AENA SME, SA

Financial Statements and Management Report for the financial year ended 31 December 2017.

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

BALANCE SHEET AS OF DECEMBER 31, 2017 AND 2016
(Expressed in thousand euros)

ASSETS

	Note	2017	2016
NON-CURRENT ASSETS			
Fixed intangible assets	**6**	**98,809**	**86,754**
Development		-	110
Fixed intangible assets, concession agreement		10,741	11,338
Software		34,121	35,707
Other fixed intangible assets		1,719	2,596
Property, plant and equipment under construction		52,228	37,003
Fixed assets	**7**	**12,968,405**	**13,369,417**
Land and buildings		10,823,913	11,143,925
Plant and machinery		400,080	416,385
Other facilities, tools and furnishings		1,477,849	1,670,466
Other fixed assets		2,754	1,636
Property, plant and equipment under construction		263,809	137,005
Investment properties	**8**	**135,108**	**135,690**
Land and buildings		134,892	135,435
Other installations		216	255
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**	**71,686**	**58,877**
Equity instruments		180	180
Other financial assets		71,506	58,697
Non-current commercial debts		**2,830**	**2,599**
Long-term credit right	**10**	2,830	2,599
Deferred tax assets	**22**	**111,963**	**131,710**
TOTAL NON-CURRENT ASSETS		**13,553,833**	**13,950,079**
CURRENT ASSETS			
Inventories	**17**	**6,457**	**7,026**
Trade and other receivables	**13**	**315,171**	**398,705**
Trade receivables for sales and services rendered	**10-13**	282,722	258,569
Clients, group and associated companies	**10/12/2013**	70	75
Sundry debtors	**10-13**	7,423	7,425
Staff	**10-13**	371	321
Current tax assets	**13–22**	34	110,456
Other receivables from public administrations	**13–22**	24,551	21,859
Short-term investments in group and associated companies	**10-12**	**2,790**	**1,319**
Credits to companies	**12**	2,790	1,319
Short-term financial investments	**14**	**1,613**	**1,630**
Credits to companies	**10-12**	195	218
Other financial assets	**10**	1,418	1,412
Short-term accruals and prepayments	**20**	**5,639**	**5,939**
Cash and other similar liquid assets	**18**	**718,115**	**482,758**
TOTAL CURRENT ASSETS		**1,049,785**	**897,377**
TOTAL ASSETS		**14,603,618**	**14,847,456**

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

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

BALANCE SHEET AS OF DECEMBER 31, 2017 AND 2016
(Expressed in thousand euros)

NET EQUITY AND LIABILITIES	Note	2017	2016
NET EQUITY			
Own equity	**19**	**5,669,083**	**5,023,844**
Share capital	**19a**	1,500,000	1,500,000
Share premium	**19b**	1,100,868	1,100,868
Capitalisation Reserve	**19b**	70,566	42,406
Legal Reserves	**19b**	299,198	184,393
Other reserves	**19b**	1,478,700	1,048,116
Profit/Loss for the year	**19b**	1,219,751	1,148,061
Valuation change adjustments	**19c**	**(61,992)**	**(97,262)**
Hedging transactions		(61,992)	(97,262)
Grants, donations and bequests received	**7-19d**	**414,060**	**436,985**
TOTAL EQUITY		**6,021,151**	**5,363,567**
NON-CURRENT LIABILITIES			
Long-term provisions	**21**	**79,547**	**142,235**
Long-term obligations for benefits to personnel		8,646	8,596
Environmental action		46,800	63,254
Other provisions		24,101	70,385
Long-term deposits received	**10**	**102,483**	**89,203**
Long-term debt	**10**	**708,183**	**104,342**
Debts with lending entities	**10-15b**	649,888	-
Financial lease creditors	**9-10**	12,240	13,822
Derivatives	**10-15c**	45,645	90,031
Other financial liabilities		410	489
Long-term debt in group and associated companies	**10/12/2015**	**6,104,218**	**7,487,181**
Long-term accruals and prepayments	**20**	**85,325**	**125,917**
Deferred tax liabilities	**22**	**143,396**	**151,038**
TOTAL NON-CURRENT LIABILITIES		**7,223,152**	**8,099,916**
CURRENT LIABILITIES			
Short-term provisions	**21**	**83,867**	**128,468**
Short-term debt	**10**	**273,203**	**129,618**
Debts with lending entities	**10-15b**	1,848	-
Financial lease creditors	**9-10**	1,582	1,544
Derivatives	**10-15c**	37,010	39,475
Other financial liabilities	**10**	232,763	88,599
Short-term debt in group and associated companies	**10/12/2015**	**684,646**	**813,365**
Trade creditors and other accounts payable	**16**	**277,102**	**273,082**
Trade creditors, group and associated companies	**10/12/2016**	26,213	33,510
Sundry payables	**10-16**	149,437	145,955
Staff	**10-16**	30,141	19,289
Others debts with Public Administrations	**16-22**	21,194	23,045
Prepayments from customers:	**10-16**	50,117	51,283
Short-term accruals and prepayments	**20**	**40,497**	**39,440**
TOTAL CURRENT LIABILITIES		**1,359,315**	**1,383,973**
TOTAL EQUITY AND LIABILITIES		**14,603,618**	**14,847,456**

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

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

PROFITS AND LOSS STATEMENT FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017 AND 2016
(Expressed in thousand euros)

ONGOING TRANSACTIONS	Note	2017	2016 (*)
Net turnover	**23b**	**3,754,904**	**3,508,705**
Own work capitalised	**7**	**4,432**	**4,323**
Supplies	**23a**	**(175,920)**	**(182,188)**
Consumption of raw materials and other consumable materials		(1,054)	(613)
Works carried out by other companies		(174,866)	(181,575)
Other operating income		**10,689**	**7,598**
Sundry and other operating revenues		10,391	7.491
Operating grants taken to income		298	107
Personnel expenses	**23c**	**(367,425)**	**(349,806)**
Wages, salaries and other payroll costs		(268,071)	(250,706)
Social security charges		(103,681)	(100,598)
Provisions		4,327	1,498
Other operating expenses		**(810,608)**	**(806,043)**
Outside services	**23d**	(665,380)	(644,862)
Taxes	**23e**	(149,145)	(146,463)
Losses, impairment and changes in provisions for commercial transactions	**13**	6,072	(7,845)
Other ordinary expenses		(2,155)	(6,873)
Fixed asset depreciation	**6-7-8**	**(755,230)**	**(778,158)**
Capital grants taken to income	**19d**	**42,504**	**41,590**
Excess provisions	**23G**	**8,905**	**8,831**
Impairment and profit/loss on fixed asset disposals		**(7,122)**	**(6,039)**
Profits/losses from disposals and others		(10,092)	(6,438)
Other results		2,970	399
OPERATING PROFIT/LOSS		**1,705,129**	**1,448,813**
Financial income	**23F**	**7,056**	**205,352**
From tradable securities and other financial instruments			
- from group and associated companies		867	4
- Of third parties		5,664	204,686
Capitalisation of finance charges	**6-7**	525	662
Financial expenses	**23F**	**(117,966)**	**(149,680)**
- from debts with group and associated companies	**15, 19c**	(104,727)	(139,797)
- For debts with third parties		(13,120)	(9,423)
- For updating provisions	**21**	(119)	460
Translation differences	**23F**	**12**	**(5)**
FINANCIAL PROFIT/LOSS	**23F**	**(110,898)**	**55,667**
PROFIT /LOSS BEFORE TAX		**1,594,231**	**1,504,480**
Profits Tax:	**22**	(374,480)	(356,419)
PROFIT/LOSS FOR THE FINANCIAL YEAR FROM ONGOING OPERATIONS		**1,219,751**	**1,148,061**
PROFIT FOR THE YEAR		**1,219,751**	**1,148,061**

(*) Restated figures (see Note 2.f)

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

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

STATEMENT OF CHANGES IN THE NET EQUITY FOR THE FINANCIAL YEAR ENDED ON DECEMBER 31, 2017 AND 2016
(Expressed in thousand euros)

A) Income statement and recognised expenses

	Note	2017	2016
Profit/Loss of the profit and loss account		**1,219,751**	**1,148,061**
Income and expense directly imputed to net equity			
From cash flow hedges		6,497	(100,252)
Grants, donations and bequests received	**19d**	11,937	13,987
For actuarial gains and losses		(11)	(39)
Tax effect		(4,605)	(21,576)
Total income and expense directly imputed to net equity		**13,818**	**(64,728)**
Transfers to the profit and loss account			
For cash flow hedges	**19c**	40,530	44,472
Subsidies, donations and bequests received	**19d**	(42,504)	(41,590)
Tax effect		493	(720)
Total transfers to the profit and loss account		**(1,481)**	**2,162**
TOTAL RECOGNISED INCOME AND EXPENSE		**1,232,088**	**1,085,495**

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

STATEMENT OF CHANGES IN THE NET EQUITY FOR THE FINANCIAL YEAR ENDED ON DECEMBER 31, 2017 AND 2016
(Expressed in thousand euros)

B) Total statement on changes in net equity

	Issued share capital (Note 19.a)	Share premium (Note 19.b)	Profit/(loss) for the period (Note 19.b)	Capitalisation Reserve (Note 19.b)	Legal Reserve (Note 19.b)	Other reserves (Note 19.b)	Valuation change adjustments (Note 19.c)	Grants, donations and bequests received (Note 19.d)	TOTAL
Balance at 1 January 2016	**1,500,000**	**1,100,868**	**811,676**		**103,225**	**766,543**	**(55,427)**	**457,687**	**4,684,572**
Total recognised income 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**
Total recognised income and expense	-	-	1,219,751	-	-	(8)	35,270	(22,925)	**1,232,088**
Other transactions with shareholders and owners	-	-		-	-	(4)	-	-	**(4)**
Distribution of dividends	-	-	-	-	-	(574,500)	-	-	**(574,500)**
Allocation of prior year profit/loss	-	-	(1,148,061)	28,160	114,805	1,005,096	-	-	-
Balance at 31 December 2017	**1,500,000**	**1,100,868**	**1,219,751**	**70,566**	**299,198**	**1,478,700**	**(61,992)**	**414,060**	**6,021,151**

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

CASH-FLOW STATEMENTS FOR THE FINANCIAL YEAR ENDED ON DECEMBER 31, 2017 AND 2016
(Expressed in thousand euros)

	Note	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES (I)		**1,954,311**	**1,772,340**
Pre-tax profit		1,594,231	1,504,480
Adjustments to the profit		**867,895**	**767,410**
Fixed asset depreciation	**6-7-8**	755,230	778,158
Impairment valuation adjustments	**13**	(6,072)	7,845
Attribution of grants	**19d**	(42,504)	(41,590)
Profit/loss on disposals and sales of fixed assets		10,092	6,438
Financial income	**23f**	(7,056)	(205,352)
Financial expenses and exchange rate differences	**23f**	77,424	105,213
Financial expenses settlement of financial derivatives	**23f, 15**	40,530	44,472
Change in provisions		41,316	74,484
Others		(1,065)	(2,258)
Changes in working capital		**(126,999)**	**(66,934)**
Inventories		569	(942)
Debtors and other receivables		(18,777)	30,825
Other current assets		17	1,026
Creditors and other accounts payable		(60,390)	(53,683)
Other current liabilities		(47,031)	(42,947)
Other non-current assets and liabilities		(1,387)	(1,213)
Other cash flows from operating activities-		**(380,816)**	**(432,616)**
Interest payments		(123,751)	(132,624)
Interest received		337	1,493
Payments/recoveries of corporate income taxes		(257,402)	(301,485)
CASH FLOWS FROM INVESTMENT ACTIVITIES		**(317,831)**	**(247,541)**
Payments for investments		**(317,955)**	**(248,166)**
Fixed intangible assets		(31,220)	(16,120)
Fixed assets		(272,971)	(226,799)
Investment properties		(831)	(1,346)
Other financial assets		(12,933)	(3,901)
Collections from divestments		**124**	**625**
Group and associated companies		-	614
Other assets		124	11
CASH FLOWS FROM INVESTMENT ACTIVITIES (III)		**(1,401,123)**	**(1,552,825)**
Collections and payments from equity instruments		**9,340**	**10,665**
Subsidies, donations and bequests received	**19d**	9,340	10,665
Collections and payments from equity instruments		**(835,862)**	**(1,157,124)**
Issue:			
- Debts with lending entities	**15b**	650,000	-
- Others		22,794	19,392
Reimbursement and amortisation of:			
- Debts with group and associated companies	**15a**	(1,497,288)	(1,172,339)
- Other debts		(11,368)	(4,177)
Payment of dividends and return on other equity instruments		**(574,601)**	**(406,366)**
Dividends		(574,601)	(406,366)
NET INCREASE/DECREASE OF CASH OR EQUIVALENTS		**235,357**	**(28,026)**
CASH OR OTHER EQUIVALENT LIQUID ASSETS AT THE BEGINNING OF THE PERIOD		**482,758**	**510,784**
CASH OR OTHER EQUIVALENT LIQUID ASSETS AT THE END OF THE PERIOD		**718,115**	**482,758**

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

1. Activity

AENA S.M.E., S.A. (hereinafter the Company) was created by virtue of Royal Decree Law 13/2010 (3 December) which authorised 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 Law 33/2003 (3 November) on Public Institution Assets (LPIA).

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

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

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

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

- 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 Public Works in this respect.

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

In addition, the Company may 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 Law 18/2014.The latter sets out the framework to which the basic airport services are subject and the characteristics and conditions that the said network must boast in order to guarantee the objectives of general interest. Thus, the closure or sale of all or part of any facilities or airport infrastructure necessary to maintain the provision of airport services is prohibited, unless authorised by the Council of Ministers or the Ministry of Public Works, and which authorisation can only be granted provided it does not affect the objectives of general interest that must guarantee the said network or compromise its sustainability; the absence of such authorisation will render the foregoing as a guarantee for the entire maintenance of the state airport 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 Law 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 June 3, 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 December 3, 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 November 16, subsequently amended by the Royal Decree 1159 / 2010 of September 17.

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

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

The registered address for AENA S.M.E., 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 consolidated annual accounts for the Aena Group “Group” for the 2017 fiscal year, have been calculated by the Board of Directors on February 27, 2108.

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 as of December 31 2017, as well as the commercial legislation applicable to companies that prepare financial information in accordance with IFRSIn 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.

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

2015, Aena joined the Ibex 35, an indicator that includes the top 35 Spanish companies listed on the stock exchange.

2. 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 Law and other mercantile legislation.

- The Spanish General Accounting Plan approved by Royal Decree 1514/2007, its adaptations, the amendments of Royal Decree of September 17, and Order HA/733/2010 of March 25, on the accounting aspects of publicly-owned companies that operate under 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 December 23, 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 February 27, 2018, 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.The use of rounded figures can in some cases lead to a negligible rounding up or down difference in the totals or variations.

e) 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, income, 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 income (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).

- Submission of the reversal of the Provision for interest on delay of expropriations as financial income (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.M.E., 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 storesThe company's management has assessed the substantial features of the contract and has concluded that the income derived from it should be recognised on an accrual basis, whereas the royalties perceived are considered contingent, even though the the payment of certain royalties 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 income recognition criterion, other than that S.M.E 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 SME, SA has decided to apply the tax deductions for investment in the Canary Islands on the total state tax in accordance with the criteria established following the response to the query raised by Aena to the Tax Office.The amount of deductions applied in the financial year 2017 amounts to 13,913 thousand euros, representing 85.63% of the total deductions applied in 2017 (in 2016, 12,801 euros were applied, representing 81.76% of the total of deductions taken).(See Note 22.3).

The Company no longer has tax deductions activated for this item at the end of 2017 (31 December 2016:0 thousand euros).(See Note 22.3).

f) Comparison of information

In compliance with current regulations, in addition to the figures for the financial year ended December 31, 2017, the comparative figures are presented for the financial year ended December 31, 2016

For the purpose of comparing the information, the amount of - 44,472 thousand euros, which was included in 2016 under the heading "Variation in fair value of financial instruments", has been restated to the "Financial expenses" caption (Note 23.f), in accordance with current accounting regulations.

g) Grouping of captions

Certain captions 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 December 3, 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”.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 (hereinafter the “Activity”) .On May 23, 2011, the Board of Directors of the public enterprise “Aeropuertos Españoles y Navegación Aérea”A 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 of May 31, 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 of June 8, 2011, the effective date of the transaction.Similarly, in accordance with valuations standard 4a and 4b, 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 6100 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 shares were issued with a share premium of €1,100,868,000 and therefore the amount payable for share capital and share premium totals €2,600,807,000.

- 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 €2,600,807,000This 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 Income Tax Act, in accordance with the third additional provision 2 of Royal Decree Law 13/2010.

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

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

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

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

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

- Heliports: Heliport in Ceuta and Algeciras.

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) <u>Fixed intangible assets</u>

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 income statement.

In the caption “IT applications” the company encompasses the amounts paid relating to the acquisition and development of IT programmes.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 caption "Concession agreement, regulated asset" under the caption "Fixed intangible assets" in application of the model of the intangible asset, 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 caption "Concession agreement, right of collect" 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 "Subsidies, donations and bequests" of the Spanish General Accounting Plan.

If there is a consideration but it were 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.

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 income.

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

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.

Since 2011, the regulation applicable to equity benefits is Law 1/2011, which regulates the determination of equity benefits associated with the assets related to airport activity, establishing a singe-till criteria for recovery of assets, considering exclusively in the calculation of equity benefits the investments and costs of the airport network as a whole, including commercial activities taking place inside the airport terminals, yet excluding the car Parks and other off-site services.

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 incomes, expenses and investments deriving from commercial services and activities not strictly related to economics are not included when calculating airport charge.This Royal Decree establishes as a substantial change the progressive separation of the activities related to the private prices derived from the terminal areas, since from 2014 a corrective coefficient is applied that allows for the delinking of commercial revenues from the determination of public benefits Patrimonial (2014:80%, 2015:60%, 2016:40%, 2017:20 % and 2018:0 %).As a result, starting in 2018 the dual till system will apply entirely

Company 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 (consisting of the aviation activity infrastructure and the commercial space included in it).

The establishment of "*dual till* progressive" through Royal Decree Law 20/2012, of July 13, of measures to ensure budget stability and promotion of competitiveness, and Law 18/2014 mentioned above (see Note 1), breaks the connection of commercial activities from within the terminal with the fixing of airport tariffs, particularly from 2016 when most (60%) of the costs and commercial income of these activities are not incorporated in the calculation of airport charges.Consequently, the value judgment that established that the set of airports including the commercial areas represented a single cash generating unit, due to the interrelation of the cash flows of both activities, as of 2016 should be subject to reconsideration.

In the analysis carried out for this purpose, it is concluded that commercial activity within the terminal must continue forming part of the cash generating unit of the airport network, together with aeronautical activity, given, amongst other reasons, the high interdependence of income between both activities and the existence of a single asset that share both activities due to the legal impossibility to dispose, sell or spin off airport assets. On the other hand, for the same reasons, it is also concluded that the activity corresponding to the "Parking Network", up to the year 2015 included in the cash generating unit and the segment of "Services outside terminal", by virtue of its no inclusion in the *single till*, from the year 2016 onwards shifting become part of the cash generating unit and the segment of the "airport network", within the sub-segment of "Sales".As a result, as of 2016, the segment and the cash generating unit of "Services Outside the Terminal" will be renamed "Real Estate Services", as it will be exclusively constituted by 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 5).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 income 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) Property, plant and equipment

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.

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 caption “Capitalisation of finance charges” of the profit and loss account.

(Thousand euros unless otherwise stated)

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

The fixed assets relating to the airports are depreciated following the useful life criterion, the years of useful life being those specified below:

	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) <u>Investment properties</u>

Investment properties consist of buildings, other properties and spaces outside of the owned airport terminals that are maintained to obtain long-term income 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
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 income 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.As of December 31, 2017 and 2016 no assets in this category have been recorded.

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 is 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 703,799 thousand euros in 2017 (2016:666,318 thousand euros), an increase in the net equity of 218,791 thousand euros in 2017 (2016:244,830 thousand euros), the net turnover increased by 205,678 thousand euros in 2017 (2016:200,876 thousand euros) and an increase in the profit for financial year 2017 of 12,254 thousand euros (2016:16,088 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) Subsidies, donations and bequests received

The subsidies, donations and bequests 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 has applied Order EHA/733/2010, of March 25, which approved accounting aspects of public companies operating in certain circumstancesIn the case of subsidies granted 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 subsidies, 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 subsidies granted to offset costs are recognised as income on a systematic basis over the periods in which the costs are spread that they are intended to balance.

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

The operating subsidies are credited to income 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.

(Thousand euros unless otherwise stated)

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 Enaire and AENA S.M.E., S.A.) stipulates length of service awards for services effectively rendered for a period of 25, 30 or more years.The Company makes 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:

	2017	**2016**
Technical interest rate:	1.43 %	1.42 %
Salary increases:	2.0 %	2.0 %
Mortality table:	PERM / F 2000 P	PERM / F 2000 P
Financial system used:	Individual capitalisation	Individual capitalisation
Accrual method:	Projected credit unit	Projected credit unit
Retirement age:	According to Law 27/2011	According to Law 27/2011
Disability tables:	OM 1977	OM 1977

Early-Retirement Bonuses

(Thousand euros unless otherwise stated)

Article 154 of the I Collective Bargaining Agreement for the Aena Group of Companies (Public Business Entity ENAIRE and AENA S.M.E., S.A.) stipulates that any employee between the ages of 60 and 64 who, 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:

	2017	**2016**
Technical interest rate:	1.48 %	1.57 %
Long-term salary growth:	2.00 %	1.00% (2% successive years)
Yield on Defined Contribution Fund:	4.00 %	4.00 %
Rate guaranteed by Mapfre:	3.10 %	3.10 %
Mortality table:	PERM / F 2000 P	PERM / F 2000 P
Financial system used:	Individual capitalisation	Individual capitalisation
Accrual method:	Projected credit unit	Projected credit unit
Retirement age:	Between 60-63 years and 11 months	Between 60-63 years and 11 months

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 income form corporate income tax comprises the part relating to the expense or income for current taxation and the part relating to the expense or income 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 income 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.

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 S.M.E., S.A. as subsidiary and, henceforth, be taxed at the corporate income tax in the year 2015, 2016, 2017 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) Incomes and expenses

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 income 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 income 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.

Rendering of services:

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.

Aviation (Public charges):

The establishment of fees for public charges is carried out in accordance with Law 1/2011 (4 March), which establishes the State Operational Security Programme for Civil Aviation and amends Law 21/2003 (7 July) on Air Security.Furthermore, Article 68 of Law 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 S.M.E., 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 income 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.

On 5 July 2014, Royal Decree Law 8/2014 of 4 July was published in the Official State Gazette (BOE), further amended by Law 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 Law 21/2003, on Air Safety, as amended by Law 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 Law 18/2014, the Directorate General of Civil Aviation (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 manager associated with basic airport services will be conditioned by compliance with a maximum annual income per passenger (IMAP), whose determination will be based on the recovery of efficient costs acknowledged by the regulator in tandem with traffic forecasts.The maximum annual revenue per passenger set forth in DORA will be adjusted annually based on a series of incentives or penalties established according to the degree of compliance with service quality levels, and penalties for the delay in the implementation of investments of a strategic nature.Aena estimates that it has met the required quality levels in 2017, as well as having implemented the planned strategic investments, so it does not expect the maximum annual revenue per passenger to be penalised for these reasons.

On the other hand, the difference between the IMAP approved through DORA and the real IMAP for the year 2017 supposes a difference in revenues of 57.8 million euros that should be incorporated, capitalizsed at the capital cost of the regulatory period (6.98%), through the K factor[1] in the review of the 2019 rates, giving rise to a higher income in said year.

- 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, it is established that upon completion of the accumulated tariff deficit together with that corresponding to previous years cannot be transferred to the next DORA.

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

On January 27, 2017, the Council of Ministers approved the Airport Regulation Document (DORA) for the period 2017-2021.As a result of this process, this document provides for a reduction of 2.2% annually in the Annual Maximum Revenue per passenger (IMAP) for the period 20175.

In application of the provisions of article 34 of Law 18/2014 of October 15, after the conclusion of the corresponding consultation process and approval of the aforementioned Airport Regulation Document, the Board of Directors of Aena, at the meeting of 21 February 2017, approved a decrease of 2.22% in airport charges as of March 1, 2017, affecting the months of January and February of 2018.

All the new regulatory rules 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.In particular, regulated income in the DORA period in which this is recognised in 2017 according to the same criteria as in previous periods, when the service is provided, based on the approved regulated rates.(See also Note 28 regarding Contingent assets due to charge deficit).

Commercial activity

Income 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 (see Note 2e)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.Income from car parks (which until 2015 belonged to the segment of "Services Outside of the Terminal", as a consequence of what is explained in note 4 a), forms part of the Commercial component of the Airports network as from 2016) are acknowledged as these services are rendered.

Real estate services

[1] *The K factor it is the compliance factor at 100% of the maximum annual income per passenger adjusted in year t.Factor of 100% compliance with the adjusted maximum annual revenue per passenger in year t, for which the methodology of calculation is set out in Schedule IX paragraph 2 of the Act 18/2014.*

Off-terminal service revenues relate to the management of parking areas, 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 income 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 income.Interest income on impaired loans is recognised either when cash is collected or on a cost-recovery basis when the conditions are guaranteed.

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

r) Activities with impact on 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 income statement when they accrue, irrespective of when the related monetary or financial flows take place.

Possible forecasts relating to probable or certain liabilities, litigation in progress and indemnities or pending obligations of undetermined amount of environmental nature, not covered by insurance policies, are constituted at the time of the liability or obligation giving rise to compensation or payment.

s) Related party transactions

A party is considered linked to another party when one of them or a group acting in concert, exercises or has the ability to exercise directly or indirectly or by virtue of agreements or agreements between shareholders or stockholders, the control over another or a significant influence on making financial decisions and development of the other.

In any case, the companies that are considered to be a group, associated or multi-group company will be considered as related parties.

As a company belonging to the public business sector, Aena is exempt from including the information included in the section of the report relating to transactions with related parties, when the other company is also significantly controlled or influenced by the same Public Administration, provided that there are no indications of an influence between the two, or when the transactions are not significant in terms of size.It will be understood that such influence exists, among other cases, when the operations are not carried out under normal market conditions (unless such 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 subsidies, donations and bequests 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.

There have been no business combinations in which the Company participated during 2016 and 2017.

u) Joint ventures

A joint venture is an 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 (Note 7.j)

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 income 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.M.E, S.A. operates in a regulated sector, and any future changes to or developments in the applicable regulations can have negative impacts on Aena's revenues, operating results and 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.

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 IMAP undergoes an annual decrease of 2.22 % over the period 2017-2021, starting from 1 March 2017.

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

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

- The amount of operating costs recognized in DORA 2017-2021 has been estimated without price effect and prospectively, and must be updated through the P index[2], meaning that any non-exceptional deviation such

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

as the current inflationary pressure that can be transferred by the service providers is considered the risk of the operator.

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

In addition, the activity of AENA S.M.E, 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 require significant expenditure.

Operational 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 trends 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 specification is subject to the negotiation process that the British government has started with the European Union to determine the final terms of its departure:

    - ✓ Currently, 18.2 % of passengers of the airport network of AENA S.M.E., S.A. 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 regards to passengers, the UK already had specific treatment due to not belonging to the Schengen Treaty so no additional impact would be expected.That said, although the volume of passengers to and from the United Kingdom has increased by 9.0% in 2017 compared to 2016, during the last months of 2017 a progressive deceleration of growth had been observed.

    - ✓ From a commercial income 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 tender or franchise holders at airports, and therefore a fall in AENA S.M.E., S.A. income, although an important part of AENA S.M.E., S.A.s business is ensured by the Minimum Annual Guaranteed Rents agreements.

    - ✓ Activity at Luton Airport could be reduced as a result of restrictions on the free movement of persons or economic developments in the United Kingdom, given that a high percentage of its traffic is international.

- ✓ It operates in a competitive environment both with respect to other airports and compared to other means of transport that can affect its revenue.

