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

Annual Accounts and Management Report for the period ended 31 December 2018.

(The attached Annual Accounts and Management Report for period ended 31 December 2018, have been originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevail)

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

BALANCE SHEET AS OF 31 DECEMBER 2018 AND 2017
(Expressed in thousand euros)

ASSETS	Note	2018	2017
NON-CURRENT ASSETS			
Intangible assets	**6**	**99,302**	**98,809**
Intangible assets, concession agreement		10,050	10,741
Computer software		39,687	34,121
Other intangible assets		1,267	1,719
Property, plant and equipment under construction		48,298	52,228
Property, Plant and Equipment	**7**	**12,611,779**	**12,968,405**
Land and buildings		10,536,781	10,823,913
Plant and machinery		372,380	400,080
Other installations, equipment and furnishings		1,348,202	1,477,849
Other property, plant and equipment		3,162	2,754
Property, plant and equipment underway		351,254	263,809
Investment property	**8**	**138,183**	**135,108**
Land and buildings		138,015	134,892
Other installations		168	216
Non-current investments in group companies and associates		**174,723**	**165,032**
Equity instruments	11	174,723	165,032
Non-current financial investments	**10-11**	**74,528**	**71,686**
Equity instruments		180	180
Other financial assets		74,348	71,506
Non-current commercial debts		**3,259**	**2,830**
Non-current credit right	10	3,259	2,830
Deferred tax assets	**22**	**115,605**	**111,963**
TOTAL NON-CURRENT ASSETS		**13,217,379**	**13,553,833**
CURRENT ASSETS			
Inventories	**17**	**6,641**	**6,457**
Trade and other receivables	**13**	**411,912**	**315,171**
Trade receivables	10-13	391,602	282,722
Trade receivables from group companies and associates	10-12-13	3,161	70
Other receivables	10-13	7,542	7,423
Personnel	10-13	865	371
Current tax assets	13–22	-	34
Public entities, other	13–22	8,742	24,551
Current investments in group companies and associates	**10-12**	**1,288**	**2,790**
Loans to companies	12	1,288	2,790
Current financial investments	**14**	**1,594**	**1,613**
Loans to companies	10-12	151	195
Other financial assets	10	1,443	1,418
Current accruals	**20**	**6,654**	**5,639**
Cash and cash equivalents	**18**	**467,444**	**718,115**
TOTAL CURRENT ASSETS		**895,533**	**1,049,785**
TOTAL ASSETS		**14,112,912**	**14,603,618**

Notes 1 to 29 of the attached report are an integral part of these Annual Accounts

BALANCE SHEET AS OF 31 DECEMBER 2018 AND 2017
(Expressed in thousand euros)

EQUITY AND LIABILITIES	Note	2018	2017
EQUITY			
Capital and reserves without valuation adjustments	**19**	**5,995,162**	**5,669,083**
Capital	19a	1,500,000	1,500,000
Share premium	19b	1,100,868	1,100,868
Capitalisation reserve	19b	113,626	70,566
Legal Reserve	19b	300,000	299,198
Other reserves	19b	1,679,486	1,478,700
Profit/(loss) for the period	19b	1,301,182	1,219,751
Valuation adjustments	**19c**	**(66,963)**	**(61,992)**
Hedging transactions		(66,963)	(61,992)
Grants, donations and bequests received	**7-19d**	**398,109**	**414,060**
TOTAL EQUITY		**6,326,308**	**6,021,151**
NON-CURRENT LIABILITIES			
Non-current provisions	**21**	**92,862**	**79,547**
Long-term employee benefits		9,313	8,646
Environmental actions		59,708	46,800
Other provisions		23,841	24,101
Non-current guarantees received	**10**	**123,186**	**102,483**
Non-current payables	**10**	**717,487**	**708,183**
Debt with financial institutions	10-15b	649,913	649,888
Financial lease creditors	9-10	10,697	12,240
Derivatives	10-15c	56,543	45,645
Other financial liabilities		334	410
Group companies and associates, non-current	**10-12-15**	**5,338,514**	**6,104,218**
Non-current accruals	**20**	**43,157**	**85,325**
Deferred tax liabilities	**22**	**138,080**	**143,396**
TOTAL NON-CURRENT LIABILITIES		**6,453,286**	**7,223,152**
CURRENT LIABILITIES			
Current provisions	**21**	**59,808**	**83,867**
Current debt	**10**	**257,516**	**273,203**
Debt with financial institutions	10-15b	1,841	1,848
Financial lease creditors	9-10	1,655	1,582
Derivatives	10-15c	32,740	37,010
Other financial liabilities	10	221,280	232,763
Group companies and associates, current	**10-12-15**	**653,013**	**684,646**
Trade and other payables	**16**	**321,267**	**277,102**
Suppliers, group companies and associates	10-12-16	25,372	26,213
Other payables	10-16	171,947	149,437
Personnel	10-16	27,975	30,141
Public entities, other	16-22	46,359	21,194
Advances from customers	10-16	49,614	50,117
Current accruals	**20**	**41,714**	**40,497**
TOTAL CURRENT LIABILITIES		**1,333,318**	**1,359,315**
TOTAL EQUITY AND LIABILITIES		**14,112,912**	**14,603,618**

Notes 1 to 29 of the attached report are an integral part of these Annual Accounts

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

INCOME STATEMENT FOR THE PERIOD ENDED ON 31 DECEMBER 2018 AND 2017
(Expressed in thousand euros)

CONTINUING OPERATIONS	Note	2018	2017
Revenue	**23b**	**3,962,568**	**3,754,904**
Work carried out by the company for assets	**7**	**4,747**	**4,432**
Supplies	**23a**	**(173,862)**	**(175,920)**
Raw materials and other consumables used		(630)	(1,054)
Subcontracted work		(173,232)	(174,866)
Other operating income		**12,935**	**10,689**
Non-trading and other operating income		11,228	10,391
Operating grants taken to income		1,707	298
Personnel expenses	**23c**	**(370,984)**	**(367,425)**
Salaries and wages		(272,768)	(268,071)
Employee benefits expense		(106,371)	(103,681)
Provisions		8,155	4,327
Other operating expenses		**(896,864)**	**(810,608)**
External services	23d	(737,780)	(665,380)
Taxes	23e	(148,787)	(149,145)
Losses, impairment and changes in trade provisions	13	530	6,072
Other operating expenses		(10,827)	(2,155)
Amortisation and depreciation	**6-7-8**	**(750,692)**	**(755,230)**
Non-financial and other capital grants	**19d**	**95,076**	**42,504**
Provision surpluses	**23g**	**7,679**	**8,905**
Impairment and gains/(losses) on disposal of fixed assets		**(60,256)**	**(7,122)**
Impairment and losses	3.2	(46,249)	-
Gains/(losses) on disposal and other	6-7	(15,835)	(10,092)
Other results		1,828	2,970
RESULTS FROM OPERATING ACTIVITIES		**1,830,347**	**1,705,129**
Finance income	**23f**	**3,204**	**7,056**
Marketable securities and other financial instruments			
- From group companies and associates		1,029	867
- Of third parties		1,571	5,664
Capitalisation of finance expenses	6-7	604	525
Finance expenses	**23f**	**(124,247)**	**(117,966)**
- From debts with group companies and associates	15, 19c	(106,967)	(104,727)
- For debts with third parties		(17,161)	(13,120)
- Provision adjustments	21	(119)	(119)
Exchange gains/(losses)	**23f**	**(9)**	**12**
NET FINANCE INCOME/(EXPENSES)	**23f**	**(121,052)**	**(110,898)**
PROFIT/(LOSS) BEFORE INCOME TAX		**1,709,295**	**1,594,231**
Income tax expense	22	(408,113)	(374,480)
PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		**1,301,182**	**1,219,751**
PROFIT/(LOSS) FOR THE PERIOD		**1,301,182**	**1,219,751**

Notes 1 to 29 of the attached report are an integral part of these Annual Accounts

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED ON 31 DECEMBER 2018 AND 2017
(Expressed in thousand euros)

A) Statement of recognised income and expense

	Note	2018	2017
Profit/(loss) of the income statement		**1,301,182**	**1,219,751**
Income and expense recognised directly in equity			
Cash flow hedges		(43,961)	6,497
Grants, donations and bequests received	19d	73,808	11,937
For actuarial gains and losses		(96)	(11)
Tax effect		(7,438)	(4,605)
Total income and expense directly imputed to equity		**22,313**	**13,818**
Amounts transferred to the income statement			
Cash flow hedges	19c	37,333	40,530
Grants, donations and bequests received	19d	(95,076)	(42,504)
Tax effect		14,436	493
Total amounts transferred to the income statement		**(43,307)**	**(1,481)**
TOTAL RECOGNISED INCOME AND EXPENSE		**1,280,188**	**1,232,088**

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED ON 31 DECEMBER 2018 AND 2017
(Expressed in thousand euros)

B) Statement of total changes in equity

	Registered 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 2017	**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)**
Distribution in previous period	-	-	(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**
Total recognised income and expense	-	-	1,301,182	-	-	(72)	(4,971)	(15,951)	**1,280,188**
Other transactions with shareholders and owners	-	-	-	-	-	(31)	-	-	**(31)**
Distribution of dividends	-	-	-	-	-	(975,000)	-	-	**(975,000)**
Distribution in previous period	-	-	(1,219,751)	43,060	802	1,175,889	-	-	-
Balance at 31 December 2018	**1,500,000**	**1,100,868**	**1,301,182**	**113,626**	**300,000**	**1,679,486**	**(66,963)**	**398,109**	**6,326,308**

STATEMENT OF CASH FLOWS FOR THE PER ENDED ON 31 DECEMBER 2018 AND 2017

(Expressed in thousand euros)

	Note	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES (I)		**1,894,731**	**1,954,311**
Profit/(loss) for the period before tax		1,709,295	1,594,231
Adjustments for:		**867,587**	**867,895**
Amortisation and depreciation	6-7-8	750,692	755,230
Valuation allowances for impairment losses	13	(530)	(6,072)
Grants recognised in the income statement	19d	(95,076)	(42,504)
Deterioration of fixed assets	6-7	46,249	-
Proceeds from disposals of fixed assets		15,835	10,092
Finance income	23f	(3,204)	(7,056)
Finance expenses and exchange gains/(losses)	23f	86,923	77,424
Finance expenses settlement of financial derivatives	23f, 15	37,333	40,530
Change in provisions		29,653	41,316
Others		(288)	(1,065)
Changes in operating assets and liabilities		**(178,107)**	**(126,999)**
Inventories		(184)	569
Trade and other receivables		(112,513)	(18,777)
Other current assets		12	17
Trade and other payables		(14,659)	(60,390)
Other current liabilities		(49,969)	(47,031)
Other non-current assets and liabilities		(794)	(1,387)
Other cash flows from operating activities		**(504,044)**	**(380,816)**
Interest paid		(115,727)	(123,751)
Interest received		1,079	337
Payments/recoveries of corporate income taxes		(389,396)	(257,402)
CASH FLOWS FROM INVESTING ACTIVITIES (II)		**(479,853)**	**(317,831)**
Payments for investments		**(491,656)**	**(317,955)**
Group companies and associates		(8,500)	-
Intangible assets		(20,790)	(31,220)
Property, Plant and Equipment		(445,051)	(272,971)
Investment property		(4,410)	(831)
Other financial assets		(12,905)	(12,933)
Proceeds from sale of investments		**11,803**	**124**
Group companies and associates		1,700	-
Property, Plant and Equipment		33	-
Other assets		10,070	124
CASH FLOWS FROM FINANCING ACTIVITIES (III)		**(1,665,549)**	**(1,401,123)**
Proceeds from and payments for equity instruments		**88,097**	**9,340**
Grants, donations and bequests received	**19d**	88,097	9,340
Proceeds from and payments for financial liability instruments		**(778,646)**	**(835,862)**
Issue:			
- Debt with financial institutions	15b	-	650,000
Other payables		31,728	22,794
Redemption and repayment of:			
- Group companies and associates	15a	(798,060)	(1,497,288)
Other payables		(12,314)	(11,368)
Dividends and interest on other equity instruments paid	**19**	**(975,000)**	**(574,601)**
Dividends		(975,000)	(574,601)
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		**(250,671)**	**235,357**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**718,115**	**482,758**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**467,444**	**718,115**

Notes 1 to 29 of the attached report are an integral part of these Annual Accounts

1. Activity

AENA S.M.E., S.A (hereinafter the Company or AENA) was created by virtue of Article 7 of Royal Decree Law 13/2010 (3 December) which authorises the Council of Ministers to incorporate the Company. The authorisation for effective incorporation took place on 25 February 2011 by resolution adopted by the Council of Ministers on that date authorising the incorporate of the State-owned trading company 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 8/2014 (subsequently ratified by 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 Shareholders' Meeting 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 the heliports and services pertaining to these managed by AENA S.M.E., S.A.

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

- The design and development of projects, implementation, 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 issuance of 61 shares with a value of 1,000 euros each one, fully subscribed and paid-up by the Public Business Entity "Aeropuertos Españoles y Navegación Aérea" who 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 3 June 2011 subsequently approved the Company's share capital increase in order to support the Company's activity, and in accordance with Article 9 of Royal Decree Law 13/2010 of 3 December, for the capital increase of the company through which the sole shareholder at that time will make 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 16 November, subsequently amended by the Royal Decree 1159/2010 of the 17 September. (see Note 3.1).

The functional ownership of the Company falls to the Ministry of Public Works, 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 address of AENA S.M.E., S.A is located in Madrid (Spain), Calle Peonías, 12, following the change to the same adopted by its Board of Directors on 30 October 2018.

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 of the Aena Group ("Group"), for the year 2018, have been drawn up by the Board of Directors on 26 February 2019 and will be deposited at the Mercantile Registry of Madrid.

The Group's consolidated Annual Accounts have been prepared in accordance with International Financial Reporting Standards adopted by the European Union (IFRS-EU, hereinafter the "IFRS") and the IFRIC interpretations in force at 31 December 2018, as well as the commercial legislation applicable to companies that prepare financial information in accordance with IFRS.

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

This process culminated with the IPO of AENA S.M.E., S.A. The shares of AENA S.M.E., S.A are quoted on the four Spanish stock exchanges and have been traded on the continuous market since the 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 financial reporting framework applicable to the company

These Annual Accounts 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 1159/2010, of the 17 September, RD602/2016, of 17 December, and Order EHA/733/2010 of 25 March on the accounting aspects of publicly-owned companies that operate under certain circumstances.
- The compulsory standards passed by the Institute of Accounting and the Audit of Accounts in giving details of the Spanish General Accounting Plan and its supplementary regulations.
- Order EHA/3362/2010, of 23 December, which approved the rules for the adaptation of the Spanish General Accounting Plan to the concessionary companies for public infrastructure.
- Any other applicable Spanish legislation.

b) True and fair view

The attached Annual Accounts 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 and of the cash flows of the Company that occurred during the period. These Annual Accounts that have been prepared by the Board of Directors on 26 February 2019, will be submitted to the approval of the General Shareholders' Meeting, it being deemed that they will be approved without any modification.

c) Accounting principles applied

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

d) Functional and presentation currency

The Annual Accounts 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 preparing the accompanying Annual Accounts, estimates made by company directors to valuate some of the assets, liabilities, revenues, expenses and commitments reported herein were used. Basically, these estimates refer to:

- The evaluation of possible losses by impairment of certain assets (Note 4a).
- The useful life of property, plant and equipment and intangible assets, and investment property (Notes 4a, 4b and 4c).
- Recognition of revenue (Note 4p).
- Determination of current and deferred tax (Note 22).
- Recoverability of deferred tax assets (Note 22).
- Evaluation of litigation, provisions, commitments, assets and contingent liabilities at closing date (Notes 4j and 4k).
- The market value of certain financial instruments (Note 4f).

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 annual guaranteed rents 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 shops in three airport lots until 2020, whose fees are based on sales volumes made by those shops. The company's management has assessed the substantial features of the contract and has concluded that the revenue derived from it should be recognised on an accrual basis, whereas the royalties perceived are wholly considered contingent, even though 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 specialty shops, duration of availability of such spaces, the variability of airport passenger traffic and the ability of parties to obtain a minimum cost associated with contract, among other factors.

Future changes to the contract terms assessed by the company's management, could lead to a different revenue recognition criterion, other than that Aena, S.A. has applied to this contract. For contracts with features similar to this one, the Company has continued to follow the same revenue recognition criteria.

f) Comparison of information

In compliance with current regulations, in addition to the figures for the period ended 31 December 2018, the comparative figures are presented for the period ended 31 December 2017.

g) Grouping of items

Certain entries of the balance sheet, the income statement, the statement of changes in 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. Transactions between group companies

3.1 Non-cash contribution 2011

In accordance with the contents of article 9 of the Royal Decree Law 13/2010 of 3 December and from the agreement of the Council of Ministers of 3 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". That 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 23 May 2011, the Board of Directors of the public entity "Aeropuertos Españoles y Navegación Aérea" approved the contribution to the company the activity and its prepared valuation by its technical services, taking as a reference the equity of the branch of activity as at 31 May 2011, in accordance with the current accounting regulations and particularly, the Spanish General Accounting Plan approved by the Royal Decree 1514/2007 amended by the Royal Decree 1159/2010.

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

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

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

- Issue of 149,993,900 common shares with a par value of 10 euros each, all with the same rights and obligations as those already in existence. These new shares are issued with a total share premium of 1,100,868,000 euros, therefore the total amount to be disbursed as capital and share premium of 2,600,807,000 euros.

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

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

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

  The split and the measurement of the contributed activity will be approved by the Board of Directors of the public business entity "Aeropuertos Españoles y Navegación Aérea" dated 23 May 2011 in accordance with the assessment report prepared that stated that the transferred activity is valued at 2,600,807,000 euros. This measurement took place using the carrying value of the contributed line of business as a reference in accordance with current accounting standards and, specifically, the Spanish General Accounting Plan, and complied with the requirements of Article 114 of the LPAP (Law of Public Institution Assets).

- 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 Aena technical services was gathered in the "Measurement Report", which used the carrying value of the line of business at 31 May 2011 as a reference, in accordance with the accounting standards in force and, specifically, the Spanish General Accounting Plan 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:

- Own use 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 the airports used jointly with the Ministry of Defence: Gran Canaria-Gando, Lanzarote, North Tenerife, Madrid-Cuatro Vientos, Malaga, Palma de Mallorca-Son Sant Joan, Santiago and Zaragoza.

- Air bases and military aerodromes open to civilian use: Talavera La Real (Badajoz), Matacán (Salamanca), San Javier (Murcia), Villanubla (Valladolid), Los Llanos (Albacete), and Military Aerodrome of León.

- Heliports in Ceuta and Algeciras.

3.2 Non-monetary contribution of the civil activity branch of Murcia San Javier Airport

On 7 December 2011 the Spanish Ministry of Development and the Region of Murcia Ministry of Public Works and Planning signed a protocol "to lay the foundations for the development of civilian aviation in the Region of Murcia" (published in the Official Gazette of the Region of Murcia no. 281, of 7 December 2011) whereby both parties underscored the need for civilian traffic in the Region of Murcia to be conducted only at Region of Murcia International Airport (RMIA), only 30 kilometres (approximately) from Murcia San Javier Airport which once the AIRM was opened would be used exclusively for military aviation (except in cases of emergency). Consequently, the bid presented by Aena in the public tender for the management and operation of the AIRM specifically included the closure of civilian traffic at San Javier Air Base in coordination with the entry into operation of the AIRM, thus avoiding any kind of duplication of airport functions in the Region of Murcia.

In this regard, the operation, maintenance and operation of AIRM were subject to public bidding, publishing in 2017 the Tender Documents related to the "Management, Operation, Maintenance and Conservation of the Región de Murcia International Airport", which could be qualified as a contract for the management of public services operating on a tender basis, the awardee having to provide all the services that an airport manager may require, such as: operation and maintenance of airport infrastructures, running of commercial activities, tower control service, development of the complementary activities zone, etc. After processing the appropriate contracting file, by order of the Ministry of the Presidency and Development of the Region of Murcia on 15 January 2018, the contract was awarded to AENA S.M.E., S.A (hereinafter, AENA), with a term for the tender of 25 years.

In this regard, as required by clause 33 of the Specific Terms and Conditions, AENA, as the adjudicated party, undertook to establish, on 25 January 2018, as a public limited company with a share capital of 8.5 million euros (fully disbursed), the company Aena, Sociedad Concesionaria del Aeropuerto Internacional de la Región de Murcia, S.M.E., S.A. (hereinafter, SCAIRM). The creation of the aforementioned Tender Operator Company, whose capital is 100% owned by AENA, and, therefore, the State-owned Trading Company, was authorised by the Council of Ministers on 29 December 2017 (see Note 11).

With the opening of the new AIRM (see Note 29), the Air Base of San Javier became intended exclusively for military aviation. Therefore, Aena is to carry out the segregation in order to contribute to the Beneficiary Company, the current AIRM manager, the line of business consisting of the area open to civilian traffic at San Javier Air Base through the mechanism of universal succession.

AENA is, directly, the manager of Murcia San Javier Airport. The AIRM Tender Operator Company is a company wholly owned AENA, meaning it is not only companies of the same group (under the terms of Article 42 of the Commercial Code) rather that one is the parent of the other.

The segregation is provided for in Articles 71 and following of Law 3/2009, of 3 April, on Structural Modifications of the Commercial Companies, in the following terms: "block transfer by universal succession of one or several parts of the assets of a company, each of which forms an economic unit, to one or several companies." AENA (parent company) has used this segregation mechanism in order to provide SCAIRM with the branch of activity corresponding to Murcia San Javier, through the mechanism of universal succession.

This universal succession allows for all the personnel, as well as the suppliers/customers (source of commercial revenue) of San Javier, to continue normally with their activities in the new AIRM, without the need to create a tender for personnel vacancies or airport services. Likewise, the application of the principle of universal succession allows the Company to continue with all the contracts awarded by AENA for Murcia San Javier Airport, with the consequent benefits that this entails, both from the viewpoint of a more efficient transition and possible order of the operation of Murcia San Javier Airport to AIRM, as well as from the perspective of maintaining employment and social peace.

The segregation was authorised by the Spanish Cabinet on 3 August 2018 in compliance with the provisions of section 169.f) of the Public Institution Assets Act 33/2003. Likewise, the segregation project was approved by the Segregated Society and the Beneficiary Company on 30 October 2018.

According to the approved segregation project, the total value of the Economic Unit is 1.191 thousand euros, which corresponds to the net book value of the same, as it results from the part of the AENA books that corresponds to the segregated activity. The accountancy handling of the segregation supposes an increase of the financial Investment in the subsidiary named Aena Sociedad Concesionaria del Aeropuerto Internacional de la Región de Murcia, S.M.E., S.A., as a non-monetary contribution of the shareholders.

Next, the assets and liabilities of the segregated assets that make up the Economic Unit are outlined:

LIST OF ASSETS AND LIABILITIES	**Thousand euros**
A) NON-CURRENT ASSETS	1,439
Property, Plant and Equipment	1.426
Deferred tax assets	13
B) CURRENT ASSETS	1,142
Trade and other receivables	1,142
Customers for sale and provision of services	1,142
TOTAL ASSETS	2,581
A) EQUITY	0
B) NON-CURRENT LIABILITIES	86
Non-current provisions	86
C) CURRENT LIABILITIES	1,304
Current provisions	165
Trade and other payables	1,139
TOTAL LIABILITIES AND NET	1,390
NET BOOK VALUE	**1,191**

In accordance with the provisions of the General Accounting Plan, as the segregation is an operation between group companies, the operations related to the civil branch of the San Javier airport carried out by AENA, for accounting purposes, are understood to have been carried out on behalf of the beneficiary company since 1 January 2018. The amount and nature of the operations related to the civil branch of the Murcia San Javier airport during the 2018 period, subject to segregation in AIRM, is as follows:

	Thousand euros
Airport services	7,634
Commercial revenue	4,750
TOTAL BUSINESS FIGURE	**12,384**
Other operating income	77
TOTAL OPERATING REVENUE	**12,461**
Supplies	786
Personnel expenses	3,851
Other operating expenses	2,830
Other results	(1)
TOTAL OPERATING REVENUE	**(7,466)**
RESULTS FROM OPERATING ACTIVITIES	**4,995**
Finance income	2
Finance expenses	(56)
NET FINANCE INCOME/(EXPENSES)	**(54)**
PROFIT/(LOSS) BEFORE INCOME TAX (I)	**4,941**
Trade and other receivables	100
Provisions	(9)
Creditors and other accounts payable	90
NET BALANCE ASSETS (II)	**181**
NET BOOK VALUE (I + II)	**5,122**

The result of 5.122 thousand euros has been recognised by AENA as a liability to be paid to Aena Sociedad Concesionaria del Aeropuerto Internacional de la Región de Murcia, S.M.E., S.A., for which the corresponding item to be paid intra-group has been collected in these accounts (see Note 12), since the cash generated by these 2018 transactions has remained in Aena's treasury system.

Likewise, on 15 January 2019, the interruption of civil air operations at the Murcia San Javier Air Base (see Note 29) took place. This fact is considered to be one of the assumptions that the applicable accounting regulations include within the so-called "signs of impairment" of an asset associated with an activity that is interrupted. In this sense, given that, as of 31 December 2018, the cash flows derived from the continued use of the same, until its definitive closure, are insignificant, being duly estimated that the value in use of San Javier is very close to its value reasonable minus the costs of sale. As a result, the impairment test performed at the individual level of said airport and an impairment loss amounting to 46.249 thousand euros has been acknowledged corresponding to the carrying amount of all the assets that could not be reused at AIRM or in the rest of the airports in the network (see Notes 6 and 7). On the other hand, the balance of capital grants related to the aforementioned assets has also been applied to results for an amount of 26.7 thousand euros, giving rise to a net impact on the attached Income statement of 19.549 thousand euros.

4. Recognition and measurement standards

The main recognition and measurement standards used in the preparation of the company's Annual Accounts, in accordance with the Spanish General Accounting Plan, were the following:

a) Intangible assets

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

In the heading “Computer software” the company encompasses the amounts paid relating to the acquisition and development of IT programmes. The maintenance costs of the computer software are recorded in the income statement of the period in which they were incurred.

As "Other intangible assets" the Company mainly capitalises the Airport Steering Plans and the studies associated with them, and they are amortised 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.

Concession agreement, regulated asset

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:

- *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 an intangible asset within the caption "Concession agreement, regulated asset" under the heading "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 intangible assets include the investment made in facilities 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 intangible asset in accordance with recording and valuation standard 5 for "Intangible assets" of the Spanish General Accounting Plan.

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

If there is a consideration but it is 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 intangible assets shall be recorded as an expense, unless they increase the future economic benefits expected from the assets.

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

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

With regards to the elements of 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
Computer software	6
Other 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 intangible assets at the end of each period. 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 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 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).

Throughout the existence of the Company, the determination of the cash generating units has been influenced by the regulation applicable in each period and by the mechanisms for establishing the equity benefits associated with the assets included in said cash generating units.

As of the 2011 period, the regulations applicable to asset benefits are the Law 1/2011 that regulates the determination of the patrimonial benefits associated with the assets related to the airport activity, establishing a single-till criterion for the recovery of assets, considering in the calculation of the equity benefits exclusively the investments and costs of the network of airports as a whole, including the commercial activities of inside the airport terminals, although excluding parking facilities and other out-of-terminal services.

This initial regulatory framework was modified in *RD Law 20/2012, of 13 July, on measures to guarantee budgetary stability and the promotion of competitiveness*, in which Title VI modifies the formula for updating public equity benefits received by AENA, so that the revenue, expenses and investments derived from commercial services and activities not strictly aeronautical are not included for the purpose of determining airport charges. 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 the delinking of commercial revenues from the determination of public equity benefits (2014: 80%, 2015: 60%, 2016: 40%, 2017: 20% and 2018: 0%). Therefore, from 2018, it will apply a wholly dual till system.

Up to the 2015 period, 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 therein).

The establishment of "progressive dual till" through Royal Decree Law 20/2012, of 13 July, 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 charges, particularly from 2016 when most (60%) of the costs and commercial revenue from these activities were 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 have been subject to reconsideration. This legislative change does not affect the consideration as cash generating units independent of the financial investments in subsidiaries and associates, which continue to be considered as such.

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 revenue between both activities and the existence of a single asset that shares 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.

- 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 amount, to the recoverable value of that unit. The impairment is recorded with a charge to 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 amount that the unit's assets would have if the impairment had not been recognised. This reversal is classified in the same line in which the impairment loss was originally recognised.

b) Property, Plant and Equipment

The elements of property, plant and equipment 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 performed through the caption "Finance income-Capitalisation of finance expenses" of the income statement.

The replacements or renovations of complete elements that increase the useful life of the asset or its economic capacity, are accounted for as a greater amount of property, plant and equipment, 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 period in which they were incurred.

The company depreciates its property, plant and equipment once these are in condition for use on a straight-line basis, distributing the carrying amount 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. The useful life of the different goods is outlined below:

	Years
Buildings	12-51
Technical installations	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 linear method depending on their useful life, 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) Investment property

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

The company recognises and values investment property following the criteria established for property, plant and equipment.

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

	Years
Buildings	32-51
Technical installations	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 depending 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) Leases

Finance leases

Leases are classified as finance 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 property, plant and equipment or intangible 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 income statement of the period in which it is accrued, using the effective interest rate method. The contingent amounts are an expense of the period in which they were incurred. The related lease obligations, net of finance charges are included under "Finance lease payables".

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 income statement of period in which they were accrued. Any collection or payment that may occur on contracting an operating lease is treated as a pre-payment or pre-collection that is imputed to the income statement 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 amounts 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 and other receivables" 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 period, the required impairment valuation adjustments 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 income statement.

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 at 31 December 2018 and 2017 no assets have been recorded in this category.

3. Investments in group, associated and multi-group companies' equity: group companies are considered to be those related to the company by a relationship of direct or indirect control through subsidiaries and associated companies those on which the company exerts a significant direct or indirect influence through subsidiaries. Moreover, the multi-group category includes such companies that by virtue of an agreement over which joint control 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 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 income statement of the period in which they occur.

   The effect of applying consolidation criteria in comparison with the individual annual accounts means an increase in assets amounting to 786.154 thousand euros in 2018 (2017: 703.799 million euros), an increase in equity in the amount of 228.308 million euros in 2018 (2017: 218.791 million euros), the revenue increased by 238.837 million euros in 2018 (2017: 205.678 million euros), and an increase in net profit for the year 2018 in the amount of 26.700 million euros (2017: 12.254 million euros).

4. Financial assets available for sale: This category includes debt securities and equity instruments that are not classified in any of the above 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 equity until the asset is disposed of or impaired, at which time the accumulated profits and losses in equity are imputed to the income statement, 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 income statement 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 income statement the cumulative losses previously recognised in equity by a decrease in the reasonable value.

The losses from impairment in the income statement from equity instruments are not reversed through the income statement. 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 income statement of the period 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 carrying amount. 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 period 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 "Hedging transactions" of the equity, up until their due date, when they are imputed to the income statement as well as to the covered element.

Nevertheless, the transaction costs are subsequently recognised in the income statement insofar as they are not part of the effective variation of the coverage.

The inefficient part of the coverage is directly expensed to the income statement in the period.

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 income statement of the period.

g) Cash and cash equivalents

The cash and cash equivalents include cash on hand and the bank deposits at credit institutions. Other Current 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) Equity

The share capital is represented by ordinary shares. The costs of issuance of new shares or options are disclosed directly against the 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 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 equity.

i) Grants, donations and bequests received

The subsidies, donations and legacies of non-refundable capital are accounted for as such when there is an

individualised agreement of the awarding of the subsidy, having fulfilled the conditions set out for granting it and there are no reasonable doubts about his receipt. The Company applies, Order EHA/733/2010, of 25 March, which approves accounting aspects of public companies that operate in certain circumstances. In the case of subsidies granted for the construction of an asset whose execution has not been completed, the subsidy is classified as non-refundable in proportion to the work carried out provided there are no reasonable doubts that the construction will be completed according to the conditions established in the tender or concession agreement. In general, these are valued at the reasonable value of the amount or the ceded asset and are recorded in the equity, after deducting the tax effect, being imputed to the income statement 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 period in which their disposal or the valuation adjustment occurs. The official subsidies granted to offset costs are recognised as revenue on a systematic basis over the periods in which the costs are spread that they are intended to balance.

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

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

j) Provisions and contingencies

In the presentation of the Annual Accounts 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 non-current remuneration to its personnel 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 period, 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 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:

	2018	2017
Technical interest rate:	1.51%	1.43%
Salary increases:	2.75%	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

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 externalised 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:

	2018	2017
Technical interest rate:	1.53%	1.48%
Non-current salary growth:	2.75%	2.00%
Yield on Defined Contribution Fund:	4.00%	4.00%
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 Non-policyholders: Pursuant to Royal Decree Law 5/2013	Between 60-63 years and 11 m

l) Indemnities for dismissals

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) Income tax expense

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

Current tax is the amount that the Company pays as a result of the tax returns it files in relation to its Income tax expense for a particular period.

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 expenses or revenue for deferred tax corresponds to the recognition and settlement of assets and liabilities for deferred tax. 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 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.M.E., 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 within said Tax Group. In the 2018 period, the newly created company Aena, Sociedad Concesionaria del Aeropuerto Internacional de la Región de Murcia, S.M.E., S.A. was included in the tax consolidation 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 gains/(losses) 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 income statement.

p) Income and expense

Ordinary revenue is 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 revenue is recognised when the revenue may be reliably measured, when it is likely that the company will receive a future financial benefit, and when certain conditions are met for each of the Group's activities.

Ordinary revenues are recognised as follows:

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

- Sales of services are recognised in the period in which the services are rendered, with reference to the end of the specific transaction evaluated depending on the actual service provided as a percentage of the total service to be provided, when the revenue and the costs relating to the service contract, as well as the percentage of completion, may be reliably estimated and it is likely that the related receivables will be recoverable. Where one or more of these service agreement items cannot be reliably estimated, service sales revenues are only recognised 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 specialty shops, food & beverage and advertising and off-terminal facilities such as the rental of premises and land, vehicle parking and rental cars.

Aviation (Public equity charges):

The establishment of fees for public equity 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, aprons 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 alighting the aircraft.

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

- Use of the airport facilities to ease the boarding and alighting 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 on Title VI, amends the adjustment of the public charges received by Aena Aeropuertos, 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 revenue to private prices resulting from these terminal areas affected both by the correction coefficient K, which is represented in 2014 by the 80% of sales revenues, in 2015 by 60%, in 2016 by 40%, in 2017 by 20% and 0% in 2018.

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 General Directorate for 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 - MAIP), whose determination will be based on the recovery of efficient costs acknowledged by the regulator in tandem with traffic forecasts. The maximum annual income 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 2018, as well as having implemented the planned strategic investments, so it does not expect the maximum annual income per passenger to be penalised for these reasons.

- 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 charge deficit together with that corresponding to previous years cannot be transferred to the next DORA.

On 27 January 2017, the Council of Ministers approved the Airport Regulation Document (DORA) for the period 2017-2021. This document establishes a reduction of 2.2% per year in the maximum annual income per passenger (IMAP - MAIP) for said period (see Note 5).

In application of the provisions of article 34 of Law 18/2014 (15 October), 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 1 March 2017, affecting the months of January and February 2018.

Likewise, and in application of the provisions of article 34 of Law 18/2014, the Board of Directors at Aena S.M.E., S.A., at its meeting held on 26 July 2017, and after holding the corresponding consultation process with the user associations, approved a decrease of 2.22% in airport charges applicable as of 1 March 2018.

On the other hand, on 24 July 2018 the Board of Directors of Aena approved the charges proposal for 2019, consisting of the freeze of the maximum annual revenue per adjusted passenger (IMAAJ) of 2019 with respect to the maximum annual revenue per adjusted passenger (IMAAJ) for the year 2018. Said freeze is a consequence of the adjustments that the regulation establishes in relation to the incentive for the performance of the quality thresholds, the implementation of investments and the fulfilment factor to 100% of the maximum annual revenue per adjusted passenger (IMAAJ), corresponding to the closing of 2017.

