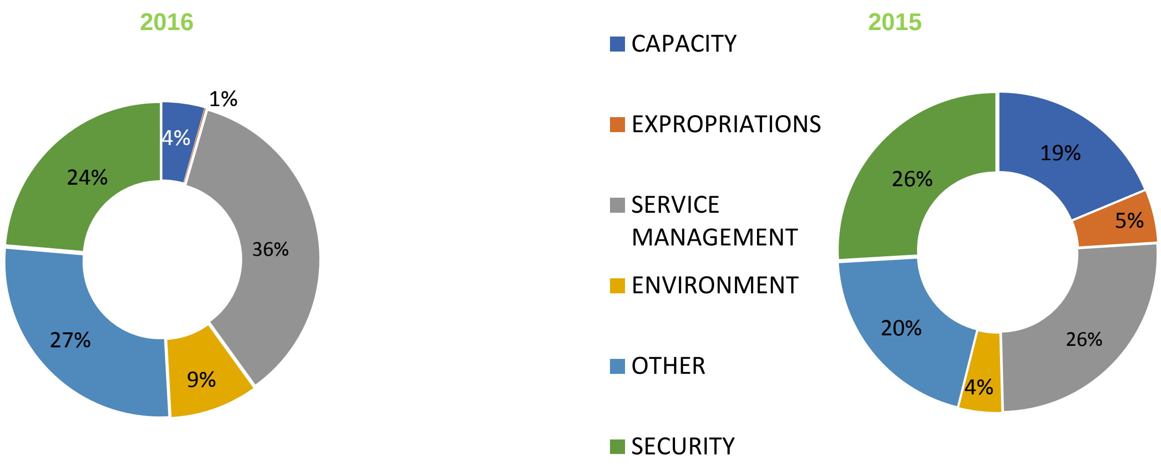


Figure 5. Analysis of investments by areas of application

- The investment percentage devoted to the improvement of installations to ensure **Service Maintenance** in 2016 has been increased with respect to the same period in 2015, shifting from 26% in 2015 to 36% in 2016. In absolute terms, the shift has gone from 58.1 million euros in 2015 to 86,7 million euors in 2016, which implies an increase of 49.2%. The main projects include minor works carried out by airports to maintain existing infrastructure, which totalled 22.6 million euros.

- The investments made in 2016 in **Security** amounts to 24% of Aena's total investment (compared to 26% in 2015). They have decreased by 1.2 million euros between 2015 and 2016, shifting from 58.9 to 57.7 million euros. They include the "Regeneration of the Pavement" at Ibiza airport, "Regeneration of the Pavement on the South Runway" at Palma de Mallorca, the "Regeneration of the Pavement Taxiway T" at Tenerife South Airport and the "Reinforcement of the Surface of Runway 03L-21R and Associated Taxiways" at Gran Canaria airport. Action plans for several airports include "Supply of 6x6 Fire Engines with capacity for 10,000 litres of water" and "Provision of an Integrated Access Control System".

- In the area of the **Environment**, 22.3 million euros were invested in 2016, 12.4 million more than in 2015 (9% of Aena's total investment). This investment was primarily concentrated on the "Countervailing Measures Agreement" at Adolfo Suárez Madrid-Barajas airport and the "Measures Deriving from the Environmental Impact Statements (Noise Pollution)" at various airports.

- Investments in **Capacity** totalled 10.7 million euros, 31.8 million euros lower than in 2015. The most significant stand-out investment projects include "Improvements HUB T123 - New Layout STANDS T8, T10 and T12 for Use by Type E Aircraft" at Adolfo Suarez Madrid Barajas Airport, the "Supply and Installation of Number 6 Check-in Area at Terminal T1 "and" Renewal of Signage at Terminal T2", both at Barcelona El Prat Airport.

- Regarding **Expropriations**, payments have been made amounting to 3.4 million euros, which have been virtually offset by diverse refunds amounting to 3.1 million euros for expropriations carried out primarily in Girona and Bilbao.

The investments classified under "**Others**" include investments in Information Technology, including the "Fitting out of communications networks and storage networks and servers". It is also important to highlight the investment to increase commercial revenue, such as the "Refurbishment and Upgrading of 5 VIP Lounges" at Adolfo Suárez Madrid-Barajas airport.

6. Balance sheet

6.1. Net assets and capital structure

Thousand euros	2016	2015	Variation	% Variation
ASSETS				
Non-current assets	13,950,079	15,294,941	-1,344,862	-8.8%
Current assets	897,377	1,011,263	-113,886	-11.3%
Total assets	**14,847,456**	**16,306,204**	**-1,458,748**	**-8.9%**
NET EQUITY AND LIABILITIES				
Total net equity	5,363,567	4,684,572	678,995	14.5%
Non-current liabilities	8,099,916	9,898,104	-1,798,188	-18.2%
Current liabilities	1,383,973	1,723,528	-339,555	-19.7%
Total Net equity and liabilities	**14,847,456**	**16,306,204**	**-1,458,748**	**-8.9%**

Table 11. Summary of the balance sheets

Under non-current assets, the 1,344.9 million euros decline in the carrying amount during the period was mainly due to the 1,328.5 million euros decline in Property, Plant and Equipment in the Balance Sheet, due mainly in turn to the reversal of the provision (coming to 758.6 million euros) made for the value of the land in the expropriations at the airport of A.S. Madrid-Barajas, after obtaining favourable Supreme Court rulings in June 2016. Moreover, due to the limitation applicable to the Spanish airport network, the amount of property, plant and equipment additions has been much lower than depreciation recognised. Furthermore there have also been other derecognitions in the period, most of which are due to provision reversals.

In turn, the decrease in current assets of 113.9 million euros is due to the 51.7 million euro decrease in “Non-current investments in group companies and associates” resulting from the collection of 51.5 million euros of tax credits charged to Enaire as the parent of the former fiscal consolidation group included in this heading at the close of the financial year 2015, the decrease in the balance of “Trade and other receivables” in the amount of 33.1 million euros with the improvement in the average collection period for customers and the decrease in “Cash and cash equivalents” by 28.0 million euros.

Shareholders' equity increased by 679.0 million euros due to the positive result for the period amounting to 1,148.1 million euros. In July 2016, Aena, SA distributed for the first time a dividend of 406.5 million euros.

The 1,798.2 million euros decline in non-current liabilities is due mainly to the abovementioned reversal of the provision for expropriations at A.S. Madrid-Barajas and the decrease in the heading Financial Debt by 848.3 million euros is mainly caused by the repayment of principal of the debt Aena holds with ENAIRE as the co-lending institution with various financial institutions totaling 1,172.3 million euros, according to the amortisation repayment schedule set forth.

The decrease of 339.6 million euros in current liabilities is mainly due to "Current payables to Group companies and associates" which has been reduced by 340.4 million euros.

The working capital (usually negative at the Company given its operations and financing) decreases from -712.3 million euros in 2015 to -486.6 million euros at the close of 2016.

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

Following a series of consultations with the Bank of Spain in order to clarify the interpretation and consequences of the provisions of the Circular, it has been confirmed that it introduces a change in the risk weight that credit institutions have been applying until now to the debt of ENAIRE, of which Aena is co-borrower (mirror debt)

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

Some of the financing agreements in which ENAIRE and AENA are co-borrowers, whose outstanding balance at 31 December 2016 amounted to 2,940 million euros (of which 2,804.9 million euros corresponds to debt assigned to Aena, S.A.), include as a possible cause of early maturity at the lender's request a change in the risk weight of the borrower by the Bank of Spain, or in accordance with Spanish banking regulations, for the purpose of the solvency ratio of credit institutions, unless the borrowers compensate the credit institutions affected for the duly proven costs that they might incur for this reason according to the interpretation of the agreements made by the company.

In response to claims received in this respect, Aena has recorded 11.8 million euros as a financial expense in the individual revenue statement for fiscal 2016 to cover the amount of claims received to date from credit institutions as incurred costs as a result of the change in risk weight. While other similar claims by other institutions might be made in the future, it is not possible at this time to estimate their amount.

