Annual Accounts ENAIRE and Subsidiaries 2018

The attached document includes the External Auditor's Report issued in Spanish and the Consolidated Financial Statements for period ended 31 December 2018 issued in English.

The Consolidated Financial Statements have been originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails.

MINISTERIO
DE HACIENDA

INTERVENCIÓN GENERAL DE LA
ADMINISTRACIÓN DEL ESTADO

AUDITORÍA DE CUENTAS CONSOLIDADAS

ENAIRE Ejercicio 2018

Plan de control AP 2019

Código AUDInet 2019/410

Oficina Nacional de Auditoría

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I. INTRODUCCIÓN

La Intervención General de la Administración del Estado, a través de la Oficina Nacional de Auditoría, en uso de las competencias que le atribuye el artículo 168 de la Ley General Presupuestaria ha auditado las cuentas anuales consolidadas adjuntas de la entidad pública empresarial ENAIRE y sus sociedades dependientes, que comprenden, el balance consolidado a 31 de diciembre de 2018, la cuenta de pérdidas y ganancias consolidada, el estado de cambios en el patrimonio neto consolidado, el estado de flujos de efectivo consolidado y la memoria consolidada correspondientes al ejercicio terminado en dicha fecha.

El Presidente de ENAIRE, es responsable de la formulación de las cuentas anuales del grupo de acuerdo con el marco de información financiera que se detalla en la nota 2 de la memoria adjunta y en particular de acuerdo con los principios y criterios contables, asimismo, es responsable del control interno que considere necesario para permitir que la preparación de las citadas cuentas anuales esté libre de incorrección material.

Las cuentas anuales del grupo a las que se refiere el presente informe fueron formuladas por el Presidente de ENAIRE el 29 de marzo de 2019 y fueron puestas a disposición de la Oficina Nacional de Auditoría telemáticamente el mismo día.

La información relativa a las cuentas anuales consolidadas queda contenida en el fichero GC0829_2018_F_190329_133208_Cuentas.zip cuyo resumen electrónico es 25FF8EB1278A16B3AA6ED75D974FAD5D1AB1C1FA141D6BD501387998BE576D07 y está depositado en la aplicación CICEP.Red de la Intervención General de la Administración del Estado.

II. OBJETIVO Y ALCANCE DEL TRABAJO: RESPONSABILIDAD DE LOS AUDITORES

Nuestra responsabilidad es emitir una opinión sobre si las cuentas consolidadas adjuntas expresan la imagen fiel, basada en el trabajo realizado de acuerdo con las Normas de Auditoría del Sector Público. Dichas normas exigen que planifiquemos y ejecutemos la auditoría con el fin de obtener una seguridad razonable, aunque no absoluta, de que las cuentas anuales consolidadas están libres de incorrección material.

Una auditoría requiere la aplicación de procedimientos para obtener evidencia adecuada y suficiente sobre los importes y la información recogida en las cuentas anuales consolidadas. Los procedimientos seleccionados dependen del juicio del auditor, incluida la valoración de los riesgos de incorrección material en las cuentas anuales. Al efectuar dichas valoraciones del riesgo, el auditor tiene en cuenta el control interno relevante para la preparación y presentación razonable por parte del gestor de las cuentas anuales consolidadas, con el fin de diseñar los procedimientos de auditoría que sean adecuados en función de las circunstancias, y no con la finalidad de expresar una opinión sobre la eficacia del control interno de la entidad. Una auditoría también incluye la evaluación de la adecuación de los criterios contables y de la razonabilidad de las estimaciones contables realizadas por el gestor, así como la evaluación de la presentación global de las cuentas anuales consolidadas.

Nuestro trabajo no incluyó la auditoria de las cuentas anuales del ejercicio 2018 de las sociedades participadas por la entidad pública ENAIRE y cuyos datos sobre el valor neto contable y porcentaje de participación se detallan en la nota 1 de la memoria consolidada. Las cuentas anuales de estas sociedades participadas han sido auditadas por otros auditores tal y como se señala en dicha nota de la memoria y nuestra opinión expresada en este informe sobre las cuentas anuales consolidadas se basa, en lo relativo a las participaciones indicadas, únicamente en el informe de dichos auditores.

Consideramos que la evidencia de auditoría que hemos obtenido proporciona una base suficiente y adecuada para emitir nuestra opinión de auditoría.

III. OPINIÓN

En nuestra opinión, las cuentas consolidadas adjuntas expresan, en todos los aspectos significativos, la imagen fiel del patrimonio y de la situación financiera del grupo constituido por la entidad pública empresarial ENAIRE y sus sociedades dependientes, a 31 de diciembre de 2018, así como de sus resultados y flujos de efectivo correspondientes al ejercicio anual terminado en dicha fecha, de conformidad con el marco normativo de información financiera que resulta de aplicación y, en particular con los principios y criterios contables contenidos en el mismo.

IV. INFORME SOBRE OTROS REQUERIMIENTOS LEGALES Y REGLAMENTARIOS

El grupo ha elaborado un Informe de Gestión de la entidad pública empresarial ENAIRE y sus sociedades dependientes que contiene las explicaciones que se consideran oportunas respecto a su situación y evolución y no forma parte integrante de las cuentas anuales.

Asimismo, de conformidad con lo previsto en el artículo 129.3 de la Ley General Presupuestaria, el grupo tiene que presentar junto con las cuentas anuales, un informe relativo al cumplimiento de las obligaciones de carácter económico-financiero que asumen como consecuencia de su pertenencia al sector público.

Nuestro trabajo se ha limitado a verificar que ambos documentos se han elaborado de acuerdo con su normativa reguladora y que la información contable que contienen concuerda con la de las cuentas anuales auditadas.

Señalar que, no siendo obligatorio para ENAIRE, al ser una entidad pública empresarial, el cumplimiento del apartado 5 del artículo 49 del Código de Comercio en su redacción vigente dada por la Ley 11/2018, de incluir un estado de información no financiera en el informe de gestión, la entidad ha incluido dicho estado en el informe de gestión, por razones de transparencia. En nuestro trabajo no hemos realizado verificaciones sobre dicho estado.

El presente informe de auditoría ha sido firmado electrónicamente a través de la aplicación CICEP.Red de la Intervención General de la Administración del Estado por la Auditora Nacional, Directora de Equipos y por la Jefe de la División IV de la Oficina Nacional de Auditoría, en Madrid, a 24 de mayo de 2019.

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CONSOLIDATED BALANCE SHEET AS OF 31ST DECEMBER 2018
(in thousands of euros)

ASSET	Report notes	Reporting period 2018	Reporting period 2017	EQUITY AND LIABILITIES	Report notes	Reporting period 2018	Reporting period 2017
NON-CURRENT ASSETS				EQUITY:			
Intangible assets	Note 10	607,343	583,170	Capital and reserves without valuation adjustments	Note 18	4,336,343	4,057,305
Research and development		24,887	19,635	Equity	Note 18	1,821,537	1,821,537
Concessions		415,872	401,233	Reserves of the Parent Public Corporate Entity	Note 18	1,017,919	748,501
Goodwill	Note 6	1,310	1,498	Legal and statutory reserves		517,542	517,542
Computer software		129,911	128,309	Other reserves		500,377	297,011
Other intangible assets		35,363	32,495	Prior periods' profit and loss			(66,052)
Property, plant and equipment	Note 11	13,316,935	13,658,202	Reserves in consolidated companies	Note 18	1,110,498	980,299
Land and buildings		10,806,516	11,047,431	Reserves in companies based on the equity method	Note 18	20,463	18,871
Technical installations and other items		1,994,513	2,149,898	Profit and loss for reporting period imputable to the Dominant Public		863,163	780,100
Under construction and advances		515,906	460,873	Consolidated profit and loss		1,513,120	1,373,678
Investment property	Note 12	138,183	135,108	Profit and loss attributable to minority shareholders		649,957	593,578
Land		36,678	36,648	Interim dividends (payments on account to Treasury)	Note 4 and 18	(497,237)	(292,003)
Buildings		101,337	98,244	Valuation adjustments		(45,161)	(44,234)
Technical installations		168	216	Hedging transactions	Note 14.3	(34,486)	(32,425)
Non-current investments in associates		103,834	101,295	Translation differences from companies based on the equity method	Note 17	(9,734)	(10,733)
Equity method holdings	Note 9	103,834	101,295	Translation differences from subsidiaries	Note 17	(941)	(1,076)
Non-current investments	Note 14.1	79,662	75,608	Other			
Current tax assets	Note 20.1	118,021	71,727	Grants, donations and bequests received	Note 25	215,686	219,825
Deferred tax assets	Note 20.1	153,515	170,437	Minority shareholders	Note 7	3,143,293	2,995,062
Trade and other non-current receivables	Note 20.1	6,494	2,461	Total net equity		7,650,161	7,227,958
Total non-current assets		14,523,987	14,798,008	NON-CURRENT LIABILITIES:			
				Non-current provisions	Note 19.1	262,384	260,301
				Long-term employee benefits		177,620	189,399
				Environmental actions		60,850	46,801
				Other provisions		23,914	24,101
				Non-current payables	Note 14.2	6,667,486	7,426,966
				Debt with financial institutions		6,369,401	7,202,530
				Other non-current payables		51,854	52,280
				Payables public entities due to concessions		47,924	410
				Finance lease payables		17,959	20,152
				Derivatives	Note 14.3	56,543	45,645
				Other financial liabilities		123,805	105,949
				Deferred tax liabilities	Note 20.1 and 20.6	207,914	221,058
				Non-current accruals	Note 21	43,157	85,324
				Total non-current liabilities		7,180,941	7,993,649
				CURRENT LIABILITIES:			
Inventories	Note 16	7,594	7,528	Current provisions	Note 19.1	79,607	106,261
Trade and other receivables		651,763	511,249	Current payables	Note 14.2	982,229	1,005,570
Trade receivables	Note 14.1	547,405	428,232	Debt with financial institutions		710,761	720,635
Companies based on the equity method	Note 14.1 and 26	4,105	3,432	Other current payables		398	401
Other receivables	Note 14.1	7,542	1	Finance lease payables		2,246	2,162
Personnel	Note 14.1	1,626	1,269	Derivatives	Note 14.3	32,740	37,010
Current tax assets	Note 20.1	71,386	419	Other financial liabilities		236,084	245,362
Public entities, other	Note 20.1	19,699	77,896	Group companies and associates, current	Note 14.2 and 26.1	2,848	5,733
				Debt with companies based on the equity method		2,848	5,733
				Trade and other payables	Note 14.2	446,480	371,898
Current investments with group companies and associates	Note 14.1	1,529	2,609	Suppliers		777	229
Other financial assets		1,529	2,609	Other payables		236,587	201,770
Current investments	Note 14.1	201,615	252,578	Personnel		82,248	69,866
Loans to companies		151	195	Current tax liabilities		24,889	3,279
Other current investments		201,464	252,383	Public entities, other	Note 20.1	50,368	43,373
Current accruals	Note 21	15,322	13,502	Advances from customers		51,611	53,381
Cash and cash equivalents	Note 14.1	1,011,650	1,186,800	Current accruals	Note 21	71,194	61,205
Total current assets		1,889,473	1,974,266	Total current liabilities		1,582,358	1,550,667
TOTAL ASSETS		16,413,460	16,772,274	TOTAL LIABILITIES		16,413,460	16,772,274

Notes 1 to 28 in the attached Report form an integral part of the balance sheet as of 31st December 2018.

(*) Restated amounts, see note 3.8

CONSOLIDATED INCOME STATEMENT FOR REPORTING PERIOD 2018 (in thousands of euros)

		Thousands of euros	
	Report notes	Reporting period 2018	Reporting period 2017
CONTINUING OPERATIONS			
Net revenue	Note 22.a	5,065,196	4,795,269
Work carried out by the company for assets		8,548	8,160
Supplies	Note 22.b	(73,080)	(70,455)
Raw materials and other consumables used		(996)	(1,419)
Subcontracted work		(72,084)	(69,036)
Other operating income		18,371	19,692
Non-trading and other operating income		12,864	12,876
Operating grants taken to income		5,507	6,816
Personnel expenses	Note 22.c	(958,838)	(852,272)
Salaries and wages		(773,522)	(744,769)
Employee benefits expense		(181,433)	(181,108)
Provisions		(3,883)	73,605
Other operating expenses		(1,106,368)	(1,011,076)
External services	Note 22.d	(881,223)	(798,848)
Taxes		(157,614)	(158,262)
Losses, impairment and changes in trade provisions		467	1,223
Other operating expenses		(67,998)	(55,189)
Amortisation and depreciation	Notes 10, 11 and 12	(893,608)	(895,825)
Non-financial and other capital grants	Note 25	96,863	43,891
Provision surpluses	Note 22.f	7,851	8,975
Impairment and gains/(losses) on disposal of fixed asset		(62,916)	(12,033)
Impairment	Note 11.d	(46,249)	
Disposal of fixed assets and others	Note 11.c	(16,667)	(12,033)
Other profit/loss	Note 22.g	2,648	3,489
RESULTS FROM OPERATING ACTIVITIES		2,104,667	2,037,815
Finance income	Note 22.e	4,501	8,492
Dividends		721	603
Marketable securities and other financial instruments		3,174	7,364
Capitalisation finance expenses		606	525
Finance expenses	Note 22.e	(112,874)	(113,591)
Other		(112,754)	(113,472)
Provision adjustments		(120)	(119)
Change in fair value of financial instruments	Note 22.e	(37,333)	(40,621)
Exchange gains/(losses)	Note 22.e	(513)	(4,340)
Impairment and gains/(losses) on disposal of financial instruments	Note 14.1.1	-	5
NET FINANCE INCOME/(EXPENSE)	Note 22.e	(146,219)	(150,055)
Profit/loss by company based on the equity method	Note 9	23,044	20,543
Amortization of consolidated goodwill from companies based on the equity method	Note 9	(213)	(212)
PROFIT/(LOSS) BEFORE TAX		1,981,279	1,908,091
Taxes on profits	Notes 20.3 and 20.2	(468,159)	(534,413)
PROFIT/(LOSS) FROM CONTINUING OPERATIONS		1,513,120	1,373,678
CONSOLIDATED PROFIT/LOSS OF REPORTING PERIOD		1,513,120	1,373,678
Profit/(loss) attributable to minority shareholders	Note 7	649,957	593,578
PROFIT/(LOSS) ATTRIBUTABLE TO PARENT COMPANY		863,163	780,100

Notes 1 to 28 in the attached Report form an integral part of the income statement as of 31st December 2018.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY IN REPORTING PERIOD 2018
A) CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE
(in thousands of euros)

	Report notes	Reporting period 2018	Reporting period 2017
A) Consolidated profit/(loss) for the period		1,513,120	1,373,678
Income and expense recognised directly in equity			
Cash flow hedges	Note 14.3	(41,758)	12,139
Grants, donations and bequests received	Note 25	82,558	18,991
Actuarial gains and losses and other adjustments		(777)	(993)
Translation differences from subsidiaries	Note 17	411	(2,032)
Translation differences from companies based on the equity method	Note 17	1,957	(5,383)
Tax effect		(9,474)	(6,761)
B) Total income and expense recognised directly in consolidated equity		32,917	15,961
Amounts transferred to the consolidated income statement			
Cash flow hedges	Note 14.3	37,333	40,530
Grants, donations and bequests received	Note 25	(98,500)	(45,659)
Tax effect		14,883	843
C) Total amounts transferred to the consolidated income statement		(46,284)	(4,286)
TOTAL CONSOLIDATED RECOGNISED INCOME AND EXPENSE (A + B + C)		**1,499,753**	**1,385,353**
Total income and expense allocated to minority shareholders	Note 7	641,842	598,187
Total income and expense allocated to the Parent State-Owned Entity.		857,911	787,166

Notes 1 to 28 in the attached Report form an integral part of the statement of changes in consolidated equity as of 31st December 2018.

STATEMENT OF CHANGES IN EQUITY IN REPORTING PERIOD 2018
B) STATEMENT OF TOTAL CHANGES IN EQUITY
(in thousands of euros)

ASSET	Equity and assigned equity	Statutory reserves	Voluntary reserves Parent Company	Consolidated reserves Parent Company	Profit and loss prior period	Reserves in consolidated companies	Reserves in companies based on the equity method	Interim dividend	Profit and loss for reporting period allocated to Parent Company	Adjustments for change in value	Grants, donations and bequests received	Minority shareholders	Total equity
FINAL BALANCE 2018	1,821,537	517,542	4,355	204,379	(199,994)	679,758	19,033	(207,315)	729,021	(60,284)	228,593	2,695,716	6,432,341
Adjustments due to criteria change in reporting period 2016	-	-	-	-	-	-	-	-		-	-	-	
ADJUSTED BALANCE AT START OF REPORTING YEAR 2017	1,821,537	517,542	4,355	204,379	(199,994)	679,758	19,033	(207,315)	729,021	(60,284)	228,593	2,695,716	6,432,341
Total recognised income and expense						(217)			780,100	16,051	(8,768)	598,187	1,385,353
Distribution of dividends								(292,003)	-	-		(299,136)	(591,139)
Other changes in equity				297,149		(284,692)	(11,348)		-	(1)		295	1,403
Application of profit/loss 2016				(208,872)	133,942	585,450	11,186	207,315	(729,021)				-
FINAL BALANCE 2018	1,821,537	517,542	4,355	292,656	(66,052)	980,299	18,871	(292,003)	780,100	(44,234)	219,825	2,995,062	7,227,958
Adjustments due to criteria change in reporting period 2017	-	-	-	-	-	-	-	-	-	-	-	-	-
ADJUSTED BALANCE AT START OF REPORTING YEAR 2018	1,821,537	517,542	4,355	292,656	(66,052)	980,299	18,871	(292,003)	780,100	(44,234)	219,825	2,995,062	7,227,958
Total recognised income and expense	-	-	-	-	-	(185)	-	-	863,163	(927)	(4,140)	641,842	1,499,753
Distribution of dividends	-	-	-	-	-	-	-	(497,237)	(88,003)	-	-	(496,140)	(1,081,380)
Other changes in equity	-	-	14	499,282	-	(488,427)	(9,569)	-	-	-	1	2,529	3,830
Application of profit/loss 2017	-	-	-	(295,930)	66,052	618,811	11,161	292,003	(692,097)	-	-	-	-
FINAL BALANCE 2018	1,821,537	517,542	4,369	496,008	-	1,110,498	20,463	(497,237)	863,163	(45,161)	215,686	3,143,293	7,650,161

Notes 1 to 28 in the attached Report form an integral part of the statement of changes in consolidated equity for reporting period 2018

STATEMENT OF CASH FLOWS FOR REPORTING PERIOD 2018
(in thousands of euros)

	Report notes	Reporting period 2018	Reporting period 2017
CASH FLOWS FROM OPERATING ACTIVITIES (I)		2,192,367	2,501,612
Profit/(loss) for the period before tax		1,981,279	1,908,091
Adjustments for:		1,029,038	975,403
Amortisation and depreciation	Notes 10, 11 and 12	893,608	895,825
Valuation allowances for impairment losses	Notes 10.e and 11.d	45,782	(1,223)
Change in provisions		44,496	(16,964)
Grants recognised in the income statement	Note 25	(96,863)	(43,891)
Proceeds from disposals and derecognition of fixed assets	Note 11.c	16,667	12,033
Proceeds from disposals and derecognition of financial instruments			(5)
Finance income	Note 22.e	(3,780)	(7,889)
Finance expenses	Note 22.e	112,874	113,591
Exchange gains/(losses)	Note 17	513	4,340
Change in fair value of financial instruments	Notes 14.3 and 22.e	37,333	40,621
Income from dividends	Note 22.e	(721)	(603)
Other income and expenses		2,173	111
Share of profits (losses) in companies consolidated with the equity method	Note 9	(23,044)	(20,543)
Changes in operating assets and liabilities		(154,130)	(182,010)
Inventories		(70)	765
Trade and other receivables		(82,299)	(20,571)
Other current assets		2	(272)
Trade and other payablesr		(2,368)	(112,268)
Other current liabilities		(66,728)	(50,699)
Other non-current assets and liabilities		(2,667)	1,035
Other cash flows from operating activities		(663,820)	(199,872)
Interest paid		(135,280)	(137,996)
Dividends received	Notes 9 and 26	22,394	21,295
Interest received		2,598	5,962
Income tax received (paid)	Note 20	(553,020)	(87,824)
Other amounts paid (received)		(512)	(1,309)

	Report notes	Reporting period 2018	Reporting period 2017
CASH FLOWS FROM INVESTING ACTIVITIES (II)		(561,579)	(605,331)
Payments for investments		(1,025,028)	(1,116,843)
Intangible assets		(65,470)	(60,107)
Property, plant and equipment		(542,243)	(381,972)
Investment property		(4,410)	(831)
Other financial assets		(412,905)	(*) (673,933)
Proceeds from sale of investments		463,449	511,512
Group companies and associates		3,344	5,376
Property, plant and equipment		34	-
Other financial assets		460,071	(*) 506,136
CASH FLOWS FROM FINANCING ACTIVITIES (III)		(1,805,898)	(1,579,482)
Proceeds from and payments for equity instruments		94,147	14,355
Grants, donations and bequests received		94,147	94,147
Proceeds from and payments for financial liability instruments		(818,665)	(1,002,597)
Issue debt with financial institutions		43,728	991,053
Other (+)		31,871	26,060
Redemption and repayment of debt with financial institutions		(880,807)	(2,000,054)
Others (-)		(13,457)	(19,656)
Dividends and interest on other equity instruments paid		(1,081,380)	(591,240)
Dividends	Note 26	(1,081,380)	(591,240)
EFFECT OF EXCHANGE RATE FLUCTUATIONS (IV)		(40)	1,637
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		(175,150)	318,435
Cash and cash equivalents at beginning of period	Note 14.1	1,186,800	(*) 868,365
Cash and cash equivalents at end of period	Note 14.1	1,011,650	(*) 1,186,800

Notes 1 to 28 in the attached Report form an integral part of the consolidated statement of cash flows for reporting period 2018

(*) Restated amounts, see note 3.8

1. GROUP ENTITIES AND COMPANIES

1.1 Parent Company

The State-Owned Entity ENAIRE, hereinafter ENAIRE or the company, was constituted in accordance with article 82 of Act 4/1990, of 29 June, of the General State Budget for 1990. It was effectively constituted on 19 June 1991, once the Articles of Association were effective, approved by Royal Decree 905/1991 of 14 June.

The company was named Entidad Pública Empresarial Aeropuertos Españoles y Navegación Aérea (Aena) until the publication of Act 18/2014 of 15 October.

The State-Owned Entity is a body governed by public law and adhered to the Spanish Ministry for Public Works and Transport, with its own legal status and independent from that of the State, carrying out its business within the scope of the Government's general transport policy. In accordance with the European System of Accounts (ESA), the entity is classified under section "S.11001 Public non-financial corporations: Public Administration", owned 100% by the Spanish government. ENAIRE's activities are classified as "522 Support activities for transportation" according to CNAE (National Economic Activities Classification Code).

The Articles of Association, approved by Royal Decree 905/1991, of 14 June, were subsequently amended by Royal Decree 1993/1996, of 6 September, Royal Decree 1711/1997, of 14 November, and Royal Decree 2825/1998, of 23 December.

In accordance with the Articles of Association, the company's corporate purpose is:

- Planning, management, coordination, operation, conservation and administration of public civil airports and related services, as well as the coordination, operation, conservation and administration of civil areas in air bases used for civilian traffic.
- Planning, execution, management and control of investments in airport infrastructures and installations.
- Planning, management, coordination, operation, conservation and administration of installations and networks for aeronautical telecommunications, navigational aid and air traffic control systems.
- Project, execution, management and control of investments in infrastructures, installations and networks for aeronautical telecommunications, navigational aid and air traffic control systems.
- Planning proposals for new airport and air traffic infrastructures, as well as airspace modifications.
- Development of security services in airports and control centres, as well as participating in specific instructions related to air transport and subject to the granting of official licenses, while respecting the powers conferred to the Directorate General for Civil Aviation.
- Equity holding in other Companies or Entities related to its activities with a different corporate purpose.

Notwithstanding Act 18/2014, of 15 October, ENAIRE shall continue to exist with the same nature and legal regime provided for in article 82 of Act 4/1990, of 29 June, and to exercise exclusively the functions in terms of air navigation and airspace, and, in addition, the national and international operational coordination of the national network for air traffic management and other networks related to the uses for the efficient management of airspace taking the needs of its users into account. In accordance with the provisions of Act 18/2014, ENAIRE is an instrument of the Public Entity and its contracting authorities. However, it does not comply with the necessary requirements according to article 32 of Act 9/2017 of Public Procurement Contracts, since it does not carry out and will not carry out any commissioned activities. As a matter of fact, the Ministry for Public Works and Transport is developing the corresponding regulatory change.

The main subsidiary of the Parent Company is Aena S.M.E., S.A., of which it owns 51% of the share capital as of 31 December 2018.

Aena S.M.E., S.A. began operations on 8 June 2011 (by virtue of Ministerial Order FOM/1525/2011, of 7 June) under the name Aena Aeropuertos, S.A., which was subsequently changed to Aena S.M.E., S.A. after Act 18/2014, of 15 October, was approved.

Aena S.M.E., S.A. was created through the non-monetary contribution, properties, rights, debt and obligations of ENAIRE which were subject to the development of airport and commercial activities, as well as to other state services related to airport management, including airfield air traffic services; i.e. on 8 June 2011, Aena S.M.E., S.A. took control of the activities included in the Company's Articles of Association in this regard.

ENAIRE was the sole shareholder of Aena S.M.E., S.A. until 11 February 2015. After the public stock offer of 49% of its shares, the Company is the majority shareholder with 51% of the share capital.

The governing bodies of the Company are its Board of Directors and its Chairman, a position held by the Secretary of State for Infrastructure, Transport and Housing, while the management bodies are the Managing Director, as well as those to whom this position is attributed upon the approval of the Entity's management structure by the Board of Directors, in accordance with the provisions of section b), article 18 of the Articles of Association.

ENAIRE provides services within Spanish airspace in a surface of 2.2 million km^2 divided in two areas (Peninsula and Canary Islands). It provides air navigation services from five control centres located in Madrid, Barcelona, Seville, Palma de Mallorca and the Canary Islands, and from control towers in 22 airports, including the 5 busiest in terms of air traffic in Spain.

The registered and legal address of the State-Owned Entity is located at Avenida de Aragón s/n, Bloque 330, portal 2, Parque Empresarial Las Mercedes, Madrid.

The Company is the parent company of a group composed of several companies that manage airport infrastructures and aeronautical consultancy works as their main line of business. At of the end of reporting period 2018, it was composed of 9 subsidiaries and 5 associates (8 subsidiaries and 5 associates in 2017).

For the purposes of drafting the consolidated financial statements, a group will be understood to exist when the Parent Company has one or more subsidiaries, which are companies over which the Parent Company has direct or indirect control. The principles applied to prepare the consolidated financial statements of the Group, as well as the scope of consolidation, are detailed in notes 1.2, 3 and 5.

1.2 Subsidiaries

Details of the Group's subsidiaries, integrated in the consolidated annual accounts by means of the method of global integration, are the following as of 31 December 2018 and 2017:

Subsidiary Registered office	Activity		Holder	Share percentage 2018	Share percentage 2017	Share value (thousands of euros) 2018	Share value (thousands of euros) 2017
Aena S.M.E., S.A. (1)	Operating, conservation, management and administration of airport infrastructures, as well as complementary services.	Direct	Enaire	51	51	1,326,443	1,326,443
Peonías, 2 Madrid							
Centro de Referencia Investigación, Desarrollo e Innovación ATM A.I.E. [*Reference Centre for Research, Development and Innovation ATM EEIGs*] (CRIDA) (2)	R+D+i activities in ATM aimed at improving security services, capacity and economic and environmental efficiency of the air navigation system.	Direct	Enaire	66.66	66.66	480	480
Avenida de Aragón, 330 P.E. Las Mercedes		Indirect	INECO	7.64	7.64	120	120
Aena Desarrollo Internacional S.M.E., S.A. (1)	Operating, conservation, management and administration of airport infrastructures, as well as complementary services.	Indirect	Aena	100	100	165,032	165,032
Peonías, 2 Madrid							
London Luton Airport Holdings III Limited (LLAH III) (3)	Shares in the company that holds the concession to operate Luton Airport	Indirect	Aena Desarrollo Internacional	51	51	63,016	63,016
London							
London Luton Airport Holdings II Limited (LLAH II) (3)	Shares in the company that holds the concession to operate Luton Airport	Indirect	London Luton Airport Holdings III Limited (LLAH III)	100	100		
London							
London Luton Airport Holdings I Limited (LLAH I) (3)	Shares in the company that holds the concession to operate Luton Airport	Indirect	London Luton Airport Holdings II Limited (LLAH II)	100	100		
London							
London Luton Airport Operations Limited ("LLAOL") (3)	Concession holder to operate Luton Airport.	Indirect	London Luton Airport Group Limited ("LLAGL")	100	100		
London							
London Luton Airport Group Limited ("LLAGL") (3)	Guarantor company of the concession acquisition to operate Luton Airport.	Indirect	London Luton Airport Holdings I Limited (LLAH I)	100	100		
London							
Aena Concesionaria del Aeropuerto del Aeropuerto Internacional Región de Murcia (AIRM) (1)	Management, operation, maintenance and conservation of the Región de Murcia International Airport through a concession.	Indirect	Aena	100	-	8,500	
Región de Murcia International Airport							

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

The closing date of the last annual accounts prepared for all subsidiaries is 31 December 2018. Its reporting period coincides with the calendar year.

Aena S.M.E., S.A. is the Parent Company of a group of companies that was composed of 7 subsidiaries and 4 associates (6 subsidiaries and 5 associates in 2017) at the closing of reporting period 2018. Aena Aeropuertos S.A. was created as an independent legal entity by virtue of article 7 of Royal Decree-Law 13/2010 of 3 December, whereby the Council of Ministers was granted the necessary powers to constitute the company. Authorisation for the effective incorporation was given on 25 February 2011 in accordance with the Council of Ministers, according to the provisions of article 166 of Act 33/2003 of 3 November of Public Entity Assets (LPAP) [*Ley de Patrimonio de las Administraciones Públicas*].

On 15 October 2014, the name Aena Aeropuertos, S.A. was changed to Aena S.M.E., S.A. by virtue of article 18 of Act 18/2014.

Aena S.M.E., S.A. has defined a framework for action pursuant to Act 18/2014, which establishes the integrity of the airport network insofar as their continuity guarantees the movement of citizens and the economic, social and territorial cohesion in terms of accessibility, sufficiency, suitability, sustainability and continuity. The framework governing basic airport services and the characteristics and conditions that said network must have in order to guarantee the general interest objectives is established. Consequently, the total or partial closure or disposal of any airport installation or infrastructure required to maintain the provision of airport services is forbidden unless authorised by the Council of Ministers or the Ministry for Public Works and Transport. Such authorisation may only be granted as long as it does not affect the general interest objectives that must be guaranteed by said network and it does not compromise its sustainability. The absence of such authorisation is linked to nullity by operation of law as a guarantee of the full maintenance of the state airport network; airport charges and their main components, basic airport services and the framework are defined in order to establish the minimum standards of quality, capability and conditions for the provision of services and the investments required for compliance, as well as the conditions necessary to recover the costs resulting from the provision of such basic airport services.

After the public stock offer mentioned in note 1.1, Aena was listed on the Madrid stock exchange with an initial price of 58 euros per share. In June 2015, Aena entered the Ibex 35, an index that includes the 35 main Spanish companies listed on the stock exchange.

On 31 December 2018, Aena S.M.E., S.A.'s securities quotation was 135.75 euros per share (169 euros per share in 2017), and the average share price for the last quarter of 2018 amounted to 139.37 euros (160.64 in 2017).

According to the available information, as of 31 December 2018, the most significant capital share held in Aena S.M.E., S.A. is that of ENAIRE with 51% and TCI Fund Management Limited with 11.32% (TCI Fund Management Limited indirectly holds 3.61% by means of certain equity swaps [CFDS]).

The remaining subsidiaries are not listed on a regulated market.

In 2018, Aena S.M.E., S.A. distributed among its shareholders dividends amounting to 975,000 thousand euros from the profit and loss in 2017, of which ENAIRE received 497,250 thousand euros, and 477,750 thousand euros were distributed to minority shareholders.

In 2017, Aena S.M.E., S.A. distributed among its shareholders dividends amounting to 574,500 thousand euros from the profit and loss in 2016, of which ENAIRE received 292,995 thousand euros, and 281,505 thousand euros were distributed to minority shareholders.

By virtue of article 155 of the Capital Company Act, the Group has notified all these companies that hold more than 10% of the capital by itself or by means of another subsidiary.

There are no significant restrictions on the subsidiaries' capacity to transfer funds to the parent company as dividends in cash or to repay loans.

In reporting period 2018, LLAH III distributed among its shareholders dividends amounting to 33,200 thousand GBP (37,531 thousand euros at the transaction exchange rate), of which Aena Desarrollo Internacional S.M.E., S,A. received 19,141 thousand euros, and the remaining 18,390 thousand euros were received by minority shareholders.

In reporting period 2017, LLAH III distributed among its shareholders dividends amounting to 31,900 thousand GBP (35,930 thousand euros at the transaction exchange rate), of which Aena Desarrollo Internacional S.M.E., S.A. received 18,299 thousand euros, and the remaining 17,631 thousand euros were received by minority shareholders.

On 25 January 2018, Aena created the company "Aena Sociedad Concesionaria del Aeropuerto Internacional de la Región de Murcia S.M.E., S.A." as the holder of the management, operation, maintenance and conservation of the Región de Murcia International Airport (AIRM), under a concession for a term of 25 years, thus complying with the requirements of the Memorandum of Special Administrative Provisions of the contract awarded to Aena by the Region of Murcia on 20 December 2017.

Aena's authorisation to create said company was approved by the Council of Ministers of 29 December 2017 upon a proposal from the Ministry for Public Works and Transport and the Ministry for the Treasury and Public Administration.

The initial share capital of this company was established at 8,500,000 euros, divided into 8,500 cumulative and indivisible shares with a nominal value of 1,000 euros each. The share capital was 100% subscribed and fully paid up by Aena, S.M.E., S.A. when constituting the company.

