



Financial
Statements
ENAIRE
2018



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

The 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 INDIVIDUALES

ENAIRE Ejercicio 2018

Plan de control AP 2019

Código AUDInet 2019/409

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 de 2018 que comprenden, el balance de situación a 31 de diciembre de 2018, la cuenta de pérdidas y ganancias, el estado de cambios en el patrimonio neto, el estado de flujos de efectivo y la memoria correspondiente al ejercicio anual terminado en dicha fecha.

El Presidente de la Entidad Pública Empresarial ENAIRE es responsable de la formulación de las cuentas anuales de la entidad 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 a las que se refiere el presente informe, han sido formuladas por el Presidente de ENAIRE el 29 de marzo de 2019 y puestas a disposición de la Oficina Nacional de Auditoría telemáticamente el mismo día.

La información relativa a las cuentas anuales queda contenida en el fichero NF0829_2018_F_190329_132851_Cuentas.zip cuyo resumen electrónico es 8EF83E3A7607B3560E5D5E45A2BD6F8D6358E20AB9C376A0FB626533220C2890 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 anuales 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 están libres de incorrección material.

Una auditoría conlleva la aplicación de procedimientos para obtener evidencia adecuada y suficiente sobre los importes y la información recogida en las cuentas anuales. 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, 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.

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 anuales adjuntas expresan, en todos los aspectos significativos, la imagen fiel del patrimonio y de la situación financiera de ENAIRE 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

La Entidad Pública Empresarial ENAIRE elabora un Informe de Gestión que contiene los datos más significativos de la Entidad y de su gestión a lo largo del año 2018 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, ENAIRE tiene que presentar junto con las cuentas anuales, un informe relativo al cumplimiento de las obligaciones de carácter económico-financiero que asume como consecuencia de su pertenencia al sector público.

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

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 una Auditora Nacional, Directora de Equipos y por la Jefe de División IV de la Oficina Nacional de Auditoría, en Madrid, a 24 de mayo de 2019.



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STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2018
BALANCE AT 31 DECEMBER 2018
(Stated in thousands of Euros)

ASSETS	Notes	Period 2018	Period 2017	EQUITY AND LIABILITIES	Notes	Period 2018	Period 2017
NON-CURRENT ASSETS:				EQUITY:			
Intangible Assets	Note 5	108,785	99,864	Capital and reserves without valuation adjustments	Note 9	2,525,760	2,429,214
Development		24,820	19,435	Capital	Note 9-a	1,821,537	1,821,537
Computer software		80,168	78,725	Reserves		519,674	519,674
Other intangible assets		3,797	1,704	Statutory	Note 9-b	517,543	517,543
Property, Plant and Equipment	Note 6	470,181	479,380	Other reserves	Note 9-c	2,131	2,131
Land and buildings		125,511	129,784	Prior periods' losses		-	(66,052)
Technical installations and machinery		154,233	181,718	Profit (loss) for the period		681,786	446,058
Other installations, equipment and furnishings		56,072	59,987	Interim dividend (Payment on Account to the Public Treasury)	Note 9-d	(497,237)	(292,003)
Other property, plant and equipment		19,647	13,310	Grants, donations and bequests received	Note 16	12,650	8,655
Property, plant and equipment underway		114,718	94,581	Grants, donations and bequests received		12,650	8,655
Non-current investments in group companies and associates		6,669,220	7,434,923	TOTAL EQUITY		2,538,410	2,437,869
Equity instruments	Note 8.3	1,330,706	1,330,706				
Loans to companies	Notes 8.1 and 17	5,338,514	6,104,217	NON-CURRENT LIABILITIES:			
Non-current financial investments		564	564	Non-current provisions	Note 11.1	130,998	130,273
Equity instruments	Note 8.1-a	564	564	Long-term employee benefits		130,998	130,273
Long term current tax assets	Note 12.1	118,021	71,727	Non-current payables	Note 8.2-a	5,375,610	6,209,047
Deferred tax assets	Note 12.1	20,025	39,335	Debt with financial institutions		5,375,469	6,206,057
Trade and other non-current receivables	Note 12.1	6,494	2,461	Other financial liabilities	Note 8.2	141	2,990
TOTAL NON-CURRENT ASSETS		7,393,290	8,128,254	Deferred tax liabilities	Note 12.1	4,217	2,885
				TOTAL NON-CURRENT LIABILITIES		5,510,825	6,342,205
CURRENT ASSETS:				CURRENT LIABILITIES:			
Inventories	Note 10	336	477	Current Provisions	Note 11.1	19,439	22,394
Trade and Other Receivables		242,130	204,585	Current payables		672,804	715,502
Trade receivables	Note 8.1-b	132,688	122,608	Debts with Financial Institutions	Note 8.2-a	657,501	699,441
Trade receivables, group companies and associates	Notes 8.1 and 17	27,198	28,134	Finance lease payables		-	10
Personnel		756	895	Other financial liabilities	Note 8.2-b	15,303	16,051
Current tax assets	Note 12.1	71,386	385	Group companies and associates, current	Note 17	1,500	3,749
Public Entities, other receivables	Note 12.1	10,102	52,563	Trade and other payables		100,751	77,748
Current investments in group companies and associates	Notes 8.1 and 17	648,238	683,540	Other payables	Note 8.2-c	19,642	10,680
Loans to companies		648,238	683,540	Personnel	Note 8.2-c	53,449	39,490
Current financial investments	Note 8.1-c	200,021	250,965	Public Entities, other payables	Note 12.1	26,213	24,621
Other financial assets		200,021	(*) 250,965	Advances from customers		1,447	2,957
Current accruals		1,296	1,296	TOTAL CURRENT LIABILITIES		794,494	819,393
Cash and cash equivalents	Note 8.1-d	358,418	(*) 330,350				
TOTAL CURRENT ASSETS		1,450,439	1,471,213	TOTAL EQUITY AND LIABILITIES		8,843,729	9,599,467
TOTAL ASSETS		8,843,729	9,599,467				

Notes 1 to 19 described in the attached Report form an integral part of the Balance Sheet at 31 December 2018.

(*) Amounts restated (see Note 2.7)

INCOME STATEMENT FOR THE PERIOD ENDED 31 DECEMBER 2018
 (Stated in thousands of Euros)

	Notes	2018	2017
CONTINUING OPERATIONS			
Revenue	Note 13-b	993,270	968,801
Work carried out by the company for assets	Notes 5 and 6	1,813	1,663
Supplies	Note 13-a	(36,618)	(35,209)
Raw materials and other consumables used		(302)	(365)
Subcontracted work		(36,316)	(34,844)
Other operating income		6,238	6,734
Non-trading and other operating income		3,595	3,227
Operating grants taken to income	Note 16	2,643	3,507
Personnel expenses	Note 13-c	(533,166)	(433,158)
Salaries and wages		(460,265)	(444,973)
Employee benefits expense		(60,791)	(57,463)
Provisions		(12,110)	69,278
Other operating expenses		(99,787)	(101,351)
External services	Note 13-d	(93,804)	(90,215)
Taxes		(3,882)	(4,234)
Losses, impairment and changes in trade provisions	Note 8.1-b	(78)	(4,849)
Other operating expenses		(2,023)	(2,053)
Amortisation and depreciation	Notes 5 and 6	(88,472)	(96,994)
Non-financial and other capital grants	Note 16	1,787	1,387
Provision surpluses	Notes 13-e	172	70
Impairment and gains/(losses) on disposal of fixed assets		(561)	(1,118)
Other results	Note 13-f	876	523
RESULTS FROM OPERATING ACTIVITIES		245,552	311,348
Finance income	Note 13-g	570,750	363,082
Dividends	Note 17	499,623	297,246
- Group companies and associates		499,623	297,246
Marketable securities and other financial instruments		71,127	65,836
- Group companies and associates	Note 17	69,588	64,197
- Of third parties		1,539	1,639
Finance expenses	Note 13-g	(76,316)	(68,935)
Debts with group companies and associates		(1,029)	(867)
Debts with third parties		(75,287)	(68,068)
Change in fair value of financial instruments		-	(91)
NET FINANCE INCOME/(EXPENSE)	Note 13-g	494,434	294,056
PROFIT/(LOSS) BEFORE INCOME TAX		739,986	605,404
Income tax expense	Note 12.4	(58,200)	(159,346)
PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		681,786	446,058
PROFIT/(LOSS) FOR THE PERIOD		681,786	446,058

Notes 1 to 19 described in the attached Report form an integral part of the Income Statement for 2018

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2018
 A) STATEMENT OF RECOGNISED INCOME AND EXPENSE
 (Stated in thousands of Euros)

	Notes	2018	2017
A) Profit/(Loss) for the period		681,786	446,058
Income and expense recognised directly in equity:			
Cash flow hedges		-	88
Grants, donations and bequests received	Note 16	7,114	5,299
Tax effect	Note 12.3	(1,779)	(1,347)
B) Total income and expense recognised directly in equity		5,335	4,040
Transfers to the Income Statement			
Grants, donations and bequests received	Note 16	(1,787)	(1,400)
Tax effect	Note 12.3	447	350
C) Total amounts transferred to the Income Statement		(1,340)	(1,050)
TOTAL RECOGNISED INCOME AND EXPENSE (A+B+C)		685,781	449,048

Notes 1 to 19 described in the attached Report form an integral part of the statement of recognised income and expenditure for 2018.

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2018
B) STATEMENT OF TOTAL CHANGES IN NET EQUITY
(Stated in thousands of Euros)

	Capital	Statutory Reserves	Other Reserves	Prior periods' losses	Interim dividend	Profit/ (Loss) for the period	Valuation adjustments	Grants, donations and bequests received	Total Equity
BALANCE AT 31 DECEMBER 2016	1,821,537	517,543	2,131	(199,994)	(207,315)	341,257	(66)	5,731	2,280,824
I. Adjustments for changes in criteria for 2016 and prior periods	-	-	-	-	-	-	-	-	-
ADJUSTED BALANCE AT 1 JANUARY 2017	1,821,537	517,543	2,131	(199,994)	(207,315)	341,257	(66)	5,731	2,280,824
Total recognised income and expense	-	-	-	-	-	446,058	66	2,924	449,048
Application of profits 2016	-	-	-	133,942	207,315	(341,257)	-	-	-
Interim dividend (Payments to Public Treasury)	-	-	-	-	(292,003)	-	-	-	(292,003)
Other changes in equity	-	-	-	-	-	-	-	-	-
BALANCE AT 31 DECEMBER 2017	1,821,537	517,543	2,131	(66,052)	(292,003)	446,058	-	8,655	2,437,869
I. Adjustments for changes in accounting criteria for 2017 and prior periods	-	-	-	-	-	-	-	-	-
ADJUSTED BALANCE AT 1 JANUARY 2018	1,821,537	517,543	2,131	(66,052)	(292,003)	446,058	-	8,655	2,437,869
Total recognised income and expense	-	-	-	-	-	681,786	-	3,995	685,781
Application of profits 2017	-	-	-	66,052	292,003	(358,055)	-	-	-
Interim dividend (Payments to Public Treasury) Note 9-d	-	-	-	-	(497,237)	(88,003)	-	-	(585,240)
Other changes in equity	-	-	-	-	-	-	-	-	-
BALANCE AT 31 DECEMBER 2018	1,821,537	517,543	2,131	-	(497,237)	681,786	-	12,650	2,538,410

STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2018

 (Stated in thousands of Euros)

	Annual Report Notes	Year 2018	Year 2017
CASH FLOWS FROM OPERATING ACTIVITIES (I)	Note 4.o	719,750	762,953
Profit/(loss) for the period before tax		739,986	605,404
Adjustments for:		(395,190)	(261,625)
- Amortisation/Depreciation (+)	Notes 5 and 6	88,472	96,994
- Valuation allowances for impairment losses (+/-)	Note 8.1.b	78	4,849
- Change in provisions (+/-)		13,701	(67,186)
- Grants recognised in the income statement (-)	Note 16	(1,787)	(1,387)
- Proceeds from disposals of fixed assets (+/-)		561	1,118
- Finance income (-)	Note 13.g	(570,750)	(363,082)
- Finance expenses (+)	Note 13.g	76,316	68,935
- Change in fair value of financial instruments (+/-)		-	91
- Other income and expenses (+/-)		(1,781)	(1,957)
Changes in operating assets and liabilities		34,698	(52,052)
- Inventories (+/-)		141	214
- Trade and other receivables (+/-)		33,330	(15,436)
- Other current assets (+/-)		(1)	(1,118)
- Trade and other payables (+/-)		3,937	(38,964)
- Other current liabilities (+/-)		(833)	833
- Other non-current assets and liabilities (+/-)		(1,876)	2,419
Other cash flows from operating activities		340,256	471,226
- Interest paid (-)		(78,171)	(80,220)
- Dividends received (+)	Note 17	499,592	297,243
- Interest received (+)		75,019	78,537
- Income Tax received (paid) (+/-)		(156,184)	175,666
CASH FLOWS FROM INVESTING ACTIVITIES (II)		760,617	1,270,726
Payments for investments (-)		(487,442)	(732,562)
- Intangible assets		(44,142)	(28,887)
- Property, plant and equipment		(43,300)	(42,675)
- Other financial assets		(400,000)	(*) (661,000)
Proceeds from sale of investments (+)		1,248,059	2,003,288
- Group companies and associates: loans		798,059	1,497,288
- Other financial assets		450,000	(*) 506,000
CASH FLOWS FROM FINANCING ACTIVITIES (III)		(1,452,299)	(2,005,768)
Proceeds from and payments for equity instruments		2,658	5,015
- Grants, donations and bequests received (+)		2,658	5,015
Proceeds from and payments for financial liability instruments		(869,717)	(1,718,780)
a) Issue		11,090	2,990
- Debt with Financial Institutions (+)		10,949	-
- Other payables (+)		141	2,990
b) Redemption and repayment of		(880,807)	(1,721,770)
- Debt with Financial Institutions (+)		(880,807)	(1,721,770)
Dividends and interest on other equity instruments paid		(585,240)	(292,003)
- Dividends (Payments on Account to the Public Treasury) (-)	Note 9	(585,240)	(292,003)
EFFECT OF EXCHANGE RATE FLUCTUATIONS (IV)			
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III+IV)		28,068	27,911
Cash and cash equivalents at beginning of period	Note 8.1.d	330,350	(*) 302,439
Cash and cash equivalents at end of period	Note 8.1.d	358,418	(*) 330,350

Notes 1 to 19 described in the attached Report form an integral part of the cash flow statement for 2018.

(*) Amounts restated (see Note 2.7)



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1. LINE OF BUSINESS

The Public Corporate Entity ENARE, hereafter referred to as ENARE or the Company, was constituted under article 82 of Act 4/1990, of 29 June, on General State Budgets for 1990. It was effectively incorporated on 19 June 1991, once its Articles of Association came into force, approved by Royal Decree 905/1991 of 14 June.

Until the publication of Act 18/2014, of 15 October, its name was Entidad Pública Empresarial Aeropuertos Españoles y Navegación Aérea (Aena).

This Public Corporate Entity is organised as a body governed by public law attached to the Spanish Ministry of Public Works, with its own legal status and separate from that of the State, and carries out its business within the scope of the Government's general transport policy; in accordance with the European System of Accounts (ESA), this company is classified under the heading "S.11001 Public non-financial corporations: Public Administration", being wholly owned by the Spanish Government. The activities carried out by ENARE are classified as "522 Support activities for transportation" according to the CNAE (National Economic Activities Classification Code).

Its 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 its Articles of Association, its corporate objects are:

1. The organisation, management, coordination, operation, conservation and administration of civil public airports and related services, as well as the coordination, operation, conservation and administration of civil areas in air bases used for civilian traffic.
2. Planning, implementation, management and control of investments in airport infrastructures and facilities.
3. The organisation, management, coordination, operation, conservation and administration of facilities and networks for aeronautical telecommunications, navigational aids and air traffic control systems.
4. Planning, implementation, management and control of investments in infrastructures, facilities and networks for aeronautical telecommunications, navigational aids and air traffic control systems.
5. Planning proposals for new airport and air traffic infrastructures, as well as modifications to airspace.
6. Development of security services in airports and control centres, as well as the participation 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.

Notwithstanding Act 18/2014, of 15 October, ENARE will continue to exist with the same nature and legal regime provided for in article 82 of Act 4/1990, of 29 June and to exclusively exercise the competences in terms of air navigation and airspace, and also the national and international operational coordination of the national network for managing air traffic and other networks related to the use for the efficient management of airspace taking the needs of its users into consideration. In accordance with the provisions of Act 18/2014, ENARE is a resource owned by the Public Administration and its contracting authorities; however, it does not comply with the necessary requirements according to



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article 32 of the Public Sector Contracts Act 9/2017 since it does not carry out and will not carry out any commissioned activities. As a matter of fact, the Ministry of Public Works is promoting the corresponding change in legislation.

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 others given this status following the Board of Directors' approval of the Company's management structure, in accordance with the provisions of section b), article 18 of the Articles of Association still in force.

ENAIRES provides services in Spanish airspace, covering an area of over 2.2 million km², divided into two sectors (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 Public Corporate Entity is in Madrid, avenida de Aragón s/n, Bloque 330, portal 2, Parque Empresarial Las Mercedes.

The Entity is the parent body of a group of subsidiaries and in compliance with current legislation, it is required to prepare consolidated financial statements separately. The consolidated financial statements of the Public Corporate Entity ENAIRES and subsidiaries for the financial year ended on 31 December 2018 show a consolidated profit of 1,513,120 thousand Euros and consolidated net equity of 7,650,161 thousand Euros

(1,373,678 and 7,227,958 thousand Euros respectively at 31 December 2017) and were submitted by the Managing Director on 29 March 2019.

The Consolidated Financial Statements for 2017 were approved by the Board of Directors of the Entity in its meeting held on 29 June 2018; those financial statements were published in summary form in the B.O.E, (Official State Gazette) of 28 July 2018, along with those of the Company, and are available on the ENAIRES web site.

The main subsidiary of the Entity is Aena S.M.E., S.A., of which it owns 51% of the share capital at 31 December 2018 and 2017.

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

Aena S.M.E., S.A. was created through the non-monetary contribution of assets, interests, debts and obligations of ENAIRES used for carrying out airport and commercial activities, as well as to other state services related to airport management, including air traffic services in airfields; i.e. since 8 June 2011, Aena S.M.E., S.A. has taken control of the activities included in the Company's Articles of Association in this regard.

ENAIRES was the sole shareholder of Aena S.M.E., S.A. until 11 February 2015. After the IPO for 49% of Aena's shares, the Company is the majority shareholder with 51% of the share capital.



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2. BASES FOR PRESENTATION

2.1. Regulatory Framework for Financial Reporting applicable to the Entity

These financial statements have been drawn up in accordance with the regulatory financial reporting framework applicable to the Entity, which is that set out in:

- a. The Code of Commerce and other mercantile legislation in force.
- b. The Spanish General Accounting Plan currently in force and Order EHA/733/2010 of 25 March on accounting aspects affecting certain public companies operating under certain circumstances.
- c. All mandatory standards approved by the Instituto de Contabilidad y Auditoría de Cuentas [Institute for Accounting and Account Auditing, ICAC] in compliance with the General Accounting Plan and additional standards.
- d. All other applicable Spanish accounting legislation.

2.2. True and Fair View

These attached financial statements have been obtained from the accounting records of the Entity and they are presented in accordance with the applicable financial reporting standards framework and with the accounting principles and criteria set forth therein, so as to show a true and fair view of the financial situation and the

results of the Entity, as well as the accuracy of the cash flows in the financial year

The figures contained in all the accounting statements composing the financial statements (balance sheet, income statement, statement of changes in equity, and cash flow statement) and in the notes to the financial statements are expressed in thousands of Euros, rounded to the nearest thousand, except in the cases explicitly expressed in millions of Euros, the Euro being the functional currency of the Entity.

The Company's financial statements corresponding to 2017 financial period, prepared under the current regulatory framework, were approved by the Board of Directors in a meeting held on 29 June 2018. The financial statements corresponding to 2018, presented by the Managing Director of the Company, will be submitted for approval by the Board of Directors of the Company and are expected to be approved without any amendments.

2.3. Accounting Principles Applied

These financial statements were presented considering all of the mandatory accounting principles and standards which have a significant effect on those financial statements. There is no accounting principle that is obligatory and has not been applied.

2.4. Critical Aspects of the Measurement and Estimation of Uncertainty

In the preparation of the attached financial statements, estimates were made by the Entity's Directors in order to measure certain of the assets, liabilities, income, expenses and obligations reported therein. Basically these estimations refer to:



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- o The assessment of possible impairment losses on certain assets (see Note 4-c).
- o The useful life of property, plant and equipment and intangible assets (see Notes 4-a and 4-b).
- o Calculation of provisions (see Notes 4-j and 4-k).
- o The market value of certain financial instruments (see Note 4-e).
- o Recoverability of deferred tax assets (see Note 12.6).