All of this new legislative regulation has not led to any change in the Company's revenue recognition policy, which is still subject to the explanation at the beginning of this Note. Specifically, regulated revenues in the

DORA period are recognised in 2018 according to the same criteria as in previous periods, when the service is provided, based on the approved regulated charges (see also Note 28 in relation to Contingent assets for charges deficits).

Commercial activity

Revenues from the rental of commercial spaces located within the airport infrastructures are recognised on a straight-line basis in accordance with the lease agreements concluded with the counterparties (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. Revenue 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

Revenues from real estate services correspond to the rental of land, warehouses and hangars, and 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 recognised as revenues in the period in which they accrue.

q) Interest and dividends

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

Dividend revenue is recognised 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 deemed 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 period 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 undertakes all its transactions with related parties at market values. In addition, the transfer prices are adequately supported so that the Sole Director of the Company considers that there are no significant risks in this connection that might give rise to significant liabilities in the future.

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 foregoing, 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 consolidated Annual Accounts of the group or subgroup.

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

In these cases, the difference that may arise between the net value of the assets and liabilities of the acquired company, adjusted for the balance of the groupings of grants, donations and bequests received and valuation adjustments 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 a company or a part that constitute one or more businesses, are recorded according to the acquisition method.

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

u) Joint ventures

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

The joint ventures may be:

- The joint ventures that do come into being 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.

Operations and assets jointly controlled (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 BAATC. Similarly, in the income statement the part relating to the revenue generated and the expenses incurred from the operation of the jointly controlled assets is recognised.

5. Managing operational and financial risks

Description of the main operational 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. In particular, this regulation affects:

- The management of the network of airports based on public service criteria.
- System of airport charges.
- Airport security measures.
- Operational safety.
- Allocation of time slots.

Act 18/2014 introduces the mechanism governing the determination of airport charges for the first Airport Regulation Document ("DORA").

As it was said before, 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.

DORA has been prepared by the Dirección General de Aviación Civil (Spanish Civil Aviation Authority) 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 charge path, with the establishment of a maximum annual income per passenger (IMAP – MAIP) 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 (MAIP) 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 5 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 (MAIP).

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

- 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, meaning that any non-exceptional deviation such as the current inflationary pressure that can be transferred by the service providers is considered the risk of the operator.

In application of Law 18/2014, the Board of Directors of Aena approved on 24 July 2018 the effective charges proposal as of 1 March 2019, consisting of the freeze of the maximum annual adjusted income per passenger (IMAAJ) of 2019 regarding the maximum annual income per passenger (IMAP - MAIP) set through DORA at 10.42 euros per passenger for 2018, as a result of the adjustments that DORA establishes in relation to the incentive for the performance of the quality levels and the charges structure corresponding to the closing of 2017.

The European Commission initiated an infringement procedure to the Kingdom of Spain to assess whether there has been an incorrect transposition of Directive 2009/12/EC, or an incorrect application of Regulation (EC) No 1008/2008, on common rules for the running and development of air services in the Community. The resolution of said procedure could lead to changes in the regulatory framework applicable to airport charges.

The Regional Government of Catalonia requested that the European Commission rule on the adequacy or otherwise to EU law of the airport system set forth in Law 18/2014.

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. Aena is state-owned trading company and, as such, its management capacity may be conditioned. The senior management of Aena, given its characteristics as a state-owned trading company, is subject to the public remuneration system.

The main shareholder of Aena is a company that belongs to the Spanish State. The Spanish State will continue to have control over the operations of Aena and its interests may differ from those of the other shareholders.

Operational risks

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

- ✓ Developments (economic, financial or other) negative in Spain and other countries, both those that are origin/destination of traffic (United Kingdom, Germany, France and Italy, among others), as well as others that are competing tourist destinations. 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.

- ✓ In this sense, after the result of the referendum in the United Kingdom in favour of its withdrawal from the European Union (Brexit), the following risks are considered, whose final specification is subject to the negotiation process that the British government has to initiate with the European Union to determine the final conditions of its departure, as well as the regulatory developments that both the United Kingdom and the European Union can carry out in the event of a No-Deal Brexit:

    - Currently, 16.7% of passengers of the airport network of Aena S.M.E., S.A. in Spain have their origin/destination in the UK. The adverse economic developments in the United Kingdom could reduce tourism originating in said country.
    - From an operational viewpoint, the risk is focused on airlines as it would involve agreements that will allow the movement of aircraft between the European Union and the United Kingdom. With regard to border control operations, the United Kingdom already had specific treatment as it did not belong to the Schengen Treaty, meaning there would not be an additional impact. That said, although the volume of passengers to or from the United Kingdom has been reduced by 2018 by 3.0% compared to 2017, during the last months of 2018, passenger flows have once again become positive. On the other hand, European legislation prevents airlines from operating between European Union countries without a majority ownership and control of community ownership, which could put into question the European ownership of Iberia and Vueling to operate in Spain, both on Domestic routes as well as European ones.
    - From a commercial revenue viewpoint, the depreciation of the pound against the euro means a loss of purchasing power on the part of British passengers which could affect the sales of commercial tender or franchise holders at airports, and therefore a fall in AENA S.M.E., S.A. revenue, although an important part of AENA's S.M.E., S.A. 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.
    - Investments, expenses and operational difficulties caused by the reconfiguration of passenger flows at airports.
    - The company has evaluated the possible scenarios derived from Brexit, concluding that the risk of deterioration is remote.

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

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

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

- ✓ In the operation of its airports, the Group depends on the services provided by third parties, which may have an impact on its activity.

- ✓ Events such as terrorist attacks, wars or global epidemics could have a negative impact on international air traffic. 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.
- ✓ Insurance coverage may be insufficient.
- ✓ Moreover, the Group's international activity is subject to risks associated with the performance of operations in third-party countries and the fact that profitability forecasts may not be achieved.
- ✓ The profitability of Aena could be affected if it is not able to keep up its current efficiency levels.
- ✓ Aena is exposed to risks related to its indebtedness, and its obligations may limit the activity of Aena and the chance of accessing funding, distributing dividends or making investments, among others.
- ✓ Changes in the tax legislation may lead to additional taxes or other detrimental factors for the taxation of Aena.
- ✓ The Group is, and will continue to be in the future, exposed to the risk of losing in judicial or administrative proceedings in which it is involved (see Note 24).
- ✓ Aena is exposed to the effects of climate change, changes in regulations that may lead to an increase in the price of carbon emissions, and the need to undertake adaptation actions at airports in the medium-long term.

The Company's governing bodies have implemented mechanisms to identify, quantify and hedge risk situations. Aside from the above, the situations that could represent a relevant risk as well as the measures taken in response to them are closely monitored.

Description of the main financial risks

The activities of the Company are exposed to several financial risks: market risk (including currency 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 said agreement 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 interest rate risk in cash flows. The fixed interest rate loans expose the Company to fair value interest rate risk.

The aim of the Company in its interest rate risk management is the optimisation of the financial expense within the established limits, the risk variable being 3 and 6 month Euribor, the main benchmark for non-current 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 finance expenses are mainly due to the financial debt recognised with the parent company. The Company also has finance expenses derived from its own debt with credit institutions (see Note 15).

AENA S.M.E., S.A. 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 its exposure to the Mirrored Loan with 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 2018, the total amount of the liability for these interest rate swaps amounts to 89.283 thousand euros (2017: 82,655 thousand euros) (Note 15.c). At the aforementioned date if the interest rate of variable rate loans had increased or decreased by 20 basis points, keeping the rest of the variables constant, the profit before taxes of the year would have been 1.638 thousand euros higher and 1.638 thousand euros lower, respectively (in 2017: 1.802 thousand euros higher and 1.802 thousand euros lower, respectively).

The revisable interest rate, which is applicable mainly to loans from 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, no regime changes took place in 2018.

On the other hand, in 2018, 166.075 thousand euros of the debt with Depfa ACS Bank at a fixed rate have been prepaid (Note 15).

As a result of all this, the debt composition by interest rate as of 31 December 2018 is maintained at 88% of fixed rate debt, as opposed to 12% variable (as of 31 December 2017: 88% fixed and 12% variable), if the effect derived from the interest rate swaps contracted is considered.

b) Credit risk

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

Credit risk 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 securities and guarantees. The Group has, as of 31 December 2018, in addition to the guarantees and other guarantees imposed in cash that appear in the Balance Sheet, securities and other guarantees related to the normal course of business for an amount of 359.928 thousand euros.

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 for 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 S.M.E., 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. Although at 31 December 2018 the Company has a negative working capital of 437.785 thousand euros (negative in 2017: 309.530 thousand euros), it has an EBITDA, calculated as the sum of results from operating activities and amortisation and depreciation, of 2.581.089 thousand euros (2017: 2.460.359 thousand euros), and it is not considered that there is a risk to meet its current commitments given the positive operating cash flows that the Company expects to remain positive in the short term. The Company is monitoring the generation of cash to ensure its ability to meet its financial commitments.

As of 31 December 2018, AENA S.M.E., S.A. holds 800 million euros in a fully available syndicated credit facility, with non-current maturities (Note 15); and 400 million euros of available financing (not available) corresponding to a loan with EIB, with an end date of the availability period of 1 December 2019.

The detail of the loans of AENA S.M.E., S.A. in accordance with the applicable interest rate and the average annual interest rate as of 31 December 2018 and 31 December 2017, taking into account the hedging derived from the interest rate swaps taken out (see Note 15c) is as follows:

Thousand euros	**31 December 2018**		**31 December 2017**	
	Balance	**Average rate**	**Balance**	**Average rate**
Variable	818,772	0.18%	901,008	0.16%
Reviewable	27,400	1.61%	27,400	1.23%
Fixed	5,780,052	1.45%	6,495,875	1.55%
TOTAL	**6,626,224**	**1.30%**	**7,424,283**	**1.45%**

6. Intangible assets

The movements in the accounts included in the intangible assets for periods 2018 and 2017 were the following:

	2018					
	Thousands euros					
	Development	**Intangible assets, concession agreement**	**Computer software**	**Other intangible assets**	**Intangible assets underway**	**Total**
Cost						
Opening balance	813	15,483	161,781	7,429	52,228	237,734
Additions	-	17	15,951	-	4,821	20,789
Disposals (*)	-	-	(144)	(60)	(1,280)	(1,484)
Transfers (Notes 7 and 8)	-	-	7,220	631	(7,471)	380
Closing balance	**813**	**15,500**	**184,808**	**8,000**	**48,298**	**257,419**
Depreciation:						
Opening balance	(813)	(4,742)	(127,660)	(5,710)	-	(138,925)
Allocation	-	(708)	(17,606)	(840)	-	(19,154)
Disposals (*)	-	-	117	60	-	177
Transfers (Notes 7 and 8)	-	-	28	-	-	28
Closing balance	**(813)**	**(5,450)**	**(145,121)**	**(6,490)**	**-**	**(157,874)**
Impairment:						
Opening balance	-	-	-	-	-	-
Allocation (Note 4.a)	-	-	-	(243)	-	(243)
Closing balance	-	-	-	**(243)**	-	**(243)**
Net:	**-**	**10,050**	**39,687**	**1,267**	**48,298**	**99,302**

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

	2017					
	Thousand euros					
	Development	**Intangible assets, concession agreement**	**Computer software**	**Other intangible assets**	**Intangible assets underway**	**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)
Closing 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.

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

The main additions of the 2018 and 2017 periods under the heading "Computer software" and "Intangible assets underway" correspond to acquisitions, as well as improvements and developments, of new technologies for computer software related to corporate central services. Noteworthy in 2018 and 2017 are the investments in free *Wi-Fi* systems at several airports in the network and in 2017 the elements related to cybersecurity.

Of the total capitalised costs at 31 December 2018 and 2017 relating to the various classes of intangible assets, assets in progress are included as follows:

	Thousand euros	
	2018	**2017**
Computer software	10,240	15,534
Other intangible assets	38,058	36,694
Total	**48,298**	**52,228**

Intangible assets acquired from related companies

The Company has acquired the following intangible assets (in thousands of euros) from related companies during the years 2018 and 2017:

	2018		**2017**	
	Accounting value (gross)	**Accumulated depreciation**	**Accounting value (gross)**	**Accumulated depreciation**
Computer software	984	(131)	893	(49)
Other intangible assets	1,355	-	-	-
Intangible assets underway	54	-	3,519	-
Total	**2,393**	**(131)**	**4,412**	**(49)**

Finance expenses

During the 2018 period, a total of 36 thousand euros of finance expenses associated with intangible assets (2017: 32 thousand euros) have been activated, which are recorded under "Finance income-Capitalisation of finance expenses" (see Note 23.f).

Fully depreciated property

As of 31 December 2018 there are fully amortised intangible assets and in use according to the following breakdown:

	Thousands euros	
	2018	**2017**
Concessions	5	5
Development	794	794
Computer software	217,829	203,846
Other intangible assets	86,593	83,335
Total	**305,221**	**287,980**

On the other hand, due to the fact that the non-cash contribution, mentioned in Note 3.1 was made at net book value, in 2018 the original cost of said intangible assets was greater than the cost of intangible assets disclosed in the movement.

Concession agreement, regulated asset

The Group runs the heliports in Ceuta and Algeciras under administrative concession contracts whose main conditions are described below:

- Ceuta Heliport: The Company operates the civil Ceuta heliport with all services under a service concession contract made with the Port Authority of Ceuta. This concession has a start date of 28 March 2003 with a maturity of 30 years. The Company pays an annual royalty of 39,000 euros for the occupancy of the public port. Likewise, in accordance with Article 69 of Law 27/92, the Company pays a royalty amounting to 0.823386 euros per passenger, depending on volume of passengers.

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

Impairment of intangible assets

As mentioned in note 3.2, once the Región de Murcia International Airport comes into operation, the assets affected by the civil operations at the Murcia San Javier airport not reusable at another airport have been impaired, and this has led to a decrease in the value of intangible assets amounting to 243 thousand euros.

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 intangible assets not identifying adjustments as at 31 December 2018 and 2017, even after having applied the sensitivities on the variables used.

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow estimates based on the projections in DORA for the 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 during 2017 and 2018 periods are as follows:

Growth rate	1.50%
Before-tax discount rate	6.98%
Post-tax discount rate	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 cash generating unit.

In 2017 and 2018, the value of the pre-tax CMPC is the one used in the DORA approved by the Council of Ministers on 27 January 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 2018, 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.

During 2018 and 2017, management has not recognised impairment of intangible assets underway.

7. Property, Plant and Equipment

The movements in this heading in 2018 and 2017 were as follows:

	2018					
	Thousands euros					
	Land and buildings	**Plant and machinery**	**Other installations, equipment and furnishings**	**Other property, plant and equipment**	**Property, plant and equipment under construction**	**Total**
Cost:						
Opening balance	13,303,515	794,572	3,265,799	8,901	263,809	17,636,596
Additions	102,395	23,803	95,460	1,003	234,233	456,894
Disposals (*)	(40,792)	(23,496)	(16,954)	(164)	(11,047)	(92,453)
Transfers (Notes 6 and 8)	61,046	21,456	47,531	290	(135,380)	(5,057)
Closing balance	**13,426,164**	**816,335**	**3,391,836**	**10,030**	**351,615**	**17,995,980**
Amortisation:						
Opening balance	(2,479,602)	(394,492)	(1,787,950)	(6,147)	-	(4,668,191)
Allocation	(391,229)	(68,946)	(265,933)	(811)	-	(726,919)
Disposals (*)	22,324	19,765	13,568	100	-	55,757
Transfers (Notes 6 and 8)	916	2,152	(1,901)	(10)	-	1,157
Closing balance	**(2,847,591)**	**(441,521)**	**(2,042,216)**	**(6,868)**	**-**	**(5,338,196)**
Impairment:						
Opening balance	-	-	-	-	-	-
Allocation (Note 4.a)	(41,792)	(2,434)	(1,418)	-	(361)	(46,005)
Closing balance	**(41,792)**	**(2,434)**	**(1,418)**	**-**	**(361)**	**(46,005)**
Net book value	**10,536,781**	**372,380**	**1,348,202**	**3,162**	**351,254**	**12,611,779**

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

	2017					
	Thousands euros					
	Land and buildings	**Plant and machinery**	**Other installations, equipment 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)
Closing balance	**13,303,515**	**794,572**	**3,265,799**	**8,901**	**263,809**	**17,636,596**
Depreciation and impairments:						
Opening 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 book value	**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.

At year-end 2018 and 2017, the Company owns properties with separate net value from buildings and the land, which is as follows:

	Thousand euros	
	2018	**2017**
Lands	3,540,519	3,538,908
Buildings	6,996,262	7,285,005
Total	**10,536,781**	**10,823,913**

a) Property, plant and equipment acquired from related companies

During period 2018 and 2017, the Company acquired the following elements of its property, plant and equipment from Aena Desarrollo Internacional SME, S.A. (ADI) group and from the related companies Ingeniería y Economía del Transporte, S.A. (INECO) and Ingeniería de Sistemas para la Defensa de España (ISDEFE):

	2018		2017	
	Carrying amount (gross)	**Accumulated depreciation**	**Carrying amount (gross)**	**Accumulated depreciation**
Land and buildings	201	(13)	635	(12)
Technical installations and machinery	432	(22)	336	(18)
Other installations, equipment and furnishings	434	(82)	570	(49)
Property, plant and equipment under construction	887	-	3,119	-
Total	**1,954**	**(117)**	**4,660**	**(79)**

b) Finance expenses and others

During the period 2018, a total of 568 thousand euros of finance expenses accrued during the year have been capitalised, corresponding to the financing of fixed assets underway (2017: 493 thousand euros), which are recorded under "Finance income-Capitalisation of finance expenses" (Note 23.f). In addition, 4.432 thousand euros of internal works carried out by the Company for its property, plant and equipment have been activated, which are recorded under the heading "Work carried out by the company for assets" in the accompanying income statement (2017: 4.432 thousand euros).

c) Additions of property, plant and equipment

The total amount of new property, plant and equipment in 2018 amounts to 456.894 thousand euros (2017: 408.496 thousand euros). The main additions recognised in 2018 and 2017 are described below:

Land and buildings

During the year 2018, the additions to land and buildings amounted to 102,395 thousand euros. The main additions of the period were the "General adaptation of the platform" of the Tenerife Sur airport, the planned actions related to the "Sound insulation plans" of the airports of Palma de Mallorca and Valencia, and the "Overlaying of the pavement of the runway12/30" at Bilbao airport.

The most significant operations were the "Reconstruction of platforms B and C" and the "Increase in the peak capacity of the SATE and new functionalities in billing" at the airport in Palma de Mallorca, the "Regeneration of the pavement of the runway 07L-25R" at Barcelona Airport, the "Overlaying of the flight runway" at Fuerteventura Airport, and the "New floor of the ground floor of the T1 and T2" at Madrid Airport.

In 2017, additions to land and buildings amounted to 93.697 thousand euros. The main additions of the period were the "Resurfacing 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" at the airports of Son Bonet and La Palma; the "Runway overlay" at Valladolid Airport; the "Adaptation of the access roads to runway H6, H7 and H8 at Palma de Mallorca Airport" and the "Implementation of safety requirements" at Ibiza Airport.

The most significant actions engaged were the "Renewal of floorings in the P1 floor of Terminal T1" and the "Adaptation of plots and roads in the Rejas area" at 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.

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

During the 2018 period, additions to facilities and other fixed assets amounted to 120,266 thousand euros. The most important additions of the 2018 period were:

- Supply and installation of new passport control systems put into use at the airports of Palma de Mallorca, Alicante and Barcelona.
- Actions related to the marking of the flight field at Malaga Airport.
- Expansions multiservice networks of several airports in the network.
- Supply of new benches for passengers of the T4 and T4S at Madrid Airport.
- New electromechanical installations to improve vertical communications at Madrid airport.
- Acquisition of communications and videoconference equipment for Aena Central Services.

During the period of 2017, additions to facilities and other fixed assets amounted to 108,004 thousand euros. The most important additions for the 2017 period 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 beaconing of the runways at the airports of Palma de Mallorca and Barcelona El Prat.
- 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 desks and auto check-in stations at various airports in the network.

Property, plant and equipment under construction

During the 2018 period, additions to property, plant and equipment in progress amounted to 234,233 thousand euros. The main additions of fixed assets in progress relate to the work related to the "General adaptation of the apron" at Tenerife Sur Airport, "Multi-service network extensions" of several airports in the network, and "Supply and installation of new transmission and passport control system" at the airports of Madrid, Malaga, Ibiza and Menorca.

In addition to those indicated in the previous paragraph, the main actions that are in execution at 31 December 2018 are: "Expansion of air conditioning module C and D ring network" at Palma de Mallorca Airport, and "Runways and service equipment" at Malaga Airport, amongst others.

During the 2017 period, 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 31 December 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.

d) Disposals and profit/(loss) on disposal of property, plant and equipment

During the 2018 period, former assets were decommissioned during their renovation, such as the refurbishment work on the runway at the La Palma Airport and aprons B and C at Palma de Mallorca Airport and the flooring of the T1 at Madrid Airport; as well as various facilities at the airports of Barcelona and Adolfo Suárez Madrid-Barajas.

The disposals in terms of property, plant and equipment during the year 2018 with allocation to revenue have resulted in a total negative result of 15,731 thousand euros (the negative result of 15,835 thousand euros included in the accompanying income statement also includes 1 thousand of euros of losses in disposal of intangible assets, 103 thousand euros of losses in disposals of investment property). Additionally, the following items are included in the write-downs that have not generated any results in 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 13,523 thousand euros.

- Payments to suppliers of fixed assets in relation to amounts activated in previous years, amounted to 6,628 thousand euros.

- Disposals due to universal segregation of branch of activity of the Murcia San Javier airport, contributed to the concessionary company of AIRM, for the operation of the Región de Murcia International Airport, for a net amount of 1,426 thousand euros (Note 3.2).

Likewise, due to the segregation of the branch of activity of the Murcia San Javier Airport mentioned in note 3.2, the following disposals occurred in the year 2018:

	Cost	Amortisation	Total
Land and buildings	(31)	10	(21)
Plant and machinery	(1,508)	845	(663)
Other installations, equipment and furnishings	(1,872)	1,182	(690)
Other property, plant and equipment	(83)	31	(52)
Total	**(3,494)**	**2,068**	**(1,426)**

During the year 2017, the registered disposals of land were motivated by the favourable evolution of Aena in various expropriation disputes, in particular at Adolfo Suárez Madrid-Barajas Airport (see Note 21). Former assets were also 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 revenue resulted in a total negative result of 10,781 thousand euros (the negative result of 10,915 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, the disposals included the following items, the amount of which was not charged to the profit or loss account:

- Reversals of provisions recorded in previous years for fair value differences arising primarily from land expropriations and estimated environmental investments to comply with current legislation, and for litigation related to works 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.

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

As mentioned in note 3.2, in 2018 the assets affected by the civil operations of the Murcia San Javier airport not reusable in other airports of the network have been deteriorated according to the following breakdown:

	2018
Land and buildings	(41,792)
Plant and machinery	(2,434)
Other installations, equipment and furnishings	(1,418)
Property, plant and equipment underway	(361)
Total	**(46,005)**

In 2018 and 2017, the Company did not detect any signs of impairment of fixed assets other than those mentioned in the previous paragraph. However, at the end of 2018 and 2017, 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, even after applying sensitivities on the variables used. The main premises used in 2018 and 2017 were:

Growth rate	1.50%
Before-tax discount rate	6.98%
Post-tax discount rate	5.23%

f) Capital grants (Note 19.d)

As of 31 December 2018, the Company has subsidies related to fixed assets amounting to 398,109 thousand euros net of taxes (2017: 414,060 thousand euros) (see Note 19d). The gross cost of the assets affected by these subsidies is 2,483 million euros, corresponding to property, plant and equipment (2017: 2,508 million euros).

From the previous amount, AENA S.M.E., S.A. has recognised a debit balance for this entry of 1,619 thousand euros (2017: 15,913 thousand euros) (see Note 22).

g) 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).

h) Fully depreciated property

As at 31 December 2018 and 2017 there was property, plant and equipment that was fully depreciated and that is still in use, in accordance with the following detail:

	Thousand euros (*)	
	2018	**2017**
Buildings	1,190,274	897,330
Plant and machinery	380,916	379,019
Other installations, equipment and furnishings	1,267,762	1,040,197
Other property, plant and equipment	13,173	12,654
Total	**2,852,125**	**2,329,200**

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

i) Commitments

Commitments for investments pending execution as of 31 December 2018 amount to approximately 829.7 million euros (2017: 563 million euros), among which are the foreclosed investments pending to be notarised contractually and the firm investments pending implementation.

j) Insurance policies

The company's policy is to formalise insurance policies to adequately cover the possible risks that it various property, plant and equipment are subject to. At the close of 2018 and 2017, it is considered that there was no coverage gap.

k) Leases

The company leases part of its property, plant and equipment from third parties for its business operation. The operating and financial leases of company are detailed in Note 9.

l) 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 and the joint-use aerodrome in Zaragoza. In 2017, the Air Base of San Javier was also included. 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 euros):

	31 December 2018	**31 December 2017**
- Non-current assets	183,490	245,464
Net assets	**183,490**	**245,464**
- Revenues	15,585	27,924
- Expenses	(34,520)	(43,489)
Post-tax profit/(loss)	**(18,935)**	**(15,565)**

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

m) 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. Investment property

The movement of investment property during the years 2018 and 2017 is as follows:

	2018		
	Thousands euros		
	Real estate land and buildings	Other Facilities	Total
Cost			
Opening balance	171,558	3,391	174,949
Additions	4,410	-	4,410
Disposals	(220)	(42)	(262)
Transfers (Notes 6 and 7)	4,667	10	4,677
Closing balance	**180,415**	**3,359**	**183,774**
Depreciation:			
Opening balance	(30,423)	(3,175)	(33,598)
Allocation	(4,579)	(40)	(4,619)
Disposals	26	28	54
Transfers (Notes 6 and 7)	(1,181)	(4)	(1,185)
Closing balance	**(36,157)**	**(3,191)**	**(39,348)**
Impairment:			
Opening and closing balance	**(6,243)**	**-**	**(6,243)**
Net:	**138,015**	**168**	**138,183**

	2017		
	Thousands euros		
	Real estate land and buildings	Other Facilities	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.

This heading mainly includes immoveable assets used for operations in rental form (land, offices, hangars and warehouses). In the cases in which these properties are composed of one part which obtains rent and another part which is used in the production or supply of goods or services or for administrative purposes, such properties are considered as investment property 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 2018 and 2017 no investment property was subject to guarantees.

The Company's policy is to obtain insurance policies to cover all risks that might affect its investment property. At the end of 2018 and 2017 the Company had reasonably covered these risks.

In 2018, the additions to investment property amounted to 4,410 thousand euros, of which 137 thousand euros correspond to reversals at the end of the contract of assets built by third parties on leased plots, 3,300 thousand euros on the acquisition of a warehouse facility exercise of the right of first refusal, and the rest fundamentally to conditioning work on miscellaneous buildings.

In 2017, the additions to investment property 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.

During the year 2018, the Company acquired the related company Ingeniería y Economía del Transporte, S.A. (INECO), real estate constructions worth 4 thousand euros (2017: 0 thousand euros).

As of 31 December 2018 and 2017 there was investment property that was fully depreciated and that is still in use, in accordance with the following detail:

	Thousands euros	
	2018	**2017**
Real estate constructions	12,238	11,931
Real estate facilities	2,812	2,945
Total	**15,050**	**14,876**

(*) *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 property, taking into account current values (some of which are being revised) at the presented dates is as follows:

	Thousands euros	
	2018	**2017**
Lands	302,855	329,432
Buildings	592,602	499,649
Total	**895,457**	**829,081**

The Company has commissioned an independent appraisal company (CBRE Valuation Advisory S.A.) to review and assess the Group's real estate portfolio at 31 December 2018 in order to determine the fair value of its investment property, as it also did on 31 December 2017.

The assets were valued in accordance with la *Royal Institution of Chartered Surveyors* (RICS) contained in the work entitled 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 revenue, the period of time during which said net revenue 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:

- *Inflation of revenue*: The predictions of cash flows for the properties are based on the assumptions regarding the revenue and structure of expenses of the property, its state of occupation and operation. In order to determine the inflation affecting revenue, the CPI (Consumer Price Index) and Growth of the Gross National Product in Spain have been taken into account.
- *Growth of rentals*: An annual revenue growth model 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.
- *Management 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.
- *Revenue loss insurance*: 0.25% of annual gross revenue 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 revenue entails.
- *Exit 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 revenue, 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. In this sense, the management of Aena considers that there are no significant impairments other than those already recognised as of 31 December 2017.

9. Leases

Operating leases

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

Asset	Location	Maturity date	Annual rent excluding VAT (in thousands euros)	Remarks
Piovera Building (*)	Madrid	31/01/2024	4,007	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 euros	
	2018	**2017**
Less than one year	3,551	4,949
Between one and five years	15,545	18,767
More than 5 years	-	330
Total	**19,096**	**24,046**

The Company leases several specialty 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 collections, for non-cancellable operating leases are as follows for the designated terms:

	Thousand euros	
	2018	**2017**
Less than one year	707,679	616,687
Between one and five years	1,402,744	1,405,955
More than 5 years	148,219	14,884
	2,258,642	**2,037,526**

Finance leases

The Company has an electric cogeneration plant at the Adolfo Suárez Madrid Barajas Airport and certain IT equipment (acquired in 2018) that are under a financial lease contract in which the Company is the lessee. The amount for which the assets were initially recognised amounted to 17,956 thousand euros, corresponding to their estimated fair value. The amounts shown below are expressed in thousands of euros:

	Thousands euros	
	2018	**2017**
Cost- capitalised finance leases	17,956	17,829
Accumulated depreciation	(7,440)	(5,943)
Carrying amount	**10,516**	**11,886**

As of 31 December 2017 and 2018 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 euros):

	Thousands euros	
	2018	**2017**
Less than one year	1,655	1,582
Between one and five years	6,982	6,734
More than 5 years	3,715	5,506
	12,352	**13,822**

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 euros):

	Non-current financial assets							
	Equity instruments		Loans to companies		Other financial instruments		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Investments held until their due date (*)	-	-	-	-	74,348	71,506	74,348	71,506
Loans and receivables (Note 12)	-	-	-	-	3,259	2,830	3,259	2,830
Available-for-sale assets:								
- Valued at cost (Note 11.3)	180	180	-	-	-	-	180	180
Total	**180**	**180**	**-**	**-**	**77,607**	**74,336**	**77,787**	**74,516**

	Current financial assets							
	Equity instruments		Loans to companies		Other financial instruments		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Investments held until their due date (*)	-	-	-	-	1,443	1,418	1,443	1,418
Loans and receivables (**)	-	-	1,439	2,985	403,170	290,586	404,609	293,571
Total	**-**	**-**	**1,439**	**2,985**	**404,613**	**292,004**	**406,052**	**294,989**

(*) 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 S.M.E., S.A., in compliance with Law 29/1994, of 24 November, on Urban Leases.

(**) The heading "Other financial instruments" contains the total of the "Trade and other receivables" heading, excluding "Other credits with Public Administrations" and "Current tax assets".

	Non-current financial liabilities							
	Financial lease creditors and others		Debts		Finance and Derivatives		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Debits (*)	11,031	12,650	5,338,514	6,104,218	123,186	102,483	**5,472,731**	6,219,351
Debit and payables with credit institutions (**)	-	-	649,913	649,888	-	-	**649,913**	649,888
Hedging derivatives	-	-	-	-	56,543	45,645	**56,543**	45,645
Total	**11,031**	**12,650**	**5,988,427**	**6,754,106**	**179,729**	**148,128**	**6,179,187**	**6,914,884**

(*) The heading "Debts" refers to "Debts with group companies" and includes the effect of commissions and novation expenses accounted for using the amortised cost method for a total amount of 3,965 thousand euros (2017: 4,866 thousand euros) (see Note 15).

(**) Including the effect of commissions and novation expenses recorded at the amortised cost criterion for a total amount of 87 thousand euros (2017: 112 thousand euros) (see Note 15).

	Current financial liabilities					
	Debts with Group and Associated companies		Others		Total	
	2018	2017	2018	2017	2018	2017
Loan with final dominant company	633,744	665,199	-	-	633,744	665,199
Accrued loan interest pending payment	14,895	18,812	-	-	14,895	18,812
Current account with AIRM	3,672	-	-	-	3,672	-
Debts due to tax effect	1,103	1,078	-	-	1,103	1,078
Fixed asset supplier (Note 15)	-	28	-	-	-	28
Hedging derivatives	-	-	32,740	37,010	32,740	37,010
Subtotal	**653,414**	**685,117**	**32,740**	**37,010**	**686,154**	**722,127**
Amortised cost criterion commissions	(401)	(471)	-	-	(401)	(471)
Subtotal	**653,013**	**684,646**	**32,740**	**37,010**	**685,753**	**721,656**
Payables (*)	-	-	274,908	255,908	274,908	255,908
Financial leases payable	-	-	1,655	1,582	1,655	1,582
Accrued interest with credit institutions pending payment	-	-	1,841	1,848	1,841	1,848
Other financial liabilities (**)	-	-	221,280	232,763	221,280	232,763
Total	**653,013**	**684,646**	**532,424**	**529,111**	**1,185,437**	**1,213,757**

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

(**) Includes, mainly, debts to fixed assets suppliers, for an amount of 192,410 thousand euros (2017: 205,088 thousand euros), as well as sureties received.

Analysis by due dates

As of 31 December 2018, the amounts of financial instruments with a determined or determinable maturity classified by year of maturity are the following (in thousands euros):

Financial assets	**2019**	**2020**	**2021**	**2022**	**2023**	**2024 and following**	**Total**
Investments held until their maturity	1,443	37,564	4,719	10,509	8,675	12,881	**75,791**
Other receivables	403,170	-	-	-	-	-	**403,170**
Loans with group companies	1,288	-	-	-	-	-	**1,288**
Other loans to companies	151	-	-	-	-	-	**151**
Other financial instruments	-	-	-	22	-	3,237	**3,259**
Equity instruments	-	-	-	-	-	180	**180**
Total	**406,052**	**37,564**	**4,719**	**10,531**	**8,675**	**16,298**	**483,839**

Financial liabilities	**2019**	**2020**	**2021**	**2022**	**2023**	**2024 and following**	**Total**
Loan with the final dominant company (*) (Note 15)	633,744	633,619	546,349	535,836	514,364	3,112,311	**5,976,223**
Accrued loan interest pending payment	14,895	-	-	-	-	-	**14,895**
Current account with AIRM	3,672	-	-	-	-	-	**3,672**
Debts due to tax effect (Note 12)	1,103	-	-	-	-	-	**1,103**
Subtotal debts of Group companies and associates	**653,414**	**633,619**	**546,349**	**535,836**	**514,364**	**3,112,311**	**5,995,893**
Debt with financial institutions (*) (Note 15)	-	-	-	650,000	-	-	**650,000**
Interests from debt with financial institutions	1,841	-	-	-	-	-	**1,841**
Hedging derivatives of Aena (Note 15)	32,740	27,135	19,118	11,200	5,074	(5,984)	**89,283**
Financial lease creditors	1,655	1,694	1,736	1,762	1,790	3,715	**12,352**
Other non-current payables	121	82	82	82	82	6	**455**
Trade and other payables	467,318	-	-	-	-	-	**467,318**
Securities received	28,749	44,417	8,836	21,442	14,758	33,733	**151,935**
Total	**1,185,838**	**706,947**	**576,121**	**1,220,322**	**536,068**	**3,143,781**	**7,369,077**

(*) Excluding the effect of novation fees and expenses accounted for at the amortised cost criterion for a total amount of 4,366 thousand euros, of which 3,965 thousand euros correspond to the long term (2017: 5,337 thousand euros of the that an amount of 4,866 thousand euros corresponds to the long term) (see note 15), since these items do not include cash outflows.