Furthermore, as a result of the application of the new risk weight, the interest rate applied in the future to the aforementioned loans could be revised upwards. Although the effect of the reviews cannot be estimated at present, taking into account the company's current solvency and liquidity situation and its ability to access new financing, it is estimated that the resulting impact would not be significant.

In line with this assertion, credit rating agencies have supported the financial soundness of Aena, confirming its solvency and creditworthiness. In June 2016, Moody's Investors Service maintained the credit rating assigned to Aena last year (Baa1 with stable outlook), which stands one notch above the rating currently being given by the agency to the Kingdom of Spain. In the same month Fitch Ratings improved its credit rating outlook for Aena from stable to positive (BBB + with a positive outlook). This rating means Aena's credit risk is in a slightly better position than the one this agency currently gives to the Kingdom of Spain and confirms backing for the company's financial soundness. Fitch's positive outlook is based on strong traffic growth, improved company operations and reduced debt levels.

Information on the average supplier payment period of Aena, S.A. is as follows:

Thousand euros	2016 (days)
Average supplier payment period	52
Ratio of transactions paid	54
Ratio of transactions outstanding payment	18

Table 12. Average supplier payment period

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

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

Ratio of paid operations = Σ (number of days of payment * amount of paid operation)/total amount of payments made. Days of payment means calendar days elapsed from the date on which the time-limit commences up to the payment of the operation.

Ratio of outstanding operations = Σ (number of days outstanding payment * amount of outstanding operation) / total amount of outstanding payments. Days outstanding payable means calendar days elapsed from the date on which the time-limit commences until the last day of the period referred to in the financial statement.

To calculate both the number of days of payment and the number of days outstanding payable, the Company calculates the period from the date of the provision of services. However, in the absence of reliable information on the time that this situation occurs, the date of receipt of the invoice is used.

This balance relates to suppliers who furnish goods and services, so it includes the items under the “Trade and other payables” heading in the balance sheet.

(Thousand euros)	Amount
Total payments made	766.900
Total payments outstanding	95.076

Table 13. Balance concerning suppliers

As in 2015, in 2016 average payment periods have been reduced, fully adopting the deadlines set forth by the Act 15/2010. The cases in which a payment has been made outside of the legally stipulated period are due mainly to reasons not attributable to the Company: invoices not received on time, expired AEAT certificates, lack of certificates of proof of supplier bank accounts, etc.

7. Cash flow

Thousand euros	2016	2015	Variation	% Variation
Net cash generated from operating activities	1,772,340	1,523,022	249,318	16.4%
Net cash used in investment activities	-247,541	-209,187	-38,354	18.3%
Net cash generated from/(used in) financing activities	-1,552,825	-1,052,360	-500,465	47.6%
Cash and cash equivalents at the start of the fiscal year	510,784	249,309	261,475	104.9%
Cash and cash equivalents at the end of the period	**482,758**	**510,784**	**-28,026**	**-5.5%**

Table 14. Summary of cash flow statement

During 2016, the Company's financing needs have been met with significant cash flows from operating activities (+1,772.3 million euros) which financed the non-financial fixed asset investment programme (244.3 million euros) and debt amortisation, in addition to generating a positive cash flow balance of 482.8 million euros.

Net cash flow from operating activities

The main cash inflows from operating activities relate to payments from customers, both of the airlines and of lessees of commercial space, while the main outflows involve payments for sundry services received, personnel and local and state taxes. The cash generated by operating activities before changes in working capital have increased significantly in the period (12.8%), to 2,271.9 million euros, from 2,013.6 million euros in 2015. This is mainly due to the Company's improved operations, as reflected in the EBITDA figure of 2,227.0 million euros at the end of 2016 compared to 2,029.7 million euros in 2015.

As for variations in working capital, the variation in the "Debtors and other receivables" balance is a result of a significant improvement in the average collection period, due among other reasons to the fact that the airline Vueling changed its payment terms from 60 days after the date of the invoice to prepaid. The net cash generated by operating activities has grown significantly up to 1,772.3 million euros from 1,523.0 million euros in 2015 as a result of the aforementioned points as well as other factors including the lower amount paid for interest (132.6 million euros in 2016 compared to 223.3 million euros in 2015).

Net cash flow from investment activities

The main outflows from investing activities arise from purchases and replacements of non-financial assets related to airport infrastructure. Net cash used in investment activities in this period amounted to 244.3 million euros compared with 227.2 million euros in the previous year Investment in non-financial fixed assets mainly corresponded to investment in improving facilities and operational security, given that significant investment to increase capacity was not necessary except for that relating to investment projects already underway (see section 5. Investments).

Cash flow from financing activities

The main financing inflows are from ERDF grants at 10.7 million euros. In turn, the main financing outflows correspond to the repayment of principal of the debt corresponding to the mirror debt with ENAIRE as co-borrower institution for the debt. Debt repayments in this year amount to 1,172.3 million euros owing to compliance with the schedule of payments established in the contract. Furthermore, in July 2016 the first dividend distributed by Aena, S.A. was paid amounting to 406.5 million euros.

8. Operating and financial risks

8.1. Description of the main operational risks

Regulatory risks

Aena, S.A. operates in a regulated sector, and any change or future developments to the applicable regulations can have negative impacts on revenues, operating results and the Aena's financial position. 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, in which the minimum service conditions that will be in force in airports in the AENA network are set for the next five years, providing a foreseeable regulatory framework in the medium-term that will enable improved levels of efficiency and competitiveness in terms of airport operations. In this respect, and in relation to airport tariffs, the aforesaid document provides for an annual reduction of 2.22% in the Annual Maximum Revenue per Passenger (IMAP) for that period which will come into force on 1 March 2017.

Annual increases in passenger traffic in the whole of the network by 10 percentage points more than the initially expected annual growth percentage may lead to a modification of DORA.

Additionally, the DORA establishes standards of service quality, implemented through 17 indicators, of which 11 are part of the system of incentives and penalties to encourage continuous quality improvement. These indicators have set a standard minimum quality value demanded a neutral band without incentive or penalty and a maximum level of incentive and penalty. Failure to comply with the quality standards established minimum service associated will involve a sanction in the value of IMAP. Conversely, exceeding these levels will result in a bonus. The penalty / maximum annual bonus applicable to Aena would be a ±2% of IMAP.

Likewise, DORA aims to ensure that airports provide the necessary capacity and that their infrastructure meets adequate capacity levels in good quality conditions, thus ensuring the sufficiency and suitability of the network. The investments required to meet the capacity standards are considered strategic investments and are subject to a penalty scheme in case of non-compliance with the planned start-up dates. The maximum annual penalty applicable to Aena, S.A. would amount to 2% of the annual volume of regulated investment.

Furthermore, since the maintenance of the quality of infrastructure is the responsibility of Aena, S.A., irrespective of the evolution of demand, the additional cost associated with the actions necessary to tailor capacity to actual demand will similarly be borne by Aena, SA.

Finally, the activity of Aena, S.A. 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 those which require significant expenditure.

Operating risks

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

- Economic developments both in Spain and in the main countries that are the source/destination of traffic (United Kingdom, Germany, France and Italy, among others).
- Following the outcome of the referendum in the UK for its departure from the European Union (Brexit) the following risks have been considered, whose final completion is subject to the negotiation process that the British government has to start with the Union Europe to determine the final terms of its departure:
    - Currently, 18.1% of passengers of the airport network of Aena, SA 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. With regard to passengers, the UK already had specific treatment due to not belonging to the Schengen Treaty so an additional impact would be felt. That said, during 2016 the volume of British passengers has not fallen (British passenger growth was 15.7%).

From a commercial revenue viewpoint, the depreciation of the pound against the euro means a loss of purchasing power on the part of British passengers which could affect the sales of commercial concession holders at airports and therefore the revenue of Aena, SA, although an important part of Aena S.A.'s business is ensured by the Minimum Annual Guaranteed Rents agreements.

