Aena S.M.E., S.A. and Subsidiaries

Consolidated Annual Accounts
31 December 2019

Consolidated Directors' Report
2019

(With Independent Auditor's Report Thereon)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

KPMG Auditores, S.L.
Paseo de la Castellana, 259 C
28046 Madrid

Independent Auditor's Report on the Consolidated Annual Accounts

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

To the Shareholders of Aena S.M.E., S.A.:

REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS

Opinion

We have audited the consolidated annual accounts of Aena S.M.E., S.A. (the "Parent") and subsidiaries (together the "Group"), which comprise the consolidated statement of financial position at 31 December 2019, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and consolidated notes.

In our opinion, the accompanying consolidated annual accounts give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of the Group at 31 December 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for Opinion

We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Annual Accounts* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the consolidated annual accounts in Spain pursuant to the legislation regulating the audit of accounts. We have not provided any non-audit services, nor have any situations or circumstances arisen which, under the aforementioned regulations, have affected the required independence such that this has been compromised.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated annual accounts of the current period. These matters were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recognition of aeronautical revenues See notes 2.21, 4 and 5 to the consolidated annual accounts	
Key Audit Matter	*How the Matter was Addressed in Our Audit*
Aeronautical revenues, which are mostly regulated by the Airport Regulation Document (abbreviated to DORA in Spanish) approved on 27 January 2017, totalled Euros 2,768,380 thousand in 2019. These revenues are mostly generated from the use of the airport infrastructure by airlines and passengers, and they are net of any rebates and incentives. Due to the significance of the aeronautical revenues, the complexity of the systems and processes that the Group uses for their control, and the large number of transactions of different types and amounts that give rise to the aeronautical revenues in very diverse airports, revenues have been considered a key matter in our audit.	Our audit procedures included the following: - Assessing, with the help of our IT specialists, the design and implementation of the most relevant controls established by Group management for the recognition of aeronautical revenue. We also tested the operating effectiveness of these controls. - Evaluating the criteria, standards and policies used by the Group to recognise the aeronautical revenues. - Recalculating the aeronautical revenues recognised in 2019, considering the services rendered and the tariffs established. - Obtaining confirmation from third parties of a sample of invoices reflecting trade receivables that were outstanding at the reporting date. - Performing tests of detail to validate the criteria and assumptions used in the calculation of the rebates and incentives. Evaluating whether the information disclosed in the consolidated annual accounts meets the requirements of the financial reporting framework applicable to the Group.

Other Information: Consolidated Directors' Report

Other information solely comprises the 2019 consolidated directors' report, the preparation of which is the responsibility of the Parent's Directors and which does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not encompass the consolidated directors' report. Our responsibility as regards the content of the consolidated directors' report is defined in the legislation regulating the audit of accounts, which establishes two different levels:

a) A specific level applicable to the consolidated non-financial information statement, as well as certain information included in the Annual Corporate Governance Report (ACGR), as defined in article 35.2. b) of Audit Law 22/2015, which consists solely of verifying that this information has been provided in the consolidated directors' report, or where applicable, that the consolidated directors' report makes reference to the separate report on non-financial information, as provided for in legislation, and if not, to report on this matter.

b) A general level applicable to the rest of the information included in the consolidated directors' report, which consists of assessing and reporting on the consistency of this information with the consolidated annual accounts, based on knowledge of the Group obtained during the audit of the aforementioned accounts and without including any information other than that obtained as evidence during the audit. Also, assessing and reporting on whether the content and presentation of this part of the consolidated directors' report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described above, we have verified that the non-financial information mentioned in a) above has been provided in the consolidated directors' report; that the rest of the information contained in the consolidated directors' report is consistent with that disclosed in the consolidated annual accounts for 2019; and that the content and presentation of the report are in accordance with applicable legislation.

Directors' and Audit Committee's Responsibility for the Consolidated Annual Accounts

The Parent's Directors are responsible for the preparation of the accompanying consolidated annual accounts in such a way that they give a true and fair view of the consolidated equity, consolidated financial position and consolidated financial performance of the Group in accordance with IFRS-EU and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual accounts, the Parent's Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent's audit committee is responsible for overseeing the preparation and presentation of the consolidated annual accounts.

Auditor's Responsibilities for the Audit of the Consolidated Annual Accounts

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing legislation regulating the audit of accounts in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence economic decisions of users taken on the basis of these consolidated annual accounts.

As part of an audit in accordance with prevailing legislation regulating the audit of accounts in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's Directors.
- Conclude on the appropriateness of the Parent's Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee of the Parent regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent's audit committee with a statement that we have complied with the applicable ethical requirements, including those regarding independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the audit committee of the Parent, we determine those that were of most significance in the audit of the consolidated annual accounts of the current period and which are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Additional Report to the Audit Committee of the Parent

The opinion expressed in this report is consistent with our additional report to the Parent's audit committee dated 25 February 2020.

Contract Period

We were appointed as auditor of the Group by the shareholders at the ordinary general meeting on 28 June 2016 for a period of three years, from the year ended 31 December 2017.

KPMG Auditores, S.L.

On the Spanish Official Register of Auditors ("ROAC") with No. S0702

(Signed on the original in Spanish)

Manuel Martín Barbón
On the Spanish Official Register of Auditors ("ROAC") with number 16239

25 February 2020

AENA S.M.E., S.A. AND SUBSIDIARIES

Consolidated Financial Statements and Consolidated Management Report for the year ended on 31 December 2019.

(Amounts in thousands of euros unless otherwise stated)

Consolidated statement of financial position as at 31 December 2019

	Note	2019	2018
ASSETS			
Non-current assets			
Property, plant and equipment	6.a	12,670,706	12,872,781
Intangible assets	7	1,009,244	506,996
Investment properties	8	140,928	138,183
Right-of-use assets	6.b	61,725	-
Equity-accounted investees	9	63,783	65,433
Other financial assets	10	80,123	72,854
Derivative financial instruments	10, 12	-	1,144
Deferred tax assets	21	106,929	124,944
Other receivables	13	4,363	3,259
		14,137,801	**13,785,594**
Current assets			
Inventories	14	6,841	7,258
Trade and other receivables	13	505,304	454,838
Cash and cash equivalents	15	240,597	651,380
		752,742	**1,113,476**
Total assets		**14,890,543**	**14,899,070**
EQUITY AND LIABILITIES			
Equity			
Share capital	16	1,500,000	1,500,000
Share premium	16	1,100,868	1,100,868
Retained earnings/(losses)	17	3,938,336	3,534,635
Accumulated conversion differences	18	(21,575)	(20,301)
Other reserves	18	(111,827)	(80,333)
Non-controlling interests	18	(23,926)	(11,064)
		6,381,876	**6,023,805**
Liabilities			
Non-current liabilities			
Borrowings	20	5,675,036	6,573,078
Derivative financial instruments	12	95,672	56,543
Grants	24	461,690	495,594
Provisions for employee benefit obligations	22	44,639	46,622
Provision for other liabilities and expenses	23	77,267	84,700
Deferred tax liabilities	21	58,386	70,995
Other non-current liabilities	25	15,462	49,241
		6,428,152	**7,376,773**
Current liabilities			
Borrowings	20	1,238,403	732,428
Derivative financial instruments	12	31,662	32,740
Trade and other payables	19	679,879	613,049
Current tax liabilities	19	10,165	24,889
Grants	24	35,652	35,217
Provision for other liabilities and expenses	23	84,754	60,169
		2,080,515	**1,498,492**
Total liabilities		**8,508,667**	**8,875,265**
Total equity and liabilities		**14,890,543**	**14,899,070**

The accompanying Notes form an integral part of these consolidated financial statements.

(Amounts in thousands of euros unless otherwise stated)

Consolidated statement of profit or loss for the year ended 31 December 2019

	Note	2019	2018
Continuing operations			
Ordinary revenue	5	4,443,560	4,201,406
Other revenue	29	10,067	11,107
Work carried out by the Company for its assets		5,261	4,981
Subcontracted work and other supplies	30.a	(170,542)	(172,936)
Employment costs	28	(456,173)	(423,725)
Losses, impairment and change in trading provisions	13	(13,809)	1,813
Other operating expenses	30.b	(1,075,321)	(1,008,289)
Depreciation and amortization	6,7,8	(788,969)	(806,383)
Capital grants taken to income	24	39,655	95,076
Provisions surpluses		4,710	7,679
Impairment of fixed assets	4.a, 6, 7	-	(46,248)
Income from disposal of fixed assets	6.7, 8	(9,396)	(16,107)
Other net gains/(losses)	27	(11,764)	1,829
Operating profit		**1,977,279**	**1,850,203**
Finance income	31	4,569	2,985
Finance expenses	31	(124,786)	(135,248)
Other net finance income/(expenses)	31	3,341	(742)
Net finance cost	31	**(116,876)**	**(133,005)**
Share of profits in associates	9	22,446	20,155
Profit/(loss) before tax		**1,882,849**	**1,737,353**
Income tax expense	32	(437,174)	(409,602)
Consolidated profit (/loss) for the period		**1,445,675**	**1,327,751**
Profit/(loss) for the period attributable to non-controlling interest		**3,653**	**(131)**
Profit/(loss) for the period attributable to the equity holders of the Parent Company	33	**1,442,022**	**1,327,882**
Earnings per share (Euro per share)			
Basic earnings per share	33	9.61	8.85
Diluted earnings per share	33	9.61	8.85

The accompanying Notes form an integral part of these consolidated financial statements.

(Amounts in thousands of euros unless otherwise stated)

Consolidated statement of comprehensive income for the year ended 31 December 2019

	Note	2019	2018
Profit/(loss) for the period		**1,445,675**	**1,327,751**
Other comprehensive income - Items that are not reclassified to income for the period		**(6,517)**	**(637)**
- Actuarial gains and losses and other adjustments	32	(7,848)	(777)
- Share in other comprehensive income recognised for investments in associates and joint arrangements	9	(4)	-
- Related Tax	32	1,335	140
Other comprehensive income - Items that may be subsequently reclassified to income for the period		**(31,036)**	**(775)**
Cash flow hedges	32	**(38,375)**	**(4,425)**
- Profits/(Losses) on measurement		(72,074)	(41,758)
- Amounts transferred to the income statement		33,699	37,333
Foreign currency translation differences		**(2,104)**	**2,368**
- Profits/(Losses) on measurement		(2,104)	2,368
Related Tax	32	9,443	1,282
Total comprehensive income for the period		**1,408,122**	**1,326,339**
- Attributed to the parent company		**1,409,254**	**1,325,702**
- Attributed to non-controlling interests		**(1,132)**	**637**

The accompanying Notes form an integral part of these consolidated financial statements.

(Amounts in thousands of euros unless otherwise stated)

Consolidated statement of changes in equity for the year ended 31 December 2019

					Other reserves					
	Share capital (Note 16)	Share premium (Note 16)	Cumulative earnings (Note 17)	Accumulated conversion differences (Note 18.b)	Hedging derivatives (Note 18.c)	Actuarial gains and losses (Note 18.b)	Share in other comprehensive income of associates (Note 18.b)	Total	Non-controlling interests (Note 18.a)	Total equity
Balance at 31 December 2017	**1,500,000**	**1,100,868**	**3,180,024**	**(22,523)**	**(64,225)**	**(11,729)**	**23**	**5,682,438**	**5,426**	**5,687,864**
Adjustments for adoption of IFRS 9 (net of taxes)	**-**	**-**	**(795)**	**-**	**-**	**-**	**-**	**(795)**	**-**	**(795)**
Balance at 01 January 2018	**1,500,000**	**1,100,868**	**3,179,229**	**(22,523)**	**(64,225)**	**(11,729)**	**23**	**5,681,643**	**5,426**	**5,687,069**
Profit (/loss) for the period	-	-	1,327,882	-	-	-	-	1,327,882	(131)	1,327,751
Other comprehensive profit (/loss) for the period	-	-	-	2,222	(4,040)	(362)	-	(2,180)	768	(1,412)
Total comprehensive profit (/loss) for the period	**-**	**-**	**1,327,882**	**2,222**	**(4,040)**	**(362)**	**-**	**1,325,702**	**637**	**1,326,339**
Distribution of dividends	-	-	(975,000)	-	-	-	-	(975,000)	(18,390)	**(993,390)**
Other movements	-	-	2,524	-	-	-	-	2,524	1,263	**3,787**
Total contributions by and distributions to shareholders recognised directly in equity	**-**	**-**	**(972,476)**	**-**	**-**	**-**	**-**	**(972,476)**	**(17,127)**	**(989,603)**
Balance at 31 December 2018	**1,500,000**	**1,100,868**	**3,534,635**	**(20,301)**	**(68,265)**	**(12,091)**	**23**	**6,034,869**	**(11,064)**	**6,023,805**
Profit (/loss) for the period	-	-	1,442,022	-	-	-	-	1,442,022	3,653	1,445,675
Other comprehensive profit (/loss) for the period	-	-	-	(1,274)	(28,166)	(3,324)	(4)	(32,768)	(4,785)	(37,553)
Total comprehensive profit (/loss) for the period	**-**	**-**	**1,442,022**	**(1,274)**	**(28,166)**	**(3,324)**	**(4)**	**1,409,254**	**(1,132)**	**1,408,122**
Distribution of dividends	-	-	(1,039,500)	-	-	-	-	(1,039,500)	(11,730)	**(1,051,230)**
Other movements	-	-	1,179	-	-	-	-	1,179	-	**1,179**
Total contributions by and distributions to shareholders recognised directly in equity	**-**	-	**(1,038,321)**	**-**	**-**	**-**	**-**	**(1,038,321)**	**(11,730)**	**(1,050,051)**
Balance at 31 December 2019	**1,500,000**	**1,100,868**	**3,938,336**	**(21,575)**	**(96,431)**	**(15,415)**	**19**	**6,405,802**	**(23,926)**	**6,381,876**

The accompanying Notes form an integral part of these consolidated financial statements.

(Amounts in thousands of euros unless otherwise stated)

Consolidated cash flow statement for the year ended 31 December 2019

	Note	2019	2018
Profit/(loss) before tax		**1,882,849**	**1,737,353**
Adjustments for:		**909,616**	**918,553**
- Depreciation and amortisation	6, 7, 8	788,969	806,383
- Impairment adjustments		13,809	(1,813)
- Changes in provisions		47,202	30,729
- Impairment of fixed assets		-	46,248
- Grants taken to income	24	(39,655)	(95,076)
- (Profit)/loss on disposal of fixed assets		9,396	16,107
- Financial instrument impairment adjustments	31	(863)	229
- Financial income	31	(4,569)	(2,985)
- Financial expenses	31	91,087	97,915
- Translation differences	31	(2,478)	513
- Financial expenses for settlement of derivatives	31	33,699	37,333
- Other revenue and expenses		(4,535)	3,125
- Share in profit (loss) of equity method companies		(22,446)	(20,155)
Changes in working capital:		**(140,604)**	**(180,504)**
- Inventories		450	(211)
- Trade and other receivables		(64,320)	(115,020)
- Other current assets		6,292	(184)
- Trade and other payables		(18,702)	(7,871)
- Other current liabilities		(62,974)	(56,427)
- Other non-current assets and liabilities		(1,350)	(791)
Other cash generated from operating activities		**(537,517)**	**(527,744)**
Interest paid		(102,266)	(131,539)
Interest received		1,419	1,143
Taxes paid		(437,470)	(396,836)
Other collections (payments)		800	(512)
Net cash flows from operating activities		**2,114,343**	**1,947,658**

(Amounts in thousands of euros unless otherwise stated)

Consolidated cash flow statement for the years ended on 31 December 2019 and 31 December 2018

	Note	2019	2018
Cash flow from investing activities			
Acquisitions of property, plant and equipment		(480,335)	(498,865)
Acquisitions of intangible assets		(544,421)	(21,328)
Acquisitions of investment properties		(7,660)	(4,410)
Payments for acquisitions of other financial assets		(8,561)	(12,905)
Proceeds on disposal of/loans to companies of the Group and associates	2.2	5,658	5,044
Proceeds from property, plant and equipment divestment		347	34
Proceeds from other financial assets		2,149	10,071
Dividends received	2.2, 34	23,245	20,052
Net cash flows from investing activities		**(1,009,578)**	**(502,307)**
Cash flow from financing activities			
Proceeds from grants	24	6,453	88,097
Shareholder contributions		-	3,392
Debt Issuance	20	801,139	32,779
Other income	20	61,314	31,730
Repayment of bank borrowings	20	(650,000)	-
Repayment of Group financing	20	(633,744)	(798,059)
Lease liability payments		(7,178)	(3,072)
Dividends paid		(1,051,230)	(993,390)
Other payments	20	(41,380)	(10,385)
Net cash generated/(used) in financing activities		**(1,514,626)**	**(1,648,908)**
Effect of exchange rate fluctuations		**(922)**	**(40)**
Net (decrease)/increase in cash and cash equivalents		(410,783)	(203,597)
Cash and cash equivalents at the beginning of the period		**651,380**	**854,977**
Cash and cash equivalents at the end of the period		**240,597**	**651,380**

The accompanying Notes form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements for 2019

1. General information

AENA, S.A. ("the Company", or "AENA") is the Parent Company of a group of companies (the "Group") consisting of 8 subsidiaries and 4 associates at the end of 2019. AENA S.M.E, S.A. was incorporated as an independent legal entity by virtue of Article 7 of Royal Decree Law 13/2010 (3 December), which authorised the Council of Ministers to incorporate the company. The authorisation for effective incorporation took place on 25 February 2011 by resolution adopted by the Council of Ministers on that date authorising the incorporate of the State-owned corporation Aena Aeropuertos, S.A. as provided in Article 166 of Law 33/2003, of 3 November, on Public Institution Assets (LPIA).

On 5 July 2014, in virtue of Article 18 of Royal Decree Act 8/2014 (subsequently confirmed by Act 18/2014 of 15 October), the name of Aena Aeropuertos, S.A. was changed to Aena, S.A. and the public business entity "Aeropuertos Españoles y Navegación Aérea" was renamed ENAIRE ("Parent Company"). The integrity of the airport network insofar as its survival ensures the mobility of citizens and economic, social and territorial cohesion in terms of accessibility, adequacy, suitability, sustainability and continuity, was also established in the aforementioned Royal Decree. The latter also sets out the framework to which the basic airport services are subject and the characteristics and conditions that the said network must boast in order to guarantee the objectives of general interest. Thus, the closure or sale of all or part of any facilities or airport infrastructure necessary to maintain the provision of airport services is prohibited, unless authorised by the Council of Ministers or the Ministry of Public Works, and which authorisation can only be granted provided it does not affect the objectives of general interest that must guarantee the said network or compromise its sustainability (the absence of such authorisation will render the foregoing as a guarantee for the entire maintenance of the state airport network null and void); Airport charges and their key elements, basic airport services and the framework to determine minimum standards of quality, capacity and conditions for the provision of the services and investments required for compliance, as well as the conditions for recovering the costs of providing these basic airport services have been defined.

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

Before the incorporation of the Company, the economic activity in terms of the management and operation of the airport services, subsidiaries and associates that are included in the scope of consolidation of AENA formed part of the public business entity "Aeropuertos Españoles y Navegación Aérea", its single shareholder and controlling entity at the time. The public business entity "Aeropuertos Españoles y Navegación Aérea," was set up under Article 82 of Law 4/1990 of 29 June on the State General Budget for 1990. It was effectively incorporated on 19 June 1991, once its Statute entered into force, as approved by Royal Decree 905/1991 (14 June).

The Company was incorporated to the issue of 61 fully subscribed and paid shares with a par value of €1,000 by the public business entity "Aeropuertos Españoles y Navegación Aérea". The public business entity "Aeropuertos Españoles y Navegación Aérea" will maintain, in any event, a majority of the share capital in Aena Aeropuertos, S.A. in the terms established by Article 7.1, paragraph two of Royal Decree Law 13/2010, of 3 December, and may sell the rest in accordance with Law 33/2003, of 3 November, on Public Institution Equity.

The incorporation of the Company was entered into the trade register based on the resolution adopted by the Board of Directors on 23 May 2011, which approved the contribution to the company of the airport activity branch and its measurement, which took place on 31 May 2011.

The Resolution adopted by the Council of Ministers on 3 June 2011 subsequently approved the Company's share capital increase in order to support the Company's activity, and in accordance with Article 9 of Royal Decree Law 13/2010 (3 December), through which the public business entity "Aeropuertos Españoles y Navegación Aérea" made a non- monetary contribution of all of the assets, rights, debts and obligations associated with the airport and commercial activities and other state services associated with the airport management, including the air traffic services at the airport (hereinafter the "Activity").

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

a) Reduce the par value of the Company's THOUSAND EUROS (€1,000) shares by dividing the SIXTY ONE outstanding shares into SIX THOUSAND ONE HUNDRED new shares, consisting of ONE HUNDRED new shares for each old share, without changing the amount of the Company's share capital. As a result, the Company's share capital is SIXTY ONE THOUSAND EUROS represented by SIX THOUSAND ONE HUNDRED shares with a par value of TEN EUROS each, and all shares are of the same class and bear the same financial and voting rights.

b) Increase the Company's share capital from €61,000 to €1,500,000,000 (ONE POINT FIVE BILLION EUROS) and, therefore, the share capital increase amounts to €1,499,939,000.

c) Issue of 149,993,900 common shares with a par value of €10 each, all with the same rights and obligations as those already in existence. These new shares were issued with a total share premium of €1,100,868,000 (ONE BILLION ONE HUNDRED MILLION EIGHT HUNDRED AND SIXTY EIGHT THOUSAND EUROS), and therefore the total amount to be paid in as capital and share premium is €2,600,807,000 (TWO BILLION SIX HUNDRED MILLION EIGHT HUNDRED AND SEVEN THOUSAND EUROS).

d) In accordance with Article 9 of Royal Decree Law 13/2010 and the Resolutions dated 25 February and 3 June 2011, the public business entity "Aeropuertos Españoles y Navegación Aérea" fully subscribed and paid the total par value of the shares and the share premium through the contribution of the "Activity".

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

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

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

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

i) In accordance with Articles 70 and 300.1 of the Corporate Enterprises Act, the members of the Board of Directors of the Company have signed the Directors' report of Aena Aeropuertos, S.A. that has been examined by the single shareholder.

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

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

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

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

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

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

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

d) Heliports: Heliport in Ceuta and Algeciras.

However,on 15 January 2019, the International Airport of the Region of Murcia (AIRM) has been inaugurated, having commenced operations, which has meant the closure of the civil branch at Murcia San Javier Airport, which has been exclusively dedicated to military aviation (see Note 2.2 a).

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

- The organisation, management, co-ordination, exploitation, maintenance, administration and management of general interest, state-owned airports, heliports and associated services.

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

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

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

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

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

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

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

The registered office of AENA S.M.E., S.A. is located in Madrid (Spain), calle Peonías, 12, after the change thereof adopted by its Board of Directors on 30 October 2018.

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

Shares in AENA, S.M.E., S.A. were admitted to trading on the four Spanish stock exchanges, and they have been listed on the Spanish continuous market since 11 February 2015.

It was first listed on the Madrid stock exchange after the IPO for 49 % of their capital, with a starting price of 58 euros per share. Later on, in June 2015, AENA joined the Ibex 35, an indicator that includes the top 35 Spanish companies listed on the stock exchange.

2. Summary of the main accounting policies

The main accounting policies adopted when preparing these consolidated financial statements are described below. These policies have been applied consistently to all years presented unless otherwise stated.

2.1 Presentation bases

As is described in Note 1 above, Aena Aeropuertos, S.A. was incorporated as an independent legal entity and as a group during the year 2011 (23 May 2011 and 31 May 2011, respectively), in virtue of Royal Decree Law 13/2010, due to the effect of the non-monetary contribution of all of the assets and liabilities associated with the airport activity. Prior to the creation of Aena Aeropuertos, S.A., the economic activity in terms of the management and operation of the airport services carried out by the Company, its subsidiaries and associates formed part of the public business entity "Aeropuertos Españoles y Navegación Aérea".

In the preparation of the consolidated financial statements for the periods ended 31 December 2019, 2018, 2017, 2016, 2015, 2014, 2013, 2012 and 2011 and in accordance with the EU-IFRS, the Company, taking into account the framework for the reorganisation of the airport activity provided for by the above-mentioned Royal Decree Law 13/2010, recorded the non-monetary contribution as a corporate reorganisation in the context of its shareholder, the public business entity "Aeropuertos Españoles y Navegación Aérea". This posting responds to the analysis and consideration on the part of the Company Management of several factors, taking into account that this type of transaction is not regulated in the regulatory framework of IFRS, and specifically in the framework of the IFRS 3, Business Combinations, as a result of which the company developed an accounting policy for the said transaction to reflect the substance of the same and its underlying transactions. In this context, the Company considered that the combination of a new recently created entity (Aena Aeropuertos, S.A. incorporated on 23 May 2011) with a pre-existing reporting unit does not constitute a business combination, due to it not being the newly created entity nor the purchaser nor a business acquired by the pre-existing reporting unit.

In the development of the accounting policy adopted by the Company for this transaction, it has been taken into account that the airport operations previously included in the public business entity "Aeropuertos Españoles y Navegación Aérea", which were reported in the financial information of the latter as a separate business segment, maintained their accounting records in a segregated manner and constitute an independent reporting unit, subject to an applicable specific regulatory framework, although integrated into ENAIRE and not into a separate legal entity, which enables the various assets to be reliably allocated to the new entity. This conclusion reflects the spirit of Royal Decree Law 13/2010, the purpose of which was to provide the separate legal form, hitherto lacking, to the set of roles and responsibilities previously exercised by ENAIRE with regard to the management and operation of airport services of an historical nature, as has been indicated, in order that the said set of roles and responsibilities constitutes an independent economic unit capable of developing an independent business activity, in the course of business succession, configured as an operating unit and therefore a separate and determinable reporting unit from a historical financial information point of view, whose management has been carried out in the same manner before and after the non-monetary contribution, maintaining continuity in the key management positions of Aena Aeropuertos, S.A.

In this context, the Company also considered that taking into account the legal form of the transaction for the purposes of the presentation of its historical information would have substantially altered the presentation of the airport operations, which were carried out in the same manner before and after the non-monetary contribution, so that the presentation of 2011 as of the transaction date would not have reflected the fundamental economic reality of the business of Aena Aeropuertos, S. A. when the legal event described was conducted exclusively, as has been indicated, with the aim of providing separate legal form to a pre-existing reporting unit.

Therefore, considering that Aena Aeropuertos, S. A. was an existing single reporting unit before and after the non- monetary contribution, this was recorded as a corporate reorganisation in the context of the public business entity "Aeropuertos Españoles y Navegación Aérea". Consequently, the financial information for the year 2011 was presented for the full 12-month financial year, to its historical accounting values, considering the existence of Aena Aeropuertos, S. A. as a separate reporting unit, irrespective of its legal establishment in the course of 2011.

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards adopted by the European Union (IFRS-EU, hereinafter the "IFRS") and the IFRIC interpretations in force at 31 December 2019, as well as the commercial legislation applicable to companies that prepare financial information in accordance with IFRS to show a fair image of the consolidated equity and the consolidated financial position of the Group at 31 December 2019, the consolidated results of its operations, consolidated changes in equity and consolidated cash flows for the period ended on that date.

The figures set out in the documents making up the consolidated financial statements, the consolidated balance sheet, the consolidated income statement, the consolidated comprehensive income statement, the consolidated statement of changes in equity, the consolidated cash flow statement and the notes to the consolidated financial statements are expressed in thousands of euros, unless otherwise indicated, and rounded to the nearest thousand, which is the functional and presentation currency of the Parent Company. The use of rounded figures can in some cases lead to a negligible rounding difference in the totals or in the variations.

The preparation of financial statements under IFRS requires the use of certain critical accounting estimates. Similarly, the management is required to exercise its judgement in the application of the Group's accounting policies. Note 4 discloses the areas that require a higher level of judgement or entail greater complexity, and the areas where assumptions and estimates are significant for the consolidated financial statements.

(Amounts in thousands of euros unless otherwise stated)

These consolidated financial statements were prepared by the Board of Directors on 25 February 2020, and will be presented for approval by the General Shareholders' Meeting.

2.1.2 Changes in accounting policies

2.1.2.1 Standards and interpretations approved by the European Union applied for the first time in 2019

The accounting policies used in preparing the consolidated financial statements for the year ended 31 December 2019 are the same as those applied in the consolidated financial statements for 31 December 2018, except for the first-time application in 2019 of IFRS 16 Leases (see section A below).

In addition to IFRS 16, the following interpretations and amendments have been adopted by the European Union, which have not had an impact on the Group's consolidated financial statements on the date of initial application:

Area	Subject/Issue	Effective date
IFRIC Interpretation 23 *Uncertainties over Income Tax Treatments*	This Interpretation clarifies how to apply the recognition and measurement requirements of IAS 12 when there is uncertainty about income tax treatments.	01 January 2019
Amendments to IFRS 9 *Prepayment Features with Negative Compensation*	Clarification on the way of classifying and accounting for financial assets that include particular contractual prepayment options.	01 January 2019
Annual Improvements to IFRS, 2015-2017 Cycle	Includes changes to IAS 12 (Income Tax), IAS 23 (Borrowing costs) and IFRS 3 (Business combinations) and IFRS 11 (Joint arrangements).	01 January 2019
Amendments to IAS 19 *Plan Amendment, Curtailment or Settlement*	Modifications to the guidance contained in IAS 19 "Employee Benefits", in relation to the accounting for modifications, reductions and liquidation of a defined benefit plan.	01 January 2019
Amendments to IAS 28 *Long-term interest in associates and Joint Ventures*	The amendments clarify that IFRS 9, including its impairment requirements, apply to long-term interests in associates and joint ventures that are part of the entity's net investment in those entities in which it invests.	01 January 2019

A *IFRS 16 Leases*

This Standard is effective for annual periods beginning on or after 1 January 2019 and establishes principles for the recognition, measurement, presentation and disclosure of leases for the lessor and lessee. It replaces the following Standards and Interpretations:

(a) IAS 17 *Leases*;

(b) IFRIC 4 *Determining whether an arrangement contains a lease*;

(c) SIC-15 *Operating Leases-Incentives*; and

(d) SIC-27 *Assessing the substance of transactions that take the legal form of a lease*.

The Group made its first application of IFRS 16 on 1 January 2019, opting in the transition for the modified retroactive approach contemplated in paragraph C5.b of Appendix C to IFRS 16. Thus, the comparative information that is presented in accordance with previous standards (IAS 17 and related interpretations) has not been restated. Since there was no cumulative monetary effect resulting from the first-time application of IFRS 16, no amount was recognised in reserves at the date of first-time application.

The main changes in accounting policies implied by IFRS 16 are detailed below.

(i) Definition of Lease

Previously, the Group determined at the inception of a contract whether an arrangement contained a lease by applying IFRIC 4 *Determining whether an arrangement contains a lease*. Since 1 January 2019, in accordance with IFRS 16, the Group considers that a contract constitutes or contains a lease if it transfers the right to control the use of an identified asset during a certain period of time in exchange for a consideration.

(Amounts in thousands of euros unless otherwise stated)

As a strategy for transition to IFRS 16, the Group has chosen the practical solution of paragraph C3 of Appendix C to IFRS 16; therefore:

- Applies IFRS 16 to leases previously identified in accordance with IAS 17 and IFRIC 4 "Determination of Whether an Agreement Contains a Lease";
- Does not apply IFRS 16 to agreements previously identified as agreements that do not contain leases in accordance with IAS 17 and IFRIC 4; and
- Applies the lease definition in IFRS 16 to assess whether agreements concluded after the date of initial application of the new standard are or contain leases.

In accordance with p. 17 of IFRS 16, when the Aena Group acts as lessor, it analyses the contracts entered into, which include leases and other separate components, in order to allocate the transaction price to the various performance obligations identified by applying paragraphs 73 to 90 of IFRS 15 *Revenue from contracts with customers*.

(ii) Grupo AENA as lessee

The Group has entered into lease agreements for various assets such as land and business structures at Luton Airport in the United Kingdom (see Note 7), various facilities and transport vehicles at airports and the head offices of the business in Spain (Edificio Piovera in Madrid), among others.

Until IFRS 16 came into force, the Group classified these contracts as finance or operating leases depending on whether or not all the risks and rewards of ownership of the asset covered by the contract were substantially transferred.

Compared with previous standards, IFRS 16 eliminates the classification of operating and financial leases.

The Group carried out a detailed analysis of all the lease contracts it has entered into, both as lessor and lessee. With the adoption of IFRS 16, in the contracts in which it acts as lessee, the Group recognised in the statement of financial position the right to use the leased assets and liabilities arising from most of the lease contracts previously classified as operating leases under IAS 17, with the exception of short-term agreements, those relating to low-value assets and, in the transition to that standard, leases maturing in 2019 were also excluded. The total amount of these assets and liabilities amounted to 49,437 thousand euros. It also recognised as "Assets for use rights" the amount of assets previously classified as finance leases amounting to 14,860 thousand euros, which at 2018 year-end were classified by their nature as non-current (Note 6.b) assets. Therefore, the total initial amount of these "Assets for use rights" amounts to 64,297 thousand euros.

The valuation of these rights is presented in the accompanying statement of financial position at 31 December 2019 under "*Right-of-use assets*". The detail of its composition is as follows:

	Balance on	
	01/01/2019	**31/12/2019**
Right-of-use assets - Land and buildings	59,837	57,023
Right-of-use assets - Plant and machinery	4,460	4,702
Total right-of-use assets	**64,297**	**61,725**

Lease liabilities are presented under the "*Financial Debt*" captions in the non-current liabilities caption and in the current portion of the statement of financial position, as detailed below:

	Balance on	
	01/01/2019	**31/12/2019**
Non-current lease liabilities (Note 20)	62,095	57,802
Current lease liabilities (Note 20)	7,547	9,954
Total lease liabilities	**69,642**	**67,756**

- *Registration and measurement rules applied*

When the Aena Group acts as a lessee, it recognises the assets and liabilities arising from all lease contracts in its balance sheet (except for short-term lease agreements and those relating to low-value assets).

Assets for rights of use are measured at the contract start date at cost, which is includes:

- the amount of the initial measurement of the lease liability;
- any lease payment made on or before the commencement date, less any lease incentive received;
- any initial direct costs incurred as a result of the lease contract; and
- an estimate of the costs that the Group is obliged to assume as a lessee in dismantling and disposing of the underlying asset, restoring the site where the asset is located or returning the asset to the condition required by the terms and conditions of the lease, when the obligation to bear these costs arises from the date of commencement of the contract or as a result of having used the underlying asset during a specified period.

For subsequent measurements of the asset for use right, the Group applies the cost model, discounting accumulated depreciation and impairment to the cost value of the asset and, where appropriate, adjusting its valuation to reflect any new valuation of the lease liability.

Lease liabilities are measured at the commencement date of the contract at the present value of the lease payments not paid at that date. Lease payments are discounted using the interest rate implicit in the lease or, when this rate is not readily obtainable, the incremental interest rate of the indebtedness of the Group entity entering into the lease contract.

It should be noted that within the future payments of the lease (for purposes of calculating the initial value of the liability) payments that are variable and that do not depend on an index (such as the CPI or an applicable lease price index) or of a rate (such as the Euribor) are not included. Basically, they include: fixed payments, the exercise price of purchase options (if it is reasonably certain that they will be exercised), guaranteed residual values, penalties in cancellation options (if it is reasonably certain that they will be exercised) and variable payments referenced to an index or to a rate (to the IPC or Euribor, or that are updated to reflect the new market price of the leases). On initial recognition, such payments are measured using the index or rate at the start date (without estimating changes in the index or rate over the remainder of the lease term).

Subsequently, the lease liability is increased by the interest accrued and decreased by the amount of the lease payments made. The value of the liability is recalculated when there are changes in the terms of the lease, in the valuation of the purchase option, in the amounts expected to be paid under the residual value guarantee or when there are amendments in future lease payments as a result of changes in the indices or rates used for their calculation.

The lease period begins when the lessor makes the underlying asset available to the lessee for use. Rental-free periods are included.

The lease period used in the valuation is the non-cancellable period of the lease, in addition to:

- optional renewable periods if the lessee is reasonably certain to extend it; and
- periods after an optional termination date if the lessee is reasonably certain not to terminate early.

Early termination options held solely by the lessor are not considered in determining the lease term.

Therefore, the determination of the lease period requires judgement on the part of the Group's management and has a significant impact on the valuation of the right-of-use assets and the liabilities by lease.

In the case of short-term leases and contracts in which the underlying asset is of low value, the Group recognises the lease payments relating to these contracts as expenses on a straight-line basis over the term of the lease.

- *Transition*

As a practical solution, the Group has chosen to apply IFRS 16 to contracts previously identified as leases under IAS 17 and IFRIC 4 whose underlying asset is not considered to be of low value, and not to apply it to contracts not previously determined to contain a lease under those standards.

In view of the foregoing, IFRS 16 was applied on 1 January 2019 to record the following leases previously classified as *operating leases* in accordance with IAS 17: the lease of land and business buildings at Luton Airport in the United Kingdom, where there is a fixed minimum fee of £3 million to be paid until the end of the concession; the lease of transport vehicles at Luton Airport facilities; and the business buildings in Spain (Piovera Building in Madrid).

(Amounts in thousands of euros unless otherwise stated)

On the date of initial application of IFRS 16, 1 January 2019, the Group recognised each of the aforementioned lease contracts:

- a lease liability for the present value of the remaining lease payments, discounted by applying the incremental borrowing rate of the Group entity at 1 January 2019;
- a right-of-use asset measured for an amount equal to the lease liability.

In addition, the Group has applied the following practical solutions for the application of IFRS 16 to lease contracts previously considered as operating under IAS 17:

- No right-of-use asset or lease liability has been recognised for contracts expiring within the following twelve months at 1 January 2019, and lease payments are recognised as an operating expense on a straight-line basis over the term of the lease. This amount is negligible in the context of these annual accounts.
- Initial direct costs have been excluded from the valuation of the right-of-use asset at the date of initial application.

The Group also holds a number of leasing contracts for assets previously classified as finance leases in accordance with IAS 17, mainly the Madrid-Barajas airport cogeneration plant and the Luton airport parking apron. These assets were classified as Property, Plant and Equipment in the statement of financial position at 31 December 2018 (Note 6.a).

In the case of leases previously considered as *finance leases*, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 corresponds to the carrying amount of the asset and liability resulting from recording finance lease contracts in accordance with IAS 17 on the date immediately prior to the date of first application of IFRS 16.

(iii) Grupo AENA as lessor

IFRS 16 barely has an impact on the accounting of the lessor; it mainly impacts the accounting of the lessee and, therefore, the most significant part of the Group relating to leases, considering that it refers to its role as lessor, has not been affected.

The accounting policies applicable to leases in which the Group acts as lessor do not differ from those applied under the former IAS 17 and therefore no adjustment has been made in the transition to IFRS 16. The Group has applied IFRS 15 *Revenue from customer contracts* in order to allocate the transaction price to the various lease components and other than the lease that may exist in each contract.

(iv) **Impacts on Financial statements**

- *Impacts of the transition*

The transition to IFRS 16 meant that on 1 January 2019 *Right-of-use assets* amounting to 64,297 thousand euros and lease liabilities amounting to 69,642 thousand euros were recognised in the statement of financial position as detailed below:

a) At the transition date, additional amounts of *Right-of-use assets* and *Liabilities for leases* have been recognised for contracts previously considered as *operating leases* under IAS 17:

	Valuation at 01/01/2019
Right-of-use assets- Land and buildings	49,437
Total right-of-use assets	49,437
Lease liabilities (Note 20)	(49,437)
Reserves	-

For the calculation of lease liabilities, the Group used a discount rate of 2% to measure the lease contracts entered into by the Spanish parent company and 5.2% in the case of those entered into by UK subsidiary.

(Amounts in thousands of euros unless otherwise stated)

b) As regards the contracts previously classified as *finance leases* in accordance with IAS 17, at the transition date they were reclassified from Property, plant and equipment to Right-of-use assets and from Debt under finance leases to Liabilities under leases in accordance with the following detail:

	Valuation at 01/01/2019		
	Cost	Amortisation	Net carrying value
Right-of-use assets– Land and buildings	17,829	(7,429)	10,400
Right-of-use asstets – Plant and machinery	8,636	(4,176)	4,460
Total right-of-use assets (Note 6)	26,465	(11,605)	14,860
Lease liabilities (Note 20)			(20,205)

c) The detail of the calculation of the lease liabilities at the transition date is as follows:

	On 01 January 2019
Future minimum payments for non-cancellable operating leases at 31 December 2018	61,870
Value discounted at the incremental interest rate of the Group's indebtedness	50,413
Liabilities under finance leases at 31 December 2018	20,205
- Exemption for low-value leases	(621)
- Exemption for leases expiring within 12 months after the transition date	(355)
- Extension options that can reasonably be exercised	-
Total liabilities recognised at 1 January 2019	**69,642**

- *Impact in FY 2019*

As a result of the application of IFRS 16 in the recognition of contracts previously recognised as operating leases under IAS 17, on 31 December 2019 in the accompanying statement of financial position the Group presents *right-of-use assets* amounting to 61,725 thousand euros and *liabilities for lease* amounting to 67,756 thousand euros.

As a result of recording these contracts under IFRS 16, financial and depreciation expenses have been recognised instead of lease expenses. During 2019, the Group recognised 6,378 thousand euros of depreciation *on right-of-use assets* and 1,939 thousand euros of finance charge accrued on the *Lease liability* associated with these contracts, reducing the lease charge by 7,334 thousand euros.

In addition, given that the new standard also repeals SIC-15 "Operating Leases—Incentives" which, on introducing a "single amortisation method" of the advance received from World Duty Free Group España, S.A. pursuant to the contract signed with this company for lease of the commercial premises of the duty-free and duty-paid stores of the entire airport network in Spain, did not take into account the associated financial effect, the Income Statement for 2019 includes 12,133 thousand euros of commercial revenue for duty-free stores and the same amount of financial charges resulting from the aforementioned financial effect, amounts that would not have appeared under the previous regulations. Accordingly, by offsetting this income and expenditure, there is no impact on the net profit (loss) of the period for this reason.

Note 5 details the impact of the application of IFRS 16 on segment reporting and EBITDA.

2.1.2.2 Standards, interpretations and modifications to existing standards that have not been adopted by the EU or while adopted by the EU are not applicable until later financial periods

At the date of formulation of these consolidated financial statements, the Group had not prematurely adopted any other standard, interpretation or amendment which had not yet come into force, except as remarked upon in point 2.1.2.3.

In addition, as of the date of preparation of these consolidated financial statements, the IASB and the IFRIC had published a series of standards, amendments and interpretations which have not been adopted by the European Union or, while adopted by the European

(Amounts in thousands of euros unless otherwise stated)

Union, are not applicable until later financial periods, and which are summarised below:

Area	Subject/Issue	Effective date
Modifications to the references to the conceptual framework in IFRS	Some references to the conceptual framework in the IFRS standards are updated, in order to facilitate the users of the standards the use of the new concepts of the conceptual framework.	01 January 2020
Amendments to IAS 1 and IAS 8: Definition of material or of material importance	Minor amendments to IAS 1 and IAS 8 to clarify the definition of “material or material importance”.	01 January 2020
Amendments to IFRS 3 “Business Combinations”	Clarifies the definition of “business”, with the objective of helping entities determine if a transaction should be accounted for as a “business combination”.	Issued on 22 October 2018, this standard has not yet been adopted by the EU.
Amendments to IAS 1 Presentation of financial statements	Classifications of liabilities as current or non-current	Issued on 23 January 2020, this standard has not yet been adopted by the EU.

Based on the analyses to date, the Group believes that the application of these standards and amendments will not have a significant impact on the consolidated financial statements in the initial period of application.

2.1.2.3 Standards, interpretations and amendments to existing standards that have been applied by the group in advance

Area	Subject/Issue	Effective date
Amendments to IFRS 9, IAS 39 and IAS 7 Interest Rate Benchmark Reform	Amendments to IFRS 9, IAS 39 and IFRS 7 in view of the reform of interest rates benchmark reform	01 January 2020

The reform of the interest rate benchmark (interbank offered rates –IBORs) carried out by the Financial Stability Board (FSB) with the objective of promoting the use of more reliable alternative rates in the financial system, based on transactions of underlying liquid markets and not relying on presentations based on expert judgement, has created a situation of uncertainty about the long-term viability of some existing reference interest rates and the impacts that their disappearance could have on the contracted hedging instruments by the entities related to these disappearing interest rates.

In this context, in September 2019, the IASB published the *Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7*. These amendments, which will come into force in 2020 but whose early application is allowed for the year 2019, change the specific requirements of hedge accounting to allow it to continue to apply to the hedges affected during the uncertainty period before the items hedged or the hedging instruments affected by the current reference interest rates are modified by other alternative rates as a result of the ongoing reform.

The application of the amendments affects the Group's accounting as follows:

- The Group has debt in British Pounds and referenced to GBP LIBOR, whose cash flows are covered using interest rate swaps (SWAPS), which cover the entire debt. These derivative instruments have a notional total of 80 million pounds (see Notes 12 and 20). The aforementioned modifications allow to continue applying hedge accounting, even if there is uncertainty regarding the calendar and the amount of cash flows covered due to the reform of the reference interest rates mentioned.

- The Group will not interrupt the hedge accounting if the hedge accounting requirements established by the standard are no longer met and the hedging relationship is subject to the reform of the reference rates. On the other hand, for hedging relationships that are not subject to such reform, the Group will maintain the interruption of hedge accounting if the hedge accounting requirements established by the standard are no longer met.

- Finally, the Group will maintain the accumulated gain or loss in reserves for the hedges of designated cash flows that are subject to the reform, even if there is uncertainty as a result of such reforms in relation to the calendar and the amount of cash flow of the covered items. In the event that the Group considers that it is not reasonably expected for future covered cash flows due to reasons other than the reform of the reference interest rate, the accumulated profit or loss will be immediately reclassified into results.

The Group has chosen to apply in advance the amendments to IFRS 9/IAS 39 for the year ended December 31, 2019. The early application of these measures enables the Group to continue to apply hedge accounting during the period of uncertainty that arises as a result of the reform of reference interest rates.

2.2 Consolidation and changes in the scope

a) *Subsidiaries*

Subsidiaries are all entities (including special-purpose companies) over which the Group has the power to direct financial and operating policies, generally accompanied by a shareholding of more than one half of the voting rights. When assessing whether the Group controls a company, the existence and effects of potential voting rights which may be currently exercised or converted are taken into account. The Group also evaluates the existence of control when it does not hold more than 50% of the voting rights but it is capable of directing financial and operating policies.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used for the acquisition of the business combinations by the Group. The consideration paid for the acquisition of a subsidiary consists of the fair value of the assets transferred, the liabilities incurred with the former owners of the acquired company and the equity shares issued by the Group. The consideration transferred includes the fair value of any asset or liability that originates from a contingent consideration arrangement.

Any contingent compensation to be transferred by the Group is recognised at fair value on the date of acquisition. Subsequent changes in the fair value of the contingent compensation that is considered to be an asset or a liability are recognised in the income statement or a change in other comprehensive results in accordance with IFRS 9. Contingent compensation that is classified as equity is not remeasured and subsequent payment is recorded under equity. The costs relating to the acquisition are recognised as an expense in the year in which they are incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially valued at their fair value at the acquisition date.

If the business combination takes place in phases, the carrying value on the date of acquisition of the stake in the equity of the acquiree previously held by the acquirer is again measured at fair value on the acquisition date and any loss or gain arising from this new measurement is recognised in profit/(loss) for the period.

Goodwill is initially measured by the amount the total compensation paid exceeds the identifiable net assets acquired and the liabilities assumed. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in profit/(loss) for the period. For each business combination, the Group may choose to recognise any non-controlling interest in the acquiree at fair value or the proportional part of the non- controlling interest in the recognised amount of the acquiree's identifiable net assets.

A business combination between companies or businesses under joint control is a business combination in which all of the entities or businesses that are being combined are ultimately controlled by the same party or parties, both before and after the combination takes place and this control is not transitional in nature.

When the Group is involved with a business combination under joint control, the acquired assets and liabilities are recorded at the same carrying value at which they were previously recognised and are not measured at fair value. No goodwill relating to the transaction is recognised. Any difference between the acquisition price and the carrying value of the net acquired assets is recognised under equity.

During the consolidation process, intra-group income and expense transactions are eliminated together with any credit and debit balances between Group companies. All losses and gains that arise on intra-group transactions are also eliminated. The accounting policies followed by subsidiaries have been standardised where necessary to ensure uniformity with the policies adopted by the Group.

There have been no operations carried out by the Group in 2019 that have led to variations in the scope with respect to that existing at 31 December 2018, with the exception of the following:

- Within the scope of the objectives of Strategic Plan 2018-2021, on 15 March 2019 Aena was declared the winner by the Brazilian National Civil Aviation Agency (ANAC) in the auction held in connection with the concession for the operation and maintenance of the airports of Recife, Maceió, Aracajú, Campina Grande, João Pessoa and Juazeiro do Norte in Brazil, grouped under the so-called Airport Group of Northeast Brazil.

  In accordance with Law 40/2015, of 1 October, on the Legal Regime of the Public Sector, at its meeting on 12 April 2019 the Council of Ministers agreed to authorise Aena Desarrollo Internacional, S.M.E., S.A. to create the state trading company Aeroportos do Nordeste do Brasil S.A. (hereinafter, "ANB" or "Aena Brasil") as the concession holder for airport management of the aforementioned airports. On 30 May 2019, the new Brazilian company was incorporated, wholly owned by Aena Desarrollo Internacional S.M.E., S.A., with a share capital of 10,000 Brazilian reals and whose specific and exclusive corporate purpose is the provision of public services for the expansion, maintenance and operation of the airport infrastructure of the airport complexes comprising the Northeast block of Brazil. At its meeting held on 1 July 2019, the Board of Directors of the Brazilian company approved a share capital increase of 2,388,990,000 Brazilian reals (approximately 537.8 million euros at the insured exchange rate of 4.4425 EUR/BRL), which was fully subscribed by its sole shareholder. The method and timing of this disbursement was as follows:

  - 18 July 2019: 488,894,033 Brazilian reals (110.1 million euros at the insured exchange rate previously referred to) corresponding to the contribution stipulated by the Brazilian Government for the expenses of the concession to be paid to Infraero (advisors, auction expenses and the plan to disassociate Infraero workers) and the remaining cash.
  - 26 August 2019: 1,.900,000,000 Brazilian reals (427.7 million euros at the insured exchange rate mentioned previously) corresponding to the amount of the bid.

In order to reduce exposure to changes in the BRL/EUR exchange rate of these commitments up to these dates, the Group has implemented the hedge strategy described in Note 12.

In 2019, the Northeast Airport Group registered more than 13.8 million passengers, 6.5 % of the total Brazilian traffic. Specifically, Recife airport is the eighth airport in Brazil in terms of total passenger traffic and the sixth in terms of international passenger traffic.

In January 2020, Aena Brasil started operating the airports of Juazeiro do Norte and Campina Grande. In the following weeks, the above-mentioned concessionary company will start managing the remaining airports.

Given the characteristics of the tender specifications, this contract can be classified as a public service management contract under the concession modality, and the successful bidder must provide all the services that an airport operator is entitled to, although it does not include ATC *(Air Traffic Control*) services. The main lines summarised in this agreement are as follows:

- The concession, which has a 30-year period extendable for an additional 5 years, is of the *BOT* type (build, operate and transfer). Once the total term of the concession has expired, the full and unlimited possession of the land and all the existing facilities (including the useful expenditure paid by the concession holder and the improvements that may have been incorporated by the latter) will revert to the Brazilian National Civil Aviation Agency without any right to compensation in favour of the Concession Holder.
- Income from the aeronautical activity is regulated under a dual-till model.
- The new Concession Holder Company will have the right to remuneration in the form of a price for the use of the facilities and for the provision of services connected with the management of the airport.
- For its part, the Administration receives a fixed fee of BRL 1,900 million (approximately 427.7 million euros) on the date of signing the contract and a variable fee from the fifth year onwards depending on the gross revenue from the concession agreement. This variable financial consideration is fixed at 8.16 % of gross income, with an initial 5-year grace period and five progressive years, which would begin in 2025 at 1.63 % and gradually increase to 3.26 % in 2026, 4.90 % in 2027 and 6.53 % in 2028, reaching the 8.16 % contractual rate applicable in 2029 and in subsequent years.
- The National Civil Aviation Agency (ANAC) estimated in the tender document an investment of 2,153 million Brazilian reals (equivalent to 486.6 million euros at the exchange rate of 4.4239 euros EUR/BRL) distributed among investments aimed at adapting infrastructures to traffic (25.6% of the total estimated by the Brazilian authority); non-compulsory discretionary investments (31.7%), mainly for commercial areas; and maintenance of infrastructures, runways and equipment (42.7%).

In view of the foregoing, the concession agreement for airports in Northeast Brazil is within the scope of IFRIC 12 *Service Concession Arraggements* and has been reflected in the Group's consolidated financial statements for the year ended 31 December 2019 in accordance with the intangible asset model.

(Amounts in thousands of euros unless otherwise stated)

- On the other hand, on 7 January 2019, the General Shareholders' Meeting of the investee Aeropuertos Mexicanos del Pacífico, S.A.P.I. de C.V. approved the reduction of the variable part of the share capital by 60,000 thousand shares, to a total of 1,608,400 thousand Mexican pesos. As a result of this operation, the Group recognised a cash inflow of 919 thousand euros, reduced the ownership interest in the associate by 917 thousand euros and recognised the difference in equity as a result of this operation. Also, on 14 May 2019, the General Shareholders' Meeting of the investee Aeropuertos Mexicanos del Pacífico, S.A.P.I. de C.V. approved the reduction of the variable part of the share capital by 302,000 thousand shares, to a total of 1,306,400 thousand Mexican pesos. As a result of this operation, the Group recognised a cash inflow of 4,716 thousand euros, reduced the ownership interest in the associate by 4,313 thousand euros and recognised the difference in equity as a result of this operation. These operations did not give rise to any changes in the percentage of ownership.

There were no transactions carried out by the Group in the year 2018 that have led to changes in the perimeter compared to the one existing at 31 December 2017, with the exception of the inclusion of the company Aena, Sociedad Concesionaria del Aeropuerto Internacional de la Región de Murcia S.M.E., S.A.

In this sense, on 25 January 2018, AENA established said concessionary company which holds the contract to manage, operate, maintain and conserve the Aeropuerto Internacional de la Región de Murcia (AIRM), as a concession of that airport and its zone of complementary activities for a period of 25 years. AENA thereby complied with the requirements of the Specific Administrative Terms and Conditions of the contract that was awarded to AENA by the Autonomous Community of the Murcia Region on 20 December 2017. The new company, which formalised the award contract on 24 February 2018, has AENA S.M.E., S.A. as sole shareholder.

Also, on 15 January 2019, the International Airport of the Region of Murcia (AIRM) was inaugurated, the date on which it commenced operations. With this entry into operation of AIRM, as provided in the "Protocol to establish the bases for the development of civil aviation in the Autonomous Community of the Region of Murcia" and in the bid presented by AENA in the public tender for the management and operation of the AIRM, Murcia San Javier Airport is exclusively for military aviation.

The concession agreement mentioned was classified as belonging to the Intangible Assets model of IFRIC 12. As a result, the Group recorded an intangible asset during the 2018 period (see Note 7), which is amortised on a straight-line basis over the 25-year life of the concession, resulting in a debt with the granting Public Entity for the same amount (see Note 20). Other significant accounting criteria applied by the Group in relation to this service concession arrangement, in compliance with IFRIC 12, are described in Note 2.24 of these Consolidated Annual Statements for the 2019 period.

The breakdown of the Group's subsidiaries at 31 December 2019 and 2018, all consolidated using the full consolidation method, is as follows:

2019

Subsidiaries	**Address**	**Activity**	**%**		**Holder of the % Aena**
			Direct	**Indirect**	
Aena Desarrollo Internacional S.M.E., S.A. ("ADI") (1)	Madrid	Operation, maintenance, management and administration of airport infrastructures, as well as supplementary services.	100	-	AENA S.M.E., S.A.
Aena, Concessionary Company of the Aeropuerto Internacional de la Región de Murcia, S.M.E., S.A. (1)	Valladolises y Lo Jurado (Murcia)	Exercise of the rights and compliance with the obligations derived from the Administrative Concession for the Management, Operation and Maintenance of the Aeropuerto de la Región de Murcia.	100		AENA S.M.E., S.A.
Aeroportos do Nordeste do Brasil S.A. (ANB) (2)	Sao Paulo (Brazil)	Provision of public services for the expansion, preservation and exploitation of the airport infrastructure of the airport complexes of the Northeast block of Brazil.	-	100	Aena Desarrollo Internacional S.M.E., S.A
London Luton Airport Holdings III Limited ("LLAH III") (2)	Luton (United Kingdom)	Holding of shares in the company that holds the concession for the operation of Luton Airport.	-	51	Aena Desarrollo Internacional S.M.E., S. A.
London Luton Airport Holdings II Limited ("LLAH II") (2)	Luton (United Kingdom)	Holding of shares in the company that holds the concession for the operation of Luton Airport.	-	51	London Luton Airport Holdings III Limited (LLAH III)
London Luton Airport Holdings I Limited ("LLAH I") (2)	Luton (United Kingdom)	Holding of shares in the company that holds the concession for the operation of Luton Airport.	-	51	London Luton Airport Holdings II Limited (LLAH II)

Subsidiaries	Address	Activity	% Direct	% Indirect	Holder of the % Aena
London Luton Airport Group Limited ("LLAGL") (2)	Luton (United Kingdom)	Guarantor company for the acquisition of the concession for the operation of Luton Airport.	-	51	London Luton Airport Holdings I Limited (LLAH I)
London Luton Airport Operations Limited ("LLAOL") (2)	Luton (United Kingdom)	Company holding the concession for the operation of Luton Airport.	-	51	London Luton Airport Group Limited ("LLAGL")

(1) Companies audited by KPMG Auditores, S.L.
(2) Companies audited by the KPMG network

2018

Subsidiaries	Address	Activity	% Direct	% Indirect	Holder of the % Aena
Aena Desarrollo Internacional S.M.E., S.A. ("ADI") (1)	Madrid	Operation, maintenance, management and administration of airport infrastructures, as well as supplementary services.	100	-	AENA S.M.E., S.A.
Aena, Concessionary Company of the Aeropuerto Internacional de la Región de Murcia, S.M.E., S.A. (1)	Valladolises y Lo Jurado (Murcia)	Exercise of the rights and compliance with the obligations derived from the Administrative Concession for the Management, Operation and Maintenance of the Aeropuerto de la Región de Murcia.	100		AENA S.M.E., S.A.
London Luton Airport Holdings III Limited ("LLAH III") (2)	Luton (United Kingdom)	Holding of shares in the company that holds the concession for the operation of Luton Airport.	-	51	Aena Desarrollo Internacional S.M.E., S. A.
London Luton Airport Holdings II Limited ("LLAH II") (2)	Luton (United Kingdom)	Holding of shares in the company that holds the concession for the operation of Luton Airport.	-	51	London Luton Airport Holdings III Limited (LLAH III)
London Luton Airport Holdings I Limited ("LLAH I") (2)	Luton (United Kingdom)	Holding of shares in the company that holds the concession for the operation of Luton Airport.	-	51	London Luton Airport Holdings II Limited (LLAH II)
London Luton Airport Group Limited ("LLAGL") (2)	Luton (United Kingdom)	Guarantor company for the acquisition of the concession for the operation of Luton Airport.	-	51	London Luton Airport Holdings I Limited (LLAH I)
London Luton Airport Operations Limited ("LLAOL") (2)	Luton (United Kingdom)	Company holding the concession for the operation of Luton Airport.	-	51	London Luton Airport Group Limited ("LLAGL")

(1) Companies audited by KPMG Auditores, S.L.
(2) Companies audited by the KPMG network

At 31 December 2019 and 2018, none of the subsidiaries are listed on a stock market and all end their financial year on 31 December. In compliance with Article 155 of the Corporate Enterprises Act, the Group has notified all of these companies that it holds more than a 10% interest either directly or indirectly.

In the 2019 and 2018 financial years, Aena Desarrollo Internacional, S.A. ("ADI") has not distributed dividends.

The Company has control of London Luton Airport Holding III Limited (hereinafter "LLAH III") and its investees through Aena Desarrollo Internacional, S.M.E., S.A. The key amounts of share capital, equity, earnings and carrying value, expressed in local currency and under local accounting principles, relating to this company and its investees at the close of 2019 and 2018 are as follows (expressed in thousands of pounds):

31 December 2019

Name / Address / Line of business	% Holding	Share capital	Profit/(loss) for the period	Other equity	Total equity
		Thousand GBP	Thousand GBP	Thousand GBP	Thousand GBP
London Luton Airport Holdings III Limited (*) (1)	51.0 %	986	6,547	(49,074)	(41,541)
London Luton Airport Holdings II Limited (*) (1)	51.0 %	986	9,499	(82,873)	(72,388)
London Luton Airport Holdings I Limited (*) (1)	51.0 %	1,930	17,074	3,830	22,834
London Luton Airport Group Limited (*) (1)	51.0 %	5,274	47,061	50,415	102,750
London Luton Airport Operations Limited (**) (1)	51.0 %	5,274	47,061	50,415	102,750

(*) Data obtained from the consolidated annual statements at 31 December 2019.
(**) Data obtained from the individual annual statements at 31 December 2019.
(1) Companies audited by the KPMG network.

(Amounts in thousands of euros unless otherwise stated)

31 December 2018

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

(*) Data obtained from the consolidated annual statements at 31 December 2018
(**) Data obtained from the individual annual statements at 31 December 2018
(1) Companies audited by the KPMG network.

In 2014, Aena Desarrollo Internacional S.M.E., S.A. (ADI) reached 51% of the capital stock of London Luton Airport Holdings III Limited (LLAHL III), with Aerofi S.a.r.l. (Aerofi) the other shareholder of the company with a stake of 49%.

As a result of this operation, in 2014 Aena Desarrollo Internacional S.M.E., S.A. (ADI) acquired control of LLAHL III and therefore the Aena Group consolidated this company (and its subsidiaries) by means of full consolidation.

LLAH III is a special-purpose vehicle created with the objective, through its 100%-owned subsidiary London Luton Airport Holdings II Limited (LLAH II), which in turn owns 100% of London Luton Airport Holdings I Limited (LLAH I), to carry out the acquisition, dated 27 November 2013, of London Luton Airport Group Limited and its subsidiary London Luton Airport Operations Limited, the management company of Luton airport in the United Kingdom, under an administrative concession (see Note 2.6.d).

During 2019, LLAH III distributed to its shareholders dividends amounting to GBP 20,800 thousand (23,938 thousand euros at the transaction exchange rate), of which Aena Desarrollo Internacional S.M.E., S.A. has received 12,208 thousand euros and the remaining 11,730 thousands euros was received by external partners.

During 2018, LLAH III distributed to its shareholders dividends amounting to GBP 33,200 thousand (37,531 thousand euros at the transaction exchange rate), of which Aena Desarrollo Internacional S.M.E., S.A. received 19,141 thousand euros and the remaining 18,390 thousands euros was received by external partners.

b) Jointly controlled companies and associates

Joint control is the contractual agreement to share control over a joint venture and will only exist when decisions about the relevant activities of that business require the unanimous consent of all the partners that share control.

Associates are all the entities over which the Group has significant influence but not control, generally accompanied by a shareholding of between 20% and 50% of voting rights. Investments in associates are recorded using the equity method. Under the equity method, the investment is initially recognised at cost and the carrying value is increased or decreased to recognise the investor's stake in the results obtained by the associate after the acquisition date. The Group's investment in associates includes goodwill identified on acquisition.

The group's interest in subsequent losses or gains on the acquisition of associates is recognised in the income statement, and its share in movements subsequent to the acquisition in other comprehensive income is recognised in "Other comprehensive income" by making the relevant adjustment to the carrying value of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

If the stake in an associate is reduced but significant influence is maintained, only the proportional stake in the previously recognised amounts in other comprehensive income is reclassified to income.

On each financial reporting date, the Group determines if there is any objective evidence of impairment affecting the investment in the associate. If there is, the Group calculates the amount of the impairment loss as the difference between the recoverable amount for the associate and its carrying value, and this is recognised in the income statement.

(Amounts in thousands of euros unless otherwise stated)

Losses and gains resulting from upstream and downstream transactions between the Group and its associates are recognised in the Group's financial statements only to the extent that they relate to the shareholdings held by other investors in the associates not related to the investor. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the value of the asset transferred. Accounting policies of associates are changed where necessary to ensure consistency with the Group's accounting policies.

The breakdown of jointly controlled companies and associates as of 31 December 2019 is as follows:

Associates: Company and registered office	**Activity**	**%**		**Value of investments in associates (Note 9)**	**Holder of the % Aena**	**Consolidation method**
		Direct	**Indirect**	**31/12/2019**		
Aeropuertos Mexicanos del Pacífico, S.A. de CV (AMP) México DF (1)	Stake in the operator of Grupo Aeroportuario del Pacífico (GAP).	-	33.33	56,178	Aena Desarrollo Internacional S.M.E., S.A.	Equity method
Sociedad Aeroportuaria de la Costa S.A. (SACSA) Rafael Núñez Airport Cartagena de Indias – Colombia (1)	Operation of Cartagena Airport.	-	37.89	3,922	Aena Desarrollo Internacional S.M.E., S.A.	Equity method
Aeropuertos del Caribe, S.A. (ACSA) Ernesto Cortissoz Airport Barranquilla- Colombia (2)	No activity (*).	-	40	-	Aena Desarrollo Internacional S.M.E., S.A.	Equity method
Aerocali, S.A. Alfonso Bonilla Aragón Airport Cali - Colombia (2)	Operation of Cali Airport.	-	50	3,683	Aena Desarrollo Internacional S.M.E., S.A.	Equity method

(1) Companies audited by the KPMG network.
(2) Companies audited by other auditors.
(*)The Barranquilla airport concession ended in 2012.

The breakdown of jointly controlled companies and associates as of 31 December 2018 is as follows:

Associates: Company and registered office	**Activity**	**%**		**Value of investments in associates (Note 9)**	**Holder of the % Aena**	**Consolidation method**
		Direct	**Indirect**	**31/12/2018**		
Aeropuertos Mexicanos del Pacífico, S.A. de CV (AMP) México DF (1)	Stake in the operator of Grupo Aeroportuario del Pacífico (GAP).	-	33.33	56,809	Aena Desarrollo Internacional S.M.E., S.A.	Equity method
Sociedad Aeroportuaria de la Costa S.A. (SACSA) Rafael Núñez Airport Cartagena de Indias – Colombia (1)	Operation of Cartagena Airport.	-	37.89	3,339	Aena Desarrollo Internacional S.M.E., S.A.	Equity method
Aeropuertos del Caribe, S.A. (ACSA) Ernesto Cortissoz Airport Barranquilla- Colombia (2)	No activity (*).	-	40	-	Aena Desarrollo Internacional S.M.E., S.A.	Equity method
Aerocali, S.A. Alfonso Bonilla Aragón Airport Cali - Colombia (2)	Operation of Cali Airport.	-	50	5,285	Aena Desarrollo Internacional S.M.E., S.A.	Equity method

(1) Companies audited by the KPMG network
(2) Companies audited by other auditors
(*)The Barranquilla airport concession ended in 2012.

At 31 December 2019 and 2018, none of the associates were listed on a stock market.

On 14 May 2018, the General Shareholders' Meeting of the associate company Aeropuertos Mexicanos del Pacífico, S.A.P.I. de C.V. approved a reduction of share capital in its variable part by 235,000 thousand Mexican pesos (amount that has been paid to the shareholders according to their stake in the company). Therefore, 33.33% of said reduction, that is, 78,333 thousand Mexican pesos, corresponded to Aena Desarrollo Internacional. As a result of this transaction, the Group recognised a cash receipt of 3,344 thousand euros, reduced the shareholding in the associate by 3,518 thousand euros and recorded the difference as a result of this transaction in equity. This transaction did not generate changes in the shareholding percentage (see Note 9).

The General Meeting of Shareholders of the associate company Aeropuertos Mexicanos del Pacífico, S.A.P.I. de C.V. held on 9 May 2017 approved a reduction of share capital in its variable part by 340,000 thousand shares, leaving it set at 1,903,350 thousand Mexican pesos. As a result of this transaction, the Group recognised a cash receipt of 5,376 thousand euros, reduced the shareholding in the associate by 4,734 thousand euros and recorded the difference as a result of this transaction in equity. This transaction did not generate changes in the shareholding percentage (see Note 9).

On 29 May 2014, the subsidiary Aena Desarrollo Internacional, S.M.E., S.A. purchased 63 thousand Aerocali, S.A. ordinary shares. As a result of this acquisition the Group came to hold a 50% interest in the company. The amount paid for this acquisition came to 2,036 thousand euros. In accordance with the analysis conducted by the Group's management, with this acquisition it would not obtain control of the investee due to the existence of joint control, which is why in 2019 and 2018 it continued to use the equity method with the change in the shareholding percentage since the acquisition of the new shares.

On 24 February 2006, Grupo Aeroportuario del Pacífico, S.A. (a company in which AMP has invested) was listed on the Mexican and New York stock markets through an IPO carried out by the Mexican Government (former owner of the remaining 85% of the share capital). In addition, Aeropuertos Mexicanos del Pacífico acquired 2.296% of Grupo Aeroportuario del Pacífico, S.A. on the stock market for 286,297,895 Mexican pesos (MXN), thereby increasing its stake to 17.296% of its share capital. In May 2008, 640,000 shares were acquired in the stock market for an amount of 26,229,376 Mexican pesos (MXN), 0.11396%, reaching 17.40996% of Grupo Aeroportuario del Pacífico, S.A. The average acquisition price of the shares that Aeropuertos Mexicanos del Pacífico owns of Grupo Aeroportuario del Pacífico amounts to 23.12 Mexican pesos (MXN), while the value of the quotation at 31 December 2019 was 224.67 Mexican pesos (MXN) (2018: 159.84 Mexican pesos (MXN)).

The Group also estimates the recoverable amount of the aforementioned investment in AMP as the current value of future cash flows arising from it, taking into account the estimates included in the business plan drawn up by Grupo Aeroportuario del Pacífico, S.A.B. de C.V. (GAP), the main asset of AMP, as well as income from the management contracts between the two companies. By applying discount rates consistent with recent historical experience, a recoverable amount is obtained that exceeds the cost recorded by the Group. The latter has carried out, in 2019 and 2018, a sensitivity analysis for the calculation of the recoverable amount according to the changes in key assumptions and has compared the results obtained with recent transaction amounts for the buying and selling of airports. On the basis of the foregoing, the Group's management considers that the recoverable amount calculated, at 31 December 2019 and 2018, is greater than the acquisition cost of the aforementioned investment in AMP.

In compliance with Article 155 of the Corporate Enterprises Act, the Group has notified all of these companies that it holds an interest of more than 10% either directly or indirectly.

All the associates close their financial year on 31 December.

During 2019, the subsidiary Aena Desarrollo Internacional S.M.E., S.A. has collected dividends from associates and with joint control amounting to 22,828 thousand euros (2018: 19,552 thousand euros).

On 1 September 2020, the concession of Alfonso Bonilla Aragón International Airport, Cali, managed by Aerocali S.A., expired. Also, on 26 September 2020, the concession of Rafael Núñez International Airport in Cartagena de Indicas, managed by Sociedad Aeroportuaria de la Costa S.A., expired. On 31 December 2019, the Group performed an impairment test to determine the recovery of the amount of stake in these companies.

However, it is worth noting that negotiations are ongoing with the Colombian National Infrastructure Agency (ANI) for the development of a private initiative (APP) for the airports of Cali and Cartagena whose objective is to sign a new concession contract once the current concession ends in 2020, having submitted the latest amendments requested by the ANI in March.

2.3 Comparative information

During the year ended 31 December 2019, there were no changes in significant accounting policies with respect to the policies applied in 2018, with the exception of that indicated previously in point 2.1.2.1 above relating to the first application of IFRS 16 on 1 January 2019. For the purpose of comparative information, the Group has opted for the modified retroactive transition contemplated in that standard and, therefore, the comparative information has not been restated.

2.4 Transactions denominated in foreign currency

a) Functional and presentation currency

The items included in the consolidated financial statements of each of the Group's companies are measured using the currency of the principal economic environment in which the company operates ("functional currency"). The consolidated financial statements are presented in thousands of euros. The euro is the functional and presentation currency of AENA S.M.E., S.A.

b) <u>Transactions and balances</u>

Transactions in foreign currency are translated to the functional currency using the exchange rates in force on the transaction dates. Foreign currency gains and losses resulting from the settlement of these transactions and the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currency are recognised in the income statement, except when deferred in other comprehensive income as cash flow hedges or net investment hedges. Gains and losses on exchange differences relating to loans and cash and cash equivalents are presented in the consolidated income statement under "Other net financial income/ (expenses)". All other gains or losses on exchange differences are presented in the same line item.

The conversion of the results obtained by equity method consolidated companies to the presentation currency is done by converting all assets, rights and obligations at the exchange rate in force at the date on which the consolidated financial statements are closed and converting the items in the consolidated income statement for each foreign company to the presentation currency using the average annual exchange rate, which is calculated as the mathematical average of the average exchange rate in each of the 12 months of the year which do not differ significantly from the exchange rate in force on the transaction date. The difference between equity, including income calculated as indicated in the preceding point, converted using the historic exchange rate and the net equity position that results from the conversion of assets, rights and obligations is recognised as a positive or negative figure, as applicable, under equity in "Foreign exchange differences".

<u>Group entities</u>

The results and the financial position of all the Group's entities (none of which have the currency of a hyperinflationary economy) whose functional currency is different from the presentation currency are translated into the presentation currency as follows:

(i) The assets and liabilities of each statement of financial position presented are converted at the closing exchange rate on the statement of financial position date;

(ii) The income and expenses for each income statement are converted at the average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of current rates on the transaction dates, in which case the income and expenses are converted on the date of the transactions); and

(iii) All the resulting translation differences are recognised in other comprehensive income.

Adjustments to goodwill and fair value that arise in the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are converted at the closing exchange rate. The exchange differences that arise are recognised in "Other comprehensive income".

2.5 Property, plant and equipment

Land and buildings mainly relate to airport infrastructure. Property, plant and equipment is recognised at acquisition or production cost, adjusted for accumulated depreciation and for any impairment losses that are applicable. Historic cost includes the expenses directly attributable to purchases of property, plant and equipment.

The Group capitalises the initial estimate of the cost of refurbishing the site on which it stands as an increase in fixed assets when these are obligations incurred as a result of using the item. Thus all the obligations envisaged for carrying out noise insulation and soundproofing of residential areas in order to comply with current legislation on noise generated by airport infrastructures are capitalised as an increase in airport assets (see Note 23 with regard to the provision of noise insulation).

Subsequent costs are included in the asset's carrying value or recognised as a separate asset, as applicable, only when it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset may be reliably determined. The carrying value of the replaced component is derecognised. All other repair and maintenance expenses are charged to the income statement in the financial year in which they are incurred. Work carried out by the Group on its own property, plant and equipment is measured at production cost and is stated as an ordinary revenue item in the income statement.

(Amounts in thousands of euros unless otherwise stated)

Land is not depreciated. The depreciation of other property, plant and equipment components is calculated on a straight-line basis during their estimated useful lives as follows:

▪ Buildings	12-51 years
▪ Technical installations	4-22 years
▪ Machinery	5-20 years
▪ Other installations	6-12 years
▪ Furniture and tooling	4-13 years
▪ Other property, plant and equipment	5-7 years

Airport assets are depreciated on a useful life basis as shown below:

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

The assets' useful lives are reviewed, and adjusted if need be, on each statement of financial position date.

When an asset's carrying value is greater than its recoverable amount, its carrying value is immediately written down to its recoverable amount (Note 2.8).

Gains and losses on the sale of property, plant and equipment are calculated by comparing the income obtained with the carrying value of such property, plant and equipment and are recognised in the income statement under "Impairment and gains/(losses) on disposal of assets".

2.6 Intangible assets

a) Goodwill

Goodwill arises in the acquisition of subsidiaries and is equivalent to the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value on the acquisition date of any prior shareholding in the equity of the acquiree over the fair value of the identifiable net assets acquired. If the total of the consideration transferred, the recognised non-controlling interest and the previously maintained shareholding measured at fair value is less than the fair value of the net assets of the subsidiary acquired, in the case of an acquisition on extremely favourable terms the difference is recognised directly in the income statement.

In order to carry out the tests for impairment losses, goodwill acquired in a business combination is assigned to each of the cash-generating units, or groups of cash-generating units, which are expected to benefit from the synergies of the combination. Each unit or group of units to which goodwill is allocated represents the lowest level within the entity for which goodwill is controlled for internal management purposes. Goodwill is controlled at the operating segment level.