(**) Excluding the effect of the commissions and costs of novation booked following an amortised cost criterion for a total amount of 87 thousand euros (12 thousand euros in 2017) (see note 15), as these concepts do not involve any cash disbursement.

Net gains and losses on financial assets and liabilities as of 31 December 2018 and 2017 are shown in Note 23.f.

11. Investments in group companies and associates and other holdings.

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 31 December 2018 and 2017, are shown below:

1) Holdings in group companies

The breakdown of subsidiaries of the Group as of 31 December 2018 and 2017, all of which are consolidated by the global integration method in the consolidated annual accounts, is as follows:

2018

Subsidiaries	Address	Activity	%		Owner of the direct
			Holding	Indirect	
Aena, Sociedad Concesionaria del Aeropuerto Internacional de la Región de Murcia S.M.E., S.A. ("SCAIRM") (1)	Murcia	Company holding the concession for the operation of the Región de Murcia International Airport.	100	-	AENA, S.M.E., S.A.
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 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, S.L.

(2) Companies audited by the KPMG network

2017

Subsidiaries	Address	Activity	%		Owner of the share
			Holding	Indirect	
Aena Desarrollo InternacionalS.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 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, S.L.

(2) Companies audited by the KPMG network

No holding has recorded impairment in the 2018 and 2017 periods, being valued at cost.

The main amounts of share capital, equity, profit and loss and book values relating to the group companies as at the end of 2018 and 2017 were as follows:

Name / Address / Line of business	31 December 2018						
	Thousand euros (*)						
	Fraction of the Direct capital (%)	Share Capital	Operating profit	Net Loss	Rest of Heritage (Contribution from owners)	Total equity	Value in books (*)
Aena Sociedad Concesionaria del Aeropuerto Internacional de la Región de Murcia S.M.E., S.A.(1) Avenida España 101, Valladolises and Lo Jurado (Murcia) / Administrative Concession for the Management, Operation and Maintenance of the Región de Murcia International Airport.	100%	8,500	1,167	(14)	1,191	9,677	9,691
Total							**9,691**

(*) Data obtained from the individual Annual Accounts at 31 December 2018.

(1) Company audited by KPMG Auditores, S.L.

As mentioned in note 3.2, dated 25 January 2018, 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, duly notarising the adjudication agreement on 24 February 2018. Aena thereby complies with the requirements of the Specific Administrative Terms and Conditions of the contract that was awarded 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.

	31 December 2018						
	Thousand euros (*)						
Name / Address / Line of business	**Fraction of the Direct capital (%)**	**Capital**	**Operating Profit**	**Net Profit**	**Rest of equity**	**Total equity**	**Value in books (*)**
Aena Desarrollo Internacional S.M.E., S.A. (1) Peonías, 12. Madrid/ Operation, conservation, management and administration of airport infrastructures.	100%	161,182	45,720	44,198	149,457	354,837	165,032
Total							**165,032**

(**) Data obtained from the individual Annual Accounts at 31 December 2018

(1) Company audited by KPMG Auditores, S.L.

	31 December 2017						
	Thousand euros (*)						
Name / Address / Line of business	**Fraction of the Direct capital (%)**	**Capital**	**Operating Profit**	**Net Profit**	**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	45,140	39,075	110,382	310,639	165,032
Total							**165,032**

(**) Data obtained from the individual Annual Accounts at 31 December 2014

(1) Company audited by KPMG Auditores, SL

In the years of 2018 and 2017, Aena Desarrollo Internacional SME, SA ("ADI") has not distributed dividends.

On the other hand, the Company AENA S.M.E., S.A 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 period 2018 and 2017 are the following (expressed in thousands):

31 December 2018

Name / Address / Line of business	% Holding	Capital	Profit/(loss) for the period	Other equity	Total equity
		Thousand GBP	Thousand GBP	Thousand GBP	Thousand GBP
London Luton Airport Holdings III Limited (*) (1)	51.0%	986	(236)	(20,952)	(20,202)
London Luton Airport Holdings II Limited (*) (1)	51.0%	986	2,994	(57,782)	(53,802)
London Luton Airport Holdings I Limited (*) (1)	51.0%	1,930	10,566	28,950	41,446
London Luton Airport Group Limited (*) (1)	51.0%	5,274	39,302	33,564	78,140
London Luton Airport Operations Limited (**) (1)	51.0%	5,274	39,302	33,564	78,140

(*) Data obtained from the consolidated Annual Accounts at 31 December 2018

(**) Data obtained from the individual Annual Accounts at 31 December 2018

(1) Company audited by KPMG

31 December 2017

Name / Address / Line of business	% Holding	Capital	Profit/(loss) for the period	Other equity	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
London Luton Airport Holdings II Limited (*) (1)	51.0%	986	(14,515)	(13,274)	(26,803)
London Luton Airport Holdings I Limited (*) (1)	51.0%	1,930	(6,940)	73,382	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	32,249	2,424	40,047

(*) Data obtained from the consolidated Annual Accounts at 31 December 2017

(**) Data obtained from the individual Annual Accounts at 31 December 2017

(1) Company audited by KPMG

In the 2013 period, "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 with a holding of 60%.

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 27 November 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 27 November 2013, at a price equivalent to the subscription price of said shares adjusted for certain factors linked to the dividends received by Aerofi, the financial costs of 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 period.

On 16 October 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 thousand 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 thousand euros in 2014 and 65.5 thousand 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 period 2018, this loan generated interest in favour of Aena Desarrollo Internacional SME, SA of 4,362,233 euros (in 2017 the amount was 4,409,415 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.

2) Holdings 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 2018 and 2017 are as follows (expressed in thousands):

	31 December 2018				
Name / Address / Line of business	**% Holding**	**Capital**	**Profit/(loss) for the period**	**Other Equity items**	**Total equity**
Sociedad Aeroportuaria de la Costa S.A. (SACSA)		Thousand COP	Thousand COP	Thousand COP	Thousand COP
Rafael Núñez Airport. Cartagena de Indias-Colombia Cartagena Airport operations (*)	37.89%	3,698,728	47,506,185	(18,370,670)	32,834,243
Aeropuertos Mexicanos del Pacífico, S.A. de CV (AMP)		Thousands MXN	Thousands MXN	Thousands MXN	Thousands MXN
Mexico DF Operator of 12 airports in Mexico (*)	33.33%	1,668,400	925.010	1,096,748	3,690,158
Aerocali, S.A.		Thousand COP	Thousand COP	Thousand COP	Thousand COP
Alfonso Bonilla Aragón Airport Cali-Colombia Cali Airport operation (*)	50.00%	3,800,000	9,890,221	25.701.730	39,391,951

(*) Data obtained from the consolidated Annual Accounts at 31 December 2018

Name / Address / Line of business	31 December 2017				
	% Holding	Capital	Profit/(loss) for the period	Other Equity items	Total equity
Sociedad Aeroportuaria de la Costa S.A. (SACSA)		Thousand COP	Thousand COP	Thousand COP	Thousand COP
Rafael Núñez Airport. Cartagena de Indias-Colombia Cartagena Airport operations (*)	37.89%	3,698,728	30,606,372	11,822,892	46,127,992
Aeropuertos Mexicanos del Pacífico, S.A. de CV (AMP)		Thousand MXN	Thousand MXN	Thousand MXN	Thousand MXN
Mexico DF Operator of 12 airports in Mexico (*)	33.33%	1,903,400	824,837	960,930	3,689,167
Aerocali, S.A.		Thousand COP	Thousand COP	Thousand COP	Thousand COP
Alfonso Bonilla Aragón Airport Cali-Colombia Cali Airport operation (*)	50.00%	3,800,000	17,090,442	14,899,288	35.789.730

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

The 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 29 May 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 amounted to 2,036 thousand euro. 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 31 December 2018 and 31 December 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 31 December 2015 was 159.84 Mexican pesos (MXN) (2017: 202.00 Mexican pesos).

On 11 May 2018, at the General Assembly of Shareholders of the subsidiary of Aeropuertos Mexicanos del Pacifico, SAPI de CV, the share capital reduction in its variable portion was approved for 235,000 thousand Mexican pesos (amount paid to the shareholders as per their stake in society). Therefore, 33.33% of said reduction, that is, 78,333 thousand Mexican pesos, corresponded to Aena Desarrollo Internacional. As a result of this transaction, the Group recognised a cash receipt of 3,344 thousand euros, reduced the shareholding in the associate by 3,518 thousand euros and recorded in equity the difference. This transaction did not generate changes in the shareholding percentage.

At the General Shareholders' Meeting of AMP on 9 May 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 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.

3) Other holdings

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

	(*) Thousands of EUR 2108						
Name / Address / Line of business	**% age stake**	**Capital**	**Profit**		**Other equity items**	**Total equity**	**Total book values as of 31 December 2018**
			Operations	**Net**			
Barcelona Regional Agency Town planning consultant and environmental promoter Edificio Centreservei, Zona Franca Carrer 60, 25-27 Barcelona (*)	11.76%	1,533	21	15	344	1,892	180
Total							**180**

(*) Data obtained from the provisional Annual Accounts at 31 December 2018

	2017 Thousands of EUR (*)						
Name / Registered Address / Activity	**% age stake**	**Capital**	**Profit**		**Other equity items**	**Total equity**	**Total book values as of 31 December 2017**
			Operations	**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 31 December 2017

12. Related party transactions and balances

The details of the debtor and creditor balances maintained with Group and related companies at the closure of 2018 and 2017 are as follows:

Period 2018

	Debtor (Note 13)	Current credits (Taxes) Note 22	Non-current payables (Note 15)	Current debt (Note 15)	Current debt (Taxes) (Note 15)	Fixed asset supplier (Note 15)	Other current financial liabilities	Advances from customers (Note 16)	Creditors (Note 16)
Parent company:									
ENAIRE	692	-	(5,338,514)	(648,238)	-	-	-	-	(25,099)
Transactions with group companies and associates:									
AENA DESARROLLO INTERNACIONAL S.M.E., S.A.	10	1,288	-	-	(1,097)	-	-	(13)	(405)
Aena, Sociedad Concesionaria del Aeropuerto Internacional de la Región de Murcia S.M.E., S.A. (RMIA)	2,427	-	-	-	(6)		(3,672)	(4)	-
London Luton Airport Operations Limited	32	-	-	-	-	-	-	(18)	-
Transactions with related parties:									
Servicios y Estudios para la Navegación Aérea y la Seguridad Aeronáutica, S.A.U. (SENASA)	17	-	-	-	-	-	-	-	(1)
State Meteorology Agency (AEMET)	1	-	-	-	-	-	-	-	(833)
Ingeniería de Sistemas para la Defensa de España, S.A. (ISDEFE)	5	-	-	-	-	(613)	-	-	(407)
Ingeniería y Economía del Transporte, S.A. (INECO)	8	-	-	-	-	(1,617)	-	-	(2,836)
	3,192	**1,288**	**(5,338,514)**	**(648,238)**	**(1,103)**	**(2,230)**	**(3,672)**	**(35)**	**(29,581)**

2017 Period:

	Debtor (Note 13)	Current receivables	Current credits (Taxes) Note 22	Non-current payables (Note 15)	Current debt (Taxes) (Note 15)	Current debt (Note 15)	Fixed asset supplier (Note 15)	Creditors (Note 16)
Parent company:								
ENAIRE	35	1,700	-	(6,104,218)	(683,540)	-	-	(25,498)
Transactions with group companies and associates:								
AENA DESARROLLO INTERNACIONAL S.M.E., S.A.	35	-	1,090	-	-	(1,078)	(28)	(715)
Transactions with related parties:								
Servicios y Estudios para la Navegación Aérea y la Seguridad Aeronáutica, S.A.U. (SENASA)	-	-	-	-	-	-	-	-
State Meteorology 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)**

The detail of the transactions carried out with group companies and linked during the 2018 period is as follows (in thousands of euros):

	ENAIRE (Public Body)	Aena Desarrollo Internacional S.M.E., S.A.	INECO	AEMET	ISDEFE	SENASA	RMIA	London Luton Airport Operations Limited
Revenue from rendering of services	(401)	(113)	(23)	-	(7)	(70)	(2,004)	(13)
Services received	1,158	-	12,417	-	3,005	3	-	-
Supplies: Subcontracted work (Note 23.a)	136,472	1,758	1,428	10,000	-	-	-	-
Acquisitions of fixed assets (Note 6 and 7)	-	284	2,058	-	1,999	-	-	-
Finance income (Note 23f)	(1,029)	-	-	-	-	-	-	-
Losses attributed to hedging instruments (Note 19d)	-	-	-	-	-	-	-	-
Finance expenses (Note 23f)	69,588	46	-	-	-	-	-	-

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
Revenue from rendering of services	(305)	(53)	-	-	(5)	-
Services received	1,073	-	10,669	-	3,191	-
Supplies: Subcontracted work (Note 23.a)	138,930	1,745	2,228	10,000	-	-
Acquisitions of fixed assets (Note 6 and 7)	-	407	5,729	-	2,936	-
Finance income (Note 23f)	(867)	-	-	-	-	-
Losses attributed to hedging instruments (Note 19d)	183	-	-	-	-	-
Finance expenses (Note 23f)	64,197	-	-	-	-	-

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

Principal contracts:

The following are the contracts entered into by the Company with its majority shareholder, the public business entity "ENAIRE", and the rest of the group companies and related companies for the 2018 and 2017 periods:

- ENAIRE

On 20 December 2016, the ATM (Air Traffic Management) and CNS (Communication, Navigation, Surveillance) Agreement was approved by the Board of Directors of AENA S.M.E., S.A "Agreement on 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 31 October 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, economic benefits between the parties during 2018 amounted to 80.3 thousand euros (2017: 7.1 thousand euros) recorded at market value, although the amount paid by ENAIRE amounted to 20.1 thousand euros (2017: 1.8 thousand euros).

- Aena Desarrollo Internacional S.M.E., S.A.

On 1 October 2014 and effective as of 1 April 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 1 December 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 S.M.E., S.A 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 rendered is set annually and is revised according to the volume of services provided. In 2018, the services rendered amounted to 113 thousand euros (2017: 104 thousand euros).

- Aena, Sociedad Concesionaria del Aeropuerto Internacional de la Región de Murcia S.M.E., S.A.

Dated 25 April 2018, an agreement was signed whereby Aena, Sociedad Concesionaria del Aeropuerto Internacional de la Región de Murcia, S.M.E., S.A., contracts Aena, SME, SA for the provision of advisory services and assistance in the planning, organisation, coordination and management of business activity areas. The contract has a duration of 3 years from the signing of the same. Amongst the services provided, the following are noteworthy;

- Financial Management
- Legal advice and asset management
- Human Resources Management
- Management of the President's Office
- Commercial Manager
- Communication Manager

The provision of services will be undertaken in two phases;

1. Pre-operative stage: from the signing of the agreement until the start of operations at the Airport.
2. Operational Stage: begins from the entry into operation of the Airport until the termination of the agreement.

In 2018, the services provided under this agreement amount to 2,000 thousand euros.

- INECO

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.

- ISDEFE

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 8 November 2013:

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

- AEMET

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 of 7,500,000 euros for the period from March to November of that year 2014, and monthly payments of 833,333 euros henceforth, equivalent to a payment amounting to 10 million euros per year.

13. Trade and other receivables

The balance on the heading "Trade and other receivables" of the Balance Sheet attached at the closure of 2018 and 2017 is broken down as follows:

	Thousand euros	
	2018	**2017**
Clients for services supplied	408,744	303,123
Doubtful trade receivables	90,712	94,090
Minus: provision for impairment	(107,854)	(114,491)
Trade receivables from group companies and associates (Note 12)	3,161	70
Other receivables (*)	7,542	7,423
Employment	865	371
Current tax assets (Note 22)	0	34
Public entities, other (Note 22)	8,742	24,551
	411,912	**315,171**

(*) The heading of Other receivables includes the outstanding balance corresponding to the incident due to the invasion of the runways at El Prat Airport on 28 July 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:

	Thousand euros	
	2018	**2017**
World Duty Free	115,243	87,505
Iberia, Líneas Aéreas de España, S.A.	30,315	23,886
Vueling Airlines	28,410	682
Áreas, S.A	25,443	17,725
Cemusa Corporación Europea.	18,388	16,796
Air Europa Líneas Aéreas, S.A.	16,698	15,727
Air Nostrum	10,488	10,347
Sinapsis Trading	9,149	4,546
Easy Jet Airlines Co. Ltd.	8,659	8,025
Select Service Partner, S.A.	7,388	4,893
Pansfood S.A	6,707	5,330
CLH Aviación	5,133	3,917
Lagardere Travel Retail S.A.	4,790	3,488
Others	121,933	100,256
	408,744	**303,123**

The movement in the account of provisions for trading transactions in 2018 and 2017 was as follows:

	Thousand euros	
	2018	**2017**
Opening balance	114,491	123,133
Variation in provision for impairment	(6,042)	(8,642)
Murcia San Javier airport segregation	(595)	-
	107,854	**114,491**

In addition to the variation of 6,042 thousand euros (2017: 8,642 thousand euros) in the provision for impairment due to commercial operations, during the year 2018, the heading "Losses, impairment and variation of provisions for operations" in the profits and loss statement, revenue for an amount of 5,512 thousand euros (2017: 2,570 thousand euros), for definitive losses given by the State Agency of Tax Administration of debts sent to the enforcement procedure, up to the positive figure of 530 thousand euros that appear in this heading (2017: 6,072 thousand euros).

As of 31 December 2018 and 2017, there are no balances receivable in currencies other than the euro.

14. Current financial investments

The balance of the accounts under the heading "Current financial investments" at the end of the 2018 and 2017 periods is as follows:

	Thousand euros	
	2018	**2017**
Loans to companies	151	195
Current guarantees and deposits	1,443	1,418
	1,594	**1,613**

15. Financial debts

a) Debts with group companies and associates

The Company's loans and credits are entered into at 88% at revisable fixed / fixed interest rates (see Note 5), and the remaining percentage is formalised at variable rates generally referenced to the Euribor (2017: 88% at revisable fixed / fixed interest rates and the remaining percentage is drawn up at variable rates generally referenced to Euribor). The average rate of debt in 2018 was 1.30% (2017: 1.45%) (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 S.M.E., S.A 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 also specifies that the public business entity “Aeropuertos Españoles y Navegación Aérea” is the formal borrower as regards the financial lending institutions, but it also recognises that Aena, S.M.E., S.A. is obliged to pay the percentage of the active balance of the debt of the public entity attributable to the airport line of business at the time of the contribution of any of the payments that the public business entity “Aeropuertos Españoles y Navegación Aérea" is required to pay to the financial institutions, in accordance with the financial conditions and the other terms and stipulations established in the Financing Agreements.

On the other hand, in the Council of Ministers of 11 July 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 S.M.E., S.A 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 (non-current and current financial debt) and hedging agreements underwritten with all of the agreements compatible with the entire group of financial institutions, on 29 July 2014, the public entrepreneurial body "ENAIRE", AENA S.M.E., S.A 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 S.M.E., S.A (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 S.M.E., S.A, 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 S.M.E., S.A and the sale of a percentage of shares higher than 49%.

- The obligation to comply with certain financial ratios, based on the consolidated statement of total changes in equity 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 finance 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 securities 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 1 July 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 results from operating activities plus (i) allocations for amortisation and impairment and gains/(losses) on disposal of fixed assets and provisions to the reversion (provided that the latter were previously deducted for the calculation of results from operating activities), 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 results from operating activities 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.

Finance expenses: Means the expenses associated with financial debt, i.e. finance expenses recorded as such, for the twelve (12) days prior to the date of appropriate calculation, including (i) the exchange gains/(losses) relating to interests of the 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/Finance expenses ratio refers to the resulting ratio of the ratio between EBITDA and Finance expenses for each calculation period during the term of the Contract.

Ratio	2017	2018	2019	2020	2021 and subsequent years
Net debt/adjusted EBITDA less than or equal to:	7.00x	7.00x	7.00x	7.00x	7.00x
EBITDA/Finance 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 the clauses that restrict the availability of assets: AENA S.M.E., S.A 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 S.M.E., S.A

As a consequence of said renwals and to pick up the modifications in the contractual relationship for the loan with the public business entity "ENAIRE", on 29 July 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 1 July 2011 by which they contributed to AENA S.M.E., S.A 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 for renewal purposes 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 S.M.E., S.A 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 S.M.E., S.A of the same financial ratios, as detailed in the renewals 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 favour 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 S.M.E., S.A 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 S.M.E., S.A and the public entrepreneurial body "ENAIRE" is maintained through the debt recognition contract.

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

In any case, the non-payment by AENA S.M.E., S.A 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 S.M.E., S.A, 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 S.M.E., S.A is protected against by law, without having been sentenced to make payment of the same.

d) Generalised seizures of goods of AENA S.M.E., S.A 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 S.M.E., S.A 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 S.M.E., S.A 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 S.M.E., S.A contracted by subsidiaries and/or other companies of the Aena group.

g) Except when express authorisation had been given in writing: 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 31 December, 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 property, plant and equipment 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 S.M.E., S.A of its obligations under the debt recognition contract:

- AENA S.M.E., S.A 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 favour of ENAIRE (this obligation also arises in case of loss of control of AENA S.M.E., S.A by ENAIRE).

- The amounts unpaid by AENA S.M.E., S.A 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 S.M.E., S.A, ENAIRE will be subrogated in the rights and guarantees of the creditor against AENA S.M.E., S.A 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 S.M.E., S.A 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 S.M.E., S.A

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 31 December 2018, is as follows (in thousands of euros):

Financial institutions	Amount
BEI	3,592,240
ICO	1,752,230
FMS	666,670
Total Joint-borrowers	**6,011,140**

Of the above 6,011,140 thousand euros, AENA S.M.E., S.A owes to the public entity "ENAIRE" the debt derived from the contribution of the airport activity, which as of 31 December 2018 amounts to an amount of 5,932,469 thousand euros. euros, 98.7% of the total credited debt. Furthermore, AENA S.M.E., S.A owes the public entity "ENAIRE", in other loans, 43,754 thousand euros.

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 2018 and 31 December 2017.

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 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, 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.

Likewise, in July 2018, Aena carried out a new early amortisation of the total debt outstanding with Depfa at that date, which amounted to 166,075 thousand euros.

As a result of these actions, as of 31 December 2018 there is no debt in Aena affected by the change in the risk weighting.

In relation to the costs incurred as a result of the change in the risk weight, they are expected to be regularised throughout the coming years. In 2017, these costs amounted to 11.8 million euros, corresponding to the payment of the guarantee required by the bank Depfa to maintain its debt with Aena, were provisioned at 31 December 2016 and paid on 22 March 2017. As of 31 December 2017, revenue was recorded as a recovery of part of this expense amounting to 0.9 million euros. In 2018, the costs associated with the early cancellation of the debt with Depfa amounted to 17.2 million euros corresponding to the present value of the interest pending payment from the date of the early cancellation until the original maturity (09/15/2022). As of 31 December 2018, a revenue of 1.0 million euros has been recorded as a partial recovery of the guarantee imposed on the debt cancelled during that year.

The maturity schedule of the outstanding instalments of the principal of the current and non-current debt with the public company ENAIRE for the financing of the airports (Note 10) at the close of the 2018 period, is as follows:

Contributions with Maturity	**Thousand euros 2018**
2019	633,744
2020	633,619
2021	546,349
2022	535,836
2023	514,364
Following	3,112,311
Total	**5,976,223**

The breakdown of the headings " Non-current payables with group companies and associates" and "Current payables with group companies and associates" of the liabilities of the balance sheet as of 31 December 2018 and 2017 is shown below:

	Thousand euro					
	2018			**2017**		
Payables with group companies and associates (Note 12)	**Non-current**	**Current**	**Total**	**Non-current**	**Current**	**Total**
Debts with ENAIRE	5,342,479	633,744	5,976,223	6,109,084	665,199	6,774,283
Debt commissions	(3,965)	(401)	(4,366)	(4,866)	(471)	(5,337)
Interest accrued	-	14,895	14,895	-	18,812	18,812
Debts due to tax effect	-	1,103	1,103	-	1,078	1,078
Current account with SCAIRM	-	3,672	3,672	-	-	-
Fixed asset suppliers	-	-	-	-	28	28
Total	**5,338,514**	**653,013**	**5,991,527**	**6,104,218**	**684,646**	**6,788,864**

At 31 December 2018 and 2017 the non-current and current debts were denominated in Euro.

The variations in the loan balance of ENAIRE, produced during the year 2018, correspond mainly to the amortisation of principal amounting to 798,060 thousand euros, of which 166,075 thousand euros correspond to the early amortisation of debt with a fixed interest rate model with Depfa Bank, as explained above. The reconciliation between the opening and closing balances in the statement of financial position of the components of Financial debts from the parent company is as follows:

		Cash flow					
	31 December 2017	Financing activities Collections	Financing activities Payments	Operating activities Interest payments	Current/Non-current transfers	Accrued interest	31 December 2018
Non-current							
Loan from AENA S.M.E., S.A with ENAIRE	6,109,084	-	-	-	(766,605)		5,342,479
Adjustment of the loan from ENAIRE using the effective cost criteria.	(4,866)	-	-	-	45	856	(3,965)
Subtotal Aena, S.M.E., S.A. non-current debt with ENAIRE	**6,104,218**	**-**	**-**	**-**	**(766,560)**	**856**	**5,338,514**
Current							
Loan from ENAIRE	665,199	-	(798,060)	-	766,605		633,744
Adjustment of the loan from ENAIRE using the effective cost criteria.	(471)	-	-	-	(45)	115	(401)
Interest accrued on loans from ENAIRE	18,812	-	-	(55,285)		51,368	14,895
Subtotal Aena, S.M.E., S.A. current debt with ENAIRE	**683,540**	**-**	**(798,060)**	**(55,285)**	**766,560**	**51,483**	**648,238**
Total	**6,787,758**	**-**	**(798,060)**	**(55,285)**	**-**	**52,339**	**5,986,752**

The variations in the balance of the loan of ENAIRE, produced during the period 2017, correspond mainly to amortisation 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 Financial debts from the parent company is as follows:

		Cash flow						
	31 December 2016	Financing activities Collections	Financing activities Payments	Operating activities Interest payments	Current/Non-current transfers	Accrued interest	Fair value variations	31 December 2017
Non-current								
Loan from AENA S.M.E., S.A with ENAIRE	7,493,942	-	-	-	(1,384,858)	-	-	6,109,084
Loan balance adjustment with ENAIRE by cost effective criterion	(6,761)	-	-	-	467	1,428	-	(4,866)
Subtotal Aena, S.M.E., S.A. non-current 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 with 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 hedging derivatives attributed by ENAIRE	176	-	-	-	-	-	(176)	-
Subtotal Aena, S.M.E., S.A. current debt with ENAIRE	**810,578**	**-**	**(1,497,288)**	**(76,735)**	**1,384,391**	**62,770**	**(176)**	**683,540**
Total	**8,297,759**	**-**	**(1,497,288)**	**(76,735)**	**-**	**64,198**	**(176)**	**6,787,758**

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	
	2018	2017	2018	2017
Debt with ENAIRE	5,338,514	6,104,218	5,347,229	6,105,413
Total (Note 12)	**5,338,514**	**6,104,218**	**5,347,229**	**6,105,413**

The fair value of current Financial debts is similar to their carrying value, as the impact of the discount is not significant. The fair values for the debt with a term greater than one year are based on the discounted cash flows at risk-free rates (OIS curve) plus a *spread* equal to the CDS of Aena modelled (81 bps) (2017: the *swap* curve) Euribor 12M plus a *spread* equal to the AES modelled CDS (62 bps).

As reported in Note 5, the Company has modified the rate regime for those loans at a reviewable rate that could 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% annual rate).

In 2018, no review process has taken place that involves modification of the debt type regime.

b) Debt with financial institutions

During the year 2017, Aena underwrote debt with various institutions amounting to 650,000 thousand euros with a maturity of 5 years. The interest rate regime for this debt is a fixed rate close to 0.69% per annum. The breakdown is as follows:

Financial institutions	Amount
BBVA	250,000
UNICAJA	150,000
ENG	50,000
Kutxabank	50,000
POPULAR	50,000
BNP	50,000
BANKINTER	25,000
SABADELL	25,000
TOTAL	**650,000**

In this loan, an opening fee of 126 thousand euros was incurred, of which 87 thousand euros remain unpaid as of 31 December 2018.

As a result, the balance of non-current debt with financial institutions amounted to 649,913 thousand euros at 31 December 2018 (31 December 2017: 649,888 thousand euros). Its fair value, using the same methodology as in the case of the debt with Enaire, amounts to 652,836 thousand euros.

The balance of the heading "Debt with financial institutions" as of 31 December 2018 amounted to 1,841 thousand euros, arising from accrued interest pending payment (31 December 2017: 1,848 thousand euros).

Dated 29 July 2015 credit facilities with banks were signed totalling 1,000 million euros with maturity in 2019 to meet any specific treasury cash flow needs. In December 2018, these policies were cancelled by signing, on 12 December 2018, a new contract for a Sustainable Syndicated Credit Line (ESG-linked RCF) for an amount of 800 million euros, according to the following detail per institution:

BANKING INSTITUTION	**AMOUNT (Thousand euros)**
BBVA	190,000
SANTANDER	160,000
BANKINTER	100,000
SABADELL	100,000
UNICAJA	100,000
KUTXA	100,000
IBERCAJA	50,000
TOTAL	**800,000**

The maturity of this new Credit Line, of which no amount has been used as of 31 December 2018, is 5 years, renewable for two more years. Likewise, the interest rate is variable, with an initial spread over the 1-month Euribor of 0.275% and a user fee that varies between 0.075%, 0.15% and 0.33%, depending on the average balance arranged according to ≤ 33%, > 33% ≤ 66% or > 66% respectively.

The initial spread is reviewed annually based on the following two variables:

a) Moody's and/or Fitch credit evolution of AENA according to the following table:

CREDIT RATING	Applicable margin
A+/A1 o superior	0.225%
A/A2	0.250%
A-/A3	0.300%
BBB+/Baa1	0.350%
BBB/Baa2	0.400%
BBB-/Baa3 o inferior	0.550%

b) The evolution of Aena sustainability parameters in environmental, social and good governance issues (ESG rating "Environmental, Social and Governance") evaluated by the ESG scoring provider selected by AENA (Sustainalytics), meaning that if the score increases or it diminishes in 5 or more points with respect to the initial one, the resulting applicable margin will be reduced by 0.025% in the first case and will increase in the second.

c) Cash flow hedges

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

The parent company had certain financial instruments contracted for interest rate cover which are transferred to AENA S.M.E., S.A. to cover the debt between the two companies. As of 31 December 2018, and 2017, there was no pending derivative notional with ENAIRE. Therefore, in the period ended 31 December 2018, no amount has been charged to the income statement as a financial expense for the settlement of these hedging instruments (period ended on 31 December 2017: 183 thousand euros).

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

As was explained in Note 3, on 10 June 2015 Aena signed a hedging transaction from variable interest rate to fixed with lending entities 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, for an amount of 4,195.9 million euros.

Its main characteristics as of 31 December 2018 and 31 December 2017 are as follows:

	Grading	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	Bi-annual
Interest rate swaps	Cash flow hedge	Variable (Euribor 6M) to Fixed (0.1440%)	290,000 (*)	27/12/2016	15/12/2020	Bi-annual

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

The amounts of the notional principal of said interest rate swap agreements outstanding as of 31 December 2018 amount to 2,750,720 thousand euros (31 December 2017: 3,064,713 thousand euros).

The ICO loan of 300 million euros was renewed in 2016. The derivative associated with this loan was also modified to make it coincide with the new payment schedule, with the fixed rate shifting from 0.2941% per annum to 0.144% per annum.

During the year 2018, 37,933 thousand euros (2017: 40,347 thousand euros) have been charged to the income statement for derivatives contracted by Aena, as finance expense for settlement of hedging instruments (2017: total of 40,530 thousand euros, including finance expenses for "mirror" derivatives of Enaire) (Note 23f).

The fair value of these derivatives amounted to 89,283 thousand euros at 31 December 2018 (31 December 2017: 82,655 thousand euros), and its breakdown between the current and non-current part is as follows:

Fair value recorded in "Non-Current Liabilities" at 31 December 2018 (in thousands of euro)	Fair value recorded in "Current Liabilities" at 31 December 2018 (in thousands of euro)
56,543	32,740

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 euro)
45,645	37,010

At 31 December 2018 and 2017, the hedging derivatives held by the Company 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 creditor balances for trading transactions are as follows:

	Thousand euros	
Trade and other payables	**2018**	**2017**
Suppliers, group companies and associates (Note 12)	25,372	26,213
Other payables	171,947	149,437
Employment	27,975	30,141
Public entities, other (Note 22.1)	46,359	21,194
Advances from customers	49,614	50,117
Total	**321,267**	**277,102**

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

	2018	**2017**
	Days	**Days**
Average supplier payment period	48	51
Ratio of transactions paid	51	54
Ratio of transactions outstanding payment	21	18

These parameters have been calculated in accordance with the provisions of Art. Art. 5 of Resolution *of 29 January 2016 published by the Accounting and Auditing Institute, on the information to be included in the Annual Accounts report in relation to the average payment period to suppliers in commercial transactions, as follows*:

1. 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).

2. 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.

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

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

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 2018 (thousand euros)	**Amount 2017 (thousand euros)**
Total payments made	845,628	798,711
Total payments outstanding	96,975	79,454

The calculation of the PMP is carried out on the invoices received and conformed pending payment corresponding to the suppliers that, by their nature, are suppliers of goods and services, so that only the data related to the item "Other payables" in the heading are considered as "Commercial debtors and other accounts payable". The "Other payables" account balance is greater than that of "pending payments", since the balances from invoices pending collection and/or conformity are included in the same.

In 2018, the average payment periods were adapted to the periods set forth in Law 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 and lack of certificates of proof of supplier bank accounts, among others.

17. Inventories

The balance of the "Inventories" caption at the end of the 2018 and 2017 periods is broken down into the following items:

	Thousand euro	
	2018	**2017**
Spare parts	6.775	6.591
Provision for impairment of inventories	(134)	(134)
	6,641	**6,457**

The balance of inventories includes principally materials and spare parts used by the Company in operational activity.

18. Cash and cash equivalents

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

	Thousand euro	
	2018	**2017**
Cash and bank deposits	467,444	718,115
	467,444	**718,115**

At 31 December 2016 and 2017, cash and cash equivalents are not available for use.

19. Equity

a) Share capital

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

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

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

On 23 January 2015 the Council of Ministers approved the sale of 49% of Aena by an Initial Public Offer, registering the IPO prospectus with the CNMV (National Securities Market Commission) on 23 January 2015. Trading in AENA S.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 2015 and 2014, the AENA S.M.E., S.A.'s share capital was represented by 150,000,000 ordinary fully paid shares of 10 euro each. These shares bear the same financial and voting rights.

On 31 December 2018, there are no capital increases in progress nor authorisations to operate in own shares.

According to available information, as of 31 December 2018 stock held to the value of more than 10% was the following:

Enaire	51.00%

As of December 31, 2017, the holdings higher than 10% were the following:

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

[1] The Children's Investment Fund Management indirectly owns 3.607% through certain equity swaps (CFDS)

b) Reserves

Share premium

The redrafted text of the Corporate Enterprises Law 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 2018 and 2017, the Share Premium of the Company amounted to 1,100,868 thousand euro.