- 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 revenue of its two main airports.
- Revenues from commercial activities are linked to the sales of commercial areas by tenant companies 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 Company 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.
- Industrial disputes 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 the operation 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 its business.
- Aena’s profitability could be affected if it is unable to maintain its 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 Company is, and will continue to be in the future, exposed to the risk of losing in legal or administrative proceedings in which it is involved, especially in relation to A.S. Madrid-Barajas.

The management bodies of the Company have implemented mechanisms to identify, quantify and cover risk situations. Regardless of the above, the situations that could represent a relevant risk as well as the measures taken in response to them are closely monitored.

8.2. Description of the main financial risks

The activities of the Company are exposed 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 global risk management programme of the Company focuses on the uncertainty of the financial markets and strives to minimise the potential adverse effects on its financial profitability. In very limited cases, the Company uses derivative financial instruments to hedge against certain risk exposures.

The Board of Management provides policies for the management of global risk, as well as for specific areas such as currency risk, interest rate risk, liquidity risk, use of derivatives and investment of liquidity surpluses.

There is a financial debt recognition agreement between Aena, S.A. and its parent company, originating with the non-monetary contribution that gave rise to the creation of Aena, S.A., according to which 94.9% of the parent company’s bank borrowings was initially assumed. On 29 July 2014, the contract was renewed.

The main risks of a financial nature are described below:

Market risk

Exchange rate risk

The company does not usually do significant commercial transactions in a currency other than the euro.

Interest rate risk on cash flows and fair value

The interest rate risk of the Company arises from the financial debt. The loans issued at variable rates expose the Company to interest rate risk in cash flows. The fixed interest rate loans expose the Company to fair value interest rate risk.

The aim of the Company in its interest rate risk management is the optimisation of the financial expense within the established limits, the risk variable being 3 month Euribor, the main benchmark for long-term debt.

In addition, the value of the financial expense risk is calculated for a multi-year horizon and the scenarios for the evolution of rates are established for the period considered.

Financial expenses are mainly due to the financial debt recognised with the parent company. The cost of these derivatives is charged to the Company, given that Aena, S.A. is responsible to the parent company in this proportion for some loans.

In regard to reviewable rate loans, the Company has modified the system for those loans due to be revised in 2016. The revised total amounts to 781,304 thousand euros for EIB loans which are linked to fixed rates with maturity at an average rate of 0.82%.

The Company manages interest rate risk on cash flows by variable to fixed interest rate swaps. On 10 June 2015 a floating to fixed interest rate hedge transaction was entered into for a notional amount of 4,195 million euros. The average spread over 3 and 6 month Euribor of these loans is 1.0379%. The execution fixed rate was 1.9780%. The purpose of this transaction was:

- Adjustment of the fixed rate / variable rate debt structure to comparable companies 79% fixed / 21% variable (previously 50% fixed / 50% variable).
- To have a stable framework of interest rates for the 2017-2021 DORA period.

At 31 December 2016, the total amount of liabilities for interest rate swaps amounted to 129,596 thousand euros (in 2015: 72,217 thousand euros).

At 31 December 2016, if the interest rate of variable loans had increased or decreased by 20 basis points while all other variables remained constant, the pre-tax profit of the year would have been 3,620 thousand euros lower and 3,620 thousand euros higher, respectively (2015: 3,928 thousand euros lower and 3,928 thousand euros higher, respectively). However, the Regulatory Framework established by Act 1/2011 of 4 March, establishing the State Programme for Operational Security for Civil Aviation and modifying Act 21/2003 of 7 July on Aviation Safety, establishes a system of tariff updates that protects Aena SA in the long term, in terms of the regulated part, against increases in costs of financing, while enabling the recovery of its cost of capitals via the remuneration of its asset base according to the legislation in force.

Credit risk

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

Credit risk for trade receivables is low since the main customers are airlines and they are usually paid 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.

The BOE of 5 March 2011 published the Act 1/2011 of 4 March, modifying Act 21/2003 of 7 July on Aviation Safety, allowing the use of legal proceedings for collection, managed by the collection agencies of the State Tax Administration Agency, in the management, settlement and collection of all amounts for public services owed to Aena, S.A. or its subsidiaries.

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 main risk variables are: limitations in financial markets, increase in the projected investment and reduction of the generation of cash flows.

The credit risk policy and the Company's operations in its sector results in highly favourable average collection periods. In addition, the Company has carried out a substantial reduction in costs and needs for investment in the coming years, which have had a positive effect on the Company's cash flow generation. Despite the Company's negative working capital at 31 December 2016 of 486.6 million euros (2015: 712.3 million euros), it has an EBITDA for the year, calculated as the sum of Operating revenue and depreciation and amortisation, of 2,227.0 million euros (2015: 2,029.7 million euros), and it is not considered that there is any risk in meeting short-term commitments, given the positive operating cash flows which have allowed a reduction of the negative working capital in recent years and which the Group expects to continue being positive in the short term.

In addition, on 29 July 2015 the company took up credit lines with banks for 1,000 million euros to address any specific cash needs which are available in their entirety at the end of the financial year 2016 (see Note 15).

Finally, credit rating agencies have endorsed the financial solidity of Aena, confirming its solvency and credit rating. In June 2015, credit rating agency Moody’s Investors Service and Fitch Rating, first assigned acredit rating to Aena. The rating given by Moody's to Aena was “Baa1 with stable outlook”, which represents a rating a grade higher than this agency currently gives to the Kingdom of Spain. On 26 May 2016 Fitch Rating changed the rating outlook from stable to favourable, maintaining the rating awarded at “BBB +”.

In these circumstances, the Company Directors consider that there will be no problem in meeting payment commitments.

9. Litigation

As a result of aircraft overflying the town of Ciudad Santo Domingo (Algete, Madrid), some inhabitants of this area consider that their fundamental rights have been violated due to excessive noise levels in their homes. These residents lodged an appeal for judicial review against Aena, S.A., ENAIRE and the Ministry of Public Works, in which they asked for a cessation of the alleged violation of their rights, which for them would mean stopping the use of runway 18R (one of the four at Adolfo Suárez Madrid-Barajas Airport). At present no court has agreed to this measure. On 31 January 2006, the High Court of Justice in Madrid issued a ruling rejecting the aforementioned appeal for judicial review. An appeal for reversal was filed against this ruling by five of the initial appellants, and the High Court partially accepted this appeal in a Ruling of 13 October 2008 for violation of the right to privacy at home. Subsequently, various declarations and motions for enforcement have taken place that have been appealed by all the parties involved in the proceedings.

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

With respect to this measure, the High Court of Justice in Madrid clarified the following:

- The 30% reduction in the number of overflights must begin within a period not exceeding two months following the notification of the Order, and imposing the obligation to inform the court of the start date. The deadline expired on 5 February 2015.
- Six months after the start of the reduction, ENAIRE, Aena, SA and the Ministry of Public Works are required to inform the court within a period of one month of the impact of the measure on noise levels in the area. In this same one-month period the appellants are required to furnish their own corresponding arguments and measurements in this respect.

The Order of 2 December 2014 has also been the subject of an appeal for reversal before the same chamber of the High Court of Justice in Madrid. Along with the presentation of this appeal, suspension of its execution has been requested with the High Court agreeing to such suspension so that, at present, Adolfo Suarez Madrid-Barajas Airport can continue operating with the same conditions under which it has done thus far, without the need to start reducing the number of flyovers needed over Ciudad Santo Domingo until they are 30% lower than those in place in 2004.

On 9 April 2015, the High Court of Justice in Madrid dismissed all the appeals for review against the ruling passed on 2 December 2014; on 27 April 2015 Aena and ENAIRE filed the preparation of their appeal to the Supreme Court and on 15 June an order of the court clerk was received accepting the appeal as being duly prepared, thus setting a term for it to be lodged. Aena's appeal to the Supreme Court was lodged on 27 July 2015. All the appeals to the Supreme Court against the Order of 2 December 2014, both by Aena and of the rest of the parties involved, were admitted by a Resolution of the Supreme Court of 9 May 2016; at that time the parties were summonsed to formulate their opposition to these appeals. In addition, the residents appealed for reversal of the Order of 18 December 2014 which agreed the suspension of the 30% reduction. This appeal to the Supreme Court was admitted by Order of the Supreme Court of 9 May 2016. Aena was summonsed to file its opposition to these appeals for reversal against the Order of 18 December 2014, and has now filed its opposition.