These estimates and assumptions are based on the best information available on the date of filing the financial statements and are reviewed on a regular basis. However, it is possible that the availability of additional information or future events force the amendment of the estimations at year-end closing in future years. In that case, the effects of any changes in the estimates would be registered prospectively.

2.5. Comparison of the Information

For the purposes of comparison with each of the items on the balance sheet, the income statement, statement of changes in equity, the cash flow statement and the quantitative information required in the notes to the financial statements, in addition to the figures for the 2018 financial period, the Directors present the accounts for the preceding financial 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 Union] on the basis of the different criteria used to calculate the total wage bill for the years 2011 to 2016, amounting to 84,748 thousand Euros following ruling 165/2017 of 20/11/2017 by the Chamber for Labour Issues of the

National High Court in Madrid rejecting the argument of the Air Traffic Control Union in favour of the argument applied by ENAI (Note 13.c).

In 2017, a corporation tax expense amounting to 86,141 thousand Euros was recorded, resulting from the difference between the recognised tax assets and the recoverable amount for this item over 10 years, as a result of the application of the resolution of the Institute for Accounting and Account Auditing (ICAC) of 9 February 2016. In 2018, after new tax planning for the period 2019-2028 was carried out, and the evolution of air traffic and fares were updated, an adjustment of 1,412 thousand Euros was recorded (Note 12.6).

2.6. Grouping of Items

Certain items in the Balance Sheet, the Income Statement, the Statement of Changes in Equity and Statement of Cash Flows are grouped together to facilitate their understanding; however, whenever the amounts involved are significant, the information has to be broken down in the related Notes to the financial statements.

2.7 Changes in Accounting Principles

The effect of any changes in the basic principles is recorded as follows: if the change in the principle has affected the Income Statement of prior years, the cumulative effect at the beginning of the period is adjusted in reserves, whilst the effect in the current year is recognised in profit or loss. Also, in these cases, the comparative financial information presented together with that for the current year is stated.



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ENAI
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Until 2017, the Entity included fixed-term deposits for a term over 3 months within the item "Current Assets, Cash and Other Liquid Assets", since those deposits were fully available without any limitation or penalty, and the interest accrued at the cancellation date was payable; with this the Company considered the effective maturity to be less than 3 months.

However, in accordance with Standard 9 on Recognition and Measurement under the General Accounting Plan, the following must be recognised in the item Cash and Cash Equivalents as defined in standard 9 on the

preparation of annual accounts: "...demand deposits at banks and financial instruments that are convertible to cash and have a maturity of three months or less from the date of acquisition...", consequently, in the formulation of the financial statements for 2018, the Entity has decided to apply this provision strictly, thus changing the principle applied until 2017.

Since this is a change in principles that affects previous years, the comparative figures for the previous year statements are restated in these financial statements as follows:

	31/12/2017		31/12/2017
Headings in the Financial Statements	Approved	Restated	Restated
Balance Sheet			
Current Assets			
Cash and Cash Equivalents	580,350	(250,000)	330,350
Current financial investments:			
Other financial assets	965	250,000	250,965
Cash Flow Statement			
Cash flows from investment activities			
Payments on investment:			
Other financial assets	-	(661,000)	(661,000)
Proceeds from sale of investments:			
Other financial assets	-	506,000	506,000
Cash and cash equivalents at the beginning of the period	397,439	(95,000)	302,439
Cash and cash equivalents at the end of the period	580,350	(250,000)	330,350



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In 2018, with the exception of the foregoing, there have been no other changes in principles in respect of those applied in 2017.

3. ALLOCATION OF PROFIT OR LOSS

As established in article 57 of the Company's Articles of Association, when its Annual Financial Statements show a surplus, following a decision of the Board of Directors and in accordance with the provisions of the Programme of Action, Investments and Financing of the Public Entity, this is allocated to the financing of the Investment Plan and the reduction of its debt. The remaining amount, if any, will be paid in to the Public Treasury.

The profit for 2018 amounts to 681,786 thousand Euros, originating from:

- o Outcome of ENAIRES's own activity, mainly as an air navigation services provider: 184,549 thousand Euros.
- o Dividends received in April 2018 as distribution of Aena S.M.E., S.A.'s profit for 2017: 497,237 thousand Euros corresponding to custody expenses charged to ENAIRES by Banco Sabadell.

Taking this into account, the allocation of the profit or losses for 2018, presented by the Managing Director of the Public Corporate Entity according to its Articles of Association, is as follows:

Thousand Euros	
Basis for distribution	
Balance from the Income Statement	681,786
Allocated to:	
Payment to the Public Treasury of the dividends obtained from Aena S.M.E., S.A.	497,237
Voluntary Reserve to cover decreases in fares	98,000
Payment to the Public Treasury of the remaining balance from ENAIRES's own activity	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 9.d).

On 16 May 2018, 497,237 thousand Euros were paid to the State Treasury, this being the entire amount of the 497,250 thousand Euros of Aena S.M.E., S.A.'s dividends less the custody fees for Aena S.M.E., S.A.'s shares, charged by Banco de Sabadell.

In order to meet the fare decreases to be made in the period 2020-2022 due to the surplus generated in 2018, it is expected to allocate 98,000 thousand Euros of the 2018 profit to Reserves, which will be used to cover future losses, thus preventing a decrease in the Company's net equity (see Note 9).

The remaining balance of the profit for 2018 from ENAIRES's own activities, amounting to 86,549 thousand Euros, would be paid to the Treasury in 2019.



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The remaining balance of the profit for 2017 from ENAI'S own activities, amounting to 88,003 thousand Euros was paid to the Treasury on 18 July 2018 following the approval of the allocation of the profit (loss) for 2017 by the Board of Directors on 29 June 2018.

4. RECOGNITION AND MEASUREMENT STANDARDS

The main standards for recording and measuring used by the Public Corporate Entity in the preparation of the Financial Statements, in accordance with the provisions of the Accounting General Plan, were as follows:

a) Intangible Assets

Intangible Assets are recognised on the Assets side of the Balance Sheet at their acquisition price, production cost or assigned market value adjusted by the amortisation and impairment losses incurred. Amortisation is estimated using the straight-line method based on the useful life of the different assets using the following terms:

Item	Years of Estimated Useful Life
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 once the following conditions are met:

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

Expenses included under assets are depreciated using the straight-line method during the estimated useful life for each project, which may not exceed 4 years.

In the event of a change in the favourable circumstances of the project that allowed the capitalisation of the Development Expenses, or if there are reasonable doubts as to the technical success or profitability of the project, the portion pending amortisation is charged directly to the Losses for the year.

Computer Software

This includes the amount paid for title to, or the right to use, computer software and applications, whether acquired from third parties or developed by the Entity itself.

They are systematically amortised on a straight-line basis, over their estimated useful lives, which usually do not exceed 6 years.

Expenses for maintenance, overall system review or recurring expenses resulting from modifying or updating those applications, are directly recognised as expenses for the financial year during which they are incurred.

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b) Property, Plant and Equipment

Property, Plant and Equipment are shown on the Balance Sheet, valued at their acquisition cost, production cost or fair market value of assigned assets, less any accumulated depreciation/ amortisation and impairment losses, if any, in accordance with the principle mentioned in paragraph c) of this Note.

Assigned items of Property, Plant and Equipment are measured at market value at the time of assignment, as determined by an external appraisal.

Subsequent additions are measured at their acquisition cost, which includes all costs necessary for putting the asset in operating condition.

Interest and other finance charges incurred for financing construction work or other assets during the production process and whenever the duration of that process exceeds 12 months are considered as a higher asset cost.

Replacements or renewals of complete items that lead to a lengthening of the useful life of the assets or to an increase in their economic capacity are recognised as additions to property, plant and equipment, and the items replaced or renewed are retired.

Regular maintenance, conservation and repair expenses are attributed on an accrual basis to the results of the financial year in which they are incurred

The Public Corporate Entity depreciates its Property, Plant and Equipment once they are fit for use on a straight-line basis, distributing the carrying amount of the assets over the years of estimated useful life, except for land and works of art, which are not depreciated.

The useful life of the assigned items of fixed assets was estimated, at the time of the assignment, on the basis of the degree of utilisation of the different elements making up each heading. The periods of useful life estimated are those stated in the following breakdown:

Items of Fixed Assets	Years of Estimated Useful Life
Buildings	10-40
Technical Installations	4-15
Equipment	5-12
Other Installations	10-20
Furnishings	5-13
Other Property, Plant and Equipment	5-20

c) Impairment of Fixed Assets and PPE

In accordance with the provisions of Order EHA 733/2010, the Entity considers all of its and property, plant and equipment and intangible assets to be non cash-generating assets, since the corresponding required conditions are met:

- o **Required condition:** the application of this Order is mandatory for Entities belonging to the State Public Business Sector that must apply the Accounting Principles and Standards contained in the Code of Commerce and the General Accounting Plan and which, considering the strategic or public utility nature of their activity, deliver goods or provide services regularly to other Entities or users without receiving payment, or in exchange for a rate or a political price fixed directly or indirectly by the Public Administration.



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- o **Sufficient condition:** relates to assets owned for a purpose other than generating business returns, such as the social financial flows generated by those assets and that benefit the community, i.e. the social benefit or service potential.

In accordance with the aforementioned Order, the impairment of these assets relates to a decrease in the earnings provided by the asset for the controlling Entity.

At least at the reporting date the Entity assesses whether there is any indication of impairment of Property, Plant and Equipment and Intangible Assets. An impairment loss must be recognised in a non-cash flow generating asset or a service or operating unit if its carrying amount exceeds the recoverable amount at the date when it was determined. For these purposes, the recoverable amount of the assets is taken to be the higher amount between their fair value less costs to sell and their value-in-use.

Except where there is better evidence, that value is determined by reference to its depreciated replacement cost, which is defined as the replacement cost of the asset less the accumulated depreciation or amortisation calculated on the basis of that cost, so that it reflects the operation, use and utilisation already made of the asset, although any possible technical obsolescence should also be taken into consideration.

Considering the above, at the close of 2018 no sign of impairment was detected on the relevant value of the Entity's Property, Plant and Equipment and Intangible Assets.

d) Leases

Leases are classified as Finance Leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as Operating Leases. At 31 December 2018, the Entity is not party to any currently valid contract considered as a Finance Lease ENAI is also not party to any currently valid contract considered as a Finance Lease in which it acts as the lessor.

Operating Leases

The Income and Expenses arising from Operating Lease agreements are charged to the Income Statement in the year in which they are incurred.

Any amount collected or paid that could be made through an Operating Lease agreement is treated as an advance collection or payment that will be attributed to profit or loss throughout the term of the lease.

Financial leasing

In Financial Leases in which the Entity acts as lessee, at the beginning of the lease period, the Entity recognises an asset, according to its nature, and a liability equal to the lower between the fair value of the leased asset and the current value of the minimum lease payments, discounted at the explicit interest rate stated in the agreement, or, when this cannot be determined, the Entity's interest rate for similar operations will be used. The initial direct costs are included as increased value of the asset. The minimum payments are divided between the reduction of the outstanding liability and the finance charge.



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The finance charge is distributed over the term of the lease in the Income Statement for the purpose of obtaining a constant interest rate in each financial year on the outstanding balance of the liability. The payment obligation arising from the lease, net of the corresponding finance charge, is presented as long- or short-term payable debt, depending on its maturity.

Contingent lease payments are booked as an Expense when it is likely that they will be incurred.

Assets acquired through a Finance Lease are depreciated according to the principles applied by the Company to assets of this same nature. If at the beginning of the lease, there is no reasonable certainty that the Entity will obtain ownership of the asset at the end of the lease term, the Property, Plant and Equipment is depreciated and amortised over the shorter of the lease term and its useful life.

e) Financial Instruments

e.1) Financial assets

Classification

Financial assets held by the Entity are classified under the following categories:

- a. **Loans and Items Receivable:** these are non-derivative financial assets with fixed or determinable collections

which are not listed on an active market. They are included under current assets, except for maturities over 12 months from the balance sheet date, in which case they are classified as non-current assets. Loans and items receivable are included in "Trade and Other Receivables" on the balance sheet. These financial assets are initially valued at their fair value, including directly attributable transaction costs, and subsequently at amortised cost. Nevertheless, trade accounts receivable maturing at less than one year are measured both initially and subsequently at their nominal value provided that the effect of not discounting the cash flow is not material.

At least at year-end, value adjustments are made for impairment if there is objective evidence that not all amounts receivable will be collected.

The amount of the impairment loss is the difference between its carrying amount of the asset and the present value of estimated future cash flows, discounted at the effective interest rate calculate at the time of 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 Entity sets up the corresponding impairment provision for the amount of the difference.



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Value adjustments, and also their reversal, where appropriate, are recognised in the Income Statement.

- b. **Financial Assets Held for Trading:** these are assets acquired with the intention of selling them in the near term and assets that form part of a portfolio for which there is evidence of recent actions with that intention. This category also includes financial derivatives which are not financial guarantee agreements (for example, sureties) nor have they been designated as hedging instruments. At 31 December 2018 and 2017, no assets under this category have been recorded.
- c. **Investment in the Equity of Group and Multi-Group companies and Associates:** Group companies are taken to be those linked to the Company through a relationship of control, and associates are those in which the Entity has a significant influence. Moreover, the multi-group category includes the companies over which joint control with one or more partners is exercised pursuant to an agreement. Investments in Group and Multi-Group companies and Associates are valued for their cost less, if the case, the accumulated amount for impairment value adjustments. Those corrections are made for the difference between the book value and the recoverable amount, this being understood as the higher amount between the fair value less the sales costs and the actual value of future cash flows derived from the investment.
- d. **Cash and cash equivalents:** This item includes cash in hand and in banks and other financial assets and deposits convertible into cash, provided that their maturity at their 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 carried initially at the fair value of the consideration given, plus any directly attributable transaction costs.
- e. **Financial Assets Available for Sale:** these are equity instruments of other companies. This category includes debt security and equity instruments of other companies that have not been classified in any of the above categories. They are included as Non-Current Assets unless the Management intends to dispose of the investment in the 12 months following the Balance Sheet date. They are measured at their fair value, and any fluctuations are recognised directly in Net Equity until the asset is sold or depreciated, at which time the Profits and Losses accumulated in Equity are charged to Income, as long as the fair value can be reliably measured. Otherwise, they are recorded at cost less any accumulated impairment losses. For financial assets available for sale, value adjustments are made if there is objective evidence that their value has been impaired as a result of a reduction or delay in the estimated future cash flows in the case of debt instruments acquired or due to a lack of recoverability in the book value of the asset in the case of investments in equity instruments. Value adjustment is the difference between their cost or depreciated cost minus any value adjustment previously recognised in the Income Statement and the fair value at the time the valuation is performed. In the case equity instruments which are valued at their cost since their fair value cannot be assessed,



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the value adjustment is calculated using the same method as for investments in Group, Multi-Group and Associated companies. If there is objective evidence of impairment, the Entity records in the Income Statement any accumulated losses previously recognised in Equity for the decrease in fair value. Impairment losses recognised in profit or loss for equity instruments are not reversed through profit or loss. 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 Entity establishes the fair value using measurement methods that include the use of recent transactions between interested and duly informed parties, referring to other substantially equal instruments, discount methods for estimated future cash flows and option price fixing models, making maximum use of the market information and relying as little as possible on the subjective considerations of the Entity.

Financial assets are derecognised when the rights to receive the related cash flows have matured or have been transferred and the Entity has substantially transferred the risks and rewards inherent to ownership. In the specific case of accounts receivable, this is generally deemed to occur whenever insolvency and default risks have been transferred. Financial assets that are designated as hedged items are subject to measurement under the hedge accounting requirements.

The full retirement of a financial asset entails the recognition of the profit or loss resulting from the difference between its book value and the sum of the consideration received, net of transaction costs, including the assets obtained or liabilities assumed and any deferred loss or gain recognised in Equity.

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

e.2) Financial Liabilities

This category includes debits from trading operations and debits from non-trading operations. These external resources are classified as Current Liabilities, unless the Entity has an unconditional right to defer the repayment by at least 12 months following the Balance Sheet date.

Debts and items payable are initially recognised at the fair value of the consideration received, adjusted by the directly attributable transaction costs. Those liabilities are subsequently measured at amortised cost.

However, debits from commercial operations with a maturity of no more than one year and which do not have a contractual interest rate are measured, both initially and later, at their nominal value if the effect of not adjusting the cash flows is not significant.



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If existing debt is renegotiated, no substantial changes to the Financial Liability are deemed to exist when the lender of the new loan is the same as the lender of the initial loan and the present value of the cash flows, including net commissions, does not differ by more than 10% from the present value of the outstanding cash flows of the original liability calculated using the same method.

e.3) Derivative Instruments

The Entity uses derivative financial instruments mainly in order to hedge changes in interest rates.

The Entity documents the hedge relationships and at the close of each financial year it checks that the hedge is effective, that is to say that it can be expected that the changes in the cash flows of the hedged item are almost completely offset by those of the hedging instrument and that, retrospectively, the income from the hedge has varied within a variation range of 80% to 125% in respect of the income from the hedged portion.

Derivative Financial Instruments which, according to the previous paragraph, are qualified as hedge instruments, are recognised as assets or liabilities, depending on whether they are positive or negative, at their fair value with a balancing entry in "Hedging Transactions" in Equity, until their maturity, when they are recognised in profit or loss together with the hedged item.

The hedge accounting ceases to take place when the hedging instrument matures or is sold, expires or is exercised, or if it no longer meets the criteria for hedge accounting. At that time, any accumulated profit or loss corresponding to the hedge instrument is transferred to the income statement for the period.

f) Inventories

Inventories include spare parts and sundry materials deposited in the Centre for Logistic Support, and are initially valued at their acquisition price. The acquisition price is determined base on the historical cost of the items identified in the relevant purchase records.

Subsequently, if the cost of stock replacement is lower than acquisition price, the corresponding value adjustments are made. When the circumstances that caused stock value adjustments cease to exist, the amount of the adjustment is reversed.

g) Foreign Currency Transactions, Balances and Cash Flows

The functional currency used by the Entity is the Euro. Therefore, operations in currencies other than the Euro are considered to be denominated in a foreign currency and are recorded according to the exchange rates in force on the transaction dates.

Any exchange differences on foreign currency monetary items arising on settlement or translation at the closing rates are generally recognised in the Income Statement for the year.



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h) Income Tax Expense

The cost or revenue from Income Tax includes the portion relative to the current tax cost or revenue and the portion corresponding to the deferred tax cost or revenue. Both the expense (revenue) arising from current tax and from deferred tax are recorded in the Income Statement. However, the tax effect relating to items directly recognised in Equity is recorded in Equity

Current tax is the amount that the Entity pays as a result of paying income tax relating to one year. Deductions and tax losses from previous financial years applied in this financial year reduce the current income tax expense.

Deferred tax income or expense corresponds to the recognition, change and reversal of deferred tax assets and liabilities, including temporary differences measured at the amount expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and their tax bases. Tax loss carryforwards and tax credits from unapplied tax benefits from the same financial year are recorded as positive tax adjustments. Those amounts are recorded by applying to the corresponding temporary difference or credit the charge at the rate at which it is expected to be recovered or paid.

However, the tax losses and tax benefits from previous tax periods applied to this tax do not imply a higher or lower expense since they are capitalised in previous financial years.

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

Conversely, deferred tax assets are only recognised to the extent that it is considered probable that the Entity will have future taxable gains available against which they can be made effective.

Deferred tax assets and liabilities originating in transactions with charges or payments directly made in equity accounts are also entered with a balancing entry in equity.

At each closing of the accounts the recorded deferred tax assets are reviewed, and appropriate adjustments are made to the extent that there are doubts as to their future recovery. Also, at each closing of accounts, the deferred tax assets not recorded on the balance sheet are assessed and recognised to the extent that it has become probable that future taxable profit will enable them to be recovered. In 2017, an adjustment amounting to 86.1 million Euros was recorded with the purpose of diminishing the balance of deferred tax assets. In 2018, once the tax planning for the 2019-2028 period was completed, after updating the air traffic expectations and fares, an additional adjustment of 1.4 million Euros (see Note 12.6) was made as a result of applying the decision of the Institute of Accounting and Account Audits (ICAC) of 9 February 2016.

i) Income and Expenses

Income and Expenses are recorded according to the principle of accrual, that is, at the moment when the goods or services represented by them are provided, regardless of when actual payment or collection occurs.