Capitalisation reserve

The capitalization reserve for the amount of 113,626 thousand euros (2017: 70,566 thousand euros) comes from the approval of the distribution of profits of the Company for the years ended as of 31 December 2015. Said capitalisation reserve has been allocated in accordance with articles 25 and 62 of the Corporate Income Tax Law, which establishes that the reserve be set aside for the amount of the right to reduce the tax base of the fiscal group for the year. The right to reduce the tax group's tax base amounts to 10% of the increase of the capital and reserves without valuation adjustments of the tax group, as defined in said article, without in any case exceeding the amount of 10% of the positive tax base of the fiscal group of the tax period prior to the reduction and integration referred to in section 12 of article 11 of the Law and the compensation of negative tax bases. However, in case of insufficient tax base of the tax group to apply the reduction, the pending amounts may be applied in the tax periods ending in the two years immediately following the closing of the tax period in which the right was generated. to the reduction, together with the reduction that may correspond in that year and with the indicated limit. The reserve is unavailable and is conditioned on maintaining the increase of the capital and reserves without valuation adjustments of the fiscal group for a period of 5 years from the close of the tax period to which the reduction corresponds, except for the existence of accounting losses.

Legal reserve

The legal reserve must be funded in accordance with Article 274 of the Corporate Enterprises Law. This article requires that, in any event, a figure equal to 10% of the profits from the period is earmarked for the legal

reserve, until its amount attains at least 20% of the share capital.

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 applying the profit/(loss) for the 2017 period, at the close of the 2018 period the legal reserve amounts to 300,000 thousand euros (31 December 2017: 299,198 thousand euros), reaching the minimum limit legally established in accordance with article 274 of the Law of Capital Companies.

Other reserves

At the close of the 2018 and 2017 periods, fully available voluntary reserves are included in this heading.

Allocation of earnings

The allocation of profit/(loss) for the period for 2018 proposed by the Board of Directors to the General Shareholders' Meeting was the following:

	Thousand euro
Basis of allocation:	
Profit for the year	1,301,182
Distribution:	
Dividends	1,039,500
Capitalisation Reserve	20,089
Voluntary Reserves	241,593

The distribution of the Company's profits for the year ended on 31 December 2017, approved by the General Shareholders' Meeting at its meeting held on 10 April 2018, was as follows:

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

After this approval by the General Shareholders' Meeting, during the year 2018 the proposed dividend of 975,000 thousand euros was paid (year 2017: payment of dividends of 574,500 thousand euros).

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

c) Adjustments for value changes

The movements in 2018 and 2017 in this reserve due to value corrections in the cash flow hedges (see Note 15) are as follows:

	2018			
	Opening balance	**Variations in Fair value**	**Amount attributed to earnings**	**Balance 12/31/2018**
Cash flow hedges				
Aena interest rate swaps	82,655	43,961	(37,333)	89,283
Tax effect	(20,663)	(10,990)	9,333	(22,320)
Total	**61,992**	**32,971**	**(28,000)**	**66,963**

	2017			
	Opening balance	**Variations in Fair value**	**Amount attributed to earnings**	**Balance at 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**

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 2018 are as follows:

	Opening balance	**Additions**	**Amount attributed to earnings**	**Balance 12/31/2018**
Capital grants from official European bodies				
Amount	552,080	73,808	(95,076)	530,812
Tax effect	(138,020)	(18,452)	23,769	(132,703)
Net	**414,060**	**55,356**	**(71,307)**	**398,109**

	Opening balance	**Additions**	**Amount attributed to earnings**	**Balance at 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**

Grants from the European Regional Development Fund (ERDF)

The details by operative programmes of gross grants received during 2018 and 2017 are as follows, in thousand euro:

	Thousand euros	
	2018	**2017**
Andalusia Operative Programme	2,443	2,451
Operative Programme Community of Valencia	-	1,319
Operative Programme Region of Murcia	4,579	5,570
Operative Programme Community of Valencia	42,714	-
Operative Programme Canary Islands	18,233	-
Operative Programme Community of Estremadura	1,561	-
Operative Programme C. Castile and Leon	904	-
Operative Programme Knowledge-driven economy	17,663	-
Total Funds from ERDF	**88,097**	**9,340**

At the end of 2018, the Company understands that it has complied with all requirements necessary to receive and enjoy the above grants.

20. Accruals

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 shops across the entire network of airports in Spain. These contracts are valid until 31 October 2020 and included an advance by 332,442 thousand euros, which is periodically offset by billing during said validity period. In this respect, as of 31 December 2018, the current advance amounts to 41,714 thousand euros (2017: 40,497 thousand euros), and the non-current advance amounts to 38,296 thousand euros (2017: 80,011 thousand euros), which are recorded under the headings "Non-current accruals" and "Current accruals" of the attached balance sheet.

	Non-current liability		Current liability	
	2018	**2017**	**2018**	**2017**
Sureties	4,861	5,314	-	-
Accruals	38,296	80,011	41,714	40,497
Total	**43,157**	**85,325**	**41,714**	**40,497**

The non-current accrual account, initially recorded for the amount received (278,933 thousand euros), is subject to an annual update against finance expenses. These finance expenses amounted to 9,471 thousand euros in 2018 (2017: 7,591 thousand euros) (Note 23.f).

As of 31 December 2018, the balance of asset accruals includes 6,003 thousand euros, corresponding mainly to prepaid insurance premiums (2017: 5,639 thousand euros) and 651 thousand euros corresponding to the opening commissions for credit lines that the Company contracted with credit institutions (2017: 0 euros) (see Note 15).

	Current asset	
	2018	**2017**
Accruals	6,654	5,639
Total	**6,654**	**5,639**

21. Provisions

The movements in 2018 and 2017 in the accounts included under this heading were as follows:

	Thousand euros						
	Provision for Employment Commitments	**Expropriations and late-payment**	**Liabilities**	**Taxes**	**Environmental actions**	**Other operating provisions**	**Total**
Opening balance	**8,646**	**15,081**	**22,172**	**11,798**	**56,646**	**49,071**	**163,414**
Allocations	1,276	434	12,971	2,198	26,771	31,120	74,770
Discount additions	119	-	-	-	-	-	119
Reversals/Excesses	-	(2,142)	(10,319)	(3,242)	(6,386)	(8,587)	(30,676)
Applications	(646)	(122)	(3,243)	(178)	(6,309)	(44,209)	(54,707)
Segregation in AIRM (*)	(82)	-	(8)	-	-	(160)	(250)
Closing balance	**9,313**	**13,251**	**21,573**	**10,576**	**70,722**	**27,235**	**152,670**
Current part	-	2,861	16,159	7,428	11,014	22,346	**59,808**
Non-current part	9,313	10,390	5,414	3,148	59,708	4,889	**92,862**

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

The movements on the accounts of Provision for employment commitments during 2018 and 2017, in thousand euro, were as follows:

	2018		
	Provision for long service awards	**Provision for early retirement bonuses**	**Total Provision for employment commitments**
Opening balance as of 1 January 2018	**8,106**	**540**	**8,646**
Allocations	577	26	603
Actuarial (GAINS)/LOSSES	577	96	673
Increase due to discounts	111	8	119
(Applications) / Rebates	(646)	-	(646)
Segregation in AIRM	(76)	(6)	(82)
Closing balance (31 December)	**8,649**	**664**	**9,313**

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

a) Provision for employment commitments

Provision for long service awards

As of 31 December 2018, the balance of the liabilities recognized in the balance for this provision is 8,649 thousand euros (2017: 8,106 thousand euros). The allocation for the year 2018 amounted to 688 thousand euros (2017: 687 thousand euros), of which 111 thousand euros correspond to the financial cost (2017: 111 thousand euros), having obtained actuarial losses of 577 thousand euros. euros (2017: actuarial gains of 121 thousand euros).

Provision for early retirement bonuses

At 31 December 2018, the balance of the liability recognized on the balance sheet is 664 thousand euros (2017: 540 thousand euros), which corresponds to the difference between the present value of the obligation accrued as of 31 December 2018 of 664 thousand euros (2017: 540 thousand euros) and the fair value of the assets affected by the Plan of 0 euros (2017: 0 euros). The net additions for the year corresponded to the normal cost of services for the year: 25 thousand euros (2017: 23 thousand euros), financial cost: 8 thousand euros (2017: 8 thousand euros), rebates: 0 euros (2017: 0 euros), actuarial losses of 96 thousand euros (2017: actuarial losses of 11 thousand euros), and active yields affected 0 euros (2017: 0 euros).

Other employment commitments

The agreement stipulates a pension plan as post-employment retribution to workers. For this benefit, the Company has made definite contributions to the fund during the years prior to 2013. However, for the years 2017, 2016, 2015, 2014 and 2013, the Company did not make these contributions due to the elimination established in Law 3/2017 of 27 June, Law 48/2015, of 29 October, Law 36/2014, of 26 December, Law 22/2013 of 23 December and Royal Decree Law17/2012 of 27 December, respectively. In these it is established that public business enterprises cannot make contributions to pension plans for employees or group insurance contracts which include cover for retirement.

b) Expropriations and late-payment

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

At 31 December 2018, 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. The set of these rulings and risks has led to a provision amounting to 6,518 thousand euros at 31 December 2018, of which 4,276 thousand euros corresponded to fair value differences, which have had a higher land value, and 2,246 thousand euros in late-payment interest accrued as of 31 December 2018, which was offset by interest expense for expropriation delays (31 December 2017: 6,390 thousand euros, of which 4,276 thousand euros corresponded to differences of fair value, which had as a counterpart greater value of land, and 2,113 thousand euros to interest on arrears accrued as of 31 December 2017, which had as counterpart expense for interests of delay of expropriations).

There are additional provisions amounting to 6.7 million euros (31 December 2017: 8.7 million euros), corresponding to other disputes at other airports in the network.

Reversals identified in the movement of the provision during the 2018 and 2017 periods are the consequence of the result in favour of Aena mainly owing to a number of rulings in several disputes considered at that time, due to the experience in similar cases, which would be resolved contrary to the interests of Aena.

The interest expense for expropriations as of 31 December 2018, once the aforementioned reversals were taken into account, amounted to 310 thousand euros (31 December 2017: finance income amounting to 4,594 thousand euros) (see Note 23.F).

c) Provision for liabilities

This heading mainly records provisions made based on the best estimates available to Company Directors to cover risks relating to litigation, claims and commitments in progress that are known at the end of the year and for which the expectation is that an outflow of resources in the medium or long-term is likely. As of 31 December 2018 and 2017, the balances of the Provision corresponded, mainly, to claims made by contractor companies, airline claims and industrial disputes.

During the year 2018, the allocations made by the Company, for a total amount of 12,971 thousand euros, corresponded to industrial related claims (3,271 thousand euros), various claims from tenants of premises and land (1,014 thousand euros), claims of contractors for works and other risks (8,686 thousand euros). During the 2017 period, the allocations made by the Company, for a total amount of 7,308 thousand euros, corresponded mainly to claims of an industrial origin (2,184 thousand euros), various claims from tenants of premises and land (872 thousand euros) and claims from works' contractors (956 thousand euros).

During the same period in 2018, the reversals amounting to 10,319 thousand euros (2017: 15,974 thousand euros) correspond, mainly, to favourable judgments to the Company of disputes with construction companies amounting to 5,047 thousand euros (2017: 10,603 thousand euros) for which it is estimated that there will be no unfavourable economic consequences, for which reason this amount has been reversed with a credit to the value of the fixed assets against which the allocations were originally allocated. The rest of the reversals, amounting to 5,272 thousand euros (2017: 5,371 thousand euros) have been credited to the income statement, mainly in the "Excess of provisions" heading, or decreasing personnel expenses due to favourable industrial ruling obtained. In particular, with regard to the provision made at the time for unfavourable rulings on claims made by airlines, amounting to 4,111 thousand euros, against the rates applicable from 1 July 2012, the repercussion of which had not been possible for final passengers, 1,380 thousand euros have been reversed, given that finally some companies submitted requests for the refund of undue revenue (as required by the ruling) for an amount lower than initially provided for. During period 2018, 1,169 thousand euros were paid for this entry.

The Company's directors do not believe that liabilities in addition to those already known that could significantly affect these Annual Accounts will arise.

d) Taxes

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

The amount of the reversals, credited in their entirety to the profits and loss statement under "Surplus allocations", is mainly related to the requirements of these tax settlements in favour of the parent company.

e) Provision for environmental actions

This heading acknowledges provisions amounting to 68,869 thousand euros (31 December 2017: 54,793 thousand euros) related to the obligations provided for to carry out acoustic insulation and soundproofing of residential areas to comply with regulations in force regarding noise generated by airport infrastructures.

Additionally, up to a total of 70,722 thousand euros (2017: 56,646 thousand euros), an environmental provision of 1,853 thousand euros (2017: 1,853 thousand euros) is recognised in relation to the additional measures contemplated in the ruling of 9 April 2015, of the Secretary of State for the Environment, which modifies the ninth condition of the Environmental Impact Statement of the Adolfo Suárez Madrid-Barajas Airport on 30 November 2001, and which foresees actions in the Gravera de Arganda, biological corridors and Jarama river.

The increase in the provision for environmental actions during the year 2018 has been due to the approval of acoustic easement in several airports of the Spanish network, which has led to an additional allocation of 26.8 million euros, and whose counterparty is contained in the "Property, plant and equipment" heading.

The reversal occurred during the period 2018 in the amount of 6,386 thousand euros relates, fundamentally, to a decrease in the average amount of the estimated cost of insulation per property. In this sense, the average amounts amount to 8,956 euros/property (except for the case of the Adolfo Suarez Madrid-Barajas airport, for which a cost of 16,743 euros was estimated due to the type of houses and buildings pending to be insulated in this airport, and for 3 other airports, whose estimated average amount is 5,567 euros/property). In the Annual Accounts for period 2017, an average cost per unit of 9,111 euros was used (except for the Adolfo Suárez Madrid-Barajas Airport, for which a cost of 16,795 euros was estimated due to the type of properties and buildings pending to be insulated in this airport). Such reversal has been made against the value of the property, plant and equipment against which the provision was originally made.

The reversal that occurred during 2017 for the amount of 19,896 thousand euros was mainly related to downward revisions of the estimate of properties to be insulated, as well as a decrease in the average amount

of the estimated cost of insulation per dwelling to amount of 9,111 euros (except for the Adolfo Suárez Madrid-Barajas airport, for which a cost of 16,795 euros was estimated due to the typology of the properties and buildings pending insulation at this airport), compared to the 9,451 euros used in the Annual accounts for the year 2016. This reversal was made against the value of the property, plant and equipment against which the provision was originally made.

The legislation on environmental assessment (currently Law 21/2013), requires the submission to environmental impact assessment of certain projects of AENA S.M.E., S.A (in particular track extensions exceeding 2,100 meters) and conclude with the formulation by of the Ministry for the Ecological Transition of the corresponding environmental impact statements, which include the obligation to carry out the drafting and implementation of Acoustic Isolation Plans (PAA).

In terms of noise, Law 5/2010 of 17 March, amending Law 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.

The Company will recognise in the accounts the corresponding provisions at the moment in which the need arises to soundproof dwellings, that is, either when an easement and its action plan or an acoustic footprint with significance in terms of acoustic insulation 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. Said regulations published are those considered at the time of making provisions, regardless of whether these insulation tasks are performed subsequently on buildings affected, 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 concept which could be significant.

f) Other provisions

This heading records the provision for credits applicable to public service benefits for landing services and passenger departures, accrued by airlines operating during certain days of the week at airports located in the Canary Islands. Also the General State Budgets Law for the year 2016 established incentives in the public service benefits 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 Law 21/2003 (Canary Islands, Balearic Islands, Ceuta and Melilla) during their low season consisting of a discount on the average amount of the public charges for passenger departures of the carrier on the route and which shall apply to the number of additional passengers on the route with respect to the previous low season of the airport. The incentive to which each airline operating on the route in question will be entitled shall be proportional to its contribution to the growth generated on such route by all the airlines operating on it. An additional discount will be given in the following equivalent season if the carrier maintains at least the number of passenger departures operated on such route.

As indicated in section 3.9.2 of DORA, in 2018 the commercial incentive scheme approved in February 2017 is maintained, with the aim of continuing to encourage the opening of new routes, the increase of long-haul passengers, incentivise traffic at airports with lower traffic volume and reduce the seasonality of airports with a strong seasonal component.

The effect of the incentives to traffic has meant an allocation of 22,533 thousand euros in the year 2018 (net of the reversal of 8,587 thousand euros of provisions from previous years) compared to 45,133 thousand euros in the same period of 2017 (net of the reversal of 3,940 thousand euros of provisions from previous years), it is important to note that the commercial incentive of 2017 started on 1 April, coinciding with the summer season, meaning that no incentives were earned for traffic of the first quarter of 2017. There have been payments of 44,209 thousand euros against this provision during the period (2017: 68,267 thousand euros).

As of 31 December 2018, the balance of the provisioned amount for all these items amounts to 27,235 thousand euros (31 December 2017: 49,071 thousand euros).

22. Public administration and taxation

22.1 Balances with Public Administrations

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

Tax Authorities, debtor	**Thousand euro**			
	2018		**2017**	
	Current	**Non-current**	**Current**	**Non-current**
Assets for deferred tax (Note 22.3)	-	115,605	-	111,963
Current tax assets (Note 22)	-	-	34	-
Tax Authorities debtor for VAT	7,121	-	8,637	-
Tax Authorities debtor for IGIC (Canaries Indirect Tax)	3	-	1	-
Tax Authorities debtor for grants awarded (Note 7d)	1,618	-	15,913	-
	8,742	**115,605**	**24,585**	**111,963**

The heading of Tax Authorities debtor for grants awarded showed at 31 December 2018 a sum of 1,618 thousand euro related with accounts receivable for ERDF grants awarded to the Company (2017: 15,193 thousand euros). During the year 2018, the Company has collected 88,097 thousand euros (2017: 9,340 thousand euros) for this entry (see Note 19d).

Tax Authorities, creditor	**Thousand euro**			
	2018		**2017**	
	Current	**Non-current**	**Current**	**Non-current**
Liabilities for deferred tax (Note 22.3)		138,080	-	143,396
Tax Authorities creditor for IRPF (Personal Income Tax) Companies (Note 22.2)	21,417	-	595	-
Tax Authorities creditor for IRPF (Personal Income Tax)	7,486	-	6,804	-
Tax Authorities creditor for local taxes	-		1	-
Social Security organisations, creditors	12,934	-	12,947	-
Tax Authorities creditor for other taxes	491	-	847	-
Tax Authorities creditor for VAT	4,031	-	-	-

46,359	**138,080**	**21,194**	**143,396**

22.2. Reconciliation of the accounting profit and taxable revenue

The reconciliation between the accounting result and the taxable base for Corporation Tax for 2018 is as follows:

	Thousand euros					
	2018					
	Income statement			Income and expense directly imputed to equity		
Balance of income and expense for the year			1,301,182			
	Increases	**Reductions**	**Total**	**Increases**	**Reductions**	**Total**
Corporate Tax	408,113	-	408,113			
Profit/(loss) before income tax	-	-	1,709,295			
Permanent differences:	2,135	(20,089)	(17,954)			
Temporary differences:						
- Depreciation	45,831	(66,137)	(20,306)	-	-	-
- Losses for impairment	12,278	(13,536)	(1,258)	-	-	-
- Pension plans	1,299	(669)	630	-	-	-
- Provisions	428	(1,421)	(993)	-	-	-
- Impairment provision fixed assets	46,248	-	46,248	-	-	-
- Hedging derivative	-	-	-	37,333	(43,961)	(6,628)
- Grants, donations and bequests received	-	-	-	73,808	(95,076)	(21,268)
- Other	-	-	-	-	(96)	(96)
	106,084	(81,763)	24,321			
Offsetting of negative taxable revenue			-			
Taxable base (tax result)			1,715,662			(27,992)
Gross tax charge			428,916			(6,998)
Deductions (Note 22.3)			(16,515)			
Net tax charge			412,401			
Withholdings and payments on account			(391,175)			
Tax to pay to the Treasury			21,226			

	Thousand euros					
	2017					
	Income statement			Income and expense directly imputed to equity		
Balance of income and expense for the year		1,219,751				
	Increases	**Reductions**	**Total**	**Increases**	**Reductions**	**Total**
Corporate Tax	374,480	-	374,480			
Profit/(loss) before income tax	-	-	1,594,231			
Permanent differences:	2,503	(43,060)	(40,557)			
Temporary differences:						
- Depreciation	48,658	(64,791)	(16,133)	-	-	-
- Losses for impairment	10,950	(17,090)	(6,140)	-	-	-
- Pension plans	598	(558)	40	-	-	-
- Provisions	34	(81)	(47)	-	-	-
- Hedging derivative	-	-	-	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)			
Offsetting of negative taxable revenue			-			
Taxable base (tax result)			1,531,394			16,449
Gross tax charge			382,849			4,112
Deductions (Note 22.3)			(16,246)			
Net tax charge			366,603			
Withholdings and payments on account			(364,928)			
Tax to pay to the Treasury			1,675			

Under the consolidated tax return system, the tax payable to the Treasury in 2018 amounts to 21,417 thousand euros (Note 22.1), of which 21,226 thousand euros correspond to the share of AENA S.M.E., S.A, 197 thousand euros correspond to Aena Desarrollo Internacional SME, SA, and -6 thousand euros correspond to the negative share (to be returned) of Aena Sociedad Concesionaria del AIRM SME, SA

The main permanent differences of the year correspond, fundamentally, to the reduction in Taxable Base derived from the adjustment for capitalisation reserve established in article 25 of Law 27/2014 of Corporate Tax (see Note 19c) and non-deductible expenses. The main temporary differences relate to the difference between tax depreciation and book depreciation, provision for insolvency and contingencies and personnel expenses.

The general tax rate of Corporate Tax for the 2018 period is 25%, as in 2017.

The corporate tax expense is composed of:

	Thousand euros	
	2018	**2017**
Current income tax	428,916	382,849
Deferred tax	(6,080)	5,570
Registered fiscal deductions (Note 22.3)	(14,180)	(13,913)
Others	(543)	(26)
	408,113	**374,480**

The heading "Other" includes in 2018 and 2017 the effect of the differences in the expense for Corporation Tax recorded at the end of 2017 and the expense recorded with the definitive Tax declaration submitted to the State Tax Administration Agency (AEAT).

The breakdown by company of credits and debits between group companies due to the tax effect generated by the consolidated tax scheme is as follows:

	Thousand euro			
	2018		2017	
	Debtor	Creditor	Debtor	Creditor
AENA DESARROLLO INTERNACIONAL S.M.E., S.A.	1,288	1,097	1,090	1,078
Aena, Sociedad Concesionaria del Aeropuerto Internacional de la Región de Murcia S.M.E., S.A.	-	6	-	-
	1,288	**1,103**	**1,090**	**1,078**

22.3 Deferred taxes

The details of deferred taxes at 31 December 2018 and 2017 were as follows:

	Thousand euros	
	2018	2017
Deferred tax assets:		
- Temporary differences (Note 22.1)	115,605	111,963
	115,605	111,963
Deferred tax liabilities:		
- Temporary differences (Note 22.1)	(138,080)	(143,396)
	(138,080)	(143,396)
Deferred taxes	**(22,475)**	**(31,433)**

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

	Thousand euros	
	2018	2017
Deferred tax assets:		
- Temporary differences	82,372	79,857
	82,372	**79,857**
Deferred tax liabilities:		
- Temporary differences	(129,276)	(133,358)
	(129,276)	**(133,358)**
	(46,904)	**(53,501)**

The movement during the years 2018 and 2017 in the assets and liabilities for deferred taxes, was as follows:

Deferred tax assets	**Amortisation (*)**	**Losses impairment**	**Plans plans**	**Impairment fixed assets**	**Provisions Respon..**	**Derived from hedging**	**Increase in value of holdings**	**Others**	**Total**
Opening balance	**76,821**	**6,464**	**1,579**	**-**	**7,175**	**20,664**	**(920)**	**180**	**111,963**
Charge (payment) to Income statement	(5,077)	(315)	158	11,562	(248)	-	-		**6,080**
Charge (payment) to equity	-	-	24			1,657	-		**1,681**
Use of credits in the year	(2,335)	-	-	-			-		**(2,335)**
Segregation San Javier Airport (Note 2.d)	(13)		-				-		**(13)**
Other (**)	(826)	(840)	-	-			-	(105)	**(1,771)**
Balance at 31 December 2018	**68,570**	**5,309**	**1,761**	**11,562**	**6,927**	**22,321**	**(920)**	**75**	**115,605**

Deferred tax assets	Amortisation (*)	Losses impairment	Plans plans	Provisions Respon..	Derived from hedging	Increase in value of holdings	Others	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**

(*) The "Amortisation" heading includes 14,005 thousand euros (2017: 16,341 thousand euros) of the outstanding balance of the initially recognised loan for an amount of 21,944 thousand euros (see Note 22.2), once the 2,335 thousand euros using in 2018 have been considered (2017: 2,335 thousand euros) (see table of deductions below).

(**) The heading "Other" includes the effects derived from the differences in the expense for corporate income tax at the end of each year and the expense recorded with the definitive tax return filed with the Spanish Taxation Agency.

	Thousand euros		
	Subsidies	**Increase in valuation on holdings**	**Total**
Deferred tax liabilities			
Opening balance	**(138,019)**	**(5,377)**	**(143,396)**
Charge to equity	5,316	-	**5,316**
Balance at 31 December 2018	**(132,703)**	**(5,377)**	**(138,080)**
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)**

Years open to checking and inspection actions

As established by current legislation, taxes cannot be considered to be definitive until the relevant returns have been inspected by the tax authorities or until four years have elapsed since filing. As of 31 December 2018, the last four periods for all taxes are open to inspection, with the exception of Corporation Tax, which is open for 2014 and subsequent years.

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, should there be any, would not have a significant effect on the accompanying Annual Accounts.

Tax deductions

In 2018, the following deductions have been applied in the Corporation Tax settlement:

Tax deductions for 2018

	Year generated (1)	Amount pending at 31/12/2017	Amount Recognised in 2018	Amount applied	Amount pending at 31/12/2018	Year of maturity (2)
Deductions in the Canary Islands due to investments in fixed assets	2018	-	14,168	(14,168)	-	2033
Deduction for donations	2018	-	12	(12)	-	2028
Subtotal		**-**	**14,180**	**(14,180)**	-	
Deduction 30% Amortisation (3)	2018	-	2,335	(2,335)	-	
	Total	**-**	**16,515**	**(16,515)**	-	

In period 2017, the following deductions were applied in the settlement of Corporation Tax:

Tax deductions for 2017

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

(1) The year of generation responds to the period in which the assets or personnel who qualified for the generation thereof were associated with the branch of airport activity.

(2) Deduction in the Canary Islands for investments in fixed assets: RD Law 15/2014, Fourth Transitory Provision, establishes a period of use of 15 years; Recoverability deduction 30% amortisation adjustment: Corporation Tax Law: Thirty-seventh Transitory Provision, does not establish a limit on their use.

Deduction for donations: Law 49/2002 on the tax regime of non-profit entities and tax incentives for patronage establishes in article 20 that the amounts corresponding to the tax period not deducted may be applied in the liquidations of the tax periods that conclude in the immediate and successive 10 years.

(3) The 2,335 thousand euros of this deduction recognised and applied fiscally in 2018 and 2017, do not lead to a reduction of the tax expense of these periods given that they were recognised in accounting as early as 2015. They include 2 thousand euros corresponding to ADI, since AENA S.M.E., S.A is the head of the tax group.

23. Income and expense

a) Supplies

The breakdown of the "Supplies" heading for the 2018 and 2017 periods is as follows:

	Thousand euros	
	2018	**2017**
Purchases of other supplies	(630)	(1,054)
Subcontracted work	(173,232)	(174,866)
Total	**(173,862)**	**(175,920)**

Subcontracted work corresponds, mainly, to the services provided by the Ministry of Defence derived from the agreement signed with the latter (Note 4. u), amounting to 3,631 thousand euros (2017: 2,906 thousand euros), as well such as communications, navigation and surveillance services (CNS), air traffic services (ATM), and aeronautical information services (AIS) provided by ENAIRE under the agreements signed with said entity (Note 12), amounting to 136,472 thousand euros (2017: 138,930 thousand euros). This heading also includes the expenses derived from the agreement signed with the Spanish Meteorological Agency (AEMET) for the provision of meteorological services to the network of airports managed by Aena (Note 12) amounting to 9,959 thousand euros (2017: 10,000 thousand euros), as well as 1,428 thousand euros for services provided by INECO (2017: 2,228 thousand euros) (Note 12).

As indicated in note 3.2, the operations carried out by Aena corresponding to the branch of civil activity of the Murcia San Javier Airport, for accounting purposes, are understood, as of 1 January 2018, by the subsidiary Aena, Sociedad Concesionaria del Aeropuerto Internacional de la Región de Murcia, S.M.E., S.A. In this sense, the amount indicated for 2018 is net of the amounts segregated in the AIRM (see Note 2.g) for a total of 786 thousand euros.

b) Distribution of the revenue

The Company's activity is developed geographically in the national territory, obtaining revenues in 2018 and 2017 as set out below:

	Thousand euros	
	2018	**2017**
Airport services	**2,746,614**	**2,638,505**
Aeronautics - Asset and Equity Services	**2,668,991**	**2,562,051**
Landings/Air Traffic Management /Meteorological Service	730,810	697,342
Parking facilities	37,409	34,188
Passengers	1,224,522	1,166,405
Telescopic boarding gates	106,830	110,166
Security	424,519	419,869
Handling	100,416	90,432
Fuel	33,637	33,535
Catering	10,848	10,114
Other airport services [(1)]	***77,623***	***76,454***
Commercial Services	**1,149,014**	**1,056,842**
Leases	33,454	32,129
Specialty shops	106,298	91,703
Duty Free shops	326,037	316,608
Food & Beverage	199,772	175,643
Rent a car	151,344	149,373
Advertising	33,102	31,561
Parking Facilities	143,469	132,013
VIP services [(2)]	64,226	41,053
Other commercial revenue[(3)]	91,312	86,759
Real estate services	**66,940**	**59,557**
Leases	12,607	12,130
Lands	23,921	19,116
Warehouses and hangars	8,140	8,392
Cargo Logistic Centres	15,383	13,696
Real Estate Operations	6,889	6,223
Total Net Turnover	**3,962,568**	**3,754,904**

(1) Includes Check-in desks, Use of 400Hz, Fire services, Left-luggage offices, Fast-track and Other revenues.
(2) Includes VIP Lounges, VIP packages, rest rooms, Fast-track and Fast-lane.
(3) Includes Commercial Operations (Banking Services, Vending Machines, Telecommunications, Baggage Laminating Machines, etc.), Commercial Supplies, Room Utilisation, and Filming Recordings.

The positive evolution of revenues has been mainly related to the increase in passenger traffic (+5.8%) and operations (+5.8%) with respect to period 2017, which has offset the decrease in charges (see Note 4p).

As indicated in note 3.2, the operations carried out by Aena corresponding to the branch of civil activity of the Murcia San Javier Airport, for accounting purposes, are understood, as of 1 January 2018, by the subsidiary Aena, Sociedad Concesionaria del Aeropuerto Internacional de la Región de Murcia, S.M.E., S.A. In this sense, the amount indicated for 2018 is net of the amounts segregated in the AIRM for a total of 384 thousand euros.

c) Personnel expenses

The personnel expenses in 2018 and 2017 break down as follows:

	Thousand euros	
	2018	**2017**
Wages and salaries and compensation	272,768	268,071
Social Security charged to the company and other social charges	105,874	103,677
Contributions to employment commitments	497	4
Excess of provision for remuneration and other benefits	(9,334)	(4,806)
Others	1,179	479
	370,984	**367,425**

The inter-annual salary variation observed in personnel expenses has its origin in the agreement reached between the company and the union organisations on 12 November 2018, in which both parties agreed to a 1.50% increase for the first half of the year. 2018, effective 1 January 2018 to 30 June 2018; and an additional 0.25% increase for the second half of 2018 (1.50% +0.25%), effective from 1 July 2018 to 31 December 2018.

Additionally, contributions to the Pension Plan, as provided for in article 18. Two and Three of the LGPE for 2018, amounting to 497 thousand euros (see Note 21).

Likewise, the payroll expenditure for productivity increased by an additional 4,617 million euros. This increase is associated with the fulfilment of the aims established for the year 2018.

Social Security payments have increased for the same reasons.

As indicated in note 3.2, the operations carried out by Aena corresponding to the branch of civil activity of the Murcia San Javier Airport, for accounting purposes, are understood, as of 1 January 2018, by the subsidiary Aena, Sociedad Concesionaria del Aeropuerto Internacional de la Región de Murcia, S.M.E., S.A. In this sense, the amount indicated for 2018 is net of the amounts segregated in the AIRM for a total of 3,851 thousand euros.

d) External services

The breakdown of this heading in 2018 and 2017 was as follows:

	Thousand euros	
	2018	**2017**
Leases and royalties	6,160	5,888
Repairs and maintenance	261,685	249,998
Independent professional services	50,168	44,654
Insurance premiums	11,146	10,499
Bank services	675	651
Advertising and public relations	3,767	4,255
Supplies	89,272	86,264
Vigilance and security services	160,382	140,210
Other services	154,525	122,961
	737,780	**665,380**

Under the heading "Repair and maintenance", this includes mainly repair of airport infrastructures, maintenance of the SATE (automatic baggage treatment) system and cleaning of 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 the expense corresponding to the heading "Surveillance and security services" by 20.1 million euros, to meet the increase in traffic in accordance with the quality clauses adapted to DORA and in line with the amount of the sectorial agreement, including new bonuses for Security employees at airports.

- Increase under the heading for "Other services" is also due to expenses incurred as a result of fulfilling the needs arising from the increase in traffic with the required quality levels.

As indicated in note 3.2, the operations carried out by Aena corresponding to the branch of civil activity of the Murcia San Javier Airport, for accounting purposes, are understood, as of 1 January 2018, by the subsidiary Aena, Sociedad Concesionaria del Aeropuerto Internacional de la Región de Murcia, S.M.E., S.A. In this sense, the amount indicated for 2018 is net of the amounts segregated in the AIRM for a total of 2,709 thousand euros.

e) Taxes

Balance collected in Taxes mainly corresponds to the amounts paid in local taxes, mainly in property tax (IBI) and tax on commercial and professional activities (IAE).

f) Financial results

The financial results obtained in 2018 and 2017 were as follows:

	Thousand euros	
	2018	**2017**
Finance income	**3,204**	**7,056**
Marketable securities and other financial instruments		
- Of group companies and associates (Note 12)	1,029	867
- Interest on expropriations (Note 21)	-	4,594
- Of third parties	1,571	1,070
Capitalisation of finance expenses (Notes 6 and 7)	604	525
Finance expenses	**(124,247)**	**(117,966)**
- For debts with group companies and associates (Note 12)	(69,634)	(64,197)
- For debts with third parties	(16,851)	(13,120)
- Derivatives (Notes 15 and 19 c)	(37,333)	(40,530)
- Interest on expropriations (Note 21)	(310)	-
- Provision adjustments	(119)	(119)
Exchange gains/(losses)	**(9)**	**12**
NET FINANCE INCOME/(EXPENSES)	**(121,052)**	**(110,898)**

In this chapter, the main changes for the year 2018 with respect to 2017 are the following:

- The increase in the heading "Finance expenses for debts with group companies" is the result of the early cancellation of the debt with Depfa in July 2018, which has been associated with a severance cost of 17,249 thousand euros corresponding to the present value of interest pending payment from the date of early cancellation until the original maturity date (15 September 2021) (see Note 15). This effect has been largely offset by a decrease in the average debt of 819.5 million euros and a slight decrease in the average interest rate.

- The increase of 3.7 million euros under the heading "Finance expenses for debts with third parties" is due, on the one hand, to the interest derived from the new financing with credit institutions (Note 15.b), which have amounted to 4.5 million euros in 2018 when accruing expenses for the entire year (2017: 2.4 million euros accrued for 7 months of 2017, June to December), and, on the other, to the increase in finance expenses derivatives of the World Duty Free Group advance (see Note 20), which have increased to 9,471 thousand euros in 2018, according to the contracts signed at the time, compared to 7,591 thousand euros in 2017.

g) Provision surpluses

Of the total amount of 7,679 thousand euros included in the "Provision surpluses" heading in the income statement for 2018, 3,322 thousand euros correspond to favourable rulings in local tax settlements that were disputed (2017: 6,041 thousand euros) and the rest, 4,357 thousand euros, correspond to provision surpluses for liabilities of a different nature (commercial contracts, judicial rulings that modify the amount of the litigation, etc.) (2017: 2,864 thousand euros).