Reviews of the impairment losses in goodwill value are conducted annually or more frequently if events or changes in circumstances indicate a potential impairment loss. The carrying value of the CGU that includes goodwill is compared with the recoverable amount, which is the value in use or the fair value minus costs to sell, whichever is higher. Any impairment loss is recognised immediately as an expense and is not subsequently reversed.

b) Software

This line item records the amounts paid with respect to the acquisition and development of software.

Software licences acquired are capitalised based on the acquisition costs incurred and the costs arising from installing the specific software ready for use. Development costs directly attributable to the design and testing of software which is identifiable, original and can be controlled by the Group are recognised as intangible assets when the following conditions are met:

- It is technically possible to complete production of the intangible asset so that it will be available for use or sale;
- The Group intends to complete the intangible asset in question to use or sell it;

- The Group has the capacity to use or sell the intangible asset;
- The way in which the intangible asset will generate probable profits in the future can be demonstrated;
- Adequate technical, financial or other types of resources are available to complete the development and to use or sell the intangible of asset; and
- Payments attributable to the intangible asset may be reliably measured.

Attributable direct costs that are capitalised as part of the software include employee costs for developing such software and an appropriate percentage of relevant overheads.

Expenses that do not meet these criteria are recognised as an expense at the time that they are incurred. Payments for an intangible asset initially recognised as an expense for the year are not subsequently recognised as intangible assets.

Software is amortised over its estimated useful life which is not normally any longer than six years.

Expenses associated with maintaining software are recognised as an expense as they are incurred.

c) *Development expenses*

Development expenses are individualised by projects, are capitalised based on studies that support their viability and financial profitability, and are reviewed on an annual basis during the time the project is being developed when they meet the following criteria:

- It is likely that the project will be successful (taking into consideration its technical and commercial viability) such that the project will be available for use or sale;
- It is likely that the project will generate future profits in terms of both external and internal sales;
- The Group has the intention of completing the project in question to use or sell it;
- The Group has the capacity to use or sell the intangible asset;
- Adequate technical, financial or other types of resources are available to complete the development and to use or sell the intangible of asset; and
- Its costs may be reliably estimated.

In the event of any change in the circumstances that enabled a project to be capitalised, the accumulated cost is assigned to the income statement. Capitalised development expenses are amortised over their useful life which is estimated to be 4 years. Research costs are recognised as an expense in the year in which they are incurred.

d) *LLAH II service concession*

The service concession arrangement for London Luton Airport (property of Luton Borough Council) is not subject to IFRIC 12 since this airport's charges are not subject to regulated prices. This arrangement is recorded as a lease in accordance with IFRS 16 (Note 2.1.2.1). The related intangible asset is amortised on a straight-line basis throughout its remaining useful life. The remaining useful life of this intangible asset is calculated based on the expiry date of this service concession arrangement which is 2031.

e) *Service concessions*

See Note 2.24.

f) *Other fixed intangible assets*

As other intangible fixed assets the Group mainly capitalises the airports' Master Plans and the studies associated with them, and they are amortised over 8 years.

(Amounts in thousands of euros unless otherwise stated)

2.7 Real estate investments

Investment properties consist of land, buildings, other structures and areas outside the Group's airport terminals that are held to obtain non-current income and are not occupied by the Group. The items included under this heading are measured at acquisition cost net of accumulated depreciation and any impairment losses.

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

	Years
Buildings and warehouses	32-51
Technical installations	15

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life and intangible fixed assets that are not in a condition to be used are not subject to amortisation and are tested annually for impairment. Property, plant and equipment and intangible assets subject to depreciation/amortisation are subject to impairment reviews provided that some event or change in circumstances indicates that their carrying value may not be recoverable. Impairment losses are recognised for the carrying value of the asset that exceeds its recoverable amount. The recoverable amount is determined as fair value net of costs to sell and value in use, whichever is higher.

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

Throughout the parent Company's history, the determination of cash-generating units has been influenced by the regulation applicable in each period and the mechanisms for establishing the airport charges associated with the assets included in these cash-generating units.

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

This initial regulatory framework was amended in *Royal Decree Act 20/2012, of 13 July, on measures to ensure budgetary stability and foster competitiveness*, in which Title VI amends the formula for updating the airport charges received by Aena Aeropuertos, S.A., so that income, expenses and investments derived from commercial services and activities that are not strictly aeronautical are not included for the purpose of determining airport charges. This Royal Decree establishes as a substantial change the progressive decoupling of commercial activities from the determination of airport charges through the application of a weighting coefficient (2014: 80%, 2015: 60 %, 2016: 40 %, 2017: 20 %, 2018: 0 %. As a result, starting in 2018 the dual till system will apply entirely.

Until fiscal year 2015, the management of the parent Company had identified cash-generating units in the individual assets that make up the off-terminal services segment (which is composed mainly of each of the real estate assets and the car parks considered as a whole), in the financial investments and in the airport network for the Airports segment (which consists of the infrastructure assigned to aeronautical activity and the commercial areas included in it).

The establishment of the "progressive *dual till*" with Royal Decree Act 20/2012, of 13 July, on measures to ensure budgetary stability and foster competitiveness, and Act 18/2014 referred to above (see Note 1) breaks the connection of commercial activities within the terminal with the establishment of airport charges, particularly from 2016 onwards in which most (60%) of the commercial costs and income of such activities is not included in the calculation of airport charges. As a result, the value judgement that underlay all airports, including commercial areas, being treated as a single cash-generating unit due to the interrelationship of the cash flows of both activities had to be reconsidered starting in 2016. This legislative novelty does not affect the consideration of financial investments in subsidiaries and associates as independent cash-generating units, which continue to be considered as such.

The analysis carried out for this purpose concluded that the commercial activity within the terminal should continue to be part of the cash-generating unit of the airport network together with aeronautical activity. Among other reasons this was firstly because of the high interdependence of income between the two activities and the existence of a single asset shared by both activities due to the legal impossibility of disposing of, selling or splitting airport assets; and secondly, and for the same reasons, it is also concluded that activity corresponding to the "car park network", until 2015 included in the cash-generating unit and segment of "Off-terminal services" and as it is not included in the *single till*, should from 2016 onwards become part of the cash-generating unit and the segment of the "airports network" within the "Commercial" sub-segment. As a consequence, in 2016 the segment and the cash-generating unit of "Off- terminal services" was renamed "Real estate services" as it is constituted exclusively by each of the real estate assets.

The new state-owned company Aeroportos do Nordeste do Brasil S.A., incorporated in the scope of consolidation in 2019 (see Note 2.2) will be considered as a single Cash Generating Unit in itself.

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

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

    - Projected results.
    - Projected investments and working capital.

These projections take into account the financial projections included in the Airport Regulation Document (DORA) for the period 2017-2021 (see Note 3).

- Other variables that influence the recoverable value calculation are:

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

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

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

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

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

2.9 Interest costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised over the period of time needed to complete and prepare the asset for its intended use. Other borrowing costs are recorded under expenses in the year when they are incurred.

2.10 Financial instruments

Financial instruments are classified at the time of their initial recognition as a financial asset, a financial liability or an equity instrument, in accordance with the economic substance of the contractual agreement and with the definitions of financial assets, financial liabilities or equity instruments developed in IAS 32 "Financial instruments: Presentation".

Financial instruments are recognised when the Group becomes an obligated party of the legal contract or business in accordance with its provisions.

For the purposes of valuation, the Group classifies its financial instruments in the following categories: 1)Financial assets and liabilities at amortised cost, 2) Financial assets and liabilities at fair value through profit or loss, separating those originally designated from those held for trading or necessarily valued at fair value through profit or loss, 3) Financial assets and liabilities at fair value through changes in other comprehensive income, separating the equity instruments designated as such from the rest of the financial assets. The classification criterion will depend on how an entity manages its financial instruments (its business model) and the existence and characteristics of the contractual cash flows of financial assets.

The Group classifies a financial asset or liability as held for trading if:

— It is acquired or incurred mainly for the purpose of selling it or buying it again in the immediate future;

— The initial recognition is part of a portfolio of identified financial instruments, which are jointly managed and for which there is evidence of a recent pattern of obtaining short-term benefits;

— It is a derivative, except a derivative that has been designated as a hedging instrument and meets the conditions to be effective and a derivative that is a financial guarantee contract or

— It is an obligation to deliver financial assets obtained on loan that are not owned.

Likewise, the financial asset will be measured at amortised cost, at fair value with changes in another comprehensive results, or at fair value through profit or loss, in the following manner:

— If the objective of the business model is to maintain a financial asset in order to collect contractual cash flows and, according to the conditions of the contract, cash flows are received on specific dates that exclusively constitute principal payments plus interest on said principal, the financial asset will be valued at amortised cost.

— If the business model is aimed both at obtaining contractual cash flows and their sale and, according to the terms of the contract, cash flows are received on specific dates that exclusively constitute payments of the principal plus interest on that principal, the financial assets are measured at fair value through other comprehensive income (equity).

— Outside of these scenarios, all other assets are valued at fair value through profit or loss. All equity instruments (for example, shares) are measured in this category by default. This is because their contractual flows do not comply with the characteristic of being only payments of principal and interest. Financial derivatives are also classified as financial assets at fair value with changes in profit or loss, unless they are designated as hedging instruments.

Notwithstanding the foregoing, there are two irrevocable designation options in the initial recognition:

— An equity instrument, provided it is not held for trading purposes, can be designated to be valued at fair value through changes in other comprehensive income (equity). Subsequently, in the sale of the instrument, the reclassification to the income statement of the amounts recognised in equity is not allowed and only the dividends are taken to results.

— A financial asset may also be designated to be valued at fair value through profit or loss if this reduces or eliminates an inconsistency in measurement or recognition (see pp. B4.1.29 to B4.1.32 IFRS 9).

The business model is determined by the key personnel of the Group and at a level that reflects the way in which they jointly manage groups of financial assets to achieve a specific business objective. The Group's business model represents the way in which it manages its financial assets to generate cash flows.

Financial assets that are part of a business model whose objective is to hold assets to receive contractual cash flows are managed to generate cash flows in the form of contractual collections during the life of the instrument. The Group manages the assets held in the portfolio to receive these specific contractual cash flows. To determine whether cash flows are obtained through the collection of contractual cash flows from financial assets, the Group considers the frequency, value and timing of sales in prior years, the reasons for those sales and expectations in relation to the future sales activity. However, the sales themselves do not determine the business model and, therefore, can not be considered in isolation. Instead, it is the information on past sales and future sales expectations that provides indicative data on how to achieve the stated objective of the Group with respect to the management of financial assets and, more specifically, the way in which cash flows are obtained. The Group considers the information on past sales in the context of the reasons for these sales and the conditions that existed at that time in comparison with the current ones. For these purposes, the Group considers that commercial debtors and accounts receivable that are going to be transferred to third parties and that will not lead to their cancellation, remain in this business model.

Although the objective of the Group's business model is to maintain financial assets to receive contractual cash flows, the Group does not maintain all the instruments until maturity. Therefore, the Group has as a business model the maintenance of financial assets to receive contractual cash flows even if these assets have been sold or are expected to be sold in future. The Group understands this requirement fulfilled, provided that the sales are due to an increase in the credit risk of the financial assets. In all other cases, at the individual and aggregate levels, sales must be insignificant, even if they are frequent or infrequent, even if they are significant.

Financial assets that are part of a business model whose objective is to hold assets to receive contractual cash flows and sell them, are managed to generate cash flows in the form of contractual collections and sell them according to the different needs of the Group. In this type of business model, the key personnel of the Group's management have made the decision that in order to meet this objective, obtaining both contractual cash flows and the sale of financial assets are essential. To achieve this objective, the Group obtains contractual cash flows, as well as selling financial assets. Compared to the previous business model, in this business model, the Group usually makes sales of more frequent and higher-value assets.

The contractual cash flows that are only principal and interest payments on the outstanding principal amount are consistent with a basic loan agreement. In a basic loan agreement, the most significant elements of interest are generally consideration for the time value of money and credit risk. However, in an agreement of this type, the interest also includes consideration for other risks, such as liquidity and costs, such as the administrative aspects of a basic loan associated with the maintenance of the financial asset for a certain period. In addition, the interest may include a profit margin that is consistent with a basic loan agreement.

When there is an implicit derivative in a main contract that is a financial asset in the scope of IFRS 9, the implicit derivative is not separated and the classification rules apply to the hybrid instrument as a whole.

Assets are initially recognised at fair value more or less, in the case of a financial asset that is not posted at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or of the financial liability. Notwithstanding the foregoing, at the time of initial recognition, an entity shall measure trade receivables that do not have a significant financial component (determined in accordance with IFRS 15) at their transaction price.

For the subsequent recording after the initial recognition of the financial assets, the following accounting policies apply:

Financial assets at amortised cost	These assets are recorded after their initial recognition at their amortised cost in accordance with the effective interest rate method. Said amortised cost will be reduced by any impairment loss. Gains or losses will be recognised in the result of the period when the financial asset is written off or has been impaired, or due to exchange differences. Interest calculated using the effective interest rate method is recognised in the income statement under the heading "financial income".
Financial assets at fair value through profit or loss	Financial assets at fair value through profit and loss are initially and subsequently recognised at their fair value, excluding transaction costs, which are charged to the income statement. Gains and losses arising from changes in the fair value are included in the income statement under "other net financial revenue/(expense)" in the period in which they arise. Any dividend or interest is also carried to financial results.
Debt instruments at fair value with changes in other comprehensive income	They are subsequently accounted for at fair value, recognising the changes in fair value in "Other comprehensive income". Interest income, impairment losses and exchange rate differences are recognised in the income statement. When sold or removed, the cumulative fair value adjustments recognised in "Other comprehensive income" are included in the income statement as "other net financial income/(expense)".
Equity instruments at fair value with changes in other comprehensive income	Its subsequent measurement is at fair value. Dividends are only taken to results, unless said dividends clearly represent a recovery of the cost of the investment. Other losses or gains are carried to "Other comprehensive income" and are never reclassified to results.

The Group classifies liabilities held for trading at fair value through profit or loss.
The Group initially designates a financial liability at fair value with changes in results, if doing so eliminates or significantly reduces any inconsistency in the valuation or recognition that would otherwise arise, if the valuation of the assets or liabilities or the recognition of the results thereof was done on different bases or a group of financial liabilities or financial assets and financial liabilities is managed, and its performance is evaluated, based on fair value, according to an investment or documented risk management strategy, and information relating to said group is provided internally on that same basis to key personnel of the Group's management.

The Group classifies the rest of the financial liabilities, except financial guarantee contracts, the commitments to grant a loan at a lower interest rate than the market one and the financial liabilities resulting from a transfer of financial assets that do not meet the requirements for their derecognition or that are accounted for using the continued involvement approach, as financial liabilities at amortised cost.

- <u>Impairment</u>

Financial assets at amortised cost include the heading "Trade and other accounts receivable" (which include accounts receivable and other contractual assets within the scope of IFRS 15 "Revenues derived from contracts with customers" and accounts receivable for leases in the scope of IFRS 16), "Cash and cash equivalents" and "Other financial assets" (in the Group, bonds and deposits).

At each reporting date, the Group applies IFRS 9 value the impairment requirements for the recognition and measurement of a value adjustment for losses to financial assets that are measured at amortised cost or at fair value with changes in other comprehensive income. A financial asset has impaired credit when one or more events have occurred that have a detrimental impact on the estimated future cash flows of that financial asset. Evidence that a financial asset has impaired credit includes, among others, observable information relating to the following events:

(a) significant financial difficulties of the issuer or the borrower;
(b) a breach of contract, such as a breach or event of default;
(c) it is becoming probable that the borrower will file for bankruptcy or otherwise undergo financial reorganisation.

Trade and other commercial and lease receivables

For trade receivables and lease accounts, whether or not they have a significant financial component, the Group has chosen as its accounting policy to measure the value correction for impairment at an amount equal to the expected credit losses throughout the life time of the asset following the simplified approach of p. 5.5.15 of IFRS 9. IFRS 9 defines the expected loss of credit as the weighted average of credit losses with the respective risks of a default occurring as weights. Credit losses are measured as the difference between all the contractual cash flows to which one is entitled in accordance with the contract and all cash flows that the entity expects to receive (that is, all cash deficits) discounted at the original effective interest rate.

From the definition of the expected loss as an expected average, it follows that the application of judgement and an important exercise in making estimates will be necessary.

To determine whether a financial asset has experienced a significant worsening in its credit risk since its initial recognition, or to estimate the expected credit losses during the entire life of the asset, the Group considers all reasonable and sustainable information that is relevant and that is available without effort or disproportionate cost. This includes both quantitative and qualitative information, based on the experience of the Group or other entities regarding historical credit losses, and observable market information on the credit risk of the specific financial instrument or similar financial instruments.

The Group assumes that the credit risk of a financial asset has increased significantly if the default is greater than 30 days. Likewise, it adopts the presumption of non-payment for a financial asset that is in arrears over 90 days, unless there is reasonable and well-founded information that demonstrates the recoverability of the credit.
At each closing date, the Group estimates the valuation correction in an amount equal to the expected credit losses in the following twelve months, for the financial assets for which the credit risk has not increased significantly since the date of initial recognition or when it is considered that the credit risk of a financial asset has not increased significantly. If an instrument or group of instruments has experienced a significant increase in credit risk since its initial recognition, the expected loss of credit covers the entire expected life of the instrument.

The Group has determined the deterioration in the value of cash and cash equivalents for the expected credit losses over the next twelve months. The Group considers that cash and cash equivalents have low credit risk in accordance with the credit ratings of the financial institutions in which the cash or deposits are deposited.

The Group considers that a debt instrument has a low risk when its credit rating, from at least one *rating* agency between Moody's, S & P and Fitch, is “investment grade”.

The maximum period over which the expected credit losses should be estimated is the maximum contractual period during which the entity is exposed to the credit risk.

Provisions for impairment of financial assets measured at amortised cost are deducted from the gross carrying amount of said assets.

For debt instruments at fair value with changes in other comprehensive income, the correction of value for losses must be recognised in other comprehensive income and will not reduce the carrying amount of the financial asset in the statement of financial position.

Impairment losses related to commercial loans and other accounts receivable, including, where appropriate, the contractual assets under IFRS 15, are presented separately in the income statement.

Other financial assets (guarantees and sureties constituted)

This heading contains mainly deposits consigned by legal mandate in different public institutions of Autonomous Communities, corresponding to bonds previously received from lessees of the commercial spaces of AENA SME, S.A., in compliance with Law 29/1994, of 24 November, on Urban Leases. The maturities can be very long term.

To the extent that it is a low risk in the aforementioned Autonomous Communities, the probability of default for one year is applied. Considering as a low risk the investment grade of at least one *rating* agency between Moody’s, S&P and Fitch. In the case of low risk, in the Autonomous Community the default data or the differential on the German bond of Spain's one-year debt are applied, independently of the maturity dates of the guarantees.

It is considered a high risk when the counterparty has a *rating* and the risk is not evaluated as low. In this case, the probability of default with a duration equivalent to the average maturity of the bonds is applied. It is determined by default that bonds without maturity will have a maximum duration of 30 years.

Impairment losses on other financial assets are included in the caption “other financial income / (expenses) - net”, and are not presented separately in the income statement due to their immateriality.

- Disposals, modifications and cancellations of financial assets

The Group applies the criteria for derecognition of financial assets to a part of a financial asset or a part of a group of similar financial assets or a financial asset or a group of similar financial assets.

Financial assets are removed from the balance sheet when the rights to receive cash flows from them have expired or have been transferred and the Group has substantially transferred all the risks and benefits deriving from owning them. Likewise, the derecognition of financial assets in circumstances in which the Group retains the contractual rights to receive the cash flows, only occurs when contractual obligations have been assumed that determine the payment of said cash flows to one or more recipients and the following requirements are met:

- The payment of cash flows is subject to prior collection;
- The Group cannot proceed with the sale or pledging of the financial asset; and
- Cash flows charged on behalf of potential recipients are issued without significant delay and the Group is not able to reinvest cash flows. The investments in cash or cash equivalents made by the Group during the settlement period between the collection date and the date of remission agreed with the eventual recipients are excepted from the application of this criterion, provided that the accrued interest is attributed to eventual perceivers.

In cases in which the Group transfers a financial asset in its entirety, but retains the right of administration of the financial asset in exchange for a commission fee, an asset or liability corresponding to the provision of said service is recognised. If the consideration received is less than the expenses to be incurred as a result of the provision of the service, a liability is recognised for an amount equivalent to the obligations incurred valued at fair value. If the consideration for the service is greater than that which would result from applying adequate remuneration, an asset is recognised for the administration rights.

In transactions in which the withdrawal of a financial asset is executed in its entirety, the financial assets obtained or the financial liabilities, including the liabilities corresponding to the management services incurred, are recorded at fair value.

In transactions in which the partial derecognition of a financial asset is executed, the book value of the entire financial asset is assigned to the part sold and the part held, including the assets corresponding to the administration services, in proportion to the relative fair value of each of them.

The withdrawal of a financial asset as a whole implies the recognition of results due to the difference between its book value and the sum of the consideration received, net of transaction expenses, including the assets obtained or assumed liabilities and any deferred loss or gain in other comprehensive income, except for equity instruments designated at fair value with changes in other comprehensive income.

The criteria for recognising the derecognition of financial assets in operations in which the Group neither substantially transfers nor retains the risks and rewards inherent to its ownership are based on the analysis of the degree of control maintained. Thus:

- If the Group has not retained control, the financial asset is written off and any rights or obligations created or retained as a result of the assignment are recognised separately as assets or liabilities.
- If control has been retained, it continues to recognise the financial asset for the Group's continued commitment to it and records an associated liability. The ongoing commitment in the financial asset is determined by the amount of its exposure to changes in the value of that asset. The assets and associated liabilities are valued based on the rights and obligations that the Group has recognised. The associated liability is recognised so that the book value of the asset and the associated liability is equal to the amortised cost of the rights and obligations retained by the Group, when the asset is valued at amortised cost or at the fair value of the rights and obligations held by the Group, if the asset is valued at fair value. The Group continues to recognise the income derived from the asset to the extent of its ongoing commitment and the expenses derived from the associated liability. Changes in the fair value of the asset and the associated liability are consistently recognised in income or equity, following the general recognition criteria set forth above and should not be compensated.

Transactions in which the Group substantially retains all the risks and rewards inherent to the ownership of a transferred financial asset are recorded through the recognition in liability accounts of the consideration received. Transaction expenses are recognised in results following the effective interest rate method.

The Group applies the weighted average price criterion to assess and deregister the cost of equity instruments that are part of homogeneous portfolios and that have the same rights, unless the instruments sold and the individualised cost of the instruments can be clearly identified. For debt instruments, it determines the cost at the individual or collective level in a manner consistent with the account unit used to determine.

If the Group modifies the contractual flows of a financial asset, insofar as it does not entail its withdrawal, the book value is recalculated by the current value of the modified flows at the effective interest rate or effective interest rate adjusted by the original credit risk and recognises the difference in results. The costs and fees billed by the Group adjust the book value of the financial asset and are amortised over the residual term of the modified financial asset.

<u>Derecognitions and changes in financial liabilities</u>

The Group derecognises a financial liability or a part thereof when it has fulfilled the obligation contained in the liability or is legally exempt from the main liability contained in the liability either by virtue of a judicial process or by the creditor.

The exchange of debt instruments between the Group and the counterparty or any substantial modifications of the initially recognised liabilities are accounted for as a cancellation of the original financial liability and the recognition of a new financial liability, provided that the instruments have substantially different conditions.

The Group considers that the conditions are substantially different if the current value of the discounted cash flows under the new conditions, including any net commission paid of any commission received, and using the original effective interest rate to make the discount, differs at least by 10 percent of the current discounted value of cash flows that are still subtracted from the original financial liability.

If the exchange is recorded as a cancellation of the original financial liability, the costs or commissions are recognised in results as part of the result thereof. Otherwise, the modified casg flows are discounted at the original effective interest rate, recognising any difference with the previous book value, in results. Likewise, the costs or commissions adjust the accounting value of the financial liability and are amortised through the amortized cost method during the remaining life of the modified liability.

The Group recognises the difference between the book value of the financial liability or a portion thereof cancelled or assigned to a third party and the consideration paid, including any asset assigned other than the cash or liability assumed in results.

2.11 Derivative financial instruments and hedges

The Aena Group uses derivative financial instruments fundamentally to hedge against changes in interest rates. Derivative financial instruments are initially stated at their fair value at the date on which the relevant contract is concluded. Subsequent to initial recognition, they are again measured at their fair value. The method of recognising the resulting gain or loss from changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so on the nature of the item being hedged. The Aena Group designates certain derivatives to be hedges for a specific risk associated with a recognised asset or liability or a highly likely expected transaction (cash flow hedges).

At the beginning of the transaction AENA formally documents the relationship between hedging instruments and hedged items, including an analysis of the sources of inefficiency of the hedge, as well as its risk management objectives and strategy for undertaking various hedge transactions.

AENA also documents its evaluation, both at the beginning and on an ongoing basis, of:

1. The economic relationship between the hedged item and the hedging instrument, that is, whether the derivatives that are used in hedging transactions are highly effective to offset the changes in the cash flows of the hedged items, that is, that it is expected that changes in cash flows in the hedged item will be almost completely offset by those in the hedging instrument.

2. That the effect of credit risk does not predominate over the changes in value that originate from that economic relationship.

3. The coverage ratio of the hedging relationship is the same as that from the amount of the hedged item that the entity actually hedges and the amount of the hedging instrument that the entity actually uses to cover that amount of the hedged item.

The effective portion of changes in the fair value of derivatives that are designated and specified as cash flow hedges is recognised in Other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately under Other net financial income/(expenses) in the income statement.

The amounts accumulated in net equity are reclassified to the income statement in the same period or periods during which the expected future cash flows hedged affect the result of the period (for example, in the periods in which the income from interest or expense by interest is recognised or when a planned sale takes place). The gain or loss on the effective part of interest rate swaps which cover variable interest rate loans is recognised in the income statement under Other net financial income/(expenses). However, when the planned transaction that is hedged results in the recognition of a non-financial asset, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset.

When a hedging instrument expires or is sold or when the requirements for hedge accounting are no longer met, any accumulated gain or loss in net equity up until that moment will be recorded as follows:

(a) If it is expected that the future cash flows covered still occur, that amount will be maintained in the cash flow hedge reserve until the future cash flows occur. It is recognised in the income statement when the future cash flows occur.

(b) If the future hedged cash flows are no longer expected to occur, this amount is immediately reclassified from the cash flow hedge reserve to income for the period as a reclassification adjustment, under Other net financial income/(expenses).

2.12 Inventories

Inventories mostly include spare parts and sundry materials located in the parent Company's central warehouses and logistical support depot and they are measured at cost or their net realisable value, whichever is lower. Cost is determined using the average weighted cost method. Acquisition cost is determined based on the historical price for the items identified in the purchase orders. The net realisable value is the estimated sale price in the ordinary course of business net of applicable variable costs to sell.

2.13 Trade receivables

"Trade receivables" are amounts owed by customers for the sale of goods or services rendered during the normal course of operations. If the receivable is expected to be collected within one year or less, it is recognised under current assets. Otherwise they are presented as non-current assets.

"Trade receivables" are recognised initially at their fair value and subsequently measured at their amortised cost using the effective interest method, net of the provision for impairment (see Note 2.10).

2.14 Cash and cash equivalents

"Cash and cash equivalents" include cash, demand deposits at credit institutions, other current highly liquid investments with an original maturity of three months or less, and bank overdrafts. Bank overdrafts are classified as borrowings in current liabilities in the statement of financial position.

2.15 Share capital

The Company's ordinary shares are classified as equity (Note 16).

Incremental costs directly attributable to the issue of new shares or options are presented in equity as a deduction, net of taxes, from the income obtained.

When a Group company acquires Company shares (treasury shares), the consideration paid, including any directly attributable incremental cost (net of income tax), is deducted from equity attributable to the Company's equity holders through to redemption, reissue or disposal. When these shares are subsequently reissued, any amount received, net of any incremental cost of the transaction which is directly attributable and the corresponding income tax effects, is included in equity attributable to the Company's equity holders.

2.16 Trade payables

"Trade payables" are payment obligations for assets or services that have been acquired from suppliers during the normal course of operations. "Trade payables" are classified as current liabilities if the payments fall due in one year or less. Otherwise they are presented as non-current liabilities.

Trade payables are initially carried at their fair value and subsequently they are measured at their amortised cost using the effective interest rate method.

Prepayments received from customers are recognised at fair value as liabilities under the heading “Prepayments from customers”. Those with maturities greater than one year are presented as non-current liabilities under the heading “Other non-current liabilities”.

2.17 Financial debt

Borrowings are recognised initially at fair value, net of the transaction costs incurred. Subsequently, borrowings are recognised at their amortised cost. Any differences between the funds obtained (net of costs required to obtain them) and their repayment value are recognised in the income statement over the life of the loan using the effective interest method.

Any commissions paid for obtaining lines of credit are recognised as loan transaction costs to the extent that it is likely that some or all of the line of credit will be drawn down. In these cases the commissions are deferred until the line of credit is drawn down. Insofar as it is not likely that the line of credit will be drawn down in whole or in part, the commission is capitalised as an advance payment for liquidity services and amortised over the period during which the line of credit is available.

Borrowings are classified as current liabilities unless there is an unconditional right to defer settlement for at least 12 months as from the consolidated statement of financial position date.

2.18 Current and deferred taxes

Income tax expense for the year consists of current and deferred taxes. Tax is recognised in the income statement, except to the extent that it relates to items that are recognised in the other comprehensive income statement or directly under equity. In this case tax is also recognised under other comprehensive income or directly under equity, respectively.

Current tax is the amount that the Company pays as a result of the tax returns it files for income tax for a particular financial year. Current tax expense is calculated based on the laws that have been approved or are about to be approved at the statement of financial position date. Tax credits and other tax benefits applicable to tax due, excluding withholdings and prepayments and tax loss carry forwards from previous years applied in the current year, result in a reduction in current tax.

Management regularly evaluates the positions held with respect to tax returns as they relate to situations in which applicable tax legislation is open to interpretation, and when appropriate creates provisions based on the amounts that are expected to be paid to the tax authorities.

Deferred tax is recognised according to the balance sheet method for temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements. However, deferred taxes are not recognised if they arise from the initial recognition of an asset or liability in a transaction other than a business combination which at the time of the transaction has no effect on accounting profit or loss or on the tax gain or loss. Deferred tax is determined using tax rates that have been enacted or are about to be enacted at the statement of financial position date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that future tax benefits are expected to arise against which temporary differences can be offset. Recognised deferred tax assets are reassessed at the end of each reporting period and the appropriate adjustments are made to them to the extent that there are doubts as to their future recoverability. Likewise, deferred tax assets not recognised in the statement of financial position are also reviewed at the end of each reporting period and are recognised insofar as their recovery with future tax benefits becomes probable.

Deferred tax is recognised on temporary differences arising on investments in subsidiaries and associates, except for those deferred tax liabilities where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets and deferred tax liabilities are offset if, and only if, there is a legally recognised right to offset current tax assets against current tax liabilities and when the deferred tax assets and deferred tax liabilities derive from income tax relating to the same tax authority and affect the same company or taxpayer or different companies or taxpayers that intend to settle current tax assets and liabilities at their net amount.

2.19 Provision for employee benefit obligations (Note 22)

The Group has post-employment commitments (pension plans) and other long-term defined contribution and defined benefit compensation commitments with employees:

(Amounts in thousands of euros unless otherwise stated)

a) Long-term employment commitments

- Defined contribution plans

  A defined contribution post-employment commitment is an obligation under which the Group makes fixed contributions to a fund and will not have any legal or implicit obligation to make additional contributions if the fund does not hold sufficient assets to pay all employees the benefits for services rendered in the current year and prior years. For defined contribution commitments, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

- Defined benefit plans

  A defined contribution employee benefit commitment is an obligation that establishes the amount of the benefit that will be received by an employee at the time of retirement, normally on the basis of one or more factors such as age, years of service or compensation.

The liability recorded in the statement of financial position with respect to defined benefit commitments is the present value of the obligation accrued at the statement of financial position date, net of the fair value of the plan's assets. Defined benefit obligations are calculated on an annual basis by independent actuaries using the projected credit unit method. The current value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rates of high quality corporate bonds denominated in the currency in which such benefits are to be paid, and with similar maturities to those of the corresponding defined benefit obligation.

For post-employment plans, actuarial gains and losses that arise from adjustments applied due to experience and changes in actuarial assumptions are recognised in equity under "Other comprehensive income" in the period in which they arise. Past service costs are recognised immediately in the income statement.

The expected cost for other long-term benefits that are not post-employment accrues over the term of employment of the employees using the same accounting method that is used for defined benefit pension plans. Actuarial gains and losses that arise from adjustments applied due to experience and changes in actuarial assumptions are charged and credited in the consolidated income statement in the period in which they arise. These obligations are measured on an annual basis by qualified independent actuaries. Specifically, the Group records the following long-term employment commitments:

Length of service awards

Article 138 of the 1st Collective Bargaining Agreement for the Aena Group of Companies (public business entity Enaire and AENA, S.M.E, S.A. and Sociedad Concesionaria del Aeropuerto Internacional de la Región de Murcia, S.M.E, S.A.) stipulates length of service awards for services effectively rendered for a period of 25, 30 or more years.

The Group makes provision for the present value of the best possible estimate of future commitment obligations of Aena and AIRM based on an actuarial calculation.

The most relevant assumptions taken into account to obtain the actuarial calculation are as follows:

	31 -12 -2019	**31 -12 -2018**
Technical interest rate	0.50%	1.51 %
Salary increases	3.85% in 2020 and 2% thereafter	2.75 %
Mortality table	PERM/F 2000 P	PERM/F 2000 P
Financial system used	Individual capitalisation	Individual capitalisation
Accrual method	Projected Unit Credit	Projected Unit Credit
Retirement age	According to Act 27/2011	According to Act 27/2011
Disability tables	MO 1977	MO 1977

Early retirement awards

Article 154 of the 1st Collective Bargaining Agreement for the Group of Companies stipulates that any employee between the ages of 60 and 64 who is entitled to do so under current provisions may take voluntary early retirement and will receive an indemnity which taken together with the vested rights in the pension plan at the time the employment contract is terminated is equal to four monthly base salary payments and the length of service bonus for each year remaining until they reach the age of 64 or the relevant prorated amount.

(Amounts in thousands of euros unless otherwise stated)

In 2004 the early retirement awards were outsourced by taking out a single payment life insurance policy with Mapfre Vida on 25 March 2004. Currently, pension obligations are insured through Group Life Insurance policies. The Company makes provision for the present value of the best possible estimate of future commitment obligations based on an actuarial calculation.

The main actuarial assumptions used are as follows:

	31 -12 -2019	**31 -12 -2018**
Technical interest rate	0.50%	1.53 %
Long-term salary growth	3.85% in 2020 and 2% thereafter	2.75 %
Yield on Defined Contribution Fund	4.00 %	4.00 %
Mortality table	PERM/F 2000 P	PERM/F 2000 P
Financial system used	Individual capitalisation	Individual capitalisation
Accrual method	Projected Unit Credit	Projected Unit Credit
Retirement age	Mutual funds: Between 60-63 years and 11 months Non-mutual funds: In accordance with RDL 5/2013	Mutual funds: Between 60-63 years and 11 months. Non-mutual funds: In accordance with RDL 5/2013

It can be seen that the discount rate used in the valuation at 31 December 2019 was 0.50%, which is much lower than the rates used in the valuation for 2018, which were 1.51% for length of service awards and 1.53% for early retirement awards.

This lower discount rate is due to the falls in interest rates that have occurred throughout this year 2019. The rate of 0.50% used in the valuation is that derived from the maximum credit rating (AA) corporate debt curve for the term of 10 years, the financial term of the commitments being valued being 10.46 years.

The decrease in the discount rate results in an increase in the present value of the accrued obligation.

Pension plans

Under the Collective Bargaining Agreement, the Group has to have in place a defined contribution pension plan. However, for financial years 2017, 2016, 2015, 2014 and 2013, the Company has not made these contributions due to the abolition established in Law 3/2017 dated 27 June, Law 48/2015 dated 29 October 2015, Law 36/2014 dated 26 December 2014, Law 22/2013 dated 23 December 2013 and Royal Decree Law 17/2012 dated 27 December 2012, respectively, which stipulated that public enterprises cannot make contributions to pension plans for employees or collective insurance contracts that include coverage of the contingency of retirement.

During 2019, as in 2018, extraordinary contributions were made to the Pension Plan (See Note 22.c).

London Luton Airport Operations Limited (LLAOL) pension plans

Until 31 January 2017 LLAOL had a defined benefit pension plan, the London Luton Airport Pension Scheme (“LLAPS”), whose assets are owned and managed by funds legally separate from LLAOL. On that date, the closing of the accrual of future benefits of this defined benefit pension plan was carried out, which was replaced, as of February 1, 2017, by a defined contribution pension plan. (See Note 22.d).

(Amounts in thousands of euros unless otherwise stated)

The main actuarial assumptions used in the valorations are as follows:

	31-12-2019	31-12-2018
Technical interest rate	2.00%	2.80%
Inflation	2.85%	3.10 %
Pension growth rate	2.75%	2.90 %
Accrual method	Projected Unit Credit	Projected Unit Credit
Retirement age	65 years	65 years

Under IAS 19 requirements, the 2% discount rate used is based on the market interest rate of high quality corporate bonds and maturity years consistent with the expected maturity of the post-employment obligations.

Length of service at 65 years of age for current pensioners (years):

- Men: 21.7 (2018: 21.9)
- Women: 24.1 (2018: 24.2)

Length of service at 65 years of age for future pensioners, currently aged 45 (years):

- Men: 23.1 (2018: 23.2)
- Women: 25.6 (2018: 25.7)

b) Termination benefits

Termination benefits are paid to employees when the Group decides to terminate their employment agreement before the normal retirement date or whenever an employee accepts voluntary separation in exchange for these benefits. The Group recognises these benefits on the first of the following dates: (a) when the Group can no longer withdraw the offer of such benefits; or (b) when the entity recognises restructuring costs under IAS 37 and this entails the payment of the termination benefits. When an offer is made to encourage voluntary separation, the termination benefits are determined based on the number of employees that are expected to accept the offer. Benefits which are not going to be paid within 12 months from the statement of financial position date are discounted at their present value.

2.20 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation, whether legal or implicit, as a result of a past event; it is likely that there will have to be an outflow of resources which include future economic benefits to settle the obligation; and the amount of the obligation can be reliably estimated.

The amounts recognised in the consolidated statement of financial position correspond to the best estimate at the closing date of the disbursements necessary to meet the present obligation, once the risks and uncertainties related to the provision and the financial effect produced by the discount when it is significant have been considered, provided that the disbursements to be made in each period can be reliably determined. The discount rate is determined before taxes considering the time value of money and the specific risks that have not been considered in the future flows related to the provision at each closing date. The increase in the provision due to the passage of time is recognised as an interest expense.
Provisions are not recognised for future operating losses.

When there is a number of similar obligations, the probable need for an outflow to settle the obligation is determined taking into account the class of obligations as a whole. A provision is recognised even if the probability of an outflow with respect to any item included in the same class of obligations may be regarded as remote.

Under the accounting policy set out in Note 2.5, the corresponding environmental provisions are made (in particular the provision for sound insulation), with a balancing entry of an increase in fixed assets, for the amount of the initial estimate of the costs of refurbishing the site on which the fixed asset items stand when they constitute obligations incurred by the Group as a result of using these items. Likewise, the provision for expropriations records the best estimate of the amount relating to the difference between the valuations paid for the expropriation of land acquired for the expansion of airports and the estimates of the prices that the Group might have to pay, considering that it is likely that certain legal claims in progress regarding some of the valuations paid will be successful for the claimants (see Note 23).

In accordance with IFRIC 12, *Service Concession Arrangements,* and as detailed in note 2.24 of these notes to the financial statements, the Group systematically records a provision for actions related to the infrastructure covered by the service concession arrangement entered into by Group companies.

Contingent liabilities represent potential obligations to third parties and existing obligations that are not recognised, given that it is not likely that an outflow of cash will be required to satisfy that obligation or, where applicable, the amount cannot be reasonably estimated. Contingent liabilities are not recognised in the consolidated statement of financial position unless they have been acquired in return for payment as part of a business combination.

2.21 Revenue recognition

(a) Recognition of income from contracts with customers

Aena Group applies the five-step model established by IFRS 15 to the accounting for revenue from contracts with customers:

Stage 1: Identify the contract (or contracts) with the customer
Stage 2: Identify performance obligations in the contract
Stage 3: Determine the price of the transaction
Stage 4: Assign the price of the transaction between the performance obligations of the contract
Stage 5: Recognise revenue from ordinary activities when (or as) the entity satisfies a performance obligation

Under IFRS 15, the Group will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The determination of the moment in which said control is transferred (at a point in time or over a period of time) requires the making of judgements by the Group.

The majority of the Group's income is from the airport services provided, which mainly correspond to the use of airport infrastructure by airlines and passengers (including airport charges and private prices). For this type of revenue, under IFRS 15, customers are considered to be airlines with which there are no long-term contracts and to which the regulated charges that are approved by law in accordance with the current regulatory framework are applied as the infrastructure is used, and hence income is recognised at that time of provision of the airport service.

Provision of Aeronautical services (airport charges and other non-regulated services):

Airport charges are set pursuant to Act 1/2011, of 4 March, which establishes the State Operational Security Programme for Civil Aviation and amends the Aviation Safety Act 21/2003, of 7 July. Furthermore, Article 68 of Act 21/2003 specifies the following items as airport charges:

- Use of runways at civil and joint-use airports and the airbases open to civil aircraft traffic and the rendering of the services required for such use, other than ground handling of aircraft, passengers and cargo.
- Airport air traffic services provided by the airport operator, regardless of whether such services are rendered through duly certified air traffic service providers that have been contracted by the airport operator and designated for this purpose by the Ministry of Public Works.
- Weather services provided by the airport operator, regardless of whether such services are rendered through duly certified weather service suppliers and furthermore designated for this purpose by the Ministry of the Environment and Rural and Marine Affairs.
- Inspection and screening services for passengers and luggage on airport premises as well as the resources, facilities and equipment required for the provision of services for control and monitoring in aircraft movement areas, open access areas, controlled access areas and restricted security areas on the entire airport grounds connected to airport charges.
- Airport facilities made available to passengers, and which are not accessible to visitors, in terminals, on aprons and on runways which are required to perform their air transport contract.
- Services that allow the general mobility of passengers and the necessary assistance to persons with reduced mobility to allow them to travel between the point of arrival at the airport to the aircraft, or from the aircraft to the exit, including boarding and disembarkation from the aircraft.
- Use of aircraft stand areas prepared for this purpose at airports.
- Use of airport facilities to facilitate passenger boarding and disembarking for airlines using airbridges or the mere use of an apron position that impedes the use of the airbridge by other users.
- Use of airport premises for the transport and supply of fuel and lubricants, regardless of the means of transport or supply.
- Use of airport premises to render ground assistance services that are not subject to any other specific compensation.

On 5 July 2014, Royal Decree Act 8/2014, of 4 July, was published in the Official State Gazette (BOE) and subsequently confirmed by Act 18/2014, of 15 October, enacting urgent measures for growth, competitiveness and efficiency. This regulation sets out:

- The system governing the network of general interest airports as a service of general economic interest with the objective of guaranteeing the mobility of the public and economic, social and territorial cohesion to ensure the accessibility, adequacy and suitability of airport infrastructure capacity, the financial sustainability of the network and the continuity and appropriate provision of basic airport services. Moreover, network management ensures the financial sustainability of the airports included in the network by allowing support for loss-making infrastructures under conditions of transparency, objectivity and non-discrimination.
- The closure or disposal of all or part of any airport facilities or infrastructures required to maintain the provision of airport services is prohibited, unless authorised either by the Cabinet or by the Secretary of State for Infrastructure, Transport and Housing depending on the amount concerned. (As applicable by amount).
- Under regulations a procedure may be implemented making it possible to close down or sell any of the airport facilities or infrastructures. Such regulatory implementation could also provide for transfers to the national government of capital gains generated during the disposal process.
- The Airport Regulation Document (DORA) is created with a five-year term and will determine Aena's maximum revenue per passenger in the period, quality conditions for the provision of services, the capacity of facilities and the investments to be made.
- The income of the airport operator in relation to basic airport services is considered to be airport charges. Regulation of them complies with the principle of legal provision in their creation by the Aviation Safety Act 21/2003, as amended by Act 1/2011, and in the specification of their essential components. Non-essential airport services together with the commercial management of infrastructures and their development operation are subject to the free market.
- In compliance with Act 18/2014, the Dirección General de Aviación Civil (Spanish Civil Aviation Authority) is responsible for drafting the Airport Regulation Document (DORA) and presenting it to the relevant bodies in the Ministry of Public Works for its subsequent approval by the Cabinet.
- The airport operator's income associated with basic airport services will be subject to compliance with a maximum annual revenue per passenger (IMAP) determined on the basis of the recovery of efficient costs as recognised by the regulator along with traffic forecasts. The maximum annual revenue per passenger contained in the DORA will be adjusted annually in line with a series of incentives or penalties based on the degree of compliance with service quality levels and penalties for any delay in the execution of strategic investments. Aena believes that it has met the required quality levels in 2019, as well as having executed strategic investments planned, so it does not expect the maximum annual income per passenger to be penalized for these reasons.
- For the 2015-2025 period, the maximum increase in charges will be zero. Charges may only be increased above this maximum increment if during the period of the second Airport Regulation Document (DORA) and due to exceptional reasons, such as unpredictable and non-deferrable investment required by regulation, the annual average investment is increased above the amount approved subject to the prior agreement of the Cabinet. For the first DORA, it is established that upon completion of the cumulative tariff deficit, together with that corresponding to previous years, it can not be transferred to the next DORA.

In application of the provisions of Article 34 of Law 18/2014 of 15 October, following the holding of the corresponding consultation process, on 27 January 2017, the Council of Ministers approved the Airport Regulation Document (DORA) for the 2017-2021 period. This document establishes the minimum service conditions that will prevail in the airports of the Aena network over the next five years, providing a framework of predictable regulation in the medium term that will enable the improvement of the levels of efficiency and competitiveness of airport operations. In this respect, and in relation to airport tariffs, this document established a reduction of 2.22% per year in the Maximum Annual Passenger Revenue (IMAP) for this period, which entered into force on 1 March 2017, affecting January and February 2018.

Also in application of the provisions of Article 34 of Law 18/2014, the Board of Directors of Aena S.M.E., S.A. at its meeting held on 26 July 2017, and after holding the corresponding consultation process with the associations of users, approved a 2.22 % reduction over prevailing rates at that time, in the airport services rates applicable as of 1 March 2018.

On the other hand, on 24 July 2018 the Aena Board of Directors approved the proposed charges for 2019, consisting in the freezing of the adjusted maximum annual income per passenger (IMAAJ) for 2019 relative to the adjusted maximum annual income per passenger (IMAAJ) for 2018. Said freeze is a consequence of the adjustments the regulation provides in relation to the quality-based performance incentive, the execution of investments and the factor of 100% fulfilment of the adjusted maximum annual income per passenger (Spanish acronym: IMAAJ) at the close of 2017.

It should also be noted that Royal Decree 162/2019 of 22 March, which develops the mechanism for calculating the P index for updating airport tariffs, was published on 10 April 2019. The P index includes annual variations in the price of *inputs* outside the operator control (personnel, air navigation services, security, repairs, cleaning, care for people with reduced mobility (PRM), labour-intensive services, electricity, local taxes, etc.), but which affect their activity, in accordance with the principles of economic efficiency and good business management. The P index is not specified in the DORA given that the amount of this is determined every year during the process of establishing the airport tariffs for the following year. The aforementioned royal decree introduces the mechanism for calculating the P index through a formula that depends on specific indexes applicable to the cost review of the airport manager and which are defined in its text, along with the procedure for determining its annual value.

The CNMC is the body responsible for approving the value of the P index in accordance with current regulations. On 7 November 2019, the CNMC approved the Resolution on the P index applicable to Aena S.M.E., S.A. airport charges for the financial year 2020, setting it at 0.8%.

On 11 December 2019, the CNMC issued two resolutions, on the supervision of the airport charges applicable by Aena, S.M.E., S.A. in 2020 and on the accumulated disputes presented by ALA, IATA, ACETA and Norwegian against the Agreement of the Board of Directors of Aena, S.M.E., S.A. dated 30 July 2019, setting the airport charges for 2020. In view of the fact that certain aspects of these Resolutions are contrary to Aena's interests, both have been appealed before the High Court. These appeals do not suspend the effect of these decisions.

On 28 January 2020, the Board of Directors approved the charges for 2020, in accordance with the criteria set out in the aforementioned Resolutions, which will enter into force on 1 March 2020. According to these criteria, the IMAAJ that should be applied to the 2020 rates is €10.27 per passenger, which means an average reduction of -1.44% on the Aena rates in force in the 2019 rate year.

All these new regulatory rules has not resulted in any changes to the Company's income recognition policy, which continues to be subject to the rules set out at the beginning of this Note.

For the rest of AENA S.M.E., S.A.'s non-regulated airport services, and for the airport services provided by the rest of the group's companies, the same principle applies, recognising the income at the moment of their provision, at the prices and rates applicable in each case.

A liability for reimbursement will be recognised if consideration is received from a customer and it is expected that reimbursement will be made for all or part of that consideration. A liability for reimbursement is measured as the amount of the consideration received (or pending receipt) to which the entity does not expect to be entitled (i.e. the amounts not included in the transaction price). The reimbursement liability (and the corresponding change in the transaction price and, therefore, the liability of the contract) will be updated at the end of each presentation period to take into account changes in circumstances.

Therefore, for any amount received (or pending receipt) over which the entity does not expect to be entitled, the entity does not recognise income from ordinary activities when transferring the products to customers, but recognises those amounts received (or pending receipt) as a liability for reimbursement. Subsequently, at the end of each reporting period, the entity updates its evaluation of the amounts to which it expects to be entitled in exchange for the transferred products and makes the corresponding changes in the transaction price and, therefore, the amount of income from recognised ordinary activities.

<u>Recognition of income for goods and services whose control is transferred to the customer over time</u>

The IFRS 15 standard requires the use of a consistent income recognition method for contracts and performance obligations with similar characteristics (IFRS 15 p.40). The method chosen by the Group as the preferred method for measuring the value of the goods and services whose control is transferred to the customer over time is the product method ("output method"), provided the contract and its execution allow to measure the progress of the work executed. Output methods recognise revenue from ordinary activities based on direct measurements of the value to the customer of the goods or services transferred to date in relation to the outstanding goods or services committed to in the contract. In contracts for highly interrelated goods and services that produce a combined product, the applicable output method is measurement of the work performed ("Surveys of performance" within the output methods). On the other hand, in routine services contracts in which the goods and services are substantially the same and are transferred with the same pattern of consumption, in such a way that the customer benefits from them as they are provided by the company, the income recognition method selected by the Group is based on the time elapsed ("time elapsed" within the "output methods"), while the costs are recorded according to the accrual principle. Based on the above, the degree of progress in costs (resource method, "input method") will only be applied in those cases in which the progress of the work cannot be reliably measured.

b) Recognition of income from commercial contracts:

Income from the rental of commercial areas located within the airport infrastructures are recognised on a straight-line basis in accordance with the lease agreements concluded with the counterparties. The contingent part of the income for leases relating to the variable level of income generated by commercial areas is recognised as income in the period in which it accrues. Car park income is recognised as the services are provided.

c) Real estate services:

Real estate service income is from leases of land, warehouses and hangars and the management and operation of cargo centres. Income from the rental contracts is recognised on a straight-line basis in accordance with the lease agreements concluded with the counterparties. The conditional part of income from leases is recognised as income in the period in which it accrues.

d) Interest and dividends

- Interest income is recognised using the effective interest method.
- Dividend income is recognised when the right to receive the dividend payment is established and it is probable that the entity will receive the economic benefits associated with the dividend.

2.22 Leases

In fiscal year 2019, the Group has applied the following valuation standards, in accordance with IFRS 16 (see Note 2.1.2.1):

The Group evaluates at the beginning of a contract whether it contains a lease. A contract is, or contains, a lease if it transfers the right to control the use of an identified asset during a certain period of time in exchange for consideration. The period of time during which the Group uses an asset includes consecutive and non-consecutive periods of time. The Group only reevaluates the conditions when a contract modification occurs.

When the Aena Group acts as a lessee, it recognises the assets and liabilities arising from all lease contracts in its balance sheet (except for short-term lease agreements and those relating to low-value assets).

Assets for rights of use are measured at the contract start date at cost, which is includes:

- the amount of the initial measurement of the lease liability;
- any lease payment made on or before the commencement date, less any lease incentive received;
- any initial direct costs incurred as a result of the lease contract; and
- an estimate of the costs that the Group is obliged to assume as a lessee in dismantling and disposing of the underlying asset, restoring the site where the asset is located or returning the asset to the condition required by the terms and conditions of the lease, when the obligation to bear these costs arises from the date of commencement of the contract or as a result of having used the underlying asset during a specified period.

For subsequent measurements of the asset for use right, the Group applies the cost model, discounting accumulated depreciation and impairment to the cost value of the asset and, where appropriate, adjusting its valuation to reflect any new valuation of the lease liability.

Lease liabilities are measured at the commencement date of the contract at the present value of the lease payments not paid at that date. Lease payments are discounted using the interest rate implicit in the lease or, when this rate is not readily obtainable, the incremental interest rate of the indebtedness of the Group entity entering into the lease contract.

It should be noted that within the future payments of the lease (for purposes of calculating the initial value of the liability) payments that are variable and that do not depend on an index (such as the CPI or an applicable lease price index) or of a rate (such as the Euribor) are not included. Basically, they include: fixed payments, the exercise price of purchase options (if it is reasonably certain that they will be exercised), guaranteed residual values, penalties in cancellation options (if it is reasonably certain that they will be exercised) and variable payments referenced to an index or to a rate (to the IPC or Euribor, or that are updated to reflect the new market price of the leases). On initial recognition, such payments are measured using the index or rate at the start date (without estimating changes in the index or rate over the remainder of the lease term).

Subsequently, the lease liability is increased by the interest accrued and decreased by the amount of the lease payments made. The value of the liability is recalculated when there are changes in the terms of the lease, in the valuation of the purchase option, in the amounts expected to be paid under the residual value guarantee or when there are amendments in future lease payments as a result of changes in the indices or rates used for their calculation.

If the contract transfers ownership of the asset to the Group at the end of the lease term or the right-of-use asset includes the price of the purchase option, the amortisation criteria stated in the property, plant and equipment heading from the date of commencement of the lease until the end of the useful life of the asset. Otherwise, the Group amortises the right-of-use assets from the start date to the previous date between the useful life of the right or the end of the lease term.

The lease period begins when the lessor makes the underlying asset available to the lessee for use. Rental-free periods are included.

The lease period used in the valuation is the non-cancellable period of the lease, in addition to:

- optional renewable periods if the lessee is reasonably certain to extend it; and
- periods after an optional termination date if the lessee is reasonably certain not to terminate early.

Early termination options held solely by the lessor are not considered in determining the lease term. Therefore, the determination of the lease period requires judgement on the part of the Group's management and has a significant impact on the valuation of the right-of-use assets and the liabilities by lease.

In the case of short-term leases and contracts in which the underlying asset is of low value, the Group recognises the lease payments relating to these contracts as expenses on a straight-line basis over the term of the lease.

Notwithstanding the foregoing, given that the Group has issued the initial application on January 1, 2019, opting for the modified retroactive approach included in said standard, the comparative information, which is prepared under the principles therein, has not been restated in the previous standard (IAS 17), namely:

Leases for property, plant and equipment in which the Group is the lessee and has a significant portion of the risks and rewards of ownership are classified as finance leases. Finance leases are recognised at the beginning of the contract at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is made up of the liability and financial charges. The relevant lease obligations, net of financial charges, are included under non-current payables. The portion relating to interest on financial charges is charged to the income statement over the term of the lease to give a constant regular interest rate on the debt outstanding in each period. Where there is reasonable certainty that the lessee will obtain ownership at the end of the lease term, the depreciation period will be the useful life of the asset; otherwise, property, plant and equipment acquired under finance leases will be depreciated over the shorter of their useful lives and the lease period.

Leases in which the Group is the lessee and does not have a significant portion of the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

When the Group leases assets under operating leases to third parties, the asset is included in the statement of financial position in accordance with the type of asset concerned. Income from leases is recognised during the term of the lease on a straight-line basis.

2.23 Official grants

Capital grants that do not have to be repaid are recognised at fair value when it is considered that there is reasonable certainty that the grant will be collected and that the conditions established for the grant by the relevant authority will be adequately met.

Operating grants are deferred and recognised under other operating revenue in the income statement over the period required to match them to the costs which they are intended to offset.

Government grants for the acquisition of property, plant and equipment are included in non-current liabilities as deferred government grants and credited to the income statement on a straight-line basis over the expected lives of the corresponding assets.

2.24 Service concession arrangements

Service concession arrangements are public-private arrangements in which the public sector controls or regulates the services which the concessionaire is to provide with the infrastructure, who has to render such services and at what price, and in which it has contractual control of any significant residual stake in the infrastructure at the end of the term of the arrangement. The infrastructures recorded by the Group as concessions refer to:

- AIRM concession. The period of duration of the concession is 25 years (see Note 2.2 a).
- Concession for the operation and maintenance of Recife, Maceió, Aracajú, Campina Grande, João Pessoa and Juazeiro do Norte airports in Brazil, grouped into the so-called Northeast of Brazil Airport Group (Note 2.2.a). The period of duration of the concession is 30 years, extendable by a further 5 years.
- Heliports in Ceuta and Algeciras. The term of the two concessions is 30 years and 25 years, respectively, and they will end in 2033 and 2034, respectively.

The infrastructure used in a concession may be classified as an intangible asset or a financial asset, depending on the nature of the payment rights established in the arrangement.

The Group recognises an intangible asset insofar as it is entitled to receive payments from end customers for the use of the infrastructure. This intangible asset is amortised on a straight-line basis over the term of the concession.

The above concession arrangements have been classified as belonging to the Intangible Assets model in IFRIC 12, and there are no concession arrangements that qualify as financial assets.

The most significant accounting policies applied by the Group with respect to the service concession arrangements and in compliance with IFRIC 12 are as follows:

- ordinary revenue from the fees received from users of the infrastructure are recognised in each period;

- operating and maintenance expenses that do not lead to an extension of the useful life of the assets are charged to the income statement in the year in which they are incurred;

- intangible assets are amortised on a straight-line basis over the term of the concession;

- any financial expenses accrued over the time the asset is being built are capitalised as an increase in the value of asset and are recognised as an expense subsequent to the time the asset comes into service;

- the total cost of construction or acquisition is recognised as an intangible asset and the benefits attributed to the construction phase of the infrastructure are recognised by applying the percentage of completion method, based on the fair value assigned to the construction phase and the concession phase.

- The concession arrangement includes infrastructure replacement actions during its term that are carried out with respect to periods of use greater than one year and are required to maintain the infrastructure suitable to provide the services adequately. These actions, insofar as they reveal wear and tear on part of the infrastructure, bring with them the provision of a systematic supply and until such time as these actions are to be carried out. The allocation of this provision results in an expense being recorded in the income statement.

  The provision for replacement includes the allowance for use, calculated on the basis of present value, of the replacements foreseen for the concession. In each cycle, the Group makes a provision for the replacements that accrue within each period. The year-on-year differences in present values are included as finance costs due to the updating of provisions in the accompanying income statement.

2.25 Activities affecting the environment

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

Investments arising from environmental activities are measured at their acquisition cost and capitalised as an increase in the cost of the fixed asset in the year in which they are incurred.

Costs incurred to protect and improve the environment are assigned to the income statement when they accrue irrespective of when the related monetary or financial flow takes place.

Provisions for probable or certain liabilities, litigation in progress and outstanding indemnity payments or obligations of an indeterminate amount related to environmental issues are constituted at the time when the liability or obligation determining the indemnity arises.

2.26 Jointly controlled assets (Note 6)

The company maintains interests in controlled assets along with the Ministry of Defence to operate Air Bases Open to Civilian Traffic (ABOCT) via an agreement with the Ministry of Defence which stipulates the rules on the assignment and compensation criteria of civilian aircraft using the ABOCTs in Villanubla, León, Albacete, Matacán, Talavera and San Javier, and the joint-use airfield in Zaragoza. This agreement is grounded upon the application of Royal Decree 1167/1995 dated 7 July 1995 on the system of using airfields used jointly by an air base and an airport and on Air Bases Open to Civilian Traffic.

The Group's interests in these assets is reported in their portion of the jointly controlled assets, which are classified according to their nature and any liability they may have incurred; their share of the liabilities which they have jointly incurred with the other shareholders in relation to the joint business; any income through sale or use of its share in the production of the joint business, along with its share of any expense which was incurred in the joint business; and any expense that it has incurred in relation to its share in the joint business.

Given that the assets, liabilities, expenses and income of the joint business are already reported in the Company's annual accounts, no adjustments or other consolidation procedures are needed with these headings when developing and submitting the consolidated annual statements.

The Air Bases Open to Civilian Traffic included in the agreement with the Ministry of Defence are the ones in Villanubla, León, Albacete, Matacán, Talavera and San Javier, along with the joint-use airfield in Zaragoza by civilian aircraft. This agreement is grounded upon the application of Royal Decree 1167/1995 dated 7 July 1995 on the system of using airfields used jointly by an air base and an airport and on Air Bases Open to Civilian Traffic. This agreement initially lasted 5 years with annual extensions associated with the validity of RD 1167/1995 and any subsequent provision which may serve as its continuation.

2.27 Related-party transactions

As a company that belongs to the public business sector, AENA is exempt from including the information contained in the section of the report on related-party transactions when the other company is also controlled or significantly influenced by the same Public Administration, as long as there are no signs of influence between them, or when the transactions are not significant in terms of their size. This influence is understood to exist when the operations are not conducted under normal market conditions (unless these conditions are imposed by a specific regulation), among other cases.

The dominant Company conducts all its related-party transactions at market values. Additionally, the transfer prices are properly supported, so the Company administrators believe that there are no significant risks in this respect which could come from any liabilities that may exist in the future.
Generally speaking, the transactions among the companies in the Group are entered in the books initially at their fair value. If needed, if the price agreed upon differs from its fair value, the difference is posted bearing in mind the economic reality of the transaction. The subsequent valuation is performed in line with the provisions of the corresponding regulations.

Despite this, in transactions of mergers, splits or non-monetary contributions of a company, the constituent elements of the acquired business are valued for the proper amount once the transaction has been performed in the annual consolidated accounts of the group or subgroup.

When the dominant company is not involved, from the group or subgroup, and its dependent company, the annual accounts to consider for these purposes will be those of the largest group or subgroup in which the assets whose dominant Company is Spanish belong.

In these cases, the differences which may be found between the net value of the assets and liabilities of the acquired Company, adjusted by the balance of the groupings of grants, donations and legacies received and adjustments of changes in value, and any amount of the capital and share premium, if applicable, issued by the absorbing company are recorded in reserves.

3. Operational and financial risk management

3.1 Description of the main operational risks

Risks related to Brexit

Following the result of the referendum in the United Kingdom in favour of its exit from the European Union (Brexit), and its materialisation as from 31 January 2020, the following risks are considered, the final realization of which is subject to the negotiation process that the British government has to initiate during the transitional period (until 31 December 2020) with the European Union to determine the final conditions of its exit, as well as to the regulatory developments that both the United Kingdom and the European Union may carry out in the event of a no-deal exit as from 1 January 2021

- In 2019, 16.3% of passengers in the Aena S.M.E., S.A. airport network in Spain either came from or went to the United Kingdom, closing with an increase of 1.7% over 2018. The adverse economic developments in the United Kingdom could reduce tourism originating in that country.

- From an operational viewpoint, the risk is focused on airlines as it would involve agreements that will allow the movement of aircraft between the European Union and the United Kingdom. Regarding border control operations, the United Kingdom already enjoyed special treatment since it was not adhered to the Schengen Treaty, so there would be no additional impact. On the other hand, European legislation prevents airlines from operating between European Union countries without a majority ownership and control of community ownership, which could put into question the European ownership of, among others, Iberia, Vueling and Iberia Express to operate in Spain, both in domestic and European routes.

- Additionally, the departure of the United Kingdom from the European Union could affect the fare stability of flights with the United Kingdom as of 1 January 2021 as they would no longer be considered as flights to the European Economic Area and a fee would apply as passengers embarked with international destination, which can mean increases of around 25 %.

- From the standpoint of commercial revenue, the depreciation of the pound compared to the euro means a loss in purchasing power for British passengers, which is affecting the sales of the retail concessions in the airports, and therefore Aena S.M.E., S.A.'s revenues, although much of Aena S.M.E., S.A.'s commercial activity is ensured by the Annual Guaranteed Minimums. Additionally, British passengers would go from the Duty Paid regime to the Duty Free regime.

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

- Investments, expenses and operational difficulties caused by the reconfiguration of passenger flows at airports.

- The Group has evaluated the possible scenarios derived from Brexit, concluding that the probability of deterioration arising from the materialisation of the risks described above is remote.

The Group's management bodies have implemented mechanisms aimed at identifying, quantifying and covering situations of risk. Regardless of the above, situations that can entail a major risk are closely tracked, as are the measures taken in this regard.

Regulatory risks

AENA S.M.E., S.A. operates in a regulated sector and changes or future developments in the applicable regulation may have a negative impact on the income, operating profit and financial position of AENA. In particular, said regulation affects:

- Management of the airport network with public service criteria.

- Regime of airport tariffs.

- Airport security measures (*security*).

- Operational safety.

- Assignment of slots.

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

On 27 January 2017, the Council of Ministers approved the DORA for the period 2017-2021, in which the minimum service conditions that will be in force in airports in the AENA network are set for the next five years, providing a foreseeable regulatory framework in the medium-term that will enable improved levels of efficiency and competitiveness in terms of airport operations.

DORA has been prepared by the Directorate General of Civil Aviation (DGAC), following the proposal submitted by AENA and approved by its Board of Directors on 8 March 2016, duly adjusted to the conditions and principles set out in Act 18/2014, of 15 October. It contains AENA's obligations for a period of five years, establishing amongst other aspects:

- The tariff path, with the establishment of a maximum annual income per passenger (IMAP (MAIP)) that allows AENA to recover costs associated with the provision of basic airport services, costs that also respond to efficiency criteria set forth by the regulator. AENA IMAP (MAIP) will undergo an annual decrease of 2.22 % over the period 2017-2021, starting from 1 March 2017.

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

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

- The amount of operating costs reported in the DORA 2017-2021 were estimated without price effect and prospectively and must be updated through the P index, so any unexceptional deviation such as the current inflationary pressure which may be transferred to service providers is considered an operator risk.

The European Commission initiated an infringement procedure to the Kingdom of Spain in 2012 to assess whether there has been an incorrect transposition of Directive 2009/12/EC, or an incorrect application of Regulation (EC) No. 1008/2008, on common rules for the exploitation of air services in the Community. The resolution of this procedure could lead to changes in the regulatory framework applicable to airport tariffs.

In addition, the activity of AENA is regulated by both domestic and international law in terms of operational safety regarding persons, property and the environment, which may limit activities or growth of AENA airports, and/or require significant investments or expenses. AENA is a state trading company and, as such, its management capacity may be conditioned.

The main shareholder of AENA is a company belonging to the Spanish State. The Spanish State will continue to have control of AENA's operations, and its interests may differ from those of the other shareholders.

Operational risks

The Group's activity is directly related to the levels of passenger traffic and air operations in its airports, so it can be affected by the following factors:

- ✓ Negative developments (economic, financial or other) in Spain and other countries, both those that are origin/destination of traffic (United Kingdom, Germany, France and Italy, among others), as well as others that are competing tourist destinations. In this sense, the recovery of geopolitical stability which competing tourist destinations are beginning to experience affects the number of passengers in the Aena network of airports who may return to those destinations. Additionally, Aena faces risks arising from the dependence of airlines as well as possible bankruptcies and mergers of airlines.

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

- ✓ Aena is exposed to risks related to airport operations (operational and physical security). Events such as terrorist attacks, wars, global epidemics and accidents could have a negative impact on international air traffic.

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

- ✓ Aena is a publicly traded state-owned company and, as such, its management capacity in certain areas (international expansion, recruitment of personnel and suppliers, among others) is affected by the application of public and private laws.

- ✓ Aena depends on the services provided by third parties at its airports. Aspects such as labour disputes and breaches in service levels by these suppliers could have an impact on operations.

- ✓ Aena is exposed to the effects of climate change. This risk entails impacts at economic, operational and reputational levels derived from changes in regulations that may lead to an increase in the price of carbon emissions, the social perception of the air transport business, measures established in relation to the reduction of emissions that could affect short-haul flights and the need to undertake adaptation actions at airports in the medium-long term.

- ✓ Aena's international activity is subject to risks associated with the planning and subsequent development of operations in third countries and the fact that profitability prospects may not be as expected. Specifically, the investment made by the Company in Brazil requires a continuous analysis of its recovery and evolution of its main indicators, which may be affected by the circumstances of the market/country in which it operates.

- ✓ Risk that Aena suffers penalties, financial losses or impairment of its reputation or that it is found liable as a legal entity, due to the breach or defective compliance with legal regulations, rules of conduct and other standards required in its operation.

- ✓ Changes in tax legislation could result in additional taxes or other forms of harm to the tax position of Aena.

- ✓ The group is and will continue to be exposed to the risk of loss in the legal or administrative proceedings in which it is involved.

- ✓ Commercial revenues are associated with the sales of the companies that rent the retail spaces, which could be affected by both the volume of passengers and their higher or lower spending power.

- ✓ Aena's profitability could be affected if it is unable to maintain its current efficiency levels.

- ✓ The regulations for environmental protection could limit the activities or growth of Aena airports, and/or require significant disbursements.

- ✓ Natural disasters and weather conditions may adversely affect the business.

- ✓ Insurance coverage may be insufficient.

- ✓ Aena is exposed to risks related to its indebtedness, whose obligations may limit Aena's activity and the possibility of accessing financing, distributing dividends or making its investments, among others.

The Company's management bodies have implemented mechanisms aimed at identifying, quantifying and covering situations of risk. Regardless of the above, situations that can entail a major risk are closely tracked, as are the measures taken in this regard.

3.2 Description of the main financial risks

The activities of the Aena Group expose it to several financial risks: market risk (including exchange rate risk, fair value risk due to interest rates and price risk), credit risk and liquidity risk. The Group's global risk management programme focuses on the uncertainty of the financial markets and aims to minimise the potential adverse effects on the Group's financial profitability. In specific cases, the Group uses derivative financial instruments to hedge certain risk exposures.

The Board of Management issues policies to manage global risk, as well as specific areas, such as foreign exchange risk, interest rate risk, liquidity risk, the use of derivatives and investment of surplus liquidity.

There is an acknowledgement of financial debt contract between AENA S.M.E., S.A. and its parent company ENAIRE, which originated in the non-monetary contribution that led to the creation of Aena Aeropuertos, S. A. (see Note 1), through which 94.9% of the parent company's bank debt was initially taken on. On 29 July 2014 this contract was novated as outlined in Note 20.

The main financial risks are described below:

a) Market risk

I. Currency risk

The Group is exposed to fluctuations in the exchange rate that can affect its sales, results, equity and cash flows, primarily stemming from:

1. Investments in foreign countries (mainly the United Kingdom, Brazil, Mexico and Colombia) (see Note 2.2).
2. Transactions conducted by affiliate companies and other related parties which operate in countries with currencies other than the euro (mainly the United Kingdom, Brazil, Mexico and Colombia).
3. Loans granted in foreign currency. In relation to the loan granted to LLAHL II in pounds sterling, the Company regularly monitors exchange rate movements and will consider, where appropriate, arranging hedges to prevent fluctuations in the pound sterling versus the euro.

In 2019 there has been a loss in the amount of 2,774 thousand euros (2018: loss of 444 thousand euros) due to exchange differences associated with a loan between companies in the group denominated in pounds (Notes 20 and 31).

In the initial investment for the incorporation of the Brazilian company Aeroportos do Nordeste do Brasil S.A. (“ANB”), “NDF” currency forward contracts have been formalised. These are used to hedge the fair value of the foreign currency risk in firm commitments to acquire a business in certain countries.

The foreign exchange risk over net assets of the Group’s transactions abroad are primarily managed with outside resources in denominations of the corresponding foreign currencies. In particular, with respect to the operation of Luton Airport, its business is hedged as its operational collections and payments are in pounds.

II. Interest rate risk on cash flows and fair value

The Group’s interest rate risk results from borrowings. Loans issued at variable rates expose the Group to interest rate risk from cash flows. Fixed interest rate loans expose the Group to fair value interest rate risks.

The financial expenses are mainly due to the financial debt recognised with the parent company. The Group also has financial expenses arising from bank borrowings (see Note 20).

The Group’s goal when managing interest rates is to optimise the financial expense within the risk limits established, with the risk variables being the Euribor at three and six months, the main reference for long-term debt.

In addition, the value of the financial expense risk over the horizon of the projects is calculated and rate trend scenarios are established for the period to be taken into consideration.

The Group manages the interest rate risk in the cash flows through swaps from variable to fixed interest rates (see Note 12). On 10 June 2015, the Company engaged in an operation from variable interest coverage to fixed for a notional amount of 4,195.9 million euros to cover part of its exposure to this debt with the parent company ENAIRE. The average spread of these loans over 3- and 6-month Euribor is 1.0379%. The execution fixed rate was 1.978%. The objective of the transaction was to provide a stable framework of interest rates in the DORA 2017-2021 period. On 31 December 2019, the total amount of liability for these interest rate swaps was 125,777 thousand euros (2018: 89,283 thousand euros) (Note 12).

The Group, through its subsidiary LLAAH III, is exposed to debt nominated in British Pounds and referenced to LIBOR in its hedging relationships, which are subject to interest rate reform. The entire debt referenced to GBP LIBOR is covered by interest rate SWAPS with notional amounts of £80 million (see Notes 12 and 20).

The Group has closely monitored the market and the work of the various industry groups that manage the transition to the new reference interest rates. This includes announcements made by LIBOR regulatory bodies (including the Financial Conduct Authority (FCA) and the US Commodity Futures Trading Commission) regarding the transition from LIBOR (including GBP LIBOR, USD LIBOR and JPY LIBOR) to Sterling Overnight Index Average Rate (SONIA), the Secured Overnight Financing Rate (SOFR), and the Tokyo Overnight Average Rate (TONA), respectively.

In response to these announcements, the Group has established a transition program in which the Treasury and Finance area is involved under the supervision of the Chief Financial Officer. The objective of the program is to define in which areas of the business there are exposures to LIBOR, and to prepare and present an action plan to allow a smooth transition towards alternative reference types. The Group intends that its transition and its alternative plans be underway by the end of 2020.

None of the Group's current contracts referenced to GBP LIBOR include solid and adequate alternative provisions for an interruption of the referenced interest rates. The different working groups in the industry are working in an alternative language for different instruments and different types, which the Group is monitoring closely and which will apply when appropriate.

The Company maintains a continuous relationship with the *Arrangers* Financial Entities of the current debt to manage the bank liabilities affected at GBP LIBOR.

At 31 December 2019, if the interest rate of the variable-interest loans had increased or decreased by 20 basis points while the other variables remained constant, the pre-tax profit for the year would have been 1,473 thousand euros more and 1,473 thousand euros less, respectively (2018: 1,638 thousand euros more and 1,638 thousand euros less, respectively).

The revisable interest rate, which is primarily applicable to the loan with the European Investment Bank, has a fixed interest rate which remains steady throughout the entire period (usually 4 years). Upon termination of this period, it is reviewed by the Group to decide whether to continue with the same system or change it for a fixed rate at maturity or a variable rate. In this regard, 25,573 thousand euros of EIB loans were converted in 2019 from a revisable to a fixed-rate maturity regime, moving from an interest rate of 1.630% to 0.719% (in 2018 there was no change in the regime).

As a result of all this, the composition of debt by type of interest rate on 31 December 2019 remains at 87% for fixed rate debt, compared to 13% with variable interest (on 31 December 2018: 88% fixed and 12% variable), if the effect derived from the interest rate swaps contracted is taken into account.

b) *Credit risk (Note 10)*

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

Credit risk relating to trade accounts is reduced, given that the main clients are airlines, usually collected in cash or in advance. As for retail customers who have leased premises in the various airports, their risk is managed by obtaining sureties and guarantees. As of 31 December 2019, the Group, in addition to the guarantees and other sureties imposed in cash included in the consolidated statement of financial position, has guarantees and other sureties related to the normal course of business for an amount of 509,496 thousand euros (2018: 359,928 thousand euros).

On 5 March 2011 the Official Gazette published Law 1/2011 dated 4 March 2011, which amends Law 21/2003 dated 7 July 2003 on Air Security, which stipulated that for the management, liquidation and payment of all public airport charges of AENA or its subsidiaries, debt collection proceedings may be used to effect the payment, which shall be managed by the collecting bodies of the State Tax Administration Agency.