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Income is recorded at the fair value of the payment to be received and represents the amounts receivable for the goods delivered and the services provided as during the ordinary course of the Entity's operations, minus all relevant discounts, reductions, reimbursement and Value Added Tax.

The Entity recognises income when the amount can be reliably valued, if it is likely that the future profits as going to flow to the Entity and the conditions specific to each of the activities are fulfilled. It is considered that the amount of income cannot be reliably valued until all contingencies related with the sale have been settled. The Entity bases its estimates on historical results taking into account the type of client, the type of operation and the specific terms of each agreement.

The interest received on financial assets is reported using the effective interest rate method and dividend income is recognised when the shareholder's right to receive payment has been established. In any case, interest and dividends for financial assets paid after acquisition are recognised as revenue on the income statement. When distributed dividends arise from profits earned before the acquisition date, they are not recognised as income, but are deducted from the carrying amount of the investment.

The amounts declared as dividends by investee companies are recognised as income in the financial year in which they are declared.

j) Provisions and contingencies

In the Financial Statements submitted, the Public Corporate Entity differentiates between:

- a. **Provisions** The Entity recognises provisions on its balance sheet when it has a current obligation, arising from either a legal or contractual clause or from an implicit or tacit obligation as a result of past event, that obligation can be reliably estimated and it is expected that settling this obligation will imply a future outflow of resources.

When provisions are established to settle obligations without a defined maturity date, or maturing at one year or less, and whose financial effect is not significant, no discount whatsoever shall be applied. For 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, recording any adjustments that arise from capitalising the provision as a financial expense as they accrue, in order to reflect the best possible estimate of the relevant liability at all times.

When experience can reduce the uncertainty regarding the calculation of the amount and the payment date of the provision amounts, the Entity classifies liabilities under the corresponding heading according to their nature (see Notes 2.5; 4.k; 8.2.c and 11.1).

- b. **Contingent Liabilities:** possible obligations arising as a consequence of past events, the materialisation of which is conditioned to one or several future events occurring beyond the control of the Entity. Contingent liabilities are not recognised in the balance sheet but are included in the Report (see Note 11.2).

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k) Provisions for Labour Commitments

The cost of obligations arising from labour related commitments is recognised on an accrual basis, according to the best estimate available calculated using the information provided by the Public Corporate Entity.

The Entity is committed to paying long-term employee benefits, under both defined contribution plans and defined benefit schemes. In the case of defined contribution payments, liabilities related to those obligations will be incurred when there are contributions due at year-end but not settled. In the case of defined benefit payments, the amount to be recognised as a provision corresponds to the difference between the present value of the payments involved and the fair value of any possible assets linked to the commitments with which the obligations will be settled.

Specifically, the attached Balance includes the following provisions corresponding to employee commitments acquired:

Awards for Length of Service

Article 138 of the Collective Agreement for the ENAIRE Group (Entidad Pública Empresarial ENAIRE and Aena S.M.E.,S.A.) and article 141 of the for Air Traffic Controllers Collective Agreement establish awards for length of effective service over a period of 25 and 30 years, in the first case, and of 25 and 35 years, in the second. The Entity makes provision for the present value of the best possible estimate of its future benefit obligations, based on an actuarial calculation.

The most relevant assumptions considered for making the actuarial calculation are as follows:

	2018	2017
Technical Rate of Interest:	1.49%	1.43%
Increase of award amounts:	1.50%	1.00%
Mortality Table:	PERMF 2000 NP	PERMF 2000 NP
Finance System used:	Individual Capitalisation	Individual Capitalisation
Accrual method:	Projected Unit Credit	Projected Unit Credit
Retirement Age:	Under Act 27/2011	Under Act 27/2011
Disability Tables:	OM 1977	OM 1977

Award for Early Retirement

Article 154 of the Collective Agreement for the ENAIRE Group (Entidad Pública Empresarial ENAIRE and Aena S.M.E., S.A.) establishes that all employees between the ages of 60 and 64 who are entitled to do so under current legislation, may take voluntary early retirement and receive an amount of compensation that, added to the rights consolidated in the Retirement Plan, when their contract terminates will be equivalent to four months of the calculation basis and the seniority bonus for each remaining year until the employee reaches the age of 64, or the corresponding proportional part.



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In 2014, an actuarial analysis was carried to close the financial year, from which it was ascertained that the liability that could arise from the current value of benefit obligations was practically zero, together with the fact that the new regulations on ordinary retirement make it highly unlikely that any employee would make use of this right, the Entity considers that, at the close of 2017 and 2018, there is no liability in those years.

Remuneration for Air Traffic Controllers

This paragraph recognises salary items due and unpaid arising from benefits under agreements between ENAIRE and the Unión Sindical de Controladores Aéreos [Air Traffic Controllers Union] in previous years. These provisions are valued at their nominal value, since this is not significantly different from their current value.

Special Paid Leave (Licencia Especial Retribuida, LER) and Active Reserve (Reserva Activa, RA)

This provision reflects the actuarial liability that measures the commitments acquired with air traffic controllers employed by the Entity who are in a situation of Special Paid Leave or Active Reserve, as well as the best estimate of the number of employees that may obtain the status of Active Reserve in the future.

The main actuarial assumptions used for the calculation are set out below:

	2018	2017
Interest rate:	0.07% (Reserve); 1.59% (Active)	0.05% (Reserve); 1.57% (Active)
Long-term wage growth:	1.00%	1.00%
Growth of Maximum Bases	2.50%	1.00%
Mortality Table:	PERMF 2000 NP	PERMF 2000 NP
Finance System used:	Individual Capitalisation	Individual Capitalisation
Accrual method:	Projected Unit Credit	Projected Unit Credit
Retirement Age:	Under Act 27/2011	Under Act 27/2011

Since this is not a post-employment benefit, the impact created by changes in actuarial assumptions are recorded in the Income Statement.

I) Severance Indemnities

Under current employment legislation, the Entity is required to pay an indemnity to employees whose employment contract is terminated by the Entity under certain circumstances.



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Severance indemnity is paid to employees as a result of the Entity's decision to terminate their employment contract before the standard retirement age or when the employee voluntarily accepts to resign in exchange for those benefits. The Entity recognises those benefits when there is evidence that it has undertaken to terminate the employment of current employees based on a detailed formal plan that cannot be revoked or to pay termination indemnities as a result of an offer made to encourage voluntary severance. Any benefits which are not going to be paid within twelve months following the balance sheet date are discounted at their current value.

At year-end there are no redundancy plans which would require a provision to be recorded in this connection.

m) 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 respect, investments arising from environmental activities are measured at their acquisition cost and are capitalised as the higher cost of fixed assets in the year in which they are incurred, following the principles described in section b) of this note.

All expenses deriving from protecting and improving the environment are allocated to the results in the year in which they accrue, regardless of when the resulting monetary or financial flow arises.

Provisions related to probable or certain responsibilities, litigation under way and for outstanding environmental indemnities or obligations of an undetermined amount, not covered by the insurance policies held, are established when the responsibility or obligation that determines the indemnity arises.

n) Grants, Donations and Bequests Received

Non-refundable grants, donations and bequests related to assets are recognised as such when there is an individual agreement granting them, when all the conditions established for the grant have been met and when there are no reasonable doubts about receiving them.

Since 2009, as a consequence of the enactment of Order EHA/733/2010, of 25 March, which approves accounting aspects for public companies operating under certain circumstances, in the case of subsidies granted to build an asset where construction is not completed, the subsidy is classified as non-refundable in proportion to the work completed, provided that there is no reasonable doubt that the construction will be completed in the conditions established in the award agreement.

Generally speaking, they are measured at the fair value of the amount or asset awarded and are recognised under equity after subtracting the relevant tax effect, and allocated to income in proportion to the depreciation undergone by the assets financed by those subsidies, This shall not be the case for non-depreciable assets, which will be allocated to income of the reporting



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period in which the disposal or valuation adjustment takes place. Government grants to compensate costs are recognised as income on a systematic basis over the periods in which the costs incurred are intended to compensate.

Grants, donations and bequests grants that are considered refundable are entered as liabilities until all the conditions for them to be considered as non-refundable have been met or until they are repaid.

Operating grants are credited to income when granted. When they are granted to finance specific expenses, they will be entered into the books as the financed expenses become payable. Meanwhile, they are recognised as a liability or as equity depending on whether they are considered refundable or not.

ñ) Transactions with Related Parties

The Entity carries out all its related-party transactions at fair value. The Directors of this Public Entity consider that there are no significant risks in this respect which could give rise to liabilities of any consideration in the future.

In general, all operations between Group companies are initially recognised at their fair value. Where appropriate, if the price agreed differs from its fair value, the difference is entered on the basis of the economic reality of the operation. Subsequent measurements are performed in accordance with the corresponding regulations.

Notwithstanding the above, in mergers, demergers and non-monetary contributions of a business, the items comprising the acquired business line are measured

at the amount that would correspond to them, upon completion of the transaction, in the consolidated financial statements of the group or subgroup.

When the parent company of the group or sub-group, and its subsidiary, are not involved, the financial statements to be considered for these purposes will be those of the group or sub-group in which the related assets are included, the parent company of which is a Spanish company.

In these cases, any 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 adjustments and any capital amount and share premium, as the case may be, issued by the acquiring company, is recorded in reserves.

On 31 October 2017, ENAI and its subsidiary Aena S.M.E., S.A. signed an agreement regarding the use of Aena's car park network by ENAI employees.

Services provided pursuant to this agreement are invoiced to ENAI at fair value with a 75% discount on actual amounts.

Considering the Recognition and Measurement Standard 21, which establishes that the difference between the price agreed and the market value of a transaction must be recorded on the basis of the financial conditions of the transaction and for the purpose of valuing the transaction at market prices in order to comply with article 18 of the Corporation Tax Act, ENAI has recognised the provision of services in 2018 at market value for an amount of 80.3 thousand Euros (7.1 thousand Euros in 2017). Since billing has



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increased to 20.1 thousand Euros (1.8 thousand Euros in 2017), ENAI has recorded 51% of the difference (the percentage corresponding to its holding in Aena S.M.E., S.A.) as dividend income, and the remaining 49% as extraordinary revenue.

On 30 April 2018, the Entity and the ENAI Foundation signed a document authorising the use, free of charge, of the building in which the Foundation carries out its activities and which is owned by ENAI (Note 6). Along the same line, ENAI has recorded service provisions in 2018 at their market value, as self-consumption for an amount of 72.6 thousand Euros, recording pre-tax income of 60 thousand Euros and 12.6 thousand Euros as VAT applicable.

o) Cash Flow Statement

The Cash Flow Statement includes all cash movements made during the year. These cash flow statements use the following terms with the meaning stated below:

- o **Cash Flows:** inflows and outflows of cash and cash equivalents, understood as highly liquid investments maturing in less than three months and subject to an insignificant risk of changes in value.
- o **Operating Activities:** activities that make up for the Entity's main source of ordinary income, as well as activities that cannot be classified as investment or financing activities.

- o **Investment Activities:** activities comprising the purchase, sale or otherwise disposal of non-current assets and other investments not included under cash and cash equivalents. Income arising from loans to group companies, as well as associated novation fees, is considered as revenue from divestment.
- o **Financing Activities:** activities that produce changes in the size and composition of Net Equity and financial liabilities. The charges for novation of the debt are included as the higher value of the financing received.

Collections and payments made in investments for Other Financial Assets include cash movements as a consequence of Fixed term deposits with maturities exceeding three months.

The charge for 2018 Corporation Tax includes 0.39 million for paying the 2016 Corporation Tax expense, 0.71 million for 2017 Corporation Tax, less part payments and withholdings made in 2018 for 2018 Corporation Tax, amounting to 157.28 million Euros.

Similarly, the charge for 2017 Corporation Tax included 242 million for paying the 2015 Corporation Tax expense, 46 million for 2016 Corporation Tax, less part payments and withholdings made in 2017 for 2017 Corporation Tax.



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5. INTANGIBLE ASSETS

Changes in the accounts included under Intangible Assets, in 2018 and 2017, were as follows:

2018

Changes	Thousand Euros			
	Development	Computer Software	Other Intangible Assets	Total
Cost:				
Opening balance	127,939	360,980	1,839	490,757
Additions	11,619	24,939	1,863	38,421
Retirements	(226)	(2)	-	(228)
Transfers (Note 6)	315	494	564	1,373
Closing Balance	139,647	386,411	4,266	530,323
Amortisation:				
Opening balance	(108,504)	(282,255)	(135)	(390,893)
Allowance	(6,557)	(23,989)	(334)	(30,880)
Retirements	227	1	-	228
Transfers (Note 6)	7	-	-	7
Closing Balance	(114,827)	(306,243)	(469)	(421,538)
Net:	24,820	80,168	3,797	108,785

The main additions for 2018 took place under the heading Computer Software and correspond to improvements and new developments in computer software, mainly those related to the Air Traffic Control Automated System (SACTA), used to control air traffic, as well as under the heading Development, due to the new models for the organisation of air space and streamlining of operating scenarios.

In 2018, 624 thousand Euros (563 thousand Euros in 2017) corresponding to expenses incurred by the Entity for producing them were added to Intangible Assets.

The main retirements recorded in 2018 correspond to renewal of development projects related to operating safety and air traffic management.



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2017

Changes	Thousand Euros			
	Development	Computer Software	Other Intangible Assets	Total
Cost:				
Opening balance	118,855	347,213	549	466,616
Additions	10,867	19,658	1,249	31,774
Retirements	(1,732)	(20,641)	-	(22,373)
Transfers (Note 6)	(51)	14,750	41	14,740
Closing Balance	127,939	360,980	1,839	490,757
Amortisation:				
Opening balance	(104,904)	(279,331)	(41)	(384,275)
Allowance	(5,332)	(23,570)	(94)	(28,996)
Retirements	1,732	20,641	-	22,373
Transfers (Note 6)	-	5	-	5
Closing Balance	(108,504)	(282,255)	(135)	(390,893)
Net:	19,435	78,725	1,704	99,864

The breakdown of the items of intangible assets purchased from Group companies and associates is as follows:

Description	Thousand Euros			
	2018		2017	
	Carrying Amount (gross)	Accumulated Amortisation	Carrying Amount (gross)	Accumulated Amortisation
Development	6,229	(66)	6,395	(161)
Computer Software	3,019	(30)	1,965	(48)
Other Intangible Assets	1,680	(4)	1,136	(3)
Total	10,928	(100)	9,496	(212)



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The total figure for costs capitalised at 31 December 2018 and 2017 under the different classes of Intangible Assets includes assets underway as itemised below:

Description	Thousand Euros	
	2018	2017
Development	8,703	3,464
Computer Software	16,544	13,134
Other Intangible Assets	1,811	902
Total	27,058	17,500

No Finance Expenses were capitalised in 2018 and 2017.

At 31 December 2018 there are fully-amortised Intangible Assets that are still in use, as itemised below:

Description	Thousand Euros	
	2018	2017
Development	104,605	98,958
Computer Software	234,672	226,889
Other Intangible Assets	17	17
Total	339,294	325,864

Assignment of use for consideration

On 24 July 2015, the licence agreement was signed for the use by the Asociación Española de Coordinación and Facilitación de Franjas Horarias [Spanish Association for Slot Coordination and Schedule Facilitation] (AECFA) of the GESLOT computer software, owned by the Entity, for consideration until it is fully amortised.

The main terms of the agreement are detailed below:

Thousand Euros

Start Date of Assignment	24 July 2015
Duration	1 calendar year, renewable for three-month periods up to and including the fifth year
Carrying amount at 15-09-2015	351
Amount of First Payment	43
Amount of Quarterly Payment	16
Amount Paid in 2015	91
Amount Paid in 2016	65
Amount Paid in 2017	65
Amount Paid in 2018	65



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6. PROPERTY, PLANT AND EQUIPMENT

A summary of all changes recorded during 2018 and 2017 in the accounts included under Property, Plant and Equipment is shown below:

2018

Description	Thousand Euros						Total
	Land	Buildings	Technical Installations and Machinery	Other Installations, Equipment and Furnishings	Other Property, Plant and Equipment	Property, plant and equipment underway	
Cost:							
Opening Balance	20,669	235,950	840,432	193,161	67,122	94,581	1,451,915
Additions	-	1,805	3,128	2,898	3,197	39,306	50,334
Retirements	-	(3,113)	(82,442)	(3,503)	(2,623)	(21)	(91,702)
Transfers (Note 5)	-	475	7,820	1,437	8,043	(19,148)	(1,373)
Closing Balance	20,669	235,117	768,938	193,993	75,739	114,718	1,409,174
Depreciation							
Opening Balance	-	(126,835)	(658,714)	(133,174)	(53,812)	-	(972,535)
Allowance	-	(6,546)	(38,012)	(8,141)	(4,893)	-	(57,592)
Retirements	-	3,106	82,021	3,394	2,620	-	91,141
Transfers (Note 5)	-	-	-	-	(7)	-	(7)
Closing Balance	-	(130,275)	(614,705)	(137,921)	(56,092)	-	(938,993)
Net:	20,669	104,842	154,233	56,072	19,647	114,718	470,181



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2017

Description	Thousand Euros						
	Land	Buildings	Technical Installations and Machinery	Other Installations, Equipment and Furnishings	Other Property, Plant and Equipment	Property, plant and equipment underway	Total
Cost:							
Opening Balance	20,669	234,933	850,364	189,768	69,015	114,631	1,479,380
Additions	-	337	3,843	1,917	2,357	38,485	46,939
Retirements	-	(2)	(51,090)	(734)	(7,837)	-	(59,663)
Transfers (Note 5)	-	682	37,315	2,210	3,587	(58,535)	(14,741)
Closing Balance	20,669	235,950	840,432	193,161	67,122	94,581	1,451,915
Depreciation							
Opening Balance	-	(119,647)	(660,711)	(125,011)	(57,709)	-	(963,078)
Allowance	-	(7,190)	(48,071)	(8,833)	(3,904)	-	(67,998)
Retirements	-	2	50,068	670	7,806	-	58,546
Transfers (Note 5)	-	-	-	-	(5)	-	(5)
Closing Balance	-	(126,835)	(658,714)	(133,174)	(53,812)	-	(972,535)
Net:	20,669	109,115	181,718	59,987	13,310	94,581	479,380

The breakdown of the items of Property, Plant and Equipment purchased from Group companies and Associates is as follows:

Description	Thousand Euros			
	2018		2017	
	Carrying Amount (gross)	Accumulated Amortisation	Carrying Amount (gross)	Accumulated Depreciation
Buildings	40	-	-	-
Technical Installations and Machinery	483	(24)	517	(45)
Other Installations, Equipment and Furnishings.	115	(2)	12	-
Property, plant and equipment underway	2,608	-	2,443	-
Total	3,246	(26)	2,972	(45)



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No Finance Expenses were capitalised in 2018 and 2017.

a) Additions to Property, Plant and Equipment

The main additions recorded in 2018 correspond to additions to technical facilities to be used for air navigation activities and reconditioning the new headquarters of ENAIRE Central Services.

The main additions made to the Property, Plant and Equipment Underway correspond to additions to air navigation facilities related to the Air Traffic Control Automated System (SACTA), the IP SCVoIP-based Voice Communication Systems and Radar Surveillance Systems.

In 2018, 1,189 thousand Euros (1,100 thousand Euros in 2017) corresponding to expenses incurred by the Entity for producing them were added to Property, Plant and Equipment.

b) Retirements

Amongst the retirements recognised during the year the most noteworthy are those arising from the renovation of the data server platform of the Air Traffic Control Automated System in Control Centres.

c) Impairment

At the close of 2018, the Entity has not found any signs of impairment that require any adjustments to be made to reflect an impairment loss on its fixed assets.

d) Grants received

In 2018, the Entity recognised 5.3 million Euros, net of taxes, for grants associated to property, plant and equipment and intangible assets (4 million Euros in 2017). The Balance Sheet shows a cumulative amount of 12.7 million Euros, net of taxes at 31 December 2018.

The gross cost of assets associated to these grants at 31 December 2018 amounts to 112.3 million Euros, of which 88.2 million correspond to property, plant and equipment and 24.1 million to intangible assets. The gross cost of assets associated to these grants at 31 December 2017 amounted to 95.4 million Euros, of which 78.1 million corresponded to property, plant and equipment and 17.3 million to intangible assets.

e) Limitations

Assets assigned to the Public Corporate Entity up to 31 December 2018 are property of the State public domain, to which ENAIRE has no title, nor the power to dispose of them unless they have been declared unnecessary or can be encumbered.

f) Fully depreciated assets

At 31 December 2018 and 2017, certain items of property, plant and equipment are fully depreciated and still in use, as itemised below:

Description	Thousand Euros	
	2018	2017
Buildings	18,343	19,377
Technical Installations and Machinery	383,421	402,381
Other Installations, Equipment and Furnishings.	67,472	58,964
Other Property, Plant and Equipment	44,711	44,189
Total	513,947	524,911



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g) Undertakings

Investments still to be made at 31 December 2018 amount to approximately 96 million Euros (104 million Euros at 31 December 2017) amongst which are those yet to be formalised and those confirmed but pending implementation.

h) Insurance Policies

It is the Entity's policy to take out insurance policies to provide adequate cover for any possible risks to which the various elements of its property, plant and equipment are subject. At the close of the 2018 there was no deficit of cover.