24. Other disclosures

a) Information on employees

The number of employees of AENA S.M.E., S.A, at the end of the 2018 and 2017 periods, itemised by category and gender, was as follows:

	31 December 2018 (*)			31 December 2017 (*)		
Professional Category	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**
Senior management	9	2	11	7	2	9
Executives and graduates	905	711	1,616	869	681	1,550
Coordinators	805	320	1,125	779	291	1,070
Technicians	2,972	1,411	4,383	2,932	1,417	4,349
Support personnel	224	246	470	231	235	466
Total	**4,915**	**2,690**	**7,605**	**4,818**	**2,626**	**7,444**

(*) The above figures include temporary employees who, at the end of the period 2018, amounted to 803 employees (2017: 1.017).

The average number of employees of AENA S.M.E., S.A, at the end of the 2018 and 2017 periods, itemised by category and gender, was as follows:

	Year 2018			Year 2017		
Professional Category	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**
Senior management	9	2	**11**	8	2	**10**
Executives and graduates	888	697	**1,585**	847	664	**1,511**
Coordinators	796	314	**1,110**	767	271	**1,038**
Technicians	2,962	1,410	**4,372**	2,941	1,424	**4,365**
Support personnel	228	241	**469**	231	238	**469**
Total	**4,883**	**2,664**	**7,547**	**4,794**	**2,599**	**7,393**

(*) The above figures include temporary employees, whose average number in the period 2018 amounted to 930 employees (2017: 975)

As of 31 December 2018 AENA S.M.E., S.A, has 114 employees with disabilities (2017: 114).

b) Remuneration to Administrators and Senior Management

The remuneration received during the years 2018 and 2017 by the Directors and the Senior Management of the Company classified by items were as follows (in thousands of euros):

	Year 2018			Year 2017		
Item	**Senior management**	**Board of Directors**	**Total**	**Senior management**	**Board of Directors**	**Total**
Salaries	1,372	-	**1,372**	1,192	-	**1,192**
Allowances	26	120	**146**	24	125	**149**
Insurance premiums	7	-	**7**	6	-	**6**
Total	**1,405**	**120**	**1,525**	**1,222**	**125**	**1,347**

The Board of Directors of AENA S.M.E., S.A, consisted of 15 members (12 men and 3 women) as of 31 December 2018 (2017: 11 men and 4 women).

The remuneration received during 2018 corresponds to those collected by Aena, S.A. for 10 senior management positions and for the President - Managing Director Furthermore, the Directors have not been granted advances or credits, nor have obligations assumed on their behalf as collateral, nor have civil liability insurance premiums been paid for damages caused by acts or omissions in the exercise of the position. The company has no obligations in terms of pensions and life assurance in respect of former or current directors of the company or senior management of the same.

The difference in remuneration that can be seen between the salaries of the periods analysed is mainly due to the creation of the new position of the Director of the Corporate General Secretariat, authorised by the Ministry of Finance and Public Functions in the month of January 2018, the transformation and coverage of a position that had remained vacant for much of 2017, as well as the salary increase provided for in the General State Budget Act of 2018.

c) Transactions carried out by the directors of the Company which fall outside the normal activity or in conditions other than those prevailing in the market

During the 2018 and 2017 periods, the directors did not carry out transactions with the Group or with Group companies outside of ordinary traffic or under conditions other than market conditions.

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

In 2018 and 2017 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 2018 and 2017 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.

Within the duty to prevent situations of conflict with the interests of the Company, during the period, the directors who have held positions on the Board of Directors have fulfilled the obligations set forth in Article 228 of the consolidated text of the Capital Companies Act. Similarly, they and those related to them, have refrained from engaging in any conflict of interest situations mentioned in article 229 of that Act, except where the relevant authorisation has been granted.

25. Audit fees

The auditing company KPMG Auditores, SL of the annual accounts charged, during the years ended 31 December 2018 and 31 December 2017, professional fees and expenses, according to the following detail:

Item	2018	2017
Audit services	143	143
Other verification services	42	42
Other services	95	78
Total	**280**	**263**

Other verification services and other services correspond to services of limited review of intermediate financial statements, assurance services on regulatory compliance and services of agreed procedures on financial information provided by KPMG Auditores, SL to Aena in the years ended 31 December 2018 and 31 December 2017.

The amounts indicated in the table above include all fees relating to services performed during the periods 2018 and 2017, regardless of when they were invoiced.

On the other hand, other firms and bodies affiliated with KPMG International invoiced the Company during the years ended 31 December 2018 and 31 December 2017, fees and expenses for professional services, according to the following detail:

Item	2018	2017
Audit services	-	-
Other verification services	-	-
Other services	-	17
Total	**-**	**17**

26. Securities, Commitments and other guarantees

The bank securities presented to various Bodies at 31 December 2018 amounted to 454 thousand euros (31 December 2017: 588 thousand euros).

The Company's Directors do not expect any liabilities of consideration to arise.

27. Environmental commitments

Company management, faithful to its commitment to preserve the environment and the quality of life in the surrounding areas, has been making investments in this area to minimise the environmental impact of its actions and to protect and improve the environment.

As of 31 December 2018, property, plant and equipment includes environmental investments amounting to 529 million euros, whose accumulated amortisation amounts to 243 million euros (2017: investments of 508 million euros and amortisation of 229 million euros).

The environmental investments made during the year 2016, comprising the elements incorporated into the Company's net worth with the aim of being used permanently in its professional activity, whose main purpose is to minimise environmental impact and protect and improve the environment including control, prevention, reduction or elimination of future pollution of the operations of the entity, they amounted to stood at 59,635 thousand euros (2017: 14,474 thousand euros), as per the following breakdown:

	Thousand euros	
	2018	**2017**
Palma Mallorca	24,785	1,374
Valencia	23,655	358
Seville	3,346	156
Bilbao	2,776	705
Madrid/Barajas	936	4,930
Tenerife Norte	645	1,642
Barcelona	543	1,358
San Sebastián	518	-
Ibiza	491	-
Gran Canaria	480	417
Alicante	309	1,212
Tenerife Sur	305	28
Málaga	144	767
Menorca	53	155
Santiago	-	418
Other airports	649	954
Total	**59,635**	**14,474**

The Income statement for 2018 and 2017 includes the following expenses of an environmental nature, detailed by concepts:

	Thousand euros	
	2018	**2017**
Repairs and maintenance	9,490	7,049
Independent professional services	2,388	1,255
Other environmental services	2,438	2,859
Total	**14,316**	**11,163**

Provisions and contingencies of an environmental nature are detailed in Note 21. The legislation on environmental assessment (currently Law 21/2013), requires the submission to environmental impact assessment of certain projects of AENA S.M.E., S.A (in particular track extensions exceeding 2,100 meters) and conclude with the formulation by of the Ministry for the Ecological Transition of the corresponding environmental impact statements, which include the obligation to carry out the drafting and implementation of Acoustic Isolation Plans (PAA).

As of 31 December 2018, in application of the Acoustic Insulation Plans, a total of 23,817 properties and buildings for sensitive uses have been soundproofed (2017: 23,096 properties), highlighting the 12,902 properties around the Adolfo Suárez Madrid-Barajas Airport (2017: 12,861 properties), 2,990 in Alicante-Elche (2017: 2,882 properties), 1,800 properties in Valencia-Manises (2017: 1,647 properties), 1,520 in Bilbao (2017: 1,432), 836 in Palma de Mallorca (2017: 836) and 811 in Málaga-Costa del Sol (2017: 811 properties). For this item, during the period, works amounting to 13,259 thousand euros and 4,199 thousand euros have been carried out for actions related to the compensatory measures of the river basins of the Jarama and Henares Rivers.

In addition, in accordance with the resolutions issued by the Ministry for Ecological Transactions under which Environmental Impact Statements are prepared for the Company's airports, measures are being taken to prevent, correct and compensate for matters indicated in the above-mentioned environmental impact studies and in the Environmental Impact Statements, in accordance with a series of conditions relating mainly to the protection of the hydrological and hydrogeological system, the protection and preservation of soil, the protection of air quality, acoustic protection, the protection of vegetation, fauna and natural habitats, the protection of cultural heritage, the restoration of services and livestock trails, and the location of quarry dump sites, landfill and auxiliary facilities.

28. Contingencies

Contingent liabilities

At the end of the 2018 and 2017 periods, the Group maintains legal claims and controversies against it, as a natural consequence of the normal course of its business, that the Management considers possible obligations for which it is not probable that there will be an outflow of resources.

Environmental actions

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 controlling Company is obliged to make a series of investments to minimise the impact of noise on homes affected by such works. At the close of the 2018 and 2017 periods, the controlling 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 above periods.

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

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

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

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

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

(i) does not entail any obligation for the Administration nor for AENA (for example, modification of routes, reduction of overflights, etc.); and
(ii) maintains the airport's current operating capacity.

In addition, the Conclusions of the Supreme Court ruling preclude court decisions that may restrict the operational capacity of the airport. This reduction can only be adopted by the relevant 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 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 would outline how the judicial mandate will be enforced. In addition, the State Attorney's Office 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 that have been carried out were the following:

(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 was the end of November, whenever it was possible to access the properties whose noise level must be checked on the dates to that effect estimated.

[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.*

On 4 September 2017, the High Court of Madrid received a ruling issued on the previous 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 2017, 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 2017, extending the term of execution for a period of 1 month. This extension period ended on 23 November 2017, at which point the work to be done on the residents' homes had not been completed, and the State Attorney accordingly applied for a further extension of the deadline. 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.

On 6 March 2018, a ruling was received from the Superior Court of Justice (TSJ), whereby the State Attorney is required to inform the Chamber within five days about "whether for the pending technical evaluation of the noise necessary for the enforcement of the sentence is essential entry into the property owned by one of the local residents, given the many difficulties noted to carry out the measurement in the same." This request was made whenever all the actions to be carried out had been completed, except for the evaluation of the noise levels in the local resident's property mentioned, in which, to date, the occupant's permission had not been obtained (tenant) to access it.

In its written contestation of 15 March, the State Attorney, providing the reports prepared for this purpose, asked the TSJ to declare that it was not necessary to enter the dwelling of the aforementioned local resident to have the sentence enforced, adding that, in any case, those enforced (Ministry of Public Works, ENAIRE and Aena) would carry out whichever actions the Chamber deemed necessary to complete said enforcement. As a result of the sentence dated 22 March 2018, the parties and the Public Prosecutor were given a period of one month to make allegations about the documentation submitted by the State Attorney regarding all the actions and reports that had been carried out this moment for the fulfilment of the mandate of the Supreme Court.

Through successive requests of the parties, the deadline was extended to submit allegations, having completed this period on 15 June 2018, after which, the Supreme Court of Madrid issued an order dated 30 July 2018 which agreed to:

(i) Dismiss the allegation of lack of legitimacy of the local resident.
(ii) Declare the ruling of the Supreme Court of 13 October 2008 as enforced.

Subsequently, several of the residents of the City of Santo Domingo filed an appeal for reconsideration against the TSJ's Order of 30 July 2018, on which, on 14 September 2018, Aena filed a written challenge.

Through the Court Order dated 21 December 2018 the TSJ dismissed the appeal for reversal against which offers no grounds for appellate procedures. On 1 February 2019, the residents announced an appeal against the Court Orders dated 30 July 2018 and 21 December 2018. At this point, the Supreme Court must decide on the admission of the appeal and summon Aena to appear before the Supreme Court.

Ministry of Defence

The Ministry of Defence has urged compliance with the sixth paragraph of the Framework Agreement between the Ministries of Defence and Development on the transfer of airport facilities to be seconded to Aena, dated 28 June 1998, and consequently, obtain payment of compensation budget agreed by the Council of State, in its opinion dated 8 October 1998. Regarding the effective risk that this claim could entail, it is difficult to evaluate, since the aforementioned report of the State Council, in its SECOND conclusion, affirms that the economic compensation for the change of activity will take place only in the case where the installation has previously had military use. Consequently, if this installation was intended for civil aviation, in spite of being located inside a military installation, it would not correspond to indemnify Defence. At the date of formulation of these accounts, there is only one claim related to the Son Bonet airport, although it could be extended to other installations. It appears from the investigation carried out that the Son Bonet aerodrome never had

military use. The report of the State advocacy that was requested for that purpose has not been conclusive, but since we have not been accredited by the military use of the enclosure, the Ministry has been answered in the following terms:

"No reference has been found to the military use of the facility, on the contrary, all reviews speak of Son San Joan as the military airfield of the island.

For all the above and according to the opinion of the Council of State of 8 October 1998, the aforementioned budget compensation is not admissible."

There has been no response to the aforementioned letter of in the registry as of 21 January 2019.

As for the amount that might be applicable if finally had to respond to this payment, it would be determined by a joint commission composed of representatives of Defence and Aena, which would be created at the time that it was conclusively determined that there is an obligation on the part of Aena 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 2018 and 31 December 2017 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

As of 31 December 2018, and 31 December 2017, the Controlling Company maintains legal disputes with leases in airports of the Aena network that are either pending a final judgment or are being processed by the courts. The aggregate amount of these contingencies amounts to 4.6 million euros, although the management of the Company does not consider that economic consequences may be derived from said claims.

Construction company claims

In addition to the foregoing, as of 31 December 2018 and 31 December 2017, there are claims filed by various construction companies against the Parent Company, arising from the implementation of several works contracts carried out in the airports network. The Company's Management does not consider that such claims will give rise to financial penalties against it.

Airline claim relating to fees

After the increase in the fee implemented by the General State Budget Law for 2012, the airlines have appealed against the amounts charged before the Central Administrative-Economic Court.

The airlines operating in Spain broadened their claim against the Spanish State, filed with the European Commission, complaining of irregularities in the system established by Spanish Law for updating the benefits to be received by Aena, in 2012. The aviation sector asked for the Community body's intervention on the price rise 2012 and after the rise in 2013, also calling for the setting up of an independent supervisory body for air transport. In the year 2013 the National Commission on Financial Markets and Competition (CNMC), which is an independent body was created. Until its operation in October 2013, the supervision of the proposed 2014 rates was attributed to temporary Committee and Airport Railway Regulation (CRFA) acting in the exercise of their work impartially and transparently. The process of consultation on the fee proposal for 2014 ended long-term agreement on fees for the period 2014-2018. After the agreement reached with the airlines the latter suggested to their associates withdrawing from the claims filed. At present, almost all the companies have presented their resignations. 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.

In the year 2015, various airlines filed Administrative-Economic appeals in the National Court against the resolutions rejecting the REA lodged by these companies in the Central Economic-Administrative Court.

The National High Court resolved most of the administrative appeals by rulings which considered that the rise in rates applied under Law 2/2012, in not having been through a period of consultation or been published two months in advance, contravened article 6 of Directive 2009/12/EC, of 11 March. On this basis, considering that article 6 recognises rights for users clearly and directly, and in virtue of the principle of primacy of Union Law, it concluded that the rise in rates under Law 2/2012 should not be applied and in consequence cancelled the settlements made in application of that rule. These rulings by the National High Court specified that this could not involve any application for refund of the difference in payments due in relation with those indicated as paid without first turning to the procedure for the return of payments unduly made. In the procedure, the claimant must evidence payment of the settlement made and the determination of what would be correct, having recorded that in the period under study the amounts of the benefits due were not passed on to the passengers, as is envisaged in article 77 paragraph 2 of Law 21/03 on Air Safety. These unfavourable rulings gave rise to the allocation of a provision for liabilities of 4,111 thousand euros (see the section on Provision for liabilities in this Note 21.b).

For all this, the Company's management does not consider that any further financial consequences can arise against it.

Other claims by airlines

The Company is involved in claims and disputes over specific incidents that have generated damage to aircraft at airports within the network. As at 31 December 2018, the management of the parent Company considers that these would not be significant.

Contingent assets

Charges deficit

In September 2012 the Dirección General de Aviación Civil (Spanish Civil Aviation Authority) carried out the supervision of the proposal of updating and fee amendment submitted by Aena, for 2013.

The supervision of the Aena charges proposal for 2013 applied, for the first time, the new regulatory framework derived from Directive 2009/12/EC, of the European Parliament and of the Council, of 11 March 2009, on airport charges (Directive 2009/12/EC). In Spain, this framework is constituted, mainly by Law 21/2003, of 7 July, of Air Safety (Law 21/2003) -in the wording given by (i) Law 1/2011, of 4 March, which establishes the State Operational Safety Programme for Civil Aviation and modifies Law 21/2003, of 7 July, of Air Safety and (ii) Royal Decree-Law 20/2012, of 13 July, of measures to guarantee budgetary stability and promote competitiveness; whose purpose is to incorporate Directive 2009/12/EC- into Spanish legislation. In the institutional sphere, the incorporation of Directive 2009/12/EC required the creation of a regulatory body with supervisory functions in the area of setting and updating airport charges. Thus, the Airport Economic Regulation Commission was created, through Royal Decree law 11/2011, of 26 August, which created the Airport Economic Regulation Commission, and the National Commission of Markets and Competition (CNMC), in accordance with Law 3/2013, of 4 June, by which the National Commission of Markets and Competition is created. On the other hand, Law 18/2014, of 15 October, approving urgent measures for growth, competitiveness and efficiency (Law 14/2018) introduces important reforms in the charges system of basic airport services. Law 14/2018 provides that, as of 2018, airport charges are included in the Airport Regulation Document (DORA), which will be approved every five years by the Council of Ministers. However, in relation to the rates for 2016, the transitory regime that applied prior to the approval of the first DORA was applied, in accordance with the Fourth, Fifth, Sixth and Seventh Transitory Provisions of Law 18/2014.

In accordance with this regulatory framework, Aena's revenues derived from the provision of basic airport services are considered as public assets. Consequently, they must be established, updated and modified by a rule with the status of law. Additionally, the updating and modification of the greater part of these benefits is submitted, first, to a procedure of transparency and consultation with the associations and organizations of user airlines and, second, to a procedure of supervision by the supervising authority. In accordance with Law 1/2011, the updating of public patrimonial services for the provision of basic airport services is subject to a dual till model, which imposes a distribution model of the costs associated with each one of the activities carried out by Aena, distinguishing between regulated activities (basic airport services) and the rest of the activities of the airport manager.

According to the Supervision Report on the Proposal of fee changes by Aena for 2014, issued by the Committee Regulating Railways and Airports (CRFA) (presently integrated into the CNMC) on 12 September 2013, the fee deficit for 2013 was set at 298 million euros (which corresponds with that approved by the DGAC adjusted to the real consumer price index) which, capitalised at 7.04% to obtain the value at 31 December 2014, took the value of 318.98 million euros. The charges shortfall declared by the CNMC for 2013 in the Resolution approving Aena's charge modification proposal for 2015 and setting out the measures that must be adopted in future consultation processes, amounts to 179.33 million euros.

Furthermore, in the above-mentioned Oversight Report on Aena's charges modification proposal for 2014, the CRFA verified that the modified fees for 2014 sets out a shortfall adjustment for 2014 of 286,790 million euros. This Report also establishes 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 benefits 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 of 23 April 2015 (Agreement of 23 April), relative to the 2016 charges, establishes that the accounting that should be used as a basis for updating charges for 2016 should reflect in a different way how the "costs derived from commercial revenues generated by a greater volume of traffic" had been made in the previous period. Pursuant to the Agreement of 23 April, that consequence would establish that part of the costs arising in airport terminals, and which were recorded as regulated airport activity, would be part of business activities and be considered as costs thereof. Following the gradual application of the criterion of the dual till system, reallocation of regulated business activities costs supported by the contested Agreement corresponds to 40% of the amount of 69.8 million euros, that is, a variation of 27.9 million euros. On 13 May 2015, Aena filed an administrative-economic appeal against the Agreement dated 23 April, which gave rise to Ordinary Proceedings 318/2015 (Appeal 318/2015). This appeal was declared inadmissible by the National High Court in its order of 29 July (confirmed by the Order of the National Court of 10 November 2015) on the grounds that it was directed against an administrative action to which challenge is inadmissible. Against said Court Orders, Aena filed an appellate procedure before the Supreme Court (Appeal of Cassation 4009/2015).

The Supreme Court, by means of its Sentence No. 1082/2017, of 19 June, upheld the Appeal of Cassation 4009/2015, declaring the admissibility of the appeal numbered 318/2015.

The ruling of the aforementioned Supreme Court expressly indicates in its Second section that: "It is agreed to admit the administrative-economic appeal no. 318/2015 filed by the company Aena Aeropuertos SAU (currently AENA S.M.E., S.A.) against the agreement of the National Commission of Markets and Competition, Regulatory Observation Chamber, of 23 April 2015, which adopts criteria on the separation of the costs of the airport and commercial activities of the Aena airports, and the Eighth Section of the Administrative-Economic Division of the National Court must continue the processing of said appeal."

Consequently, Aena requested the resumption of the processing of the procedure, that a copy of the administrative file be delivered and that Aena be summoned to make a claim.

Appeal 318/2015

On 12 June 2018, Aena filed the lawsuit against the agreement of 23 April 2015. Throughout the months of October and November of 2018, the responses to the claim from both the State Advocacy and the user and air companies were presented.

Through the Court Order of 14 December 2018, the National Court agreed to receive the litigation, stating the ratification of the expert report for 17 January 2018.

On 4 January 2019, Aena requested that the ratification of the expert be replaced by the extension of the effects of the expert evidence practiced in appeal No. 355/2015, taking into account the object identity of both processes, as well as the fact that on that occasion there were no issues from the opposing party.

The National Court accedes to said petition by means of a ruling dated 11 January 2019, in which it leaves the bill without effect. Likewise, it transfers to the other parties so that they may claim what they consider appropriate in relation to the incorporation into the branch of evidence of this procedure of the recording of the act of ratification of the expert opinion held in procedure 355/15. The aforementioned period for allegations expired on 18 January 2019, without the Court having pronounced at the date of this report on any other action.

Appeal 355/2015

On 23 July 2015, the CNMC issued the "Resolution adopting the Proposal for modification of fees of Aena for 2016 and establishing the measures to be adopted in future consultation procedures". This Resolution incorporates the criteria established in the Agreement of 23 April, for the purpose of the proposed fee review which has been submitted for approval by the General State Budgets Law for 2016. Against this Ruling, the Company filed an administrative-economic appeal with the National Court (Appeal 355/2015). The processing of Appeal 355/2015 was suspended until the resolution of the aforementioned Appeal of Cassation 4009/2015. Finally, the National Court, by means of a ruling of 12 December 2017, agreed to summon Aena to file the corresponding claim.

On 28 February 2018, Aena filed a lawsuit against the Ruling of 23 July 2015. Throughout the months of May and June 2018, the responses to the claim from both the State Advocacy and the user and air companies were presented.

The expert's ratification takes place on 26 July 2018, after which, by means of an Order of Arrangement, it is agreed to declare the trial period concluded and to begin the term of conclusions. Both parties filed their conclusions during the months of September and October.

By means of a ruling dated 16 November 2018, the Court admitted voting and ruling on 16 January 2019, yet said date is suspended due to the Order of Decree of 13 December 2018, without setting an alternative notice.

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

On 15 January 2019, the deed of the segregation operation described in Note 3.2 was lodged in the Mercantile Registers of Madrid and Murcia. From a legal perspective, this is the date of effects of the segregation, as established in Article 46.1 Structural Modifications Law and Article 55 of the Regulations of the Commercial Registry.

Likewise, on the aforementioned date, the Regional Airport of Murcia (AIRM) was inaugurated, having undertaken the start of its operations. With this entry into operation of AIRM, as foreseen in the "Protocol to establish the bases for the development of civil aviation in the Autonomous Community of the Region of Murcia" and in the offer presented by Aena in the public tender of the management and operation of the AIRM (see Note 1), the Murcia San Javier Airport is exclusively for military aviation.

Management Report

for the financial year ended on 31 December 2018

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

1. Executive summary

The end of fiscal year 2018 continues to reflect the positive performance of Aena[1] both in terms of activity and results.

The following aspects can be highlighted in this period:

- In relation to the Airport Regulation Document (DORA) for the period 2017-2021, on 24 July 2018 the Board of Directors of Aena approved the charges proposal for 2019, consisting of the freezing of the adjusted maximum annual revenue per passenger (IMAAJ) of 2019 with respect to the maximum adjusted annual revenue per passenger (IMAAJ) of 2018. Said freeze is a consequence of the adjustments that the regulation establishes in relation to the incentive for the performance of the quality thresholds, the implementation of investments and the fulfilment factor to 100% of the adjusted maximum annual revenue per passenger (IMAAJ), corresponding to the closing of 2017.

  In its power as the Independent Supervisory Authority, the National Commission of Markets and Competition (CNMC) resolved on 10 December 2018 to declare applicable the charges update approved by Aena.

- On an operational level, it is worth noting that traffic at the airports managed by Aena continues to register new records.

  In 2018, traffic grew by 5.8%, reaching a new historical record of 263.8 million passengers, driven by the continuity of the favourable data of the tourist sector and the excellent behaviour of domestic traffic levels. This growth is in line with Aena's passenger traffic forecast for fiscal year 2018, estimated to increase by 5.5% (with a ± 1% variation) in the airports forming the Spanish network.

  Regarding international traffic, this has increased by 4.1%, despite the decrease in passengers to and from the United Kingdom (-3.0%) affected, among other reasons, by the recovery of alternative tourist destinations to Spain and the devaluation of the pound against the euro.

  On the other hand, domestic traffic has increased 10.0%, fostered by the positive evolution of the Spanish economy and by the increase of the state bonus to inter-island traffic from 50% to 75%, applied since 28 June 2017 and trips to the Peninsula of the residents of the islands, Ceuta and Melilla since 16 July 2018.

- The positive evolution of traffic at Aena airports has contributed to the increase in total revenues to 4,083.0 million euros (+6.8% compared to 2017[2]), affected by the 2.22% reduction in airport charges as of 1 March 2017 and 2.22% as of 1 March 2018.

- With regard to commercial activity, it is relevant to point out that in the month of May the new tenants of the 49 points of sale awarded in the first quarter of 2018 embarked upon food & beverage activities at Barcelona-El Prat Airport. The new offer will occupy an area of about 16,000 m², which will mean an increase in the food & beverage services surface of this airport by 19% and the incorporation of the latest culinary trends.
  The new contracts represent an estimated increase in revenues from this line of activity in Barcelona, for a full year and on the basis of the new minimum annual guaranteed rents, close to 30% compared to 2017 revenues.

  Regarding the renewal of the food & beverage offer at Malaga-Costa del Sol Airport, the new tenants embarked upon their activity in September. The new offer will maintain a total area of more than 6,500 m², divided into 25 locations, and the implementation works of the new brands will conclude in the first half of 2019. These contracts represent an estimated improvement of 30% in the revenues of this activity in Malaga compared to 2017 (for a full year and on the basis of the new minimum annual guaranteed rents).

- EBITDA for the period reached 2,581.0 million euros, an increase of 4.9% compared to 2017, including the extraordinary net impact of 19.6 million euros derived from the interruption of civil operations at the Murcia San Javier Airport, once the Región de Murcia International Airport (Spanish acronym: AIRM) started its operations.

  Excluding this impact, the EBITDA for the period rose by 5.7% to 2,600.6 million euros.

  In this financial year, the increase in the costs of services provided by third parties in tenders launched since the end of 2016 has been highlighted, which have come into force with higher associated costs, reflecting the significant increase in traffic experienced in the airports of Aena's network in Spain in recent years, the conditions agreed upon in sectoral collective agreements, as well as the service requirements linked to compliance with DORA's quality levels.

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

[2] In this executive summary, the percentages of variation of the economic figures have been calculated based on the figures in Thousand euros.

Thus, said increase in costs of services provided by third parties has been reflected in the heading "Other operating expenses", which rose by 10.6%, affected by the entry into force in 2018 of the contracts corresponding to the new services of assistance to people with reduced mobility (PRM), the new private security contracts, as well as the start of the cleaning services and luggage trolleys awarded between the second and the third quarter.

- Profit before taxes has reached 1,709.3 million euros compared to 1,594.2 million euros in 2017 and the net result for the period amounts to 1,301.2 million euros, 6.7% higher than the one registered at 31 December 2017 (1,219.8 million euros).

- Cash flow from operating activities, it stood at 1,894.7 million euros at the end of the year, representing a decrease of 3.1% compared to 1,954.3 million euros in 2017, affected by an extraordinary tax collection in 2017 (110.5 million euros) and by the change in the first half of 2018 of the payment method of an airline, from pre-payment to guarantee (28.4 million euros). Excluding both effects, the effective flow of operating activities would have increased by 4.1% (79.3 million euros).

  Net financial accounting debt to EBITDA ratio has been reduced to 2.5x as of 31 December 2018 compared to 2.8x as of 31 December 2017.
  This financial robustness has been reflected in the improvement of the credit rating granted to Aena by Moody's in April, raised to "A3" from "Baa1", maintaining the stable outlook, which was confirmed in November (after the publication of the Strategic Plan 2018-2021), as well as in the confirmation by Fitch Ratings of the credit rating "A" with stable outlook, in May.

- In relation to investments' execution, the amount paid in the period amounted to 470.3 million euros, which represents an increase of 165.2 million euros over the same period of the previous year, of which 101.8 million euros correspond to payments for investments implemented and certified at the end of 2017. The main investments in the airport network in Spain are focused on security and maintenance in accordance with the regulated investment programme established in DORA.

- On 10 October, Aena submitted its Strategic Plan for the years 2018-2021. This Plan, which was approved by the Board of Directors on 29 May, aims to consolidate the Company's growth and foster new business lines that generate value, through nine lines of action that revolve around the two pillars of Aena: regulated business and unregulated business.

  In the regulated business, associated with aeronautical activity, the strategy focuses on furthering Aena's leadership by providing its airports with greater capacity, competitive fees and an improvement in service quality levels.

  With regard to unregulated business, diversification and search for new opportunities will be worked as a source of future growth.

- Additionally, within the framework of the Strategic Plan 2018-2021, the Board of Directors of Aena approved a policy of remuneration to shareholders consisting in the distribution as dividends of an amount equivalent to 80% of the annual net profit, excluding extraordinary items. This policy will be applied to the distribution of profits for the years 2018, 2019 and 2020. However, the Board of Directors might modify this if exceptional circumstances occur, under the terms detailed in the actual policy.

- On the occasion of the presentation of the Strategic Plan 2018-2021, the Company announced that it expects an increase in passenger volume in the airport network in Spain of 2.0% for fiscal year 2019. This estimate is considered to vary within a range of ±0.5%.

- The Board of Directors has agreed to propose to the General Shareholders' Meeting the distribution of a gross dividend of 6.93 euros per share against 2018 profits. This dividend means distributing 80% of the net profit of Aena S.A. and represents an increase of 6.6% over the previous year.

- During 2018, the evolution of the share price fluctuated between a maximum of 179.5 euros and a minimum of 133.0 euros. The share closed the period at 135.8 euros, a drop of 19.7% which largely reflects the general evolution of the Spanish market in this period, in which the IBEX35 accumulated a loss of 15.0%.

2. Macroeconomic environment and activity figures

2.1 Macroeconomic situation and sector details

The economy of Spain continues along the path of growth and air transport is one of its flagship industries.

According to data provided by the National Institute of Statistics, the GDP growth in the whole of 2018 with respect to 2017 is estimated at 2.5% and in the fourth quarter of year-on-year growth of 2.4%, a rate similar to that of the one of the third quarter.

For its part, the contribution of air transport is of special relevance (according to ACI-Interviews in Spain generates approximately 5.9% of GDP) and is strongly linked to one of the main industries, tourism, which according to Exceltur, led to a contribution to Spanish GDP of 11.8% in 2018, and whose indicators continue to evolve favourably, reaching record numbers of foreign tourists.

Thus, the data advanced by the National Institute of Statistics, reflect that in 2018 82.8 million tourists visited Spain, 1.1% more than the previous year, being the United Kingdom (18.5 million tourists), Germany (11.4 million) and France (11.3 million) the main senders of tourists.

However, in 2018 these markets showed a variation of -1.6%, -4.1% and +0.7% respectively, clearly lower than the growth experienced in recent years. This is due, amongst other reasons, to the recovery of alternative tourist destinations to Spain and, in addition, in the case of tourists from the United Kingdom (which in the Aena network represent 16.7% of passenger traffic levels in 2018) by the evolution of the price of the pound against the euro and, in general, by the current trading environment of the withdrawal of the United Kingdom from the European Union (Brexit).

Broken down by communities, Catalonia was the main autonomous community in terms of destination in 2018, with 23.1% of the total number of tourists, followed by the Balearic Islands (with 16.7%) and the Canary Islands (with 16.6%).

And what is more remarkable from the perspective of Aena: more than 81% of tourists accessed Spain by air, using therefore one of our airports.

Likewise, it is necessary to highlight the relevant position of Spain also as a gateway to and from Latin America by air.

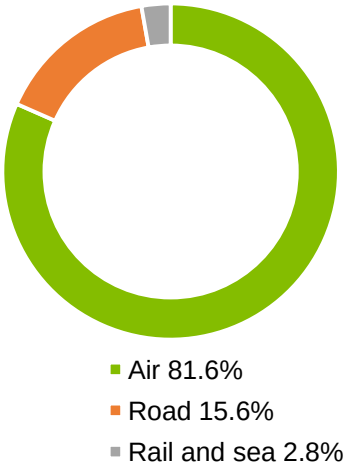


Figure 1. Distribution of tourists broken down by means of access

2.2 Traffic in the Aena airport network in Spain

In 2018, traffic in the airports of the Spanish network grew by +5.8%, reaching 263.8 million passengers, breaking a new record of transported passengers. July and August were the best two months in the history of Aena. In the fourth quarter, traffic increased by 6.9% (compared to an increase of 9.7% in the first quarter, 4.8% in the second quarter and 3.7% in the third quarter).

The growth experienced in 2018 has been bolstered by the positive evolution of domestic traffic (+10.0%), which has reached 80.8 million passengers and represents 30.6% of the total traffic of the network, driven by the growth trend of the Spanish economy and the increase of the state bonus to inter-island traffic from 50% to 75%, applied since 28 June 2017 and from 16 July 2018 to journeys to the Peninsula of the residents of the islands, Ceuta and Melilla.

International traffic increased by 4.1%, reaching 183.0 million euros, and its contribution to total traffic decreased to 69.4% (70.5% in 2017), with a decrease in passengers with origin/destination in the United Kingdom (-3.0%) affected, among other reasons, by the recovery of alternative tourist destinations to Spain that in a stable environment are highly competitive, and the impact of Brexit and its reflection on the evolution of rates exchange.

As for the number of aircraft movements, 2,300,189 operations were registered, representing an increase of 5.8% over the same period of the previous year.

The volume of freight continues to grow significantly, by 9.9%, having exceeded 1 million tons.