The Región de Murcia International Airport (AIRM) was inaugurated and began operations on 15 January 2019, as stipulated in the "Protocol for the establishment of the basis for development of civil aviation in the Region of Murcia" and in the bid submitted by Aena in the public tender regarding the management and operation of AIRM. From now on, the Murcia-San Javier Airport is for military use only (note 28).

2. MULTI-GROUP COMPANIES AND ASSOCIATES

Associates are all those companies over which any of the companies included in the consolidation may exercise a significant influence. Significant influence must be construed as the share held in the company by the Group, having the power to intervene in financial and operating decisions of such company without having control. As of 31 December 2018 and 2017, details of the associates integrated in the consolidated financial statements by means of the method of global integration are as follows:

Subsidiary Registered office	Activity		Share percentage Holder	2018	2017	Share value (thousands of euros) 2018	2017
Ingeniería y Economía del Transporte S.M.E.M.P., S.A. (INECO) (1)	Operating, conservation, management and administration of airport infrastructures, as well as complementary services.	Direct	Enaire	45.85	45.85	3,783	3,783
Paseo de la Habana, 138 Madrid							
Aeropuertos Mexicanos del Pacífico, S.A. de CV (AMP) (2)	Pacífico GAP airport operator.	Indirect	Aena Desarrollo Internacional	33.33	33.33	71,467	74,985
Mexico City							
Sociedad Aeroportuaria de la Costa S.A. (SACSA) (2)	Operating Cartagena Airport	Indirect	Aena Desarrollo Internacional	37.89	37.89	690	690
Rafael Núñez Cartagena de Indias Airport – Colombia							
Aeropuertos del Caribe, S.A. (ACSA) (3)	Operating Barranquilla Airport	Indirect	Aena Desarrollo Internacional	40	40	0	0
Ernesto CortissozBarranquilla Airport – Colombia							
Aerocali, S.A. (3)	Operating Cali Airport.	Indirect	Aena Desarrollo Internacional	50	50	2,927	2,927
Alfons Bonilla Aragón Cali Airport - Colombia							

(1) Company audited by PKF ATTEST (in 2017 Grant Thornton).
(2) Companies audited by KPMG.
(3) Companies audited by other auditors.

The closing date of the last annual accounts prepared for all associates is 31 December 2018. Its reporting period coincides with the calendar year.

As of 31 December 2018 and 2017, none of the associates were listed on the stock exchange.

On 11 May 2018, the General Shareholders Meeting of the investee company Aeropuertos Mexicanos del Pacífico, S.A.P.I. de C.V. approved the reduction of the variable portion of share capital by 235,000 thousand shares, being set at a total of 1,668,400 thousand Mexican pesos. As a result of this transaction, the group recognised a cash inflow amounting to 3,344 thousand euros, reduced its share held in the associate by 3,518 thousand euros and recognised the difference resulting from this transaction as equity. This transaction has not changed the share percentage.

On 9 May 2017, the General Shareholders Meeting of the investee company Aeropuertos Mexicanos del Pacífico, S.A.P.I. de C.V. approved the reduction of the variable portion of share capital by 340,000 thousand shares, being set at a total of 1,903,350 thousand Mexican pesos. As a result of this transaction, the group recognised a cash inflow amounting to 5,376 thousand euros. Its share held in said company decreased from 80,429 thousand euros in 2016 to 74,985 thousand euros in 2017 as a result of this transaction. This transaction has not changed the share percentage.

Aeropuertos Mexicanos del Pacífico holds a 17.40996% share in the company Grupo Aeroportuario del Pacífico, S.A., which is listed on the Mexican and New York stock exchanges. The average acquisition price for the shares held by Aeropuertos Mexicanos del Pacífico in Grupo Aeroportuario del Pacífico amounts to 23.12 Mexican pesos (MXN), whilst the stock value as of 31 December 2018 was 159.84 Mexican pesos (MXN) (2017: 202 Mexican pesos (MXN).

During the 2018 reporting period, the subsidiary Aena Desarrollo Internacional S.M.E., S.A. collected dividends from the associates amounting to 19,552 thousand euros (2017: 16,630 thousand euros).

By virtue of article 155 of the Capital Company Act, the Group has notified all these companies that hold more than 10% of the capital by itself or by means of another subsidiary.

3. BASIS OF PRESENTATION

3.1 Legal framework for financial information applicable to the Group

These consolidated annual accounts have been prepared in accordance with the legal framework for financial information applicable to the Group, which is established in:

- Commercial Code and other trade legislation.
- The Regulations governing the preparation of consolidated annual accounts approved by Royal Decree 1159/2010 and the General Accounting Plan in force.
- All mandatory standards approved by the Instituto de Contabilidad y Auditoria de Cuentas [*Institute for Accounting and Account Auditing, ICAC, by its Spanish acronym*] in compliance with the General Accounting Plan and all complementary standards.
- All other applicable Spanish accounting regulations.

In accordance with the provisions of article 43 bis section a) of the Commercial Code, since the subsidiary Aena S.M.E., S.A. began trading its securities on the continuous trading market on 11 February 2015, ENAIRE should present its consolidated annual accounts applying the International Financial Reporting Standards from 2015.

After referring this matter to the IGAE [*the General Intervention of the State Administration*], a response was received on 26 June 2015 indicating that ENAIRE should keep presenting its consolidated financial statements in accordance with NOFCAC (PGC) [*Regulation for the preparation of consolidated financial statements (General Accounting Plan)*], since:

- The provisions set forth in article 43 bis section a) are applicable when the legal form of the parent company is a "company" ("sociedad").
- If the parent company is a State-Owned Entity, as in the case of ENAIRE, the Single Supplementary Provision shall apply. Certain entities of the state public sector are obliged to consolidate pursuant to Order of 12 December 2000 that regulates the preparation of the State General Accounts, which establishes that:

"State-owned entities and other public entities, except for state-owned trading companies which are subject to the trading accounting regulations and which, controlling other entities subject to those regulations, form a group in accordance with the criteria set out in section 1 of chapter 1 of the Regulations for the preparation of consolidated annual accounts approved by Royal Decree 1815/1991, of 20 December, shall prepare their consolidated annual accounts for the purpose of drafting the State General Accounts, according to the criteria established in the aforementioned Regulations".

3.2 Fair presentation

The attached consolidated annual accounts have been obtained from the accounting records of the Parent Company and its investee companies, and they are presented in accordance with the applicable legal framework for financial information and, particularly, with the accounting principles and criteria set forth therein, so as to show a fair presentation of the Group's equity, financial position, profit and loss and cash flow corresponding to the reporting period.

The figures contained in all the accounting statements of the consolidated annual accounts (consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity, consolidated statement of cash flows) and in the notes of the consolidated annual accounts are expressed in thousands of euros, except in the cases explicitly expressed in millions of euros. The euro is the functional currency of the Group.

The consolidated annual accounts of the ENAIRE Group corresponding to reporting period 2017, prepared under the current legal framework, were approved by the Board of Directors in a meeting held on 29 June 2018. These accounts were published as a summary in the B.O.E. [*Spanish Official Gazette*] of 28 July, alongside those of the Company, and are available on ENAIRE's website.

The annual accounts corresponding to reporting period 2018, presented by the Managing Director of the Entity, shall be subject to approval by the Board of Directors. It is expected that they shall be approved without any amendments.

3.3. Applied accounting principles

These consolidated annual accounts were presented considering all of the mandatory accounting principles and standards which have a significant effect on said consolidated annual accounts. No mandatory accounting principle was omitted.

3.4 Critical issues regarding measurement and estimation of uncertainties

Preparing consolidated financial statements requires making assumptions and estimations which impact the recognised amount of assets, liabilities, income, expenses and related breakdowns.

An explanation follows regarding the estimates and opinions with a significant risk of giving rise to a material adjustment in the carrying amount of assets and liabilities within the following reporting period.

- Assessment of potential losses due to impairment of certain assets (see Note 5).
- Useful life of intangible assets, property, plant and equipment,and investment property (see Note 5).
- Estimation of provisions (see Note 19.1).
- Market value of certain financial instruments (see Note 14).
- Establishment of the current and deferred tax (see Notes 20.5 and 20.7).
- Recoverability of deferred tax assets (see Note 20.5).
- Recognition of income (see Note 5.1).

These estimations and hypotheses are based on the best available information on the date the annual accounts are submitted and are reviewed on a regular basis. However, it is likely that the availability of additional information or future events force the estimations to be amended at accounting close in future years. In that case, the effects of the changes in the estimates would be recognised prospectively.

3.5 Comparative information

In accordance with current legislation, the Group Directors present for comparative purposes, in each of the items on the consolidated balance sheet, the consolidated income statement, the consolidated statement of changes in equity, the consolidated statement of cash flows and the quantitative information required in the report of the consolidated annual accounts, as well as the figures corresponding to reporting period 2018, the figures for the prior reporting period.

In 2017, personnel expenses included the reversal of the provision to cover possible claims by the Unión Sindical de Controladores Aéreos [*Air Traffic Control Trade Union*] on the basis of the different criteria used to calculate the total payroll from reporting periods 2011 to 2016, amounting to 84,748 thousand euros following judgement 165/2017 of 20/11/2017 by the Social Chamber of the Spanish National Court of Madrid rejecting the criterion of the Unión Sindical de Controladores Aéreos [*Air Traffic Control Trade Union*] in favour of that applied by ENAIRE (note 22.c).

In 2017, and income tax expense amounting to 86,141 thousand euros was recognised as a result of the difference between the recognised tax assets and the recoverable amount regarding this item in 10 years, due to applying the decision of the Instituto de Contabilidad y Auditoria de Cuentas [*Institute for Accounting and Account Auditing, ICAC, by its Spanish acronym*] of 9 February 2016. In 2018, after a tax planning for the period 2019-2028 was carried out again, and the evolution of air traffic and the fees were updated, a correction of 1,412 thousand euros was recognised (note 20.5).

The amounts stated in the attached consolidated annual accounts are expressed in thousands of euros, unless otherwise stated.

3.6 Functional currency and presentation currency

The euro is the Group's functional and presentation currency. The amounts stated in the attached consolidated annual accounts are expressed in thousands of euros, rounded up to the nearest thousand, unless otherwise stated.

3.7 Aggregation of items

Certain items on the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flows are aggregated with other items in order to facilitate comprehension. However, where significant, the mandatory itemised information is included in the corresponding notes of the annual accounts.

3.8 Changes in accounting policies

The effect of any changes in the accounting policies is recognised as follows: if the change in the policy has affected the income statement for previous years, the cumulative effect at the beginning of the year is adjusted in reserves, whilst the effect in the current period is recognised in profit or losses. In addition, in these cases, the financial information of the comparative reporting period presented alongside the current period is stated.

Until the 2017 reporting period, the Parent Company included fixed-term deposits for a term over 3 months within the item "current assets, cash and other cash equivalents", as said deposits were totally available without any limitation or penalty, and the interest accrued at the date of cancellation was payable, so the Company understood that the effective maturity was less than 3 months.

However, in accordance with the 9th Recognition and Measurement Standard of the [*Spanish*] General Accounting Plan, the deposits defined in the 9th standard must be recognised in line item Cash and cash equivalents when preparing the annual accounts: "...demand deposits at banks and financial instruments that can be converted into cash and that, at the time when they were acquired, had a maturity not exceeding three months..."; consequently, in the drafting of the annual accounts for 2018, the Parent Company has decided to strictly apply this provision, thus changing the criterion applied until reporting period 2017.

Since this is a change in criteria that affects prior periods, the comparative figures for the prior period are restated in these annual accounts as follows:

Line item annual accounts	31/12/2017 Approved	Restated	31/12/2017 Restated
Balance			
Current assets			
Cash and cash equivalents	1,436,800	(250,000)	1,186,800
Current investments			
Other financial assets	2,383	250,000	252,383
Statement of cash flows			
Cash flows of investments			
Payments due on investments:			
Other financial assets	(12,933)	(661,000)	(673,933)
Proceeds from sale of investments:			
Other financial assets	136	506,000	506,136
Cash and cash equivalents at beginning of the period	963,365	(95,000)	868,365
Cash and cash equivalents at the closing of the period	1,436,800	(250,000)	1,186,800

In 2018, with the exception of the aforementioned, there have been no other changes in criteria regarding those applied in 2017.

4. DISTRIBUTION OF PROFIT OR APPLICATION OF LOSSES OF THE PARENT COMPANY

As established in article 57 of the Company's Articles of Association, when its annual annual accounts show a surplus, upon agreement of the Board of Directors and in accordance with the provisions of the action, investment and financing programme of the Public Authority, it is recognised in the financing of the Investment Plan and the reduction of its indebtedness. The remaining amounts, as the case may be, will be paid to the Public Treasury.

The results for reporting period 2018 of the State-Owned Entity ENAIRe, amounting to 681,786 thousand euros, are derived from:

- Profit and loss of ENAIRe's own activity, mainly as air navigation services provider: 184,549 thousand euros.
- Dividends received in April 2018 as distribution of Aena S.M.E., S.A.'s profit and loss for reporting period 2017: 497,237 thousand euros, net of expenses charged to ENAIRe by the Company holding the shares.

Taking the aforementioned into consideration, profit and loss for reporting period 2018, presented by the Managing Director of the State-Owned Entity, according to its Articles of Association, is as follows:

Thousands of euros	
Basis for distribution: Balance of the income statement	681,786
Application: Payment of dividends to the Public Treasury obtained by Aena S.M.E., S.A.	497,237
Voluntary reserves to assume decrease in fees	98,000
Payment to the Public Treasury of the carryover amounts of ENAIRe's own activities	86,549

On 27 April 2018, the Board of Directors approved the payment to the Public Treasury of the amount received by the Company as dividends distributed by Aena S.M.E., S.A. (See note 18).

On 16 May 2018, 497,237 thousand euros were paid to the Public Treasury: the total 497,250 thousand euros of Aena S.M.E., S.A.'s dividends minus the custody charges regarding Aena S.M.E., S.A.'s shares, charged by Banco de Sabadell.

In order to meet the fee decreases to be made in the period 2020-2022 due to the surplus from reporting period 2018, the parent company expects to allocate 98,000 thousand euros of the profit and loss for 2018 to voluntary reserves, which will allow to assume future losses, thus avoiding a decrease in the Company's net equity (see note 18).

The payment of the carryover amounts corresponding to the profit and loss for reporting period 2018 of ENAIRe'S own activities to the Treasury, amounting to 86,549 thousand euros, will remain pending for reporting period 2019.

The payment of the carryover amounts corresponding to the profit and loss for reporting period 2017 of ENAIRe's own activities to the Treasury, amounting to 88,003 thousand euros, was made on 18 July 2018 after approval of the application of the profit and loss for reporting period 2017 by the Board of Directors on 29 June 2018.

5. RECOGNITION AND MEASUREMENT STANDARDS

The main measurement standards used by the State-Owned Entity and its subsidiaries (ENAIRe Group) when preparing the consolidated annual accounts for reporting period 2018, in accordance with the regulations established by the [*Spanish*] General Accounting Plan approved by Royal Decree 1514/2007 and the amendments incorporated thereto by Royal Decree 1159/2010, are the following:

a) Applied consolidation principles

– Subsidiaries are considered to be those entities related to the State-Owned Entity ENAIRe by means of a control relationship (direct percentage of ownership plus indirect percentage over 50%). The annual accounts of the subsidiaries are consolidated by means of the method of global integration.

– Associates are those over which the Company may exercise a significant influence. This influence is deemed to be significant when the percentage of ownership in the subsidiary exceeds 20% without reaching 50%. Said entities are included in the consolidation based on the equity method.

– In those cases where the subsidiaries have followed accounting and measurement criteria that are significantly different from those of the parent company, the corresponding adjustments have been made in order to present the Group's consolidated annual accounts in a homogeneous manner.

– The different items of the individual annual accounts of the Parent Company and its Subsidiaries, previously harmonised, are aggregated based on their nature.

– The carrying amount representing the equity instruments of the all subsidiaries owned by the parent company are offset by their equity. For consolidations after the reporting period in which control was acquired, the surplus or lack of equity generated by the subsidiary from the acquisition date attributable to the parent company, is included in the consolidated balance sheet within the items “reserves” or “valuation adjustments”, based on their nature. The part attributable to minority shareholders is recognised under "Minority shareholders".

– The balances, transactions and cash flows between companies and entities belonging to the ENAIRe Group have been removed in the consolidation process. Likewise, all profit and losses caused by internal transactions are eliminated and they are deferred until they are realised before third parties unrelated to the Group.

– Changes in the reserves of the different subsidiaries between the different dates of acquiring stakes or the first consolidation and 31 December 2018 are included under "Reserves in consolidated companies" in the consolidated balance sheet.

– The annual accounts of the companies and entities of the Group used in the consolidation process are, in all cases, those corresponding to the reporting period ended on 31 December 2018.

– The results from the transactions of acquired or disposed companies have been included from or until the acquisition or disposal date, whichever the case may be.

– For the purpose of these consolidated annual accounts, the first consolidation date for each consolidated subsidiary has been the date when control was taken or the first consolidation date if the latter is posterior.

– **Translation of annual accounts of foreign companies included in the scope of consolidation:** Financial statements from investee companies whose functional currency is different to the Group's presentation currency, the euro, have been translated according to the following procedures:

  - Assets and liabilities included in its balance sheet are translated at the closing exchange rate at the date of such consolidated balance sheet.
  - Income and expenses of each profit and loss item are translated at the average exchange rate of the period in which they were accrued.
  - The resulting translation differences are recognised under "Other overall profit and loss".

  Adjustments in goodwill and the fair value arising from the acquisition of a foreign entity are considered as assets and liabilities of the foreign entity and they are translated at the closing exchange rate. Translation differences are recognised under "Other overall profit and loss".

– **Minority shareholders:** The value of minority shareholders' shares in equity and profit and loss of the companies that have been consolidated by means of the method of global integration is presented under "Minority shareholders" of net equity of the consolidated balance sheet and under "Profit and loss attributable to minority shareholders" in the attached consolidated income statement for 2018, respectively.

b) Consolidated goodwill and negative difference on first-time consolidation

Goodwill resulting from the consolidation represents the surplus acquisition cost on the shares of the Group in the fair value of identifiable assets and liabilities of a subsidiary, associate or jointly-controlled company as of the date of acquisition. Positive differences between the cost of shares in the capital of consolidated companies and associates regarding the corresponding underlying book value acquired, adjusted at the date of the first consolidation, are recognised as indicated below:

- If they are attributable to specific equity elements of the companies acquired, the value of assets are increased (or the value of liabilities is reduced) whose market values were higher (or lower in the case of liabilities) than the net carrying amounts at which they had been recognised in their balance sheets.
- The remaining differences are recognised as goodwill, which are assigned to one or more specific cash-generating units.

Goodwill shall be amortised throughout its useful life. Useful life will be established separately for each cash-generating unit to which the goodwill has been allocated. It shall be understood, unless otherwise stated, that the useful life of goodwill shall be ten years and that its amortisation shall be based on the straight-line method.

With regard to impairment loss testing, goodwill acquired in a business combination is assigned to each cash-generating unit, or Groups of cash-generating units, which are expected to benefit from the synergies of the combination.

In the exceptional event that at the acquisition date, the amount of the proportional part of the equity representing the capital of the subsidiary, adjusted by the fair value of the assets and liabilities at that date, was higher than the amount of the amount transferred to obtain control over the acquired company, said surplus shall be recognised in the consolidated income statement as a positive result within "Negative difference in business combinations".

c) Intangible assets

Intangible assets are accounted for at their acquisition price, production cost or assigned fair market value adjusted by the amortisation and the impairment losses incurred. Amortisation is estimated based on the straight-line method depending on the useful life of the different assets using the following years:

Concept	Years
Development	4
Computer software	4-6
Other intangible assets	4-8

Development expenses

Development expenses are recognised as expenses when they are incurred; however, they are capitalised as soon as the following conditions are met:

- They are specifically itemised per project and their cost is clearly defined so that they can be distributed over time.
- There are solid reasons to believe in the technical success and the economic and commercial profitability of the project.

Expenses included under assets are amortised following the straight-line method during the estimated useful life for each project, which cannot exceed 4 years.

In the event of a change in the favourable circumstances of the project that allowed development expenses to be capitalised, or if there are reasonable doubts on the technical success or profitability of the project, the portion pending amortisation is recognised directly as the losses for the year.

Computer software

This includes the amount paid for title for, or the right to use, computer programs and software, both acquired from third parties or created by the Group.

Acquired computer program licenses are capitalised based on the costs incurred for their acquisition and to make the specific program available to be used. Development expenses directly attributable to the design and testing of computer programs that are identifiable and unique, and that may be controlled by the Group, are recognised as intangible assets when the following conditions are met:

- Technically, it is possible to complete the intangible asset so that it may be available for use or sale;
- The Group intends to complete the relevant intangible asset to use or sell it;
- The Group has the capacity to use or sell the intangible asset;
- The manner in which the intangible asset shall generate probable economic benefits in the future may be demonstrated;
- Availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The expenditure attributable to the intangible asset during its development may be reliably valued.

Directly attributable costs that are capitalised as part of the computer programs include personnel expenses for those who develop said programs and an appropriate percentage of general expenses.

Expenses that do not comply with these criteria are recognised as an expense during the year in which they are incurred. Disbursements on an intangible asset initially recognised as an expense for the reporting period are not subsequently recognised as intangible assets.

Computer software is amortised over their estimated useful lives which usually does not exceed 6 years.

Maintenance expenses, those due to the global assessment of systems or those recurrent as a consequence of modifying or updating said software, are directly recognised as expenses for the reporting period in which they incurred.

Concession agreements, regulated asset

The Sectoral Plan for companies holding concessions of public infrastructures regulates the processing of service concession contracts, which are defined as contracts by virtue of which the awarding authority entrusts the concession holder with the construction, including the improvement, management, administration and operation of infrastructures aimed at providing economic public services during the term foreseen in the agreement in exchange for a consideration.

All concession contracts must comply with the following requirements:

- The awarding authority controls or regulates which public services must be provided by the concession holders with the infrastructure, the recipients of the service and their price; and
- The awarding company must control any significant residual interest in the infrastructure at the end of the term of the agreement.

In these concession contracts, the concession holder acts as a service provider, on the one hand, as the provider of construction or improvement services for the infrastructure and, on the other hand, operation and maintenance services during the term of the agreement. The compensation received by the concession holder regarding the construction or infrastructure improvement services is accounted for based on the fair value of said service, and may be recognised as:

- Intangible assets: In such cases in which the right to charge an amount to users for the use of the public service is granted and such right is not unconditional but depends on the effective use of the service by the users, the consideration of the construction or improvement service is recognised as an intangible asset within item "Concession agreements, regulated asset" within line item "Intangible assets" based on the intangible asset model, according to which the risk of claims is undertaken by the concession holder. With regard to the Group, intangible assets include the investment made in the installation received by the Group and that, once construction is completed, it shall operate through an administrative concession.
- Financial assets: In the cases where the unconditional right to receive cash or another financial asset from (or on behalf of) the awarding authority is received and the awarding authority has little or no ability to avoid payment, the consideration for the construction or improvement service is recognised as a financial asset under the item "Concession agreements, collection rights" in line with the financial model, under which the concession holder does not assume the demand risk (it is paid even if the infrastructure is not used, since the awarding authority guarantees payment to the concession holder of a fixed or determinable amount or the deficit, if any).

The right to access the infrastructure with the aim of providing the operation service awarded by the awarding authority to the concession holder shall be accounted for by the latter as an intangible asset, in accordance with Recognition and Measurement Standard number 5, intangible assets, of the [*Spanish*] General Accounting Plan.

If there is no compensation, the contribution shall be recognised according to the provisions of Recognition and Measurement Standard number 18, grants, donations and bequests received, of the [*Spanish*] General Accounting Plan.

If there is a compensation that is significantly lower than the fair value of said right, the difference shall be managed in accordance with the provisions of the preceding paragraph.

In any case, a compensation shall be deemed to exist and to correspond to the fair value of such right as long as the transfer of the infrastructure is included in the conditions of a tender under which the concession holder undertakes to make an investment or to provide another kind of compensation in order to obtain, in exchange, the right to operate the pre-existing infrastructure or the aforementioned infrastructure alongside the newly built infrastructure.

Other intangible assets

The Group has mainly capitalised as "Other intangible assets" the Murcia-San Javier Master Plans.

d) Property, plant and equipment

Property, plant and equipment are valued at its acquisition cost, production cost or assigned market value, adjusted according to accumulated amortisation and the impairment losses, if any, in accordance with the criterion mentioned in note 5.f.

Assigned property, plant and equipment are valued at its market value at the time of the assignment, which is the real use value based on an independent valuation, since due to them being assignments to the equity of the State-Owned Parent Company, there have not been any compensations which allowed to determine its acquisition cost.

Any additions and acquisitions of property, plant and equipment made by the Group are valued at their acquisition price and include the costs necessary for their installation.

Property, plant and equipment incorporated before 31 December 1996 are valued at their acquisition price or initial valuation plus the updates made pursuant to the provisions of the relevant legal regulations.

Interest and any other financial charges incurred that are directly attributable to the acquisition or construction of assets in different airports and that necessarily require at least 12 months to be in operating conditions are recognised as a cost increase of such assets. Assets not included in the airport network do not include the finance expenses corresponding to their financing.

Works carried out by the Group regarding its own property, plant and equipment are recognised at the cumulative cost resulting from adding materials consumed in-house, direct labour and general manufacturing expenses.

Replacements or renewals of complete items that lead to an increase in the useful life of the assets or an increase in their economic capacity are recognised as a greater amount of property, plant and equipment, and the items replaced or renewed are written-off.

Regular maintenance, conservation and repair expenses are recognised in profit and loss as an expense of the reporting period in which they incurred, pursuant to the accrual principle.

The Group amortises their property, plant and equipment once it is fit for use following the straight-line method, distributing the carrying amount of the assets among the years of estimated useful life, except for land, since they are considered to be assets with an indefinite useful life and are not amortised. The useful life of the assigned property, plant and equipment was estimated, at the time of the assignment, on the basis of the degree of utilisation of the different elements composing each item. The useful lives used are those stated as follows:

Concept	Years
Buildings	10 - 51
Technical installations	4 - 22
Machinery	5 - 20
Other installations	6 - 20
Furniture	4 - 13
Other property, plant and equipment	5 - 20

Property, plant and equipment corresponding to airports are amortised following the useful life criterion detailed below:

Concept	Years
Passenger and freight terminals	32 - 40
Airport civil works	25 - 44
Terminal equipment	4 - 22
Passenger transport between terminals	15 - 50
Airport civil works equipment	15

e) Investment property

Investment property includes office buildings, land, hangars and installations purchased which are maintained to obtain long-term income and are not occupied by the Group.

Elements included in this item are recognised at their acquisition cost minus their corresponding accumulated amortisation and the relevant impairment losses.
In order to calculate the amortisation of investment property, the straight-line method is used based on the years of useful life, which are:

Concept	Years
Buildings and industrial premises	32-51
Technical installations	15

f) Impairment losses of intangible assets, property, plant and equipment, and investment property

In accordance with the provisions of Order EHA 733/2010, ENAIRE, the Group's Parent Company, considers all its intangible assets and property, plant and equipment to be non-cash-generating assets, as the corresponding required conditions are met:

- **Necessity:** the application of this Order is mandatory for companies belonging to the public sector which must apply the accounting principles and standards contained in the Commercial Code and the General Accounting Plan and that, considering the strategic or public utility nature of their activity, they deliver goods or provide services on a regular basis to other entities or users without receiving a consideration, or in exchange for a charge or a political price fixed directly or indirectly by the Public Entity.
- **Sufficiency:** is related to assets owned for a purpose other than generating commercial returns, such as social economic flows generated by said assets and that benefit the community, i.e. social benefit or service potential.

In accordance with the aforementioned Order, the impairment of these assets results from a decrease in the utility of the asset for the controlling entity.

The group shall assess at least at the end of the reporting period whether there is any indication that items of intangible assets and property, plant and equipment may be impaired. An impairment loss in an asset not generating cash flows or service or operating unit must be recognised when its carrying amount exceeds its recoverable amount at the date of its determination. For these purposes, the recoverable amount is the higher of the following:

- fair value of the asset less costs to sell,
- and value in use. Said value is established, unless better evidence is provided, by referencing its amortised replacement cost, which is defined as the replacement cost of the asset less the accumulated amortisation calculated on the basis of such cost, so that it reflects the operation, use and enjoyment of the asset, without prejudice to also considering possible technical obsolescence that could affect it.

On the other hand, the Subsidiary Aena S.M.E., S.A. considers all its assets to be cash-generating assets. For the purpose of assessing impairment losses, assets are grouped according to the smallest identifiable group of assets that generates cash flows separately (cash-generating units).

Over the existence of the Subsidiary Aena S.M.E, S.A., cash-generating units have been influenced by the regulations applicable in each period and the mechanisms for establishing the public charges associated with the assets included in such cash-generating units.

From the 2011 reporting period onwards, the regulation applicable to public charges is Act 1/2011, which governs public charges associated with assets assigned to airport activities, establishing a single till criterion for the recovery of assets, only taking into account the investments and costs of the airport network as a whole, including commercial activities carried out inside airport terminals but excluding car parking facilities and other services outside terminals when calculating public charges.

This initial regulatory framework was amended by Royal Decree-Law 20/2012, of 13 July, on measures to ensure budgetary stability and on fostering competitiveness, in which Title VI amends the method to update public charges received by the Subsidiary Aena S.M.E., S.A., so that income, expenses and investments from commercial services and activities that are not strictly aeronautical are not included for the purpose of establishing airport fees. A significant change in this Royal Decree is that the progressive disassociation of the activities related to private prices derived from terminal areas is established, as from 2014 a correction coefficient is applied that allows trade income to be disassociated from establishing public charges (2014: 80%, 2015: 60%, 2016: 40%, 2017: 20% and 2018: 0%). Consequently, from 2018 onwards, a complete dual till system is applied.

Until reporting year 2015, management of the Subsidiary Aena S.M.E., S.A. had identified cash-generating units in the individual assets comprising the segment of services outside the terminal (which primarily includes each of the property assets and car parking facilities considered as a whole) in the financial investments and in the airport network for the airport segment (which includes the infrastructure assigned to aeronautical activities and the commercial spaces).

The establishment of the progressive dual till with the aforementioned Royal Decree-Law 20/2012, of 13 July, on measures to ensure budgetary stability and on fostering competitiveness, and Act 18/ 2014, breaks the connection of commercial activities inside the terminal with the establishment of airport charges, particularly from 2016 in which the majority (60%) of the trade costs and income derived from said activities are not included in the calculation of airport charges. Accordingly, the value judgement that justified that all the airports, including commercial areas, represented a single cash-generating unit due to the interrelation of both activities' cash flows had to be reconsidered from 2016 onwards.

The analysis carried out for such purpose concludes that commercial activities developed inside the terminals should remain an integral part of the cash-generating unit of the airport network, alongside aeronautical activity, given, amongst others, the high interdependence of revenues between both activities. On the other hand, due to the same reasons, it also concludes that the activity corresponding to the "car parking facilities network", which has been included up to now in the cash-generating unit and the "Services outside the terminal" segment, by virtue of it not being included in the single till, must be included in the cash-generating unit and the "airport network" segment within the "Commercial" sub-segment from reporting period 2016. Consequently, the cash-generating unit "Services outside the terminal" has been changed to "Property services", as it is exclusively composed of each of the property assets.

With regard to the calculation of the recoverable amount, the process implemented by Aena S.M.E. S.A. to test impairment of the cash-generating units, when applicable, is as follows:

- Management prepares a business plan each year that usually covers a period of five reporting periods, including the current year. The business plan, which is the basis for the impairment test, includes:
  - Profit and loss forecast.
  - Forecast for investments and working capital.

Said forecasts take into account the financial forecasts included in the Documento de Regulacion Aeroportuaria [*Airport Regulation Document, DORA for its Spanish acronym*] for the period 2017-2021.

- Other factors affecting the calculation of the recoverable amount are:
  - Type of discount to be applied, understood as the weighted average of the cost of capital. The main factors affecting the calculation are the cost of liabilities and the specific risks of the assets.
  - Growth rate of cash flows used to extrapolate cash flow forecasts beyond the period covered by budgets or forecasts.

Business plans are prepared based on the best available estimates and are subject to the Board of Directors' approval.

If an impairment loss has to be recognised, Aena S.M.E., S.A. reduces the assets of the cash-generating unit up to its recoverable value in proportion to the relevant carrying value. Impairment is recognised in the income statement.

The possible reversal of impairment losses of non-financial assets that suffer a loss due to value impairment is reviewed at all reporting dates. When an impairment loss is subsequently reversed, the carrying amount of the cash-generating unit is increased by the limit of the carrying amount that the assets of the unit would have if no impairment had been recognised. Said reversal is classified on the same line of the original impairment loss.

The new company Aena Sociedad Concesionaria del Aeropuerto Internacional de la Region de Murcia S.M.E., S.A. incorporated to the consolidation scope in 2018 (see Note 1.2) shall be considered as a single cash-generating unit.

g) Leases

Leases are classified as finance leases when the conditions of a contract indicate that substantially all the risks and rewards incidental to ownership of an asset are transferred. All other leases are classified as operating leases.

Finance leases

In finance leases in which the Group acts as the lessee, the cost of the leased assets is recognised in the consolidated balance sheet according to the nature of the asset. The cost is calculated by updating the payable amounts set forth in the contract including the corresponding purchase option and the effective interest rate established in the agreement. In parallel to recognising the cost, liabilities for the same amount shall be recognised. The overall financial burden of the contract is recognised under the consolidated income statement for the reporting period during which it is accrued, using the effective interest rate method. Contingent lease payments are recognised as expenses for the reporting period during which they are incurred. Property, plant and equipment acquired under finance leases are amortised and depreciated during their useful life or the term of the contract, whichever is the lowest.

Operating leases

All income and expenses arising from operating lease agreements are recognised in the consolidated income statement during the reporting period in which they are accrued.

Any payment made or received on entering into an operating lease shall be considered as a revenue received in advance or a prepayment and recognised in the income statement over the lease term.

h) Financial instruments

h.1) Financial assets

Classification

Financial assets held by the Group fall into the following categories:

- Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not listed on an active market. Current assets are included in this group, except for maturities over 12 months from the balance sheet date, in which case they must be classified as non-current assets. Loans and receivables are included in "Trade and other receivables" in the balance sheet.