The Company is analysing the measures to be taken to mitigate the possible economic impact of a potential unfavourable ruling.

10. Human resources

10.1. Workforce details

The workforce at 31 December 2016 is practically stable at 7,297 employees compared to 7,204 employees at 31 December 2015.

In 2016, 99 people joined the workforce on work-experience contracts. Of these, 55% are men and 45% are women.

It is also important to highlight the good results obtained in terms of accumulated productivity of the parent Company, with a notable increase in the passengers/workforce ratio that rose 9.6% in 2016 in comparison with 2015.

10.2. Equality

Of the total number of professionals of the parent Company in Spain, 65% are men and 35% are women. These percentages change if we take into account only executive and line-management posts within the organisation, 44% of which are held by women.

In compliance with the commitment established in the Equality Plan included in the Group's 1st Collective Agreement, as well as the provisions of Organic Act 3/2007, of 22 March, for the Effective Equality of Men and Women, the "Action Protocol for sexual and gender harassment " continues to be applicable.

10.3. Selection

In 2016, three selection processes have been conducted:

a) Constitution of candidates in reserve job boards. Levels D-F.

In July, the selection process was concluded of applicants for reserve candidate pools. The process lasted 10 months. Around 5,300 candidates were considered suitable for carrying out 13 different occupations (levels D to F) in all Aena centres.
This process has been the most wide-ranging in terms of attracting candidates after several years without creating public calls for the selection of external staff.

b) Announcement for internship contracts for University Graduates.

Aena participates in the Youth Empowerment Plan 2014-2016 and the Youth Strategy 2020.
Our commitment to driving these two initiatives, both promoted by the Government of Spain, has led to our announcement of work experience contracts for university graduates.
The aim is to provide work experience that complements academic training and facilitate their integration into the employment market.

With this effort, in May 2016 a selection process was announced for up to 110 work experience contracts for a minimum period of one year and a maximum of two. 2,685 applications were submitted in response, and the process was completed in November with the addition of 99 employees.

c) Scholarships.

Providing continuance to the Youth Emancipation Plan, 105 university students have received scholarships for academic training courses with us, offering the opportunity to acquire a working knowledge of specialised business in-situ, whilst at the same time contributing to their comprehensive training and facilitating their integration into the working world.

10.4. Training, Professional Development and Talent Management

In general, actions have been supported that seek to contribute to the transformation of the organizational culture and the modernization of the management of human resources, increasing motivation, commitment and implication, the improvement of work conditions, development of professional capabilities, diversity and equality, while also maintaining high safety levels in the prevention of occupational hazards.

For this purpose training sessions have been held in this period in various subjects: Operating Safety, European Regulatory Framework for the certification of airports (RE 139/2014), Refresher actions for operating safety, Assistance to the victims of civil aviation accidents and family members, Improvement of the quality perceived by the passenger and enhancing customer excellence, etc.

In this period, a volume of 166,966 training hours were managed, for a total of 5,263 employees, more than 70% of the workforce. At the same time, more than €90,000 were billed for training services aimed at external personnel, for more than 1,600 people from more than 430 different companies.

The talent and commitment of the employees of Aena are the pillars that support the success of its performance and are its best asset for adaptation to the challenges that the company will face in the future.

In 2016, work was continued to consolidate various specific programmes as tools for individual or group professional development, including include two specific programmes:

a) Mentoring

The Mentoring Programme entitled "Leaders developing leaders" continues to grow. In April 2016, the fifth edition was launched. The project has accumulated a total of 135 participants. The mentoring programme is not only a professional development tool; it is also a lever for change that promotes the involvement of different levels of the organisation in the cultural values that we wish to foster.

With this idea, Aena promotes the implementation of some key mechanisms for professional development:

- Transfer of knowledge and know-how.
- Development of key competencies for leadership.
- Promote commitment and cultural transformation.
- Stimulate internal networking.

b) Coaching

25 workers (12 men and 13 women) participated in 2016 in our coaching programme: 15 with internal coaches and 9 with external coaches. Together, they have accumulated 240 hours of professional training.

11. Corporate responsibility

In 2016, with the approval of the Framework Policy on Corporate Responsibility (CR) by the Board of Directors, Aena strengthened its commitment to sustainability, transparency and good governance by proposing a corporate responsibility strategy that puts the company at the forefront of the best practices in this field. Its aims include:

- Integrating CR into its business strategy, aligning it with the new situation and responding to the CNMV's Good Corporate Governance recommendations.
- Contribution to fulfilling the social interest as a fundamental part of the strategy of excellence and improving the company's competitiveness.

11.1. Main actions

Publication of the Annual and Corporate Responsibility Report 2015 created in accordance to the guidelines of the G4 Guide, and following some indications of the International Integrated Reporting Council (IIRC).

Merco, the reference ranking in Spain and Latin America, ranks Aena as the second company in its sector with the best corporate reputation. Amongst the 100 companies with the best reputation, Aena was placed 48th. Moreover, the company achieved third place in its sector in the Merco Talento ranking.

Reinforcement of the positioning and corporate reputation of Aena through the promotion and development of actions related to the dissemination of corporate values and the establishment of strategic alliances. Aena leads the Forética Cluster on Transparency, Good Governance and Integrity.

The launch of the new company website realises the commitment of the company to offer its customers content and useful services, differentiated and constantly updated through the Internet.

The Xavier Tourism Prize 2016 awarded for the company's commitment to responsible tourism by the Faculty of the University Ramon Llull of Barcelona, in acknowledgement of "Aena's work in improving accessibility for travellers" with a special mention for its collaboration on awareness campaigns with the group of travellers affected by ASD (Autism Spectrum Disorder).

The company's management bodies run numerous projects in order to achieve excellence in terms of quality and infrastructure, safety of people and facilities, care for the environment, energy saving and efficiency, planning, and optimisation of management processes and operations.

Fostering innovation and innovative activities.

One example is the launch of the INNOVA channel, a management system of ideas and good innovative practices between and for employees in order to improve services, increase airport capacity and optimise the performance of activity in the field of the environment, airport management, commercial services, facilitation and security, recruitment and joint projects with air navigation.

The Quality and Environment Integrated Management System (SGI) allows monitoring and systematisation of mechanisms that lead to continuous improvement in all processes within the organisation, from an integrated perspective, providing a single certification and the improvement of information for upper management to make strategic decisions.

Aena is committed to publicising its activity and maintains an active and open dialogue with its stakeholders, using all possible internal and external communication channels.

11.2. Environmental protection

Aena's activity requires, by its nature, a model of sustainable performance with the surrounding environment. Respect and care for the environment is one of the company's top priorities. This leads it to implement numerous measures and actions to enable it to:

- Ensure compliance with current environmental regulations.
- Minimise noise pollution
- Promote energy efficiency and renewable energy at airports, allowing in turn to minimise the usage of natural resources.
- Make progress in its environmental management model.
- Protect biodiversity.
- Join the fight against climate change by reducing emissions. In this area special mention can be made of some of the outstanding measures:
- As part of the implementation plan of the Noise Insulation Plans, in 2016, noise insulation was

financed in 1,632 properties, 21,271 since 2000, aiming thus to mitigate the effects of noise and, in turn, respond to the concerns of the people involved.

- The implementation of several measures at airports (installation of fans, selective switch-off in certain areas of the terminal, installation of presence detectors or energy saving systems in escalators) along with raising environmental awareness has meant that despite passenger growth of 11% over 2015 and the uniqueness of the climate, energy use has increased by only 0.9% compared to the previous year.

- Noise assessments: Meetings of the Combined Commissions of the airports of Málaga-Costa del Sol, Seville, Ibiza and Bilbao held to inform about the Noise Easements proposals. Currently, 18 noise insulation plans are underway.