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

c) *Liquidity Risk*

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

The credit risk policy described in the previous section results in short average collection periods. Additionally, the Group has undertaken a substantial reduction in costs and investments needs to be made in the forthcoming years, which have had a positive effect on its cash flow generation. However, on 31 December 2019 the Group had a negative working capital (calculated as total current assets minus total current liabilities) of 1,327,773 million euros (2018: €385,016 thousand), an EBITDA, calculated as the sum of the operating revenue and depreciation and depreciation of fixed assets in financial year 2019 of 2,766,248 thousand euros (2018: 2,656,586 thousand euros) and does not believe that there is a risk to deal with its short-term commitments given the positive operating cash flows, which the Group predicts will remain positive in the short term. The increase in the Negative Manoeuvre Fund is mainly due to the needs of funds arising from investment in Brazil (see Note 2.2). The Group tracks cash flow generation to ensure that it is capable of meeting its financial commitments.

(Amounts in thousands of euros unless otherwise stated)

At 31 December 2019, Aena S.M.E., S.A. had 409,000 thousand euros available in a syndicated credit facility with long-term maturity (see Note 15); 741,000 thousand euros available from its short-term promissory note programme (ECP) issued on 30 October 2019; 400,000 euros and 86,460 thousand euros of available (undrawn) financing relating to loans with the EIB and 150,000 thousand euros of available financing with Unicaja, which is expected to be drawn down on 15 January 2020 from a bilateral loan signed on 12 December 2019. The Group also has a cash balance at 31 December 2019 of 240,597 thousand euros.

The dependent subgroup LLAH III has 36 million pounds sterling in unused credit lines (2018: 37 million pounds sterling).

The table below includes an analysis of the cash flows generated by the financial liabilities and other receivables associated with the Group and by the financial liabilities related to EINAIRE (Group) borrowings. The classification of debts with financial institutions has been made and complies with the schedule of maturities and the clauses included in the respective financing agreements with these institutions based on the events that might affect each agreement.

At 31 December 2019	2020	2021	2022	2023	2024	Following	Total
ENAIRE loan (Note 20)	633,619	546,349	535,836	514,364	512,641	2,599,670	**5,342,479**
Accrued interest pending payment on ENAIRE borrowings (Note 34.f)	13,162	-	-	-	-	-	**13,162**
Bank borrowings AENA (Note 20.b)	391,000	-	50,000	50,000	50,000	100,000	**641,000**
Accrued interest pending payment on loans from AENA credit institutions (Note 20.b)	40	-	-	-	-	-	**40**
AENA Short-term Issue (ECP) Programme (Note 20.b)	159,000	-	-	-	-	-	**159,000**
Bank borrowings LLAH III (Note 20.b)	3,543	-	-	-	86,977	326,715	**417,235**
Public creditors for AIRM concession (Note 20)	-	-	-	-	-	47,222	**47,222**
Aena lease liabilities (Note 20)	5,056	5,293	5,521	5,694	2,161	1,913	**25,638**
Lease liabilities LLAH III (Note 20)	4,764	3,264	3,253	3,565	3,782	23,222	**41,850**
Lease liabilities ANB (Note 20)	134	134	-	-	-	-	**268**
Loans with LLAH III shareholders (Note 20.b)	-	-	-	54,518	-	-	**54,518**
Interest paid from loan with LLAH III shareholders III (Note 20)	418	-	-	-	-	-	**418**
Other financial liabilities (Note 20)	28,318	21,736	19,386	16,382	10,776	77,919	**174,517**
Trade and other payables (excluding customer advances and tax liabilities) (Notes 10 and 19)	526,943	-	-	-	-	-	**526,943**
Interest on AENA S.M.E., S.A. debt (*)	70,581	62,617	55,490	47,716	40,030	120,352	**396,786**
Interest on LLAH III bank debt	17,151	16,549	16,549	16,549	15,307	39,709	**121,814**
Interest on LLAH III shareholder loan	4,631	4,631	4,631	3,907	-	-	**17,800**

(*)Estimated calculation of the interest on the average annual loan from each period calculated with the average interest rate in the period January-December 2019.

At 31 December 2018	2019	2020	2021	2022	2023	Following	Total
ENAIRE loan (Notes 20 and 34.f)	633,744	633,619	546,349	535,836	514,364	3,112,311	**5,976,223**
Accrued interest pending payment on ENAIRE borrowings (Note 34.f)	14,895	-	-	-	-	-	**14,895**
Bank borrowings AENA (Note 20.b)	-	-	-	650,000	-	-	**650,000**
Accrued interest pending payment on loans from AENA credit institutions (Note 20.b)	1,841	-	-	-	-	-	**1,841**
Bank borrowings (Note 20.b)	51,419	-	-	-	-	344,019	**395,438**
Public creditors for AIRM concession	-	-	-	-	-	47,590	**47,590**
Financial lease liabilities (note 20.c)	2,246	2,339	2,426	2,498	2,694	8,002	**20,205**
Loans with LLAH III shareholders (Note 20.b)	-	-	-	-	51,854	-	**51,854**
Interest paid from loan with LLAH III shareholders III (Note 20)	398	-	-	-	-	-	**398**
Other financial liabilities (Note 20)	28,870	44,499	8,918	21,524	14,840	33,740	**152,391**
Trade and other payables (excluding customer advances and tax liabilities) (Notes 10 and 19)	465,686	-	-	-	-	-	**465,686**
Interest on AENA S.M.E., S.A. debt (*)	82,113	73,898	65,860	54,325	43,614	154,299	**474,109**
Interest on LLAH III bank debt	15,857	15,857	15,857	15,857	15,857	52,775	**132,060**
Interest on LLAH III shareholder loan	4,148	4,148	4,148	4,148	4,148	-	**20,740**

(*) Estimated calculation of the interest on the average annual loan from each period calculated with the average interest rate in the period January-December 2018.

(Amounts in thousands of euros unless otherwise stated)

The breakdown of AENA S.M.E., S.A. loans by applicable interest rate and the annual average interest rate on 31 December 2019 and 31 December 2018, taking into account the hedging derived from the interest rate swaps contracted (see Note 12), is the following:

Thousand euros	31 December 2019		31 December 2018	
	Balance	Average rate	Balance	Average rate
Variable	736,602	0.21	818,772	0.18
Reviewable	-	1.61	27,400	1.61
Permanent	4,855,878	1.40	5,780,051	1.45
TOTAL	**5,592,480**	**1.25**	**6,626,223**	**1.30**

3.3 Capital management

The Group's objectives when managing capital are to safeguard its capacity to remain a viable business and to provide shareholders with profits and maintain an optimal capital structure in order to lower the cost of capital.

The Group monitors the capital structure on the basis of the debt ratio. (see Note 20).

In addition, and in the framework of the Strategic Plan 2018-2021, AENA's Board of Directors approved a shareholder remuneration policy consisting in the distribution as dividends of an amount equivalent to 80% of each individual year's net profit, excluding non-recurring (exceptional) items. This policy was approved for the distribution of profits for 2018, 2019 and 2020. However, the Board of Directors may change it in exceptional circumstances, in the terms set forth in the policy.

4. Accounting estimates and judgements

The preparation of the consolidated annual accounts under IFRS requires assumptions and estimates to be made which have an impact on the reported amounts of assets, liabilities, income, spending and their related breakdowns. The estimates and hypotheses used are based, among others, on historical experience and other factors, including forecast future events, considered reasonable in view of the facts and circumstances considered on the statement of financial position date. Actual results may differ from the estimates.

Understanding the accounting policies for these elements is important in order to understand the consolidated annual statements. Below is further information on the estimates and assumptions used for these elements in accordance with the IFRS, which should be considered in conjunction with the notes on the consolidated annual accounts.

The most critical policies, which reflect significant management assumptions and estimates to determine amounts in the consolidated annual accounts, are the following:

(a) Determination of cash-generating units (Note 2.8).
(b) Possible impairment of intangible assets, property, plant and equipment and investment property.
(c) Useful lives of property, plant and equipment.
(d) Evaluation of litigation, provisions, commitments, assets and contingent liabilities at closing date.
(e) Fair value of derivative financial instruments.
(f) Hypotheses used in the determination of liabilities for commitments to pensions and other commitments to the personnel.
(g) Criteria to report regulated income in the DORA period.
(h) Principles for recognition of income from the minimum guaranteed rents in the contract with World Duty Free Global (DUFRY).
(i) Lawsuits and sources of uncertainty related to the application of IFRS 9 and IFRS 15.

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

At the date these interim consolidated financial statements were prepared no relevant changes in the estimates were expected, and therefore there are no significant perspectives for adjustments to the values of recognised assets and liabilities and 31 December 2019 and 2018.

Although these estimates were based on the best information available at the end of each year, future events may require these estimates to be modified (increased or decreased) in subsequent years, which would be done in accordance with the provisions of IAS 8 on a prospective basis, recognising the effects of the change in the estimate in the corresponding consolidated income statement. Las políticas contables más significativas del Grupo se describen con mayor detalle en la Nota 2.

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) and (b) Determination of cash generating units and impairment of goodwill, intangible assets, property, plant and equipment and investment property

Every year, the Group checks whether the goodwill, intangible assets, tangible fixed assets and real estate investments have undergone any loss due to impairment of value, in accordance with the accounting policy described in Note 2.8, which describes how management identifies the cash-generating units (CGU) and the methodology used to subject the assets assigned to them to impairment tests. Identification and grouping of the CGU is based on income generation and flow of identifiable assets for these groups of cash as well as in certain other assumptions based on how the management manages the assets and the regulatory framework applicable to them. Also, the recoverable amounts of the CGUs have been determined based on value in use calculations. These calculations are based on estimates based on assumptions relating to projections of results, investments and working capital, discount rates and growth rates. Changes and variations in one or more of those assumptions could affect the identification of CGU and the estimated recoverable amount used for the purpose of impairment testing thereof.

(c) Useful lives of property, plant and equipment

The recognition of investments in property, plant and equipment implies the application of estimates to determine the useful life of the property, plant and equipment for the purposes of depreciation. The calculation of useful lives is associated with estimates relating to the level of use of the assets and expected technological evolution. The assumptions relating to the level of use, technological framework and future developments imply a significant degree of judgment, taking into account that these aspects are very difficult to predict. Changes in the level of the use of assets or changes in technological development could result in revisions of the useful lives and, consequently, in their depreciation.

(d) Evaluation of litigation, provisions, commitments, assets and contingent liabilities

Provisions are recognised when it is probable that a present obligation, resulting from past events, will require the application of resources and when the amount of the obligation may be reliably estimated. The Group estimates the amounts to be paid in the future with respect to employment, expropriation, litigation, taxes, environmental action and other liability commitments. Those estimates are subject to interpretations of current and future events and circumstances, and the relevant estimates of the financial effects of those events and circumstances.

(e) Fair value of derivative financial instruments

The Group uses financial derivatives to mitigate the risks primarily stemming from variations in the interest rates associated with their financing. Derivative financial instruments are recognised at their fair value at the beginning of the contract, and that value is subsequently adjusted at the end of each year.

The data used to calculate the fair value of derivative financial instruments are based on available observable market data, whether based on listed market prices or to the application of valuation techniques (Tier 2). The valuation techniques used to calculate the fair value of derivative financial instruments include the discounting of future cash flows associated with them, using assumptions based on market conditions at the measurement date or the use of prices established for similar instruments, among other methods. These estimates are based on available market information and adequate valuation techniques. The use of different market assumptions and/or estimation techniques could have a significant effect on the calculated fair values.

(f) Provisions for obligations with personnel

The calculation of the expense for pensions and other expenses due to post-retirement benefits requires the application of several hypotheses. At each year-end, Aena Group estimates the provision needed to cover the commitments for pensions and similar obligations in accordance with the advice of independent actuaries. The changes affecting such assumptions may result in the recording of different amounts and liabilities. The most important assumptions are inflation, retirement age and the discount rate used. Changes in these hypotheses will have an impact on the future expenses and liabilities for pensions.

(g) Criteria to report regulated income in the DORA period.

In accordance with the criteria indicated in Note 2.21, this income is reported at the time of the provision of the airport service for the amount corresponding to the regulated airport fare applicable under DORA.

(h) Reporting of income from minimum annual guaranteed rents from the contract with World Duty Free Global (DUFRY)

During financial year 2013, AENA S.M.E., S.A. awarded World Duty Free Group (DUFRY) a multi-year contract to manage the *duty free* and *duty paid* specialty shops in the three sets of airports until 2020. The fees are based on the volumes of sales in these specialty shops. The management of the Group evaluated the substantial characteristics of the contract in accordance with the accounting policies described in Notes 2.21 and 2.22 concluded that the revenue from the contract should be recognised on an accrual basis, while considering the charges imposed as contingent, although contractually certain fees are set regardless of the volume of sales made by the specialty shops. The judgement of management when determining the variability of contract fees is based on the substance thereof and future variability factors that influence the determination of such fees, including spaces allocated to stores, duration of availability of such spaces, the variability of airport passenger traffic and the ability of parties to obtain a minimum cost associated with contract, among other factors. Future changes to contract conditions evaluated by the management of the Group could result in a different revenue recognition compared to what AENA S.M.E., S.A. has applied to this contract up to now. For new contracts with characteristics similar to this one, the Group has continued to follow the same revenue recognition criteria.

5. Operating segment information

The Group carries out its business activities in the following segments: Airports, Real Estate Services, International and SCAIRM.

The Airports segment substantially includes the Group's operations as the airport operator as described in Note 1, which are identified with the so-called Aviation activity. In addition, the Airports segment includes the management of commercial spaces in airport terminals and the car park network, which are identified in Commercial activity in accordance with the criteria explained in Note 2.21 of the Consolidated Financial Statements.

The Real estate services segment substantially includes the Group's operation of the industrial and real estate assets that are not included in those terminals.

The International activity relates to the Group's international development, which coincides with the operations carried out by the subsidiary Aena Desarrollo Internacional, S.A., and consists in investments in other airport operators, mainly in the United Kingdom, Brazil, Mexico and Colombia (see Note 2.2). Information relating to the dependent subgroup LLAH III is included in the International activity, since the revenue, profit and assets are less than 10% of the aggregate values of the Group.

The SCAIRM segment corresponds to the activity of the company "Aena Sociedad Concesionaria del Aeropuerto Internacional de la Región de Murcia S.M.E., S.A." which is considered to be a single cash generating unit in itself.

The Chairman and CEO is the maximum authority with respect to taking operational decisions. The Group has determined the operating segments based on information reviewed by the Chairman and CEO for the purposes of assigning resources and evaluating performance.

The President and CEO evaluate the performance of the operating segments according to the EBITDA (defined as earnings before financial results, income tax, and depreciation, i.e. calculated as the sum of he operating revenue and of the amortisation of fixed assets). During the years 2019 and 2018, the EBITDA calculated in the manner explained above has been adjusted for the impairments and disposals of fixed assets.

The operating segment information supplied to the maximum authority for the taking of decisions for the financial years 2019 and 2018 was obtained from the Group management's accounting information systems, and has been assessed in accordance with criteria in line with those applied in these consolidated financial statements. Operating segment information is presented as analysed at the present time by the highest decision-making authority.

The group's analytical accounting is based on the ABC (*Activity Based Costing*) methodology for determining the cost of services provided, both for airports as well as commercial services.

This methodology establishes the allocation of expenses based on their nature to the different activities defined in the model which are both operating and support under the premise that services consume activities which, in turn, consume resources.

Given the ABC philosophy, the technical support and administrative activities basically comprise all the indirect or general expenses which are needed for the operational functioning of the airports. The support activities pour their cost into operating activities and they, in turn, divide their costs into services provided via objective, causal assignment criteria.

(Amounts in thousands of euros unless otherwise stated)

Costs are assigned via cause-effect relationships throughout the entire model, guaranteeing that the result is a faithful reflection of the operating reality and management of the organisation.

On the other hand, the expenses of the corporate unit are assigned according to the same ABC methodology. The activities defined in the corporate model are the reflection of the group's organisational chart and those activities are therefore defined as resource-consuming units. Each management assigns their own expenses (employment costs, current expenses, depreciation, etc.) depending on their nature to the different activities defined, thus establishing the consumption of resources per activity.

Once the cost per activity has been calculated, the model establishes cause-effect relationships between the activities and the ultimate purpose of the costs using different allocation criteria, thus attributing the consumption of resources to the services provided and ultimately to the business segments.

In the operating segment information as of 31 December 2019 costs have been adjusted in accordance with the DORA Resolution of 27 January 2017. According to this document and for regulatory purposes, costs of airport activity have been reduced annually by 38.5 million euros (including capital cost to 6.98%) with the following breakdown: Staff 1.6 million euros; Amortisation and depreciation 11.4 million euros; Other operating expenses 12 million euros and Capital cost 13.5 million euros. Consequently, the annual cost of aeronautical activity for 2019 has been reduced by 23.5 million euros in operating expenses due the aforementioned cost reallocation, with the costs being transferred to services subject to private prices included in "Commercial" activity.

In the financial reporting by segments as of 31 December 2018 the costs were adjusted in accordance with the DORA Resolution of 27 January 2017. According to this document and for regulatory purposes, costs of airport activity dropped annually by 35.9 million euros (including capital cost to 6.98%) with the following breakdown: Staff 1.6 million euros; Amortisation and depreciation 11.9 million euros; Other operating expenses 10.1 million euros and Capital cost 12.3 million euros. Consequently, the annual cost of aeronautical activity for 2018 was reduced by 23.6 million euros in operating expenses due the aforementioned cost reallocation, with the costs being transferred to services subject to private prices included in "Commercial" activity.

The EBITDA reconciliation and the EBITDA adjusted to the results for the years ended 31 December 2019 and 31 December 2018 is as follows:

Item	**31 December 2019**	**31 December 2018**
Total adjusted EBITDA	**2,775,644**	**2,718,941**
Losses on property, plant and equipment	(9,396)	(62,355)
Total segment EBITDA	**2,766,248**	**2,656,586**
Depreciation and amortization	(788,969)	(806,383)
Operating revenue	**1,977,279**	**1,850,203**
Net financial expense	(116,876)	(133,005)
Share of profits in associates	22,446	20,155
Income tax	(437,174)	(409,602)
Profit/(loss) for the period	**1,445,675**	**1,327,751**
Results attributable to non-controlling intereset	3,653	(131)
Profit/(loss) for the period attributable to the parent company shareholder	**1,442,022**	**1,327,882**

The financial information by segments for the 2019 and 2018 financial years is as follows (in thousands of euros):

31 December 2019	Airports Aeronautical	Airports Commercial	Real estate services	Subtotal	AIRM	International	Adjustments (*)	Total consolidated
ordinary revenue-	2,843,947	1,236,939	78,659	4,159,545	15,209	270,208	(1,402)	4,443,560
External customers	*2,843,843*	*126,939*	*78,659*	*3,049,441*	*15,209*	*268,910*	-	*3,333,560*
Inter-segments	*104*	-	-	*104*	-	*1,298*	*(1,402)*	-
Other revenue	49,248	10,852	1,462	61,562	61	204	(2,134)	59,693
Total revenue	**2,893,195**	**1,247,791**	**80,121**	**4,221,107**	**15,270**	**270,412**	**(3,536)**	**4,503,253**
Subcontracted work and other supplies	(170,206)	-	-	(170,206)	(1,467)	-	1,131	(170,542)
Staff	(352,579)	(41,056)	(9,245)	(402,880)	(4,199)	(49,094)	-	(456,173)
Other operating expenses	(753,687)	(175,270)	(26,032)	(954,989)	(12,178)	(124,363)	2,400	(1,089,130)
Depreciation and Amortisation	(605,112)	(99,668)	(15,776)	(720,556)	(2,037)	(66,376)	-	(788,969)
Losses on property, plant and equipment	(7,643)	(1,541)	(155)	(9,339)	-	(57)	-	(9,396)
Other results	1,154	483	(13,403)	(11,766)	2	-	-	(11,764)
Total expenses	**(1,888,073)**	**(317,052)**	**(64,611)**	**(2,269,736)**	**(19,879)**	**(239,890)**	**3,531**	**(2,525,974)**
EBITDA	**1,610,234**	**1,030,407**	**31,286**	**2,671,927**	**(2,572)**	**96,898**	**(5)**	**2,766,248**
Losses on property, plant and equipment	7,643	1,541	155	9,339	-	57	-	9,396
Adjusted EBITDA	**1,617,877**	**1,031,948**	**31,441**	**2,681,266**	**(2,572)**	**96,955**	**(5)**	**2,775,644**
Operating revenue	**1,005,122**	**930,739**	**15,510**	**1,951,371**	**(4,609)**	**30,522**	**(5)**	**1,977,279**
Net finance result	(69,263)	(19,489)	(2,795)	(91,547)	(1,462)	(23,867)		(116,876)
Share of profits in associates	-	-	-	-	-	22,446	-	22,446
Profit/(loss) before tax	**935,859**	**911,250**	**12,715**	**1,859,824**	**(6,071)**	**29,101**	**(5)**	**1,882,849**
Total Assets	-	-	-	14,043,052	59,438	1,337,541	(549,488)	14,890,543
Total Liabilities	-	-	-	7,761,801	52,400	1,067,133	(372,667)	8,508,667

31 December 2018	Airports Aeronautical	Airports Commercial	Real estate services	Subtotal	International	Adjustments (*)	Total consolidated
ordinary revenue-	2,754,249	1,144,150	67,215	3,965,614	237,856	(2,064)	4,201,406
External customers	*2,754,227*	*1,144,150*	*67,215*	*3,965,592*	*235,814*	-	*4,201,406*
Inter-segments	*22*	-	-	*22*	*2,042*	*(2,064)*	-
Other revenue	98,569	18,200	1,743	118,512	201	130	118,843
Total revenue	**2,852,818**	**1,162,350**	**68,958**	**4,084,126**	**238,057**	**(1,934)**	**4,320,249**
Subcontracted work and other supplies	(174,694)	-	-	(174,694)	-	1,758	(172,936)
Staff	(324,629)	(40,660)	(9,560)	(374,849)	(48,876)	-	(423,725)
Other operating expenses	(702,982)	(174,803)	(22,128)	(899,913)	(106,689)	126	(1,006,476)
Depreciation and Amortisation	(626,966)	(107,303)	(16,676)	(750,945)	(55,438)	-	(806,383)
Impairment of fixed assets	(43,061)	(2,914)	(273)	(46,248)	-	-	(46,248)
Profits (losses) in fixed asset retirements	(13,128)	(2,448)	(260)	(15,836)	(271)	-	(16,107)
Other results	457	1,364	8	1,829	-	-	1,829
Total expenses	**(1,885,003)**	**(326,764)**	**(48,889)**	**(2,260,656)**	**(211,274)**	**1,884**	**(2,470,046)**
Operating revenue	**967,815**	**835,586**	**20,069**	**1,823,470**	**26,783**	**(50)**	**1,850,203**
Depreciation and Amortisation	626,966	107,303	16,676	750,945	55,438	-	806,383
EBITDA	**1,594,781**	**942,889**	**36,745**	**2,574,415**	**82,221**	**(50)**	**2,656,586**
Losses on property, plant and equipment	56,189	5,362	533	62,084	271		62,355
Adjusted EBITDA	**1,650,970**	**948,251**	**37,278**	**2,636,499**	**82,492**	**(50)**	**2,718,941**
Net finance result	(99,479)	(11,127)	(3,387)	(113,993)	(19,012)		(133,005)
Share of profits in associates	-	-	-	-	20,155	-	20,155
Profit/(loss) before tax	**868,336**	**824,459**	**16,682**	**1,709,477**	**27,926**	**(50)**	**1,737,353**
Total Assets	-	-	-	14,173,557	907,811	(182,298)	14,899,070
Total Liabilities	-	-	-	8,236,275	646,388	(7,398)	8,875,265

(*) The adjustments column primarily includes consolidation adjustments.

The Group made the initial application of IFRS 16 on 1 January 2019, which entailed recognising *Right-of-use assets* and *liabilities for leases* amounting to 49,437 thousand euros in order to recognise contracts that had previously been treated as operating leases (see Note 2.1). At 31 December 2019, these assets and liabilities had been allocated to the Group's various segments by applying the criteria of the cost accounting system described previously.

As a consequence of the entry into force of IFRS 16, financial and amortisation expenses have been recognised instead of lease expenses. During the year ended 31 December 2019, the Group recognised 6,378 thousand euros of depreciation on Right-of-use assets and 1,939 thousand euros of finance charge accrued on the Lease liability associated with these contracts, reducing the lease charge by 7,334 thousand euros. The difference in criteria between the tax and accounting expense has led to the recording of a temporary difference in corporate income tax amounting to 87 thousand euros.

In addition, since the new standard also repeals SIC-15 "Operating Leases-Incentives" (Note 2.2), the income statement for the year ended 31 December 2019 of the commercial business includes 12,133 thousand euros of commercial revenue from duty-free shops that would not have appeared as such had IAS 17 and SIC-15 been in force. This income is offset by an increase in financial expenses by the same amount and, therefore, there is no impact on net income for the period for this reason.

As a result, the total impact on the Income Statement for the year ended 31 December 2019 arising from all the foregoing events is negative by 896 thousand euros, while EBITDA and adjusted EBITDA increase by 19,467 thousand euros.

The adoption of IFRS 16 meant that earnings per share decreased by 0.005971 euros for the year ended 31 December 2019.

(Amounts in thousands of euros unless otherwise stated)

Breakdown of ordinary revenue

The breakdown of ordinary revenue from the subtotal included in the financial information by activities (excluding the International activity and the Adjustments), by type of service rendered, is as follows:

	2019	2018
Airport services	**2,843,947**	**2,754,249**
Aeronautics - Airport Charges	**2,768,380**	**2,676,491**
Landing charges	743,409	732,952
Parking charges	44,696	37,431
Passengers	1,284,742	1,227,104
Telescopic boarding gates	101,183	106,830
Security	440,930	426,749
Handling charges	108,591	100,830
Fuel	32,980	33,747
Catering	11,849	10,848
Other airport services (1)	**75,567**	**77,758**
Commercial services	**1,236,939**	**1,144,150**
Leases	34,452	33,591
Specialty Shops	114,805	106,428
Duty Free Shops	343,755	318,046
Food and Beverage	224,344	200,690
Car Rental	154,362	152,739
Car parks	158,489	143,797
Advertising	26,043	33,171
VIP services (2)	78,834	64,228
Other commercial revenue(3)	101,855	91,460
Real estate services	**78,659**	**67,215**
Leases	14,672	12,632
Cargo logistics centres	29,908	24,166
Hangars	8,092	8,145
Cargo logistic centres	17,412	15,383
Real Estate Operations	8,575	6,889

1) Includes Check-in desks, Use of 400 Hz, Fire services, Left-luggage offices and Other income.
2) Includes rental of VIP Lounges, VIP packages, other rooms, Fast-track and Fast-lane.
3) Includes Commercial operations (banking services, Luggage plastic-wrapping machines, telecommunications services, vending machines, etc.), Commercial supplies, and Filming and recording.

Except for the International activity that maintains primary investments in the United Kingdom, Brazil, Mexico and Colombia, the Group carries out its operations in Spain.

An approximate amount of the ordinary revenue of 444,448 thousand euros, 426,367 thousand euros and 373,513 thousand euros for financial year 2019 correspond to three customers, respectively (three customers for financial year 2018: 421,337 thousand euros, 399,340 thousand euros and 350,906 thousand euros, respectively). These figures correspond to the Airports segments.

(Amounts in thousands of euros unless otherwise stated)

Geographical information:

ordinary revenue from external customers is distributed geographically as follows:

	2019	2018
Country	**Volume**	**Volume**
Spain	4,175,651	3,966,773
Brazil	401	-
United Kingdom	258,466	227,549
Luxembourg	284	-
United States	28	-
Mexico	7,272	5,764
Colombia	1,458	1,291
Cuba	-	29
TOTAL	**4,443,560**	**4,201,406**

The items of Tangible Fixed Assets, Intangible Assets and Real Estate Investments within the non-current assets of the accompanying statement of financial position, valued at net book value, are located as follows:

Financial year 2019:

Country	Property, plant and equipment	Intangible Assets	Real Estate Investments	TOTAL
Spain	12,409,696	159,471	140,928	12,710,095
Brazil	103	502,155	-	502,258
United Kingdom	260,907	347,618	-	608,525
	12,670,706	**1,009,244**	**140,928**	**13,820,878**

Financial year 2018:

Country	Property, plant and equipment	Intangible Assets	Real Estate Investments	TOTAL
Spain	12,614,929	147,049	138,183	12,900,161
United Kingdom	257,852	359,947	-	617,799
	12,872,781	**506,996**	**138,183**	**13,517,960**

(Amounts in thousands of euros unless otherwise stated)

Activity in the United Kingdom comes from the subsidiary subgroup LLAH III, from which the following information is presented prior to intercompany eliminations:

Thousand euros	**31 December 2019**	**31 December 2018**
Non-current assets	644,617	625,212
Current assets	53,652	49,838
Non-current liabilities	657,643	566,021
Current liabilities	89,452	131,614

	31 December 2019	**31 December 2018**
Income	258,466	227,549
Operating revenue	33,568	23,695
EBITDA	99,587	78,714
Net finance result	(24,733)	(23,418)
Profit/(Loss)	7,458	(267)
Comprehensive income for the period	(614)	997
Cash flow from operating activities	52,627	44,866
Cash flow from investing activities	(28,916)	(53,236)
Cash flow from financing activities	(22,993)	(2,504)

(Amounts in thousands of euros unless otherwise stated)

6. Property, Plant and Equipment and Right-of-Use Assets

a) Property, plant and equipment

	Land and buildings	Plant and machinery	Fixtures and fittings	Other property, plant and equipment	Under construction	Total
On 01 January 2019						
Cost or valuation	17,004,412	1,382,052	4,676,197	143,004	414,410	23,620,075
Transition IFRS16 (cost)	(17,829)	(8,636)	-	-	-	(26,465)
Accumulated depreciation	(6,270,233)	(966,842)	(3,325,654)	(138,560)	-	(10,701,289)
Transition IFRS16 (Depreciation)	7,429	4,176	-	-	-	11,605
Impairment	(41,792)	(2,434)	(1,418)	-	(361)	(46,005)
Carrying amount at 01 January 2019	**10,681,987**	**408,316**	**1,349,125**	**4,444**	**414,049**	**12,857,921**
Additions	94,573	35,453	49,904	1,258	375,157	556,345
Disposals	(129,614)	(48,389)	(71,616)	(1,080)	(4,381)	(255,080)
Transfers (Notes 7 and 8)	175,962	64,897	49,348	256	(293,387)	(2,924)
Difference in cost conversion	12,113	1,685	-	-	1,395	15,193
Allocation to depreciation	(402,357)	(76,222)	(244,149)	(1,187)	-	(723,915)
Accumulated depreciation disposals	66,722	44,146	67,489	1,075	-	179,432
Transfers (Notes 7 and 8)	(3,683)	638	3,732	8	-	695
Difference in depreciation conversion	(2,866)	56	-	-	-	(2,810)
Deterioration application	41,683	2,397	1,408	-	361	45,849
Carrying amount at 31 December 2019	**10,534,520**	**432,977**	**1,205,241**	**4,774**	**493,194**	**12,670,706**
On 31 December 2019						
Cost or valuation	17,139,617	1,427,062	4,703,833	143,438	493,194	23,907,144
Accumulated depreciation	(6,604,988)	(994,048)	(3,498,582)	(138,664)	-	(11,236,282)
Impairment	(109)	(37)	(10)	-	-	(156)
Carrying amount at 31 December 2019	**10,534,520**	**432,977**	**1,205,241**	**4,774**	**493,194**	**12,670,706**

	Land and buildings	Plant and machinery	Fixtures and fittings	Other property, plant and equipment	Under construction	Total
On 01 January 2018						
Cost or valuation	16,827,701	1,373,078	4,600,852	142,313	379,165	23,323,109
Accumulated depreciation	(5,897,992)	(958,156)	(3,122,921)	(138,094)	-	(10,117,163)
Impairment	-	-	-	-	-	-
Carrying amount at 01 January 2018	**10,929,709**	**414,922**	**1,477,931**	**4,219**	**379,165**	**13,205,946**
Additions	102,389	23,803	95,910	1,050	284,374	507,526
Disposals	(66,817)	(73,060)	(68,096)	(649)	(11,047)	(219,669)
Transfers (Notes 7 and 8)	142,994	58,692	47,531	290	(237,717)	11,790
Difference in cost conversion	(1,855)	(461)	-	-	(365)	(2,681)
Allocation to depreciation	(408,339)	(77,392)	(266,231)	(1,093)	-	(753,055)
Accumulated depreciation disposals	48,200	69,892	65,399	637	-	184,128
Amortisation transfers (Notes 7 and 8)	(12,532)	(1,247)	(1,901)	(10)	-	(15,690)
Conversion difference amortisation	430	61	-	-	-	491
Impairment allocation year (Note 4.a)	(41,792)	(2,434)	(1,418)	-	(361)	(46,005)
Carrying amount at 31 December 2018	**10,692,387**	**412,776**	**1,349,125**	**4,444**	**414,049**	**12,872,781**
On 31 December 2018						
Cost or valuation	17,004,412	1,382,052	4,676,197	143,004	414,410	23,620,075
Accumulated depreciation	(6,270,233)	(966,842)	(3,325,654)	(138,560)	-	(10,701,289)
Impairment	(41,792)	(2,434)	(1,418)	-	(361)	(46,005)
Carrying amount at 31 December 2018	**10,692,387**	**412,776**	**1,349,125**	**4,444**	**414,049**	**12,872,781**

(Amounts in thousands of euros unless otherwise stated)

The main additions recognized in 2019 and 2018 are described below:

Land and buildings

The main additions in the 2019 fiscal year were the “Regeneration of runway 32R-14L” at Adolfo Suárez-Madrid Barajas airport, the “New floor of the terminal building” at Palma de Mallorca airport, the “Improvement and adaptation of civil engineering and installations of the VIP lounges” at Barcelona-El Prat airport, the work to adapt the apron and taxiways for the London Luton airport, the actions planned in relation to the “Acoustic insulation plans” of Gran Canaria and Tenerife Norte airports, and the “Adaptation of the general aviation platform” at Ibiza airport.

The most significant operations were the “Adaptation of the apron” at Tenerife Sur airport, the “Adaptation of the paving on the apron” at Girona airport, the “Supply with installation of walkways and aircraft handling equipment for terminal 2 phase II” at Málaga airport, the “Improvement of paving on runway 12-30” at Bilbao airport and the “Enlargement of the air conditioning ring of modules C” at Palma de Mallorca airport.

During 2018, the main additions over the period were the “General adaptation of the apron” of Tenerife Sur airport, the planned actions related to the “Acoustic insulation plans” of Palma de Mallorca and Valencia airports, and the “Screeding of the paving on runway 12/30” of Bilbao airport.

The most significant examples of commissioning have been the “Reconstruction of aprons B and C” and the “Increase in the peak capacity of the SATE and new functionalities in check-in” at Palma de Mallorca airport, the “Regeneration of the paving of runway 07L-25R” at Barcelona-El Prat airport, the “Runway screeding” of Fuerteventura airport, and the “New flooring on the ground floor of T1 and T2” of Adolfo Suárez-Madrid Barajas airport.

The Group owns real estate whose separate net values for construction and land, at the close of financial year 2019 and 2018, are the following:

	2019	2018
Cargo logistics centres	3,537,030	3,540,519
Buildings	6,997,490	7,151,868
Total	**10,534,520**	**10,692,387**

Technical facilities, machinery, furniture and other fixed assets

In 2019, the additions in this item of property, plant and equipment amounted to 86,615 thousand euros, highlighting the following:

- 6X6 DE 10000L self-protection extinguishing vehicles at the airports of Gran Canaria, Malaga, Tenerife Norte and Zaragoza, among others.
- Actions related to beaconing at Ibiza airport.
- Unattended passport control posts at the airports of Bilbao, Lanzarote, Fuerteventura and Gran Canaria.

In 2018, the additions in this item of property, plant and equipment amounted to 120,763 thousand euros, highlighting the following:

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

Property, plant and equipment under construction

During the 2019 fiscal year, the main additions of fixed assets in progress refer to the work related to the “Remodelling and expansion of the southern dike building” of Barcelona airport, the “Adaptation of the Baggage Inspection System in Warehouse to the new EDS 3 standard” of several airports of the network, the “Scredding of the runway” at Seville airport, and the “Functional improvements in the terminal building” at Tenerife South airport.

In addition to those indicated in the previous paragraph, the main actions that are underway at 31 December 2019 are: "SICA Systems" in several airports of the network, the "Beaconing actions for compliance with technical standards" and the "Remodelling of the Picasso T-2 terminal building" at Malaga airport. And at Luton Airport, investments in Project Curium, which is making significant progress in all areas.

During the 2018 fiscal year, the main additions of fixed assets underway related to work involving the expansion of the terminal building, new baggage transport system and development of the London Luton airport transport system, the work related to the "General adaptation of the platform" of Tenerife Sur airport, "Extensions of multi-service networks" of several airports in the network, and "Supply and installation of new passport control systems" at Adolfo Suárez-Madrid Barajas, Málaga, Ibiza and Menorca airports.

In addition to those indicated in the previous paragraph, the main actions that were in execution at 31 December 2018 were the "Expansion air conditioning/heating ring of modules C and D" of Palma de Mallorca airport, and "Boarding bridges and service equipment" of Málaga airport, among others. And at Luton airport, the investments in the Curium Project, which is taking shape in the construction of a parking building, the remodelling and improvement of the entrances to the airport, the expansion and remodelling of the terminal building with an expansion of the retail areas, and the redesign of the taxi lanes to improve the traffic flow and expand the platform. This project, which is aimed to increase the airport's current capacity of 12 million passengers per year to 18 million by 2019, is making significant progress in all its areas.

<u>Disposals of non-financial fixed assets</u>

In 2019 the elements of the Murcia-San Javier airport that were not transferred to the Murcia - Corvera airport, also operated by the Aena Group through the company Aeropuerto Internacional de la Región de Murcia (AIRM, S.M.E, S.A.), were permanently derecognised for a net book value of 46,223 thousand euros, corresponding to an impairment loss of 45,849 thousand euros, recorded during the 2018 fiscal year, which was applied in the year. In addition, old assets have been removed for replacement in the course of renovation, such as the work to regenerate runway 32R-14L at the Adolfo Suárez Madrid-Barajas airport, the resurfacing of the runways at the Tenerife Norte and Tenerife Sur airports, and the multi-service network at the Menorca airport.

In addition, in 2019 and 2018, losses are included corresponding to reversals of provisions provided for expropriations or claims from suppliers, when favourable judgements were passed for AENA (see Note 23).

Disposals of property, plant and equipment in 2019 assigned to income have resulted in a total negative result of €9,329 thousand (the negative result of €9,396 thousand in the accompanying income statement also includes -67 thousand euros of losses from real estate investments). In addition, disposals included the following items which have not generated any amount to be recorded in the profit and loss account:

- Reversals of provisions recorded in previous years for fair value differences arising primarily from land expropriations and estimated environmental investments to comply with current legislation, and for litigation related to works, which have been charged to the provisions for risks and expenses accounts (see Note 23) amounted to a total of 13,090 thousand euros.
- Payments to suppliers of fixed assets in relation to amounts activated in previous years, amounted to 7,034 thousand euros.

During the 2018 period, old assets were withdrawn in the realisation of their renovation, such as the screed works of the runway of the La Palma airport, and platforms B and C of the Palma de Mallorca airport and the floors of the T1 of Adolfo Suárez-Madrid Barajas airport; and various facilities at Barcelona-El Prat and Adolfo Suárez Madrid-Barajas airports.

In addition, in 2018 losses are included corresponding to reversals of provisions provided for expropriations or claims from suppliers, when favourable judgements were passed for AENA (see Note 23).

Disposals of property, plant and equipment in 2018 assigned to income resulted in a total negative result of -16,696 thousand euros (the negative result of -16,107 thousand euros in the 2018 income statement also includes one thousand euros of losses on disposals of property, plant and equipment and -209 thousand euros of losses from real estate investments and 799 in profit from property, plant and equipment).

In addition, disposals included the following items whose amount has not been assigned to the income statement:

- Reversals of provisions recorded in previous years for fair value differences arising primarily from land expropriations and estimated environmental investments to comply with current legislation, and for litigation related to works, which were charged to the provisions for risks and expenses accounts (see Note 21) amounted to a total of 13,523 thousand euros.
- Payments to suppliers of fixed assets in relation to amounts activated in previous years, amounted to 6,628 thousand euros.

(Amounts in thousands of euros unless otherwise stated)

Capitalized interest costs

During the year the Group had activated costs for interest for an amount of 458 thousand euros (2018: 570 thousand euros) (Note 31).

Impairment test of property, plant and equipment:

On 15 January 2019, the interruption of civil air operations at Murcia San Javier Air Base has occurred. This fact was considered to be one of the assumptions that the applicable regulations include within the so-called “signs of impairment” of an asset. Also, given that, at 31 December 2018, the cash flows derived from the continued use thereof, up to its definitive closure, were insignificant, it was estimated that the value in use of San Javier was very close to its fair value less the costs of sale. As a result, the impairment test was performed at individual level of said airport and an impairment loss amounting to 46,249 thousand euros was recognised in 2018, of which 45,849 thousand euros has been applied in 2019, corresponding to the carrying amount of all the assets that could not be reused in the AIRM or in the rest of the airports of the network, with the following breakdown:

	2018	**Application**	**2019**
Land and buildings	(41,792)	41,683	(109)
Plant and machinery	(2,434)	2,397	(37)
Other facilities, tools and furnishings	(1,418)	1,408	(10)
Fixed intangible assets underway	(361)	361	-
Total	**(46,005)**	**45,849**	**(156)**

Also, in 2018, the balance of capital grants related to the aforementioned assets amounting to 26,700 thousand euros was applied to income, giving rise to a net impact of 19,549 thousand euros on the 2018 income statement.

In 2019 and 2018, the Group has not detected any signs of impairment of fixed assets other than those mentioned in the previous paragraph regarding Murcia San Javier in 2018. As outlined in Note 4.1, on 31 December 2019 the Group’s management reviewed the 2019 results to determine whether there were significant changes that could lead to signs of impairment of intangible assets, tangible fixed assets and real estate investments. They concluded that there were no signs of impairment. However, in accordance with the procedure described in Note 2.8, and for the network of airports that comprise the Airport segment described in that note as well, at the close of financial years 2019 and 2018, the Group performed the impairment test for the network of airports and did not identify significant impacts in the annual accounts on 31 December 2019 and on 31 December 2018, respectively, including after applying sensitivities on the variables used. The main premises used in 2019 and 2018 were the following:

	2019	**2018**
Growth rate	1.50 %	1.50%
Before-tax discount rate	5.40 %	6.98%
Post-tax discount rate	4.05 %	5.23%

The Group made the calculations on recoverable amounts based on the financial projections approved by management, taking into account the projections included in DORA (see Note 3.1) for the period of the four financial years (2020- 2023).

The discount rate applied to cash flow projections is the Weighted Average Cost of Capital before taxes ($WACC_{BT}$) estimated in DORA according to the CAPM (Capital Asset Pricing Model) methodology, and is determined by the weighted average cost of equity and cost of debt capital.

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

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

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

As a result of the sensitivity analysis performed at year-end 2019, it appears that there are no significant risks associated with reasonably possible changes to the assumptions, considered on an individual basis. That is, management believes that, within the above ranges, no corrections for impairment will be necessary.

(Amounts in thousands of euros unless otherwise stated)

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

Jointly controlled assets

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

The following amounts represent the Group's stake in the assets and liabilities, and the sales and profits of the joint operations, which have been included in the statement of financial position and the income statement:

	31 December	
	2019	**2018**
- Non-current assets	187,022	183,490
- Non-current/corrientes liabilities	-	-
Net assets	**187,022**	**183,490**

	2019	**2018**
- Income	14,541	15,585
- Expenses	(35,680)	(34,520)
Profit/ (loss) after taxes	**(21,139)**	**(18,935)**

There are no contingent liabilities relating to the Group's interest in the joint operations or contingent liabilities in the joint operations itself.

Property, plant and equipment subject to guarantees

The assets of London Luton Airport Holdings I Limited ("LLAH I"), of London Luton Airport Group Limited ("LLAGL") and of London Luton Airport Operations Limited ("LLAOL"), for an amount of 260,907 thousand euros at 31 December 2019, guarantee the bank borrowings of the London Luton Airport Holdings III Limited Group ("LLAH III") (Note 5).

Limitations

Contributed land, buildings and other construction the substance of the non-monetary contribution referred to in Note 1 have lost their status as public domain assets due to the effect of the release established by Article 9 of Royal Decree Law 13/2010 (3 December), which stipulates that all state public domain assets associated with the public business entity "Aeropuertos Españoles y Navegación Aérea" that are not linked to air traffic services, including those used for airport air traffic services, will cease to be public domain assets but this does not mean that the purpose of the expropriation is not altered and therefore the reversal of that process is not appropriate.

There are certain restrictions on the sale of airport assets, agreed in the novation which amends but does not extinguish the financing agreements signed by AENA and ENAIRE with the lending entities, dated 29 July 2014 (see Note 20.a).

b) Right-of-use assets

The Group has entered into lease agreements for various assets such as land and business structures at Luton Airport in the United Kingdom (see Note 7), various facilities and transport vehicles at airports and the head offices of the business in Spain (Edificio Piovera in Madrid), among others.

Until IFRS 16 came into force, the Group classified these contracts as finance or operating leases depending on whether or not all the risks and rewards of ownership of the asset covered by the contract were substantially transferred.

(Amounts in thousands of euros unless otherwise stated)

The valuation of these rights is presented in the accompanying financial position balance sheet at 31 December 2019 under "*Right-of-use assets*". The detail of its composition is as follows:

Right-of-use assets (IFRS 16)	**Land and buildings**	**Plant and machinery**	**Total**
Cost			
Balance at 1 January 2019 - Transition to IFRS 16 (Note 2.1.2.1)	**67,265**	**8,636**	**75,901**
Additions	3,508	-	3508
Translation adjustment	1,631	1,353	2,984
Balance at 31 December 2019	**72,404**	**9,989**	**82,393**
Amortisation			
Balance at 1 January 2019 - Transition to IFRS 16 (Note 2.1.2.1)	**(7,429)**	**(4,176)**	**(11,605)**
Charge for the period	(7,865)	(459)	(8,324)
Translation adjustment	(87)	(652)	(739)
Balance at 31 December 2019	**(15,381)**	**(5,287)**	**(20,668)**
Carrying amount at 31 December 2019	**57,023**	**4,702**	**61,725**

(Amounts in thousands of euros unless otherwise stated)

7. Intangible assets

The movement of this heading during 2019 has been as follows:

	Service concessions	Works and installations of the infrastructure under concession	Software	Goodwill LLAH III	LLAH III concession	Other fixed intangible assets	Fixed intangible assets in progress	Total
On 01 January 2019								
Cost	63,873	1,290	272,609	1,872	482,305	94,451	48,298	964,698
Accumulated depreciation and impairment losses	(7,366)	-	(232,922)	-	(124,230)	(93,184)	-	(457,702)
Carrying amount at 01 January 2019	**56,507**	**1,290**	**39,687**	**1,872**	**358,075**	**1,267**	**48,298**	**506,996**
Additions	510,391	3,534	16,018	-	-	5	15,375	545,323
Disposals	-	-	(552)	-	-	(562)	(679)	(1,793)
Adjustments	(1,824)	-	-	-	-	-	-	(1,824)
Transfers (Notes 6 and 8)	5	1,755	8,724	-	-	756	(5,754)	5,486
Foreign exchange translation differences	(8,614)	(3)	-	-	24,789	-	-	16,172
Allocation to amortisation and impairment	(2,461)	(233)	(18,562)	-	(29,789)	(453)	-	(51,498)
Accumulated depreciation disposals	-	-	547	-	-	805	-	1,352
Amortisation transfers (Notes 6 and 8)	-	(240)	(3,480)	-	-	79	-	(3,641)
Conversion difference amortisation	-	-	-	-	(7,329)	-	-	(7,329)
Carrying amount at 31 December 2019	**554,004**	**6,103**	**42,382**	**1,872**	**345,746**	**1,897**	**57,240**	**1,009,244**
On 31 December 2019								
Cost	563,831	6,576	296,799	1,872	507,094	94,650	57,240	1,528,062
Accumulated depreciation and impairment losses	(9,827)	(473)	(254,417)	-	(161,348)	(92,753)	-	(518,818)
Carrying amount at 31 December 2019	**554,004**	**6,103**	**42,382**	**1,872**	**345,746**	**1,897**	**57,240**	**1,009,244**

(Amounts in thousands of euros unless otherwise stated)

The movement of this heading during 2018 was as follows:

	Service concessions	Works and installations of the infrastructure under concession	Software	Goodwill LLAH III	LLAH III concession	Other fixed intangible assets	Fixed intangible assets in progress	Total
On 01 January 2018								
Cost	17,399	-	249,834	1,872	486,274	94,671	52,228	902,278
Accumulated depreciation	(6,658)	-	(215,713)	-	(95,782)	(92,952)	-	(411,105)
Carrying amount at 01 January 2018	**10,741**	**-**	**34,121**	**1,872**	**390,492**	**1,719**	**52,228**	**491,173**
Additions	46,474	1,290	15,951	-	-	-	4,821	68,536
Disposals	-	-	(396)	-	-	(851)	(1,280)	(2,527)
Transfers (Notes 6 and 8)	-	-	7,220	-	-	631	(7,471)	380
Foreign exchange translation differences	-	-	-	-	(3,969)	-	-	(3,969)
Allocation to depreciation	(708)	-	(17,606)	-	(29,555)	(1,083)	-	(48,952)
Accumulated depreciation disposals	-	-	369	-	-	851	-	1,220
Transfers (Notes 6 and 8)	-	-	28	-	-	-	-	28
Conversion difference amortisation	-	-	-	-	1,107	-	-	1,107
Carrying amount at 31 December 2018	**56,507**	**1,290**	**39,687**	**1,872**	**358,075**	**1,267**	**48,298**	**506,996**
On 31 December 2018								
Cost	63,873	1,290	272,609	1,872	482,305	94,451	48,298	964,698
Accumulated depreciation	(7,366)	-	(232,922)	-	(124,230)	(93,184)	-	(457,702)
Carrying amount at 31 December 2018	**56,507**	**1,290**	**39,687**	**1,872**	**358,075**	**1,267**	**48,298**	**506,996**

NB: in order to make the 2018 tables comparable with those of 2019, the corresponding amount of "Works and installations under concession" has been adapted, which now appear separately from "Concessions". Also, the "Development" caption has been included under "Other intangible assets" due to its low value.

The most significant additions in the year relate to administrative concession for the Northeast Brazil Airports Group (See Note 2.2). The amount activated as an intangible asset refers to 1,900,000,000 Brazilian reals corresponding to the amount of the tender, as well as 334,026,771 Brazilian reals of concession expenses payable to Infraero (advisors, auction expenses and plan of untying Infraero workers), in terms of costs necessary to obtain the contract. Additionally, the previous amounts have increased by 14,601,360 Brazilian reals corresponding to the undertaking by Aena Desarrollo Internacional SME, SA of tender costs derived from obtaining the concession registered in ANB, which have been considered as a contribution of the parent's own funds with counterpart in the intangible asset. These amounts at the average exchange rate considered for the period reach €505,504 thousand.

In 2018 the Group formalised a contract for the management of public services with a concession modality with the Autonomous Community of the Region of Murcia, for the management, operation, maintenance and conservation of Murcia International Airport. The duration of the concession will be 25 years on the terms of the formalisation of the contract.

In both cases, the Group has rated the consideration received as intangible assets, given that such consideration consists of the right to charge the corresponding rates based on the degree of utilisation of the public service provided, assuming the demand risk. Thus, the intangible asset derived from the concession agreement has been valued for the consideration paid or payable, without considering the contingent payments associated with the operation, that is, the updated value of the minimum guaranteed fees.

During the year various investments were made in infrastructure improvements amounting to 3,534 thousands of euros (2018: €0 thousand).

The main additions in 2019 and 2018 under "IT Applications" and "Intangible Fixed Assets in Progress" relate to acquisitions and improvements and developments of new technologies for IT applications, relating to airports and central services. Noteworthy in 2018 are the investments in free Wi-Fi systems at several airports in the network.

The "Other fixed intangible assets" heading mainly includes the Master Plans for airports.

There are no other individually significant intangible assets.

(Amounts in thousands of euros unless otherwise stated)

At year-end of the 2019 and 2018 financial periods, there are no intangible fixed assets subjected to guarantees.

Of the total costs activated on 31 December 2019 and 2018 in the different kinds of intangible fixed assets include assets underway in accordance with the following breakdown (in thousand euros):

	2019	2018
Software	19,533	10,240
Other fixed intangible assets	37,707	38,058
Total	**57,240**	**48,298**

In the 2019 financial period, a total of 28 thousand euros in financial expenses were activated associated with intangible fixed assets (2018: 36 thousand euros) (Note 31).

Service concessions:

The Group operates London Luton airport, the airports in the Northeast of Brazil (Recife, Maceió, Aracajú, Campina Grande, João Pessoa and Juazeiro do Norte airports), the International Airport of the Region of Murcia and the heliports of Ceuta and Algeciras under administrative concession contracts, the main conditions of which are described below:

- Ceuta Heliport:

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

- Algeciras Heliport:

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

- London Luton

On the perimeter of the Group's consolidation, since 16 October 2014 (see Note 2.2) the accounts of the London Luton Airport Holdings III Limited (LLAH III) have been wholly integrated; it was created with the objective, through its 100% subsidiary London Luton Airport Holdings II Limited (LLAH II), which in turn owns 100% of London Luton Airport Holdings I Limited (LLAH I), to carry out the acquisition of London Luton Airport Group Limited on 27 November 2013, the manager and concessionaire of the Luton Airport in the United Kingdom. Luton Airport is managed, as a concession, by LLAOL. The concession contract was signed on 20 August 1998 and ends on 31 March 2031. The concession contract contemplates the existence of the company London Luton Airport Group Limited ("LLAGL") as a guarantee of the operator. The concession of the Luton airport does not meet the requirements of the IFRIC 12 as a service concession (see Note 2.24), but is instead accounted for as a lease (see Notes 2.22 and 30).

- International Airport of the Region of Murcia

As mentioned in Note 2.2 a) the consolidation perimeter of the group globally integrates as of 1 January 2018 the accounts of the group of the company AIRM, S.M.E., S.A., created with the objective of managing the International airport of the Region of Murcia under concession. The summarised main lines of the concession agreement are:

- Once the total term of the concession has ended, the full and unlimited possession of the land and all the existing facilities (including the useful expenses made by the concessionaire and the improvements that may have been incorporated by it) will revert to the Autonomous Community of the Region of Murcia without there being any right to compensation in favour of the Concessionaire.

- Obligation to operate, maintain and preserve the AIRM.

- Right to receive remuneration for the use of the facilities and for the provision of services and activities related to traffic and air transport (landing fees, economic exploitation of the terminal and passenger services, merchandise and air transport companies) or linked to airport management, as well as related activities.

- Before the commissioning of the Airport, the Concessionaire will propose to the granting Administration for its approval the maximum rates to be applied for the airport services, as well as for any other service and activity that it carries out at the Airport. Likewise, before the start of each calendar year, it must propose the updated rates for their approval.

- For its part, the Administration receives an operating fee for passenger traffic, which will be the result of applying a certain amount in concept of rate per passenger/year to the volume of traffic that is reflected in the Annual Traffic Act. The Economic Bid establishes the Traffic Threshold of one million passengers, from which the Company will remunerate the passenger traffic, from the first thereof. The Administration will also have the right to receive a guaranteed minimum fee and to participate in the income derived from the traffic of merchandise.

- Northeast of Brazil Airport Group

As mentioned in Note 2.2, the Group's scope of consolidation includes the group accounts of "*Aeroportos do Nordeste do Brasil, S.A.*", which was created to manage the airports of Recife, Maceió, Aracajú, Campina Grande, João Pessoa and Juazeiro do Norte under a concession, for which the Group was awarded the concession on 15 March 2019. The summarised main lines of the concession agreement are:

- The concession, which has a period of 30 years and can be extended by 5 additional years, is of the BOT (Build, Operate and Transfer) type, does not include ATC (Air Traffic Control) services and follows a Dual-Till model, in which revenues from aeronautical activity are regulated (the maximum income per passenger for airports with more than 1 million passengers is approximately 8 euros and the maximum income is established based on an agreement with the airlines for the rest of the airports) and commercial activity is not regulated.

- In the tender specifications, the National Civil Aviation Agency (ANAC) estimated an investment amount of 2,153 million Brazilian reals (equivalent to 486.6 million euros(at the exchange rate 4.4239 EUR/BRL) divided between mandatory capex aimed at adapting infrastructures to the traffic (25.6% of the total estimated by the Brazilian authority to be executed in the first 3/4 years); non-mandatory discretionary capex (31.7%), mainly aimed at commercial areas; and the maintenance of infrastructures, runways and equipment (42.7%).

- This variable financial consideration is fixed at 8.16% of gross income, with an initial 5-year grace period and five progressive years, which would begin in 2025 at 1.63% and gradually increase to 3.26% in 2026, 4.90% in 2027 and 6.53% in 2028, reaching the 8.16% contractual rate applicable in 2029 and in subsequent years.

- The offer made by Aena represents 141 Brazilian reals per passenger (31.9 euros), and the amount of investment per passenger is 159 Brazilian reals (35.9 euros).

In January 2020, the Group started operating the airports of Juazeiro do Norte and Campina Grande, the rest will be gradually incorporated until the largest one, Recife, is completed at the beginning of March.

Impairment tests for unamortised intangible assets (under development)

In accordance with the procedure described in Note 2.8 and for the network of airports that constitutes the Airports segment, at the end of 2019 and 2018 the Group performed impairment tests on the non-amortised intangible assets and did not identify any adjustments as of 31 December 2019 and 2018, even after applying sensitivities to the variables used.

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on the financial projections included in the DORA (see Note 3.1) for the 2020-2021 period, extending them until 2023. Cash flow projections from the fifth year are calculated using an expected constant growth rate, taking into account the growth estimates for air traffic contained in the DORA (CAGR of 1.8% of passenger traffic for the period 2022-2031).

(Amounts in thousands of euros unless otherwise stated)

The main assumptions used, in 2019 and 2018, to calculate value-in-use are as follows:

	2019	2018
Growth rate	1.50 %	1.50%
Before-tax discount rate	5.40 %	6.98%
Post-tax discount rate	4.05 %	5.23%

Sensitivity to changes to the assumptions

On 31 December 2019, the Group performed a sensitivity analysis of the impairment calculation, using reasonable variations of the main financial assumptions considered in the calculation, assuming the following increases or decreases in percentage points (p.p.):

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

As a result of the sensitivity analysis performed at year-end 2019, it appears that there are no significant risks associated with reasonably possible changes to the assumptions, considered on an individual basis. That is, management believes that, within the above ranges, no corrections for impairment will be necessary.

Fixed assets stemming from the acquisition of LLAH III (Note 2.2)

As for intangible and tangible fixed assets resulting from the acquisition of LLAH III Company, the Group estimated the recoverable amount of the investment and the present value of future cash flows. These future cash flows were estimated in the currency in which they were going to be generated (pounds sterling). AENA converted the present value by applying the exchange rate on the date on which the use value was calculated (exchange rates at the close of 2019: 0.8508; 2018: 0.89453). The significant hypotheses of this estimate were:

- **Financial projections**

These were made bearing in mind the estimates contained in the Business Plan approved by the Board of Management of this Company, which extend until 2031, the year when the concession contract legally expires, given that the Concession Agreement with Luton City Hall gives the Company the right to operate the airport infrastructure until that year. These projections include a scenario of growth up to 18 million passengers in 2021; beyond 2021 it does not consider the growth in passengers, with the growth in the profit stemming solely from the increase in inflation by 2.5%.

- **Discount rate**

A pre-tax discount of 10.74 % was used (2018: 10.79 %). The discount rate applied to cash flow projections is the Weighted Average Cost of Capital before taxes ($WACC_{BT}$) estimated by expert consultants according to the CAPM (Capital Asset Pricing Model) methodology, and is determined by the weighted average cost of equity and cost of debt capital.

- **Sensitivity to changes to the assumptions**

On 31 December 2019 and 2018, a sensitivity analysis of the impairment calculation was performed using reasonable variations of the main financial assumptions considered in the calculation, assuming the following increases or decreases in percentage points (p.p.):

- Discount rate (-0.5 p.p./+0.5 p.p.)
- Reduction in inflation rate (-1 p.p./-2 p.p.)

As a result of the sensitivity analysis performed at year-end 2019, it appears that there are no significant risks associated with reasonably possible changes to the assumptions, considered on an individual basis. That is, management believes that, within the above ranges, no corrections for impairment will be necessary.

As a result of the test, a recoverable amount was obtained which is higher than the book value of these assets. On the basis of the foregoing, the Group management considers that the recoverable amount calculated, at 31 December 2019 and 2018, is greater than the carrying amount of the fixed assets mentioned.

Goodwill stemming from the acquisition of LLAH III (Note 2.2)

In accordance with the impairment calculations carried out, at the end of 2019, it has been considered that there is no need to adjust the goodwill, as the recoverable value (in all cases understood as the value-in-use) is greater than the carrying value.

Likewise, as indicated in the paragraph above, a sensitivity analysis was performed on reasonably possible changes in the main valuation variables, and the recoverable value remains above the net book value.

(Amounts in thousands of euros unless otherwise stated)

8. Investment properties

	Land and buildings	Technical installations and other property, plant and equipment	Total
On 01 January 2019			
Cost or valuation	238,019	5,900	243,919
Amortisation	(93,761)	(5,732)	(99,493)
Accumulated impairment losses	(6,243)	-	(6,243)
Carrying amount at 01 January 2019	**138,015**	**168**	**138,183**
Additions	7,660	-	7,660
Disposals	(131)	(52)	(183)
Transfers (Notes 6 and 7)	(2,562)	-	(2,562)
Allocation to depreciation	(5,195)	(37)	(5,232)
Disposals	64	52	116
Amortisation transfers (Notes 6 and 7)	2,946	-	2,946
Carrying amount at 31 December 2019	**140,797**	**131**	**140,928**
On 31 December 2019			
Cost or valuation	242,986	5,848	248,834
Amortisation	(95,946)	(5,717)	(101,663)
Accumulated impairment losses	(6,243)	-	(6,243)
Carrying amount at 31 December 2019	**140,797**	**131**	**140,928**

	Land and buildings	Technical installations and other property, plant and equipment	Total
On 01 January 2018			
Cost or valuation	229,350	6,058	235,408
Amortisation	(88,215)	(5,842)	(94,057)
Accumulated impairment losses	(6,243)	-	(6,243)
Carrying amount at 01 January 2018	**134,892**	**216**	**135,108**
Additions	4,410	-	4,410
Disposals	(408)	(168)	(576)
Transfers (Notes 6 and 7)	4,667	10	4,677
Allocation to depreciation	(4,579)	(40)	(4,619)
Disposals	214	154	368
Amortisation transfers (Notes 6 and 7)	(1,181)	(4)	(1,185)
Carrying amount at 31 December 2018	**138,015**	**168**	**138,183**
On 31 December 2018			
Cost or valuation	238,019	5,900	243,919
Amortisation	(93,761)	(5,732)	(99,493)
Accumulated impairment losses	(6,243)	-	(6,243)
Carrying amount at 31 December 2018	**138,015**	**168**	**138,183**

(Amounts in thousands of euros unless otherwise stated)

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

At the end of 2019 and 2018 there were no investment properties subject to guarantees.

The Company's policy is to obtain insurance policies to cover all risks that could affect its investment properties. At the end of 2019 and 2018 the Company had reasonably covered these risks.

In 2019 additions to investment property amounted to €7,660 thousand, of which €7,112 thousand related to two hangars at Santiago de Compostela airport built by a third party and delivered at the beginning of the contract, €154 thousand to reversals on completion of the contract of assets built by third parties on leased land and €393 thousand to investment in refurbishment work in various buildings.

In 2018, the additions in real estate investments totalled 4,410 thousand euros, 137 thousand euros of which corresponded to reversals upon the end of contracts of assets built by third parties on leased plots, 3,300 thousand euros correspond to the acquisition of a warehouse exercising the pre-emptive right and the remainder primarily from refurbishment projects of different buildings

The income deriving from rent and direct operating expenses (including repairs and maintenance) of investment properties are as follows:

	2019	**2018**
Rent income	78,656	66,940
Direct operating expenses	(58,694)	(36,924)

The fair value of the real estate investments bearing in mind the current values on the dates presented are the following:

	Thousand euros	
	2019	**2018**
Cargo logistics centres	303,476	302,855
Buildings	588,807	592,602
Total	**892,283**	**895,457**

The parent Company has commissioned an independent appraisal company (CBRE Valuation Advisory S.A.) to review and assess the real estate portfolio as of 30 June 2019, as it also did on 31 December 2018, in order to determine the fair value of its real estate investments. It is not considered that there were significant changes in the market conditions or in the appraised assets during the second half of 2019 that could invalidate the appraisals performed.

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

The market value is obtained using the "Cash Flow Discounts Method", whose results are always compared with recent transactions in the market in terms of price per square metre and initial profitability. The key variables of the "Cash Flow Discounts Method" are: determining net income, the period of time during which this net income is discounted, the approximate value at the end of the period and the "objective" internal profitability rate used to discount cash flows.

- *Income inflation*: The cash flow predictions for properties is based on assumptions on the income and expense structure of the property, its occupancy status and operation. CPI (Consumer Price Index) predictions and growth in Spain's Gross National Product were taken to determine the inflation in income.
- *Growth in income*: Annual income growth has been used, which depends on the market conditions forecasted for the forthcoming years.
- *Non-recoverable expenses*: Non-recoverable expenses related in general with the structural repairs of the property, refurbishments and rehabilitations were considered.

- *Income fees*: This assumes management fees for the new rental contract of 10% of the annual income, always considering the date they book place.
- *Income loss insurance*: 0.25% of gross annual income is applied for this item.
- *Cash flow discount period*: The forecast of the possible future value (initial value) of the property should be considered at best “imprecise”, such that the lower the impact it has on the valuation process, the more approximate the valuation will be. This lower impact is easier to achieve when longer discount periods are taken, usually 10 years. The return rate of the investment depends on the risk it entails and the level of profitability that other alternative investments offer.
- *Return rate*: It was considered that the Spanish real estate market should offer a profitability of between 300 and 400 basic points above a risk-free asset in the long term. Currently this means a return rate of between 9 and 10%, approximately. The added basic points margin is due to the lack of liquidity of the real estate market compared to other more liquid markets, such as stocks, and the greater risk entailed by the uncertainty of income.
- *Initial profitability*: At the end of the discount period, it is essential to determine the initial (sale) value of the property, which is based exclusively on future income, not bearing in mind any other kind of reversal value, accordance with common market practice.

As a result of this evaluation, the impairment test was performed on each of the assets contained in the real estate portfolio to compare their fair values with their value in pounds. In this sense, AENA S.M.E., S.A. considers that there are not significant impairments different to those reported on 31 December 2018.

(Amounts in thousands of euros unless otherwise stated)

9. Equity-accounted investees

The breakdown and movement of this item in the years 2019 and 2018 is as follows (in thousand euros)

2019

	Balance at 01 January 2019	Additions/Reductions (Capital reduction) (Note 2.2)	Contribution of year's results	Dividends approved	Foreign exchange translation differences (Note 18.b)	Share in other comprehensive income of associates (Note 18)	Other	Balance at 31 December 2019
SACSA	3,339	-	5,350	(4,570)	81	-	(278)	3,922
AMP	56,809	(5,230)	14,417	(12,703)	1,741	(4)	1,148	56,178
AEROCALI (**)	5,285	-	2,679	(4,391)	110	-	-	3,683
Total	**65,433**	**(5,230)**	**22,446**	**(21,664)**	**1,932**	**(4)**	**870**	**63,783**

2018

	Balance at 01 January 2018	Additions/Reductions (Capital reduction) (Note 2.2)	Contribution of year's results	Dividends approved	Foreign exchange translation differences (Note 18.b)	Share in other comprehensive income of associates (Note 18)	Other (Wealth tax payment)	Balance at 31 December 2018
SACSA	4,873	-	5,159	(6,796)	103	-	-	3,339
AMP	54,093	(3,518)	13,579	(10,772)	2,068	-	1,359	56,809
AEROCALI (**)	4,989	-	1,417	(907)	(214)	-	-	5,285
Total	**63,955**	**(3,518)**	**20,155**	**(18,475)**	**1,957**	**-**	**1,359**	**65,433**

(*) The impact of the reduction of capital in AMP explained in Note 2.2. on accumulated profits was (350) thousand euros (2018: 116 thousand euros). On 19 December 2018, AMP sold 250,000 shares of the GAP series B, which represents 0.04% of GAP's total shares. In accordance with the foregoing, as of 31 December 2018, AMP has a total holding in GAP of 17.37%. The impact that this operation has had on the value of the AMP investment is reflected in the "Other" caption.

(**) Investment with joint control (See Note 2.2). As a result of the acquisition of shares in this company and obtaining a 50 % holding, the Group has evaluated the rights therein and has concluded there is joint control since decisions are taken unanimously by the partners. The articles of association of the company, which set out the rights of partners, are not modified by this acquisition; in addition no agreement was reached between the partners during this period. No contingent liabilities exist in relation to the Group's holding in the joint venture. This company operates the Barranquilla airport.

AMP has a holding of 17.37 % of the Grupo Aeroportuario del Pacífico (GAP), which, on 20 April 2015, acquired Sociedad Desarrollo de Concesiones Aeroportuarias, S.L. ("DCA") from Abertis for 190.8 million USD.

DCA has a holding of 74.5 % in company MBJ Airports Limited (MBJA), which operates at Sangster International Airport (MBJ) in the city of Montego Bay in Jamaica. MBJ Airports Limited has a concession to operate, maintain and exploit the airport for a period of 30 years, counting from 3 April 2003. DCA also has a 14.77 % stake in the company SCL Terminal Aéreo Santiago, S.A. ("SCL"), the operator of the international terminal at Santiago de Chile airport until 30 September 2015.

Sangster International Airport is the main airport in Jamaica, located in the city of Montego Bay, right in the centre of the tourist corridor that runs from Negril to Ocho Rios, where 90 % of the hotel capacity of the island is concentrated.

The audited information expressed under IFRS relating to Associates and joint control at 31 December 2019 and 2018, measured in euros at the exchange rate in force at the end of each of the years, is as follows:

Name	Associate/ joint control	Country of constitution	Assets	Liabilities	Operating revenue	Profit/ (Loss)	% of ownership
31 December 2019:							
- SACSA	Associate	Colombia	23,451	13,103	49,484	14,118	37.89%
- AMP	Associate	Mexico	178,849	16,674	21,407	43,257	33.33%
- AEROCALI	Joint control	Colombia	21,192	13,826	44,183	5,357	50.00%
31 December 2018:							
- SACSA	Associate	Colombia	25,835	17,023	341	13,614	37.89%
- AMP	Associate	Mexico	177,566	13,501	18,122	40,740	33.33%
- AEROCALI	Joint control	Colombia	26,858	16,287	38,040	2,834	50.00%

(Amounts in thousands of euros unless otherwise stated)

Assets, liabilities, income and results expressed in thousand euros of the main partner company (AMP) are detailed below:

	2019	2018
Non-current assets	161,484	160,701
Current assets	17,366	16,865
Non-current liabilities	(182)	-
Current liabilities	16,856	13,502
Ordinary revenue	21,407	18,122
Results of the year from ongoing operations	43,257	40,740
Total overall profit/(loss)	43,257	40,740

(Amounts in thousands of euros unless otherwise stated)

10. Financial instruments

10 (a) Financial instruments by category

	31 December 2019			
	Financial assets at amortised cost	Hedging derivatives	Assets at fair value through profit or loss	Total
Assets on the balance sheet				
Other financial assets	79,776	-	347	**80,123**
Trade and other receivables (excluding pre- payments and non-financial assets) (Note 13)	501,543	-	-	**501,543**
Cash and cash equivalents (Note 15)	240,597	-	-	**240,597**
Total	**821,916**	**-**	**347**	**822,263**

	31 December 2019			
	Financial assets at amortised cost	Hedging derivatives	Other financial liabilities at amortized cost	Total
Liabilities on the balance sheet				
Borrowings (excluding finance lease liabilities) (Note 20)	6,845,683	-	-	**6,845,683**
Finance leases (Note 20)	67,756	-	-	**67,756**
Financial derivatives (Note 12)	-	127,334	-	**127,334**
Trade and other payables (excluding non- financial liabilities) (Note 19)	526,943	-	-	**526,943**
Total	**7,440,382**	**127,334**	**-**	**7,567,716**

	31 December 2018			
	Financial assets at amortised cost	Hedging derivatives	Assets at fair value through profit or loss	Total
Assets on the balance sheet				
Available for sale financial assets	**-**	**-**	347	**347**
Financial derivatives (Note 12)	-	1,144	-	**1,144**
Other financial assets	72,507	-	-	**72,507**
Trade and other receivables (excluding pre- payments and non-financial assets) (Note 13)	433,646	-	-	**433,646**
Cash and cash equivalents (Note 15)	651,380	-	-	**651,380**
Total	**1,157,533**	**1,144**	**347**	**1,159,024**

	31 December 2018			
	Financial assets at amortised cost	Hedging derivatives	Other financial liabilities at amortized cost	Total
Liabilities on the balance sheet				
Borrowings (excluding finance lease liabilities) (Note 20)	7,285,301	-	-	**7,285,301**
Finance leases (Note 20)	20,205	-	-	**20,205**
Financial derivatives (Note 12)	-	89,283	-	**89,283**
Trade and other payables (excluding non- financial liabilities) (Note 19)	465,686	-	-	**465,686**
Total	**7,771,192**	**89,283**	**-**	**7,860,475**

In 2019 and 2018, the heading “Other financial instruments”contains mainly deposits consigned by legal mandate in different public institutions of Autonomous Communities, corresponding to bonds previously received from lessees of the commercial spaces of AENA S.M.E., S.A., in compliance with Law 29/1994, of 24 November, on Urban Leases.

10 (b) Credit quality of financial assets

The credit quality of the financial assets that have not yet matured and have not experienced losses from impairment can be evaluated based on the credit rating granted by organisations outside the Group or through the historical record of bad credit:

(In millions of euros)	31 December	
CLIENTS	**2019**	**2018**
Clients with external credit rating *(Source Bloomberg)*		
BBB	113.9	69.2
BB+	134.4	3.1
B	0.6	2.1
Clients without external credit rating		
Group 1	1.8	6.1
Group 2	197.9	328.2
Group 3		-

- Group 1 – New clients / related parties (less than 6 months)
- Group 2 – Existing clients / related parties (more than 6 months) without bad credit in the past.
- Group 3 – Existing clients / related parties (more than 6 months) with some bad credit in the past. All defaults were fully recovered.

None of the loans to related parts is matured or has suffered impairment of value.

10 (c) Concentration of credit risk

The Group has determined that the application of the impairment requirements of IFRS 9 to existing financial assets has produced the following variation in the provision for impairment during 2019 and 2018:

(In thousand euros)

	Trade and other receivables	*Other financial assets and treasury*	*Total*
Balance of the provision for impairment as of 1 January 2018 under IFRS 9	**115,902**	**1,618**	**117,520**
Variation of the provision during 2018:			
Provision reversal for value impairment of trade and other receivables	(7,831)	-	(7,831)
Impairment of other financial assets	-	238	238
Cash and cash equivalents	-	(9)	(9)
Balance of the provision for impairment as of 31 December 2018 under IFRS 9	**108,071**	**1,847**	**109,918**
Variation of the provision during 2019:			
Provision endowment for value impairment of trade and other receivables	13,045	-	13,045
Impairment of other financial assets	-	(857)	(857)
Cash and cash equivalents	-	(6)	(6)
Balance of the provision for impairment as of 31 December 2019 under IFRS 9	**121,116**	**984**	**122,100**

The following analysis provides additional information on the calculation of expected credit losses by financial asset category:

Customers and other commercial and leasing receivables (see Note 13)

13,045 thousand euros in the provision for impairment of trade and other receivables (2018: 7,831 thousand euros of reversion), 786 thousand euros (2018: 1,268 thousand euros) would not have occurred under the previous IAS 39 standard.

Other financial assets (guarantees and sureties constituted)

The main impact is due to the high risk situation for some bonds that has led to calculate the expected loss for its entire average life (3 years). The estimated total loss expected for this heading at 31 December 2019 has amounted to 984 thousand euros(2018: 1,841 thousand euros); there were reversals in the period of 857 thousand euros (2018: 238,000 thousand euros in provisions).