Financial assets included in this category shall initially be measured at fair value, including the directly attributable transaction costs, and subsequently at the amortised cost. Notwithstanding the foregoing, credits from trade receivables falling due within one year are measured, both at the time of initial recognition and subsequently, at the nominal amount, provided that the effect of not discounting the cash flows is not significant.
At least at the end of the reporting period, the company shall recognise any necessary valuation allowances when there is objective evidence of the fact that not all of the amounts owed are going to be collected.

The amount of the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated future cash flows, discounted at the effective interest rate calculated upon initial recognition. If the recoverable value of these assets is estimated to be lower than their amortised cost, taking into account the creditworthiness of the debtor and the age of the debt, the Company constitutes the relevant impairment provision for the amount of the difference. Value allowances, as well as, where appropriate, reversals, are recognised in the income statement.

- Financial assets held for trading: acquired principally for the purpose of selling them in the short term or those which form part of a portfolio for which there is evidence of recent initiatives with such purpose. This category also includes a derivative financial instrument, which are not financial guarantee contracts (for example, collateral) or a designated hedging instrument. As of 31 December 2018 and 2017, no assets under this category have been recognised.

- Available-for-sale financial assets: includes equity instruments of other companies This category shall include debt securities and equity instruments of other companies not classified in any of the above categories. They are included as non-current assets unless the Group intends to dispose of the investment in the 12 months following the date of the balance sheet. They are recognised at their fair value. Changes in fair value shall be recognised directly in equity until the financial asset is disposed of or impaired, and subsequently recognised in the income statement as long as it is possible to determine the aforementioned fair value. Otherwise, they are recognised at their cost minus value impairment losses. Valuation allowances are made when there is objective evidence that the value of an available-for-sale financial asset has been impaired as a result of a reduction or delay in estimated future cash flows from acquired debt instruments or failure to recover the carrying amount of investments in equity instruments. Valuation allowance is the difference between its cost or amortised cost less, when applicable, any valuation allowance previously recognised in the income statement and the fair value at the measurement date. Equity instruments which are carried at cost because the fair value cannot be measured reliably shall be calculated in accordance with the same method as for investments in group companies and multi-group companies and associates. Where there is objective evidence that the asset is impaired, accumulated losses recognised in equity for a decrease in fair value shall be recognised in the income statement. Impairment losses recognised in the income statement for equity instruments are not reversed through the income statement. Fair values of listed investments are based on current purchase prices. If the market for a financial asset is not an active market (for securities which are not listed), the Group establishes the fair value using measurement techniques including the use of recent transactions between the interested and duly informed parties, references to other instruments which are virtually equivalent, discount methods for estimated future cash flows and price-fixation models for options making the best use of observable data of the market and relying as little as possible on subjective considerations of the Group.

- Cash and cash and equivalents: This item includes cash on hand and banks and other financial assets and deposits which may be converted into cash, provided that maturity at the acquisition date does not exceed three months, they are not subject to a significant value change risk and they are part of the Company's usual cash management policy. These financial assets are initially recognised at fair value of the consideration delivered plus any transaction costs directly attributable to it.

  Financial assets are derecognised from the balance sheet upon their expiration or when the rights over the cash flows of the appropriate financial asset have been assigned or if the risks and benefits inherent to asset ownership have been substantially transferred. In the case of accounts receivable, it is widely understood that assets are disposed of whenever write-offs and default risks have been transferred. Assets recognised as hedged items are subject to the valuation requirements of hedge accounting.

  The full derecognition of a financial asset involves recognition of profit and loss by the difference between the carrying amount and the sum of the compensation received, net of any transaction expenses including assets obtained or liabilities assumed and any deferred profit or loss under income and expenses recognised in equity.

  The criteria for derecognising financial assets in transactions in which the Company neither substantially assigns nor retains the risks and benefits inherent to asset ownership are based on the analysis of the degree of control maintained.

h.2) Financial liabilities

This category includes payables from trade and non-trade transactions. They are classified as current assets, unless the Group has an unconditional right to differ settlements during the 12 months after the balance sheet date.

Debt and payables shall initially be measured at the fair value of the consideration received, adjusted for directly attributable transaction costs. The financial liabilities in this category shall be subsequently measured at amortised cost.

Notwithstanding the foregoing, trade payables falling due within one year and which have no contractual interest rate are measured both at the time of initial recognition and subsequently, at the nominal amount provided that discounting cash flows is not significant.

In the event that existing debts are re-negotiated, it shall be construed that there are no substantial changes in financial liability when the lender of the new loan is the same one as the one of the initial loan and the present value of cash flows, including net commissions, does not differ over 10% of the present value of those cash flows pending payment regarding the original liability calculated according to this same method.

h.3) Derivative instruments

The Group uses derivative financial instruments in order to hedge risks to which future cash flows are exposed. In short, the risks result from changes in the exchange and interest rates.

In order for a financial instrument to qualify as a hedge accounting instrument, it must have been initially designated as such and the hedging relationship must be documented. In addition, the Company verifies, both at inception and periodically over the term of the hedge (at least at the end of each reporting period), that the hedging relationship is effective, i.e. that it is prospectively foreseeable that changes in fair value hedges or cash flow hedges (attributable to the hedged risk) will be almost fully offset by those of the hedging instrument and that, retrospectively, the gains or losses of the hedged item were within a range of 80%-125% of the gain or loss on the hedged item.

Derivative financial instruments qualified, according to the previous section, as hedging instruments are recognised as assets or liabilities, depending on whether they are positive or negative, at fair value; and a second phase within "Hedging transactions" in equity until maturity, when they are recognised in the income statement together with the hedged item.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that time, any accumulated profit or losses corresponding to the hedge instrument is transferred to the period's profits and losses.

i) Inventories

Inventories include spare parts and different materials in the main warehouses and the logistical support centre of Aena S.M,E., S.A., and the logistical support centre of the State-Owned Parent Company, and they are initially measured at the purchase price (average weighted price). If the net price to replace inventories is lower than the purchase price, the corresponding valuation allowances are carried out. When circumstances that caused inventory allowances cease to exist, the amount of the adjustment is reversed.

j) Foreign currency

Functional currency and presentation currency

Items included in the financial statements of each Group company are valued using the currency of the primary economic environment in which the company operates ("functional currency"). These consolidated annual accounts are presented in euros, which is the functional and presentation currency of the ENAIRe Group.

Transactions and balances

Transactions in foreign currency are converted into the functional currency by applying the exchange rates currently valid on the dates of the transactions. Exchange gains and losses arising from this process and on settlement of these monetary assets and liabilities denominated in foreign currency shall be recognised in the income statement, unless they are deferred in other comprehensive income such as cash flow hedges and net investment hedges. Exchange gains and losses regarding loans and cash and cash equivalents shall be recognised in the consolidated income statement within "Other income/expenses". Other exchange gains and losses are within "Other income/expenses". The profit or loss of the companies to which the equity method is applied are translated to the presentation currency by converting all goods, rights and liabilities using the exchange rate prevailing as of the closing date of the consolidated annual accounts, and converting the items of the consolidated income statement of each foreign company to the presentation currency using the average yearly exchange rate, which is calculated as the arithmetic average of the average exchange rates for each of the twelve months of the year, which do not differ significantly from the rate at the transaction date. The difference between equity, including the profit and loss calculated as previously stated and translated at the historical exchange rate, and equity resulting from the translation of the goods, rights and liabilities, is registered in equity (with a positive or negative sign, as applicable) within "Translation differences".

k) Income tax

Expenses or income for income tax includes the part related to current tax expense or income and the part corresponding to deferred tax expense or income.

Current tax is the amount of taxes payable by the company as a result of income tax or other tax settlements for a period. Deductions and other tax relief generated during the reporting period, excluding withholdings and payments on account, shall be accounted for as a reduction in current tax.

Deferred tax income or expenses shall reflect the recognition and settlement of deferred tax assets or liabilities, including temporary differences identified as those differences that are expected to be paid or received and arising between the carrying amount of assets and liabilities and their tax values. Tax loss carryforwards pending set-off and credits for tax deductions not applied fiscally from the same reporting period are registered as positive tax adjustments. These amounts are recognised by applying the tax rate, at which they are expected to be recovered or settled, to the corresponding temporary difference or credit.

However, tax loss carryforwards and tax deductions from prior reporting periods applied to this tax do not imply a higher or lower expense since they are capitalised in prior reporting periods.

Deferred tax liabilities are generally recognised for all taxable temporary differences.

However, deferred tax assets shall only be recognised to the extent that it is probable that the Company shall have future tax income that will be available to enable their application.

Deferred tax assets and liabilities, arising from transactions with direct charges or payments to equity, are also accounted for by offsetting to equity.

Recognised deferred tax assets are reconsidered at the end of each accounting period and the appropriate corrections are made if there are any doubts about their future recovery. Likewise, deferred tax assets not recognised on the balance sheet are assessed at the closing of each reporting period and they are subject to recognition if their recovery is likely with future tax profits.

In reporting period 2017, a correction amounting to 86,141 thousand euros was recognised, thus deducting the balance of deferred tax assets (see Note 20) as a consequence of applying the decision of the Instituto de Contabilidad y Auditoria de Cuentas [*Institute for Accounting and Account Auditing, ICAC, by its Spanish acronym*] of 9 February 2016. In 2018, after planning the tax for the period 2019-2028 again, and the evolution of air traffic and the charges were updated, a correction of 1,412 thousand euros was registered.

l) Income and expenses

Income and expenses are recognised based on accrual criteria, in other words, when the actual flow of goods and services they represent occurs, irrespective of when the monetary or financial flow deriving from them occurs.

Ordinary income is registered at fair value of the consideration received or to be received and it represents the receivables for the sale of goods, net of discounts, returns and value-added tax.

The most relevant income obtained by the Group for air navigation services mainly originates from the en route air navigation charges governed by a system regulated at a European level, established by Community Regulations (EU Regulation No. 391/2013 laying down a common charging scheme for air navigation services and EU Regulation No. 390/2013 laying down a performance scheme for air navigation services and network functions).

The charging system is based on regulated charges and on the principle of risk sharing between air navigation service providers and users (airlines) and is built on the preparation of a Performance Plan for a period covering a cost and traffic scenario as well as cost-efficiency aims.

The mechanism to set annual unit charges is based on the cost and traffic data included in the Performance Plan in force (prepared in 2014), which is adjusted to reflect the aforementioned risk sharing, which intends to partly amend any differences between actual data for each year and the data of the Plan drafted in 2014.

With regard to differences between actual and planned costs, these are borne (for or against) by the service providers in order to promote greater management efficiency. Any differences between actual and planned traffic are shared by the service providers and the users, therefore, a significant part of the lower or higher revenues from charges in one year, due to traffic differences, shall be considered when calculating charges for following years.

There are additional adjustment concepts, usually with a lower incidence, such as differences between planned and expected inflation, and also the possible cost variations (for or against) due to causes beyond the control of the service provider (for example, amendments to laws or changes in tax regulations).

In summary, it could be said that annual unit charge calculations are based on the sum of the planned costs for that year plus (or less) any adjustments from previous years divided by the planned traffic (service units).

In the case of Spain, while in the first RP1 period (2012-2014) of the regulated system actual traffic was lower than planned due to the impact of the economic crisis throughout those years, during the current RP2 period (2015-2019) and from 2016 onwards, due to a better economic situation and to the current geopolitical situation, the traffic recognised is above what was initially expected when calculating the charges.

In other words, lower revenues recognised during the 2012-2014 period are being applied to setting charges for subsequent years, whilst the relevant part of revenues higher than those expected from 2016 onwards began to be returned to the companies in 2018, with a 3% decrease. A 12% decrease was approved for reporting period 2019. Therefore, when establishing the annual charges, the adjustments will correct the differences regarding the 2015-2019 period compared to the planning carried out at the beginning of 2014, so that surplus revenue from charges in certain reporting periods will be compensated with decreases in subsequent years.

The current and expected evolution of traffic regarding what is established in the National Performance Plan in force (2015-2019) and the application of calculation mechanisms that require charges to be reduced for this surplus traffic, foresees a significant reduction in charges in coming years which will affect profit and loss.

Most of the Group's income from airport services come from the airport services provided, which correspond mainly to the use of the airport infrastructures by airlines and passengers (including public charges and private prices). Similarly, the Group receives trade income mainly consisting of renting premises in airport terminals for shops, restaurants and advertising, and outside the terminals, such as renting premises and lands, car parking areas and car rental.

Aviation (public charges):
The rates for public charges are established in accordance with Act 1/2011, of 4 March, establishing the National Safety Programme for Civil Aviation and amending Act 21/2003, of 7 July, on Air Safety. In this same sense, article 68 of Act 21/2003 defines the following concepts as public charges:

- Use of the runways in civilian and civilian-military airports and of air bases open to civilian traffic by aircraft, and the provision of the services required by such use, other than ground services for aircraft, passengers and goods.

- Air traffic services at airfields provided by the airport operator, without prejudice to such services being provided by duly qualified air traffic service providers who have been contracted and appointed by the Ministry for Public Works and Transport.
- Meteorology services provided by the airport operator, without prejudice to such services being provided by duly qualified meteorology service providers and appointed by the Ministry for the Environment, Rural and Marine Affairs.
- Passenger and baggage control and inspection services at airports, as well as the necessary means, installations and equipment to provide control and surveillance services in aircraft movement areas, free access areas, controlled access areas and security restricted areas of the airport related to public charges.
- Use of airport terminal areas by passengers, not accessible to visitors, in terminals, aprons and runways required to carry out their air transport contract.
- Services allowing passengers to generally move around and the assistance needed by people with reduced mobility (PRMs) to enable them to move from the point of entry at the airport to the aircraft, or from the aircraft to a point of exit, including boarding and disembarking.
- Use of aircraft parking aprons facilitated by airports.
- Use of airport installations to facilitate the passenger boarding and disembarking service for airlines through telescopic passenger boarding bridges or simply using the apron in order to prevent other users using a passenger boarding bridge.
- Use of the airport grounds for the transportation and supply of fuel and lubricants, by any mode of transport or supply.
- Use of airport grounds to provide ground services not subject to taxes for other specific considerations.

Royal Decree-Law 20/2012, of 13 July, on measures to ensure budgetary stability and on fostering competitiveness, in which Title VI amends the method to update public charges received by Aena S.M.E., S.A., so that income, expenses and investments from commercial services and activities that are not strictly aeronautical are not included for the purpose of establishing airport charges.

Nonetheless, in order to mitigate the increase in airport charges and to obtain the required regulated income, from 2014 and for a period of five years, other operating expenses generated by the activities related to the private prices of terminal areas will be added to the result given by the formula and, in addition, the income corresponding to private prices from said terminal areas will be deducted. Both will be affected by the corrective K coefficient, which is represented in 2014 by 80% of trade income, in 2015 by 60%, in 2016 by 40%, in 2017 by 20% and 2018 by 0%.

On 5 July 2014, Royal Decree-Law 8/2014, of 4 July, was published in the Boletín Oficial del Estado [*Official State Gazette*], further amended by Act 18/2014, of 15 October, approving urgent measures for growth, competitiveness and efficiency. These regulations include:

- The regime governing the network of airports of general interest as a service of general economic interest, with the objective of guaranteeing the movement of citizens and economic, social and territorial cohesion, in order 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 economic sustainability in airports included in the network by allowing, under conditions of transparency, objectivity and non-discrimination, support for infrastructures in deficit.
- The partial or total closure or sale of any installations or airport infrastructures required to maintain the provision of airport services is forbidden, unless authorised by the Council of Ministers or the Secretary of State for Infrastructure, Transport and Housing. (Amount as appropriate).
- On a regulatory level, the procedure could be implemented making it possible to close or sell airport installations or infrastructures. Such regulatory development could also include transfers to the State of capital gains generated during the disposal process.
- A Documento de Regulación Aeroportuaria, DORA, [*Airport Regulation Document*] has been implemented and adopted for five-year periods. It shall establish the maximum income per passenger of Aena S.M.E., S.A. in the period, the quality conditions for the provision of services, the capacity of the installation and the investments to be made.
- Regarding income of the airport operator in relation to basic airport services, these are considered public charges. The regulation respects the legal right established by Act 21/2003, on Air Safety, as amended by Act 1/2011, and in the determination of its essential elements. Non-essential airport services, as well as commercial management of infrastructures and their urban exploitation, are subject to the free market.
- In accordance with Act 18/2014, it is the Directorate-General for Civil Aviation's responsibility to prepare the Airport Regulation Document, DORA, and to submit it to the competent bodies of the Ministry for Public Works and Transport for its approval by the Council of Ministers.

- The airport operator's income associated with basic airport services will be subject to complying with a maximum yearly income per passenger. This will be established on the basis of the recovery of efficient costs as recognised by the regulator, as well as traffic forecasts. The maximum yearly income per passenger as established by the DORA may be modified on a yearly basis. This will depend on different incentives and penalties based on the degree of compliance with the established service quality standards and on certain penalties due to delays in implementing strategic investments.
- For the 2015-2025 period, the maximum increase in charges will be zero. Charges may only be increased above this maximum if, during the period of the second DORA and for exceptional reasons, such as unpredictable and non-deferrable investments, the annual average investment is increased above the approved sum, and subject to the prior approval by the Council of Ministers. For the first DORA, which should come into effect within a maximum of three years from the publication date of Act 18/2014, it has been established that any accumulated shortfall in charges corresponding to previous years at its completion may not be transferred to the following DORA.

Pursuant to Act 48/2015, of 29 October, on the General State Budget for 2016, airport charges decreased 1.9% from 1 March 2016, affecting January and February 2017.

On 27 January 2017, the Council of Ministers approved the Documento de Regulación Aeroportuaria , DORA, [*Airport Regulation Document*] for the 2017-2021 period. As a result of this process, this document establishes an annual reduction of 2.2% regarding the maximum yearly income per passenger (IMAP in Spanish) for said period.

Pursuant to article 34 of Act 18/2014 of 15 October, after carrying out the corresponding consultation process and the approval of the aforementioned DORA, the Board of Directors of the subsidiary Aena S.M.E., S.A., at the meeting held on 21 February 2017, approved a 2.22% decrease in airport charges from 1 March 2017, affecting January and February 2018.

Similarly, pursuant to the provisions of article 34 of Act 18/2014, the Board of Directors of Aena S.M.E., S.A., in a meeting held on 26 July 2017, after carrying out the corresponding consultation process with user associations, approved a 2.22% decrease of the applicable airport charges from 1 March 2018 onwards.

On the other hand, on 24 July 2018, the Board of Directors of Aena S.M,E., S.A. approved the charges proposal for 2019, which froze the adjusted maximum yearly income per passenger (IMAAJ in Spanish) for 2019 with regard to the adjusted maximum yearly income per passenger (IMAAJ) for 2018. Freezing said maximum yearly income results from the adjustments established by the regulation with regard to the incentive for the performance of quality levels, the execution of investments and for the compliance factor at 100% of the adjusted maximum yearly income per passenger (IMAAJ), corresponding to the closing of 2017.

This new regulation has not caused any changes in the Company's policy on income recognition, which is still subject to the provisions stated in this Note.

Commercial:
Income from renting commercial spaces within the airport infrastructures are recognised on a straight-line basis, provided that no other criterion better reflects the economic value of the lease agreements agreed with the counterparties. The contingent part of the receivables for leases related to the variable levels of income from commercial spaces is recognised as income in the period in which it is accrued. Income arising from car parking areas is recognised as the services are provided.

Property services:
Income arising from property services corresponds to renting land, warehouses and hangars, and the management and operation of freight centres. Income arising from lease contracts are recognised following the straight-line method on the basis of the lease contracts agreed with the counterparties. The conditional part of the lease collections is recognised as income in the period in which it is accrued.

m) Provisions and contingencies

The Group distinguishes between provisions and contingencies when preparing the consolidated annual accounts:

a) Provisions: The Group recognises provisions in its balance sheet when it has a current obligation, whether arising from either a legal, contractual, constructive or tacit obligation from a past event. It may be reliably estimated and it is likely that it will result in a loss of resources in the future.

When provisions are established to meet obligations without a definite maturity date, or with a maturity term shorter or equal to one year, and whose financial effect is not significant, no type of discount shall be applied. With regard to all other obligations, provisions are recognised at the present value of the best possible estimate of the amount required to cancel or transfer the obligation to a third party. The adjustments that arise to capitalise the provision are recognised as financial costs as they accrue, with the purpose of reflecting the best current estimation of the relevant liability at any given moment.

Based on experience, when the Group verifies that uncertainty affecting the amount and payment date of the provision amounts is being reduced, the Company classifies liabilities under the corresponding line item according to their nature (note 19).

b) Contingent liabilities: potential obligations arising as a result of past events, the future materialisation of which depends on whether one or more future events beyond the Group's control occur. Said contingent liabilities are not subject to accounting registration so its breakdown and explanation are included in Note 19.2.

The Group's main estimates are the following:

Provisions for labour commitments
The cost of obligations arising from labour commitments is recognised on the basis of its accrual, according to the best estimation available calculated according to the data provided by the Group.

The Group has the commitment to pay long-term compensations to personnel, considering both defined contribution obligations and defined benefit obligations. With regard to defined contribution obligations, the liabilities related to these obligations will be incurred when, at the closing of the reporting period, there are contributions accrued but not settled. With regard to defined benefit obligations, the amount to be recognised as a provision corresponds to the difference between the present value of committed retributions and the fair value of the eventual assets involved in the commitments by virtue of which such obligations shall be settled.

In particular, the attached consolidated balance sheet includes the following provisions corresponding to labour commitments:

Length of service awards

Article 138 of the ENAIRe Group's collective bargaining agreement (State-Owned Entity ENAIRe and Aena S.M.E., S.A.) and article 141 of the II Air Traffic Controllers Bargaining Agreement establish length of service awards over a period of 25 and 30 years, in the first case, and of 25 and 35 years, in the second. The Group makes a provision for the present value of the best possible estimation of its future obligations, based on actuarial calculations. The most relevant assumptions considered for making such actuarial calculations are the following:

	2018	2017
Prime rate:	1.49%-1.51%	1.43%
Increase of award amounts:	1.50%-2.75%	1.00%-2.00%
Mortality chart:	PERMF 2000 NP	PERMF 2000 NP
Financial system used:	Fully funded system	Fully funded system
Accrual method:	Projected Unit Credit	Projected Unit Credit
Retirement age:	In accordance with Act 27/2011	In accordance with Act 27/2011
Disability charts:	OM 1977	OM 1977

Early retirement award

Article 154 of the ENAIRe Group's I collective bargaining agreement (State-Owned Entity ENAIRe and Aena S.M.E., S.A.) establishes that all employees between the ages of 60 and 64 who, according to the relevant regulations are entitled to do so, may apply for voluntary early retirement. Said employee shall receive a compensation that, added to their consolidated rights acquired by virtue of the Pension Scheme, at the time the contract is terminated, is equivalent to four months' of the calculation rate and the seniority bonus for each remaining year until the employee is 64, or the corresponding proportional part.

In 2014, an actuarial survey was carried out by the Parent Company for the closing of the reporting period. The results showed that the liabilities arising from the present value of committed contributions was practically zero, together with the fact that the new regulations regarding normal retirement makes it highly unlikely that any employee will voluntarily take advantage of this right. Therefore, the Company considers that, as of the closing of reporting periods 2017 and 2018, there are no liabilities for this item.

Compensation for air traffic controllers

This item includes salary items accrued and not settled corresponding to compensation arising from agreements between ENAIRe and the Unión Sindical de Controladores Aéreos [*Air Traffic Controller Trade Union*] in prior reporting periods. These provisions are measured at their nominal value, as there is no significant difference from their present value.

Special paid leave and active reserve

This provision includes the actuarial liabilities that measures commitments acquired with the air traffic controllers employed by the Company who are on special paid leave or active reserve, as well as the best estimation of the number of employees that may be on active reserve in the future.

The main actuarial assumptions are the following:

	2018	2017
Interest rate:	0.07% (Reserve); 1.59% (Asset)	0.05% (Reserve); 1.57% (Asset)
Long-term salary increase:	1.00%	1.00%
Maximum base increase:	2.5%	1.00%
Mortality chart:	PERMF-2000P	PERMF-2000P
Financial system used:	Fully funded system	Fully funded system
Accrual method:	Projected Unit Credit	Projected Unit Credit
Retirement age:	In accordance with Act 27/2011	In accordance with Act 27/2011

As this is not a post-employment compensation, the generated impact due to changes in actuarial assumptions is recognised in the income statement.

London Luton Airport Operations Limited (LLAOL) pension scheme

Until 31 January 2018, LLAOL had a defined benefit pension scheme, the London Luton Airport Pension Scheme ("LLAPS'), whose assets are owned and managed by funds that are legally independent to LLAOL. The scheme was converted into a defined contribution pension scheme (see Note 19).

The main actuarial assumptions are the following:

	2018	2017
Prime rate:	2.80%	2.40%
Inflation	3.10%	3.10%
Pension growth rate	2.90%	2.90%
Accrual method	Projected Unit Credit	Projected Unit Credit
Retirement age	65 years	65 years

The 2.40% discount rate is based on the market interest rate of high-quality corporate bonds and maturity years consistent with the expected maturity of post-employment obligations.

Longevity at 65 for current pensioners (years):

- Men: 21.9 (2017: 21.9).
- Women: 24.2 (2017: 24.1).

Longevity at 65 for future pensioners, with the current age being 45 (years):

- Men: 23.2 (2017: 23.6).
- Women: 25.7 (2017: 26).

n) Compensation for dismissal

In accordance with current employment legislation, the Parent Group is required to pay compensation to employees whose contract is terminated by the Company under certain circumstances.

Compensations are paid to employees as a consequence of the Group's decision to terminate the employment contract before the normal retirement age or when the employee voluntarily accepts to resign in exchange for these benefits. The Group recognises these benefits when it has demonstrably undertaken to terminate the employment of its employees in accordance with a formal and detailed plan that cannot be revoked or to provide benefits due to termination as a consequence of an offer to encourage voluntary resignation. Compensation which shall not be paid within twelve months following the balance sheet date is discounted at their present value.

At the closing date of the reporting period, there are no redundancy plans to make it necessary to record a provision.

o) Activities with an environmental impact

Environmental activities are defined as any operation whose main purpose is to prevent, reduce or repair damage to the environment.

In this sense, environment-related investments are measured at their purchase cost and capitalised as a higher cost of assets in the reporting period in which they incurred, following the criteria described in section d) of this note.

All expenses deriving from protecting and improving the environment are recognised in profit and loss in the reporting period in which they are accrued, irrespective of when the monetary or financial flow deriving from them occurs.

Provisions related to probable or certain third-party liabilities, litigations in progress and outstanding environmental settlements or obligations of an undetermined amount, not covered by the insurance policies, are established when the liability or obligation that determines the compensation starts.

p) Grants, donations and bequests received

Non-refundable grants, donations and bequests received are recognised when there is an individual agreement for the grant, the conditions set out for its granting have been complied with and there are no reasonable doubts on receiving them. From 2009, as a consequence of the approval of Order EHA/733/2010, of 25 March, which approves accounting aspects for public companies that operate under certain circumstances, grants awarded to build an asset, which has not been completed, are classified as non-refundable in proportion to the work carried out, provided there is no reasonable doubt that the construction will be completed under the conditions established in the grant agreement. In general terms, they are measured at the fair value of the awarded amount or asset and are recognised under equity after subtracting the relevant tax, and recognised in profit and loss in proportion to the depreciation shown by assets financed by such grants. This shall not be the case for non-depreciable assets, which shall be recognised in profit and loss of the reporting period in which the disposal or allowance takes place.

Official grants awarded to compensate costs are recognised as income on a systematic basis over the periods where the expenses they aim to balance are accrued.

Refundable grants, donations and bequests shall be recognised as liabilities until they are reclassified as non-refundable or they are actually repaid.

Operational grants are recognised in the profit and loss account at the time when they incurred. When they are granted to finance specific expenses, they will be recognised as the finance expenses are payable. Meanwhile, they shall be recognised as a liability or as equity depending on whether they are deemed refundable or not.

q) Share of profit and variable remuneration schemes

The Group recognises liabilities and expenses for variable remuneration and share in profits based on the results of the employees' annual performance assessment. The Group recognises a provision when it is bound by contract or when past practice has created an implicit obligation.

r) Joint ventures

A joint venture involves jointly controlled operations by two or more natural or legal persons. Joint control is a statutory or contractual arrangement whereby two or more individuals, the venturers, agree to share the power to govern financial and operating policies of an economic activity so as to obtain economic benefits, in such a way that strategic financial and operating decisions relating to the activity require the unanimous consent of all the venturers.

Joint ventures can be:

- Joint ventures that do not arise from the incorporation of a company or the establishment of a financial structure that is separate from the venturers, such as temporary joint ventures and co-ownerships, distinguishing between the following:
    - Jointly controlled operations: activities entailing the use of assets and other resources owned by each of the venturers.
    - Jointly controlled assets: assets jointly controlled or owned by the venturers.
- Joint ventures arising through the incorporation of a separate legal entity or jointly controlled entities.

Jointly controlled operations and assets
Through an Agreement with the Ministry for Defence, the Group holds jointly controlled assets with said Ministry in order to operate air bases open to civil traffic

[*BAATC in Spanish*]. This agreement establishes the key distribution and compensation criteria for the use of air bases open to civil traffic in Villanubla (Valladolid), León, Los Llanos (Albacete), Matacán (Salamanca), Talavera la Real (Badajoz), San Javier (Murcia) and the airfields in Zaragoza used jointly by civil aircraft. The agreement is based on the application of Royal Decree 1167/1995, of 7 July, on the usage regime for airfields jointly used by an airbase and an airport, and for airbases open to civil traffic. The agreement had an initial term of 5 years with annual term extensions in relation to Royal Decree 1167/1995 with respect to any subsequent provision affecting the continuity of the agreement.

The Group's interest in the assets are recognised as the stake held in the jointly controlled assets, classified in accordance with their nature, any liability that has been incurred; Its stake in any liabilities that have been incurred together with other venturers, with respect to the joint venture; Any income from the sale or use of its part of the production of the joint venture, together with its part of any expense that the joint venture has been incurred, and any expense that has been incurred with respect to its share in the joint venture.

Due to the fact that the assets, liabilities, expenses and revenues of the joint venture have already been recognised in the Company's financial statements, no adjustments or other consolidation procedures are necessary with respect to these items when preparing and presenting the consolidated financial statements.

s) Related-party transactions

The State-Owned Entity and subsidiaries carry out all their transactions with related parties at fair value. The Directors of the State-Owned Entity and subsidiaries believe that there are no significant risks related to this aspect which may lead to liabilities that must be considered in the future.

In general, all operations between group companies are initially recognised at their fair value. When applicable, should the price agreed upon be different from the fair value thereof, such difference will be recognised taking the type of economic operation into consideration. Subsequent valuations shall be made pursuant to the provisions of the applicable regulations.

However, for mergers, demergers and non-monetary contribution operations of a business, the constituting elements of the acquired business are measured at the amount corresponding to them, once the operation has been carried out, in the consolidated annual accounts of the group or subgroup.

When the parent company of the group or subgroup and its subsidiary do not take part, the annual accounts to be considered for these purposes will be the ones corresponding to the group or subgroup in which the equity elements are integrated, whose parent company is Spanish.

In these cases, the difference that may arise between the net value of assets and liabilities of the acquired company, adjusted by the balance of the groups of grants, donations and bequests received and by valuation changes and any capital amount and share premium, as the case may be, issued by the acquiring company, is registered in reserves.

On 30 April 2018, the Company and Fundación ENAIRE [*ENAIRE Foundation*] signed a document authorising the use, free of any charge, of the building in which Fundación ENAIRE carries out its activities and which is owned by ENAIRE (note 11). Taking into account the Recognition and Measurement Standard number 21 which establishes that the difference between the agreed price and the market value of a transaction must be recognised considering the financial conditions of the transaction for the purpose of assessing it at market values, in order to comply with article 18 of the Income Tax Act, ENAIRE has recognised this provision of services for reporting period 2018 at market value, as own consumption for an amount of 72.6 thousand euros, with 60 thousand euros of income corresponding to the value before tax and 12.6 thousand euros as output VAT.

t) Business combinations

Mergers, demergers and non-monetary contribution operations of a business between Group companies are registered according to the provisions set out for operations between related parties (Note 5.s).

Mergers and demergers other than the aforementioned ones and business combinations arising from the acquisition of all equity instruments of a business or part of a business that make up one or more businesses, are registered according to the acquisition method.

For business combinations created as a result of the acquisition of shares or capital interests in a company, the Group recognises the investment in accordance with the provisions for investments in the equity of group companies, multi-group companies and associates.

u) Consolidated statement of cash flows

The consolidated statement of cash flows includes cash movements throughout the period. The following expressions are used in this statement of cash flows:

- **Cash flows:** inflow and outflow of cash and cash equivalents, understood as highly liquid investments with maturity dates shorter than three months that are subject to an insignificant risk of changes in value.
- **Operating activities:** are essentially those generated by the main revenue-producing activities of the Group and other activities that are not investing or financing activities.
- **Investing activities:** comprise purchase, sale or disposal of non-current assets and other assets not included in cash and cash equivalents.
- **Financing activities:** comprise activities causing changes to the size and composition of equity and financial liabilities. Paid debt novation commissions are recognised as a higher value of the financing received.

Proceeds from and payments for investments by other financial assets include cash movements as a consequence of fixed term deposits with maturities exceeding three months.

Valuation allowances due to impairment of adjustments to profit and loss include the impairment loss amounting to 46,249 thousand euros corresponding to the carrying amount of all the assets of the Murcia-San Javier Airport which have not been able to be reused in AIRM (note 11.d).

Proceeds from "Grants, donations and bequests received" within cash flows for financing activities include 3,391 thousand euros from contributions from the partner's of London Luton Airport Holdings III Limited.

6. CONSOLIDATED GOODWILL

The Group acquiring control over LLAHL III through Aena Internacional S.M.E., S.A. generated a Goodwill whose value at the closing of the reporting period 2018 is 1,310 thousand euros (2017: 1,498 thousand euros) (see Note 5.b). See details of the settlement between the opening and closing balance of this item in note 10.