Atmospheric assessment: Renewal of the “Airport Carbon Accreditation” Certifications in the airports of Adolfo Suárez Madrid-Barajas and Barcelona-El Prat on level 2, and Palma de Mallorca, Málaga-Costa del Sol, Menorca and Lanzarote on level 1. Another important aspect is the incorporation in the handling agent contracts of the obligation to reduce the emissions of their vehicles by 20% before 2020, which will positively impact minimisation of greenhouse gas emissions at the airports.

Management of the quality of the land and groundwater of the airports in the Aena network.

In 2016, a sales contract on verified emission reductions of greenhouse gases for the years 2017-2020 was signed as part of the Climate Carbon Fund for a Sustainable Economy Project.

Aware of the potential of renewable energy sources, several major projects have been fostered throughout 2016 including wind energy and PV projects.

11.3. Social performance

Aena assumes its shared responsibility to promote the welfare of the communities in which it operates. Likewise, it pays special attention to policies and practices related to work done by or on behalf of the company (conditions and working hours, pay, equality and work/family life balance). In short, the social performance of the company is reflected in practices affecting the internal and external social dimension of our organisation.

Some of the most outstanding actions are summarised below:

- Internal social dimension

In the internal social dimension area, a new objective is to drive a new balance and benefits programme for employees that improves their work, personal and family lives:

- Call for two tenders that seek to help the employee in vital situations in a comprehensive and professional manner. In situations of birth, death, disability, etc., the employee can use informational and specialised resources to adequately balance and face these situations.

- Along with the two previous programmes, the action protocols and coordination between the different areas of Human Resources involved in the Emotional Support Programme and Prevention and Treatment of Addictive Behaviours have also been consolidated.

- In some centres actions have been implemented to resolve issues involving industrial disputes. These protocols identify areas for improvement in communication, decision making and conflict resolution situations in a dialogue-based and collaborative way and with monitoring, evaluation and impact agreements.

- Through the social aid programme, at the end of the fiscal year the call is published with an economic forecast of €1,250,000 for an estimate of approximately 11,000 aid actions.

- In 2016 Aena organized 253,383 hours of professional training for a total of 6,575 employees (more than 90% of the workforce).

- External social dimension

In the area of the external social dimension, the following points stand out:

- Advances in the projects related to stakeholders, adapting to the needs of strategic planning in this area and to the compliance with the law in matters of disability and social integration. In 2016, the first public call was awarded which allocated €100,000 to employment action programmes in 8 social organisations. The forecast is that these organisations will create 10 jobs for people with disabilities in 2016, 20 in 2017 and 30 in 2018.

- Creation of a new channel to request the care service for People with Reduced Mobility through the Aena app.

- CERMI-AENA Accessibility Seminar with the presentation of the "Care manual for people with disabilities or reduced mobility", whose objective is to provide all bodies and agents involved in passenger assistance and information processes with the care and action guidelines necessary for these users.

- Holding Charitable and Cultural Workshops in Aena work centres.

More than 10 social organisations that run special employment centres or occupational integration companies or work for fair trade.

- Inclusion of Lanzarote Airport in the network of charitable places. In the Charitable Places Programme, average employment was more than 70% and over 30 different organisations participated.
- Collaboration by workers through donations or other initiatives.
- Participation of 235 professionals in training programmes for International Cooperation, with a total investment of €195,000 and a level of satisfaction of 9.8 points out of 10.
- More than 20 different institutions come together in the Adolfo Suarez Madrid Barajas Airport Solidarity Event.

12. Stock performance

The price performance of Aena, S.A. during 2016 has been very positive, with a rise of 23.0% to 129.65 euros per share compared to the evolution of the IBEX35, which fell by 2.0%. During this period Aena, S.A. stock peaked at 136.00 euros and registered a minimum of 94.07 euros.

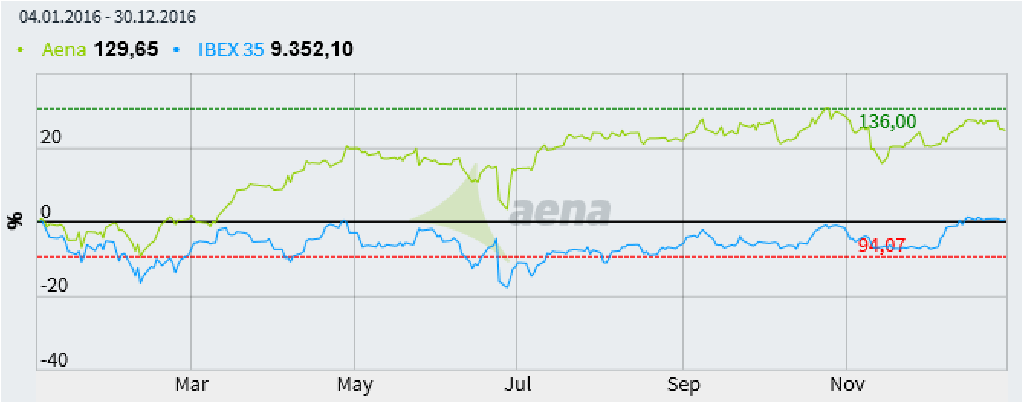


Figure 6. Stock performance of the company

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

2016 (31/12/2016)	Aena, S.A.
Total volume traded (no. shares)	148,374,306
Daily average volume traded in the period (no. shares)	577,332
Market capitalisation €	19,447,500,000
Closing price €	129.65
Number of shares	150,000,000
Free Float (%)	49%
Free Float (shares)	73,500,000
Turnover	201.9%

Table 15. Main data on Aena's evolution

In connection with the acquisition and disposal of treasury shares at 31 December 2016, Aena, S.A. does not own treasury shares so there has been no impact for this reason on either the yield obtained by the shareholders or on the value of the shares.

13. Other events

The Council of Ministers of 27 January 2016 approved the Airport Regulation Document (DORA) for the five years from 2017 to 2021, which is the basic instrument that defines the minimum conditions necessary to ensure accessibility, adequacy and appropriateness of airport infrastructures and the adequate provision of basic airport services in Aena network airports.

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

- The tariff path, with the establishment of a maximum annual 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 tariffs will undergo an annual decrease of 2.22% over the period 2017-2021.

- 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

- The levels of service quality, as well as a system of incentives and penalties to ensure compliance with them.

DORA sets a dual till mechanism meaning that the costs of basic airport services subject to public charges can be covered solely with the revenues generated by these services.

DORA establishes the strategic guidelines for Aena in the period 2017-2021, namely:

- Viable and efficient management of the airport network
- The provision of airport services under the most appropriate conditions of quality and safety
- Environmental sustainability while ensuring the public's mobility
- Social and territorial cohesion.

The main elements and conditions applicable to the services provided by Aena during the five years 2017-2021 are detailed below.

Traffic forecasts

In recent years, traffic at Aena airports has experienced a recovery that culminated in 2016 with an increase of 11% in passenger traffic figures.

The forecasts contained in the 2017-2021 DORA reflect growth expectations based on the macroeconomic environment and the data for the historical records, which are summarised below:

Traffic	2015	2016	2017	2018	2019	2021	2021
Passengers (in millions)	207.4	230.2	241.6	244.4	246.7	248.6	250.0
%	5.9%	11.0%	5.0%	1.1%	1.0%	0.8%	0.6%
Operations (in thousands)	1,903.0	2,045.0	2,134.6	2,154.9	2,171.1	2,184.7	2,194.7
%	3.8%	7.5%	4.4%	0.9%	0.8%	0.6%	0.5%
Freight (in millions of kg)	715.6	795.6	827.2	853.7	880.2	906.7	931.7
%	4.8%	11.2%	4.0%	3.2%	3.1%	3.0%	2.8%
ATU* (millions)	404.9	442.7	463.4	468.4	472.6	476.1	478.8
%	4.9%	9.3%	4.7%	1.1%	0.9%	0.7%	0.6%

* ATU: Passengers (10 * tonnes of freight) + (100 * operations)

Table 16. Traffic forecast. Source: DORA 2017-2021

As established in Annex VIII of Act 18/2014, in its seventh paragraph, variations in the number of passengers in relation to the values planned and established in DORA are at the risk and expense of Aena, unless exceptional situations occur under the terms defined by DORA.