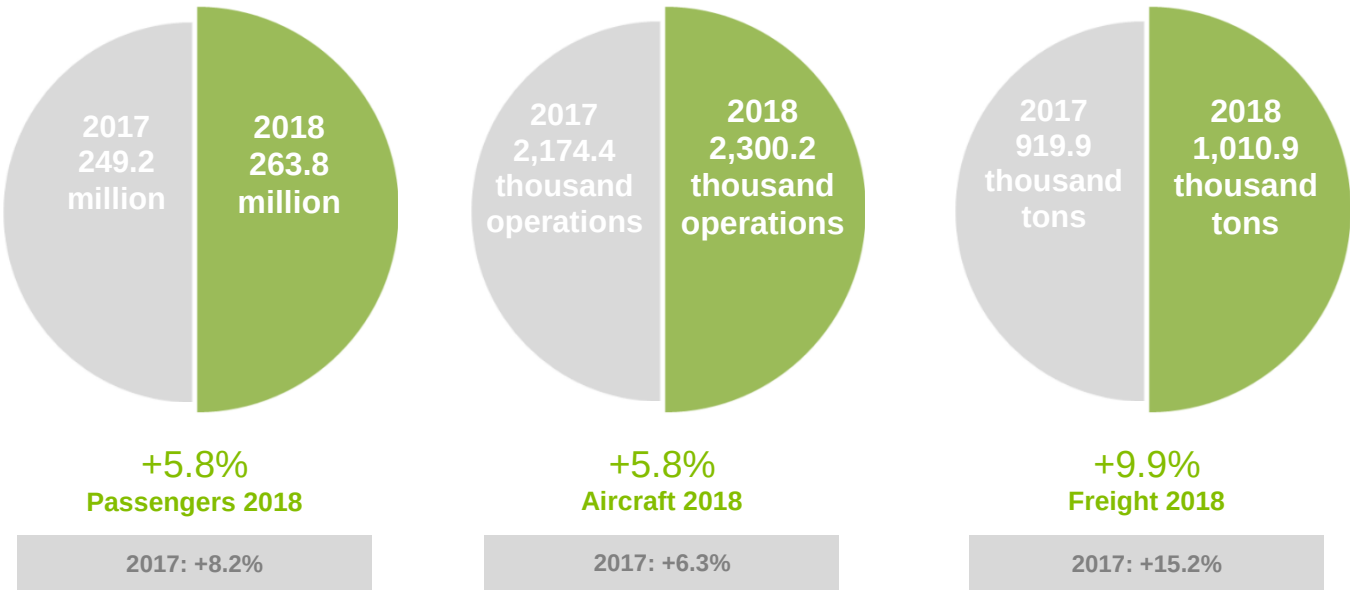


Figure 2. Traffic in the Aena airport network in Spain

2.3 Analysis of air passenger traffic by airport and airline

The percentage of passengers in terms of percentage shows that the volume remains concentrated at the network's seven main airports:

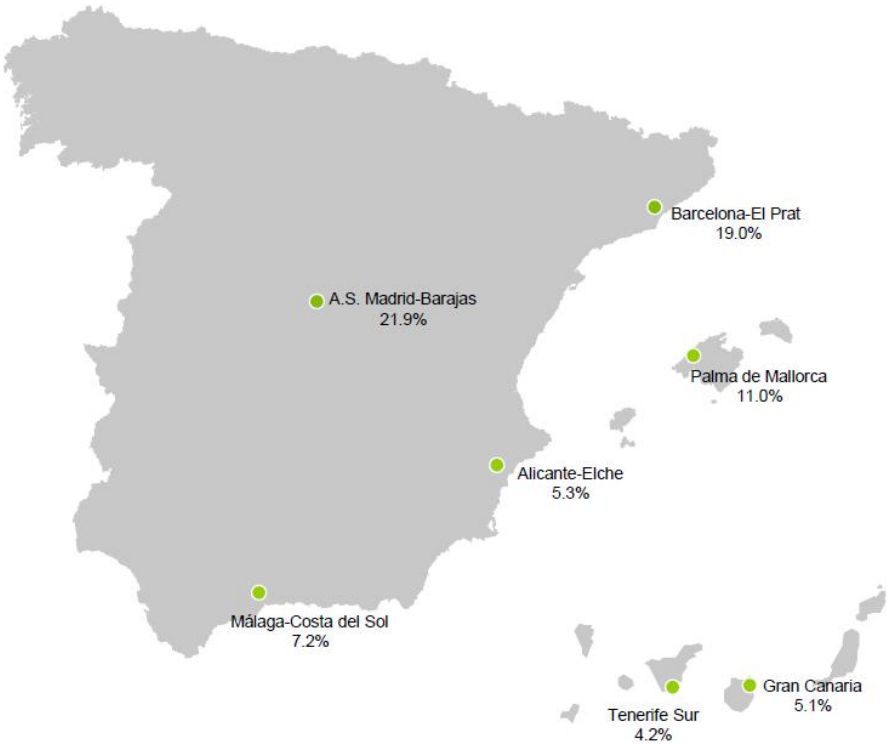


Figure 3. Share of passenger traffic at major airports in Spain

The evolution of traffic by airports in 2018 is as follows:

	Passengers			Aircraft movements			Freight		
Airports and Airport groups	**Millions**	**Variation 2018/2017**	**Share of Total**	**Thousands**	**Variation 2018/2017**	**Share of Total**	**Tons**	**Variation 2018/2017**	**Share of Total**
Adolfo Suárez Madrid-Barajas	57.9	8.4%	21.9%	409.8	5.7%	17.8%	518,859	9.9%	51.3%
Barcelona-El Prat	50.2	6.1%	19.0%	335.7	3.7%	14.6%	172,940	10.8%	17.1%
Palma de Mallorca	29.1	4.0%	11.0%	220.3	5.5%	9.6%	10,018	-1.7%	1.0%
Total Canary Islands Group	45.3	2.8%	17.2%	416.5	9.3%	18.1%	37,433	-0.4%	3.7%
Total Group I	66.2	6.0%	25.1%	548	5.1%	23.8%	38,032	2.0%	3.8%
Total Group II [(1)]	13.6	6.5%	5.2%	187.5	4.1%	8.2%	171,121	17.3%	16.9%
Total Group III	1.5	18.2%	0.6%	182.4	6.0%	7.9%	62,471	3.0%	6.2%
TOTAL	**263.8**	**5.8%**	**100.0 %**	**2,300.2**	**5.8%**	**100.0 %**	**1,010,873**	**9.9%**	**100.0 %**

Traffic data pending final closure, not subject to significant variations.

[(1)] *Includes data on civil air operations at Murcia San Javier Air Base (1.3 million passengers and 9,179 aircraft movements in 2018), which were interrupted on 15 January 2019, once that the Región de Murcia International Airport (AIRM) entered into operation (see Note 3.2 of the Report).*

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

Adolfo Suárez Madrid-Barajas Airport is the flagship airport in the network for passenger, operations and freight traffic, accounting for 21.9% of the total number of passengers in the Spanish network (57.9 million). In 2018, its number of passengers increased by 8.4% compared to the same period of the previous year (+7.4% for domestic traffic and +8.8% for international traffic).

With regard to the number of aircraft, 409,832 aircraft operated at this airport, 5.7% more than in 2017.

Also freight, which accounts for more than half of the total volume registered in the network, has increased by 9.9% to 518,859 tons transported.

At Barcelona-El Prat Airport, passenger traffic grew by 6.1% (+5.7 for domestic traffic and + 6.2% for international traffic) to 50.2 million.

In number of operations, 335,651 movements have been registered, representing an increase of 3.7%, and the freight maintains the trend of significant growth, a 10.8% increase in the volume of goods to 172,940 tons (17.1%). % of the total freight handled in the network).

Palma de Mallorca Airport reached traffic levels of 29.1 million passengers and a growth of 4.0% (+9.9% domestic traffic and +2.2% international traffic).

Aircraft operations increased by 5.5% to 220,329.

Regarding the Canary Islands Group, the number of passengers registered in the 8 Canary Islands airports increased by 2.8%, to 45.3 million (+15.5% for passengers on domestic flights and -3.3% on international flights).

The set of the 8 airports in Group I grew by 6.0% in passengers to 66.2 million, worthy of special mention being Seville (+24.9%), Valencia (+15.2%) and Bilbao (+10.0%). Traffic at Malaga-Costa del Sol Airport increased by 2.1% (up to 19.0 million passengers) and Alicante-Elche by 2.0% (up to 14.0 million passengers). Domestic traffic in this group of airports rose by 11.2% and international traffic by 4.1%.

The 11 airports of Group II recorded an overall growth of passenger traffic of 6.5%, up to 13.6 million passengers. This growth has occurred both in the evolution of domestic traffic (+8.9%) and international traffic (+3.1%).

In this group, the 17.3% increase in the volume of freight operated at Zaragoza airport, which has concentrated 16.5% of the freight handled in the network, can be highlighted.

On the other hand, the airports of Group III, those with the lowest volume of traffic, registered an increase of 18.2% (up to 1.5 million passengers).

Due to its volume of freight, in this group the growth of 2.8% registered in the Vitoria Airport is noteworthy (6.1% of the total of freight handled in the network).

Airport marketing activity had a very positive impact during 2018, which is reflected in the opening of 343 new routes[1] from the airports in the Aena network: 38 for domestic destinations, 285 medium-haul routes[2] and 20 long-haul routes[3].

The airports in which a greater number of new routes have been opened have been: Palma de Mallorca (64), Adolfo Suárez Madrid-Barajas (28), Málaga-Costa del Sol (26), Tenerife Sur (21) and Barcelona-El Prat (21). By airline, Ryanair was the airline with the highest number of new routes (59), followed by Laudamotion (40), easyJet (22) and Vueling (15).

By destinations, the new routes open from Adolfo Suárez Madrid-Barajas Airport with Shenzen (operated by Hainan Airlines), San Francisco (Iberia), Los Angeles and New York (Norwegian) are noteworthy. From Barcelona-El Prat Airport, Level has established a new route with Boston, Asiana with Seoul and Ethiad with Abu-Dhabi. From the Málaga-Costa del Sol Airport, four long-haul routes have been opened with: Doha (operated by Qatar), Jeddah and Riyadh (Saudia Airlines), and Kuwait (Kuwait Airlines). And finally, from Tenerife Norte, Plus Ultra has opened a connection with Caracas.

On the other hand, the companies Volotea, SAS and Thomas Cook Balearics have opened bases in 2018 at Bilbao, Malaga and Palma de Mallorca airports, respectively.

Regarding the distribution of traffic by geographical areas, in addition to the increase in the share of domestic passengers (30.6% in 2018), it is worth mentioning the significant traffic growth with Asia (+29.6%) and North America (+16.6%), which, although in absolute terms, are markets with a low weight, shows the positive impact being felt as a result of the airport marketing actions implemented by the Company.

The growth of traffic with Asia is especially relevant, having tripled in the last three years. At present, this market has 16 destinations and 1.1 million passengers (compared to 6 destinations and 368,000 passengers in 2015).

Region	Passengers 2018	Variation %
Europe (1)	161,592,201	3.2%
Spain	80,773,105	10.0%
Latin America	7,638,118	7.1%
North America (2)	5,973,719	16.6%
Africa	3,393,658	9.5%
Middle East	3,240,858	8.3%
Asia Pacific	1,141,747	29.6%
TOTAL	**263,753,406**	**5.8%**

(1) *Excludes Spain*
(2) *Includes USA, Canada and Mexico*

Table 2. Breakdown of traffic by geographical area

[1] Routes with more than 5,000 passengers in 2018 and less than 1,000 in 2017.
[2] Routes of less than 4,000 km and destination EEA (excluding Spain).
[3] Routes of more than 4,000 km and destination not belonging to the EEA.

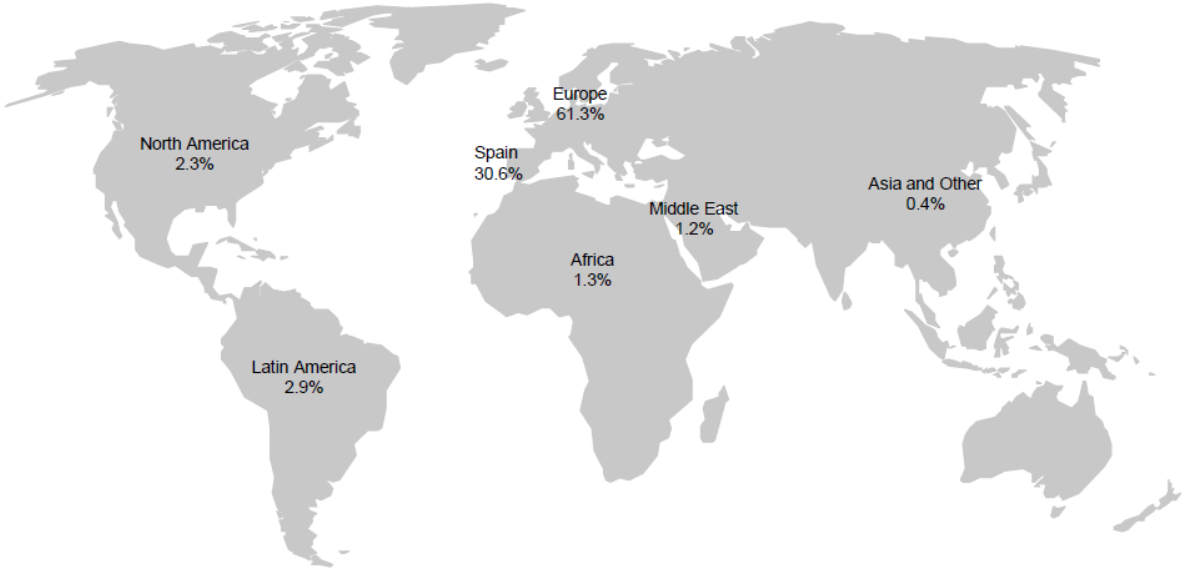


Figure 4. Map of traffic distribution by geographical area

Broken down by countries, the total traffic of the airport network is concentrated in Spain (30.6%) and in the United Kingdom, Germany, Italy and France, which together represent a share of 38.8% (40.3% in 2017).

Of these countries, it is worth noting, as already mentioned, the decrease in the number of passengers with origin/destination in the United Kingdom (-3.0%) affected by the recovery of alternative tourist destinations to Spain, as well as the impact of Brexit and its reflection on the evolution of exchange rates.

Country	Passengers		Variation		Share of total (%)	
	2018	2017	%	Passengers	2018	2017
Spain	80,773,105	73,441,642	10.0%	7,331,463	30.6%	29.5%
United Kingdom	44,114,652	45,460,047	-3.0%	-1,345,395	16.7%	18.2%
Germany	29,735,131	28,676,583	3.7%	1,058,548	11.3%	11.5%
Italy	15,322,572	14,024,888	9.3%	1,297,684	5.8%	5.6%
France	13,229,644	12,354,027	7.1%	875,617	5.0%	5.0%
Holland	8,771,402	8,603,723	1.9%	167,679	3.3%	3.5%
Switzerland	6,411,587	6,391,259	0.3%	20,328	2.4%	2.6%
Belgium	6,088,932	5,990,013	1.7%	98,919	2.3%	2.4%
Portugal	4,877,201	4,295,889	13.5%	581,312	1.8%	1.7%
United States	4,408,673	3,719,791	18.5%	688,882	1.7%	1.5%
Ireland	4,332,257	4,162,682	4.1%	169,575	1.6%	1.7%
Sweden	3,873,457	4,048,144	-4.3%	-174,687	1.5%	1.6%
Denmark	3,455,567	3,442,023	0.4%	13,544	1.3%	1.4%
Norway	3,118,163	3,190,928	-2.3%	72,765	1.2%	1.3%
Poland	2,660,779	2,472,060	7.6%	188,719	1.0%	1.0%
Total Top 15	**231,173,122**	**220,273,699**	**4.9%**	**10,899,423**	**87.6%**	**88.4%**
Rest of the world	**32,580,284**	**28,944,617**	**12.6%**	**3,635,667**	**12.4%**	**11.6%**
Total Passengers	**263,753,406**	**249,218,316**	**5.8%**	**14,535,090**	**100.0 %**	**100.0 %**

Table 3. Air traffic distribution by country

Regarding the distribution of passenger traffic by airline, it can be observed that low-cost airlines bolster the growth of their quota and represent 55.4% of the total (54.3% in 2017), with the remaining 44.6% corresponding to traditional companies (45.7% in 2017). However, the degree of concentration continues to remain at a moderate level.

Aena's main client airlines continue to be the IAG Group and Ryanair. The first, which includes Iberia, Iberia Express, Vueling, British Airways, British Airways City Flyer, Aer Lingus and the Level brand, has increased its share of total passenger traffic, from 26.2% in 2017 to 27.8%, and Ryanair very slightly, from 17.7% to 17.8%. Amongst the other airlines, it is relevant to mention the increase in Eurowings' activity, the sustained growth of Jet2.com (passengers coming mainly from the United Kingdom to tourist destinations in Spain), the growth of the Binter Group that mainly operates traffic between airports of the Canary Islands Group, as well as that of Air Europa, mainly at Madrid-Barajas Airport and easyJet.

Regarding the long-haul activity of the low-cost companies that started Norwegian and Level (Grupo IAG) in June 2017, operating with new routes from Barcelona, it should be noted that, although still incipient in Spain, it continues its growing trend and since its start to the end of 2018 has registered more than 1,100,000 passengers, exceeding in 2018 the 840,000 passengers. Also, it is noteworthy that in the month of July Norwegian started two new routes from Madrid (Los Angeles and New York) and that since October, Level operates a new route from Barcelona (to San Francisco).

Additionally, it is important to note that the consolidation trend of airlines, which involves the progressive reabsorption of passengers by other airlines, has been reflected in 2018 in the cases of Air Berlin, Niki, or Monarch, companies operating in relevant markets (Air Berlin and Niki in German and Monarch in Britain), which ceased operations in 2018.

Airline	Passengers		Variation		Share of total (%)	
	2018	2017	%	Passengers	2018	2017
Ryanair [1]	46,834,426	44,026,566	6.4%	2,807,860	17.8%	17,7 %
Vueling	39,388,231	34,802,550	13.2%	4,585,681	14.9%	14.0%
Iberia	19,280,728	17,465,094	10.4%	1,815,634	7.3%	7.0%
Air Europa	17,362,329	15,655,282	10.9%	1,707,047	6.6%	6.3%
Easyjet [2]	16,753,696	15,433,064	8.6%	1,320,632	6.4%	6.2%
Norwegian Air [3]	9,996,446	9,771,993	2.3%	224,453	3.8%	3.9%
Iberia Express	9,532,184	8,577,197	11.1%	954,987	3.6%	3.4%
Air Nostrum	8,414,781	7,748,597	8.6%	666,184	3.2%	3.1%
Jet2.Com	7,241,470	6,058,120	19.5%	1,183,350	2.7%	2.4%
Binter Group[4]	7,051,906	6,148,173	14.7%	903,733	2.7%	2.5%
Eurowings	5,612,244	3,803,852	47.5%	1,808,392	2.1%	1.5%
Thomson Airways	4,813,506	5,108,094	-5.8%	-294,588	1.8%	2.0%
Lufthansa	4,246,828	3,703,650	14.7%	543,178	1.6%	1.5%
Transavia	3,689,599	3,741,371	-1.4%	-51,772	1.4%	1.5%
Andean Condor	3,394,319	3,035,958	11.8%	358,361	1.3%	1.2%
Total Top 15	**203,612,693**	**185,079,561**	**10.0%**	**18,533,132**	**77.2%**	**74.3%**
Other airlines	60,140,713	64,138,755	-6.2%	-3,998,042	22.8%	25.7%
Total Passengers	**263,753,406**	**249,218,316**	**5.8%**	**14,535,090**	**100.0 %**	**100.0 %**
Total Low Cost Passengers [5]	**146,228,689**	**135,345,861**	**8.0%**	**10,882,828**	**55.4%**	**54.3%**

[1] Includes Ryanair Ltd. and Ryanair Sun, SA.
[2] Includes Easyjet Switzerland, SA and Easyjet Airline Co. LTD.
[3] Includes Norwegian Air International and Norwegian Air Shuttle AS.
[4] Includes Binter Canarias, Naysa and Canarias Airlines.
[4] Includes low-cost carriers' traffic in scheduled flights.

Table 4. Distribution of air traffic by airlines

2.4. Commercial activity

The experience that Aena offers to passengers traveling through its airports integrates, as a fundamental part, commercial activities. 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.

In 2018, commercial services revenues amounted to 1,149.0 million euros, an increase of 8.7%. This growth is mainly due to the improvement in the contractual conditions of the new tenders that include higher minimum guaranteed rents (MAG), the increase in minimum guaranteed rents reflected in the current contracts and the evolution of sales in the businesses operated by Aena itself, parking and VIP services, which continue to show a remarkable evolution of their revenue. The increase in the traffic mix of low cost passengers with lower propensity to spend, as well as Brexit and the devaluation of sterling, continue to affect the revenue of this activity.

In terms of units, the ratio of commercial services revenue per passenger stood at 4.36 euros, 2.7% higher than in the same period of 2017 (4.24 euros). This ratio includes the revenue from commercial activities within the terminal and those from the parking facilities, excluding revenue from real estate services that form a differentiated business segment.

The contractual conditions in most of Aena's commercial contracts stipulate a variable revenue based on sales made (these percentages can vary according to the category of the product and/or service) and minimum annual guaranteed rents (MAG) that ensures that the lessee pays a minimum amount regardless of the level of sales made. The following graph shows for each line of business the evolution to 2022 of the minimum guaranteed rents corresponding to the contracts in force on 31 December 2018:

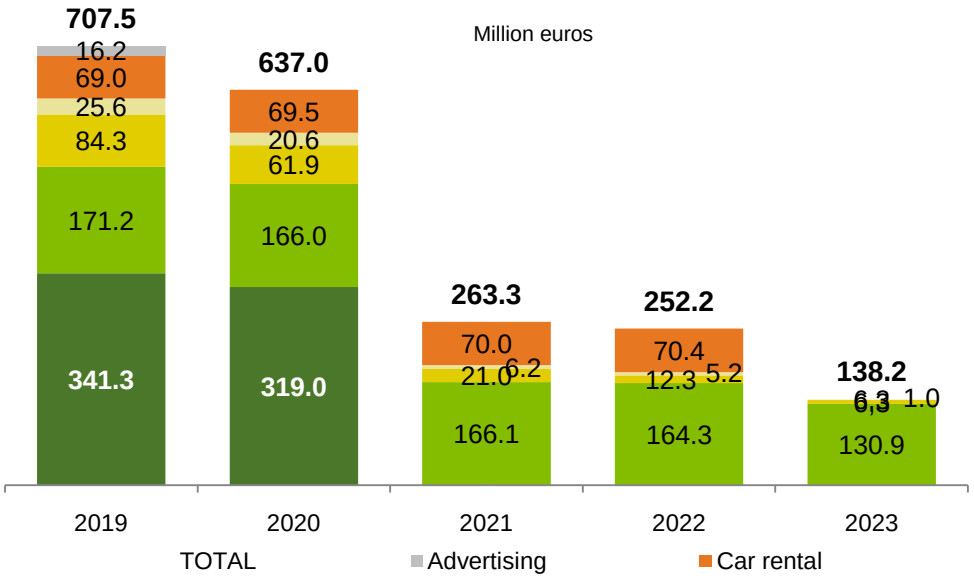


Figure 5. Minimum annual guaranteed rents (MAG) by business line

The MAG have been prorated to the actual days at the beginning and end of the contracts.
Commercial operations: includes financial and regulated services contracts (currency exchange, pharmacies, tobacconists, etc.).
Duty Free: the contract currently in force ends in October 2020.
Publicity: the new contract is in the recruitment phase, the rents reflected correspond to the extension of the previous contract until 30 June.

In the area of the development of the objectives of the Strategic Plan 2018-2021, in 2018 progress has been made in the definition of projects that, within the strategy of commercial digitisation, will be developed and implemented throughout 2019. These projects are focused on strengthening the relationship with passengers through digital media and increasing points of contact with them, to facilitate access to services and information, in order to improve their experience through a tailor-made, fluid offer and novelty that contributes to maximise sales activity.

3. Business lines

3.1 Airport services

Process of consultation on airport charges 2019

As established in the regulations (Law 18/2014 and Directive 2009/12/EC on airport charges), and for the updating of the airport charges for 2019, during the months of May and July the consultation process took place between Aena and the associations of airlines that use the airports.

In the course of this process, Aena provided users and the National Commission of Markets and Competition (CNMC), which exercises the functions of the Independent Supervisory Authority, the information required by the regulations and a proposal for charges that complied to the requirements established both in the Airport Regulation Document (DORA) and in Law 18/2014.

The first meeting of the consultation process was held on 21 May, the second was held on 21 June and a third meeting on 13 July, which presented the final proposal for rates for 2019, which were approved by the Board of Directors at Aena on 24 July and communicated to the CNMC, user associations and the General Directorate of Civil Aviation (DGAC).

The users called by Aena to participate in the consultation process belong to the following associations of airlines and airlines not represented by those:

- IATA: International Air Transport Association
- A4E: Airlines for Europe
- AIRE: Airlines International Representation in Europe
- ACETA: Association of Spanish Air Transport Companies
- ALA: Association of Airlines
- AECA: Spanish Association of Airline Companies
- AOC Spain: Committee of Airline Operators
- RACE: Royal Airclub of Spain
- RFAE: Royal Spanish Aeronautical Federation
- AOPA: Association of Aircraft Owner Pilots
- Ryanair
- Norwegian
- Jet2

As a result of this process, the Board of Directors of Aena approved the charges proposal applicable as of 1 March 2019, consisting of the freeze of the adjusted maximum annual revenue per passenger (IMAAJ) of 2019 with respect to the adjusted maximum annual revenue per passenger (IMAAJ) of 2018, as a consequence of the adjustments that DORA establishes in relation to the incentive for the performance of the quality levels, the implementation of investments and the compliance factor at 100% of the adjusted maximum annual revenue per passenger (IMAAJ) corresponding to the closing of 2017.

In its power of Independent Supervisory Authority, the CNMC approved in December 2018 the freezing of airport charges as of March 2019, as well as compliance with the legal requirements of transparency and consultation with airport users indicated by the regulations followed by Aena in the process of updating charges.

Aeronautical activity

During the period there have been important changes in the provision of airport services. These include the start-up of the new assistance service for people with reduced mobility (PRM), the start of new private security contracts, as well as the cleaning service and luggage trolleys in 19 airports.

In the area of facilities and maintenance, the Strategic Airport Maintenance Plan (PEMA 2018-2021) has been launched, which aims to streamline and standardise maintenance services in the network.

With regard to airport security, it is important to highlight the award of the passenger assistance service at the passport controls of the main airports to provide support to the National Police Corps. In addition, in line with the above, automatic border control (ABC) equipment has been supplied at Adolfo Suárez Madrid-Barajas, Barcelona, Palma de Mallorca, Malaga, Alicante, Menorca and Ibiza airports.

Additionally, it should be noted that airport security, border control and customs control are the three basic aspects affected at the operational level by Brexit, on which Aena has worked at the operational level throughout 2018, also participating in the National Security Committee with all the stakeholders involved.

It is also important to note that on 14 January 2019, the last civil operation of the Murcia San Javier Airport took place, giving way to the Región de Murcia International Airport (AIRM), which started its activity a day later, on 15 January (see Note 3.2 of the Report).

Since February of 2018, the signing of the management, operation, maintenance and conservation agreement for the Región de Murcia International Airport for a term of 25 years was performed by the Company “Aena Sociedad Concesionaria del Aeropuerto Internacional de la Región de Murcia S.M.E., S.A.” all the

necessary actions were carried out that have allowed for the airport to start its operations according to the planned schedule.

The financial information corresponding to the new Company "Aena Sociedad Concesionaria del Aeropuerto Internacional de la Región de Murcia S.M.E., S.A." is included in the activity of airport services.

The following table details the revenue of this activity:

Thousand euros	2018	2017
Airport charges [1]	2,668,991	2,562,051
Passengers	1,224,522	1,166,405
Landings/Air Traffic Service /Meteorological Service	730,810	697,342
Security	424,519	419,869
Telescopic boarding bridges	106,830	110,166
Handling	100,416	90,432
Fuel	33,637	33,535
Parking facilities	37,409	34,188
Catering	10,848	10,114
Other Airport Services[2]	77,623	76,454
Total Airport Services revenue	2,746,614	2,638,505

[1] The amounts of the passenger, land and security revenue lines are shown net of commercial incentives: 20.9 million euros in 2018 (36.4 million euros in 2017).
[2] Includes: Check-in Counters, Use of 400 Hz gateways, Fire Service, Consignments and Other Revenue

Table 5. Most significant figures of the Airport Services activity

Total revenues from airport services increased to 2,746.6 million euros (+4.1% compared to 2017), boosted by the positive evolution of traffic (5.8% increase in passenger traffic and number of aircraft).

On the other hand, the impact of the reduction of charges in -2.22% as of 1 March 2017 and -2.22% as of 1 March 2018, has amounted to 58.3 million euros.

On the other hand, the effect of the incentives to traffic has meant 20.9 million euros in the period (net of the regularisation of 4.4 million euros of provisions from previous years) compared to 36.4 million euros in 2017 (net of the regularisation of 3.9 million euros). It is relevant to point out that the application of the commercial incentive of 2017 started on 1 April, coinciding with the summer season, meaning that there was no accrued incentive associated with traffic in the first quarter of 2017.

The bonus per connecting passenger has reached 73.5 million euros, an amount higher than the same period of 2017 (69.7 million euros).

Regarding the main actions carried out at the airports of the network with the main purpose of maintaining the quality of service provided to passengers and companies, the following are worthy of special mention:

Passenger services

In order to improve the passenger experience in airports, Aena continuously carries out actions in terminal buildings and access points, paying special attention to cleaning services, assistance to people with reduced mobility (PRM) and information to the passenger, among other services.

- Cleanliness

Within the framework of the Strategic Cleaning Plan, in 2018, the provision of this service was tendered in 21 airports of the network, of which the services of 19 airports have been awarded.

The new contracts which entered into force between the months of May and November, are worth a total amount of 27.4 million euros and run for a period of one year (contemplating two possible annual extensions).

The award of the contracts corresponding to the cleaning services of the Madrid and Barcelona airports is scheduled to take place in the first quarter of 2019. The tender amount amounts to 134.8 million euros for a period of 3 years, extendable for 2 annuities.

The main aims of the new contracts are to improve the quality levels

offered to passengers, complying with the quality standards established in the Airport Regulation Document 2017-2021 (DORA). It establishes a model that enhances the values of quality, efficiency and flexibility, in addition to modernising the service through a digital platform for resolution of incidents in real time.

- PRM service

Between the months of February and April the new assistance service for People with Reduced Mobility was started in the 20 main airports forming the network. The cost of the new services for the 4 years of the contract amounts to 272.5 million euros.

The new service contracted is aimed at improving the quality offered to passengers and airlines, with more demanding requirements, increasing the support elements (ambulift, vans and wheelchairs) with respect to the previous service.

Additionally, it is complemented by the implementation of mobile devices for passenger care and the development of assistance, improvements that are part of the digitisation project of the PRM assistance service.

- Passenger information

With the aim of expanding communication channels and services to passengers, in 2018 the Contact Centre has been put into operation, replacing the old Call Centre, to provide additional services to telephone service, such as web chats, management of mailboxes for complaints and suggestions and telephone reservations for PRM and parking services.

- Other activities

It is also noteworthy that, in order to offer a continuous improvement of the passenger experience in its airports, Aena actively participates in different forums that promote good practices that guarantee the highest quality standards.

During 2018, Aena was present at the ACI Europe Facilitation Committees (Airports Council International) focused on good practices, at the first world summit Airport Service Quality (ASQ) Forum and Customer Excellence Global Summit ACI WORLD arranged by ACI, and at the committee of AQC (Airports Quality Club) for the continuous improvement of the passenger experience.

Airline services

Amongst the actions carried out by Aena on a regular basis to offer a better service to airlines, in 2018 those carried out in relation to the provision of handling and fuel assistance, duly highlighting:

- Handling

In 2018, miscellaneous projects for the expansion and improvement of handling services were initiated, including the creation of a new baggage self-billing service (Self BagDrop) for the airports of Madrid, Barcelona, Palma de Mallorca, Malaga, Alicante, Gran Canaria, Tenerife Sur, Ibiza, Bilbao and Seville. This service will provide passengers with an automated system to perform the complete billing process without requiring the intervention of external personnel.

Likewise, in order to propose improvements that contribute to improve the distribution of passenger traffic and to increase the capacity of the service, a study has been carried out on the current use of conventional check-in counters at Adolfo Suárez Madrid-Barajas and Barcelona-El Prat airports.

- Fuel and On-Board Services

In relation to the provision to third parties of the fuel assistance service, it should be noted that 2018 has concluded with the award of this service in 41 airports forming the Aena network, for a period of 7 years.

The increase of the competition, the improvement of the quality of the service and the limitation of prices have been the key aspects in these tenders.

Air traffic services

In the sphere of ATC (Air Traffic Control) and AFIS (Aerodrome Flight Information System) aerodrome control services, in the last quarter the change of supplier has been published at El Hierro, La Gomera, Burgos and Huesca airports. A transition stage is planned between the new provider of these services (Saerco) and the previous one, which will foreseeably end in March 2019.

Likewise, in the last quarter of 2018 the actions associated with the transition of the provision of air traffic services at the Región de Murcia International Airport (AIRM) were completed.

Operational systems

Throughout 2018, progress has been made in the integration of the airports of the Aena network into the "A-CDM" (Airport-Collaborative Decision Making) and Advanced Tower programmes, sponsored by Eurocontrol, which encourage the exchange of information between all the parties involved in the operation of a flight, with the aim of fostering joint decision making, improving punctuality, reducing the cost of movements and mitigating environmental impact.

Thus, Ibiza, Menorca, Lanzarote and Fuerteventura obtained in 2018 the Advanced Tower Certification with which the operational data of these airports are integrated into the European real-time data network managed by Eurocontrol, reaching in 2018 about 70% of the traffic of network operations in Spain.

Likewise, the changes were made in the Operational Systems in the new Región de Murcia International Airport, necessary for the start of its operations.

Operations

- Airfield and platform

In order to define the new standardised information model for flight crews to provide a more accurate adjustment of runway operations in case of snow, ice or water, during 2018, Aena has been part of a group of joint work with ENAIRE and AESA (State Air Safety Agency) to define the new model of notification of the condition of the pavements that must begin to be applied in November 2020.

Likewise, it is worth noting the start of actions for the implementation in airports of the Aena network of the European Action Plan for the Prevention of Runway Incursions (EAPPRI) published by EUROCONTROL.

- Safety

In this area, it should be noted that in relation to the Operational Safety Management System, Aena has carried out 2018 supervisions in 30 airports of the network and, on the other hand, that AESA (State Agency for Air Safety) has carried out inspections in 27 airports.

Likewise, in the fourth quarter of 2018, the definition process with the aeronautical authority (AESA), of the standards for coding incidents associated with wildlife, was finalised for its implementation in all Aena airports, which will improve the quality of the data used to manage the risks associated with fauna and its notification to the SNS (Event Notification Service).

- Operational capacity

With regard to the actions in relation to the operational capacity, it is noteworthy that in the fourth quarter of 2018 the analysis was developed to increase the operational capacity of departures from the Terminal Building of the Seve Ballesteros-Santander Airport.

Additionally, in the face of the 2018 summer season, the track operating capacity of the Alicante-Elche and Málaga-Costa del Sol airports has been increased.

- Meteorological service

In 2018, Aena continued the process of implementing the Automated Meteorological Reporting System (METAR) in medium and small-sized airports.

It is an important technological advance that will improve the meteorological information that is provided to the users in time and in accuracy. These reports are used by airlines to plan flights and airports for the activation of various procedures, such as reduced visibility and actions against adverse weather conditions Additionally, the second meeting of the AENA-AEMET Mixed Commission defined in the current contract between both organisations was held. The main topics dealt with are the optimisation of information exchange processes and the definition of service levels of meteorological services.

- Aircraft rescue and fire extinction service (SSEI)

In the fourth quarter the Category SSEI of the airports was revised, taking into account the programming of the winter season and several files were awarded for the renewal of personal protective equipment (PPE) destined to the firefighting staff.

- Emergency Management

The Emergency Drills Plan in the Aena airport network includes the simulation schedule that each airport and/or heliport must perform in compliance with the AESA Technical Instruction in this regard, and in compliance with it, throughout 2018 a total of 29 aeronautical drills were carried out and, in addition, the Emergency Plan of the Región de Murcia International Airport (AIRM) has been prepared and implemented, having obtained both the approval of the aeronautical authority (AESA) and the different collectives and local and autonomous bodies involved.