- ✓ It faces risks arising from the concentration of airlines and depends on the income of its two main airports.

- ✓ Revenues from commercial activities are linked to the sales of commercial areas by concessionaires which can be affected both by the volume of passengers and by their greater or lesser spending power.

- ✓ In the operation of its airports, the 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.In this sense, the recovery of the geopolitical stability that other competing tourist destinations are beginning to experience, affects the number of passengers in the network of Aena airports that can return to these destinations.

- ✓ Labour conflicts may have an impact on the activities of Aena.
- ✓ 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 airport operations (operational and physical security).
- ✓ Aena is exposed to the risk of an important aviation accident.
- ✓ Natural disasters and weather conditions can negatively affect business.
- ✓ The profitability of Aena could be affected if it not able to keep up its current efficiency levels.
- ✓ Changes in the tax legislation may lead to additional taxes or other detrimental factors for the tax situation of Aena.

The company is, and may be in the future, exposed to risks of loss in the judicial or administrative procedures in which it is held liable.

The Company's governing bodies have implemented mechanisms to identify, quantify and hedge 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.In specific cases, the Company uses derivative financial instruments to hedge certain risk exposures.

The Board of Directors provides policies for global risk management as well as for specific areas such as exchange rate risk, interest rate risk, liquidity risk, use of derivatives and investment of excess liquidity.

There is a financial debt recognition agreement between Aena S.M.E., 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.On 29 July 2014, the contract was renewed (See Note 15.a).

The main risks of a financial nature are described below:

a) *Market risk*

(i) Exchange rate risk

The Company does not normally carry out significant trading 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, the main benchmark 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.The Company also has financial expenses derived from its own debt with credit institutions (see Note 15).

The Company manages interest rate risk on cash flows by variable to fixed interest rate swaps (see note 15).On 10 June 2015 a floating to fixed interest rate hedge transaction was entered into for a notional amount of 4,195 million euros to cover part of its exposure to the Mirrored Loan with ENAIRE.The average spread as per Euribor at three and six months of those loans is 1.0379%. The execution fixed rate was 1.9780 %.The purpose of the transaction was to have a stable framework of interest rates for the 2017-2021 DORA period.

On 31 December 2017, the total amount of liabilities for interest rate swaps amounted to 82,655 thousand euros (2016: 129,506 thousand euros) (see Note 15.c).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 1,802 thousand euros less and 1,802 thousands of euros higher, respectively (in 2016:3,620 thousand euros and 3,620 thousand euros, respectively).

The reviewable interest rate, which is applicable, principally, to debt with the European Investment Bank, is a fixed interest rate which is maintained during a period (normally 4 years).At the end of this period it is reviewed by the Company and it is decided whether to continue with the same system or change it for a fixed term rate or variable rate.

In this respect the Company has modified the interest rate system for loans likely to be revised in 2017.The revised total amounts to 478,632 thousand euros entirely for EIB loans which have moved to a fixed term rate at an average rate of 0.78 % (previously 1.14 %).
On the other hand, in 2017 797,160 thousand euros of the debt with Depfa ACS Bank have been canceled at a variable rate, of which 719,658 thousand euros results from early cancellation fees, and 650,000 thousand euros have been underwritten with several Banking Institutions at an average fixed rate of 0.69% per annum (Note 15).

As a result of the foregoing, the debt distribution by rates has been modified with fixed-rate debt standing at 88 % at 31 December 2017 compared to 12 % variable rate (at 31 December 2016:78 % fixed and 22 % variable).

b) Credit Risk

The Credit risk of the Company is due to the cash and other liquid assets, derivative financial instruments and deposits in banks and financial institutions, as well as exposure to trade accounts receivable and agreed transactions.

Credit risk relating to trade accounts is reduced, given that the main clients are airlines, usually collected in cash or in advance.As for retail customers who have leased premises in the various airports, their risk is managed by obtaining sureties and guarantees. As of December 31, 2017, the Group has guarantees and other endorsements or sureties related to the normal course of business for an amount of 191,369 thousand euros (December 31, 2016:174,447 thousand euros).

The BOE of 5 March 2011 included Law 1/2011 of 4 March, modifying Law 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 described in the previous section results 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. Despite the Company's negative working capital at 31 December 2017 of 309,530 thousand euros (2016:486,596million euros), it has an EBITDA for the year, calculated as the sum of Operating revenue and depreciation and amortisation, of 2,460,359 thousand euros (2016:2,226,971, thousand 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.The Company is monitoring the generation of cash to ensure its ability to meet its financial commitments.

As of December 31, 2017, the Aena Company has 1 billion euros in fully available lines of credit, with long-term maturities (Note 15); and 550 million euros of available financing (not available) corresponding to a loan with Unicaja for 150 million euros and a loan with EIB of 400 million euros, with maturity dates of the disposition period of December 31, 2018 and 1 December 2019, respectively.

The detail of the loans of Aena SME, SA in accordance with the applicable interest rate and the average annual interest rate as of December 31, 2017 and December 31, 2016, taking into account the hedging derived from the interest rate swaps taken out (see Note 15c) is as follows:

Thousands of euro	**31 December 2017**		**31 December 2016**	
	Balance	**Average rate**	**Balance**	**Average rate**
Variable	901,008	0.16 %	1,810,244	0.16 %
Reviewable	27,400	1.23 %	543,404	1.30 %
Fixed	6,495,875	1.55 %	5,917,923	1.78 %
TOTAL	**7,424,283**	**1.45 %**	**8,271,571**	**1.36 %**

6. Fixed intangible assets

The movements in the accounts included in the fixed intangible assets for financial years 2017 and 2016 were the following:

	2017					
	Thousands of euros					
	Development	**Fixed intangible assets, concession agreement**	**Software**	**Other fixed intangible assets**	**Fixed intangible assets Fixed assets in progress**	**Total**
Cost						
Opening balance	813	15,480	146,713	7,390	37,003	207,399
Additions	-	76	15,206	1	15,937	31,220
Disposals (*)	-	(18)	(181)	-	-	(199)
Transfers (Notes 7 and 8)	-	(55)	43	38	(712)	(686)
Final balance	**813**	**15,483**	**161,781**	**7,429**	**52,228**	**237,734**
Depreciation:						
Opening balance	(703)	(4,142)	(111,006)	(4,794)	-	(120,645)
Allocation	(110)	(687)	(17,250)	(916)	-	(18,963)
Disposals (*)	-	-	177	-	-	177
Transfers (Notes 7 and 8)	-	87	419	-	-	506
Closing balance	**(813)**	**(4,742)**	**(127,660)**	**(5,710)**	**-**	**(138,925)**
Net:	**-**	**10,741**	**34,121**	**1,719**	**52,228**	**98,809**

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

	2016					
	Thousands of euros					
	Development	**Fixed intangible assets, concession agreement**	**Software**	**Other fixed intangible assets**	**Fixed intangible assets in progress**	**Total**
Cost						
Opening 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 (Notes 7 and 8) (*)	-	(357)	5,245	(54)	(5,376)	(542)
Final balance	813	15,480	146,713	7,390	37,003	207,399
Depreciation:						
Opening balance	(438)	(3,586)	(92,580)	(3,921)	-	(100,525)
Allocation	(265)	(690)	(18,573)	(968)	-	(20,496)
Disposals	-	-	124	-	-	124
Transfers (Notes 7 and 8)	-	134	23	95	-	252
Closing 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.

The Company has acquired the following intangible assets (in thousands of euros) from related companies during the years 2017 and 2016:

	2017		2016	
	Book value (gross)	**Accumulated depreciation**	**Value value (gross)**	**Accumulated depreciation**
Software	893	(49)	194	(29)
Other fixed intangible assets	-	-	1	-
Fixed intangible assets in progress	3,519	-	4,205	-
Total	**4,412**	**(49)**	**4,400**	**(29)**

The main additions in 2017 and 2016 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, as well as works performed with Aena's public web site. It is worth highlighting investments in 2017 in *free "Wifi"* systems at several airports in the network and the elements related to cybersecurity; and in 2016, the comprehensive parking management system for airports.

Of the total capitalized costs at 31 December 2017 and 2016 relating to the various classes of fixed intangible assets, assets in progress are included as follows:

	Thousands of euros	
	2017	**2016**
Software	15,534	3,305
Other fixed intangible assets	36,694	33,698
Total	**52,228**	**37,003**

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

In 2017, 32 thousand euros were capitalised as financial expenses associated with fixed intangible assets (2016:67 thousand euros), which are recorded under the heading Financial income "Activation of finance expenses" (Note 23.f).

As of December 31, 2017, there were fixed intangible assets in use with an original cost of 287,980 thousand euros (2016:312,361 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 2017 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	
	2017	**2016**
Concessions	5	87
Development	794	-
Software	203,846	185,915
Other fixed intangible assets	83,335	126,359
Total	**287,980**	**312,361**

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

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

- <u>Ceuta Heliport</u>: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 Law 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 €82,000 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 of December 31, 2017 and 2014, 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 projections based on the financial projections included in the DORA for the five year period 2017-2021.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:

	2017	**2016**
Growth rate	1.50%	1.50%
Before-tax discount rate	6.98%	6.98%
Post-tax discount rate	5.23%	5.23%

The discount rate after tax 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 CGU.

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

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

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

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

As a result of the sensitivity analysis performed at year-end 2017, 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.

At the end of 2016, the Management has no recognized any asset impairment.

7. Property, plant and equipment

The movements in the accounts included in the fixed intangible assets for financial years 2017 and 2016 were the following:

2017

	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						
Opening balance	13,247,801	743,246	3,179,052	7,068	137,005	17,314,172
Additions	93,697	43,219	62,912	1,873	206,795	408,496
Disposals (*)	(68,272)	(3,690)	(6,193)	(56)	(3,473)	(81,684)
Transfers (Notes 6 and 8)	30,289	11,797	30,028	16	(76,518)	(4,388)
Final balance	**13,303,515**	**794,572**	**3,265,799**	**8,901**	**263,809**	**17,636,596**
Depreciation and impairments						
Beginning balance	(2,103,876)	(326,861)	(1,508,586)	(5,432)	-	(3,944,755)
Allocation	(384,073)	(69,396)	(277,757)	(730)	-	(731,956)
Disposals (*)	3,168	1,995	1,681	15	-	6,859
Transfers (Notes 6 and 8)	5,179	(230)	(3,288)	-	-	1,661
Closing balance	**(2,479,602)**	**(394,492)**	**(1,787,950)**	**(6,147)**	-	**(4,668,191)**
Net:	**10,823,913**	**400,080**	**1,477,849**	**2,754**	**263,809**	**12,968,405**

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

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						
Opening 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 (Notes 6 and 8) (*)	73,268	17,672	44,111	2	(89,269)	45,784
Closing 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 (Notes 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.

At year-end 2017 and 2016, the Company owns properties with separate net value from buildings and the land, which is as follows:

	Thousands of euro	
	2017	**2016**
Land	3,538,908	3,570,172
Buildings	7,285,005	7,573,753
Total	**10,823,913**	**11,143,925**

During fiscal year 2017 and 2016, the Company acquired the firm the Aena Desarrollo Internacional SME, SA (ADI) group and the related companies Ingeniería y Economía del Transporte, SA (INECO) and Systems Engineering for the Defense of Spain (ISDEFE). The following elements of your property, plant and equipment:

	2017		2016	
	Book value (gross)	**Accumulated depreciation**	**Book value (gross)**	**Accumulated depreciation**
Land and buildings	635	(12)	186	(6)
Plant and machinery	336	(18)	53	(1)
Other facilities, tools and furnishings	570	(49)	113	(21)
Property, plant and equipment under construction	3,119	-	3,927	-
Total	**4,660**	**(79)**	**4,279**	**(28)**

During the financial year 2017 a total of 493 thousand euros of financial expenses accrued in the related financial year have been capitalised relating to the financing of the fixed assets in progress (2016:596 thousand euros), which are recorded under the heading Financial income "Activation of finance expenses" (Note 23.f).In addition, 4,432 thousand euros of internal work carried out by the Company for its tangible assets have been activated, which are recorded under the heading "Works performed by the company for its assets" in the accompanying income statement (2016:4,323 thousand euros).

a) Acquisitions of property, plant and equipment

The total amount of property, plant and equipment in 2017 amounts to 408,496 thousand euros (2016:220,151 thousand euros).The main additions recognized in 2017 and 2016 are described below:

Land and buildings

During the year 2017, the additions to land and buildings amounted to 93,697 thousand euros.The main additions of the period were the "Regeneration of the pavement of the runway" at the airports of Barcelona-El Prat, Gran Canaria, Adolfo Suárez-Madrid Barajas; the "Adaptation of the runway and flight field" of the airports of Son Bonet and La Palma; the "Recrecido de la pista" of the Valladolid airport; the "Adaptation of the access roads to runway H6, H7 and H8 of the Palma de Mallorca airport" and the "Execution of the safety requirements" of the Ibiza airport.

The most significant start-ups have been the "Renewal of floorings in the P10 plant of Terminal T1" and the "Adaptation of plots and roads in the Rejas area" of the Adolfo Suárez Madrid-Barajas airport, the "Renewal of the cargo terminal "at Gran Canaria Airport, the "Adaptation of the gates H1 and H2" at Palma de Mallorca Airport and the" Actions in the airfield necessary for certification"at Santiago de Compostela Airport.

At 30 June 2016 the 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 Madrid Barajas Adolfo Suarez Airport, waterproofing at terminals and modules at Palma de Mallorca, remodeling and upgrading of the airport lounges of Adolfo Suarez Madrid- Barajas, regeneration of taxiway paving T atTenerife Sur Airport, and the new passenger footbridge at Vigo 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.

Technical Installations, machinery, tools, furniture and other tangible fixed assets

During the fiscal year of 2017, additions to facilities and other fixed assets amounted to 108,004 thousand euros.The most important additions of the 2017 fiscal year were:

- The supply with installation of passenger boarding bridges and replacement of aircraft assistance equipment in several airports, such as Palma de Mallorca and Adolfo Suárez Madrid-Barajas Airports.
- The renewal of several components related to the Passenger Information System (SIP) at Adolfo Suárez Madrid-Barajas, Tenerife Sur, A Coruña and Fuerteventura Airports.
- New aeronautical lights and signage at Palma de Mallorca airport.
- Replacement of transformers and markings on runway 06L-24R at Palma de Mallorca airport.
- Equipment for use with the new multi-service telecommunications networks in several airports, such as in Palma de Mallorca.
- The acquisition of two new self-extinguishing vehicles in several airports.
- New equipment for check-in counters and auto check-in stations in several airports throughout the network.

During 2016, additions to facilities and other fixed assets amounted to 71,703 thousand euros.The most important additions at the close of 2016 corresponded to:

- Supply and installation of boarding bridges at Malaga airport.
- Broadening the multiservice network at Gran Canaria airport.
- Replacement of various lifts in the airport terminals at Adolfo Suárez Madrid-Barajas.
- The acquisition of new servers databases for SAP
- The replacement of newsstands and new check-in counters at Barcelona Airport.
- The work related to low voltage distribution at Malaga Airport.
- Replacement of various self check-in desks at Adolfo Suárez Madrid-Barajas airport.
- Renovation of the Wi-Fi network of Barcelona and Madrid Airports.
- New self-extinguishing vehicles at the airports of Palma de Mallorca, La Coruna, Leon, Santiago, Seville and Vigo
- Communication network equipment at Palma de Mallorca airport.
- Remodelling of the airfield medium voltage circuit at Fuerteventura airport.

Property, plant and equipment under construction

During the 2017 fiscal year, additions to property, plant and equipment in progress amounted to 206,795 thousand euros.The main additions of fixed assets in progress refer to the works of the "Regeneration of the pavement on runway 07L-25R" at Barcelona Airport, the "Adaptation of the platform" of the Tenerife South airport, the "Reconstruction of aprons B and C", and "Expansion of the air conditioning ring of modules C and

D "at Palma de Mallorca Airport, and the "Installation of footbridges and aircraft assistance equipment" at Malaga Airport.

In addition to those indicated in the previous paragraph, the main actions that are in execution at December 31, 2017 are the works of general adequacy of the Tenerife South airport apron, the increase in peak capacity of the SATE of the Palma airport. Mallorca and the extension of the terminal building of the airport of Reus, amongst others.

During 2016, additions to property, plant and equipment amounted to 84,207 thousand euros.With regard to 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 for plant-life T1 Madrid-Barajas Adolfo Suárez Airport.

In 2016, the main works that were in progress were those related to the adequacy of the unfinished areas at Santiago Airport, the renovation of floors on the 1st flooring of the T-1 at Adolfo Suárez Madrid-Barajas airport, actions for the updating of Santiago Airport, extension of the terminal building of Reus, the equipment of the communication networks of the airports of Palma de Mallorca and Malaga, and the replacement of aircraft assistance equipment of Palma de Mallorca.

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

During the year 2017, the registered disposals of land are motivated by the favourable evolution of Aena in various expropriation disputes, in particular at Adolfo Suárez Madrid-Barajas Airport (see Note 21).Former assets have also been decommissioned to replace the runways at the Barcelona El Prat, Adolfo Suárez Madrid Barajas and Gran Canaria Airports, and the Palma de Mallorca Airport apron; various facilities at the Barcelona and Adolfo Suárez Madrid-Barajas Airports, as these are being renovated; and, by favourable judgment on the provisioned part in the litigation related to the construction of terminal building T3 at Alicante Airport.

The disposals of property, plant and equipment during the year 2017 with allocation to income have resulted in a total negative result of 10,781 thousand euros (the negative result of 10,092 thousand euros included in the accompanying income statement also includes 16 thousand of euros of losses in losses of intangible assets and 706 of profits from fixed assets).In addition, disposals included the following items whose amount has not been assigned to the income 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 carried out and charged to accounts of provisions for risks and expenses (see Note 21) amounted to a total of 61,367 thousand euros.

- Payments to suppliers of fixed assets in relation to amounts activated in previous years, amounted to 2,685 thousand euros.

During the 2016 fiscal year, disposals of land were caused by favourable rulings in several expropriation disputes, in particular at Madrid-Barajas Adolfo Suarez Airport (see Note 21).Also removed from the list due to demolishing are the old airport lounges in Adolfo Suarez Madrid- Barajas, the departures building and Reus Airport part of the La Coruña terminal building renewal; also the screeds surface of the tracks of the airports of Badajoz, Ibiza and Gran Canaria; airport facilities in Barcelona and Madrid-Barajas Adolfo Suárez relating to check-in, due to being subject to renewal; and computerised equipment for their replacement.

In addition, the disposals in 2016 included the following items, the amount of which has not been 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 808,309 thousand euros.

(Thousand euros unless otherwise stated)

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

In the 2016 fiscal year, profits were obtained amounting to 556 thousand euros for the repurchase of assets on the part of suppliers of computer equipment, 91 thousand euros for the sale of assets and 96 thousand euros for outcrops.

c) Impairment in the value of property, plant and equipment

During 2017 and 2016, the Company has not detected any signs of impairment of fixed assets.However, at the end of 2017 and 2016, the Company carried out the impairment test in accordance with the procedure described in Note 4a) for the cash-generating units described in that note as well, not identifying impairments in the annual accounts at 31 December 2017 and 2016, even after applying sensitivities on the variables used.The main assumptions used were:

	2017	**2016**
Growth rate	1.50%	1.50%
Before-tax discount rate	6.98%	6.98%
Post-tax discount rate	5.23%	5.23%

At the end of 2017 and 2016, the Management has no recognized any asset impairment.

d) Subsidies received (Note 19.d)

As of December 31, 2017, the company had subsidies relating to the fixed assets for an amount of 414,060 thousand euros net of taxes (2016:436,985 thousand euros) (see Note 19e).The gross cost of the assets affected by these subsidies was of 2,508 million euros, relating to tangible fixed assets (2016:2,517 million euros).

Of the above amount, AENA S.M.E., S.A. has a recognised debit balance for this concept of 15,913 thousand euros (2016:13,860 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 of December 31, 2017 and 2016 there were tangible assets that were fully depreciated and that are still in use, in accordance with the following detail:

	Thousand euro (*)	
	2017	**2016**
Buildings	897,330	868,501
Plant and machinery	379,019	352,646
Other facilities, tools and furnishings	1,040,197	954,725
Other property, plant and equipment	12,654	11,338
Total	**2,329,200**	**2,187,210**

(*) *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 2017, outstanding investments amount to approximately 563.0 million euros (2016:379.5 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 2017 and 2016 it estimates that there is no coverage shortfall.

i) Leasing agreements

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):

	31 December 2017	31 December 2016
- Non-current assets	245,464	253,417
- Non-current/current liabilities	-	-
Net assets	**245,464**	**253,417**
- Revenues	27,924	25,145
- Expenses	(43,489)	(43,720)
Profit/ (loss) after taxes	**(15,565)**	**(18,575)**

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).

8. Property Investment:

The movement of real estate investments during the years 2017 and 2016 is as follows:

	2017		
	Thousands of euros		
	Real estate land and buildings	Other installations	Total
Cost			
Opening balance	165,662	3,391	169,053
Additions	831	-	831
Disposals	(9)	-	(9)
Transfers (Notes 6 and 7) (*)	5,074	-	5,074
Closing balance	**171,558**	**3,391**	**174,949**
Depreciation:			
Opening balance	(23,984)	(3,136)	(27,120)
Allocation	(4,272)	(39)	(4,311)
Transfers (Notes 6 and 7)	(2,167)	-	(2,167)
Closing balance	**(30,423)**	**(3,175)**	**(33,598)**
Impairment			
Opening and closing balance	(6,243)	-	(6,243)
Net:	**134,892**	**216**	**135,108**

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

	2016		
	Thousands of euros		
	Real estate land and buildings	Other installations	Total
Cost			
Opening balance	209,315	3,648	212,963
Additions	1,346	-	1,346
Disposals	(14)	-	(14)
Transfers (Notes 6 and 7) (*)	(44,985)	(257)	(45,242)
Final balance	**165,662**	**3,391**	**169,053**
Depreciation:			
Opening balance	(38,260)	(3,195)	(41,455)
Allocation	(4,681)	(50)	(4,731)
Transfers (Notes 6 and 7)	18,957	109	19,066
Closing 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.

This heading mainly includes immoveable assets used for operations in rental form (land, offices 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 2017 and 2016 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 2017 and 2016, the Company had reasonably covered these risks.

In 2017, the additions to real estate investments amounted to 831 thousand euros, of which 170 thousand euros correspond to reversals at the end of the contract of assets built by third parties in leased plots, and the rest fundamentally to refurbishment works in miscellaneous buildings.

In 2016, Investments amounted to 1,346 thousand euros and relate to renovation and improvements, highlighting the waterproofing of Aena III building located at Palma de Mallorca Airport.

At 31 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 -45,424 thousand euros plus transfer of depreciation for 19,066 thousand euros).

As of December 31, 2017 and 2016, there have been real estate investments that are wholly repaid and remain in use, in accordance with the following details:

	Thousands of euro	
	2017	**2016**
Real estate constructions	11,931	12,279
Real estate installations	2,945	2,945
Total	**14,876**	**15,224**

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

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	
	2017	**2016**
Land	329,432	325,236
Buildings	499,649	393,842
Total	**829,081**	**719,078**

The Group commissioned an independent valuation company (CBRE Valuation Advisory S.A.) to undertake a review and valuation of the Group's real estate portfolio as of 31 December 2017, with the aim of determining the fair value of its investment property

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

The market value is obtained through the methodology of "Discounts of Cash Flows", whose results are always compared with the transactions occurred in the market recently in terms of price per square metre and initial returns.The key variables of the "Cash Flow Discount Method" are: the determination of net income, the period of time during which said net income is discounted, the approximation of value that is realised at the end of said period and the rate internal "target" profitability used to discount cash flows.

The valuation hypotheses used were:

- *Income inflation*:The predictions of cash flows for the properties are based on the assumptions regarding the income and structure of expenses of the property, its state of occupation and operation.In order to determine the inflation affecting income, the CPI (Consumer Price Index) and Growth of the Gross National Product in Spain have been taken into account.
- *Rent growth*:An annual rental growth has been used that depends on the market conditions foreseen for the coming years.
- *Non-recoverable expenses*:Non-recoverable expenses have been considered, generally related to structural repairs of the property, reforms and renovations.
- *Lease fees*:Management fees are assumed for the new rental contract of 10% of the annual rent, considering them always at the date these are carried out.
- *Rent loss insurance*:0.25% of annual gross income is applied for this concept.
- *Cash flow discount period*:The forecast of the possible future value (exit value) of the property must be considered as a minimum "inaccurate", so that the lower the impact it causes on the valuation process, the more approximate the valuation will be.This lower impact is easier to achieve when taking longer discount periods, usually 10 years.The rate of return on investment is a function of the risk involved and the level of profitability offered by other alternative investments.
- *Rate of return*:It has been considered that the Spanish real estate market should offer a return between 300 and 400 basis points above the asset without risk in the long term.At present, this would represent a rate of return between 9 and 10% approximately.The added margin of basic points is due to the illiquidity of the real estate market in comparison with other more liquid markets such as the stock market and the greater risk that the uncertainty about income entails.
- *Output profitability*:At the end of the discount period it is necessary to determine an exit value (sale) of the property, which is based exclusively on future income, not taking into account any type of reversion value, according to the usual practice of the market.

As a result of this evaluation, the impairment test of each of the assets that comprise the real estate portfolio was carried out, comparing their fair values with their book value.Accordingly, the management of the Group does not believe that any significant impairment exists other than that recognised at 31 December 2016.

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

The market value is obtained by capitalising the estimated net proceeds of the property based on the lease and reversal period.This involves the capitalisation of current revenue over the period together with the valuation of each of the likely subsequent rents after restatement of rents or after conclusion of new leases for each of the periods envisaged based on present value.The return or returns applied to the different categories of income 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.

The sale price per square metre, determined by analysis of the investments and information about current global prices per square metre in the market, was taken into account by introducing appropriate adjustments at the time the valuation was prepared.

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

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 thousand of euros)	Remarks
Piovera Building (*)	Madrid	31/01/2024	3,750	Rent may be reviewed in accordance with the contractual terms
Arturo Soria Building	Madrid	31/12/2018	942	Rent not liable for review

(*) This contract, which initially expired in 2018, has been renewed during 2017, extending the lease period until 2024.

Total minimum future payments for irrevocable operating leases are as follows:

	Thousands of euros	
	2017	**2016**
Less than one year	4,949	4,391
Between one and five years	18,767	4,834
More than 5 years	330	-
Total	**24,046**	**9,225**

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	
	2017	**2016**
Less than one year	616,687	588,063
Between one and five years	1,405,955	1,727,573
More than 5 years	14,884	114,283
	2,037,526	**2,429,919**

Financial leases

In its fixed assets the company has an electricity cogeneration plant of the Adolfo Suarez 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	
	2017	**2016**
Cost- capitalized finance leases	17,829	17,829
Accumulated depreciation	(5,943)	(4,457)
Carrying amount	**11,886**	**13,372**

As at the 31st of December 2017 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 euro	
	2017	**2016**
Less than one year	1,582	1,544
Between one and five years	6,734	6,570
More than 5 years	5,506	7,252
	13,822	**15,366**

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		Credits to companies		Other financial instruments		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Investments held until their due date (*)	-	-	-	-	71,506	58,697	71,506	58,697
Loans and receivables (Note 12)	-	-	-	-	2,830	2,599	2,830	2,599
Available-for-sale assets:								
- Valued at cost (Note 11.3)	180	180	-	-	-	-	180	180
Total	**180**	**180**	**-**	**-**	**74,336**	**61,296**	**74,516**	**61,476**

	Short-term financial assets							
	Equity instruments		Credits to companies		Other financial instruments		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Investments held until their due date (*)	-	-	-	-	1,418	1,412	1,418	1,412
Loans and receivables (**)	-	-	2,985	1,537	290,586	266,390	293,571	267,927
Total	**-**	**-**	**2,985**	**1,537**	**292,004**	**267,802**	**294,989**	**269,339**

(*) The heading "Other financial instruments" contains mostly deposits registered by legal mandate in different public institutions of Autonomous Communities, corresponding to bonds previously received from lessees of the sales premises owned by AENA SME, SA, in compliance with Law 29/1994, of November 24, on Urban Leases.
(**) The heading "Other financial instruments" contains the total of the "Trade debtors and other accounts receivable" heading, excluding "Other credits with Public Administrations" and "Current tax assets".