Assignment of use for consideration

Since 1 January 2015, the building located in Calle Arturo Soria, 109 (Madrid) has been assigned for use to the subsidiary Aena S.M.E., S.A. for a monthly fee in the terms of the authorisation from the Directorate General for State-Owned Assets dated 26 April 2016.

Authorisation for use free of charge

On 30 April 2018, authorisation was formally given for ENAIRES F.S.P. Foundation to use the premises located in Calle General Pardiñas 116, 3rd floor; (Madrid), a building assigned to ENAIRES, free of charge, so that it may carry

out its activities for a period of four years, which can be renewed by equal periods upon the formal request of the ENAIRES Foundation.

That authorisation does not imply the assignment of public ownership or of ENAIRES's proprietary rights and is given subject to the provisions of article 90.1 of the Law Act 33/2003 of 3 November on State Ownership of Public Assets. That authorisation does not involve any charge or encumbrance on the property, or any limitation to ENAIRES's proprietary rights to it.

This authorisation has been booked as self-consumption at market value (see Note 4ñ).

7. LEASES

The Entity utilises several assets under operating leases with third parties, amongst which special mention is made of the following, with their details and the main features of the corresponding agreements:

Asset	Location	Expiry Date	Annual rent (in thousands of Euros)	Remarks
Building in Pegaso City	Madrid	15/03/2022	2,086	There is an agreement in place for the Allende Building and another for the Lámela Building; since 15 November 2018 the latter only applies to the cafeteria.
Building in Las Mercedes Business Park	Madrid	30/11/2021	897	



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At 31 December 2018, lease payments under non-cancellable leases amount to 6.67 million Euros, of which 3.93 correspond to the new premises in the Las Mercedes building and 2.74 correspond to the Pegaso City building (6.80 million Euros at 31 December 2017).

In June 2018, the Company transferred certain Central Services, located until that moment in the Pegaso City building in Madrid, to the building in the Las Mercedes Business Park, also in Madrid, where they will be located for a minimum period of 4 years, as stated above.

8. FINANCIAL INSTRUMENTS

8.1 Financial Assets

The book value of each Financial Asset category established in the standard for recognition and measurement of financial instruments, except for investments in the equity of Group and Multi-group companies and Associates is shown below:

Thousand Euros								
Categories	Classes							
	Long Term Finance Instruments				Short Term Finance Instruments		Total	
	Equity Instruments		Credits, Derivatives and Others		Credits, Derivatives and Others			
	2018	2017	2018	2017	2018	2017	2018	2017
Loans, Cash and Items Receivable	-	-	5,338,514	6,104,217	1,367,319	1,416,492	6,705,833	7,520,709
Available for Sale Assets								
Measured at Cost	564	564	-	-	-	-	564	564
Total	564	564	5,338,514	6,104,217	1,367,319	1,416,492	6,706,397	7,521,273



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The breakdown of financial assets at 31 December 2018 and 31 December 2017, per balance sheet heading, is as follows:

Categories	Note	Thousand Euros					
		Long Term		Short Term		Total	
		2018	2017	2018	2017	2018	2017
Investments in Group Companies and Associates		5,338,514	6,104,217	648,238	683,540	5,986,752	6,787,757
Loans to Companies	Note 17	5,338,514	6,104,217	648,238	683,540	5,986,752	6,787,757
Financial Investments		564	564	200,021	250,965	200,585	251,529
Equity Instruments	Note 8.1.a	564	564	-	-	564	564
Other Financial Assets	Note 8.1.c	-	-	200,021	250,965	200,021	250,965
Trade and Other Receivables		-	-	160,642	151,637	160,642	151,637
Trade Receivables	Note 8.1.b	-	-	132,688	122,608	132,688	122,608
Receivable from Group Companies and Associates	Note 17	-	-	27,198	28,134	27,198	28,134
Personnel		-	-	756	895	756	895
Cash and Cash Equivalents	Note 8.1.d	-	-	358,418	330,350	358,418	330,350
Total		5,339,078	6,104,781	1,367,319	1,416,492	6,706,397	7,521,273



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8.1.a) Equity Instruments

The breakdown of this item on the attached balance sheet at 31 December 2018, as well as the most significant information on the holdings included, is as follows:

Name / Address / Activity	Thousand Euros (*)						
	% Holding	Capital	2018 Profit		Other Equity/ Assets	Total Equity	Carrying Amount
			Operat.	Net			
Group Ead Europe S.L Technology Consultants Avenida de Castilla 2, P.E. San Fernando San Fernando de Henares Madrid	36.0%	1,000	523	373	552	1,925	360
Grupo Navegación por Satélite Sistemas y Servicios, S.L. Technology Consultants C/Gobelas, 41 Madrid	19.3%	1,026	(8)	(8)	(173)	845	198
Empresa para la Gestión de Residuos Industriales, S.A.U. (EMGRISA) Environment C/Velázquez, 105 Madrid	0.1%	-	-	-	-	-	6
Total							564

(*) Data obtained from the interim financial statements at 31 December 2018



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8.1.b) Trade Receivables

The balance under the heading "Trade Receivables" on the attached balance sheet at the close of 2018 and 2017 is itemised as follows:

Description	Thousand Euros	
	2018	2017
Trade Receivables	132,688	122,608
Customer Bad Debt	11,063	14,501
Provision for Impairment	(11,063)	(14,501)
Total	132,688	122,608

At 31 December 2018, the Entity includes 448 thousand Euros in the above balances for bad debts in (2017: 340 thousand Euros) for bad debts undergoing legal action for enforced recovery corresponding to airport activities which, as they were restricted loans, were not contributed to the new Company Aena S.M.E., S.A., and for which provision was still made at that date.

A significant part of the balances included under the heading Customers belong to Eurocontrol (140,406 thousand Euros at 31 December 2018; 133,498 thousand Euros at 31 December 2017), which is the Organisation to which the Entity delegates invoicing and collection of Air Route and Approach Fees from airlines. At the close of 2018, provision continued to be made for these for 10,326 thousand Euros (13,541 thousand Euros at the close of 2017).

Losses, impairment and provisions for trade operations in 2018 and 2017 were as follows:

Description	Thousand Euros	
	2018	2017
Variation in Provision for Impairment	3,537	(2,728)
Losses for Write-offs	(3,615)	(2,121)
Total	(78)	(4,849)

The breakdown of sales to external customers invoiced by Eurocontrol during the year on behalf of ENAI for amounts of 20 million Euros or more, is shown below (in the case of the Aerodrome Service provided to Aena, S.M.E., S.A it is invoiced directly by ENAI, and the relevant information is included in Note 13.b):

Description	Thousand Euros gross (including VAT)	
	2018	2017
RYANAIR	132,182	118,619
VUELING AIRLINES, S.A.	66,968	58,659
EASYJET AIRLINE	50,827	45,075
TAP	47,736	40,768
IBERIA	46,208	41,922
AIR EUROPA	35,968	31,371
ROYAL AIR MAROC	23,678	24,151
NORWEGIAN	23,180	21,947
AIR FRANCE	20,135	17,773
Total	446,882	400,285

8.1.c) Current financial investments

The balance of the accounts recorded under the heading "Current Financial Investments" at the close of the years 2018 and 2017 is as follows (in Euros):



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Description	Thousand Euros	
	2018	2017
Short-Term Guarantees and Deposits	200,021	250,965
Total	200,021	250,965

The amounts include fixed term deposits for terms greater than 3 months for the amount of 200,000 thousand Euros in 2018 and for 250,000 thousand Euros in 2017, which are available for use at any time with no penalty whatsoever, and were previously considered as cash equivalents (see Note 2.7).

8.1.d) Cash and Cash Equivalents

The balance of the accounts recorded under the heading "Cash and Cash Equivalents" at the close of the years 2018 and 2017 is as follows:

Description	Thousand Euros	
	2018	2017
Cash and Banks	358,418	230,350
Fixed Term Deposits < 3 months	-	100,000
Total	358,418	330,350

At 31 December 2018 and 2017, all amounts for cash and cash equivalents are available for use at any time with no penalty. The Entity also has no bank overdrafts.

8.2 Financial Liabilities

The book value of each category of financial liability established in the Fourth Standard on Recognition and Measurement is as follows:

Categories	Thousand Euros									
	Classes									
	Long Term Finance Instruments				Short Term Finance Instruments				Total	
	Debt with Financial Institutions		Trade and other payables		Debt with Financial Institutions		Trade and other payables			
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Debits and Items Payable	5,375,469	6,206,057	141	2,990	657,501	699,441	91,341	72,937	6,124,452	6,981,425
Total	5,375,469	6,206,057	141	2,990	657,501	699,441	91,341	72,937	6,124,452	6,981,425



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The breakdown of financial liabilities per Balance Sheet heading at the close of 2018 and 2017 is as follows:

Categories	Note	Thousand Euros					
		Long term		Short term		Total	
		2018	2017	2018	2017	2018	2017
Payables		5,375,610	6,209,047	672,804	715,502	6,048,414	6,924,549
Debt with Financial Institutions	Note 8.2.a	5,375,469	6,206,057	657,501	699,441	6,032,970	6,905,498
Finance Lease Payables		-	-	-	10	-	10
Derivatives		-	-	-	-	-	-
Other Financial Liabilities	Note 8.2.b	141	2,990	15,303	16,051	15,444	19,041
Debts with Group Companies and Associates	Note 17	-	-	1,500	3,749	1,500	3,749
Trade and Other Payables		-	-	74,538	53,127	74,538	53,127
Other Payables	Note 8.2.c	-	-	18,407	9,344	18,407	9,344
Group Companies and Associates, Payable	Note 17	-	-	1,235	1,336	1,235	1,336
Personnel	Note 8.2.c	-	-	53,449	39,490	53,449	39,490
Advances from Customers		-	-	1,447	2,957	1,447	2,957
Total		5,375,610	6,209,047	748,842	772,378	6,124,452	6,981,425

8.2.a) Debt with Financial Institutions

The evolution of loans with financial institutions over the last five-year period is shown below:

The breakdown of "Non-current Payables" and "Current Payables" under liabilities on the balance sheets at 31 December 2018 and 2017 is shown below:

2014	2015	2016	2017	2018
10,966,455	9,838,350	8,613,671	6,891,930	6,022,081



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Description	Thousand Euros					
	2018			2017		
	Long Term	Short Term	Total	Long Term	Short Term	Total
Loans	5,379,481	642,600	6,022,081	6,211,665	680,265	6,891,930
Adjustment Loan Balance using Cost-Effectiveness Approach	(4,012)	(408)	(4,420)	(5,608)	(531)	(6,139)
Interest Due but Not Paid	-	15,309	15,309	-	19,707	19,707
Total	5,375,469	657,501	6,032,970	6,206,057	699,441	6,905,498

Approximately 40.7% of loans and credits are formalised at fixed or revisable fixed rates ranging between 0.064% and 4.88% per year, and the remaining percentage is formalised at variable rates usually referenced to the 3-month Euribor rate (2017: 42.5% of loans and credits were formalised at revisable fixed rates ranging from 0.064% to 4.88% per year, and the remaining percentage at variable rates usually referenced to the 3-month Euribor rate).

At 31 December 2018, the average maturity of debt is 10.94 years and its average cost is 0.80%.

The Public Corporate Entity has undertaken to fulfil certain general obligations in order to avoid the early cancellation of those credits and loans. The Directors of the Entity consider that all obligations related to such loans were fulfilled at the close of 2018 and 2017.

In implementation of the provisions established in Regulation (EU) no.575/2013 (CRR), the publication

of Bank of Spain Circular 2/2016 while not expressly modifying ENAI's risk weighting, in Standard no. 5 it excluded the Entity from the category of "Exposure to Public Sector Institutions" (as this category only included institutions included in the Public Administration Sector within the European System for National Accounts). This meant that ENAI would have been automatically excluded from the zero-risk category, with the corresponding weighting being adjusted by 100%.

Loans with various Financial Institutions include a series of clauses in case that the Entity's risk weighting is not 0%, which may entail a higher cost of financing and, in some cases, early repayment.

The Entity considers all Loan Agreements to be fully valid with their current terms and conditions as, ultimately, ENAI's credit quality rating has not diminished, since there has been no change in the legal status of either ENAI or Aena S.M.E., S.A., as co-borrower, nor in the implied guarantees.



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In July 2018, 175,000 thousand Euros loaned by DEPFA were repaid early, of which 166,075 were paid by Aena S.M.E., S.A. The cancellation fee (corresponding to the swap arranged between DEPFA and another financing institution and which, amongst the requirements enabling ENAI to cancel the outstanding balance, it included a compensation to DEPFA for the break fees related to this derivative) amounted to 18,176 thousand Euros, of which 17,249 were assumed by Aena S.M.E., S.A. The annual fixed interest rate under which that loan was contracted, maturing in 2022, was 4.87%. For this reason, it was advisable to repay it in advance, despite the high cost incurred.

This early repayment of all active loans with DEPFA involved the repayment by that Bank of part of the unused guarantee, received in 2017, which covered the period between 22 December 2017 and 22 December 2018. This repayment has meant financial revenue of 1,085 thousand Euros for the entity, and financial expenditure of 1,029 thousand Euros, for the percentage of mirror credit corresponding to Aena S.M.E., S.A. of this repayment.

With regard to loans with EIB, during the course of 2018 the Entity proceeded to the early cancellation of the total amount of 63,592 thousand Euros, with cancellation costs amounting to 1,180 thousand Euros.

In 2017, financial revenue of 0.91 million Euros was included, corresponding to the excess guarantee fee owed by DEPFA for 2016, less the guarantee fee for 2017,

as notified by the Bank. An amount of 0.87 million Euros, for the percentage of mirror credit income corresponding to Aena S.M.E., S.A., was also included as financial expenditure.

In June 2017, 840 million Euros of the Group's bank borrowing with the DEPFA Bank were repaid early, of which 797.2 million Euros were paid by Aena S.M.E., S.A. to ENAI.

Additionally, in December 2017, the Entity made early repayment of 72 million Euros of bank borrowing with the EIB and 84 million Euros of bank borrowing with the ICO.

The schedule of repayment for the instalments pending payment on the loans and credit facilities at the close of 2018 and 2017 is as follows:

2018

Instalments with Due Date		Thousand Euros
2019		642,600
2020		642,600
2021		555,434
2022		540,784
2023		518,784
Subsequent		3,121,879
Total		6,022,081



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2017

Instalments with Due Date	Thousand Euros
2018	680,265
2019	678,777
2020	678,777
2021	591,611
2022	580,611
Subsequent	3,681,889
Total	6,891,930

The breakdown of amounts drawn down and undrawn by the Entity under the loans with financial institutions at the close of 2018 and 2017 is as follows:

2018

Bank	Thousand Euros		
	Drawn down	Undrawn	Total
European Investment Bank	3,592,241	-	3,592,241
Banco Sabadell	10,948	-	10,948
FMS	666,667	-	666,667
Instituto de Crédito Oficial (Official Credit Institute)	1,752,225	-	1,752,225
Total	6,022,081	-	6,022,081

On 3 April 2018, the Entity took out a loan with Banco de Sabadell for an amount of 10,948 thousand Euros, in order to be eligible for the 2017 CEF Blending Grant awarded by the European Union, because in order to apply for the grant, a loan had to be requested for the same amount. This debt with Banco de Sabadell is exclusive to ENAI, and is not included under the borrowing jointly taken out with Aena.

That grant will be used to cover part of the costs of the project for implementing the VOIP System at the Barcelona ACC.

2017

Bank	Thousand Euros		
	Drawn down	Undrawn	Total
European Investment Bank	4,020,247	-	4,020,247
Depfa Bank	175,000	-	175,000
FMS	733,333	-	733,333
Instituto de Crédito Oficial (Official Credit Institute)	1,963,350	-	1,963,350
Total Loans	6,891,930	-	6,891,930

Interest accrued and unpaid at the close of 2018 and 2017 amounts, respectively, to 15,309 and 19,707 thousand Euros.

The Entity has arranged hedging transactions for interest rate risk up to 13 December 2017. Since that date, it has no hedging in place.

8.2.b) Other Financial Liabilities

The balances under these headings at the close of 2018 and 2017 are itemised as follows:

Description	Thousand Euros	
	2018	2017
Providers of Short-Term Fixed Assets	14,208	15,268
Short-Term Guarantees and Deposits Received	1,095	783
Other Non-current Financial Liabilities	141	2,990
Total	15,444	19,041



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8.2.c) Trade and Other Payables

The balances under these headings at the close of 2018 and 2017 are itemised as follows:

Description	Thousand Euros	
	2018	2017
Other Payables	19,642	10,680
Salaries Pending Payment	53,449	39,490
Total	73,091	50,170

The heading "Other Payables" includes balances with Group companies and associates at the close of 2018 and 2017 for 1,235 thousand Euros and 1,336 thousand Euros, respectively (see Note 17).

8.2.d) Information on Deferred Payments made to Suppliers Third Additional Provision. "Duty to Provide Information" under Act 15/2010, of 5 July.

At 31 December 2018, there are deferred amounts pending payment to providers for an amount of 4,772 thousand Euros, for goods purchased and services provided during the year (3,462 thousand Euros in 2017).

This balance refers to the suppliers who, due to their nature, are trade creditors for amounts owing for supplies of goods and services, and includes data under "Trade and other payables", "Current payables with Group Companies and Associates" in current liabilities on the Balance Sheet.

In principle, since the Entity is included in Article 2.2 of Organic Act 2/2012 of 27 April, the Third Additional Provision of Royal Decree 635/2014 of 25 July regulating the Calculation of the average payment period to suppliers should be applied.

Notwithstanding the above, article 2 of that Royal Decree, which defines the subjective scope of application, provides that it shall be applicable to all subjects listed

under article 2.1 of Organic Act 2/2012 of 27 April; the Entity is not among them.

In view of this discrepancy and the fact that the Resolution of the Institute of Accounting and Account Audits (ICAC) of 29 January 2016 is applicable to business corporations, including Aena S.M.E., S.A., which would mean that if ENAI were to apply the methods set out in Royal Decree 635/2014 of 25 July, that information appearing in the consolidated financial statements should be standardised in accordance with the principles adopted by the parent company. Since this could be complicated, and acknowledging that the application of the ICAC Resolution provides better reporting information, ENAI has decided to adopt that resolution in both its individual and consolidated accounts.

The breakdown of payments for trade transactions during 2018 and 2017 still outstanding at year-end according to the maximum payment periods established in Act 31/2014, under the provisions of the Resolution issued by the Institute of Accounting and Account (ICAC) of 29 January 2016 is as follows:

	2018	2017
	Days	
Average Payment Period to Suppliers	41.88	44.11
Ratio of Operations Paid	43.94	45.61
Ratio of Operations Pending Payment	10.06	14.22
	Amount (thousands)	Amount (thousands)
Total Payments Made	73,645	68,524
Total Payments Outstanding	4,772	3,462



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8.3 Financial Investments in Group Companies and Associates

The main figures for capital, equity, profit and loss and the carrying amount for Group companies at the close of 2018 and 2017 are as follows:

2018

Name / Address / Activity	Fraction of Direct Capital (%)	Capital	Thousand Euros (**)		Other Equity/ Assets	Total Equity	Carrying Amount (*)
			Profit (Loss) 2018 Operation	Net			
Aena S.M.E., S.A. Arturo Soria, 109 Madrid. Operating, Conservation, Management and Administration of Airports (1).	51.00%	1,500,000	1,830,347	1,301,182	3,525,126	6,326,308	1,326,443
Ingeniería y Economía del Transporte, S.A. (INECO) P° de la Habana, 138 Madrid. Consultancy (2).	45.85%	8,251	8,814	7,418	69,478	85,147	3,783
Centro de Referencia Investigación, Desarrollo e Innovación ATM. A.I.E. (CRIDA) Avenida de Aragón 402, Edificio Allende, Madrid R+D+I Activities in the scope of ATM (3).	66.66%	720	90	89	780	1,589	480
Total							1,330,706

(*) None of these holdings has registered any impairment in the year or cumulative impairment; they have been valued at their cost price.