Cash and cash equivalents

The estimated total loss expected for this heading at 31 December 2019 has amounted to 0 thousand euros(2018: 6 thousand euros); there were reversals in the period of 6 thousand euros (2018: 9 thousand euros in reversals).

(Amounts in thousands of euros unless otherwise stated)

11. Other financial assets

In particular, the Group includes in this category the minority shares it holds in companies, as outlined below:

Name and Address	Activity	Fraction of the Capital 2019	2018	Owner of the Share
Agencia Barcelona Regional Edificio Centreservei, Zona Franca Carrer 60, 25-27 Barcelona	Performance of analyses and surveys of urban planning, territorial and environmental aspects. Projection, promotion, management, development, direction, consulting, execution and operation of all kinds of construction sites, buildings and infrastructures and urban systems in the metropolitan area.	11.76	11.76	AENA S.M.E., S.A.
European Satellite Service Provider, SAS (ESSP SAS) Toulouse – France	Operation of the satellite navigation system.	16.67	16.67	Aena Desarrollo Internacional S.M.E., S.A.

The value of the shares on 31 December 2019 and 2018 is as follows (in thousand euros):

Name and Address	Amount of share 2019	2018
Agencia Barcelona Regional. Edificio Centreservei, Zona Franca Carrer 60, 25-27 Barcelona	180	180
European Satellite Service Provider, SAS (ESSP SAS) Toulouse – France	167	167
	347	**347**

None of these companies is listed on the stock market.

In 2019 the Group received a dividend from European Satellite Services Provider SAA (ESSP SAS) amounting to 417 thousand euros (2018: 500 thousand euros).

On 31 December 2019 and 2018, it was impossible to reliably estimate its fair value. For this reason, these shares were valued at cost, after having found the value adjustment applicable as the difference between their value in pounds and their recoverable value.

These financial assets are denominated in euros at 31 December 2019 and 2018 and include representative shares of debt and equity instruments of other companies in which the Group has no control or significant influence in their decision-making.

(Amounts in thousands of euros unless otherwise stated)

12. Derivative financial instruments

The breakdown of the fair value of the derivative financial instruments at 31 December 2019 and 31 December 2018 is shown in the following table.

	31 December 2019		31 December 2018	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Interest rate swaps – cash flow hedges AENA	-	125,777	-	89,283
Interest rate swaps - cash flow hedges LLAH III	-	1,557	1,144	-
Total	**-**	**127,334**	**1,144**	**89,283**
Current portion	**-**	**31,662**	**-**	**32,740**
Non-current portion	**-**	**95,672**	**1,144**	**56,543**

The total fair value of a hedging derivative is classified as non-current assets or liabilities if the time remaining to maturity of the hedged item is more than 12 months and as current assets or liabilities if the time remaining to maturity of the hedged item is less than 12 months.

During the periods ending 31 December 2019 and 31 December 2018, the hedging derivatives are 100% effective and meet all the requirements needed to apply hedge accounting, such that there is no ineffectiveness recorded in the profit and loss statement.

The fair value of the interest swaps has been obtained by updating the net cash flows expected during the contractual period, using at each time of valuation the discount factors obtained from the zero coupon curve. In order to estimate the variable cash flows, the *forward* rates or implicit rates obtained from the zero coupon interest rates existing in the market at the time of the valuation of the interest swap. The fair value thus obtained is adjusted for credit risk, understanding credit risk for both the credit risk of the counterparty and the credit risk itself when necessary. In order to quantify the credit risk of a financial agent, there are three methodologies commonly accepted in the market, which are applied in the following order of priority:

1) Whenever there is *Credit Default Swap* (CDS) quoted in the market, the credit risk is quantified based on its market price.

2) Whenever there are debt issues accepted for trading in the different financial markets, the quantification of credit risk can be obtained as the differential between the internal rate of return (*yield*) of the bonds and the risk-free rate.

3) If it is not possible to obtain the quantification of the risk following the two previous methodologies, the use of comparables is generally accepted, that is, to take as a reference companies or bonds of companies of the same sector as the one that we want to analyse.

Interest rate swaps

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

As was explained in Note 3, on 10 June 2015 AENA signed a hedging transaction from variable interest rate to fixed with lending entities with a credit *rating* equal to or better than BBB (Standard&Poor's), in order to avoid the risk of fluctuation in interest rates on various credits, for an amount of 4,195.9 million euros.

Their main characteristics are as follows:

	Classification	Type	Contracted amount (thousand euros)	Pending capital 31/12/2019	Date of agreement:	Start date for the derivative	Maturity	Designation date of the hedge
Interest rate swaps	Cash flow hedge	Fixed interest rate swap at 0.144 % against variable interest rate (Eur6M)	290,000	72,500	27 -06 -2015	29 -06 -2015	15 -12 -2020	27 -06 -2015
Interest rate swaps	Cash flow hedge	Fixed interest rate swap at 1.1735 % against variable interest rate (Eur6M)	854,100	616,850	15 -06 -2015	15 -06 -2015	15 -12 -2026	15 -06 -2015
Interest rate swaps	Cash flow hedge	Fixed interest rate swap at 0.9384 % against variable interest rate (Eur3M)	3,041,833	1,747,376	15 -06 -2015	15 -06 -2015	15 -12 -2026	15 -06 -2015
		TOTAL	**4,185,933**	**2,436,726**				

(*) Initially contracted for 300,000 thousand euros.

(Amounts in thousands of euros unless otherwise stated)

The sums of notional principal in those interest rate swap contracts outstanding at 31 December 2019 amounted to 2,436,726 thousand euros (31 December 2018: 2,750,720 thousand euros).

The balance recognised in the reserve for equity cover in interest rate swap contracts at 31 December 2019 will be continuously transferred to the income statement until the bank loans are repaid. During 2019, 33,699 thousand euros were assigned to the income statement as losses on hedging instruments (in 2018: 37,333 thousand euros). See Note 31.

The fair value of these derivatives totals 125,777 thousand euros on 31 December 2019 (31 December 2018: 89,283 thousand euros) and its breakdown between current and non-current parts is as follows:

Fair value registered in "Non-current liabilities" on 31 December 2019 (in thousand euros)	Fair value registered in "Current liabilities" on 31 December 2019 (in thousand euros)
94,115	31,662
Fair value registered in "Non-current liabilities" on 31 December 2018 (in thousand euros)	Fair value registered in "Current liabilities" on 31 December 2018 (in thousand euros)
56,543	32,740

At 31 December 2019, if the interest rate had increased or decreased by 20 basis points, keeping the rest of the variables constant, the liabilities for said derivatives would have been 22,610 thousand euros lower and 22,923 thousand euros higher, respectively (31 December 2018: 27,256 thousand euros lower and 27,669 thousand euros higher, respectively.

On 31 December 2019 and 2018, hedging derivatives were effective and met the requirements needed to apply hedge accounting (see Note 2.11)), such that there is no ineffectiveness recorded in the income statement.

- LLAH III group derivatives

The characteristics of these derivatives are the following:

	Classification	**Contracted amount (thousand euros)**	**Date of agreement:**	**Start date for the derivative**	**Maturity**	**Designation date of the hedge**
Interest rate swaps	Cash flow hedge	40,000	17/08/2017	17/08/2017	17/08/2029	17/08/2017
Interest rate swaps	Cash flow hedge	10,000	17/08/2017	17/08/2017	17/08/2027	17/08/2017
Interest rate swaps	Cash flow hedge	30,000	17/08/2017	17/08/2017	17/08/2024	17/08/2017
	TOTAL	**80,000**				

Said swaps cover 100% of loans at a variable rate (80 million pounds of notional principal) (see note 20) and have maturities between 7 and 12 years, an average fixed interest rate at 1.09% against the rate of variable interest used as a reference (LIBOR 3 or 6 m) and its recognised value in long-term liabilities at December 31, 2019 amounts to €1,557 thousand at the closing exchange rate of 2019 (December 31, 2018: asset long term of €1,144 thousand at the closing exchange rate of 2018).

On 31 December 2019 and 2018, hedging derivatives were effective and met the requirements needed to apply hedge accounting (see Note 2.11)), such that there is no ineffectiveness recorded in the income statement.

<u>Currency forward contracts</u>

"NDF" *currency forward* contracts are used to hedge the fair value of the foreign currency exchange rate risk of a firm commitment to acquire a business in certain countries. The Group has made a firm commitment to contribute BRL 488,894,033 (Brazilian reals) on 18 July 2019 and to contribute BRL 1,900,000,000 on 26 August 2019 as a result of winning the tender of the Northeastern Brazilian airport group called by the Brazilian government (see Note 2.2).

As a result of the aforementioned firm commitment being denominated in Brazilian Reales (BRL), an exposure to the EUR/BRL exchange rate risk arises. The hedge strategy established by the Group in this transaction is based on the contracting of two currency forward "NDF" contracts with the financial institution SOCIETÉ GENERALE/PARIS to ensure an exchange rate of BRL 4.4425/EUR (which produces, applied to the amount of BRL 2,388,894,033, the sum of 537,736,417 euros), and which tally in all their essential economic terms with these firm commitments:

- Amount of firm commitment (in Euros) compared to the notional amount of the EUR portion of the hedge instrument.
- The expected maturity date of the firm commitment compared to the maturity date of the hedge instrument.
- The EUR/BRL exchange rate used to determine the fair value of (a) the hedge instrument and (b) the hedged commitment.

(Amounts in thousands of euros unless otherwise stated)

Given that many of the critical terms coincide, the hedge produced high efficiency. The only potential sources of inefficiency would come from the change of value of the derivatives contracted against the credit risk of counter-parties to the contract (which are considered to be insignificant given the high rating of the two contracting parties and the extremely short time of the operations) and from the difference with the hypothetical derivative fixed rate (given that the derivatives contracted are off-market (they come from a restructuring of derivatives whose cost modifies their fixed rate)).

The fair value of the firm commitment at the beginning of the hedge, at the spot rate of May 28, 2019 - BRL -4,4950 - in which derivatives were contracted, amounted to EUR 531,455,847. The final impact on the Income Statement, once the firm commitments acquired and said derivatives have been executed, amounted to €6,280 thousand (see Note 31), resulting from the difference between the value of the commitment in sign at the beginning of the hedge (the 531,455,847 EUR mentioned previously) and the 537,736,417 EUR amount insured through the contracting of derivatives.

13. Trade and other receivables

	Thousand euros	
	2019	**2018**
Trade receivables for sales and services rendered	578,123	522,880
Credit right to receive a building	4,363	3,259
Lower: provision for impairment losses on receivables	(121,116)	(108,071)
Trade receivables for sales and services rendered – net	461,370	418,068
Trade receivables from related parties (Note 34)	14,113	4,912
Other receivables from related parties (Note 34)	-	1,529
Sundry debtors and other assets	9,516	9,137
Accruals for anticipated expenses	15,763	14,017
Staff	781	868
Current tax assets	9	-
Other receivables from public administrations	8,115	9,566
Total	**509,667**	**458,097**
Less non-current portion	**4,363**	**3,259**
Current portion	**505,304**	**454,838**

The fair value of Trade and other receivables is similar to their carrying value.

At 31 December 2019 this heading showed €35,936 thousand denominated in foreign currency, of which €30,466 thousand are denominated in pounds sterling (2018: 34,864 thousand euros denominated in foreign currency, of which 29,392 thousand euros are denominated in pounds sterling).

The heading "Credit right to receive a building" includes the Group's right to receive the asset that the tenant company builds on a site assigned to it, at the end of the land assignment contract, to the degree that the building put up on the site constitutes another consideration in the lease agreement. The non-current value of this right amounts to 4,363 thousand euros at 31 December 2019 (3,259 thousand euros at 31 December 2018).

The heading "Sundry debtors" mainly includes the outstanding balance due to the incident involving an incursion onto the runway at El Prat Airport on 28 July 2006 amounting to 7,422 thousand euros, an amount that the Group has accrued. Likewise, taxes and deposits with a maturity of less than twelve months but more than three months are also included.

At 31 December 2019, "Other receivables from public administrations" records 1,345 thousand euros relating to grants receivable awarded to the Company (2018: 1,619). At 31 December 2019 and 2018, the rest of the line item records receivables relating to indirect taxes.

Likewise, of the balance of customers amounting to 461,370 thousand euros, at 31 December 2019, there are accounts receivable pending maturity and not provisioned for the amount of 436,942 thousand euros (2018: 400,637 thousand euros) and accounts receivable totalling 24.428 thousand euros (2018: 17.431 thousand euros) matured but not provisioned, as they corresponded to liquidations and invoices that were being processed on 31 December of each financial year and have now been paid.

(Amounts in thousands of euros unless otherwise stated)

The analysis of the age of these accounts at the close of each financial year is as follows:

	Thousand euros	
	2019	**2018**
Up to 3 months	14,128	11,866
Between 3 and 6 months	3,586	2,993
More than 6 months	6,714	2,572
	24,428	**17,431**

The commercial receivables which have experienced an impairment in value correspond basically to the airlines and companies which are undergoing insolvency proceedings. The total amount is provisioned at the end of each financial year. The analysis of age of these accounts is the following:

	Thousand euros	
	2019	**2018**
Less than 3 months	32	118
Between 3 and 6 months	93	33
More than 6 months	120,991	107,920
	121,116	**108,071**

Movements in the provision for the impairment of the value of the Group's trade and other receivables were as follows:

	Thousand euros	
	2019	**2018**
Beginning balance	108,071	114,977
Adjustment IFRS 9	-	925
Provision for impairment of the value of receivables	12,970	(7,326)
Other movements	75	(505)
At 31 December	**121,116**	**108,071**

The allocation and application of the provision of the accounts receivable impaired in 2019 and 2018 has been included in the line "Losses, impairment and variation of provisions for commercial transactions", in accordance with the provisions of IFRS 9. The amounts charged against the provision account are normally eliminated from the accounts when there is no expectation to receive additional cash.

In addition to the net provision for 12,970 thousands of euros (2018: net reversal of 7,326 thousand euros), in 2019 "Losses, impairment and changes in operating provisions" in the income statement included losses of 839 thousands of euros (2018: 5,513 thousand euros) were posted for permanent disposals given by the State Tax Administration Agency from debts sent to debt collection proceedings, up to 13,809 thousand euros negative which appear in that heading (2018: 1,813 thousand euros positive).

The rest of the accounts included in trade and other receivables contain no assets that have suffered impairment.

The maximum exposure to credit risk at the statement of financial position date is the carrying amount of each of the categories of the aforementioned receivables. The Group does not maintain any guarantee as insurance.

14. Inventories

	Thousand euros	
	2019	**2018**
Raw materials and other supplies	6,841	7,258
Total inventories	**6,841**	**7,258**

The balance of raw materials and other supplies primarily includes materials and spare parts used in the operational activities.

(Amounts in thousands of euros unless otherwise stated)

15. Cash and cash equivalents

	Thousand euros	
	2019	**2018**
Cash and bank deposits	212,305	651,380
Short-term bank deposits	28,292	-
Cash and cash equivalents	**240,597**	**651,380**

At 31 December 2019 and 2018, there are no cash balances and other equivalent liquid assets that are not available for use. At 31 December 2019 and 2018 the Group does not have any bank overdrafts.

The breakdown of cash and cash equivalents in currencies other than the euro is as follows:

	2019	**2018**
Cash and cash equivalents in Brazilian reals (BRL)	28,302	-
Cash and cash equivalents in Great Britain Pound (GBP)	22,492	19,829

16. Share capital and share premium

The number of shares and the amount of share capital and share premium of the parent Company in both 2019 and 2018 are as follows:

	Thousand euros		
Number of shares	**Share Capital**	**Share premium**	**Total**
150,000,000	1,500,000	1,100,868	**2,600,868**

The Parent Company was created on 31 May 2011 with an initial capital of 61 shares, each with a nominal value of 1,000 euros, subscribed in their entirety by the public business entity Aeropuertos Españoles and Navegación Aérea.

On 6 June 2011, the Company's single shareholder at the time adopted the following resolutions:

- Reduce the par value of the Company's €1,000 shares by dividing the 61 outstanding shares into 6,100 shares, consisting of 100 new shares for each old share, without changing the amount of the Company's share capital. As a result, the Company's share capital was represented at that date by 6,100 shares with a par value of 10 euros each.

- Increase share capital to 1,500,000 thousand euros by issuing 149,993,900 new shares with a par value of 10 euros each, all with the same rights and obligations as the previously existing shares. The shares were issued with a share premium of 1,100,868 thousand euros, and therefore the amount payable for share capital and share premium totals 2,600,807 thousand euros. The share capital was fully subscribed and paid by the single shareholder at the time through a non-monetary contribution of the airport line of business described in Note 1 of these consolidated financial statements.

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

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

On 31 December 2019 and 2018, the share capital of AENA S.M.E., S.A. was represented by 150,000,000 ordinary shares worth 10 euros in nominal value each, which have been totally disbursed. These shares have equal political and economic rights. On 31 December 2018, there are no capital increases in progress nor authorisations to operate in own shares.

According to the information available, on 31 December 2019 and 2018 the shares over 10 % are the following:

ENAIRE	51.00 %

(Amounts in thousands of euros unless otherwise stated)

17. Retained earnings/(losses)

	Legal reserve	Capitalisation reserve	Other reserves	Total
On 01 January 2018	**299,199**	**70,566**	**2,810,259**	**3,180,024**
Adjustments for adoption of IFRS 9	-	-	(795)	(795)
Profit from the year	801	-	1,327,081	1,327,882
Allocation to capitalisation reserve		43,060	(43,060)	-
Dividends paid	-	-	(975,000)	(975,000)
Other movements	-	-	2,524	2,524
On 31 December 2018	**300,000**	**113,626**	**3,121,009**	**3,534,635**
Profit from the year	801	-	1,441,221	1,442,022
Allocation to capitalisation reserve	-	20,089	(20,089)	-
Dividends paid	-	-	(1,039,500)	(1,039,500)
Other movements	-	-	1,179	1,179
On 31 December 2019	**300,801**	**133,715**	**3,503,820**	**3,938,336**

On 31 December 2019, the section “Other movements” primarily showed the impact that the reduction of capital of AMP explained in Note 2.2 had on cumulative earnings to the amount of 350 thousand euros (2018: 116 thousand euros) (Note 9). This heading also includes the impact of 1,148 thousand euros on AMP's equity from the reduction of capital and distribution of dividends by GAP, offset by the impact of (40) thousand euro by recording at market value the services provided to the ultimate parent company ENAIRE for employee parking.

This heading also includes an amount of 133,714 thousand euros of the capitalisation reserve that has been allocated in accordance with Articles 25 and 62 of the Corporate Income Tax Law, which establishes that the reserve be set aside for the amount of the right to the reduction of the tax base of the tax group for the year. The right to reduce the tax group's tax base amounts to 10% of the increase of the equity of the tax group, as defined in said article, without in any case exceeding the amount of 10% of the positive tax base of the tax group of the tax period prior to the reduction and integration referred to in section 12 of Article 11 of the Law and the compensation of negative tax bases. However, in the event of insufficient tax base of the tax group to apply the reduction, the pending amounts may be applied in the tax periods ending in the two years immediately following the closing of the tax period in which the right to the reduction was generated, together with the reduction that may correspond in that year and with the indicated limit. The reserve is unavailable and is conditioned on maintaining the increase of the equity of the tax group for a period of 5 years from the close of the tax period to which the reduction corresponds, except for the existence of accounting losses.

Proposed allocation of profits

The allocation of profits from financial year 2019 proposed by the Management Board of the parent company AENA S.M.E., S.A. under the General Accounting Plan approved by Royal Decree 1514/2007 in the General Shareholders’ Meeting, is the following:

	Thousand euros
	2019
Allocation basis:	
Profit and Losses (Profits)	1,421,326
Application:	
Dividends	1,137,061
Capitalisation reserve (Law 27/2014)	26,163
Voluntary reserve	258,102

The legal reserve must be allocated in accordance with article 274 of the Law on Capital Companies. This article requires that, in any event, a figure equal to 10 % of the profits from the period is earmarked for the legal reserve, until its amount attains at least 20 % of the share capital

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

At the end of 2019, the legal reserve amounted to 300,000 thousand euros (31 December 2018): 300,000 thousand euros), reaching the minimum limit legally established in accordance with Article 274 of the Corporate Enterprises Act.

(Amounts in thousands of euros unless otherwise stated)

The application of the profits of the dominant Company from the financial year ending on 31 December 2018, approved by the General Shareholders Board on 10 April 2019, was the following:

	Thousand euros
	2018
Allocation basis:	
Profit and Losses (Profits)	1,301,182
Application:	
Dividends	1,039,500
Capitalisation reserve (Law 27/2014)	20,089
Voluntary reserve	241,593

After this approval by the General Shareholders' Meeting, during 2019 the proposed dividend of 1,039,500 thousand euros was paid (year 2018: payment of dividends of 975,000 thousand euros).

Likewise, the Board of Directors proposes to the General Shareholders' Meeting a reclassification of voluntary reserves to capitalization reserve, in the amount of 4,299 thousand euros, as a result of the new criterion of the State Tax Administration Agency (AEAT) on how to calculate the increase in equity for the purpose of applying the reduction for capitalization reserve in the corporate income tax for 2018, once this possibility has been consulted with the AEAT within the framework of the Code of Best Tax Practices.

However, the Company's reserves allocated as free distribution, as well as the profit from the year, are subjected to the limitation that dividends may only be paid out if the value of the equity is not lower than the share capital as a result of the payment.

(Amounts in thousands of euros unless otherwise stated)

18. Non-controlling interests and Other reserves

a) Non-controlling interests

The composition of non-controlling interests is as follows:

	Segment	Country	Minority interest	2019	2018
LLAH III (Note 2.2)	International	United Kingdom	49 %	(23,926)	(11,064)
				(23,926)	**(11,064)**

The movement of these minority interests in 2019 and 2018 were as follows:

	LLAH III
On 01 January 2018	**5,426**
Distribution of dividends	(18,390)
Other movements	1,263
Total contributions by and distributions to shareholders recognised in equity	**(17,127)**
Profit for the period	(131)
Other comprehensive income for the year	768
Total comprehensive profit (/loss) for the period	**637**
On 31 December 2018	**(11,064)**
Distribution of dividends	(11,730)
Total contributions by and distributions to shareholders recognised in equity	**(11,730)**
Profit for the period	3,653
Other comprehensive income for the year	(4,785)
Total comprehensive profit (/loss) for the period	**(1,132)**
On 31 December 2019	**(23,926)**

Information regarding cash flows is detailed in note 5.

b) Conversion differences and other Reserves

	Note	Hedging derivatives	Actuarial gains and losses	Foreign exchange translation differences	Results of associates	Total
On 01 January 2018		**(64,225)**	**(11,729)**	**(22,523)**	**23**	**(98,454)**
Cash flow hedges		(42,837)	-	-	-	(42,837)
Actuarial gains and losses		-	(443)	-	-	(443)
Tax effect		10,796	81	-	-	10,877
Transfers to the income statement		37,333	-	-	-	37,333
Tax effect		(9,332)	-	-	-	(9,332)
Share in other comprehensive income of associates	9	-	-	-	-	-
Translation differences - associates	9	-	-	1,957	-	1,957
Translation differences - group		-	-	265	-	265
On 31 December 2018		**(68,265)**	**(12,091)**	**(20,301)**	**23**	**(100,634)**
Cash flow hedges		(71,152)	-	-	-	(71,152)
Actuarial gains and losses		-	(4,006)	-	-	(4,006)
Tax effect		17,712	682	-	-	18,394
Transfers to the income statement		33,699	-	-	-	33,699
Tax effect		(8,425)	-	-	-	(8,425)
Share in other comprehensive income of associates	9	-	-	-	(4)	(4)
Translation differences - associates	9	-	-	1,932	-	1,932
Translation differences - group		-	-	(3,206)	-	(3,206)
On 31 December 2019		**(96,431)**	**(15,415)**	**(21,575)**	**19**	**(133,402)**

(Amounts in thousands of euros unless otherwise stated)

c) Other comprehensive income, net of taxes

	Other reserves attributable to the dominant Company	Other reserves attributable to minority interests	Total other global result
31 December 2019			
Items which may be reclassified after the results:			
Cash flow hedges (Note 32)	(28,166)	(766)	(28,932)
Share in other comprehensive income of associates	(4)	-	(4)
Foreign exchange translation differences	(1,274)	(830)	(2,104)
Actuarial gains and losses (Note 32)	(3,324)	(3,189)	(6,513)
Total	**(32,768)**	**(4,785)**	**(37,553)**
31 December 2018			
Items which may be reclassified after the results:			
Cash flow hedges (Note 32)	(4,040)	897	(3,143)
Foreign exchange translation differences	2,222	146	2,368
Actuarial gains and losses (Note 32)	(362)	(275)	(637)
Total	**(2,180)**	**768**	**(1,412)**

(Amounts in thousands of euros unless otherwise stated)

19. Trade and other payables

	31 December	
	2019	**2018**
Suppliers	484	777
Trade payables	206,967	212,750
Creditors from related parties (Note 34)	31,259	29,958
Asset suppliers	251,781	191,172
Payables to related parties for property, plant and equipment (Note 34)	5,328	2,230
Staff	31,124	28,799
Current tax liabilities	10,165	24,889
Social Security and other taxes	26,560	26,072
Advance from World Duty Free Group (DUFRY)	38,251	41,714
Other prepayments from customers	88,125	79,577
	690,044	**637,938**

In 2019 this heading included 79,894 thousand euros which were originally expressed in pounds sterling (2018: 78,584 thousand euros) and 3,547 thousand euros which were originally expressed in Brazilian reals.

The carrying value of Trade and other payables approximate their fair value given that the effect of the financial discount is not significant.

Regarding the heading "Advance from World Duty Free Group", on 14 February 2013, AENA S.M.E., S.A signed three contracts with World Duty Free Group España, S.A. (DUFRY) to rent the commercial spaces of the *Duty free* and *Duty paid* specialty shops in the entire network of airports in Spain. These contracts are valid until 31 October 2020 and included an advance by €332,442 thousand, which is periodically offset by billing. In this sense, at 31 December 2019 short-term advances amounted to 38,251 thousand euros (2018: 41,714 thousand euros), and long-term advances included in the heading "Other non-current liabilities", amounted to 0 thousand euros (2018: 38,296 thousand euros) (Note 25).

Information on postponements of payments made to suppliers

The information on the average payment period of AENA S.M.E., S.A. and Aena Desarrollo Internacional, S.M.E., S.A. is as follows:

	2019	**2018**
	Days	**Days**
Average payment period	46	48
Average collection period	50	51
Ratio of outstanding payments	15	21

These parameters were calculated per Art. 5 of Resolution *of 29 January 2015 published by the Accounting and Auditing Institute, on the information to be included in the financial statement report in relation to the average payment period to suppliers in commercial transactions,* as follows:

1. Average payment period to suppliers = (Ratio of paid operations * total value of payments made + Ratio of outstanding payment operations * total amount outstanding payments)/(total amount of payments made + total amount of outstanding payments).

2. Ratio of transactions paid = Σ (Days Payment Outstanding * amount of the transaction paid)/total amount of payments made.

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

3. Ratio of outstanding payments = Σ (Days Payment Outstanding * amount of operations pending payment)/Total amount of outstanding payments.

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

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

This balance refers to suppliers who, given their nature, are suppliers of goods and services, so that it includes data regarding the headings "Trade creditors" in the statement of financial position.

	2019	2018
	Amount (thousand euros)	**Amount (thousand euros)**
Total payments made	991,786	850,582
Total payments outstanding	127,010	97,306

In 2019 average payment period has complied with the deadlines set out by Law 15/2010. The cases in which a payment has been made outside of the legally binding period are due mainly to reasons not attributable to the Company: invoices not received on time, AEAT expired certificates, lack of certificates of proof of supplier bank accounts, amongst others.

The weighted average price is calculated based on invoices received and endorsed pending payment. The accounting balance of "Trade accounts payable" is greater than that of "Payments pending", since it includes the balances from invoices pending receipt and/or endorsement, in addition to the balances from the LLAH III subgroup.

(Amounts in thousands of euros unless otherwise stated)

20. Borrowings

The components of the financial debt as of 31 December 2019 and 2018 are the following:

	31 December	
	2019	**2018**
Non-current		
Loans with ENAIRE	4,705,603	5,338,222
Loans with credit institutions AENA	250,000	649,913
Other bank borrowings	413,692	344,019
Loans with LLAH III shareholders	54,518	51,854
Lease liabilities Aena	20,582	10,697
Lease liabilities LLAH III	37,086	7,262
Lease liabilities Aena Brazil	134	-
Public Entity creditor by AIRM concession	47,222	47,590
Other financial liabilities	146,199	123,521
	5,675,036	**6,573,078**
Current		
Loans with ENAIRE	646,130	647,654
AENA credit institutions loans	40	1,841
Loans with credit institutions Aena	391,000	-
ECP Aena programme	159,000	-
Loans with credit institutions LLAH III	3,543	51,419
Loans with LLAH III shareholders	418	398
Lease liabilities Aena	5,056	1,655
Lease liabilities LLAH III	4,764	591
Lease liabilities Aena Brazil	134	-
Other financial liabilities	28,318	28,870
	1,238,403	**732,428**
Total current and non-current	**6,913,439**	**7,305,506**

(Amounts in thousands of euros unless otherwise stated)

The reconciliation between the opening and closing balances for 2019 in the statement of financial position of the components of Borrowings is as follows:

		Cash flow									
	31 December 2018	Financing activities Collections	Financing activities Payments	Operating activities Interest payments	Adjustments opening balance for entry into force IFRS 16 (Note 2)	Short/long-term transfers	Adjustments	Accrued interest	Additions	Exchange differences	31 December 2019
Non-current											
Loan from ENAIRE	5,338,222	-	-	-	-	(633,282)	-	663	-	-	4,705,603
AENA bank borrowings	649,913	250,000	(650,000)	-	-	20	-	67	-	-	250,000
Other bank borrowings LLAH III loan	344,019	-	-	-	-	50,127	-	267	-	19,279	413,692
Loans with LLAH III shareholders	51,854	-	-	-	-	-	-	-	-	2,664	54,518
Lease liabilities Aena	10,697	-	-	-	14,909	(5,024)	-	-	-	-	20,582
Lease liabilities LLAH III	7,262	-	-	-	29,227	(4,123)	-	-	2,885	1,835	37,086
Lease liabilities ANB	-	-	-	-	-	-	-	-	134	-	134
Public Entity creditor by AIRM concession	47,590	-	-	-	-	-	(1,825)	1,457	-	-	47,222
Other financial liabilities	123,521	61,314	(39,534)	-	-	(378)	-	1,276	-	-	146,199
Total non-current	**6,573,078**	**311,314**	**(689,534)**	**-**	**44,136**	**(592,660)**	**(1,825)**	**3,730**	**3,019**	**23,778**	**5,675,036**
Current											
Loan from ENAIRE	647,654	-	(633,744)	(43,851)	-	633,282	-	42,789	-	-	646,130
Interest accrued on Aena bank loans AENA	1,841	-	-	(6,280)	-	-	-	4,479	-	-	40
Loans with institutions Aena	-	391,000	-	-	-	-	-	-	-	-	391,000
ECP Aena programme	-	159,000	-	-	-	-	-	-	-	-	159,000
Other loans with credit institutions LLAH III	51,419	1,139	-	(12,462)	-	(50,127)	-	12,484	-	1,090	3,543
Loans with LLAH III shareholders	398	-	-	(4,229)	-	-	-	4,228	-	21	418
Lease liabilities Aena	1,655	-	(4,844)	(638)	3,222	5,024	-	637	-	-	5,056
Lease liabilities LLAH III	591	-	(2,334)	(2,241)	2,079	4,123	-	2,125	256	165	4,764
Lease liabilities ANB	-	-	-	-	-	-	-	-	134	-	134
Other financial liabilities	28,870	-	(1,846)	-	-	378	-	-	916	-	28,318
Total current	**732,428**	**551,139**	**(642,768)**	**(69,701)**	**5,301**	**592,680**	**-**	**66,742**	**1,306**	**1,276**	**1,238,403**
Total Financial debt	**7,305,506**	**862,453**	**(1,332,302)**	**(69,701)**	**49,437**	**20**	**(1,825)**	**70,472**	**4,325**	**25,054**	**6,913,439**

(Amounts in thousands of euros unless otherwise stated)

As mentioned in note 2.2. a), dated 15 January 2019, the operations of the Aeropuerto Internacional Región de Murcia (AIRM), whose management will be carried out by the dependent company Sociedad Concesionaria del Aeropuerto Internacional de la Región de Murcia as the holder of the management, operation, maintenance and conservation contract of the Aeropuerto Internacional Región de Murcia (AIRM), in the modality of concession of said airport and its zone of complementary activities, during a term of 25 years. This concession agreement has been classified as belonging to the Intangible Assets model of IFRIC 12 and, therefore, a Debt has been recorded with the granting Public Entity for the same amount of the concession asset and which is registered under the heading of E.P. creditor by AIRM concession.

Likewise, as can be seen, in 2019 the variations in the loan balance of ENAIRE corresponded mainly to the amortisation of principal amounting to 633,774 thousand euros (See Note 20.a). The change in the heading “Loans with credit institutions” is due to the early repayment of bilateral loans amounting to 650,000 thousand euros, which have been partially replaced by other new bilateral loans amounting to 250,000 thousand euros with better interest rate conditions. The variation in the heading “Other loans with credit institutions” is mainly due to drawdowns of credit policies and the promissory note programme of Aena amounting to 391,000 thousand euros and 159,000 thousand euros, respectively, and the net provision of the credit policies of the subgroup formed by LLAH III and its subsidiaries for the amount of 1,175 thousand euros. The variations in the financial lease liabilities were due to payments made in the period and fluctuations in the euro/pound exchange rate. The variation in the item “Loans from LLAHIII shareholders” was due exclusively to fluctuations in the euro/pound exchange rate. The heading of other financial liabilities varied as a consequence of collections and payments of guarantees in AENA S.M.E., S.A.

The reconciliation between the 2018 opening and closing balances in the statement of financial position of the components of Borrowings was as follows:

		Cash flow								
	31 December 2017	Financing activities Collections	Financing activities Payments	Operating activities Interest payments	Adjustments of opening balance entry into force IFRS 9	Short/long-term transfers	Accrued interest	Additions	Exchange differences	31 December 2018
Non-current										
Loan from ENAIRE	6,104,218	-	-	-	(877)	(765,976)	857	-	-	5,338,222
AENA bank borrowings	649,888	-	-	-	-	-	25	-	-	649,913
Other bank borrowings	346,585	-	-	-	-	-	264	-	(2,830)	344,019
Loans with LLAH III shareholders	52,280	-	-	-	-	-	-	-	(426)	51,854
Finance lease liabilities	20,152	-	-	-	-	(2,765)	550	79	(57)	17,959
Public Entity creditor by AIRM concession	-	-	-	-	-	-	1,133	46,457	-	47,590
Other financial liabilities	102,893	30,526	(10,264)	-	-	(131)	497	-	-	123,521
Total non-current	**7,276,016**	**30,526**	**(10,264)**	**-**	**(877)**	**(768,872)**	**3,326**	**46,536**	**(3,313)**	**6,573,078**
Current										
Loan from ENAIRE	683,540	-	(798,059)	(55,285)	(871)	765,976	52,353	-	-	647,654
Interest accrued on Aena bank loans AENA	1,848	-	-	(4,522)	-	-	4,515	-	-	1,841
Bank borrowings	19,346	32,779	-	(11,661)	-	-	11,470	-	(515)	51,419
Loans with LLAH III shareholders	401	-	-	(4,195)	-	-	4,195	-	(3)	398
Finance lease liabilities	2,152	-	(3,072)	-	-	2,765	347	33	21	2,246
Other financial liabilities	27,656	1,204	(121)	-	-	131	-	-	-	28,870
Total current	**734,943**	**33,983**	**(801,252)**	**(75,663)**	**(871)**	**768,872**	**72,880**	**33**	**(497)**	**732,428**
Total Financial debt	**8,010,959**	**64,509**	**(811,516)**	**(75,663)**	**(1,748)**	**-**	**76,206**	**46,569**	**(3,810)**	**7,305,506**

In 2018 the variations in the loan balance of ENAIRE corresponded mainly to the amortisation of principal amounting to 798,059 thousand euros (See Note 20.b). The variation in the heading “Other loans with credit institutions” was mainly due to a net provision of the credit policies of the subgroup formed by LLAH III and its subsidiaries for the amount of 32,779 thousand euros. The variations in the financial lease liabilities were due to payments made in the period and fluctuations in the euro/pound exchange rate. The variation in the item “Loans from LLAHIII shareholders” was due exclusively to fluctuations in the euro/pound exchange rate. The heading of other financial liabilities varied as a consequence of collections and payments of guarantees in AENA S.M.E., S.A.

(Amounts in thousands of euros unless otherwise stated)

The carrying and fair values of non-current borrowings are as follows:

	Carrying amount		Fair value	
	31 December		31 December	
	2019	2018	2019	2018
Financial debt with the Group	4,705,603	5,338,222	4,882,783	5,347,229
AENA S.M.E., SA bank borrowings	250,000	649,913	251,302	652,836
Bank borrowings	413,692	344,019	413,692	325,510
Loans with LLAH III shareholders	54,518	51,854	54,518	63,899
Finance lease liabilities	57,802	17,959	57,802	17,959
Public Entity creditor by AIRM concession	47,222	47,590	47,222	47,590
Other financial liabilities	146,199	123,521	146,199	123,521
Total	**5,675,036**	**6,573,078**	**5,853,518**	**6,578,544**

The fair value of current borrowings is equal to their carrying value, as the impact of the discount is not significant. The fair values for the debt with a period higher than one year is based on the cash flows discounted to the risk-free interest rates (OIS curve) plus an equal spread in AENA's CDS (46 bps) (2018: Euribor 12M swap curve plus a spread of 81 bps) and are at Level 2 in the fair value hierarchy.

(a) *ENAIRE loan (Note 34)*

	31 December 2019	31 December 2018
Non-current		
Loan to AENA S.M.E., S.A. from ENAIRE	4,708,860	5,342,479
Adjustment IFRS 9	-	(292)
Adjustment of the loan from ENAIRE using the effective cost criterion.	(3,257)	(3,965)
Subtotal AENA, S.M.E., S.A. short-term debt with ENAIRE	**4,705,603**	**5,338,222**
Current		
Loan from ENAIRE	633,326	633,743
Adjustment IFRS 9	-	(584)
Adjustment of the loan from ENAIRE using the effective cost criterion.	(358)	(401)
Interest accrued on loans from ENAIRE	13,162	14,896
Subtotal AENA, S.M.E., S.A. short-term debt with ENAIRE	**646,130**	**647,654**
Total	**5,351,733**	**5,985,876**

As a result of the non-monetary contribution described in Note 1, the Company and ENAIRE have concluded a financing agreement under which the debts relating to the contributed line of business forming part of the share capital increase described in Note 1 are transferred from ENAIRE to AENA, S.M.E., S.A. In this agreement between both parties, the initial debt and future debt cancellation conditions are recognised, as is the procedure for settling interest and the repayment of the debt. It also specifies that the public business entity "Aeropuertos Españolesy Navegación Aérea" is the formal borrower as regards the financial lending institutions, but it also recognises that AENA S.M.E., S. A. is obliged to pay the percentage of the active balance of the debt of the public entity AENA attributable to the airport line of business at the time of the contribution of any of the payments that the public business entity "Aeropuertos EspañolesyNavegación Aérea" is required to pay to the financial institutions, in accordance with the financial conditions and the other terms and stipulations established in the Financing Agreements. The average rate of this debt during 2019 was 1.32% (2018: 1.36%).

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

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

The re-wording of the new financing agreements superseded entirely, and for all legal effects, the original contracts and their renovations, in order to, amongst other amendments, eliminate any contractual restriction that may affect the privatisation process and to include AENA, S.M.E., S.A. as jointly liable together with the public business entity "ENAIRE" under the various financing contracts and to make all the necessary adjustments to these financing contracts that may be required for this purpose.

(Amounts in thousands of euros unless otherwise stated)

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

- The joint nature of the lenders, the public business entity “ENAIRE” and AENA S.M.E., S.A., which are mutually obligated to each other before the bank with regard to the obligation to pay back the amount of the loan that has been used by either of them and to pay interest, commissions, costs, expenses and any other amount payable by either of them directly to the bank by virtue of the contracts. The banks expressly recognise that the payment that they receive for any heading from either of the lenders in accordance with the stipulations of the contract will have full clearing effects for that item and amount.

- The elimination of the clauses that imposed limitations on the transmission of AENA shares and the sale of a percentage of shares higher than 49%.

- The obligation to fulfil certain financial ratios over the base of the consolidated annual accounts of Grupo Aena, which shall be certified by the delivery of a certificate accrediting fulfilment of these ratios on a half- yearly and yearly basis.

Ratio	2017	2018	2019	2020	2021 and after
Net financial debt/EBITDA Less than or equal to:	7.00 x	7.00 x	7.00 x	7.00 x	7.00 x
EBITDA / Financial expenses higher than or equal to:	3.00 x	3.00 x	3.00 x	3.00 x	3.00 x

The definitions of the terms which are included in the calculation of these ratios (Net financial debt, EBITDA and Financial expenses) are established in the renovated contracts as follows:

Financial debt: this means all financial debt with a financial cost as a result of:

a) loans, credits and commercial discounts;

b) any amount due for bonds, obligations, notes, debts and, in general, similar instruments;

c) any amount due for rental or leasing which, according to the accounting rules applicable, should be treated as financial debt;

d) the financial guarantees taken on by AENA which cover part or all of a debt, excluding those in relation to a debt that has already been calculated for consolidation; and

e) any amount received by virtue of any other kind of agreement that has the commercial effect of financing and which, according to the accounting regulations applicable, should be treated as financial debt.

For clarification purposes, it notes that the debt resulting at all times from the recognition of debt contract which was signed on 1 July 2011 (as novated at any given time) between AENA and ENAIRE shall be calculated as financial debt.

Net financial debt: This means the financial debt minus (i) treasury and cash balances, (ii) other current financial assets, meaning temporary liquid financial investments (excluding financial assets available for sale) for their liquidation value, and (iii) freely disposable treasury shares valued in accordance with the closing price on the last trading day referred to in the calculation period, as long as they were not already accounted in section (ii) above.

Subordinate debt: This means debt subordinated to AENA’s present and future obligations under the present contract, and which also: (a) establish no repayment obligations (except for capital increases to offset debts) until after the final maturity date; (b) its accreditors are not authorised to request early repayment until the obligations of the borrowers under the present contract have been wholly met; (c) are not guaranteed by any kind of real or personal guarantee, unless this guarantee is also subordinate; and (d) the subordination and other characteristics described in this definition are granted in favour of the lender.

EBITDA: This means the operating revenue plus: (i) allocations for the repayment and impairment and losses on disposal of fixed assets and allocations to the reversal reserve (as long as they have previously been deducted to calculate the operating revenue), as well as impairments of goodwill, (ii) the part corresponding to the dividend effectively received from companies that consolidate via the equity method, and (iii) the dividends paid from any company that does not include AENA’s consolidated EBITDA. For all purposes, the operating revenue from those subsidiaries which have obtained financing without recourse to AENA despite consolidating in AENA's consolidated statement of financial position will be excluded from the calculation of the EBITDA, as long as this financing has been excluded from the calculation of the financial debt for the purposes of calculating the ratios.

Financial expenses: This means the expenses associated with the financial debt, that is the financial expenses accounted as such, corresponding to the twelve (12) months prior to the corresponding date of calculation, including (i) foreign exchange differences related to interest on the financial debt if it has not already been accounted in that heading, and (ii) variations in fair value in the hedge documents underwritten in relation to this financing, if applicable.

Ratio Net financial debt / EBITDA: This means the ratio resulting from the coefficient of the Net financial debt by the EBITDA for each calculation period as long as the contract is in force.

Ratio EBITDA / Financial expenses: This means the ratio resulting from the coefficient of the EBITDA by the Financial expenses for each calculation period as long as the contract is in force.

- With regard to the possibility of granting charges and duties, a more favourable framework is established compared to what had been provided for in the initial financing contracts, as certain real guarantees on international assets may now be granted in international financing operations without recourse to AENA S.M.E., S.A. or the Public Business Entity "ENAIRE", as opposed to the prohibition which existed in many initial contracts and which have often hindered business expansion.

- The unification of the clauses that restrict the disposal of assets: AENA S.M.E., S.A. will retain, either directly or indirectly, ownership of all the airport assets and will not dispose of them in even a single operation or series of operations, related or not, with several exceptions in relation to airport assets located outside Spain.

- Certain clauses were unified in order to clarify the events in which financial contracts may be the object of early maturity as the result of defaults derived from the commercial relationships of AENA S.M.E., S.A.

As a consequence of these novations, and in order to capture the modifications in the contractual relationship for the loan with the public business entity "ENAIRE", on 29 July 2014, the Company signed a modifying non-extinguishing novation of the debt contract with the public business entity "ENAIRE", which changes the contract signed on 1 July 2011, which provided AENA S.M.E., S.A. all the assets, rights, debts and obligations of the public business entity "ENAIRE" for the purposes of developing airport and commercial activities and other state services related to airport management, including those affected by the air transit services at the airfield, for the amount of €11,672,857 thousand.

By virtue of this novation, the parties agreed to modify certain aspects of the recognition of debt contract with merely substitutive effects and under no circumstances extinguishing effects, for the purposes of stipulating the following: i) the updated amount of the recognised debt, ii) the regulation of the payment by the public business entity "ENAIRE" and AENA S.M.E., S.A. of the amounts due under the financing agreements, iii) the co-creditors' exercise of authorities based on these financing agreements, iv) AENA S.M.E., S.A.'s obligation to fulfil the same financial ratios, as outlined in the novations of the financial agreements, v) the commitment to the future pledge on credit rights (the amount corresponding to one year of service of the debt which is paid back under the financing agreements) by the Company in favour of the public business entity "ENAIRE" in the event of failure to fulfil its obligations under the recognition of debt contract or loss of the majority share capital of AENA S.M.E., S.A. by the public business entity "ENAIRE".

In the debt novation process, the parties expressly agreed that, notwithstanding their status as co-debtors and their joint responsibility to fulfil the obligations called for in the financing agreements, the payments that must be made under any concept based on these financing agreements shall be made by the public business entity "ENAIRE" and therefore maintaining the contractual relationship between AENA S.M.E, S.A. And the public business entity "ENAIRE" through the recognition of debt contract.

Notwithstanding the joint principal responsibility that AENA S.M.E., S.A. and the public business entity "ENAIRE" accept with regard to the financial entities under the financing agreements, the payments made by AENA S.M.E., S.A. will proportionally lower its obligations of payment stemming from the contribution before the public business entity "ENAIRE".

In any event, the failure of AENA S.M.E., S.A. to pay its obligation stemming from the recognition of debt contract will not release the public business entity "ENAIRE" from fulfilling its commitments to pay by virtue of the provisions in the financing agreements.

For all of these reasons, the modifications agreed to in the financing contracts with banks and with the public business entity "ENAIRE" did not change the accounting treatment of the Company's financial debt with the ultimate dominant Company, the public business entity "ENAIRE".

The financing agreements include the following causes of early maturity rated in ordinary market terms:

a) Failure to meet any of the payment obligations stemming from each of the financing agreements.
b) Failure to meet any payment obligation stemming from other financing contracts.
c) Failure to meet any payment obligation stemming from habitual commercial relations in the ordinary traffic of AENA S.M.E., S.A., unless it has judicially or extrajudicially opposed the corresponding claim for payment stemming from this failure to meet the obligation or has filed or is going to file the corresponding legal actions which AENA S.M.E., S.A. has the right to file as long as it has received a guilty verdict on payment against it.
d) General embargoes of the assets of AENA S.M.E., S.A. and/or ENAIRE.
e) The constitution by ENAIRE and/or by the Companies and entities of the ENAIRE group (with the exception of AENA S.M.E., S.A. and the companies in its group, which are governed by the limitation indicated in the following point) of any real right, burden, duty or privilege over any of the assets or rights, present or future.
f) The constitution by AENA S.M.E., S.A. and the companies in its group of any real right, burden, duty or privilege over any of the assets of rights existing in its statement of financial position, with the exception of any real right, burden, duty or privilege over assets located outside Spain (including in this exception shares or stock in companies located in Spain as long as all their operating assets are located outside of Spain) exclusively in guarantee of financings or other obligations without recourse to AENA S.M.E., S.A. contracted by subsidiaries and/or other companies in the Aena group.
g) Unless the bank has given its authorisation in writing: AENA shall conserve, directly and indirectly, the ownership of all its airport assets and shall not dispose of them in either a single operation or in a series of operations related or not, with the exception, exclusively in relation to airport assets located outside of Spain which are directly or indirectly owned by AENA, of disposals up to a joint aggregate amount during the entire lifetime of the contract that does not exceed 20% of the consolidated assets of AENA, with the value of both the consolidated assets and the alienated assets being determined at all times by reference of the values accounted in AENA's consolidated statement of financial position corresponding to 31 December of the last financial accounting year closed at the time that the asset alienation contract is signed. For the purposes of this clause, "Airport Assets" means any assets that are part of the airport activity included in the consolidated tangible fixed assets of AENA.
h) The change in the risk weight of ENAIRE or of the loans or credits generated by means of the financing agreements.

Solely these causes of early maturity could authorise the banks, in accordance with the specific terms and conditions of their respective agreements, to declare early maturity of their respective financing agreements, notwithstanding the need for good faith and the essential nature of the cause cited.

In the case that AENA fails to fulfil its obligations under the Recognition of debt contract:

- AENA pledges to the future establishment of a first-ranking pledge contract on certain creditors' rights (the amount corresponding to one year servicing the debt which shall be paid back under the financing agreements) in favour of ENAIRE (this obligation also holds if ENAIRE loses control of AENA).
- The amounts owed by AENA are charged penalty interest.
- In the case that ENAIRE has had to pay any amount to the banks in accordance with the Recognition of debt contract that AENA should have paid, ENAIRE shall subrogate in the rights and guarantees of the creditor before AENA and the debt recognised in the Recognition of debt contract shall automatically increase by the amount paid by ENAIRE.
- Likewise, in the event that as a consequence of AENA's failure to fulfil an obligation under the financing contracts, there is early maturity of one or several financing contracts and a claim for cash payment of any amounts, AENA must pay ENAIRE a penalty equivalent to 3% of the total principal due of the respective unfulfilled financing contract. This provision shall also be applied in the event that the delinquent party was ENAIRE, in which case it must pay the aforementioned penalty to AENA.

The breakdown of the "Financial debt in which the Company appears as a joint creditor with ENAIRE" (henceforth, "Co- accredited Debt") with banks on 31 December 2019 is the following (in thousands of euros):

Financial institutions	**Amount**
BEI	3,231,082
ICO	1,541,100
FMS	569,400
TOTAL Co-accredited	**5,341,582**

(Amounts in thousands of euros unless otherwise stated)

Of the 5,341,582 thousand euros above, AENA S.M.E., S.A. owes the public entity "ENAIRE" the debt derived from the contribution to the airport activity, which on 31 December 2019 totalled 5,303,393 thousand euros, 99 % of the total debt owed. In addition, AENA S.M.E., S.A owes to the public entity "ENAIRE" in concept of other loans 39,086 thousand euros. The maturity schedule of both items, at year-end, is detailed further on.

Regarding the causes of declaring early maturity, ENAIRE, as the owner of the financing contracts, does not fail to fulfil any of the conditions of early maturity, so this does not affect the Group's statement of financial position on 31 December 2019 and 31 December 2018. Likewise, at those dates the Group has complied with the required ratios.

On 9 February 2016 the Official Gazette published Bank of Spain Circular 2/2016 dated 2 February to credit institutions on supervision and solvency which completes the adaptation of the Spanish legal system to Directive 2013/36/EU and Regulation (EU) No 575/2013. The purpose of this Circular is to complete the adaptation of the Spanish legal framework in terms of banking supervision and solvency to Basel III standards.

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

In particular, the entry into force of the Circular obliged some lenders to assign to their exposure to ENAIRE a risk weight different from that assigned to their exposures to the Spanish Government, which is 0 %.

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

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

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

As a result of these actions, at 31 December 2019 there AENA records no debt affected by the change in the risk weighting.

In 2018, the costs associated with the early cancellation of the debt with Depfa amounted to 17.2 million euros corresponding to the present value of the interest pending payment from the date of the early cancellation until the original maturity (15 September 2022). As of 31 December 2018, an income of 1.0 million euros was recorded as a partial recovery of the guarantee imposed on the debt cancelled during that year.

The repayment schedule for the principal of the short and long-term debt with ENAIRE for financing airports (Note 3.2.c) at the end of 2019 and 2018 is as follows:

Quotas with Maturity	**Thousand euros 2019**
2020	633,619
2021	546,349
2022	535,836
2023	514,364
2024	512,641
Following	2,599,671
Total	**5,342,480**

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

(Amounts in thousands of euros unless otherwise stated)

The variations in the balance of the loan from ENAIRE which occurred in financial year 2019 primarily correspond to repayment of the principal for the amount of 633,744 thousand euros, as mentioned previously. The reconciliation between the opening and closing balances in the statement of financial position of the component of Borrowings from the parent company is as follows:

	31 December 2018	Cash flow: Financing activities Collections	Cash flow: Financing activities Payments	Cash flow: Operating activities Interest payments	Short/ long-term transfers	Accrued interest	31 December 2019
Non-current							
Loan to AENA S.M.E., S.A. from ENAIRE	5,342,187	-	-	-	(633,327)	-	4,708,860
Adjustment of the loan from ENAIRE using the effective cost criterion.	(3,965)	-	-	-	45	663	(3,257)
Subtotal AENA, S.M.E., S.A. short-term debt with ENAIRE	**5,338,222**	**-**	**-**	**-**	**(633,282)**	**663**	**4,705,603**
Current							
Loan from ENAIRE	633,159	-	(633,744)	-	633,327	584	633,326
Adjustment of the loan from ENAIRE using the effective cost criterion.	(401)	-	-	-	(45)	88	(358)
Interest accrued on loans from ENAIRE	14,896	-	-	(43,851)	-	42,117	13,162
Subtotal AENA, S.M.E., S.A. short-term debt with ENAIRE	**647,654**	**-**	**(633,744)**	**(43,851)**	**633,282**	**42,789**	**646,130**
Total	**5,985,876**	**-**	**(633,744)**	**(43,851)**	**-**	**43,452**	**5,351,733**

The variations in the balance of the ENAIRE debt produced in financial year 2018 corresponded primarily to repayment of the principal for the amount of 798,059 thousand euros, 166.1 million euros of which corresponded to the early repayment of the fixed interest loan with Depfa Bank, as explained above.

The reconciliation between the opening and closing balances in the statement of financial position of the component of Borrowings from the parent company was as follows:

	31 December 2017	Cash flow: Financing activities Collections	Cash flow: Financing activities Payments	Cash flow: Operating activities Interest payments	Adjustments of opening balance entry into force IFRS 9	Short/ long-term transfers	Accrued interest	31 December 2018
Non-current								
Loan to AENA S.M.E., S.A. from ENAIRE	6,109,084	-	-	-	(877)	(766,020)	-	5,342,187
Adjustment of the loan from ENAIRE using the effective cost criterion.	(4,866)	-	-	-	-	44	857	(3,965)
Subtotal AENA, S.M.E., S.A. short-term debt with ENAIRE	**6,104,218**	**-**	**-**	**-**	**(877)**	**(765,976)**	**857**	**5,338,222**
Current								
Loan from ENAIRE	665,199	-	(798,059)	-	(871)	766,020	871	633,159
Adjustment of the loan from ENAIRE using the effective cost criterion.	(471)	-	-	-	-	(44)	114	(401)
Interest accrued on loans from ENAIRE	18,812	-	-	(55,285)	-	-	51,368	14,896
Subtotal AENA, S.M.E., S.A. short-term debt with ENAIRE	**683,540**	**-**	**(798,059)**	**(55,285)**	**(871)**	**765,976**	**52,353**	**647,654**
Total	**6,787,758**	**-**	**(798,059)**	**(55,285)**	**(1,748)**	**-**	**53,210**	**5,985,876**

(Amounts in thousands of euros unless otherwise stated)

(b) Loans with credit institutions and loans with LLAH III shareholders

On 31 December 2019, Debts with credit institutions of LLAH III totalled 417,235 thousand euros of which 413,692 thousand euros is non-current debt and 3,543 thousand euros is current debt. Additionally, AENA S.M.E., S.A. had a long- term loan on that date with credit entities totalling 250,000 thousand euros and a short-term loan of 391,040 thousand euros.

On 31 December 2018, Debts with credit institutions of LLAH III totalled 395,438 thousand euros of which 344,019 thousand euros was non-current debt and 51,419 thousand euros was current debt. Additionally, AENA S.M.E., S.A. had a long- term loan on that date with credit entities totalling 649,913 thousand euros and a short-term loan of 1,841 thousand euros.

The carrying amount of Group bank borrowings is denominated in the following currencies:

	31 December	
	2019	**2018**
Thousand euros (AENA)	641,040	651,754
Thousands of pounds sterling (LLAH III)	354,983	353,730

Equally, the carrying amount of the loan with LLAH III shareholders is also entirely denominated in pounds sterling for an amount of 46,740 thousand pounds, 54,936 thousand euros at the exchange rate at the end of 2019 (2018: 46,740 thousand pounds, 51,854 thousand euros at the exchange rate at 2018 year-end).

1. AENA S.M.E., SA's Parent Company bank borrowings

During 2017, AENA took debt with various entities amounting to 650,000 thousand euros with a maturity of 5 years. These loans bear fixed interest close to 0.69 % per annum. The breakdown is as follows:

Financial institution	Amount
BBVA	250,000
UNICAJA	150,000
ING	50,000
KUTXABANK	50,000
POPULAR	50,000
BNP	50,000
BANKINTER	25,000
SABADELL	25,000
TOTAL	**650,000**

In December 2019, this debt was settled early, without any breakage costs, and new transactions were arranged for 400,000 thousand euros at a fixed annual rate of 0.29%, without any arrangement fees, and maturing in 2026, of which 150,000 thousand euros is still pending at 31 December 2019, with a disbursement date of 15 January 2020. The details of this new provision as of December 31 2019 are as follows:

Financial institution	Amount
UNICAJA	150,000
KUTXABANK	100,000
TOTAL	**250,000**

Thus, the balance of long-term debts with credit entities totals 250,000 thousand euros on 31 December 2019 (31 December 2018: 649,913 thousand euros).

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

(Amounts in thousands of euros unless otherwise stated)

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

The maturity of this new Credit Facility, of which 391,000 thousand euros has been drawn down at 31 December 2019, (there was no amount drawn as of 31 December 2018) is 5 years, renewable for a further year. The interest rate is variable, with an initial spread of 0.275% on one-month Euribor and a usage commission of between 0.075%, 0.15% and 0.33%, depending on the average balance used according to ≤ 33%, > 33 % ≤ 66% or > 66%, respectively.

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

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

CREDIT RATING	Applicable margin
A+/A1 or above	0.225%
A/A2	0.250%
A-/A3	0.300%
BBB+/Baa1	0.350%
BBB/Baa2	0.400%
BBB-/Baa3 or lower	0.550%

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

The balance of short-term debts with credit institutions of AENA S.M.E., S.A. on 31 December 2019 amounted to 391,040 thousand euros, of which 40 thousand euros originate from interest pending payment (31 December 2018: 1,841 thousand euros from unpaid accrued interest).

(Amounts in thousands of euros unless otherwise stated)

2. LLAH III bank borrowings

The financing, totalling 390 million pounds, consists of:

- 5-year bullet loan (which can be extended 2 additional years) for 30 million pounds
- Loan payable in 12 years of 40 million pounds,
- Loan payable in 10 years of 10 million pounds,
- Private placement of 10-year bullet bonds for the amount of 40 million pounds,
- Private placement of 12-year bullet bonds for the amount of 190 million pounds,
- Credit line of 80 million pounds in 5 years (which can be extended 2 additional years) for corporate and cash needs.

The main characteristics of the financing are as follows:

Credit facilities	£80m bank loans £230m private placement of bonds £80m credit line
Due date	10 years average
Differential on the reference rate (GBP LIBOR 3 months or 6 months)	For the £30 m bullet loan and the credit line: Year 1: 135bps Year 2: 140bps Year 3: 150bps Year 4: 160bps Year 5: 175bps Year 6: 190bps Year 7: 240bps For the repayable loans of £40 m and £10 m: Year 1 until maturity: 185bps
“Covenant” Net debt/ EBITDA/ Net financial expenses	2017: 7.5x 2018: 7.5x 2019: 7.0x 2020: 7.0x 2021: 6.5x 2022: 6.0x 2023: 6.0x 2024: 5.0x 2025: 4.5x 2026: 4.0x 2027: 3.5x 2028: 2.5x 2029: 2.5x
Covenant ICR: EBITDA/ Net financial expenses	From 2017 to 2029: 2.00x

On 31 December 2019 there is a drawn balance of 44 million pounds of the credit facility for working capital.

On 31 December 2018 there is a drawn balance of 43 million pounds of the credit facility for working capital.

(Amounts in thousands of euros unless otherwise stated)

3. Loans with LLAH III shareholders

As indicated in Note 2.2. a), once the required authorisation of the Council of Ministers was obtained, Aena Desarrollo Internacional, S.M.E., S.A. exercised its right of purchase of what it had over the 11% of capital of LLAH III on 16 October 2014. The total amount that the Group disbursed for the operation was 62 million pounds (77.8 million euros) which is broken down as follows:

- For the option of 11%: 13.7 million pounds (17.2 million euros).
- For the 51% of the shareholder loan previously held wholly by Aerofi: 48.3 million pounds (61.3 million euros). This amount is eliminated in the consolidation, so the amount shown in this heading "Loans with LLAH III shareholders" solely corresponds to the LLAH III debt with AMP.

This caption has only had a variation of 2,664 thousand euros during 2019 (2018: - 426 thousand euros), originating in both cases by the fluctuation of the exchange rate during 2019 and 2018, respectively (Note 31).

(c) *Promissory note program (ECP)*

On 30 October 2019 the parent Company registered a Euro Commercial Paper Programme with the CNMV for a maximum balance of 900,000 thousand euros in the BME Fixed Income Market. With this new instrument, Aena can flexibly place promissory notes with minimum unit nominal values of 500 thousand euros and maturities of between 3 and 364 days over the course of a year.

As of December 31, 2019, the paper issued under this program amounts to 159,000 thousand euros.

(d) *Lease liabilities*

At the end of 2018, the Group had financial lease agreements related to an electric cogeneration power plant at the Adolfo Suárez Madrid-Barajas Airport, certain computer equipment (acquired in 2018), and a parking platform for aircraft at London Luton airport, which were registered as "property, plant and equipment" of the consolidated statement of financial position at 31 December 2018.

With the adoption of IFRS 16 at 1 January 2019 (see Note 2.1.2.1), the classification of leases as operating or finance leases is eliminated. With this, in the contracts in which it acts as lessee, the Group recognised in the statement of financial position the right to use the leased assets and liabilities arising from most of the lease contracts previously classified as operating leases under IAS 17, with the exception of short-term agreements, those relating to low-value assets and, in the transition to that standard, leases maturing in 2019 were also excluded. The total amount of these assets and liabilities amounted to 49,437 thousand euros. It also recognised as "Right-of-use assets" the amount of assets previously classified as finance leases amounting to 14,860 thousand euros, which at 2018 year-end were classified by their nature as non-current assets. Therefore, the total initial amount of these "Right-of-use assets" amounts to 64,296 thousand euros. At 1 January 2019. At 31 December 2019, these amounted to 61,725 thousand euros (see Note 6-b).

The present value of the lease liabilities related to such assets is as follows:

	31 December			
	2019			2018
	Finance lease	Operating lease	Total	
– Less than one year	2,339	7,615	9,954	2,247
– Between 1 and 5 years	10,540	25,035	35,575	9,926
– More than 5 years	5,765	16,462	22,227	8,032
Total	**18,644**	**49,112**	**67,756**	**20,205**

(Amounts in thousands of euros unless otherwise stated)

21. Deferred taxes

The analysis of deferred tax assets and liabilities is as follows:

	31 December 2019	2018
Deferred tax assets:		
–Deferred tax assets to be recovered in more than 12 months	77,376	91,710
–Deferred tax assets to be recovered within 12 months	29,553	33,234
	106,929	**124,944**
Deferred tax liabilities:		
–Deferred tax liabilities to be recovered in more than 12 months	50,574	62,816
–Deferred tax liabilities to be recovered within 12 months	7,812	8,179
	58,386	**70,995**
Net deferred tax assets	**48,543**	**53,949**

Gross movement in the Deferred taxes heading was as follows:

	2019	2018
At 1 January	**53,949**	**42,216**
Tax charged against/credited to the income statement (Note 32)	(11,309)	13,503
Tax charged/paid relating to components of other comprehensive income (Note 32)	10,778	1,422
Use of credits	(2,335)	(2,335)
A Adjustment by variation in tax rates in England against result (Note 32)	30	(260)
Reclassifications	761	577
Exchange differences	(2,975)	490
Other	(356)	(1,664)
At 31 December	**48,543**	**53,949**

The changes in deferred tax assets and liabilities during the year were as follows:

Deferred tax liabilities	**Amortisation**	**Pension plans**	**Derivatives**	**Other**	**Total**
At 1 January 2018	**79,273**	**-**	**-**	**880**	**80,153**
Reclassifications	(577)	-	-	-	(577)
Charged/(credited) to the income statement	(8,269)	-	-	-	(8,269)
Charged/(credited) to the income statement from changes in interest rates in England	348	-	-	-	348
Charged/(credited) to the income statement from adjustments the previous year	(107)	-	-	-	(107)
Exchange differences	(553)	-	-	-	(553)
On 31 December 2018	**70,115**	**-**	**-**	**880**	**70,995**
On 01 January 2019	**70,115**	**-**	**-**	**880**	**70,995**
Reclassifications	(761)	-	-	-	(761)
Charged/(credited) to the income statement	(7,571)	-	-	-	(7,571)
Charged/(credited) to the income statement from changes in interest rates in England (Note 32)	270	-	-	-	270
Charged/(credited) to the income statement from adjustments the previous year	(262)	-	-	-	(262)
Reclassification of Deferred tax assets(***)	-	(6,824)	(561)	(19)	(7,404)
Exchange differences	3,119	-	-	-	3,119
On 31 December 2019	**64,910**	**(6,824)**	**(561)**	**861**	**58,386**

(Amounts in thousands of euros unless otherwise stated)

Deferred tax assets	Amortisation (*)	Credit impairment losses	Derivatives	Immobilised impairment	Pension plans	Other	Total
On 01 January 2018	**76,253**	**(212)**	**22,258**	**-**	**-**	**24,070**	**122,369**
Charged/(credited) to the income statement	(5,086)	(315)	-	11,562	-	(927)	5,234
Charged/(credited) to other comprehensive income	-	-	1,239	-	-	153	1,392
Use of credits	(2,335)	-	-	-	-	-	(2,335)
Charged to the income statement from changes in tax rates in England (Note 32)	-	-	-	-	-	88	88
Charge to Net Net change in UK rates (Note 32)	-	-	44	-	-	(14)	30
Other (**)	(826)	(840)	-	-	-	(105)	(1,771)
Exchange differences	-	-	(1)	-	-	(62)	(63)
On 31 December 2018	**68,006**	**(1,367)**	**23,540**	**11,562**	**-**	**23,203**	**124,944**
Charged/(credited) to the income statement	(6,413)	1,447	-	(11,551)	(2,846)	482	(18,881)
Charged/(credited) to other comprehensive income	-	-	9,482	-	-	1,491	10,973
Use of credits	(2,335)	-	-	-	-	-	(2,335)
Charged to the income statement from changes in tax rates in England (Note 32)	-	-	-	-	-	300	300
Charge to Net Net change in UK rates (Note 32)	-	-	(38)	-	-	(157)	(195)
Other (**)	(195)	(122)	-	-	-	(300)	(617)
Reclassifications to Deferred tax liabilities (***)	-	-	(561)	-	(6,824)	(19)	(7,404)
Exchange differences	-	-	5	-	-	139	144
On 31 December 2019	**59,063**	**(42)**	**32,428**	**11**	**(9,670)**	**25,139**	**106,929**

(*) The heading "Amortisation" includes 11,671 thousand euros (2018: 14,006 thousand euros) of the pending balance of the loan initially reported in application of the right to deduction under Law 27/2014 for the amount of 21,944 thousand euros once the 2,335 thousand euros used during 2019 was considered (2018: 2,335 thousand euros) see deductions table below).
(**) Primarily shows the effect of the definitive payment of the Corporate Tax in 2018 and 2017 submitted in 2019 and 2018.
(***) These reclassifications relate to income tax offsets for the same tax authority.

In financial year 2019, the following deductions were applied in the payment of the Corporate Tax, without any deductions remaining pending upon closure of the year:

	Year generated (1)	Year due (2)	Amount pending at 31.12.2018	Amount recognised in 2019	Amount applied	Amount pending at 31.12.2019
Deductions in the Canary Islands for investments in fixed assets	2019	2034	-	18,499	(18,499)	-
Deduction for R&D+i.	2019	2037	-	78	(78)	-
Deduction of double international tax	2019	-	-	744	(744)	-
Subtotal (Note 32)				**19,321**	**(19,321)**	-
Recovery of 30% not deductible (3)	2019	-	-	2,335	(2,335)	-
Total			-	**21,656**	**(21,656)**	-

(Amounts in thousands of euros unless otherwise stated)

In financial year 2018, the following deductions were applied in the payment of the Corporate Tax, without any deductions remaining pending upon closure of the year:

	Year generated (1)	Year due (2)	Amount pending as of 31.12.2017	Amount recognised in 2018	Amount applied	Amount pending as of 31.12.2018
Deductions in the Canary Islands for investments in fixed assets	2018	2033	-	14,168	(14,168)	-
Deduction for donations	2018	2028	-	12	(12)	-
Deduction of double international tax	2018	-	-	700	(700)	-
Recovery of 30% not deductible (3)	2018	-	-	2,335	(2,335)	-
Total			**-**	**17,215**	**(17,215)**	**-**

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

(2) Deduction in the Canaries for investment in fixed assets, Royal Decree Law 15/2014, Fourth Transitional Provision, establishes a period of use of 15 years; Deduction recoverable at 30 % adjusted for depreciation on Corporation Tax, Thirty-seventh Transitional Provision and Deduction to avoid International Double Taxation, art. 31.6 of the Corporation Tax Law, does not set any limit on its use. Deduction for R&D& I in article 39 of Law 27/2014 of the Corporation Tax establishes a period of use of 18 years.

(3) The 2,335 thousand euros of this deduction, recognised and applied to taxation in 2019 and 2018, does not reduce the expense for tax in that period since it were recognised in the accounting in 2015 (see Note 32).

(Amounts in thousands of euros unless otherwise stated)

22. Provisions for employee benefit obligations

The following table shows where the amounts for post-employment benefits have been included in the Group's consolidated financial statements:

	31 December	
	2019	**2018**
Obligations in the statement of financial position for:		
- Length of service awards	8,925	8,725
- Length of service awards	714	670
- Pension plans of defined loan from LLAOL	35,000	37,227
Liabilities for provisions for employee benefit obligations	**44,639**	**46,622**
- Defined contribution pension plans (Other payables)	-	-
- Defined benefit pension plans	-	-
Total liabilities in the statement of financial position	**44,639**	**46,622**
Charges in the income statement included in the operating profit account (Note 28):		
- Length of service awards	636	1,154
- Length of service awards	30	26
- Defined contribution pension plans	3,105	2,750
- Pension plans of defined loan from LLAOL	804	791
	4,575	**4,721**
Recalculation of valuations for:		
- Length of service awards (Note 22.a)	(10)	577
- LLAOL defined benefit pension plans (Note 22.d)	7,668	620
- Early retirement awards (Note 22.b)	4	96
	7,662	**1,293**

a) Length of service awards

The collective bargaining agreement of the Aena group of companies (public business entity "ENAIRE" and AENA S.M.E., S.A.) stipulates length of service awards for services effectively provided during a period of 25, 30 or more years. The Company makes provision for the present value of the best possible estimate of future commitment obligations based on an actuarial calculation.

The amounts reported in the statement of financial position were determined as follows:

	2019	**2018**
Present value of the financed obligations	-	-
Fair value of the assets affected in the plan	-	-
Financing deficit of plans	-	-
Present value of the non-financed obligations	8,925	8,725
Total deficit of pension plans with defined benefits	8,925	8,725
Impact of the requirement of minimum financing/ asset limit	-	-
Liabilities recognised in the statement of financial position	**8,925**	**8,725**

(Amounts in thousands of euros unless otherwise stated)

Length of service awards are non-financed plans of defined benefits, so no assets affected in the plan are recorded.

	Present value of the obligation
On 01 January 2018	**8,106**
Expense / (Income) Interest	111
Past service cost and gains and losses on settlements	577
	688
Recalculation of Ratings:	
- (Gains)/losses due to changes in actuarial assumptions	577
	577
- Plan payments:	
- Benefit payments	(646)
On 31 December 2018	**8,725**
Expense / (Income) Interest	127
Past service cost and gains and losses on settlements	646
	773
Recalculation of Ratings:	
- (Gains)/losses due to changes in actuarial assumptions	(10)
	(10)
- Plan payments:	
- Benefit payments	(563)
On 31 December 2019	**8,925**

The estimated book expense for length of service awards for the financial year ending on 31 December 2019 totalled 763 thousand (2018: 1,265 thousand euros). The amount of the book expense expected corresponding to these awards throughout 2020 is 681 thousand euros.

The weighted average length of the obligations for defined benefits is 16.03 years.

b) Early retirement awards

The collective bargaining agreement states that any worker between the ages of 60 and 64 who, in line with the current provisions, has the right to voluntarily retire early may receive an indemnification which, added to the consolidated rights in the pension plan at the time the contract terminates, is equivalent to four monthly salary payments from the base of calculation and the seniority complement for each year which remains before this person turns 64, or the corresponding proportional part.

In 2004 the early retirement awards were outsourced by taking out a single payment life insurance policy with Mapfre Vida on 25 March 2004. The value of the assets in the plan was determined as the value of the mathematical provision of the insurance policies affected.

(Amounts in thousands of euros unless otherwise stated)

The movement of the obligation for benefits defined during the year was the following:

	Present value of the obligation
On 31 December 2018	**670**
Expense / (Income) Interest	10
Expected return of the funds affected	-
Past service cost and gains and losses on settlements	30
	40
Recalculation of Ratings:	
- (Gains)/losses due to changes in actuarial assumptions	4
	4
Returns (Premiums)	
• Returns	-
Plan payments:	
- Benefit payments	-
On 31 December 2019	**714**

The movement of the obligation for benefits defined during 2018 was the following:

	Present value of the obligation
On 31 December 2017	**540**
Expense / (Income) Interest	8
Expected return of the funds affected	-
Past service cost and gains and losses on settlements	26
	34
Recalculation of Ratings:	
- (Gains)/losses due to changes in actuarial assumptions	96
	96
Returns (Premiums)	
• Returns	-
Plan payments:	
- Benefit payments	-
On 31 December 2018	**670**

c) Defined contribution pension plans

The collective bargaining agreement stipulates that any worker who can prove a minimum of 360 natural days of recognised service in any of the entities and/or companies headquartered in Spain within the Aena Group may become a participant in the Joint Promotion Pension Plan of the entities of Aena Group. The pension plan covers the contingencies of retirement, incapacity (in its degrees of permanent total, absolute and major disability) and death, in accordance with the criteria contained in the minutes of the Negotiating Committee of the 3rd Aena Collective Bargaining Agreement dated 16 December 2002 on the characteristics of the new prevision system of workers in the Aena Group, through which the aforementioned pension plan was established, and notwithstanding the provisions in the minutes of the Pension Plan Monitoring Committee of Aena Group dated 15 February 2005 and, if applicable, other subsequent ones on the specifications that regulate it, which develop and complement the previous one.

For this benefit, the Group has made definite contributions to the fund during the years prior to 2013. However, for financial years 2017, 2016, 2015, 2014 and 2013, the Company has not made these contributions due to the abolition established in Law 3/2017 dated 27 June, Law 48/2015 dated 29 October 2015, Law 36/2014 dated 26 December 2014, Law 22/2013 dated 23 December 2013 and Royal Decree Law 17/2012 dated 27 December 2012, respectively, which stipulated that public enterprises cannot make contributions to pension plans for employees or collective insurance contracts that include coverage of the contingency of retirement.

During 2018, contributions were made to the Pension Plan, as foreseen in article 18. Two and Three of Law 6/2018, of 3 July, of General State Budgets for the year 2018, amounting to 498 thousand euros.

For 2019, extraordinary contributions were made to the Pension Plan based on the application of Article 3.2 of RD-Law 24/2018, amounting to 650 thousand euros.