(Thousand euros unless otherwise stated)

	Long-term financial liabilities							
	Financial lease creditors and others		Debts		Bail bonds and derivatives		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Debit with group companies (*)	12,650	14,331	6,104,218	7,487,181	102,483	89,203	6,219,351	7,590,695
Debit held with credit institutions (**)	-	-	649,888	-	-	-	649,888	-
Hedging derivatives	-	-	-	-	45,645	90,031	45,645	90,031
Total	**12,650**	**14,331**	**6,754,106**	**7,487,181**	**148,128**	**179,234**	**6,914,884**	**7,680,726**

(*) Including in the heading "Group debts" the effect of commissions and novation expenses accounted for using the depreciated cost method for a total amount of 4,866 thousand euros (2016:6,761 thousand euros) (see Note 15).
(**) Including the effect of commissions and novation expenses accounted for using the depreciated cost criteria for a total amount of 112 thousand euros.

	Short-term financial liabilities					
	Debts payable to group and associated companies		Others		Total	
	2017	2016	2017	2016	2017	2016
Loan with final dominant company	665,199	777,629	-	-	665,199	777,629
Accrued loan interest pending payment	18,812	33,812	-	-	18,812	33,812
Debts due to tax effect	1,078	-	-	-	1,078	-
Fixed asset supplier (Note 15)	28	2,787	-	-	28	2,787
Hedging derivatives	-	176	37,010	39,475	37,010	39,651
Subtotal	**685,117**	**814,404**	**37,010**	**39,475**	**722,127**	**853,879**
Amortised cost criterion commissions	(471)	(1,039)	-	-	(471)	(1,039)
Subtotal	**684,646**	**813,365**	**37,010**	**39,475**	**721,656**	**852,840**
Amounts payable (*)	-	-	255,908	250,037	255,908	250,037
Financial leases payable	-	-	1,582	1,544	1,582	1,544
Accrued interest with credit institutions pending payment	-	-	1,848	-	1,848	-
Other financial liabilities (**)	-	-	232,763	88,599	232,763	88,599
Total	**684,646**	**813,365**	**529,111**	**379,655**	**1,213,757**	**1,193,020**

(*) Caption "Trade creditors and other accounts payable" excluding "Other debts with Public Administrations".
(**) Includes, mostly, debts to fixed assets suppliers, amounting to 205,088 thousand euros (2016:61,641 thousand euros), along with deposits received.Growing in 2017 due to the increase in investments undertaken (see Notes 6 and 7).

Analysis by due dates

As of December 31, 2017, the amounts of financial instruments with a determined or determinable maturity classified by year of maturity are the following (in thousands of euros):

Financial assets	2018	2019	2020	2021	2022	2023 and subsequent	Total
Investments held until their maturity	1,418	11,220	34,280	4,925	11,766	9,315	**72,924**
Other receivables	290,586	-	-	-	-	-	**290,586**
Credits with ENAIRE (*)	1,700	-	-	-	-	-	**1,700**
Tax effect credit with ADI (*)	1,090	-	-	-	-	-	**1,090**
Other credit to companies	195	-	-	-	-	-	**195**
Other financial instruments	-	-	-	-	**22**	2,808	**2,830**
Equity instruments	-	-	-	-	-	180	**180**
Total	**294,989**	**11,220**	**34,280**	**4,925**	**11,788**	**12,303**	**369,505**

(*) Included under the heading "Loans to companies" in "Investments in group companies and short-term associates"for a total of 2,790 thousand euros.

Financial liabilities	2018	2019	2020	2021	2022	2023 and subsequent	Total
Loan with the final dominant company (*) (Note 15)	665,199	666,959	666,834	579,564	569,051	3,626,676	**6,774,283**
Accrued loan interest pending payment	18,812	-	-	-	-	-	**18,812**
Fixed-asset supplier associated companies (Note 12)	28	-	-	-	-	-	**28**
Debts due to the ADI tax effect (Note 12)	1,078	-	-	-	-	-	**1,078**
Subtotal debts of Group and associated companies	**685,117**	**666,959**	**666,834**	**579,564**	**569,051**	**3,626,676**	**6,794,201**
Debts payable to credit institutions (*) (Note 15)	1,848	-	-	-	650,000	.	**651,848**
Derivatives of Aena coverage (Note 15)	37,010	28,267	16,999	9,008	3,652	(12,281)	**82,655**
Financial lease creditors	1,582	1,622	1,662	1,704	1,746	5,506	**13,822**
Other long-term debts	121	82	82	82	82	82	**531**
Trade creditors and other accounts payable	461,015	-	-	-	-	-	**461,015**
Securities received	27,535	10,921	35,119	6,717	21,135	28,591	**130,018**
Total	**1,214,228**	**707,851**	**720,696**	**597,075**	**1,245,666**	**3,648,574**	**8,134,090**

(*) Excluding the effect of novation fees and expenses accounted for at the criteria for depreciated cost for a total amount of 5,449 thousand euros, of which 5,337 thousand correspond to the loan with ENAIRE and 112 to the loan with credit institutions (2016: 7,800 thousand of euros) (see note 15), as these concepts do not include cash outflows.

(Thousand euros unless otherwise stated)

Net gains and losses on financial assets and liabilities as of December 31, 2017 and 2016 are shown in Note 23.f.

11. Investments in group companies, associates, jointly controlled entities and other stock held.

Equity instruments

The main data on the holdings in group companies and associates, as well as other participations, none of which are listed on the stock exchange as of December 31, 2017 and 2016, are shown below:

1) Holdings in group companies

The breakdown of subsidiaries of the Group as of December 31, 2017 and 2016, all of which are consolidated by the global integration method in the consolidated annual accounts, is as follows:

2017

Subsidiaries	Address	Activity	%		Owner of the share
			Direct	Indirect	
AENA DESARROLLO INTERNACIONAL S.M.E., S.A. ("ADI") (1)	Madrid	Running, conservation, management and administration of airport infrastructures, as well as complementary services.	100	-	AENA, S.M.E., S.A.
London Luton Airport Holdings III Limited ("LLAH III") (2)	Luton (United Kingdom)	Holding of shares in the company that holds the concession for the operation of Luton Airport.	-	51	Aena AENA DESARROLLO INTERNACIONAL S.M.E., S.A.
London Luton Airport Holdings III Limited ("LLAH III") (2)	Luton (United Kingdom)	Holding of shares in the company that holds the concession for the operation of Luton Airport.	-	51	London Luton Airport Holdings III Limited ("LLAH III") (2)
London Luton Airport Holdings III Limited ("LLAH III") (2)	Luton (United Kingdom)	Holding of shares in the company that holds the concession for the operation of Luton Airport.	-	51	London Luton Airport Holdings III Limited ("LLAH III") (2)
London Luton Airport Group Limited ("LLAGL") (2)	Luton (United Kingdom)	Guarantor company for the acquisition of the concession for the operation of Luton Airport.	-	51	London Luton Airport Holdings I Limited ("LLAH I")
London Luton Airport Operations Limited ("LLAOL") (2)	Luton (United Kingdom)	Company holding the concession for the operation of Luton Airport.	-	51	London Luton Airport Group Limited ("LLAGL")

(1) Companies audited by KPMG Auditores, SL
(2) Companies audited by the KPMG network

(Thousand euros unless otherwise stated)

2016

Subsidiaries	Address	Activity	% Direct	% Indirect	Owner of the Shareholding
Aena Desarrollo Internacional SME, SA (1) ("ADI")	Madrid	Running, conservation, management and administration of airport infrastructures, as well as complementary services.	100	-	AENA, S.M.E., S.A.
London Luton Airport Holdings III Limited ("LLAH III") (1)	Luton (United Kingdom)	Holding of shares in the company that holds the concession for the operation of Luton Airport.	-	51	Aena AENA DESARROLLO INTERNACIONAL S.M.E., S.A.
London Luton Airport Holdings II Limited ("LLAH II") (1)	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") (2)
London Luton Airport Holdings I Limited ("LLAH I") (1)	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") (2)
London Luton Airport Group Limited ("LLAGL") (1)	Luton (United Kingdom)	Guarantor company for the acquisition of the concession for the operation of Luton Airport.	-	51	London Luton Airport Holdings I Limited ("LLAH I")
London Luton Airport Operations Limited ("LLAOL") (1)	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.

The main amounts of share capital, equity, profit and loss and book values relating to the group companies as at the end of 2017 and 2016, were as follows:

Name / Registered Address / Activity	Fraction of the Direct capital (%)	Share capital	Profit Management	Net	Rest of equity	Total equity	Value in books (*)
	31 December 2017 Thousand euros (**)						
Aena Desarrollo Internacional SME, SA (1) ("ADI") Arturo Soria, 109.Madrid Operation, conservation, management and administration of airport infrastructures.	100%	161,182	45,140	39,075	271,565	310,639	165,032
Total							**165,032**

(*) No stock has recorded impairment in the year or accumulated, being valued at cost.
(**) Data obtained from the individual annual accounts for the year 2017.

(1) Company audited by KPMG Auditores, SL

Name / Registered Address / Activity	31 December 2016 Thousand euros (**)						
	Fraction of the Direct capital (%)	**Share capital**	**Profit Management**	**Profit Net**	**Rest of equity**	**Total equity**	**Value in books (*)**
Aena Desarrollo Internacional S.M.E., S.A. (1). Arturo Soria, 109.Madrid Operation, conservation, management and administration of airport infrastructures	100%	161,182	28,708	18,102	92,281	271,565	165,032
Total							**165,032**

(*) No stock has recorded impairment in the year or accumulated, being valued at cost.
(**) Data obtained from the individual annual accounts for the year 2016.
(1) Company audited by the PwC network

In the years of 2017 and 2016, Aena Desarrollo Internacional SME, SA ("ADI") has not distributed dividends.

On the other hand, the Company AENA SME, SA has control of London Luton Airport Holding III Limited (hereinafter, "LLAH III") and all its subsidiaries through Aena Desarrollo Internacional SME, SA (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 2017 and 2016 are the following (expressed in thousands):

Name / Address / Line of business	31 December 2017				
	% age stake	**Share capital**	**Profit for the year**	**Other Equity items**	**Total equity**
		Thousand GBP	Thousand GBP	Thousand GBP	Thousand GBP
London Luton Airport Holdings III Limited (*) (1)	51.0 %	986	(17,955)	26,795	9,826

(1) Company audited by the PwC network

Name / Address / Line of business	31 December 2016				
	% age stake	**Share capital**	**Profit for the year**	**Other Equity items**	**Total equity**
		Thousand GBP	Thousand GBP	Thousand GBP	Thousand GBP
London Luton Airport Holdings III Limited (*) (1)	51.0 %	986	396	54,995	56,377

(*) Data obtained from the consolidated annual accounts as of December 31, 2017 and 2016.
(1) Company audited by the PwC network

In the 2013 fiscal year, "ADI" underwrote stock representing 40% of the capital of London Luton Airport Holdings III Limited (LLAHL III) for an amount of 39.4 million pounds sterling (corresponding to 47.3 million euros), being Aerofi Sarl(Aerofi) the other shareholder of the same with a 60% stake.

LLAHL III is an instrumental company created with the aim, through its wholly-owned subsidiary London Luton Airport Holdings II Limited (LLAHL II), which in turn owns 100% of London Luton Airport Holdings I Limited (LLAHL I), of carrying out the acquisition, on November 27, 2013, of London Luton Airport Group Limited and its subsidiary London Luton Airport Operations Limited, the management company of Luton Airport in the United Kingdom.Within the framework of the transaction, Aena Desarrollo Internacional SME, SA and Aerofi signed an agreement whereby Aena Desarrollo Internacional SME, SA had the option (purchase option) to acquire from Aerofi the shares representing 11% of LLAHL's capital stock III, for a period of eleven months as of November 27, 2013, at a price equivalent to the subscription price of said shares adjusted for certain factors linked to the dividends received by Aerofi, the financial costs of 51% of the debt underwritten by Aerofi in LLAHL II, to shareholder profitability and for the issuance of new LLAHL III shares that might have been produced during the fiscal year.

On October 16, 2014, Aena Desarrollo Internacional SME, SA, once the pertinent authorisations were obtained, proceeded to enforce the purchase option, reaching 51% of the capital of LLAHL III for an amount of 13.7 million pounds sterling (corresponding to 17.2 million euros).Likewise, Aena Desarrollo Internacional SME, SA assumed 51% of the debt underwritten by Aerofi in LLAHL II, which amounted to 48.3 million pounds sterling (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.The financing of the operation was implemented via a capital increase in Aena Desarrollo Internacional SME, SA, 100% underwritten by the parent company Aena.In fiscal year 2017, this loan generated interest in favour of Aena Desarrollo Internacional SME, SA of 4,409,415 euros (in 2016 the amount was 4,720,313 euros).

As a result of this operation, Aena Desarrollo Internacional SME, SA acquired control of LLAHL III in 2014 and, therefore, the Aena Group went on to consolidate this company (and its subsidiaries) through the global integration method.

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

The main amounts of the LLAH III investees mentioned above, in relation to capital, equity, results and book value, expressed in local currency and under local accounting principles and including the valuation of the identifiable assets acquired and the liabilities assumed to the date of acquisition, related to these companies at the end of 2017 and 2016 are the following (expressed in thousands):

	31 December 2017				
Name / Address / Line of business	**% age stake**	**Share capital and share premium**	**Profit/(loss) for the period**	**Other Equity items**	**Total equity**
		Thousand GBP	Thousand GBP	Thousand GBP	Thousand GBP
London Luton Airport Holdings II Limited (*) (1)	51.0 %	98,600	(14,515)	(110,888)	(26,803)
London Luton Airport Holdings I Limited (*) (1)	51.0 %	193,011	(6,940)	(117,699)	68,372
London Luton Airport Group Limited (*) (1)	51.0 %	5,274	35,420	22,425	63,119
London Luton Airport Operations Limited (**) (1)	51.0 %	5,274	32,349	2,424	40,047

(*) Data obtained from the consolidated financial statements at 31 December 2017
(**) Data obtained from the individual financial statements at 31 December 2017
(1) Company audited by the PwC network

	31 December 2016				
Name / Address / Line of business	**% age**	**Share capital**	**Profit/(loss) for the**	**Other Equity**	**Total equity**

	stake	and share premium	period	items	
		Thousand GBP	Thousand GBP	Thousand GBP	Thousand 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.

2) Stakes in associated companies

On the other hand, the Company indirectly holds stocks in other Companies through Aena Desarrollo Internacional SME, SA The main amounts of capital, equity, results and book value expressed in local currency and under local accounting principles, related to these companies at the close of the year. Year 2017 and 2016 are as follows (expressed in thousands):

	31 December 2017				
Name / Address / Line of business	**% age stake**	**Share capital**	**Profit for the year**	**Other Equity items**	**Total equity**
Sociedad Aeroportuaria de la Costa S.A. (SACSA) Rafael Núñez Airport.Cartagena de Indias-Colombia (*) Cartagena Airport operations	37.89 %	COP 3,698,728	COP 30,606,372	COP 11,822,892	COP 46,127,992
Aeropuertos Mexicanos del Pacífico (AMP), S.A. de CV (variable loan stock company) (a) Mexico DF Operator of 12 airports in Mexico (*)	33.33 %	MXN 1,903,400	MXN 824,837	MXN 960,930	MXN 3,689,167
Aerocali, SA Alfonso Bonilla Aragón Airport Cali-Colombia Cali Airport operation (*)	50.00 %	Colombian pesos 3,800,000	Colombian pesos 17,090,442	Colombian pesos 14,899,288	Colombian pesos 35,789,730

(*) Data obtained from the consolidated annual accounts as of December 31, 2017

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

(*) Data obtained from the consolidated annual accounts as of December 31, 2016

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.

Given the evolution of these companies, the directors have not considered necessary to make provisions for value impairment.

On May 29, 2014, the subsidiary Aena Desarrollo Internacional SME, SA, purchased 63,335 additional ordinary shares in Aerocali, SA, 16.67%.With this acquisition, Aena Desarrollo Internacional SME, SA now holds a 50% stake in this company.The amount paid for this acquisition stood at 2,036 thousand euros.According to the analysis carried out by the management of Aena Desarrollo Internacional SME, SA with this acquisition, the latter would not take control of the investee since there is joint control, meaning that as of December 31, 2016 and December 31, 2017, it continues to register using the equity method with the change in the percentage of ownership since the acquisition of the new shares.

Dated 24 February 2006, Grupo Aeroportuario del Pacífico, S.A. (company owned by AMP) began trading on the Mexico and New York stock exchanges through an IPO issued by the Mexican Government (previous owner of the remaining 85% of the 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 29 December 2017 was 202.00 Mexican pesos (MXN) (2016:170.48 Mexican pesos (MXN)).

At the General Meeting of Shareholders of AMP on May 9, 2017, it was resolved that, with a charge to the balance of the Contribution Capital account, the share capital of the company in its variable part would be reduced by the amount of 340 million of Mexican pesos.The effect of this reduction in the accounts of Aena Desarrollo Internacional SME, SA resulted in a fall in the value of its participation in AMP of 113.33 million Mexican pesos, equivalent to 5.0 million euros.

At the General Meeting of Shareholders of AMP on April 28, 2016, it was resolved that from the balance of the Contribution Capital account, the share capital of the company in its variable part be reduced by the amount of 135 million of Mexican pesos.The effect of this reduction in the accounts of the subsidiary Aena Desarrollo Internacional SME, SA resulted in a reduction in the value of its stake in AMP of 45 million Mexican pesos, equivalent to 2.3 million euros.

3) <u>Other stakes</u>

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

	2017 Thousands of EUR (*)						
Name / Registered Address / Activity	**% age stake**	**Share capital**	**Profit**		**Other equity items**	**Total equity**	**Total book values as of December 31, 2017**
			Management	**Net**			
Barcelona Regional Agency Town planning consultant and environmental promoter Edificio Centreservei, Zona Franca Carrer 60, 25-27 Barcelona (*)	11.76 %	1,533	1	1	337	1,871	180
Total							**180**

(*) Data obtained from the consolidated annual accounts as of December 31, 2017

	2016 Thousands of euros (*)						
Name / Registered Address / Activity	**% age stake**	**Share capital**	**Profit**		**Other equity items**	**Total equity**	**Total book values as of December 31, 2016**
			Management	**Net**			
Barcelona Regional Agency Town planning consultant and environmental promoter Edificio Centreservei, Zona Franca Carrer 60, 25-27 Barcelona (*)	11.76 %	1,533	20	4	333	1,870	180
Total							**180**

(*) Data obtained from the consolidated annual accounts as of December 31, 2016

(Thousand euros unless otherwise stated)

12. Related party transactions and balances

The breakdown of debit and credit balances held with group companies and linked to the end of 2017 and 2016 is as follows:

2017 Fiscal Year:

	Debtor (Note 13)	Credits Credits	Long-term Credits (taxes) (Note 22)	Short-term long-term (Note 15)	Short-term short-term (Note 15)	Short-term short term (Note 15)	Supplier Fixed assets (Note 15)	Creditors (Note 16)
Parent company:								
ENAIRE	35	1,700	-	(6,104,218)	(683,540)	-	-	(25,498)
Transactions with group and associated companies:								
AENA DESARROLLO INTERNACIONAL S.M.E., S.A.	35	-	1,090	-	-	(1,078)	(28)	(715)
Transactions with related parties:								
State Meteorological Agency (AEMET)	-	-	-	-	-	-	-	(833)
Ingeniería de Sistemas para la Defensa de España, S.A. (ISDEFE)	-	-	-	-	-	-	(1,163)	(468)
Ingeniería y Economía del Transporte, S.A. (INECO)	-	-	-	-	-	-	(3,871)	(2,754)
	70	**1,700**	**1,090**	**(6,104,218)**	**(683,540)**	**(1,078)**	**(5,062)**	**(30,268)**

Fiscal Year 2016:

	Debtor (Note 13)	Credits Credits	Credits Debts (Taxes) (Note 22)	Short-term Debts (Note 15)	Short-term Debts (Note 15)	Supplier Fixed assets (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.M.E., S.A.	49	-	1,319	-	-	(154)	(557)
Transactions with related parties:							
State Meteorological Agency (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)**

The detail of the transactions carried out with group companies and linked during the year 2017 is as follows (in thousands of euros):

	ENAIRE (Public Body)	AENA DESARROLLO INTERNACIONAL S.M.E., S.A.	INECO	AEMET	ISDEFE	London Luton Airport Operations Limited
Agreement to render services:	(305)	(53)	-	-	(5)	-
Services received	1,073	-	10,669	-	3,191	-
Supplies:Work performed by other companies (Note 23.a)	138,930	1,745	2,228	10,000	-	-
Acquisitions of fixed assets (Note 6 and 7)	-	407	5,729	-	2,936	-
Financial income (Note 23f)	(867)	-	-	-	-	-
Losses attributed to hedging instruments (Note 19d)	183	-	-	-	-	-
Financial expenses (Note 23f)	64,197	-	-	-	-	-

The detail of the transactions carried out with group companies and linked during the 2016 fiscal year is as follows (in thousands of euros):

	ENAIRE (Public Body)	AENA DESARROLLO INTERNACIONAL S.M.E., S.A.	INECO	AEMET	ISDEFE	London Luton Airport Operations Limited
Agreement to render services:	(99)	(56)	56	-	(5)	(13)
Services received	1,093	1,822	8,696	-	2,462	-
Supplies:Work performed by other companies (Note 23.a)	145,441	-	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 income (Note 23f)	-	(4)	-	-	-	-
Losses attributed to hedging instruments (Note 19d)	1,547	-	-	-	-	-
Financial expenses (Note 23f)	95,325	-	-	-	-	-

Principal contracts:

Below contracts between the public company "ENAIRE" and Aena, SA for 2017 and 2016 are listed below:

Year 2017:

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

Year 2016:

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

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

On October 31, 2017, Aena and ENAIRE signed a contract to provide parking facility services for the Aena network for free use of the car park for 15 days a year by ENAIRE employees.Derived from this contract, the economic benefits between the parties during 2017 amounted to 7.1 thousand euros recorded at market value, although the amount paid by ENAIRE amounted to 1.8 thousand euros.

On October 1, 2014 and effective as of April 1, 2012, a contract was signed with the subsidiary Aena Desarrollo Internacional SME, SA, in which AENA provides AENA with in-flight verification services.The duration is for 3 years with annual renewals unless expressly terminated.

On December 1, 2017, in order to carry out an efficient and adequate implementation of the Group's policies and for a better efficiency in the management of the company, Aena Desarrollo Internacional SME, SA, proceeded to contract with Aena SME, SA the provision of certain advisory services and management support that are determined in the Agreement signed for that purpose.The Agreement's validity term is three years with annual extensions up to a maximum of four, provided that there is an agreement between the parties.The price of the services provided is set annually, having established the price of the first annuity at 104,124 euros.In subsequent years, the price will be revised according to the volume of services rendered.

Additionally, there is an agreement of collaboration with Ingeniería y Economía del Transporte, SA (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 environment, airport business development and logistics studies, designs in terminals to improve operational efficiency and achieve greater cost reduction, whose annex of actions is duly 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 are in accordance with the agreement dated November 8, 2013:

- General Coordination of Information Technology and Communications, hereinafter ICT.
- Definition of ICT systems and infrastructure.
- Life cycle management of 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 meteorological authority of the State and as a certified service provider, is the only body officially designated in Spain to provide meteorological services to aviation activity.For the designation of more providers of this service to be added, prior regulatory development is necessary.AEMET also provides weather services to other Spanish airports not managed by Aena, SA

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

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

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

Given that the provision of this service is essential for the development of the operation, it is considered necessary to give continuity to it guaranteeing compliance with the current requirements of quality, safety and efficiency while maintaining the same economic conditions (10,000 thousand euros annually), meaning that the corresponding extension of the contract for 2018 is already in process at the date of formulation of these annual accounts.

13. Trade and other receivables

The balance on the heading "Trade debtors and other receivables" of the Balance Sheet attached at the closure of 2017 and 2016 is broken down as follows:

	Thousands of euro	
	2017	**2016**
Clients for services supplied	303,123	288,689
Clients with doubtful debts	94,090	93,013
Minus: provision for impairment	(114,491)	(123,133)
Customers, Group companies and associated companies (Note 12)	70	75
Sundry debtors (*)	7,423	7,425
Staff	371	321
Assets for current tax (Note 22)	34	110,456
Other receivables from public administrations (Note 22)	24,551	21,859
	315,171	**398,705**

(*) The heading of various debtors includes the outstanding balance corresponding to the incident due to the invasion of the runways at El Prat Airport on July 28, 2006 for an amount of 7,423 thousand euros, the Company maintains said provisioned amount.

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

A significant part of the balances included under the heading "Customers for the Provision of Services" belong to the following companies:

	Thousands of euro	
	2017	**2016**
World Duty Free	87,505	76,274
Iberia, Líneas Aéreas de España, SA	23,886	23,774
Áreas, SA	17,725	15,900
Cemusa European Corporation.	16,796	17,297
Air Europa Líneas Aéreas, SA	15,727	15,160
Air Nostrum	10,347	10,259
Easy Jet Airlines Co.Ltd.	8,025	7,659
Pansfood SA	5,330	4,819
Select Service Partner, SA	4,893	4,290
Sinapsis Trading	4,546	2,894
CLH Aviation	3,917	4,490
Lagardere Travel Retail SA	3,488	4,574
Others	100,938	101,299
	303,123	**288,689**

The movement of the provisions account for commercial operations in the years 2017 and 2016 was as follows:

	Thousands of euro	
	2017	**2016**
Beginning balance	123,133	121,636
Variation in provision for impairment	(8,642)	1,497
	114,491	**123,133**

In addition to the positive variation of 8,642 thousand euros (2016:1,497 thousand euros negative) in the impairment provision for operations, during the year 2017, losses of 2,570 thousand euros have been recorded in the "Losses, impairment and variation of provisions for operations" heading in the profit and loss account (2016:6,348 thousand euros), for definitive losses resulting from the State Taxation Administration Agency of debts sent to the enforcement channel, up to the positive figure of 6,072 thousand euros that is entered in this heading (2016:- 7,845 thousand euros).

As of December 31, 2017 and 2016, there are no balances receivable in currencies other than the euro.

14. Short-term financial investments

The balance of the accounts under the heading "Short-term financial investments" at the end of the 2017 and 2016 financial years is as follows:

	Thousands of euro	
	2017	**2016**
Credits to companies	195	218
Short-term sureties and deposits	1,418	1,412
	1,613	**1,630**

15. Borrowings

a) Debts with group and associated companies

The heading "Debts with group companies and long-term associates" enters an amount of 6,104,218 thousand euros at the end of 2017 (2016:7,487,181 thousand euros).Likewise, the heading "Debts with group companies and associates in the short term" recorded at the end of 2017 a total amount of 684,646 thousand euros (2016:813,365 thousand euros), of which 665,199 thousand euros (2016:777,629 thousand euros) refer to short-term loans to be paid to the group for the financing of airports with an established schedule.This heading also includes 18,812 thousand euros (2016:33,812 thousand euros) for interest accrued on loans with the last Parent Company; 1,078 thousand euros for debts due to tax effect with Aena Desarrollo Internacional SME, SA, derived from taxation under the tax consolidation system (see Note 4n) (2016:0 thousands of euros); 0 thousand euros for the imputation of the short-term derivative with ENAIRE (2016:176 thousand euros); the short-term balance of fixed assets suppliers of group companies and associates amounting to 28 thousand euros (2016: 2,787 thousand euros), and-471 thousand euros for the commissions at the depreciated cost method (2016: -1,039) (see Note 10).