7. MINORITY SHAREHOLDERS

Minority shareholders are as follows:

Company	Segment	Country	% ENAIRE Group	% Minority shareholders	Thousands of euros 2018	2017
AENA S.M.E., S.A.	Airports	Spain	51%	49%	3,154,098	2,989,325
CRIDA	Research and development	Spain	66.66%	33.33%	535	495
LUTON LLAHIII	International	United Kingdom	51%	49%	(11,340)	5,242
Total					3,143,293	2,995,062

Movements in minority shareholders of each subsidiary have been the following:

Reporting period 2018

	Thousands of euros							
Company	Balance as of 31/12/17	Reserves	Valuation adjustments and translation differences	Grants	Dividends	Share in profit/loss	Other	Balance as of 31/12/18
AENA S.M.E., S.A	2,989,325	(177)	(890)	(7,816)	(477,750)	650,170	1,236	3,154,098
CRIDA	495	-	-	-	-	10	30	535
LUTON LLAHIII	5,242	-	768	-	(18,390)	(223)	1,263	(11,340)
Total	2,995,062	(177)	(122)	(7,816)	(496,140)	649,957	2,529	3,143,293

Reporting period 2017

	Thousands of euros							
Company	Balance as of 31/12/16	Reserves	Valuation adjustments and translation differences	Grants	Dividends	Share in profit/loss	Other	Balance as of 31/12/17
AENA S.M.E., S.A	2,662,893	(209)	15,358	(11,234)	(281,505)	603,695	327	2,989,325
CRIDA	515	-	-	-	-	11	(31)	495
LUTON LLAHIII	32,308	-	693	-	(17,631)	(10,128)	-	5,242
Total	2,695,716	(209)	16,051	(11,234)	(299,136)	593,578	296	2,995,062

8. JOINT VENTURES

The Group has an agreement with the Ministry for Defence establishing distribution keys and compensation criteria to use the air bases open to civil traffic located in Villanubla, León, Albacete, Matacán, Talavera, San Javier and the airfield in Zaragoza jointly used by civil aircraft. The agreement is based on the application of Royal Decree 1167/1995, of 7 July, on the usage regime for airfields jointly used by an airbase and an airport, and for airbases open to civil traffic. Below are shown the Group's shares in assets and liabilities, the sales and profit and loss of the joint venture, which have been included in the balance sheet and income statement:

	31st December	
	2018	2017
- Non-current assets	183,490	245,464
Net assets	183,490	245,464
	2018	2017
- Income	15,585	27,924
- Expenses	(34,520)	(43,489)
After-tax profit	(18,935)	(15,565)

As of 31 December 2018 and 2017, there are no contingent liabilities corresponding to the Group's share in joint ventures or contingent liabilities of the joint ventures themselves.

9. SHARES IN COMPANIES BASED ON THE EQUITY METHOD

The breakdown and movements of reporting periods 2018 and 2017 of item "Shares in companies based on the equity method" are the following:

Reporting period 2018

Company	Thousands of euros						
	Balance as of 31/12/17	Capital reduction	Share in profits/loss in companies consolidated by the equity method	Distributed dividends	Translation differences	Other	Balance as of 31/12/18
SACSA	4,874	-	5,159	(6,796)	102	-	3,339
AMP(*)	53,668	(3,518)	13,579	(10,772)	2,067	1,146	56,170
AEROCALI(**)	4,989	-	1,417	(907)	(213)	-	5,286
INECO(***)	37,764	-	2,889	(2,121)	-	507	39,039
	101,295	(3,518)	23,044	(20,596)	1,956	1,653	103,834

(*) "Other" includes amortisation amounting to 213 thousand euros of AMP's implicit goodwill (212 thousand euros in 2017) amounting to 2,125 thousand euros that is amortised in 10 years in accordance to Royal Decree 602/2016 (see note 5.b).
(**) Investment with joint control, as a result of acquiring shares in this company and obtaining a 50% share. The Group has evaluated rights therein and has concluded there is joint control since decisions are taken unanimously by shareholders. The Articles of Association of the company, which set out the shareholders' rights, were not modified after acquisition, and no agreements have been drafted between the partners during this period. No contingent liabilities exist in relation to the Group's share in the joint venture. This company operates Baranquilla Airport. "Other" includes payment for wealth tax directly recognised in equity.
(***) "Other" includes differences in dividends received in reporting period 2018 and shares in profit and loss for 2017. This difference comes from the elimination of margin assets acquired by the Group from Ineco.

Reporting period 2017

Company	Thousands of euros							
	Balance as of 31/12/16	Capital reduction	Share in profits/loss in companies consolidated by the equity method	Distributed dividends	Translation differences	Share in comprehensive profit/loss of associates	Other	Balance as of 31/12/17
SACSA	4,491	-	3,476	(2,568)	(525)	-	-	4,874
AMP(*)	59,151	(4,734)	12,890	(8,921)	(4,499)	(7)	(212)	53,668
AEROCALI(**)	7,887	-	2,561	(5,068)	(359)	-	(32)	4,989
INECO(***)	38,969	-	1,616	(4,062)	-	-	1,241	37,764
	110,498	(4,734)	20,543	(20,619)	(5,383)	(7)	997	101,295

(*) "Other" includes amortisation amounting to 212 thousand euros of AMP's implicit goodwill amounting to 2,125 thousand euros that is amortised in 10 years in accordance to Royal Decree 602/2016 (see note 5.b).
(**) Investment with joint control (see Note 2), as a result of acquiring shares in this company and obtaining a 50% share. The Group has evaluated rights therein and has concluded there is joint control since decisions are taken unanimously by shareholders. The Articles of Association of the company, which set out the shareholders' rights, were not modified after acquisition, and no agreements have been drafted between the partners during this period. No contingent liabilities exist in relation to the Group's share in the joint venture. This company operates Baranquilla Airport. "Other" includes payment for wealth tax directly recognised in equity.
(***) "Other" includes adjustment for equity for the previous year's profit and loss.

10. INTANGIBLE ASSETS

Movements in intangible assets for reporting periods 2018 and 2017 are the following:

Reporting period 2018

	Thousands of euros						
	Development	Service concession agreement	LLAHIII concession	Other intangible assets	Computer software	Goodwill	Total
Cost: Balance as of 31 December 2017	127,248	18,102	486,274	113,540	646,765	1,872	1,393,800
Additions	11,369	47,764	-	3,677	43,561	-	106,372
Disposals/ derecognition	(226)	-	-	(852)	(1,677)	-	(2,755)
Transfers (Note 11)	315	-	-	564	874	-	1,753
Translation differences	-	-	(3,969)	-	-	-	(3,969)
Balance as of 31 December 2018	138,706	65,866	482,305	116,929	689,523	1,872	1,495,201
Amortisation Balance as of 31 December 2017	(107,613)	(7,361)	(95,782)	(81,045)	(518,455)	(374)	(810,630)
Charges	(6,440)	(708)	(29,554)	(1,130)	(41,555)	(188)	(79,575)
Amortisation adjustment	-	-	-	-	-	-	-
Disposals/ derecognition	227	-	-	851	370	-	1,448
Transfers (Note 11)	7	-	-	-	28	-	35
Translation differences	-	-	1,106	-	-	-	1,106
Balance as of 31 December 2018	(113,819)	(8,069)	(124,230)	(81,324)	(559,612)	(562)	(887,616)
Impairment	-	-	-	(242)	-	-	(242)
Net:	24,887	57,797	358,075	35,363	129,911	1,310	607,343

Reporting period 2017

	Thousands of euros						
	Development	Service concession agreement	LLAHIII concession	Other intangible assets	Computer software	Goodwill	Total
Cost: Balance as of 31 December 2016	118,390	18,113	506,025	152,376	607,948	1,872	1,404,723
Additions	10,641	76	-	4,146	47,568	-	62,431
Disposals/ derecognition	(1,732)	(32)	-	(43,024)	(22,869)	-	(67,657)
Transfers (Note 11)	(51)	(55)	-	42	14,118	-	14,054
Translation differences	-	-	(19,751)	-	-	-	(19,751)
Balance as of 31 December 2017	127,248	18,102	486,274	113,540	646,765	1,872	1,393,800
Amortisation: Balance as of 31 December 2016	(103,988)	(6,775)	(69,004)	(123,089)	(500,980)	(187)	(804,023)
Charges	(5,357)	(687)	(29,826)	(980)	(40,764)	(187)	(77,801)
Amortisation adjustment	-	-	-	-	-	-	-
Disposals/ recognition	1,732	14	-	43,024	22,865	-	67,635
Transfers (Note 11)	-	87	-	-	424	-	511
Translation differences	-	-	3,048	-	-	-	3,048
Balance as of 31 December 2017	(107,613)	(7,361)	(95,782)	(81,045)	(518,455)	(374)	(810,630)
Net:	19,635	10,741	390,492	32,495	128,309	1,498	583,170

a) Main additions

The main additions in reporting periods 2018 and 2017 under "Computer software" correspond to acquisitions, as well as improvements and developments of new technology for computer software in relation to air navigation and airport services. In 2018, the air traffic control automated system (sistema automatizado de control de tráfico aéreo, SATCA) was renewed, which is used for air control and free Wi-Fi systems in several airports of the network. In 2017, the air traffic control automated system (sistema automatizado de control de tráfico aéreo, SATCA) was renewed, which is used for air control, free Wi-Fi systems in several airports in the network and elements related to cybersecurity. In 2018 and 2017, additions in line item Development correspond to the new models of air space organisation and optimisation of operating scenarios.

The additions under "Intangible assets, concession agreement" correspond to the administrative concession of Región de Murcia International Airport (note 1.2). The Group has classified the consideration received for the concession contract as intangible assets, as it consists of the right to receive the corresponding charges based on the level of use of the public service provided, assuming the demand risk. Thus, the intangible asset resulting from the concession agreement was measured based on the paid or payable consideration. Contingent payments related to the transaction were not considered, i.e. at the present value of the minimum guaranteed fees, amounting to 46,457 thousand euros. Throughout the year, several investments have been made in order to improve the aforementioned airport infrastructure amounting to a total of 47,764 thousand euros corresponding to said concession.

b) In-progress intangible assets

The different classes of intangible assets of the total costs capitalised as of 31 December 2018 and 2017 are included as follows:

Description	Thousands of euros	
	2018	2017
Development	8,703	3,400
Computer software	26,784	28,702
Other intangible assets	39,869	37,596
Total	75,356	69,698

c) Fully amortised assets

As of 31 December 2018, there are intangible assets in use for a total original cost of 637 million euros (603 million euros as of 31 December 2017), which are fully amortised. The breakdown corresponding to reporting periods 2018 and 2017 is the following:

Description	Thousands of euros	
	2018	2017
Concessions	5	5
Development	103,793	98,100
Computer software	450,304	429,002
Other intangible assets	82,921	75,448
Total	637,023	602,555

d) Concession agreement, regulatory asset:

The Group operates the London Luton Airport, Región de Murcia International Airport and the heliports in Ceuta and Algeciras under administrative concession contracts whose main conditions are described below:

Service concessions:

Ceuta heliport:
Through the subsidiary Aena S.M.E., S.A., the Group operates the Ceuta civil heliport for all the services within the administrative concession contract agreed with the Ceuta port authorities. This concession began on 28 March 2003 and has a duration of 30 years. The subsidiary Aena S.M.E., S.A. pays an annual fee of 39 thousand euros to occupy the public port. In addition, and in accordance with article 69 bis of Act 27/92, Aena S.M.E., S.A. pays the port authorities a fee in accordance with passenger volume, amounting to €0.823386/ passenger.

Algeciras heliport:
Through the subsidiary Aena S.M.E., S.A., the Group has an administrative concession contract with the Port of Algeciras Bay in order to occupy the installations that will be used for the installation and operation activities of the public heliport at the Port of Algeciras. This concession began on 3 February 2009 and has a duration of 25 years. The contract establishes a private occupancy fee for the public port domain of 82 thousand euros per year and a special fee for the public domain of 1 euro per passenger embarking or disembarking at the facility.

Administrative concession London Luton:

Since 16 October 2014, the Group's consolidation scope has globally included the accounts of London Luton Airport Holdings III Limited (LLAHL III), with the objective of, through its 100% owned subsidiary London Luton Airport Holdings II Limited (LLAHL II), which in turn owns 100% of London Luton Airport Holdings I Limited (LLAHL I), carrying out the acquisition, on 27 November 2013, of London Luton Airport Group Limited, the management company of Luton Airport in the UK. Luton Airport is managed by LLAOL through a concession. The concession contract was signed on 20 August 1998 and terminates on 31 March 2031. The concession contract establishes London Luton Airport Group Limited ("LLAGL") as guarantor of the operator. The Luton Airport concession does not meet the requirements of the sectoral plan of concessionary companies of public infrastructures to be classified as a service concession (see Note 5.c), but is instead recognised as an operating lease.

Administrative concession of Región de Murcia International Airport:

The Group's consolidation scope has globally included the accounts of AIRM, S.M.E, S.A, since 1 January 2018, with the objective of managing the concession of Región de Murcia International Airport. The main terms of this concession are the following:

- Once the total term of the concession has elapsed, the full and unlimited holding of the land and all the existing premises (including expenses incurred and any improvements incorporated by the concession holder) will be reverted to the Region of Murcia, and the concession holder will not be entitled to any compensation.

- Obligation to operate, maintain and preserve the Región de Murcia International Airport.
- Right to receive remuneration for using the premises and for the provision of air traffic and transport services and activities (landing fees, economic operation of the terminal and passenger, freight and air transport company services) or those activities related to the management of the airport, as well as associated activities.
- Prior to the commissioning of the airport, the concession holder shall submit the maximum charges to be applied for airport services to the awarding authority for their approval, as well as charges related to any other service and activity carried out within the airport. In this sense, the concession holder shall submit updated information for approval before the commencement of each calendar year.
- The Administration will receive an operating fee for passenger traffic which will result from applying a fee per passenger/year to the traffic volume reflected in the Acta Anual de Tráfico [*Annual Traffic Report*]. The tender establishes a traffic threshold of one million passengers, from which the Company will pay for the passenger traffic, from the first one. The Administration will also be entitled to a minimum guaranteed fee and a share in the revenue arising from freight traffic.

e) Impairment test for unamortised intangible assets (in progress)

In accordance with the procedure described in Note 5.f and for the airport network composing the airport segment, at the end of 2018 and 2017 the Group performed impairment tests on unamortised intangible assets and did not identify any adjustments as of 31 December 2018 and 2017, even after applying the sensitivity analysis to the variables used.

The recoverable amount of a cash-generating unit is calculated based on value in use. These calculations use cash flow projections based on five-year financial budgets established in the DORA. Cash flow forecasts beyond the fifth year are calculated using a constant rate of expected growth, considering air traffic growth estimates included in the DORA (1.8% CAGR of passenger traffic for 2022-2031).

The main assumptions used to calculate the value in use are the following:

	2018	2017
Growth rate	1.50%	1.50%
Pre tax discount rate	6.98%	6.98%
Discount rate after taxes	5.23%	5.23%

f) Sensitivity analysis regarding changes in assumptions

As of 31 December 2018 and 2017, the Group conducted 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 rate (+1 p.p./-1 p.p.)

As a result of the sensitivity analysis conducted at the end of 2018 and 2017, it appears that there are no significant risks associated with the reasonably possible variations to the assumptions, considered on an individual basis. In other words, the group believes that, within the above ranges, no corrections for impairment will be necessary.

g) Assets derived from the acquisition of the Company LLAH III

With regard to intangible assets and property, plant and equipment from the acquisition of the Company LLAH III, the Group deems the recoverable amount of such investment to be the present value of the future cash flows. The estimates included in the business plan prepared by the Board of Directors of said Company are taken into account, which are extended to year 2031 (the legal termination date of the concession contract). By applying discount rates consistent with recent historical experience, a recoverable amount exceeding the carrying amount of said intangible assets is obtained. In reporting periods 2018 and 2017, the Group conducted a sensitivity analysis of the recoverable amount based on the changes in the main assumptions (growth of income from passengers, inflation rate, discount rates). The Group deems, based on the aforementioned, that the recoverable amount calculated as of 31 December 2018 and 2017 is higher than the carrying amount of the aforementioned intangible assets.

h) Goodwill derived from the acquisition of the Company LLAH III (see note 6)

In accordance with impairment calculations, at the end of reporting period 2018, it was considered that there was no need to adjust goodwill, as the recoverable amount (in all cases understood as value in use) is greater than the carrying amount.

In this same sense, as previously mentioned, a sensitivity analysis was carried out on reasonably possible variations to the main calculations, and the recoverable amount remains above the net carrying amount.

i) Usage rights for a fee

On 24 July 2015, the licence agreement was signed by Asociación Española de Coordinación y Facilitación de Franjas Horarias (AECFA) [*Spanish Association for Coordination and Provision of Time Slots*] for the usage for a fee, until completely amortised, of the GESLOT computer software, owned by the Company.

The main conditions of the agreement are detailed below:

In thousands of euros	
State date of usage	24 July 2015
Duration	1 calendar year, extendable in quarters until the fifth year, included.
Carrying amount as of 15/09/2015	351
Amount first payment	43
Amount quarterly payment	16
Deposited amount in 2015	91
Deposited amount in 2016	65
Deposited amount in 2017	65
Deposited amount in 2018	65

11. PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment for reporting periods 2018 and 2017 have been the following:

Reporting period 2018

	Thousands of euros					
	Land and buildings	Technical installations and machinery	Other installations, equipment and furniture	Under construction	Other	Total
Cost: Balance as of 31 December 2017	17,128,591	2,217,630	4,536,780	460,873	475,805	24,819,679
Additions	104,117	26,857	75,046	323,692	28,012	557,724
Disposals/ derecognition	(69,930)	(155,502)	(54,566)	(11,068)	(20,305)	(311,371)
Transfers (Notes 10 and 12)	41,697	18,678	48,968	(256,865)	8,333	(139,189)
Translation differences	(1,566)	(325)	-	(365)	-	(2,256)
Balance as of 31 December 2018	17,202,909	2,107,338	4,606,228	516,267	491,845	24,924,587
Amortisation: Balance as of 31 December 2017	(6,081,160)	(1,620,572)	(3,065,448)	-	(394,297)	(11,161,477)
Charges	(414,107)	(115,233)	(256,581)	-	(23,493)	(809,414)
Disposals/ derecognition	51,306	151,913	51,836	-	20,214	275,269
Transfers (Notes 10 and 12)	89,220	46,608	(1,901)	-	(17)	133,910
Translation differences	140	(75)	-	-	-	65
Balance as of 31 December 2018	(6,354,601)	(1,537,359)	(3,272,094)	-	(397,593)	(11,561,647)
Impairment	(41,792)	(2,434)	(1,396)	(361)	(22)	(46,005)
Net:	10,806,516	567,545	1,332,738	515,906	94,230	13,316,935

Reporting period 2017

	Thousands of euros					
	Land and buildings	Technical installations and machinery	Other installations, equipment and furniture	Under construction	Other	Total
Cost: Balance as of 31 December 2016	17,077,019	2,199,192	4,508,656	331,227	454,817	24,570,911
Additions	94,552	47,055	42,843	311,672	26,080	522,202
Disposals/ derecognition	(102,318)	(77,621)	(41,604)	(3,473)	(14,048)	(239,064)
Transfers (Notes 10 and 12)	67,802	51,852	26,885	(174,624)	8,956	(19,129)
Translation differences	(8,464)	(2,848)	-	(3,929)	-	(15,241)
Balance as of 31 December 2017	17,128,591	2,217,630	4,536,780	460,873	475,805	24,819,679
Amortisation: Balance as of 31 December 2016	(5,728,349)	(1,574,608)	(2,830,065)	-	(385,622)	(10,518,644)
Charges	(399,619)	(122,325)	(269,218)	-	(22,551)	(813,713)
Disposals/ derecognition	36,678	74,425	37,042	-	13,962	162,107
Transfers (Notes 10 and 12)	5,179	(230)	(3,207)	-	(86)	1,656
Translation differences	4,951	2,166	-	-	-	7,117
Balance as of 31 December 2017	(6,081,160)	(1,620,572)	(3,065,448)	-	(394,297)	(11,161,477)
Impairments as of 31 December 2016					(191)	(191)
Derecognition of accumulated impairment					191	191
Impairment	-	-	-	-	-	-
Net:	11,047,431	597,058	1,471,332	460,873	81,508	13,658,202

The Group owns buildings whose net value of construction and land, at the closing of reporting periods 2018 and 2017, are the following:

Buildings	Thousands of euros	
	2018	2017
Land	3,561,188	3,559,577
Buildings (*)	7,245,328	7,487,854
Total	10,806,516	11,047,431

(*) Construction includes amortisation

a) Additions to property, plant and equipment

The main additions in reporting period 2018 are the following:

Land and buildings

In 2018, additions under land and buildings amount to 104,117 thousand euros. The most significant entries in this period were the "Conditioning of the new headquarters of ENAIRE Central Services", "General adaptation of the new apron" of Tenerife Sur Airport, plans related to the "acoustic insulation plans" of Palma de Mallorca and Valencia Airports, and the "Screed of runway 12/30" of Bilbao Airport.

The most relevant commissioning were the "Reconstruction of aprons B and C" and "Increase of the peak capacity of SATE and new invoicing functions" in Palma de Mallorca Airport; the "Improvement of the pavement of runway 07L-25R" of Barcelona-El Prat Airport, "Runway screed" of Fuerteventura Airport, and "New flooring for ground floor of T1 and T2" of Adolfo Suárez-Madrid Barajas Airport.

In 2017, additions under land and buildings amounted to 94,552 thousand euros. The main entries for this period were the "Improvement of the runway pavement" of Barcelona-El Prat, Gran Canaria and Adolfo-Suárez Madrid Barajas Airports; "Runway and airfield adaptation" of Son Bonet and La Palma Airports; "Runway screed" of Valladolid Airport; "Adaptation of H6, H7 and H8 taxiways at Palma de Mallorca Airport"; "Compliance with the operating security requirements" of Ibiza Airport and the renovation of the accesses to London Luton Airport.

The most significant commissioning were the "New flooring of the P10 floor in Terminal T1" and "Adaptation of plots and roads of the Rejas area" of Adolfo Suárez Madrid-Barajas Airport; the "Renovation of the freight terminal" of Gran Canaria Airport; the "Adaptation of gates H1 and H2" of Palma de Mallorca Airport, and the "Airfield actions required for certification" of Santiago de Compostela Airport.

Installations and other property, plant and equipment

The most representative additions in reporting period 2018 are the following:

- The supply and installation of new passport control systems put into service in Palma de Mallorca, Alicante and Barcelona-El Prat Airports.
- Actions related to the beaconing of the airfield at Málaga Airport.
- The increase of multi-service networks in different airports within the network.
- The supply of new benches for passengers in T4 and T4S of Adolfo Suárez-Madrid Barajas Airport.
- New electromechanical installations aimed at improving vertical communications at Adolfo Suárez-Madrid Barajas Airport.

- The acquisition of communication and video conference equipment for Aena's Central Services.

The most representative additions in reporting period 2017 were the following:

- The supply and installation of boarding bridges and replacement of aircraft assistance equipment at different airports, such as Palma de Mallorca Airport and Adolfo Suárez Madrid-Barajas Airport.
- Renovation of various elements related to the Passenger Information System (Sistema de Información al Pasajero, SIP, *as per its Spanish acronym*) of the Adolfo Suárez Madrid-Barajas, Tenerife Sur, A Coruña and Fuerteventura Airports.
- New aeronautical lights and traffic signs in Palma de Mallorca Airport.
- The replacement of transformers and beaconing for runways in Palma de Mallorca and Barcelona-El Prat Airports.
- Equipment of new multi-service telecommunication networks in various airports, such as Palma de Mallorca.
- The acquisition of two new firefighting trucks at various airports, such as Valladolid Airport.
- New equipment for check-in counters and self-service check-in counters at various airports in the network.

Property, plant and equipment in progress

The main actions being carried out as of 31 December 2018 are the works related to the extension of the terminal building, the new baggage transport system and the development of the transport system at London Luton Airport; the works related to the "General adaptation of the apron" at Tenerife Sur Airport, "Extensions of multi-service networks" at several airports in the network and "Supply and installation of new passport control systems" at Adolfo Suárez-Madrid Barajas, Málaga, Ibiza and Menorca Airports, as well as air navigation installations related to the air traffic control automated system (sistema automatizado de control de tráfico aéreo, SATCA), IP based voice communication systems and Radar Surveillance Systems.

The main actions being carried out as of 31 December 2017 were the general adaptation works for the apron of the Tenerife Sur Airport, the increase of the peak capacity of SATE at Palma de Mallorca Airport, the extension of the terminal building at the Reus Airport, and the actions related to the "Curium" project to increase terminal capacity at London Luton Airport, as well as different air navigation technical installations.

b) Derecognition

In 2018, old assets were derecognised as a result of the renovation works carried out, such as the screed works on the apron at La Palma Airport, and platforms B and C at Palma de Mallorca Airport, and the T1 flooring at the Adolfo Suárez-Madrid Barajas Airport, as well as various installations at Barcelona-El Prat and the Adolfo Suárez Madrid-Barajas Airports.

In 2017, old assets were derecognised as a result of the screed works carried out on the runways at Barcelona-El Prat, Adolfo Suárez-Madrid Barajas and Gran Canaria Airports, and Palma de Mallorca Airport apron; various installations at Barcelona and Adolfo Suárez Madrid-Barajas Airports due to renovation work; and, due to a favourable judgement, the provisioned part of the litigation related to constructing the T3 terminal building of Alicante Airport.

In addition, in 2018 and 2017, derecognition related to reversals of provisions recognised for expropriations or claims from suppliers upon the occurrence of judgements in favour of the Group are included.

c) Profit/loss due to disposal of property, plant and equipment.

Derecognitions in 2018 recognised in profit and loss mainly affects property, plant and equipment, and resulted in a total loss of 16,696 thousand euros (loss of 16,667 thousand euros is shown in the attached income statement and also includes 770 thousand euros of losses due to derecognitions of property, plant and equipment and 799 thousand euros of revenue from property, plant and equipment). Additionally, derecognitions include the following items, the amount of which has not been recognised in the income statement:

- Reversals of provisions recognised in prior reporting periods due to differences in the fair market price mainly derived from land expropriation processes, for environmental investments to comply with the regulations in force, and from litigations related to construction works (see Note 19) for a total amount of 13,523 thousand euros.
- Payments from suppliers of property, plant and equipment on amounts included in prior reporting periods.

Derecognitions in 2017 recognised to profit and loss mainly affected property, plant and equipment, and resulted in a total loss of 12,915 thousand euros (loss of 12,033 thousand euros is shown in the attached income statement and also includes 16 thousand euros of losses due to derecognitions of property, plant and equipment and 898 thousand euros of revenue from property, plant and equipment). Additionally, derecognitions include the following items, the amount of which has not been recognised in the income statement:

- Reversals of provisions recognised in prior reporting periods due to differences in the fair market price mainly derived from land expropriation processes, for environmental investments to comply with the regulations in force, and from litigations related to construction works (see Note 19) for a total amount of 61,367 thousand euros.
- Payments from suppliers of property, plant and equipment on amounts included in prior reporting periods.

d) Impairment

As of 15 January 2019, the civil air operations at the Murcia-San Javier Air Base were suspended (Notes 1.2 and 28). This is deemed to constitute one of the cases included in the applicable regulations under the "signs of impairment" of an asset.

In this same sense, cash flows from the continuous use thereof, until its closing, are irrelevant as of 31 December 2018. It may be estimated that San Javier's value in use is very close to its fair value less costs to sell.

Consequently, an individual impairment test has been carried out on the airport and an impairment loss amounting to 46,249 thousand euros has been recognised, which corresponds to the carrying amount of all assets which were not reused at AIRM or at any other airport in the network, and are as follows:

	2018
Land and buildings	(41,792)
Technical installations and machinery	(2,434)
Other installations, equipment and furniture	(1,418)
Property, plant and equipment in progress	(361)
Total	(46,005)

At the closing of reporting periods 2018 and 2017, the Group had not found any signs of impairment other than those stated in the previous section that require to make any corrections to reflect such impairment in the value of assets

In accordance with the procedure described in Note 5.f and for the airport network composing the airport segment, at the end of 2018 and 2017, the Group performed the impairment test on the airport network and it did not identify any significant impact on the annual accounts as of 31 December 2018 and 2017, respectively, even after applying the sensitivity analysis to the variables used. The main assumptions used were:

	2018	2017
Growth rate	1.50%	1.50%
Pre tax discount rate	6.98%	6.98%
Discount rate after taxes	5.23%	5.23%

The Group has calculated the recoverable amount based on the financial forecasts approved by management, taking into account the forecasts included in the DORA for the four-year period (2018-2021) set out in the aforementioned DORA.

The discount rate applied to cash flow forecast is the weighted average cost of capital before taxes foreseen in the DORA, in accordance with the capital asset pricing model, and it is determined by the weighted average of the cost of external and own resources.

Cash flow forecasts beyond the sixth year are calculated using a constant rate of expected growth, considering the air traffic growth estimates included in the DORA (1.8% CAGR of passenger traffic for 2022-2031).

The Group conducted a sensitivity analysis for 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 rate (+1 p.p./-1 p.p.)

As a result of the sensitivity analysis conducted at the end of reporting period 2018, it appears that there are no significant risks associated with reasonably possible variations to the assumptions, considered on an individual basis. In other words, the group's management believes that, within the above ranges, no corrections for impairment will be necessary.

The main assumptions affecting the Group's cash flows are passenger traffic, variations in charges, level of investments and operational efficiencies costs.

e) Grants received

As of 31 December 2018, the Group has received grants related to their intangible assets and property, plant and equipment an accumulated amount of 403.4 million euros net of taxes, considering the part allocated to minority shareholders (422.7 million euros in 2017) (see Note 25). The gross cost of the assets related to these grants amounts to 2,595.3 million euros, of which 2,571.2 million euros correspond to property, plant and equipment and 24.1 million euros to intangible assets (in 2017, 2,603.4 million euros, of which 2,586.1 million euros corresponded to property, plant and equipment, and 17.3 million euros corresponded to intangible assets).

On the other hand, due to the suspension of the civil air operations at the Murcia-San Javier Air Base (see note 28), the balance of capital grants related to the assets at Murcia-San Javier Airport (stated in note 11.d) amounting to 26,700 thousand euros has been recognised in profit and loss in reporting period 2018. The net impact on the income statement of the aforementioned impairment and the allocation of grants related to the assets of the Murcia-San Javier Airport amounts to 19,549 thousand euros

f) Restrictions

Assets assigned to the consolidated Group corresponding to the State-Owned Entity ENAIRe are goods of public domain, over which ENAIRe does not hold any ownership or the capacity to dispose them without an exemption or tax statement.

Land, buildings and constructions contributed to the Subsidiary Aena S.M.E., S.A. are no longer goods of public domain due to the release carried out by virtue of article 9 of Royal Decree-Law 13/2010, of 3 December, establishing that all goods of public domain assigned to the state-owned entity "Aeropuertos Espanoles y Navegacion Aérea" which are not related to air navigation services, including those intended for air traffic services of the airfield, will no longer be goods of public domain, without the expropriation aim being altered, thus their reversal will not apply.

There are various limitations on the sale of airport assets, agreed by means of the non-extinctive novation by amendment of the financial agreements executed by Aena and ENAIRe with financial institutions, dated 29 July 2014 (see Note 15.2.c).

The assets of London Luton Airport Holdings I Limited ("LLAH I"), London Luton Airport Group Limited ("LLAGL") and London Luton Airport Operations Limited ("LLAOL"), amounting to 257,852 thousand euros as of 31 December 2018, secure the bank debt of the group London Luton Airport Holdings III Limited ("LLAH III").

g) Fully amortised goods

As of 31 December 2018, there are property, plant and equipment in use for a total original cost of 3,441.3 million euros (2,932.7 million euros as of 31 December 2017), which are fully amortised and in use, and are as follows:

Description	Thousands of euros	
	2018	2017
Buildings	1,248,762	944,564
Technical installations and machinery	796,384	816,889
Other installations, equipment and furniture	1,338,360	1,114,677
Other property, plant and equipment	57,837	56,622
Total	3,441,343	2,932,752

h) Commitments

Investments pending implementation as of 31 December 2018 amount to approximately 925.7 million euros (667.2 million euros as of 31 December 2017), including those pending formalisation and those formally executed but pending implementation.

i) Insurance policies

It is the Group's policy to take out insurance policies in order to cover potential risks the different elements of its property, plant and equipment are exposed to. As of 31 December 2018 and 2017, there was no coverage deficit.

j) Leases

The group leases part of its property, plant and equipment to third parties for commercial use. Additionally, various assets of property, plant and equipment are included in financial leasing agreements (note 13).

k) Refurbishment and restoration costs

Pursuant to the accounting policy described in Note 5.d, the Group capitalises as a higher value of property, plant and equipment the initial estimate for restoration and refurbishing costs for the site on which it is located when they constitute obligations incurred by both the subsidiary Aena S.M.E., S.A. and the parent company ENAIRe as a result of using the asset. Consequently, in the case of Aena, all foreseen obligations to carry out sound insulation works in residential areas to comply with current legislation on noise generated by airport infrastructures (see Note 19.d) are capitalised as a higher value of airport assets.

12. INVESTMENT PROPERTY

Investment property mainly corresponds to properties under leasing agreements.