In this respect, the 2017-2021 DORA establishes as an exceptional situation an annual increase of passenger traffic in the whole network which exceeds by 10 percentage points the values initially provided during any of the years contained within the period.

This could lead to a modification of DORA for the purposes of reversing the revenue system generated by the increase in traffic compared to forecast values.

Capacity standards

Aena has made major efforts in recent years that have allowed it to build the capacity of Spanish airports to meet the future demands of airlines and passengers.

The current capacity is more than 335 million passengers a year, and it is estimated that this figure will increase after the implementation of investments planned for expansion projects over the five-year period to reach 338 million passengers a year.

The DORA reflects the value of the indicators corresponding to the overall capacity of the network, the current maximum capacity per airport and infrastructure and the level of use envisaged for each year of the five-year period. Regardless of the validity of existing indicators, Aena shall perform all actions necessary to ensure the capacity of the infrastructure in adequate quality conditions.

Quality standards

In order to ensure that airport services continue to be provided with their current high levels of quality, Aena will implement a comprehensive quality plan to ensure the highest standards that will be measured through a series of indicators.

Quality will be measured in five areas using 17 indicators, 11 of which are subject to a system of incentives or penalties as detailed below:

- Satisfaction perceived by passengers, comprising the following indicators:
  - SPAX-01 Overall passenger satisfaction
  - **SPAX-02 Satisfaction with cleanliness at the airport**
  - **SPAX-03 Satisfaction with guidance at the airport**
  - SPAX-04 Passenger satisfaction with physical security
  - **SPAX-05 Satisfaction with comfort in boarding areas**
  - **SPAX-06 Satisfaction with passengers with reduced mobility (PRM) accessibility**
- Waiting time in passenger processing points which includes as indicators:
  - **TEPP-01 Waiting time in passenger security control**
  - **TEPP-02 Waiting time until the delivery of the last baggage item**
- Availability of equipment on the land side, which includes:
  - **DEET-01 Availability of electro-mechanical equipment, luggage reclaim belts and Baggage Handling Systems (STE)**
  - DEET-02 Availability of Automatic baggage handling system (SATE)
  - DEET-03 Availability of systems connecting terminals (APM)
- Availability of equipment on the air side, with these indicators:
  - **DELA-01 Availability of parking spaces**
  - **DELA-02 Availability of boarding air bridges**
  - **DELA-03 Service availability and continuity of communications, navigation and surveillance (CNS)**
- Other key areas, including:
  - **OTAC-01 Response time to complaints on airport management**
  - OTAC-02 Delays due to airport infrastructure
  - OTAC-03 Additional time on taxiways

The indicators highlighted in bold are subject to incentive or penalty

The indicators will be used to monitor the performance of Aena in the area of quality of service. Should this performance be reduced below certain minimum levels, a penalty will be incurred in the value of the maximum annual revenue per passenger (IMAP). Conversely, if the values of the indicators are exceeded a bonus will be paid in line with the IMAP.

The maximum range of incentives or penalties for quality is between +2% and -2% of the value of the IMAP at the network level. For the calculation on an individual level of each airport the 2% limit for bonuses is maintained, establishing a limit of -5% for penalties.

The value of the incentive or penalty for each airport will be the sum of the contributions of each of the indicators, bearing in mind the fact that they all have the same specific weight.

Investments

Investments will respond to the standards of capacity and service levels commensurate with traffic forecasts contained in the DORA, respecting the limit established under which the maximum average annual investment in the period 2017-2021 will be 450 million euros.

Regulated investment related to basic airport services amounts to 2,185 million euros for the five years, with the following annual breakdown:

Million euros	2017	2018	2019	2020	2021	Total for the period	Annual average
Regulated investment	365.6	373.0	429.2	514.3	503.3	2,185.4	437.1

Table 17. Regulated investment Source: DORA 2017-2021

The investments to be made will be classified into the following groups:

- Strategic, necessary to meet DORA standards capacity, as well as those that the Ministry of Public Works considers essential to ensure the public interest. These are mandatory, their scope or date of application cannot be changed and they must be completed on the dates indicated in DORA. Any delay in implementation will result in the corresponding adjustment to the IMAP.

  The penalty will be triggered when there is a delay of more than three months with respect to the completion date set, The maximum value of the penalty will not exceed 2% of the total amount of the annual programme of all investments in the network, while the annual ceiling for each strategic investment penalty will be up to 5% of its annual programme. Once the three-month grace period mentioned has elapsed, penalty amounts will begin to be effectively recorded for a maximum period of 4 months. The monthly penalty amount to be applied to each investment is a quarter of 5% of its annual programme. Once the four-month penalty period has ended, the maximum penalty of 5% will have been reached and thus longer delays would not increase the amount to be penalised.
- Regulatory, derived directly or indirectly from national or European regulatory obligations. They must strictly comply with the conditions that make them necessary.
- Relevant, which due to their functional necessity or the volume they represent for an airport require differentiated monitoring. Cancelling them in part or whole or changing their scope or term will require prior authorisation from the DGCA.
- Other investments, mainly designed to ensure the proper functioning of the airport and undertake actions that are difficult to predict.

Type of investment (million euros)	Total 2017-2021	
Strategic	462.88	21.2%
Regulatory	726.60	33.2%
Relevant	258.18	11.8%
Other investments	442.86	20.3%
Budget replenishment	294.89	13.5%
Total for the DORA period	**2,185.41**	**100%**

Table 18. Type of investment. Source: DORA 2017-2021

In the event that Aena were to implement a lower investment volume relative to the total amount recognised for the period, the regulated asset base (RAB) will be adjusted downward over the next five years. By contrast, a greater volume of investment will not result in adjustments to the RAB for the next period. The RAB values provided for the five years 2017-2021 will not be adjusted in any case during the regulatory period.

Any deviation in the investment executed in relation to the investment programmed that produces a capital gain will result in a corresponding adjustment in the next regulatory period.

Operating and cost of capital

They determine the value of the X component that makes it possible to set the variation path for IMAP and thus for airport charges.

These costs combine the efficiency conditions established in Act 18/2014 and acknowledged by the regulator and which under the dual till are for basic airport services, except in 2017 in which a reduction equivalent to 20% of the profit margin of the services subject to private prices in the terminal area will be applied.

Operating Costs
This item includes personnel and supply expenses, along with other operating expenses. The recognised annual amount ensures that the ratio of operating costs per ATU for each year of the five-year period is less than the value in 2014, as established in Transitional Provision Six of Act 18/2014.

Operating expenses are the sum of operating costs, amortisation and depreciation, provisions for credit losses and risks, impairments and disposals and costs arising from the implementation of safety regulations enacted after 2014.

Operating costs and expenses for the period are shown in the following table:

Million euros	2014	2017	2018	2019	2021	2021
Operating costs		**1,221.6**	**1,232.9**	**1,242.3**	**1,250.1**	**1,256.1**
ATU (millions)		*463.4*	*468.4*	*472.6*	*476.1*	*478.8*
OPEX/ATU ratio	*2.707*	*2.64*	*2.63*	*2.63*	*2.63*	*2.62*
Provisions for insolvency and risks		**6.7**	**6.7**	**6.7**	**6.6**	**6.6**
Impairments and disposals		**5.2**	**5.2**	**5.2**	**5.2**	**5.2**
New security regulations		**17.9**	**18.1**	**18.3**	**18.5**	**18.6**
Amortisation		**631.0**	**622.0**	**591.2**	**600.2**	**608.4**
Operating expenses		**1,882.4**	**1,884.8**	**1,863.6**	**1,880.6**	**1,894.9**

Table 19. Operating costs and operating expenses. Source: DORA 2017-2021

Operating expenses recognised are prospective so any unexceptional deviation is to be borne by Aena and does not produce changes in the maximum revenue allowed per passenger. Therefore, DORA introduces incentives to improve efficiency on the part of Aena.

Cost of capital

It corresponds to the result of applying the pre-tax weighted average cost of capital ($WACC_{BT}$) to the average value of the RAB defined for each one of the five years.