The Company's loans and credits are formalised at 88% at reviewable fixed / fixed interest rates (see Note 5), and the remaining percentage is agreed to at variable rates generally referenced to the Euribor (2016:78% at reviewable fixed / fixed interest rates and the remaining percentage is formalised at variable rates generally referenced to Euribor).The average rate of indebtedness throughout 2017 was 1.45% (2016:1.36%) (Note 5).

On the occasion of the non-monetary contribution described in Note 3, the Company and its sole shareholder at that time entered into a financing agreement whereby the debts corresponding to the branch of activity contributed in the capital increase described in said Note 3 they were transferred from the public entrepreneurial body "Aeropuertos Españoles y Navegación Aérea" to the Sociedad AENA SME, SA In said contract between both parties the initial debt and the future cancellation conditions of said debt were acknowledged, as well as the procedure for the liquidation of the interest and repayment of the debt.It was also specified that the ownership before the financial institutions lenders corresponded to the public business entity "Spanish Airports and Air Navigation", even though it was recognised that Aena, SA was obliged to satisfy the percentage of the outstanding balance of the debt of the public institution Aena attributable to the branch of airport activity at the time of the contribution of any payments that the public entrepreneurial body "Spanish Airports and Air Navigation" had to satisfy the financial institutions in accordance with the financial stipulations, and other terms and conditions set forth in the Agreements of Financing.

On the other hand, in the Council of Ministers of July 11, 2014, the public entrepreneurial body "Aeropuertos Españoles y Navegación Aérea" is authorised to initiate the procedures for the sale process of the share capital of AENA SME, SA and to dispose of up to one 49% of its capital.

Within the framework of the process of opening the Company's share capital to private investors, and in order to make the financing agreements (long-term and short-term financial debt) and hedging agreements underwritten with all of the agreements compatible with the entire group of financial institutions, on July 29, 2014, the public entrepreneurial body "ENAIRE", AENA SME, SA and the respective financial institutions agreed on the modification and non-extinction novation of the corresponding financing agreements.

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

Through these novations, the financial conditions of the operations of the loans granted at the time to the public entrepreneurial body "ENAIRE" were not altered, nor therefore those reflected in the mirror loans at the time subscribed with AENA SME, SA (amongst others: repayment of principal, maturity dates, regime of interest rates, amortisation periods, etc.).The main clauses that were modified are summarised below:

- The solidary nature of the borrowers, the public business entity "ENAIRE" and AENA SME, SA, which are jointly and severally liable vis-à-vis the bank with respect to the obligation to repay the amount of the loan that had been arranged by any of them and pay interest, commissions, costs, expenses and any other item owed by any of them directly to the bank under the agreements.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 elimination of the clauses that imposed limitations on the transfer of shares of AENA SME, SA and the sale of a percentage of shares higher than 49%.

- The obligation to comply with certain financial ratios, based on the consolidated financial statements of the Aena Group, which will be certified by the delivery of a certificate certifying compliance with said ratios on a semi-annual and annual basis.The definition of the terms included in the calculation of these ratios (Net financial debt, EBITDA and financial expenses) are established in the new contracts as follows:

Financial debt: Means any financial indebtedness cost of a financial nature as a result of:

a) loans, credits and trade discounts;

b) any amount due in respect of bonds, debentures, notes, debt and generally 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 an already computed debt consolidation; and

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

For the avoidance of doubt, it is made known that counted as Financial Debt, is debt that results from, at all time, the debt acknowledgement contract which was signed on July 1, 2011 (duly renewed when applicable) underwritten between Aena and ENAIRE.

Net Financial Debt: Means the Financial Debt minus (i) cash balances and cash, (ii) other current financial assets, understood as such liquid asset investments (excluding financial assets available for sale), for its liquidation value, and (iii) unrestricted shares valued according to the closing price on the last business day of trading based on the calculation period, provided it is not already accounted for in the foregoing section (ii).

Subordinated debt: Means indebtedness subordinate to the present and future obligations held by Aena under this Agreement debt and also that which: (a) does not set repayment obligations thereof (excluding capital increases to offset debts) until after the final maturity date; (b) its creditors are entitled to request early termination of the same until the obligations of the Borrowers under this Agreement have not been paid in full; (c) not herein guaranteed by any real or personal surety unless such warranty is also subordinate; and (d) the subordination and other characteristics described in this definition are granted in favour of the Lender.

EBITDA: Refers to the operating result plus (i) allocations for amortization and impairment and losses on disposal of fixed assets and provisions to the reversion (provided that the latter were previously deducted for the calculation of operating income), and impairments to goodwill, (ii) the share of the dividend actually received from companies consolidated by the equity method, and (iii) dividends from any company charged not included in the consolidated EBITDA issued by Aena.For all purposes, excluded from the calculation of EBITDA are the development results for those subsidiaries that despite consolidation in Aena's consolidated balance, have obtained financing without requests to Aena, provided that such financing is excluded from the calculation of financial debt for the purposes of ratio calculation.

(Thousand euros unless otherwise stated)

Financial expenses: Means the expenses associated with financial debt, i.e. financial expenses recorded as such, for the twelve (12) days prior to the date of appropriate calculation, including (i) the exchange differences relating to interests of the months Financial debt if they are not already accounted for in that heading and (ii) changes in fair value of hedging documents to be signed, if any, on this funding.

NFD / EBITDA means the resulting ratio of the ratio of net financial debt of EBITDA for each calculation period during the term of the Contract.

EBITDA / Interest Expense Ratio means the resulting ratio of the ratio between EBITDA Financial expenses for each calculation period during the term of the Contract.

Ratio	2016	2017	2018	2019	2020 and subsequent
Net debt/adjusted EBITDA less than or equal to:	8.00x	7.00x	7.00x	7.00x	7.00x
EBITDA / Financial expenses greater than or equal to:	3.00x	3.00x	3.00x	3.00x	3.00x

- With regard to the possibility of granting charges and liens, a more favourable framework is established with respect to that foreseen in the initial financing agreements, by allowing the granting of certain security rights over international assets in international financing operations without recourse to AENA. SME, SA nor the public entrepreneurial body "ENAIRE", faced with the prohibition that existed in many initial contracts and that in many cases made business expansion bothersome.

- The unification of clauses that restrict the disposal of assets:AENA SME, SA will retain, directly or indirectly, the proprietary ownership of all airport assets and will not dispose of them in a single transaction or in a series of related or not transactions, with some exceptions in relation to airport assets located outside of Spain.

- Certain clauses are unified in order to qualify the events in which the financing agreements could be subject to early maturity, as a result of defaults derived from the commercial relations of AENA SME, SA

As a consequence of said novations and to pick up the modifications in the contractual relationship for the loan with the public business entity "ENAIRE", on July 29, 2014, the Company signed a non-extinguishing modification novation of the debt recognition contract with the entity public business "ENAIRE", which comes to modify the contract signed on July 1, 2011 by which they contributed to AENA SME, SA all the assets, rights, debts and obligations of the public entrepreneurial body "ENAIRE" affected to the development of airport, commercial and other state services related to airport management, including those related to aerodrome air traffic services, for the amount of 11,672,857 thousand euros.

By virtue of said novation, the Parties agreed to modify certain aspects of the debt recognition contract with merely novatory and in no case extinction effects, for the purpose of specifying, amongst others, i) the updated amount of the recognised indebtedness, ii) the regulation of the payment by public entrepreneurial body "ENAIRE" and AENA SME, SA of the amounts owed under the financing agreements, iii) the exercise of the powers by the co-borrowers under those financing agreements, iv) the obligation of compliance by AENA SME, SA of the same financial ratios, as detailed in the novations of the financing agreements, v) the commitment of future incorporation of pledge on credit rights (the amount corresponding to one year of service of the debt that accrues under the financing agreements) by the Company in favor of the public business entity "ENAIRE" in case of fulfillment of its obligations under the debt recognition contract or loss of the majority of the share capital of AENA SME, SA by the public entrepreneurial body "ENAIRE".

In the process of novation of the debt, the parties expressly agreed that, without prejudice to their status as co-debtors and jointly and severally liable for compliance with the obligations set forth in the financing agreements, the payments that for any reason should be made under the terms of such financing agreements would be made by the public entrepreneurial body "ENAIRE", and, therefore, the contractual relationship between AENA SME, SA and the public entrepreneurial body "ENAIRE" is maintained through the debt recognition contract.

Without prejudice to the joint and several liability that AENA SME, SA and the public corporate entity "ENAIRE" assume vis-à-vis the financial entities under the financing agreements, the payments made by AENA SME, SA will reduce proportionally, compared to the public entity "ENAIRE", its payment obligations derived from the contribution.

In any case, the non-payment by AENA SME, SA of its obligations derived from the debt recognition contract, will not release the public entrepreneurial body "ENAIRE" from fulfilling its payment commitments under the terms of the financing agreements.

Therefore, the amendments agreed in the financing agreements with the banking entities and with the public business entity "ENAIRE", did not modify the accounting treatment of the financial debt of the Company with the last dominant company, the public entrepreneurial body "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) Failure to comply with any payment obligation arising from customary commercial relations in the ordinary traffic of AENA SME, SA, unless the latter has judicially or extrajudicially opposed the corresponding payment claim arising from said non-compliance and / or has filed, or would be filed, the corresponding procedural actions to which AENA SME, SA is protected against by law, without having been sentenced to make payment of the same.

d) Generalised seizures of goods of AENA SME, SA and / or ENAIRE.

e) The constitution by ENAIRE and / or by the Companies, companies and bodies of the ENAIRE group (with the exception of AENA SME, SA and the Companies of its group, which are governed by the limitation indicated in the following point) of any right in rem, burden, encumbrance or privilege on any of the assets or rights, present or future.

f) The constitution by AENA SME, SA and / or the Companies of its group of any real right, charge, encumbrance or privilege over any of the assets or rights existing in its balance sheet, with the exception of any real right, charge, encumbrance or privilege constituted on assets located outside of Spain (included in said exception, the shares or units of companies domiciled in Spain provided that all of their operating assets are located outside of Spain) exclusively, as collateral for financing or other obligations without recourse to AENA SME, SA contracted by subsidiaries and / or other companies of the Aena group.

g) Unless the bank had given its written consent:Aena will keep, directly or indirectly, the ownership of all its airport assets and will not dispose of them in a single operation or in a series of related or non-related transactions, with the exception of exclusively airport assets located outside of Spain, directly or indirectly owned by Aena, of disposals up to a joint aggregate amount during the entire life of the contract that does not exceed 20% of the consolidated assets of Aena, determining the value of both the consolidated asset and the assets sold at any time by reference to the securities accounted for in the consolidated balance sheet of Aena corresponding to December 31, of the last accounting year closed at the time of signing the agreement for the transfer of assets.For the purposes of this clause, "Airport assets" means any assets that form part of the airport activity included in the consolidated tangible fixed assets of Aena.

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

Only the occurrence of such causes of early maturity, would eventually empower financial institutions, in accordance with the terms and conditions specific to their respective agreements, to declare the early maturity 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.

In case of default by AENA SME, SA of its obligations under the debt recognition contract:

- AENA SME, SA is committed to the future constitution of a first-class pledge agreement on certain credit rights (the amount corresponding to one year of service of the debt accrued under the financing agreements) in favor of ENAIRE (this obligation also arises in case of loss of control of AENA SME, SA by ENAIRE).

- The amounts unpaid by AENA SME, SA will accrue interest for late payment.

- In the event that ENAIRE had to pay any amount to the financial entities that under the debt recognition contract had to pay AENA SME, SA, ENAIRE will be subrogated in the rights and guarantees of the creditor against AENA SME, SA and the debt acknowledged in the debt recognition contract will be automatically increased by the amount paid by ENAIRE.

- Likewise, in the event that, as a result of the breach of an obligation by AENA SME, SA under the financing agreements, the early maturity of one or more financing agreements and the claim for effective payment of any amounts, AENA will occur SME, SA must satisfy ENAIRE with a penalty equivalent to 3% of the total principal due from the respective unfulfilled financing contract.This provision would also apply in the event that the breaching party had been ENAIRE, in which case, this would be the one that should satisfy the aforementioned penalty to AENA SME, SA

The breakdown of the total of the "**Financial debt in which the Company appears as a joint creditor in** ENAIRE"(Hereinafter," Co-accredited debt ") with financial institutions as of December 31, 2017, is as follows (in thousands of euros):

Financial institutions	Amount
BEI	4,020,247
ICO	1,963,350
DEPFA	175,000
FMS	733,333
TOTAL Co-accredited	**6,891,930**

Of the previous 6,891,930 thousand euros, Aena SME, SA owes to the public company "ENAIRE" the debt derived from the contribution of the airport activity, which as of December 31, 2017 amounted to an amount of 6,774,283 thousand euros. euros, 98% of the total debt credited (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 2017 and 31 December 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.

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

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

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

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

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

In relation to the costs incurred as a result of the change in the risk weight, they are expected to be regularised throughout 2018.These costs amounted to 11.8 million euros were provisioned as of 31 December 2016 and paid on 22 March 2017.As of December 31, 2017, income has been recorded as a recovery of part of this expense amounting to 0.9 million euros.

The maturity schedule of the outstanding installments of the principal of the short and long-term debt with the public company ENAIRE for the financing of the airports (Note 10) at the close of the 2017 fiscal year, is as follows:

Contributions with Maturity	**Thousands of euros 2017**
2018	665,199
2019	666,959
2020	666,834
2021	579,564
2022	569,051
Followings	3,626,676
Total	**6,774,283**

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 2017 and 2016 are shown below:

	In thousands of euros		
	2017		
	Long term	**Short term**	**Total**
Debts with group and associated companies - Debt with ENAIRE (Note 12)	6,109,084	665,199	6,774,283
Debts with group and associated companies.- Debt commissions (Note 12)	(4,866)	(471)	(5,337)
Debts with group companies and associates - Accrued interest (Note 12)	-	18,812	18,812

Debts due to tax effect (Note 12)	-	1,078	1,078
Fixed asset suppliers - Group and associated companies (Note 12)	-	28	28
Total	**6,104,218**	**684,646**	**6,788,864**

	In 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 companies and associates - 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)	-	2,787	2,787
Total	**7,487,181**	**813,365**	**8,300,546**

As of December 31, 2017 and 2016, long and short-term debts are predominantly in euros.

The variations in the balance of the loan of ENAIRE, produced during the financial year 2017, correspond mainly to amortization of principal amounting to 1,497,288 thousand euros, of which 797.2 million euros correspond to the prepayment of debt with a variable interest rate regime with Depfa Bank, as explained above.The reconciliation between the opening and closing balances in the statement of financial position of the components of Borrowings from the parent company is as follows:

		Cash flow						
	31 December 2016	Financing activities Collections	Financing activities Payments	Operating activities Interest payments	Short/long-term transfers	Accrued interest	Fair value variations	31 December 2017
Non-current								
Loan to Aena S.M.E., S.A. from ENAIRE	7,493,942	-	-	-	(1,384,858)	-	-	6,109,084
Adjustment of the loan from ENAIRE using the effective cost criteria.	(6,761)	-	-	-	467	1,428	-	(4,866)
Subtotal Aena, S.M.E., S.A. long-term debt with ENAIRE	**7,487,181**	**-**	**-**	**-**	**(1,384,391)**	**1,428**	**-**	**6,104,218**
Current								
Loan from ENAIRE	777,629	-	(1,497,288)	-	1,384,858	-	-	665,199
Adjustment of the loan from ENAIRE using the effective cost criteria.	(1,039)	-	-	-	(467)	1,035	-	(471)
Interest accrued on loans from ENAIRE	33,812	-	-	(76,735)	-	61,735	-	18,812
Sub-total of loans from related parties	**810,402**	**-**	**(1,497,288)**	**(76,735)**	**1,384,391**	**62,770**	**-**	**683,540**
Current hedge derivatives attributed by ENAIRE	176	-	-	-	-	-	(176)	-
Subtotal Aena, S.M.E., S.A. short-	**810,578**	**-**	**(1,497,288)**	**(76,735)**	**1,384,391**	**62,770**	**(176)**	**683,540**

(Thousand euros unless otherwise stated)

term debt with ENAIRE								
Total	**8,297,759**	**-**	**(1,497,288)**	**(76,735)**	**-**	**64,198**	**(176)**	**6,787,758**

The variations in the balance of the loan from ENAIRE which occurred in financial year 2016 correspond to repayment of principal in the amount of 1,172,339 thousand euros, and inversely 7,359 thousand euros due to the increase in the interest to be paid and 2,730 thousand euros due to the effect of the amortised cost.

Likewise, as a result of the process of reviewing the variable interest loans, in October 2016 loans in the amount of 15,000 thousand euros whose due date was 15 March 2017 were repaid early along with loans in the amount of 28,470 thousand euros whose due date was 30 September 2017 and loans in the amount of 71,175 thousand euros whose due date was 15 December 2019 .

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	
	2017	**2016**	**2017**	**2016**
Debt with ENAIRE	6,104,218	7,487,171	6,105,413	7,372,180
Total (Note 12)	**6,104,218**	**7,487,171**	**6,105,413**	**7,372,180**

The fair value of current borrowings is equal to their carrying value, as the impact of the discount is not significant. The fair value for non-current borrowings is based on the cash flows discounted to risk-free interest rates (Euribor 12M swap curve) plus a spread equal to Aena's CDs (62 bps) (2016: 0 coupon curve plus a spread of 0.99%)

As indicated in Note 5, the Company has modified the interest rate system for variable rate loans that may be revised in 2017. The revised total amounts to 478,632 thousand euros entirely for EIB loans which have moved to a fixed term rate at an average rate of 0.78 % (previously 1.14 %).

For these loans with a revisable interest rate, in 2016 the total amount revised by the Company was 781,304 thousand euros corresponding to loans from the European Investment Bank which were set at a fixed rate to maturity, going from an average rate of 1.765% to an average rate of 0.82%. Likewise, 290 million euros corresponding to loans from the Official Credit Institute were revised to variable rates with a spread of 0.98%, achieving a reduction of this spread to 0.75% and also changing the payment schedule.

The modification of the conditions described above has not led to a substantial change in borrowings, and thus fees paid have meant an adjustment to the effective interest rate.

b) Bank borrowings

As explained above, in June 2017 loans were taken out with various banks amounting to 600,000 thousand euros with a maturity of 5 years. These loans bear fixed interest close to 0.69% per annum. The breakdown is as follows:

Financial institutions	**Amount**
BBVA	250,000
UNICAJA	150,000
ING	50,000
KUTXABANK	50,000
POPULAR	50,000
BANKINTER	25,000
SABADELL	25,000
TOTAL	**600,000**

This loan came with an arrangement fee of 125 thousand euros, 112 thousand euros of which remain unpaid on 31 December 2017.

In October 2017, an additional loan of 50,000 thousand euros was taken out with BNP, also due in five years at a fixed rate of 0.70%.

Thus the balance of "Non-current bank borrowings" totalled 649,888 thousand euros on 31 December 2017.

The balance of "Current bank borrowings" on 31 December 2017 totalled 1,848 thousand euros, derived from interest accrued and pending payment.

As of 31 December 2016, Aena's debt to banks was zero.

On 29 July 2015, loan agreements were signed with banks in the amount of 1,000 million euros to deal with potential occasional cash needs, and 1,575 thousand euros was paid in arrangement fees for these loans. At the close of 2017, this amount has been totally repaid. In 2016 the amount of this sum that had not yet been repaid, 459 thousand euros, appeared in the heading "Prepayments for current assets" in the balance sheet (see Note 20).

As of 31 December 2016, none of the amounts had been drawn down. Between March and July 2017, loan agreements for 850 million euros were renewed and new ones were signed for 150 million euros. At 31 December 2017 the total of 1,000 million euros had not been drawn down.

The interest rate is variable with a spread of 0.50%. The term, conditions and amount contracted per bank is listed below

BANK	AMOUNT (Thousands of euros)	EURIBOR	MATURITY
POPULAR	100,000	1M	May 2019
BANKINTER	100,000	1M	March 2019
KUTXA BANK	50,000	1M	March 2019
SABADELL	100,000	1M	March 2019
UNICAJA	100,000	1M	March 2019
IBERCAJA	50,000	1M	March 2019
SOCIETE GENERAL	100,000	1M	July 2019
SANTANDER	100,000	1M	March 2019
CAIXA	200,000	1M	March 2019
BBVA	100,000	1M	July 2018
	1,000,000		

C) Cash flow hedges

- ENAIRE derivatives transferred to Aena S.M.E., S.A.

The parent company has contracted certain financial instruments for interest rate cover which are transferred to AENA S.M.E., S.A. to cover the debt between the two companies. At 31 December 2017 there are no pending notional derivatives with ENAIRE.

At 31 December 2016, the breakdown was as follows:

	Classification	Type	Amount contracted	Start	Maturity	Settlement
Interest rate swaps:	Cash flow hedge	Variable (Euribor 6M) to Fixed (0.98%)	66,500	13/12/2012	13/12/2017	Semi-annual

66.67% of the interest rate swap with a contracted sum of 66,500 thousand euros had been transferred to Aena prior to its maturity on 13 December 2017. The amount of the notional principal of this contract on 31 December 2016 was 14,778 thousand euros.

During the year ended at 31 December 2017, 183 thousand euros have been assigned to the income statement as financial expenses due to settlement of hedging instruments (year ended at 31 December 2016: 1,547 thousand euros).

The fair value of these derivatives on 31 December 2017 and 31 December 2016 is the following:

Fair value recorded in "Non-current liabilities" at 31 December 2017 (in thousands of euro)	Fair value recorded in "Current liabilities" at 31 December 2017 (in thousands of euros)
-	-

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)
-	176

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

As explained in Note 5, on 10 June 2015 Aena signed a hedging transaction from variable to fixed interest rate with lending institutions with a credit rating equal to or better than BBB (Standard & Poor's) in order to avoid the risk of fluctuation in interest rates on various credits in an amount of 4,195.9 million euros.

Its main characteristics as of 31 December 2017 and 31 December 2016 are as follows:

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

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

The sums of notional principal in these interest rate swap contracts outstanding at 31 December 2017 amounted to 3,064,713 thousand euros (31 December 2016: 3,378,707 thousand euros).

The loan for 300 million euros from ICO was renewed in 2016. The derivative associated with this loan was also modified to make it match the new payments schedule, going from a fixed annual rate of 0.2941% to 0.144%.

In fiscal 2017, 183 thousand euros (2016: 1,547 thousand euros) has been assigned to the income statement for "mirror" derivatives with ENAIRE and 40,347 thousand euros (2016: 42,925 thousand euros) for derivatives contracted by Aena, up to a total of 40,530 thousand euros in financial expense for settlement of hedging instruments (2016: 44,472 thousand euros) (Note 23f).

The fair value of these derivatives amounts to 82,655 thousand euros as of 31 December 2017 (31 December 2016: 129,506 thousand euros), and its breakdown between current and non-current is as follows:

Fair value recorded in "Non-current liabilities" at 31 December 2017 (in thousands of euro)	Fair value recorded in "Current liabilities" at 31 December 2017 (in thousands of euros)
45,645	37,010

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

At 31 December 2017 and 2016, the hedging derivatives the Company holds are effective and meet the requirements for applying hedge accounting, so that there is no ineffectiveness recorded in the income statement.

16. Trade and other payables

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

	Thousands of euros	
Trade and other payables	**2017**	**2016**
Suppliers, group companies and associates (Note 12)	26,213	33,510
Sundry payables	149,437	145,955
Employment costs	30,141	19,289
Other debts with Public Authorities (Note 22.1)	21,194	23,045
Prepayments from customers	50,117	51,283
Total	**277,102**	**273,082**

The increase in the balance of Employment costs is due to the agreement reached between the company and the unions on 25 September 2017 (see Note 23.c).

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

	2017	2016
	Days	**Days**
Average supplier payment period	51	52
Ratio of transactions paid	54	54
Ratio of transactions outstanding payment	18	18

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

1. Average supplier payment period = (Ratio of transactions paid * total amount of payments made + ratio of outstanding transactions * total amount of pending payments)/ (total amount of payments made + total 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 outstanding operations = Σ (number of days outstanding payment * amount of outstanding operation) / total amount of outstanding payments.

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

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

	Amount 2017 (thousands of euros)	Amount 2016 (thousands of euros)
Total payments made	798,711	766,900
Total payments outstanding	79,454	95,076

The APP is calculated on invoices received and accepted pending payment. The "Trade payables" balance is greater as it includes the balances from invoices pending reception and/or acceptance.

In 2017 the average payment periods have been adapted to 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 AEAT certificates, lack of certificates of proof of supplier bank accounts, among others.

The APP is calculated on invoices received and accepted pending payment. The "Trade payables" balance is greater than the "pending payments" balance as it includes the balances from invoices pending reception and/or acceptance.

17. Inventories

The balance of "Inventories" at the close of 2017 and 2016 is broken down in the following items:

	Thousands of euros	
	2017	**2016**
Spare parts	6,591	7,160
Provision for inventory impairment	(134)	(134)
	6,457	**7,026**

The balance of inventory mainly includes materials and spare parts used by the Company in airport operations. At 31 December 2017, this includes 0 thousand euros (2016: 25 thousand euros) for spare parts purchased from the parent company ENAIRE (Note 12).

18. Cash and cash equivalents

The details of the heading of "Cash and cash equivalents" are as follows:

	Thousands of euros	
	2017	**2016**
Cash and bank deposits	718,115	482,758
	718,115	**482,758**

(Thousand euros unless otherwise stated)

As of 31 December 2017 and 2016, there are no cash and cash equivalents balances which are not available for use.

19. Equity

a) Share capital

The Company was formed on 31 May 2011 with initial capital of 61,000 euros (61 shares of 1,000 euros 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 euros 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 euros 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 Cabinet approved the sale of 49% of Aena by an Initial Public Offering, registering the IPO prospectus with the CNMV (National Securities Market Commission) on 23 January 2015. Trading in AENA S.M.E., S.A. shares opened on the Continuous Market, in the four Spanish stock markets, on 11 February 2015.

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

On 31 December 2017 and 2016, the AENA S.M.E., S.A.'s share capital was represented by 150,000,000 ordinary fully paid-up shares of 10 euros each. These shares bear the same financial and voting rights.

On 31 December 2017, there are no capital increases in progress nor authorisations to operate with treasury shares.

According to the information available at 31 December 2017, the most significant holdings 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 2016, stock held to the value of more than 10% is the following:

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 recast 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 equity value of the Company does not fall below the share capital figure.

At 31 December 2017 and 2016, the Share Premium of the Company amounted to 1,100,868 thousand euros.

Capitalisation reserve

The Capitalisation reserve for an amount of 70,566 thousand euros (2016: 42,406 thousand euros) comes from the approval of the distribution of profit of the Company for the years ended 31 December 2016 and 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 all cases 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 2017 and 2016, 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 profit for 2016, at the close of 2017 the legal reserve amounted to 299,198 thousand euros (31 December 2016: 184,393 thousand euros).

Other reserves

At the end of 2017, this heading included 1,478,700 thousand euros corresponding mainly to disposable voluntary reserves.

At 31 December 2016 the amount of Other Reserves, a total of 1,048,116 thousand euros, was fully disposable.

Distribution of profit

The distribution of profit for 2017 proposed by the Board of Directors to the General Shareholders' Meeting is the following:

	Thousands of euros
Basis of allocation:	
Profit for the year	1,219,751
Distribution:	
Dividends	975,000
Legal Reserves	802
Capitalisation Reserve	43,060
Voluntary Reserves	200,889

In the calculation of Corporation Tax the Company has used the tax benefit of the capitalisation reserve established in art. 25 of the Corporation Tax Act 27/2014 and consequently has reduced its taxable income and made an appropriation to the capitalisation reserve in an amount of 43,060 thousand euros, with a commitment to maintain both the non-disposable reserve funded for this purpose and the increase in capital and reserves used as a basis for this reduction during the next 5 years.

With the suggested distribution of profit from 2017 the legal reserve stands at 300,000 thousand euros, thus complying with the legally established minimum amount for Aena, S.M.E. S.A. set under article 274 of the aforementioned Corporate Enterprises Act.