The breakdown of this in the balance sheet, corresponding to reporting periods 2018 and 2017, as well as the most significant information affecting this line item, is the following:

Reporting period 2018

Investment property	Thousands of euros			
	Property land	Buildings and other constructions	Other installations	Total
Cost: Balance as of 31 December 2017	42,891	156,782	3,397	203,070
Additions	-	4,410	-	4,410
Disposals/derecognition	-	(408)	(168)	(576)
Transfers (Note 11)	30	4,637	10	4,677
Balance as of 31 December 2018	42,921	165,421	3,239	211,581
Amortisation: Balance as of 31 December 2017	-	(58,538)	(3,181)	(61,719)
Charges	-	(4,579)	(40)	(4,619)
Disposals/derecognition	-	214	154	368
Transfers (Note 11)	-	(1,181)	(4)	(1,185)
Balance as of 31 December 2018	-	(64,084)	(3,071)	(67,155)
Impairment	(6,243)	-	-	(6,243)
Net:	36,678	101,337	168	138,183

Reporting period 2017

Investment property	Thousands of euros			
	Property land	Buildings and other constructions	Other installations	Total
Cost:				
Balance as of 31 December 2016	42,313	151,699	3,397	197,409
Additions	3	828	-	831
Disposals/derecognition	-	(244)	-	(244)
Transfers (Note 11)	575	4,499	-	5,074
Balance as of 31 December 2017	42,891	156,782	3,397	203,070
Amortisation:				
Balance as of 31 December 2016	-	(52,334)	(3,142)	(55,476)
Charges	-	(4,272)	(39)	(4,311)
Disposals/derecognition	-	235	-	235
Transfers (Note 11)	-	(2,167)	-	(2,167)
Balance as of 31 December 2017	-	(58,538)	(3,181)	(61,719)
Impairment	(6,243)	-	-	(6,243)
Net:	36,648	98,244	216	135,108

This heading mainly includes properties used for renting (land, offices and industrial premises). In the cases in which said properties are made up of a part that earns income, and another part that is used in the production or supply of goods or services or for administrative purposes, said properties are considered investment property when an insignificant portion thereof is used for the production or supply of goods or services or for administrative purposes.

a) Investment property additions

In reporting period 2018, additions to investment property amounted to 4,410 thousand euros, of which 137 thousand euros correspond to reversals as of the termination of the contract of assets built by third parties on leased land; 3,300 thousand euros correspond to the acquisition of industrial premises by exercising the pre-emptive right, and the remaining part mainly corresponds to refurbishment work in various buildings.

In 2017, investments amounted to 831 thousand euros, of which 170 thousand euros corresponded to reversals as of the termination of the contract of assets built by third parties on leased land and the remaining part mainly corresponded to refurbishment work in various buildings.

In 2018, the Group acquired property constructions from the related-party company Ingenieria y Economia del Transporte, S.A. (INECO) amounting to 4 thousand euros (2017: 0 thousand euros).

b) Transfers of investment property

In reporting period 2018, transfers to real investment property for a net carrying amount of 3,492 thousand euros (2,907 in 2017) have been carried out.

The investment property's fair value, considering the present value as of the reporting dates, is as follows:

	2018	2017
Land	302,855	329,432
Buildings	592,602	499,649
Total	895,457	829,081

The Group, through the subsidiary Aena S.M.E., S.A., has entrusted an independent valuation company (CBRE Valuation Advisory, S.A.) to review and assess the Group's property portfolio as of 31 December 2018. The aim of this review and assessment is to establish the fair value of investment property as on 31 December 2018.

The assets were valued pursuant to the standards of the Royal Institution of Chartered Surveyors (RICS) included in the "Red Book" (the valuation manual), as well as the provisions of International Accounting Standard 40 (IAS 40, Investment Property) based on the market value, defined as the estimated value that should be obtained for a property in a transaction carried out on the valuation date between a willing and independent seller and buyer, after a reasonable marketing period, and in which both parties have acted knowledgeably, prudently and without any kind of coercion.

The market value is obtained using the discounted cash flow method. The results are always compared with recent market transactions in terms of price per square metre and initial profitability. The key variables of the discounted cash flow method are the establishment of net income, the period of time during which net income is discounted, value estimation at the end of such period and the "target" internal rate of return used to discount cash flows.

As a result of this assessment, each asset in the investment property portfolio was tested for impairment, and their fair values were compared with their carrying amounts. In this sense, the subsidiary Aena S.M.E., S.A. believes that there is no significant impairment other than that recognised as of 31 December 2017.

c) Guarantees

There were no investment property items subject to guarantees at the closing of reporting periods 2018 and 2017,

d) Insurance policies

It is the Group's policy to take out insurance policies in order to cover potential risks the different elements of its investment property are exposed to. As of the closing of reporting periods 2018 and 2017, the Group has reasonably covered these risks.

e) Fully amortised investment property

As of 31 December 2018 and 2017, certain investment properties are fully amortised and still in use, as itemised below:

Description	Thousands of euros 2018	Thousands of euros 2017
Property constructions	12,238	11,931
Property installations	2,812	2,945
Total	15,050	14,876

13. LEASES

Finances leases

At the end of reporting periods 2018 and 2017, the Group, through the Subsidiary Aena S.M.E., S.A. and in some cases through Aena Desarrollo Internacional S.M.E., S.A., signed finance leases, including: an electric cogeneration plant at the Adolfo Suárez-Madrid Barajas Airport, a computer to support the anti-intrusion probe in the building of central services of Aena S.M.E, S.A. (acquired in 2018) and an aircraft parking apron at London Luton Airport. All elements are recognised as property, plant and equipment in the consolidated balance sheet. As of 31 December 2017, it also included an automated flight inspection system (panel).

The amounts are shown as follows:

	2018	2017
Cost - capitalised finance leases	23,764	23,684
Accumulated amortisation	(10,808)	(9,138)
Net carrying amount	12,956	14,546

As of 31 December 2018 and 2017, the amount of the minimum lease payments excluding increases in inflation or other contingent fees, derived from said finance lease agreement, was as follows (in thousands of euros):

Finance leases Minimum payments	Thousands of euros 2018	Thousands of euros 2017
Less than one year	3,940	3,937
Between one and five years	14,950	14,927
More than five years	9,679	13,178
Total	28,569	32,042

As of 31 December 2018 and 2017, the amount of interest from these contracts, included in the previous amounts, which will mature in the following years, was as follows:

Interests - maturity	Thousands of euros 2018	Thousands of euros 2017
Less than one year	847	892
Between one and five years	2,512	2,748
More than five years	823	1,229
Total	4,182	4,869

Operating leases

The Group uses several assets as operating leases with third parties. The most noteworthy are those detailed below, together with the main characteristics of the corresponding contracts (thousands of euros):

Asset	Location	Maturity date	Annual rent, excluding VAT (in thousands of euros)	Observations
Edificio Pegaso	Madrid	15/03/2022	2,086	There is a contract regarding Edificio Allende and another regarding Edificio Larnela. Since 15 November 2018, the latter only applies to the cafeteria.
Edificio Piovera	Madrid	31/01/2024	4,007	
Edificio Mercedes	Madrid	30/11/2021	897	Rent subject to yearly review based on the terms of the contract.

In June 2018, the Parent Company transferred certain central services to the building in the Parque Empresarial de las Mercedes [*Las Mercedes Business Park*] from the building Pegaso City. They will be located there for a minimum period of 4 years, as previously indicated.

Total minimum future payments corresponding to non-cancellable operating leases are as follows:

Operating leases	Thousands of euros	
	2018	2017
Less than one year	5,731	7,714
Between one and five years	20,038	22,797
More than five years	-	330
Total	25,769	30,841

The Group, thorough the Subsidiary Aena S,M,E., S.A., leases various shops and warehouses under non-cancellable operating lease contracts. These contracts have a term between five and ten years. Most of them are renewable upon termination in accordance with market conditions.

Total minimum future payments corresponding to non-cancellable operating leases are as follows:

Operating leases	Thousands of euros	
	2018	2017
Less than one year	707,679	616,687
Between one and five years	1,402,744	1,405,955
More than five years	148,219	14,884
Total	2,258,642	2,037,526

14. FINANCIAL INSTRUMENTS

14.1 Financial assets

The carrying amount of each financial asset category established in the 9th Recognition and Measurement Standard of the [*Spanish*] General Accounting Plan is as follows:

Categories	Types							
	Non-current financial instruments				Current financial instruments		Total	
	Equity instruments		Other credit derivatives		Other credit derivatives			
	2018	2017	2018	2017	2018	2017	2018	2017
Loans, cash and receivables	-	-	77,607	74,337	1,775,472	1,874,921	1,853,079	1,949,258
Available-for-sale assets at cost	911	911	-	-	-	-	911	911
Hedging derivatives	-	-	1,144	360	-	-	1,144	360
Total	911	911	78,751	74,697	1,775,472	1,874,921	1,855,134	1,950,529

Financial assets as of 31 December 2018 and 31 December 2017, within items on the balance sheet, are as follows:

Line item	Note	Non-current assets		Current assets		Total	
		2018	2017	2018	2017	2018	2017
Investments		79,662	75,608	203,144	255,187	282,806	330,795
Equity instruments	14.1.1	911	911	-	-	911	911
Hedging derivatives	14.1.1-14.3	1,144	360	-	-	1,144	360
Deposits and guarantees	14.1.1	74,348	71,506	-	-	74,348	71,506
Loans to companies	14.1.2	-	-	151	195	151	195
Other finance investments, associates		-	-	1,529	2,609	1,529	2,609
Other investments	14.1.1	3,259	2,831	201,464	252,383	204,723	255,214
Trade and other receivables		-	-	560,678	432,934	560,678	432,934
Trade receivables		-	-	547,405	428,232	547,405	428,232
Companies based on the equity method		-	-	4,105	3,432	4,105	3,432
Other receivables		-	-	7,542	1	7,542	1
Personnel		-	-	1,626	1,269	1,626	1,269
Cash and cash equivalents		-	-	1,011,650	1,186,800	1,011,650	1,186,800
Total		79,662	75,608	1,775,472	1,874,921	1,855,134	1,950,529

14.1.1. Non-current investments

The balance under line item "non-current investments" at the closing of reporting periods 2018 and 2017 are the following:

Non-current investments	Thousands of euros 2018	2017
Equity instruments	911	911
Non-current deposits and guarantees	74,348	71,506
Derivatives	1,144	360
Other receivables	3,259	2,831
Total	79,662	75,608

Equity instruments

The breakdown for the most significant equity instruments is as follows:

Name and address	Line of business	Percentage of direct capital (%)	Shareholder
Barcelona Regional Agencia Metropolitana de Desarrollo Urbanístico e Infraestructuras, S.A. Edificio Centreservei, Zona Franca Carrer 60, 25-27 Barcelona	Analyse and survey urban, territorial and environmental aspects. Projection, promotion, management, development, administration, guidance, execution and operation all types of works, buildings, infrastructures and urban systems in the metropolitan area.	11.76	Aena S.M.E., S.A.
GroupEAD Europe S.L Edificio Francia Avda Castilla 2 P.E. San Fernando San Fernando de Henares Madrid	Exploitation of a database system for aeronautical information systems. Development and implementation of changes and improvements in the database, as well as related consulting services.	36	ENAIRe
Grupo Navegación por Satélite Sistemas y Servicios, S.L. C\ Gobelas n°41 Madrid	Development, implementation, operation, exploitation and marketing of services of the global navigation satellite system currently called Galileo.	19.3	ENAIRe
European Satellite Service Provider, SAS (ESSP SAS) Toulose - Francia	Operation of the navigation satellite system.	16.67	Aena Desarrollo Internacional S.M.E., S.A.

The breakdown and movements for equity instruments of the consolidated balance sheet for reporting period 2018 are as follows:

	Thousands of euros		
	Balance as of 31/12/2017	Variation	Balance as of 31/12/2018
Equity instruments- Available-for-sale financial assets- Measured at cost: Cost European Satellite Services Provider, SAS (ESSP SAS)	167		167
Barcelona Regional Agencia Metropolitana de Desarrollo Urbanístico e Infraestructuras, S.A.	180		180
GroupEAD Europe S.L.	360		360
Grupo Navegación por Satélite Sistemas y Servicios, S.L.	198		198
Empresa para la Gestión de Residuos Industriales, S.A.U. (EMGRISA)	6		6
Total investment in "equity instruments"	911		911

This line item includes payables and equity instruments of other companies which are not significantly controlled or influenced by the group with regard to their decision-making processes.

Aena Desarrollo Internacional owned 10% of Airport Concessions and Development Limited (ACDL) at the closing of reporting period 2017. The company was fully dissolved on 24 December 2017 and acquired the status of dissolved company on 9 January 2018.

14.1.2. Current investments

The balance of the accounts under line item "Current investments" as of the closing of reporting periods 2018 and 2017 is the following:

Current investments	Thousands of euros	
	2018	2017
Loans to companies	151	195
Current deposits and guarantees	201,464	252,383
Total	201,615	252,578

The amounts include fixed term deposits exceeding 3 months for 200,000 thousand euros in 2018 and 250,000 thousand euros in 2017, which are available for use at any time without any penalty, and were previously considered as cash equivalents (see note 3.8).

14.1.3. Trade receivables

The balance of the line item "trade receivables" of the attached balance sheet at the closing of 2018 and 2017 is itemised as follows:

Description	Thousands of euros 2018	2017
Trade receivables	564,582	448,634
Doubtful trade receivables	102,300	109,076
Provision for impairment	(119,477)	(129,478)
Total	547,405	428,232

The balance for line item trade receivables includes the following companies:

Description	Thousands of euros 2018	2017
Eurocontrol	119,956	130,080
World Duty Free	115,243	87,505
Iberia, Líneas Aéreas de España, S.A.	30,315	23,886
Vueling Airlines	28,410	-
Áreas, S.A	25,443	17,725
Cemusa Corporación Europea.	18,388	16,796
Air Europa Líneas Aéreas, S.A.	16,698	15,727
Easy Jet Airlines Co. Ltd.	12,735	8,025
Air Nostrum	10,488	10,347
Sinapsis Trading	9,149	4,546
Select Service Partner, S.A.	7,388	4,893
Lagardere Travel Retail S.A.	7,095	3,488
Pansfood S.A	6,707	5,330
CLH Aviación	5,133	3,917
Others	134,257	95,967
Total	547,405	428,232

14.1.4. Cash and cash equivalents

The balance of line item "Cash and cash equivalents" at the closing of 2018 and 2017 is itemised as follows:

Description	Thousands of euros 2018	Thousands of euros 2017
Cash and banks	1,009,805	1,085,328
Deposits <3 months	-	100,000
Sight current accounts	1,845	1,472
Total	1,011,650	1,186,800

As of 31 December 2018 and 2017, all cash and cash equivalents are available for use at any time without any penalty. In addition, the Group does not have bank overdrafts.

14.2 Financial liabilities

The carrying amount for each financial liability category indicated in the 9th Recognition and Measurement Standard is the following:

Categories	Non-current financial instruments: Debt with financial institutions 2018	Non-current financial instruments: Debt with financial institutions 2017	Non-current financial instruments: Other derivatives 2018	Non-current financial instruments: Other derivatives 2017	Current financial instruments: Debt with financial institutions 2018	Current financial instruments: Debt with financial institutions 2017	Current financial instruments: Other derivatives 2018	Current financial instruments: Other derivatives 2017	Total 2018	Total 2017
Debts and payables	6,369,401	7,202,530	241,542	178,791	710,761	720,635	561,188	525,523	7,882,892	8,627,479
Hedging derivatives	-	-	56,543	45,645	-	-	32,740	37,010	89,283	82,655
Total	6,369,401	7,202,530	298,085	224,436	710,761	720,635	593,928	562,533	7,972,175	8,710,134

Thousands of euros; Classes.

Line item "Trade and other payables" at the closing of reporting periods 2018 and 2017 is the following:

Line item	Note	Non-current liabilities		Current liabilities		Total	
		2018	2017	2018	2017	2018	2017
Payables		6,667,486	7,426,966	982,229	1,005,570	7,649,715	8,432,536
Debt with financial institutions	Note 14.2.a	6,369,401	7,202,530	710,761	720,635	7,080,162	7,923,165
Other payables	Note 14.2.a	51,854	52,280	398	401	52,252	52,681
Finance lease payables	Note 13	17,959	20,152	2,246	2,162	20,205	22,314
Derivatives	Note 14.3	56,543	45,645	32,740	37,010	89,283	82,655
Other financial liabilities		123,805	105,949	236,084	245,362	359,889	351,311
Payables public entities due to concessions		47,924	410	-	-	47,924	410
Group companies and associates, current	Note 26.1	-	-	2,848	5,733	2,848	5,733
Trade and other payables		-	-	371,223	325,246	371,223	325,246
Suppliers		-	-	777	229	777	229
Other payables		-	-	236,587	201,770	236,587	201,770
Personnel		-	-	82,248	69,866	82,248	69,866
Advances to customers		-	-	51,611	53,381	51,611	53,381
Total		6,667,486	7,426,966	1,356,300	1,336,549	8,023,786	8,763,515

The amounts included in line item "Other payables" correspond entirely to loans with LLAHIII shareholders, in particular, LLAHIII debt with AMP.

a) Non-current and current debt with financial institutions

"Non-current debt with financial institutions" and "Current debt with financial institutions" under liabilities in the consolidated balance sheet as of 31 December 2018 and 2017 is shown below:

Description	Thousands of euros					
	2018			2017		
	Non-current	Current	Total	Non-current	Current	Total
Loans with financials institutions	6,373,413	695,860	7,069,273	7,208,138	701,459	7,909,597
Adjustment to loan balance per cost-efficiency criteria	(4,012)	(408)	(4,420)	(5,608)	(531)	(6,139)
Non-matured accrued interest	-	15,309	15,309	-	19,707	19,707
Total	6,369,401	710,761	7,080,162	7,202,530	720,635	7,923,165

Loans and credits are undertaken by more than 40% at a yearly fixed interest rate or revised interest rates which range between 0.064% and 4.88%. The remaining percentage is undertaken at variable interest rates generally referenced to 3-month Euribor rate (2017: 42.5% of loans and credits were undertaken at yearly revised interest rates ranging from 0.064% to 4.88%. The remaining percentage was undertaken at variable interest rates generally referenced to 3-month Euribor rate).

The Group's Parent Company has committed to comply with certain general obligations in order to prevent the early cancellation of the loans and credits. The Group believes that, as of the closing of reporting periods 2018 and 2017, all obligations related to such loans were complied with.

Publication of Circular Letter 2/2016 of the Bank of Spain, in compliance with the provisions set forth in Regulation (EU) no. 575/2013 (CRR), although it did not expressly modify ENAIRe's risk weighting, excluded the Parent Company by virtue of Standard 5 from applying the "Exposures to Public Entities" category (since this category exclusively included entities in the public entity sector under the European System for National Accounts). This meant that ENAIRe would have been tacitly excluded from the zero-risk category, with the corresponding weighting modified to 100%.

Loans with several financial institutions include a series of clauses in case that the risk weighting for the Group's Parent Company is not 0%, which may entail a higher cost of financing and, in some cases, early repayment.

The Parent Company deems all loan agreements, with their current terms and conditions, to be fully valid, since ENAIRE's credit quality has not decreased and no changes occurred in the legal nature of either ENAIRE or Aena S.M.E., S.A., as co-creditor, or to the implicit guarantees.

In July 2018, 175,000 thousand euros of DEPFA were repaid early. Cancellation fees reached 18,176 thousand euros (corresponding to the swap agreed between DEPFA and another financial institution and which, among the requirements to allow ENAIRE to cancel the pending balance, included a compensation to DEPFA for break costs related to this derivative). The agreed yearly fixed interest rate associated to such credit, maturing in 2022, was 4.87%. For this reason, it was advisable to repay it early even considering the high cost incurred.

This early repayment of all active loans with DEPFA involved repayment by this financial institution of part of the unused guarantee, received in 2017, which covered the period between 22 December 2017 and 22 December 2018. This repayment resulted in a financial income of 1,085 thousand euros for the Group.

With regard to credits with the EIB, the Parent Company proceeded to the early cancellation of the total amount in reporting period 2018, that is, 63,592 thousand euros, with cancellation costs amounting to 1,180 thousand euros.

In reporting period 2017, a financial income amounting to 0,91 million euros was included, corresponding to excess of the 2016 warranty fee payable by DEPFA minus the 2017 warranty fee, as per notification from the bank entity.

In June 2017, 840 million euros of the Group's bank debt with the banking institution DEPFA, as well as 72 million euros of its bank debt with the EIB and 84 million euros with ICO, were repaid early.

On 3 April 2018, the Parent Company took out a credit with Banco de Sabadell for 10,948 thousand euros, for the purposes of being eligible for the 2017 CEF Transport Blending grant awarded by the European Union. A credit for such amount was a compulsory requirement for applying for said grant.

In 2017, new financing amounting to 650,000 thousand euros was acquired by the Subsidiary Aena S.M.E., S.A. with financial institutions. 600,000 thousand euros of which have a five-year maturity and an approximate fixed interest rate of 0.69% and 50,000 thousand euros with the same maturity and a fixed interest rate of 0.70%.

This loan included an arrangement fee amounting to 126 thousand euros, of which 87 thousand euros have not been repaid as of 31 December 2018.

As of 31 December 2018, the Subsidiary Aena S.M.E., S.A. holds 800 million euros in a completely available syndicated line of credit with long-term maturities and 400 million euros of available financing (undrawn) corresponding to a loan with the EIB, with the drawdown end date being 1 December 2019. The subsidiary subgroup LLAH III has 37 million pound sterling in undrawn credit lines (2017: 66 million pound sterling).

Maturity for the fees pending payment for the credit policies and loans, as of the closing of reporting periods 2018 and 2017, is the following:

Reporting period 2018

Fees with maturity	Thousands of euros
2019	695,860
2020	642,600
2021	555,434
2022	1,190,784
2023	518,784
Subsequent years	3,465,811
Total	7,069,273

Reporting period 2017

Fees with maturity	Thousands of euros
2018	701,459
2019	678,777
2020	678,777
2021	591,611
2022	1,230,611
Subsequent years	4,028,362
Total	7,909,597

Itemised drawdown and undrawn amounts corresponding to debt with financial institutions according to entity as of the closing of reporting periods 2018 and 2017 were the following:

Reporting period 2018

Company	Thousands of euros	
	Drawdown	Total
Banco Europeo de Inversiones	3,592,241	3,592,241
FMS	666,667	666,667
Instituto de Crédito Oficial	1,803,249	1,803,249
BBVA	250,675	250,675
Bankinter	25,067	25,067
Banco Popular	50,135	50,135
Commonwealth Bank of Australia	25,512	25,512
Mediobanca International (Luxembourg) S.A.	128	128
DBJ Europe Limited	12,756	12,756
ING	50,135	50,135
Kutxabank	50,135	50,135
Sabadell	36,015	36,015
Unicaja	150,405	150,405
PBNP	50,135	50,135
Avenir BV	12,628	12,628
Voya	51,024	51,024
Guardian	44,647	44,647
Standard Life	31,891	31,891
Mutual of Omaha	12,756	12,756
Aviva	153,072	153,072
Total loans	7,069,273	7,069,273

Reporting period 2017

Company	Thousands of euros	
	Drawdown	Total
Banco Europeo de Inversiones	4,020,247	4,020,247
Depfa Bank	175,000	175,000
FMS	733,333	733,333
Instituto de Crédito Oficial	2,010,567	2,010,567
BBVA	250,919	250,919
Bankinter	25,092	25,092
Banco Popular	50,169	50,169
Commonwealth Bank of Australia	23,608	23,608
Mediobanca International (Luxembourg) S.A.	118	118
DBJ Europe Limited	11,804	11,804
ING	50,184	50,184
Kutxabank	50,171	50,171
Sabadell	25,092	25,092
Unicaja	150,022	150,022
PBNP	50,087	50,087
Avenir BV	11,686	11,686
Voya	47,217	47,217
Guardian	41,315	41,315
Standard Life	29,511	29,511
Mutual of Omaha	11,804	11,804
Aviva	141,651	141,651
Total loans	7,909,597	7,909,597

Accrued and unpaid interests as of the closing of reporting periods 2018 and 2017, of the jointly accredited debt, amount to 15,309 and 19,707 thousand euros, respectively.

On the other hand, as previously stated, on 29 July 2015, credit policies amounting to 1,000 million euros maturing in 2019 were signed with bank entities to face occasional cash requirements. In December 2018, these policies were cancelled and on 12 December 2018, a new sustainable syndicated line of credit (ESG-linked RCF) contract for 800 million euros was signed. The maturity of this new line of credit is 5 years, which may be extended for two additional years. As of 31 December 2018, no amount has been drawdown.

Distribution per entity is as follows:

BANK	AMOUNT (thousands of euros)	EURIBOR	MATURITY
BBVA	190,000	1M	December 2023+1y+1y
SANTANDER	160,000	1M	
BANKINTER	100,000	1M	
SABADELL	100,000	1M	
UNICAJA	100,000	1M	
KUTXA	100,000	1M	
IBERCAJA	50,000	1M	
TOTAL	800,000		

The interest rate is variable, with an initial spread of 0.275% and a utilisation fee between 0.075%, 0.15% and 0.33%, depending on the average balance drawdown is ≤ 33%, > 33% ≤ 66% or > 66%, respectively.

The breakdown of the total bank debt with financial institutions in which ENAIRe and Aena S.M.E., S.A. are co-accredited as of 31 December 2018 and 2017 ("Financial debt in which Aena S.M.E., S.A. appears as joint creditor with ENAIRe") is as follows (in thousands of euros):

Reporting period 2018

Company	Thousands of euros	
	Drawdown	Total
Banco Europeo de Inversiones	3,592,241	3,592,241
FMS	666,667	666,667
Instituto de Crédito Oficial	1,752,225	1,752,225
Total loans	6,011,133	6,011,133

Reporting period 2017

Company	Thousands of euros	
	Drawdown	Total
Banco Europeo de Inversiones	4,020,247	4,020,247
Depfa Bank	175,000	175,000
FMS	733,333	733,333
Instituto de Crédito Oficial	1,963,350	1,963,350
Total loans	6,891,930	6,891,930

Maturity of pending payments of the total financial debt with financial institutions in which ENAIRe and Aena S.M.E., S.A. are co-accredited at the end of reporting periods 2018 and 2017 is the following:

Reporting period 2018

Fees with maturity	Thousands of euros
2019	638,951
2020	638,951
2021	551,785
2022	540,784
2023	518,784
Subsequent years	3,121,878
Total	6,011,133

Reporting period 2017

Fees with maturity	Thousands of euros
2018	680,265
2019	678,777
2020	678,777
2021	591,611
2022	580,611
Subsequent years	3,681,889
Total	6,891,930

Of the total long-term non-trade debt included in this line item, the following, corresponding to Luton (LLAH III), are denominated or included in a foreign currency:

Description	31 December 2018	31 December 2017
Thousands of pound sterling (LLAH III)	353,730	324,664

Likewise, the carrying amount of the loan with the shareholders of LLAH III is also fully denominated in pound sterling for an amount of 46,740 thousand pounds, 51,854 thousand euros at the 2018 closing exchange rate (2017: 46,740 thousand pounds, 52,681 thousand euros at the 2017 closing exchange rate).

b) Information on deferment of payments to suppliers. Third additional provision. "Duty of disclosure" of Act 15/2015, Of 5 July.

As of 31 December 2018, there are pending payments with suppliers for 102,074 thousand euros. An invoice for the services provided has been received in the reporting period (82,944 thousand euros in 2017).

This balance refers to the suppliers that, due to their nature, are trade creditors for debt corresponding to the supply of goods and services, and includes data under items "Trade and other payables", "Group companies and associates, current" and "Suppliers of property, plant and equipment included in other financial liabilities" in current liabilities in the balance sheet.

The breakdown of payments for trade transactions during the reporting period and pending payment at year end in relation to maximum legal terms set forth in Act 31/2014, in accordance with the provisions of Decision of 29 January 2016 of the Instituto de Contabilidad y Auditoria de Cuentas [*Institute for Accounting and Account Auditing, ICAC, by its Spanish acronym*] is the following:

	2018 Days	2017 Days
Average term of payment to suppliers	47.39	50.30
Ratio of paid transactions	50.27	53.13
Ratio of transactions pending payment	20.43	17.92
	Amount (thousands)	Amount (thousands)
Total payments made	919,929	870,945
Total pending payments	102,074	82,944

These parameters have been calculated pursuant to Article 5 of Decision of 29 January 2016 of the Instituto de Contabilidad y Auditoria de Cuentas [*Institute for Accounting and Account Auditing, ICAC, by its Spanish acronym*] on the information to be incorporated in the annual accounts report, regarding the average term of payment to suppliers in trade transactions.

14.3 Derivative financial instruments

The Group uses derivative financial instruments in order to hedge risks to which it is exposed due to its activities, transactions and future cash flows.

Exchange rate

At the closing of reporting period 2018 and 2017, there is no exchange rate hedge for financial instruments.

Interest rate

Cash flow hedges

The subsidiary Aena S.M.E., S.A. and its subsidiaries have contracted various interest rate swaps.

On 10 June 2015, the subsidiary Aena S.M.E., S.A. entered into a variable to fixed interest rate hedge operation with financial institutions with a credit rating equal to or greater than BBB (Standard & Poors), in order to avoid the risk of fluctuations in interest rates of various loans amounting to 4,195.9 million euros. The main characteristics as of 31 December 2018 were as follows:

	Classification	Type	Contracted amount (thousands of euros)	Notional amount pending 31/12/2018	Contracting date	Derivative start date	Maturity	Hedge designation date
Interest rate swap	Cash flow hedge	Fixed interest rate swap at 0.144% against variable interest rate (Eur6M)	290,000 (*)	145,000	19/12/16	27/12/16	15/12/20	19/12/16
Interest rate swap	Cash flow hedge	Fixed interest rate swap at 1.1735% against variable interest rate (Eur6M)	854,100	664,300	10/06/15	15/06/15	15/12/26	10/06/15
Interest rate swap	Cash flow hedge	Fixed interest rate swap at 0.9384% against variable interest rate (EUR6M)	3,041,833	1,941,420	10/06/15	15/06/15	15/12/26	10/06/15

(*) Initially contracted for 300,000 thousand euros

The notional principal amount of the interest rate swaps pending as of 31 December 2018 are 2,750,720 thousand euros (31 December 2017: 3,064,713 thousand euros).

The balance recognised in the hedging reserve of the net equity in interest rate swaps as of 31 December 2018 will be steadily transferred to the income statement until the bank loans are repaid. In reporting period 2018, 37,333 thousand euros were recognised in the income statement as hedging instrument losses (in 2017: 40,347 thousand euros).

Following the novation of the 300 million euros loan with ICO, the derivative associated with this loan has also been modified so that it corresponds to the new payment scheme, with a fixed interest rate changing from 0.2941% to 0.144%.

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

Fair value registered in "Non-current liabilities" as of 31 December 2018 (in thousands of euros)	Fair value registered in "Current liabilities" as of 31 December 2018 (in thousands of euros)
56,543	32,740
Fair value registered in "Non-current liabilities" as of 31 December 2017 (in thousands of euros)	Fair value registered in "Current liabilities" as of 31 December 2017 (in thousands of euros)
45,645	37,010

As of 31 December 2018, if the interest rate had increased or decreased 20 basis points and the rest of the variables had remained constant, the liabilities arising from said derivatives would have been 27,256 thousand euros lower and 27,669 thousand euros higher, respectively (31 December 2017: 32,709 thousand euros lower and 33,271 thousand euros higher, respectively); and profit before taxes in year 2018 would have been 1,638 thousand euros higher and 1,638 euros lower, respectively (2017: 1,802 thousand euros higher and 1,802 thousand euros lower, respectively).

As of 31 December 2018 and 2017, hedging derivatives are effective and compliant with the necessary requirements to apply hedge accounting so that no ineffectiveness is registered in the income statement.

LLAH III derivatives

The LLAH I loan contract with financial institutions required that 70% of the nominal value of loans (i.e., 159.6 million pounds) was covered by fixed rates. Regarding debt with financial institutions mentioned in the aforementioned Note, the LLAH III group contracted several interest rate swaps. These interest rate swaps were fixed at 1.685% compared to variable interest rates with a maturity of 7 years (March 2022).

The main initial characteristics of the LLAH III group were the following:

	Classification	Contracted amount (thousands of euros)	Contracting date	Derivative start date	Maturity	Hedge designation date
Interest rate swap	Cash flow hedge	34,059	26/03/15	26/03/15	28/03/22	26/03/15
Interest rate swap	Cash flow hedge	34,059	26/03/15	26/03/15	28/03/22	26/03/15
Interest rate swap	Cash flow hedge	34,059	26/03/15	26/03/15	28/03/22	26/03/15
Interest rate swap	Cash flow hedge	34,059	26/3/15	26/03/15	28/03/22	26/03/15
Interest rate swap	Cash flow hedge	34,059	26/03/15	26/03/15	28/03/22	26/03/15
Interest rate swap	Cash flow hedge	34,059	26/03/15	26/03/15	28/03/22	26/03/15
Interest rate swap	Cash flow hedge	12,261	26/03/15	26/03/15	28/03/22	26/03/15
	Total	216,615				

Upon the refinancing transaction in August 2017, as previously described, the swaps were cancelled and replaced with new swaps covering 100% of the new loans at a variable rate (80 million pounds of notional principal amount). These swaps have maturities between 7 and 12 years, an average fixed interest rate of 1.09% against a variable interest rate, and their value recognised in non-current assets as of 31 December 2018 amounts to 1,144 thousand euros at the 2018 closing exchange rate (31 December 2017: non-current assets of 360 thousand euros at the 2017 closing exchange rate).

Additionally, of the 7,904 thousand pound sterling of the cash flow hedge reserve associated with these previous derivatives existing at the time of the refinancing transaction, 5,067 thousand pound sterling (5,780 thousand euros) were charged to financial results, and it is estimated that the remaining balance recognised in said hedge reserve should remain in equity since a hedging relationship for that part of the debt continues to exist, in accordance with the existing hedge documentation. Consequently, the remaining balance of this reserve will be steadily transferred to the income statement until the bank loans are repaid in 2022.

The characteristics of these new swaps are as the following:

	Classification	Contracted amount (thousands of euros)	Contracting date	Derivative start date	Maturity	Hedge designation date
Interest rate swap	Cash flow hedge	40,000	17/08/17	17/08/17	17/08/29	17/08/17
Interest rate swap	Cash flow hedge	10,000	17/08/17	17/08/17	17/08/27	17/08/17
Interest rate swap	Cash flow hedge	30,000	17/08/17	17/08/17	17/08/24	17/08/17
	TOTAL	80,000				

15. INFORMATION ON THE NATURE AND EXTENT OF OPERATING AND FINANCIAL RISK

The Group's activities are exposed to both operating and financial risks. The Group's global risk management programme is based on the uncertainty of financial markets and tries to minimise any potential negative effects on the Group's financial profitability.