The value of the RAB recognised in the period stated is contained in the following table:

Million euros	2017	2018	2019	2020	2021
Average Regulated Asset Base (BAR)	10,996.1	10,491.6	10,305.4	10,199.3	10,122.1

Table 20. Regulated Asset Base (BAR). Source: DORA 2017-2021

The $WACC_{BT}$ used for the calculation of the cost of capital is 6.98% and is constant for the five-year period, as it has been calculated by applying the Capital Asset Pricing Model (CAPM) method.

The cost of capital recognised in each year of the five-year period is shown in the following table:

Million euros	2017	2018	2019	2020	2021
Average (BAR)	10,996.1	10,491.6	10,305.4	10,199.3	10,122.1
$WACC_{BT}$	6.98%	6.98%	6.98%	6.98%	6.98%
Cost of capital	**767.5**	**732.3**	**719.3**	**711.9**	**706.5**

Table 21. Cost of capital. Source: DORA 2017-2021

Limit on annual revenue per passenger

The X component defines the maximum revenue growth corresponding to basic airport services during the five years. Its application sets the value of the maximum annual revenue per passenger (IMAP) and tariff guidelines for the next five years.
The estimation of the X component ensures that the present value of the revenue of Aena basic airport services during the regulatory period allows for the recovery of the costs incurred in providing these services. These costs are called Required Regulated Revenues (IRR) and are the sum of operating costs and cost of capitals.

The estimate of the value of X component is as follows:

Estimate IRR (million euros)	2016	2017	2018	2019	2021	2021
Operating expenses		**1,882.4**	**1,884.8**	**1,863.6**	**1,880.6**	**1,894.9**
Cost separation adjustment		-31.5	-38.8	-38.5	-38.4	-38.1
Operating expenses after adjustment		**1,850.9**	**1,846.1**	**1,825.2**	**1,842.2**	**1,856.9**
Expenses for private prices in terminals		51.8	0.0	0.0	0.0	0.0
Revenue for private prices in terminals		-180.6	0.0	0.0	0.0	0.0
Subsidies charged in terminal		-32.8	-32.3	-28.2	-27.1	-26.1
Cost of capital (PPP)		**767.5**	**732.3**	**719.3**	**711.9**	**706.5**
$WACC_{BT}$		6.98%	6.98%	6.98%	6.98%	6.98%
BAR		10,996.1	10,491.6	10,305.4	10,199.3	10,122.1
Required Regulated Revenues (IRR)		**2,456.7**	**2,546.1**	**2,516.3**	**2,527.0**	**2,537.2**
Present value of IRR (2017-2021)	**10,316.2**					
Estimate of anticipated revenues and X	***2016***	***2017***	***2018***	***2019***	***2021***	***2021***
Expected revenue		**2,575.5**	**2,547.2**	**2,514.3**	**2,477.0**	**2,436.0**
Number of passengers (millions)		241.6	244.4	246.7	248.6	250.0
$IMAP_t$	10.90	10.66	10.42	10.19	9.96	9.74
X value		**-2.22%**	**-2.22%**	**-2.22%**	**-2.22%**	**-2.22%**
Present value of expected revenues (2017-2021)	**10,316.2**					

Table 22. Estimation of the value of the X component. Source: DORA 2017-2021

Note: the cost separation adjustment includes reallocating costs of basic airport services to services subject to private prices applied to Aena's cost accounting in the DORA 2017-2021 for regulatory purposes.

Furthermore, on 21 February 2017 the Board of Directors of Aena, S.A., approved the following commercial incentive scheme for the DORA period:

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

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

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

For the 2017 summer season, the first season in which the new incentives scheme is applicable and which for the purposes of this scheme begins on 1 April 2017 and ends on 31 October 2017, and for the 2017 winter season which also for the purposes of this scheme runs from 1 November 2017 to 31 March 2018, the discount applicable in the case of the first two incentives (for new routes and growth in the number of passengers on existing routes) will be 75% of the public charges for passenger departures in the first season and 25% in the following equivalent season.

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

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

The most important aspects in relation to the incentives in force in 2016 are the following:

- The incentive consisting of a discount for routes to destinations that are not served is maintained.

- The growth incentive for existing short and medium-haul routes will apply only to those airports and segments that require an additional stimulus to foster demand, which for 2017 means those with annual traffic below 3 million passengers, while the previous incentive was generally applied to all airports in the network.

- The percentage discount in the incentive for growth in the number of passengers increases. Previously it consisted of a discount on the public charges for passenger departures of 50% in the first year and 25% in the following year if the carrier maintained at least the number of passengers. These percentages are now 75% and 25% respectively and are recorded by seasons instead of calendar years.

- A specific incentive for passenger growth in the low season of seasonal airports is added.

APPENDICES:

I. Financial statements for the year ended on 31 December 2016
II. Summary of Price Sensitive Information issued in 2016
III. Annual Corporate Governance Report

APPENDIX I: I. Financial statements for the year ended on 31 December 2016

State of the financial position for the year ended on 31 December 2016 and 2015

Thousand euros	2016	2015
ASSETS		
Non-current assets		
Intangible assets	86,754	91,698
Fixed assets	13,369,417	14,697,883
Property Investment	135,690	165,265
Long-term investments in group and associated companies	165,032	165,032
Long-term financial investments	58,877	54,421
Non-current commercial debt	2,599	-
Deferred tax assets	131,710	120,642
	13,950,079	**15,294,941**
Current assets		
Inventories	7,026	6,084
Trade receivables and other receivables	398,705	431,842
Short-term investments in group and associated companies	1,319	52,992
Short-term financial investments	1,630	2,658
Short-term accruals and prepayments	5,939	6,903
Cash and cash equivalents	482,758	510,784
	897,377	**1,011,263**
Total assets	**14,847,456**	**16,306,204**
NET EQUITY AND LIABILITIES		
Shareholders' Equity	**5,023,844**	**4,282,312**
Capital	1,500,000	1,500,000
Share premium	1,100,868	1,100,868
Legal reserve	184,393	103,225
Other reserves	1,090,522	766,543
Profit/loss for the year	1,148,061	811,676
Valuation change adjustments	-97,262	-55,427
Subsidies, donations and legacies received	436,985	457,687
Total net equity	**5,363,567**	**4,684,572**
Liabilities		
Non-current liabilities		
Long-term provisions	142,235	1,153,368
Long-term deposits received	89,203	63,605
Long-term debt	104,342	47,332
Long-term debt in group and associated companies	7,487,181	8,309,752
Long-term accruals and prepayments	125,917	166,108
Liabilities for deferred tax	151,038	157,939
	8,099,916	**9,898,104**
Current liabilities		
Short-term provisions	128,468	119,095
Short-term debt	129,964	134,833
Short-term debt in group and associated companies	813,019	1,153,403
Trade creditors and other accounts payable	273,082	278,428
Short-term accruals and prepayments	39,440	37,769
	1,383,973	**1,723,528**
Total liabilities	**9,483,889**	**11,621,632**
Total net equity and liabilities	**14,847,456**	**16,306,204**

Table 23. State of the financial position for the year ended on 31 December 2016 and 2015

APPENDIX I: I. Financial statements for the year ended on 31 December 2016

Profit and loss statement for the year ended on 31 December 2016 and 2015

Thousand euros	**2016**	**2015**
Continuing operations		
Net Business Turnover	3.508.705	3.244.781
Other operating income	7.598	8.312
Own work capitalised	4.323	4.212
Supplies	-182.188	-182.822
Personnel expenses	-349.806	-321.684
Other operating expenses	-806.043	-775.075
Fixed asset depreciation	-778.158	-786.711
Release of non-financial fixed asset grants and other	41.590	45.928
Excess provisions	8.831	7.913
Impairment and loss on disposal of fixed assets	-6.039	-1.849
Operating profit/loss	**1.448.813**	**1.243.006**
Financial revenue	205.352	6.985
Financial expenses	-105.208	-193.866
Other net financial revenue / (expenses)	-44.477	-25.126
Net financial expense	**55.667**	**-212.007**
Profit/loss before tax	**1.504.480**	**1.030.999**
Revenue tax	-356.419	-219.323
Profit/loss for the year from ongoing operations	**1.148.061**	**811.676**
Profit/loss for the year	**1.148.061**	**811.676**