(Amounts in thousands of euros unless otherwise stated)

d) LLAOL defined benefit and defined contribution pension plans

On 31 January 2017, London Luton Airport Operations Limited (LLAOL), with the agreement of the Company's employees and the trustees of the plan, closed the accrual of future benefits of its defined benefit pension plan (London Luton Airport Pension Scheme or LLAPS), which has been replaced from 1 February 2017 by a defined contribution pension plan.

As of the closing date of LLAPS, active members of the plan become deferred members of the plan and cease to accrue benefits for services rendered to the employer (LLAOL). Likewise, as from that date contributions for services rendered by both LLAOL and the members of the plan cease, and LLAOL only retains the obligation to make those contributions which according to regular valuations of the plan are deemed necessary to guarantee the payment of benefits for services rendered accrued prior to 31 January 2017, restated annually in accordance with the terms set out in the LLAPS rules.

This defined contribution pension plan is managed by a third party selected for this purpose. The Plan's assets are held in individual savings funds separate from the assets of the group. Employees make contributions to these individual funds up to a maximum of 6% of their basic salary. Employees can decide the amount of their contribution and how to invest it. The group makes contributions in a 2:1 ratio up to a maximum of 12% of the basic salary. The cost of the contributions by the group to the defined contribution plan 2019 was 2,455 thousand euros (2018: 2,252 thousand euros).

The defined benefit commitments from the LLAH III group recognised in the consolidated statement of financial position, as well as changes to the present value of the obligations and the fair value of the plan's assets, are as follows:

	Present value of the obligations
On 31 December 2018	**163,898**
Expense / (Income) Interest	4,417
Past service cost and gains and losses on settlements	-
	4,417
Recalculation of Ratings:	
- (Gains)/losses due to changes in actuarial assumptions	21,492
- Impact of the requirement of minimum financing/ asset limit	(5,866)
	15,626
Foreign exchange translation differences	9,191
Employer contributions (*)	804
Plan payments:	
- Benefit payments	(6,774)
- Administration expenses	(804)
On 31 December 2019	**186,358**

(*) For administration costs

	Fair value of plan assets
On 31 December 2018	**(126,671)**
Expense / (Income) Interest	(3,532)
Return of the funds affected	(7,958)
	(11,490)
Recalculation of Ratings:	
- (Gains)/losses due to changes in actuarial assumptions	-
Foreign exchange translation differences	(7,069)
Employer contributions	(13,699)
Plan payments:	
- Benefit payments	6,767
- Administration expenses	804
On 31 December 2019	**(151,358)**
Provisions for pensions and similar obligations	**35,000**

(Amounts in thousands of euros unless otherwise stated)

The defined benefit commitments recognised in the 2018 consolidated statement of financial position, as well as changes to the present value of the obligations and the fair value of the plan's assets, were as follows:

	Present value of the obligations
On 31 December 2017	**177,459**
Expense / (Income) Interest	4,169
Past service cost and gains and losses on settlements	791
	4,960
Recalculation of Ratings:	
- (Gains)/losses due to changes in actuarial assumptions	(13,582)
- Impact of the requirement of minimum financing/ asset limit	5,427
	(8,155)
Foreign exchange translation differences	(1,253)
Employer contributions (*)	271
Plan payments:	
- Benefit payments	(8,667)
- Administration expenses	(717)
On 31 December 2018	**163,898**

(*) For administration costs

	Fair value of plan assets
On 31 December 2017	**(126,979)**
Expense / (Income) Interest	(2,965)
Return of the funds affected	8,775
	5,810
Recalculation of Ratings:	
- (Gains)/losses due to changes in actuarial assumptions	-
Foreign exchange translation differences	1,044
Employer contributions	(15,923)
Contributions from Plan members	-
Plan payments:	
- Benefit payments	8,660
- Administration expenses	717
On 31 December 2018	**(126,671)**
Provisions for pensions and similar obligations	**37,227**

The amounts reported in the profit and loss statement are the following:

Postings to results	**2019**	**2018**
Expense / (Income) Interest	885	1,204
Past service cost and gains and losses on settlements	804	1,062
Total charge in profit and loss statement	**1,689**	**2,266**

(Amounts in thousands of euros unless otherwise stated)

The assets of the plan, expressed in a percentage over the total fair value of the assets, are the following:

Assets del plan	**2019**	**2018**
Equity	4 %	23 %
Fixed income in qualified investment bonds	4 %	3 %
Investment funds	67 %	46 %
Cash	26 %	28 %

- (Gains)/losses due to changes in actuarial assumptions

The reported variation in the assets corresponds to the actuarial losses and earnings which are due to changes in:

	2019	**2018**
Profitability of assets affected above the expected profitability	(7,958)	8,775
Financial hypotheses	21,023	(14,504)
Impact of the requirement of minimum financing/asset limit	(5,866)	5,427
Demographic experience	469	922
At 31 December	**7,668**	**620**

Net liabilities were reduced in 2019 from a deficit of 37,227 thousand euros to a deficit of 35,000 thousand euros, mainly as a result of the contribution made by the company during the period, as well as a higher than expected return on assets and the impact of the adjustment arising from the minimum funding requirement, although these effects were largely offset by changes in the financial assumptions used in the calculation of liabilities, especially the decrease in the discount rate used (from 2.8% in 2018 to 2.0% in 2019).

The net liability was reduced during 2018 from a deficit of 50,480 thousand euros to a deficit of 37,227 thousand euros, mainly as a result of a substantial contribution (15,652 thousand euros) made by the company during the period. Changes in the financial assumptions used in the calculation of liabilities (mainly the increase in the discount rate used -from 2.4% in 2017 to 2.8% in 2018-) also reduced the deficit, although this effect was partially offset by a lower than expected return on assets and the impact of the adjustment resulting from the minimum financing requirement, due to the new deficit reduction plan implemented during the period.

The Group has performed sensitivity analysis on the main actuarial assumptions in thousand euros:

	Impact on the present value of defined benefit obligations		
	Change in hypotheses	**Increase**	**Reduction**
Discount rate	0.5 %	(18,059)	20,619
Rate of inflation	0.5 %	15,435	(16,031)
		A year younger than assumed	One year older than assumed
Life expectancy	1 año	6,454	(6,374)

Moreover, to eliminate the Plan's deficit LLAOL agreed to make contributions to the Plan until 31 March 2023. The next contribution to the Plan, amounting to 11,785 thousand pounds, will be made before 31 December 2020. Additionally, the Company will make contributions of 240 thousand pounds per year to cover the costs of administering the Plan.

The Contribution Plan for deficit compensation is reviewed every three years with each formal actuarial valuation. The next triennial assessment of the Pension Plan is set for 31 March 2020.

(Amounts in thousands of euros unless otherwise stated)

23. Provisions and contingencies

a) Provisions

The movement in this heading for financial years 2019 and 2018 is shown below:

	Environmental action	Liabilities	Taxes	Expropriations and late-payment	Other operating provisions	Infrastructure-related provisions	Total
Balance at 01 January 2019	**71,961**	**21,698**	**10,577**	**13,251**	**27,382**	**-**	**144,869**
Charge for the period	16,147	19,034	952	3,104	35,148	1,698	76,083
Reversals/Excesses	(8,470)	(2,332)	(2,878)	(7,251)	(2,720)	-	(23,651)
Amounts Used	(7,398)	(968)	(124)	(1,092)	(25,580)	(190)	(35,352)
Foreign exchange differences	61	11	-	-	-	-	72
On 31 December 2019	**72,301**	**37,443**	**8,527**	**8,012**	**34,230**	**1,508**	**162,021**

	Environmental action	Liabilities	Taxes	Expropriations and late-payment	Other operating provisions	Total
Balance at 01 January 2018	**56,647**	**22,171**	**11,798**	**15,081**	**49,071**	**154,768**
Charge for the period	28,031	13,090	2,199	434	31,134	74,888
Reversals/Excesses	(6,386)	(10,319)	(3,242)	(2,142)	(8,587)	(30,676)
Amounts Used	(6,317)	(3,243)	(178)	(122)	(44,236)	(54,096)
Foreign exchange differences	(14)	(1)	-	-	-	(15)
On 31 December 2018	**71,961**	**21,698**	**10,577**	**13,251**	**27,382**	**144,869**

Analysis of total provisions:

	31 December 2019	31 December 2018
Non-current	77,267	84,700
Current	84,754	60,169
Total	**162,021**	**144,869**

Provision for environmental action

This heading recognises provisions amounting to 70,901 thousand euros (31 December 2018: 70,107 thousand euros), relating to the expected obligations in regard to noise abatement and sound-proofing residential areas, in order to comply with current legislation on noise generated by airport infrastructures.

Additionally, an environmental provision for 1,400 thousand euros is recognised (2018: 1,854 thousand euros) in relation to the additional measures referred to in the Resolution of the Secretary of State for the Environment of 9 April 2015, which amended condition nine of the Environmental Impact Assessment of Adolfo Suárez Madrid-Barajas airport of 30 November 2001, and envisaged actions on Gravera de Arganda, biological corridors and the River Jarama.

The provision of 16,147 thousand euros for environmental actions during 2019 was due to the updating of the acoustic footprints of certain insulation plans, which has resulted in an increase in the number of dwellings that might require acoustic insulation. The balancing entry for these provisions is included under "Property, plant and equipment".

The increase in the provision for environmental actions during 2018 was fundamentally due to the approval of acoustic easements at several airports in the Spanish network, which has led to an additional allocation of 28 million euros, and whose counterpart was reflected in the "Property, plant and equipment" heading.

The reversal of 8,470 thousand euros in 2019 relates mainly to a decrease in the average estimated cost of insulation per home. In this regard, the average amount of 8,943 euros/home (except for the Adolfo Suárez Madrid-Barajas airport, for which a cost of 15,311 euros was estimated due to the typology of the homes and buildings yet to be insulated in this airport); and for a further 4 airports, for which the mean estimated cost amounts to 4,880 euros/home). In the 2018 financial statements, an average unit cost of 8,956 euros/home was used (except for the Adolfo Suárez Madrid-Barajas airport, for which a cost of 16,743 euros was estimated due to the type of homes and buildings to be insulated at this airport, and for another 3 airports, for which the average cost was estimated at 5,567 euros/home) Such reversal has been made against the value of the property, plant and equipment against which the provision was originally made.

The reversal of 6,386 thousand euros in 2018 related mainly to a decrease in the average estimated cost of insulation per home. In the Annual statement for the 2017 financial period, an average cost per unit of 9,111 euros was used (except for the Adolfo Suárez Madrid-Barajas airport, for which a cost of 16,795 euros was estimated due to the type of homes and buildings yet to be insulated in this airport).

Environmental evaluation legislation (currently Law 21/2013), requires that certain AENA S.M.E., S.A. projects are submitted to an environmental impact assessment (particularly runway extensions exceeding 2,100 m), finalised by the formulation of the corresponding environmental impact statements (EIS) by the Ministry for Environmental Transition, which contain the obligation to develop and execute Soundproofing Plans.

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

The Group will post the corresponding provisions at the time when the obligation arises to insulate homes, that is, either when a new acoustic footprint is approved with importance in terms of acoustic insulation, an easement and its action plan (via Royal Decree), or through the approval of a new Environmental Impact Statement as the result of the environmental evaluation of projects that require it. These published standards are the ones that must be considered when making provisions, regardless of whether the insulating actions on the affected buildings later are executed, which leads to a time difference between the provision and the execution of the works. The Group's administrators do not expect there to be any significant liabilities or additional contingencies for this reason.

<u>Provisions for liabilities</u>

This heading mainly records provisions made based on the best estimates available to Group directors to cover risks relating to litigation, claims and commitments in progress that are known at the end of the year and for which the expectation is that an outflow of resources in the medium or long-term is likely. As at 31 December 2019 and 2018, the balances of the Provision corresponded mainly to unfavourable judgments on claims made by tenants, and to labour and other claims made by contractors and airlines.

The provisions made by the Company in 2019, totalling 19,034 thousand euros, relate mainly to unfavourable judgements on claims by land tenants (14,436 thousand euros) and to labour claims (2,345 thousand euros).

During 2018, the provisions made by the Group for a total of 13,090 thousand euros corresponded mainly to employment claims (3,271 thousand euros), various claims by tenants of premises and land (1,014 thousand euros) and claims by works contractors (8,805 thousand euros).

During 2019, the reversals amounting to 2,332 thousand euros relate mainly to the resolution in favour of the Company of labour disputes amounting to 1,114 thousand euros. Of this total of 2,332 thousand euros, 2,222 thousand euros were credited to "Excess provisions" in the income statement or reduced by staff costs as a result of the favourable employment decisions obtained, and the remaining 110 thousand euros were credited to the value of the non-current assets for which provisions were made.

In 2018, the reversals amounting to 10,319 thousand euros related mainly to judgments in favour of the Company in construction disputes amounting to 5,047 thousand euros for which it was considered that there would be no adverse economic consequences and, therefore, this amount was reversed with a credit to the value of the non-current assets against which provisions were recognised at the time. The remaining reversals, amounting to 5,272 thousand euros, were credited to the income statement, mainly under the "Excess provisions" heading, or by reducing staff costs as a result of various favourable employment rulings obtained. In particular, with regard to the provision made at the time for unfavourable judgements on claims made by airlines, amounting to 4,111 thousand euros, against the rates applicable from 1 July 2012, the repercussion of which had not been possible for end passengers, 1,380 thousand euros reversed, given that finally some companies submitted requests for the refund of undue income (as required by the judgement) for an amount lower than initially provided. During the 2018 financial period, 1,169 thousand euros were paid for this concept.

The Group's executives do not estimate that from all the liability proceedings underway, additional liabilities can emerge that could significantly affect these annual accounts.

Provisions for taxes

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

The amount of the reversals, which were credited in full to the “Excess provisions” caption of the statement of income, relates mainly to favourable rulings in settlements that were in dispute or to limitations on such tax settlements in favour of the Group.

Provisions for expropriations and late-payment interest

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

At 31 December 2019 there were provisions allocated, principally, for contentious proceedings related with the expropriation of land for the Adolfo Suárez Madrid-Barajas airport and Vigo airport. As a whole, these procedures have given rise to a provision for an amount of 8,012 thousand euros at 31 December 2019, of which 6,630 thousand euros corresponded to differences in assessment, balanced against the higher land value, and 1,382 thousand euros for late-payment interest due at 31 December 2019, balanced against the expense for late-payment interest on expropriations (31 December 2018: 13,251 thousand euros, of which 9,603 thousand euros were for differences in assessment, balanced against higher land value, and 3,648 thousand euros in late-payment interest due at 31 December 2018, balanced against the expense for interest for delay on expropriations).

Reversals during Financial year 2019 are principally the result of a Supreme Court ruling that a cassation appeal filed by the expropriated party was inadmissible. Of the 7,251 thousand euros reversed (2018: Of the 2,142 thousand euros reversed), 4,607 thousand euros was credited to the value of the property, plant and equipment against which they were originally recorded, and the remaining 2,644 thousand euros was credited to income (at the time they were credited to interest expense for expropriation delays).

The interest income for expropriations as of 31 December 2019, once the aforementioned reversals were taken into account, amounted to 2,270 thousand euros (31 December 2018: expense of 310 thousand euros).

Other operating provisions

This heading records the provision for credits applicable to public service benefits for landing services and passenger departures, accrued by airlines operating during certain days of the week at airports located in the Canary Islands. Also the General State Budgets Law for the year 2016 established incentives in the public service benefits for passenger traffic, for growth in passenger numbers on the routes operated in the Aena network.

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

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

- Incentive for growth in the seasonal airports included in Law 21/2003 (Canary Islands, Balearic Islands, Ceuta and Melilla) during their low season consisting of a discount on the average amount of the public charges for passenger departures of the carrier on the route and which shall apply to the number of additional passengers on the route with respect to the previous low season of the airport. The incentive to which each airline operating on the route in question will be entitled shall be proportional to its contribution to the growth generated on such route by all the airlines operating on it. An additional discount will be given in the following equivalent season if the carrier maintains at least the number of passenger departures operated on such route.

As indicated in section 3.9.2 of the DORA, in 2019 the commercial incentive scheme approved in February 2017 is maintained, with the aim of continuing to encourage the opening of new routes, the increase of long-haul passengers, incentivise traffic at airports with lower traffic volume and reduce the seasonality of airports with a strong seasonal component.

Additionally, and as a complement to the previous incentives, through a decision by Aena's Board of Directors on 2 October 2019, the so-called “Extraordinary Incentive to mitigate the reduction of activity of the Thomas Cook Group” was created, by which airlines will be entitled to an incentive for the number of additional seats to international destinations and on commercial flights that finally operate during the entire 2019 winter season with respect to those scheduled on August 31 of that year, at the Canary Islands and Balearic Islands airports. These additional seats will be incentivised with a 100% discount on the average passenger fare of each company in the whole of the Canary and Balearic Islands airports during the 2019 winter season, which runs from 27 October 2019 to 28 March 2020

The overall effect of traffic incentives amounted to 32,428 thousand euros in 2019 (net of the reversal of 2,720 thousand euros of provisions from previous years) compared to 22,547 thousand euros in the same period in 2018 (net of the reversal of 8,587 thousand euros of provisions from previous years). There have been applications of 25,580 thousand euros against this provision during the period (2018: 44,236 thousand euros).

At 31 December 2019 the sum of the amount provisioned for all these items amounted to 34,230 thousand euros (31 December 2018: 27,382 thousand euros).

Infrastructure-related provisions for action

This provision corresponds in full to the Sociedad concesionaria del Aeropuerto Internacional de la Región de Murcia (AIRM) (Note 2.2). The concession contract formalised includes infrastructure replacement actions during its term that are carried out with respect to periods of use greater than one year and which are required to maintain the infrastructure suitable to provide the services adequately.
These actions, insofar as they reveal wear and tear on part of the infrastructure, bring with them the provision of a systematic supply and until such time as these actions are to be carried out. The allocation of this provision results in an expense being recorded in the income statement.

b) Contingent liabilities

At the end of 2019 and 2018 the Group was involved in claims and legal disputes against it which arose during the normal course of its business, and for which Management considers it unlikely that there will be an outflow of resources.

Environmental action

As a result of the overflight of airplanes in population centres near the Adolfo Suarez Madrid-Barajas and Josep Tarradellas Barcelona el Prat Airports, the Group maintained litigation derived from the possible acoustic impact resulting from said overflights, which could have negatively impacted both traffic and airport operations.

Finally, during fiscal year 2019, these disputes have been resolved favourably for the Company.

Ministry of Defence

The Ministry of Defence has requested compliance with the sixth section of the Framework Agreement between the Ministry of Defence and the Ministry of Public Works on the transfer of airport premises to be affiliated with Aena dated 28 June 1998, and in consequence to obtain payment of the budgetary compensation agreed to by the Council of State in its ruling dated 8 October 1998. Regarding the effective risk which this claim may entail, it is difficult to evaluate, although the aforementioned report of the Council of State, in its SECOND conclusion, states that the economic compensation for the change in affiliation will only take place in the event that the installation had had a military use. In consequence, if this installation was meant for civil aviation, even if it was located within a military installation, Defence would not have to be indemnified. At the date of preparation of these accounts, there is a claim relating to Son Bonet airport, as well as another claim for a compensation payment relating to Cuatro Vientos aerodrome, although this could be extended to other facilities.

It appears from the investigation conducted that Son Bonet aerodrome never had any military use. "No reference has been found to the military use of the facility, on the contrary, all reviews speak of Son San Joan as the military airfield of the island, so the aforementioned budget offset does not apply.

Expropriations

The Company is also involved in proceedings relating to claims involving expropriations that have taken place and which at 31 December 2019 and 2018 could not be quantified since a court decision is yet to be reached and which could give rise to additional cash outflows for expropriations, although the directors do not anticipate that a decision that is contrary to the interests of the Company is likely.

Commercial activities

At 31 December 2019 and 31 December 2018 the parent Company is involved in legal disputes with leases at airports in the Aena network which are either pending final decisions or are going through the courts. The total of these claims amounts to 8.1 million of euros, but the Group's Management does not anticipate that such claims will give rise to financial penalties against it.

Construction company claims

In addition to the above, at 31 December 2019 and 31 December 2018 there are claims that have been filed against the parent Company by several construction companies deriving from the execution of various construction contracts relating to the airport network. The Group's Management does not anticipate that such claims will give rise to financial penalties against it.

Airline claim relating to fees

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

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

In 2015, various airlines filed administrative appeals in the National High Court against the withdrawing decisions of the administrative appeals filed by these companies before the Central Administrative-Economic Court.

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

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

Other claims with airlines

The Group maintains claims and disputes for specific incidents that have generated damage to aircraft at the network's airports. At 31 December 2019, the Group's management considers that they would not be significant.

Claim as a result of the expansion work at Luton Airport

As a result of the development and expansion of the Luton Airport carried out since 2015, additional liabilities could arise with the local administration quantified at €12.9 million, due to changes in the local environmental legislation that occurred during 2018. The Group considers it unlikely that this contingency will occur since all the necessary measures have been taken to resolve this issue should a claim for this liability be initiated.

c) Contingent assets

a) Aena appeals 318/2015 against the CNMC Agreement of 23 April 2015

This contingency has been resolved by the High Court Judgment of 3 June 2019, notified on 6 June.

The CNMC Agreement of 23 April 2015 (Agreement of 23 April) on the 2016 tariffs provided that the accounting to be used as the basis for the tariff update for 2016 should reflect in a different way how the "costs arising from commercial revenue generated by a higher volume of traffic" had been incurred in the previous year. Pursuant to the Agreement of 23 April, that consequence would establish that part of the costs arising in airport terminals, and which were recorded as regulated airport activity, would be part of business activities and be considered as costs thereof.

The appeal 318/215 now resolved by the High Court was directed against the CNMC Agreement of 23 April 2015, as well as against a Resolution of 30 June 2015. The Resolution of 30 June 2015 had already been issued as part of the first phase of the procedure for approving airport charges. In the latter Resolution, CNMC had requested AENA to modify its tariff proposal for 2016, with a view to complying with the criteria of the Agreement of 23 April 2015.

The criterion of the National High Court is that these two resolutions are correct. On the one hand, because it considers that the Agreement of 23 April 2015 would not have had binding effect on AENA and would have been handed down in a purely preparatory procedure of the subsequent one without further effect. And, as for the Resolution of 30 June 2015, it is considered to form part of the tariff review procedure in which the CNMC can indicate to AENA what changes should be introduced in its proposal, without prejudice to the fact that in the end the decision corresponds to the legislator when it approves the General State Budget Law.

b) Appeal 355/2015 against the CNMC Resolution of 23 July 2015

On 23 July 2015, the CNMC issued the "Resolution adopting the Proposal for modification of fees of AENA for 2016, and establishing the measures to be adopted in future consultation procedures".

On 17 June 2019, Aena's contentious-administrative appeal was dismissed. The Judgment upholds the CNMC's theory, according to which the shortfall to be offset would be exclusively the actual shortfall produced each year and not the prospective shortfall estimated at the start of each period, as claimed by AENA.

Both rulings have no impact on the Group's financial statements and have no effect on the criteria for setting the rates contained in the current Airport Regulation Document (DORA), which covers the years 2017 to 2021.

Having analysed both judgments, the Group considered that there was no need to appeal against them.

c) Aena administrative contentious appeals against the CNMC Agreement of December 10, 2018.

(PO 215/2019): The purpose of this contentious-administrative appeal is the Resolution of the Regulatory Supervisory Chamber of the National Commission of the Markets and the Competition of December 10, 2018 of the airport fees applicable by Aena, SME, SA (Aena), in the year 2019.

The contested resolution is part of the Aena Board of Directors Agreement of July 24, 2018. Through the aforementioned Agreement, Aena approved the update of airport fees for the year 2019 in application of the 2017-2021 Airport Regulation Document (DORA) and in accordance with the provisions of Law 18/2014, of October 15, of approval urgent measures for growth, competitiveness and efficiency.

In this Resolution, the CNMC corrects the Parameters k, b and d determined in the Agreement of July 24 to fix the IMAAJ corresponding to the year 2019 from the IMAP provided in the DORA; ut intends to impose a series of criteria for the application of the IMAAJ formula –related to Parameter k, b and d –that are contrary to the criteria established in Law 18/2014– and, in addition, corrects and misapplies the instruments for determining variables and the remuneration parameters such as the 2017-2021 DORA (regading the estimated or expected traffic) and in the 2017 Aesa Technical Supervision Report –regarding Parameters b and d–.

On May 16, 2019, Aena proceeded to file the claim that has been answered by the State Advocacy on July 29, 2019.

(PO 490/2019): This Action is directed against the Resolution of the CNMC Regulatory Supervision Chamber of December 10, 2018 of the accumulated conflicts presented by ALA, IATA and ACETA against the Agreement of the Board of Directors of AENA, SME, SA dated July 24 of 2018 that sets the airport fees for 2019.

The Contested Resolution aims to resolve the fee disputes presented by certain representative associations of the airlines -i.e. ALA, IATA and ACETA- that are the reason for the Agreement of the Board of Directors of Aena of July 24, 2018.

In accordance with these criteria, and contravening the legal criteria for the determination of the fees of Law 18/2014, the Contested Resolution corrects the parameters k and b included in the Agreement of July 24 to fix the IMAAJ corresponding to the year 2019 from IMAP provided in the DORA; reason why it must be annulled.

In this way, it fully accepts the claims of the Associations -as it did in the Supervision Report- even when they go against the provisions of Law 18/2014; every time it is required that, for the determination of the parameters k and b, the provisions of the DORA and the Annual Technical Supervision Report (approved by AESA) be taken into account. However, as we have seen, the contested resolution applies a series of criteria for fixing the IMAAJ that are openly discrepant with Law 18/2014; which makes it necessary to correct them, to avoid the incorrect application of the Law and the distortions for future fiscal yearsthat could be derived from the application of the (arbitrary) criteria of the CNMC.

On July 4, 2019, Aena proceeded to file the complaint that has been answered by the State Advocacy on January 17, 2020.

d) Appeals against the CNMC Resolution of 11 December 2019

On February 7, Aena has filed two administrative contentious appeals against two CNMC Resolutions. Both Resolutions are dated December 11, 2019.

On the one hand, the Resolution of supervision of the airport fees applicable by Aena, SME, SA in fiscal year 2020. The purpose of this Resolution is to supervise the transparency and consultation procedure in relation to the update of airport fees for the year 2020. The Aena resource focuses on the calculation of the IMAAJ parameter K -and, in particular, the determination of the traffic estimate or Qt- and on the competition that the CNMC has waived to determine a different traffic estimate or forecast, and based on its own sources, which appears in the DORA.

On the other hand, the Resolution of the cumulative disputes lodged by ALA, IATA, ACETA and Norwegian against the agreement of the Board of Directors of Aena S.M.E., S.A., dating from 30 July 2019, which fixes the airport fees for 2020. The object of the appeal is similar to that derived from the challenge of the Supervisory Resolution, that is, to challenge the scope of the CNMC's competence. Aena considers that the Commission, on the occasion of this Resolution, is exceeded by applying different traffic estimates, notwithstanding that the result is the same: the modification of the fee update established by AENA.

24. Grants

The breakdown and movement of this heading on 31 December 2019 and 2018 was as follows (in thousand euros):

Capital grants from official European bodies	**2019**	**2018**
1 January	**530,811**	**552,079**
Additions	6,186	73,808
Postings to results	(39,655)	(95,076)
31 December	**497,342**	**530,811**

The breakdown of this balance between the current and non-current part is as follows:

	31 December 2019	**31 December 2018**
Non-current	461,690	495,594
Current	35,652	35,217
Total	**497,342**	**530,811**

The grants primarily come from resources granted by the European Regional Development Fund (ERDF) for the development of airport infrastructures.

During the 2018 tax year, the remaining balance of the capital grants related to the assets subject to impairment and mentioned in Note 6, for an amount of 26,700 thousand euros, were applied to results.

The breakdown of the gross grants by operative programmes which were earned in financial years 2019 and 2018 is as follows in thousands of euros:

	Thousand euros	
	2019	**2018**
Andalusia Operative Programme	-	2,443
Valencian Operative Programme	529	-
Region of Murcia Operative Programme	1,051	4,579
Galician Operative Programme	-	42,714
Canary Islands Canary Islands	4,687	18,233
Extremadura Operative Programme	-	1,561
Castile and León Operative Programme	-	904
Knowledge Economy Operative Programme	(7)	17,663
Total ERDF Funds earned	**6,260**	**88,097**

In addition, 193 thousand euros was also collected in 2019 for a grant for the construction of a water treatment plant at a network airport, for a total of 6,453 thousand euros.

At the close of financial year 2019, the Company believes that all the conditions needed to receive and enjoy the grants listed above have been met.

25. Other non-current liabilities

As stated in Note 19, on 14 February 2013, AENA S.M.E., S.A. signed three contracts with World Duty Free Group Spain, S.A. for the commercial rental of the *duty free* and *duty paid* shops across the entire network of airports in Spain. These contracts are valid until 31 October 2020 and include an advance by 332,442 thousand euros, which is periodically offset by billing.

On 31 December 2019 the long-term advance which was pending compensation totalled 0 thousand euros (2018: 38,296 thousand euros).

	Long-term liabilities	
	2019	**2018**
Securities and others	15,462	10,945
Accruals (Note 19)	-	38,296
Total	**15,462**	**49,241**

(Amounts in thousands of euros unless otherwise stated)

26. Commitments

a) Environmental commitments

The Group's management, faithful to its commitment to preserve the environment and to the quality of life around it, has been making investments in this area which allow it to minimise the environmental impact of its actions and protect and improve the environment.

On 31 December 2019 tangible fixed assets included environmental investments totalling 545.4 million euros, whose accrued depreciation totals 259.1 million euros (2018: investments of 529.2 million euros and depreciation of 243 million euros).

The environmental investments made by the Group in financial year 2019, which encompass the elements included in the Company's assets with the goal of their being used in a lasting way in its activity, and whose main purpose is to minimise the environmental impact and to protect and improve the environment, including control, prevention, reduction or elimination of future pollution caused by operations performed by the Company, are broken down below by airport:

	Thousand euros	
	2019	**2018**
Bilbao	5,768	2,776
Alicante	5,398	309
Madrid/Barajas	4,161	936
Palma Mallorca	3,967	24,785
Lanzarote	3,048	38
Malaga	2,364	144
Seville	1,820	1,817
A Coruña	1,668	-
Valencia	1,605	23,655
Tenerife Norte	1,539	645
Tenerife South	1,287	1,277
Gran Canaria	1,093	480
Fuerteventura	1,022	67
Ibiza	444	491
Barcelona	159	543
London-Luton	-	1,261
Other airports	1,736	1,672
Total	**37,079**	**60,896**

The profit and loss statements of financial years 2019 and 2018 include the following environmental expenses, broken down by category:

	Thousand euros	
	2019	**2018**
Repairs and maintenance	(8,534)	(9,504)
Independent professional services	(2,795)	(2,423)
Other environmental services	(3,122)	(2,947)
Total	**(14,451)**	**(14,874)**

(Amounts in thousands of euros unless otherwise stated)

The environmental provisions and contingencies are outlined in Note 23. Environmental evaluation legislation (currently Law 21/2013), requires that certain AENA S.M.E., S.A. projects are submitted to an environmental impact assessment (particularly runway extensions exceeding 2,100 m), finalised by the formulation of the corresponding environmental impact statements (EIS) by the Ministry for Environmental Transition, which contain the obligation to develop and execute Soundproofing Plans.

At 31 December 2019, in application of the Soundproofing Plans, a total of 24.395 homes and sensitive buildings were soundproofed (2018: 23,897 homes), most notably the 12,909 homes near Adolfo Suárez Madrid-Barajas airport (2018: 12,902 homes), 2,992 in Alicante- Elche (2018: 2,990 homes), 1,963 homes in Valencia-Manises (2018: 1,800 homes), 1,562 in Bilbao (2018: 1,520), 925 in Palma de Mallorca (2018: 836), 890 at Tenerife Norte (2018: 705) and 811 in Málaga-Costa del Sol (2018: 811 homes).

Likewise, in accordance with the resolutions of the Ministry for Environmental Transition for which environmental impact statements are formulated for AENA's airports, the preventative, corrective and compensatory measures cited in the preventative environmental impact studies and in the aforementioned Environmental Impact Statements are being carried out, thus fulfilling a series of conditions primarily with the protection of the hydrological and hydrogeological system; soil protection and conservation; air quality protection; acoustic protection; protection of the flora, fauna and natural habitats; protection of the cultural heritage, service restoration and livestock trails, location of cliffs, loan zones, landfills and auxiliary facilities.

b) *Commitments to acquire fixed assets*

The commitments at 31 December 2019, outstanding investments amount to approximately 1,302.6 million euros (2018: 829.7 million euros), which include allocated investments pending formalisation by contract and confirmed investments awaiting execution.

c) *Minimum future payments to be received for operating leases*

The company AENA S.M.E., S.A, rents out several specialty shops and stores under non-cancellable operating lease contracts. These contracts last between five and ten years, and most of them can be renovated upon expiration in market conditions. The total minimum fees for the next 5 years, for non-cancellable operating leases, are the following:

	2019	**2018**
Less than 1 year	797,758	707,679
Between 1 and 5 years	3,197,262	1,402,744
More than 5 years	80,108	148,219
Total	**4,075,128**	**2,258,642**

27. Others (losses) / earnings - net

	2019	**2018**
Other losses	(13,790)	(9)
Other earnings	2,026	1,838
Total Other net (losses)/ earnings	**(11,764)**	**1,829**

The amount of Other earnings in financial years 2019 and 2018 primarily includes seizures of warranties and guarantees, as well as payments of surcharges for seizures or arrears; the losses primarily include indemnifications and allocations to provisions for risks.

(Amounts in thousands of euros unless otherwise stated)

28. Expenses for provisions for employee benefit obligations

	2019	2018
Salaries and wages, including other indemnifications for dismissal	(329,054)	(311,573)
Security Social costs	(103,762)	(95,029)
Costs for pensions (Note 22)	(3,909)	(3,541)
Cost of premiums for retirement and tenure (Note 22)	(666)	(1,180)
Other social costs	(18,782)	(12,402)
Total employment costs	**(456,173)**	**(423,725)**

The year-on-year change in personnel expenses is mainly due to the salary review provided for in Royal Decree 24/2018 of 21 December, with a 2.50% salary increase for the first half of 2019, effective from 1 January 2019 to 30 June 2019; and an additional 0.25% increase for the second half of 2019 (2.50% +0.25%), effective from 1 July 2019 to 31 December 2019, together with the incorporation of new staff and the increase in variable remuneration (2018: 1.50% increase for the first half of 2018, effective from 1 January 2018 to 30 June 2018; and an additional 0.25% increase for the second half of 2018 (1.50% +0.25%), effective from 1 July 2018 to 31 December 2018).

In addition, contributions were made to the Pension Plan, as foreseen in article 18. Two and Three of the LGPE for an amount of 650 thousand euros in 2019 (2018: 498 thousand euros).

Social Security increased for the same reasons.

The number of employees at the end of the year by category and gender at the fully consolidated companies forming part of the Group was as follows:

	31/12/2019			31/12/2018		
Professional Category	Men	Women	Total	Men	Women	Total
Senior management	8	4	12	10	2	12
Executives and graduates	1,075	832	1,907	964	733	1,697
Coordinators	830	339	1,169	833	329	1,162
Technicians	3,110	1,524	4,634	3,038	1,426	4,464
Support staff	604	552	1,156	576	525	1,101
Total	**5,627**	**3,251**	**8,878**	**5,421**	**3,015**	**8,436**

The figures above include temporary employees, which at the close of financial year 2019 totalled 807 (2018: 807).

The average staff of the financial year by category was the following:

Professional Category	2019	2018
Senior management	11	11
Executives and graduates	1,793	1,671
Coordinators	1,162	1,148
Technicians	4,574	4,454
Support staff	1,155	1,082
Total	**8,695**	**8,366**

The figures above include temporary employees, which at the close of financial year 2019 totalled 833 (2018: 937).

The Board of Directors of the parent Company consisted of 15 members (11 men and 4 women) as of 31 December 2019 (2018: 12 men and 3 women).

At 31 December 2019, an average of 115 employees were disabled (2018: 112).

(Amounts in thousands of euros unless otherwise stated)

29. Other revenue

The breakdown of Other revenue for financial years 2019 and 2018 is as follows:

	2019	2018
Miscellaneous income and other current management income	8,950	9,400
Operating grants incorporated into the profit (loss) of the financial year	1,117	1,707
Other revenue	**10,067**	**11,107**

30. Supplies and Other operating expenses

a) Subcontracted work and other supplies

The breakdown of the "Supplies" heading for financial years 2019 and 2018 is as follows (in thousand euros):

	2019	2018
Purchases of other supplies	(1,218)	(694)
Work performed by other companies	(169,324)	(172,242)
Total	**(170,542)**	**(172,936)**

The works performed by other companies are mainly the Communication, Navigation and Surveillance (CNS) Services, Air Transit Services (ATM) and Aeronautical Information Services (AIS) provided by ENAIRE (Note 34), which totalled 131,232 thousand euros (2018: 136,472 thousand euros). This heading also includes expenses stemming from the agreement signed in March 2014 with the Spanish Meteorological Agency (AEMET) to provide meteorological services to the network of airports managed by AENA and SCAIRM (Note 34) for the amount of 10,183 thousand euros (2018: 10,000 thousand euros), the services provided by the Ministry of Defence deriving from the agreement reached with it, which totalled 2,532 thousand euros (2018: 3,631 thousand euros), as well as 284 thousand euros of services provided by INECO (2018: 1,428 thousand euros) (Note 34).

b) Other operating expenses

The breakdown of Other operating expenses for financial years 2019 and 2018 is as follows:

	2019	2018
Leases and royalties	(2,364)	(6,367)
Repairs and maintenance	(279,063)	(268,990)
Independent professional services	(62,001)	(56,383)
Bank services	(806)	(700)
Public relations	(7,045)	(5,618)
Supplies	(106,810)	(95,870)
Other services	(201,761)	(187,411)
Surveillance and security services	(191,858)	(167,100)
Taxes	(158,128)	(153,792)
Other ordinary expenses	(61,954)	(66,058)
Construction costs (IFRIC 12)	(3,531)	-
Other operating expenses	**(1,075,321)**	**(1,008,289)**

The heading of "Repairs and maintenance" includes, principally, repair costs of the airport infrastructures, maintenance of the SATE system (automatic baggage handling system) and cleaning for the buildings and passenger terminals. "Utilities" relates mainly to lighting, water and telephone costs. "Other services" relate mainly to car park management services, the cost of services to assist passengers with limited mobility, insurance premiums and public information services. The balance in Taxes primarily corresponds to the amounts paid in local taxes, primarily the property tax (IBI) and the Economic Activity Tax (IAE), by the parent Company. The "Other ordinary expenses" heading primarily shows the administrative concession fee for LLAH III (see Notes 7 and 26) for an amount of 59,075 thousand euros (2018: 54,981 thousand euros).

The increase under this heading is mainly related to the effect of the entry into force throughout 2018 of new contracts in the network's airports, with higher costs associated with private security services, VIP lounges, the service for passengers with reduced mobility, as well as new cleaning services. With regard to electrical energy, there is an increase in the prices of marketing and consumption, and in the cost of repairs and maintenance, the increase is due to new maintenance contracts with a greater scope and occasional maintenance. Other current management expenses decrease as a result of the effects in 2018 of the closure of operations at San Javier airport.

(Amounts in thousands of euros unless otherwise stated)

31. Financial income and expenses

The details of Net financial expenses for 2019 and 2018 were as follows:

	2019	2018
Financial expense:		
Financial expense on amounts owed to third parties	(47,982)	(28,813)
Financial expenses on loans from ENAIRE	(43,453)	(69,588)
Financial expenses for settlement of derivatives (Note 12)	(33,699)	(37,332)
Update of provisions	(138)	(119)
Lower: financial expenses capitalised for qualifying assets (Notes 6 and 7)	486	604
Total financial expense	**(124,786)**	**(135,248)**

	2019	2018
Financial income:		
Financial income from shares in equity instruments (Note 34)	417	500
Interest income from expropriations	2,270	-
Other financial income	1,882	2,485
Total finance income	**4,569**	**2,985**

	2019	2018
Other net financial income/(expense)		
Net translation differences	2,478	(513)
Disposals/ Impairment of financial assets	863	(229)
Total other net financial income/(expense)	**3,341**	**(742)**
Net financial expenses	**(116,876)**	**(133,005)**

In this chapter, the main variations in financial year 2019 compared to 2018 are the following:

- The decrease in the heading "Financial expenses for debts with ENAIRE" is the result of the early cancellation of the debt with Depfa Bank in July 2018, which was associated with a severance cost of 17,249 thousand euros corresponding to the present value of the interest pending payment from the date of the early cancellation until the original maturity date (15 September 2021). Moreover, in 2019 there is also a decrease in the average debt by 743.8 million euros and in the average interest rate by 0.06% compared to the previous year.

- Financial expenses with third parties increased mainly as a result of the financial effect of the advance received from World Duty Free Group España, S.A., in application of IFRS 16, amounting to 12.13 million euros (Note 2.1.2.1) and the costs of the foreign currency hedging instrument (NDF) contracted to cover the risk of exposure to fluctuations in the euro/Brazilian real exchange rate when paying the capital required for the concession (+ 6.28 million euros) (see Note 12).

- The variation in the heading "Foreign exchange differences" was primarily caused by the evolution in the GBP/EUR exchange rate in the valuation of the shareholder loan of the LLAHL III group. In 2019, the positive impact was 2,774 million euros (Notes 3.2 and 20), while in 2018 the negative impact was 444 million euros.

(Amounts in thousands of euros unless otherwise stated)

32. Income tax

The expense for Income Tax is composed of:

	2019	2018
Current tax:		
Current tax on income for the period	(447,234)	(438,188)
Change in tax rates in the United Kingdom (Note 21)	30	(260)
Adjustments from previous financial years and others	2,018	463
Total current taxes	**(445,186)**	**(437,985)**
Deferred tax (Note 21)	(11,309)	13,503
Deductions generated (Note 21)	19,321	14,880
Income tax	**(437,174)**	**(409,602)**

The heading "Adjustments from previous financial years and others" primarily corresponds to the regularisation between the estimate made at the close of the financial year and the submission of the corporate tax in the following year. The main difference occurs as a result of the new criteria of the State Tax Administration Agency (AEAT) on how to calculate the increase in own funds in order to apply the reduction by capitalisation reserve in Corporation Tax for the year 2018. Once this possibility was consulted with the AEAT within the framework of the Code of Good Tax Practices, the amount quantified in the final calculation of 2018 amounted to 27,896 thousand euros, compared to the proposal for the distribution of initial results that amounted to 23,472 thousand euros

The main permanent differences in the financial year primarily correspond to the reduction of the Taxable Base stemming from the adjustment in capitalisation reserve established in article 25 of Law 27/2014 on the Corporate tax and non-deductible expenses. The main temporary differences relate to the difference between tax depreciation and book depreciation, provision for impairment of Property, plant and equipment, provisions for insolvency and contingencies and employment costs.

The general tax rate of the Corporate Tax for financial years 2019 and 2018 was 25% for companies in the group located in Spain. For the LLAH III subgroup, whose tax residency is in the United Kingdom, it was 19 % in 2019 (2018: 19%), while for the subsidiary Aeroportos do Nordeste do Brasil S.A. It was 34%.

In 2018, as a consequence of the approval of a drop in tax rates in England, the deferred tax assets and liabilities were reassessed according to their estimated reversal period in invested company LLAH III, which had the following impacts:

- Higher spending in the heading "Expenses on the profit tax" from the income statement for the amount of 260 thousand euros, liabilities charged to temporary differences (heading "Deferred tax liabilities" from the Non-current liabilities on the statement of financial position), with a decrease of 348 thousand euros, while on the other hand, assets charged to temporary differences (heading "Deferred tax assets" on the Non-current assets in the statement of financial position), with an increase of 88 thousand euros (see Note 21).

- An increase in the "Deferred tax assets" heading for the amount of 30 thousand euros with a balancing entry in Equity (Note 21).

In 2019, the impacts have been:

- Lower spending in the heading "Expenses on the profit tax" from the income statement for the amount of 30 thousand euros, liabilities charged to temporary differences (heading "Deferred tax liabilities" from the Non-current liabilities on the statement of financial position), with a decrease of 270 thousand euros, while on the other hand, assets charged to temporary differences (heading "Deferred tax assets" on the Non-current assets in the statement of financial position), with an increase of 300 thousand euros (see Note 21).

- A decrease in the "Deferred tax assets" heading for the amount of 195 thousand euros with a balancing entry in Equity (Note 21).

(Amounts in thousands of euros unless otherwise stated)

The Group's income tax differs from the theoretical amount that would have been obtained had the average weighted tax rate applicable to the consolidated companies' profits been used as follows:

	2019	2018
Profit/(loss) before tax	**1,882,849**	**1,737,353**
Tax calculated at standard national applicable rate	(470,712)	(434,338)
- Tax effects of:		
- Profits from associates, net of taxes	5,612	5,039
- Effect of smaller rate applicable to LLAH III	770	255
- Non-deductible expenses for tax purposes	(1,171)	(674)
- Capitalisation reserve	7,535	5,868
- Use of tax deductions not previously recognised	19,321	14,880
- Tax adjustments in England (Note 21)	30	(260)
- Effect of higher rates applicable to ANB	446	-
- Adjustment of previous periods	2,618	649
- Negative tax adjustment	(1,361)	(761)
- Passive Reversal Deferred tax derived acquisition LLAH III	761	575
- Other	(1,023)	(835)
Tax expense	**(437,174)**	**(409,602)**

The charge/credit for taxes relating to the components of Other comprehensive income is as follows:

	2019			2018		
	Before taxes	**Tax (charge)/credit**	**After taxes**	**Before taxes**	**Tax (charge)/credit**	**After taxes**
Cash flow hedges	(38,375)	9,443	(28,932)	(4,425)	1,282	(3,143)
Actuarial profit and losses	(7,848)	1,335	(6,513)	(777)	140	(637)
Other overall profit/(loss):	**(46,223)**	**10,778**	**(35,445)**	**(5,202)**	**1,422**	**(3,780)**
Current income tax	-	-		-	-	-
Deferred tax (Note 21)		10,778		-	1,422	-
		10,778		**-**	**1,422**	**-**

Other issues

As established by current legislation, taxes cannot be considered to be definitive until the relevant returns have been inspected by the tax authorities or until four years have elapsed since filing. In this regard, the companies in the AENA tax group have 2015 and subsequent years open for review for income tax purposes; in the case of Sociedad Concesionaria del Aeropuerto Internacional de Murcia SME., S.A., the first year open for review is 2018, the year in which it joined the group.

However, at the end of the 2019 financial year, no company in the Group has any tax inspection procedure open.

The directors of AENA consider that the tax settlements have been properly prepared and made so that, even in the event that discrepancies should arise in the interpretation of the current standards for the tax treatment granted to the transactions, any possible resulting liabilities would not significantly affect the accompanying consolidated financial statements.

The taxes for the last six years of the United Kingdom companies making up the LLAH III group are open to inspection by their taxation authority.

(Amounts in thousands of euros unless otherwise stated)

33. Earnings per share

Basic earnings per share are calculated by dividing the profit/loss for the period attributable to the Company's shareholders by the weighted average number of outstanding shares during the year.

	31 December 2019	31 December 2018
Result of the financial year (thousand euros)	1,442,022	1,327,882
Weighted average number of ordinary shares	150,000,000	150,000,000
Basic earnings per share (euro per share)	9.61	8.85

Diluted earnings per share are calculated by dividing the results for the period by the average weighted number of outstanding ordinary shares during the year, taking into account the diluting effects inherent in ordinary shares potentially outstanding during the year. At 31 December 2019 and 2018 there were no diluting factors that modify the amount of the basic earnings per share and therefore the figures are the same as those for diluted earnings per share.

34. Related party transactions and balances

The Group is controlled by the public business entity "ENAIRE", which holds 51% of the shares in the Share Capital of AENA S.M.E., S.A.

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

Within the section on Related parties, those in which the government of Spain has a controlling position are not broken down, with which there is no significant balance or transaction.

The transactions carried out with related parties are set out below:

(a) *Sales of goods and services*

Rendering of services:	2019	2018
- Last company	**1,480**	**1,467**
ENAIRE	1,480	1,467
- Associates	**8,730**	**7,055**
SACSA	1,034	931
AMP	7,272	5,764
AEROCALI	424	360
- Related parties	**9,799**	**355**
Other related parties	9,548	-
SENASA	236	236
INECO	13	112
AEMET	-	-
ISDEFE	2	7
Total	**20,009**	**8,877**

(Amounts in thousands of euros unless otherwise stated)

(b) Purchases of goods and services

	2019	2018
Services received:		
–Last company	**131,684**	**137,630**
ENAIRE	131,684	137,630
–Associates	**604**	**792**
AMP	7	10
AEROCALI	597	782
–Related parties	**30,096**	**28,189**
Other related parties	7,687	-
SENASA	1,145	1,338
INECO	8,916	13,846
AEMET	10,183	10,000
ISDEFE	2,165	3,005
Total	**162,384**	**166,611**
Acquisition of assets		
–Group companies	**533**	**234**
ENAIRE	371	-
ADI	162	234
–Related parties	**11,084**	**4,057**
Other related parties	5,778	-
INECO	2,943	2,058
ISDEFE	2,363	1,999
Total	**11,617**	**4,291**

The amount for the service provided to ENAIRE belongs mainly to services received from airport traffic control. In this respect, the appropriate service agreement was concluded between the airport manager and the supplier of the air traffic services in order to determine the compensation to be paid for the services (ATM and CNS services). The cost of these services is recognised under the heading "Supplies" in the attached consolidated income statement. (Note 30).

Main contracts:

The following are the contracts entered into by the Company with its majority shareholder, the public entity

- ENAIRE

On 20 December 2016, the Board of Management of Aena S.M.E, S.A. approved the ATM Agreement (Air Traffic Management) and CNS (Communication, Navigation, Surveillance), "Agreement to provide air navigation services between ENAIRE and AENA", which was also approved by the Board of Management of ENAIRE on 23 December 2016. This agreement extends the period 2017-2021 for a total amount of 662,367 thousand euros.

On 31 October 2017, AENA and ENAIRE signed a service provision contract for the car parks of the AENA network for the free use of the car park 15 days a year for ENAIRE employees. Derived from this agreement, the economic benefits between the parties during 2019 amounted to 104.3 thousand euros (2018: 80.3 thousand euros) recorded at market value, although the amount paid by ENAIRE has amounted to 26.1 thousand euros (2018: 20.1 thousand euros).

(Amounts in thousands of euros unless otherwise stated)

- INECO

Additionally, there is a cooperation agreement with Ingeniería y Economía del Transporte, S.A. (INECO) to draw up and revise projects, supervise construction and provide technical monitoring assistance, engineering for certification, maintenance and operation of facilities and airport processes, planning, airport and environmental development, commercial airport development and logistics designs in terminal buildings to improve operating efficiency and lower costs even further. Its appendix of actions is renewed every year.

- ISDEFE

The related company ISDEFE has been providing AENA with a series of services which are framed in some of the activities within its mission, including the following activities in conformance with the contract signed in 2016 December and which replaced the previous one dated 8 November 2013, the action appendix of which is renewed every year.

- General coordination of Information and Communication Technologies, henceforth ICT.
- Definition of ICT systems and infrastructures.
- Lifecycle management of IT applications.
- Office management of ICT projects.
- Quality and tests of IT applications and infrastructures.
- Integration of systems and support for operations.

- AEMET

The State Meteorology Agency (AEMET), in its capacity as the meteorological authority of the state and as the supplier of certificate services, is the sole officially designated organisation in Spain to provide meteorological services for aeronautical activities. In order for more suppliers of this service to be designated, regulations must previously be developed. AEMET also provides the meteorological services to the rest of Spanish airports that are not managed by AENA S.M.E., S.A.

Additionally, AEMET is the owner of facilities and basic equipment to manage the meteorological services for air navigation.

Motivated by the need for these services Aena and AEMET signed an agreement which regulated this provision of services that covered the period from 30 December 2014 to 29 December 2016, and a new contract was signed with entered into force on 30 December 2016 and a duration of one year starting this date, which can be extended by mutual agreement by the parties from year to year up to a maximum of two additional years and which has been renewed for the 2020-2024 period for an amount of 60.2 million euros.

Since 2014, AENA has paid for the services provided by AEMET with an initial payment of 7,500,000 euros for the period March-November of 2014, and monthly payments of 833,333 euros since then, which is equivalent to payment totalling 10,000,000 million euros per year.

(c) Income from shareholdings in Related parties

	2019	**2018**
-**Related parties**		
ESSP SAS	417	500
Total (Note 31)	**417**	**500**

In 2019 the group received a dividend from European Satellite Services Provider SAS (ESSP SAS) amounting to 417 thousand euros (31 December 2018: 500 thousand euros).

See financial income from approved dividends from associates in Note 9.

The collections received from subsidiaries and associates are detailed in Note 2.2.

(d) Key management personnel compensation

See Note 35. Other information.

(Amounts in thousands of euros unless otherwise stated)

(e) Year-end balances arising from sales/purchases of goods/services

	2019	2018
Receivables from related parties:		
- Associates	**5,147**	**3,943**
SACSA	139	122
AMP	4,951	3,793
AEROCALI	57	28
- Related parties	**8,679**	**179**
Other related parties	8,654	-
INECO	-	139
SENASA	24	34
AEMET	1	1
ISDEFE	-	5
- Last parent entity	**287**	**790**
ENAIRE	287	790
Total receivables from related parties (Note 13)	**14,113**	**4,912**

	2019	2018
Payables to related parties:		
- Associates	**1,379**	**782**
AEROCALI	1,379	782
- Related parties	**11,313**	**6,307**
Other related parties	5,228	-
SENASA	73	1
INECO	4,312	4,453
AEMET	1,027	833
ISDEFE	673	1,020
- Last parent entity	**23,895**	**25,099**
ENAIRE	23,895	25,099
Total payables to related parties (Note 19)	**36,587**	**32,188**

The receivables with related parties primarily emerge from the sale and purchase of services transactions. The receivables are not secured due to their nature and do not accrue interest. There is no provision for receivables from related parties.

The heading “Other receivables from related parties” includes 0 thousands of euros (Note 13) relating to dividends approved by the associate SACSA and pending collection at 31 December 2019 (2018: total of 1,529 thousand euros).

Payables to related parties derive mainly from the acquisition of fixed assets and receipt of the ATM and CNS services referred to in section a). The above balances are included under the heading “Payables to related parties” and “Payables to related parties for property, plant and equipment” (see Note 19). The receivables do not pay interest.

(Amounts in thousands of euros unless otherwise stated)

(f) *Loans and derivatives with related parties (Note 20)*

	31 December	
	2019	**2018**
Non-current		
Loan to AENA S.M.E., S.A. from ENAIRE	4,708,860	5,342,479
Adjustment IFRS 9	-	(293)
Adjustment of the loan from Company using the effective cost criterion	(3,257)	(3,965)
Subtotal AENA, S.M.E., S.A. short-term debt with ENAIRE	**4,705,603**	**5,338,221**
Current		
Loan from ENAIRE	633,619	633,744
Adjustment IFRS 9	(293)	(584)
Adjustment of the loan from ENAIRE using the effective cost criterion.	(358)	(401)
Interest accrued on loans from Company	13,162	14,895
Subtotal AENA, S.M.E., S.A. short-term debt with ENAIRE	**646,130**	**647,654**
	5,351,733	**5,985,876**

The fair values of the loans with the Company (public business entity "ENAIRE") are broken down in Note 20.

(Amounts in thousands of euros unless otherwise stated)

35. Other information

Audit fees

The auditing company KPMG Auditores, S.L. of the Group's annual accounts has charged, during the years 2019 and 2018, professional fees and expenses, according to the following breakdown:

Item	2019	2018
Audit services	176	176
Other verification services	42	42
Other services	90	95
Total	**308**	**313**

Other verification services correspond to services for limited review of intermediate financial statements, assurance services on regulatory compliance and services for agreed procedures about financial information provided by KPMG Auditores, S.L. to AENA and its subsidiaries during the years ended on 31 December 2019 and 2018.

The amounts included in the table above include all the fees for services rendered during financial years 2019 and 2018 regardless of when they were invoiced.

In addition, other entities affiliated to KPMG International have invoiced the Group during the years ended 31 December 2019 and 2018 for fees and expenses for professional services broken down as follows:

Item	2019	2018
Audit services	77	64
Other verification services	10	10
Other services	7	7
Total	**94**	**81**

Compensation for senior management and directors

Compensation received during 2019 and 2018 by the senior management and directors of the parent Company, classified by item, was as follows (thousand euros):

	2019			2018		
Item	Senior management	Board of Directors	Total	Senior management	Board of Directors	Total
Salaries	1,409	30	**1,439**	1,376	-	**1,376**
Per Diems	38	115	**153**	26	120	**146**
Insurance premiums	8	-	**8**	7	-	**7**
Total	**1,455**	**145**	**1,600**	**1,409**	**120**	**1,529**

The remuneration received in 2019 corresponds to that received by AENA S.M.E., S.A. of 1,487 thousand euros for ten senior management positions and the Chairman and CEO, and in Aena Concesionaria del Aeropuerto Internacional de la Región de Murcia S.M.E., S.A. for 113 thousand euros for a senior management position and board remuneration.

The remuneration received during 2018 corresponded to that received by AENA S.M.E., S.A. for ten senior management positions and by the Chairman-CEO, and by Aena Concesionaria del Aeropuerto Internacional de la Región de Murcia S.M.E., S.A. for one senior management position.

In addition, neither the Directors nor the Key Management Personal have not been granted advances or credits, nor have obligations been assumed on their behalf as collateral, nor have civil liability insurance premiums been paid for damages caused by acts or omissions in the exercise of the position. Likewise, the Company has no obligations in respect of pensions and life insurance with respect to former or current Directors or senior management of the same.

Transactions unrelated to ordinary traffic or in non-market conditions carried out by the Company's Directors

During 2019 and 2018 tax periods, the Directors did not carry out transactions with the Group or with Group companies outside of ordinary traffic or under conditions other than market conditions.

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

In 2019 and 2018 the members of the Board of Directors did not have any interest in the share capital of companies that directly carry out activities that are the same, similar or supplementary to those forming part of the Company's corporate purpose. In addition, no activities that are the same, similar or complementary to the Company's corporate purpose have been carried out or are currently being carried out by Members on their own behalf or on behalf of third parties.

At 31 December 2019 and 2018 there are no members of the Board of Directors that hold directorship or executive positions at other Group companies.

None of the persons associated with the members of the Board of Directors hold any shareholding whatsoever in the share capital of Companies, and hold no position and fulfil no duties within any Company with the same, similar or supplementary corporate purpose as the Company.

Directors' conflicts of interest

As part of the duty to avoid any conflicts with the interests of the Company, throughout the year Directors holding positions on the Board of directors have complied with the obligations set out in article 228 of the re-drafted Text of the Corporate Enterprises Act. Similarly, they and those related to them, have refrained from engaging in any conflict of interest situations mentioned in article 229 of that Act, except where the relevant authorisation has been granted.

Sureties and guarantees

The bank guarantees provided to various bodies at 31 December 2019 amounted to 10,280 thousand euros (31 December 2018: 10,372 thousand euros).

On 27 March 2013 the TBI Group sold its stake in Cardiff International Airport Limited to WGC Holdco Limited, leaving TBI subject to certain guarantees as vendor (the Guarantee). On 29 December 2015 Abertis replaced TBI in the Guarantee. Given Aena Internacional's stake in ACDL, on 15 February 2016 Abertis and Aena Internacional signed an agreement by which Aena Internacional undertook, in the event that Abertis were to be obliged to pay any sums under the Guarantee, to pay Abertis 10% of that sum up to a maximum of 2,941 thousand pounds, which is 10% of the total guaranteed. The validity of this undertaking is until 31 January 2018, date on which the Guarantee expired.

The Directors do not expect significant additional liabilities arising from such sureties and guarantees.

36. Subsequent events

From year-end to the date of preparation of these consolidated financial statements, no significant events occurred that might affect these consolidated financial statements other than those discussed herein.

Consolidated management report

for the year ended 31 December 2019

Aena S.M.E., S.A. and Subsidiaries

The Consolidated management report has been originally issued in Spanish.
In the event of discrepancy, the Spanish-language version prevails.

1. Executive summary

The close of 2019 shows the positive performance of the Aena Group[(1)] in terms of activity and results.

The following aspects can be highlighted in this period:

- In relation to the Airport Regulation Document (DORA) for the period 2017-2021, pursuant to the application of said document, the 2019 airport charges came into force on 1 March 2019 based on the freezing of adjusted annual maximum income per passenger (IMAAJ) of 2019 with respect to the adjusted annual maximum income per passenger (IMAAJ) for 2018.

  Also, 10 April 2019 saw the publication of Royal Decree 162/2019 of 22 March, which develops the mechanism for calculating the P index for updating airport charges that will be applied for the first time in 2020.

  In relation to the airport charges applicable from 1 March 2020, the Board of Directors of Aena S.M.E., S.A. approved the adjusted annual maximum income per passenger (IMAAJ) for 2020 at €10.27 per passenger, which represents a decrease of -1.44% compared with the IMAAJ of 2019 (€10.42 per passenger), according to the CNMC criteria.

- At an operational level, traffic at the airports managed by the Aena Group[(2)] continues to break records, with a volume of 293.2 million passengers in the period (+4.6% interannually).

  In the airports managed in Spain, traffic grew by 4.4% year-on-year, reaching a new historical record of 275.2 million passengers, driven by the good performance in the tourism sector and domestic traffic.

  Domestic traffic increased by 6.4% and international traffic by 3.5%. It was observed that the growth in passenger volume to and from the United Kingdom was moderate (+1.7%) and that of the second international market, Germany, had decreased (-2.1%).

  For 2020, the Company reported in October 2019 an estimate of passenger volume growth in the Spanish airport network of 1.1%. As of the date of publication of this report, Aena has revised the annual forecast rounded up, estimating an increase in the volume of passengers in the Spanish airport network of +1.9%. This traffic forecast does not envisage a potential impact of coronavirus on the global and the European air traffic, in particular.

- Growth in traffic at Aena's airports contributed to the increase in total revenue by 4.2%[(3)] in comparison with the same period in 2018, to €4,503.3 million, despite the 2.22% reduction in airport charges from 1 March 2018. As from 1 March 2019, tariffs did not change.

- In terms of commercial activity, it is noteworthy that the Board of Directors of Aena agreed on 24 September to extend the contracts of the Tax and Duty Free Shops in the network's airports to the current operator. The extension, which will start at the end of the validity of the current contracts on 31 October 2020, will have an initial period of three years and two possible additional extensions of one year each.

  The technical and economic conditions of the contracts will remain the same as those currently in force, except for an annual remuneration increase of the fixed component of minimum annual guaranteed rents of 1.56% weighted annual average, during the entire extension period. The variable remuneration percentages have not been modified.

  Regarding the progress of the projects for food & beverage supply, at the end of July the new food & beverage contracts were awarded for 33 premises at Palma de Mallorca Airport in the month of January, in addition to the 18 premises awarded at Alicante-Elche Airport, as well as refurbishment work carried out by the new tenants of the premises in the airports of Barcelona, Málaga and Gran Canaria.

- EBITDA for the period (profit before interests, taxes, depreciation and amortisation) was €2,766.2 million, a year-on-year increase of 4.1%.

- Profit before tax was €1,882.8 million, compared to €1,737.4 million in 2018, and net profit for the period amounted to €1,442.0 million, a year-on-year growth of 8.6% (€1,327.9 million in 2018).

- Cash flow from operating activities totalled €2,114.3 million for the period, an increase of 8.6% compared with €1,947.7 million in 2018.

  The Aena Group's ratio of consolidated net financial debt (calculated as Current plus Non-current "Borrowings", less "Cash and cash equivalents") to EBITDA was 2.4x at 31 December 2019 (2.5x at 31 December 2018).

  This financial strength was reflected in the confirmation by Fitch Ratings (dated 9 May 2019) and Moody's (dated 26 July 2019) of their respective credit ratings: "A" and "A3", both with a stable outlook.

(1) Aena S.M.E., S.A. and Subsidiaries ("Aena" or "the Company")
(2) Traffic at managed airports in Spain and at Luton Airport.
(3) The change percentages for financial figures have been calculated by taking the figures in thousands of euros as the base.

Fitch Ratings also assigned a "F1" short-term rating for the first time.

- In relation to the execution of investments in infrastructure, the amount paid in the period was €521.6 million (€524.6 million in the same period in 2018). The main investments relate to airports in Spain (€492.6 million in 2019 compared to €471.1 million in 2018), which remain focused on security and maintenance in accordance with the regulated investment programme established in DORA for airports in the network. This greater investment was offset by the lower execution at the Luton airport (€28.9 million in 2019 compared to €53.2 million in 2018).

- As part of the objectives of the 2018-2021 Strategic Plan, on 15 March 2019, Aena, through its subsidiary Aena Desarrollo Internacional SME, SA, won the auction for the concession for the operation and maintenance of the airports of the so-called North-east Brazil Airports Group, comprising the airports of Recife, Maceió, Aracajú, Campina Grande, João Pessoa and Juazeiro do Norte.

  The company Aeroportos do Nordeste do Brasil S.A. (hereinafter “ANB”) was founded on May 30 2019, and the Board of Directors of ANB, at its meeting held on 1 July 2019, approved a capital increase in an amount of 2,389.0 million Brazilian Real, which was fully subscribed and paid in by its sole shareholder Aena Desarrollo Internacional S.M.E., S.A.

  As of 30 September 2019, ANB paid out 2,232 million Brazilian Real (€510.8 million) corresponding to the fixed concession fee offered and the additional contribution stipulated by the Government of Brazil.

  The signing of the concession contract took place on 5 September, with the deadline set on 9 October. During 2019, airport operations have continued to be managed by the Brazilian public manager, Infraero.

  Under the concession agreement, operations began in January 2020 in Juazeiro do Norte and Campina Grande. In February, operations began at the other airports, with the exception of Recife, which are expected to begin in March.

  In 2019, this airport Group registered traffic of 13.7 million passengers:

- It should also be noted that as part of the development of the objectives linked to the Strategic Plan, a new corporate management area was created in 2019 with the objective of promoting important strategic projects such as innovation, digital transformation, the search for passenger excellence and sustainability. The new management area, called the Innovation and Transversal Strategic Projects Department, is led by Amparo Brea, who previously led the Planning and Environment Department.

- The Board of Directors has agreed to propose to the General Shareholders' Meeting the distribution of a gross dividend of €7.58 per share from the 2019 profit. This dividend involves distributing 80% of the net profit of Aena SME, SA and represents an increase of 9.4% over the previous year.

- During 2019, the share price fluctuated between a minimum of €137.00 and a maximum of €178.05, ending the period at €170.50, representing a revaluation of 25.6%, outperforming the IBEX35, which gained 11.8% in the same period.

2. Activity figures

2.1. Macroeconomic and sector situation

Spain's economy has continued its growth path throughout 2019 and air transport, one of its main industries, has evolved positively.

According to advanced data from the National Statistics Institute, GDP as a whole in 2019 registered 2.0% growth and a year-on-year growth of 1.8% in the fourth quarter, which is a rate one tenth less than that of the previous quarter.

For its part, the contribution of air transport is particularly relevant in Spain (according to ACI-Intervistas, it generates approximately 5.9% of GDP) and is strongly linked to one of the main industries of the country, tourism. This industry, which according to Exceltur had a contribution to Spanish GDP of 11.8% in 2018, continues to evolve favourably, reaching record numbers of foreign tourists that have been surpassed again in 2019.

Thus, the advanced data from the National Institute of Statistics shows that in 2019, 83.7 million tourists visited Spain, 1.1% more than the previous year, the main countries being: United Kingdom (18.1 million tourists), Germany (11.2 million) and France (11.2 million).

However, these markets have shown lower growth rates than those experienced in recent years: United Kingdom -2.4%, Germany -2.1% and France 1.2% less. Among other reasons, due to the recovery of alternative tourist destinations to Spain, to a European economic environment of lower growth and, additionally, in the case of tourists from the United Kingdom (which in the Aena network accounted for 16.3% of traffic in 2019) due to the uncertainty caused by the negotiation of the exit of the United Kingdom from the European Union (Brexit).

By regional community, Catalonia was the main destination in 2019 with 23.1% of total tourists, followed by the Balearic Islands with 16.3% and the Canary Islands with 15.7%.

In this very important position that Spain has once again had, Aena's role is remarkable, since the airport has served as an entry for the greatest number of tourists: 82.1% accessed Spain through any of the Company's airports.

Likewise, we must highlight the relevant position of Spain as an entry and exit door for Latin America by air, since in 2019 it concentrated 28% of the seats offer between Europe and Latin America.

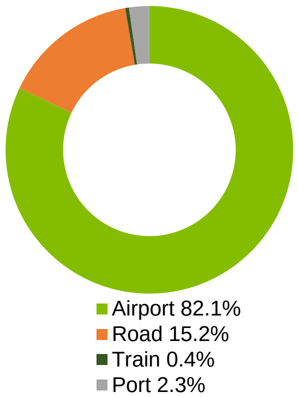


Figure 1. Distribution of tourists by means of access

2.2. Traffic in the Aena airport network in Spain

In 2019, the Aena network registered more than 275.2 million passengers, a record figure and an increase of 4.4% compared to the previous year, with August 2019 being the best month in the history of Aena airports in Spain.

The increase of passenger traffic in the period was boosted by the positive trend in domestic traffic, +6.4%, with a volume of 85.9 million passengers, driven by the good performance of the Spanish economy and by the increase in the state subsidy for inter-island traffic and flights to and from the Peninsula by residents of the islands, Ceuta and Melilla, which increased from 50% to 75%, from 28 June 2017 and 16 July 2018 respectively.

to 68.8% (69.4% in the same period of 2018). The volume of passengers with origin/destination United Kingdom has moderated its growth (+1.7%), and traffic in the second international market, Germany, has contracted (-2.1%).
In number of aircraft movements, 2,360,957 operations were recorded, which represents an increase of 2.6% compared to 2018. Cargo volumes reached 1,068,395 metric tons, up by +5.6% higher than the previous year.

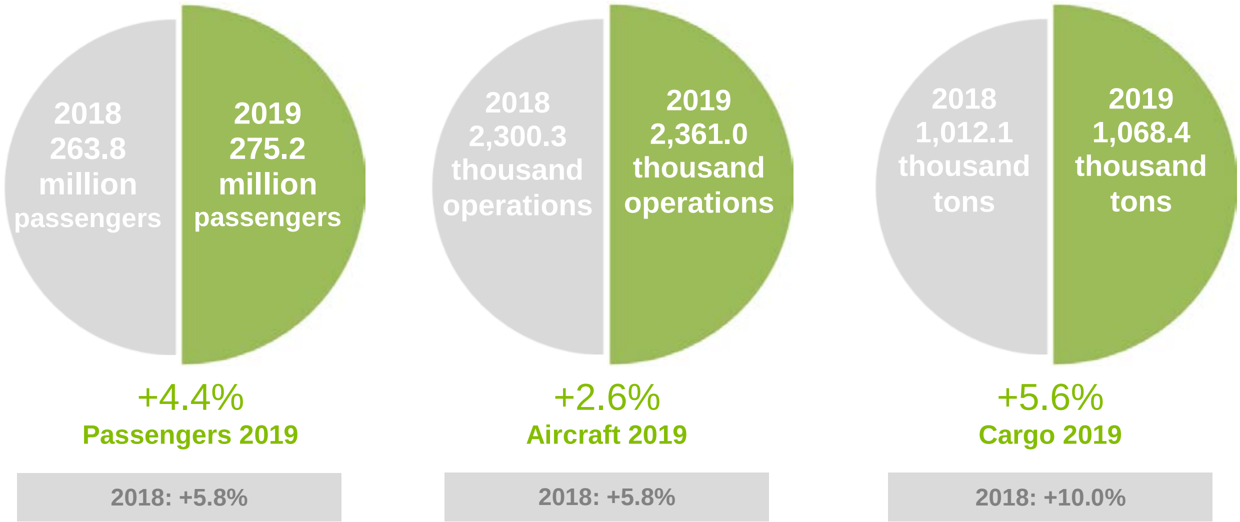


Figure 2. Operational data of airports in Spain

Percentages calculated based on commercial traffic.

2.3. Analysis of air passenger traffic by airports and airlines

The evolution of traffic by airports is detailed below:

Airports and Airport groups	Passengers			Aircraft			Cargo		
	Millions	Variation (1)	Share of Total	Thousands	Variation (1)	Share of Total	Tons	Variation (1)	Share of Total
Adolfo Suárez Madrid-Barajas	61.7	6.6%	22.4%	426.4	4.0%	18.1%	558,567	7.4%	52.3%
Josep Tarradellas Barcelona-El Prat	52.7	5.0%	19.1%	344.6	2.7%	14.6%	177,271	2.5%	16.6%
Palma de Mallorca	29.7	2.2%	10.8%	217.2	-1.4%	9.2%	9,022	-9.9%	0.8%
Total Canary Islands Group	45.0	-0.6%	16.4%	410.7	-1.4%	17.4%	37,030	-1.2%	3.5%
Total Group I	70.5	6.5%	25.6%	565.0	3.1%	23.9%	35,251	-7.2%	3.3%
Total Group II (2)	13.8	1.5%	5.0%	191.2	2.0%	8.1%	186,583	9.0%	17.5%
Total Group III	1.8	17.0%	0.6%	205.9	12.8%	8.7%	64,671	3.5%	6.1%
TOTAL	**275.2**	**4.4%**	**100.0%**	**2,361.0**	**2.6%**	**100.0%**	**1,068,395**	**5.6%**	**100.0%**

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

(1) *Percentage changes calculated in passengers, aircraft and kg.*
(2) *Includes data from the Región de Murcia International Airport (AIRM): 1,090,954 passengers and 7,976 aircraft movements.*

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

The percentage distribution of passengers remains concentrated in the network's 7 main airports, which represent 73.9% of the total:

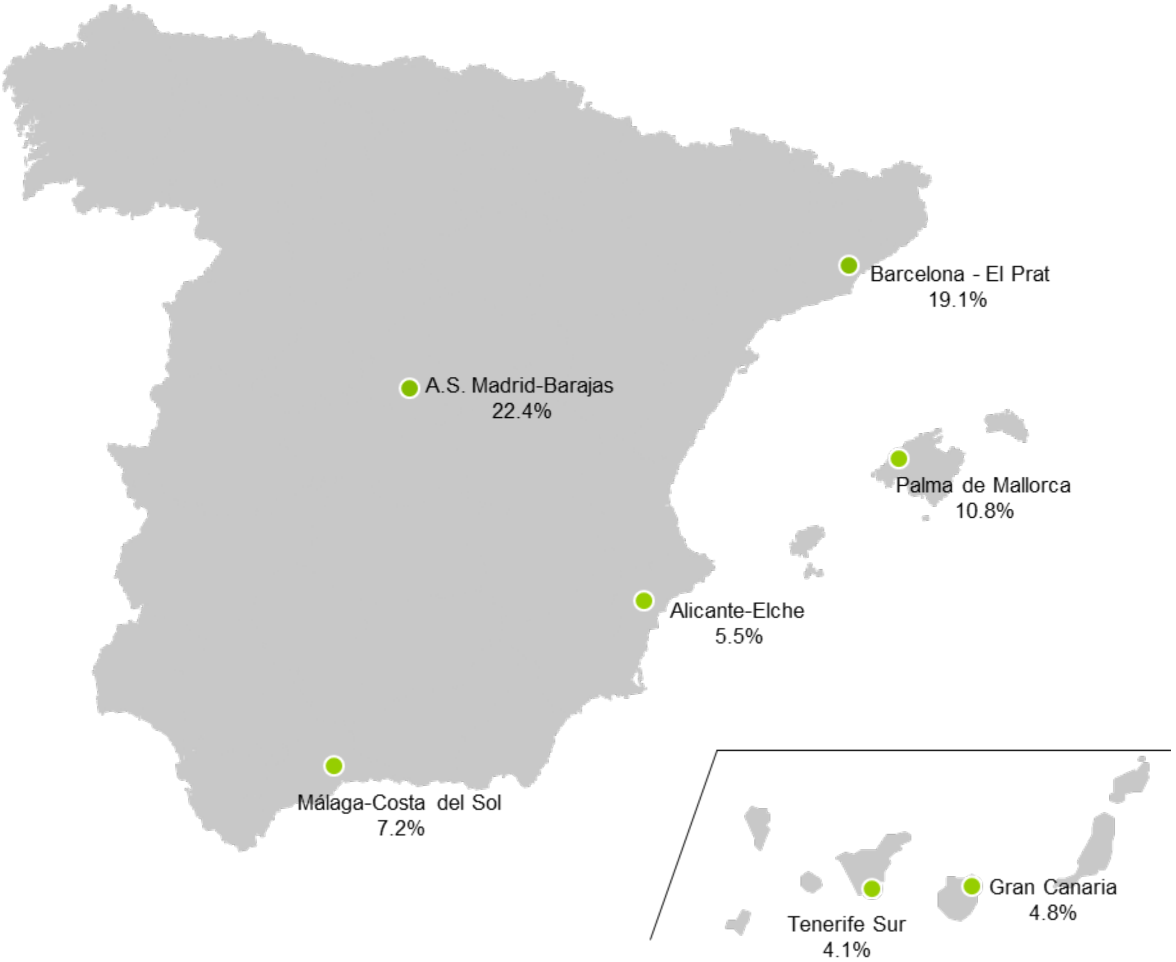


Figure 3. Share of passenger traffic at major airports in Spain

The growth in passenger traffic at Adolfo Suárez Madrid-Barajas Airport was distributed between increases of 4.7% in domestic traffic (to 16.7 million passengers) and of 7.3% in international traffic (to 44.9 million passengers).