The distribution of profit of the Company for the year ended 31 December 2016, approved by the General Shareholders' Meeting on 25 April 2017, was as follows:

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

c) Adjustments for value changes

The movements in 2017 and 2016 in this reserve due to value corrections in cash flow hedges (see Note 15) are as follows:

	Opening balance	Variations Fair value	Amount attributed to the income statement	Balance 31/12/2017
Cash flow hedges				
ENAIRE interest rate swaps	176	7	(183)	-
Aena interest rate swaps	129,506	(6,504)	(40,347)	82,655
Tax effect	(32,420)	1,624	10,133	(20,663)
Total	**97,262**	**(4,873)**	**(30,397)**	**61,992**

	Opening balance	Variations Fair value	Amount attributed to the income 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**

A breakdown of the years in which this reserve is expected to affect the income statement is included in Note 10, in the section "Derivatives" of the Analysis by maturity dates.

d) Grants, donations and bequests received

The breakdown and movements for this heading at 31 December 2017 and 2016 are as follows:

	Opening balance	Additions	Amount attributed to the income statement	Balance 31/12/2017
Capital grants from official European bodies				
Amount	582,647	11,937	(42,504)	552,080
Tax effect	(145,662)	(2,984)	10,626	(138,020)
Net	**436,985**	**8,953**	**(31,878)**	**414,060**

	Opening balance	Additions	Amount attributed to the income 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**

Grants from the European Regional Development Fund (ERDF)

The details by operative programmes of gross grants received during 2017 and 2016 are as follows, in thousands of euros:

	Thousands of euros	
	2017	**2016**
Andalucía Operative Programme	2,451	-
C.Valencia Operative Programme	1,319	-
R. de Murcia Operative Programme	5,570	-
Canary Islands Operative Programme	-	9,013
A.T. Governance	-	38
Knowledge-based Economy Operational Programme	-	1,614
Total Funds from ERDF	**9,340**	**10,665**

At the end of 2017, the Company believes that it has complied with all the requirements necessary to receive and use the above grants.

20. Accruals and prepayments

On 14 February 2013, AENA S.M.E., 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 include an advance of 332,442 thousand euros, which is periodically offset by billing during this term. Thus at 31 December 2017 the current advance amounts to 40,497 thousand euros (31 December 2016: 39,440 thousand euros), and the non-current advance amounts to 80,011 thousand euros (2016: 120,508 thousand euros), which are recorded under “Current accruals” and “Non-current accruals” in the accompanying balance sheet.

	Non-current liabilities		Current liabilities	
	2017	**2016**	**2017**	**2016**
Sureties	5,314	5,409	-	-
Accruals and prepayments	80,011	120,508	40,497	39,440
Total	**85,325**	**125,917**	**40,497**	**39,440**

The non-current accrual account, initially recorded for the amount received (278,933 thousand euros), is subject to annual capitalisation against financial expenses. These financial expenses amounted to 7,591 thousand euros in 2017 (2016: 5,718 thousand euros) (Note 23.f).

As of 31 December 2017, the balance of . prepayments for current assets includes 5,639 thousand euros, corresponding mainly to advanced insurance premiums (2016: 5,480 thousand euros) and 0 thousand euros corresponding to the commissions for opening the lines of credit that the Company has taken out with credit institutions (2016: 459 thousand euros) (see Note 15).

	Current assets	
	2017	**2016**
Accruals and prepayments	5,639	5,939
Total	**5,639**	**5,939**

21. Provisions

The movements in 2017 and 2016 in the accounts included under this heading were as follows:

	Thousands of euros						
	Provision for Employment Commitments	**Expropriations and late-payment interest**	**Liabilities**	**Taxes**	**Environmental action**	**Other operating provisions**	**Total**
Opening balance	**8,595**	**57,713**	**36,553**	**14,625**	**81,012**	**72,205**	**270,703**
Charge for the period	489	4,563	7,308	2,917	8,453	49,073	**72,803**
Discount additions	119	-	-	-	-	-	**119**
Reversals/Surpluses	-	(40,010)	(15,974)	(5,341)	(19,896)	(3,940)	**(85,161)**
Amounts Used	(557)	(7,185)	(5,715)	(403)	(12,923)	(68,267)	**(95,050)**
Final balance	**8,646**	**15,081**	**22,172**	**11,798**	**56,646**	**49,071**	**163,414**
Short-term part	-	3,188	15,223	6,539	9,846	49,071	**83,867**
Long-term part	8,646	11,893	6,949	5,259	46,800	-	**79,547**

	Thousands of euros						
	Provision for Employment Commitments	**Expropriations and late-payment interest**	**Liabilities**	**Taxes**	**Environmental action**	**Other operating provisions**	**Total**
Opening balance	**7,984**	**1,033,922**	**34,483**	**17,367**	**128,459**	**50,248**	**1,272,463**
Charge for the period	823	15,997	10,057	5,632	1,254	72,206	**105,969**
Discount additions	174	-	-	-	284	-	**458**
Reversals/Surpluses	-	(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**

The movements in the accounts of Provision for employment commitments during 2017 and 2016, in thousands of euros, have been as follows:

	2017		
	Provision for long service awards	**Provision for early retirement bonuses**	**Total Provision for employment commitments**
Opening balance 1 January 2017	**8,097**	**498**	**8,595**
Charge for the period	576	23	599
Actuarial (gains)/losses	(121)	11	(110)
Increase due to discounts	111	8	119
(Applications) / Rebates	(557)	-	(557)
Closing balance 31 December 2017	**8,106**	**540**	**8,646**

	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 period	526	22	548
Actuarial (gains)/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**

a) Provision for employment commitments

Provision for long service awards

At 31 December 2017, the balance of the liability recognised in the balance sheet for this provision was 8,106 thousand euros (2016: 8,097 thousand euros). The allowance made during 2017 has come to 687 thousand euros (2016: 691 thousand euros), of which 111 thousand euros are for the financial expense (2016: 165 thousand euros), having obtained actuarial gains of 121 thousand euros (2016: actuarial losses of 236 thousand euros).

Provision for early retirement bonuses

At 31 December 2017, the balance of the liability recognised in the balance sheet was 540 thousand euros (2016: 498 thousand euros), corresponding to the difference between the current value of the obligation due at 31 December 2017 of 540 thousand euros (2016: 498 thousand euros) and the fair value of the assets attached to the Plan of 0 euros (2016: 0 thousand euros). The net additions for the year corresponded to the normal cost of services for the year: 23 thousand euros (2016: 22 thousand euros), financial expense: 8 thousand euros (2016: 10 thousand euros), rebates: 0 thousand euros (2016: 23 thousand euros), actuarial losses of 11 thousand euros (2016: actuarial losses of 39 thousand euros), and returns on plan assets 0 thousand euros (2016: -1 thousand euros).

Other employment commitments

The collective agreement stipulates a pension plan as post-employment remuneration for employees. For this benefit the Company has made defined contributions to the fund in the years prior to 2013. However, in 2017, 2016, 2015, 2014 and 2013 the Company did not make these contributions due to the elimination specified in Act 3/2017, of 27 June, Act 48/2015, of 29 October, Act 36/2014, of 26 December, Act 22/2013, of 23 December, and Royal Decree Act 17/2012, of 27 December, respectively. In these measures 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 interest

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 2017 there were provisions allocated, principally, for legal proceedings related with the expropriation of land for the 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 rise to a provision for an amount of 6,390 thousand euros at 31 December 2017, of which 4,276 thousand euros corresponded to differences in assessment, balanced against the higher land value, and 2,113 thousand euros for interest on delay due at 31 December 2017, balanced against the expense for late-payment interest on expropriations (31 December 2016: 21,570 thousand euros, of which 15,543 thousand euros were for differences in assessment, balanced against higher land value, and 6,027 thousand euros in late-payment interest due at 31 December 2016, balanced against the expense for late-payment interest on expropriations).

There are additional provisions for an amount of 8.7 million euros (31 December 2016: 36.1 million euros), corresponding to other less significant cases regarding the Adolfo Suárez Madrid-Barajas airport and for other airports in the network.

Reversals identified in the movement of the provision during 2017 are the consequence of the result in favour of Aena mainly owing to a number of rulings in several proceedings considered at that time, due to the experience in similar cases, which would be resolved contrary to the interests of Aena.

Of the 7,185 thousand euros paid against this provision during 2017, 4,848 thousand euros correspond to late-payment interest.

In relation to the movement in this provision during 2016, 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 Proceedings 1/2011, recognising the right for the revaluation of a number of properties acquired for the extension of the Adolfo-Suárez Madrid-Barajas Airport. The rulings were based on constructive approval and, in consequence, cancelled the Ministry of Public Works Order which dismissed the appeals to a higher court filed by the appellants against the dismissals (by constructive denial) of their applications for revaluation of the expropriated plots. This ruling gave rise, as of 30 June 2016, to an accumulated value of the provision for expropriations and late-payment interest 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 late-payment interest accrued, balanced against the expense for late-payment interest 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 was estimated that the risk of these proceedings was non-existent and the aforesaid provisions were reversed for the total 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, were shown as financial income in the income 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.

By way of summary, of the total reversals indicated in this provision at 31 December 2016 in the amount of 987,145 thousand euros, 771,690 thousand euros were credited to the property, plant and equipment values against which the provisions were charged at the time, and the rest - 215,455 thousand euros - was credited to the income statement in “Expense for interest on expropriations”.

The expense for interest on expropriations at 31 December 2017, having taken into account the reversals mentioned, has a positive impact on the income statement amounting to 4,594 thousand euros (31 December 2016: positive impact of -201,406 thousand euros) (see Note 23).

c) Provision for liabilities

This heading mainly records provisions made based on the best estimates available to the Company’s 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 2017 and 2016, the balance of the Provision mainly related to claims made by contractors, claims made by airlines and employment claims.

During 2017, the allocations made by the Company, in a total amount of 7,308 thousand euros, corresponded mainly to employment claims (2,184 thousand euros), various claims from tenants of premises and land (872 thousand euros) and claims made by works contractors (956 thousand euros).

During 2017, reversals for an amount of 15,974 thousand euros (2016: 6,910 thousand euros) correspond mainly to rulings favourable to the Company in disputes with construction companies in an amount of 10,603 thousand euros (2016: 5,092 thousand euros) where it is believed that there will be no unfavourable economic consequences, and consequently this amount has been reversed with a credit to the value of the property, plant and equipment against which the provisions were originally allocated. The rest of the reversals, in an amount of 5,371 thousand euros (2016: 1,818 thousand euros) has been credited to the income statement primarily by decreasing employee benefits expenses due to various favourable employment rulings obtained (2,647 thousand euros) or under “Provision surpluses”.

In 2016, provisions were made for an amount of 4,111 thousand euros, which were recorded under “Other current operating expenses” in the accompanying income statement, in connection with unfavourable rulings on claims made by airlines 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 employee benefits expenses). There has been a payment of 2,966 thousand euros from this provision in 2017.

In addition, there are other proceedings pending rulings with construction companies for which the Company has made a provision amounting to 7.9 million euros at 31 December 2017 (31 December 2016: 18 million euros).

The Company's directors do not believe that further liabilities will arise in addition to those already known and which could significantly affect these financial statements.

d) <u>Taxes</u>

This heading mainly records provisions allocated with respect to appeals filed by the Group 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. The expectation is that an outflow of cash is likely whose final amount and final settlement date are uncertain on the date that these financial statements were prepared.

The amount of the reversals, credited in their entirety to the income statement under "Provision surpluses", is mainly related to the requirements of these tax settlements in favour of the parent company.

e) <u>Provision for environmental action</u>

This heading recognises provisions amounting to 54,793 thousand euros (31 December 2016: 76,916 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 56,646 thousand euros (2016: 81,012 thousand euros), an environmental provision of 1,853 thousand euros (2016: 4,096 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 Statement of Adolfo Suárez Madrid-Barajas airport of 30 November 2001 is modified and which envisages actions in Gravera de Arganda, biological corridors and the Jarama River.

The reversal in 2017 amounting to 19,896 thousand euros relates mainly to downward revisions of the estimate of residential units to be insulated and a decrease in the average amount of the estimated cost of insulation per residential unit to an amount of 9,111 euros (except for Adolfo Suárez Madrid-Barajas airport, for which a cost of 16,795 euros is estimated due to the type of residential units and buildings pending insulation at this airport), compared to the 9,451 euros used in the consolidated financial statements for the 2016 financial year. Such reversal has been made against the value of the property, plant and equipment against which the provision was originally made.

The reversal for an amount of 31,527 thousand euros in 2016 was essentially related to the fall in the estimated average cost of insulation per residential unit to an amount of 9,451 euros, as against the 12,407 euros used in the financial statements for 2015. This reversal was made against the value of the property, plant and equipment against which the provision was originally made.

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 (EIS) 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 Environmental Impact Statements published up until now.

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

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 residential units where soundproofing work is required is estimated to be 321 (all relating to the current situation at Palma de Mallorca Airport). These actions are already included in the accounting provisions established. In the case of Adolfo Suárez Madrid-Barajas and Barcelona El Prat airports, no additional residential units 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 Alicante, Bilbao, Gran Canaria, Ibiza, Málaga-Costa del Sol, Seville and Valencia, pending the processing of the Royal Decrees of approval by the Ministry of Public Works. The estimated increase in additional residential units to be included in the scope of the respective Soundproofing Plans amounts to 2,742 for all of the aforementioned airports. These residential units are not covered by the provisions as the corresponding acoustic easements have not yet been approved.

The Company will recognise in the accounts the corresponding provisions at the moment in which the need arises to soundproof residential units, that is, either when a new acoustic footprint which is significant in terms of sound insulation, 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 airport charges for landing services and passenger departures, accrued by airlines operating during certain days of the week at airports located in the Canary Islands. Also the General State Budgets Act for the year 2016 established incentives in outbound airport charges for passenger traffic for growth in passenger numbers on the routes operated in the Aena network.

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

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

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

In these first two seasons the growth incentive for the number of passengers on existing short and medium-haul routes will be applied to airports with annual traffic coming to fewer than 3 million passengers. In the case of the incentive for growth at seasonal airports, the discount will be 5% in the first two successive low seasons in which it will apply.

At 31 December 2017 the sum estimated for all these items amounted to a balance of 49,071 thousand euros (31 December 2016: 72,205 thousand euros).

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**			
	2017		**2016**	
	Current	**Non-current**	**Current**	**Non-current**
Assets for deferred tax (Note 22.3)	-	111,963	-	131,710
Assets for current tax (Note 22.2)	34	-	110,456	-
Tax Authorities debtor for VAT	8,637	-	6,274	-
Tax Authorities debtor for IGIC (Canaries Indirect Tax)	1	-	1,725	-
Tax Authorities debtor for grants awarded (Note 7d)	15,913	-	13,860	-
	24,585	**111,963**	**132,315**	**131,710**

The heading of Tax Authorities debtor for grants awarded showed at 31 December 2017 a sum of 15,913 thousand euros related with accounts receivable for ERDF grants awarded to the Company (2016: 13,860 thousand euros). During 2017 the Company has received 9,340 thousand euros (2016: 10,665 thousand euros) in this connection (see Note 19d).

Tax Authorities, creditor	**Thousands of euros**			
	2017		**2016**	
	Current	**Non-current**	**Current**	**Non-current**
Liabilities for deferred tax (Note 22.3)	-	143,396	-	151,038
Tax Authorities creditor for Corporation Tax (Note 22.2)	595	-	3,282	-
Tax Authorities creditor for IRPF (Personal Income Tax)	6,804	-	6,125	-
Tax Authorities creditor for local taxes	1	-	15	-
Social Security organisations, creditors	12,947	-	10,343	-
Tax Authorities creditor for other taxes	847	-	476	-
Tax Authorities creditor for VAT	-	-	2,804	-
	21,194	**143,396**	**23,045**	**151,038**

22.2. Reconciliation of accounting profit or loss and taxable income

The reconciliation between accounting profit or loss and taxable income for Corporation Tax for 2017 is as follows:

	Thousands of euros 2017					
	Income statement			Income and expenses directly assigned to equity		
Balance of income and expenses for the year		1,219,751				
	Increases	**Reductions**	**Total**	**Increases**	**Reductions**	**Total**
Corporation Tax	374,480	-	374,480			
Profit/loss before tax	-	-	1,594,231			
Permanent differences:	2,503	(43,060)	(40,557)			
Temporary differences:						
- Amortisation	48,658	(64,791)	(16,133)	-	-	-
- Impairment	10,950	(17,090)	(6,140)	-	-	-
- Pension plans	598	(558)	40	-	-	-
- Provisions	34	(81)	(47)	-	-	-
- Hedging derivatives	-	-	-	6,497	40,530	47,027
- Grants, donations and bequests received	-	-	-	11,937	(42,504)	(30,567)
- Other	-	-	-	-	(11)	(11)
	60,240	(82,520)	(22,280)			
- Offset of tax loss carryforwards			-			
Taxable income/(tax loss)			1,531,394			16,449
Total tax due			382,849			4,112
Total (Note 22.3)			(16,246)			
Total tax due minus tax credits			366,603			
Withholdings and payments on account			(364,928)			
Tax payable to the Treasury			1,675			

Under a consolidated corporation tax return, the amount payable to the Treasury amounts to 595 thousand euros (Note 22.1), of which 1,675 thousand euros corresponds to tax payable by Aena S.M.E., S.A and -1,080 thousand euros corresponds to the negative tax payable (to be refunded) of Aena Desarrollo Internacional S.M.E., S.A.

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

The standard rate of corporation tax for the financial year 2017 is 25%, the same as in 2016.

The expense for Corporation Tax is composed of:

	Thousands of euros	
	2017	**2016**
Current income tax	382,849	369,269
Deferred tax	5,570	136
Recorded tax credits (Note 22.3)	(13,913)	(10,466)
Others	(26)	(2,520)
	374,480	**356,419**

The "Others" heading in 2017 includes the effect of the differences in the corporation tax expense recognised at the close of 2016 and the expense recorded in the final corporation tax return to the Tax Agency (-26 thousand euros).

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

In 2017 the Company has recognised and applied tax credits for Corporation Tax in an amount of 13,913 thousand euros (2016: 10,466 thousand euros) (see Note 22.3).

Current investments in group companies and associates on the balance sheet includes 1,090 thousand euros in tax credits under the tax consolidation system of its subsidiary Aena Desarrollo Internacional S.M.E., S.A., from 2015 and 2016 (2016: 1,319 thousand euros). As a result of the 2017 Corporation Tax settlement, there is a tax debt for Aena Desarrollo Internacional S.M.E., S.A., of 1,078 thousand euros (see Note 12).

During fiscal 2017, the balance of 110,456 thousand euros has been received which remained in "Current tax assets" in the statement of financial position at 31 December 2016 corresponding to the payments on account not used in 2015.

Other information:

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

22.3 Deferred taxes

The details of deferred taxes at 31 December 2017 and 2016 were as follows:

	Thousands of euros	
	2017	**2016**
Deferred tax assets:		
- Temporary differences (Note 22.1)	111,963	131,710
	111,963	131,710
Deferred tax liabilities:		
- Temporary differences (Note 22.1)	(143,396)	(151,038)
	(143,396)	(151,038)
Deferred taxes	**(31,433)**	**(19,328)**

The details of deferred tax assets and liabilities where the period of realisation or reversal is greater than 12 months are as follows:

	Thousands of euros	
	2017	2016
Deferred tax assets:		
- Temporary differences	79,857	98,859
	79,857	98,859
Deferred tax liabilities:		
- Temporary differences	(133,358)	(141,472)
	(133,358)	(141,472)
	(53,501)	(42,613)

Movements during 2017 and 2016 in deferred tax assets and liabilities, not taking into account the offset of balances relating to the same tax authorities, are as follows:

Deferred tax assets	Amortisation (*)	Losses for impairment	Pension plans	Provisions Liabilities	Hedging derivative	Increase in value of stakes	Other	Total
Opening balance	**83,244**	**8,042**	**1,566**	**7,155**	**32,421**	**(920)**	**202**	**131,710**
Charge (payment) to income statement	(4,033)	(1,535)	10	(12)	-	-	-	**(5,570)**
Charge (payment) to equity	-	-	3	-	(11,757)	-	-	**(11,754)**
Use of credits in the year	(2,335)	-	-	-	-	-	-	**(2,335)**
Other (**)	(55)	(43)	-	32	-	-	(22)	**(88)**
Balance at 31 December 2017	**76,821**	**6,464**	**1,579**	**7,175**	**20,664**	**(920)**	**180**	**111,963**

Deferred tax assets	Amortisation (*)	Losses for impairment	Pension plans	Provisions Liabilities	Hedging derivative	Increase in value of stakes	Other	Total
Opening balance	**87,536**	**7,074**	**1,215**	**7,295**	**18,477**	**(1,131)**	**176**	**120,642**
Charge (payment) to income statement	(1,937)	1,694	137	(101)			71	**(136)**
Charge (payment) to 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**	**(920)**	**202**	**131,710**

(*) The "Amortisation" heading includes 16,341 thousand euros (2016: 18,676 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 2017 (2016: 2,335 thousand euros) (see table of deductions 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	**(145,661)**	**(5,377)**	**(151,038)**
Charge to equity	7,642	-	**7,642**
Balance at 31 December 2017	**(138,019)**	**(5,377)**	**(143,396)**
Deferred tax liabilities			
Opening balance	**(152,562)**	**(5,377)**	**(157,939)**
Charge to equity	6,901	-	**6,901**
Balance at 31 December 2016	**(145,661)**	**(5,377)**	**(151,038)**

Years open to checking and inspection actions

As established by current legislation, taxes cannot be considered to be final until the relevant returns have been inspected by the tax authorities or until four years have elapsed since filing. At 31 December 2017, inspection is open for all taxes for the last four financial years.

(Thousand euros unless otherwise stated)

The state-owned entity "ENAIRE", head of the above Tax Group (see Note 4m), has the period of limitation of Corporation Tax open for 2012, 2013 and 2014 in which the Company was taxed under a tax consolidation regime with ENAIRE.

The directors of AENA S.M.E., 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 would not have a significant effect on the accompanying financial statements.

Tax credits

In 2017, the following credits have been applied in the corporation tax settlement:

Tax credits for 2017

	Year generated (1)	Amount pending at 31/12/2016	Amount Recognised in 2017	Amount applied	Amount pending at 31/12/2017	Year due (2)
Credits in the Canary Islands due to investments in fixed assets	2017	-	13,913	(13,913)	-	2032
Credit 30% Depreciation (3)	2017	-	2,335	(2,335)	-	-
	Total	**-**	**16,248**	**(16,248)**		

In 2016 the following credits were applied in the corporation tax settlement:

Tax credits for 2016

	Year generated (1)	Amount recognised in 2015	Registered amount generated in 2015	Amount applied	Amount pending	Year due (2)
Credits in the Canary Islands due to investments in fixed assets	2016	10,466	(10,466)	-	-	2031
Credit 30% Depreciation (3)	2016	2,335	(2,335)	-		-
	Total	**12,801**	**(12,801)**	**-**	**-**	

(1) The year of generation is the period in which the assets or employment costs which qualify for the generation of the credit were associated with the branch of airport activity.
(2) Credit in the Canary Islands for investment in fixed assets: Royal Decree Act 15/2014, Fourth Transitional Provision, establishes a period of use of 15 years; credit recoverable at 30% adjusted for depreciation: Corporation Tax Act: Thirty-seventh Transitional Provision specifies no limit on use.
(3) The 2,335 thousand euros of this credit, recognised and applied to taxation in 2017 and 2016, does not reduce the tax expense in these periods since it was recognised in 2015. It includes 2 thousand euros corresponding to ADI, as AENA S.M.E., S.A. is the head of the tax group.

23. Income and expenses

a) Subcontracted work and other supplies

The breakdown of the heading of "Supplies" for 2017 and 2016 is as follows:

	Thousands of euros	
	2017	**2016**
Purchases of other supplies	(1,054)	(613)
Works carried out by other companies	(174,866)	(181,575)
Total	**(175,920)**	**(182,188)**

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 2,906 thousand euros (2016: 3,039 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) and which amount to 138,930 thousand euros (2016: 145,441 thousand euros). This heading also includes the expenses from the agreement signed with the Spanish Meteorological Agency (AEMET) for the provision of meteorological services to the airport network managed by Aena (Note 12) in an amount of 10,000 thousand euros (2016: 10,000 thousand euros), as well as 2,228 thousand euros in services provided by INECO (2016: 3,691 thousand euros) (Note 12).

b) Distribution of the net amount of business turnover

The Company's activity is performed geographically in Spain, obtaining income in 2017 and 2016 as set out below:

	Thousands of euros	
	2017	**2016 (*)**
Airport services	**2,638,505**	**2,498,024**
Airport charges	**2,562,051**	**2,426,613**
Landings/Air Traffic Management /Meteorological Service	697,342	681,395
Parking	34,188	32,821
Passengers	1,166,405	1,079,620
Telescopic airbridges	110,166	109,054
Security	419,869	396,205
Handling	90,432	85,960
Fuel	33,535	31,885
Catering	10,114	9,673
Other airport services (1)	***76,454***	***71,411***
Commercial Services	**1,056,842**	**949,363**
Leases	32,129	25,005
Stores	91,703	89,660
Duty-Free Shops	316,608	290,871
Food & Beverage	175,643	154,493
Car Rental	149,373	114,466
Advertising	31,561	30,290
Car parks(2)	132,013	121,554
Other retail income	127,812	123,024
Real estate services	**59,557**	**61,318**
Leases	12,130	10,312
Land	19,116	22,601
Warehouses and hangars	8,392	10,474
Cargo Logistic Centres	13,696	12,503
Real Estate Operations	6,223	5,428
Total Net Turnover	**3,754,904**	**3,508,705**

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

2) Includes Commercial operations (banking services, vending machines, telecommunications services, plastic-wrapping machines, etc.), Commercial supplies, Use of conference rooms, Fast-Track and Filming and recording.

(*) In 2017 income from fast-track (4,480 thousand euros) and aircraft housing (132 thousand euros) has been reclassified from other airport services to other commercial services and hangars respectively. For comparative purposes the figures for fast-track (3,858 thousand euros) and aircraft housing (198 thousand euros) have been uniformly modified with respect to the information shown in the notes for 2016.

The positive evolution of income has been mainly related to the increase in passenger traffic (+ 8.2%) and operations (+ 6.3%) with respect to 2016, which has offset the decrease in charges (see Note 4p).

c) Employee benefits expenses

The employee benefits expenses in 2017 and 2016 break down as follows:

	Thousands of euros	
	2017	**2016**
Wages and salaries and compensation	268,071	250,706
Social Security charged to the company and other social charges	103,677	100,580
Contributions to employment commitments	4	18
Surplus provision for remuneration and other benefits	(4,806)	(2,282)
Others	479	784
	367,425	**349,806**

The difference in remuneration in employee benefits expenses primarily stems from the agreement reached between the company and the unions on 25 September 2017.

Both sides agreed to a 1% salary increase for financial year 2017 and to raise the total wage bill due to productivity by an additional 8.5 million euros. This increase is tied to achieving the targets set for 2017.

Social Security increased for the same reasons. In 2016, the Social Security heading included the effects of 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 Note 21 Provision for liabilities).

d) Outside services

The breakdown of this heading in 2017 and 2016 was as follows:

	Thousands of euros	
	2017	**2016**
Leases and royalties	5,888	5,785
Repairs and maintenance	249,998	253,457
Independent professional services	44,654	34,307
Insurance premiums	10,499	10,949
Bank services	651	868
Advertising and public relations	4,255	4,688
Utilities	86,264	91,818
Surveillance and security services	140,210	130,844
Other services	122,961	112,146
	665,380	**644,862**

“Repairs and maintenance” mainly includes airport infrastructure repairs, maintenance of the SATE (automatic baggage handling system) and cleaning for the buildings and passenger terminals. Utilities relates 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 “Surveillance and security services” by 9.4 million euros to meet greater demand resulting from growth in traffic while maintaining service quality.
- Increase in “Other services” also due to expenses incurred as a result of meeting needs arising from this increase in traffic.
- Decrease in “Utilities” due to a fall in electricity costs.

e) Taxes

The balance of 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 2017 and 2016 were as follows:

	Thousands of euros	
	2017	**2016**
Financial income	**7,056**	**205,352**
From tradable securities and other financial instruments		
- Of group and associated companies (Note 12)	867	4
- Of expropriation interest (Note 21)	4,594	201,406
- Of third parties	1,070	3,279
Activation of financial expenses (Notes 6 and 7)	525	663
Financial expenses	**(117,966)**	**(149,680)**
- For debts with group and associated companies (Note 12)(*)	(104,727)	(139,797)
- For debts with third parties	(13,120)	(9,423)
- For capitalising provisions	(119)	(460)
Translation differences	**12**	**(5)**
FINANCIAL PROFIT/LOSS	**(110,898)**	**55,667**

(*) Includes financial expenses for the settlement of derivatives for 40,530 thousand euros (2016: 44,472 thousand euros) (see Notes 15 and 19.c).