(**) Data obtained from the Individual Financial Statements prepared for 2018.

(1) Company audited by KPMG.

(2) Company audited by PKF ATTEST.

(3) Company audited by CET Auditores.



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2017

Name / Address / Activity	Fraction of Direct Capital (%)	Thousand Euros (**)					
		Capital	Profit (Loss) 2017		Other Equity/ Assets	Total Equity	Carrying Amount (*)
			Operation	Net			
Aena S.M.E., S.A. Arturo Soria, 109 Madrid. Operating, Conservation, Management and Administration of Airports (1).	51.00%	1,500,000	1,705,129	1,219,751	3,301,400	6,021,151	1,326,443
Ingeniería y Economía del Transporte, S.A. (INECO) P° de la Habana, 138 Madrid. Consultancy (2).	45.85%	8,251	10,750	4,626	69,487	82,364	3,783
Centro de Referencia Investigación, Desarrollo e Innovación ATM. A.I.E. (CRIDA) Avenida de Aragón 402, Edificio Allende, Madrid R+D+I Activities in the scope of ATM (3).	66.66%	720	49	49	732	1,501	480
Total							1,330,706

(*) None of these holdings has registered any impairment in the year or cumulative impairment; they have been valued at their cost price.

(**) Data obtained from the Individual Financial Statements prepared for 2017.

(1) Company audited by KPMG.

(2) Company audited by Grant Thornton.

(3) Company audited by CET Auditores.



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At 31 December 2018 and 2017 the share capital of Aena S.M.E., S.A. is represented by 150,000,000 ordinary shares with a nominal value of 10 Euros each, fully subscribed and paid up. These shares have the same financial and voting rights.

On 31 December 2018, Aena S.M.E., S.A.'s stock was listed at 135.75 Euros per share (169 Euros per share in 2017), and the average listing for the last quarter of 2018 was 139.37 Euros (160.64 Euros in 2017).

Custody and administration expenses corresponding to holding Aena S.M.E., S.A. shares in 2018 invoiced to ENAI amount to 265 thousand Euros, which will be deducted from the next dividend transfer to the Public Treasury arising from the S.M.E., S.A. Dividend.

According to available information, at 31 December 2018 the most significant interests in Aena S.M.E., S.A.'s share capital are those held by ENAI, with 51%, and TCI Fund Management Limited, with 11.32% (TCI Fund Management Limited is the indirect holder of 3.61% through a number of equity swaps (CFDS)).

CRIDA (Centro de Referencia de Investigacion, Desarrollo e Innovacion ATM, A.I.E.) is an Economic Interest Group in which ENAI has a direct interest of 66.66%, and, through Ineco, an indirect interest of 7.64%.

8.4 Information on the nature and risk level

The Entity's activities are exposed to different types of risk, both Operational and Financial. The Entity's activities are exposed to different types of both operational and financial risk. Among operational risks, special mention is made of Regulatory Risk

and Operational and Service Risk, while under Financial Risk, Interest Rate Risk, Credit Risk and Liquidity Risk are especially noteworthy.

Operational Risks

a) Regulatory Risk

Regulatory risk is understood as any significant and permanent changes in any variables upon which the mechanisms for determining annual unit rates are conditional. These include costs or macroeconomic factors, such as traffic or inflation, any changes in which largely affect setting route charges. In turn, this directly affects revenue and therefore the profit (loss) and the cash position of the Entity.

The Air Navigation System is a highly regulated system, both at national and international level, and therefore any regulatory amendment or introduction of new legislation, and their possible interpretations, could have a negative effect on the Entity's operating income and financial position (ENAI's financial activities are regulated under Regulation 390/2013 which establishes a performance assessment system for air navigation services, and Regulation 391/2013 which establishes a common charging scheme for air navigation services) (Note 13.b).

b) Operating Risks:

The Entity's business is exposed to internal and external factors which involve Operating Risks, particularly:

- o Economic Context and Evolution of Traffic.
- o Competition.
- o Airport Operators and Customers.
- o Availability of Trained Personnel.



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- o Customised Resource Planning.
- o Operational efficiency.
- o Dependence on Third Party Services.
- o Cybersecurity and Physical Safety.
- o Occupational Risk Prevention.
- o Weather Conditions.
- o System Availability.

Financial Risks

a) Cash Flow and Fair Value Interest Rate Risk:

The Entity's interest rate risk arises from bank borrowings. Loans issued at variable rates expose the Entity to cash flow interest rate risk, which is partially offset by cash held at variable rates. Fixed-interest rate loans expose the Entity to fair value interest rate risk.

The objective of the Entity's interest rate management is to optimise financial expenditure within the established risk limits, with risk variables being 3-month Euribor (used for Non-current payables).

Additionally, the amount of financial expenditure risk is calculated for the horizon of the Multi-Annual Action Plan (PAP) and establishes scenarios for the evolution of interest rates for the period under consideration.

Finance expenses mainly arise from the financial debt recognised with Financial Institutions.

Up to 13 December 2017, the Entity had contracted interest rate hedges which were transferred to Aena S.M.E.,SA.

In April, the EIB variable rate loans were re-negotiated for the Canary Airports Infrastructure project for the amount of 56,940 thousand Euros, reducing the spread from 0.421 to 0.265.

In July, the DEPFA debt, which amounted to 175 million Euros, was cancelled in advance. During the course of the year, the BEI borrowing at fixed rate and variable rate for a total of 63 million of Euros was cancelled (see Note 8.2.a).

b) Credit Risk:

The Entity's credit risk originates from cash and cash equivalents, financial derivatives and deposits in banks and other financial institutions, as well as from exposure to credit on trade receivables and committed operations.

The Entity does not expect any non-provisioned loss due to default of these counter-parties.

The risk variable is the credit quality of the other party; therefore the Entity focuses on minimising the counter-party default risk. The Entity's cash and cash equivalents are held with Financial Institutions with a high credit rating.

The credit risk concentration with customers is detailed in Note 8.1-b.

c) Liquidity Risk:

The main risk variables are: limitations in the finance markets, increase of expected investment, and reduced cash generation.



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In order to maintain a sufficient level of liquidity to cover a minimum of twelve months' financing needs, a long term financing policy has been established, and also the possibility of contracting short- and medium-term liquidity facilities.

In order to be able to meet its investment commitments and related current debt, at the close of 2018 the Entity has 358.4 million Euros of cash and 200 million Euros in fixed term deposits maturing in less than 9 months, available for use at any time with no penalties, and its own operating cash flows. Under these circumstances, the Entity Directors consider there will be no difficulties in meeting its payment commitments.

9. CAPITAL AND RESERVES WITHOUT VALUATION ADJUSTMENTS

At 31 December 2018, the breakdown of Capital and reserves without valuation adjustments is as follows:

	2018	2017
Capital and reserves without valuation adjustments	2,525,760	2,429,214
Capital	1,821,537	1,821,537
Reserves	519,674	519,674
Legal and Statutory	517,543	517,543
Other Reserves	2,131	2,131
Prior Periods' Losses	-	(66,052)
Profit (loss) for the period	681,786	446,058
Interim Dividend (Payment on Account to the Public Treasury)	(497,237)	(292,003)

a) Equity and Assigned Equity

At the time of its incorporation, the Entity was assigned certain buildings and facilities owned mainly by the Ministry for Transportation, Tourism and Communications (nowadays the Ministry for Public Works), the Ministry for Defence, and the former Autonomous National Airports Organisation, for the purposes of providing airport management and air navigation services.



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When 49% of the capital of the subsidiary Aena S.M.E. S.A., was listed for trading in February 2015 through an IPO, the result was that ENAIRES's interest in Aena S.M.E., S.A. was reduced from 100% to 51%.

Based on this reduction of ENAIRES's holding in Aena S.M.E., S.A, the Board of Directors of ENAIRES voted to reduce the Entity's equity by 1,274,425 thousand Euros, corresponding to the cost value of the 49% of Aena S.M.E., S.A. shares sold by the Entity through the IPO.

b) Statutory Reserves

Statutory reserves have been provisioned in accordance with the Articles of Association of this Public Corporate Entity, and their purpose is to finance investments in infrastructure.

C) Other Reserves

The amount shown in this account arises from the following events:

From 2011 to 2014, 13,705 million Euros were recognised as a result of the difference between the initial estimate and the final value of certain assets contributed to Aena S.M.E., S.A. before the transfer to private investors of part of that Company's capital, pursuant to the decisions made by the single member and adopted by ENAIRES on 6 June 2011 (see Note 1).

In 2016, the Voluntary Reserves were decreased by 11,574 on the grounds of an adjustment in staff expenses corresponding to the years from 2011 to 2015, arising from a change in accounting principles in provisions made in respect of any possible claims from the air controllers based on differences in principles applied by the Entity and by the Air Traffic Controllers

Union for calculating their wage and salary bill for the years 2011 to 2015.

For this reason, at 31 December 2018, the balance stood at 2,131 thousand Euros (2,131 thousand Euros at 31 December 2017).

As stated in Note 3, at 31 December 2018, a Voluntary Reserve for Surplus Charges is yet to be established with 98,000 thousand Euros, after being approved by the Board of Directors (Note 13.b).

d) Payment on Account to the Public Treasury

Article 57 of the Company's Articles of Association establishes that when its Annual Financial Statements show a surplus, following a decision of the Board of Directors and in accordance with the provisions of the Programme of Action, Investments and Financing of the Public Entity, this will be allocated to the financing of the Investment Plan and the reduction of its debt. The remaining amount, if any, will be paid in to the Public Treasury.

Accordingly, on 27 April 2018, the Board of Directors approved the payment to the Treasury of the amount received by the Entity as dividends distributed by Aena S.M.E., S.A. corresponding to 2017, which amounted to 497,237 thousand Euros; this amount is considered a payment on account of the profits to which the Entity is entitled for 2018, and payment was made on 16 May 2018.

The amount authorised by the Board of Directors arises from the 497,250 thousand Euros received as owners of 51% of Aena S.M.E., S.A. shares, minus expenses charged to ENAIRES by Banco Sabadell as custody and administration expenses, amounting to 13 thousand Euros.



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10. INVENTORIES

The breakdown of the balance of inventories at the close of 2018 and 2017 is as follows:

Inventories	Thousand Euros	
	2018	2017
Spare Parts	336	477

11. PROVISIONS AND CONTINGENCIES

11.1 Provisions

The changes that took place in 2018 under this heading were as follows:

Provisions	Special Paid Leave and Active Reserve	Remuneration Controllers	Awards	Remuneration Coll. Agreement	Other Provisions	Total
Opening Balance 2018	144,589	839	4,384	712	2,143	152,667
Additions	13,578	235	536	798	559	15,706
Reversals / Surpluses	-	(82)	-	(59)	(173)	(314)
Applications	(16,706)	-	(211)	(646)	(59)	(17,622)
Transfers	-	-	-	-	-	-
Closing Balance 2018	141,461	992	4,709	805	2,470	150,437

Non-current Provisions

The changes in the different items included in the provision for employee benefits during 2018 were as follows:

Non-current Provisions	Employee Benefits		Total
	Special Paid Leave and Active Reserve	Awards	
Opening Balance 2018	126,210	4,063	130,273
Additions	13,578	536	14,114
Reversals / Surpluses	-	-	-
Applications	-	-	-
Transfers	(13,307)	(82)	(13,389)
Closing Balance 2018	126,481	4,517	130,998



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Current Provisions

The changes under this heading in 2018 were as follows:

Current Provisions	Special Paid Leave and Active Reserve	Remuneration Controllers	Awards	Remuneration Coll. Agreement	Other Provisions	Total
Opening Balance 2018	18,379	839	321	712	2,143	22,394
Additions	-	235	-	798	559	1,592
Reversals / Surpluses	-	(82)	-	(59)	(173)	(314)
Applications	(16,706)	-	(211)	(646)	(59)	(17,622)
Transfers	13,307	-	82	-	-	13,389
Closing Balance 2018	14,980	992	192	805	2,470	19,439

Special Paid Leave (LER) and Active Reserve Status (RA)

Some members of the air traffic controller collective are in the situation of Special Paid Leave under the provisions of previous collective agreements; as they meet certain requirements, employees in this situation are entitled to receive their basic pay, updated yearly, up until their legal retirement age.

As a result of the arbitration decision of 27 February 2011 and the approval of a new collective agreement, the system of Special Paid Leave was replaced by the status of Active Reserve. The requirements for employees to be included under this status are more restricted and, furthermore, the benefits are reduced to 75% of their ordinary fixed pay over the last twelve months, excluding any Fixed Personal Adaptation Allowance, and the maximum amount to be received may not exceed twice the maximum yearly limit for state pensions established by the National Budget Act for each financial year.

According to available actuarial surveys, at 31 December 2018, the liability due for air traffic controllers under the status of Special Paid Leave and Active Reserve stood at 32,807 thousand Euros

The Entity has also estimated the percentage of active employees who will assume the status of Active Reserve; on that basis and from the calculations of the actuarial survey, the actuarial liability for this item due at 31 December 2018, was 108,654 thousand Euros.

At 31 December 2018, there was a long-term provision recognised for this item of 126,481 thousand Euros and a short-term provision of 14,980 thousand Euros.

Remuneration for Air Traffic Controllers

The Collective Agreement for Air Controllers establishes a guaranteed remuneration for active controllers hired prior to 5 February 2010 of a gross average salary of



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200 thousand Euros and a salary at least equal to the salary received in 2010 by non-active air controllers, which, in total, amounted to a maximum total wage bill of 480 million Euros for 2010. These same principles establish the total wage bill corresponding to all financial years in which that Collective Agreement is in force.

For calculating the total annual wage bill, in addition to the amounts stated above, provision will be made for new controllers recruited in each yearly period.

The difference between the total wage bill actually paid and the maximum guaranteed total wage bill will give rise to a performance bonus paid to employees for the difference.

The Entity considers that the calculation of the total wage bill is correct. However, some claims were filed with regard to the principles applied, estimated at 0.99 million Euros at 31 December 2018, which have been classified as short-term.

Until 2016, this item included long-term provisions made for an amount of 84.7 million Euros in order to cover any possible claims by the Air Traffic Controllers Union based on the different principles used for calculating the total wage bill for the years from 2011 to 2016. In 2017, this provision was reversed on the basis of the National High Court ruling 165/2017 which dismissed the claim filed by the Air Traffic Controllers Union for the performance bonus regulated under article 142 of the relevant Collective Agreement. However, the Air Traffic Controllers Union lodged an appeal in cassation against that ruling which, at the close of the year, is still pending a decision. The Entity understands that it is possible,

although unlikely (based on the content of the National High Court ruling 165/2017), that the Supreme Court would amend the previous ruling, and for this reason the Entity classifies it as a contingent liability (see Note 11.2).

Awards

The balance of 4,709 thousand Euros corresponds mainly to the provision recognised for long-term awards for length of service (4,517 thousand Euros). The rest, that is, 192 thousand Euros, has been classified as short-term and relates to payments scheduled for 2019.

The provision for 2018 has increased to 536 thousand Euros, of which 64 thousand Euros correspond to the finance expense. 211 thousand Euros have been used.

Remuneration under Collective Agreement

The balance corresponding to the provisions for staff remuneration under the Collective Agreements (other than air traffic controllers) at the close of 2018 amounts to 805 thousand Euros.

The main addition corresponds to the allowance for the provision for holidays and time off for personal reasons due at 31 December 2018, amounting to 704 thousand Euros. With regard to the remaining amount, 32 thousand Euros correspond to the provision for hours due and not compensated at 31 December 2018 and 61 thousand Euros to possible claims, making a total figure of 798 thousand Euros for additions at 31 December 2018.

Under applications, the main entry, amounting to 572 thousand Euros, refers to the provision for holidays and time off for personal reasons due at 31 December



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2017, 34 thousand Euros for payment of unpaid working hours in 2017 and 39 thousand Euros for settlement of claims.

Furthermore, withdrawn claims amounting to 59 thousand Euros have been reversed.

Other Provisions

Provisions made for non-labour items amount to 2,470 thousand Euros. This amount is mainly composed of: 1,773 thousand Euros for possible payment of local taxes (essentially, the fees for occupying land charged by the Town Council of Begues, for 1,741 thousand Euros) and 697 thousand Euros for the provision arising from Article 42 of Legislative Royal Decree 1/2013, of 29 November, approving the Consolidated Text of the General Law on the Rights of People with Disabilities and their Social Integration, as in 2018 and 2017 the Entity did not meet the quota for hiring persons with disability established by that Royal Decree, and therefore it has to assume the economic compensations established in that regulation.

Of the 559 thousand Euros added in 2018, 235 thousand related to taxes charged by the Begues Town Council in 2018, 300 thousand were due in 2018 under Royal Legislative Decree 1/2013, and the rest, 24 thousand Euros, related to local taxes (IBI, or property tax).

Furthermore, in 2017, a reversal was made of 153 thousand Euros of the provision for local taxes (IBI) and 19 thousand Euros for excess provision made under Royal Legislative Decree 1/2013.

Of the amount used, 57 thousand Euros relate to the payment of VAT or Canary Islands General Direct Tax

in amended invoices from end users. The remaining amount was used to settle other local taxes. At the close of 2018, this provision was completely used up.

Other Labour Commitments

Non-air traffic control ENAIRE employees are governed by the provisions of the AENA Group 1st Collective Agreement, which, in article 149, establishes that any employees who can demonstrate a minimum of 360 calendar days of service recognised in any of the companies of the AENA Group may join the Joint Pension Scheme of the Aena Group Companies. The Pension Scheme includes benefits for retirement, disability (total permanent disability, absolute permanent disability and severe disability) and death. Sub-section three of Article 2 of Royal Decree-Law 20/2011, of 30 December, on urgent budgetary and financial measures for correcting public deficit, established the prohibition of making contributions to employee pension schemes. Consequently the Entity has not made any contribution to the Pension Scheme since 1 January 2012. However, under the provisions of the General State Budget Act for 2018, the Entity has negotiated with the workers' representatives that a part of the salary increase (0.30%) will be allocated to contributions to the Pension Scheme, amounting to 113,000 pending payment at year-end, which is recognised as outstanding remuneration.

11.2 Contingent Liabilities

Coproductivity bonus (Reduction of Working Hours for Legal Guardianship).

At 31 December 2016, ENAIRE had a provision of 84.7 million Euros to meet any possible claims from the Air Traffic Controllers Union based on the different



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principles used for calculating the total wage bill for the years 2011 to 2016. This provision was reversed following ruling 165/2017 of 20/11 /2017 given by the Labour Division of the National High Court in Madrid dismissing the arguments of the Air Traffic Controllers Union and upholding the arguments put forward by ENAIRE. However, the Air Traffic Controllers Union appealed this ruling with the Supreme Court, and therefore there is a risk of the ruling being amended; consequently, the Entity classifies it as a contingent liability valued at 121 million Euros on 31 December 2018 (see Notes 2.5 and 11.1).

Charge Surplus

As explained in Note 13b, the Public Corporate Entity ENAIRE is an air navigation service provider and its main source of income comes from air navigation route charges.

The charges applied each year are calculated according to the costs and air traffic for the year, as forecast in the Performance Plan.

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

With regard to deviations between actual and planned costs, these are assumed by the service providers, whilst differences between actual and planned traffic are shared by service providers and users, so that a significant part of the lower or higher revenue 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 fact, in 2018, a 20% increase in traffic was recorded with respect to the figures forecast for calculating the charge. For this reason, at the close of 2018, it was necessary to reduce the calculation basis for future charges (surplus).

That charge surplus does not meet the definition of a liability under the Conceptual Accounting Framework of the 2007 Accounting General Plan (according to the report received from the National Accounting Office under the State General Financial Controller, following a consultation made by ENAIRE), and therefore it has not been included in the Entity's Balance Sheet. However, if circumstances were to change, it could eventually be classified as a Liability. The amount of this contingent liability is 131 million Euros (Note 13,b).

11.3 Contingent Assets

Discounting Tax Assets

In 2017 in application of the Resolution of the Institute of Accounting and Account Auditing (ICAC) of 9 February 2016, implementing the standards for the recognition, measurement and preparation of financial statements with regard to Income Tax accounting, after making its tax planning and on the basis of the expected profits and losses for the period 2018-2027 in the context of a significant reduction in charges, the Entity estimated that, at 31 December 2017, Deferred Tax Assets were recovered for the amount of 20,167 thousand Euros for Negative Tax Bases and 19,167 thousand Euros for Temporary Differences.



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For this reason, in 2017 those assets were reduced by 50,104 thousand Euros and 36,037 thousand Euros, respectively. (see Notes 12.4 and 12.6).