At Josep Tarradellas Barcelona-El Prat Airport, domestic traffic increased by 4.2% and international traffic by 5.4% (reaching 14.0 and 38.6 million passengers respectively).

Palma de Mallorca Airport recorded growth of 6.7% in domestic passengers, compared with a 0.8% increase in international traffic, with passenger volumes standing at 7.5 and 22.2 million respectively.

With respect to the 8 airports of the Canary Islands Group, the number of Spanish passengers increased by 6.9% (up to 18.2 million), compared to the 4.9% decrease in the volume of international passengers (standing at 26.5 million).

Growth in passenger traffic of the 8 airports in Group I was led by: Sevilla (+18.2%), Valencia (+9.9%) and Bilbao (+8.0%). Traffic at Alicante-Elche Airport grew by 7.6% (to 15.0 million passengers) and at Málaga-Costa del Sol by 4.4% (to 19.9 million passengers). Traffic at both airports accounted for 50% of the volume of Group I.
Domestic traffic at this group of airports increased by 7.9% in 2019 and international traffic by 6.0%.

The airports in Group II registered an overall increase in passenger traffic of 1.5%, to 13.8 million passengers, driven by the 7.0% increase in domestic traffic compared with the 6.8% decrease in international traffic. In this group, we would highlight the increase in the volume of cargo handled at Zaragoza airport (+9.5%), 182,659 metric tons, most of it international.

In Group III it should be noted that the volume of cargo handled at Vitoria airport reached 64,463 metric tons (+3.7%).

Málaga-Costa del Sol Airport

In relation to airport marketing activity, it should be noted that, as a result of it, during 2019, 330 new routes were opened from the airports in the Aena network: 69 with domestic destinations, 242 medium-haul and 19 long-haul.

The airports with the highest number of new routes were: A.S. Madrid-Barajas (44), Palma de Mallorca (38), J.T. Barcelona-El Prat (30), Tenerife Sur (22) and Málaga-Costa del Sol (23).

By airline, those with the greatest numbers of newly opened routes were: Ryanair (62), Vueling (40), Air Nostrum (17), Volotea (16), Air Europa and easyJet (15).

Regarding long-haul routes, the opening of the following should be noted:

- J.T. Barcelona-El Prat Santiago de Chile and New York with Level, Toronto with WestJet, Chicago and San Francisco (previously flying Oakland) with Norwegian, Sialkot with Pakistan Airlines and Mexico with Aeromexico and Emirates.
- A.S. Madrid-Barajas: Xian with China Eastern, Boston with Norwegian, Guayaquil and Quito with Plus Ultra, Samana with Wamos, Guayaquil with Iberia, Medellín, Panama and Iguazú with Air Europa.
- Málaga-Costa de Sol Airport to Bahrain with Gulf Air.
- Tenerife Sur Airport to Kiev with Skyup Airlines.

It is also noteworthy that Laudamotion increased its operational base at the Palma de Mallorca Airport, with 4 aircraft operating during the summer season 2019, and that Vueling added 1 new aircraft in each of its bases in Barcelona, Bilbao, Seville, Alicante, Valencia and Santiago.

In the opposite direction, Ryanair and Norwegian closed bases in Spain. Ryanair, the bases of Gran Canaria, Tenerife Sur and Lanzarote, and Norwegian its Madrid base, due to the operational restrictions affecting B737-MAX aircraft.

It is also worth noting that Thomas Cook Group plc went bankrupt in September and Thomas Cook UK, which carried more than 2.6 million passengers between Spain and the United Kingdom in 2018, ceased operating.

To mitigate the effects of the reduction of the Thomas Cook Group's activity in the most affected markets, the Canary Islands and the Balearic Islands, Aena will apply an extraordinary incentive in the winter season 2019, which runs from 27 October 2019 to 28 March 2020. The incentive applies to seats on international flights in addition to those scheduled on 31 August 2019 at Canary Islands and Balearic Islands airports. The additional seats will have an incentive of 100% discount on the average passenger fare of each company in all Canary Islands Airports and independently in the Balearic Islands airports.

Regarding traffic distribution by geographical area, all markets grew in 2019 with significant growth of long-haul traffic (+12.1%), especially with origin/destination in Asia (+20.6%), whose passenger volume continues to grow significantly and has almost quadrupled in the last four years. In 2019, there were around 1.4 million passengers and 17 destinations in this market, compared to 0.4 million passengers and 6 destinations in 2015.

The increase in traffic to and from North America (+13.8%) and Latin America (+9.7%) is also noteworthy, with 25.9% of the seats offer between Europe and Latin America concentrated at AS Madrid-Barajas Airport.

Region	Passengers (millions) 2019	Variation %
Europe (1)	165.3	2.3%
Spain	85.9	6.4%
Latin America	8.4	9.7%
North America (2)	6.8	13.8%
Africa	3.9	14.4%
Middle East	3.6	11.0%
Asia Pacific	1.4	20.6%
TOTAL	**275.2**	**4.4%**

(1) Excluding Spain
(2) USA, Canada and Mexico

Table 2. Breakdown of passenger traffic by geographical area

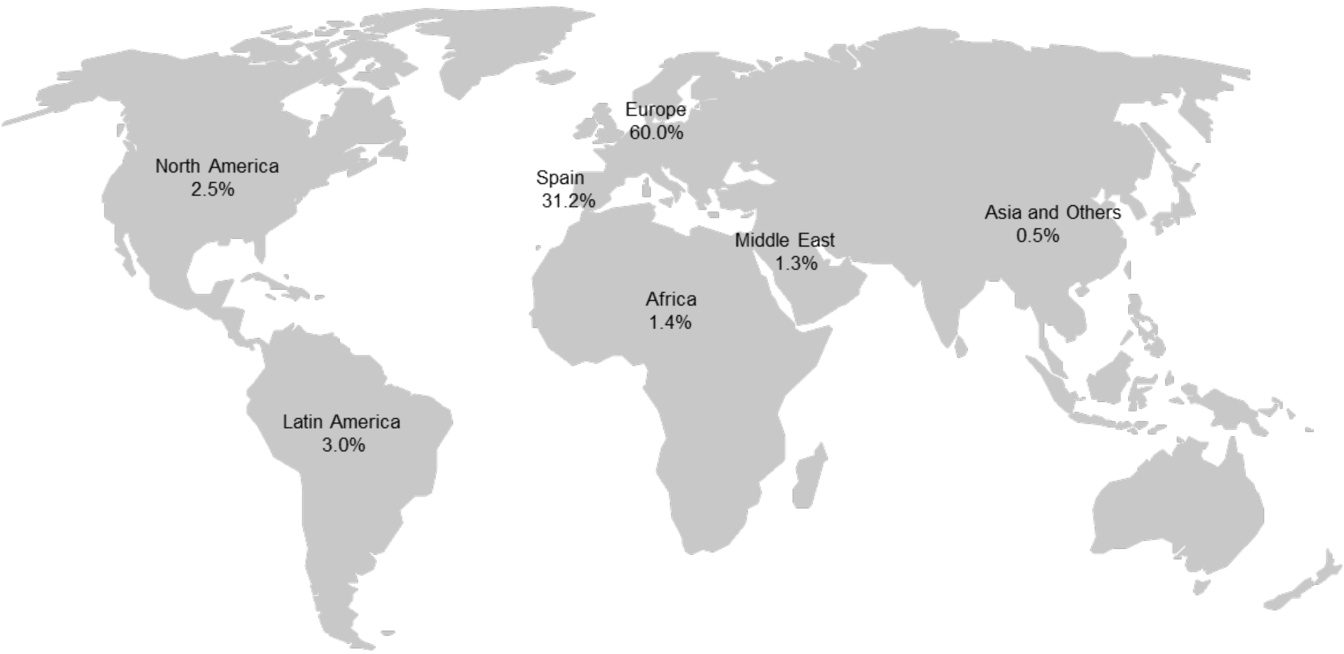


Figure 4. Map of traffic distribution by geographical area

By countries, total traffic of the airport network is concentrated in Spain (31.2%), and in the UK, Germany, Italy and France, which together account for 37.9% of the total (38.8% in 2018).

Of these countries, as already mentioned, it is worth noting that the volume of passengers from/to the United Kingdom has moderated its growth in 2019 with a year-on-year increase of 1.7%. This trend has increased in the fourth quarter in which the increase was 0.1%, compared to +0.8% in the third quarter, +3.0% in the second quarter and +3.7% in the first quarter In 2019. There was also less traffic to and from Germany, the second international market, recording a 2.1% decrease at the end of 2019 (-8.4% in the fourth quarter, -4.8% in the third quarter and +1.7% in the second quarter and +5.6% in the first quarter). This traffic evolution has been affected by the uncertainty caused by Brexit, the recovery of alternative tourist destinations to Spain, as well as by slower growth in the economic environment.

Country	Passengers (millions)		Variation		Share (%)	
	2019	2018	%	Passengers	2019	2018
Spain	85.9	80.8	6.4%	5.2	31.2%	30.6%
United Kingdom	44.9	44.1	1.7%	0.8	16.3%	16.7%
Germany	29.1	29.7	-2.1%	-0.6	10.6%	11.3%
Italy	16.3	15.3	6.2%	1.0	5.9%	5.8%
France	14.0	13.2	6.1%	0.8	5.1%	5.0%
Holland	8.8	8.8	0.4%	0.0	3.2%	3.3%
Switzerland	6.4	6.4	-0.1%	0.0	2.3%	2.4%
Belgium	6.3	6.1	3.0%	0.2	2.3%	2.3%
Portugal	5.7	4.9	15.9%	0.8	2.1%	1.8%
United States	5.0	4.4	13.2%	0.6	1.8%	1.7%
Ireland	4.7	4.3	7.8%	0.3	1.7%	1.6%
Sweden	3.7	3.9	-4.8%	-0.2	1.3%	1.5%
Denmark	3.1	3.5	-9.7%	-0.3	1.1%	1.3%
Norway	2.9	3.1	-6.0%	-0.2	1.1%	1.2%
Austria	2.6	1.8	41.9%	0.8	0.9%	0.7%
Total Top 15	**239.4**	**230.3**	**3.9%**	**9.1**	**87.0%**	**87.3%**
Rest of the world	**35.8**	**33.4**	**7.3%**	**2.4**	**13.0%**	**12.7%**
Total Passengers	**275.2**	**263.8**	**4.4%**	**11.5**	**100.0%**	**100.0%**

Table 3. Breakdown of passenger traffic by country

Regarding the distribution of passenger traffic by airline, it is noted that low-cost airlines increased their share to 57.6% (56.4% in 2018), the remaining 42.4% corresponding to full-service companies (43.6% in 2018), reflecting a degree of concentration that continues to remain at a moderate level.

Aena's main client airlines continue to be the IAG Group (28.7% out of total passengers) and Ryanair (18.2%). Among the other airlines, it is important to mention the increased activity of Jet2.com (passengers coming mainly from the United Kingdom to tourist destinations in Spain), the sustained growth of Air Europa and the increase in the Binter Group that mainly operates traffic between airports of the Canary Islands Group.

Regarding the long-distance activity of low-cost companies initiated by Norwegian and Level at the Barcelona airport in June 2017, it should be noted that it has continued to grow and add new routes that also began operations at the Madrid airport in July 2018 Thus, since the beginning of this operation, it has reached 2.4 million passengers. In 2019 the volume of passengers has exceeded 1.2 million, a year-on-year growth of 46.8%.

Airline	Passengers (millions)		Variation		Share (%)	
	2019	2018	%	Passengers	2019	2018
Ryanair [1]	50.0	46.8	6.8%	3.2	18.2	17.8
Vueling	42.7	39.4	8.5%	3.4	15.5	14.9
Iberia	20.7	19.3	7.1%	1.4	7.5	7.3
Air Europa	19.0	17.4	9.7%	1.7	6.9	6.6
Easyjet [2]	17.9	16.8	6.7%	1.1	6.5	6.4
Iberia Express	10.3	9.5	8.1%	0.8	3.7	3.6
Air Nostrum	8.9	8.4	6.2%	0.5	3.2	3.2
Norwegian Air [3]	8.9	10.0	-10.7%	-1.1	3.2	3.8
Jet2.Com	8.0	7.2	11.0%	0.8	2.9	2.7
Grupo Binter [4]	7.7	7.1	9.2%	0.6	2.8	2.7
Eurowings	5.6	5.6	0.2%	0.0	2.0	2.1
Thomson Airways	4.6	4.8	-4.3%	-0.2	1.7	1.8
Lufthansa	4.5	4.2	5.7%	0.2	1.6	1.6
Transavia	3.8	3.7	3.0%	0.1	1.4	1.4
Condor	3.4	3.4	0.3%	0.0	1.2	1.3
Total Top 15	**216.2**	**203.6**	**6.2%**	**12.6**	**78.5%**	**77.2%**
Other airlines	59.1	60.1	-1.8%	-1.1	21.5%	22.8%
Total Passengers	**275.2**	**263.8**	**4.4%**	**11.5**	**100.0%**	**100.0%**
Total Low Cost Passengers [5]	**158.4**	**148.7**	**6.5%**	**9.7**	**57.6%**	**56.4%**

[1] Comprising Ryanair Ltd. and Ryanair Sun, S.A.
[2] Includes Easyjet Switzerland, S.A., Easyjet Airline Co. LTD. and Easyjet Europe Airline GMBH.
[3] Comprising Norwegian Air International, Norwegian Air Shuttle AS and Norwegian Air UK.
[4] Comprising Binter Canarias, Naysa and Canarias Airlines.
[5] Includes traffic of low-cost carriers on regular flights.

Table 4. Breakdown of passenger traffic by airline

2.4. International presence

On 15 March 2019, Aena Desarrollo Internacional SME, SA won the concession for the operation and maintenance of the North-East Brazil Airport Group, comprising six airports (Recife, Maceió, Aracajú, Campina Grande, João Pessoa and Juazeiro do North), for a term of 30 years.

At 31 December 2019, Aena's share outside Spain extends to 21 airports: 12 in Mexico, 2 in Colombia, 1 in the United Kingdom and 6 in Brazil and, through GAP, in the Montego Bay and Kingston airports in Jamaica.

The evolution of traffic at these investee airports was as follows:

			Change [1]	Shareholding	
Millions of passengers	**2019**	**2018**	**%**	**Direct**	**Indirect**
London Luton (United Kingdom)	18.0	16.6	8.6%	51.0%	-
Grupo Aeroportuario del Pacífico (GAP) [2] (Mexico)	48.7	44.9	8.4%	-	5.8%
Aerocali (Cali, Colombia)	5.7	5.1	12.5%	50.0%	-
SACSA (Cartagena de Indias, Colombia)	5.8	5.5	5.7%	37.9%	-
Aeroportos do Nordeste do Brasil S.A.	13.7	14.0	-1.6%	100.0%	-
TOTAL	**91.9**	**86.1**	**6.7%**	-	-

[1] *Percentage changes calculated in passengers*

[2] *GAP includes traffic at Montego Bay Airport, Montego Bay and Kingston (Jamaica)*

Table 5. Passenger traffic at investee airports

London Luton Airport has continued to grow in activity due mainly to the contribution of Wizz Air and Ryanair, and ended the year with 17,999,969 passengers (+8.6%), a volume with which it has almost reached its authorised capacity of 18 million passengers per year.

Work was therefore undertaken with the Luton City Council in 2019 to evaluate options that will provide the airport with additional capacity until the possible availability of a new terminal area promoted by the Municipality of Luton, owner of the same.

Total passenger traffic of GAP (Grupo Aeroportuario del Pacífico) grew by 8.4% in the period. The volume of national passengers increased by 7.4% and international by 9.7%, the good performance of traffic in the main Mexican airports is noteworthy: Guadalajara, Bajío, San José del Cabo and Tijuana, the latter airport driven by a higher number of CBX (Cross Border Xpress) users.

It is also important to mention that on 10 October 2019, the company took control of the Norman Manley International airport in the city of Kingston, whose concession contract was signed with the Government of Jamaica on 10 October 2018. In 2019, this airport registered 1.8 million passengers, 5.4% higher than in 2018.

Traffic at Cali Airport grew by 12.5%. The volume of national passengers increased by 13.7% due to LATAM's growth strategy in the period focusing on Colombia and especially Cali, as well as the recovery of Avianca frequencies after the reorganisation process in 2018, due to the growth of Wingo and the start of Easyfly operations.

In turn, the increase in international traffic by 8.2% reflects that the reorganisation of international routes by Avianca has been compensated by the growth of COPA and the start-up of Spirit operations.

Cartagena de Indias Airport has increased its passenger volume by 5.7%. Its domestic traffic grew by 8.7%, although it is affected by Avianca's reorganisation of routes and frequencies. International traffic increased by 6.6% over this period.

On the other hand, it should be noted that the negotiations with the Colombian National Infrastructure Agency (ANI) for the development of the two private initiatives (PPPs), corresponding to the Cali and Cartagena airports, whose objective is to sign concession contracts once the current concession ends in September 2020, the last modifications requested by the ANI having been submitted in March 2019.

North-east Brazil Airports Group

Through its subsidiary Aena Desarrollo Internacional SME, SA, Aena won the concession for the operation and maintenance of the airports of the so-called North-east Brazil Airports Group (Recife, Maceió, Aracajú, Campina Grande, João Pessoa and Juazeiro do Norte), at the auction held on 15 March 2019.

In 2019, the group registered a passenger volume of 13.7 million:

Millions of passengers	**2019**
Recife	8.5
Maceió	2.1
Joao Pessoa	1.3
Aracajú	1.1
Juazeiro do Norte	0.5
Campina Grande	0.1
TOTAL	**13.7**

Although the evolution of traffic shows a decrease of 1.6%, it is worth noting the airport group's capacity to absorb the negative impact that the cessation of operations of the Avianca Brazil company (on 24 May 2019) has had on traffic in Brazil, which in 2018 carried 2.2 million passengers in the Airport Group of North-East Brazil (16% of the total). In the main airport of the group by passenger volume, Recife, interannual traffic has grown by 1.3% in 2019.

On 30 May 2019, the new Brazilian company, Aeroportos do Nordeste do Brasil S.A., was incorporated, wholly owned by Aena Desarrollo Internacional S.M.E., S.A., with a share capital of 10,000 Brazilian Real and whose specific and exclusive corporate object is the provision of public services for the expansion, maintenance and operation of the airport infrastructure of the airport complexes comprising the North-east block of Brazil. At its meeting held on 1 July, the Board of Directors of the Brazilian company approved a capital increase of 2,389.0 million Brazilian Real (approximately €537.8 million[1]) which was fully subscribed and paid in by its sole shareholder.

On 5 September, the concession agreement was signed and payment of the fixed concession fee offered: 1,900.0 million Brazilian Real (€427.7 million[1]). This expenditure completed the one carried out on 18 July 2019: 488.9 million Brazilian Real (approximately €110.1 million[1]) corresponding to the contribution stipulated by the Brazilian Government for the expenses of the call for tenders to be paid to Infraero (advisers, auction expenses and the personnel reallocation programme) and residual cash.

The concession term was activated on 9 October, with all the contractual milestones met to date. The Operational Transfer Plan was approved by ANAC (Brazilian Civil Aviation Agency) on 27 December, thus initiating *Estagio 2* of Phase IA (operation shared with the current operator, Infraero) and the minimum deadline for taking control of airports. After the end of the year, operations began in January 2020 in Juazeiro do Norte and Campina Grande. In February, operations have started at the rest of the airports, with the exception of Recife, where the event is scheduled to take place in March.

This concession, which has an additional period of 30 years that can be extended for an additional five years, is of the BOT type (build, operate and transfer), does not include ATC (Air Traffic Control) services and follows a Dual-Till model, in which revenue from aeronautical activity is regulated for airports with more than one million passengers and commercial activity is not regulated.

The variable economic consideration is fixed at 8.16% on gross revenue, with five initial years grace and five progressive years that will start at 1.63% in the fifth year and will gradually increase to 3.27% (sixth year), 4.90% (seventh year), 6.53% (eighth year), reaching the applicable contractual 8.16% in the ninth and following years.

(1) At the insured exchange rate of 4.4425 EUR/BRL

2.5. Commercial activity

The commercial services that Aena provides to its different users, whether passengers, companions or employees are adapted to their profiles. This commercial offering presents a varied and attractive type of concepts, both local and international.

In 2019, ordinary commercial revenue from airports in Spain was €1,241.1 million, an increase of 8.5% compared to the previous year. The factors contributing this growth include improved contractual conditions of the new tenders that include higher minimum annual guaranteed rents (MAG), their increases in the contracts in force and the favourable evolution of the businesses managed by Aena: parking and VIP services.

In unit terms per passenger, the commercial revenue ratio was €4.51, up 3.95% from €4.34 in 2018. This comparison is affected by the application of IFRS 16, due to which the expenses deriving from the financial effect of accounting for the advance received from World Duty Free Group España, S.A. in connection with the agreement signed with this company, shown until 31 December 2018 as a deduction from commercial revenue, in 2019 are shown under the heading "Financial expenses" in the income statement. Excluding this effect (€12.1 million), average commercial revenue would be €4.47 per passenger and year-on-year variation +2.93%. This ratio calculation includes the total ordinary revenue from the different commercial activities within the terminal and from the car parks, not including that from real estate services, which constitutes a separate business segment.

Most of Aena's commercial contracts provide for a variable revenue based on sales made (the percentage varies according to the product and service categories) and MAG, which ensures that the lessee pays a minimum amount by committing a percentage of its Business Plan. The following graph shows how the minimum annual guaranteed rents for each business line corresponding to the contracts in force at 31 December 2019 will evolve until 2024:

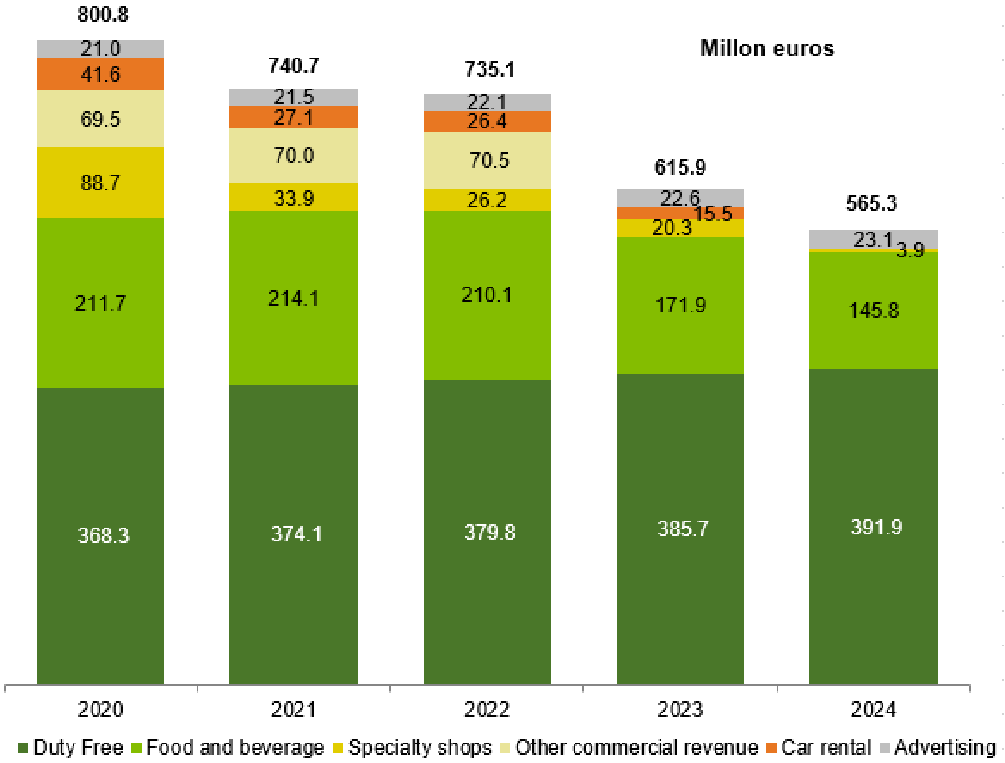


Figure 5. Minimum annual guaranteed rents (MAG) by lines of business

MAGs adjusted pro rata to the actual contract start and end days. Includes the MAG of the Murcia Region International Airport contracts. Other commercial lines include contracts for financial and regulated services (currency exchange, pharmacies, tobacco shops, etc.) Duty Free: includes the amounts of the contract extension that ends in October 2020.

3. Business lines

The main figures for Aena's results for the period broken down by business area, show the contribution of the various segments in terms of revenue and EBITDA. The Airports segment represented 92.2% of total revenue and 95.3% of total EDITDA, the Real Estate Services segment contributed 1.8% and 1.1% respectively, and the International activity contributed 6.0% and 3.6%.

Figure 6. Aena's main figures by business area

3.1 Airports Segment

3.1.1 Aeronautical

Airport Regulation Document (DORA 2017-2021)

Regulated Asset Base

The regulated asset base stood at €10,103 million on 31 December 2018.

2019 Airport charges

In relation to the Airport Regulation Document (DORA) 2017-2021 and pursuant to the application of said document, on 1 March 2019 the 2019 airport charges, based on the freezing of the adjusted annual maximum income per passenger (IMAAJ) for 2019 came into force with respect to the 2018 IMAAJ.

P-index

10 April 2019 saw the publication of Royal Decree 162/2019 of 22 March, which develops the mechanism for calculating the P-index for updating airport charges by means of a formula that depends on certain specific indices applicable to the review of certain costs defined in this Royal Decree, together with the procedure for determining their annual value.

Airport charges 2020 consultation process

In accordance with the provisions of the legislation (Law 18/2014 and Directive 2009/12/EC on airport charges), in May, June and July the process of consultation was held between Aena and the associations of airlines using the airports on the updating of airport charges for 2020.

In the course of this process of consultation Aena provided users and the CNMC (Spain's National Commission on Markets and Competition), which performs the functions of Independent Supervisory Authority, with the information required by the legislation and a proposal of charges which meets the requirements established in the Airport Regulation Document (DORA).

The first meeting in the consulting process was held on 13 May, the second on 17 June, and a third meeting on 16 July, at which the definitive proposal for tariffs for 2020 was submitted.

The users called upon by Aena to take part in the consultative process belong to the following associations and airlines:

- IATA: International Air Transport Association
- A4E: Airlines for Europe
- AIRE: Airlines International Representation in Europe
- ACETA: Asociación de Compañías Españolas de Transporte Aéreo (Association of Spanish Air Transport Companies)
- ALA: Airlines Association
- AECA: Asociación Española de Compañías Aéreas (Association of Spanish Airlines)
- AOC España: Airlines Line Operators Committee
- RACE: Real Aeroclub de España (Royal Aero-Club of Spain)
- RFAE: Real Federación Aeronáutica Española (Royal Aeronautical Federation of Spain)
- AOPA: Aircraft Owners and Pilots Association
- Ryanair
- Norwegian
- Jet2.com

Moreover, the CNMC, the DGAC and the Spanish Aviation Safety and Security Agency (AESA) attended the meetings as observers in this process.

In relation to the airport charges applicable from 1 March 2020, the Board of Directors of Aena S.M.E., S.A. approved the adjusted annual maximum income per passenger (IMAAJ) for 2020 at €10.27 per passenger, which represents a decrease of -1.44% compared with the IMAAJ of 2019 (€10.42 per passenger), according to the CNMC criteria.

Aeronautical activity

In the field of aeronautical activity, it should be noted that Murcia Region International Airport (AIRM) started its activity on 15 January. This airport is managed under concession for a period of 25 years by Aena Sociedad Concesionaria del Aeropuerto Internacional de la Región de Murcia S.M.E., S.A. (100% owned by Aena S.M.E., S.A.) and its operational and financial information is included in the Airports segment.

Regarding to the services provided to passengers in 2019 is worth to mention the awarding of the new cleaning service contracts at the airports of Madrid and Barcelona as well as Aena's participation in the ASQ (Airport Service Quality) Tablets programme aimed at improving the real-time monitoring of passenger survey results.

In terms of the services provided to the airlines, the pilot facial recognition project in the boarding process stands out at the Menorca and Madrid airports.
In the operations and security section, the development of the coordinated actions procedure in the presence of a drone and the start of the replacement project for warehouse inspection equipment to adapt it to the guidelines defined in European regulations are highlighted.

With respect to air navigation services, during the last quarter of the year a new tender was issued for the provision of aerodrome traffic control at the twelve airports for which this service was liberalised in 2011, with the new contracts expected to be awarded in the third quarter of 2020.

Finally, it should be noted that airport security, border control and customs control are the three basic aspects affected at operational level by Brexit. Aena is working with all the agents involved and with the institutions involved to minimise the operational impact on airports and to undertake the necessary changes in both the infrastructure and the resource requirements of the main processes affected.
In order to prepare activities for Brexit, a model procedure has been agreed with the Ministry of Agriculture, Fisheries and Food for managing companion animals from third countries for the airports designated as the point of entry.

The following is a summary of the most significant figures of the aeronautical activity during the period:

Thousands of euros	2019	2018	Variation	% Change
Ordinary revenue	2,851,793	2,754,249	97,544	3.5%
Airport charges[1]	2,776,091	2,676,491	99,600	3.7%
Passengers	1,287,193	1,227,104	60,089	4.9%
Landing charges	746,274	732,952	13,322	1.8%
Security	442,869	426,749	16,120	3.8%
Airbridges	101,183	106,830	-5,647	-5.3%
Handling	108,937	100,830	8,107	8.0%
Fuel	33,072	33,747	-675	-2.0%
Aircraft parking	44,714	37,431	7,283	19.5%
On-board catering	11,849	10,848	1,001	9.2%
Other airport services[2]	75,702	77,758	-2,056	-2.6%
Other operating revenue	49,303	98,569	-49,266	-50.0%
Total revenue	2,901,096	2,852,818	48,278	1.7%
Total expenses (includes amortisation)	-1,902,699	-1,885,003	17,696	0.9%
EBITDA[3]	1,605,305	1,594,781	10,524	0.7%

(1) The amounts for passenger fees, landing charges and security charges are shown net of commercial incentives: €26.1 million in 2019 (€20.9 million in 2018).
(2) Includes: Check-in counters, use of 400 Hz airbridges, fire service, luggage lockers and other revenue.
(3) Earnings before interest, tax, depreciation and amortisation.

Table 6. Key figures of the aeronautical activity

Ordinary revenue from the aviation industry increased in 2019 to €2,851.8 million (+3.5%), driven by traffic growth (+4.4% passenger volume and +2.6% the number of aircraft).

The other operating revenue item reflects a 50.0% reduction, mainly due to the extraordinary effect of the application to 2018 results of subsidies from the collection of much higher resources granted by the Regional Development Fund (FEDER) for airport infrastructure development (€26.8 million), as well as the application corresponding to the revenue from capital subsidies associated with assets affected to the civil operations of Murcia San Javier airport, once the Murcia International Airport entered into operation (€24.3 million in 2018). Eliminating this effect, the variation in other operating revenue reflect an increase of €1.8 million (+3.8%).

Consequently, the year-on-year comparison of total revenues is also impacted by the aforementioned effect, excluding which, the net increase was 3.5% and €99.4 million.

In relation to the reduction of the rates of -2.22% since 1 March 2018, in 2019 revenue was €4.6 million lower. As from 1 March 2019, there was no variation of the tariff.

The effect of traffic incentives has totalled €26.1 million over the period (net of the regularisation of €1.3 million of provisions from previous years) compared with €20.9 million in 2018 (net of the regularisation of €4.4 million). The provision for the extraordinary incentive in the 2019 winter season to mitigate the effects of the reduction in activity of the Thomas Cook Group was €1.7 million.

Rebates for connecting passengers amounted to €77.7 million, €4.3 million more than in the previous year. Connecting traffic was 7.2% of the total passengers in this period.

Total expenses of aeronautical activity show a year-on-year increase of €17.7 million (+0.9%). This variation is affected by the extraordinary impact recognised in 2018 (€43.1 million) corresponding to the assets related to the civil operations at the Murcia San Javier airport that cannot be reused at another airport, when civil air operations were interrupted there, once the Murcia Region International Airport began operations. Excluding depreciation and the impact effect indicated above, total expenses have increased by €80.8 million (+6.7%). This increase is due to changes in personnel expenses and other operating expenses explained in section 4. Income Statement.

Aeronautical EBITDA has reached €1,605.3 million. Excluding the extraordinary effects recognised in 2018 in other operating revenue and expenses, explained above, the increase amounts to €18.5 million (+1.2%).

As for the main actions carried out at the airports in the network, with the main objective of maintaining the quality of service provided to passengers and airlines, the following stand out:

Passenger services

To improve the passenger experience, AENA pays special attention to the services it offers at its airports.

During 2019, the tender for cleaning services started in 2018 within the framework of the Strategic Cleaning Plan continued. To date, the provision of this service has been awarded in a total of 21 airports. The new contracts have an annual awarded value of €69.9 million, which represents an annual cost increase of 26.8% compared to the previous contracts at these airports.

During this period, the cleaning services of the Madrid and Barcelona airports were awarded for an amount of €133.4 million for a period of three years, extendible for two periods of one year.

The contract for the new Barcelona airport service entered into force on 1 August and was awarded to Sacyr Facilities for an amount of €57.8 million, which represents an estimated increase of 36.5% over the previous tender (in the first annuity) and 34% of the personnel destined to carry out the cleaning tasks.

The cleaning service at the Madrid airport was awarded three lots in September, for a total of €75.6 million, an increase of 12.9% compared to the cost of the previous tender (in the first annuity) and 17% of the staff assigned to perform the cleaning tasks. The successful bidders on each of the lots were: Sacyr Facilities (Lot 1, T123), Ferrovial Servicios (Lot 2, T4) and Óptima Facility Servicios (Lot 3, T4S).

Phase V of the Plan was also tendered in 2019, which includes cleaning services at the Santiago, Vigo, A Coruña, Granada, Seville, Fuerteventura, La Gomera and El Hierro airports. The tender amount amounts to €4.0 million per year, representing an increase of 15.3%.

The main objective of the new contracts is to improve the quality offered to passengers in compliance with the quality standards set out in the Airport Regulation Document 2017-2021 (DORA). It provides a model that promotes the values of quality, efficiency and flexibility, as well as modernising the service by means of a digital platform for resolving incidents in real time.

With regard to the progressive incorporation of all airports in the Aena network to the ASQ (*Airport Service Quality*) programme with electronic tablets, in the last quarter of 2019, eight airports were incorporated into the programme initiated at the Malaga airport: A Coruña, Santander, Zaragoza, Reus, Valencia, Tenerife Norte, La Palma and Murcia (AIRM). As of 2020, it is expected that the 33 airports in the Aena network that participate in the ASQ programme will be managed using these electronic devices.

This new technology enables real-time monitoring of the results of passenger experience surveys, so that immediate action can be taken if there is a problemAlgoritMOS20 detected, which will result in improved passenger service.

Finally, in the area of passenger services, it should be noted that a new defibrillator tender has been awarded, which will increase the number of units distributed among all airports in the Aena network from 291 to a total of 502.

Services to airlines

Among the actions that Aena carries out on a regular basis to offer a better service to airlines, the different pilot projects related to the use of facial recognition technology to improve the flow of passengers passing through the airport stand out. This technology increases the capacity of the handling service by allowing passengers to pass through the security filter and boarding without having to show their documentation.

This pilot project started at Menorca Airport in the first quarter of 2019 and was extended to AS Madrid-Barajas Airport in 2019, where the tests, which were carried out in the last quarter, incorporate registration from a mobile device with the APPs of Aena and Iberia, an airline that participates in the initiative at this airport, to the process. It is planned to add JT Barcelona-El Prat Airport in the coming months. in the testing process.

It is also noteworthy in the area of service to airlines that Aena has added a new service related to baggage self-check-in (*Self Bag Drop*). This technology offers passengers an automated system to carry out the complete check-in process without requiring the intervention of external personnel. Currently, JT Barcelona-El Prat Airport has counters with this automated check-in system for airlines including Vueling, Air France-KLM, Lufthansa and Air Europa. Looking ahead to the start of the 2020 summer season, devices are expected to be installed at AS Airport Madrid-Barajas to offer this service.

In 2019, it should also be noted that on 1 December, the operational transition of the 41 licenses awarded to service aviation fuel activity ended. With the entry into force of the new contracts, the new maximum rates for airline companies begin to apply, which have been reduced by more than 30% in some cases, maintaining the highest levels of quality, safety and the environment.

Air traffic services

In the field of ATS (*Air Traffic Services*), in January 2019 air traffic control started from the Tower of Murcia Region International Airport (AIRM), following the commissioning of all of the air navigation systems and facilities, and the supervision and authorisation of the start of the service by the Spanish Aviation Safety and Security Agency (AESA).

The ATS provider for both ATC (*Air Traffic Control*) and AFIS (*Aerodrome Flight Information System*) was changed in March in the control towers at the El Hierro, La Gomera, Burgos and Huesca airports. The service was contracted for an amount similar to that of the previous contract, the duration being seven years plus an additional one-year extension.

In June, the Advanced Data Link Service with the D-DCL aircraft (*Datalink Departure Clearance*) was implemented in the Barcelona and Palma de Mallorca airport Control Towers. This service makes it possible to automate and improve take-off clearance tasks by significantly reducing voice communications over the aeronautical frequency by linking data between the controller and pilots.

In the third quarter, D-ATIS services (*Datalink Automatic Terminal Information Service*) were activated at eight airports in the network (Alicante, Cuatro Vientos, Ibiza, Jerez, Valencia, Seville, Fuerteventura, Lanzarote). This service allows aircraft to have the aerodrome information in the route phase and not only in the approach phase, as with the conventional ATIS. It is currently installed in a total of eighteen airports.

It is also noteworthy that a new tender was issued during the last quarter for the provision of aerodrome traffic control at twelve airports, whose current contracts expire between the end of 2020 and the beginning of 2022. The new contracts are expected to be awarded in the third quarter of 2020.

It is also important to note that Aena is working on installing remote tower projects at the Vigo and Menorca airports that will be operational in the first quarter of 2021. The Remote Tower concept provides operational and security advantages, incorporating new technologies offer a more efficient and safer service compared to a new conventional tower.

Operational systems

In 2019, progress was made in the integration of the airports of the Aena network into the "A-CDM" (*Airport-Collaborative Decision Making*) and Advanced Tower programmes, under the auspices of Eurocontrol. These programmes encourage the exchange of information between all agents involved in the operation of a flight, in order to foster joint decision-making, improve timeliness, reduce the cost of movements and mitigate the environmental impact, as explained in chapter 2.4 of Section 14. Non-financial Information Statement, which is part of this report.

Tenerife North and Valencia airports obtained the Advanced Tower Certification in the fourth quarter, thereby integrating the operational data of these airports into the European real-time information network managed by Eurocontrol. With this, 2019 ends with around 75% of the network traffic in Spain integrated into said European network. In the fourth quarter of 2019, migration work began from Advanced Tower to A-CDM at the Malaga Costa del Sol airport, with the aim of being certified in early 2020.

Operations

Within the scope of the Annual Maintenance Plan for the execution of certifications and verifications, 27 internal supervisions have been carried out. Support was also provided to the 30 inspections that AESA (State Air Safety Agency) carried out at 29 airports during 2019. These activities are added to the support of the USOAP audit (ICAO Universal programme for Audit of State Safety Oversight) conducted at the Madrid airport.

In 2019, work also continued on implementing production processes and managing the aeronautic information of Aena airports according to the quality required by EASA and Eurocontrol. Procedures have thus been updated and a joint Monitoring Commission has been established between Aena and EAMA (ENAIRE Airspace and Environment), signing a coordination procedure between the two. In accordance with these quality requirements, updated information on the obstacles around seven airports and the update of four other airports have been published throughout 2019.

Regarding safety, it is also noteworthy that in 2019 the standard procedure that airports must use to prepare the coordinated response protocol in the presence of a drone as a security threat to air transport was approved on 26 June 2019 by the National Civil Aviation Security Committee.

Within the scope of European regulatory compliance, it is noteworthy that drug controls have been initiated at airports in the network, complying with the requirement set forth in ADR.OR.C.045 of Reg (EU) 139/2014. *(ADR.OR.C.045 Use of alcohol, psychoactive substances and medicines)*.

Another aspect to be highlighted among safety actions is the implementation throughout this year of the standardised classification of incidents involving wildlife and the modification of the SGISO tool

(Information Security Management System) to adapt it to said standard. This has improved the analysis capacity of these incidents, which will result in improved diagnosis.

As regards to modifying operational schedules, the modifications to the operational schedules of the Asturias, Jaén, Fuerteventura, Vitoria airports and the Ceuta Heliport have been coordinated and implemented.

In order to prepare activities for Brexit, a model procedure has been agreed with the Ministry of Agriculture, Fisheries and Food for managing companion animals from third countries for the airports designated as the point of entry.

Physical safety

In this area, it is worth noting that the first of the two years of the contract for the new private safety tenders has been completed. These files, based on indicators of quality of safety and passenger service, which are aligned with the objectives established in the DORA, have had a positive result so far.
Regarding this service, it should be noted that an indefinite strike started at JT Barcelona-El Prat Airport in August, whose operational impact has been zero since its inception and during all the weeks of the strike.

During 2019, AESA continued its audit activity in airport security at different airports in the network, with satisfactory results and a total of 56 inspections throughout the year. Aena continues to work on internal quality control to achieve continuous improvement in operations and processes. A total of 36 verifications were therefore carried out throughout the year.

Other relevant actions undertaken in the field of security and which may be mentioned are:

- The creation of a working group with the National Police to monitor the installation of the Entry Exit System project. The purpose of this European project is to record the entry and exit of passengers from third countries across European borders.
- The award of Border Support Auxiliary tenders at the Madrid and Barcelona airports. The tenders for border support in Gran Canaria, Lanzarote and Fuerteventura were also tendered throughout the year.
- Two Illicit Interference Act drills were carried out at Malaga and Fuerteventura airports. The purpose of these air hijacking drills is to analyse the actions to be carried out in each group.

Security equipment

In order to improve security processes, 2018 saw the start of automation of the connections filter at T4 of Madrid airport, which is now in operation. These actions have been completed at Sevilla airport and are continuing at Ibiza airport.

Regarding the supply and installation of the EDS Warehouse Luggage Inspection Equipment (Standard 3), supplies for the following airports were awarded during 2019: Menorca, Madrid, Barcelona, Palma, Gran Canaria, Málaga, Granada, Alicante, A Coruña, Almería, Valencia, Reus, Vigo, Seville. Girona, Zaragoza, Ibiza, Santiago, Fuerteventura and Asturias. A final block of airports included in this project is in the final allocation phase.

The detection standards or standards for the EDS warehouse baggage inspection equipment are defined by the European Commission and are included in the European regulations (Regulations and Decisions) and in the Spanish regulations (National Security Programme-PNS). Standard 3 involves a higher ability to detect explosives, relative to the previous standard (Standard 2).

In this area of security equipment operation, the awards of two pilot projects to perform tests with filter equipment are also noteworthy. The first project focuses on filter equipment that allows passengers to carry liquid and portable carry-on luggage, and the second is aimed at implementing remote inspection rooms.

Facilities and Maintenance

In 2019, the Strategic Airport Maintenance Plan (PEMA) started in July 2018 has continued, which aims to rationalise and standardise maintenance services at all airports in the Aena network, over a time horizon of three years.

Its implementation in 2019 was mainly focused on the grouping of files, in order to reduce the number of contracts, generate synergies in the execution of services and increase efficiency in their management. This group has the following objectives:

- Adjusting the scope of services to the requirements of the regulations in force.
- To improve the quality of the service, aligning it with the DORA indicators,
- Improving the control of facilities through the digitalisation of services; and
- Cost optimisation.

By 2019, the PEMA also envisaged the finalisation of the manuals for the preventive maintenance of airport facilities and infrastructures, whose objective is to standardise assets, tasks and processes. A total of 13 facility specialisation manuals have been prepared.

The rationalisation of maintenance services through the grouping of tenders between the airports of Groups I, II, III and Grupo Canarias will achieve standardised service management in the airport network and will also significantly reduce the number of contracts, from 350 to 18. In 2019, three contracts were awarded, another seven were tendered, another five were approved and three others were drafted. Throughout 2020, these 18 new contracts will start.

3.1.2 Commercial activity

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

Thousands of euros	2019	2018	Variation	% Change
Ordinary revenue	1,241,093	1,144,150	96,943	8.5%
Other operating revenue	10,857	18,200	-7,343	-40.3%
Total revenue	1,251,950	1,162,350	89,600	7.7%
Total expenses (includes amortisation)	-319,009	-326,764	-7,755	-2.4%
EBITDA [1]	1,032,816	942,889	89,927	9.5%

[1]Earnings before interest, tax, depreciation and amortisation.

Table 7. Most significant figures for commercial activity

The total revenue increased by 7.7% in 2019, to €1,252.0 million.

Revenues, whose representativeness increased over the Group's total revenue to 27.9% (27.2% in 2018), were €1,241.1 million and a year-on-year growth of 8.5%.

This increase was mainly due to the growth in traffic, the improvement in the contractual conditions of new tenders, which include higher minimum annual guaranteed rents (MAG), the increase in these rents under current contracts, and to the good performance of the two businesses managed by Aena (car parks and VIP services).

In 2019, the amount recorded in ordinary revenue from minimum annual guaranteed rents (MAG) was €144.4 million, 17.8% of revenue from activities with contracts that include such clauses (duty free, shops, food & beverage, advertising and commercial operations) compared to the 16.5% they represented at the end of 2018. The difference is due mainly to the evolution of sales under existing contracts (€5.0 million), the better conditions of the new contracts (€9.9 million) and the increase in MAG under current contracts (€2.0 million).

The other operating revenue heading reflects a reduction of €7.3 million, mainly due to the extraordinary effect in 2018 of the application to results of subsidies from the collection of much higher resources granted by the Fund of Regional Development (FEDER) (€5.2 million), as well as the application of the revenue from capital grants associated with assets affected by the civil operations of Murcia San Javier airport, once that the Murcia International Airport entered into operation (€2.4 million). Excluding this effect, the variation in other operating revenue would reflect an increase of €0.2 million (+1.9%).

The total expenses of this activity decreased by €7.8 million. Excluding amortisation, as well as the extraordinary effect in 2018 (€2.9 million) of the recognition of the impairment of the assets related to the civil operations of the Murcia San Javier airport that could be reused at another airport, given the interruption of the civil air operations at the airport once whereas the Murcia Region International Airport began operations, the management expenses associated with the closure of the San Javier Base in Murcia, as well as lower expenses due to the application of customer provisions, the total expense increase is €2.6 million.

Commercial EBITDA has reached €1,032.8 million. Excluding the extraordinary effects explained previously recognised in 2018 in other operating revenue and expenses, the increase amounts to €94.6 million (+10.1%).

The breakdown of ordinary revenue from the various commercial business lines is shown below:

Thousands of euros	Revenue 2019	Revenue 2018	Variation Thousands of €	Variation %	Minimum Annual Guaranteed Rents 2019	Minimum Annual Guaranteed Rents 2018
Duty free shops [(1)]	344,827	318,046	26,781	8.4%		
Specialty Shops	115,083	106,428	8,655	8.1%		
Food and Beverage	224,903	200,690	24,213	12.1%		
Car rental	155,902	152,739	3,163	2.1%		
Car Parks	158,892	143,797	15,095	10.5%		
VIP services	78,834	64,228	14,606	22.7%		
Advertising	26,077	33,171	-7,094	-21.4%		
Leases	34,600	33,591	1,009	3.0%		
Other commercial revenue	101,975	91,460	10,515	11.5%		
Ordinary commercial revenue	1,241,093	1,144,150	96,943	8.5%	144,431	123,989

[(1)] *In application of IFRS 16 in 2019, the expenses deriving from the financial effect of accounting for the advance received from World Duty Free Group España, S.A. in connection with the agreement signed with this company, shown until 31 December 2018 as a deduction from commercial revenue are shown under the heading "Financial expenses" in the income statement. Excluding this effect, revenues from duty-free shops in the period would amount to €332.7 million, representing an increase of €14.6 million (+4.6%).*

Table 8. Breakdown of commercial business lines

During this period, it is relevant to note that the Aena Board of Directors agreed on September 24 to extend the contracts of the Tax Free shops to the current operator, in the twenty-five airports of the Aena network. The technical and economic conditions of the contracts will remain the same as those currently in force, except for the annual remuneration increase of the fixed component of minimum annual guaranteed rents, which will be 1.56% weighted annual average, during the entire extension period. The variable remuneration percentages remain unchanged.

With regard to speciality shops, the current offer has continued to be complemented, bidding for renovations in several Aena airports that allow the incorporation of recognised fashion brands and accessories.

The food & beverage activity highlighted during this period was the award of new contracts from 18 premises in Alicante-Elche Airport and 33 premises from Palma de Mallorca Airport, as well as renovation work carried out by the new tenants of the premises in Barcelona, Málaga and Gran Canaria airports.

The vehicle rental service, of great relevance in tourist airports, opened a new lobby at the Malaga Costa del Sol Airport that concentrates the counters of the car rental companies, with a modern and open concept.

More management improvements have been included in the car parks business line, operated by Aena, and new long stay car parks (Tenerife Norte Airport) and express (Palma de Mallorca and Vigo Airports) and promotion of the pay-by-plate service.

Revenue from the VIP lounge business, managed by Aena derives from the 16.0% increase in users, which in turn is the result of the marketing actions and pricing policy implemented during the year. The extensions and redesigns of VIP Lounges that are being undertaken at various airports, and additional services and fares that are being implemented to improve the offer of the Premium segment are also notable.

In the field of commercial marketing and digital development, it should be noted that throughout 2019, actions were taken to reinforce the communication of Aena's commercial offer and boost sales of the different commercial services, in-house as well as retail, through the marketing budget. More than 50 marketing campaigns with commercial operators in the main airports of the network, with the aim of increasing shop and restaurant sales. Marketing campaigns have also been carried out for the two in-house business lines (parking and VIP lounges). In car parks, designed to promote this service and online bookings, as well as the positioning of its own brand "Aena Parking". In the VIP lounges, marketing campaigns have focused on advertising new openings and new services offered, such as the Meet & Assist service. New commercial profiles have also been opened on social networks @enjoyaena (Facebook, Instagram) as a new communication channel, which, together with the campaigns through the CRM, enable better direct and personalised communication with customers.

By lines of business, the following commercial actions carried out during the period stand out more specifically:

Duty Free Shops

The revenue from Duty Free Shops was €344.8 million[1)] in the period and represents 27.8% of revenue from commercial activity.

This business area is operated by the World Duty Free Group (DUFRY), through the contracts signed with Aena, broken down into three lots. It provides Aena with a guaranteed revenue, derived from minimum annual guaranteed rents.

On 24 September, Aena's Board of Directors agreed to extend the contracts of the Tax and Duty Free Shops, expiring on 31 October 2020, to the current operator at the twenty-five airports of the Aena network. The extension has a period of five years; three initial years plus two possible additional extensions of one year each.

The technical and economic conditions will remain the same, except for an annual remuneration increase of the fixed component of minimum annual guaranteed rents, during the entire extension period, of 1.56% weighted annual average. This increase is calculated based on the total minimum annual guaranteed rent from 2020, which includes 10 months at the rent set out in the initial contract, plus the minimum guaranteed rent in the extension of the contract for the last 2 months. The variable remuneration percentages have not changed.

Regarding the project launched by Dufry, in collaboration with Aena in June 2018, in order to identify actions to optimise its commercial performance in five pilot airports (JT Barcelona-El Prat T2, Málaga-Costa del Sol, Alicante-Elche, Gran Canaria and Bilbao), Dufry has continued to carry out actions that will extend to the other airports throughout 2020, in order to improve passengers' experience, thus favouring commercial revenue.

The following actions were taken in 2019:

- Optimisation of the pricing policy: repositioning, widening the range and promotions of certain product categories.
- Improved design and layout of the current shops: changed layout and reinforced *sense of place* (Bilbao), reform and/or extension of the main shop (Alicante, Barcelona and Gran Canaria), a new shop concept developed in Arrivals (Alicante and Malaga) and the new shop opened in the non-Schengen area of Malaga airport.
- Optimised range and new brands introduced, with special focus on the perfumery and cosmetics and alcoholic beverage categories.
- Actions with the sales force, such as performance related incentives at Barcelona and Alicante, and competitions among pilot airports to boost sales.

[(1)] In application of IFRS 16 in 2019, the expenses deriving from the financial effect of accounting for the advance received from World Duty Free Group España, S.A. in connection with the agreement signed with this company, shown until 31 December 2018 as a deduction from commercial revenue are shown under the heading "Financial expenses" in the income statement. Excluding this effect, revenues from duty-free shops in the period would amount to €332.7 million, representing an increase of €14.6 million (+4.6%).

- Marketing and digital development: partnership between Aena and Dufry (in the VIP lounges in Alicante and Málaga and the Bilbao car park), launch of the *Reserve & Collect* service (all airports) and *Home Delivery* (only in Madrid and Barcelona) and the digitisation of the main shop in Málaga as a *New Generation shop*.

  Joint actions have also been carried out to attract customers from the *Red by Dufry* and *Aena Club Cliente* loyalty programs, new payment methods such as *WeChat* and *Alipay* have been introduced and, the development of sales assistance with the use of tablets and a virtual assistant has begun.

For its part, Aena has also carried out both marketing and improvement actions, with the operator redistributing the surfaces, focusing on:

- Promotions aimed at reinforcing the purchase of the most attractive product categories for British passengers.
- Refurbishment of the T1 Non-Schengen shop at A.S. Madrid-Barajas.
- Opening of new refurbished shops at JT Barcelona-El Prat airport (M0 modules due to change of location, M1 and M2), and at Palma de Mallorca Airport Module C shops in their new location, and Module A shops.

In addition, it should be mentioned that the Duty Free area at Región de Murcia International Airport is now open to the public.

Specialty Shops

The revenues generated by this business line in 2019 was €115.1 million, with inter-annual growth of 8.1%, driven by the renovation of commercial premises at different airports in the network.

In this regard, it is noteworthy that as of 31 December 2019, nine shops are open at the Malaga airport (of the 11 foreclosed tenders corresponding to the first phase of the renovation), and that the estimate of having operations starting up at the beginning of the high season is maintained (April 2020) of the seven Menorca Airport shops awarded in the last quarter of 2019.

The following initiatives were also implemented in 2019, focused on the renewal of the offer:

- At the Malaga airport, the second phase has been tendered, which affects 1,033 m^2 and includes eight shops that will include activities such as deli, press and multi-shop, sale of glasses. The award is scheduled for the first quarter of 2020. The retail offer at this airport will therefore have been completely renewed with the entry of new concepts and brands.
- The VAT refund financial services have been tendered at airports in Madrid and Barcelona, the award of which is scheduled for the first quarter of 2020.
  Automated tellers have also been tendered throughout the airport network.
- The commercial strategy for the Madrid, Barcelona-El Prat Terminal T1, Palma de Mallorca, Tenerife Sur and Ibiza airports has been defined.

  The commercial strategy for AS Madrid-Barajas Airport will involve tendering approximately 10,000 m^2 and 81 premises in the first quarter of 2020. The objective of this tender is to maintain an attractive and varied commercial mix while aligning future maturities with the defined construction plans.

  At J.T. Barcelona-El Prat 12 shops will be tendered (in 9 tenders) in the first quarter of 2020, which are expected to be awarded in the first half of 2020. The 12 shops have a total area of 1,350 m^2.

  In Palma de Mallorca and Tenerife Sur, the strategy will focus on extensions of current contracts, while in Ibiza, six tenders (642 m^2) will be offered with activities such as deli, press and multi-shop, and fashion and accessories.
- It is also noteworthy that continuing with the objective of diversifying the commercial offer, and seeking innovation, a gym will be incorporated in the range of services at T4 AS Madrid-Barajas. The gym was awarded in the fourth quarter of 2019.

In addition to the above-mentioned actions, in order to continue improving passenger experience, Aena continues to offer the Personal Shopper service at four of its main airports. This free service has been available at the Madrid (T1, T4 and T4S), Josep Tarradellas Barcelona-El Prat and Málaga-Costa del Sol airports since 2018, and since February 2019 is now available at Alicante airport.

It should also be noted that actions are being taken to cover the specific needs of Asian passengers, who have high potential for expansion and expenditure. In this sense, support continues to be provided by a company that specialises in preparing and publishing content for the most widely established social network in China (WE CHAT), in which Aena already has 2,150 followers and more than 22,000 views of the published content. A profile has also been created in the second most important social network by number of users: Xiaohongshu (*Red Little Book*), and progress has been made in facilitating Asian passengers to use their preferred means of payment, WE CHAT Pay, which is already available at these customers' main receiving shops.

Aena also launched two social profiles on Instagram and Facebook (@enjoyaena) in 2019, to carry out communication and marketing campaigns through the main social networks.

Attracting new brands and potential business opportunities is another of the levers that have driven commercial activity in 2019, with connections being re-established with the retail sector in order to renew the portfolio of potential bidders for our spaces.

Food and Beverage

Restoration revenue was €224.9 million and an increase of €24.2 million (+12.1% year-on-year).

During this period, the start of new food & beverage contracts for the 18 shops in Alicante-Elche Airport awarded in January, 33 shops in Palma de Mallorca Airport awarded in July and the 250 vending machines were notable at AS Madrid-Barajas Airport, which started operating in May.

It should also be noted that the renovation work carried out by the new tenants of the premises at Gran Canaria, Barcelona and Málaga airports are almost complete.

- At the Gran Canaria airport, 17 shops are already opened, with the renewed brands of the 19 shops awarded in 2018.
- In J.T. Barcelona-El Prat Airport, as a result of the extensive renovation in 2018 of the food & beverage offer, there are now 47 points of sale operating with the new brands out of the 49 that were awarded.

  The new premises will occupy an area of about 16,000 m², which is an increase of 19% compared with the area prior to the bidding process.
- Since September, Malaga-Costa del Sol Airport has also had 22 refurbished restaurants under the new brands, with the 25 outlets awarded in June 2018.

  The new establishments will occupy a total area of more than 6,500 m².
- At Alicante Airport, the new operators have started their activity: Áreas, Select Service Partner (SSP), Grupo EatOut (Pansfood) and Airfoods. At the end of 2019, 12 premises were opened with the new brands *Burger King* and *Santa Gloria*, *Lavazza, Häagen Dazs*, *Costa Coffee*, *Carlsberg*, *Eat*, *Foodmarket*, *Enrique Tomás and Tim Hortons*.

  The renovation of the food & beverage offer for the 18 premises awarded in January covers an area of approximately 5,600 m².
- Regarding the new food & beverage contracts for 33 premises at Palma de Mallorca Airport, the new operators started to provide services in November.

  The food & beverage companies with the highest number of awarded premises are Áreas (23 premises), Airfoods (5) and SSP (2), in addition to Burger King Spain, McDonald's and Lagardère, which will manage 1 premises each.

  The new offer will occupy an area of more than 10,600 m², which will mean an increase in the food & beverage aera at this airport of around 9%.

  The new contracts represent an estimated increase in the revenue from this line of activity in Palma de Mallorca, for a full year and based on the new minimum annual guaranteed rent, of close to 75% compared to 2018.
- At Girona-Costa Brava Airport, the five new points of sale and food and beverage vending machines, awarded to Areas at the beginning of the year, have commenced operations with the following brands: *Burger King, La Pausa, Carlsberg, Exploring the World and Lavazza.*
- At the end of May, AS Madrid-Barajas Airport began operating the 250 food and beverage vending machines installed by the new tenant, Selecta Vending, with the brands *Selecta* and *Starbucks On the Go*.

Additionally, it should be noted that the Murcia Region International Airport opened a new food & beverage offer, operated by Airfoods with well-known brands such as *Costa Coffee* and *Subway*, *Food & Goods* and *Semba*. This company is also responsible for the operation and management of 13 food and beverage vending machines.

Alicante-Elche Airport

Car rental

This line of business generated revenue of €155.9 million, representing a year-on-year increase of 2.1%.

The number of contracts has increased by 5.4%, while sales have increased by 2.0%. In airports with a business profile, the vehicle rental service maintained a favourable trend in 2019.

Regarding the main actions carried out in this activity, it should be mentioned that car rental operators have been unified at Málaga-Costa del Sol Airport, in a lobby with modern counters and open concepts.

The operator SIXT is now present at the Murcia Region International Airport, completing the offer up to four operators.

Car Parks

Aena manages this important business line, which encompasses a diverse range of car parks, dealing with operations, marketing policies and sales channel management.

During this period, revenue from this activity increased to €158.9 million, a 10.5% increase, driven by the improvement of the non-reserve segment and online bookings at the main airports, as well as by the opening of express car parks at AS Madrid Barajas and JT Barcelona-El Prat airports.

The revenue derived from the number of reserves through the different sales channels was €48.8 million, a 24% increase with respect to 2018, driven by loyalty policies and campaigns to attract new customers, as well as the continuous improvement on the website.

In its management, Aena has continued to add improvements and new parking facilities, and has promoted the number plate payment service. A new long-term car park has also been opened at Tenerife North Airport, express car parks in Palma de Mallorca and Vigo and Santiago, and the number plate payment service is operating at airports in Madrid, Barcelona, Bilbao, Alicante and Valencia.

In addition, Aena has promoted this activity through marketing campaigns focused on increasing customer share, the number of bookings and the positioning of our own brand, "Aena Parking".

VIP services

Revenue from the VIP services activity was recorded at €78.8 million in the period, which represents 22.7% growth with respect to the previous year.

The revenue from this business line comes from the operation of 27 own VIP lounges, 1 Premium lounge, 2 VIP lounges leased to Iberia, the preferential security service access points: *Fast Lane* and *Fast Track* (service at security checkpoints in 8 airports of the network), business centres, rest rooms (in Madrid and Barcelona), *Meet & Assist* service (in Palma de Mallorca, Alicante and Málaga) and meeting rooms.

The revenue figure for its own VIP lounges managed by Aena was €73.3 million, representing a 23.4% year-on-year increase as a result of the 15.6% increase in the number of users and a price policy that has been implemented.

Throughout 2019, Aena completed the works on the new lounges, *Jable* in Fuerteventura, *Tramuntana* in Menorca and *Illas Cíes* in Vigo.

All the rooms at Barcelona airport, the Valldemossa room in Palma de Mallorca, the VIP room in Málaga and the Joan Olivert room in Valencia have also been remodelled.

The construction of the new lounge at Tenerife North and the remodelling of the lounge at Ibiza have started. Spaces are also being redesigned at Madrid, Palma de Mallorca, Alicante, Gran Canaria, Tenerife North, Tenerife Sur and Ibiza airports.

Regarding the management services, tender changes have been made at the Palma de Mallorca, Alicante, Gran Canaria, Tenerife Sur, Tenerife North, Valencia and Bilbao airports, and the change of tender at AS Madrid-Barajas airport is being tendered. The service of the Vigo VIP lounge, which is scheduled to open in the first quarter of 2020, has been awarded.

In 2019, the *Fast Lane* service has also been incorporated at A Coruña airport, and the new *Meet & Assist* service at Palma de Mallorca, Mallorca, Málaga and Alicante airports.

Finally, it should be noted that given the dynamic nature of this activity, Aena has updated the rates to improve the offer of the Premium segment, has established a price incentive plan for partners with a high volume of links and business in the network and has approved the applicable pricing strategy for the activity in 2020.

Other commercial revenue

This category includes sundry commercial activities carried out at airports such as banking services, baggage wrapping machines, other vending machines and regulated services (pharmacies, tobacco shops and lotteries, etc.).

In 2019, the revenue from these activities has reached €102.0 million, and an increase of €10.5 million (+11.5% interannually), derived mainly from the banking services activity.

As regards regulated businesses, it must be noted the joint strategy of the pharmacies in the entire network has been defined in 2019, with the aim of standardising their conditions and tendering 14 establishments.

New Fuerteventura Airport VIP Lounge

Advertising

On 14 June, the activity of the new companies awarded the advertising and promotional activity at Aena airports began.

The new licences have been awarded during April in eight lots, for a term of seven years, to four different providers: Exterior Plus SL, Sistemas e Imagen Publicitaria SLU, JFT Comunicación, and the JV New Business Media Ceco Centros Comerciales.

As a result of the new economic conditions, the minimum annual guaranteed rent will decrease by €32.5 million in 2018 to €21.0 million in 2020 (first annuity). In spite of this, it is expected that these contracts will operate with variable revenue, representing estimated revenue of roughly €27 million.

3.2 Real estate services segment

The real estate services activity segment includes the provision of leasing or transfer of use of land (built on or not), office buildings, warehouses, hangars and cargo sheds to airlines, airfreight operators, handling agents and other airport service providers aimed at supporting the activity and developing complementary services, such as the 24 service stations (15 land-side and 9 air-side) at 12 airports and the FBO (fixed-base operator) terminals at five of the major airports in the network, where service is provided for private jets in a customised manner.

As regards the plans for real estate development of the A.S. Madrid-Barajas and J.T. Barcelona-El Prat airports, in 2019, Aena has continued work with external advisers to define the main aspects of the marketing of airport land available at both airports.

- A.S. Madrid-Barajas Airport, after the initial evaluations carried out with the hired experts, an area of up to 2.2 million m² will be developed over the next few years by occupying 349 net hectares (out of the total of 909 gross hectares available) for a range of uses, which will represent significant diversification of the activity implemented at the airport, bringing it closer to the modern concept of *Airport City*.
- For its part, the Real Estate Plan for the J.T. Barcelona-El Prat Airport will cover a maximum of 1.1 million new buildable m², through the occupation of close to 200 net hectares (out of the total of 290 gross hectares available) in a global development project that is very aware of the conservation of the environmental and ethnographic values of the Delta del Llobregat.

The main objective pursued by these projects is to enable Aena to define the strategy for implementing the business model to be developed. Once defined, the process of selecting partners through public tender for the first developments will begin. The beginning of the process is estimated to take place throughout the first half of 2020.

In line with the work carried out at both airports, Aena has hired a consultant, ARUP, who will support the definition of real estate development plans at other airports where land and assets with high potential are available for the development of complementary airport activities. Specifically in the airports of Palma de Mallorca, Malaga, Valencia and Seville. Work commenced in mid-September and is expected to last one year.

Key financial data for the real estate services segment is set out below:

Thousands of euros	2019	2018	Variation	% Change
Ordinary revenue	78,737	67,215	11,522	17.1%
Real estate services[1]	78,737	67,215	11,522	17.1%
Other operating revenue	1,463	1,743	-280	-16.1%
Total revenue	80,200	68,958	11,242	16.3%
Total expenses (includes amortisation)	-64,777	-48,889	15,888	32.5%
EBITDA [2]	31,233	36,745	-5,512	-15.0%

[1] *Includes warehouses, hangars, real estate operations, off-terminal supplies and others.*
[2] *Earnings before interest, tax, depreciation and amortisation.*

Table 9. Key financial data for the real estate services segment

In 2019, ordinary revenue from this activity amounted to €78.7 million, an annual growth of 17.1% affected by the recognition of an operator's revenue that was regularised as of December 31. Excluding this effect ordinary revenue grew by 10.4%, to €7.0 million.

Total expenses increase by €15.9 million (+32.5%). This item is affected in 2019 mainly by the extraordinary effect of the variation in insolvency provisions associated with the regularised revenue of an operator, as well as by the recognised impact on the heading of Other results derived from the claim of a land tenant. Excluding depreciation, as well as the extraordinary effects indicated, total expenses have decreased by €2.9 million.

EBITDA, net of the effects recognised in revenue and expenses as explained previously, has increased by €9.7 million (+25.7%), up to €47.4 million.

The main actions carried out during the period in relation to existing assets were as follows:

Hangar activity:

- At Seville Airport, in January the operation began on a hangar of approximately 6,000 m^2 built to support the aircraft maintenance of a major airline. The paperwork for the construction of a second hangar of approximately 10,000 m^2 for the same operator has also begun.
- A.S. Madrid-Barajas is adapting a hanger of 8,800 m^2 located in the "Old Industrial Zone", which is estimated to start activity during 2020.
- At the Valencia Airport, a plot of 15,600 m^2 was contracted for the construction of a new hangar of 4,750 m^2 with a private platform.
- At Palma de Mallorca Airport, a 5,000 m^2 plot was contracted in July for the construction of a 3,500 m^2 hangar.
- In August, an 800 m^2 plot was contracted at the Ceuta Airport for the construction of a hangar of the same size.

Executive aviation activity:

- In January, the activity of the new awardees of the executive aviation terminals (FBOs) at the Madrid and Barcelona airports began, which completes the renewal of this service.
- Since mid-June, a new exclusive filter for users of these facilities has been fully operational at the FBO of Ibiza Airport, thereby significantly improving customer experience.
- The tender for the executive aviation terminal (FBOs) at Palma de Mallorca Airport was launched in December 2019, as well as the lease of an area in the entrance hall of the terminal to carry out multi-brand retail activity.

Spaces dedicated to air cargo:

- A.S. Madrid-Barajas Airport has started operating within a 7,200 m^2 warehouse. It is also worth noting that the development of new loading facilities in the area known as "Rejas" continues to progress, with the execution of the construction work on a 12,500 m^2 import warehouse having been awarded to Correos in this period.
- J.T. Barcelona-El Prat Airport was awarded the contract to execute the refurbishment work on the cargo building operated by Swissport, which entails an increase in lease revenue from 2020. Construction work has also been awarded for the construction of a 5,139 m^2 second-line cargo warehouse.
- The construction of a new cargo building of more than 3,500 m^2 was awarded at Zaragoza Airport, which will provide the airport with greater capacity to meet the strong growth in transported goods that has been occurring at this airport in recent years. This building will be operated by Swissport.

Other activities:

In December, the contract and the start of activity of the old control centre of Son Bonet Airport was signed as a hospitality centre, training and food & beverage school.

3.3 AIRM

On 15 January 2019, the Región de Murcia International Airport (AIRM) commenced operations. This airport is managed by Aena Sociedad Concesionaria del Aeropuerto Internacional de la Región de Murcia SME, SA, which is wholly owned by Aena SME, SA, on a concession basis, for a period of 25 years.

In 2019, AIRM registered a volume of 1,090,954 passengers, most of them international, and 7,976 aircraft movements. The operational and financial information for the period is included in the aeronautical, commercial and real estate services activities in this Management Report.

3.4 International activity

Financial data for the international activity consist mainly of the consolidation of the subsidiaries (London Luton and ANB), and those deriving from advisory services to international airports. In total, revenues from international business increased by 13.6% in 2019, to €270.4 million.

Thousands of euros	2019	2018	Variation	% Change
Ordinary revenue	270,208	237,856	32,352	13.6%
Other operating revenue	204	201	3	1.5%
Total revenue	270,412	238,057	32,355	13.6%
Total expenses (includes amortisation)	-239,890	-211,274	28,616	13.5%
EBITDA [1]	96,898	82,221	14,677	17.9%

[1] Earnings before interest, tax, depreciation and amortisation.

Table 10. Key data for the international segment

Regarding the consolidation of London Luton Airport (the fifth largest airport in the United Kingdom by number of passengers), this represented a contribution of €99.6 million to EBITDA, which was 26.5% more than in 2018, reflecting the growth in traffic for the period (+8.6%) as well as the positive evolution of commercial revenue.

(Thousands of euros)[1]	2019	2018	Variation	% Change
Aeronautical revenue	117,013	102,521	14,492	14.1%
Commercial revenue	141,453	125,028	16,425	13.1%
Total revenue	**258,466**	**227,549**	**30,917**	**13.6%**
Staff	-46,563	-46,877	-314	-0.7%
Other operating expenses	-112,259	-101,689	10,570	10.4%
Depreciation, amortisation and impairment	-66,076	-55,288	10,788	19.5%
Total expenses	**-224,898**	**-203,854**	**21,044**	**10.3%**
EBITDA[2]	**99,587**	**78,714**	**20,873**	**26.5%**
Operating revenue	**33,568**	**23,695**	**9,873**	**41.7%**
Financial result	-24,733	-23,418	1,315	5.6%
Profit before tax	**8,835**	**277**	**8,558**	**3,089.5%**

[1] Euro-sterling exchange rate: 0.8778 in 2019 and 0.8847 in 2018.

[2] Earnings before interest, taxes, depreciation and amortisation.

Table 11. Detailed financial information on the evolution of Luton Airport

In local currency, Luton's revenue grew by 12.7% in the period in 2019, to 226.9 million GBP. This growth was possible thanks to the increased traffic, accompanied by good commercial revenue performance.

Aeronautic revenue in GBP increased by 13.2% (up to 102.7 million GBP) and commercial revenues by 12.3% (up to 124.2 million GBP). In business activities, there was good performance of retail revenue (shops and food & beverage) which grew by 20.4% in 2019, driven by the opening of new shops (with better concession fees) as a result of the expansion of the terminal, where passenger flow has also been improved. Thanks to the actions carried out, the airport has a more attractive and varied range of services for passengers.

The EBITDA figure increased by 25.5% year-on-year in the period and stood at GBP 87.4 million in 2019. The EBITDA margin also improved to 38.5% compared to 34.6% in the previous year.

Aeroportos do Nordeste do Brasil SA has focused its preparatory work during this period on the start-up of operations in 2020. In terms of EBITDA, it has had an impact of -€6.2 million for the expenses associated with the start-up.

The evolution of equity-accounted investees is shown hereunder:

	Equity method profit/(loss)				Exchange rates [1]			
Thousands of euros	**2019**	**2018**	**Variation**	**% Change**	**Monetary units per euro**	**2019**	**2018**	**% Change**
AMP (Mexico)	14,417.4	13,578.5	838.9	6.2%	MXN	21.56	22.74	-5.2%
SACSA (Colombia)	5,349.6	5,158.9	190.7	3.7%	COP	3,673.48	3,489.44	5.3%
AEROCALI (Colombia)	2,678.5	1,417.2	1,261.4	89.0%	COP	3,673.48	3,489.44	5.3%
Total share in income of associates	**22,445.5**	**20,154.6**	**2,291.0**	**11.4%**				

[1] Average rate for the period

Table 12 Equity-accounted investees

4. Income statement

Thousands of euros	2019	2018	Variation	% Change
Ordinary revenue	4,443,560	4,201,406	242,154	5.8%
Other operating revenue	59,693	118,843	-59,150	-49.8%
Total revenue	**4,503,253**	**4,320,249**	**183,004**	**4.2%**
Supplies	-170,542	-172,936	-2,394	-1.4%
Staff costs	-456,173	-423,725	32,448	7.7%
Other operating expenses	-1,075,321	-1,008,289	67,032	6.6%
Losses, impairment and change in trading provisions	-13,809	1,813	15,622	861.7%
Depreciation and amortisation	-788,969	-806,383	-17,414	-2.2%
Impairment and net gain or loss on disposals of fixed assets	-9,396	-62,355	-52,959	-84.9%
Other results	-11,764	1,829	-13,593	-743.2%
Total expenses	**-2,525,974**	**-2,470,046**	**55,928**	**2.3%**
EBITDA (1)	**2,766,248**	**2,656,586**	**109,662**	**4.1%**
Operating revenue	**1,977,279**	**1,850,203**	**127,076**	**6.9%**
Finance income	4,569	2,985	1,584	53.1%
Finance expenses	-124,786	-135,248	-10,462	-7.7%
Other financial income/(expense) - net	3,341	-742	4,083	550.3%
Financial result	**-116,876**	**-133,005**	**-16,129**	**-12.1%**
Share in income of associates	22,446	20,155	2,291	11.4%
Profit before tax	**1,882,849**	**1,737,353**	**145,496**	**8.4%**
Income tax expense	-437,174	-409,602	27,572	6.7%
Consolidated profit (/loss) for the period	**1,445,675**	**1,327,751**	**117,924**	**8.9%**
Profit/(loss) for the period attributable to non-controlling interest	3,653	-131	3,784	2,888.5%
Profit for the period attributable to shareholders of the parent Company	**1,442,022**	**1,327,882**	**114,140**	**8.6%**

(1) *Earnings before interest, taxes, depreciation and amortisation.*

Table 13. Income statement

As a result of the positive evolution of all business lines, Aena's total revenue increased by 5.8% year-on-year, up to €4,443.6 million. This increase of €242.1 million is explained above in the analysis of the various business lines.