In this chapter the main variations in 2017 with respect to 2016 are the following:

- The heading of financial income from interest from expropriations includes 4,594 thousand euros from the reversal of late-payment interest in expropriation proceedings (2016: profits of 201,406 thousand euros) (See Note 21 Provision for expropriations and late-payment interest).

- The decrease of -31.1 million euros in the heading “Financial expenses on loans with group companies” is primarily the result of the drop in average borrowings and the average interest rate. The decrease in average borrowings is a result of early repayment of the Depfa loan with variable interest rates in the period in the amount of 797.2 million euros. The decrease in the average interest rate is due to the decrease in the Euribor 3m and 6m benchmark interest rates and the reviews of the interest rates on the EIB loans.

- “Financial expenses for debts with third parties” increased by 3.7 million euros due firstly to the interest on the new bank borrowings (Note 15.b), which amounted to 2.4 million euros in 2017 (2016: 0 million euros), and secondly to the increase in financial expenses derived from the World Duty Free Group advance (see Note 20), which has increased to 7,591 thousand euros in 2017 under the contracts signed at the time compared to 5,718 thousand euros in 2016.

(Thousand euros unless otherwise stated)

g) Provision surpluses

Out of the total amount of 8,905 thousand euros included in “Provision surpluses” in the income statement for 2017, 6,041 thousand euros corresponds to favourable resolutions in settlements of local taxes which were in dispute (2016: 7,243 thousand euros) and the remaining 2,864 thousand euros corresponds to surpluses in Provisions for other liabilities (trade contracts, court rulings altering amounts in litigation, etc.) (2016: 1,588 thousand euros).

24. Other information

a) Information on employees

The number of Aena S.M.E., S.A., employees at the end of 2017 and 2016 by categories and sexes was as follows:

	31 December 2017 (*)			**31 December 2016 (*)**		
Professional Category	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**
Senior management	7	2	9	8	2	10
Executives and graduates	869	681	1,550	836	653	1,489
Coordinators	779	291	1,070	755	256	1,011
Technicians	2,932	1,417	4,349	2,905	1,423	4,328
Support personnel	231	235	466	221	238	459
Total	**4,818**	**2,626**	**7,444**	**4,725**	**2,572**	**7,297**

(*) The above figures include temporary employees who came to a total of 1,017 at the end of 2017 (2016: 940).

Average workforce

The number of Aena S.M.E., S.A., employees at the end of 2017 and 2016 by categories and sexes was as follows:

	2017 (*)			**2016 (*)**		
Professional Category	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**
Senior management	8	2	**10**	8	2	**10**
Executives and graduates	847	664	**1,511**	779	597	**1,376**
Coordinators	767	271	**1,038**	770	267	**1,037**
Technicians	2,941	1,424	**4,365**	2,882	1,430	**4,312**
Support personnel	231	238	**469**	231	248	**479**
Total	**4,794**	**2,599**	**7,393**	**4,670**	**2,544**	**7,214**

(*) The above figures include temporary employees, who on average stood at 975 in 2017 (2016: 819)

At 31 December 2017 Aena S.M.E., S.A., has 114 employees with disability (2016: 115).

b) Remuneration to directors and senior management

The remuneration received during 2017 and 2016 by the Directors and Senior Management of the Company, classified by items, was as follows (in thousand of euros):

	2017			2016		
Item	**Senior management**	**Board of Directors**	**Total**	**Senior management**	**Board of Directors**	**Total**
Salaries	1,192		**1,192**	1,259		**1,259**
Per Diems	24	125	**149**	26	118	**144**
Pension plans						
Insurance premiums	6		**6**	7		**7**
Total	**1,222**	**125**	**1,347**	**1,292**	**118**	**1,410**

The Board of Directors of Aena S.M.E., S.A., consisted of 15 members (11 men and 4 women) as of 31 December 2017 (2016: 12 men and 3 women).

The compensation received during 2017 corresponds to that received at Aena S.M.E., S.A. for 9 senior management positions and for the Chairman-CEO.

The difference in remuneration between the periods analysed is due to the fact that on 30 June 2017 first-tier organisational changes were made which included turning the position of Airport Network Director into the position of Real Estate Development Director at a lower remuneration level and which remained vacant for the rest of the year.

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

In 2017 and 2016 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 2017 and 2016 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) <u>Directors' conflicts of interest</u>

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 recast 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

KPMG Auditores, S.L., which has audited the Company's financial statements during the year ended 31 December 2017, and PricewaterhouseCoopers Auditores, S.L. (PWC) or other companies in the PwC network, which audited them during the year ended 31 December 2016, have charged professional fees and expenses broken down as follows:

Item	**2017**	**2016**
Audit services	143	47
Other verification services	42	67
Other services	78	-
Total	**262**	**114**

Other verification services correspond to services for limited review of intermediate financial statements, assurance services on regulatory compliance and services for agreed procedures about financial information provided by KPMG Auditores, S.L. to Aena during the year ended on 31 December 2017.

The amounts included in the table above include all the fees for services rendered during financial years 2017 and 2016 regardless of when they were invoiced.

In addition, other entities affiliated to KPMG International have invoiced the Company during the year ended 31 December 2017 for fees and expenses for professional services broken down as follows:

Item	**2017**
Audit services	-
Other verification services	-
Other services	17
Total	**17**

The fees accrued in 2017 and 2016 by other audit firms for audit and other services are indicated below (in thousands of euros):

Item	**2017**	**2016**
Audit services	-	-
Other verification services	-	-
Other services	-	54
Total	-	**54**

26. Sureties, commitments and other guarantees

The bank guarantees submitted to various bodies at 31 December 2017 amounted to 588 thousand euros (31 December 2016: 491 thousand euros).

The directors of the Company do not expect any liabilities of consideration to arise.

27. Environmental commitments

As part of its commitment to preserve the environment and quality of life in its surroundings, the Company's management has been making investments in this area to minimise the environmental impact of its actions and to protect and improve the environment.

Property, plant and equipment at 31 December 2017 included environmental investments in an amount of 508.2 million euros, whose accrued depreciation amounted to 229 million euro (2016: investments of 509.2 million euros and depreciation of 212.91 million euros).

Environmental investment in 2017, which includes items added to the company's equity in order to be used permanently in its activity and 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 14,474 thousand euros (2016: 6,324 thousand euros), broken down as follows:

	Thousands of euros	
	2017	**2016**
Madrid/Barajas	4,930	2,840
Málaga	767	1,409
Palma Mallorca	1,374	113
Bilbao	705	389
Alicante	1,212	311
Barcelona	1,358	191
Santiago	418	116
Menorca	155	113
Gran Canaria	417	52
Tenerife Norte	1,642	84
Valencia	358	76
Ibiza	-	44
Pamplona	-	-
A Coruña		12
Other airports	1,138	574
Total	**14,474**	**6,324**

The income statement for 2017 and 2016 includes the following environmental expenses broken down by category:

	Thousands of euros	
	2017	**2016**
Repairs and maintenance	7,049	7,956
Independent professional services	1,255	1,344
Other environmental services	2,859	3,164
Total	**11,163**	**12,464**

Environmental provisions and contingencies are detailed in Note 21. Environmental assessment legislation (currently Act 21/2013) requires that certain AENA S.M.E., S.A. projects are submitted to an environmental impact assessment (particularly runway extensions exceeding 2,100 m), finalised by the formulation of the corresponding environmental impact statements 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 2017 under the Soundproofing Plans a total of 23,096 residential units have been soundproofed (2016: 21,271 units), in particular the 12,861 units in the vicinity of Adolfo Suárez Madrid-Barajas Airport (2016: 12,841 units), 2,882 at Alicante-Elche (2016: 2,602 units), 1,647 units at Valencia-Manises (2016: 600 units), 1,432 at Bilbao (2016: 1,325), 836 at Palma de Mallorca (2016: 803) and 811 at Málaga-Costa del Sol (2016: 811 units). Under this heading and during the year works worth 11,280 thousand euros and 1,643 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 residential units located in the areas surrounding Sabadell, Girona and Melilla airports was started in 2007 and is ongoing as of the end of 2017.

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 abovementioned 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 quarries, borrow pits, landfill and auxiliary installations.

28. Contingencies

Contingent liabilities

At the end of 2017 and 2016 the Group has claims and legal disputes against it as a natural consequence of the normal course of its business which management considers to be possible obligations for which it is not probable that an outflow of resources will occur.

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 parent 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 2017 and 2016, the parent 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 aircraft overflying the town of Ciudad Santo Domingo (Algete, Madrid), some inhabitants of this area considered that their fundamental rights were violated due to excessive noise levels in their homes. These residents lodged an appeal for judicial review against Aena, ENAIRE and the Ministry of Public Works, in which they asked for a cessation of the alleged violation of their rights, which for them would mean stopping the use of runway 18R (one of the four at Adolfo Suárez Madrid-Barajas Airport). No Court has agreed to this measure. On 31 January 2006, the High Court of Justice in Madrid (TSJ) issued a judgement rejecting the aforementioned judicial appeal. The ruling was appealed by five of the initial appellants, and the Supreme Court partially upheld the appeal in a ruling of 13 October 2008 on the grounds of violation of the right to privacy at home. Subsequently, there were various pronouncements and incidents of enforcement which were appealed by all the parties involved in the proceedings.

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

With respect to this measure, the High Court of Justice in Madrid clarified the following:

- The 30 % reduction in the number of overflights had to 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 and the Ministry of Public Works should 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 could furnish their own corresponding arguments and measurements in this respect.

The Order of 2 December 2014 was appealed against before the same Chamber of the High Court of Justice of Madrid, requesting the suspension of its enforcement, without it being necessary to start reducing the number of overflights at Ciudad Santo Domingo until they were 30% lower than those existing in 2004.

On 9 April 2015 the High Court of Justice of Madrid dismissed all appeals for reversal against the order of 2 December 2014; Aena and ENAIRE filed an appeal before the Supreme Court on 27 July 2015. All the appeals to the Supreme Court against the Order of 2 December 2014, both by Aena and by the rest of the parties involved (the residents), were admitted by a Resolution of the Supreme Court of 9 May 2016.

Once the appeals had been processed, on 3 April 2017 the Supreme Court gave its ruling on them in which it partially accepted the ones filed by ENAIRE and Aena.

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

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

(i) does not entail any obligations for the administration or for Aena (e.g. modification of routes, reduction of overflights, etc.); and

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

In addition, the Conclusions of the Supreme Court ruling preclude court decisions that may restrict the operational capacity of the airport. This reduction can only be adopted by the relevant administrations in accordance with the provisions of Regulation (EU) 598/2014 of 16 April[3] (“Regulation 598/2014”).

Following the announcement of the aforementioned ruling, the High Court (TSJ) of Madrid must continue enforcement. Thus this court requested information on the body responsible for the execution and actions to be taken to fulfil the judicial mandate, which has already been reported by the Technical Secretariat General of the Ministry of Public Works as follows:

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

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

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

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

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

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

On 4 September, a court order was received from the High Court (TSJ) of Madrid issued on 1 September, in which, in response to the request of the Government Attorney's Office, a one-month extension of the enforcement period was granted in respect of the one included in article 104.2 of the Administrative Jurisdiction Act, pointing out that the decision on the specific content of the report submitted must be made by the judge writing the opinion of the court.

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

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

Ministry of Defence

The Ministry of Defence has requested compliance with the sixth section of the Framework Agreement between the Ministry of Defence and the Ministry of Public Works on the transfer of airport premises to be affiliated with Aena dated 28 June 1998, and in consequence to obtain payment of the financial compensation approved by the Council of State in its opinion dated 8 October 1998. It is difficult to evaluate the effective risk which this claim may entail, although the second conclusion of the aforementioned Council of State report states that the financial compensation for the change in affiliation will only take place in the event that the facility has had a military use. In consequence, if this facility was used for civil aviation and even if it was located within a military facility, Defence would not have to be indemnified. At the date of preparation of these statements, there is only one claim related to Son Bonet airport, although it might be extended to other facilities. It appears from the investigation conducted that Son Bonet aerodrome never had any military use. We are awaiting the report from the Government Attorney's Office report in this regard to oppose the claim of the Ministry.

With respect to the amount that may be due if ultimately this payment has to be made, it would be determined by a joint committee made up of representatives of the Ministry of Defence and Aena. This committee would be set up at the time that it is conclusively determined that there is an obligation on the part of Aena to compensate the Ministry of Defence.

Expropriations

The Company is also involved in proceedings relating to claims involving expropriations that have taken place and which at 31 December 2017 and 31 December 2016 could not be quantified since a court decision is yet to be reached and which could give rise to additional cash outflows for expropriations, although the directors do not anticipate that a decision that is contrary to the interests of the Company is likely.

Commercial activities

At 31 December 2017 and 31 December 2016 the parent Company is involved in legal disputes with leases at airports in the Aena network which are either pending final decisions or are going through the courts. The aggregate amount of these contingencies amounts to 2 million euros, although the Company's management does not consider that such claims will give rise to financial penalties against it.

Construction company claims

In addition to the above, at 31 December 2017 and 31 December 2016, there are claims that have been filed against the parent Company by several construction companies deriving from the execution of various construction contracts relating to the airport network. The aggregate amount of these contingencies amounts to 3.5 million euros. The Company's management does not consider that such claims will give rise to financial penalties against it.

Airline claim relating to charges

Following the increase in the airport charges implemented by the General State Budget Act for 2012, the airlines appealed against the amounts charged before the Central Administrative-Economic Court.

The airlines operating in Spain broadened their claim against the Spanish government, filed with the European Commission, complaining of irregularities in the system established by Spanish law for updating the charges to be received by Aena in 2012. The aviation sector asked for the EU body's intervention in the price rise in 2012, and after the rise in 2013 also called for the setting up of an independent supervisory body for air transport. In 2013 the National Commission on Markets and Competition (CNMC), which is an independent body, was created. Until it started operating in October 2013, the proposed charges for 2014 were temporarily overseen by the Railway and Airport Regulation Committee (CRFA) which conducted its work impartially and transparently. The process of consultation on the charges proposal for 2014 ended with a multi-year agreement on charges for the period 2014-2018. After the agreement reached with the airlines, the latter suggested to their associates they should withdraw the claims filed. Currently almost all of the airlines have presented withdrawals. Additionally:

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

During 2015, various airlines filed administrative appeals in the National Court against the dismissal decisions concerning the administrative appeals filed by these companies before the Central Administrative-Economic Court.

The National Court ruling on most of the administrative appeals was that the rise in rates applied under Act 2/2012 contravened article 6 of Directive 2009/12/EC, of 11 March, as they had not been through a period of consultation and had not been published two months in advance. On this basis, considering that article 6 clearly and directly recognises rights for users and in virtue of the principle of primacy of EU 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 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 using the procedure for the return of payments unduly made. In this procedure, the claimant must evidence payment of the settlement made and the determination of what would be correct after having shown that in the period under study the amounts of the payments due were not passed on to passengers, as is envisaged in article 77, paragraph 2 of the Aviation Safety Act 21/03. 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 Note 21).

In light of the foregoing the Company's management does not consider that any further financial consequences will arise against it.

Other claims by airlines

The parent Company is involved in claims and disputes over specific incidents that have generated damage to aircraft at airports within the network. As of 31 December 2017, the management of the parent Company considers that these would not be significant.

Contingent assets

Charges shortfall

In September 2012 the Dirección General de Aviación Civil (Spanish Civil Aviation Authority) supervised the proposal for updating and amending charges submitted by Aena, for 2013.

The supervision of the charges proposed by Aena for 2013 applied for the first time the new regulatory framework deriving from Directive 2009/12/EC of 11 March 2009 on airport charges (Directive 2009/12/EC). In Spain, this framework is primarily comprised of the Aviation Safety Act 21/2003, of 7 July (Act 21/2003), in the wording given by (i) Act 1/2011, of 4 March, which establishes the State Operational Safety Programme for Civil Aviation and amends the Aviation Safety Act 21/2003, of 7 July, and (ii) Royal Decree-Act 20/2012, of 13 July, on measures to ensure budgetary stability and promotion of competitiveness, whose purpose is to incorporate Directive 2009/12/EC into the Spanish legal system. In the institutional realm, the incorporation of Directive 2009/12/EC required the creation of a regulatory body with supervisory functions in the sphere of setting and updating airport charges. Thus the Airport Economic Regulation Commission was set up under Royal Decree-Act 11/2011, of 26 August, which created the Airport Economic Regulation Commission, and the National Commission on Markets and Competition (CNMC) by Act 3/2013, of 4 June 2013, which created the National Commission on Markets and Competition. In addition, Act 18/2014, of 15 October, on approval of urgent measures for growth, competitiveness and efficiency (Act 14/2018) introduces important reforms in the airport charges system for basic airport services. Act 14/2018 states that starting in 2018, airport charges will be contained in the Airport Regulation Document (DORA), which will be approved every five years by the Spanish Cabinet. However, with regard to airport charges in 2016, the transitional system in force prior to the approval of the first DORA was applied in conformance with the Fourth, Fifth, Sixth and Seventh Transitional Provisions of Act 18/2014.

In accordance with this regulatory framework, Aena income derived from the provision of basic airport services is considered airport charges. In consequence, they must be established, updated and modified through a regulation with the rank of law. Additionally, the updating and modification of the greater part of these charges is submitted firstly to a procedure of transparency and consultation with the associations and organisations of user airlines, and secondly to oversight by the regulatory authority. In conformance with Act 1/2011, the update of airport charges for the provision of basic airport services is subjected to a dual till model which imposes a distribution model of costs associated with each of the activities that Aena performs, distinguishing between regulated activities (basic airport services) and the remaining activities of the airport operator.

According to the Oversight Report on Aena's proposal for charge amendments for 2014, issued by the Railway and Airport Regulation Committee (CRFA) (currently included in the CNMC) on 12 September 2013, the charges shortfall for 2013 was set at 298 million euros (which corresponds with that approved by the DGAC adjusted to the real consumer price index) and which when capitalised at 7.04 % to obtain the value at 31 December 2014 amounts to 318.98 million euros. The charges shortfall declared by the CNMC for 2013 in the Decision approving Aena's charge amendment proposal for 2015 and setting out the measures that should be adopted in future consultation processes amounts to 179.33 million euros.

Furthermore, in the abovementioned Oversight Report on Aena's charge amendment proposal for 2014, the CRFA verified that the charge amendment for 2014 specifies a shortfall adjustment for 2014 of 286,790 thousand euros. This Report also established that in the event that once the CPI had been published in October 2013, it was decided that the increase to be applied to the amounts of the charges should be less than 2.5%, the value of the shortfall for 2014 must be restated, finally reaching an amount of 312,000 thousand euros.

The CNMC Agreement dated 23 April 2015 (Agreement of 23 April) on airport charges in 2016 states that the accounting that should be used as a basis for restating charges for 2016 should reflect the "costs arising from the retail income generated by a higher volume of traffic" in a different way than in the previous year. Pursuant to the Agreement of 23 April, that consequence would mean that part of the costs arising in airport terminals, and which had been recorded as regulated airport activity costs, would be part of commercial activities and considered as costs of such activities. Following the gradual application of the criterion of the dual till system, reallocation of regulated activities costs to commercial activities 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. On 13 May 2015, Aena filed an administrative appeal against the Agreement of 23 April, which gave rise to Ordinary Proceeding 318/2015 (Appeal 318/2015). This appeal was declared inadmissible by the National Court in its ruling dated 29 July (confirmed by the ruling of the National Court dated 10 November 2015) as it deemed that it was against an administrative action which could not be challenged. Aena filed for a judicial review before the Supreme Court against these rulings (Judicial Review 4009/2015). The Supreme Court, in ruling no. 1082/2017 dated 19 June 2017, allowed the Judicial Review Appeal 4009/2015, declaring that Appeal 318/2015 is admissible.

Section Two of the above Ruling of the Supreme Court expressly states that: "It is agreed to admit administrative appeal no. 318/2015 filed by Aena Aeropuertos, S.A.U. against the decision of the National Commission on Markets and Competition, Regulatory Supervision Panel, of 23 April 2015, which adopts criteria on the separation of costs from airport and commercial activities at Aena airports, and the Eighth Panel of Judges of the Administrative Division of the National Court shall continue the processing of said appeal."

In consequence, Aena requested a resumption of the proceedings, that a copy of the administrative case be delivered and that Aena be summoned to formulate its lawsuit.

On 23 July 2015, the CNMC issued its Decision approving Aena's proposed charges amendment for 2016 and the measures to be adopted in future consultation procedures were established. This Decision incorporates the criteria established in the Agreement of 23 April, for the purpose of the proposed charge review which has been submitted for approval by the General State Budgets Act for 2016. The Company filed an administrative appeal before the National Court against this Decision (Appeal 355/2018). The processing of Appeal 355/2018 was suspended until the resolution of the aforementioned Judicial Review Appeal 4009/2015. Finally, through the ruling dated 12 December 2017, the National Court agreed to summon Aena to present the corresponding lawsuit.

On the date of preparation of these financial statements, Appeals 318/2015 and 355/2018 are in the initial stage of the proceeding.

The Company considers that these types of assets do not comply with all of the requirements to be recognised in the balance sheet since they involve an asset that depends on future events.

29. Events after the balance sheet date

From 31 December 2017 until the date that these financial statements were prepared, the following events occurred in Aena S.M.E, S.A.:

- On 25 January 2018, Aena set up the concession company which holds the contract to manage, operate and maintain Aeropuerto Internacional de la Región de Murcia (AIRM) as a concession for that airport and its complementary activities area for a period of 25 years.

  Aena thereby complies with the requirements of the Specific Administrative Specifications of the contract that was awarded to Aena by the Region of Murcia on 20 December 2017.

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

The concessionaire executed the contract of adjudication on 24 February 2018 and was designated as the airport operator of the AIRM.

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

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

Management Report

for the financial year ended on 31 December 2017

Aena S.M.E., S.A.

1. Executive summary

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

The following aspects can be highlighted in this period:

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

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

- On the operational side, there has been strong and widespread growth of traffic in most of the airports of Aena's network driven by the excellent figures for the tourism industry.
  Passenger traffic increased by 8.2% to 249.2 million passengers.

- The positive evolution of traffic in Aena's airports during 2017 has contributed to the increase in total income up to 3,821.4 million euros (+7.0% compared to 2016)[1] partially offset by the lower airport charges in Spain compared to the previous year which affects January and February (-1.9%) and from March (-2.22%).

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

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

- Turning to commercial operations, there has been the positive impact of the new car rental contracts in the airport network which came into force in November 2016. The new contract based on a higher variable rent has increased income from this activity by 30.5% with respect to the previous year.
  Furthermore, the tendering process to operate the concessions for the food & beverage services at Barcelona-El Prat Airport has concluded in February 2018. The new range increases the area by 19%, providing a genuine gastronomic experience for passengers and airport users, and combines the latest trends in restaurants with local tradition and flavour.
  As a result of this process, income from this line in Barcelona, considered in terms of a full year, will increase by almost 30%.

- It should also be noted that cost efficiency levels were maintained (the EBITDA margin was 64.4% in 2017), although the total expenses for the period (not including amortizations) increased by 1.3% compared to 2016. It was slightly affected by the increased activity and the upward trend in the cost of most of the services awarded since late 2016.

  This will continue to be a factor in operating expenses throughout 2018. Here it should be noted that during the second half of the year the cost pressure affecting Aena's service providers has become apparent through the strikes called by workers in several companies that provide services in the Spanish network.

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

- EBITDA for the year has increased to 2,460.4 million euros, which is growth of 10.5% compared to 2016.

- The profit before tax was 1,594.2 million euros, compared to 1,504.5 million euros in the previous year and the net profit for the year was 1,219.8 million

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

euros, 6.2% more than the profit recorded for the previous year (1,148.1 million euros).

This increase is especially significant given that in 2016, profit before tax and net profit for the year reflected the extraordinary impact of the reversal of provisions for legal proceedings related to expropriation of land at Adolfo Suárez Madrid-Barajas Airport (204.9 and 153.7 million euros respectively).
Excluding this effect Aena’s pre-tax profit and net profit would have increased by 22.7% in 2017.

- With regard to cash flow from operating activities, it has risen to 1,954.3 million euros, compared to 1,772.3 million euros in 2016 (10.3% increase), reducing the ratio of net financial debt to EBITDA.

- In relation to the execution of the investments, in 2017 the investment paid amounted to 305.0 million euros, focusing on safety and improvements to maintenance.

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

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

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

2. Macroeconomic environment and activity figures

2.1. Macroeconomic situation and sector details

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

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

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

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

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

By autonomous regions, in 2017 Catalonia continues to be the leading tourist destination (over 19.0 million, +5.0% more than in 2016), followed by the Canary Islands (14.2 million, +7.2%) and the Balearic Islands (13.8 million, +6.1%).

The number of international tourists who visited Catalonia in December fell by 13.9%, and the figure for visitors to the Balearic Islands by 2.0%.

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

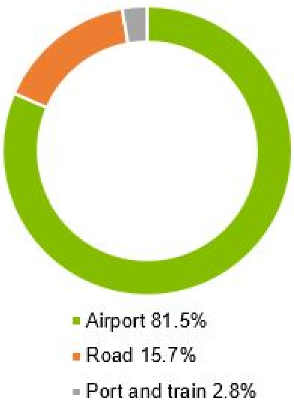


Figure 1. Distribution of tourists by access means in 2017

2.2. Traffic in the Aena airport network in Spain

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

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

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

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

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

Figure 2. Traffic in the Aena airport network in Spain

2.3. Analysis of air passenger traffic by airports and airlines

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

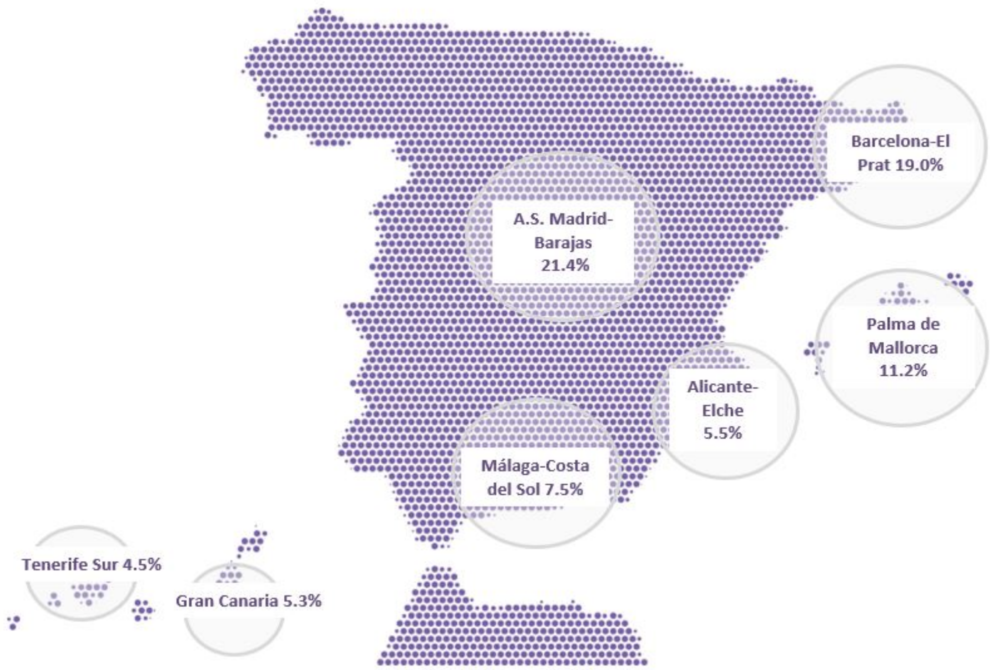


Figure 3. Share of passenger traffic at major airports in Spain

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

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

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

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

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

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

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

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

Picture 2. Apron – Barcelona-El Prat Airport

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

Aircraft operations increased by 5.6% to 208,787.