In 2018, tax planning was drawn up once again for the 2019–2028 period, updating the evolution of air traffic and charges, leading to a new adjustment in tax assets, increasing the Negative Tax Bases by 6,817 thousand Euros and reducing Temporary Differences by 8,229 thousand Euros.

As occurred in 2017, it is still possible to use those assets, which for tax purposes do not expire; therefore the Entity considers they should be classified as contingent assets because once the criteria of the above-mentioned ICAC Resolution have been met, they should be recognised

This Contingent Asset is measured as being the difference between the tax right and the amount recognised in the ENAIRE Balance Sheet, which is:

- o Negative Tax Bases: 43,281 thousand Euros
- o Temporary Differences: 44,266 thousand Euros

12. PUBLIC ENTITIES AND TAX STATUS

12.1 Balances with the Public Administrations

The composition of balances with the Public Administrations is as follows:

Amounts receivable

Receivables from the Tax Authorities	Thousand Euros			
	2018		2017	
	Current	Non-Current	Current	Non-Current
Deferred Tax Assets (Note 12.6)	-	20,025	-	39,335
Tax Authority, VAT Receivable	4,015	-	47,527	-
E.U. Receivable for Grants Awarded	6,087	6,494	5,036	2,461
Current Tax Assets	71,386	118,021	385	71,727
Total	81,488	144,540	52,948	113,523



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Short-term current tax assets arise from the payment of Corporation Tax for 2017. The estimated settlement for 2018 on the date of preparing the Notes to the Financial Statements is a cash refund of 118,021 thousand Euros, resulting from the difference between the tax liability of 39,262 thousand Euros, and the sum of the partial

payments and withholdings made during the year amounting to 157,283 thousand Euros, which have been classified as long term, according to the expectations for their recovery. VAT receivable reflects the amount receivable from the Public Administration for Value Added Tax to be returned.

Amounts Payable

Payables to the Tax Authorities	Thousand Euros			
	2018		2017	
	Current	Non-Current	Current	Non-Current
Deferred Tax Liabilities (Note 12.8)	-	4,217	-	2,885
Personal Income Tax Withholdings Payable	18,515	-	18,395	-
Social Security Payable	6,670	-	6,174	-
Tax Authority, VAT Payable	-	-	37	-
Tax Authority, Other Taxes Payable	5	-	15	-
Tax Authority, Payable for Grants	1,023	-	-	-
Total	26,213	4,217	24,621	2,885

12.2 Income Tax: Reconciliation between Net Amount of Income and Expenses for the Year and the Tax Base

The reconciliation between the net amount of revenue and expenses in the financial year both in the Income Statement and in Equity and the tax base for Corporation Tax in 2018 and 2017 is as follows:



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2018

Reconciliation of the Reported Income and the Taxable Base	Income Statement		Income and Expenses recognised directly in Equity:		Reserves		Total
	Increases (I)	Decreases (D)	(I)	(D)	(I)	(D)	
Balance of Income and Expenses for the Year	681,786		3,995		-		685,781
Corporation Tax	58,200	-	1,332	-	-	-	59,532
Permanent Differences	1,892	(499,623)	-	-	-	-	(497,731)
Temporary Differences							
- originating in the year	30,952	(8,944)	1,787	(7,114)	-	-	16,681
- originating in previous years	1,767	(38,481)	-	-	-	-	(36,714)
Previous Tax Base	227,549		-		-		227,549
Offsetting Prior Years Negative Tax Bases							(56,887)
Tax Base (Tax Income (Loss))							170,662



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2017

Reconciliation of the Reported Income and the Taxable Base	Income Statement		Income and Expenses recognised directly in Equity:		Reserves		Total
	Increases (I)	Decreases (D)	(I)	(D)	(I)	(D)	
Balance of Income and Expenses for the Year	446,058		2,990		-		449,048
Corporation Tax	159,346	-	997	-	-	-	160,343
Permanent Differences	2,131	(297,246)	-	-	-	-	(295,115)
Temporary Differences							
- originating in the year	38,340	(8,363)	1,400	(5,387)	-	-	25,990
- originating in previous years	2,642	(123,956)	-	-	-	-	(121,314)
Previous Tax Base	218,952		-		-		218,952
Offsetting Prior Years Negative Tax Bases							(54,738)
Tax Base (Tax Income (Loss))							164,214

The main permanent differences for 2018 correspond to the double taxation exemption of dividends (499,623 thousand Euros) and, to a lesser extent, to contributions to the ENAIRES Foundation. As for temporary differences, special mention is made of the difference between tax depreciation/amortisation and book depreciation/amortisation, allocation to the provision for insolvencies and provisions for risks and staff expenses.

Among the amounts charged to the Income Statement, the main permanent differences for 2017 corresponded to the double taxation exemption for dividends (297,246 thousand Euros) and, to a lesser extent, to

contributions to the ENAIRES Foundation and to fines and penalties. As for temporary differences, the most significant temporary difference is the reversal made in the provision for differences in the principles used to estimate the total wage bill of air traffic control staff for the years 2011 to 2016 (see Notes 11 and 13c).

The temporary differences directly charged to equity for 2018 and 2017 relate entirely to grants.

12.3 Taxes Recognised in Equity

The breakdown of taxes directly recognised in Equity in 2018 and 2017 is as follows:



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2018

Tax	Thousand Euros		
	Increases	Decreases	Total
For Deferred Tax Originating in the Year			
Capital Grants	447	(1,779)	(1,332)
Cash Flow Hedges	-	-	-
Originating in Previous Years			
Cash Flow Hedges	-	-	-
Capital Grants	-	-	-
Total Deferred Tax	447	(1,779)	(1,332)
Total Tax Directly Recognised in Equity			(1,332)

2017

Tax	Thousand Euros		
	Increases	Decreases	Total
For Deferred Tax Originating in the Year			
Capital Grants	350	(1,325)	(975)
Cash Flow Hedges	-	(22)	(22)
Originating in Previous Years			
Cash Flow Hedges	-	-	-
Capital Grants	-	-	-
Total Deferred Tax	350	(1,347)	(997)
Total Tax Directly Recognised in Equity			(997)

12.4 Reconciliation between the Reported Income and the Corporation Tax Expense

The reconciliation between the reported income and the expense for Corporation Tax for the years 2018 and 2017 is as follows:



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Reconciliation between Reported Income and the Corporation Tax Expense	Thousand Euros	
	2018	2017
Reported Income (Loss) Before Tax	739,986	605,404
Permanent Differences	(497,731)	(295,115)
Adjusted Reported Income (Loss)	242,255	310,289
Tax Charge at 25%	60,564	77,572
Tax Deductions and Tax Relief Applied	(3,403)	(4,591)
Resulting Tax	57,161	72,981
Discounting Tax Assets	1,412	86,141
Adjustment to Income Tax	(373)	224
Tax Recognised in the Income Statement	58,200	159,346

In 2018, the Entity recognised and applied tax benefits to Corporation Tax amounting to 3,403 thousand Euros (2017: 4,591 thousand Euros). Those deductions arise mainly for R&D&I, investments in the Canary Islands and the contribution to the ENAIRE Foundation.

In 2017, an adjustment of 86,141 thousand Euros was made for discounting tax assets in application of the Resolution of the Institute of Accounting and Account Auditing (ICAC) of 9 February 2016, implementing the standards for recognition, measurement and preparation

of financial statements with regard to Income Tax accounting which, for the recognition of deferred tax assets, established as a general requirement that it must be likely that the company will have taxable profit available against which the assets can be utilised, and established a maximum of ten years for recovering them, the close of the relevant financial year.

As a result of the final settlement for 2017 Corporation Tax, made in July 2018, the above-mentioned adjustment was for 5 thousand Euros

In 2018, after having prepared the ten-year tax planning once again, specifically for the period 2019-2028, updating the evolution of air traffic and charges, the tax assets had to be readjusted, this time for 1,412 thousand Euros.

The amount of 1,412 thousand Euros (86,141 thousand Euros in 2017) is the difference between the recognised tax asset and the amount recoverable in ten years, as a result of applying the aforementioned ICAC Resolution, because under the new estimation of future profits and losses of the Entity, the requirements for these assets to be likely to be recovered in the term established by that Resolution are no longer met, and therefore the corresponding decrease in this amount for the Asset on the balance sheet is made.



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12.5 Breakdown of the Income Tax Revenue/Expense

	Thousand Euros			
	2018		2017	
	Allocated to P/L	Allocated to Equity	Allocated to P/L	Allocated to Equity
Current tax				
For the year	42,665		41,054	
Deductions	(3,403)		(4,591)	
	39,262	-	36,463	-
Deferred tax				
▪ Change in Deferred Tax Assets				
- For deductible temporary differences				
Depreciation and amortisation	2,172		1,841	
Losses Credits Insolvency	804		(785)	
Provisions	701		21,778	
Dif. Allocation of Income and Expenses				
Changes in Accounting Principles				
- Offsetting Capitalised Negative Tax Bases	14,222		13,685	
- Unused tax credits				
▪ Change in Deferred Tax Liabilities				
- For taxable temporary differences				
Capital grants				
	17,898	-	36,519	-
Corporation Tax Expense	57,161	-	72,981	-

12.6 Recorded Deferred Tax Assets

Deferred tax assets recorded at 31 December 2018 and 2017 are itemised according to their nature as follows:

Deferred Tax Assets	Thousand Euros	
	2018	2017
Tax Credits for Tax Loss Carryforwards	12,763	20,167
Capitalised Temporary Differences	7,262	19,168
Total Deferred Tax Assets	20,025	39,335



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The deferred tax assets mentioned above were recognised in the Balance Sheet as the Entity Management considered that, based on the best estimate of the Entity's future earnings, including certain tax planning actions, it is probable that these assets will be recovered.

12.6.a) Tax Credits for Tax Loss Carryforwards

At the close of 2018 and 2017, tax loss carryforwards and their related amounts and deadlines for offsetting, are as follows:

2018

Year in which they were generated	Thousand Euros	Deadlines for Offsetting
2010	140,351	No deadline
2011	83,824	
Total	224,175	

2017

Year in which they were generated	Thousand Euros	Deadlines for Offsetting
2010	197,261	No deadline
2011	83,824	
Total	281,085	

In 2017, a Corporation Tax expense amounting to 50,104 thousand Euros was recorded as a result of the difference between the tax assets recognised for tax loss carryforwards and the recoverable amount for this item over 10 years, resulting from the application of the resolution of the Institute for Accounting and Account Auditing (ICAC) of 9 February 2016, mentioned in Note 12.4.

As a result of the final settlement for 2017 Corporation Tax, made in July 2018, the above-mentioned adjustment was for 5 thousand Euros.

In 2018, tax planning was drawn up once again for the 2019-2028 period, updating the evolution of air traffic and charges, increasing the Negative Tax Bases by 6,817 thousand Euros, which translated as revenue for the same amount.

As a result, of the 224,175 thousand Euros of recoverable tax base at 31 December 2018, only 51,050 thousand Euros are recognised, which, at the current 25% tax rate, accounts for 12,763 thousand Euros recorded on the Entity Balance Sheet.

12.6.b) Capitalised Temporary Differences

The breakdown of deferred tax assets arising from temporary differences recorded on the Balance Sheet at the close of 2018 and 2017 is as follows:

Breakdown of Deferred Tax Assets	Thousand Euros	
	2018	2017
Asset Amortisation and Provision	26,550	28,722
Labour Commitments	22,104	22,916
Provision for Impairment of Trade Credits	2,620	3,424
Others	254	143
Discounting Tax Assets	(44,266)	(36,037)
Total	7,262	19,168



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In 2017, tax assets were decreased by 36,037 thousand Euros based on the application of the Resolution of the Institute of Accounting and Account Auditing (ICAC) of 9 February 2016, mentioned in Note 12.4.

In 2018, once the tax planning for 2019-2028 was drawn up, the Temporary Differences were again reduced by a further 8,229 thousand Euros.

The amount of 44,266 thousand Euros corresponds to the difference between the tax asset recognised for temporary differences and the amount recoverable for this item over 10 years.

12.7 Tax Deductions to Carry Forward

The Entity has no deductions to be carried forward generated in prior years (nor did it have any pending in 2017).

Therefore, in 2018, no tax deductions originating in prior years have been applied to Corporation Tax. Those applied for 3,403 thousand Euros are deductions generated in 2018.

12.8 Deferred tax liabilities

The breakdown of deferred tax assets recorded on the Balance Sheet at the close of 2018 and 2017 is as follows:

Deferred tax liabilities	Thousand Euros	
	2018	2017
Capital grants	(4,217)	(2,885)
Total	(4,217)	(2,885)

12.9 Years Open for Review and Tax Inspection

As provided under current legislation, taxes cannot be considered as definitively settled until the tax returns filed have been inspected by the tax authorities or the statute of limitation period of 4 years has lapsed.

However, the Administration's entitlement to review or investigate negative tax bases carried forward or pending carry forward, deductions for double taxation and deductions to encourage the pursuit of certain activities applied or pending application, expires within a period of 10 years from the day after the expiry of the deadline established for carry forward or application. After that period of time, the negative tax bases or deductions must be substantiated by presenting the settlement or self-assessment and the accounts, together with the evidence of filing the accounts at the Companies Registry within that period

Currently, there are no inspections under way for national or local taxes.



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At the date of preparing these financial statements, the periods open for inspection are:

- o Corporation Tax 2014-2018
- o Personal Income Tax 2015-2018
- o VAT 2015-2018
- o Canary Islands General Direct Tax 2015-2018
- o Services and Import Tax 2015-2018

The Directors of the Entity consider that the mentioned taxes have been correctly settled, whereby, even in the event of any discrepancies arising in the interpretation of current regulations under the tax to which its operations are subject, any possible resulting liabilities, if any should materialise, would not have any significant effect on the attached financial statements.

From 1 January 2005, the Public Corporate Entity Aeropuertos Españoles and Navegacion Aérea (currently ENAIRES) and its investee companies which met the relevant tax requirements set out in the Corporation Tax Act for filing consolidated tax returns, were those making up TAX GROUP no. 50/05, and benefitted from paying Corporation Tax under the Special Tax Consolidation System.

Since 2005, ENAIRES has paid taxes under the system of tax consolidation.

On 11 February 2015, with ENAIRES at that time being the sole shareholder of Aena S.M.E., S.A., it sold 49% of its holding in the latter under an IPO, retaining the remaining 51% of its holding in that company.

For ENAIRES the sale described in the previous paragraph led to it losing its status as Parent of the Group, as it no longer met the requirements established in article 58.2

of the Corporation Tax Act 27/2014; the Tax Group was dissolved for tax purposes on 1 January 2015.

For this reason, from 2015, ENAIRES started paying its taxes under the Separate Tax System, and therefore the Corporation Tax calculated and submitted in these financial statements relates entirely to ENAIRES.

As mentioned in Note 8.3, CRIDA (Centro de Referencia de Investigacion, Desarrollo e Innovacion ATM, A.L.E.), an R&D&I Reference Centre, is an Economic Interest Group in which ENAIRES has a 66.66% interest. In accordance with tax legislation, ENAIRES charges the proportional part of CRIDA's tax base against its own tax base for Corporation Tax

CRIDA was the subject of partial tax review and inspection, which began following the notification made on 3 October 2017, on the tax-adjusted accounting profit arising from the application of the freedom of amortisation provided for in the 11th Additional Provision of the Consolidated Text of the Corporation Tax Act, approved under Royal Legislative Decree 4/2004, of 4 March. On 4 April 2018 the scope of those inspections was extended to include the deductibility of the gross remuneration received by the Director.

The result of the inspection with regard to the tax-adjusted accounting profit arising from the application of the freedom of amortisation is that the adjustments were applied correctly. As for the remuneration received by the Director, the inspection concluded that the remuneration for the years 2013 and 2014 cannot be considered deductible expenses, whilst that for 2015 was correctly deducted according to a change in legislation which clarifies the tax treatment to be given to that remuneration. The tax assessment was signed



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by CRIDA on a contested basis on 18 July 2018 and on 26 December 2018 CRIDA was notified that there was a provisional settlement agreement regarding Corporation Tax for the 2013, 2014 and 2015 taxable periods. That provisional settlement does not show any tax debt payable by CRIDA, but it does increase the tax bases to be allocated to its members corresponding to the 2013 and 2014 financial periods in the following amounts: 82,012.83 Euros in 2013 and 83,232.91 Euros in 2014.

The statute of limitations for 2013 has expired for ENAI.

The inspection also opened disciplinary proceedings for the amount of 66,098.29 Euros, for which provision was made by CRIDA in its 2018 accounts.

13. INCOME AND EXPENSES

a) Supplies

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

Supplies	Thousand Euros	
	2018	2017
Purchase of Other Supplies	161	151
Changes in Inventories of Other Supplies	141	214
Subcontracted work	36,316	34,844
Total	36,618	35,209

Subcontracted work in 2018 corresponds mainly to services provided by the Agencia Estatal de Seguridad Aérea [National Air Safety Agency] and the Agencia Estatal de Meteorología [State Meteorological Agency].

b) Distribution of Net Revenue

In geographical terms, the Public Corporate Entity is engaged in activities within Spain. Income received in 2018 and 2017 is itemised below:

Distribution of Net Revenue	Thousand Euros	
	2018	2017
Support to Route Navigation	826,016	799,327
Support to Approach Navigation	23,505	22,249
Income from Aerodrome Services rendered to Aena	136,472	138,930
Income from Other Services rendered to Aena	942	942
Publications and Other Services	6,335	7,353
Total Revenue	993,270	968,801



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The most relevant revenue obtained by the Entity from Air Navigation Services comes mainly from the en-route air navigation charges governed by a system regulated at 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 operation of 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 scenario of costs and traffic as well as cost-efficiency targets.

The mechanism for determining the annual unit charges is based on the cost and traffic data included in the Performance Plan in force (drawn up in 2014), which is adjusted by a number of adjustments which reflect the mentioned risk sharing, made partly to amend any differences between the actual figures for each year and the figures on the Plan drawn up in 2014.

With regard to differences between actual and planned costs, these are assumed (in favour or against) by the service providers in order to promote greater management efficiency, whilst differences between actual and planned traffic are shared by service providers and users, so that a significant part of the lower or higher revenue from charges in one year, due to traffic differences, will be charges considered in the calculation of the charges for subsequent years.

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

To summarise, it could be said that the calculation of the annual unit rate is based on the sum of the planned costs for that year plus (or minus) any adjustments for 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 traffic due to the impact of the economic crisis, during the current RP2 period (2015-2019) and from 2016 onwards, due to an improved economic situation and the existing geopolitical environment, the traffic recorded is above that initially expected for the calculation of the rate.

That is to say, the lower revenues recorded during the 2012-2014 period are being applied to the determination of the charges for subsequent years, whilst the corresponding part of the revenue above the forecasts, produced from 2016 onwards, began to be returned to the companies from 2018, when the charges decreased by 3%, with a 12% decrease approved for 2019. Consequently, when establishing the annual charges, the adjustments will correct the differences in the figures for the 2015-2019 period compared to the planning carried out at the beginning of 2014, so that any excess revenue arising from charges in certain financial years will be offset against decreases in subsequent years.



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The current and expected evolution of traffic in comparison with that contemplated in the National Performance Programme in force (2015-2019) and the application of the calculation mechanisms that require reducing the charges for this excess traffic anticipates a significant reduction in charges in coming years which will affect the results.

Income from Aerodrome services relate to communications, navigation and surveillance (CNS) services and other services associated to systems (ATM) pursuant to the Service Agreements concluded between the Entity and Aena S.M.E., S.A. within the legal framework established by Act 9/2010 of 14 April. (see Note 17).

Apart from the Aerodrome services, performed in Aena S.M.E., S.A. airports, the Entity also provides technical services and other services not subject to the charge system. In 2018, this income amounted to 6,068 thousand Euros (7,063 thousand Euros in 2017), and is included under "Publications and Other Services", together with publications for 61 thousand Euros (66 thousand Euros in 2017) and other income amounting to 206 thousand Euros (224 thousand Euros in 2017).