The other operating revenue heading reflects a reduction of €59.2 million, mainly due to the extraordinary effect in 2018 of the application to results of subsidies from the collection of much higher resources granted by the Fund of Regional Development (FEDER) for the development of airport infrastructure, as well as the application of €26.7 million corresponding to revenue from capital grants associated with assets affected by the civil operations of Murcia San Javier airport, once that the Murcia International Airport entered into operation. Eliminating this effect, the year-on-year variation in other operating revenue would reflect an increase of +0.2%.

Due to the effect explained above, the year-on-year comparison of total revenues, €4,503.3 million, reflects an increase of 4.2%. Excluding this impact, total revenue for the period increased by 5.7% and €242.0 million.

With regard to total expenses, there was an increase of 2.3% (€55.9 million) in this period as a result of changes in the following items:

- Supplies fell by 1.4% (€2.4 million), mainly due to the lower cost of the ATM/CNS (Air Traffic Management and Communications, Navigation and Surveillance) service due to the agreement signed with ENAIRE until 2021 (€-4.9 million), partially offset by the increase in the Agreement with the Ministry of Defence (€+1.4 million) and the cost of spare parts.

- Employment costs increased 7.7% (€32.4 million) derived mainly from the salary review of Aena S.M.E., S.A. staff according to RD 24/2018, 21 December, which was 2.375% annual average in 2019 while it was 1.625% in 2018 (€8,5 million), from the increase of productivity bonus (€4.6 million), as well as, due to the new hires (252 in 2019 and 99 in 2018; €6.5 million), and the effect of the review of categories and recognition of three-year plans (€2.7 million) and the reversal in 2018 of an excess of 2017 provision (€5.4 million).

- Other operating expenses increased by 6.6% (€67.0 million), mainly due to the effect of the entry into force in 2018 of new contracts at airports in the network, with higher costs associated with private security services (€23.7 million; +14.7% year-on-year), to the service for passengers with reduced mobility (€5.0 million: +9.8%) as from February, as well as new cleaning services (€5.3 million; +7.4%).

  Electricity costs also increased (€9.9 million; +12.9% year-on-year), the cost of services in VIP lounges managed by Aena (€4.0 million; +19.4%) due to the increase in users and new contracts initiated in 2018, maintenance expenses (€3.5 million; +1.7%), professional services (€2.3 million; +4.6%), partially offset by expenses accrued in 2018 associated with the closure of the Murcia San Javier Air Base (€7.4 million).

  This heading also reflects higher costs at London Luton Airport, mainly due to the increase in services due to the increase in the surface area of the terminal associated with the *Curium Project*.

- Losses, impairment and variation of provisions for commercial operations reflects in 2019 the variation of insolvency provisions mainly linked to a client of the real estate services activity.

- Depreciation of fixed assets decreased by €17.4 million (2.2%), mainly due to the full depreciation of certain assets, partly offset by the depreciation of the new investment associated with the extension project of the Luton airport terminal and the high-rise car park, as well as the investments in runways and taxiways on the network and other actions on the Spanish airports.

- Impairment and net gain or loss of fixed assets decreased €53.0 million, mainly due to the recognition in 2018 of the impairment (€46.2 million) corresponding to the assets related to the civil operations at the Murcia San Javier airport that cannot be reused at another airport, when civil air operations were interrupted there, once the Murcia Region International Airport began operations.

- Other results reflect the extraordinary expense recognised by a land tenant's claim (€13.5 million).

EBITDA (earnings before interest, tax, depreciation and impairment) increased a 4.1% to €2,766.2 million (including €99.6 million from the consolidation of Luton). Excluding the main extraordinary effects explained previously recognised in 2018 in other operating revenue (€59.0 million) and in impairment expenses (€46.2 million), EBITDA increase amounts to €122.4 million (+4.6%).

EBITDA margin for the period stood at 61.4% (61.5% in the same period of 2018).

For their part, Finance expenses fell by €10.5 million (7.7%), mainly due to the reduction in interest on the debt, both due to the reduction in interest rates and the volume of debt (€-12.9 million), as well as the variation in financial expenses of the cost of breach of the interest rate hedging associated with the loan held with Depfa Bank, which was cancelled in July 2018 (€-17.2 million).

The reclassification of the financial effect of the advance received from World Duty Free Group España, S.A., by application of IFRS 16 (€+12.1 million, no effect on cash) has involved greater financial expenses, as well as the exchange rate hedging instrument expenses (NDF) contracted to hedge the risk of exposure to fluctuations in the Brazilian real/euro exchange rate, for meeting capital payments corresponding to the concession (€+6.3 million).

Income tax amounted to €437.2 million, an increase of €27.6 million, as a result of higher earnings for the period. The effective rate for the period was 23.2% (23.6% in 2018).

Consolidated profit for the period was €1,445.7 million. Earnings for the period attributable to non-controlling interests came to €3.7 million (corresponding to 49% of London Luton's net profit), which places Profit for the year attributable to shareholders of the parent Company at €1,442.0 million, 8.6% more than in 2018.

5. Investment in infrastructure

The total amount of capital expenditure paid during the period (property, plant and equipment, intangible assets and real estate investments) came to €521.6 million, including €28.9 million at London-Luton and €2.3 million at Murcia Region International Airport.

In the Spanish network, the total amount of the investment paid in 2019 amounted to €490.4 million, an increase of €20.1 million (4.3%) compared to 2018.

The investment executed in 2019 amounted to €546.3 million, compared to €460.1 million in 2018, an increase of €86.2 million (+18.7%).

This amount was mainly used for investments in infrastructure maintenance.

As regards the main actions completed during the period, it is worth noting that the focus was on the flight field: the adequacy of the Tenerife-South airport platform, the Palma de Mallorca, Girona-Costa Brava and Lanzarote platforms, as well as the regeneration of runways at Madrid, Bilbao and Tenerife-North airports.

In facilities, the peak capacity of the automatic baggage handling system in Palma de Mallorca was increased, the supply of gateways in Malaga-Costa del Sol and the supply of aircraft air conditioning equipment in contact positions in T2 of the JT Barcelona-El Prat airport.

In the field of security, the following stand out: the beaconing actions in Málaga-Costa del Sol and in AS Madrid-Barajas and a new building for the fire fighting service at Ibiza and Santiago.

As for the actions completed in the buildings, it is worth noting the improvement and adaptation of the VIP lounges and the completion of construction work on a new building for a border inspection post, still pending transfers and commissioning, both in JT Barcelona-El Prat.

Regarding the investments in execution, which will last for the coming months, those for the terminal area should be highlighted: the remodelling and expansion of the JT Barcelona-El Prat Airport South Dock building, the adaptation of the T2 building to the boarding processes and the functional improvements of the buildings at Tenerife-Sur, Seville and Reus according to the functional designs. In the flight field, the actions on the platforms at Ibiza and Zaragoza airports, the internal split of the platform at Alicante-Elche and the regrowth of the runway at Seville stand out.

As regards the facilities, the supply with the installation of walkways at A.S. Madrid-Barajas and J.T. Barcelona-El Prat airports and the conditioning of the Seville power plant are noteworthy.

In the chapter on people safety, it is worth noting the suitability of automatic baggage handling systems for the replacement of inspection machines with better performance equipment at several airports, and the provision of automated baggage inspection systems in the operational state in security filters. Other notable actions include the replacement of switchboards and fire detectors at the Palma de Mallorca airport, and a fire detection system at terminals 1, 2 and 3 at AS Madrid-Barajas.

In buildings, the construction of a new cargo terminal in Zaragoza stands out.
There are also important actions in the area of the environment, the sound insulation of homes in adjoining areas and efficient lighting at several airports. A 7.5 MW photovoltaic solar plant was also installed for self-consumption at the AS Madrid-Barajas airport.

Recent actions include the construction of the new power plant at the AS Madrid-Barajas airport, improvement works on the pavement of the north platform of La Palma airport and the adaptation of obstacles in strips and guards along the margins of taxiways and runways at Gran Canaria airport. The supply and installation of access control equipment and TRAZAS detection equipment (traces of explosives and/or drugs) at several airports are also noteworthy.

Finally, it is important to mention that the functional design studies of the extensions of the T4, T4S and the new T123 processor at AS Madrid-Barajas as well as JT Barcelona-El Prat airports have been carried out, on T1 and the construction of a new satellite terminal. The consultancy service for the drafting of the construction projects corresponding to the Barcelona airport is currently in tender, and the one for T4 and T4S at the Madrid airport has been awarded.

At the Murcia Region International Airport, investments are being made according to the financial offer submitted by Aena are noteworthy. The paving works in the area for rental vehicles and investments in information technology are noteworthy.

At London-Luton Airport, investments continued to focus on the maintenance and renovation of equipment, as well as the Curium Project, which aims to increase capacity to 18 million passengers with an investment of approximately £160 million.

June witnesses the formalisation of the deed of acceptance of the first phase, and main, of the extension works completed in December 2018.

Of the investments made during 2019, it is worth highlighting the completion and entry into operation of the new Foxtrot taxiway, including the de-icing platform. The works on the new high-rise parking building (Multi-story Car Park 2), which partially entered service during the month of August, were completed in January 2020.

The connection works between the terminal building and the Luton Airport Parkway train station are also being carried out, which are financed and executed by Luton City Council, with the successful completion of the placement of the DART bridge with minimal impact on the airport's operation.

The airport continues to explore, with the Municipality of Luton, options to provide it with new capacity.

Engineering activities were carried out at Aeroportos do Nordeste do Brasil during the first half of 2020, improvement works, mainly involving renovation of public toilets and improvement actions on the signage, lighting and accessibility of building terminals.

Regarding investments in non-controlling interests, it should be noted that on 13 May, the environmental license was partially transferred to Cartagena de Indias Airport by the Aerocivil (Colombia's regulatory authority), resulting in the favourable allocation environmental risks. It should also be noted that minor works are being carried out at this airport to increase its capacity.

At GAP airports, the investments made during 2019 were made in terminal buildings and the flight field.

The remodelling and expansion of the terminals in Guadalajara, Tijuana, Aguascalientes, La Paz and Los Cabos has been completed. In Montego Bay (Jamaica), improvements were made to the terminal and the taxiway was restored.

Investment in 2019 at Mexican airports was 1,600 million Mexican pesos (equivalent to €72.4 million) and 300 million Mexican pesos (equivalent to €13.9 million) in Montego Bay.

The Master Development Plan for the 2015-2019 period has ended. In December 2019, GAP received the approval of the Master Development Programs and Tariffs for the 2020-2024 period for airports in Mexico and Jamaica, by the Secretariat of Communications and Transportation in Mexico and the Civil Aviation Authority of Jamaica (JCAA), respectively.

The investments committed for airports in Mexico during the period of the new programme will be 24,116 million Mexican pesos (equivalent to €1,187 million), while the investments committed for the airports in Jamaica are valued at 213 million dollars US dollars (equivalent to €189.6 million).

5.1 Analysis of capital expenditure by area of action

Information on the breakdown of capital expenditure payments in the Spanish airports network at 31 December 2019 is shown hereunder together with a comparison with the same period of 2018:

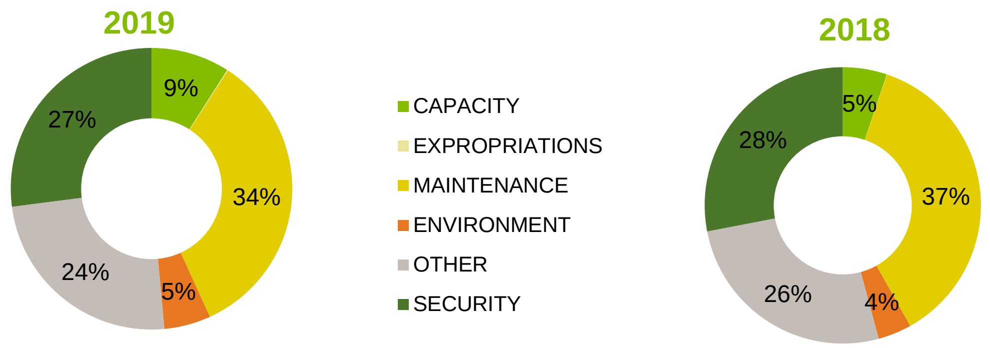


Figure 7. Analysis of capital expenditure by areas of application

- Investments in service maintenance amounted to €166.9 million in 2019 (€172.5 million in 2018). On the flight field, it is worth noting the general adaptation investments on the platform in Tenerife Sur, the airfield adaptation on the movement area in Valencia and the screeding of the taxiway in Girona. The actions in terminal buildings include: supply and installation of boarding bridges at T123 in Madrid, and at T1 and T2 in Barcelona, as well as remodelling the shopping arcade and the departure lounge in Gran Canaria.

- In the area of safety, €132.6 million (€131.8 million in 2018) was invested. The actions carried out in relation to safety include those aimed at improving airfields on various areas of the flight field at Madrid, Ibiza, Tenerife-North, Seville, Lanzarote and Girona airports, as well as those aimed at improving the beaconing in Malaga and Seville, the new fire fighting service building in Santiago and the acquisition of specific snow equipment at the Madrid airport, all of them in the aircraft movement zone. In the area of people and facilities safety, actions were focused on providing terminals with new passport control equipment, access control systems and automated hand luggage inspection equipment.

- Investments in capacity totalled €44.3 million (€24.3 million in 2018). In the airfield, the following developments stand out: the remodelling and extension of the South Pier apron at Barcelona, the paving of the south-west triangle of the commercial aviation apron and the merger of the commercial apron with the parallel taxiway in Ibiza, the commercial apron extension for aircraft in Zaragoza, the new parking spaces in T4S at Madrid airport. In the terminal buildings: improved automatic luggage handling system in Palma de Mallorca, the T2 building's adaptation to the boarding processes in Tenerife-South and the adaptation of the Reus terminal building to the functional design.

- In the environmental category, investment increased from €18.5 to €26.3 million. The details of this area correspond mainly to thermal insulation work in Palma de Mallorca, sound insulation work in homes in adjoining areas at several airports, the installation of efficient lighting systems, and the new hot water connection from the co-generation plant in Madrid, as well as the installation and commissioning of self-consumption photovoltaic solar plants at Canary Island airports.

- Other investments reflect actions amounting to €119.7 million (€123.0 million in 2018), including investments in information technologies, mainly those aimed at improving communication infrastructure at several airports and storage servers and networks. Also noteworthy are those aimed at commercial activities, most notably the upgrading of VIP lounges in Barcelona and various improvements in car parks at Madrid, Palma de Mallorca and Málaga airports.

6. Statement of financial position

6.1 Net assets and capital structure

Thousands of euros	2019	2018	Variation	% Change
ASSETS				
Non-current assets	14,137,801	13,785,594	352,207	2.6%
Current assets	752,742	1,113,476	-360,734	-32.4%
Total assets	14,890,543	14,899,070	-8,527	-0.1%
EQUITY AND LIABILITIES				
Equity	6,381,876	6,023,805	358,071	5.9%
Non-current liabilities	6,428,152	7,376,773	-948,621	-12.9%
Current liabilities	2,080,515	1,498,492	582,023	38.8%
Total equity and liabilities	14,890,543	14,899,070	-8,527	-0.1%

Table 14. Summary of the consolidated financial position

Effects of the entry into force of the new IFRS 16 Accounting Standard

IFRS 16 was applied in preparing the financial statements for the first time in 2019, as explained in note 2.1.2.1. to the Consolidated Financial Statements. This standard replaces IAS 17 Leases. The Aena Group has opted not to restate the previous periods and has recognised right-of-use for €61.7 million at 31 December 2019. The associated liabilities are detailed in note 20.c of the Consolidated Report.

The impacts on the income statement (explained in notes 2.1.2.1 and 5 of the Consolidated Report) have not had a significant effect on the year.

Main changes

Non-current assets increased by €352.2 million, mainly due to the effect of the following changes:

- An increase of €502.2 million under the heading of "Intangible assets", as a result of the year-end exchange rate of the acquisition of the concession for the operation and maintenance of airports grouped under the heading called Northeast Brazil Airport Group.
- Increase due to the recognition on 1 January 2019 of "Right-of-use assets" of assets amounting to €49.4 million deriving from the previously mentioned entry into force of IFRS 16.
- On the other hand, there has been a fall of €202.1 million in the "Property, plant and equipment" heading, explained by trends in capital expenditure in the Spanish network, as a result of which additions to non-current assets for the period were less than the depreciation and amortisation recognised.
- Likewise, the amount of the heading "Investments in associated companies with joint control" was reduced by €1.7 million, mainly as a result of the approval of the distribution of dividends in the amount of €21.7 million and the capital reduction of the associate AMP of €5.2 million. These factors have been partially offset by the amount of €22.4 million under the heading of "Shareholdings in associates" on the 2019 Income Statement and other minor factors that have increased the value of these investments.
- “Deferred tax assets” decreased by €18.0 million (see movement in note 21 of the Consolidated Report).
- Lastly, the heading "Other financial assets" increased by €7.3 million due to the net constitution of deposits consigned by legal mandate to various public institutions of Autonomous Regions, corresponding to deposits in guarantee previously received from lessees of AENA S.M.E., S.A.’s commercial spaces, in compliance with Law 29/1994, of 24 November, on Urban Leases.

For its part, Current assets have decreased by €360.7 million, mainly due to the reduction of the balance of "Cash and cash equivalents" by €410.8 million (the variation is explained in section 7. Cash flow), partially offset by the increase in the balance of "Customers and other accounts receivable" by €50.5 million due to the increased turnover of the year.

The increase in €358.1 million of equity mainly reflects the positive result of the period amounting to €1,445.7 million and, in the opposite direction, the payment of dividends amounting to €1,051.2 million. Additionally, there has been a decrease of €31.5 million in the heading "Other reserves" (which includes a decrease of €28.2 million in the Reserve for cash flow hedges), mainly as a result of the appreciation as of December 31, 2019 of the hedging derivatives, which resulted in an increase of €38.1 million in the Liabilities of said financial instruments, due to the evolution of the interest rate curve.

The decrease in Non-current Liabilities of €948.6 million is essentially due to the reduction in “Long-term financial debt” of €898.0 million, explained by the short-term transfer of €633.7 million corresponding to repayment of the principal of Aena's debt to ENAIRE (as a co-borrowing entity with various financial institutions) in accordance with the established repayment schedule, and the cancellation of the debt with credit institutions by Aena for €650.2 million, as detailed in note 20 of the Consolidated Report and explained in section 6.2.
Likewise, the balance of “Other long-term liabilities” has decreased by €33.8 million, mainly due to the compensation of €38.3 million in the billing made during the period, of the advance payment at the time to World Duty Free Group España, SA (DUFRY) for the rental contracts of the commercial premises of the *duty free* and *duty paid* stores of the entire network of airports in Spain (see Note 25 of the Consolidated Report).

On the other hand, the increase of €39.1 million in the heading "Derivative financial instruments" stems, as indicated above, from the adjustment to fair value of derivatives, the balancing entries being Reserve for cash flow hedges (75%), and deferred taxes (the remaining 25%).

An entry was recorded in liabilities arising from the entry into force of IFRS 16 for an amount of €44.1 million, the reclassification to long term of approximately €50.1 million of the Luton subsidiary's bank debt, and net collections of new deposits in guarantee amounting to €61.3 million (see movements in note 20 of the Consolidated Report).

The increase of €582.0 million in current liabilities mainly reflects the increase in “Short-term financial debt” by €506.0 million, mainly explained by obtaining new financing for €551.1 million (see movement in note 20 of the Consolidated Report).

Likewise, it includes the highest balance under the heading of “Suppliers and other accounts payable” amounting to €66.8 million, mainly as a result of the increase in the balance Suppliers tangible fixed assets by €60.6 million, having increased the investment in tangible fixed assets from 2018 (see notes 7 and 19 of the Consolidated Report).

The heading “Provisions for other liabilities and expenses” also increased by €24.6 million (see movement in note 23 of the Consolidated Report).

Working capital, calculated as the difference between current assets and current liabilities, which is generally negative in the Company as a result of its operations and financing structure, stood at -€1,327.8 million at the end of the period (-€385.0 million at 31 December 2018), due to the changes in current assets and liabilities mentioned previously.

6.2 Changes in loans and borrowings

The Aena Group’s consolidated net financial debt (calculated as Current plus Non-current “Borrowings”, less “Cash and cash equivalents”), stood at €6,672.8 million at 31 December 2019 (including €491.5 million from the consolidation of Luton Airport’s borrowings and €41.4 million of AIRM) compared with €6,654.1 million at 31 December 2018, reducing the associated ratio:

Thousands of euros	**2019**	**2018**
Gross financial debt for accounting purposes	6,913,438	7,305,505
Cash and cash equivalents	240,596	651,381
Net financial debt for accounting purposes	**6,672,842**	**6,654,125**
Net financial debt for accounting purposes/EBITDA(1)	**2.4x**	**2.5x**

(1)Earnings before interest, tax, depreciation and amortisation.

Table 15. Net loans and borrowings of the Group

This financial strength was reflected in the confirmation by Fitch Ratings (dated 9 May 2019) and Moody's (dated 26 July 2019) of their respective credit ratings: "A" and "A3", both with a stable outlook.

Fitch Ratings also assigned a "F1" short-term rating for the first time in 2019.

In the 2019 financial year, Aena amortised long-term debt amounting to €1,283.7 million, of which €633.7 million correspond to the payment schedule established by contract and €650.2 million to the cancellation of bilateral loans, which were partially replaced by other new bilateral loans, arranged in December for an amount of €250 million, with better interest rate conditions, and for an amount of €150 million in January 2020.

At 31 December, Aena drew €391 million of its sustainable syndicated credit line (“ESG-linked RCF”) of €800 million, with a balance of €409 million available.

It is also worth noting that the Company has €486 million of available long-term funding with the European Investment Bank, of which €86 million is allocated to funding 75% of the investments aimed at improving energy efficiency and promoting renewable energy consumption at Aena's airport and helipad network in Spain, planned in the 2017-2021 DORA.

The average interest rate of Aena's debt was 1.25% (1.30% at 31 December 2018).
As for other cash management instruments, on 30 October 2019, Aena registered a Euro-Commercial Paper Short-Term Promissory programme (CNMV) for the maximum amount of €900 million. The Company may issue promissory notes with a maximum maturity of 364 days. At 31 December 2019, the paper issued under this programme amounted to €159.0 million, with a balance of €741.0 million available.

In relation to the capital contributed to the concessionaire of the Nordeste de Brasil, Aena Desarrollo Internacional S.M.E., S.A. contracted a (*non-deliverable forward*) hedging instrument with early cancellation option (in the event that the transaction does not go ahead). The purpose was to hedge the risk of exposure to fluctuations in the euro/Brazilian Real exchange rate in the period between the day of the award, 15 March, and the dates on which the capital payments required by the concession were paid (July and September 2019).

From a financial point of view, the hedge achieved the objective of covering the effects of the appreciation of the Brazilian Real in the amount of €8.3 million and at the accounting level the hedge impacted financial expenses in the profit and loss account of €6.3 million.

6.3 Average payment terms

At 31 December, the average period and payment ratios for suppliers of Aena SME, SA and Subsidiaries are:

Days	2019
Average term of payment to suppliers	46
Ratio of transactions paid	50
Ratio of transactions pending payment	15

Table 16. Average payment terms

These parameters have been calculated according to the provisions set forth in Article 5 of the Resolution of *29 January 2016 of the Accounting and Auditing Institute, regarding the information to be included in the notes to the financial statements with regard to the average period of payment to trade suppliers* based on the balance of suppliers who, by their nature, are suppliers of goods and services, so that it includes the data pertaining to the items of trade payables in the statement of financial position.

Thousands of euros	2019
Total payments made	991,786
Total payments outstanding	126,522

Table 17. Balance concerning suppliers

These average payment terms were in accordance with those established by Law 15/2010. Cases in which payment was made outside the legally stipulated period were due mainly to reasons not attributable to the Company: invoices not received on time, expired AEAT certificates, lack of certificates of proof of supplier bank accounts, among others.

7. Cash flow

Thousands of euros	2019	2018	Variation	% Change
Net cash from operating activities	2,114,343	1,947,658	166,685	8.6%
Net cash flows from investment activities	-1,009,578	-502,307	-507,271	-101.0%
Net cash used in financing activities	-1,514,626	-1,648,908	134,282	8.1%
Cash and cash equivalents at the beginning of the period	651,380	854,977	-203,597	-23.8%
Effect of exchange rate fluctuations	-922	-40	-882	-2,205.0%
Cash and cash equivalents at the end of the period	**240,597**	**651,380**	**-410,783**	**-63.1%**

Table 18. Summary of the consolidated statement of cash flows

In 2019, the Group's financing needs have been mainly covered with the €2,114.3 million of cash flows generated by operating activities, with the reduction of the cash balance up to €240.6 million, from €651.4 million, and with third party financing amounting to €801.1 million.

These financial needs have included €1,032.4 million from the non-financial investment program (which includes €510.7 million disbursed by ANB), the amortisation of the debt according to the established payment schedule (€633.7 million), the payment of dividends amounting to €1,051.2 million (of which €1,039.5 million are charged to the result of the parent company in 2018), and the early cancellation of €650 million of debt with parent credit institutions.

Net cash flow from operating activities

The main cash inflows from operating activities related to payments from customers, both airlines and commercial tenants, and the main operating outflows involved payments for sundry services received, employee benefits and local and state taxes.

Cash flow from operating activities before changes in working capital and other cash from operations (interest and tax on profits paid and received), increased in the period by 5.1% up to €2,792.5 million, from €2,655.9 million in the same period of 2018, mainly as a result of the improvement in the Group's operations as also reflected in EBITDA (earnings before interest, tax, depreciation and amortisation) of €2,766.2 million for the period, as against €2,656.6 million in the same period of 2018.

Once changes in working capital, interest and tax payments and other minor operating payments and receipts are taken into account, the net cash generated by operating activities amounted to €2,114.3 million, 8.6% more than in the previous year.

Net cash flows from investment activities

Net cash used in investing activities during this period amounted to €1,009.6 million, compared to €502.3 million in 2018, when €510.8 million were included corresponding to the disbursements made by ANB associated with the concession of the group of airports in the northeast of Brazil (fixed canon of the offered concession and contribution stipulated by the Government of Brazil).

The rest of the amount mainly includes payments relating to acquisitions and replacements of non-financial fixed assets related to airport infrastructure, amounting to €521.6 million. These investments mainly focused on improvements to facilities and operational security of the airports in the network and the expansion project for London Luton Airport in the UK (see Section "5. Investments").

In addition, investing activities also included dividend collections from equity-accounted associates for €23.2 million (€20.1 million in 2018) and certain divestments in associates (see note 2.2 of the Consolidated Report).

Net cash used in financing activities

The main financing outflows corresponded to the payment of dividends and repayment of principal of the mirror debt with Enaire as a co-accredited entity pursuant to the schedule of payments established under the agreement and the return of debts with credit institutions.

The amount of the dividends paid amounted to €1,051.2 million, of which €1,039.5 million was paid to the shareholders of Aena and the remainder to the minority shareholders of Luton (€993.4 million in 2018, of which €975.0 million was paid to the shareholders of Aena and the rest to the minority shareholders of Luton). For its part, repayment of the principal of the debt corresponding to the mirror debt with Enaire as a co-accredited institution was €633.7 million (€798.1 million in 2018). Likewise, €650.2 million of debt with credit institutions of the parent company have been cancelled in advance.

The main inflows of flows correspond to €801.1 million of external financing (€32.8 million in 2018). New bilateral long-term loans with credit institutions amounting to €250 million have been executed along with credit lines amounting to €392.1 million and, as of December 31, 2019 €159 million of the Promissory Note Program have been issued (*Euro Commercial paper*) (see Note 20 of the Consolidated Report), as explained in section 6.2 Evolution of net financial debt.

On the other hand, €61.3 million have been collected for deposits reflected in the "Other collections" item (€31.7 million in the same period of 2018), while financing via subsidies has decreased to €6.5 million compared to €88.1 million the previous year.

8. Operating and financial risks

The main risks to which Aena is exposed in its operational and financial activity are described in Note 3 of the Consolidated Report ("Operational and Financial Risk Management").

In the operational area, this section covers, on one hand, the risks associated to Brexit, after the result of the referendum in the United Kingdom in favour of its exit from the European Union (Brexit), and its completion from 31 January 2020, whose final conclusion is subject to the negotiation process that the British government has to start during the transitory agreement period (until 31 December 2020) with the European Union to determine the final conditions of its departure, as well as the regulatory developments that the United Kingdom and the European Union can make in the event of an exit without an agreement from 1 January 2021; the regulatory risks associated with the regulated sector in which Aena carries out its activity and which governs the determination of airport tariffs for the first Airport Regulation Document ("DORA"), as well as future changes or developments in applicable regulations, national and international, in terms of safety, people or goods and the environment, which could limit the activities or growth of Aena airports, and/or require significant disbursements.

Also, are detailed the operating risks, derived from various factors that could affect the Group's activity as it is directly related to the levels of passenger traffic and air operations at its airports.

With respect to the financial risks to which Aena Group's operations are exposed, the main risks are indicated in the content of the aforementioned Note 3 to the consolidated report: market risk (including exchange rate risk and interest rate risk, cash flow and fair value interest rate risk), credit risk and liquidity risk.

This information is completed with the content of chapter 1.2 of section 14. Non-financial Information Statement, which is part of this report.

9. Main legal proceedings

Note 23 of the Consolidated Report ("Provisions and contingencies") describes the provisions made on the basis of the best estimates made by the Group's directors for dealing with risks related to litigation, claims and ongoing commitments known to date at the end of the year for those that are expected to be likely to withdraw resources in the medium or long term, indicating that the Group's directors do not consider that, from the liabilities in progress, additional liabilities could arise that could significantly affect these annual accounts.

10. Human resources

In the area of human resources, in order to drive the actions provided for in the 2018-2021 Strategic Plan, actions have been defined to plan and anticipate the people and organisational changes necessary to address the increase in activity and new roles and challenges, as well as measures to improve working conditions, facilitate training and develop talent and professional skills, fostering diversity and equality.

The most relevant actions carried out during 2019 by the Organisation and Human Resources Directorate are detailed below, and are completed with the information contained in Chapter 3. (Social and personnel issues) of section 14. Non-financial Information Statement, which is part of this report.

Selection processes

During 2019, the following selection processes were carried out:

- Completion of the Call for External Selection of CF Levels This call for proposals began in 2018 and ended in 2019, with the stock exchanges set up for five occupations in the maintenance and operations areas.

- Call for Candidate Exchanges through the Public Employment Services for technicians serving passengers, users and customers at 27 airports in the network.

- Call for Internal Provision of CF Levels, dated 27 June 2019. Through this process, 245 positions were filled, of which 152 were awarded with internal stock market candidates, 73 positions were filled with external stock market candidates and 20 seats are pending a new internal provisioning process.

- Completion of the Call for Internal Provision of Levels A and B. This call began in 2018 offering 165 vacancies and ended, in 2019, awarding 52 vacancies and making up seats for 23 jobs.

- Scholarships: more than 90 university students from the last courses have received scholarships to complete their practices during 2019, which has given them the possibility of acquiring practical knowledge about Aena's business reality.

Potential Management

A Potential Management project has been initiated, with the following objectives:

- Have greater knowledge of our employees (knowledge, skills and competencies).
- Support workers' professional growth.
- Prepare employees for the future challenges facing the company.
- Be prepared for future successions.

The evaluation process was designed in 2019, which will be carried out throughout 2020.

Employer Branding

This project was launched in 2019. It aims to foster talent attraction and retention and improve Aena's brand as an employer.

An Employer Value Proposal (EVP) has been defined, taking the internal climate survey and external source valuations into account (Universum, Merco).

Within the scope of this project, among other actions, Aena also participated in Employment Fairs (Universidad Carlos III, Universidad Pontificia de Comillas, Employment Fair of the Digital Age), signed work experience agreements with vocational training centres and participated in the EU Women in Transport project, with the appointment of a Diversity Ambassador.

Digital transformation of the HR area

In 2019, SuccessFactors was selected as the base computer application to improve automation in the human resources area. This application will improve talent management processes, bringing management to mobiles and the internet, and will integrate new tools into the management computer system used.

Implementation began in the last months of 2019. It is estimated that the different modules will be operational between 2020 and 2021.

Airports in Northeast Brazil

Since May, there has been active work on the transition and initiation of human resources management of the North-East Brazil Airport Group, developing all the policies related to human resources required to implement the new concession.

11. Procurement

In the field of procurement, as a complement to the information contained in chapter 6.4 (Subcontracting and suppliers) of section 14. Non-financial Information Statement, which forms part of this report, the digital transformation that Aena SME, SA is carrying out in the commercial and supplier contracting processes, as well as the actions carried out taking the regulatory framework that is applicable to the Company as a reference are noteworthy.

In this regard, progress was made during 2019 and developments carried out related to digital transformation in Aena's contracting area and with the adaptation of the contracting suppliers' processes and procedures to the requirements established in *Law 9/2017, 8 November, on Public Sector Contracts, which transposes the Directives of the European Parliament and of the Council 2014/23/EU and 2014/24/EU of 26 February 2014 into the Spanish legal system.*

The progressive development and implementation of the electronic contracting programme in Aena is contributing to the improvement and automation of contracting processes, as well as reducing administrative deadlines and procedures for both bidders and contracting units. Within the scope of this multi-year programme and the rest of the projects, the following notable actions have been carried out:

- Analysis, design and development of the new electronic bidding (eLicita) and electronic notification (eNotifica) systems. eLicita is the electronic platform for electronic processing of the complete supplier contracting and commercial process, with the highest technical, legal and security guarantees. It is expected to be implemented in the first quarter of 2020. *eNotifica* is the electronic platform that allows the signature and electronic transmission of notifications and documents to Aena's external agents, reliably, with the guarantee of the legal validity of the operations carried out, and generating the corresponding evidence.

- Implementation of the electronic signature and the *OFISPA* electronic signature holder, within the scope of the internal procedure for exchanging documents electronically.

- Consolidation of the implementation and use of the electronic PPO submission platform. This platform enables bidders to submit proposals for the tenders issued. As a statistic, it should be noted that at the end of 2019 a total of 1,902 tenders were processed electronically, of which 1,201 were in 2019.

- Consolidation of the electronic auction process defined and regulated in *article 143 of Law 9/2017, 8 November, on Public Sector Contracts*. As a statistic, since its implementation in March 2015, a total of 1,062 electronic auctions were executed in supplier contracting and 59 in commercial contracting at the end of 2019.

12. Stock market performance

During 2019, the share price fluctuated between a minimum of €137.00 and a maximum of €178.05, ending the period at €175.50, representing a revaluation of 25.6%, outperforming the IBEX35, which gained 11.8% in the same period.

Figure 8. Stock market performance

The main figures of performance of Aena's share price on the continuous market of the Madrid Stock Exchange are summarised as follows:

31/12/2019	AENA.MC
Total volume traded (no. shares)	63,973,255
Daily average volume traded in the period (No. of shares)	250,876
Capitalisation (€)	25,575,000,000
Closing price (€)	170.50
Number of shares	150,000,000
Free Float (%)	49%
Free Float (shares)	73,500,000

Table 19. Main data on Aena's share trading

As regards the acquisition and disposal of treasury shares, at 31 December 2019 Aena did not hold treasury shares, so there was no impact on the yield obtained by the shareholders or on the value of the shares.

13. Subsequent events

After December 31, 2019 and until the date of publication of this report, no significant events have occurred.

14. NON-FINANCIAL INFORMATION STATEMENT 2019

14.1. Aena: Business Model

14.1.1 General overview

Aena S.M.E., S.A. ("Aena", or the "Company") is a joint stock company. Its majority shareholder is ENAIRE, a public business body that owns 51% of its capital. The remaining 49% has been listed on the stock exchanges of Madrid, Barcelona, Bilbao and Valencia since 11 February 2015.

Aena currently operates 46 airports of general interest in Spain and two heliports. Aena owns 32 of these airports and has shared use of another eight with the Ministry of Defence. A further five are military airbases that are open to civilian traffic, while it operates Murcia International Airport (AIRM) as a concession.

It also has a presence outside Spain, through its subsidiary Aena Desarrollo Internacional S.M.E., S.A. ("Aena International"). Aena International has a 51% majority holding in the UK's London Luton Airport and also has interests in 12 airports in Mexico, two in Jamaica and two in Colombia. In March 2019, it acquired 100% of the management of six airports in north-east Brazil (ANB)[1], coming into operation in January 2020[2].

The Aena Group comprises Aena, the AIRM concession operator, Aena International, the companies in the London Luton Airport Holding Group, and the concession operator ANB.

Business environment and trends

Aena's activity hit new highs in Spain in 2019, driven by the strong performance of tourist and domestic traffic. However, growth in the volume of passengers to and from the UK - the largest international market - slowed compared to 2018. Germany, the second largest international market, also contracted slightly.

The global economy - the main driver of the volume or air traffic is experiencing a synchronised slowdown, which began in the second quarter of 2018. This is due mainly to weakening of manufacturing activity, while service activities have remained positive for the moment. The International Monetary Fund estimates global GDP growth in 2019 at 2.9%, down on the 3.6% in 2018, with a 1% increase in world trade, which was also lower than the 3% growth in 2018. (More information on the macroeconomic environment in which Aena is operating is detailed at the start of the Management Report).

In addition to economic issues, we also need to consider social trends, such as: increasing environmental concerns among Aena's stakeholders; the ageing of the population in Europe (which could mean an increase in services adapted for users with special needs); the ongoing integration of information technology; and the continuous development of innovative products (with applications and repercussions in all areas).

[1] The specific and exclusive corporate purpose of which is the provision of public services for the expansion, upkeep and operation of airport infrastructure in the airport complexes in the north-east block of Brazil.

[2] Management of operations in Juazeiro do Norte and Campina Grande began in January 2020. The other airports are expected to come into service from 13 February 2020.

The main short, medium and long-term trends and risks that could result from the context in which Aena operated in 2019:

Tabla. Main short, medium and long-term trends and risks that could result from the context in which Aena operated in 2019.

Trends and risks	Scenarios	Aena's actions
Political situation	• Continuing uncertainty around Brexit. • Business potential in the American countries where Aena operates remains favourable, although there is less stability than in the European market	• Aena 2018-2021 Strategic Plan. • Continuous promotions in the commercial area of the Spanish airports network. • Contact with airlines affected by Brexit.
Economic situation and development of the tourism sector	• Slower but stable growth in the Spanish economy. • Boost from domestic traffic. • Modest recovery in alternative destinations to Spain.	• The Spanish airport network has been able to successfully handle the growth in traffic due to the enormous investment effort in the previous decade. • Completion of the expansion of London Luton Airport and start of planning for its future development. • Aena enters the Brazilian market, starting to operate in 2020. • Extraordinary incentive for airlines following the bankruptcy of Thomas Cook
Evolution of the profile of airlines.	• Increase in the share of passengers of low-cost airlines, although their concentration remains low. • The trend towards airline concentration could result in less competition. • AIG-Air Europa merger agreement.	• Aena offers incentives for airlines to promote the creation of new long-haul routes to destinations that are not currently served, and for growth in passengers at small and seasonal airports. • Review of competition resolutions on the merger agreement.
Operational and physical security, including terrorist acts.	• The terrorist threat remains in Europe. • Aena is exposed to risks related to airport operations (operational and physical security). Events such as terrorist attacks, wars, global epidemics and accidents could have a negative impact on air traffic.	• Operational Security Management System • Collaboration with security forces on enhancing security controls. • Strong focus on innovation to balance quality of service with the highest security.
Information technology and cybersecurity	• Greater exposure and increased threats and vulnerabilities in the face of cyberattacks.	• Implementation of a cybersecurity plan to enhance information security in the company, reinforcing existing controls and improving the capacity to respond to threats.
Shareholder structure	• Regulated sector: management of the airport network with public service criteria, airport charges regime, airport security measures.	• Progress on achieving the objectives in the Strategic Plan. • New organisational structure.
Climate change	• The consequences of climate change (adverse and extreme weather events) can affect the operational capacity, safety and efficiency of airports. • Greater environmental awareness among the general public, business and government, where collaborative models are emerging to exploit synergies and foster cascade effects.	• Aena's Climate Change Strategy. • Established presence in the ESG and FTSE4good indices. • Carbon Disclosure Project (CDP) reporting. • Implementation of various energy efficiency and renewable energy measures in airports, along with awareness raising and outreach. • Involvement in international initiatives (ACA programme, Net Zero Carbon). • Collaboration with airlines and handling agents to reduce emissions.
Effects on local communities	• Compatibility of air operations and development of airport infrastructures with local environments (noise).	• Mitigating measures for environmental effects and noise in airport areas and particularly sensitive locations.
Stakeholder demands	• Increased scrutiny of ethics and transparency. • Effective contribution to sustainable development. • Evolution of the passenger profile.	• Strategic Corporate Responsibility Plan. • Perception analysis and communication mechanisms for passengers and employees. • Participation in alliances for sustainable development.
Regulatory compliance	• Increased focus on regulatory compliance aspects because of possible breaches, or defective compliance with, legal standards, rules of behaviour and other requirements.	• Regulatory compliance system including policies and procedures to combat corruption and fraud, and the corporate governance policy.

Capital and organisational structure

The annual financial statements include details of the current capital structure of Aena. At present, 51% of Aena is owned by ENAIRE (a public business entity dependent on the Ministry of Transport, Mobility and the Urban Agenda[3]) with the remaining 49% being listed on the stock exchanges of Madrid, Barcelona, Bilbao and Valencia since 11 February 2015 (see full details of shareholdings at year-end 2019 included in the corporate governance report). Aena has been part of the Ibex 35 since June 2015[4].

The highest governance bodies with responsibilities for management, supervision and control are the general shareholders' meeting and the board of directors, which has an executive committee, an audit committee and an appointments, remuneration and corporate governance committee[5].

Aena's directors are selected following analysis of needs and favouring diversity of knowledge, experience and gender. Aena's board of directors had 15 members at 31 December: 6 independent directors, 7 proprietary directors appointed at the proposal of the majority shareholder, ENAIRE, 1 proprietary director representing TCI Advisory Services and 1 executive director, the post held by the current Chairman and CEO of Aena, Maurici Lucena.

In accordance with the regulations of the board of directors, the ordinary management of the company's business is entrusted to the management team and the corresponding executive bodies.

Aena's organisational structure is designed to ensure compliance with the commitments in its regulatory framework (DORA, Airport Regulation Document, 2017-2021)[6] and to foster new business lines that generate value, such as commercial and real-estate activities and international expansion.

The creation of the Innovation and Transversal Strategic Projects Division was an important development. This was approved by the board of directors in September 2019 to foster alignment of the Strategic Plan with critical areas such as sustainability, innovation, the digital transformation and the search for excellence in the customer experience.

[3] Previously the Ministry of Development, until it changed to its new name on 13 January 2020.
[4] Consult the annual Corporate Governance Report on Aena's website for more information.
[5] The composition, responsibilities and regulations of these bodies are available on the corporate website.
[6] Airport Regulation Document: an instrument establishing the minimum conditions needed to guarantee the accessibility, sufficiency and suitability of airport infrastructure and adequate provision of the basic services of the airport network.

Composition of the management committee (31/12/2019)

Maurici Lucena Betriu
Chairman and CEO

A graduate in economics and business studies (specialising in economics) from the Pompeu Fabra university (UPF), holding a master's degree in economics and finance from the Bank of Spain's Monetary and Financial Studies Centre (CEMFI).

Before joining Aena, he worked in a range of management positions in both the public and private sectors and was also involved in education. Among other positions, he was a member of parliament and spokesman for the Socialist parliamentary grouping in the Parliament of Catalonia from December 2012 to October 2015.

He has been the chairman and chief executive officer of Aena since 16 July 2018.

He is also the chairman of the board of directors of Aena, Desarrollo Internacional

Javier Marín San Andrés
Managing Director of Airports

Higher aeronautical engineer from the Polytechnic University of Madrid. He has studied business and financial management programmes with Madrid's Chamber of Commerce and the senior management programme (PADE) at the IESE business school.

Before joining Aena, he also worked at the Polytechnic University of Madrid, in the Directorate General of Civil Aviation, in the Experimental Centre of the Eurocontrol Organisation in Paris and for Indra.

In addition to his position with Aena, he is currently the CEO of Aena Desarrollo Internacional and a director of Sociedad Concesionaria de Aeroportos do Noreste do Brasil. He is also a member of the executive committee of ACI (Airports Council International) and is the territorial officer for Madrid for IESE's Alumni Association.

María José Cuenda Chamorro
Managing Director of Comercial, Real Estate and International Development

She holds a degree in Economic and Business Science from the Extremadura University, a Master's Degree in Business Administration from the Instituto de Empresa and attended the Senior Management Programme (PADE) at IESE.

She joined Aena in 1996 in the commercial and marketing department of Palma de Mallorca airport. Since then she has held the positions of head of the Commercial Division of Tenerife South airport, Director of Almeria airport, head of the Commercial Network and Commercial Services Management Division, Director of Commercial Development and Director of Commercial Services.

She has been the Commercial, Real Estate and International Development Managing Director (previously, Deregulated Business) at Aena SME, S.A. since March 2019.

Amparo Brea Álvarez
Director of Innovation and Transversal Strategic Projects

She is an aeronautical engineer from the Universidad Politécnica de Madrid, has completed the Senior Management Programme (IESE) and has obtained the MPM Project Management Diploma (CEU).

Since joining Aena in 1996, she has held different positions, including: director of infrastructures, director of infrastructure planning, director of infrastructure and investment planning and director of planning and environment. In this last period, from March 2012 to October 2019, she has stood out for her leadership in the preparation of proposals for the expansion of the different airports, through her Master Plans, as well as in the preparation and control of Aena's investment plan. She has also promoted the company's sustainability and climate change policy.

She has been director of innovation and cross-cutting strategic projects at Aena since October 2019.

Ángel Luis Sanz
Director of Chairman's Office, Regulation and Public Policies

He graduated as an aeronautical engineer from the Polytechnic University of Madrid and has also taken the management development programme at the ESADE Business School. Before joining Aena, he worked in a range of management positions in both the public and private sectors.

From November 1994 to February 2002 he worked for Indra Sistemas, S.A. as a manager of major maintenance engineering projects and project supervision and control for the Air Force. In March 2002, he joined Isdefe, S.A., a company where he has worked until today, with a range of responsibilities as project head, manager of acquisition logistics and manager of cost engineering, also managing a range of consultancy and technical assistance services for the government and European institutions.

Juan Carlos Alfonso Rubio
Corporate General Secretary

A graduate in law from Madrid's Autónoma University, he is a specialist in regulatory law and a state attorney. He has taken the Hot Top programme at the IESE business school and the International Management programme at ICEX-CECO.

Before joining Aena he worked in range of posts in the public and private sectors, with a range of responsibilities such as state attorney, secretary of the board of directors and head of legal services at Correos y Telégrafos, telecommunications and public law partner at KPMG Abogados, head of legal services at Sogecable, head of coordination at Sociedad Estatal de Loterías y Apuestas del Estado, subdirector general of gambling regulation at the Ministry of the Economy and the Treasury, general secretary and secretary of the board of directors of ICEX España Exportación e Inversión and, most recently, general secretary and secretary of the board of directors of CESCE.

José Leo Vizcaíno
Economic-Financial Director

A graduate of economics from Madrid's Autónoma University, he has been Aena's economics and finance director since July 2015.

From September 2006 to June 2015 he was the finance director of the BAA Group, now Heathrow Airport Holdings, and a member of its board of directors. From 2003 to 2006, he was the finance director of Amey plc, a transport infrastructure maintenance and facility management company in the UK.

Before that, he was the director general of Ferrovial Telecomunicaciones (1991-2003) and the finance and business development director of AGROMAN (1995-1999).

He has been a member of the Main Committee of the 100 Group of Finance Directors, which brings together the CFOs and finance directors of the companies in the FT100 and other large and economically powerful companies in the UK.

Begoña Gosálvez Mayordomo
Director of Organisation and Human Resources

A graduate in law from Madrid's Complutense University and of the IESE business school's management development programme (2005).

She has more than 20 years of extensive experience in human resources, with a wide range of responsibilities.

María Gómez Rodríguez
Director of Communications

A graduate in journalism from Madrid's Carlos III University and an expert in business information from the University of Zaragoza and the Association of Financial Journalists, she is also qualified as a technician in financial markets from the Institute of Stock Market Studies.

From January to September 2018, she was the director of digital communication at Banco Sabadell. From March 2015 to December 2017, she was head of social media & financial content at Banco Sabadell. From April 2007 to April 2015, she was internet and television editor for www.bolsamania.com.

Markets where Aena operates

As previously mentioned, Aena manages a number of airports in Europe and the Americas.

The network of 46 airports and two heliports operated by Aena in Spain includes the three most relevant airports (Adolfo Suárez Madrid-Barajas, Josep Tarradellas Barcelona-El Prat and Palma de Mallorca), with the other airports being divided into four groups. Group I comprises airports with over 2 million passengers per year; Group II comprises airports with between 0.5 million and 2 million passengers per year; Group III comprises airports with fewer than 0.5 million passengers per year; and, finally, the Canary Islands Group comprises the eight airports in the Canary Islands.

Outside Spain, the Group operates the London Luton Airport in the UK, where Aena Desarrollo Internacional has a majority 51% holding, and was awarded 100% of the management of six airports in the north-east of Brazil in 2019[7], including the airports of Recife, Maceió, Aracajú, Campina Grande, João Pessoa and Juazeiro do Norte, which Aena will start operating in early 2020.

Aena Desarrollo Internacional also has holdings in the companies that operate the Alonso Bonilla Aragón airport in Cali and Rafael Núñez airport in Cartagena de Indias in Colombia; the Montego Bay and Kingston airports in Jamaica; and 12 airports in Mexico.

All of these international operations are performed in accordance with international regulations and the specific legal systems of the countries where they are located, while also being consistent with Aena's policies.

Services rendered by Aena

Aena is active in three market segments:

- Airports: This segment is divided into two business lines: (a) aeronautical, including both regulated and non-regulated activities; and (b) commercial activity.

  Regulated activities refer to the public airport charges regulated under Act 18/2014, of 15 October, on the approval of urgent measures for growth, competitiveness and efficiency, and Directive 2009/12/EC. These are included in the DORA. These activities include: aircraft landing, passenger services, telescopic airbridges, handling services, loading, security, on-board catering, parking and fuel.

  Non-regulated activities are those for which Aena is free to set the fees it charges the airlines for the use of airport facilities. These include power supplies, use of boarding desks and fast-track access services.

- Commercial activities include all revenue from tax and duty-free shops, leasing of shop space, food and beverages, parking and car rental, VIP services, advertising and other commercial activities.

- Real estate services: These include operation and management of buildings, land, hangers, warehouses and cargo areas.

- International business: This include all activity by Aena Desarrollo Internacional outside Spain.

Detailed information on the facilities managed by the company, passenger traffic, airline activity, commercial activity and investments, together with reference financial information, is provided in earlier sections of this Management Report. In particular, section 3. Business areas, details the revenue and costs associated with each activity, and the most significant events in 2019 in relation to all facets of the business.

[7] The auction and provisional award took place in March, with the concession period starting in October 2019.

14.1.2. Risk Management and its impacts

The Risk Control and Management Policy of Aena[8] enables it to confidently face any threats or uncertainties of any kind that might threaten the company. The objectives of this are:

- Achieving the Group's strategic objectives.
- Upholding the rights of shareholders and Aena's other significant stakeholders.
- Protecting Aena's financial robustness and sustainability.
- Performance of operations with the security and quality required.
- Protecting Aena's reputation.

Aena uses this system to classify financial and non-financial risks by their nature, enabling it to put the necessary control mechanisms in place.

RISK TYPE	CONTENT	CONTROL MECHANISMS
STRATEGIC	Risks that can arise from the business strategy chosen and external and internal sources, which could have a significant direct or indirect impact on the Group achieving its long-term vision and objectives. This category includes risks arising from changes in the environment in which the Group operates (political, economic and social), the competitive environment (aeronautical and non-aeronautical market) and changes that affect fees and operations. All risks related to the governance model are included in this type.	• Monitoring of the 2018-2021 Strategic Plan. • Master Plans. • Policy on Integrated Management of Quality, Environment and Energy Efficiency. • Plan to attract air traffic and boost airline loyalty. • Contact with institutions, bodies and airlines affected by Brexit. • Climate change strategy and analysis of climate scenarios, and assessment of needs to adapt airports. • Initiatives for the five-year DORA consultation process and the annual consultation on charges for the following year.
OPERATIONAL	The risk of losses or lower activity due to weaknesses or failures in internal systems, controls and processes. Operational risks include those resulting from failures in the security of infrastructure and systems, investments, coordination of operations and air control, in addition to those related to employment and human resources.	• Operational security management system. • Self-protection plans and contingency, preparation and response procedures for emergencies • Organisational model and information security policy. • Disaster recovery plans (DRPs). • Cybersecurity plan. • External airport security audits (safety and security). • Airport Incident Management Centres. • Action plan for bomb warnings. • Management of noise pollution and action procedures to ensure the correct management of plans and projects with an environmental impact. • Integrated quality and environment management system. • HR processes and programmes (for planning and organisation, training management, hiring and development). • Occupational risk prevention system. • Investment planning, control and execution procedure.
FINANCIAL	Events that may have negative impacts and significantly affect the results of financial operations, usually due to market, credit and liquidity risks.	• Guarantees, bonds and prepayments required from customers. • Interest rate hedging instruments. • Internal Control over Financial Reporting System (ICFR).

[8] Reviewed and approved by the board of directors in January 2020.

COMPLIANCE	Risks related to the mandatory nature of legal provisions established by national and international bodies and institutions in relation to compliance with general legislation (environmental, commercial, criminal, tax, employment, etc.), and sector and internal regulations.	• Code of Conduct • Regulatory Compliance Policy • Regulatory Compliance System • Corporate Fiscal Policy • Anti-Corruption and Fraud Policy
INFORMATION	These are risks related to the reliability of the sourcing and preparation of financial and non-financial information, both internal and external, that are significant for the Group.	• Internal Control over Financial Reporting System (ICFR). • Oversight of financial and non-financial information by governing bodies.

The management of the Risk Management and Control System is the responsibility of the company's governing bodies, including its corporate divisions:

GOVERNING BODY/ MANAGEMENT AREA	RESPONSIBILITIES	ACTIONS
Board of Directors	Defines, updates and approves Aena's Risk Management and Control Policy setting the acceptable risk level for each situation, with ultimate responsibility for the existence and operation of an adequate and effective risk management system.	Approves the Risk Management and Control Policy and oversees the existence and operation of an effective risk management system, including approval of updates to the risk map.
Audit Committee	Supervises internal control and risk management systems, ensuring that risks are identified, managed and maintained at the planned levels.	
Corporate divisions	Identify and assess the risks for which they are responsible, together with the mitigating activities, proposing and reporting monitoring indicators. They establish action plants to mitigate the risks and report on their effectiveness.	Document the management of the risks for which they are responsible in accordance with defined and approved parameters (mitigating activities and indicators). They assess the execution of the measures implemented and are involved in identifying and assessing risks.
Audit division	Oversees the correct functioning of the Risk Management System. Reports to the Management Committee and the Audit Committee. Standardises and compiles reports on risk identification and assessment and risk indicators, mitigating activities and action plans prepared by the company's corporate and operating areas.	Helps to identify the risks to which the organisation is exposed and consolidates information from corporate divisions, reporting to the governing bodies.

The Risk Management System involves assessment of the risks identified based on their impact and likelihood of occurrence. Tolerance thresholds are set based on their economic, operational and reputational impact, and their likelihood. If these thresholds are breached, the corresponding mitigating activities and action plans are implemented.

The corporate risk map identifies 23 risks for which key indicators have been established for monitoring and detecting breaches of the tolerance thresholds. In accordance with the Risk Control and Management Policy, mitigating activities have been defined for these risks, equipping the system with action and contingency plans to reduce the criticality of the risks and respond should they arise. These actions are applied to reduce the impact and likelihood of these risks to acceptable levels.

Aena's Risk Management System and the main risks faced by the company in the short, medium and long-term are described in section E of the Annual Corporate Governance Report.

14.1.3 Reference framework and corporate policies

Aena is subject to a legal regime that seeks to balance the public and private regulation to which the Company is subject. Its unusual legal nature affects issues such as the directors' remuneration policy, the responsibilities of the directors, the acquisition of majority interests in other companies, and the hiring of personnel.

The legal regime to which Aena is subject as a state-owned corporation and, therefore, part of the state institutional public sector is set forth in articles 166.1.c) of Act 33/2003, on public administration assets, section 2.2.c) of Act 47/2003, on the general state budget, and Act 40/2015, of 1 October, on the legal regime of the public sector. It is also a listed public company. It is therefore subject to article 495 of Legislative Royal Decree 1/2010, approving the amended Corporate Enterprises Act, and Legislative Royal Decree 4/2015, of 23 October, approving the amended Securities Market Act.

Its regulatory framework involves a broad range of regulations with various levels and scopes of application. In addition to these regulations to which it is subject as a public-sector and listed company, it is also subject to specific regulations, such as Royal Decree-Act 13/2010, of 3 December, on tax, employment and liberalising measures to foster investment and job creation, and Act 18/2014, of 15 October, approving urgent measures for growth, competitiveness and efficiency, which form the legal regime applicable to Spanish airports. It is also subject to the Airport Regulation Document (DORA), an instrument that sets down the minimum conditions required for airport management. It is also subject to contracting and transparency regulations, such as DORA; Act 9/2017, of 8 November, on Public Sector Contracts, which transposed into Spanish law the Directives of the European Parliament and of the Council 2014/23/EU and 2014/24/EU, of 26 February 2014; Act 31/2007, of 30 October, on contracting procedures in the water, energy, transport and postal sectors; Act 19/2013 on transparency, access to public information and good governance; and Act 40/2015 on the legal regime of the public sector; together with sectoral regulations.

Aena is also subject to European requirements with regard to airport and operational security and the provisions of the European Union Aviation Safety Agency (EASA), the Spanish Civil Aviation Authority (DGAC) and the International Civil Aviation Organization (ICAO). Finally, it is also subject to quality and environmental requirements stemming from the ISO 20906, ISO 9001:2015, ISO 14001:2015, ISO27002:2013 and ISO 19600 standards, EU Regulation 139/2014 and Airport Carbon Accreditation, to which it has voluntarily subscribed.

Aena has a range of dynamic tools to balance these factors with achieving its strategic objectives efficiently and effectively. These tools are conceived to adapt to any changes that might occur in future and constitute the Company's specific operating environment. The main tool is the 2018-2021 Strategic Plan, combined with a raft of corporate policies approved by the board of directors and published on the Company's website, including

- Corporate governance policy.
- Regulatory compliance policy.
- Code of conduct[9].
- Anti-corruption and fraud policy.
- Corporate fiscal policy.
- Aena communication policy.
- Communication and investor relations policy.
- Shareholder remuneration policy.
- Selection policy for board candidates.
- Integrated management of quality, the environment and energy efficiency policy.
- Corporate responsibility policy.

The Company also has a risk control and management policy and a code of conduct in securities markets.

In 2020, it is planning to review its corporate policies and modify any aspects that need updating. Aena is also enhancing its commitments in certain areas that require a specific policy, such as human rights and information security. This is explained in the relevant chapters.

[9] The companies in the London Luton Airport Holding Group have rules of conduct that have been approved by their boards of directors and apply to their employees, managers and executives. The Group is currently reviewing its compliance system and its policies and procedures to improve them and their efficiency.
Aena Brasil has a code of conduct that has been approved by its board of directors and apply to its employees, managers and executives. It is currently in the process of designing and implementing a compliance system, as it has only recently been constituted.
Aena's code of conduct also applies to its wholly-owned investees in Spain, including Murcia and Aena International.

Regulatory compliance system and whistleblower channel

The regulatory compliance system aims to prevent and mitigate criminal risks and breaches of internal and external regulations applicable to Aena, ensuring the legality of the actions of its employees, managers and executives in their professional activities.

The essential elements of the compliance system, which is available on the corporate website, are set out in some of the documents already mentioned, such as the code of conduct, the regulatory compliance policy, the anti-corruption and fraud and whistleblower channel policy.

The whistleblower channel receives complaints and other communications of substandard conduct that may breach the law, the Company's policies and procedures, and the rules of behaviour in the Code of Conduct.

Its regulations are set down in the management procedure for the whistleblower channel and the communication of substandard conduct, which is available from the Intranet home page. An external whistleblower channel has been available for external groups to lodge complaints and ask questions since April 2019. This is accessible from Aena's website.

The board of directors has designated a Compliance division and an internal body, the Compliance Supervision and Control Body (OSCC), as being responsible for oversight, control and assessment of the functioning of the system.

They are responsible for guaranteeing the confidentiality of whistleblowers and the people who they report.

In total, 127 complaints were received in 2019, of which:

- 74 related to the provision of airport services and were redirected to the responsible management area.
- 53 were classified as complaints. Of these:
  - 14 were received through the internal channel;
  - and 39 through the external channel.

The complaints received and the procedures applied to ensure they were treated correctly are set out in the corresponding sections of this report for their nature.

Data protection

Adaptation to the December 2018 Organic Law on Data Protection and Guarantees on Digital Rights was completed in 2019, completing the implementation of the European General Data Protection Regulation. All new processing of personal data identified and started in this period was adapted to this regulation, as part of the obligation and commitment under this regulation to consider personal data protection from the initial phases of the design of products and services that involve such data (privacy by design).

Appropriate measures have been taken consistent with the risk to ensure the rights and freedoms of data subjects with regard to the processing of their personal data.

Aena has also continued the ongoing review of personal data processing, updating the corresponding privacy policies, risk analysis and measures to implement. s

The Company are reviewing the on-line training for all of our workers. Videoconferences take place every month with the data protection coordinators of the airport groups, and plans are in place to enhance training and raise awareness among this group through classroom training.

No breaches of data security were detected in 2019 and all the requirements of the Spanish Data Protection Agency were dealt with. There were no breaches of data protection regulations.

The terms and conditions of the technical specifications for procurement have also been updated to adapt to Royal Decree-Act 14/2019, of 31 October, adopting urgent measures for reasons of public security in relation to digital administration, public sector contracting and telecommunications.

The role of the data protection officer was also enhanced in 2019, with their team being given more resources to be able to perform the functions under the regulation more effectively.

Finally, a programme of internal audits for airports has been established to verify compliance with the regulation and to detect and correct any weaknesses. This programme will continue in 2020, when the first two-yearly audit under this new regulation will take place, as it is two years since it was implemented implantación.

14.1.4 Objectives and strategies: 2018 -2021 Strategic Plan

Aena is immersed in constant development, which is essential to adapt to the demands of its environment and ensure ongoing value creation for all of its stakeholders. This transformation process is adapted to the main trends that reaffirm the Company's strategic vision: to continue being the world leader in the management of airport infrastructure.

Aena's 2018-2021 Strategic Plan seeks to consolidate its growth and foster new lines of business that generate value, in an integrated model of sustainable growth based on nine lines of action. Aena has created its Plan Monitoring and Management Office to monitor and oversee compliance with the 2018-2021 Strategic Plan. A monitoring plan is being prepared for each of the strategic lines, detailing the phases to be developed and their schedules.

All of these objectives have been incorporated into the Company's operational planning processes. The Strategic Planning unit, which reports to the Financial Management division, is responsible for this Plan Monitoring and Management Office. The monitoring report is presented to the board of directors every six months, after approval by Aena's Management Committee.

Significant progress on the roll out of the Strategic Plan was achieved in 2019, with a number of initiatives designed to ensure that its objectives are achieved.

Plan de desarrollo inmobiliario

Extensión del contrato duty free

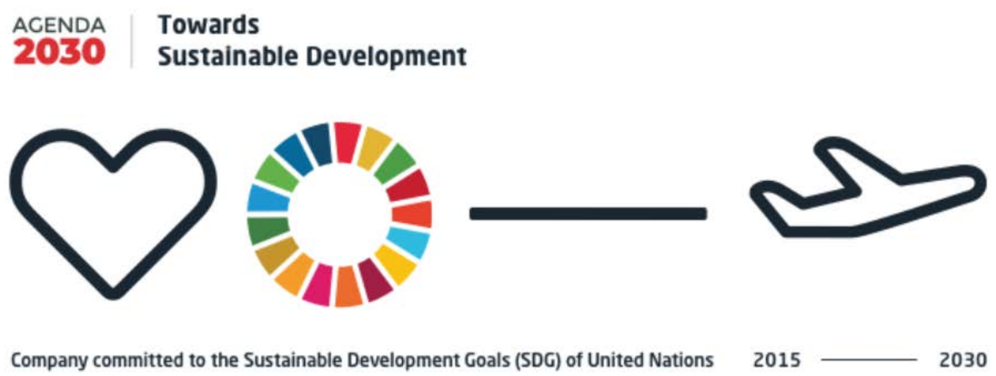
Plan fotovoltaico

Concesión del grupo aeroportuario del Nordeste de Brasil

Plan de "Employer Branding"

Nuevas incorporaciones en plantilla

These lines of action are contributing not just to the Company's progress but also to society as a whole, in line with the Agenda 2030 Sustainable Development Goals.



Main performance indicators 2019

Aena's economic, social and environmental performance is measured by a range of key indicators that reflect its development over the year. These are shown in the table below and are fleshed out throughout this Non-financial information statement for each issue.
In addition, the section: Technical File, describes the international framework used in its preparation, and the location of all content required under Act 11/2018 and how this corresponds to the GRI standard.

Key indicators of non-financial results	2018	2019
Share capital (thousand euros)	1,500,000	1,500,000
Highest share price (€)	179.5	178.05
Turnover (€mn)	4,320.3	4,503.3
Passengers (millions)	280.3	293.2
Investment in safety (€mn)	131.8	132.63
Investment in quality (€mn)	47.3	47.6
Workforce (no.)	8,436	8,878
% female	35.7%	36.6%
Investment in training (€mn)	2.5	2.3[10]
Reduction of electricity consumption (kWh/ATU)[11]	5%	2.5%
Soundproofed buildings (no.)	23.898	24.395
Tax paid (€mn)	761.8	826.6
% local suppliers	99.70%	98.31%

As a result, in 2019 Aena's commitment to sustainability has been valued and recognized by national and international organisations and institutions:

- Aena inclusion in the FTSE4good index has been renewed, highlighting its excellence in environmental and social management and governance.
- The international Carbon Disclosure Project (CDP) has recognised Aena for its commitment to fighting climate change, following an assessment of its climate change strategy and actions.
- The #Por el Clima (#For the climate) platform, promoted by ECODES and the Ministry for the Environmental Transition, has recognised Aena's photovoltaic project as one of the "101 examples of climate action by companies" most noteworthy for their commitment and contribution to the fight against the climate emergency.
- Aena won the ComputerWorld 2019 award for the Innovation in the transport sector category.
- Aena has been recognised in the Reporta report prepared by the company Deva for the excellent information it provides to its shareholders and stakeholders. This report assesses and classifies the companies in the Madrid Stock Exchange's General Index (IGBM) based on the quality of their annual reporting.
- AECA (the Spanish Association of Accountancy and Business Administration) gave Aena an honorary mention at its 18th Business Transparency Awards, recognising the company's improvement in the "Ibex 35 listed" category.
- Aena received the Best Innovation Award from DEC (the Development of the Customer Experience Association), for the implementation of facial recognition at Menorca airport.
- Merco (the benchmark business monitor of corporate reputation in Spain and Ibero-America) again ranked Aena among the 100 companies with the best reputations in Spain, putting it in 40th place in its Merco Companies and Leaders in Spain 2019 ranking. Aena was in first place in the Infrastructure and Services sector ranking.
- Aena is one of the favourite companies to work for among Spanish university students, according to the Most Attractive Employers report by Universum.
- Aena's head of Planning and Environment won an award at Madrid Woman's Week 2019, in the "Women managers" category.

[10] The values for Spain, the UK and Brazil have been aggregated using the exchange rates for the Brazilian real and pound sterling against the euro as of 31 December 2019. Source: Bank of Spain.
[11] ATU is a parameter that reflects the activity of an airport, considering its annual aircraft, passengers and cargo volumes. ATU = Passengers + (100 * aircraft) + (10 * freight).

14.2. Environmental Protection: Environmental Issues

14.2.1 Environmental management framework

Aena's notable progress over recent years is demonstrated by the integration of environmental issues into its 2018-2021 Strategic Plan for decisions about airport management, in both the infrastructure planning stage and during airport operations.

The Strategic Plan sets the following objectives for 2021:

- 30% reduction in CO2/ATU emissions.
- 17.5% reduction in electricity consumption/ATU.
- Soundproofing of 29,000 homes and buildings for sensitive uses, included in the acoustic insulation plans.
- Minimisation and control of water consumption.
- Reduced waste.
- Biodiversity management Plan.

These projections are completed by "Aena's Climate Change Strategy", which was approved in 2018 and refined in 2019 to reflect increasing environmental demands.

The strategy is aimed at maximising energy efficiency and fostering use of energy generated from renewable sources in our own facilities, with innovative solutions to reduce the Company's carbon footprint.

Aena is committed to: achieving 100% sourcing of electricity from renewable sources in 2020; installing charging points for electric vehicles in all of the airports in its network between 2019 and 2021; and increasing the installation of renewable photovoltaic facilities massively, to generate 70% of our supply from 2026, under Aena's photovoltaic plan.

This will enable Aena to achieve the following medium and long-term objectives:

- **2025**: 40% reduction in CO2/ATU emissions.
- **2030:** level 3+ carton neutrality or ACI EUROPE airport carbon accreditation for our main airports (Adolfo Suárez Madrid-Barajas and Josep Tarradellas Barcelona-El Prat).
- **2050:** net zero emissions in all Aena airports.

Environmental risks, provisions and guarantees

2019 revealed the scale of global concern about climate change and its consequences. These include severe climate events that can affect the operating capacity, security and efficiency of airports. The air transport sector is estimated to contribute 2.5% of global CO2 emissions. It has been working for several years to transition to a more sustainable model, using low-emission energy sources and clean transport resources.

Despite the air transport sector's undoubted contribution in terms of commitment, some voices are calling for its use to be minimised, limiting traffic and reducing the associated emissions. This situation is compounded by the ever more demanding regulations being introduced in the countries most committed to fighting climate change and the transition being pursued by airlines to reduce their impact through the use of sustainable aviation fuels and more efficient aircraft models.

While the most direct effect of this paradigm shift is being felt by the airlines, our company, as an airport service operator, is also affected as demand from its customers could be impacted, directly affecting its activity.

Aena is therefore implementing actions that enable more sustainable management of its facilities, as part of the air transport value chain, reducing the negative environmental impacts associated with airport activity and fostering cooperation with airlines and other stakeholders.

Main figures 2019

- Main resources dedicated to prevention of environmental risks. Environmental expenses and investment in 2019: 32.2 million euros.
- Provisions and guarantees for environmental risks: refer to the 2019 Consolidated financial statements and Management report.

Instrumentos de gestión

Aena's environmental work is supported by the following tools:

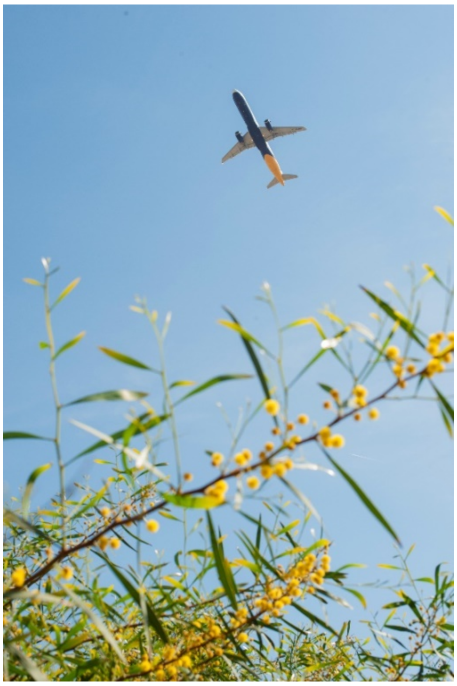
- Aena's Integrated management of quality, the environment and energy efficiency policy[12]: compiling the guiding principles and reference framework for the Company's activity in environment issues, integrated with quality issues.

- Aena's Integrated quality and environment system[13] certified under the ISO 14001 standard covering the most significant environmental aspects related to airport activity, such as:
  - Noise emissions associated with airport activity
  - Air pollution
  - Greenhouse gas emissions (GGE)
  - Water consumption
  - Energy consumption
  - Hazardous and non-hazardous waste
  - Effluents
  - Soil pollution
  - Impacts on biodiversity
  - Use of protected natural spaces

This certification covers 100% of Aena's activity. The Environment division, which is part of the Airports business, is responsible for developing, implementing and monitoring the policy.

The Company guarantees continuous improvement of its environmental performance through application of the policy and regular audits of samples at its sites.

Furthermore, Aena has other quality and environmental certifications



Calidad (ISO 9001) Certificadas todas las unidades de Servicios centrales y los 48 centros de Aena.	**Medio ambiente (ISO 14001)** Certificadas todas las unidades de Servicios centrales y los 48 centros de Aena.
Eficiencia energética (ISO 50001) · Aeropuerto de Reus · Aeropuerto de Valladolid · Aeropuerto de Zaragoza · SATE Aeropuerto A.Suárez Madrid - Barajas	**Huella de carbono (ISO 14064)** · Aeropuerto de Málaga- Costa del Sol · Aeropuerto de Palma de Mallorca · Aeropuerto de Barcelona- El Prat · Aeropuerto A.Suárez Madrid-Barajas · Aeropuerto de Lanzarote · Aeropuerto de Menorca · Aeropuerto de Alicante · Aeropuerto de Santiago
Reglamento EMAS · Aeropuerto de Menorca · Aeropuerto de Tenerife Sur	**EFQM** · Aeropuerto Adolfo Suárez Madrid-Barajas (Sello de Excelencia 500+)

[12] http://www.aena.es/csee/ccurl/1018/801/2017_Politica_gestion_integrada_medioambiente_EN.pdf
[13] http://www.aena.es/csee/ccurl/1013/747/Alcance-SGI-Calidad-MA-Aena.PDF

In 2019,the Adolfo Suárez Madrid-Barajas airport renewed its carbon footprint registration with the Ministry for the Environmental Transition, for its reduction in CO2 emissions and commitment to be a carbon neutral airport in 2030.

- Appraisal of the environmental impact of plans and projects: as part of its strategic environmental assessment, Aena carries out environmental analysis of the planning instruments of all its airports. Aena coordinates and prepares the documentation needed to submit those airport infrastructure projects that require environmental assessments for approval. The procedures include environmental monitoring programmes for the work stages of these projects and during their operation.

- Acoustic insulation plans (AIPs): these plans meet the requirements of Act 5/2010, of 17 March, with regard to performance of the soundproofing measures in the actions plans associated with the acoustic easements for the airports in Aena's network. They also meet the requirements of the Ministry for Environmental Transition's Environmental Impact Statements for the airports in Aena's network.

- Environmental consultations: Aena's public website features an environmental consultation channel for information requests, complaints and suggestions about the environment, enabling the Company to respond swiftly, consistently and effectively, minimising response times.

  In 2019, this channel received 5,988 complaints, all of which were answered. 99.7% of these involved noise. The Adolfo Suárez Madrid-Barajas and Josep Tarradellas Barcelona-El Prat airports accounted for 87.6% of these complaints.

- Contracting clauses: all Aena contracts include environmental, labour and social performance clauses, which can give rise to penalties if they are breached.

14.2.2 Pollution

Noise levels

Noise is one of the most significant environmental impacts of Aena's activity. Details of the number of people exposed to noise in the Spanish airport network are given in the following tables.

Number of people exposed to noise in the Spanish airport network[14]

MER FASE I:

Noise levels	Gran Canaria	Lanzarote-Arrecife (*)	Tenerife Sur	Tenerife Norte	Alicante-Elche	Bilbao	Barcelona	Ibiza (*)	Madrid	Málaga	Palma de Mallorca	Valencia	Sevilla (*)
Lday 65 dB (A)	191	-	0	1.049	84	24	11	-	2,058	299	90	10	-
Levening 65 dB (A)	66	-	0	825	90	23	19	-	1,957	314	98	8	-
Lnight 55 dB (A)	614	-	120	0	172	23	24	-	708	605	336	52	-

[14] (*) MER not prepared as the threshold of 50,000 annual operations had not been reached at the time. The preparation and management of MERs is regulated both by Directive 2002/49/EC and its transposition into national law.