Picture 3. Inside the terminal - Palma de Mallorca Airport

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

Picture 4. Aerial view - Airport of La Palma

The eight airports in **Group I** grew by 11.0% during 2017 to reach 62.5 million passengers, with especially high growth in Valencia (16.3%), Málaga-Costa del Sol (11.7%) and

Alicante-Elche (11.1%). Both international traffic (+11.5%) and domestic traffic (+9.6%) have contributed to the growth of this group of airports.

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

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

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

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

It is remarkable the 16.0% increase in freight volume at Vitoria Airport.

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

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

The companies with the largest number of new routes are Ryanair (86), Niki (56), Jet2 (33), Norwegian (23) and Eurowings (22).

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

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

Boston (via Punta Delgada); and Plus Ultra to Havana.

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

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

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

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

Table 2. Breakdown of traffic by geographical area

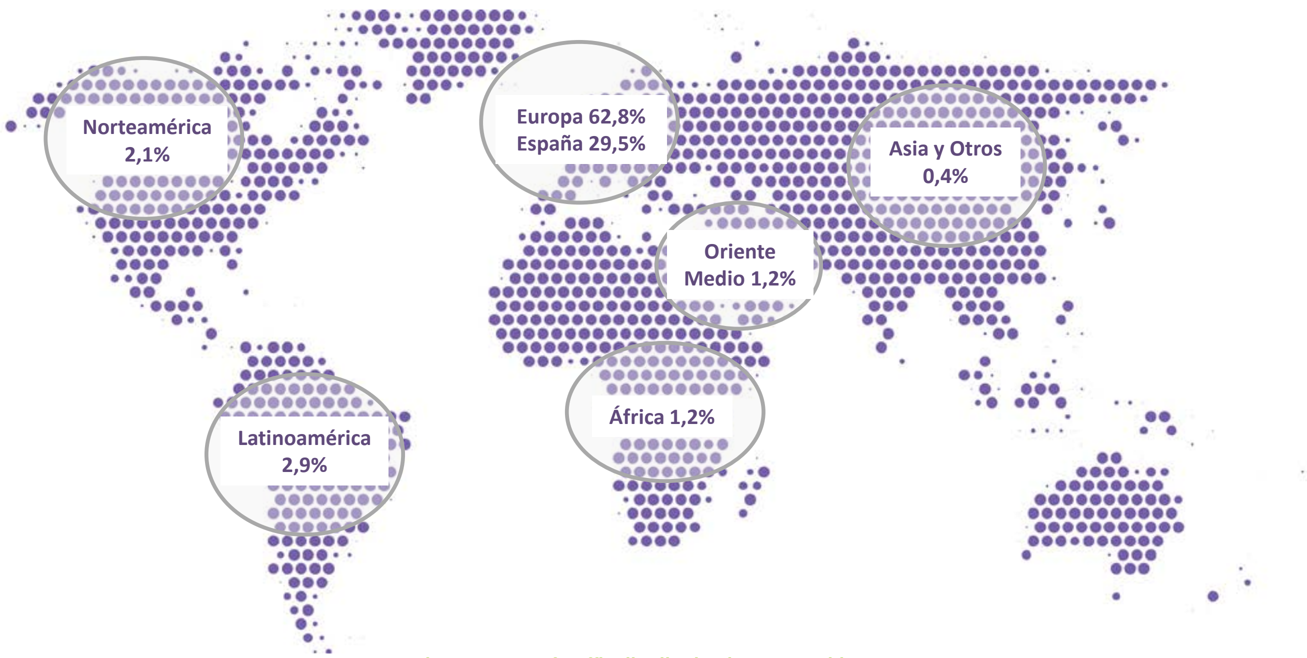


Figure 4. Map of traffic distribution by geographic area

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

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

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

Table 3. Air traffic distribution by country

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

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

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

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

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

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

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

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

(3) Includes Binter Canarias, Naysa and Canarias Airlines

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

Table 4. Distribution of air traffic by airlines

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

2.4. Commercial activity

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

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

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

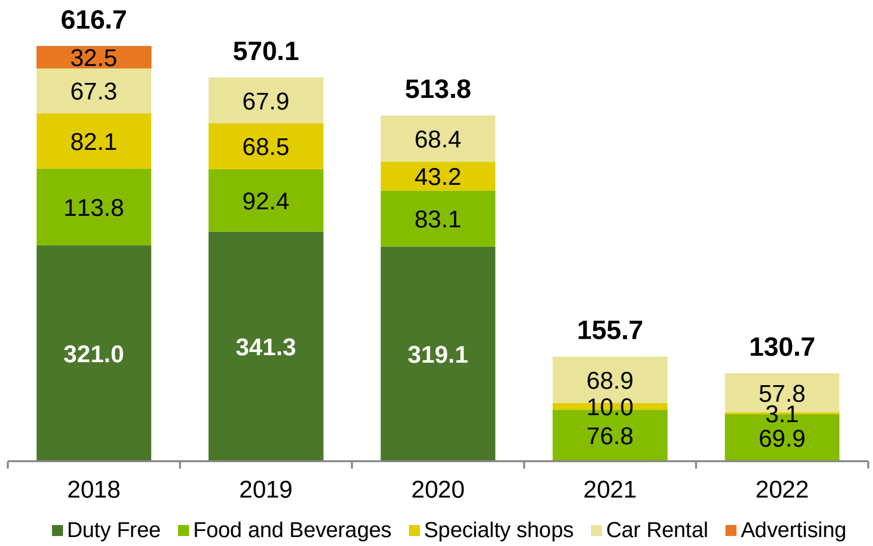


Figure 5. Minimum annual guaranteed rents (MAGR) by business line

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

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

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

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

3. Business lines

The following describes the main aspects of Aena's business areas and the main magnitudes of results at 31 December 2017, broken down by segment, are shown. The airports segment accounts for 98.5% of total EBITDA (aeronautical activity accounts for 63.0% and commercial activity contributes 35.5%) and the real estate services segment contributes 1.5%.

3.1. Aeronautical segment

3.1.1 Aeronautical Activity

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

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

The DORA has been prepared by the Dirección General de Aviación Civil (DGAC - Spanish Civil Aviation Authority), as an amendment to the proposal submitted by Aena and approved by its Board of Directors on 8 March 2016, duly adjusted to the conditions and principles set out in Law 18/2014, of 15 October. It includes Aena's obligations for a period of 5 years and clarifies the following aspects, among others:

- The charges path, with the establishment of a maximum annual income per passenger (IMAP) that allows Aena to recover costs associated with the provision of basic airport services, costs that also respond to efficiency criteria set forth by the regulator. Aena "IMAP" will undergo an annual decrease of 2.22% over the period 2017-2021, starting from 1 March 2017.
- Investments that Aena must carry out and that have to meet the standards of capacity and service levels, whilst also remaining in line with traffic forecasts Regulated CAPEX related to airport services amounts to 2,185 million euros for the five years (437.1 million euros on average per year). Additionally, a series of strategic investment projects have been specified and any delay in their implementation will entail a penalisation in the "IMAP".
- The levels of service quality, as well as a system of incentives and penalties to ensure compliance with them. The penalty / maximum annual bonus applicable for this item would be a ±2% of "IMAP".

Aena considers that it met the required quality standards in 2017, as well as executing the planned strategic investments, and as such it does not anticipate the maximum annual income per passenger to be penalised for these reasons.
As for the quality levels required, in general terms there has been an overcompliance with the objectives established by the DORA, although in some isolated cases the assessment obtained was lower than the reference index. During the 2018 financial year, measures will be taken to improve the results for these indicators, although the system for calculating bonuses established in the DORA allows non-compliance to be compensated in excess by the results obtained in airports above the indicator.
In the execution of strategic investments planned in the DORA for 2017, as of 31 December the deadline established for the strategic investment in the period had been met.

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

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

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

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

New commercial incentive scheme

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

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

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

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

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

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

Thousand euros	2017	2016	Variation	% Variation
Ordinary income	2,638,505	2,498,024	140,481	5.6%
Airport charges[(1)]	2,562,050	2,426,613	135,438	5.6%
Passengers	1,166,405	1,079,620	86,786	8.0%
Landings	697,341	681,395	15,946	2.3%
Security	419,869	396,205	23,664	6.0%
Telescopic boarding bridges	110,166	109,054	1,112	1.0%
Handling	90,432	85,960	4,472	5.2%
Fuel	33,535	31,885	1,650	5.2%
Parking facilities	34,188	32,821	1,367	4.2%
Catering	10,114	9,673	441	4.6%
Other Airport Services[(2)]	76,455	71,411	5,043	7.1%
Other income	53,848	50,926	2,922	5.7%
Total income	2,692,353	2,548,950	143,403	5.6%
Total expenses (depreciation included)[(3)]	-1,774,813	-1,812,574	-37,761	-2.1%
EBITDA [(4)]	1,548,960	1,402,687	146,273	10.4%

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

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

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

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

Table 5. The most significant figures in aeronautical activity

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

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

The connection passenger bonus, which rose from 35% to 40% in March 2016, has come to 69.7 million euros, in line with the amount in 2016 (70.4 million euros).

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

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

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

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

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

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

Passenger services

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

Information systems

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

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

Picture 6. New information point in Palma de Mallorca Airport

Picture 7. New location plan in Malaga Airport

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

Cleanliness

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

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

Picture 8. Refurbishing of toilets. Alicante Airport

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

Picture 9. "Happy or not" device at the exit to the toilets in Adolfo Suárez Madrid-Barajas Airport

Comfort

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

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

Picture 10. New cooler in boarding module A in Palma de Mallorca

- Waterproofing of roofs and outer walls at a number of airports including Tenerife Norte Airport and Fuerteventura Airport.

- New flooring in Adolfo Suárez Madrid-Barajas Airport, Barcelona-El Prat and Malaga, Seville, Tenerife Norte, Lanzarote and Reus.

Picture 11. New flooring in the hall of T2B of Barcelona Airport

- Reorganisation of the passenger waiting area in check-in queues at Alicante-Elche Airport.

- Extension of the Schengen arrivals hall at Gran Canaria Airport to 200 m^2 of floor area.

- Improvement of lighting at Palma de Mallorca and Seville airports.

- Improvement of the Premium retail plaza in terminal T4 at Adolfo Suárez Madrid-Barajas Airport.

Picture 12. Improved retail plaza. AS Madrid-Barajas Airport

- New workstations with power outlets for charging devices installed in the two terminals at Barcelona Airport, in departure lounges 10 and 11 in terminal T4 at Adolfo Suárez Madrid-Barajas Airport, and in the departure areas in the terminals at Palma de Mallorca, Gran Canaria, Menorca, Girona and Zaragoza airports.

- Electrical charging facilities were installed at various points in the terminal building of Malaga and Gran Canaria airports.

- Replacing and increasing the number of benches in several airports. Most prominently at Palma de Mallorca with a total of 2,553 new benches, which means 11,105 seats, an 11% increase. At Madrid, Málaga, Valencia, Bilbao, Menorca and La Gomera airports as well. Seating for long waits and emergencies were added in Malaga Airport.

Picture 13. Seats in the Multipurpose Hall of Malaga Airport

PRM service

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

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

Picture 14. Installation of PRM accesses in the controls of T1 and T4 of Madrid Airport

- Two new lifts were installed in module A of Palma de Mallorca Airport, for the exclusive use of PRM.

- And at Fuerteventura Airport: creating a new PRM service desk inside the boarding area.

- In addition, in December Aena awarded the contract for the provision of this service in 20 airports in the network, for a period of four years (extendable for up to two additional years) and a total sum in the tender process of 272.5 million euros. The contracts will be formalised in 2018.

Other passenger services

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

Picture 15. Play area in Malaga Airport.

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

Access

- The organisation of passenger flows due to the closure of Metro line 8 at Adolfo Suárez Madrid-Baraja Airport has been coordinated with Madrid Metro.

- At Barcelona El-Prat Airport, ADIF has replaced the old RENFE footbridge which connected terminal T2 with the train station and has also refurbished the area connecting with the terminal.

Picture 16. Refurbishment of the RENFE footbridge. Barcelona Airport

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

Operations

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

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

Airfield and platform

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

Picture 17. Runway refurbishment. Son Bonet Airport

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

Picture 18. New entrance taxiways. Palma de Mallorca Airport

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

Picture 19. Blast fence. Gran Canaria Airport

- Installation of acoustic barriers, such as the one located in header 06R of Palma de Mallorca Airport.

- Completion of improvements to pavements to repair various kinds of damage in airfield areas, backing up points and taxiing areas at Málaga-Costa del Sol Airport.

- Actions arising from the change in designation of the runway at Tenerife Sur Airport (signage and runway markings and a change in the command system and presentation of beacons).

- Actions on the coastline of head 03 at Lanzarote Airport to give it a RESA (Runway End Security Area) and on the airfield at La Palma Airport.

- Integrating Gran Canaria and Malaga-Costa del Sol airports into the ATM network as an Advanced Tower to improve air traffic management and punctuality.

Safety

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

- Replacing the old fences in critical areas at Palma de Mallorca Airport, specifically locator 24R, locator 06L, locator 24L and path 24L.

- New coordination centre at Santiago Airport.

- Optimisation and reduction of runway closure times due to works and maintenance of the visual aids facility with a new system for monitoring regulators' cut-outs at Palma de Mallorca Airport.

- The operating hours of Vitoria Airport have been extended by 55%.

Handling

The measures taken in handling included:

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

Picture 20. Check-in kiosks. Barcelona Airport

- Construction of a new area for trolleys in international arrivals at Gran Canaria Airport, with three baggage carousels to improve baggage reclaim times.

- At Palma de Mallorca Airport, replacement of the servers installed in the Automatic Baggage Handling System (SATE) with new servers featuring state-of-the-art technology which will provide the system with 100% redundancy. Likewise, the classifier control IT systems in the SATE have been replaced to enable data to be managed in real time.

- New text and mail messaging to handling agents for advance notice of baggage delivery times at Alicante Airport.

- Automatic re-inspection of unaccompanied baggage for airlines at Madrid Airport.

Parking facilities

The measures taken include:

- Redesigning parking stands on the general aviation apron at Almeria Airport, increasing the number of stands from 13 to 19.

- At Tenerife Sur Airport: apron slabs and the hydrant network have been refurbished, as well as layout of aircraft parking stands and moving the taxiway to the south to eliminate the spam restriction from the apron's internal inner.

Fuel

- Measures include starting up the process for renewing licences for fuel handlers with Stage I which covers the 21 airports in the network with low traffic levels over a period of seven years. The increase in competition, improved service quality and price caps are key points of the new tender.

- At Zaragoza Airport there has been an agreement with CLH to improve the response times for beginning the service.

Security

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

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

Picture 21. ABC systems. Barcelona Airport

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

Picture 22. New arrivals passport control booth. Bilbao Airport

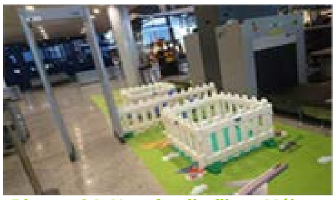
- At Adolfo Suárez Madrid-Barajas Airport, improvement actions in managing waiting times through alarms in security filters and passport controls and single file management in the main security controls.

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

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

Picture 23. Expansion of security equipment. Adolfo Suárez Madrid-Barajas Airport

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



Picture 24. New family filter. Málaga Airport

Facilities

Baggage claim

Measures taken in the baggage claim areas include:

- Installing “Happy or not” devices to measure perceived quality at 33 airports in the network.
- Opening of a new baggage claim area in terminal T2 at Barcelona Airport for easyJet passenger arrivals, thus bringing all the airline’s operations together in the same area of the airport.

Picture 25. New baggage claim area at Barcelona Airport

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

Airbridges and boarding gates

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

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

Picture 26. New airbridge. Adolfo Suárez Madrid-Barajas Airport

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

Picture 27. New airbridges at Malaga Airport

- Installing automatic doors in disembarkation for each of the airbridges at Tenerife Norte Airport.
- Reopening of the boarding gates area at Barcelona and Fuerteventura airports (boarding gates 1 and 2 with double airbridge, stand 15), increasing the number of gate parking positions and the number of remote gates.

Picture 28. Improved boarding gates at Barcelona Airport

3.1.2 Commercial Activity

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

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

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

Table 6. Most significant figures with regard to commercial activities

In 2017, the total income from commercial activity increased by 11.3% compared to 2016, to 1,060.6 million euros. Ordinary income amounted to 1,049.3 million euros (27.9% of the total ordinary income), an increase of 11.2% compared to 2016 (943.6 million euros).

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

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

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

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

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

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

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

Table 7. Analysis of commercial business lines

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

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

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

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

Tax and Duty Free Shops

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

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

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

The following projects took place in 2017:

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

Picture 29. Dufry Shop Robot in T4S.

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

Picture 30. Barcelona-El Prat Airport

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

Specialty shops

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

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

Noteworthy events in 2017 include:

- The commercial income from the Canary Islands airports increased after the renewal of the commercial range carried out in

[1] *Fast Lane* o el carril rápido: es un paso preferente destinado al paso de los filtros de seguridad que no está segregado del resto de la batería de filtros.
[2] *Fast Track:* es un filtro de uso exclusivo y segregado físicamente del resto de filtros de seguridad.

2016 and the first full year of its business. A 19% increase in commercial income was achieved in Gran Canaria, 22% in Lanzarote and 10% in Tenerife Sur Airport. Four premises at Tenerife Sur Airport were tendered in 2017.

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

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

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

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

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

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

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

Picture 31. Personal Shopper. Adolfo Suárez Madrid-Barajas Airport.

Food & Beverage

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

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

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

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

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

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

  The tendering process concluded in February 2018 with the award of the 23 processes tendered. The new food & beverage range will occupy an area of about 16,000 m^2, an increase of about 19% compared to the existing

[1] *Fast Lane* o el carril rápido: es un paso preferente destinado al paso de los filtros de seguridad que no está segregado del resto de la batería de filtros.
[2] *Fast Track:* es un filtro de uso exclusivo y segregado físicamente del resto de filtros de seguridad.

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

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

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

Picture 32. Food & Beverage at Barcelona-El Prat Airport

- The tender for the renewal of the range of Food & Beverage in Malaga-Costa del Sol Airport was also published in November. The new spaces will occupy a total area of more than 6,500 m², divided into 25 premises tendered in 12 procedures, which will open in late 2018.

- The award of the tender for the range of Food & Beverage in Gran Canaria Airport (19 points of sale in 5 files), to improve the quality and variety of the range, which will lead to an increase in income.

- The opening of practically all of the new Food & Beverage services offered at the airports of Bilbao (5 premises), Ibiza (6 premises, leaving 3 for the summer season in 2018), Fuerteventura (6 premises), as well as 1 new point at Madrid-Barajas Airport and 2 new points in module C at Palma de Mallorca Airport.

- An action plan has been implemented to improve the quality of the sales points at Adolfo Suárez Madrid-Barajas Airport, and the competitiveness of prices.

- A campaign of discounts and gastronomic promotions was carried out at Bilbao Airport.

- The renewal of the vending machines in the airports of Ibiza, Tenerife Sur and Gran Canaria, coupled with a significant improvement in the quality of the products and image offered, as well as income received. The tender for the machines at Fuerteventura Airport and another 10 at Malaga Airport, which is due to be renewed at the beginning of 2018, was also published in 2017.

Car rental

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

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

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

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

- A volume of more than 5 million vehicle rental agreements signed in airports.

- Improvements in the facilities, in terms of both quantity and quality. Service counters, parking spaces for collecting and dropping off vehicles, and maintenance and cleaning areas for the operators' fleets were enlarged and improved.

- The companies' operations were made more flexible, with additional facilities at the times required by demand, to increase parking spaces, counters or areas as needed.

Car parks

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

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

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

Parking income in 2017 amounted to 132.0 million euros, an increase of 8.6% compared to 2016. This figure

[1] *Fast Lane* o el carril rápido: es un paso preferente destinado al paso de los filtros de seguridad que no está segregado del resto de la batería de filtros.
[2] *Fast Track:* es un filtro de uso exclusivo y segregado físicamente del resto de filtros de seguridad.

is a record high for income, surpassing the record for 2007.

The main actions of this period are as follows:

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

Picture 33. Aena Customer Club.

VIP services

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

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

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

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

Noteworthy events in 2017 included:

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


Picture 34. VIP lounges. Tenerife Sur Airport

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

Advertising

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

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

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

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

The improvement in sales, the number of advertisers and the volume of investment was the general trend in the business unit. However, the recovery of this sector, which has been heavily affected by the last

[1] *Fast Lane* o el carril rápido: es un paso preferente destinado al paso de los filtros de seguridad que no está segregado del resto de la batería de filtros.
[2] *Fast Track:* es un filtro de uso exclusivo y segregado físicamente del resto de filtros de seguridad.

recession and by the cuts in foreign advertising investment, is still under way.

Picture 35. Advertising media. Adolfo Suárez Madrid-Barajas Airport

Other commercial income

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

The main actions carried out in 2017 included:

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

3.2. Real estate services segment

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

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

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

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

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

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

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

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

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

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

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

Table 8. Key financial data for the real estate services segment

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

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

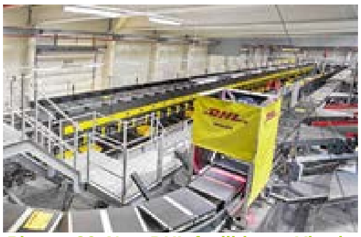
Regarding the main actions of the period, it is worthwhile emphasising:

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

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

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

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



Picture 36. New DHL facilities at Vitoria Airport

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

4. Income statement

Thousand euros	2017	2016	Variation	% Variation
Ordinary income	3,754,904	3,508,705	246,199	7.0%
Other income	66,530	62,342	4,188	6.7%
Total Income	**3,821,434**	**3,571,047**	**250,387**	**7.0%**
Supplies	-175,920	-182,188	-6,268	-3.4%
Staff costs	-367,425	-349,806	17,619	5.0%
Other operating expenses	-810,608	-806,043	4,565	0.6%
Fixed asset depreciation	-755,230	-778,158	-22,928	-2.9%
Impairment and profit/loss on fixed asset disposals	-7,122	-6,039	1,083	17.9%
Total operating expenses	**-2,116,305**	**-2,122,234**	**-5,929**	**-0.3%**
EBITDA (1)	**2,460,359**	**2,226,971**	**233,388**	**10.5%**
OPERATING PROFIT/LOSS	**1,705,129**	**1,448,813**	**256,316**	**17.7%**
Financial income	7,056	205,352	-198,296	-96.6%
Finance expenses	-117,966	-149,680	-31,714	-21.2%
Foreign exchange differences	12	-5	-17	-340.0%
NET FINANCE RESULT	**-110,898**	**55,667**	**166,565**	**299.2%**
PROFIT/LOSS BEFORE TAX	**1,594,231**	**1,504,480**	**89,751**	**6.0%**
Income tax	-374,480	-356,419	18,061	5.1%
PROFIT/LOSS FOR THE YEAR FROM ONGOING OPERATIONS	**1,219,751**	**1,148,061**	**71,690**	**6.2%**
PROFIT/LOSS FOR THE YEAR	**1,219,751**	**1,148,061**	**71,690**	**6.2%**

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

Table 9. Income statement

As a result of the positive business performance in all its lines, Aena's **total income** increased to 3,821.4 million euros in 2017, up 7.0% over last year.

Ordinary income increased to 3,754.9 million euros, 7.0% compared to 2016. The increase of 246.2 million euros has been explained above in the analysis of the different business lines.

The total for **operating expenses** is slightly lower with regard to the previous year. Eliminating depreciation, expenses increased by 17.0 million euros (+1.3%). Next, the most important variations broken down into cost concepts are analysed:

- Supplies were reduced by 3.4%, which represents 6.3 million euros lower compared to 2016, mainly due to the new conditions of the air navigation services agreement (ATM/CNS) signed with ENAIRE.

- Employment costs show the most significant increase as expenses items, at 5.0% (17.6 million euros). This rise is mainly due to the increase in basic salaries, the salary review of 1% and the recruitment of interns in the third quarter of 2016.

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

- Other operating expenses increased by 0.6% (4.6 million euros) to 811.0 million euros, mainly due to the effect of higher expenses, including technical assistance (10.3 million euros), security (9.4 million euros), services for passengers with reduced mobility (4.6 million euros), cleaning (3.1 million euros), local taxes (2.7 million euros) and VIP lounges (2.3 million euros). These increases were partially offset by the reduction in electricity costs (6.6 million euros), lower maintenance costs in 2017 (6.5 million euros), and by variations in customer insolvencies (13.9 million euros).

- Depreciation and amortization amounted to 755.2 million euros and is down compared to 2016 by 22.9 million euros (2.9%), mainly due to the effect of full amortisation of assets, partially offset by the technical review of the useful life of assets such as runways and taxiways.

- Variation of the impairment and losses on disposal of fixed assets has amounted to 1.1 million euros for higher rates for withdrawals due to obsolescence.

EBITDA (earnings before interest, taxes, depreciation and amortization) increased to 2,460.4 million euros, an increase of 10.5% over 2016, bringing the EBITDA margin to 64.4%.

For its part, **finance result** shows a year-on-year increase of 166.6 million euros, affected by the exceptional reversal in 2016 of provisions for legal proceedings related to expropriation of land at Adolfo Suárez Madrid-Barajas Airport (204.9 million euros). The variation of the heading "Financial Income" is due to the effect of said reversal in 2016. The heading "Financial Expenses" decreases by 31.7 million euros (21.2%) mainly due to the effect of the decrease in interest rates (9.9 million euros), the reduction of principal payment of debt (9.8 million euros). Furthermore, expenses of 11.8 million euros were recorded in 2016 to cover the eventual increase in costs caused by the change in the Bank of Spain's risk weighting coefficient for Aena. On the contrary, it increases by 3.7 million euros, due to, on the one hand, the interests arising from the new financing with credit institutions (2.4 million euros) and, on the other hand, to the increase in financial expenses derived from the advance of World Duty Free Group (1.9 million euros).

With regard to **Income tax**, the resulting expenses amounted to 374.5 million euros, an increase in expenses of 18.1 million euros over the previous year as a result of the higher result for the period and the reduction of deductions for investments in the Canary Islands. The effective rate for the period stood at 23.5% (23.7% in 2016).

The **profit / (loss) for the year** amounted to 1,219.8 million euro, 71.7 million euros more than was achieved at the close of 2016. This variation is especially significant given that in 2016 the extraordinary impact of the reversal of provisions for legal proceedings related to expropriation of land at Adolfo Suárez Madrid-Barajas Airport was recognised. Excluding this effect, Aena's net profit would have increased by 22.7%.

5. Investments

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

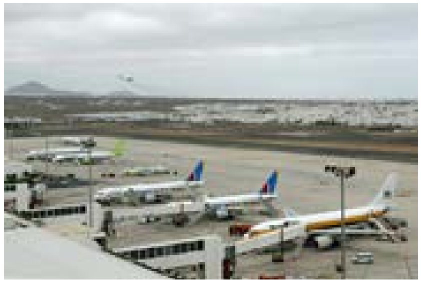
The main actions put into service in the period include at Gran Canaria Airport: "Reinforcement of the surface of runway 03R-21L and the associated taxiways" and "Renewal of the Cargo Terminal"; at Adolfo Suárez Madrid-Barajas Airport: "Refurbishment and elimination of obstacles on runway 18L-36R" and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

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

Picture 37. Airfield Tenerife Norte.