Table 24. Profit and loss statement for the year ended on 31 December 2016 and 2015

APPENDIX I: I. Financial statements for the year ended on 31 December 2016

Statement of cash flows for the year ended on 31 December 2016 and 2015

Thousand euros	**2016**	**2015**
Profit/loss before tax	**1,504,480**	**1,030,999**
Adjustments for:	**767,410**	**985,571**
- Fixed asset depreciation	778,158	786,711
- Impairment adjustments	7,845	3,351
- Attribution of grants	-41,590	-45,928
- Profit/loss on disposals and sales of fixed assets	6,438	6,835
- Profit/loss on disposals and sales of financial instruments	0	-97
- Financial revenue	-205,352	-6,985
- Financial expenses and exchange rate differences	105,213	193,886
- Variation in the fair value of financial instruments	44,472	25,203
- Change in provisions	74,484	17,816
- Other	-2,258	1,779
Changes in working capital:	**-66,934**	**-107,042**
- Inventories	-942	585
- Debtors and other receivables	30,825	-43,023
- Other current assets	1,026	-125
- Creditors and other payables	-53,683	-56,240
- Other current liabilities	-42,947	0
- Other non-current assets and liabilities	-1,213	-8,239
Other cash flow from operating activities	**-432,616**	**-383,506**
Interest paid	-132,624	-223,324
Interest receivable	1,493	2,745
Payments/recoveries of corporate revenue taxes	-301,485	-162,927
Net cash generated from operating activities	**1,772,340**	**1,523,022**
Cash flows from investment activities		
Payments for investments	**-248,166**	**-238,307**
Intangible assets	-16,120	-13,066
Property, plant and equipment	-226,799	-214,066
Investment properties	-1,346	-87
Other financial assets	-3,901	-11,088
Payments received from divestment	**625**	**29,120**
Companies in the group and associates	614	28,699
Other assets	11	421
Net cash used in investment activities	**-247,541**	**-418,374**
Cash flow from financing activities		
Collections and payments from equity instruments	10,665	22,287
Collections and payments from liabilities	-1,157,124	-1,074,647
Payments for dividends and remuneration of other instruments	-406,366	0
Net cash generated from/(used in) financing activities	**-1,552,825**	**-1,052,360**
Net increase/decrease/ in cash or cash equivalents	**-28,026**	**261,475**
Cash and cash equivalents at start of the year	**510,784**	**249,309**
Cash and cash equivalents at the end of the year	**482,758**	**510,784**

Table 25. Statement of cash flows for the year ended on 31 December 2016 and 2015

APPENDIX II: Summary of Price Sensitive Information issued in 2016

Register	Date	Type of Event	Description
234765	10/02/2016	Calls for meetings or informative events	The company sends notices informing of the scheduled date and time for publishing Aena S.A. results for the January-December 2015 period.
235174	23/02/2016	Interim financial information	The company sends information on results for the second half of 2015.
235176	23/02/2016	Information on results	Presentation of results for FY 2015.
235178	23/02/2016	Information on dividends	The Board of Directors of Aena, S.A. has agreed to propose to the General Shareholders' Meeting the approval of the distribution of a dividend charged to FY 2015 profit.
235364	25/02/2016	Annual Corporate Governance Report	The company submits the Annual Corporate Governance Report for FY 2015.
235497	26/02/2016	Annual report on Board member compensation	The Company submits the Annual Report on Board member compensation for FY 2015.
236058	08/03/2016	Other on business and financial situation	Notice of approval by the Board of Directors of Aena, S.A., in a meeting held today, of the final proposal for the Airport Regulatory Document.
237631	21/04/2016	Calls for meetings or informative events	The company sends notices informing of the scheduled date and time for holding the conference-call on presentation of the results of Aena, S.A. for the January-March 2016 period.
237778	26/04/2016	Calls for meetings or informative events	Due to a last minute change by our conference-call service provider, the phone number for access from the UK to the conference-call on first quarter results 2016 has been changed.
237849	27/04/2016	Interim financial information	The company sends information on results for the first quarter of 2016.
239041	24/05/2016	Calls and resolutions of Boards and General Shareholders' Meetings	The company announces a Board of Directors resolution approving the calling of the General Shareholders' Meeting.
239096	26/05/2016	Calls and resolutions of Boards and General Shareholders' Meetings	The company announces the calling of the General Shareholders' Meeting.
239139	27/05/2016	Credit ratings	Fitch Ratings has confirmed the credit rating of AENA, S.A. (BBB+), improving its outlook from stable to positive.
240219	28/06/2016	Resolution of court or administrative proceedings	Supreme Court ruling on revaluation of properties expropriated at Madrid-Barajas Airport.
240243	28/06/2016	Calls and resolutions of Boards and General Shareholders' Meetings	The company announces the approval of resolutions of the General Shareholders' Meeting.
240244	28/06/2016	Information on dividends	Approval of dividend payment.
240306	29/06/2016	Resolution of court or administrative proceedings	Supreme Court rulings on revaluation of properties expropriated at Madrid-Barajas Airport.
240950	19/07/2016	Calls for meetings or informative events	Aena, S.A. announces the holding of the presentation of earnings corresponding to the first quarter of 2016.
241242	26/07/2016	Interim financial information	The company sends information on results for the first half of 2016.
241253	26/07/2016	Information on results	Information on earnings 1H 2016
243137	27/09/2016	Composition of the Board of Directors	The company notifies a change to the composition of the Board of Directors
243776	19/10/2016	Calls for meetings or informative events	Aena, S.A., announces the holding of the presentation of earnings corresponding to the third quarter of 2016.
243995	25/10/2016	Interim financial information	The company sends information on results for the third quarter of 2016.
243997	25/10/2016	Information on results	Presentation of results corresponding to the first nine months of 2016
244002	25/10/2016	Composition of the Board of Directors	Communication of the appointment of a new proprietary director of the company

Table 26. Summary of Price-sensitive Facts

APPENDIX II: Annual Corporate Governance Report

Aena's Annual Corporate Governance Report for 2016 is part of the Management Report and from the date of publication of the financial statements is available on the website of the National Securities Market Commission and on the website of Aena.

PREPARATION OF THE INDIVIDUAL FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2016

On 21 February 2017, in accordance with the requirements of article 253 of the Corporate Enterprises Act and article 37 of the Code of Commerce, the Board of Directors of the company Aena S,A, has prepared the Individual Financial Statements and the Directors' Report for the financial year to 31 December 2016, which comprise the attached documents that precede this statement.

Position	Name	Signature
Chairman	Mr José Manuel Vargas Gómez	
Director	Mr José María Araúzo González	
Director	Ms Pilar Arranz Notario	
Director	Mr Juan Miguel Báscones Ramos	
Director	Mr Rodrigo Madrazo García de Lomana	
Director	Ms Tatiana Martínez Ramos e Iruela	
Director	Mr Francisco Javier Martín Ramiro	
Director	TCI Advisory Services, LLP, represented by Mr Christopher Anthony Hohn[1]	
Director	Mr Simón Pedro Barceló Vadell	
Director	Mr Eduardo Fernández-Cuesta Luca de Tena	
Director	Mr Juan Ignacio Acha-Orbea Echeverría	
Director	Ms Pilar Fabregat Romero	
Director	Mr Amancio Lopez Seijas	
Director	Mr Jaime Terceiro Lomba	
Director	Mr Jose Luis Bonet Ferrer[2]	
Secretary (non-Director):	Mrs Matilde García Duarte	

[1] Mr Christopher Hohn's signature is not included as even though he prepared these financial statements, he was not present at the time of their signature since he has attended the meeting of the Board of Directors by telephone, and there is no record of is disagreement.

[2] Due to the impossibility of attending the meeting of the Board of Directors, he delegates his vote to Mr Juan Ignacio Acha-Orbea Echeverría.