15.1 Operating risks

a) Regulatory change risk

Since both ENAIRe and its Subsidiary Aena S.M.E., S.A. operate in highly regulated sectors, changes to or new regulations, as well as their possible interpretations, may adversely affect the Group's operating results and its financial position.

The aircraft navigation system is a highly regulated system, both nationally and internationally. Any changes to or new regulations, as well as their possible interpretations, may adversely affect the Parent Company's operating results and financial position (ENAIRe's financial activities are regulated by means of Regulation 390/2013 which lays down a performance assessment scheme for air navigation services, and Regulation 391/2013 which lays down a common charging scheme for air navigation services (note 5.1).

Significant and constant changes in the variables affecting the mechanism to determine the yearly unit rates, such as costs or macroeconomic factors in traffic or inflation, would significantly affect the determination of route charges which would impact net revenue and, consequently, the Group's profit and loss and cash position.

As for the Subsidiary Aena S.M.E., S.A., Act 18/2014 introduces the mechanism regulating the determination of airport charges for the first Documento de Regulacion Aeroportuaria [*Airport Regulation Document, DORA for its Spanish acronym*], which establishes the minimum service conditions that will prevail at the airports of the Aena network in the next five years, and provides a regulatory framework that is foreseeable in the medium term and that will allow to improve the efficiency and competitiveness levels for airport operations.

Annual passenger traffic increases in the network which are 10 percentage points higher than the initially expected growth percentage may result in amendments to the DORA.

Finally, the Group's activity is regulated by national and international standards on operating safety of persons or goods and the environment, which may limit activities or growth and/or require significant payments.

b) Operating risks

The Group's activity is directly related to the levels of passenger traffic and air operations in its airports, as well as traffic related to air navigation. Therefore, the aforementioned may be affected by the following factors:

- The economic evolution both in Spain and in the main countries of both origin and destination of the traffic (United Kingdom, Germany, France and Italy, among others).
- In this regard, after the United Kingdom's referendum in favour of leaving the European Union (Brexit), the risks listed below are considered. However, the final specifications are subject to the negotiation process between the British government and the European Union in order to establish the final conditions for leaving, as well as the legal developments that may be carried out by the United Kingdom and the European Union in the event of a no-deal:
  - At present, 16.7% of the passengers in Aena S.M.E., S.A.'s airport network in Spain travel to or from the United Kingdom.
  - From an operational point of view, the risk is focused on airlines, as agreements allowing the movement of aircraft between the European Union and the United Kingdom would be necessary. With regard to border control operations, the United Kingdom already had a specific treatment as it does not belong to the Schengen Agreement; consequently, there would be no further impact.
  - With regard to trade income, the depreciation of the pound sterling against the euro implies a loss of purchase power for British passengers, which could affect sales at trading companies in airports.
  - Luton's Airport activity may see a decrease as a result of restrictions on the free movement of persons or the economic evolution in the United Kingdom, based on the fact that a high percentage of passenger traffic is international.
  - Investment, expenses and operating difficulties caused by the reconfiguration of passenger flows in airports.

- It operates in a competitive environment, both regarding other airports and other means of transport that may affect its income.
- It faces risks derived from the concentration of airlines and depends on income from its two main airports.
- Income from commercial activities are related to the sales of the lessees of commercial spaces, which may be affected by the volume of passengers and by their greater or lower purchasing power.
- With regard to airport and air navigation operations, the Group depends on the services provided by third parties, which may affect its activity.
- Events such as terrorist attacks, wars or global epidemics may adversely affect international air traffic.
- Labour disputes may impact the Group's activities.
- The Group depends on information and communication technologies. Systems and infrastructures face certain risks.
- The Group is exposed to operation-related risks (operational and physical safety).
- The Group is exposed to the risk of a major aviation accident.
- Natural disasters and weather conditions may adversely affect business.
- Additionally, the Group's international activity is subject to risks associated with the development of operations in third countries and to the fact that income prospects may differ from those expected.
- The Group's profitability may be affected if it is not capable of maintaining its current efficiency levels.
- Changes in tax regulations may result in additional taxes or other losses regarding the Group's tax situation.
- The Group is and may continue to be exposed to a risk of loss in legal or administrative proceedings (Note 19).
- The Group may be affected by the low availability of trained resources.
- Problems related to cybersecurity and physical safety, as well as availability of systems.

The Group's management has implemented mechanisms aimed at identifying, measuring and covering risk situations. However, situations that may result in a relevant risk are closely monitored, as well as the relevant adopted measures.

15.2 Financial risks

a) Market risk

Exchange rate risk

The Group does not engage in significant trade transactions in a currency other than the euro on a regular basis.

The exchange rate risk is derived from the Group's minority investments abroad, the net assets of which are exposed to translation risk. Exchange rate risk regarding net assets in the Group's foreign operations is mainly managed by external resources denominated in the corresponding foreign currencies. In particular, regarding Luton Airport, since its operating charges and payments are made in pounds, there is a natural hedge of its business.

Cash flows and fair value interest rate risk

The Group's interest rate risk emerges from financial debt. Loans issued at variable rates expose the Group to cash flow interest rate risk, which is partially offset by the cash held at variable rates. Fixed interest rate loans expose the Group to fair value interest rate risks.

The Group's objective in terms of managing interest rates is to optimise finance expenses within the established risk limits, where the risk variables are the 3-month Euribor rate (used for non-current debt).

Additionally, finance expense risk value is calculated for the Multi-Annual Action Plan (MAAP) and rate evolution scenarios for the considered period are established.

Finance expenses are mainly due to financial debt with financial institutions.

Up to 13 December 2017, the Parent Company had contracted interest rate hedging operations, which were transferred to Aena S.M.E., SA.

In April, EIB variable rate loans corresponding to the Canary Airports Infrastructure and amounting to 56,940 thousand euros were renegotiated, decreasing the interest rate spread from 0.421 to 0.265.

In July 2018, debt with DEPFA, amounting to 175 million euros, was cancelled early. Over the year, the EIB fixed rate and variable rate debt amounting to a total of 63 million euros was cancelled (see note 14.2).

The group manages the cash flows interest rate risk by means of variable or fixed interest rate swaps.

Additionally, Aena S.M.E., S.A. has contracted interest rate hedge transactions to protect it from possible increases in the 3-month and 6-month Euribor rate. Consequently, on 10 June 2015, the Company contracted an interest rate hedge transaction of variable interest rate at a fixed rate for a notional amount of 4,195 million euros to hedge part of its exposure to said debt with the parent company ENAIRe. The average spread on the 3-month and the 6-month Euribor RATE regarding these loans is 1.0379%. The execution fixed rate was 1.9780%. The operation was aimed at having an interest rate stable environment for the 2017-2021 DORA period.

b) Credit risk

The Group's credit risk lies in cash and cash equivalents, derivative financial instruments and deposits in banks and other financial institutions, as well as exposure to credits from trade receivables and agreed transactions.

The Group does not expect any losses that have not been provisioned due to default by counterparties, and credit limits have not been exceeded during the reporting period.

The risk variable is the credit quality of the counterpart. Therefore, the Group's aim is to minimise their risk of default. The Group has its cash and cash equivalents with financial institutions that have a high credit rating.

Credit risk related to trading accounts has been reduced, given that the primary customers are airlines and payments are usually received in cash or in advance, and guarantees and deposits are obtained therefrom. Risk for trading customers with lease contracts in the different airports is managed by obtaining bank guarantees and deposits.

On 5 March 2011, Act 1/2011, of 4 March, amending Act 21/2003, of 7 July, on Air Safety, was published in the B.O.E. [*Spanish Official Gazette*], approving that, for the management, settlement and payment of all public charges of Aena S.M.E., S.A. or its subsidiaries, enforced recovery may be used to ensure effective payment, and which is managed by the collection bodies of Agencia Estatal de Administración Tributaria [*State Tax Administration Agency*].

No credit limits have been exceeded during the reporting period, therefore the Group does not expect any losses that have not been provisioned due to default by counterparties.

c) Treasury payment on account

The main risk variables are: restrictions in financial markets, increase in the projected investment and reduction in cash flow generation.

With the purpose of maintaining a sufficient level of liquidity to hedge a minimum of twelve months of financial needs, a long-term financing policy has been established, as well as the possibility of subscribing short- and medium-term liquidity facilities.

In order to be able to comply with all investment commitments and current debt, the Group, as of the closing of reporting period 2018, has cash amounting to 1,012 million euros, as well as 200 million euros in fixed term deposits maturing in less than 9 months, available for use at any time without any penalty, and their own operational cash flows.

Moreover, in the Council of Ministers' meeting of 11 July 2014, the State-Owned Entity "ENAIRe" was authorised to initiate proceedings to sell capital stock of Aena, S.M.E., S.A. and to dispose up to 49% of its capital.

Within this framework regarding the process of opening Aena S.M.E., S.A.'s stock capital to private investors, and in order to make the financing agreements (non-current and current financial debt) and hedge agreements signed with all the financial institutions compatible with this process, on 29 July 2014, the State-Owned Entity "ENAIRe", Aena S.M.E., S.A. and the corresponding financial institutions have agreed on a non-extinguishing modifying novation of the corresponding financing agreements.

The consolidated text of the new financing agreements replaces in full and for all purposes the original contracts and their novations in order to, among other modifications, eliminate any contractual restriction that could affect the privatisation process and incorporate Aena S.M.E., S.A. as a joint obligor alongside State-Owned Entity "ENAIRe" under the different financing contracts and make all adjustments to the aforementioned financing contracts that may be necessary for said purposes.

By means of these novations, the financial conditions of the transactions on the loans granted to the State-Owned Entity "ENAIRE" were not modified, and, therefore, those included in the mirror loans subscribed with Aena S.M.E., S.A. (among others: repayment, maturity dates, interest rate regime, amortisation terms, etc.) were not altered.

Thus, the Subsidiary Aena S.M.E., S.A. holds 800 million euros in a completely available syndicated line of credit with long-term maturities and 400 million euros of available financing (undrawn) corresponding to a loan with the EIB, with the drawdown end date being 1 December 2019.

In addition, the subsidiary subgroup LLAH III has 37 million pound sterling in undrawn lines of credit (2017: 66 million pound sterling).

Under these circumstances, the Group Directors deem that there will be no issue in complying with all payment commitments.

16. INVENTORIES

The balance for inventories is itemised as follows:

Inventories	Thousands of euros	
	2018	2017
Spare parts	7,594	7,528
Total	7,594	7,528

17. FOREIGN CURRENCY

Translation differences

Translation differences in line item "Adjustments for change in value" of net equity completely correspond to investee companies by the Subsidiary Aena Desarrollo Internacional. The breakdown by company is the following:

Description	Thousands of euros 2018	Thousands of euros 2017
AMP	(16,654)	(18,721)
AEROCALI	(1,368)	(1,155)
SACSA	(1,064)	(1,167)
ACSA	-	-
LUTON	-	-
Recognised minority shareholders companies based on the equity method	9,352	10,310
Total companies based on the equity method	(9,734)	(10,733)
Transfers to income statement	-	-
LUTON	(1,845)	(2,110)
Recognised minority shareholders subsidiaries	904	1,034
Total subsidiaries	(941)	(1,076)
Total	**(10,675)**	**(11,809)**

18. CAPITAL AND RESERVES WITHOUT VALUATION ADJUSTMENTS

a) Equity and assigned equity

The Parent Company, when constituted, was assigned certain buildings and installations for the purposes of providing airport management and air navigation services. The buildings and installations were mainly owned by the Ministry for Transportation, Tourism and Communications (currently known as the Ministry for Public Works and Transport), the Ministry for Defence, and the former autonomous entity "Aeropuertos Nacionales".

When 49% of the capital of subsidiary Aena S.M.E., S.A. went public by means of a public offering in February 2015, ENAIRe's share in Aena S.M.E., S.A. decreased from 100% to 51%.

Based on this reduction of ENAIRe's share in Aena, ENAIRe's Board of Directors agreed to reduce the Parent Company's equity for an amount of 1,274,425 thousand euros, corresponding to the cost value of 49% of Aena S.M.E., S.A.'s shares disposed of by the Parent Company by means of the public offering.

b) Reserves

The breakdown of reserves as of 31 December 2018 and 2017 is as follows:

	Thousands of euros 2018	Thousands of euros 2017
Reserves of the Parent Company	1,017,919	748,501
Legal and statutory reserve	517,542	517,542
Other reserves	500,377	297,011
Prior periods' profit and loss	-	(66,052)
Reserves in consolidated companies	1,110,498	980,299
Reserves in companies based on the equity method	20,463	18,871
	2,148,880	**1,747,671**

Statutory reserves have been provided pursuant to the Articles of Association of the State-Owned Entity, whose purpose is to finance infrastructure investments.

As stated in Note 4, as of 31 December 2018, the 98,000 thousand euros voluntary reserve for charge surplus is yet to be established, pending approval by the Board of Directors

c) Treasury payment on account

As established in article 57 of the Company's Articles of Association, when its annual annual accounts show a surplus, upon agreement of the Board of Directors and in accordance with the provisions of the Action, Investment and Financing Programme of the Public Entity, it is recognised in the financing of the Investment Plan and the reduction of its indebtedness. The remaining amounts, as the case may be, will be paid to the Public Treasury.

In line with this, on 27 April 2018, the Board of Directors approved the transfer to the Treasury of the amount received by the Parent Company as dividends distributed by Aena S.M.E., S.A., corresponding to reporting period 2017 and amounting to 497,237 thousand euros. This amount is considered as payment on account of this Company's profit corresponding to reporting period 2018, and was made on 16 May 2018.

The amount authorised by the Board of Directors arises from the 497,250 thousand euros received as holders of 51% of Aena S.M.E., S.A. shares, minus expenses charged to ENAIRe by Banco Sabadell as custody and administration expenses, which amounted to 13 thousand euros.

19. PROVISIONS AND CONTINGENCIES

19.1 Provisions

The breakdown of provisions is as follows:

Provisions	Labour commitments	Expropriations and default interest	Third-party liabilities	Environmental actions	Other provisions	Total
Opening balance 2018	209,650	15,081	22,172	56,647	63,012	366,562
Additions	16,540	434	13,090	28,031	33,958	92,053
Discount additions	1,323	-	-	-	-	1,323
Plan funds expected performance	8,775	-	-	-	-	8,775
Actuarial gains and losses	(7,482)	-	-	-	-	(7,482)
Translation differences	(209)	-	(1)	(14)	-	(224)
Plan contributions	(15,652)					(15,652)
Reversals / Surpluses	(141)	(2,142)	(10,321)	(6,387)	(12,002)	(30,993)
Applications	(18,216)	(122)	(3,243)	(6,317)	(44,473)	(72,371)
Closing balance 2018	194,588	13,251	21,697	71,960	40,495	341,991
Current balance	16,968	2,861	16,277	11,110	32,391	79,607
Non-current balance	177,620	10,390	5,420	60,850	8,104	262,384

a) Provisions for labour commitments

The breakdown in provisions for labour commitments is as follows:

Provisions for labour commitments	Awards and other labour	Special paid leave and active reserve	Benefits for controllers	Total
Opening balance 2018	64,222	144,589	839	209,650
Additions	2,728	13,578	234	16,540
Discount additions	1,323	-	-	1,323
Plan funds expected performance	8,775	-	-	8,775
Actuarial gains and losses	(7,482)	-	-	(7,482)
Translation differences	(209)	-	-	(209)
Plan contributions	(15,652)	-	-	(15,652)
Reversals / Surpluses	(59)	-	(82)	(141)
Applications	(1,510)	(16,706)	-	(18,216)
Closing balance 2018	52,136	141,461	991	194,588
Current balance	997	14,980	991	16,968
Non-current balance	51,139	126,481	-	177,620

Length of service awards

ENAIRE Group's (State-Owned Entity "ENAIRE" and Aena S.M.E., S.A.) collective bargaining agreement establishes length of service awards for services effectively rendered for over 25, 30 or more years. The Group makes a provision for the present value of the best possible estimation of its future obligations, based on actuarial calculations. The 2018 closing balance amounted to 13,434 thousand euros (12,490 thousand euros in 2017).

Defined contribution benefits for pension schemes

Employees at the ENAIRE Group who are not controllers are governed by the provisions of Grupo Aena's I Collective Bargaining Agreement, which establishes in article 149 that all employees who can justify that they have provided a recognised service in any of the companies in the AENA Group for a minimum of 360 calendar days may join the Joint Promotion Pension Scheme of the Aena Group Companies. The Pension Scheme covers the contingencies of retirement, disability (total permanent disability, absolute permanent disability and severe disability) and death.

Article 2 of Royal Decree-Law 20/2011, of 30 December, on urgent measures regarding budgeting, tax and financial matters to correct public deficit, established the prohibition to make contributions to labour-related pension schemes. Consequently, the Group has not made any contribution to the pension scheme since 1 January 2012. However, pursuant to LGPE 2018 [*General State Budget Act*], the Group has reached an agreement with the employees' representatives for a part of salary increases (0,30%) to be assigned to contributions to the Pension Scheme amounting to 611 thousand euros.

Luton defined benefit pension scheme

On 31 January 2017, London Luton Airport Operations Limited (LLAOL) closed the accrual of future benefits of its defined benefit pension scheme (London Luton Airport Pension Scheme or LLAPS) with the approval of the Company's employees and the Trustees. Since 1 February 2017 it has been substituted with a defined contribution scheme.

The defined contribution pension scheme is managed by an external company. The scheme's assets are held in individual saving funds separated from the Group's assets. The employees make contributions to the individual funds with up to a maximum of 6% of their base salary. Employees can decide on the amount they contribute as well as on how to invest it. The Group contributes in a proportion of 2:1, up to a maximum of 12% of the base salary. The costs for Group contributions to the defined contribution scheme in 2018 has been of 2,252 thousand euros (2017 : 2,247 thousand euros).

As of 31 December 2018, the present value of the obligations amounts to 163,898 thousand euros (177,459 thousand euros in 2017) and the reasonable value of the scheme's assets amounts to 126,671 thousand euros (126,979 thousand euros in 2017). In addition, 2,266 thousand euros have been recognised in the income statement (10,159 thousand euros in 2017).

Special paid leave and active reserve

Part of the air traffic controllers have special paid leave in accordance with the provisions of previous collective bargaining agreements. If they comply with certain criteria, they are entitled to receiving their base salary updated on a yearly basis up until retirement age.

Subsequently to the arbitration award of 27 February 2011 and the approval of a new collective bargaining agreement, the special paid leave system was replaced with the active reserve system. Requirements are more restricted for employees who wish to benefit from this system. Additionally, benefits are reduced to 75% of the regular fixed salary over the last twelve months, excluding the personal fixed adaptation bonus.The maximum amount to be received cannot exceed twice the upper annual limit of public pensions established by the General State Budget Act for each reporting period.

Pursuant to available actuarial surveys, as of 31 December 2018, liabilities accrued by the group part of special paid leave and active reserve regimes amounts to 32,807 thousand euros.

In this sense, the Group has estimated the percentage of active employees that will voluntarily benefit from the active reserve system. Based on this information and according to the calculations of the actuarial survey, the actuarial liability accrued as of 31 December 2018 amounts to 108,654 thousand euros.

As of 31 December 2018, there is a recognised non-current provision for this concept amounting to 126,481 thousand euros and a current provision amounting to 14,980 thousand euros.

Compensation for air traffic controllers

The collective bargaining agreement for air traffic controllers establishes a guaranteed compensation for active controllers with a seniority prior to 5 February 2010 with an average gross salary amounting to 200 thousand euros and a salary at least equal to that received in 2010 for non-active air traffic controllers, which, in total, amounted to a maximum total payroll of 480 million euros for reporting period 2010. The same criteria establish the total payroll corresponding to each reporting period in which such collective bargaining agreement is valid.

In addition to the amounts indicated previously and in order to calculate the annual payroll, new additions of controllers must be taken into consideration for each reporting period.

The difference between reaching the maximum guaranteed total payroll for each year, with respect to the total payroll actually paid, will be translated into a productivity bonus.

The Group considers that the estimation of the total payroll is correct. However, some claims with regard to the applied criteria have been made, estimated in 0.99 million euros as of 31 December 2018 and have been classified as current.

Until 2016, this line item included non-current provisions provided for an amount of 84.7 million euros in order to face any possible claims by the Unión Sindical de Controladores Aéreos [*Air Traffic Control Trade Union*] based on the different criteria used to estimate the total payroll for reporting periods 2011 to 2016. In 2017, this provision was revised according to judgement 165/2017 of the National Court (Audiencia Nacional), which dismisses the claim submitted by Unión Sindical de Controladores Aéreos [*Air Trafffic Controllers Trade Union*] on the productivity bonus regulated under article 142 of the collective bargaining agreement. However, the trade union appealed such judgement by means of an appeal of cassation, which, as of the closing of the reporting period, has not yet been resolved The Group understands that the risk that the Supreme Court could amend the judgement, although it does not believe it will be likely (based on the contents of judgement 165/2017 of the National Court). For this reason, the Group categorises it as a contingent liability (see note 19.2).

b) Provisions expropriations and default interest

The provision for expropriations and default interest includes the best estimation of the amount corresponding to the difference between the fair market price paid in the expropriations of land purchased for airport enlargements and the estimations of the prices that the subsidiary Aena S.M.E., S.A. would have to pay, considering it to be possible for certain pending legal claims concerning some fair market prices paid with a judgement in favour of the claimants. In terms of the estimated amount of the differences in fair market prices, the Subsidiary Aena S.M.E., S.A. has taken into account the default interest, using the legal interest rate in force each year.

As of 31 December 2018, there are provisions that are mainly related to legal proceedings with regard to land expropriations of Adolfo Suárez Madrid-Barajas Airport. Among these proceedings, it is worth highlighting, in particular, various judgements related to expropriation processes carried out in relation the expanding the Adolfo Suárez Madrid-Barajas Airport, as well as the risk involved in cancelling the demarcation of the Public Water Domain in force, which entitles former land owners included in the demarcation to claim payment for the area then purchased at zero cost. These judgements and risks have given rise to a provision amounting to 6,518 thousand euros as of 31 December 2018, of which 4,276 thousand euros corresponded to differences in the fair market price, offset by a higher value of the lands, and 2,246 thousand euros at accrued default interest as of 31 December 2018, offset by default interest expenses for expropriations (31 December 2017: 6,390 thousand euros, of which 4,276 thousand euros corresponded to differences in the fair market price, offset by a higher value of the lands, and 2,113 thousand euros at accrued default interest as of 31 December 2018, offset by default interest expenses for expropriations).

Additional provisions have been made for 6.7 million euros (31 December 2017: 8.7 million euros), corresponding to other contested matters in other airports within the network.

The indicated reversals in the provision movement for reporting periods 2018 and 2017 are a consequence of the favourable judgements of several contested matters of which, based on our experience in similar cases, it was considered that they would be ruled against the Group's interest.

Interest expenses for expropriations as of 31 December 2018, once the aforementioned reversals were taken into account, have amounted to 310 thousand euros (31 December 2017: favourable effect of 4,594 thousand euros).

c) Provisions for third-party liabilities

This line item mainly includes provisions made based on the Subsidiary Aena S.M.E., S.A.'s best estimates to cover the risks related to pending litigations, claims and commitments known as of closing date of the reporting period, for which an outflow of resources is expected in the medium-long term. As of 31 December 2018 and 2017, the balances of the provision mainly corresponded to claims made by contractors, airline companies and employment claims.

During 2018, allocations made by the Group, for a total amount of 13,090 thousand euros, corresponded to employment claims (3,271 thousand euros), several claims from lessees regarding premises and lands (1,014 thousand euros), claims from building contractors and other risks (8,805 thousand euros). During 2017, allocations made by the Group, for a total amount of 7,308 thousand euros mainly corresponded to employment claims (2,184 thousand euros), several claims from lessees regarding premises and lands (872 thousand euros) and claims from building contractors (956 thousand euros).

During the same reporting period 2018, reversals amounting to 10,319 thousand euros (2017: 15,974 thousand euros) mainly correspond to judgements in favour of the Group for proceedings with construction companies for an amount of 5,047 thousand euros (2017: 10,603 thousand euros) for which it is estimated that no unfavourable economic consequence will arise. Thus, the decision has been adopted to reverse said amount credited to the asset value against which the provisions were made at the time. The remaining reversals, for an amount of 5,272 thousand euros (2017: 5,371 thousand euros) have been credited to the income statement, mainly in line item "Excess provisions" or decreasing personnel expenses because of several favourable judgements on employment matters. In particular, with regard to the provision made at the time for unfavourable judgements on claims made by airline companies, which amounted to 4,111 thousand euros, against applicable charges since 1 July 2012 whose impact could not be made regarding final passengers, 1,380 thousand euros have been reversed, given that some of the companies finally submitted undue income reimbursement requests (subject to the requirements of the judgement) for a lower amount than what was initially provisioned. During reporting period 2018, 1,169 thousand euros have been paid for this line item.

The Group does not believe the third-party liabilities in progress will give rise to additional liabilities that will significantly affect these annual accounts.

d) Provisions for environmental actions

Provisions are recognised in this line item for 70,107 thousand euros (31 December 2017: 54,793 thousand euros) with regard to the foreseen obligations to carry out sound insulation works in residential areas to comply with current legislation on noise generated by airport infrastructures.

In addition, up to a total of 71,961 thousand euros is recognised (2017: 56,647 thousand euros) as an environment provision of 1,854 thousand euros (2017: 1,854 thousand euros) with regard to additional measures envisaged in Decision of 9 April 2015, of the Secretary of State for Environmental Matters, amending Condition 9 of the Statement of Environmental Impact of Adolfo Suárez Madrid-Barajas Airport of 30 November 2001, which foresees actions in the gravel bed of Arganda, biological corridors and the Jarama river.

The increase in provisions for environmental actions in reporting period 2018 has been due to the approval of acoustic requirements at several airports within the Spanish network. This has led to an additional allowance of 28 million euros, whose offsetting is contained within "Property, plant and equipment".

The reversal during 2018 for an amount of 6,386 thousand euros is mainly due to a decrease in the average estimated cost for isolation per dwelling: the average costs amount to 8,956 euros/dwelling (except for the case of Adolfo Suárez Madrid-Barajas Airport, for which a cost has been estimated at 16,743 euros due to the type of dwellings and buildings pending isolation in this airport; and for another three airports, whose average estimated cost is of 5,567 euros/dwelling). An average unit cost of 9,111 euros was used in the 2017 annual accounts (except for Adolfo Suárez Madrid-Barajas Airport, for which a cost of 16,795 was estimated due to the type of dwellings and buildings pending isolation in this airport). This reversal has been made against the asset value against which the provisions were made at the time.

The reversal during 2017 for an amount of 19,896 thousand euros was mainly due to downward revisions of the estimation of dwellings to be isolated, as well as a decrease in the average estimated cost for isolation per dwelling amounting to 9,111 euros (except for the case of Adolfo Suárez Madrid-Barajas Airport, for which a cost has been estimated at 16,795 euros due to the type of dwellings and buildings pending isolation in this airport) against the 9,451 euros used in the 2016 annual accounts. This reversal has been made against the asset value against which the provisions were made at the time.

The regulations for environmental assessment (currently Act 21/2013) demands that certain AENA S.M.E., S.A. projects be subject to an environmental impact assessment (in particular, runway expansions over 2,100 metres) and ends with the wording by the [*Spanish*] Ministry for the Ecological Transition of the relevant environmental impact statements, which include the obligation to draft and deliver an Acoustic Isolation Plan.

In terms of noise, Act 5/2010, of 17 March, amending Act 48/1960, of 21 July, on air navigation, requires for action plans to be approved that include the corresponding correction measures, whenever acoustic requirements are established that allow to exceed the acoustic quality goals outside the buildings, overflights, frequency and associated environmental impacts for airports exceeding 50,000 operations/year.

The Group recognises the relevant provisions at the time when the obligation arises to isolate dwellings, that is, either at the time when a new acoustic footprint is approved that is relevant in terms of acoustic isolation, a requirement or its action plan (by means of a Royal Decree), or by means of approving a new environment impact statement as a consequence of the environmental assessment for projects that require so. These regulations are the ones that are taken into consideration when making provisions, regardless of whether the isolation actions on affected buildings are executed afterwards, which leads to a temporary difference between the provision and the execution of the works. The Group's directors do not foresee any significant additional liabilities or contingencies for this line item.

e) Other provisions

The following line items are included within Other provisions:

Tax provisions

This line item mainly includes provisions recognised with regard to appeals filed by the Group by way of disagreement with the settlements received by the Tax Administration for certain local taxes related to the Group's assets and that are pending resolution and whose expected result is a probable cash outflow. The definite amount and the definite settlement date are yet uncertain as of the date of preparation of these consolidated financial statements. The land occupation fee for lands in the city council of Begues (Barcelona) for 1,741 thousand euros (1,506 thousand euros in 2017) is highlighted.

Other operating provisions

This line item includes provisions for allowances applicable to airport public charges for landing and passenger departure accrued by airline companies operating on certain days of the week at the Canary Island Airports.

On the other hand, it is established in Documento de Regulacion Aeroportuaria 2017-2022 [*Airport Regulation Document, DORA for its Spanish acronym*] that Aena S.M.E., S.A. could establish a bonus scheme, in accordance with Act 18/2014, that have a positive effect on demand and fosters, inter alia, new routes or enhancing existing ones.

As of 31 December 2018, the estimated amount is of 27,382 thousand euros (31 December 2017: 49,071 thousand euros).

19.2 Contingencies

19.2.1. Contingent liabilities

As of the closing of reporting periods 2018 and 2017, the Group has pending claims and legal controversies against it, during the normal course of business and as a natural consequence thereof. They are considered possible liabilities for which it is unlikely for an outflow of resources to occur or for which the liability amount cannot be reasonably estimated.

Productivity bonus (reduction of working hours for legal guardianship)

As of 31 December 2016, ENAIRe had a provision for 84.7 million euros to cover possible claims by the Unión Sindical de Controladores Aéreos [*Air Traffic Controller Trade Union*] on the basis of the different criteria used to calculate the total payroll from reporting periods 2011 to 2016. The provision was reversed following judgement 165/2017 of 20/11/2017 by the Social Chamber of the Spanish National Court of Madrid rejecting the criterion of the trade union in favour of that applied by ENAIRe. Notwithstanding, an appeal of cassation was filed by the trade union that is pending resolution before the Supreme Court and therefore, there is a risk that the judgement could be modified. Thus, the Group classifies this as a contingent liability amounting to 121 million euros as of 31 December 2018.

Charge surplus

As explained in note 5.l, the State-Owned Entity ENAIRe, air navigation service provider, has its main source of income proceeding from en route air navigation charges.

The charges applied for each year are calculated based on yearly costs and traffic established in the Performance Plan.

Each year the charges are calculated considering, among others, the amount of variances in financial variables and air traffic variables with respect to the forecasts considered in the previous period of reference.

With regard to variances between actual and planned costs, said variances are taken on by service providers, whilst variances between actual and planned traffic are shared by service providers and users, so that a significant part of the lower or higher revenues from charges in one year, due to traffic differences, will be considered in the calculation of charges in subsequent years.

Actual traffic is much higher than the forecasts in the current Performance Plan. In reporting period 2018, a 20% increase in traffic was recognised with respect to the estimations made to calculate charges. For this reason, at the closing of reporting period 2018, there is an obligation to decrease the calculation basis for future charges (surplus).

This surplus does not qualify as a liability under the definition of such within the MCC [*Conceptual Framework for Accounting*] of the PGC07 [*General Accounting Plan*] (in accordance with the report received from the Oficina Nacional de Contabilidad de la Intervención General de la Administración del Estado [*Spanish National Accounting Office of the General Intervention Board of the State Administration*], upon consultation by ENAIRe) and therefore, it has not been registered in the Group's balance sheet. However, if circumstances were to change, it could eventually be classified as a liability. The amount of this contingent liability amounts to 131 million euros (note 5.l).

Environmental actions

As described in line item "Provisions for environmental actions", as a result of the actions necessary to comply with the environmental regulation related to the different expansion and improvement works within the airport network, the Subsidiary Aena S.M.E., S.A. must make a series of investments required to minimise noise impact on dwellings affected by said works. As of the closing of reporting periods 2018 and 2017, the Subsidiary Aena S.M.E., S.A. had several claims pending that, if resolved unfavourably, could give rise to liabilities that cannot be quantified as of the closing of said reporting periods.

As a consequence of overflights by airplanes over Ciudad Santo Domingo (Algete, Madrid), some neighbours in the area considered their fundamental rights had been violated due to the excessive noise level in their dwellings. The neighbours filed an administrative appeal against Aena, ENAIRe and the Ministry for Public Works and Transport requesting for the alleged violation of their rights to stop, which for them would mean to stop using the 18R runway (one of the four runways used by the Adolfo Suárez Madrid-Barajas Airport). No court has ruled in favour of this measure. On 31 January 2006, the High Court of Justice (Tribunal Superior de Justicia) of Madrid issued a judgement dismissing said administrative appeal. An appeal of cassation was filed by five initial complainants. The Supreme Court (Tribunal Supremo) partially admitted the appeal, by virtue of the Judgement of 13 October 2008, on the grounds of a breach of the right to privacy in one's home. Subsequently, several decisions and interlocutory applications for enforcement occurred that were appealed by all appearing parties in the proceedings.

Within the context of a third interlocutory application for enforcement, the High Court of Justice of Madrid issued a court order dated 2 December 2014 that was served to ENAIRe and Aena on 5 December 2014 by virtue of which the Court (i) declared the judgement issued by the Supreme Court of 13 October 2008 as not enforced, since the breach of the fundamental rights due to the intensity caused by overflights remained; and (ii) ordered a reduction, by way of enforcement of the judgement, in the number of overflights over Ciudad

Santo Domingo by 30%, calculated based on the number of existing overflights in 2004, which amounted to 20,730 approaching operations of the 18R runway.

Court Order of 2 December 2014 was appealed for review before the same chamber of the High Court of Justice of Madrid and subsequently an appeal for cassation was filed before the Supreme Court, requesting cancellation of the enforcement thereof, without the need to reduce the number of overflights over Ciudad Santo Domingo until they were 30% less than those existing in 2004.

Finally, the Supreme Court issued a judgement on 3 April 2017 revoking the Court Order of 18 December 2014 which cancelled the 30% reduction, although it did not declare the Judgement of 13 October 2008 as enforced as it lacked sufficient evidence to assess the effective enforcement or lack of of said Judgement.