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

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



Picture 38. Apron. Lanzarote Airport

5.1. Analysis of investments broken down by areas of action

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

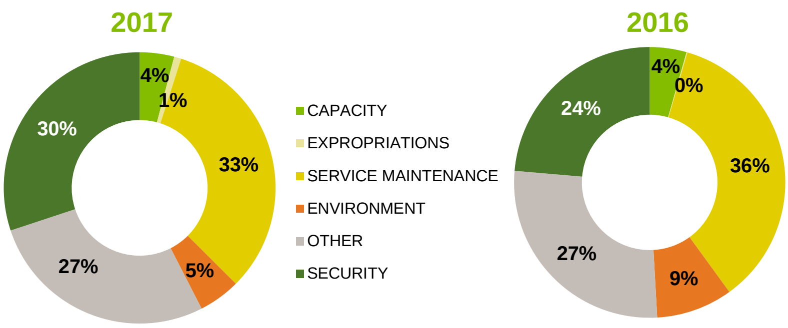


Figure 6. Analysis of investments by areas of application

- Investments made in the field of **security** account for 30% of the total investment in the network of Spanish airports (compared to 24% in 2016). In 2017, they increased by 34.0 million euros (from 57.7 million euros of investment paid in 2016 to 91.8 million euros). They include: "Refurbishment of paving on runway 07L-25R" of Barcelona-El Prat Airport", “Reinforcement of the surface of runway 03R-21L and associated roads" at the Gran Canaria Airport and "Refurbishment and elimination of obstacles on runway 18L-36R" at Adolfo Suárez Madrid-Barajas Airport.

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

- Investments in **capacity** rose to 12.5 million euros in 2017, compared to 10.7 million euros in 2016.
  The following significant investment projects took place: "Adaptation of gates H6, H7 and H8", "Adaptation of gates H1 and H2 on the northern runway" and the "Increase in peak capacity of the ABHS and new check-in features” at Palma de Mallorca Airport, and the “Refurbishing of Hall 2 for non-Schengen connections" at Adolfo Suárez Madrid-Barajas Airport.

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

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

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

6. Balance Sheet

Thousand euros	2017	2016	Variation	% Variation
ASSETS				
Non-current assets	13,553,833	13,950,079	-396,246	-2.8%
Current assets	1,049,785	897,377	152,408	17.0%
Total assets	**14,603,618**	**14,847,456**	**-243,838**	**-1.6%**
EQUITY AND LIABILITIES				
Equity	6,021,151	5,363,567	657,584	12.3%
Non-current liabilities	7,223,152	8,099,916	-876,764	-10.8%
Current liabilities	1,359,315	1,383,973	-24,658	-1.8%
Total equity and liabilities	**14,603,618**	**14,847,456**	**-243,838**	**-1.6%**

Table 10. Summary of the consolidated balance sheets

As for **non-current assets**, the reduction of 396.2 million euros during the period is mainly accounted for by the reduction in fixed assets. Due to the limitation on regulated investment applicable to the Spanish airport network, the amount for additions to fixed assets for the period was much lower than the amortisations deducted.

In turn, the increase of the **Current Assets** of 152.4 million euros is mainly due to the increase of 235.4 million euros of the balance of “Cash and cash equivalents” and to the decrease of 83.5 million euros of the balance of “Trade debtors and other receivables”, explained in the Cash flow statement in section “7. Cash flow”.

Equity increased by 657.6 million euros, mainly as a result of the difference between the result of the period (1,219.8 million euros) and dividends distributed in the period (574.5 million euros).

The decrease in **Non-current liabilities** in 876.8 million euros is mainly due to the drop in “Long-term debts with Group and associated companies” in 1,383.0 million euros by amortisation of the principal of Aena’s debt with ENAIRE as a co-borrower with various financial institutions, in accordance with the repayment schedule established, as well as to the early repayment of the debt held with Depfa Bank and, in the opposite direction, to the new debt underwritten (650.0 million euros). The balance of “Long-term provisions” also fell by 62.7 million euros, owing to the favourable evolution of certain expropriation disputes, legal proceedings with contractors and downward revisions of the estimate of liabilities.

The reduction of 24.7 million euros in the **Current liabilities** is mainly due to the reduction in the “Short-term debts with Group and associated companies” of 128.7 million euros due to the reduction of the volume of maturities in 2018 compared to 2017, the “Provisions for other liabilities and expenses”, which fell by 44.6 million euros, mainly due to the application of 68.3 million euros for commercial incentives, offset by the increase in “Short-term debt" of 143.6 million euros, mainly as a result of the increase in the balance of suppliers of fixed assets linked to the increased volume of investment.

Working capital, calculated as the difference between current assets and liabilities, normally negative in the Company for its operations and financial structure, decreased from -486.6 million euros in 2016 to -309.5 million euros at the close of 31 December 2017, due to the changes in Current assets and liabilities commented in the preceding paragraphs.

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

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

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

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

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

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

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

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

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

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

Table 11. 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 Payment Outstanding is understood to mean the calendar days that have elapsed since the date the calculation begins until the actual payment of the transaction.
- Ratio of outstanding payments = Σ (Days Payment Outstanding * amount of operations pending payment) / Total amount of outstanding payments. Days Payment Outstanding is understood to mean the calendar days that have elapsed since the date the calculation begins until the last day referred to in the financial statements.
- For the calculation of both the number of days of payment as well as the days' payment outstanding, the Company calculates the term as of the date of provision of the services. However, given the lack of precise information on the time that this has taken place, the date of receipt of the invoice is used.

Thousand euros	2017
Total payments made	798,711
Total payments outstanding	79,454

Table 12. Balance concerning suppliers

The average payment method is calculated on invoices received and accepted pending of payment. The "Trade payables" balance is greater as it includes the balances from invoices pending reception and/or acceptance.

In 2017 the average payment periods have been adapted to 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 AEAT certificates, lack of certificates of proof of supplier bank accounts, among others.

7. Cash flow

Thousand euros	2017	2016	Variation	% Variation
Cash flows from operating activities	1,954,311	1,772,340	181,971	10.3%
Cash flows from investing activities	-317,831	-247,541	-70,290	-28.4%
Cash flows from financing activities	-1,401,123	-1,552,825	151,702	9.8%
Cash and other equivalent liquid assets at the beginning of the period	482,758	510,784	-28,026	-5.5%
Cash and other equivalent liquid assets at the end of the period	**718,115**	**482,758**	**235,357**	**48.8%**

Table 13. Summary of consolidated cash flow statement

In 2017, Aena's financing requirements and the payment of the dividend charged to profit) for the year 2016 have been covered by cash flows from operating activities (1,954.3 million euros) and with new long-term debt (650 million euros), which allowed the financing of the investment program of non-financial assets (305.0 million euros), repayment of the debt according to the established schedule (700.1 million euros) and additionally making early repayment of the debt held with Depfa Bank (797.2 million euros).

Cash flows from operating activities

The main cash inflows from operating activities relate to payments from customers, both the airlines and concessionaires of commercial space, while the main outflows involve payments for sundry services received, staff costs and local and state taxes. The cash generated by operating activities before changes in working capital and other cash generated by operations (interest and income tax paid and collected), has increased significantly in the period (+8.4%), to 2,462.1 million euros, from 2,271.9 million euros in 2016, mainly as a result of the improvement in the Company's operations, which is reflected in the EBITDA figure (Earnings Before Interest, Taxes, Depreciation and Amortization) of 2,460.4 million euros at the end of 2017, compared to 2,227.0 million euros in 2016.

As a result of the aforementioned aspects, net cash amount generated by operating activities has grown to 1,954.3 million euros, from 1,772.3 million euros in the previous year.

Cash flows from investing activities

The cash amounts used in investing activities during this period amounted to 317.8 million euros compared to 247.5 million euros in the previous year and mainly includes payments related to acquisitions and restatements of non-financial assets relating to airport infrastructures for an amount of 305.0 million euros.

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

Cash flows from financing activities

The main financial flows correspond to the new debt signed to the amount of 650 million euros.

On the other hand, the main outflows of financing flows correspond to the repayment of the principal of the debt corresponding to the mirror debt with Enaire as a co-accredited institutions (700.1 million euros in compliance with the schedule of payments established under the contract) and the early repayment of the debt with Depfa Bank (797.2 million euros). In addition, dividends have been paid to a total of 574.5 million euros.

8. Operational and financial risks

8.1. Description of the main operational risks

Regulatory risks

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

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

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

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

- Investments that Aena must carry out and that have to meet the standards of capacity and service levels, whilst also remaining in line with traffic forecasts Regulated CAPEX related to airport services amounts to 2,185 million euros for the five years (437.1 million euros on average per year). Furthermore, a series of strategic investment projects have been drawn up, although any delay in their execution will mean a penalty in the IMAP.

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

- The amount of operating costs recognised in the DORA 2017-2021 have been estimated without price effect and with a prospective nature, and must be updated through the P index, so that any non-exceptional deviation such as the current inflationary pressure from service providers, is considered a risk of the operator.

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

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

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 trends 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 specification is subject to the negotiation process that the British government has started with the European Union to determine the final terms of its departure:
  - Currently, 18.1 % of passengers of the airport network of Aena S.M.E., S.A. 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 regards to passengers, the UK already had specific treatment due to not belonging to the Schengen Treaty so no additional impact would be expected. Having said that, although the volume of passengers with destination or origin United Kingdom has increased by 9.0% in 2017 compared to 2016, during the last months of 2017 there has been a gradual deceleration of growth.
  - From the commercial income viewpoint, the depreciation of the pound against the euro means a loss of purchasing power for British passengers, which is affecting sales of commercial concessionaires at airports and therefore Aena's income, although an important part of Aena's commercial business is ensured by the Minimum

Annual Guaranteed Rent agreements.

- It operates in a competitive environment both with respect to other airports and compared to other means of transport, which can affect its income.
- It faces risks arising from the concentration of airlines and depends on the income of its two main airports.
- Income from commercial activities are linked to the sales of commercial areas by concessionaires which can be affected both by the volume of passengers and by their greater or lesser spending power.
- In the operation of its airports, it 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. In this sense, the recovery of geopolitical stability that other competitor tourist destinations are beginning to experience, affects the number of passengers of Aena's airport network who might return to these destinations.
- Labour conflicts may have an impact on the activities of Aena.
- 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 airport operations (operational and physical security).
- Aena is exposed to the risk of an important aviation accident.
- Natural disasters and weather conditions can negatively affect business.
- The profitability of Aena could be affected if it is not able to keep up its current efficiency levels.
- Changes in the tax legislation may lead to additional taxes or other detrimental factors for the tax situation of Aena.

The Company is, and may be in the future, exposed to risks of loss in the judicial or administrative procedures in which it is held liable.

The Company's governing bodies have implemented mechanisms to identify, quantify and hedge 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.

8.2. Description of the main operational 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 specific cases, the Company uses derivative financial instruments to hedge certain risk exposures.

The Board of Directors provides policies for global risk management as well as for specific areas such as exchange rate risk, interest rate risk, liquidity risk, use of derivatives and investment of excess liquidity.

There is a financial debt recognition agreement between Aena S.M.E., 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. On 29 July 2014, the contract was renewed.

The main risks of a financial nature are described below:

Market risk

Currency 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

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

The Company's objective with respect to the management of interest rates is to optimise financial expenses within the established risk limits, where the risk variables are the 3- and 6-month Euribor, the main benchmark for long-term debt.

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

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

Aena 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 to cover part of its exposure to the aforementioned debt with the parent company ENAIRE. 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 the transaction was to have a stable framework of interest rates for the 2017-2021 DORA period.

At 31 December 2017, the total amount of liabilities for interest rate swaps amounted to 82,655 thousand euros (in 2016: 129,506 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 1,802 thousand euros less and 1,802 thousand euros higher, respectively (in 2016: 3,620 thousand euros lower and 3,620 thousand euros higher, respectively).

The reviewable interest rate, which is applicable, principally, to debt with the European Investment Bank, is a fixed interest rate which is maintained during a period (normally 4 years). At the end of this period it is reviewed and it is decided whether to continue with the same system or change it for a fixed term rate or variable rate.

In this respect the Company has modified the interest rate system for loans likely to be revised in 2017. The revised total amounts to 478,632 thousand euros entirely for EIB loans which have moved to a fixed term rate at an average annual rate of 0.78 % (previously 1.14 %).

On the other hand, 797,160 thousand euros of debt with Depfa ACS Bank debt at a variable rate have been cancelled in 2017, 719,658 of which is an early cancellation, and 650,000 euros have been signed with various Banks at an average fixed rate of 0.69% per annum.

As a result of the foregoing, the debt structure by rates has been modified with fixed-rate debt standing at 88 % at 31 December 2017 compared to 12 % variable rate (at 31 December 2016: 78 % fixed and 22 % variable).

Credit risk

The Credit risk of the Company is due to the cash and other liquid assets, derivative financial instruments and deposits in banks and financial institutions, as well as exposure to trade accounts receivable and agreed transactions.

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

The BOE of 5 March 2011 published the Law 1/2011 of 4 March, modifying Law 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 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 described in the previous section results in short average collection periods. In addition, the Company has committed to substantially reducing costs and investment needs over the coming years, which has had a positive effect on its cash generation. Although on 31 December 2017 it has negative working capital (calculated as total current assets less total current liabilities) of 309,5 million euros (2016: 486.6 million euros), it has an EBITDA, calculated as the sum of Operating income and depreciation and amortisation, of 2,460.4 million euros in 2017 (2016: 2,227.0 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 Aena expects to continue being positive in the short term. The Company is monitoring the generation of cash to ensure its ability to meet its financial commitments.

At 31 December 2017, Aena has 1,000 million euros in credit lines that are fully available, with long-term maturities; 550 million euros of financing available (undrawn) corresponding to a loan with Unicaja of 150 million euros and a loan with EIB of 400 million euros, with completion dates of the drawdown period of 31 December 2018 and 1 December 2019, respectively.

The detail of the loans of Aena S.M.E., S.A. by applicable interest rate and average annual interest rate at 31 December 2017 and 31 December 2016, taking into account the coverage derived from the interest rate exchanges contracted is as follows:

Thousand euros	**2017**	**2016**	**Variation**	**% Variation**
	Balance	**Average rate**	**Balance**	**Average rate**
Variable	901,008	0.16%	1,810,244	0.16%
Reviewable	27,400	1.23%	543,404	1.30%
Fixed	6,495,875	1.55%	5,917,923	1.78%
TOTAL	**7,424,283**	**1.45%**	**8,271,571**	**1.36%**

Table 14. Loan breakdown

9. Main legal proceedings

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

10. Human resources

Organisational structure

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

Workforce details

The total workforce at 31 December 2017 amounts to 7,444 employees, compared to 7,297 at 31 December 2016.

The temporary workforce stands at 1,017 employees in December 2017 compared to 940 in the previous year.

Stability

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

Recruiting processes

During 2017 several processes have been carried out:

- Call for internship contracts for university graduates.

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

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

- Call for internship contracts for university graduates.

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

- Internal Provisions for qualified staff

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

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

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

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

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

- Scholarships

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

Training, Professional Development and Talent Management

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

Digital Transformation

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

11. Corporate responsibility

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

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

Business Model

Aena SME, SA is a state-run trading company that manages 46 airports and 2 heliports in Spain.

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

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

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

Corporate Responsibility (CSR) is integrated into the company's management model transversally with a responsible business model.

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

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

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

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

Environmental issues

For Aena, it is essential to make the management of its airports compatible with respect for the environment wherever these are placed. For this, the company applies an action model based on its Integrated Quality, Environment and

Energy Efficiency Management Policy, with which it aims to guarantee a sustainable coexistence, both with local communities and with the natural environment.

With the aim of mitigating the effects of noise and, at the same time, responding to the concerns of stakeholders (noise accounted for more than 90% of total environmental claims in Spain, Aena spends much of its efforts to the continuous improvement of the measurement, control and minimization programs of the acoustic impact in the airport environment.

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

Social issues

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

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

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

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

Staff

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

Human rights

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

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

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

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

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

Supply chain

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

Amongst these elements are:

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

Corruption and bribery

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

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

During 2017, 25 complaints were received, of which 21 related to employment issues. In relation to the complaints processed as of 31 December 2017, in none of the cases have sanctions been taken.

Equality and diversity

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

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

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

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

Aena's efforts to guarantee equality are also aimed at people with reduced mobility (PRM) through investments in the conditioning of the airports of the Spanish network and the offer of a specific service that, in 2017, under the name "Aena

Without Barriers" has handled 1,520,140 PRM assistance services	in Spain.

Risks related to these issues and main measures adopted

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

Main indicators of non-financial results (2017)

Actions undertaken	Results
- Acoustic impact management: insulation plans, monitoring systems and noise maps. - Acoustic improvement actions aimed at particularly sensitive areas or groups (health, teaching, childhood, etc.). - Energy efficiency and protection of the environment through innovative proposals (concrete action plans in airports, emission reduction, installation of photovoltaic plants...) - Increase in Airport Carbon Accreditation levels and "carbon neutrality" goal setting at Adolfo Suárez-Madrid Barajas and Barcelona-El Prat airports. - Alignment with policies and CR commitments at international level. - Agreements with social bodies, sponsorships and patronages related to diversity, disability, accessibility, environment, culture, etc. - Assignments of spaces, guided visits, etc. - Agreements and collaborative agreements with relevant entities and institutions of the business sector. - Services related to accessibility, PRM, health improvement, information services and/or children's areas. - Aena's commitment to equality and diversity has associated social inclusion initiatives in the supply of services, their recruitment or incorporation into the workplace. - Benefits to employees (employee services, training and talent, young employment), conciliation programmes and internal communication actions. - Fostering of corporate volunteering and programmes that promote healthy living habits. - Perception Analysis. - Promoting the value of transparency, externally and internally.	✓ 316.9 million euros allocated for acoustic insulation actions (2000-2017). ✓ 23,096 homes and sensitive uses acoustically isolated since 2000. ✓ Renewal of the ISO 9001 and ISO 14001 certification, adapting the system to the new requirements of these international standards. ✓ 4.8% reduction in energy consumption / ATU compared to 2016. ✓ Reduction by 5.4% of kg of CO2 / ATU *) ** ATU is a parameter that reflects the activity of an airport, taking into account its operations, passengers and the volume of annual cargo.* *ATU = Passengers + (100 * Operations) + (10 * Tons of cargo)* ✓ Adhesion to the United Nations Global Compact ✓ Direct contribution to 8 Sustainable Development Goals (SDGs) through the measures included in the CSR Action Plan ✓ 334 current collaboration agreements in force (13 in 2017). ✓ 240 professionals participate in the international cooperation programme ✓ . ✓ Reinforcement and internal and external impulse of the "Solidarity Spaces" programme. ✓ 1,520,140 PRM assistance services ✓ €552,558. Contracts with special employment services ✓ 336,415 hours of professional training. ✓ 1.77 million euros allocated for training ✓ 1.4 million euros allocated for social assistance ✓ Corporate volunteering programme ✓ New Employee Service Programme (PAE). ✓ Improvement in Merco rankings positions. ✓ Inclusion in certain sustainability indexes (FTSE4Good; ✓ Standard Ethics). ✓ Update of the CSR portal on the Web. ✓ Dissemination of the Strategy and CSR Plan in the media.

12. Stock performance

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

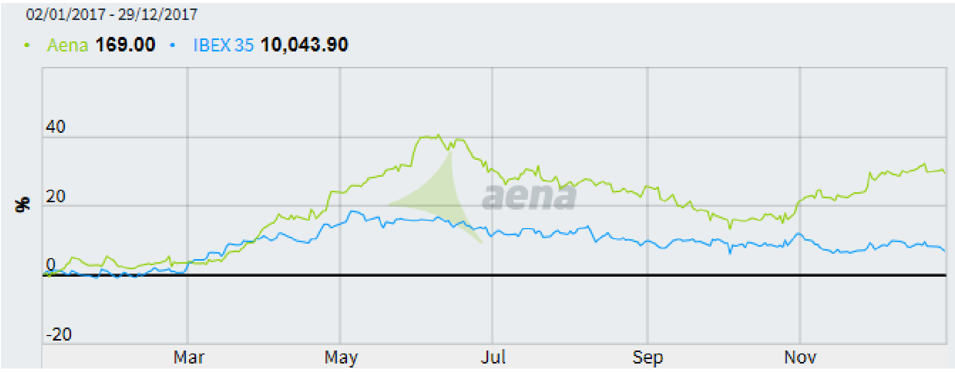


Figure 7. Stock performance of the company

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

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

Table 17. Main data on Aena's evolution

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

13. Other events

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

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

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

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

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

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

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

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

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

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

- Total passenger traffic in Aena's airports network increased by 8.7% in January 2018, to 15.5 million passengers.

APPENDICES:

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

APPENDIX I: Financial statements for the year ended on 31 December 2017

Balance sheet as of 31 December 2017 and 2016

Thousand euros	2017	2016
ASSETS		
NON-CURRENT ASSETS		
Fixed intangible assets	98,809	86,754
Tangible fixed assets (Property, plant and equipment)	12,968,405	13,369,417
Investment properties	135,108	135,690
Long-term investments in group and associated companies	165,032	165,032
Long-term financial investments	71,686	58,877
Non-current commercial debts	2,830	2,599
Deferred tax assets	111,963	131,710
	13,553,833	**13,950,079**
Current assets		
Inventories	6,457	7,026
Trade and other receivables	315,171	398,705
Short-term investments in group and associated companies	2,790	1,319
Short-term financial investments	1,613	1,630
Short-term accruals and prepayments	5,639	5,939
Cash and other similar liquid assets	718,115	482,758
	1,049,785	**897,377**
Total assets	**14,603,618**	**14,847,456**
EQUITY AND LIABILITIES		
Equity		
Capital	1,500,000	1,500,000
Share premium	1,100,868	1,100,868
Capitalisation reserve	70,566	42,406
Legal Reserve	299,198	184,393
Other reserves	1,478,700	1,048,116
Profit/(loss) for the year	1,219,751	1,148,061
Valuation change adjustments	-61,992	-97,262
Grants, donations and legacies received	414,060	436,985
Total equity	**6,021,151**	**5,363,567**
Liabilities		
Non-current liabilities		
Long-term provisions	79,547	142,235
Long-term deposits received	102,483	89,203
Long-term debt	708,183	104,342
Long-term debt in group and associated companies	6,104,218	7,487,181
Long-term accruals and prepayments	85,325	125,917
Deferred tax liabilities	143,396	151,038
Total non-current liabilities	**7,223,152**	**8,099,916**
Current liabilities		
Short-term provisions	83,867	128,468
Short-term debt	273,203	129,618
Short-term debt in group and associated companies	684,646	813,365
Trade creditors and other payables	277,102	273,082
Short-term accruals and prepayments	40,497	39,440
Total current liabilities	**1,359,315**	**1,383,973**
Total liabilities	**8,582,467**	**9,483,889**
Total net equity and liabilities	**14,603,618**	**14,847,456**

APPENDIX I: Financial statements for the year ended on 31 December 2017

Profit and loss account for the financial year ended on 31 December 2017 and 2016

Thousand euros	2017	2016 (*)
Continuing operations		
Net turnover	3,754,904	3,508,705
Own work capitalised	4,432	4,323
Supplies	-175,920	-182,188
Other income	10,689	7,598
Staff costs	-367,425	-349,806
Other operating expenses	-810,608	-806,043
Fixed asset depreciation	-755,230	-778,158
Release of non-financial fixed asset grants and other	42,504	41,590
Excess provisions	8,905	8,831
Impairment and loss on disposal of fixed assets	-7,122	-6,039
Operating profit/loss	**1,705,129**	**1,448,813**
Financial income	7,056	205,352
Finance expenses	-117,966	-149,680
Foreign exchange differences	12	-5
Net finance result	**-110,898**	**55,667**
Profit/loss before tax	**1,594,231**	**1,504,480**
Income tax	-374,480	-356,419
Profit/loss for the year from ongoing operations	**1,219,751**	**1,148,061**
Profit/(loss) for the year	**1,219,751**	**1,148,061**

(*) Restated amounts (see Note 2.f of the Annual Accounts)

APPENDIX I: Financial statements for the year ended on 31 December 2017

Cash flow statement for the financial year ended on 31 December 2017 and 2016

Thousand euros	2017	2016
Profit / (loss) for the period before tax	1,594,231	1,504,480
Adjustments of the profit/loss	**867,895**	**767,410**
Depreciation and amortization	755,230	778,158
Impairment valuation adjustments	-6,072	7,845
Grants taken to income	-42,504	-41,590
Profit/loss on disposals and sales of fixed assets	10,092	6,438
Financial income	-7,056	-205,352
Finance expenses and exchange differences	77,424	105,213
Changes in the fair value of financial instruments	40,530	44,472
Changes in provisions	41,316	74,484
Other	-1,065	-2,258
Changes in working capital	**-126,999**	**-66,934**
Inventories	569	-942
Debtors and other receivables	-18,777	30,825
Other current assets	17	1,026
Creditors and other payables	-60,390	-53,683
Other current liabilities	-47,031	-42,947
Other non-current assets and liabilities	-1,387	-1,213
Other cash flows from operating activities-	**-380,816**	**-432,616**
Interest paid	-123,751	-132,624
Interest receivable	337	1,493
(Payments)/collection from income tax	-257,402	-301,485
Cash flows from operating activities	**1,954,311**	**1,772,340**
Cash flows from investment activities		
Payments for investments	**-317,955**	**-248,166**
Fixed intangible assets	-31,220	-16,120
Tangible fixed assets (Property, plant and equipment)	-272,971	-226,799
Investment properties	-831	-1,346
Other financial assets	-12,933	-3,901
Payments received from divestment	**124**	**625**
Companies in the group and associates	-	614
Other assets	124	11
Cash flows from investing activities	**-317,831**	**-247,541**
Cash flows from financing activities		
Collections and payments from equity instruments	**9,340**	**10,665**
Grants, donations and legacies received	9,340	10,665
Collections and payments from finance liabilities instruments	**-835,862**	**-1,157,124**
Issue:		
- Bank borrowings	650,000	0
- Other	22,794	19,392
Reimbursement and amortisation of:		
- Debts with group and associated companies	-1,497,288	-1,172,339
- Other debts	-11,368	-4,177
Payments of dividends and remuneration of other instruments	**-574,601**	**-406,366**
Dividends	-574,601	-406,366
Cash flows from financing activities	**-1,401,123**	**-1,552,825**
Net increase/(decrease) in cash or equivalents	**235,357**	**-28,026**
Cash and other equivalent liquid assets at the beginning of the period	**482,758**	**510,784**
Cash and other equivalent liquid assets at the end of the period	**718,115**	**482,758**

APPENDIX II: Summary of Price Sensitive Information issued in 2017

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

APPENDIX II: Corporate Governance Report

Aena's Annual Corporate Governance Report for 2017 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 DIRECTORS' REPORT FOR THE FINANCIAL YEAR 2017

On 27 February 2018, 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.M.E, S.A. has prepared the individual financial statements and the Management Report for the financial year to 31 December 2017, which comprise the accompanying documents that precede this statement.

Position	Name	Signature
Chairman and Chief Executive Officer:	Mr. Jaime García-Legaz Ponce	
Director:	Ms. Pilar Arranz Notario	
Director:	Mr. Rodrigo Madrazo García de Lomana	
Director:	Ms. Tatiana Martínez Ramos e Iruela	
Director:	Mr. Angel Luis Arias Serrano	
Director:	Mr. Francisco Javier Martín Ramiro	
Director:	Ms. Mª Jesús Romero de Ávila Torrijos	
Director:	Ms. Alicia Segovia Marco	
Director:	TCI Advisory Services, LLP, represented by Mr. Christopher Anthony Hohn	
Director:	Mr. Juan Ignacio Acha-Orbea Echeverría	
Director:	Mr. Eduardo Fernández-Cuesta Luca de Tena	
Director:	Mr. Josep Piqué Camps	
Director:	Mr. Jaime Terceiro Lomba	
Director:	Mr. Amancio Lopez Seijas	
Director:	Mr. Jose Luis Bonet Ferrer	