On the other hand, it is noteworthy that during the year the implementation of the Business Continuity and Activity Recovery Plan was completed in the 7 busiest airports in the network. This Plan defines the sequence of actions that must be carried out at the airport after an emergency, under strict safety conditions, and in order to avoid or minimise the potential associated risks.

- Management of the risks associated with wildlife

In accordance with European regulations, in the third quarter of 2018, the control and monitoring methodology of the defence measures implemented in each of the airports that were equipped with the Wildlife Risk Management Programme was defined in order to analyse its effectiveness, perform the self-assessment and update this accordingly.

Security

In this area, it is noteworthy to mention that in 2018 the private security service of all the airports in the network was awarded, which came into operation between the months of June and July (in the month of October at the Canary Islands airports of Tenerife Norte, Tenerife Sur and La Palma).

The new contracts amount to 345.5 million euros for a period of 2 years and have as a double objective the continuous improvement of the quality levels offered in the security service, according to DORA, as well as the maintenance of the highest quality standards achieved in recent years, backed by the audits of AESA and the European Commission. Based on the annual cost of this service in 2017, the new contracts represent a cost increase of more than 20%.

These contracts awarded include the requirements set by the Airport Regulation Document 2017-2021 (DORA), as well as the conditions agreed upon at the negotiation table of the State Collective Agreement of private security companies for the period 2017-2020, which was entered into dated 8 November 2017.
They also establish different management models focused on enhancing effectiveness, efficiency and quality depending on the type of each airport, as well as the involvement of all actors (companies and security guards) by including bonuses and penalties depending on the aims accomplished.

- Border control

To facilitate the control of passports by the National Police, during the month of July the first stage of installation of automatic border control equipment (ABC) was executed and, in the second quarter of 2018, the assistance service for passengers at passport controls at several airports in the network: Madrid, Barcelona, Palma de Mallorca, Malaga, Alicante, Gran Canaria, Tenerife Sur, Lanzarote and Fuerteventura was awarded.

Regarding the ABC equipment installed, at the airports of Madrid, Palma de Mallorca, Barcelona, Malaga and Alicante it is already in operation, and at the airports of Menorca and Ibiza pending final configuration.

For its part, the installation of the new equipment in Gran Canaria, Tenerife Sur, Lanzarote and Fuerteventura is in the project stage.

- Security equipment

In order to improve security processes, in 2018 automation processes were initiated in the connections filter of T4 at Madrid Airport, which at the end of the year was in operation on several lines.

These actions have continued at the airports of Ibiza, Seville and Santiago, which are in the equipment deployment phase.

In addition, it is noteworthy that in November 2018, the Board of Directors of Aena awarded the supply and installation of baggage inspection equipment in the warehouse that, in compliance with European regulations, will replace the typology of machines for the automatic detection of explosives in checked-in baggage.

This investment amounts to 380 million euros, awarded under the Framework Agreement to the following companies: Telefónica, Cotelsa, Proselec, Excem and Tecosa. Its implementation will be carried out in stages, between 2019 and 2023, in 27 airports of the network.

Within the scope of this Framework Agreement, in December 2018, the replacement of equipment for the Menorca Airport was tendered.

- Other actions

Finally, in the area of physical security of airports, it is worthwhile stressing that in the period Aena has verified the application of the National Civil Aviation Security Programme in 32 airports, the State Agency for Air Safety (AESA) has audited the regulations of airport security in 32 airports, and compliance with European security regulations at Madrid and Ibiza airports has been inspected.

Facilities and Maintenance

During the second quarter of 2018, the first stage of the Strategic Airport Maintenance Plan (PEMA) 2018-2021 began with the recruitment of technical assistance to carry out its aims.

The purpose of this Plan is to streamline and standardise maintenance services at all airports in the Aena network, over a 3-year time horizon.

In 2019, its implementation will focus on the grouping of files in order to generate synergies in the execution of services and greater efficiency in their management.

3.1.2 Commercial Activity

In 2018, revenues from commercial services increased by 8.7% with respect to 2017, to 1,149.0 million euros. This growth is mainly due to the improvement in the contractual conditions of the new tenders that include higher minimum guaranteed rents (MAG), the increase in minimum guaranteed rents reflected in the current contracts and the evolution of sales in the businesses operated by Aena itself, parking and VIP services, which continue to display remarkable evolution in terms of their income.

The following table shows the lines of commercial activity:

	Revenue		Minimum Guaranteed Rents	
Thousand euros	**2018**	**2017**	**2018**	**2017**
Duty-Free Shops	326,037	316,608		
Specialty shops	106,298	91,703		
Food & Beverage	199,772	175,643		
Car rental	151,344	149,373		
Car parks	143,469	132,013		
VIP services	64,226	41,053		
Advertising	33,102	31,561		
Leases	33,454	32,129		
Other commercial revenue [(1)]	91,312	86,759		
Total Commercial revenue	1,149,014	1,056,842	123,998	79,224

[(1)] *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.).*

Table 6. Analysis of Commercial Services activity lines

The amount of revenue recorded from services for minimum guaranteed rents represents 16.4% of the revenues of the lines with contracts that incorporate these clauses compared to 11.3% in 2017. This difference is mainly due to the evolution of sales in existing contracts (22.2 million euros), to the conditions agreed in the new contracts (15.0 million euros) and to the increase included in the contracts in force (3.4 million euros).

Broken down by lines of activity, the following commercial actions undertaken in the period are worthy of special mention:

Duty-Free Shops

Revenues from duty-free shops are generated through the 86 points of sale (76 Premises and *10 Buy-Byes*) that occupy a total area of approximately 44,400 m² that is managed by Dufry under the trade name of World Duty Free Group (WDFG) in 26 airports of the network, through the contracts signed with Aena distributed over three lots.

This activity generates a stream of guaranteed revenue via the minimum annual guaranteed rents.

In 2018, Dufry in collaboration with Aena, launched a pilot project in 5 airports (T2 Barcelona-El Prat, Malaga-Costa del Sol, Alicante-Elche, Gran Canaria and Bilbao) in order to identify actions to optimise their performance on a trading level. Likewise, Dufry has carried out marketing and surface improvement actions to reinforce sales and supply in airport shops.

The project involving the analysis, diagnosis and action plan in the tax-free shops at the five airports began in June 2018 and the actions implemented will be extended during the first half of 2019, focused on five levers:

- Actions in the terminal building.
- Review of the interior design and the layout of products in the shop.
- Improvement of the sales force.
- Optimisation of the sales offer (brands, categories, prices, services)
- Digital transformation

Regarding the actions of marketing and improvement of surface area over the year, it is worth mentioning:

- The remodelling and opening of the Malaga Airport shops (those located in the dikes and the main intern shop), the remodelling of the Atrio shop in T4 and the Millennium shop in T2-T3 of Madrid Airport, as well as the opening of the new pass-through shop at Bilbao Airport.

  The refurbishment of the T1 Non-Schengen shop at the Madrid Airport is still ongoing.

- Promotions aimed at bolstering the purchase of the categories of products with greater attractiveness for British passengers, with the aim of compensating the effect of the devaluation of the pound, which seems to continue affecting the purchases of said passengers.

- A communication campaign to guarantee the best price at the airports of Madrid, Barcelona the Canary Islands and the Balearic Islands in the months of May and December to change the passenger's perception of prices in airport shops. With this action, Dufry offered discounts of up to 40% in perfumery and up to 30% in liquors, as well as the promotion of the third unit at a rate of 50% in perfumery.

Likewise, it is relevant to point out the positive reinforcement that constitute the new routes to emerging countries for Duty Free sales, as has been the new routes with Asia and Latin America from the airports of Madrid and Barcelona, as well as with the Middle East from the airport of Malaga.

On the other hand, it is noteworthy that the offer of tax-free shops in the new non-Schengen areas has been adapted, reinforcing the presence of brands demanded by Russian and British passengers, after the expansion of ABC filters at Barcelona and Malaga airports and the installation of the new filter line at Alicante, Ibiza and Reus Airports.

It should also be noted that the tax-free shop of the Región de Murcia International Airport is expected to be operational during the first quarter of 2019 after the refurbishment of the premises. Temporarily, the operator (Dufry) has a mobile shop from the day the airport starts operations.

Bilbao Airport

Specialty shops

In 2018, Aena has managed 389 premises dedicated to specialty shops (22 belonging to the luxury category).

To boost the revenues of this commercial line and following the trend of continuous improvement in the commercial offer, during 2018 renovation initiatives have been carried out at different airports:

- At the Adolfo Suárez Madrid-Barajas Airport, the renovation of the shops in terminals T1,2 and 3 was completed, with the opening of the 22 new premises awarded in 2017.

  Likewise, 2 shops have been tendered and awarded on the land side of the T4, in addition to 3 surfaces on the air side that will maintain the quality of the commercial offer until the start of the redesign of the commercial area that will affect this terminal.

- At the Barcelona-El Prat Airport, the renewal of the T2 commercial offer, which began in 2017, has advanced with the opening of 7 specialty shops in the departures area and 1 multi-store in arrivals that occupies more than 1,400 m², incorporating new brands like *Victoria's Secret* and *Real Madrid Store* for the first time in that terminal.

  To complete the renewal of the commercial offer of the T2A, the contracting of another 4 specialty shops and 2 multi-stores (almost 650 m²) that will be open to the public throughout 2019 are being prepared.

- In the last quarter of 2018, an important part of the Malaga-Costa del Sol Airport tender was opened to bids. Specifically, 15 specialty shops totalling more than 1,700 m² and representing

75% of the commercial surface of the air side.

The new offer, which is expected to be awarded in the first quarter of 2019, will introduce in this airport local single brands such as *Natura*, *Vidal & Vidal* and *Tous*, while maintaining other prestigious brands such as *Victoria's Secret* or *Adolfo Domínguez*.

- Also noteworthy was the award in December to the Lagardère company for press and convenience stores in the airports of Gran Canaria, Lanzarote, Fuerteventura and Tenerife-Sur, increasing from 8 to 12 shops.

- Additionally, it should be noted the renewal of the commercial offer in various locations of other airports in the network, such as Alicante (3 locations), Lanzarote (4), Ibiza (2) and Girona (2) airports, as well as the emergence of new brands, namely ALEHOP at Valencia Airport.

On the other hand, in order to continue providing specialist assistance to passengers and improve the customer experience, following the trends implemented in other international airports, Aena has incorporated the *Personal Shopper* service since 2018 at Malaga Airport. This free service is already offered at the airports of Madrid (T1, T4 and T4S) and Barcelona since 2017.

In the month of February 2019 it is expected that this service will also be started at Alicante Airport.

Finally, regarding the Región de Murcia International Airport (AIRM), it is noteworthy that 3 specialty shops have been awarded, which are scheduled to open in the first quarter of 2019. The offer for users of these airport facilities will be completed with at least 1 additional premises.

Food & Beverage

In 2018, Aena managed 352 premises devoted to food & beverage activities, representing more than 105,000 m², which continue to display positive performance.

In this period, it is worthy to mention the start of the activity of the new premises of the airports of Barcelona, Malaga and Gran Canaria, the refurbishment of certain premises in the airports of Madrid and Palma de Mallorca, as well as the tenders of the food & beverage services on offer at the airports of Alicante, Seville, Jerez and Girona.

- At the Barcelona-El Prat Airport, on 8 May the new lessees started the food & beverage activities in the 49 points of sale distributed in terminals T1 and T2. Throughout 2018, 22 facilities have been opened with new brands and the rest of the shops will be refurbished during the first half of 2019.

  The main operators that will be awarded this tender are the EatOut Group (Pansfood) with 19 locations, Áreas with 15, Select Service Partner (SSP) with 7 stores and Autogrill with 5.

  The new food & beverage services offer will occupy an area of about 16,000 m², which will mean an increase over the existing area of around 19%.

- On 14 September, the new lessees of the 25 points of sale awarded at the end of June started the food & beverage activity at Malaga-Costa del Sol Airport.

  The new establishments will maintain a total occupied area of more than 6,500 m² and the works for the implementation of the new brands, which began in the last quarter of 2018, are scheduled to be completed in the first half of 2019.

  The food & beverage operators that have been successful bidders have been: Select Service Partner (SSP) with 8 locations, the EatOut Group (Pansfood) with 6, Lagardère Travel Retail with 4 and Áreas with 7 premises.

- Regarding the 19 premises awarded at the airport of Gran Canaria at the end of 2017, in April 2018 11 of them started to operate with the new brands implanted, with the rest expected to start their activity in 2019, once the reforms have been completed throughout the first semester.

  The new food & beverage services offer of the 19 points of sale is distributed in 5 files, of which the operator Select Service Partner (SSP) will manage 10 premises, the EatOut Group 6 premises and the company Autogrill 3 premises.

- At Ibiza Airport, the new establishments of the *Starbucks, Paul* and *O'Learys* brands opened to the public.

- At Alicante Airport, at the end of July, the food & beverage services offer of 18 premises divided into 10 files was tendered.

- The new offer (which is expected to be awarded in the first quarter of 2019), will occupy an area of about 5,600 m², which represents an increase of 15% compared to the existing area.

- In the bidding for the food & beverage services offer at Seville Airport, four points of sale were awarded to Select Service Partner (SSP) and two other points of sale and 52 vending machines to Áreas.

- At Jerez Arport, 3 points of sale and vending machines were awarded to the Lagardère Travel Retail company.

- At Girona-Costa Brava Airport, 5 points of sale and vending machines were awarded to the company Áreas. The new offer incorporates widely known brands.

- Other refurbishments have taken place in different locations in the airports of Madrid and Palma de Mallorca.
  In the T4 of Madrid a new *Café Pans* was inaugurated, the brands

Eat, *La Place* and *Paul* have been renewed, and the start of activity of *Mama Campo* is foreseen in the first quarter of 2019. Likewise, *Origins by Enrique Tomás* opened in T4S and in T2, *Santa Gloria* and an additional point of *Rodilla*, *Farine* and *Paul*.
At Palma de Mallorca Airport, the local brands *Forn d'es Pont* (cafeteria) *and Es Rebost* (vermouth bar) have started their activity, as well as the expansion of the *Burger King* premise.

Additionally, it is worth mentioning that at the Región de Murcia International Airport (AIRM) the exploitation of 4 restaurants and vending machines was awarded to the operator Airfoods, for the well-known brands *Costa Coffee* and *Subway*, as well as a cafeteria with a multi-store in the boarding area and a general range restaurant on the check-in and arrivals floor.

Gran Canaria Airport

Car rental

This line of business maintains its growth trend driven by the improvement in passenger volume, and there is a rebound of the company client in the airports with the largest business segment.

In the third quarter, the operations of the multinational SIXT began at the airports of Coruña, Vigo, Asturias and Santander. This has involved occupying 4 more licenses, which brings to 162 the total of licenses occupied in 36 airports over the network.

Likewise, in December 2018 two new positions were tendered for the Región de Murcia International Airport (AIRM), given the demand of operators in the sector. These licenses will be awarded in the first quarter of 2019.

Car parks

In this activity, it is noteworthy the improvement that have experienced the reserve-free segment, on-line reservations at the main airports (a total of 870,000, which represents an improvement of 20% over the same period of 2017), as well as the positive effect that has had the opening of the express parking of Madrid and Barcelona.

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 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).

In 2018, marketing campaigns have been carried out aimed at increasing the number of customers and the number of reservations, promoting awareness and positioning of the Aena Parking brand, as well as promotional actions aimed at publicising the payment service through registration at the Madrid Airport (which will be extended throughout the first quarter of 2019 to the airports of Barcelona, Alicante and Bilbao).

The bookings made through the different channels have reached 1.5 million customers in 2018, exceeding 40 million in sales.

In this regard, it should be noted that Aena offers an online channel through a web platform from the Aena APP (which allows the customer to book in advance at promoted prices),

as well as from different distribution channels.

VIP services

The VIP Services business line includes revenue from operating the VIP lounges, the Premium Room and the preferred security accesses: *Fast Lane* and *Fast Track*.

The network has 24 VIP lounges and a Premium Room in 15 airports, operated through a proprietary management model, which allows Aena to set the commercial policy and recruit a provider to operate the service at each airport.

The *Fast Lane* service provides the passenger with preferential access to security controls at 7 airports in the network (Barcelona, Palma de Mallorca, Malaga, Alicante, Gran Canaria, Tenerife Sur and Valencia) and the *Fast Track* service corresponds to the independent security control which is offered only at the Adolfo Suárez Madrid-Barajas Airport.

In 2018, VIP room revenues contributed 56.4 million euros to revenues, which represents a 65.5% increase (22.3 million euros), mainly due to the incorporation into the self-management model of the 4 VIP lounges of the Barcelona Airport (+13.8 million euros), the increase of 17.8% in the number of users and the effect of the marketing actions and pricing policy implemented in the management of this line of activity by Aena.

Throughout the period, Aena has also incorporated into the self-management model the new VIP room at the Santiago Airport, of 200 m² (in the month of June), it has continued remodelling the existing ones (in Palma de Mallorca and Barcelona), it has started expansion works (in the VIP room of Malaga), has extended use agreements with airlines and other companies, and awarded the management of the T1 Business Centre at Barcelona Airport, with 25 rest units that started its activity on 1 July.

Additionally, in relation to the services of integral management of the rooms, the awarding of their services has been carried out in the airports of Seville, Lanzarote, Alicante and Palma de Mallorca. The tender for the management of this service at the airports of Tenerife Sur, Bilbao, Valencia and Gran Canaria is ongoing.

Likewise, it is noteworthy that new projects for the redesign and expansion of rooms are underway (in Madrid, Gran Canaria and Alicante), as well as the necessary work project and bidding actions for the corresponding management files, the new rooms of the Menorca, Fuerteventura and Vigo airports, which are scheduled to start their activity in 2019.

New VIP lounge at Santiago Airport

Advertising

In Aena, the advertising is developed under the concession model, so the companies that exploit the advertising spaces of the network are responsible for its commercialisation: JFT in the Canary Islands airports and JCDecaux in the peninsular and the Balearic Islands airports.

These contracts have reached their expiration in 2018, meaning that in September the new advertising contract has been tendered, which will give continuity to the current contract and which is expected to be awarded in the first quarter of 2019.

The new contract seeks to attract local, national and international operators through the tender of 8 lots by geographic distribution with relevant interest: Centre, North, East, Catalonia, Balearic Islands,

Canary Islands, South and Northwest.

The tender, currently under assessment, has received bids for all the lots up for tender.

Regarding the activity of advertising in airports, it should be noted that, although it accumulates an improvement in sales of more than 10% in the year, the sector of outdoor advertising in Spain maintains moderate growth, according to the report of the consultant "I2p ", which places the estimated total growth for 2018 below 1%.

3.2 Real estate services segment

The activity of the real estate services segment corresponds to the provision of services for lease or assignment of land (developed and undeveloped), office buildings, warehouses, hangars and cargo warehouses, to airlines, air cargo operators, handling agents and other airport service providers, intended to support the activity and the development of complementary services, such as the 24 service stations (15 on the land side and 9 on the air side) at 12 airports and the FBO terminals (Fixed Base Operations) in 5 of the most important airports in the network, in which executive aviation is serviced in a singular manner.

With regard to real estate development plans of Adolfo Suárez Madrid-Barajas and Barcelona-El Prat airports, it should be noted that both have been publicly unveiled.

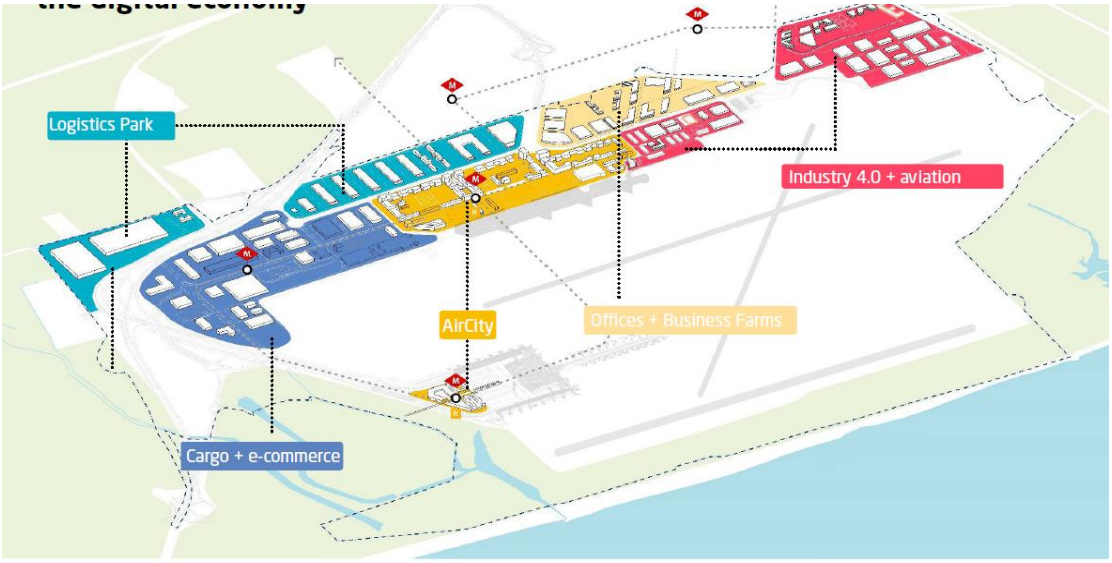
The real estate plan at Adolfo Suárez Madrid-Barajas Airport proposes to develop, over the next 40 years, 562 hectares, of the 902 hectares of potentially marketable free land, with a remnant of available land of 244 hectares that will give capacity to embark upon real estate growth in the airport.

The aim is to position the Adolfo Suárez Madrid-Barajas Airport as a gateway to global connectivity by developing the largest logistics hub in Spain, a global business hub and a service area for passengers and areas of influence. The plan includes building almost 2.7 million m^2 for mixed uses, highlighting logistics, e-commerce, offices and hotels and a commercial leisure centre, which will be complemented by aeronautical developments for air cargo and hangars. To carry out these developments, it has been estimated that an investment of 2,997 million euros will be necessary through multiple stakeholders.

Proposal for real estate development at Adolfo Suárez Madrid-Barajas Airport

The real estate plan at Barcelona-El Prat Airport proposes to develop, in the next 20 years, 328 hectares, of the 543 hectares of potentially marketable free land, preserving 215 hectares of land due to its high environmental value.

The aim of this development is to position Barcelona-El Prat Airport as a pole of economy and digital services within the metropolitan area. Throughout the development period, the plan includes building more than 1.8 million m^2 for mixed uses, highlighting logistics, e-commerce, offices and hotels, and industry 4.0, which will be complemented with developments for air cargo and hangars. For this to be accomplished, it has been estimated that an investment of 1,264 million euros will be necessary through multiple stakeholders.



Proposal for real estate development at Barcelona-El Prat Airport

For the implementation of these real estate plans, Aena has recruited the services of three of the four external advisors who will provide support to determine the most appropriate corporate model in terms of financial, legal and corporate implications: Deloitte (as financial advisor), Garrigues (as legal advisor) and Valtecnic (as independent advisor).

In the first quarter of 2019, the tender for the selection of the expert advisor in urban planning was invited to bid on. The work of these advisors will allow the Company to define the strategy for the implementation of the business model, from which the process of selecting partners through a public tender process will begin throughout the third quarter of 2019.
Additionally, at the end of December, the tender for the hiring of a consultant to support Aena in the definition of the real estate development plans of other airports in which the Company has developable land was launched: Palma de Mallorca, Málaga-Costa del Sol, Valencia and Seville.

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

Thousand euros	2018	2017
Leases	12,607	12,130
Lands	23,921	19,116
Warehouses and hangars	8,140	8,392
Cargo logistic centres	15,383	13,696
Real Estate Operations	6,889	6,223
Total Real Estate Services revenue	66,940	59,557

Table 7. Most significant figures of the Real Estate Services activity

In 2018, revenues from real estate services amounted to 66.9 million euros, 12.4% higher than those obtained in 2017 due to the entry at the end of last year of new contracts at Adolfo Suárez Madrid-Barajas Airport, whose amount has been fully recognised in 2018.

Regarding the most outstanding actions of the period, the following are worthy of special mention:

Hangar activity:

- Awarding at Adolfo Suárez Madrid-Barajas Airport of two hangars, one of 15,000 m^2 and another of 22,000 m^2, and start-up of the activity in a third hangar of 8,500 m^2.
- Additionally, construction work continues on two new high-capacity hangars, which together with a third (in the area called Rampa 7) whose activity was recently started, will support air carriers operating at the airport.
- At the Seville Airport, the construction works have been completed for a hangar of approximately 6,000 m^2 for an air operator, whose start-up is scheduled for the first quarter of 2019.
- At the Santiago Airport a new 1,200 m^2 hangar has been built, which will also be operational at the beginning of 2019.
- Finally, it is noteworthy that in 2018 two hangars were awarded at Madrid-Cuatro Vientos Airport (700 and 300 m²), one in Sabadell (550 m²), and one in Huesca-Pyrenees (1,600 m^2).

Freight:

Regarding the commercialisation of spaces intended for air freight, the following actions have been carried out:

- At the Adolfo Suárez Madrid-Barajas Airport, the right of first refusal has been exercised for the acquisition of a warehouse with 7,200 m² of offices to the DHL company, which will increase the freight handling capacity of this airport.

  In addition, almost 4,900 m² of offices have been awarded in the General Services Building of the Air Cargo Centre to the DHL company, as well as a freight terminal of more than 1,500 m² built for the company WFS.

  At this airport, a second-line cargo warehouse of 1,000 m² was awarded in August.

  Also, it is noteworthy that the construction of new facilities for freight in the area called "Rejas" continues to progress. In one of the warehouses the work has been completed and the exploitation started in October and the construction project is already written in the other.
- At Barcelona-El Prat Airport, a first-line cargo terminal of 3,311 m² has been awarded to the company ACL.
- At Tenerife Norte Airport, Eurotransmex has been awarded the two modules of the new airport freight terminal, with almost 1,500 m² built. The Terminal has been delivered to the client on 6 July.
- At Seville Airport, almost 1,200 m² have been awarded at the freight terminal to the company Groundforce Cargo.

Executive aviation:

- The fixed bases of operations for executive aviation (FBOs) have been awarded to the two main airports in the network: Adolfo Suárez Madrid-Barajas and Barcelona-El Prat, having renewed a service that has been successfully provided in recent years. The new awardees began their operations in the first week of January 2019.

Service stations:

- The service stations of two Canary Islands Group airports have been awarded: La Palma and Gran Canaria. The new operators began to provide their activity at the beginning of January (La Palma) and March (Gran Canaria).

Other assets:

- The contracting by Jet2.com of about 700 m² in the old Terminal 2 of the Alicante Airport to house its headquarters in Spain. This initially rented space could be increased in the coming months and is an important milestone for the re-marketing of spaces in this former terminal.
- In December, work began on the construction of two workshops for maintenance of handling equipment at Barcelona-El Prat Airport. Its completion is scheduled for mid-2019.

4. Income Statement

Thousand euros	2018	2017	Variation	% Variation
Ordinary revenue	3,962,568	3,754,904	207,664	5.5%
Other revenue	120,437	66,530	53,907	81.0%
Total revenue	**4,083,005**	**3,821,434**	**261,571**	**6.8%**
Supplies	(173,862)	(175,920)	2,058	-1.2%
Staff costs	(370,984)	(367,425)	3,559	1.0%
Other operating expenses	(896,864)	(810,608)	86,256	10.6%
Fixed asset depreciation	(750,692)	755,230	4.538	-0.6%
Impairment and profit/loss on fixed asset disposals	(60,256)	(7,122)	53,134	746.1%
Total expenses	**(2,252,658)**	**(2,116,305)**	**136,353**	**6.4%**
OPERATING PROFIT	**1,830,347**	**1,705,129**	**125,218**	**7.3%**
Finance revenue	3,204	7,056	3,852	-54.6%
Finance expenses	(124,247)	(117,966)	6,281	5.3%
Exchange rate differences	(9)	12	-21	-175.0%
NET FINANCE EXPENSE	**(121,052)**	**(110,898)**	**10,154**	**9.2%**
PROFIT/(LOSS) BEFORE TAX	**1,709,295**	**1,594,231**	**115,064**	**7.2%**
Income tax	(408,113)	(374,480)	33,633	9.0%
PROFIT/(LOSS) FOR THE PERIOD FROM ONGOING OPERATIONS	**1,301,182**	**1,219,751**	**81,431**	**6.7%**
PROFIT/(LOSS) FOR THE PERIOD	**1,301,182**	**1,219,751**	**81,431**	**6.7%**

Table 8. Income statement

As a result of the positive evolution of the business in all its business lines, Aena's **total revenues** have increased to 4,083,0 million euros in the period, 6.8% compared to 2017.

The growth of **ordinary revenue** has been 5.5%, to 3,962.6 million euros. This increase of 207.7 million euros has been explained previously in the analysis of the business areas (section 3).

On the other hand, the item of **other revenue** reflects an increase of 81.0%, derived mainly from the application of subsidies from the collection in 2018 of much higher resources granted by the Regional Development Fund (ERDF) for operational programmes for the development of airport infrastructures. It also includes the application to results of 26.7 million euros corresponding to the capital grants associated with assets affected by the civil operations of the Murcia San Javier Airport, interrupted once the Región de Murcia International Airport has become operational.

With regard to the variation in **expenses**, this period reflects an increase of 6.4% (136.4 million euros), which stands at 10.4% excluding depreciation, due to the variations in the following items:

- Supplies have been reduced by 1.2% (2.1 million euros) due mainly to the conditions of the air navigation services agreement (ATM/CNS) signed with ENAIRE until 2021.
- Employment costs show an increase of 1.0% 3.6 million euros) due mainly to the provision of the salary revision planned for 2018 and new staff intake.
- Other operating expenses increased by 10.6% (86.3 million euros), mainly due to the effect of the entry into force of new contracts with higher associated costs, such as in private security services (20.2 million euros, +14.4%), in the service for people with reduced mobility (19.3 million euros, +52.4%), in cleaning (6.0 million euros, +10.7%), the increase in spending of maintenance (5.6 million euros, +2.9%), as well as in the new VIP suite management contracts (8.7 million euros, +69.2%) due to the addition of new suites to the in-house management model. Likewise, running costs associated with the closing of the Murcia San Javier Air Base (7.4 million euros) and the cost of technical assistance (5.6 million euros) have increased.

- Fixed asset depreciation decreased by 4.5 million euros (0.6%), mainly due to the lower depreciation derived from the end of the depreciation of certain assets, higher than the allocation of new investments in runways and taxiways.

- The impairments and disposals of fixed assets have increased by 53.1 million euros, mainly due to 46.2 million euros associated with the recognition of impairment of the assets affected by the civil operations of Murcia San Javier Airport, not reusable at any other airport, when the interruption of the commercial operations in the same occurred, once the Región de Murcia International Airport began its operations (see Notes 6 and 7 of the Report).

EBITDA for the period reached 2,581.0 million euros, an increase of 4.9% compared to 2017, including the extraordinary net impact of 19.6 million euros derived from the interruption of civil operations at the Murcia San Javier Airport, once the Región de Murcia International Airport (AIRM) started its operations.

Excluding the extraordinary net effect derived from the recognition of the impairment of the assets affected by the civil operations of the Murcia San Javier Airport for an amount of 46.2 million euros, and from the application of 26.7 million euros of revenue from subsidies of capital related to the aforementioned assets impaired, EBITDA for the period grew by 5.7% to 2,600.6 million euros.

EBITDA margin for the period stood at 63.2% (64.4% in 2017) and 63.7%, excluding the aforementioned extraordinary impact.

Net finance expense shows a year-on-year growth of 10.2 million euros.

The heading "Finance expenses" increased by 6.3 million euros (5.3%) due mainly to the effect of the reduction in the volume of debt and the interest rate of loans and, in the opposite direction, to the impact of the cost of breaking the coverage of the interest rate associated with the loan with Depfa Bank that was cancelled in the month of July (17.2 million euros).

Regarding **Income Tax,** the resulting expense was 408.1 million euros, an increase of 33.6 million euros, due to the increased earnings in the period. The effective period rate stands at 23.9% (23.5% in the same period of 2017).

Net profit for the year amounted to 1,301.2 million euros, 6.7% higher than that reached at the end of 2017.

5. Investments

In the airport network the total amount of the investment paid in the period amounted to 470.3 million euros, a figure that represents an increase of 165.2 million euros (+54.2%) compared to 2017, which was of 305.0 million euros, mainly due to investments paid in the field of infrastructure maintenance.

In terms of construction, the volume of investment in the network has amounted to 460.1 million euros, an increase of 17.7 million euros with respect to 2017.

With regard to the main actions put into service during 2018, it should be noted that they have focused mainly on flight fields and highlighting, amongst these, the regeneration of the runway pavement at the airports of Barcelona, Tenerife Sur and Fuerteventura, and the improvement of several areas of the flight field in Santiago and Palma de Mallorca. In the terminal area, the expansion of the air conditioning system in Palma de Mallorca and a new flooring in the Adolfo Suárez Madrid-Barajas Airport stand out as the main construction work in 2018. Regarding the actions in facilities, it is worth noting the increase in the peak capacity of the automatic baggage transport system (SATE) in the north check-in area of Palma de Mallorca.

Regarding investments in construction over this year and whose duration will be extended in coming months, it should be noted that they are also especially focused on the flight field, and fundamentally on improving or expanding the aprons at the airports of Tenerife Sur, Palma de Mallorca, Ibiza, Lanzarote and Girona-Costa Brava. Likewise, the overlaying of the runways at Bilbao and Tenerife Norte, and the improvements of terminal buildings, among which stand out the new flooring in Palma de Mallorca and the extension of the terminal building of Reus. In the facilities section, the supply and installation of walkways at the Malaga-Costa del Sol Airport and the peak capacity of the automatic baggage transport system (SATE) in the south check-in area of Palma de Mallorca are worthy of special mention. There are also actions underway in the environment heading; the thermal insulation of the Palma de Mallorca terminal building and a new lighting with LED technology in the automatic baggage transport system at the Adolfo Suárez Madrid-Barajas Airport are noteworthy. Finally, it is worth highlighting the general operational readiness of the drainage at the Alicante Airport.

As regards important actions initiated in 2018, the following are noteworthy: the adaptation of VIP lounges in Barcelona-El Prat, the remodelling of the south dike building of said airport, the regeneration of runway 32R-14L of the Adolfo Suárez Madrid-Barajas Airport, and the remodelling of the retail gallery and boarding hall in Gran Canaria.

Repaved runway Tenerife Sur Airport

5.1 Analysis of investments broken down by areas of action

Below is the distribution of the payments relating to investment in the Spanish airports network at 31 December 2018 and its comparison with 2017:

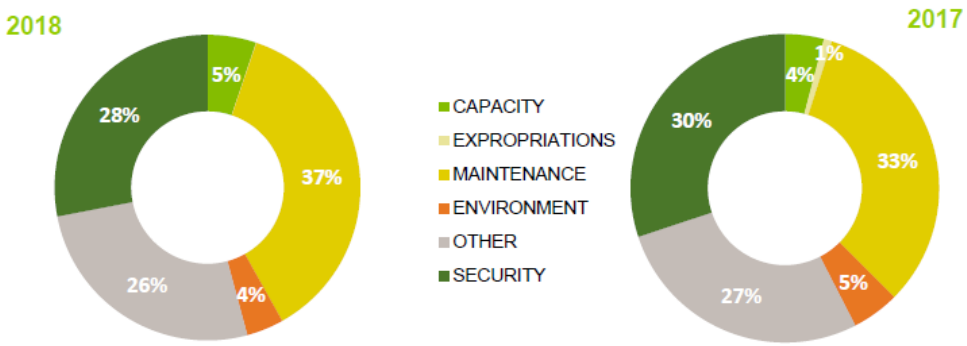


Figure 6. Analysis of investments by areas

- In the sphere of security, investments represent 28% of the total (compared to 30% in the same period of 2017) and have increased by 40 million euros, from 91.8 to 131.8 million euros. Of the actions in operational security in the area of movement of aircraft, those aimed at improving pavements in various areas of the flight field of the airports of Fuerteventura, Tenerife Sur, Girona-Costa Brava and Bilbao, in addition to the improvement of the beaconing in Adolfo Suárez Madrid-Barajas are particularly noteworthy. With regard to the safety of people and facilities, actions have focused on providing terminals with automatic passport control systems, mobile X-ray equipment and access control.