In accordance with the content in the judgement by the Supreme Court of 3 April 2017, no material consequences have arisen for Aena as the current situation continues. Thus, the judgement of the Supreme Court:

"Does not imply any obligation for the Administration or for Aena (e.g. re-routing, overflight reduction, etc.) and the current operating capability of the airport is preserved".

In addition, the legal grounds in the judgement by the Supreme Court provide that no legal decisions may be adopted that may limit the operational capacity of the airport. This reduction may only be applied by the competent Administration in accordance with the provisions in Regulation (EU) No 598/2014, of 16 April ("Regulation 598/2014").

After the ruling in said judgement, the High Court of Madrid must proceed with the enforcement. Thus, the Court requested information that has been conveyed by the Technical Secretariat General of the Ministry for Public Works and Transport:

That the bodies responsible for the enforcement of the judgement are Aena, ENAIRE and the Directorate General for Civil Aviation as the body appointed by the Ministry for Public Works and Transports.

On 31 July 2017, the State Attorney submitted the technical report to the Court that had been drafted by Aena, ENAIRE and the Directorate General for Civil Aviation where the way in which the legal ruling was going to be enforced was explained. Additionally, the State's Attorney requested an extension of the enforcement period provided for in article 104.2 of the Act on Administrative Jurisdiction (LJCA) for the purposes of adjusting it to the terms provided in the report.

The report indicated that the Judgement issued on 3 April 2017 by the Supreme Court requests the noise level outside and inside the dwellings to be verified in accordance with the methodology referred to in Regulation (EU) 598/2014. Consequently, the actions that have been carried out are the following:

Verification of the indoor and outdoor noise level for years 2016 and 2004 so that a comparison can be established.

Verification of the noise level inside the dwellings through a formula established in the technical regulation UNE EN 12354-3:2001 building acoustics. Estimation of the acoustic features of the buildings based on the features of their components. Part 3: Airborne noise insulation against outdoor noise.

The period foreseen to finalise such verifications and submit the results to the High Court of Justice was late November 2017, provided it was possible to access the dwellings whose noise level must be verified on the dates calculated to that end.

On of 4 September 2017, a Court Order by the High Court of Justice of Madrid issued on 1 September was received by way of answer to the request made by the State Attorney granting a 1-month extension of the enforcement term with regard to the term provided in article 104.2 of the Act on Administrative Jurisdiction (LJCA), indicating that it would be the reporting judge who would be in charge of issuing a ruling on the content of the report submitted.

The extension expired on 4 October 2017 and therefore, before expiration thereof, the State Attorney requested a new extension of the term informing the High Court of Justice of the status of the enforcement and the actions already performed. The High Court Justice responded to the request and issued a new court order dated 17 October 2017 extending the enforcement term again for one month.

The extension expired on 23 November 2017, when the actions had not yet been completed on the neighbours' dwellings. Therefore, the State Attorney once again requested a new extension of the term. Further to this request, the High Court of Justice issued a court order dated 22 December 2017 granting a new extension of two months in order to complete the enforcement. Thus, the term to complete the actions expired on 22 February 2018.

On 6 March 2018, a court order issued by the High Court of Justice was received requesting the State Attorney to inform the Chamber within a period of five days on "whether it was essential to enter the dwelling of one of the neighbours for the pending technical assessment on noise that was necessary in order to enforce the judgement, taking into account the many difficulties that were being encountered in order to accomplish the measurement therein" The request was made although all the actions to be performed had already been completed, except for the noise level assessment inside the aforementioned neighbour's dwelling where, to date, permission had not been granted by the occupant (the lessee) to access said dwelling.

In their writ of 15 March, attaching the reports drafted for such purposes, the State Attorney requested for the High Court of Justice to rule that entry to the aforementioned neighbour's dwelling was not necessary in order to consider the judgement as enforced, adding that, in any event, the liable parties (Ministry for Public Works and Transport, ENAIRe and Aena) would undertake as many actions as deemed necessary by the Chamber in order to complete the enforcement. By Court Order dated 22 March 2018, a term of one month was granted for the parties and for the Public Prosecution Service to submit pleadings with regard to the documentation submitted by the State Attorney regarding all actions carried out and reports drafted to date in order to comply with the ruling by the Supreme Court.

Due to several requests by the parties, the term to submit pleadings was extended and terminated on 15 June 2018, after which, the High Court of Justice of Madrid issued a Court Order on 30 July 2018 ruling as follows:

- To dismiss the allegation of lack of capacity by one neighbour.
- To declare the judgement by the Supreme Court dated 14 October 2008 as enforced.

Subsequently, several residents of Ciudad Santo Domingo filed an appeal for review against the Court Order by the High Court of Justice of 30 July 2018 against which Aena filed a challenge writ on 14 September 2018.

By means of Court Order dated 21 December 2018, the High Court of Justice dismissed the appeal for review against which an appeal of cassation could be filed. On 1 February 2018, the neighbours announced an appeal of cassation had been filed against the Court Orders dated 30 July 2018 and 21 December 2018. At this point, the High Court of Justice must reach a decision on the admission of the appeal and subpoena Aena to appear before the Supreme Court.

Ministry for Defence

The Ministry for Defence has called for section 6 to be fulfilled of the Framework Agreement between the Ministry for Defence and the Ministry for Public Works and Transport on the transfer of airport premises for allocation thereof to the Subsidiary Aena S.M.E., S.A. on 28 June 1998 and, consequently, to obtain payment of the budgetary compensation agreed by the State Council in their decision of 8 October 1998. With regard to the effective risk said claim could involve, it is difficult to assess due to the fact the aforementioned report by the State council, in their SECOND conclusion, claims that economic compensation for the transfer will only occur in the event that the facility has been used for military purposes. Consequently, if said facility was used for civil aviation, despite being located within a military facility, an indemnity in favour of the Ministry for Defence would not apply. As of the date of preparing these accounts, there is only one claim with regard to the Airport of Son Bonet, although other installations could be included. It can be construed from the investigation that the Son Bonet airfield was never used for military purposes. The report by the State Attorney requested to that end has not been conclusive, but given that no military usage has been proved to us, an answer has been submitted to the Ministry along the following lines:

"No reference to military use of the facility has been found; quite to the contrary, all references talk about Son San Joan as the military airfield of the island.

Therefore, and in accordance with the decision by the State Council of 8 October 1998, said budgetary compensation does not apply."

There has been no answer to the writ with dispatch date 21 January 2019.

Regarding the amount that may apply if payment was finally applicable, this would be determined by a joint committee composed of representatives of [*the Ministry for*] Defence and Aena. It would be created at the time when it is irrevocably established that an obligation exists by Aena to compensate the Ministry for Defence.

Expropriations

In addition, the Subsidiary Aena S.M.E., S.A. is currently involved in several lawsuits for claims regarding expropriations that could not be quantified as of the closing of reporting periods 2018 and 2017 as they were pending a legal decision and could give rise to additional cash outflows under the expropriations line item. However, the directors do not deem it likely that a decision will be issued contrary to the Group's interests.

Trade activities

As of the closing of reporting periods 2017 and 2018, the Group has legal disputes over leases in airports of the Aena network that are either pending a final judgement or are still being processed. The Group does not consider that economic consequences may arise from said claims.

Claims by construction companies:

In addition to the aforementioned, as of the closing of reporting periods 2018 and 2017, there are claims filed by several construction companies against the subsidiary Aena S.M.E., S.A. arising from the execution of several contracts for works carried out within the network of airports. The Group does not deem it likely for economic consequences to arise as a consequence of said claims.

Charges claims by airline companies

After the increase in Public Charges established by the General State Budget Act for 2012, airline companies challenged the settlements before the Central Economic Administrative Court (Tribunal Económico Administrativo Central, TEAC).

Airline companies operating in Spain extended their claim against the State before the European Commission, denouncing irregularities within the system established by Spanish legislation to update the charges to be collected by the Subsidiary Aena S.M.E., S.A. for reporting period 2012. The aviation sector requested the community body to intervene regarding the price increase in 2012. After the increase of 2013, they also demanded for an independent aviation supervising body to be created. During reporting period 2013, the [*Spanish*] National Commission for Markets and Competition (Comisión Nacional de los Mercados y la Competencia, CNMC) was created as an independent body. Until its implementation in October 2013, it was the Railway and Airport Regulation Committee (Comité de Regulación Ferroviaria y Aeroportuaria, CRFA) who supervised the 2014 charges proposal, acting in an unbiased and transparent manner throughout the reporting period. The consultation process for the 2014 charges proposal ended with a multi-year agreement on charges for the 2014-2018 period. Upon agreement with the airline companies, the latter have suggested for the claims to be withdrawn by their associates. To date, nearly all the companies have withdrawn their claims. In addition:

The Central Economic Administrative Tribunal (Tribunal Económico Administrativo Central, TEAC) settled the economic-administrative claims filed by several companies by dismissing said claims and confirming the payments issued by the Subsidiary AENA S.M.E., S.A.

In 2015, several airline companies filed administrative appeals before the National Court against the dismissing rulings on the Economic Administrative Appeals filed by said companies before the Central Economic Administrative Tribunal.

The National Court has settled the majority of administrative appeals by virtue of judgements deeming that the increase in charges contained in Act 2/2012 infringes article 6 of Directive 2009/12/EC, of 11 March, due to the fact that a consultation period was not previously established or it was not published two months in advance. Upon this basis, and considering that article 6 acknowledges rights for users in a clear and direct way, and subject to the principle of primacy of European Union law, the National Court concluded that the increase in charges in accordance with Act 2/2012 did not apply and, consequently, cancelled the payments made through the application thereof. The aforementioned judgements by the National Court specify that this cannot entail a request of reimbursement of the difference in income due with regard to those indicated as paid without first resorting to the proceedings of reimbursement of undue income. In said proceeding, the claimant must provide evidence of the settlement and the determination of the settlement applied upon prior confirmation that the amount was not accrued to passengers within the period analysed, as provided in article 77, paragraph 2 of Act 21/03 on Air Safety. These unfavourable judgements have given rise to a provision for third-party liabilities of 4,111 thousand euros (see paragraph on provisions for third-party liabilities in Note 19.1).

The Group does not consider that any additional economic consequences may arise against the group.

Other claims by airline companies

The Group is involved in several claims and disputes regarding individual incidents that have caused faults in aircraft at airports in the network. As of 31 December 2018, the Group considers that these would not be significant.

19.2.2. Contingent assets

Deficit in charges

In September 2012, the Directorate General for Civil Aviation monitored the proposal to update and modify charges submitted by Aena S.M.E., S.A. for reporting period 2013.

The monitoring of the charges proposal by Aena for 2013 applied, for the first time, the new regulatory framework arising 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, said framework mainly contains Act 21/2003, of 7 July, on Air Safety (Act 21/2003), in the wording given by (i) Act 1/2011 of 4 March establishing the National Safety Programme for Civil Aviation and modifying Act 21/2003 of 7 July on Air Safety and (ii) Royal Decree-Act 20/2012 of 13 July on measures to guarantee budget stability and to foster competitiveness, whose aim is to incorporate Directive 2009/12/EC into the Spanish legal system. On an institutional level, incorporating Directive 2009/12/EC required a regulating body with monitoring functions to be created within the scope of establishing and updating airport charges. Thus, the Commission of Airport Economic Regulation (Comisión de Regulación Económica Aeroportuaria) was created by virtue of Royal Decree-Act 11/2011, of 26 August, creating the Commission of Airport Economic Regulation, and the National Commission for Markets and Competition (Comisión Nacional de los Mercados y la Competencia, CNMC) in accordance with Act 3/2013, of 4 June, creating the National Commission for Markets and Competition. However, Act 18/2014, of 15 October, on the approval of urgent measures for growth, competitiveness and efficiency (Act 14/2008), introduces important amendments to the charging system of basic airport services. Act 14/2018 provides for airport charges to be included within the Documento de Regulacion Aeroportuaria [*Airport Regulation Document, DORA for its Spanish acronym*] to be approved every five years by the Council of Ministers. Nonetheless, with regard to charges for 2016, a transitional regime was applied that was in force prior to the approval of the first DORA, in accordance with transitional provisions four, five, six and seven of Act 18/2014.

In accordance with this regulatory framework, Aena S.M.E., S.A.'s income arising from the provision of basic airport services are considered as public charges. Consequently, they must be established, updated and amended by virtue of a regulation equal to an act. In addition, updating and amending the majority of these charges is subject, primarily, to a transparency and consultation procedure with the airline associations and organisations and, secondly, to a monitoring procedure by the monitoring authority. Subject to Act 1/2011, updating public charges for basic airport services is subject to a dual till model, which enforces a distribution model of the associated costs for each activity performed by Aena, making a distinction between regulated activities (basic airport services) and other airport management activities.

According to the Monitoring Report on the charges modification proposal by Aena S.M.E., S.A. for 2014, issued by the Railway and Airport Regulation Committee, which is nowadays part of the National Commission for Markets and Competition, on 12 September 2013, the deficit in charges for 2013 was established at 298 million euros (corresponding to that approved by the Directorate General for Civil Aviation adjusted to the actual consumer price index), which, capitalised at 7.04% in order to obtain the value as of 31 December 2014, amount to 318.98 million euros. The deficit in charges declared by the National Commission for Markets and Competition for 2013 in the Decision approving the charges modification proposal by Aena for 2015 and establishing measures for future consultation procedures amounts to 179.33 million euros.

However, the Railway and Airport Regulation Committee, in the aforementioned Monitoring Report on Aena's charges modification proposal for 2014, verified that the modification for charges in 2014 entails an adjustment for the 2014 deficit of 286,790 thousand euros. The report also established that, in the event that, once the consumer price index for October 2013 was published, it was decided that the increase applied to the charges was lower than 2.5%, and the deficit value for 2014 had to be updated, reaching a final amount of 312,000 thousand euros.

The Agreement by the National Commission for Markets and Competition of 23 April 2015 (Agreement of 23 April) regarding the 2016 charges establishes that the accounting that should be used as a basis to update the 2016 fees should reflect the "costs derived from trade income generated by a higher traffic volume" in a way other than the way applied in the prior reporting period. Subject to the Agreement of 23 April, said consequence would result from the fact that part of the costs in airport terminals, and that had been accounted for as regulated airport activity costs, would benefit trade activities and should be considered as costs thereof. As a consequence of the gradual application of the dual till criterion, the reassignment of the regulated activities costs to trade activities supported by the challenged Agreement corresponds to 40% of 69.8 million euros, that is, a variation of 27.9 million euros. On 13 May 2015, Aena filed an administrative appeal against the Agreement of 23 April, giving rise to Ordinary Proceeding 318/2015 (Appeal 318/2015). The appeal was declared inadmissible by the National Court in their Court Order of 29 July (confirmed by Court Order by the National Court of 10 November 2015) for considering that said administrative action could not be subject to challenge. An appeal of cassation was filed by Aena against said Court Orders before the Supreme Court (Appeal of Cassation 4009/2015). The Supreme Court, in Judgement no.1082/2017, of 19 June, admitted the Appeal of Cassation 4009/2015, and declared Appeal 318/2015 admissible.

The ruling of the Judgement by the Supreme Court expressly states in paragraph two that: "The decision is reached to admit administrative appeal no. 318/2015 filed by the company Aena Aeropuertos S.A.U. against the agreement by the National Commission for Markets and Competition, Regulatory Monitoring Chamber, of 23 April 2015, adopting criteria to separate the costs of airport and trade activities of Aena airports, with Section Eight of the Chamber for Administrative Proceedings of the National Court being responsible for pursuing the processing of said appeal."

Consequently, Aena requested for the proceedings to be continued, for a copy of the administrative file to be delivered and for Aena to be subpoenaed to file a claim.

Appeal 318/2015

On 12 June 2018, Aena filed a claim against the agreement of 23 April 2015. During October and November 2018, the State Attorney and the user companies and airline companies filed an answer to the claim.

By virtue of a Court Order of 14 December 2018, the National Court agreed having received the evidentiary stage for the proceedings and established 17 January 2018 as the date of ratification for the expert report.

On 4 January 2019, Aena requested for the expert's ratification to be substituted with the extension of the effects of the evidentiary proceedings carried out in appeal no. 355/2015, taking into account the identity of the subject matter of both proceedings, as well as the fact that no questions were made by the other party.

The National Court accepted said request through court order of 11 January 2019 declaring the subpoena null and void. Furthermore, notification was served to all appearing parties for them to file as many pleadings as entitled by law regarding the addition of evidentiary documents to this proceeding of the recording of the act of expert testimony ratification taken in proceeding 355/15. The aforementioned pleading period ended on 18 January 2019 without the National Court having issued any ruling to the date of this report or on any of the actions undertaken.

Appeal 355/2015

On 23 July 2015, the National Commission for Markets and Competition issued a Decision approving the charges modification proposal by Aena for 2016 and established measures that needed to be adopted for future consultation proceedings. This Decision includes the criteria established in the Agreement of 23 April for the purposes of the charges review proposal that has been submitted to approval by General State Budget Act of 2016. The group filed an administrative appeal before the National Court against this Decision (Appeal 355/2015). Proceedings of Appeal 355/2015 were cancelled until a decision was reached on the aforementioned Appeal of Cassation 4009/2015. Finally, the National Court, by virtue of a Court Order of 12 December 2017, reached the decision to subpoena Aena to file the relevant claim.

On 28 February 2018, Aena filed a claim against the Appeal of 23 July 2015. During May and June 2018, the State Attorney, the user companies and airline companies filed an answer to the claim.

The expert ratification occurred on 26 July 2018, after which, by virtue of an Order Proceeding, the decision was reached to terminate the evidentiary process and to initiate the conclusion-drawing phase. Both parties filed their conclusions during September and October.

By virtue of a court order of 16 November 2018, the National Court indicated that 16 January 2019 would be the date for voting and the decision, but said date was suspended by the Order Proceeding of 13 December 2019 without an alternative date being indicated.

The Subsidiary Aena S.M.E., S.A. considers that this type of asset does not comply with the requirements to be recognised in the balance sheet inasmuch as it is an asset that depends on future facts.

Restatement of tax assets

In reporting period 2017, by way of applying the Decision by the Instituto de Contabilidad y Auditoria de Cuentas [*Institute for Accounting and Account Auditing, ICAC, by its Spanish acronym*] of 9 February 2016, which sets the standards for recognising, measuring and preparing annual accounts with regard to recognising income tax, upon completion of tax planning, based on the expected income for 2018-2027 in accordance with the scenario of a significant charges reduction, the Parent Company estimated that, as of 31 December 2017, recovery of deferred tax assets would amount to 20,167 thousand euros for tax loss carryforwards and 19,167 thousand euros for temporary differences.

Therefore, in reporting period 2017 such assets were reduced by 50,104 thousand euros and 36,037 thousand euros, respectively (Note 20.5).

In reporting period 2018, tax planning for the 2019-2028 period was carried out, updating the evolution of air traffic and charges, which involved a new adjustment in tax assets, increasing tax loss carryforwards by 6,817 thousand euros and reducing temporary differences by 8,229 thousand euros.

As in 2017, the possibility still exists to apply such assets, since they do not have a maturity date from a fiscal point of view. Therefore, the Group considers that they must be classified as contingent assets as they should be recognised when the criteria in the aforementioned Decision by Instituto de Contabilidad y Auditoria de Cuentas [*Institute for Accounting and Account Auditing, ICAC, by its Spanish acronym*] are met.

The measurement of this Contingent Asset is the difference between the tax right and the balance recognised in ENAIRe's balance sheet, and it amounts to:

- Tax loss carryforwards: 43,281 thousand euros
- Temporary differences: 44,266 thousand euros

20. PUBLIC ENTITIES AND TAX STATUS

20.1 Balances with Public Entities

The breakdown of balances with Public Entities as of 31 December 2018 and 2017 is as follows:

Debtor balance

	Thousands of euros	
	2018	2017
Deferred tax assets	140,752	150,270
Tax credits for tax loss carryforwards	12,763	20,167
Total "deferred tax assets" (Note 20.5)	153,515	170,437
Non-current current tax assets	118,021	71,727
Current current tax assets	71,386	419
Taxation authorities VAT, Canary Island Tax and the Ceuta and Melilla indirect taxes recoverable	11,994	56,947
Taxation authorities / U.E grants receivable	14,199	23,410
Total "Other credits with Public Entities"	26,193	80,357

Current tax assets are a result of estimating the expenses settlement due under income tax payable for reporting periods 2018 and 2017.

The debtor balance to the Taxation Authorities for VAT reflects the balance receivable by the Public Entities with regard to the payable amounts for VAT.

The debtor balance from grants receivable arise from non-refundable grants awarded to the Group, which, as of the closing of reporting periods 2017 and 2018, were pending payment.

Credit balances

	Thousands of euros 2018	2017
Non-current deferred tax liabilities (Note 20.7)	207,914	221,058
Total "Deferred tax liabilities"	207,914	221,058
Taxation authorities, payable for other taxes	5	15
Taxation authorities, income tax payable	24,889	3,279
Taxation authorities, local tax payable	-	1
Personal income tax	26,329	25,386
Value added tax	3,191	(1,209)
Social Security, payables	19,820	19,180
Taxation authorities, grants payable	1,023	-
Total "Other payables with Public Entities"	75,257	46,652

20.2 Income tax: Reconciliation of net income and expenses of the period with the taxable income/(tax loss)

The reconciliation between accounting profit and the taxable income of income tax is the following:

Reporting period 2018

Reconciliation of accounting profit and taxable income	Income statement		Thousands of euros Income and expense recognised directly in equity		Reserves		Total
Income and expense for 2018	1,513,120		(13,366)		-		1,499,754
	(I)	(D)	(I)	(D)	(I)	(D)	
Income tax	468,159	-	(5,409)	-	-	-	462,750
Permanent differences:							-
- of individual companies	5,245	(561,227)	-	-	-	-	(555,982)
Temporary differences:							
- of individual companies							
originating in current period	180,564	(95,152)	141,035	(122,260)	-	-	104,187
originating in prior periods	1,767	(38,481)	-	-	-	-	(36,714)
- of consolidation adjustments							
originating in current period	711,480	(215,899)	-	-	-	-	495,581
originating in prior periods	-	-	-	-	-	-	-
Previous taxable income	1,969,576		-		-		1,969,576
Compensation tax loss carryforwards in prior periods							(56,887)
Taxable income (tax result)							1,912,689

Reporting period 2017

Reconciliation of accounting profit and taxable income	Thousands of euros Income statement		Income and expense recognised directly in equity		Reserves		Total
Income and expense for 2017	1,373,678		11,675		-		1,385,353
	(I)	(R)	(I)	(R)	(I)	(R)	
Income tax	534,413	-	5,918	-	-	-	540,331
Permanent differences:							-
- of individual companies	17,724	(377,308)	-	-	-	-	(359,584)
Temporary differences:							
- of individual companies							
originating in current period	129,784	(89,579)	54,067	(71,660)	-	-	22,612
originating in prior periods	2,642	(123,956)	-	-	-	-	(121,314)
- of consolidation adjustments							
originating in current period	505,912	(212,242)	-	-	-	-	293,670
originating in prior periods	-	-	-	-	-	-	-
Previous taxable income	1,761,068		-		-		1,761,068
Compensation tax loss carryforwards in prior periods							(54,738)
Taxable income (tax result)							1,706,330

The main permanent differences are mainly due to non-deductible expenses. Temporary differences correspond to the differences between amortisation for tax and for accounting purposes, and the provisions made for write-offs, provision for risk and personnel expenses.

20.3 Reconciliation of accounting profit and expense for income tax

The reconciliation between accounting profit and expense for income tax is the following:

	2018	2017
Accounting profit before tax	1,981,279	1,908,091
Permanent differences	(555,982)	(359,584)
Income and expense recognised in equity	-	-
Adjusted accounting profit	1,425,297	1,548,507
Rate at 25%	356,324	387,127
Applied deductions and tax credits	(18,283)	(19,138)
Resulting tax	338,041	367,989
Restatement of tax assets	1,412	86,141
Adjustments to income tax	128,706	80,283
Tax recognised in income statement	468,159	534,413

In reporting period 2017, the Parent Company made an adjustment in tax assets amounting to 86,141 thousand euros pursuant to the Decision of the Instituto de Contabilidad y Auditoria de Cuentas [*Institute for Accounting and Account Auditing, ICAC, by its Spanish acronym*] of 9 February 2016, which develops the standards for recognising, measuring and preparing annual accounts with regard to income tax, establishing a general requirement to recognise deferred tax assets that the company is likely to have future tax gains that allow such assets to be applied, establishing a maximum term of ten years from the closing of the reporting period to recover such assets.

As a consequence of the final settlement of income tax 2017 carried out in July 2018, the aforementioned correction has been amended by 5 thousand euros.

In 2018, after a tax planning for the period 2019-2028 was carried out again, and the evolution of air traffic and charges were updated, a correction of tax assets for 1,412 thousand euros was recognised (note 20.5).

The amount of 1,412 thousand euros (86,141 thousand euros in 2017) reflects the difference between the recognised tax asset and the recoverable amount over ten years, pursuant to the aforementioned ICAC Decision. In this sense, pursuant to the new estimation of the company's future profits and losses, the requirements for these assets to be likely to be recovered in the term established by said decision are no longer met, and therefore a reduction of this amount is made under assets in the balance sheet.

20.4 Breakdown of income/expense from income tax

	Thousands of euros			
	2018		2017	
	Recognised in profit and loss	Recognised in equity	Recognised in profit and loss	Recognised in equity
Current tax:				
of the period	354,276	-	353,165	-
Deductions	(18,283)	-	(19,138)	-
	335,993	-	334,027	-
Deferred tax:				
Change in deferred tax assets				
- Due to deductible temporary differences				
Amortisations	(3,623)	-	(1,917)	-
Losses Credits Write-offs	1,118	-	2,131	-
Provisions	1,892	-	20,064	-
Impairment property, plant and equipment	(11,561)	-	-	-
Diff. recognised income and expense	-	-	-	-
Changes in accounting criteria	-	-	-	-
- Capitalised tax loss carryforwards offset	14,222		13,685	-
- Deductions pending application	-	-	-	-
Change in deferred tax liabilities				
- Due to deductible temporary differences	-	-	-	-
Capital grants	-	-	-	-
	2,048	-	33,962	-
Expense for income tax	338,041	-	367,989	-

20.5 Recognised deferred tax assets

Deferred tax assets recognised as of 31 December 2018 and 2017 are itemised, according to their nature, as follows:

Recognised deferred tax assets	Thousands of euros	
	2018	2017
Tax credits for tax loss carryforwards	12,763	20,167
Capitalised temporary differences	140,752	150,270
Total deferred tax assets	153,515	170,437

As of 31 December 2018, the Group has a non-current tax credit with the Taxation Authorities for 12,763 thousand euros, entirely corresponding to the Parent Company ENAIRe (20,167 thousand euros as of 31 December 2017).

The indicated deferred tax assets have been recognised in the consolidated balance sheet as the Directors of the Parent Company and subsidiaries consider that, according to the best forecasts on the future profit and loss of the Parent Company and subsidiaries, including certain tax planning activities, it is likely that said assets will be recovered.

a) Tax credits for tax loss carryforwards

As of the closing of reporting periods 2018 and 2017, the Parent Company's tax loss carryforwards pending offset and their corresponding amounts and maximum offsetting terms were as follows:

Reporting period 2018

Period in which they were generated	Thousands of euros	Maximum offsetting term
2010	140,351	No maximum term
2011	83,824	
Total	224,175	

Reporting period 2017

Period in which they were generated	Thousands of euros	Maximum offsetting term
2010	197,261	No maximum term
2011	83,824	
Total	281,085	

In 2017, an income tax expense for 50,104 thousand euros was recognised as a result of the difference between the tax asset recognised by tax loss carryforwards and the recoverable amount regarding this item in 10 years, pursuant to applying the Decision of the Instituto de Contabilidad y Auditoria de Cuentas [*Institute for Accounting and Account Auditing, ICAC, by its Spanish acronym*] of 9 February 2016 mentioned in note 20.3.

As a consequence of the final settlement of income tax 2017 carried out in July 2018, the aforementioned correction has been amended by 5 thousand euros.

In 2018, after a tax planning for the period 2019-2028 was carried out again, and the evolution of air traffic and charges were updated, tax loss carryforwards were increased by 6,817 thousand euros, which was translated into an income of the same amount.

As a result, out of 224,175 thousand euros of taxable income to be recovered as of 31 December 2018, only 51,050 thousand euros are recognised in the balance sheet, which at the current 25% tax rate amounts to 12,763 thousand euros included in the Group's balance sheet.

b) Capitalised temporary differences

Itemised temporary differences arising from deferred tax assets recognised in the consolidated balance sheet are the following:

Capitalised temporary differences	Thousands of euros	
	2018	2017
Amortisation of assets and provision of assets	94,556	104,975
Provision for impairment of trade loans	1,253	3,212
Provisions for labour commitments	29,784	31,109
Restatement of provisions	5,594	5,842
Hedging derivatives	23,540	22,258
Impairment property, plant and equipment	11,562	-
Other	18,729	18,911
Restatement of tax assets	(44,266)	(36,037)
Total	140,752	150,270

In reporting period 2017, tax assets were reduced by 36,037 thousand euros in accordance with the Decision of the Instituto de Contabilidad y Auditoria de Cuentas [*Institute for Accounting and Account Auditing, ICAC, by its Spanish acronym*] of 9 February 2016, mentioned in note 20.4.

In reporting period 2018, after the tax planning for reporting period 2019-2028 was carried out, temporary differences have been further reduced by 8,229 thousand euros.

44,266 thousand euros correspond to the difference between the tax asset recognised for temporary differences and the recoverable amount for this item over 10 years.

20.6 Assets due to deductions pending application

The Parent Company ENAIRE and its subsidiaries do not have, as of the closing of reporting periods 2018 and 2017, any deductions pending offsetting.

20.7 Deferred tax liabilities

Itemised temporary differences arising from deferred tax liabilities recognised in the consolidated balance sheet are as follows:

	Thousands of euros	
	2018	2017
Grants	136,921	140,905
Other	70,993	80,153
Total	207,914	221,058

The amounts under "Other" arise from British subsidiary LLAH III, and mostly from the 2014 purchase of this company by Grupo Aena Aeropuertos. Pursuant to the business combination standard, identifiable assets and liabilities acquired were measured at their fair value. The fair value of identifiable assets and liabilities acquired is based on the measurements carried out by third parties in the context of acquiring an additional 11% share in LLAH III on 16 October 2014. Said fair value and the fair value of the previously existing 40% share was calculated according to discounted cash flows obtained from LLAH III business plans. In this process of assigning a purchase price, a deferred tax liability was identified arising from applying the British tax rate to the difference between the acquired asset's fair value and the acquisition cost (which was accepted for tax purposes in order to calculate deductible expenses due to amortisation). This deferred tax liability is being reversed as the assets are being amortised.

20.8 Periods open to inspection and audits

According to current legislation, taxes cannot be deemed fully settled until the submitted tax returns have been duly inspected by tax authorities or the four-year inspection period has elapsed.

However, the authorities have the right to check or investigate tax loss carryforwards either offset or pending offsetting, deductions for double taxation and deductions to promote certain activities applied or pending application and are limited to a 10-year period from the day after expiration of the term established to submit the offsetting or application thereof. After said term, tax loss carryfowards or deductions must be validated by submitting the settlement or self-assessment and the accounts, together with the evidence of deposits thereof during said term with the Trade Registry.

There are currently no inspections being conducted regarding national or local taxes.

As of the date on which these financial statements are being prepared, valid inspection periods are:

- Income tax 2014-2018
- Personal income tax 2015-2018
- VAT 2015-2018
- Canary Island tax 2015-2018
- Ceuta and Melilla indirect taxes 2015-2018

Taxes from the last 6 years originating from British Companies of the LLAH III Group are also open to inspection by the tax authorities.

The Group Directors deem that all settlements regarding the aforementioned taxes have been properly applied so, in the event that any discrepancies arise regarding the interpretation of current regulations on taxes applied to operations, any possible resulting liabilities, if any, will not significantly affect the annual accounts attached.

From 1 January 2005, the State-Owned Entity Aeropuertos Españoles y Navegación Aérea (currently ENAIRe) and investee companies which complied with the tax requirements established by the Income Tax Act to pay taxes under the tax consolidation regime, constituted TAX GROUP 50/05 and ascribed to the same Special Income Tax Consolidation Regime.

Since 2005, ENAIRe has paid taxes under the tax consolidation regime.

On 11 February 2015, 49% of Aena S.M.E., S.A.'s shares were sold in a public offer, while the remaining 51% were retained by ENAIRe. At that time, ENAIRe was the sole shareholder of Aena S.M.E., S.A.

This aforementioned sale of shares meant ENAIRE lost their status as Dominant Shareholder of the Group. It no longer complied with the requirements established in article 58.2 of Act 27/2014 of income tax. Therefore, the tax group was dissolved for tax purposes on 1 January 2015.

As a result of dissolving the tax group, as of 1 January 2015, regarding the tax group ENAIRE belonged to, and pursuant to the intentions stated by the Board of Directors of both companies, Aena, alongside ENAIRE and Aena Desarrollo Internacional, requested from the Agencia Tributaria [*Spanish tax agency*] for Aena S.M.E., S.A. and Aena Desarrollo Internacional S.M.E., S.A.U. to be included in the tax consolidation regime on 7 April 2015.

On 5 June 2015, the Agencia Tributaria [*Spanish tax agency*] notified that the new tax group 471/15 had been created, formed by Aena S.M.E., S.A as the parent company and Aena Desarrollo Internacional as a subsidiary. Therefore, in reporting period 2015, both companies would submit income taxes as a tax group.

The parent company ENAIRE began submitting taxes under the individual tax regime from 1 January 2015.

As stated in note 1.2, ENAIRE owns 66.66% of the Economic Interest Grouping CRIDA (Centro de Referencia de Investigation, Desarrollo e Innovation ATM, A.I.E.) [*Reference Centre for Research, Development and Innovation ATM EEIGs*]. In compliance with tax regulations, ENAIRE recognises the part corresponding to income tax of CRIDA in its taxable income.