The figure for technical services in 2018 is detailed below, itemised per customer:

Customer	Thousand Euros 2018
AEROPORTS PÚBLICS DE CATALUNYA, SLU	522
AIRBUS DEFENCE AND SPACE S.A.U.FAS	870
ARINC	255
EDEIS AEROPUERTO DE CASTELLÓN, S.A.	190
EUROPEAN SATELLITE	1,300
EUROPEAN SATELLITE SERVICES	359
INDRA SISTEMAS, S.A.	720
INECO S.M.E. M.P., S.A.	9
INMARSAT NAVIGATION VENTURES LTD.	20
SENASA S.M.E. S.A	9
SESTAR JOINT UNDERTAKING	1,565
SITA - SOCIÉTÉ INTERNATIONALE	47
SITA INFORMATION	203
Total	6,068

c) Personnel Expenses

Personnel Expenses for 2018 and 2017 are itemised as follows:

Personnel expenses	Thousand Euros	
	2018	2017
Salaries and Wages	460,265	444,973
Social Security payable by the Company	53,788	51,468
Contributions to Labour Commitments	286	148
Other Employee Benefit Costs	6,717	5,847
Variation in Provisions	12,110	(69,278)
Total	533,166	433,158



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The working conditions of employees of the ENAIRES Group (formed by the Public Corporate Entity ENAIRES and Aena S.M.E., S.A.) are subject to the approval of the total wage bill by the Ministry of Finance. In 2018, salaries were increased by 1.825% per year with respect to the total wage bill of the previous year (1% in 2017), in accordance with the provisions established in the General State Budget Act 6/2018 of 3 July.

Changes in provisions include the reversal of the provision in 2017 for 84,748 thousand Euros following the ruling 165/2017 of 20/11/2017 of the Labour Division of the National High Court of Madrid, which dismisses the arguments of the Air Traffic Controllers Union and upholds the arguments put forward by ENAIRES (see Note 11). That change also includes provisions for Active Reserve/Unpaid Special Leave amounting to 12 million Euros in 2018 and 17 million Euros in 2017.

ENAIRES obtains bonuses from scheduled training activities in companies carried out through the National Foundation for Employee Training. This section states that staff expenses include 332 thousand Euros for implementing training initiatives and individual training licences (304 thousand Euros in 2017). Of these expenses, 288 thousand Euros were used for Staff Training expenses according to the 1st Aena Group Collective Agreement (for non-air controller employees) and 44 thousand Euros for training initiatives for Air Traffic Controllers. In 2017 those amounts stood at 242 and 62 thousand Euros respectively.

d) External Services

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

External services	Thousand Euros	
	2018	2017
Leases and Licence Fees (Note 7)	3,152	2,331
Repairs and Conservation	19,233	16,885
Independent Professional Services	11,091	11,801
Insurance Premiums	2,895	2,680
Advertising and Public Relations	678	658
Supplies	4,322	4,370
Surveillance and Security Systems	3,861	3,576
Eurocontrol Fee and Other International Organisations	34,957	34,766
Other Services	13,615	13,148
Total	93,804	90,215

The most relevant amounts correspond to the Eurocontrol Fee, which is Spain's contribution as a Eurocontrol member, and also to Repairs and Conservation relating mainly to technical installations.

e) Provision Surpluses

The amount included under "Provision Surpluses" for 2018 is 172 thousand Euros corresponding to the reversal of provisions for IBI [Property Tax] amounting to 153 thousand Euros and the reversal of part of the provision arising under Royal Legislative Decree 1/2013 (19 thousand Euros) mentioned in Note 11.1. This provision was created because in 2017 and 2018 the Entity did not fulfil the quota of hiring people with disabilities established under that Royal Legislative Decree.



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In 2017, the provision for VAT/Canary Islands General Direct Tax amounting to 70 million Euros was reversed.

f) Other Income or Loss

The recognised amount of 876 thousand Euros corresponds mainly to Extraordinary Income from outstanding debt originating in the Ciudad Real Airport, which was considered uncollectable after that airport went into bankruptcy, and which has been finally collected following the decision of the court conducting the bankruptcy proceedings, in application of Ruling 106/2018 of the Court of First Instance no. 4 of Ciudad Real.

The amount of 523 Euros recognised in 2017 corresponded mainly to Extraordinary Income due to the cancellation of the estimates made at the close of 2015 related to the involvement of consultants for the sale of Aena S.M.E., S.A. shares as well as a late payment surcharge.

g) Financial Profit

Financial Profit obtained in 2018-and 2017 was as follows:

Financial Profit	Thousand Euros	
	2018	2017
Finance income:		
Dividends (Note 17)	499,623	297,246
Other Interests in Group Companies (Note 17)	69,588	64,197
Other Similar Non-Group Income and Interests	1,539	1,639
Total	570,750	363,082
Finance expenses:		
Group-related Financial and Similar Expenses (Note 17)	(1,029)	(867)
Non-Group Financial and Similar Expenses	(75,287)	(68,068)
Total	(76,316)	(68,935)
Changes in Fair Value of Financial Instruments:		
Trading Portfolio and Others	-	(91)
Total	-	(91)
Net Financial Profit	494,434	294,056

Both financial income and expenses increased in 2018 in spite of the fact that outstanding debt decreased as a consequence of charges for the early cancellation of loans with DEPFA banks (18,176 thousand Euros) and BEI (1,180 thousand Euros) which involved revenue from Mirror Debt (17,249 thousand Euros) exclusively from DEPFA (see Note 8.2.a and Note 17).



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h) Other Information

The number of people employed at the close of 2018 and 2017, distributed according to professional categories and gender, is as follows:

Professional Category	2018 (*)			2017 (*)		
	Men	Women	Total	Men	Women	Total
Senior Management	4	-	4	4	-	4
Managers and University Graduates	353	285	638	327	260	587
Coordinators	214	54	268	194	48	242
Technical Personnel	645	343	988	640	335	975
Support Personnel	16	1	17	17	1	18
Air Traffic Controllers	1,465	713	2,178	1,431	696	2,127
Total	2,697	1,396	4,093	2,613	1,340	3,953

(*) The number of temporary employees at the close of 2018 and 2017 was 226 and 221, respectively

The average workforce in 2018 and 2017 was distributed as follows:

Professional Category	2018	2017
Senior Management	4	4
Managers and University Graduates	604	534
Coordinators	249	239
Technical Personnel	974	969
Support Personnel	17	18
Air Traffic Controllers	2,152	2,137
Total	4,000	3,901

The average number of temporary employees at the close of 2018 and 2017 was 230 and 159, respectively.

The average number of employees with a 33% disability or more in 2018 and 2017, distributed by category, is as follows:

Professional Category	2018	2017
Managers and University Graduates	6	4
Coordinators	4	2
Technical Personnel	21	21
Support Personnel	1	1
Air Traffic Controllers	5	6
Total	37	34



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At 31 December 2018 and 2017, the Board of Directors was made up of 11 people, 6 men and 5 women.

Remuneration for Directors and Senior Management

Remuneration received during 2018 and 2017 by Directors and Senior Management of the Entity, classified per item, is as follows (in thousand Euros):

2018

Description	Salaries	Allowances	Pension Plans	Insurance Premiums	Total
Senior Management	528	2	-	3	533
Board of Directors.	-	76	-	-	76

2017

Description	Salaries	Allowances	Pension Plans	Insurance Premiums	Total
Senior Management	533	7	-	2	542
Board of Directors.	-	82	-	-	82

No advance payments have been made or credits awarded at the close of 2018 and 2017. Similarly, there are no pension-related obligations assumed with present or former Directors.

Fees paid to Auditors

The accounts are audited by the Ministry of Finance and Public Administration through the General Intervention of the State Administration (IGAE). For this reason, no cost has arisen for these auditing services.



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14. BANK AND OTHER GUARANTEES

The Public Corporate Entity had guarantees in place and still in force at the close of 2018 and 2017 amounting to a total of 72 thousand Euros, with the breakdown shown below.

Beneficiary	2018	2017
General Treasury of the Social Security	60	60
Town Council Vejer de la Frontera - Cadiz	12	12
Total	72	72

The Entity Directors do not expect any significant liabilities to arise from those guarantees.

15. ENVIRONMENTAL COMMITMENTS

The Management of the Public Corporate Company, with its firm commitment to preserving the environment and the quality of life in the surrounding areas, has been investing in this field, making it possible to minimise the environmental impact of its actions and to protect and improve the environment.

At 31 December 2018 fixed assets included environmental investments for an amount of 7.8 million Euros (7.3 million Euros at 31 December 2017), whose cumulative amortisation/depreciation was 5.6 million Euros (5.4 million Euros at 31 December 2017).

In 2018, environmental investments amounted to 617 thousand Euros. This increase on the previous period was due to the investment made in electric and hybrid cars (119 thousand Euros in 2017).

The Income Statement in 2018 and 2017 includes the following environment-related expenses, broken down according to type:

Description	Thousand Euros	
	2018	2017
Repairs and Conservation	342	323
Independent Professional Services	32	32
Other External Services	7	8
Total	381	363

Environmental provisions and contingencies were transferred to Aena S.M.E., S.A upon its incorporation. The Directors of the Public Corporate Entity do not expect any significant additional liabilities or contingencies to arise for this item.



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16. GRANTS, DONATIONS AND BEQUESTS RECEIVED

The breakdown and change under this heading at 31 December 2018 and 2017 and in subsequent years is as follows:

2018

Grants, Donations and Bequests Received	Balance at 31/12/2017	Additions	Allocation to Profit or Loss	Other Adjustments	Balance at 31/12/2018
Capital Grants from Official EU Institutions					
Amount	11,540	7,789	(1,787)	(675)	16,867
Tax Effect	(2,885)	(1,948)	447	169	(4,217)
Net	8,655	5,841	(1,340)	(506)	12,650

2017

Grants, Donations and Bequests Received	Balance at 31/12/2016	Additions	Allocation to Profit or Loss	Other Adjustments	Balance at 31/12/2017
Capital Grants from Official EU Institutions					
Amount	7,641	5,299	(1,387)	(13)	11,540
Tax Effect	(1,910)	(1,325)	347	3	(2,885)
Net	5,731	3,974	(1,040)	(10)	8,655

Additions correspond to the funding of investment projects paid for out of European Funds in ENAI's "SESAR Implementation Projects" under the 2014, 2015, 2016 and 2017 Calls for CEF Funds, for the 2018

period, for an amount of 5,666 thousand Euros, and also for ERDF Funds Operative Programme for the Canary Islands amounting to 2,123 thousand Euros, which amounts to a total sum of 7,789 thousand Euros.



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The figure for Other Adjustments relates mainly to adjustments arising from the degree of project completion.

Other grants for funding Operating Expenses were taken to income and loss for the amount of 2,643 thousand Euros (3,507 thousand Euros in 2017), also coming from project funding charged against European Funds in ENAI's "SESAR Implementation Projects" under the 2014, 2015, 2016 and 2017 Calls for CEF Funds, for the 2018 period.

At the close of 2018 and 2017, the Entity had fulfilled all conditions necessary for receiving and using the above-mentioned grants.

17. OPERATIONS AND BALANCES WITH RELATED PARTIES

17.1 Operations and Balances with Group Companies and Associates

The breakdown of balances receivable from and payable to Group companies and associates at year-end of 2018 and 2017 is as follows:

2018

Operations and Balances with Related Parties	Thousand Euros					
	Receivable	Long Term Loans	Short Term Loans	Non-current payables	Current payables	Other Payables
Group:						
Aena S.M.E. S.A.	27,175	5,338,514	648,238	-	-	(687)
Aena Desarrollo Internacional, S.M.E. S.A.	-	-	-	-	(133)	-
Centro de Referencia Investigación, Desarrollo e Innovación ATM. A.I.E. (CRIDA)	-	-	-	-	(136)	(3)
Associates:						
Ingeniería y Economía del Transporte S.M.E.M.P., S.A. (INECO, S.A.)	23	-	-	-	(1,231)	(545)
Total	27,198	5,338,514	648,238	-	(1,500)	(1,235)



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2017

Operations and Balances with Related Parties	Thousand Euros					
	Receivable	Long Term Loans	Short Term Loans	Non-current payables	Current payables	Other Payables
Group:						
Aena S.M.E. S.A.	27,627	6,104,217	683,540	-	(1,700)	(514)
Aena Desarrollo Internacional, S.M.E. S.A.	-	-	-	-	(13)	(51)
Centro de Referencia Investigación, Desarrollo e Innovación ATM. A.I.E. (CRIDA)	484	-	-	-	(174)	-
Associates:						
Ingeniería y Economía del Transporte S.M.E.M.P., S.A. (INECO, S.A.)	23	-	-	-	(1,862)	(771)
Total	28,134	6,104,217	683,540	-	(3,749)	(1,336)

In relation to the non-monetary contribution described in Note 1, the Public Entity AENA and the Subsidiary Aena S.M.E., S.A. signed a financing agreement on 1 July 2011, under which the debts corresponding to the business line contributed to the capital increase are transferred from the Public Business Entity ENAI to the Subsidiary Aena S.M.E., S.A. In that contract between both parties, the initial debt and the conditions for its future cancellation were established, as well as the procedure for settlement of interest and repayment of the debt.

In addition, the parties recognised that the debt amount could be adjusted upwards or downwards, depending on the difference between the estimated value of the assets and liabilities contributed, on the basis of which the necessary capital increase in Aena S.M.E., S.A. was established, and the value of the assets and liabilities

were finally contributed. It was also specified that the Public Corporate Entity ENAI was the holder of the debt with the Lending Institutions; however, it was established that the Company Aena S.M.E., S.A. undertook to pay the percentage of the Entity's outstanding balance attributable to the airport branch of the business whenever ENAI was to make any payments to the Financial Institutions, pursuant to the financial conditions and other terms and conditions provided in the Financing Agreements.

Therefore, under this contract, the Subsidiary Aena S.M.E., S.A. assumed all the obligations that were originally agreed under the contracts with Financial Institutions for the amount that corresponded to it in accordance with the previous paragraph. This meant that the due dates and interest rates payable by the Subsidiary Aena S.M.E., S.A. to the Public Corporate



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Entity ENAIRE would be the same as those described in the contracts with the Financial Institutions; and fulfilment of the grounds for declaration of early maturity and the possible financial instruments detailed in each of the contracts is also applicable.

At the same time, the Council of Ministers meeting of 11 July 2014 decided to authorise ENAIRE to initiate the procedures for the inflow of private capital in the Subsidiary Aena S.M.E., S.A. up to 49% of its share capital. The company went public on 11 February 2015.

Within that framework regarding the process of opening the share capital of the Subsidiary Aena S.M.E., S.A. to private investors, and in order to make the funding agreements (long-term and short-term borrowing) and hedge agreements signed with all the Financial Institutions compatible with this process, on 29 July 2014, the Public Corporate Entity ENAIRE, Aena S.M.E., S.A. and the corresponding Financial Institutions agreed on the amending and non-extinguishing novation of the corresponding financing agreements.

The redrafted text of the new financing agreements replaces the original contracts and their novations in full and for all purposes in order to, among other changes, eliminate any contractual restriction that could affect the privatisation process and to make Aena S.M.E., S.A. severally liable with the Public Corporate Entity ENAIRE under the different financing agreements and make any adjustments to those financing agreements that may be necessary for that purpose.

As a result of those novations and in order to incorporate the amendments into the contractual relationship under the financing agreement with Aena S.M.E., S.A., on 29 July 2014, an amending, non-extinguishing novation of

the acknowledgement of debt was signed between the Public Business Entity ENAIRE and Aena S.M.E., S.A., which amended the agreement signed on 1 July 2011.

In the debt novation process, the Public Corporate Entity ENAIRE and Aena S.M.E., S.A. expressly agree that, notwithstanding their status as co-debtors and jointly and severally liable for fulfilment of the obligations established in the Financing Agreements, any payments that are to be made for any reason under those Financing Agreements shall be made by ENAIRE and therefore, the contractual relationship between Aena S.M.E., S.A. and the Public Corporate Entity ENAIRE is maintained under the Acknowledgement of Debt. In any case, if Aena S.M.E., S.A. should fail to fulfil its obligations arising from the Acknowledgement of Debt the Public Corporate Entity ENAIRE will not be released from fulfilling its payment commitments under the provisions of the Financing Agreements.

Therefore, the amendments agreed in the financing agreements with the banks and with Aena S.M.E., S.A. do not alter the accounting treatment of the financial debt.

With these novations, the financial conditions of the loans granted to the Public Corporate Entity ENAIRE are not amended, nor those included in the mirror loans subscribed with Aena S.M.E., S.A. (amongst others: repayment of principal, maturity dates, system governing interest rates, terms for amortisation, etc.)

In 2014, as a result of differences arising between the estimated value of the assets and liabilities contributed on the basis of which the necessary capital increase in Aena S.M.E., S.A. was determined and the value of the assets and liabilities finally contributed and within the novation process explained above, Aena S.M.E.,



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S.A. acknowledges that it owes ENAIRES the amounts of 57,370 thousand Euros and 14,839 thousand Euros, which now become part of Aena's debt.

The debt for Value Adjustments bears annual interest on the amount pending amortisation at a rate equivalent to the average interest rate of the debt arising from the Financing Agreements on each interest payment date.

At 31 December 2018, Aena's debt with ENAIRES for value adjustments amounts to 43,755 thousand Euros (2017: 48,490 thousand Euros).

With respect to any breach leading to a declaration of early maturity, the Public Corporate Entity ENAIRES, as the holder of the financing agreements, does not breach any condition for early maturity, so it would not affect the Balance Sheet at 31 December 2018 and 2017.

The breakdown of non-current and current investments in Group Companies and Associates is as follows:

2018

Description	Thousand Euros		Total
	Long Term	Short Term	
Loans with Group Companies and Associates - Mirror Loan	5,342,480	633,744	5,976,224
Loans with Group Companies and Associates - Fees on Mirror Loan	(3,966)	(401)	(4,367)
Loans with Group Companies and Associates - Derivatives	-	-	-
Loans with Group Companies and Associates - Interest due on Mirror Loan	-	14,895	14,895
Total	5,338,514	648,238	5,986,752



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2017

Description	Thousand Euros		
	Long Term	Short Term	Total
Loans with Group Companies and Associates - Mirror Loan	6,109,084	665,199	6,774,283
Loans with Group Companies and Associates - Fees on Mirror Loan	(4,867)	(471)	(5,338)
Loans with Group Companies and Associates - Derivatives	-	-	-
Loans with Group Companies and Associates - Interest due on Mirror Loan	-	18,812	18,812
Total	6,104,217	683,540	6,787,757

The heading "Long Term Recognised Loans" includes an amount of 5,342,480 thousand Euros corresponding to receivables from Aena S.M.E., S.A. for financing airports with an established schedule (2017: 6,109,084 thousand Euros). Likewise, the heading "Short-Term Recognised Loans" includes an amount of 633,744 thousand Euros for the same item (2017: 665,199 thousand Euros). The schedule of due dates of instalments pending payment by Aena S.M.E., S.A. on the above-mentioned loans and credits, at the close of 2018 is as follows:

Instalments with Due Date	Thousand Euros
2019	633,744
2020	633,619
2021	546,349
2022	535,836
2023	514,364
Subsequent	3,112,312
Total	5,976,224

At 31 December 2018 and 2017, non-current and current loans are denominated in euros.

At the end of 2018, there are no Non-current payables with Group companies, the current payables correspond to acquisitions of fixed assets pending payment.

At the end of 2017, there were no Non-current payables with Group companies, the current payables correspond to acquisitions of fixed assets pending payment as well as expenses refunded to Aena S.M.E., S.A. for the bank charge on the DEPFA guarantee of 867 thousand Euros (see Note 8.2.a) and for the reimbursement of expenses for a CNMC fine, arising from the process of going public for 833 thousand Euros.

The breakdown of transactions carried out with Group companies in 2018 and 2017 is as follows:



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Description	Thousand Euros	
	2018	2017
Income from Services Provided	137,604	140,003
Services Received	818	773
Acquisition of fixed assets (Note 5 and 6)	1,871	1,941
Finance income(*) (Notes 8.2a and 13g)	69,588	64,197
Finance expenses(**) (Notes 8.2a and 13g)	1,029	867
Allocation of Swap Losses	0	183
Extraordinary income (parking)	30	3

(*) Finance income with Group companies increased in 2018 despite the fact that the outstanding debt is lower due to the early cancellation of loans with banks, generating revenue for mirror debt amounting to 17,249 thousand Euros (see Note 8.2 a and Note 13.g).
(**) Finance expenses relate entirely to the corresponding part of the mirror credit on the return of the non-consumed DEPFA guarantee (see Note 8.2 a).

The breakdown of transactions carried out with associates in 2018 and 2017 is as follows:

Description	Thousand Euros	
	2018	2017
Income from Services Provided	9	9
Services Received	4,730	6,044
Acquisition of Fixed Assets (Note 5 and 6)	12,302	10,527

The main transactions with Group companies carried out during 2018 correspond mainly to services provided within the framework of the Service Agreements signed between the Public Corporate Entity ENAI and Aena S.M.E.,S.A.