- The investment earmarked for the improvement of facilities to guarantee the service maintenance has increased its representativeness over the total, from 33% in 2017 to 37% in 2018. Quantitatively it has also increased from 99.3 million euros to 172.5 million euros in this period (+73.8%). Among the actions carried out the most noteworthy are the improvements in the platforms of Palma de Mallorca (aprons B and C), Tenerife Sur, Fuerteventura and Lanzarote airports, as well as the supply of runways for the Malaga-Costa del Sol Airport.

- Investments in capacity amounted to 24.3 million euros, compared to 12.5 million euros in investment in 2017. In the flight fields, the alteration to the layout of the south dike platform of the Barcelona Airport and the Madrid Airport, the supply and installation of apron assistance equipment and new parking spaces on tarmac. In the works carried out in terminal capacity, the improvement of the automatic baggage transport system in Palma de Mallorca is noteworthy.

- In the field of the environment, investment has amounted to 18.5 million euros (3.2 million more than in 2017). This amount corresponds mainly to the works of acoustic insulation of homes in areas adjacent to several airports, to the installation of lighting systems with efficient technology in various airports of the network, to the construction of a hydrocarbon separator at the Valencia Airport and the adaptation to environmental regulations of refrigeration equipment at Madrid Airport.

- With regard to expropriations, payments have been made in the amount of 0.2 million euros, compared to the 2.6 million euros paid in the same period of 2017.

- In other investments actions amounting to 123.0 million euros, 47.0% more than in 2017 (83.7 million euros), are duly reflected. This section includes investments in information technologies, especially those aimed at storing information and improving communication infrastructures at several airports. Also noteworthy are those aimed at improving commercial and real estate revenue, among which the improvement of parking systems in Barcelona-El Prat and the improvement of several car parks at Malaga-Costa del Sol Airport stand out.

6. Balance Sheet

6.1 Net assets and capital structure

Thousand euros	2018	2017	Variation	% Variation
ASSETS				
Non-current assets	13,217,379	13,553,833	-336,454	-2.5%
Current assets	895,533	1,049,785	-154,252	-14.7%
Total assets	**14,112,912**	**14,603,618**	**-490,706**	**-3.4%**
EQUITY AND LIABILITIES				
Equity	6,326,308	6,021,151	305,157	5.1%
Non-current liabilities	6,453,286	7,223,152	-769,866	-10.7%
Current liabilities	1,333,318	1,359,315	-25,997	-1.9%
Total equity and liabilities	**14,112,912**	**14,603,618**	**-490,706**	**-3.4%**

Table 9. Summary of the balance sheets

Non-current assets decreased by 336.5 million euros, mainly due to the decrease of 356.6 million euros in "Property, Plant and Equipment", explained by the evolution of the investment in the Spanish network, which implies that the amount of fixed assets of the period are lower than the amortisations performed, including the recognition of the impairment amounting to 46.2 million euros corresponding to the book value of all the assets of the Murcia San Javier Airport that could not be reused at the Región de Murcia International Airport (AIRM) or in the rest of the airports of the network (see Note 3.2 of the Report).

On the other hand, current assets have been reduced by 154.3 million euros due to the decrease in the balance of "Cash and other equivalent liquid assets" by 250.7 million euros (the variation of which is explained in section 7). Statement of cash flows) and the increase in the balance of "Commercial debts and other debts receivable" in 96.7 million euros, for the accrual as of 31 December 2018 of 117.8 million euros for minimum guaranteed rents (MGA) (compared to the 75.8 million euros accrued by MGA at the end of 2017), due to the change in the form of payment of an airline, from pre-payment to guarantee in 2018 (28.4 million euros), as per the increase in the billing of the period.

Equity increased by 305.2 million euros, mainly as a result of the difference between the result of the period (1,301.2 million euros) and dividends distributed over the period (975.0 million euros).

The decrease in non-current liabilities of 769.9 million euros is mainly due to the decrease of the "Debt with group companies and long-term associates" caption of 765.7 million euros, mainly due to the short-term transfer of 766.6 million euros associated with the payment of 798.1 million euros corresponding to the amortisation of the principal of Aena's debt with ENAIRE (as a co-borrower institution with various financial institutions) according to the amortisation schedule established, and early cancellation of Debfa Bank's debt, of which the total amount (166.1 million euros) was 132.9 million euros under this heading (see movement in Note 15 of the Report).

Likewise, the balance of "Long-term accruals" has decreased by 42.2 million euros, mainly due to the compensation of 41.7 million euros in the billing made during the period, of the advance paid on the day of the World Duty Free Group España, S.A. for rental contracts for the commercial premises of duty free and duty paid shops throughout the network of airports in Spain (see Note 20 to the Annual Report).

On the other hand, the increase under "Long-term deposits received" is due to new bond constitutions by tenants of the Company's commercial spaces, pursuant to Law 29/1994, of 24 November, on Urban Leases.

The decrease of 26.0 million euros in current liabilities mainly reflects the decreases in different items: 24.1 million euros in "Short-term provisions" (see movement in Note 21 of the Report); 31.6 million euros in "Short-term debts with group companies and associates" (see movement in Note 15 of the Report) and 15.7 million euros in "Short-term debt" (see Note 10 of the Annual Report), partially offset by the increase in the item "Trade creditors and other accounts payable" by 44.2 million euros (see Note 16 of the Report), mainly as a consequence of the increase in the credit balance with the Treasury due to the increase in the Corporation Tax (see Note 22 of the Annual Report).

Working capital, calculated as the difference between assets and current liabilities, which is usually negative in the Company owing to

its operations and financing structure, stands at -437.8 million euros at the end of the period (-309.5 million euros as of 31 December 2017), due to the variations in current Assets and Liabilities discussed above.

6.2 Net financial debt

The net financial debt of Aena S.M.E., S.A. (calculated as Current financial debt plus Non-current financial debt less Cash and cash equivalents), stood at 31 December 2018 at 6,335.8 million, compared to 6,865.8 million euros as of 31 December 2017, and the associated ratio continues to decrease:

Thousand euros	**2018**	**2017**
Accounting gross financial debt	6,803,248	7,583,866
Cash and cash equivalents	467,444	718,115
Accounting net financial debt (€M)	**6,335,804**	**6,865,751**
Accounting net financial debt / EBITDA [(1)]	**2.5x**	**2.8x**

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

Table 10. Net financial debt of Aena S.M.E., S.A.

During the period, debt of 798.1 million euros was amortised, including 166.1 million euros corresponding to the prepayment of the fixed rate loan that Aena maintained with Depfa Bank.

The average interest rate on Aena's debt was 1.30% (1.45% as of 31 December 2017).

Regarding the early amortisation of the entire live loan that Aena held with Depfa Bank for an amount of 166.1 million euros, it should be noted that it was made on 18 July in response to the application of Circular 2/2016, of 2 February, from the Bank of Spain to credit institutions, on supervision and solvency. This Circular, which complemented the adaptation of the Spanish legal system to Directive 2013/36/EU and Regulation (EU) No. 575/2013, obliged some financial lenders to allocate their exposures to ENAIRE (of which Aena is co-accredited) a risk weight different from that assigned to its exposures to the General State Administration, which is 0%.

In compliance with the contractual conditions of said loan, in 2018 the severance cost of the associated interest rate coverage was paid, amounting to 17.2 million euros. This amount was fully accrued at the time of payment.

It is also noteworthy that on 13 December 2018, Aena entered into a sustainable syndicated credit line ("ESG-linked RCF") for an amount of 800 million euros reinforcing its commitment to the environment, social responsibility and good corporate governance.

With this operation, the Company extends the term of its financing for general corporate needs up to 5 years (with the possibility of extension for 2 years) taking advantage of favourable market conditions. The most outstanding characteristic of this line of credit is that the interest rate is set based not only on the credit rating, but also on the evolution of Aena's sustainability parameters in environmental, social and good governance issues (ESG rating). Environmental, Social and Governance").

Simultaneously, Aena cancelled the bilateral credit lines that it maintained for an amount of 1,000 million euros and maturity in 2019.

6.3 Information on the average payment period

As regards the information on the average payment period (PMP) of Aena S.M.E., S.A.:

Days	**2018**
Average payment period	48
Ratio of transactions paid	51
Ratio of transactions outstanding payment	21

Table 11. Average payment period

These parameters have been calculated in accordance with the provisions of Art. Art. 5 of *Ruling passed on 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.

This balance refers to suppliers who, given their nature, are suppliers of goods and services, so that it includes data regarding the items "Trade creditors and other accounts payable" in the balance sheet.

Thousand euros	**2018**
Total payments made	845,628
Total payments outstanding	96,975

Table 12. Balance concerning suppliers

In the accumulated period, the average terms of payment are adapted to the terms established by Law 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 and lack of certificates of proof of supplier bank accounts, among others.

The calculation of the PMP is made on the invoices received and made pending payment.

7. Cash flow

Thousand euros	2018	2017	Variation	% Variation
Net cash flows from operating activities	1,894,731	1,954,311	-59.580	-3.1%
Net cash used in investment activities	-479,853	-317,831	-162,022	-33.8%
Net cash generated from/(used in) financing activities	-1,665,549	-1,401,123	-264,426	-15.9%
Cash and cash equivalents at the start of the fiscal year	718,115	482,758	235,357	32.8%
Cash and cash equivalents at the end of the period	**467,444**	**718,115**	**-250,671**	**-53.6%**

Table 13. Summary of consolidated cash flow statement

The financing needs of the Company and the payment of the dividend amounting to 975.0 million euros (charged to the result of the 2017 financial year of the parent company), have been covered during the period with the cash flows from the operations of operation (1,894.7 million euros) and the reduction of the treasury balance to 467.4 million euros, from the initial 718.1 million euros, making it possible to finance the non-financial fixed assets investment program (470.3 million euros), the amortisation of the debt according to the established schedule (632.0 million euros) and the early amortisation corresponding to the debt with Depfa (166.1 million euros).

Net cash flows from operating activities

The main cash inflows from operating activities relate to payments from customers, both the airlines and concessionaires of commercial space, while the main outflows involve payments for sundry services received, employment 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 in the period (+4.5%), to 2,756.9 million euros, from 2,462.1 million euros in 2017, mainly as a result of the improvement in the Group's operations, which is reflected in the EBITDA figure (Earnings Before Interest, Taxes, Depreciation and Amortisation) of 2,581.0 million euros at the end of 2017, compared to 2,460.4 million euros in 2017.

Notwithstanding the foregoing, net cash generated by operating activities during the period (1,894.7 million euros) reflects a decrease of 3.1% with respect to 2017 due to the effect derived from the collection of 110.5 million euros in the first quarter of 2017 as a refund of the corporate tax for the year 2015 and for the change in 2018 of the payment method of an airline from pre-payment to guarantee (28.4 million euros). Excluding both effects, operating cash flow would have increased by 4.1% (79.3 million euros).

Net cash flow used in investment activities

The net cash used in investment activities in this period amounted to 479.9 million euros compared to 317.8 million euros in 2017 and mainly includes payments related to acquisitions and replacements of non-financial assets related to airport infrastructure by amount of 470.3 million euros (305.0 million euros in 2017).

These investments have mainly focused on improvements to facilities and operational security of airports forming the network, since no significant capacity building investments have been required (please refer to section "5. Investments").
Within the investment activities also figure collected payments amounting to 12.9 million euros through deposits lodged via legal mandate in different public institutions of autonomous communities (corresponding to previously received deposits from tenants of commercial spaces of society, in accordance with the law 29/1994 of 24 November, tenancies) and collections of other financial assets amounting to 10.1 million euros, mainly 9.9 million euros of return of the guarantee constituted on the occasion of the participation in the competition for the contract of management, operation, maintenance and conservation of the Región de Murcia International Airport (AIRM) in the form of granting of the airport and its complementary activities area.

Cash flow used in financing activities

The main outflows of financing flows correspond to the payment of dividends for 975.0 million euros and the repayment of the principal of the debt in compliance with the schedule of payments established under the contract and the prepayment of the debt with Depfa, for a total of 798.1 million euros.
The main influx of flows has corresponded to the collection of 88.1 million euros of ERDF grants (see Note 19.d of the Report).

8. Operational and financial risks

The main risks to which Aena is exposed in its operational and financial activity are described in Note 5 of the Report ("Management of operational and financial risks").

In the operational sphere, this section on the one hand covers the regulatory risks associated with the regulated sector in which Aena works, and which governs the determination of airport charges for the first Airport Regulation Document ("DORA"), as well as future changes and developments in the applicable regulations, both in Spain and internationally, regarding security, people and goods and environmental issues, which could limit the activities or growth of Aena airports, and/or require significant expenses.

On the other hand, the operational risks are detailed, derived from various factors that may affect the Company's activity as they are directly related to the levels of passenger traffic and air operations at its airports, including the risks considered by the Company after the referendum in the United Kingdom in favour of its withdrawal from the European Union (Brexit), whose final concretion is subject to both the negotiation process that the British Government is developing with the European Union to determine the final withdrawal conditions, as well as the developments regulations that both the United Kingdom and the European Union can carry out in the event of a No-Deal Brexit.

With regard to the financial risks to which Aena's operations are exposed, the contents of Note 3 of the Consolidated Report describe various risks: market risk (including exchange rate risk and fair value risk by interest rate), credit risk and liquidity risk.

Additionally, chapter 3 of the NON-FINANCIAL INFORMATION STATEMENT: Corporate Responsibility Report 2018, which is presented separately, completes the information in this section.

9. Main legal proceedings

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

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

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

Finally, the Supreme Court issued a judgment on 3 April 2017, revoking the Order of 18 December 2014, by which it was agreed to suspend the 30% reduction, although it does not state that 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.

Furthermore, 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 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 would outline how the judicial mandate will be enforced. In addition, the State Attorney's Office 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 that have been carried out were the following:

(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 was the end of November, whenever it was possible to access the properties whose noise level must be checked on the dates to that effect estimated.

On 4 September 2017, the High Court of Madrid received a ruling issued on the previous September, in which, in response to the request of the State Attorney's Office, a one-month extension of the enforcement

[1] Regulation (EU) 598/2014, of the European Parliament and of the Council, of 16 April 2014, concerning the establishment of norms and procedures with regard to the introduction of operational restrictions related to noise at European Union airports within a balanced approach and repealing Directive 2002/30/EC.

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 2017, 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 2017, extending the term of execution for a period of 1 month. This extension period ended on 23 November 2017, at which point the work to be done on the residents' homes had not been completed, and the State Attorney accordingly applied for a further extension of the deadline. 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.

On 6 March 2018, a ruling was received from the Superior Court of Justice, whereby the State Attorney is required to inform the Chamber within five days about "whether for the pending technical evaluation of the noise necessary for the enforcement of the sentence is essential entry into the property owned by one of the local residents, given the many difficulties noted to carry out the measurement in the same." This request was made whenever all the actions to be carried out had been completed, except for the evaluation of the noise levels in the local resident's property mentioned, in which, to date, the occupant's permission (tenant) had not been obtained to access it.

In its written contestation of 15 March, the State Attorney, providing the reports prepared for this purpose, asked the TSJ to declare that it was not necessary to enter the dwelling of the aforementioned local resident to have the sentence enforced, adding that, in any case, those enforced (Ministry of Public Works, ENAIRE and Aena) would carry out whichever actions the Chamber deemed necessary to complete said enforcement. As a result of the sentence dated 22 March 2018, the parties and the Public Prosecutor were given a period of one month to make allegations about the documentation submitted by the State Attorney regarding all the actions and reports that had been carried out this moment for the fulfilment of the mandate of the Supreme Court. Through successive requests of the parties, the deadline was extended to submit allegations, having completed this period on 15 June 2018, after which, the Supreme Court of Madrid issued an order dated 30 July 2018 which agreed to:

(i) Dismiss the allegation of lack of legitimacy of the local resident.

(ii) Declare the ruling of the Supreme Court of 13 October 2008 as enforced.

Subsequently, several of the residents of the City of Santo Domingo filed an appeal for reconsideration against the TSJ's Order of 30 July 2018, on which, on 14 September 2018, Aena filed a written challenge.

Through the Court Order dated 21 December 2018 the TSJ dismissed the appeal for reversal against which offers no grounds for appellate procedures. On 1 February 2019, the residents announced an appeal against the Court Orders dated 30 July 2018 and 21 December 2018. At this point, the Supreme Court must decide on the admission of the appeal and summon Aena to appear before the Supreme Court.

10. Non-financial information

The NON-FINANCIAL INFORMATION STATEMENT: Corporate Responsibility Report 2018 is part of this Management Report, it is presented separately and from the date of publication of the annual accounts it is available on the Aena website (www.aena.es). Said document has been prepared in line with the requirements established in Law 11/2018 of 28 December 2018 of non-financial information and diversity, approved on 13 December 2018 by the Congress of Deputies, which modifies the Commercial Code, the revised text of the Capital Companies Act approved by Royal Legislative Decree 1/2010, of 2 July and Law 22/2015, of 20 July, of Audit of Accounts, in matters of information non-financial and diversity (from Royal Decree Law 18/2017, of 24 November).

11. Human resources

In the sphere of human resources, to promote the actions foreseen in the Strategic Plan 2018-2021, actions have been defined in order to plan and anticipate the people and the organisational changes necessary to undertake the increase in activity and new roles and challenges, as well as measures to improve working conditions, facilitate training and development of talent and professional skills, promoting diversity and equality.

The most relevant actions developed during 2018 related to the selection, development/promotion and training in Aena S.M.E., S.A. that are detailed below, are completed with the information related to human resources contained in chapter 7 of the NON-FINANCIAL INFORMATION STATEMENT: Corporate Responsibility Report 2018 (section "People in Aena").

Recruiting processes

During 2018, the following recruitment processes have been carried out:

- Completion of the Internal Provision of 18 December 2017 for non-graduates. Through this process, 211 vacancies have been resolved, of which 128 vacancies have been awarded with candidates from the internal job pool, 79 vacancies have been filled with external job pool candidates and 4 vacancies are pending a new Internal recruitment process.
- Finalisation of the Call for External Selection for University Graduates. This call began in 2017 and ended in 2018, leaving the places covered and the job pools in place.
- The Call for Candidate Reserves for the occupation of "Support Assistance to Passengers, Users and Clients" through the Public Employment Services.
- On 28 June 2018 and 22 November 2018, two selection processes were carried out for non-fixed contracts in 16 airports of the network, of non-university technicians.
- Call for internal Provision of university graduates, dated 13 December 2018, which will give the opportunity to all fixed employees of the company to submit to a process of promotion, development and / or realignment of their professional career.
- Scholarships: 72 university students of the last courses, have received scholarships to carry out academic practices during 2018, which has given them the possibility of acquiring a practical knowledge of the business reality in Aena.

Training, Professional development and Talent management

Training programmes geared towards cultural and digital transformation have continued to be carried out. Training of a behavioural and technical nature has been carried out to foster better and greater knowledge of Aena by all employees, with the intention of increasing the sense of belonging and the involvement of all. Training for diversity and equality has continued to ensure regulatory compliance. As in previous years, one of the main pillars of the training has been dedicated to ensuring the levels of physical and operational safety in all our airports.

Digital transformation

Likewise, In 2018, advancements were made with the Digital Transformation roadmap 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.

12. Procurement

In the procurement sphere, as a complement to the information contained in chapter 10 of the NON-FINANCIAL INFORMATION STATEMENT: Corporate Responsibility Report 2018 (section "Social cash flow") on the procurement volumes awarded by Aena in 2018, the digital transformation that the Company is carrying out in the commercial and supplier contracting processes is worthy of special mention.

In 2018, the entry into force on 9 March 2018 of *Law 9/2017, of 8 November, on* Public Sector Contracts*, by which the European Parliament and Council Directives 2014/23/EU and 2014/24/EU, of 26 February 2014 are transposed into Spanish law*, which affect the procurement process with regard to Aena's suppliers.

The programme for *Definition and Implementation of Electronic Procurement in Aena* is multi-annual and consists of more than 10 different interrelated projects which will allow for the automation and improvement of contracting processes, as well as the reduction of deadlines and administrative procedures, both for economic operators and for the Aena contracting units.

In compliance with the Fifteenth Additional Provision of Law 9/2017 on Public Sector Contracts, in 2018 the electronic presentation platform for PPO offers was defined, analysed, developed and implemented, which allows for bidders to carry out the automated filing of bid submissions on dossiers.

13. Stock Performance

During 2018, the evolution of the share price fluctuated between a maximum of 179.5 euros and a minimum of 133.0 euros. The share closed the period at 135.8 euros, a drop of 19.7% which largely reflects the general evolution of the Spanish market in this period, in which the IBEX35 accumulated a loss of 15.0%.

Figure 7. Stock performance

The main data on the evolution of Aena stock in the continuous market of the Madrid Stock Exchange in 2018 are summarised in the following table:

2018	AENA.MC
Total volume traded (no. shares)	87,945,064
Daily average volume traded in the period (no. shares)	344,883
Market capitalisation in €	20,362,500,000
Closing price in €	135.75
Number of shares	150,000,000
Free float (%)	49%
Free Float (shares)	73,500,000
Turnover	119.7%

Table 14. Main data on Aena's evolution

In connection with the acquisition and disposal of treasury shares at 31 December 2018, Aena does not own shares. For the foregoing, there has been no impact for this reason on the yield obtained by the shareholders or on the value of the shares.

14. Other events

Subsequent to 31 December 2017 and until the date of publication of this report, the Región de Murcia International Airport (AIRM) was inaugurated on 15 January 2019, having begun the start-up of its operations. With this entry into operation of AIRM, as foreseen in the "Protocol to establish the bases for the development of civil aviation in the Autonomous Community of the Region of Murcia" and in the bid submitted by Aena on the public tender of the management and operation of the AIRM, the Murcia San Javier Airport is exclusively for military aviation.

APPENDICES:

I. Financial statements
II. Summary of Price Sensitive Information issued
III. Corporate Governance Report

APPENDIX I: Financial statements

BALANCE SHEET AS OF DECEMBER 31, 2018 AND 2017

Thousand euros	2018	2017
ASSETS		
Non-current assets		
Intangible fixed assets	99,302	98,809
Plant, Property and Equipment	12,611,779	12,968,405
Investment properties	138,183	135,108
Long-term investments in group and associated companies	174,723	165,032
Long-term financial investments	74,528	71,686
Non-current commercial debts	3,259	2,830
Deferred tax assets	115,605	111,963
	13,217,379	**13,553,833**
Current assets		
Inventories	6,641	6,457
Trade receivables and other receivables	411,912	315,171
Short-term investments in group and associated companies	1,288	2,790
Short-term financial investments	1,594	1,613
Short-term accruals and prepayments	6,654	5,639
Cash and other similar liquid assets	467,444	718,115
	895,533	**1,049,785**
Total assets	**14,112,912**	**14,603,618**
EQUITY AND LIABILITIES		
Equity		
Own equity	5,995,162	5,669,083
Valuation change adjustments	(66,963)	(61,992)
Grants, donations and legacies received	398,109	414,060
	6,326,308	**6,021,151**
Liabilities		
Non-current liabilities		
Long-term provisions	92,862	79,547
Long-term deposits received	123,186	102,483
Long-term debt	717,487	708,183
Long-term debt in group and associated companies	5,338,514	6,104,218
Long-term accruals and prepayments	43,157	85,325
Deferred tax liabilities	138,080	143,396
	6,453,286	**7,223,152**
Current Liabilities		
Short-term provisions	59,808	83,867
Short-term debt	257,516	273,203
Short-term debt in group and associated companies	653,013	684,646
Trade creditors and other payables	321,267	277,102
Short-term accruals and prepayments	41,714	40,497
	1,333,318	**1,359,315**
Total liabilities	**7,786,604**	**8,582,467**
Total equity and liabilities	**14,112,912**	**14,603,618**

APPENDIX I: Financial statements

Profit and loss account for the financial year ended on 31 December 2017 and 2018

Thousand euros	2018	2017
Continuing operations		
Ordinary revenue	3,962,568	3,754,904
Work carried out by the Company for its assets	4,747	4,432
Supplies	(173,862)	(175,920)
Other operating revenues	12,935	10,689
Staff costs	(370,984)	(367,425)
Other operating expenses	(896,864)	(810,608)
Fixed asset depreciation	(750,692)	755,230
Release of non-financial fixed asset grants and other	95,076	42,504
Excess provisions	7,679	8,905
Impairment and loss on disposal of fixed assets	(60,256)	(7,122)
Operating profit/loss	**1,830,347**	**1,705,129**
Financial revenue	3,204	7,056
Financial expenses	(124,247)	(117,966)
Exchange rate differences	(9)	12
Net financial expenses	**(121,052)**	**(110,898)**
Profit/(loss) before tax	**1,709,295**	**1,594,231**
Income tax	(408,113)	(374,480)
Profit/(loss) for the year from ongoing operations	**1,301,182**	**1,219,751**
Profit/(loss) for the year	**1,301,182**	**1,219,751**

APPENDIX I: Financial statements

Cash flow statement for the financial year ended on 31 December 2017 and 2018

Thousand euros	2018	2017
Profit/(loss) before tax	1,709,295	1,594,231
Adjustments for:	**867,587**	**867,895**
Depreciation and amortisation	750,692	755,230
Impairment valuation adjustments	(530)	(6,072)
Allocation of subsidies	(95,076)	(42,504)
Deterioration of fixed assets	46,249	-
Profit/loss on disposals and sales of fixed assets	15,835	10,092
Financial revenue	(3,204)	(7,056)
Financial expenses and exchange rate differences	86,923	77,424
Financial expenses settlement of financial derivatives	37,333	40,530
Change in provisions	29,653	41,316
Others	(288)	(1,065)
Changes in working capital	**(178,107)**	**(126,999)**
Inventories	(184)	569
Debtors and other receivables	(112,513)	(18,777)
Other current assets	12	17
Creditors and other payables	(14,659)	(60,390)
Other current liabilities	(49,969)	(47,031)
Other non-current assets and liabilities	(794)	(1,387)
Other cash flows from operating activities	**(504,044)**	**(380,816)**
Interest paid	(115,727)	(123,751)
Interest received	1,079	337
Payments/recoveries of corporate income taxes	(389,396)	(257,402)
Cash flows from operating activities	**1,894,731**	**1,954,311**
Payments for investments	**(491,656)**	**(317,955)**
Group and associated companies	(8,500)	-
Intangible fixed assets	(20,790)	(31,220)
Plant, Property and Equipment	(445,051)	(272,971)
Investment properties	(4,410)	831
Other financial assets	(12,905)	(12,933)
Collections from divestments	**11,803**	**124**
Group and associated companies	1,700	-
Plant, Property and Equipment	33	-
Other assets	10,070	124
Cash flows from investing activities	**(479,853)**	**(317,831)**

APPENDIX I: Financial statements

Cash flow statement for the financial year ended on 31 December 2017 and 2018 (continued)

Thousand euros	2018	2017
Collections and payments from equity instruments	**88,097**	**9,340**
Grants, donations and legacies received	88,097	9,340
Collections and payments from equity instruments	**(778,646)**	**(835,862)**
Issuance:		
- Debts payable to credit institutions	-	650,000
- Other	31,728	22,794
Reimbursement and amortisation of:		
- Debts with group and associated companies	(798,060)	(1,497,288)
- Other debts	(12,314)	(11,368)
Payment of dividends and return on other equity instruments	**(975,000)**	**(574,601)**
Dividends	(975,000)	(574,601)
Cash flow used in financing activities	**(1,665,549)**	**(1,401,123)**
Net increase/(decrease) in cash and cash equivalents	**(250,671)**	**235,357**
Cash and other liquid assets equivalent to the beginning of the period	**718,115**	**482,758**
Cash and other liquid assets equivalent at the end of the period	**467,444**	**718,115**

APPENDIX II: Summary of Price Sensitive Information issued

Register	Date	Type of Event	Description
260536	10/01/2018	Composition of the Board of Directors	The company announces the resignation of a member of the Board of Directors
260991	25/01/2018	Composition of the Board of Directors	The company announces changes in the composition of its Board of Directors and the Appointments and Remuneration Committee
260992	25/01/2018	Composition of the Board of Directors	The company announces changes in the composition of its board of directors and the appointments and remuneration committee and executive committee
261748	20/02/2018	Calls for meetings or informative events	Aena, S.M.E, S.A. announces the holding of the presentation of earnings corresponding to the FY 2017
262159	27/02/2018	Interim financial information	The company sends information on results for the second half of 2017
262162	27/02/2018	Annual Corporate Governance Report	The company submits the Annual Corporate Governance Report for FY 2017
262164	27/02/2018	Annual report on Board member compensation	The Company submits the Annual Report on Board member remuneration for FY 2017
262165	27/02/2018	Information on results	Presentation of results and Consolidated Management Report for 2017.
262170	27/02/2018	Information on dividends	Dividend for the 2017 fiscal year
262171	27/02/2018	Strategic plans, forecasts and presentations	Forecast of passenger traffic for the year 2018
262172	27/02/2018	Calls and agreements of Board and General Meetings	The company announces the approval of the call for the General Shareholders' Meeting
262602	07/03/2018	Calls and agreements of Board and General Meetings	The Company announces the announcement of the General Shareholders' Meeting 2018
262955	15/03/2018	Composition of the Board of Directors	The Company announces the resignation of the Deputy Secretary of the Board of Directors
263764	05/04/2018	Others about corporate operations	The company reports the non-exercise of the right to purchase over 49% of the London Luton Airport Holding III Ltd Company
263927	10/04/2018	Calls and agreements of Board and General Meetings	The Company communicates the approval of Agreements of the General Shareholders' Meeting.
263928	10/04/2018	Calls and agreements of Board and General Meetings. Composition of the Board of Directors	The Company announces the ratification of the appointment of directors by the General Shareholders' Meeting
263929	10/04/2018	Information about dividends. Calls and agreements of Board and General Meetings	The Company communicates the approval by the General Shareholders' Meeting of the dividend payment
264212	17/04/2018	Credit ratings	The credit rating agency Moody's Investors Service Ltd. has upgraded AENA's credit rating
264217	17/04/2018	Calls for meetings or informative events	Aena, S.M.E, S.A. announces the presentation of results corresponding to 1Q 2018
264560	25/04/2018	Interim financial information	The company sends information on the results of the first quarter of 2018
265651	14/05/2018	Credit ratings	Fitch Ratings confirms the "A" credit rating with stable outlook to Aena, S.M.E, S.A.
265695	15/05/2018	Placing large share packages (block trades)	Citigroup Global Markets Limited and UBS Limited are carrying out on behalf of TCI Luxembourg, S.Á.RL and Talos Capital Designated Activity Company a private placement among qualified investors of a share package of Aena, S.M.E, S.A., representing approximately 2.6% of its share capital.
265702	16/05/2018	Placing large share packages (block trades)	Citigroup Global Markets Limited and UBS Limited provide details of the private placement among qualified investors of a package of shares of Aena, S.M.E, S.A., representing approximately 2.7% of its share capital, on behalf of TCI Luxembourg, S.Á.RL and Talos Capital Designated Activity Company.
266240	29/05/2018	Strategic plans, forecasts and presentations	The Company communicates the lines of action of the Strategic Plan approved by the Board of Directors and the proposed date for its presentation.

APPENDIX II: Summary of Price Sensitive Information issued (continued)

Register	Date	Type of Event	Description
266242	29/05/2018	Information on dividends	The Company reports that the Board of Directors has approved the dividend policy
266371	01/06/2018	Strategic plans, forecasts and presentations	Strategic Plan: Postponement of presentation
267046	21/06/2018	Composition of the Board of Directors	The Company announces the resignation of members of the Board of Directors and Committees of Aena S.M.E., S.A.
267916	16/07/2018	Composition of the Board of Directors	The Company reports changes in the composition of the Board of Directors, the Audit Committee and the Executive Committee.
267917	16/07/2018	Composition of the Board of Directors	The Company reports changes in the composition of the Board of Directors, the Audit Committee and the Executive Committee. The English version is rectified
267971	17/07/2018	Calls for meetings or informative events	Aena S.M.E., S.A. announces the holding of the presentation of results corresponding to 1H 2018
268251	24/07/2018	Interim financial information	The company sends information on the results of the first half of 2018
268252	24/07/2018	Information on results	Presentation of results 1H 2018
269270	03/09/2018	Composition of the Board of Directors	The Company announces the resignation of a member of the Board of Directors
269682	18/09/2018	Calls for meetings or informative events. Strategic plans, forecasts and presentations	The Company communicates the date of presentation of the Strategic Plan
269837	24/09/2018	Composition of the Board of Directors	The Company announces the resignation of a member of the Board of Directors
270376	10/10/2018	Strategic plans, forecasts and presentations	The company publishes the presentation of the Strategic Plan 2018-2021 to analysts and investors
270377	10/10/2018	Strategic plans, forecasts and presentations	The company announces the forecast of passenger traffic for 2019
270383	10/10/2018	Strategic plans, forecasts and presentations	The Company attaches press release regarding the presentation of the Strategic Plan 2018-2021
270752	23/10/2018	Calls for meetings or informative events	Aena S.M.E., S.A. announces the presentation of results for the nine-month period ended 30 September 2018
271028	30/10/2018	Interim financial information	The company sends information about the results of the third quarter of 2018
271029	30/10/2018	Composition of the Board of Directors	The company announces the appointment of one Proprietary Director
271030	30/10/2018	Others on corporate governance	The company announces the change of registered office
271043	30/10/2018	Others on corporate governance	The company announces the change of registered office
271045	30/10/2018	Composition of the Board of Directors	The company announced the appointment of one Proprietary Director
271950	27/11/2018	Composition of the Board of Directors	The company announces the appointment of a Proprietary Director and member of the Audit Committee

APPENDIX III: Corporate Governance Report

Aena's Corporate Governance Annual Report for the year 2018 is part of the Management Report and has been available since the date of publication of the annual accounts on the website of the National Securities Market Commission and on the Aena website (www.aena.es).

PREPARATION OF THE INDIVIDUAL ANNUAL ACCOUNTS AND THE MANAGEMENT REPORT FOR THE PERIOD 2018

The Board of Directors at Aena, S.M.E, S.A, on 26 February 2019, in accordance with the requirements of article 253 of the Corporate Enterprises Law and article 37 of the Code of Commerce, has prepared the individual Annual Accounts and the Management Report for the period to 31 December 2018, which comprises the attached documents that precede this statement.

Cargo	Name	Signature
Chairman and CEO:	Mr Maurici Lucena Betriu	
Director:	Ms Pilar Arranz Notario	
Director:	Mr Francisco Javier Martín Ramiro	
Director:	Mr Angel Luis Arias Serrano	
Director:	Ms Angélica Martínez Ortega	
Director:	Mr Francisco Ferrer Moreno	
Director:	Mr Juan Ignacio Díaz Bidart	
Director:	Ms Marta Bardón Fernández-Pacheco	
Director:	TCI Advisory Services, LLP, represented by Mr Christopher Anthony Hohn	
Director:	Mr Eduardo Fernández-Cuesta Luca de Tena	
Director:	Mr Juan Ignacio Acha-Orbea Echeverría	
Director:	Mr Amancio López Seijas	
Director:	Mr Jaime Terceiro Lomba	
Director:	Mr José Luis Bonet Ferrer	
Director:	Mr Josep Antoni Duran i Lleida	
Secretary (non-Director):	Mr Juan Carlos Alfonso Rubio	