CRIDA was subject to partial inspection and audit, initiated by means of a notification of 3 October 2017 on positive adjustments made to profit and loss caused by applying unrestricted amortisation provided for in the 11th Additional Provision of the consolidated Text of the Income Tax Act, approved by means of Royal Legislative Decree 4/2004, of 4 March. The scope of these actions was extended on 4 April 2018 to include deductions made to gross benefits received by the Director.

The results of the inspection with regard to positive adjustments made to profit and loss caused by applying unrestricted amortisation stated that such adjustments were carried out correctly. As for remuneration received by the Director, the inspection concluded that remuneration from reporting periods 2013 and 2014 are not considered deductible expenses. On the other hand, it stated that remuneration from reporting period 2015 was correctly deducted according to a legislative amendment which clarifies the tax consideration given to such remuneration. The record was signed by CRIDA in disagreement on 18 July 2018. On 26 December 2018, CRIDA was notified that there was a provisional settlement agreement regarding the income tax for taxable periods 2013, 2014 and 2015. Such provisional settlement does not yield any tax debt payable by CRIDA, but it does increase taxable income to be assigned to its shareholders corresponding to reporting periods 2013 and 2014 for the following amounts: 82,012.83 euros in reporting period 2013 and 83,232.91 euros in reporting period 2014.

Reporting period 2013 exceeds the relevant legal term for inspection.

In addition, the inspection initiated disciplinary proceedings for an amount of 66,098.29 euros, an amount included by CRIDA as a provision recognised in its 2018 accounts.

2020 and provide for an advance payment amounting to 332,442 thousand euros, which is periodically offset with invoicing. In this sense, as of 31 December 2018, the short-term advance payment amounts to 41,714 thousand euros (2017: 40,497 thousand euros), and the long-term advance payment amounts to 38,296 thousand euros (2017: 80,010 thousand euros).

21. ACCRUALS

	Current assets	
	2018	2017
Accruals	15,322	13,502
Total	15,322	13,502

As of 31 December 2018 and 2017, the balance of asset accruals mainly includes advance insurance premiums. In 2018 and 2017 there are no amounts regarding fees for opening lines of credit subscribed by the Group with financial institutions (note 14).

	Non-current liabilities		Current liabilities	
	2018	2017	2018	2017
Guarantees	4,861	5,314	-	-
Accruals	38,296	80,010	71,194	61,205
Total	43,157	85,324	71,194	61,205

On 14 February 2013, Aena S.M.E., S.A. signed three contracts with World Duty Free Group España, S.A. for the lease of commercial premises for duty free and duty paid shops over the entire Spanish airport network. These contracts are valid until 31 October

22. INCOME AND EXPENSES

a) Distribution of net revenue

Net revenue corresponding to ENAIRE Group's ordinary activities is obtained within Spain, except for international development activities (see Note 27), which are the following:

	Thousands of euros	
	2018	2017
Airport income:	2,753,847	2,638,200
Public charges	2,676,491	2,562,051
Landing	732,952	697,341
Parking	37,431	34,188
Passengers	1,227,104	1,166,406
Telescopic passenger boarding bridges	106,830	110,166
Safety fee	426,749	419,869
Fuel	33,747	33,535
Handling	100,830	90,432
Catering	10,848	10,114
Other airport services (1)	77,356	76,149
Trade services:	1,153,674	1,056,842
Leases	33,591	32,129
Shops	106,428	91,703
Duty free shops	327,574	316,608
Restaurants	200,690	175,643
Rent a car	152,739	149,373
Advertising	33,171	31,561
Car park	143,797	132,013
VIP services (2)	64,228	-
Other trade income (3)	91,456	127,812
Property services:	67,035	59,557
Leases	12,632	12,130
Land	23,986	19,117
Warehouses and hangars	8,145	8,392
Freight logistical centres	15,383	13,696
Property	6,889	6,222
Air navigation:	855,852	828,926
Support for route navigation	826,016	799,327
Support for approaching navigation	23,505	22,249
Advertising and other services	6,331	7,350
Other lines of business:	234,788	211,744
International development	234,741	211,702
R&D&i	47	42
Total revenue	5,065,196	4,795,269

(1) This includes 400Hz counters, fire protection systems, lockers and other income.
(2) This includes VIP lounge lease, VIP packs, other lounges, fast-track and fast-lane.
(3) This includes commercial holdings, commercial supplies, use of lounges and film recordings.

Sales in foreign currencies which were made in pound sterling (GBP), US dollars, Mexican pesos and Colombian pesos amounted to an exchange value of 234,633 thousand euros (211,604 thousand euros in 2017) (note 27).

b) Supplies

Itemised supplies for 2018 and 2017 are as follows:

	Thousands of euros	
	2018	2017
Purchase of other supplies	855	1,205
Change in inventories of other supplies	141	214
Subcontracted work	72,084	69,036
Total	73,080	70,455

Work carried out by other companies include those services provided by the Ministry for Defence, the Directorate General for Civil Aviation and the Instituto Nacional de Meteorología [*National Meterology Institute*] (see note 26.2).

This line item also includes air traffic management (ATM) and communication, navigation and surveillance (CNS) services, provided by other air control providers to the Subsidiary Aena S,M.E., S.A.

c) Personnel expenses

Personnel expenses are itemised as follows:

	Thousands of euros	
	2018	2017
Salaries and wages	773,522	744,769
Social Security payable by the company	149,086	144,858
Contributions to labour commitments	4,469	11,630
Employee benefits expense	27,878	24,620
Provisions	3,883	(73,605)
Total	958,838	852,272

Conditions of employees of ENAIRE Group (formed by the State-Owned Entity ENAIRE and Aena S.M.E., S.A.) are subject to the approval of the total payroll by the Ministry for the Treasury. In reporting period 2018, compensations were increased by 1.825% annually with respect to the total payroll of the previous year (1% in reporting period 2017), pursuant to the provisions established in Act 6/2018 of 3 July regarding the 2018 General State Budget.

Changes in provisions include the reversal of a 2017 provision amounting to 84,748 thousand euros subsequent to judgement 165/2017 of 20/11/2017 of the Social Chamber of the National Court [*Audiencia Nacional*] of Madrid, which dismisses the criterion applied by the Unión Sindical de Controladores [*Air Traffic Control Trade Union*] and favours the criterion used by ENAIRE (see note 11). Such changes also include provisions for active reserve/unpaid special leave amounting to 12 million euros in reporting period 2018 and 17 million euros in reporting period 2017.

The Group obtains allowances for company-planned training services, carried out through the Fundación Estatal para la Formación en el Empleo [*National Foundation for Employee Training*]. Personnel expenses for carrying out training activities as well as individual training leave includes the expense.

d) External services

This item is as follows:

	Thousands of euros	
	2018	2017
Leases and royalties	8,691	7,624
Repairs and maintenance	287,871	273,316
Independent professional services	67,843	61,958
Banking services	700	653
Advertising and public relations	6,301	6,918
Utilities	100,192	96,037
Surveillance and security systems	171,037	148,852
Other services	238,588	203,490
Total	881,223	798,848

e) Net finance income

Net finance income obtained in 2018 and 2017 are the following:

Net finance income	Thousands of euros 2018	2017
Finance income		
Income from equity investments	721	603
Other interests and similar income	3,174	2,771
Finance income of interest from expropriations (Note 19)	-	4,593
Capitalisation finance expenses	606	525
Total positive finance profit/loss	4,501	8,492
Finance expenses:		
Finance expenses from bank debt	(75,287)	(68,068)
Other finance expenses with third parties	(37,467)	(45,404)
Restatement of provisions	(120)	(119)
Total finance loss	(112,874)	(113,591)
Change in fair value of financial instruments	(37,333)	(40,621)
Exchange gains/(losses)		
Exchange gains	11,197	15,922
Exchange losses	(11,710)	(20,262)
	(513)	(4,340)
Impairment and profit/loss from disposal of financial instruments:		
Profit/loss due to disposals and other	-	5
	-	5
Net financial profit/loss	(146,219)	(150,055)

In 2018, an expropriation expense amounting to 310 thousand euros from legal expropriation proceedings was included within finance expenses with third parties, which also yielded profit amounting to 4,593 thousand euros in 2017 (note 19.1).

Changes in line item exchange gains/(losses) were mainly caused by the evolution of the GBP/EUR exchange rate when measuring the loan by shareholders of LLAHL III Group. In 2018, a negative impact amounting to 0.4 million euros was recognised, while in 2017 the negative impact amounted to 2.1 million euros.

Finance expenses increased in 2018 in spite of the fact that pending debt decreased due to loan early cancellation fees with DEPFA (18,176 thousand euros) and EIB (1,180 thousand euros) (see note 14.2.a).

f) Excess provisions

The 7,851 thousand euros included under line item "Excess provisions" in reporting period 2018 (8,975 million euros in 2017) include: 3,475 thousand euros of favourable local tax settlements which were previously being disputed (6,110 thousand euros in 2017) and the remaining amount, 4,376 thousand euros, correspond to excess provisions arising from different liabilities (trade contracts, court rulings that amend the amounts of the proceedings, etc.) (2,865 thousand euros in 2017).

g) Other profit and loss

An amount of 2,648 thousand euros in 2018 (3,489 thousand euros in 2017) mainly includes profit from seized guarantees and deposits, as well as proceeds from delayed and late payment charges, and losses from compensation and charges to risk provisions.

h) Other information

The number of employees, categorised by gender and category, as of 31 December 2018 and 2017, is the following:

Professional category	Number of employees as of 31.12.2018 (*)			Number of employees as of 31.12.2017 (*)		
	Men	Women	Total	Men	Women	Total
Senior Management	14	2	16	11	2	13
Managers and University Graduates	1,342	1,033	2,375	1,294	980	2,274
Coordinators	1,047	384	1,431	1,003	350	1,353
Technicians	3,683	1,769	5,452	3,644	1,766	5,410
Support personnel	592	526	1,118	568	486	1,054
Air traffic controllers	1,465	713	2,178	1,431	696	2,127
Total	8,143	4,427	12,570	7,951	4,280	12,231

(*) The number of temporary employees of ENAIRE Group as of 31 December 2018 is 1,040 employees and 1,257 as of 31 December 2017.

The average number of employees according to their category is the following:

Professional category	Number (*)	
	2018	2017
Senior Management	15	14
Managers and University Graduates	2,311	2,173
Coordinators	1,398	1,318
Technicians	5,428	5,420
Support personnel	1,099	1,050
Air traffic controllers	2,152	2,137
Total	12,403	12,112

(*) The average number of temporary employees of ENAIRE Group as of 31 December 2018 is 1,172 employees and 1,147 in 2017.

As of 31 December 2018 and 2017, the Board of Directors of the Parent Company was formed by 11 people, 6 men and 5 women.

The average number of employees of ENAIRE Group in reporting periods 2018 and 2017 with a disability equal or over 33%, itemised according to their category, is as follows:

Professional category	Number	
	2018	2017
Managers and University Graduates	31	32
Coordinators	18	13
Technicians	85	88
Support personnel	10	10
Air traffic controllers	5	6
Total	149	149

Benefits for Directors and Senior Management

Benefits received during reporting periods 2018 and 2017 by Directors and Senior Management of the Parent Company ENAIRe, classified by item, are the following (in thousands of euros):

Reporting period 2018

Description	Salaries	Allowances	Pension schemes	Insurance premium	Total
Senior Management	528	2	-	3	533
Board of Directors	-	76	-	-	76

Reporting period 2017

Description	Salaries	Allowances	Pension schemes	Insurance premium	Total
Senior Management	533	7	-	2	542
Board of Directors	-	82	-	-	82

No advance payments or credits were granted to senior management or members of the Board of Directors. In addition, there are no pension-related obligations incurred with current or former Directors.

Pursuant to avoiding any conflict and keeping the Company's interests in mind, during this reporting period the Directors that have had roles within the Board of Directors have complied with obligations provided for in article 228 of the consolidated text of the Capital Company Act. Additionally, both Directors and their proxies have refrained from incurring possible conflicts stated in article 229 of said Act, except in those cases when the corresponding authorisation has been obtained.

Auditing fees

Fees corresponding to auditing the Parent Company's accounts are borne by the Ministry for the Treasury and Public Administration (IGAE) [*the General Intervention of the State Administration*].

Fees accrued for auditing the annual accounts of certain subsidiary companies amounted to 314 thousand euros (279 thousand euros in 2017).

23. GUARANTEES AND COLLATERAL

The Group has had guarantees submitted before different bodies, which, as of the closing of reporting periods 2018 and 2017, amounted to 10,444 thousand euros in 2018 and 660 thousand euros in 2017.

On 27 march 2013, Grupo TBI sold their share in Cardiff International Airport Limited to WGC Holdco Limited. TBI is subject to certain guarantees (the Guarantee) as the vendor. On 29 December 2015, Abertis took TBI's place in this Guarantee. Considering that Aena Internacional is a shareholder of ACDL, on 15 February 2016, Abertis and Aena Internacional signed an agreement by virtue of which Aena Internacional undertakes, in the event that Abertis must pay any amount under the Guarantee, to pay 10% of said amount up to a maximum amount of 2,941 thousand pounds, which is 10% of the total guaranteed amount. This shall be valid until 31 January 2018, which is the date when the Guarantee expires.

The Group does not expect significant liabilities to arise therefrom.

24. ENVIRONMENTAL COMMITMENTS

The State-Owned Entity ENAIRe and the Subsidiary Aena S.M.E., S.A., which are firmly committed to preserving the environment and the quality of life of its surroundings, have been carrying out investments in this regard with the aim of minimising the environmental impact of its actions and protecting and improving the environment.

As of 31 December 2018, property, plant and equipment included environmental investments for 537 million euros (515.5 million euros as of 31 December 2017), whose accumulated amortisation amounted to 248.6 million euros as of 31 December 2018 (218.3 million euros as of 31 December 2017).

Environmental investments carried out in the Aena airport network in reporting periods 2018 and 2017 amounted to 60.9 million euros and 14.5 million euros, respectively, broken down as follows:

	2018	2017
Palma Mallorca	24,785	1,374
Valencia	23,655	358
Seville	3,346	156
Bilbao	2,776	705
London-Luton	1,261	-
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	60,896	14,474

The consolidated income statement for reporting periods 2018 and 2017 includes the following environmental expenses, itemised by item:

	Thousands of euros	
	2018	2017
Repairs and maintenance	9,846	7,372
Independent professional services	2,455	1,286
Other external services	2,954	2,867
Total	15,255	11,525

Environmental provisions and contingencies are broken down in note 19. The regulations for environmental assessment (currently Act 21/2013) demands that certain AENA S.M.E., S.A. projects be subject to an environmental impact assessment (in particular, runway expansions over 2,100 metres) and end with the wording by the [*Spanish*] Ministry for Agriculture, Fisheries, Foodstuffs, and Environment of the relevant environmental impact statements, which include the obligation to draft and deliver the Acoustic Isolation Plan.

As of 31 December 2018, in accordance with the Acoustic Isolation Plan, a total of 23,897 sensitive use dwellings and premises have been soundproofed (2017: 23,096 dwellings), among which 12,902 dwellings near Adolfo Suárez Madrid-Barajas Airport are especially noteworthy (2017: 12,861 dwellings), 2,990 in Alicante-Elche (2017: 2,882 dwellings), 1,800 in Valencia-Manises (2017: 1,647 dwellings), 1,520 in Bilbao (2017: 1,432), 836 in Palma de Mallorca (2017: 836) and 811 in Málaga-Costa del Sol (2017: 811 dwellings).

Moreover, pursuant to the decisions of the Ministry for the Environment regarding environmental impact reports, corresponding to the airports of Subsidiary Aena S.M.E., S.A., certain preventative, corrective and compensating measures prescribed in the compulsory environmental impact surveys and in the aforementioned Environmental Impact Reports are being carried out. Such measures comply with a series of conditions mainly related to protecting the hydrological and hydrogeological systems, soil protection and preservation, protection of air quality, sound protection, protection of vegetation, wildlife and natural habitats, protection of cultural heritage, relocation of service and cattle roads, location of quarries and borrow pits, landfills and ancillary installations.

25. GRANTS, DONATIONS AND BEQUESTS RECEIVED

This line item is as follows as of 31 December 2018 and 2017:

Grants, donations and bequests received	Thousands of euros	
	2018	2017
Capital grants from official European Organisations	215,686	219,825
Total	215,686	219,825

Movements, net of tax, in this line item in 2018 and 2017 have been the following:

Grants, donations and bequests received	Thousands of euros	
	2018	2017
Opening balance	422,714	442,716
Opening balance recognised in Minority Shareholders	(202,889)	(214,123)
Additions ERDF grants	55,357	8,952
Additions/derecognition Other Grants	7,478	5,729
Recognised in profit/loss	(74,284)	(34,673)
Recognised in minority shareholders	7,816	11,234
Other adjustments (*)	(506)	(10)
Closing balance	215,686	219,825

(*) The line item other adjustments for 2018 mainly corresponds to adjustments related to the level of project completion.

Amounts recognised in profit and loss in 2018 are net of tax. In this sense, 96,863 thousand euros were recognised in 2018 in the income statement (43,891 thousand euros in 2017). The increase of the recognised amount in profit and loss in 2018 is mainly due to applying grants from the 2018 proceeds of much higher amounts, granted by the European Regional Development Fund (ERDF) for operational programmes to develop airport infrastructures. In addition, this item includes 26,700 thousand euros corresponding to capital grants associated to assets corresponding to civil operations carried out in the Murcia-San Javier Airport, which were discontinued once the Región de Murcia International Airport started operating (see note 11.d and 11.e).

Other grants financing operational expenses for 5,507 thousand euros (6,816 thousand euros in 2017) from the European-funded project financing were also recognised in the income statement.

ERDF airport grants

Detailed gross grants associated to operational programmes, which have been recognised in net equity during reporting period 2018 and 2017, is as follows (in thousands of euros):

Concept	Thousands of euros 2018	2017
Andalusia Operational Programme	2,443	2,451
Region of Valencia Operational Programme	-	1,319
Region of Murcia Operational Programme	4,579	5,570
Region of Galicia Operational Programme	42,714	-
Canary Operational Programme	18,233	-
Extremadura Region Operational Programme	1,561	-
Castile and León Operational Programme	904	-
Operational Programme on Knowledge-Based Economy	17,663	-
Total ERDF funds	88,097	9,340

As of the closing of reporting period 2018, the Group has complied with all the necessary conditions to receive and use the aforementioned grants.

26. RELATED-PARTY TRANSACTIONS AND BALANCES

26.1 Transactions and balances with multi-group companies and associates

The breakdown of debtor and credit balances and of operations with multi-group companies and associates as of 31 December 2018 and 2017 is the following:

Reporting period 2018

Thousands of euros							
Related-party transactions and balances	Debtor	Debt with companies based on the equity method (Supplier of assets)	Other payables	Acquisition of assets	Income for provision of services	Expense services received	Finance income (Dividends)
INECO	162	2,848	3,381	14,360	121	18,576	2,121
SACSA	122	-	-	-	931	-	6,796
AMP	3,793	-	-	-	5,764	10	10,772
AEROCALI	28	-	782	-	360	782	907
GROUP EAD	-	-	-	-	-	-	221
ESSP SAS	-	-	-	-	-	-	500
Total	4,105	2,848	4,163	14,360	7,176	19,368	21,317

Reporting period 2017

Thousands of euros							
Related-party transactions and balances	Debtor	Debt with companies based on the equity method (Supplier of assets)	Other payables	Acquisition of assets	Income for provision of services	Expense services received	Finance income (Dividends)
INECO	56	5,733	3,525	16,256	102	18,941	4,062
SACSA	96	-	-	-	761	-	2,568
AMP	3,248	-	-	-	5,602	-	8,921
AEROCALI	32	-	-	-	389	-	5,068
GROUP EAD	-	-	-	-	-	-	187
ACDL	-	-	-	-	-	-	12
ESSP SAS	-	-	-	-	-	-	417
Total	3,432	5,733	3,525	16,256	6,854	18,941	21,235

The Group's operations with the associate INECO S.M.E.M.P., S.A. in 2018 are the following:

Management Order for services signed with the State-Owned Entity ENAIRe
Collaboration agreement for the implementation or management of air navigation systems (CNS/ATM, safety, surveillance, etc.), preparation of projects and surveys (radio simulations, flight procedures, network systems, communications) and other services supporting the different organisational units.

Contract signed with the Subsidiary Aena S.M.E., S.A.
Collaboration agreement to prepare and review projects, project management and surveillance control technical assistance, engineering for certification procedures, maintenance and operation of airport installations and processes, planning, airport development, environment development, commercial development of airports, and logistical studies and designs in airport terminals to improve operational efficiency and achieve a higher cost reduction. The annex including the operations is renewed yearly.

26.2 Transactions and balances with related parties

Balances and transactions with related parties as of the closing of reporting period 2018 are itemised as follows:

Reporting period 2018

	Thousands of euros					
	Debtor	Current payables	Other payables	Expenses	Acquisition of assets	Income for provision of services
Agencia Estatal de Meteorología (AEMET) (*)	1	-	7,351	37,097	-	-
Agencia Estatal de Seguridad Aérea (AESA) (*)	-	-	2,484	9,219	-	-
Ingeniería de Sistemas para la Defensa Española S.A. (ISDEFE)	5	1,458	461	3,113	10,040	7
Fundación ENAIRe	-	-	-	1,571	-	63
	6	1,458	10,296	51,000	10,040	70

(*) Includes exempted flights and free flight school deficit borne by these agencies.

Reporting period 2017

	Thousands of euros				
	Current payables	Other payables	Expenses	Acquisition of assets	Income for provision of services
Agencia Estatal de Meteorología (AEMET)(*)	-	833	35,656	-	-
Agencia Estatal de Seguridad Aérea (AESA)(*)	-	2,316	9,188	-	-
Ingeniería de Sistemas para la Defensa Española S.A. (ISDEFE)	1,808	503	3,333	10,013	5
Fundación ENAIRe	-	374	1,498	-	-
	1,808	4,026	49,675	10,013	5

(*) Includes exempted flights and free flight school deficit borne by these agencies.

ENAIRe has signed an agreement with the Agencia Estatal de Meteorología [*National Meteorology Agency*] and the Agencia Estatal de Seguridad Aérea [*National Air Safety Agency*] regarding economic aid for en route air navigation.

Transactions with the company ISDEFE correspond to services provided under the "Service Management Order" signed with State-Owned Entity ENAIRe in order to carry out system engineering and consulting activities within the scope of air navigation and related to CNS/ATM systems, Cesar programme, infrastructures, safety and control centres.

On the other hand, ISDEFE has been providing Aena S.M.E., S.A. a series of services which are included in some of the activities reported as their corporate purpose, which, pursuant to the contract signed on 8 November 2013, includes the following activities:

- General coordination of Information and Communication Technologies (hereinafter, ICT).
- Design of ICT systems and infrastructures.
- Life cycle management of computer software.
- Management of ICT project offices.
- Quality control and testing computer software and ICT infrastructures.
- System integration and support.

The Agencia Estatal de Meteorología (AEMET) [*National Meteorology Agency*], as the governmental meteorology authority and as a certified service provider, is the only body officially appointed in Spain to provide meteorology services for aeronautical activities.

In addition, AEMET is the owner of the premises and the basic equipment used to provide meteorological services for air navigation.

As Aena S.M.E., S.A. needs the aforementioned services, it signed an Agreement with AEMET which regulated such provision of services in the period between 30 December 2014 and 29 December 2016. A new contract, valid from 30 December 2016, was signed for a term of one year from that date, and which may be extended by one-year periods by mutual agreement between the parties, up to a maximum of two additional years.

The Subsidiary Aena S.M.E., S.A. has paid for the services provided by AEMET since 2014 with an initial payment for the period comprised between March-November 2014, amounting to 7,500,000 euros, and, since then, with a monthly payment of 833,333 euros, which adds up to 10 million euros per year.

As providing this service is essential in order to carry out operations, it is considered necessary to continue such service, guaranteeing compliance with the current quality, safety and efficiency requirements while maintaining the same economic terms and conditions.

The State-Owned Entity ENAIRE is the only trustee of Fundación ENAIRE, which is entrusted with management of the art collection owned by ENAIRE.

Fundación ENAIRE recognised a contribution amounting to 1,498 thousand euros, plus a contribution in kind of 72.6 thousand euros which involves the transfer, free of charge, of the property owned by ENAIRE where Fundación ENAIRE carries out its activities (see note 5.s).

27. SEGMENT INFORMATION

The Group identifies its operating segments according to internal reports that are based on regular review, discussion and evaluation by the Board of Directors, as the board is the highest authority in the decision-making process and has the power to assign resources to specific segments and assess their performance.

Consequently, the following segments were defined: Airports, air navigation and others.

The airport segment mainly includes the Group's operations as airport manager, identified under aeronautical activities. In addition, the airport segment includes management of commercial spaces located in airport terminals and of the car park network, which are identified under trade activities.

The service segment mainly includes the Group's industrial and property assets which are not included in the aforementioned terminals.

The new company which has been awarded the management of the airport in Murcia, "Aena Sociedad Concesionaria del Aeropuerto Internacional de la Región de Murcia S.M.E., S.A.", is included within the airport segment, since its ordinary income, profit and loss and assets are clearly lower than the 10% of the Group's added value.

The air navigation segment mainly includes planning, management, coordination, operation, conservation and administration of air traffic, aeronautical information and telecommunication services, as well as communication infrastructures, installations and networks related to the air navigation system. All of the aforementioned is carried out with the purpose that aircraft which travel through Spanish air space enjoy the highest levels of safety, fluidity, efficiency and punctuality.

The others segment includes the Corporate Unit of the Parent Company, which includes financial debt with financial institutions and mirror loans with Aena, as well as activities developed by subsidiaries part of Grupo Aena: international development (which entirely coincides with the operations of Subsidiary Aena Desarrollo Internacional S.M.E., S.A. in minority investments of other airport managements, mainly in Mexico, Colombia and United Kingdom) and ATM R&D&i (which coincides with R&D&i activities with regard to the scope of the air traffic management system of the subsidiary Centro de Referencia Investigación Desarrollo en Innovación ATM, A.I.E. aimed at improving the services of the Spanish air navigation systems).

Sales by geographical information

The breakdown of net revenue corresponding to reporting periods 2018 and 2017, distributed according to geographic market, is as follows:

Geographical market	Thousands of euros	
	2018	2017
Spain	4,830,563	4,583,665
Other EU members	227,549	204,852
Other	7,084	6,752
Total	5,065,196	4,795,269

Information on main clients

Itemised sales to external clients whose invoice during the reporting period was equal or more than 300 million euros is the following:

Activities	Business volume (thousands of euros)	
	2018	2017
Ryanair DAC	421,469	404,622
Vueling Airlines, S.A.	399,407	362,950
Iberia	350,952	336,506
Total	1,171,828	1,104,078

Segmented financial statements (in thousands of euros)
Reporting period 2018

Concept	Airport services	Trade	Property services	Subtotal airports	Air Navigation services	Other segments	Eliminations and adjustments	Total
Net revenue	2,754,248	1,153,674	67,035	3,974,957	992,268	240,161	(142,190)	5,065,196
External clients	2,753,824	1,153,674	67,035	3,974,533	855,792	234,770	-	5,065,095
Intersegments	424	-	-	424	136,476	5,391	(142,190)	101
Other operating income	98,570	18,200	1,743	118,513	9,772	2,076	1,272	131,633
TOTAL OPERATING INCOME	2,852,818	1,171,874	68,778	4,093,470	1,002,040	242,237	(140,918)	5,196,829
Supplies	(174,693)	-	-	(174,693)	(36,618)	-	138,231	(73,080)
Personnel expenses	(324,629)	(40,660)	(9,560)	(374,849)	(533,166)	(50,906)	83	(958,838)
Amortisation and depreciation	(626,966)	(107,303)	(16,676)	(750,945)	(87,956)	(56,256)	1,549	(893,608)
Other operating expenses	(703,885)	(175,178)	(22,150)	(901,213)	(97,759)	(109,390)	1,994	(1,106,368)
Losses, impairments and changes in provisions	(55,732)	(3,998)	(525)	(60,255)	248	(204)	(57)	(60,268)
TOTAL OPERATING EXPENSES	(1,885,905)	(327,139)	(48,911)	(2,261,955)	(755,251)	(216,756)	141,800	(3,092,162)
OPERATING PROFIT AND LOSS	966,913	844,735	19,867	1,831,515	246,789	25,481	882	2,104,667
EBITDA	1,593,879	952,038	36,543	2,582,460	334,745	81,737	(667)	2,998,275
Total assets				14,175,025	1,160,908	8,592,003	(7,514,476)	16,413,460
Total liabilities				7,839,041	283,172	6,669,482	(6,028,396)	8,763,299

Segmented Financial Statements (in thousands of euros)
Reporting period 2017

Concept	Airport services	Trade	Property services	Subtotal airports	Air Navigation services	Other segments	Eliminations and adjustments	Total
Net revenue-	2,638,505	1,056,842	59,557	3,754,904	967,859	217,318	(144,812)	4,795,269
External clients	2,638,147	1,056,842	59,557	3,754,546	828,926	211,797	-	4,795,269
Intersegments	358	-	-	358	138,933	5,521	(144,812)	-
Other operating income	53,848	11,299	1,382	66,529	9,661	2,110	2,418	80,718
TOTAL OPERATING INCOME	2,692,353	1,068,141	60,939	3,821,433	977,520	219,428	(142,394)	4,875,987
Supplies	(175,921)	-	-	(175,921)	(35,209)	-	140,675	(70,455)
Personnel expenses	(321,771)	(36,772)	(8,881)	(367,424)	(433,158)	(51,697)	7	(852,272)
Amortisation and depreciation	(631,420)	(107,264)	(16,546)	(755,230)	(96,451)	(45,652)	1,508	(895,825)
Other operating expenses	(638,389)	(150,962)	(21,257)	(810,608)	(98,299)	(104,063)	1,894	(1,011,076)
Losses, impairments and changes in provisions	(7,312)	571	(381)	(7,122)	(884)	(535)	(3)	(8,544)
TOTAL OPERATING EXPENSES	(1,774,813)	(294,427)	(47,065)	(2,116,305)	(664,001)	(201,947)	144,081	(2,838,172)
OPERATING PROFIT AND LOSS	917,540	773,714	13,874	1,705,128	313,519	17,481	1,687	2,037,815
EBITDA	1,548,960	880,978	30,420	2,460,358	409,970	63,133	179	2,933,640
Total assets				14,603,633	1,150,717	9,321,891	(8,303,967)	16,772,274
Total liabilities				8,582,482	253,905	7,534,201	(6,826,272)	9,544,316

28. EVENTS AFTER THE BALANCE SHEET DATE

No significant events have occurred between the closing date of the reporting period and the date in which these financial statements have been prepared, other than those stated below:

- As of 24 January 2019, CRIDA filed an Economic and Administrative Claim before the Economic and Administrative Court of the Region of Madrid regarding the provisional settlement agreement with regard to the inspection (note 20.8).
- As of 15 February 2019, CRIDA filed an Economic and Administrative Claim before the Economic and Administrative Court of the Region of Madrid regarding the provisional settlement agreement with regard to the disciplinary proceedings (note 20.8).
- As of 26 February 2019, the Board of Directors of Aena S.M.E., S.A. proposed a distribution of dividends of 6.93 euros per share in the General Ordinary Meeting of Shareholders, corresponding to the profit and loss of 2018. Therefore, in 2019, ENAIRE shall receive: 530,145 thousand euros from Aena S.M.E., S.A.
- As of 15 January 2019, a deed was submitted regarding the segregation of the civil branch of the Murcia-San Javier Airport in the Trade Registries of Madrid and Murcia. From a legal point of view, this is the date on which such segregation becomes effective, as provided for in article 46.1 of the Act on Structural Modifications and article 55 of Trade Registry Regulations.
- In addition, on the same date, the Región de Murcia International Airport (AIRM) began operating. Once AIRM was operational, as provided in the "Protocol for the establishment of the basis for development of civil aviation in the Region of Murcia" and in the tender offer submitted by Aena S.M.E., S.A. in the framework of the public call for bids to operate and manage AIRM, the Murcia-San Javier Airport is exclusively restricted to military air activities.
- As of 15 March 2019, the Commercial Court of First Instance no. 4 of Ciudad Real (Juzgado de 1ª Instancia nº 4 y de lo Mercantil de Ciudad Real) notified the agreed settlement of 1,592 thousand euros for ENAIRE arising from bankruptcy proceedings in the Ciudad Real Airport.
- As of 15 March 2019, Aena Desarrollo Internacional, S.M.E. S.A. was declared by ANAC (the Brazilian National Agency for Civil Aviation) the winner of a bidding procedure held in the São Paulo Stock Exchange with regard to the concession, for a term of 30 years with an optional 5-year extension, of the group of airports in Northeast Brazil, formed by six airports (Recife, Maceió, Joao Pessoa-Bayeux, Aracaju, Juazeiro do Norte and Campina Grande). The awarding price was 1,900 million Brazilian reais, which equals to approximately 437.5 million euros.
  It is foreseen that administrative proceedings to formalise the concession shall be completed by next August, and that in the last quarter of 2019 all airports in Northeast Brazil will begin to be managed by the concession company that is to be created for this purpose, and which is to be entirely owned by Aena Desarrollo Internacional.

Don/Doña EMMA JANE BROWN, Traductor/a-Intérprete Jurado/a de INGLÉS nombrado/a por el Ministerio de Asuntos Exteriores y de Cooperación, certifica que la que antecede es traducción fiel y completa al INGLÉS de un documento redactado en ESPAÑOL.

Mr/Mrs EMMA JANE BROWN, Sworn Translator and Interpreter of English, appointed by the Spanish Ministry of Foreign Affairs and Cooperation, certifies that this is a loyal and complete translation into ENGLISH of a document written in SPANISH.

25 NOV. 2019

En ALICANTE, a
In ALICANTE, on

EMMA JANE BROWN
Traductora-intérprete Jurada de INGLÉS
Nº 10641

Firma.
Signed.

Nota de la traductora: La traducción jurada contiene la traducción y el original. El orden es: portada de la traducción, 141 páginas de traducción a inglés, declaración jurada, portada del original y el texto original en 141 páginas. En total la traducción jurada contiene 285 páginas.

Note from the translator: The sworn translation includes the translation and the original version. The order is: front cover of the translation, 141 pages of translation into English, sworn translation statement, front cover of the original text and the original text in Spanish on 141 pages. In total there are 285 pages.