Those Service Agreements are listed below:

- o Agreement for the Use of Airport Facilities (Control Towers) by ENAI.
- o Agreement for Aerodrome Services in Aena S.M.E., S.A, ATM (Air Traffic Management) and CNS (Control Navigation System).
ENAI provides aerodrome control services in 21 control towers and for communications, navigation, security and maintenance in 46 airports of Aena S.M.E., S.A., as well as aeronautical information services throughout the airspace.
On 27 December 2016, a New Agreement was signed between ENAI and Aena S.M.E., S.A. for the Provision of Air Navigation Services for a 5-year term, from 1 January 2017 to 31 December 2021.
- o Agreement of Assignment of Use for a Consideration of the Arturo Soria Building to Aena S.M.E., S.A., under the terms of the authorisation of the Directorate General of State Assets of 26 April 2016
On 31 October 2018, Aena personnel working in the departments in Arturo Soria left the building. Aena S.M.E., S.A. needs to keep the DPC in that building until 31 August 2019.
- o Agreement for the Provision of Parking Services under Aena's car park network to ENAI.
On 31 October 2017, ENAI and its subsidiary Aena S.M.E., S.A. signed an agreement for ENAI employees to use Aena's car park network.
Services provided pursuant to this agreement are invoiced to ENAI at fair value with a 75% discount on actual amounts.



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Considering the Recognition and Measurement Standard 21, which establishes that the difference between the price agreed and the market value of a transaction must be recorded on the basis of the financial conditions of the transaction and for the purpose of valuing the transaction at market prices in order to comply with article 18 of the Corporation Tax Act, ENAIRE has recognised the provision of services in 2018 at market value for an amount of 80.3 thousand Euros (7.1 thousand Euros in 2017). Since billing has increased to 20.1 thousand Euros (1.8 thousand Euros in 2017), ENAIRE has recorded 51% of the difference (the percentage corresponding to its holding in Aena S.M.E., S.A.) as dividend income, and the remaining 49% as extraordinary revenue.

Transactions with the associate INECO S.M.E.M.P., S.A. undertaken during 2018 correspond to services rendered in the form of "Commissioning of Service Management" entered into with the Public Corporate Entity ENAIRE. The main services instructed are listed below:

- o Collaboration Agreement for the Implementation or Management of Air Navigation Systems (CNS/ATM, safety, security, etc.), Preparation of Reports and Projects (Radio Simulations, Flight Procedures, Network Systems, Communications) and Support Services for the Different Organisational Units.

During 2018 and 2017, the Public Corporate Entity received the following dividends:

Dividends	Thousand Euros	
	2018	2017
Group Companies		
Aena S.M.E., S.A. (*)	497,281	292,998
Associates		
INECO S.M.E.M.P., S.A.	2,121	4,061
Group EAD Europe, S.L.	221	187
Total (Note 13-g)	499,623	297,246

(*) The amounts include recognising the market value of the employee parking service at 51%, for the amount of 31 thousand Euros in 2018 and 3 thousand Euros in 2017.

17.2 Operations and Balances with Related Parties

The breakdown of balances and operations carried out with related parties at the close of 2018 is as follows:

2018

	Thousand Euros				
	Current payables	Other Payables	Income	Expense (*)	Acquisitions of Fixed Assets
Agencia Estatal de Meteorología [National Meteorological Agency].(AEMET) (*)	-	6,518		27,097	-
Agencia Estatal de Seguridad Aérea [National Air Safety Agency] (AESA) (*)	-	2,484		9,219	-
Ingeniería de Sistemas para la Defensa Española, S.A. (ISDEFE) [Systems Engineering for Defence]	845	54		108	8,041
ENAIRE Foundation	-	-	63	1,571	-
	845	9,056	63	37,995	8,041

(*) Includes exempted flights and deficit from Free Flight Training Schools assumed by those agencies.



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2017

	Thousand Euros			
	Current payables	Other Payables	Expense (*)	Acquisitions of Fixed Assets
Agencia Estatal de Meteorología [National Meteorological Agency].(AEMET) (*)	-	-	25,656	-
Agencia Estatal de Seguridad Aérea [National Air Safety Agency] (AESA) (*)	-	2,316	9,188	-
Ingeniería de Sistemas para la Defensa Española, S.A. (ISDEFE) [Systems Engineering for Defence]	645	35	142	7,077
ENAI Foundation	-	374	1,498	-
	645	2,725	36,484	7,077

(*) Includes exempted flights and deficit from Free Flight Training Schools assumed by those agencies.

ENAI has an Economic Agreement in place with the National Meteorological Agency and the National Air Safety Agency for En-Route Air Navigation Aids.

Transactions with the company ISDEFE correspond to services provided in the form of "Commissioning of Service Management" concluded with the Public Corporate Entity ENAI for performing systems engineering and consulting activities within the scope of Air Navigation relating to CNS/ATM systems, SESAR programme, infrastructure and control centres.

The Public Corporate Entity ENAI is the only trustee of the ENAI Foundation, which is in charge of managing the ENAI art collection.

The amount of 1,498 thousand Euros is recognised as a contribution to the ENAI Foundation, plus a further contribution in kind valued at 72.6 thousand Euros consisting of the assignment, free of charge, of the use of the premises owned by ENAI where the ENAI Foundation carries out its activities (see Note 4.ñ.).

18. SEGMENT INFORMATION

The Entity identifies its operating and reporting segments according to internal reports that are the basis for regular review, discussion and evaluation by the Managing Director, as the highest authority in the decision-making process with the power to assign resources to specific segments and assess their performance.

Accordingly, the following segments were defined: Air Navigation and the Corporate Unit.

The Public Entity, through the Directorate of Air Navigation, is the Air Traffic Services Provider in Spain.



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Its main purpose is to offer maximum safety, quality and efficiency in the development and operation of the Spanish air navigation system. As the fourth provider of air navigation services in Europe, it also has a prominent and active involvement in all EU projects related to the implementation of the Single European Sky.

Air Navigation functions are:

- o Planning, directing, coordination, operation, conservation and management of air traffic, air information and telecommunication services, as well as communication infrastructures, installations and networks related to the air navigation system. The above is in order for aircraft travelling through Spanish air space to be able to enjoy the highest levels of safety, fluidity, efficiency and punctuality.

- o Preparation and approval of different types of projects, in addition to carrying out and supervising the management of investments.
- o Evaluation of the needs and proposals for new infrastructures, as well as any possible modifications in the management of air space.
- o Participation in specific aeronautical training subject to the granting of official licenses.

These services are provided from the five Regional Air Navigation Directorates: North, East, Canary Islands, South and Balearic Islands, the headquarters of which are located respectively in the Control Centres (ACC) in Madrid, Barcelona, Gran Canaria, Seville, and in the Terminal Area Control Centre (TACC) in Palma de Mallorca.

The segment Balance Sheets for 2018 and 2017 are as follows:



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BALANCE SHEET 2018

ASSETS	Air Navigation	Corporate Unit	Enaire
NON-CURRENT ASSETS:			
Intangible Assets	108,733	52	108,785
Development	24,820	-	24,820
Computer software	80,116	52	80,168
Other intangible assets	3,797	-	3,797
Property, Plant and Equipment	449,041	21,140	470,181
Land and Buildings	115,504	10,007	125,511
Technical Installations and Machinery	154,233	-	154,233
Other Installations, Equipment and Furnishings.	44,939	11,133	56,072
Other property, plant and equipment	19,647	-	19,647
Property, plant and equipment underway and advances	114,718	-	114,718
Non-current investments in group companies and associates	480	6,668,740	6,669,220
Equity instruments	480	1,330,226	1,330,706
Loans to companies	-	5,338,514	5,338,514
Non-current financial investments	558	6	564
Equity instruments	558	6	564
Long term current tax assets	-	118,021	118,021
Deferred tax assets	3,607	16,418	20,025
Trade and other non-current receivables	6,494	-	6,494
TOTAL NON-CURRENT ASSETS	568,913	6,824,377	7,393,290
CURRENT ASSETS:			
Inventories	336	-	336
Trade and other receivables	170,595	71,535	242,130
Trade receivables	132,688	-	132,688
Trade receivables, group companies and associates	27,049	149	27,198
Personnel	756	-	756
Current tax assets	-	71,386	71,386
Public entities, other receivables	10,102	-	10,102
Current investments in group companies and associates	419,748	228,490	648,238
Loans to companies	-	648,238	648,238
Other financial assets	419,748	(419,748)	-
Current financial investments	5	200,016	200,021
Loans to companies	-	-	-
Other financial assets	5	200,016	200,021
Current accruals	1,296	-	1,296
Cash and cash equivalents	15	358,403	358,418
TOTAL CURRENT ASSETS	591,995	858,444	1,450,439
TOTAL ASSETS	1,160,908	7,682,821	8,843,729



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BALANCE SHEET 2018

LIABILITIES	Air Navigation	Corporate Unit	Enaire
EQUITY			
Capital and reserves without valuation adjustments	865,085	1,660,675	2,525,760
Capital	620,757	1,200,780	1,821,537
Reserves	64,982	454,692	519,674
Statutory	76,556	440,987	517,543
Other reserves	(11,574)	13,705	2,131
Profit (loss) for the period	179,346	502,440	681,786
Interim dividend (Payment on Account to the Public Treasury)	-	(497,237)	(497,237)
Grants, donations and bequests received	12,650	-	12,650
TOTAL EQUITY	877,735	1,660,675	2,538,410
NON-CURRENT LIABILITIES			
Non-current provisions	130,998	-	130,998
Long-term employee benefits	130,998	-	130,998
Non-current payables	7,440	5,368,170	5,375,610
Debt with Financial Institutions	7,299	5,368,170	5,375,469
Other non-current financial liabilities	141	-	141
Deferred tax liabilities	4,217	-	4,217
TOTAL NON-CURRENT LIABILITIES	142,655	5,368,170	5,510,825
CURRENT LIABILITIES			
Current Provisions	19,439	-	19,439
Current payables	18,918	653,886	672,804
Debt with Financial Institutions	3,680	653,821	657,501
Other financial liabilities	15,238	65	15,303
Group companies and associates, current	1,500	-	1,500
Trade and other payables	100,661	90	100,751
Other Payables	19,557	85	19,642
Personnel	53,449	-	53,449
Public Entities, other payables	26,208	5	26,213
Advances from Customers	1,447	-	1,447
TOTAL CURRENT LIABILITIES	140,518	653,976	794,494
TOTAL EQUITY AND LIABILITIES	1,160,908	7,682,821	8,843,729



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2017

ASSETS	Air Navigation	Corporate Unit	Enaire
NON-CURRENT ASSETS:			
Intangible Assets	99,755	109	99,864
Development	19,435	-	19,435
Computer software	78,616	109	78,725
Other intangible assets	1,704	-	1,704
Property, Plant and Equipment	457,781	21,599	479,380
Land and Buildings	119,476	10,308	129,784
Technical Installations and Machinery	181,718	-	181,718
Other Installations, Equipment and Furnishings.	48,697	11,290	59,987
Other property, plant and equipment	13,309	1	13,310
Property, plant and equipment underway and advances	94,581	-	94,581
Non-current investments in group companies and associates	480	7,434,443	7,434,923
Equity instruments	480	1,330,226	1,330,706
Loans to companies	-	6,104,217	6,104,217
Non-current financial investments	558	6	564
Equity instruments	558	6	564
Long term current tax assets	-	71,727	71,727
Deferred tax assets	15,511	23,824	39,335
Trade and other non-current receivables	2,461	-	2,461
TOTAL NON-CURRENT ASSETS	576,546	7,551,708	8,128,254
CURRENT ASSETS:			
Inventories	477	-	477
Trade and Other Receivables	204,105	480	204,585
Trade receivables	122,608	-	122,608
Trade receivables, group companies and associates	28,039	95	28,134
Personnel	895	-	895
Current tax assets	-	385	385
Public Entities, other receivables	52,563	-	52,563
Current investments in group companies and associates	368,275	315,265	683,540
Loans to companies	-	683,540	683,540
Other financial assets	368,275	(368,275)	-
Current financial investments	5	960	965
Loans to companies	-	-	-
Other financial assets	5	960	965
Current accruals	1,296	-	1,296
Cash and cash equivalents	13	580,337	580,350
TOTAL CURRENT ASSETS	574,171	897,042	1,471,213
TOTAL ASSETS	1,150,717	8,448,750	9,599,467



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2017

LIABILITIES	Air Navigation	Corporate Unit	Enaire
EQUITY			
Capital and reserves without valuation adjustments	888,157	1,541,057	2,429,214
Capital	620,757	1,200,780	1,821,537
Reserves	64,982	454,692	519,674
Statutory	76,556	440,987	517,543
Other reserves	(11,574)	13,705	2,131
Prior years' profit (loss)	-	(66,052)	(66,052)
Profit (loss) for the period	202,418	243,640	446,058
Interim dividend (Payment on Account to the Public Treasury)	-	(292,003)	(292,003)
Adjustments for Change in Value	-	-	-
Hedging transactions	-	-	-
Grants, donations and bequests received	8,655	-	8,655
TOTAL EQUITY	896,812	1,541,057	2,437,869
NON-CURRENT LIABILITIES			
Non-current provisions	130,273	-	130,273
Long-term employee benefits	130,273	-	130,273
Non-current payables	2,990	6,206,057	6,209,047
Debt with Financial Institutions	-	6,206,057	6,206,057
Finance lease payables	-	-	-
Derivatives	-	-	-
Other non-current financial liabilities	2,990	-	2,990
Deferred tax liabilities	2,885	-	2,885
TOTAL NON-CURRENT LIABILITIES	136,148	6,206,057	6,342,205
CURRENT LIABILITIES			
Current Provisions	22,394	-	22,394
Current payables	15,968	699,534	715,502
Debt with Financial Institutions	-	699,441	699,441
Finance lease payables	10	-	10
Derivatives	-	-	-
Other financial liabilities	15,958	93	16,051
Group companies and associates, current	2,049	1,700	3,749
Trade and other payables	77,346	402	77,748
Other Payables	10,292	388	10,680
Personnel	39,490	-	39,490
Public Entities, other payables	24,607	14	24,621
Advances from Customers	2,957	-	2,957
TOTAL CURRENT LIABILITIES	117,757	701,636	819,393
TOTAL EQUITY AND LIABILITIES	1,150,717	8,448,750	9,599,467



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INCOME STATEMENT 2018

	Thousand Euros		
	Air Navigation	Corporate Unit	Enaire
A) CONTINUING OPERATIONS			
Revenue	992,268	1,002	993,270
Work carried out by the company for assets	1,813	-	1,813
Supplies	(36,618)	-	(36,618)
Raw materials and other consumables used	(302)	-	(302)
Subcontracted work	(36,316)	-	(36,316)
Other operating income	6,038	200	6,238
Non-trading and other operating income	3,395	200	3,595
Operating grants taken to income	2,643	-	2,643
Personnel expenses	(533,166)	-	(533,166)
Salaries and wages	(460,265)	-	(460,265)
Employee benefits expense	(60,791)	-	(60,791)
Provisions	(12,110)	-	(12,110)
Other operating expenses	(97,759)	(2,028)	(99,787)
External services	(93,531)	(273)	(93,804)
Taxes	(3,692)	(190)	(3,882)
Losses, impairment and changes in trade provisions	(86)	8	(78)
Other operating expenses	(450)	(1,573)	(2,023)
Amortisation and depreciation	(87,956)	(516)	(88,472)
Non-financial and other capital grants	1,787	-	1,787
Provision surpluses	134	38	172
Impairment and gains/(losses) on disposal of fixed assets	(561)	-	(561)
Other results	809	67	876
A.1) OPERATING PROFIT (LOSS)	246,789	(1,237)	245,552
Finance income	889	569,861	570,750
Dividends	251	499,372	499,623
- Group companies and associates	251	499,372	499,623
Marketable securities and other financial instruments	638	70,489	71,127
- Group companies and associates	421	69,167	69,588
- Of third parties	217	1,322	1,539
Finance expenses	(1,722)	(74,594)	(76,316)
Debts with group companies and associates	-	(1,029)	(1,029)
Debts with third parties	(1,722)	(73,565)	(75,287)
A.2) NET FINANCE INCOME/(EXPENSE)	(833)	495,267	494,434
A.3) PROFIT/(LOSS) BEFORE INCOME TAX	245,956	494,030	739,986
Income tax	(66,610)	8,410	(58,200)
A.4) PROFIT/ (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS	179,346	502,440	681,786
A.5) PROFIT OR LOSS FOR THE PERIOD	179,346	502,440	681,786



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INCOME STATEMENT 2017

	Thousand Euros		
	Air Navigation	Corporate Unit	Enaire
A) CONTINUING OPERATIONS			
Revenue	967,859	942	968,801
Work carried out by the company for assets	1,663	-	1,663
Supplies	(35,209)	-	(35,209)
Raw materials and other consumables used	(365)	-	(365)
Subcontracted work	(34,844)	-	(34,844)
Other operating income	6,541	193	6,734
Non-trading and other operating income	3,034	193	3,227
Operating grants taken to income	3,507	-	3,507
Personnel expenses	(433,158)	-	(433,158)
Salaries and wages	(444,973)	-	(444,973)
Employee benefits expense	(57,463)	-	(57,463)
Provisions	69,278	-	69,278
Other operating expenses	(98,299)	(3,052)	(101,351)
External services	(88,816)	(1,399)	(90,215)
Taxes	(4,087)	(147)	(4,234)
Losses, impairment and changes in trade provisions	(4,856)	7	(4,849)
Other operating expenses	(540)	(1,513)	(2,053)
Amortisation and depreciation	(96,451)	(543)	(96,994)
Non-financial and other capital grants	1,387	-	1,387
Provision surpluses	70	-	70
Impairment and gains/(losses) on disposal of fixed assets	(1,093)	(25)	(1,118)
Other results	209	314	523
A.1) OPERATING PROFIT (LOSS)	313,519	(2,171)	311,348
Finance income	881	362,201	363,082
Dividends	189	297,057	297,246
- Group companies and associates	189	297,057	297,246
Marketable securities and other financial instruments	692	65,144	65,836
- Group companies and associates	380	63,817	64,197
- Of third parties	312	1,327	1,639
Finance expenses	(1,336)	(67,599)	(68,935)
Debts with group companies and associates	-	(867)	(867)
Debts with third parties	(1,336)	(66,732)	(68,068)
Change in fair value of financial instruments	-	(91)	(91)
A.2) NET FINANCE INCOME/(EXPENSE)	(455)	294,511	294,056
A.3) PROFIT/(LOSS) BEFORE INCOME TAX	313,064	292,340	605,404
Income tax	(110,646)	(48,700)	(159,346)
A.4) PROFIT/ (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS	202,418	243,640	446,058
A.5) PROFIT OR LOSS FOR THE PERIOD	202,418	243,640	446,058



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19. EVENTS AFTER THE REPORTING PERIOD

Between year-end and the date of drafting of these financial statements, no significant events have occurred that could have any effect on the financial statements other than those mentioned below:

- On 24 January 2019, CRIDA lodged an Appeal with the Economic Administrative Court for the Region of Madrid regarding the provisional settlement agreement resulting from the inspection (Note 12.9).
- On 15 February 2019, CRIDA lodged an Appeal with the Economic Administrative Court for the Region of Madrid regarding the provisional settlement agreement resulting from the disciplinary procedure (Note 12.9).
- On 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 to the Shareholders Annual General Meeting, corresponding to the Profit obtained in 2018. With this, in 2019, ENAI will receive: 530,145 thousand Euros from Aena S.M.E., S.A.
- On 15 March 2019, the Court of First Instance no. 4 and for Commercial Issues of Ciudad Real sent notification of its ruling that 1,592 thousand Euros are to be paid to ENAI arising from its creditor status in the Ciudad Real Airport bankruptcy proceedings.



<p>Karen ROSENBERG, Traductora-Intérprete Jurada de inglés, nombrada por el Ministerio de Asuntos Exteriores, Unión Europea y de Cooperación, con el nº 4186, certifica que la que antecede es una traducción fiel y exacta al INGLES de un documento redactado en CASTELLANO</p> <p>Esta traducción consta de NOVENTA páginas numeradas, así como una copia del documento original, todas firmadas, fechadas y selladas por la traductora intérprete jurada.</p> <p>En Marbella, a 21 de noviembre de 2019</p>	<p>Karen ROSENBERG, Official Translator and Interpreter of English/Spanish, appointed by the Ministry of Foreign Affairs, European Union and Cooperation under nº 4186 hereby certifies that the above is a true and complete translation into ENGLISH of a document drawn up in SPANISH.</p> <p>This translation consists of NINETY numbered pages and a copy of the original document, all pages signed, dated and stamped by the Official Translator and Interpreter</p> <p>In Marbella, on 21 November 2019</p>
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Karen Rosenberg Alexander
Traductora-Interprete Jurada de INGLÉS
Nº 4186