MER FASE II:

Noise levels	Gran Canaria	Lanzarote-Arrecife (*)	Tenerife Sur	Tenerife Norte	Alicante-Elche	Bilbao	Barcelona	Ibiza	Madrid	Málaga	Palma de Mallorca	Valencia	Sevilla
Lday 65 dB (A)	57	-	0	475	61	29	23	9	1,824	232	110	3	0
Levening 65 dB (A)	0	-	0	198	60	506	18	9	149	240	110	3	0
Lnight 55 dB (A)	42	-	45	0	112	0	26	637	38	348	152	19	0

MER FASE III:

Noise levels	Gran canaria	Lanzarote-arrecife	Tenerife sur	Tenerife norte	Alicante-elche	Bilbao (*)	Barcelona	Ibiza	Madrid	Málaga	Palma de Mallorca	Valencia	Sevilla (*)
Lday 65 dB (A)	282	304	20	252	86	-	13	14	1,751	319	177	1	-
Levening 65 dB (A)	0	294	0	13	62	-	14	14	1,497	255	187	1	-
Lnight 55 dB (A)	308	0	90	0	201	-	13	591	1,754 (**)	1,520	515	91	-

(**) The increase in night-time values at the Adolfo Suarez Madrid-Barajas Airport is due to maintenance actions on runway 32R-14L. These actions have forced the use of the non-preferred runway (32L-14R) during 2016. The daytime, evening and night levels correspond at all times to the applicable regulations

People exposed to noise at London Luton airport (2019 figures)

Noise level	MER PHASE I	MER PHASE II	MER PHASE III
Lday 66 dB (A)	<100	<100	<100
Levening dB (A)	<100	0	<100
Lnight 57 dB (A)	2,300	900	600

Aena has implemented Acoustic Insulation Plans (AIPs) to minimise the disturbance caused by aircraft noise around airports, pursuant to the procedure and requirements set down in Act 5/2010, of 17 March, and the corresponding environmental impact statements.

Both local people and local government bodies are involved in the implementation of the plans, which include:

- Inclusion of homes in the AIP.
- Measurement of existing noise insulation in homes to determine needs for additional insulation.
- Drafting and approval of the resulting acoustic insulation project.
- Performance and verification of the work.
- Payment for the actions.

Aena reports on these actions to the Environmental Monitoring Committees and the Mixed Committees created to establish the acoustic easements and associated action plans. The Company also has a specific management office for information, performance, control and management of AIPs. It reports the noise levels reached around the airports using Interactive Noise Maps (WebTrack). This tool is available on the Company's public website.

Acoustic easements and an associated action plan were approved for Gran Canaria airport in 2019. Approval was also obtained for the Strategic Noise Maps (Phase III) of the Alicante-Elche, Adolfo Suárez Madrid-Barajas, Josep Tarradellas Barcelona-El Prat, Gran Canaria, Ibiza, Lanzarote, Malaga-Costa del Sol, Palma de Mallorca, Tenerife

Norte, Tenerife Sur and Valencia airports. The noise monitoring system has also been brought into operation at the Bilbao, Tenerife Norte and Tenerife Sur airports.

This system is currently available at the following airports: Alicante-Elche, Adolfo Suárez Madrid-Barajas, Josep Tarradellas Barcelona-El Prat, Bilbao, Gran Canaria, Malaga-Costa del Sol, Palma de Mallorca, Tenerife Norte, Tenerife Sur and Valencia.

In 2019, 578 soundproofing actions were carried out in homes and buildings for sensitive uses, with investment of 7.4 million euros. A total of £317,907 was invested at London Luton airport between the start of activity and 31 December 2019, benefiting 118 homes.

In addition to the number of homes indicated, Aena has improved the soundproofing of two local schools in the provinces of Alicante and Valencia, as part of its Strategic Corporate Responsibility Plan.

Acoustic insulation plans 2000-2019

Airport	No. of soundproofed buildings	Amount invested €mn (2000-2019)
A Coruña	772	6,711,622.29
Alicante-Elche	2,992	41,093,647.82
Josep Tarradellas Barcelona-El Prat	50	2,966,717.28
Bilbao	1,562	20,757,002.24
Girona-Costa Brava	0	50,902.09
Gran Canaria	608	9,810,649.90
Ibiza	611	6,438,803.25
La Palma	22	402,328.75
Adolfo Suárez Madrid-Barajas	12,909	169,949,644.57
Málaga-Costa del Sol	811	16,294,924.10
Melilla	0	0,00
Menorca	9	203,117.02
Palma de Mallorca	925	16,675,398.39
Pamplona	43	1,224,083.52
Sabadell	0	13,633,00
S. de Compostela	15	296,570.06
Sevilla	0	26,920.46
Tenerife-Norte	890	23,237,362.10
Valencia	1,963	11,392,169.48
Vigo	213	3,102,419.51
TOTAL 2000-2019	**24,395**	**330,647,915.83**

Airport	No. of soundproofed buildings	Amount invested £ (to 31 December 2019)
Londres-Luton	118	317,907

Light pollution

Control of light pollution is essential for sustainable coexistence. However, external airport lighting is also subject to prevailing regulations on operational security.

Air pollution

Air quality is controlled through the air quality measurement stations at several of the airports managed by Aena, enabling the Company to verify compliance with the ranges set.

The airports with these measurement stations are: Adolfo Suárez Madrid-Barajas, Josep Tarradellas Barcelona-El Prat, Palma de Mallorca, Alicante-Elche and Malaga-Costa del Sol. Some of these stations are integrated into the air quality monitoring networks of the regional communities.

These measure the concentration levels of the main substances such as sulphur dioxide (SO2), nitrogen oxides (NOX) and particulate matter (PM). This enables continuous and automatic control of air quality in the area of influence of these airports[15].

Emission figures for atmospheric pollutants are shown in the table below from sources controlled by Aena:

	2017					
	NOx(t)	**SOx(t)**	**CO(t)**	**NMVOC(t)**	**PM10(t)**	**PM2,5(t)**
Diesel	63.0204	5.3548	19.9423	4.7504	4.0223	3.7533
Petrol	0.6625	0.0005	5.0497	0.5813	0.0015	0.0015
Natural gas	11.2889	0.1022	4.4240	3.5087	0.1190	0.1190
Propane	0.0804	0.0007	0.0505	0.0425	0.0697	0.0697
Kerosene	0.2316	0.0469	30.9330	0.9307	6.9904	6.9904
Total	**75.2838**	**5.5051**	**60.3995**	**9.8137**	**11.2029**	**10.9339**

	2018					
	NOx(t)	**SOx(t)**	**CO(t)**	**NMVOC(t)**	**PM10(t)**	**PM2,5(t)**
Diesel	82.5771	7.3978	26.1659	6.4272	5.3223	4.9631
Petrol	0.7611	0.0005	5.4090	0.6609	0.0017	0.0017
Natural gas	11.3465	0.1027	4.4466	3.5266	0.1196	0.1196
Propane	0.0680	0.0006	0.0495	0.0423	0.0836	0.0836
Kerosene	0.2423	0.0490	32.3618	0.9737	7.3133	7.3133
Total	**94.9950**	**7.5507**	**68.4328**	**11.6306**	**12.8406**	**12.4813**

	2019[16]					
	NOx(t)	**SOx(t)**	**CO(t)**	**NMVOC(t)**	**PM10(t)**	**PM2,5(t)**
Diesel	69.8521	6.3966	22.0214	5.2116	4.4929	4.1580
Petrol	0.7281	0.0005	5.8629	0.6444	0.0018	0.0018
Natural gas	11.4724	0.1039	4.4960	3.5658	0.1209	0.1209
Propane	0.0630	0.0005	0.0522	0.0450	0.1003	0.1003
Kerosene	0.2968	0.0601	39.6411	1.1927	8.9583	8.9583
Total	**82.4125**	**6.5616**	**72.0736**	**10.6595**	**13.6743**	**13.3394**

In the absence of the 2019 emission factors, the 2018 emission factors have been used to perform the calculation.

[15] You can consult the reports from the surveillance network of the Adolfo Suarez Madrid-Barajas Airport, as well as the data from the stations around the Josep Tarradellas Barcelona-El Prat Airport that are attached to the Generalitat de Catalunya network.
[16] The data provided may vary because the last months of the year have been estimated

14.2.3. Energy efficiency

In 2019, Aena announced its Photovoltaic Plan, an ambitious global self-generated renewable energy plan that will come on stream from 2026, enabling the company to supply itself with 70% of its energy needs from solar power, avoiding 167,000 tonnes of CO2 emissions every year. This Plan will make the Company one of the leaders among European airports for producing renewable energy for its own consumption (650 GWh).

In addition to this Plan, in 2019 Aena awarded a contract for the construction and commissioning of a photovoltaic plant covering around 22 hectares at the Adolfo Suárez Madrid-Barajas airport. This plant will provide clean energy to this Madrid airport, with nominal capacity of 7.5 MW for own-consumption. It will also generate 11.7 GWh per year, representing 16% of the annual consumption of terminals 1, 2 and 3, equivalent to the annual consumption of 3,082 homes.

The "*Installation and start-up of photovoltaic solar plants for self-consumption at Canary Island airports*" project was also launched in 2019. This project will provide the Fuerteventura, Gran Canaria, Lanzarote and Tenerife Sur airports with photovoltaic plants for their own consumption, with capacity of between 600 kW and 1,000 kW, and total contracted capacity of 3.5 MW.

Significant energy efficiency actions in 2019

AIRPORT	ACTION	DESCRIPTION	MILESTONE
Adolfo Suárez Madrid/Barajas	HVAC systems	Supply of new cooler in T1	Energy saving to improve energy efficiency
		Implementation of energy management platforms in terminals	Increased energy efficiency by measuring consumption
		Replacement with relocation of the HVAC system in the tango 14 pre-airbridge in T1	
Alicante - Elche	Lighting	Change of external lighting to LED technology	
		Change of terminal lighting to LED technology	
Girona - Costa Brava	Lighting	Change of terminal lighting to LED technology	
Jerez	HVAC systems	Renovation of HVAC systems in the terminal building	
Logroño - Agoncillo	HVAC systems	Replacement of current boiler with two gas condensing boilers	
Malaga-Costa del Sol	Lighting	Change of lighting to LED technology in tunnels	Energy saving to improve energy efficiency
Palma de Majorca	Insulation	Thermal insulation in terminal building and modules	
	HVAC systems	New HVAC systems on departures level	
Reus	HVAC systems	Installation of new HVAC systems in arrivals building	
Tenerife Sur	HVAC systems	Improvement of HVAC in pre-airbridges	
Valencia	HVAC systems	Connection of TR heat pump with T1 and bypass of the heat-cold circuits between them	
		Supply and installation for upgrading of air conditioning for aircraft in T1	
	HVAC systems	Change of external lighting to LED technology	

In 2019, 60% of the electricity purchased by Aena in its Spanish airports network was certified to be from renewable sources.

Main indicators

Energy consumption kWh/ATU (energy intensity)

2017	2018	2019
2.53	2.40	2.34

Includes consumption of fuel, electricity, heating and cooling. Does not include London Luton airport.

Total energy and total consumption, broken down (GJ)

		2017	2018	2019
Fuel consumption	Diesel	154,070	197,767	175,912
	Petrol	1,995	2,279	2,202
	Natural gas	152,552	153,331	155,033
	Propane	1,153	999	948
	Kerosene	1,992	2,084	2,553
	Subtotal	311,762	356,460	336,648
Energy consumption	Electricity	3,395,244	3,386,704	3,437,428
	Heating	210,011	213,872	201,131
	Cooling	425,017	402,666	421,865
	Subtotal	4,030,273	4,003,242	4,060,424
Total energy consumption	**Total**	**4,342,035**	**4,359,702**	**4,397,072**

Renewable energy in own facilities (GJ)

		2017	2018	2019
Energy generated from renewable sources	Wind power	8,071	9,278	8,975
	Solar power/photovoltaics	1,600	1,509	1,346
	Solar thermal energy	424	29	0
	Geothermal	140	156	148
	Subtotal	10,235	10,972	10,470
Energy consumed from renewable sources	Wind power	7,497	8,324	8,453
	Solar power/photovoltaics	1,479	1,416	1,244
	Solar thermal energy	424	29	0
	Geothermal	140	156	148
	Subtotal	9,540	9,925	9,845
Energy sold from renewable sources	Wind power	574	954	522
	Solar power/photovoltaics	121	93	100
	Solar thermal energy	0	0	0
	Geothermal	0	0	0
	Subtotal	695	1,047	622

Energy consumption at London Luton airport

	2017	2018	2019
Electricity (kWh)	36,726,846	35,975,300	36,439,447
Heating (kWh)	8,747,622	9,365,134	8,190,035

Fuel consumption at London Luton airport

	2017	2018	2019
Gas oil (litres)[17]	478,343	495,233	490,785
Gas (kWh)	8,747,622	9,365,134	8,190,035
Propane (litres)	5,559	3,755	2,849

[17] Vehicles, energy and heating

14.2.4 Aena and the climate emergency

Aena adds its voice to the importance of advancing along the path of decarbonisation through its Climate Change Strategy. This Strategy is based on putting several actions into practice. On the one hand, implementing energy efficiency measures that allow reducing electric power consumption. On the other, increasing the self-supply of energy at facilities based on renewable sources. And finally, by reducing emissions from fuel and through collaborative work with third parties.

- **Airport Carbon Accreditation**

Airports of the Aena network, which form a part of the Airport Carbon Accreditation (ACA) programme[18], in their continuous work to minimize CO2 emissions coming from air transport, have taken another step towards environmental efficiency in the fight against climate change after renewing ACA certification, thereby considering the accreditation levels of each airport.

Thus, the airports of Alicante-Elche, Menorca and Santiago have succeeded in renewing their certification of Airport Carbon Accreditation (ACA) at Level 1 “Mapping”; while the airports of Adolfo Suárez Madrid-Barajas, Josep Tarradellas Barcelona-El Prat, César Manrique-Lanzarote and Palma de Mallorca have renewed their certification at Level 2 “Reduction”.

The Málaga-Costa del Sol airport should be highlighted, which went from Level 1 to Level 2.

Aena has established the objective of reaching Level 3+ by 2030. This means being carbon neutral at its airports of Adolfo Suárez Madrid-Barajas and Josep Tarradellas Barcelona-El Prat, which generate half of the network’s emissions.

The following measures are included within the scope of collaboration for reducing third-party emissions:

- **Measures for reducing LTO and APU cycle emissions**

The implementation of A-CDM or CDM (“Airport Collaborative Decision Making” or “Collaborative Decision Making”) is directed at improving the overall efficiency of airport operations through the shared use of updated information of an operational nature. This implementation involves a reduction of taxi times and therefore lower fuel consumption and emissions.

Currently, 100% of the parking stands at passenger boarding bridges already have a 400-Hz electric power supply system, and the implementation of new outlets is planned, as well as the repositioning and replacement of old equipment so that by 2030 airports will have 470 power supply points at 400 Hz for aircraft.

- **Measures to reduce emissions from handling vehicles**

Together with incorporating the specifications of requirements for the progressive reduction of emissions of GSE equipment, handling agents have prepared a plan for a 20% reduction in their emissions by 2020, and a common methodology for calculating and monitoring vehicle emissions has been established.

- **Commitment to electric mobility**

There are charging points for operational electric vehicles at the airports of Adolfo Suárez Madrid-Barajas, Palma de Mallorca, Josep Tarradellas Barcelona– El Prat and Santiago de Compostela. Moreover, 92 points were installed throughout 2019, the start-up of which is expected throughout 2020. The purpose is to reach the objective of having 152 charging points for electric vehicles in public zones of airports of the Aena network by 2021.

- **Promotion of the use of sustainable aviation fuel**

One of the commitments of the sector in the fight against climate change is the use of sustainable aviation fuels (SAFs) as a measure for reducing emissions. Thus, Aena is involved in this challenge through active collaboration with biokerosene producers, airlines and other stakeholders for increasing the use of this type of fuel and promoting production.

[18] The Airport Carbon Accreditation programme is certification granted by Airports Council International (ACI EUROPE), and it establishes an accreditation system based on four levels (Level 1 “Mapping”, Level 2 “Reduction”, Level 3 “Optimisation” and Level 3+ “Neutrality”), which respond to progressive commitments to reduce CO_2 emissions and the final objective of reaching carbon neutrality.

On the other hand, for the purpose of driving transparency in this area, annually Aena completes the Carbon Disclosure Project (CDP) questionnaire, the main framework of reporting on climate change. In 2019 it obtained the “Management A” rating, the highest level granted by this organization, thereby placing it among only 7 Spanish companies that have obtained the highest score.

All of these actions are in line with the commitment acquired in 2019 to adhere to the Net-Zero 2050 initiative of ACI Europa (Airports Council International), which consists in reaching zero net carbon emissions at airports by 2050, without including emissions offsetting mechanisms. This agreement is currently signed by over 200 European airports, and it establishes a significant milestone in the actions that airports are adopting to fight against climate change.

Main indicators

Intensity of GHG emissions, kg CO2 eq / ATU (market-based scopes 1 and 2)

2017	2018	2019
0.54	0.48	0.47

Includes direct emissions (scope 1) indirect (scope 2) of GHG. Does not include data from London-Luton Airport.

The scope 3 emissions corresponding to 2018 are published in the CDP report and in the 2018 environmental report.

Evolution of GHG emissions in the Spanish network (equivalent tonnes of CO_2)

	2017	2018	2019
Direct emissions (scope 1)[19]	20,524.7	23,852.4	22,338.3
Indirect emissions (scope 2)	238,611.2	218,936.9	149,542.6

Source of emission factors: MITECO, EMEP/EEA (Corinair), US EPA, US FAA
Note: market-based data obtained

GHG emissions at London-Luton Airport (tCO2e

April 2017- March 2018	April 2018 - March 2019
15,918	12,269

[19] Direct emissions Scope 1. Direct emissions from sources or processes and activities controlled by Aena in the airports. The sources of GHG emissions are:
- Stationary combustion. Emissions generated by generators, portable generators, boilers, fire fighting service (SEI) practices and auxiliary pumps of fire water tanks.
- Combustion from mobile sources. Emissions from vehicles belonging to the airports, both light and heavy.

Indirect emissions or Scope 2. Indirect emissions that are produced by the generation of electricity or thermal energy acquired and consumed in our airports. Their source is:
- Electricity consumption. Emissions associated with the electrical consumption of the activities carried out by airports for air conditioning, lighting and operation of various facilities.

Reduction of emissions due to renewable energy facilities

The emissions avoided due to own renewable energy facilities and energy efficiency and due to the purchase of electric energy from a renewable origin (60% in 2019) have risen to 180,514[20] tonnes of CO_2 in 2019.

Reduced GHG emissions (scope 1)	2017		2018		2019	
Installation	kWh generated	tCO2e avoided	kWh generated	tCO2e avoided	kWh generated	tCO2e avoided
Cogeneration plant at Bilbao Airport	806,932	208	1,067,935	234	10,513	2
Thermal solar collectors at Josep Tarradellas Barcelona-El Prat Airport	117,700	30	8,180	2	0	0
Reus geothermal power plant	38,914	10	43,258	9	41,214	9
Total (Scope 1)	963,546	**249**	1,119,373	**245**	51,727	**11**
Reduced GHG emissions (scope 2)	**2017**		**2018**		**2019**	
Installation	kWh generated	tCO2e avoided	kWh generated	tCO2e avoided	kWh generated	tCO2e avoided
Wind turbines at La Palma Airport	2,241,916	578	2,577,197	564	2,493,058	546
Photovoltaic modules at Menorca Airport	69,983	18	70,320	15	75,777	17
Photovoltaic modules at Ibiza Airport	53,574	14	81,977	18	72,814	16
Photovoltaic modules at Alicante-Elche Airport	53,006	14	46,413	10	18,771	4
Photovoltaic modules at Madrid-Barajas Airport	96,670	25	88,622	19	88,780	19
Photovoltaic modules at Madrid-Cuatro Vientos Airport	20,000	5	18,561	4	25,627	6
Photovoltaic modules at La Palma Airport	65,373	17	60,291	13	38,301	8
Photovoltaic modules at Valencia Airport	29,285	8	32,316	7	34,720	8
Photovoltaic modules at Vigo Airport	56,546	15	20,650	5	19,167	4
Total (Scope 2)	2,686,353	**693**	2,996,347	**656**	2,867,015	**628**

NOTE: The CO2 calculation is obtained from the relationship established between the electric energy generated by the indicated facilities and the CO_2 emission factor considered. Source of the electrical factor: REE

14.2. Sustainable resource use

Water is the main natural resource that is consumed at the facilities. The company has been maintaining rigorous control over its use, linked mainly to human consumption, irrigation in green zones, cleaning, the fire-fighting service and the execution of works.

In this regard, Aena is preparing a strategic plan for managing water at airports, which will allow establishing a specific framework of action that is focused on reducing consumption and is linked to initiatives such as the following:

- The detection and elimination of leaks in pipes and facilities.
- The responsible use of water in green spaces.
- The installation of water-saving elements in facilities.
- The use of reclaimed water.

[20] Data calculated with market criterion.

Regarding this last initiative, it should be pointed out that at several airports located in territories where this resource is scarce (such as island airports), their waste water is re-used. After this water goes through a purification system, it is disinfected and goes through additional filtering, thereby allowing the airports to obtain a suitable volume of water for their green zones and to avoid extra consumption from the water supply network.

14.2. Protecting biodiversity

Given the large number of airports in the Aena network and their different locations, the diversity and type of the ecosystems that can be found overall vary greatly. For this reason, depending on the characteristics of the area in which it is located, each airport may have different habitats that have been preserved and maintained over time.

- **Protected spaces**
  In relation to the presence of vegetation, fauna and natural spaces in airport environments that have some level of protection, various actions are carried out that make natural heritage conservation compatible with the airport's operations. Many of these actions are embodied in environmental impact assessment studies of Aena's plans and projects[21].

- **Wildlife control services**
  Moreover, within the framework of operational safety, wildlife management has also been developed to make the protection of the natural heritage compatible with maintaining the safety and quality standards inherent to aeronautical operation. In this context, studies of fauna and their habitats are carried out periodically at each centre, validating the results with the collaboration of local and regional bodies and the State Agency for Air Safety (AESA).

  In order to balance the competition for air space between birds and aircraft, Spanish airports use falconry services.

Total annual number of wildlife impact events per 10,000 aircraft movements

	2018	2019
Airport network	4	4.73
London-Luton Airport:	Not available	0.77

14.2. Waste Management and Circular Economy in airport facilities

Aena works to ensure proper management of the waste generated and establishes the following priorities:

- Reduce the generation of waste derived from the activities of the Company.
- Reduce the generation of common waste (remaining portion) in airport facilities, especially that related to commercial activity.
- Control and carry out follow-up work on all types of waste generated in all airport activities (control of contractors and concessionaires) to ensure proper segregation, collection and external management of waste.

Many airports have a non-hazardous waste transfer plant, for concentrating waste and improving the conditions of its temporary deposit, especially the non-segregated portion of waste similar to household waste. On the other hand, generally, there are points for the temporary deposit of hazardous waste, all equipped with pollution prevention measures according to its type. In these areas, waste is selectively deposited in containers until it is removed by authorised managers.

Likewise, certain waste is reused giving it a second use with actions such as the reuse of sewage sludge as fertilizer in landscaped areas, or for the generation of compost, used for example at Bilbao Airport.

Finally, it should be noted that the new food and beverage contracts have been progressively including a specific clause that seeks to reduce the volume of plastic waste generated, avoiding the use of single-use plastics and promoting the use of disposable products (biodegradable or recyclable materials).

[21] The resolutions can be consulted at: http://www.aena.es/es/corporativa/evaluacion-impacto-ambiental-proyectos-eia.html

14.3. Social and Staff Issues

Aena's 2018-2021 Strategic Plan places the focus on capturing and retaining talent and on developing the necessary skills for taking on the current challenges, which include not only those of a technical nature (digitization, health and safety, etc.) but also others derived from the regulatory framework that applies to the company, while always keeping in mind the limitations that such regulations impose upon hiring.

Organization and Human Resources Management is in charge of ensuring that Aena's strategic policy is correctly deployed and carrying out the necessary actions for protecting the health and safety of people, as well as assuring excellence in managing the company's human team.

In addition to the specific policies that govern the Human Resources area, it is worth mentioning, as guidelines for its management: the 1st Collective Agreement of the Aena Group, valid until 31 December 2021 (Official State Gazette of 20 December 2011), the legislation applicable to Aena, and the Aena Integrated Management System (within which is the Human Resources area).

14.3.1. Employment[22]

At the end of 2019, Aena had a consolidated total workforce of 8,878 professionals distributed throughout all the autonomous communities of Spain, United Kingdom and Brazil. The majority of employees are located in Spain (Madrid, Canary Islands, Cataluña, Andalucía and Balearic Islands) and in the United Kingdom (London).

Main employment data:

Total number and distribution of workforce by type of contract (consolidated data)

	2019			2018		
	Total workforce	**Permanent**	**Temporary**	**Total workforce**	**Permanent**	**Temporary**
Aena, SME, S.A. (Spain)	**7,867**	7,068	799	**7,605**	6,802	803
Aena Sociedad Concesionaria del AIRM S.M.E., S.A. (Spain)	**80**	76	4	**1**	1	0
ADI, SME, S.A. (Spain)	**24**	20	4	**26**	22	4
London-Luton Airport (United Kingdom)	**851**	851	0	**804**	804	0
Aeroportos do Nordeste do Brasil, S.A. (Brazil)	**56**	56	0	**0**	0	0
Total	**8,878**	**8,071**	**807**	**8,436**	**7,629**	**807**

[22] All the data presented corresponds to the end of the financial period, 31 December 2019, except in those cases in which another date is expressly specified. Likewise, in those cases in which its consolidation has not been possible, its scope is specifically indicated.

Due to the recent acquisition in March 2019 of the management of 6 airports in Northeast Brazil (ANB) and their launch being planned for January 2020, detailed information on this point cannot be provided as of the date of this report.

Total number and distribution of employees by sex, country and professional category.

	Aena SME, S.A.			Aena International			Murcia International Airport (AIRM)		
	Women	**Men**	**TOTAL**	**Women**	**Men**	**TOTAL**	**Women**	**Men**	**TOTAL**
Senior Management	4	7	11	0	0	0	0	1	**1**
Executives and graduates	799	993	1,792	6	11	17	5	12	**17**
Coordinators	322	791	1,113	0	0	0	1	6	**7**
Technicians	1,495	2,983	4,478	0	0	0	12	39	**51**
Support staff	252	221	473	6	1	7	1	3	**4**
Total	**2,872**	**4,995**	**7,867**	**12**	**12**	**24**	**19**	**61**	**80**

	London Luton Airport			Aeroportos do Nordeste do Brasil (ANB)			Total		
	Women	**Men**	**TOTAL**	**Women**	**Men**	**TOTAL**	**Women**	**Men**	**TOTAL**
Senior Management	0	0	0	0	0	0	4	8	**12**
Executives and graduates	16	48	64	6	11	17	832	1,075	**1,907**
Coordinators	11	28	39	5	5	10	339	830	**1,169**
Technicians	14	65	79	3	23	26	1,524	3,110	**4,634**
Support staff	291	378	669	2	1	3	552	604	**1,156**
Total	**332**	**519**	**851**	**16**	**40**	**56**	**3,251**	**5,627**	**8,878**

Total consolidated workforce according to age (Parent company)

	TOTAL
Over 45 years	4,872
25 - 45 years	3,911
Under 25 years	95
TOTAL	**8,878**

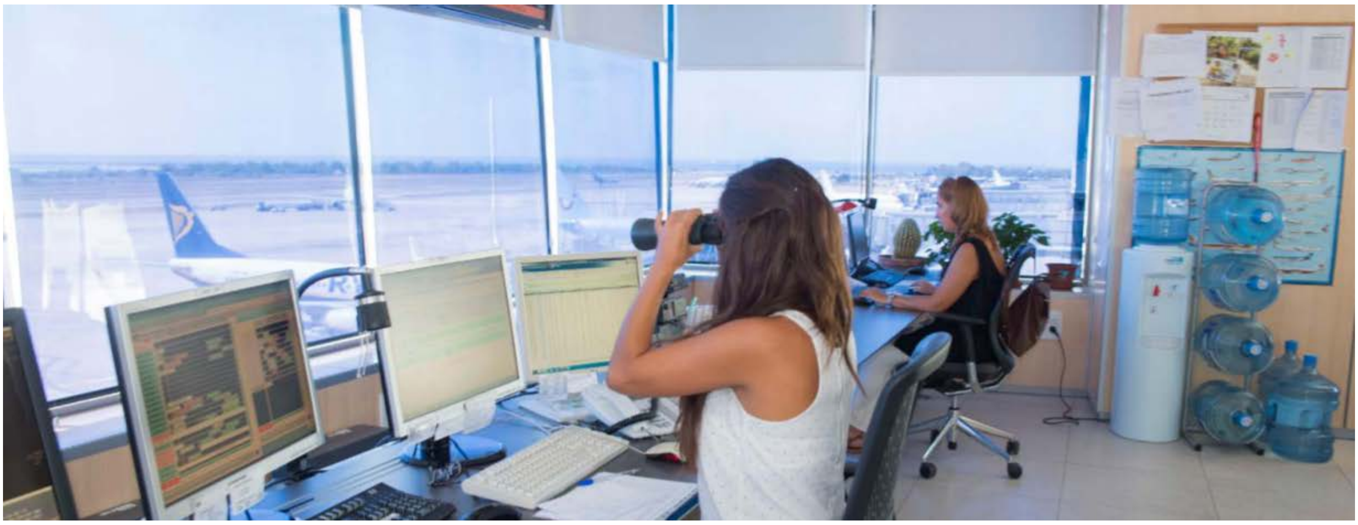
Distribution of the workforce consolidated by gender (Parent company)

	Employees	% of workforce
Men	5.627	63,4%
Women	3.251	36,6%
TOTAL	**8.878**	**100%**

Annual average of open-ended contracts, temporary contracts and part-time contracts by sex, age and professional category(*)

	PERMANENT		TEMPORARY		TOTAL	
	Part time	**Full time**	**Part time**	**Part time**	**Full time**	**Part time**
Men	4,909	151	457	24	5,366	175
Women	2,528	270	299	53	2,827	322
TOTAL	**7,437**	**421**	**756**	**77**	**8,193**	**497**
Senior management	11	0	0	0	11	0
Other management and graduates	1,645	52	90	3	1,735	55
Coordinators	1,129	32	1	0	1,130	31
Technicians	3,782	161	574	56	4,356	217
Support Staff	870	176	91	18	961	194
TOTAL	**7,437**	**421**	**756**	**77**	**8,193**	**497**
Over 45 years	4,292	183	205	22	4,497	205
25 - 45 years	3,072	217	545	54	3,617	271
Under 25 years	73	20	6	1	79	21
TOTAL	**7,437**	**420**	**756**	**77**	**8,193**	**497**

(*) Luton's information has been estimated, applying to the average workforce by professional classification, the % of full-time and part-time staff as of 31 December.
As it is a newly acquired subsidiary, as of this report the average workforce of Aeroportos do Nordeste do Brasil, S.A. is not available.



Turnover rate[23] of personnel of the parent company by age and sex (2019)

	% over 45 years	% between 25 and 45	% under 25	Total
Men	1.76%	2.46%	0.00%	**2.08%**
Women	0.73%	0.51%	0.00%	**0.63%**
TOTAL	1.39%	1.79%	0.00%	**1.56%**

- Average turnover rate of parent company: 1.56%
- Average turnover rate at London-Luton Airport: 13%

Number of dismissals by sex, professional category and age in 2019[24]

	Nº of dismissals	Sex	Professional category	Age
AENA, S.M.E. S.A.	1	Women	Other management and graduates	25-45
	1	Women	Technicians	25-45
	1	Men	Technicians	25-45
	1	Men	Support staff	25-45
Londres-Luton	1	Men	Executives and graduates	>45
	1	Men	Coordinator	>45
	1	Men	Support staff	>45
	1	Men	Support staff	25-45
	1	Men	Support staff	25-45
Aeroportos do Nordeste do Brasil	1	Men	Technicians	< 25

[23] Turnover: Number of employees who leave the organisation, voluntarily or due to dismissal, retirement or death while in the active status

[24] There were no severances through dismissal at the International airport of the Region of Murcia or in Aena Desarrollo Internacional.

Promotion of the labour integration of young people: conventions in force in 2019

Organisation	Project	Validity of the collaboration
Universidad de León	External academic internships and/or PhD studies	Until 08/11/2021
Universitat de Barcelona	External academic internship	Until 07/09/2021
Universidad Carlos III de Madrid	External academic internship	Until 22/07/2023
Universidad Politécnica de Madrid	External academic internship	Until 14/10/2023
Universidad Autónoma de Madrid	External academic internship	Duration of 1 year, tacitly extendable
Universidad Complutense de Madrid	External academic internship	Until 16/10/2023
Universidad de Alcalá de Henares	External academic internship	Duration of 1 year, tacitly extendable
Universidad Pontificia de Comillas	External academic internship	Duration of 1 year, tacitly extendable
Universidad Rey Juan Carlos	External academic internship	Until 01/10/2023
Universidad Politécnica de Catalunya	External academic internship	Duration of 1 year, tacitly extendable
Universidad Autónoma de Barcelona	External academic internship	Duration of 1 year, tacitly extendable
Universidad de Sevilla	External academic internship	Until 27/05/2023
Universidad de Cádiz	External academic internship	Duration of 1 year, tacitly extendable
Universidad de la Laguna	External academic internship	Duration of 1 year, tacitly extendable
Universidad de las Palmas de Gran Canaria	External academic internship	Duration of 1 year, tacitly extendable
CUNEF	External academic internship	Duration of 1 year, tacitly extendable
CENTRO DE ESTUDIOS GARRIGUES	External academic internship	Duration of 1 year, tacitly extendable
Universidad Politécnica de Valencia	External academic internship	Duration of 1 year, tacitly extendable
The Prince’s Trust	‘Get Into Airports’ programme (Luton)	Not available
Local schools (Luton)	Skill training and development	Not available

- Over 90 students of undergraduate or master's degrees have done curricular or non-curricular internships during 2019.
- 20 conventions in force with universities and education centres (2 conventions correspond to the London-Luton Airport).

14.3.2. Working conditions

The remuneration model of Aena is based on the principles of equality and non-discrimination due to gender or similar reasons, and because of its status as a state trading company, this model is subject to the provisions of the General State Budgets approved according to Law 6/2018.

- Fees of the Executive Director in 2019: 168,000 euros (includes fixed and variable remuneration and all bonuses.

- Remuneration of Directors: In accordance with the Notified Order of the Ministry of Public Finance and Public Administrations of 8 January 2013, it will be €11,994 derived from their attendance at meetings of the Board.

  However, the Remuneration corresponding to Directors with the condition of Key Member of the State General Administration is deposited in the Public Treasury[25]. Taking the above into account, and according to the number of Directors attending the Board meetings, the average remuneration received[26] per male Director was €10,500 and per female Director €10,666.67.

  Information about the remuneration of the Board of Directors is detailed in the Annual Remuneration Report, which can be consulted on the company's corporate web page.

- Senior Management Remuneration: In 2019, the average remuneration received by women in this category was €117,720 and men €131,994.54[27].The salary gap stands at 12%, due to changes in the organisational structure throughout 2019. Note that the appointment of one of the female members of senior management occurred in March and another in October 2019.

The remuneration by professional category is public and can be consulted in the wage tables included in Annex II of Aena's Collective Bargaining Agreement[28]. Below is an annual salary breakdown by professional category/level. This remuneration applies regardless of sex, and age; in other words, the same value corresponds to the same professional classification.

Professional category I	Professional level[29]	Annual amount 2019	Annual amount 2018
Executives and graduates	A	24,056.64	23,469.84
	B	20,240.16	19,746.48
Coordinators	C	17.960.64	17,522.52
Technicians	D	15,803.52	15,418,08
Support staff	E	14,987.40	14,621.88
	F	14,302.80	13,953.96

As detailed in Annex II of the Collective Agreement, other applicable Supplements (night shifts, working hours, etc.) are added to this salary.

There is also a percentage of variable remuneration based on targets, whose compliance is evaluated through a Performance Management System that contains efficiency, profitability, social and environmental objectives, among others (Chapter IX).

[25] The compensation for attendance, determined in the Notified Order of the Ministry of Public Finance and Public Administrations of 8 January 2013, cannot be received by those who likewise receive the remunerations that are regulated in Royal Decree 451/2012 of 5 March, thereby regulating the remuneration scheme of executive managers and directors in the public business sector and other entities.

[26] To calculate this, it has been taken into account that at Aena there are 15 Directors, regarding whom:

- The remuneration accrued by the 4 Directors (three men and one woman) and that of the Executive Director has been excluded due to them having Senior Management status.
- On 9 April 2019 two Directors left their posts due to expiry of the statutory period and they were immediately replaced by one female Director and one male Director, respectively, appointed at the General Shareholders' Meeting. For the purposes of calculating the average broken down by sex, 3 women and 8 men have been taken into consideration.

[27] For the purposes of calculating the average broken down by sex, the average Senior Management workforce (3 women and 8 men) has been taken into consideration.
To calculate the average remuneration, the Senior Management salaries, not including allowances, pension plans or insurance premiums, have been taken into account.
The difference in the average remuneration received by men and women is due to the changes that have taken place in the organisational structure throughout 2019. It should be noted that one of the female Senior Management members was appointed in March and the other one in October 2019.

[28] https://www.boe.es/buscar/doc.php?id=BOE-A-2011-19846

[29] Professional level classification according to the salary tables published in the Collective Agreement.

In the case of structure personnel (composed of middle managers and directors) this variable reaches 7.60% of the total gross remuneration. For the rest of the staff, it stands at 4.91%.
In relation to London Luton Airport within each category, different occupations are included. Each of them has a base salary (does not include variables) that is equal for men and women and age ranges. However, as can be seen from the following table when calculating the average value by category, its average value is distorted.

2019

	Women				Hombre			
	Age range			Average remuneration (€)	Age range			Average remuneration (€)
	<25	> 45	25 - 45		<25	> 45	25 - 45	
Coordinators	37,535	45,406	40,617	41,424	37,893	51,875	52,569	51,661
Senior management	0	148,098	89,434	99,211	0	113,661	159,041	130,380
Other management and graduates	0	67,724	69,622	68,809	56,961	64,171	65,199	64,342
Support Staff	20,012	25,268	21,383	22,488	22,857	27,482	29,163	28,037
Technicians	0	0	0	0	37,028	51,633	43,435	45,924
Grand Total	21,131	29,007	26,955	26,813	25,805	42,705	37,633	38,509

Note: Exchange rate Euro/pound sterling in 2019: 0.8778

2018

	Women				Men			
	Age range			Average remuneration (€)	Age range			Average remuneration (€)
	<25	> 45	25 - 45		<25	> 45	25 - 45	
Coordinators	25,317	36,688	41,800	39,822	35,337	53,449	49,790	49,698
Senior management			86,072	86,072		111,725	184,017	131,441
Other management and graduates		116,948	72,218	79,673		67,924	68,455	68,131
Support Staff	18,697	25,167	20,476	21,750	20,168	30,887	27,563	28,056
Technicians			40,550	40,550	31,164	52,010	43,411	45,229
Grand Total	19,037	26,633	25,605	25,096	22,538	43,271	35,283	37,220

Note: Exchange rate Euro/pound sterling in 2018: 0.8847

Comparison between Aena minimum wage and interprofessional minimum wage:

In accordance with the salary tables set out in Annex II of the Collective Agreement, and taking as reference the amount of the salary for the professional level corresponding to the lowest professional category (multiplied by 12 payments and adding the additional amount of 2 extra payments), an annual salary of €17,489.42 is obtained, well above the minimum interprofessional salary for 2019, which was set at €12,600. It should also be noted that workers receive the salary and extra-salary supplements that correspond to them depending on their seniority, occupation, work centre and type of shift.

Wage gap

As stated above, at Aena there are no salary differences due to sex. The wage tables that are recorded in Collective Bargaining Agreement I of the company include the remuneration of employees, with no discrimination due to sex or any other reason. In the case of Aeroportos do Nordeste do Brasil, the same principles apply.

The data included in the previous table in relation to the average remuneration by category and age gives a salary gap of 30%. However, as already indicated, although the quantitative data of the average salary shows the existence of this gap, there is no wage discrimination based on sex, and therefore this is due to the existence of different occupations included in the same category.

Working time organisation. Work-life

The organisation of working time is regulated in Collective Bargaining Agreement I, in Legislative Royal Decree 2/2015 of 23 October, thereby approving the rewritten text of the Statute of Workers' Rights, and in Royal Decree 1561/1995 of 21 September, on special workdays.

Regarding the activity of Aeroportos do Nordeste do Brasil, currently the provisions set forth in Brazilian legislation apply. The negotiation of a Collective Bargaining Agreement is expected to begin soon.

In order to motivate the people who form a part of Aena, the company has adopted measures to favour work-life balance. In 2019, at the parent company a total of €1,435,814.94 in social aid was allocated for employees[30].

Measures designed to facilitate the enjoyment of work-life balance and encourage joint responsibility of these measures by both parents[31].

Leave	• Improvement in paid leave for childbirth, serious illness of relatives, breastfeeding. • Compensation for public holidays that fall on a Saturday. • Personal leave days / • Personal leave by hours (normal workday staff). • Holiday leave by length of service. • Flexible schedule of clock-in and -out times.
Flexi-time	• Intensive working schedule during holiday periods. • Two hours of daily flexibility for parents with children with disabilities.
Employment grants	• Flexible remuneration (restaurant tickets). Medical insurance. • Life and accident insurance. • Medical examinations. • Financial aid for studies, health, disability, camps, nurseries, reimbursable advances. • Aena Employee Services Programme (PAE). A set of counselling, facilitation and emotional support services for events that take place in the life of employees, offering services and advice in all aspects derived from certain situations (legal, fiscal, social, administrative, etc.).

At a corporate level, action protocols are also available to address special situations such as those included in the Emotional Support Programme and the Prevention and Treatment of Addictive Behaviours, or to resolve possible conflicts of a professional nature through dialogue. In turn, London-Luton Airport has an assistance programme available to all employees and their families. It is a confidential service that includes personal advice and legal assistance if necessary.

As of the date of this report, Aena does not have a specific policy of labour disconnection, beyond the stated measures for favouring the work-life balance of the staff. Looking ahead to upcoming years, work is under way to establish an internal policy on the digital disconnection of Aena workers, which is expected to be forwarded to the union organisations that are present in the State Union Coordinator for the assessment thereof.

14.3.3. Occupational health and safety

Due to the company's activity, safety is a main principle of its operations and is present in all processes. Health and safety issues are formally included in the Collective Bargaining Agreement, which covers 100% of the workers through their Health and Safety Committees.

Aena has an occupational risk prevention service that guarantees the prevention and protection of all workers, regardless of their level of exposure. Moreover, the company has the necessary action protocols for maintaining the highest levels of safety, which are complemented by training and information activities (continuous and necessary) and by providing employees with the protective equipment they require according to the description of risks associated with each job position.

[30] Data referring to the parent company and AIRM.
[31] This set of measures applies to all workers covered by the 1st Aena Collective Agreement in Spain.

In 2019, the following actions are worthy of special mention:

- Maintenance of the Joint Prevention Service (parent company, Aena Desarrollo Internacional, Aena Sociedad Concesionaria del Aeropuerto Internacional de la Región de Murcia).
- Continuing to implement the protocol of collaboration with centres, aimed at identifying and implementing improvement areas in communication skills, conflict management, decision-making and leadership in a dialogued, collaborative manner and with monitoring, evaluation and impact agreements, in response to the results of the labour climate survey.
- Health and Safety Management Measures on Personal Protective Equipment (PPE).
- Advising Services for the entire staff.
- Increase in the dissemination of the risk sheets for each occupation to employees through the corporate Intranet.
- Management of more than 18,000 files of Coordination of Business Activities (CAE).
- Completion of more than 10,500 medical tests (exams, clinical analyses, certificates of fitness, etc.).

Main figures of 2019

Work-related accidents (frequency and severity, and diseases) (Aena S.M.E., S.A.)[32]

	2017	2018	2019	19/18 Variation
Incidence rate of occupational accidents. = Number of accidents x 103 / accumulated average staff.	8.93	6.76	7.24	7.08 %
Frequency index. = Number of accidents x 106 / (accumulated average staff x 1,711 hours/year).	5.25	3,92	4,23	7.92 %
Absenteeism rate. The Absenteeism Rate of Action = number of accumulated hours of absenteeism in the year due to leaves because of temporary disability and similar situations, unjustified absences, justified absences that are not recoverable and absences for reasons pending justification for each scheduled hour of work.	5.76	6.05	6.59	8.96%

Work-related accidents (frequency and severity, and diseases): London-Luton Airport[33]

	2019
Incidence rate of occupational accidents.	28.07
Frequency index. Number of accidents per million hours worked	17.01
Absenteeism rate. Number of accidents x1 million/number of hours worked (Number of hours worked annually x number of workers)	5.2

During 2019, no occupational disease declared by the mutual company was recorded[34].

2019 accidents by sex (parent company data)

	Nº of accidents	Accumulated average staff	I.R.	F.I.
Women	11	2,791	3.94	2.30
Men	45	4,941	9.11	5.32
Total	**56**	**7,732**	**7.24**	**4.23**

[32] Occupational health and safety indexes calculated according to Spanish regulations. London Luton Airport does not record occupational diseases. In 2019, AIRM and ADI had no accidents.
[33] London Luton Airport does not use the same criterion for calculating these indexes, since it applies English law. Their calculation is made with respect to the number of hours worked.
[34] Data referring to Aena SME, S.A.; Aena Sociedad Concesionaria del Aeropuerto Internacional de la Región de Murcia S.M.E., S.A; and Aena Desarrollo Internacional S.M.E., S.A; Aeropuertos do Nordeste de Brasil.S.M.E., S.A; Aeropuertos do Nordeste de Brasil.

Type of accidents[35]

Aena, SME, S.A.	Women	Men
Major	0	0
Minor	11	45
TOTAL	**11**	**45**

SCAIRM, SME, S.A.	Women	Men
Major	0	0
Minor	0	0
TOTAL	0	

ADI, SME, S.A.	Women	Men
Major	0	0
Minor	0	0
TOTAL	0	0

Workplace absenteeis

The number of accumulated hours of absenteeism in 2019 was[36]:

- Aena SME, S.A[37]: 754.854,41
- AIRM: 8.231,35
- ADI: 1.727

14.3.4. Industrial relations

Social dialogue at Aena is set forth in Collective Bargaining Agreement I of the Aena Group, which in Chapter XIX thereof refers to collective representation and union rights.

The State Union Coordinator (C.S.E.) is the representative body of workers of the entities and/or companies that make up the Aena Group, who are included within the scope of application of the Collective Bargaining Agreement (Section 3 - Art. 161 of Collective Bargaining Agreement I of the Aena Group of Companies).

To develop the different elements provided for in the agreement, the corresponding joint commissions have been formed, composed of the unions that are present on the State Union Coordinator and the company, where specific matters of the Collective Bargaining Agreement are discussed:

- Comisión de interpretación, vigilancia, conciliación y arbitraje y solución voluntaria de conflictos. Joint Commission on Training.
- Joint Commission on Promotion and Recruiting.
- Joint Commission on Equality.
- State Health and Safety Committee.
- Joint Commission on Social Action.
- Commission on interpretation, monitoring, work-life balance and arbitration and voluntary conflict resolution.

Main indicators:

Percentage of employees covered by the Collective Bargaining Agreement by country:

- 99,86% in Spain[38].
- 40% in Luton (UK). At London-Luton Airport, the agreement includes provisions on remuneration and establishes obligations for consultations with the unions on contractual changes, working hours, reduction of staff and social benefits.
- Brazil: the provisions set forth in Brazilian legislation are applied. The negotiation of a Collective Bargaining Agreement is expected to begin soon.

100% of the employees are represented on Health and Safety Committees in Spain.

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[35] Aena's Occupational Risk Prevention Service counts the index of accidents with medical leave at a work centre, given that they are those that could be subject to a preventive measure.

[36] Due to the acquisition by Aena in March 2019 of 6 airports in Northeast Brazil (ANB), for their corresponding management, and the launch being planned in January 2020, detailed information on this point cannot be provided as of the date of this report. However, this data will be provided in future years.

[37] Data obtained by totalling the number of non-recoverable hours and the number of recoverable hours at the close of each month. Recoverable hours include: occupational illnesses-accidents and non-occupational illnesses-accidents, illnesses without leave of 1 day's duration, accidents without leave by hours, absences of the occupational health department by hours, extension of Temporary Disability and Extended Temporary Disability. Recoverable hours include unjustified absences and those pending justification.

[38] The remaining 0.14% of employees not covered by the Agreement are made up of the company's Senior Management team.

14.3.5. Training

Developing the workers' skills is a priority and a key element in the company's human resources strategy. In general, various actions, programmes and measures have been promoted within the framework of the provisions set forth in the 2018-2021 Strategic Plan, which seek to contribute to transforming the organisational culture and modernising human resources management, thereby increasing motivation, commitment, involvement and the development of professional skills.

Significant training actions in 2019 included:

- Implementation of Competence Verification Testing at Aena in June 2019.
- Establishment of Pools of Local Trainers at the Adolfo Suárez Madrid-Barajas, Josep Tarradellas Barcelona-El Prat and Palma de Mallorca airports between September and December 2019.
- Throughout 2019, in addition to the planned training related to technical, behavioural, information technology and computer aspects, training programmes for taking care of the international customer have been developed (Customer Centricity & Excellence), based on the proposal of a multi-cultural service. These programmes are attended by workers from different centres and areas.
- Presentation and development of the Digital and Cultural Transformation plan as a thread of change and improvement in the reality of Aena.
- Continuation with mindfulness training, expanding it to other recipients, at both central services and airports.
- In response to the training needs due to the international development project of Brazil, training on Brazilian Portuguese has begun.
- Implementation of online training on compliance for the entire staff, in line with Aena's Regulatory Compliance System.
- London-Luton Airport:
  - Leadership development for front-line leaders.
  - First aid, including training for mass victims and first aid for children.
  - Training on Learning for Fire Fighters.

Development programmes

- The "**Leaders developing leaders**" Mentoring programme

  The 8th edition was launched in 2019. Since its inception, a total of 212 people have participated. This programme promotes the implementation of some key mechanisms for professional development:
  - Transfer of knowledge and know-how, coupled with skills development for leadership.
  - Encouraging commitment, cultural transformation and internal networking

- **Coaching programme.** Beginning in 2007 with external coaches and as from 2011 continuing with internal coaches, it is a development strategy that focuses on enhancing behavioural skills (of social interaction and personal efficiency, mainly). It has been increased by over 20% in customers and accumulated hours for this year. In 2019, there were 19 clients (11 women and 8 men), with a total of 170.5 accumulated coaching hours.

Main indicators

Total amount of training hours by professional categories:

- Training hours in Spain: 459,290.60
- Training hours at London-Luton Airport: Data unavailable[39].
- Training hours at Aeroportos do Nordeste de Brasil: 2,191.

[39] London-Luton Airport does not record training hours.

Training hours by professional categories Spain

Company	Professional Classification	In-person	Online	Grand total
Aena S.M.E. SA	Senior managers and middle	30,211	16,740	46,951
	Graduates	18,622	14,843	33,464
	Coordinators, Technicians and Support	144,318	230,475	374,793
Total Aena S.M.E. SA		**193,151**	**262,057**	**455,208**
Ae. Internacional Murcia	Senior managers and middle	99	87	186
	Graduates	155	270	425
	Coordinators, Technicians and Support	1,427	1,154	2,580
Total Ae. Internacional Murcia		**1,681**	**1,511**	**3,191**
AENA Desarrollo Internac	Senior managers and middle	359	286	645
	Graduates	163	11	174
	Coordinators, Technicians and Support	60	12	72
Total AENA Desarrollo Internacional		**582**	**309**	**891**
GRAND TOTAL		**195,414**	**263,877**	**459,291**

14.3.6. Universal accesibility for people with disabilities on the job

Aena's Code of Conduct sets forth the necessary actions so that workers with a disability can perform professionally under equal conditions.

Employees with disabilities 2019

	Manpower	% of total workforce
Aena, SME, S.A.	111 (2018) 115 (2019)	2.53%[40] (2018)
SCAIRM SME S.A	6	7.5%
ADI, SME S.A	0	0
Aeroportos do Nordeste do Brasil, S.A.	0	0
Aeropuerto de Londres- Luton		Not available[41]

Moreover, all Aena facilities and work centres are set up to facilitate and provide access by employees, customers, suppliers, etc., thereby ensuring universal accessibility for people with disabilities.

[40] Data from Aena SME, SA corresponding to 2018. According to current legislation, the percentage of employees with disabilities is calculated based on the effective number of people with disabilities in the workforce as of 31 December, and the equivalent number of people resulting from the compensatory measures approved by Resolution of the General Directorate of the Public Service of State Employment (SEPE) on the Declaration of exception and adoption of alternative measures for the fulfilment of the reserve quota in favour of workers with disabilities).
The effective number of employees with disabilities as of 31 December 2019, is 115 people. However, as of the date of publication of this report, the Resolution from the competent body regarding the Declaration of exception corresponding to the 2019 financial period that allows the percentage of employees with disabilities to be included in the 2019 financial period is not available.
[41] London Luton Airport does not record personnel with disabilities.

14.3.7. Equality and diversity

As a plural company, Aena is committed to defending the identity, dignity and equality of all people, in its teams, in its supply chain and in the services it offers.

The company's talent management model reflects Aena's commitment to diversity, and it therefore guarantees that no discrimination occurs through the principles set forth in:

- The Selection policy for board candidates.
- The Code of Conduct applicable to all people who work in the organisation.
- The Equality Plan defined in the Collective Bargaining Agreement.
- Equal hiring processes, described in the Collective Bargaining Agreement.

Diversity is also present throughout the value chain through the inclusion of diversity clauses in tenders..

Active policies aimed at groups at risk of exclusion, the contracting of services from special employment centres and offering a comprehensive service to people with reduced mobility in airports also complement Aena's activity in this regard and demonstrate the company's firm commitment.

Relevant actions in 2019

- Training for employees on content related to equality between women and men: 820 online training hours, 410 participating employees.
- Participation in the "Women in Transport" project, a platform created in 2017 in the European Union to promote the employment of women and equal opportunities in the transport sector. Through this platform, Aena shares experiences of good practices with different members and discusses subjects of interest in meetings that take place within the platform, as well as the appointment of a Diversity Ambassador, which is a figure that it is going to be set up during 2020 in the various participating countries.
- Commitment of adhesion to "Ellas Vuelan Alto" [They (Women) Fly High], an association whose objective is to promote equality in the aerospace sector by acting within the political, academic, business and social scopes.
- The Fly News magazine awarded the Women and Aviation Award (2018) to Aena, the company with the greatest presence of women in executive positions.
- At London Luton Airport, the employee manual and the obligations arising from the British Equality Act of 2010 reflect the company's commitment to diversity:
  - The provision of accessible services of high quality.
  - The commitment to clients, local communities, staff, stakeholders and contractors to identify and implement improvements.
  - The tackling of barriers that restrict access to services.
  - The understanding of issues related to age, disability, gender reassignment, pregnancy and motherhood, marriage, race, religion or belief, sex and sexual orientation.
  - The promotion of equal opportunities in all employment practices and the provision of services.

Aena's Collective Bargaining Agreement includes an Equality Plan whose compliance and development has been monitored since 2010 by a Joint Commission formed in equal parts by Aena and the majority unions. The Plan pays special attention to the prevention of sexual harassment, and it includes a specific protocol that incorporates a programme to manage possible complaints.

7 complaints due to harassment were received in 2019:

- 4 complaints filed after the analysis of objective data, provided for in the harassment procedure.
- 3 complaints for which it was deemed necessary to activate the harassment procedure after the initial assessment phase.

Moreover, the Protocol for the Intervention of Structural Situations was activated at the airports of Fuerteventura, Menorca and La Palma.

Elimination of discrimination in employment

Point 4.1 of Aena's Code of Conduct sets forth the company's commitment to "provide the same opportunities in access to work and in professional promotion, therefore rejecting any type of discrimination based on race, nationality, social origin, gender, marital status, sexual orientation, religion, political ideology, disability or any other personal condition of people, whether physical or social".

Another series of measures are added to the Code, which specifically allow preventing possible cases of discrimination related to Aena's activity.

In addition to the mechanisms mentioned in the preceding sections, Aena has measures against discrimination:

Renovation, in 2019, of adhesion to the UN Global Compact, a commitment of support for the ten principles related to human rights and labour standards, the environment and anti-corruption.

Act 9/2017 of 8 November, on Contracts of the Public Sector: the main reference for setting up Aena's relationship with its suppliers, which in this scope confirms respect for the principles of transparency, non-discrimination and equal treatment.

An Equality Plan defined in the Collective Bargaining Agreement, which also records provisions for preventing and avoiding causes of discrimination at work. This is also present in the Selection Policy for Board Candidates.

The Code of Conduct which makes it mandatory to provide adaptations that are objectively necessary to job positions or the occupational environment so that workers with a disability can develop professionally under equal conditions as those for all other employees.

14.4. Human Rights

14.4.1. Due diligence in the protection of Human Rights

Aena's firm commitment to Human Rights materializes in adhesion to the binding recommendations or guidelines implemented by the Spanish government with respect to the United Nations, as well as in various multinational initiatives in business.

AENA'S COMMITMENT TO FUNDAMENTAL CONVENTIONS REGARDING HUMAN RIGHTS

Universal Declaration of Human Rights of the United Nations
Declaration of the International Labour Organization (ILO)
Adhesion to the Principles of the United Nations Global Compact
United Nations Guiding Principles on Business and Human Rights
OECD Principles of Corporate Governance
National and international laws and regulations in force in the countries where it operates
Forced Labour Policy at the London-Luton Airport
Law on Contracts of the Public Sector
Code of Conduct
Collective Bargaining Agreement
Internal Contracting Manual
Policy on Corporate Responsibility

Section 4.1 of Aena's Code of Conduct, in addition to the Strategic Plan, the values of corporate responsibility and the Principles of the United Nations Global Compact.

Main impacts of Aena's activity on human and employment rights	Principles of the UN Global Compact
Occupational health and safety of people	Principle 1 Principle 2
Equality and non-discrimination	Principle 1 Principle 2 Principle 6
Decent work	Principle 3 Principle 4 Principle 5 Principle 6
Child labour[42]	Principle 5
Protection of the environment	Principle 7 Principle 8 Principle 9
Commitment to the customer/suppliers	Principle 8 Principle 10
Freedom of association	Principle 3

Through the Regulatory Compliance System and the Risk Control and Management System, which come under Compliance Management and Internal Auditing, respectively, Aena has control and monitoring mechanisms of the acquired commitments, including those related to Human Rights, continuous evaluation of the level of risk, the identification of possible new impacts and social concerns, as well as (in general) for safeguarding compliance with applicable laws and standards.

Within this framework, a violation of the corporate commitments or of Human Rights regulations will follow the procedure provided for cases of a breach, with the corresponding consequences regarding penalties, if applicable.

[42] See Art. 23 of the Collective Bargaining Agreement

Prevention of risks that violate Human Rights

At the same time, the Risk Control System, the Collective Bargaining Agreement, the Internal Contracting Regulations and the aforementioned Code of Conduct contribute suitable instruments for the prevention of, control of and follow-up on actions that may be related to a violation of Human Rights.

Complaints due to a violation of Human Rights

Complaints are received through the whistle-blower channel, particularly those referring to Human Rights.

Employees can ask questions about or report possible risks or breaches regarding Human Rights, among others, as it is stated in section 14.5. It likewise covers the rights acquired through the Collective Bargaining Agreement, except for those related to harassment in the workplace, which have their own protocol.

During 2019, no complaints referring to beaches in the area of Human Rights were recorded.

Future challenges

The company's framework of internationalisation, materialising especially in 2019 through Aena's concession of Aeroportos del Nordeste de Brasil, represents a challenge in the area of Human Rights. Aena, aware of this, assumes this new context and commits to responding to the possible demands. With respect to 2020, Aena's commitment to Human Rights will be reinforced with the approval, by the Board of Directors, of a policy that is applicable to the group as a whole.

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14.4.2. Transfer of the protection of Human Rights to the value chain

Aena's Code of Conduct establishes the principles and values of ethics, integrity, legality and transparency that must guide the conduct of all people who are included within its scope of application, not only between each other but also in their relations with customers, shareholders, suppliers and, in general, with all people and entities, whether public or private, with which they may relate in the performance of their professional activity, while likewise promoting effective compliance with the standards that apply to those activities as a whole, under the principle of zero tolerance for any kind of illegal behaviour.

In accordance with applicable legislation on contracting, all tenders include clauses related to respect for Human Rights, among others. Therefore, the Internal Contracting Manual provides mechanisms for following up on the degree of compliance with clauses of this nature that are included in contracts and the penalty measures (as it is detailed section 14.6.).

London-Luton Airport follows the policy of zero tolerance towards human trafficking and slavery, which it applies in all its contractual relationships. In 2018 a series of tools were developed, focused on incorporating environmental and sustainability considerations in acquisition processes. The documentation associated with tender processes has a clear scoring system as a part of evaluating not only suppliers but also established social and environmental standards.

Accessibility in the provision of services

Improvement in the accessibility of airports and providing responses to the needs of customers and passengers constitutes a strategic objective. Follow-up on Aena's Policies and Action Plans provides the necessary framework for favouring the knowledge and identification of possible risks and opportunities related to matters of a more social nature, thereby facilitating the design of initiatives and the proposal thereof to the Board of Directors

14.5. Fight Against Corruption And Fraud

Aena's commitment against corruption and bribery is specifically recorded in the Anti-Corruption and Fraud Policy, where the company expresses its firm rejection and zero tolerance for any behaviour that might represent an illegal act or that violates Aena's policies, standards, values and action principles.

Aena uses various instruments, notably its Code of Conduct, to establish permanent monitoring of and penalties for acts or behaviours that are fraudulent or that foster corruption in any manifestation thereof.

14.5.1 Adopted prevention measures

The main instrument that Aena has available to handle behaviours that could violate regulations or ethics is its Code of Conduct, which links and is applicable to the administrative bodies, senior management and all employees of Aena[43], regardless of their position, responsibility, occupation or geographic location. Therefore, respect for the following principles is established as an internal standard of the company:

- Legality.
- Integrity, honesty and trustworthiness.
- Independence and transparency.
- Excellence and quality in meeting our stakeholders' expectations.
- Respect for the image and reputation of Aena.

Good Governance, which, at all times, have to guide and preside over the actions of people who are subject to the Code of Conduct.

As it was mentioned in Chapter 1 of the EINF, Compliance Management and the Supervision and Control Body are in charge of monitoring and verifying any irregular conduct and managing Aena's whistle-blower channel. They are given the following duties:

- Ensuring that all complaints received are analysed independently.
- Guaranteeing the confidentiality of the identity of the person making the complaint, as well as the identifies of the reported party or parties.
- Informing the people who are strictly involved in the process and following up on and finalising the complaints made.
- In the event of a violation, applying the procedures set forth in Chapter XIV of Aena's Collective Bargaining Agreement.
- For breaches attributable to members of the Board of Directors, the provisions of the Regulations of the Board of Directors will apply; for senior managers, the provisions of the contracts governing their relationship with Aena will apply.
- Regular, in-person and online training programs have been set up for all company employees and directors, consisting in the completion of a course via the corporate Intranet, designed to prevent or mitigate the risk of crimes being committed at Aena and to publicize the company's Code of Conduct and Whistle-blower Channel.
- 7,174 people participated in the online training during 2019 (90.03% of employees).

[43] London-Luton Airport has its own Code of Conduct, although it incorporates values in line with those of Aena. In the case of Brazil, Aena is aware of the challenge it represents regarding corruption and bribery and internationalisation of the company. Aena therefore undertakes to respond to the international context according to the provisions set forth by the company through various policies and its Code of Conduct, where it expresses the company's firm rejection and its "zero tolerance" for any conduct that might represent an illegal act or one that violates its policies, standards, values and action principles.

Anti-Corruption and Fraud Policy

The Anti-Corruption and Fraud Policy complements and develops the provisions set forth in Aena's Code of Conduct and the General Regulatory Compliance Policy. The policy expressly prohibits carrying out any action that could constitute such conduct by members of the board of directors, executives and all employees of Aena or of any other company that might be wholly owned by Aena and registered in Spain.

The policy provides for a periodic review of the established measures to evaluate and increase their efficacy, and it attributes the competency for ensuring compliance with the same to Aena's Supervision and Control of Compliance Body.

This body's commitments and responsibilities are the following:

- Permanent monitoring and the penalization of fraudulent conduct or of conduct that might foment any form of corruption.
- Maintenance of effective communication and awareness-raising mechanisms for all employees, executives and governing bodies.
- Development of a business culture of ethics and honesty.

Among the measures included in the Policy Against Corruption and Fraud to prevent these behaviours, the following could be highlighted:

- The risks associated with fraud, with corruption and with bribery will be adequately contemplated in Aena's internal procedures and, in particular, in all procedures related to relations with third parties.
- Knowledge of and respect for these procedures will be promoted through adequate diffusion and through specific training programmes.
- Specific measures will be applied regarding the corruption and bribery of members of public or private entities, including information about gifts, commissions or credit facilities; political or association activities; and projects of social content and sponsorships[44].
- Entering into any financial transaction, contract, convention or agreement is prohibited whenever there may be sufficient reasons to believe that there could be some link to improper or corrupt activities, in accordance with the established criteria. The following section offers additional information in this regard.
- Establishing commercial relations that, in accordance with the developed criteria, may be considered high risk will not be permitted.
- The qualifications and integrity of every supplier and client will be verified before initiating commercially binding relations, whenever it may be deemed appropriate by the Unit proposing the commercial relationship, thereby always considering the contracting regulations that may be applicable in each case.
- To the extent possible, awarded suppliers and customers must have anti-corruption protocols and controls. In any event, an anti-corruption clause will be included in any contracts or agreements to be signed.
- Regarding relations with third parties (commercial agents, representatives and partners), the following is specified:
    - The third party must be appropriately evaluated by Aena regarding matters such as the type of transaction to be conducted, the type of agreement or contract to be signed, the identity of the third party or their shareholders, the jurisdiction, etc.
    - Aena's partners must have anti-corruption protocols and criteria. In any event, an anti-corruption clause will be included in any contracts or agreements to be signed.
    - In the event that additional risks appeared, a process of reinforced due diligence will be conducted.

- Regarding corporate operations, Aena establishes a process of maximum diligence that analyses and assesses all implications and risks. The due diligence process will be determined, in each case, according to the specific circumstances that are present in the corporate operation. Specifically, Aena has a Scheme of Related-Party Transactions, with the objective of being able to adequately meet its obligations referring to the fact that, in the adoption of its decisions, the defence of the best interests of the company or of its group takes precedence, as the sole aim, thereby avoiding, in these decisions, the influence of persons affected by their own motivations or their own aims, or any that may be in addition to or different from the indicated aim.

Obliged parties must inform the Supervision and Control of Compliance Body about any suspicion or the knowledge of inappropriate conduct or of a breach of provisions.

[44] Consult sections 4.12, 4.13 and 4.16 of Aena's Code of Conduct.

14.5.2. Measures to combat money laundering

The Anti-Corruption and Fraud Policy establishes Aena's commitment to maintain reliable and integral third parties. In any event, for specific relations with partners, commercial agents and representatives, it indicates the obligation to determine the following through the due diligence process:

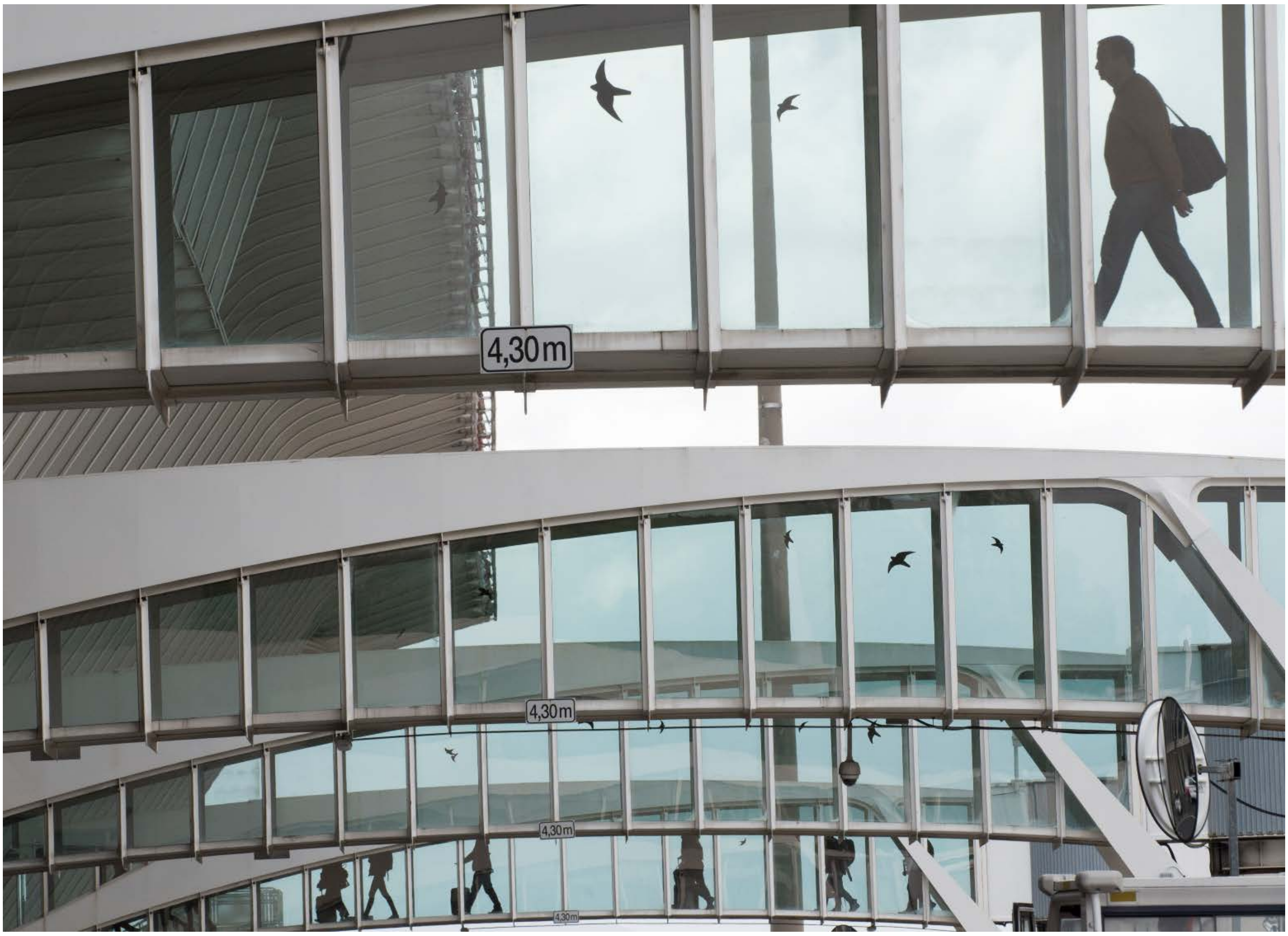
- The identity of the counterparty and their directors in fact and by law.
- The identity of the bare owner, which is understood as the owner who is so pursuant to the provisions set forth in Article 4.2 of Act 10/2010 of 28 April, on anti-money laundering and terrorist financing, and the identity of the financial activity within which the corresponding business relationship is established.

As it is also mentioned in the preceding section, Aena prohibits entering into any financial transaction, contract, convention or agreement whenever there may be sufficient reasons to believe that there could be some link to improper or corrupt activities.

Moreover, transactions with partners will only be conducted after having verified that they act reputably in their sector and that they have a recognized history of ethical behaviour.

Third parties (partners, commercial agents and representatives) will be appropriately evaluated through a due diligence procedure, in which the type of transaction to be conducted will be one of the elements to be evaluated.

At the close of 2019, Aena had no knowledge of complaints related to money laundering.



14.6. Aena and its impact on the environment: Social Issues

14.6.1. Commitments to sustainable development

In awareness of its role as an engine for social change in the environment where it operates, Aena launched its Strategic Corporate Responsibility Plan in 2018, a specific line of the Company's Strategic Plan that defines the areas for intervention on this issue and enables us to identify key projects for aligning Aena's intervention with the rest of the companies from its environment, as well as responding to new regulatory requirements on the topic of corporate responsibility.

It is structured around the benchmark set by the UN Global Compact and Sustainable Development Goals, which, together with the Corporate Responsibility Policy, provide the framework for action that the Company uses to implement Aena's social and environmental initiatives, as well as initiatives in good governance.
This policy is structured around the following key objectives:

- Promotion of culture and social action
- Attention to passengers with special needs
- Environmental actions of a social nature
- Reporting and transparency
- Promotion of tourism and local heritage

Within this framework for action, Aena takes part actively in society through own initiatives of a social and environmental nature by promoting staff participation and supporting activities promoted by third parties.

FIELDS OF INVOLVEMENT	NOTEWORTHY INITIATIVES 2019
flights	+ 14,400[45].
Environmental commitment	Development of voluntary environmental interventions.
Good practices in corporate responsibility	Consolidation of the project "Aena with music," which comprises a strategy for patronage and collaboration that supports training and musical talent of young performers and groups in risk of exclusion, and brings music to individuals who visit the airports.
Inclusion	Aena collaborates to promote International Autism Day.
	Launch of the proposal "Aena with autism."
Labour integration	New invitation for entities that carry out labour insertion initiatives and job creation campaigns for persons with disability (100,000 €/per year).
	The women of Aena are recognised for their excellent work.
Equality and accessibility	Some airports of the network make available solidarity spaces to raise awareness of this social problem.
Zero violence	
Synergies	
	Aena strengthens its alliances and joins new international initiatives, such as the NetZero2050 initiative of ACI Europa
Social innovation	Launch of the programme for Tablets of ASQ (Airport Service Quality), implementation of a pilot project for facial recognition at boarding gates.
Transparency	
	Aena has received recognition for the excellent information that it offers to its shareholders and stakeholders.
Training and employment	The internal communication channels with staff are reinforced.
Healthy life	Launch of the project Employer Branding to improve the internal and external employer brand.
Support for social causes	Organisation of 6 careers in airports of the network. Dissemination of careers based on solidarity. Organisation of other sport events (paddle tennis tournament).
	Aena cedes the solidarity spaces of its airports to social entities and NGOs to raise awareness of social problems

[45] Provisional data at the close of 2019

Aena has aligned its business model and business strategies with the **United Nations Sustainable Development Agenda**.

Sustainable development goals		Contribution
	7 Affordable and non-polluting energy 11 Sustainable cities and communities 13 Climate action 6 Clean water and sanitation 15 Life and terrestrial ecosystems	**Environmental protection, efficient use of resources and the battle against climate change** Promoting models of sustainable coexistence in the environments in which the Company operates. Multiple actions are also undertaken geared towards, for example, mitigating the acoustic impact, improving energy efficiency, fostering the use of renewable energies or monitoring air quality.
	3 Health and well-being 4 Quality education 5 Gender equality 8 Decent work and economic growth	**Economic and sustainable growth** Safe and healthy working environment, characterised by equal opportunities and non-discrimination, promotion of diversity, talent management and the reconciliation of professional and personal life.
	10 Reduction of inequalities 11 Sustainable cities and communities	**Diversity and social inclusion** Diversity and universal accessibility, through the promotion and exchange of cultural values, participation in the community and contribution to social welfare.
	9 Innovation and infrastructures 12 Responsible production and consumption	**Sustainable consumption** Quality and safe services, which guarantee the health and protection of all their users and employees.
	16 Peace, justice and solid institutions 17 Alliances to achieve objectives	**Alliances to achieve objectives** Recognising the importance of alliances, communication and transparency as tools for raising awareness and achieving our goals.

14.6.2. Impact of the activity on society and the environment

Employment and local development

Aena's activity results in qualitative and quantitative impacts with repercussions in different areas in the communities where it operates. Aena creates direct employment in an amount of 8,878 jobs. It is likewise worth noting that air travel creates a total of 530,000 jobs in Spain (2.3% of the active population)[46, 47].

Likewise, the company works with a majority of local suppliers. 98.31% of its suppliers are local.

The Company's activity has manifested by creating resources in the community (social cash flow), distributed in:

- Payment of taxes: 826.8 M€
- Payment of dividends: 1,045.1 M€ (1,039.5M€ paid to Aena shareholders, and the rest to Luton minority shareholders)
- Purchasing and procurement (allotment of dossiers, minor contracts and procurement relative to leasing for commercial activity): 1,310 million euros (taxes excluded).

Tax contribution

The fiscal contribution of the Aena Group in the 2019 financial period amounted to 826.8 million euros. The taxes paid amounted to 585.4 million euros, the most important being corporate tax, which totalled 432.1 million euros.

The tax contribution in FY 2019 is divided into the 11.9 M€ in taxes paid in Luton, (1.4% of the total) and the 814.9 M€ in Spain (98.6% of the total).

Country	EBITDA (€M)
Spain	2,766.3
United Kingdom	99.6
Brazil	This subsidiary has focused its activity in this period on the preparatory tasks for the start of operations in 2020

For more details see the Annual Accounts.

Public subsidies received:

Aena did not receive subsidies, tax credits or credits or financial incentives from any government in 2019.
Aena no ha recibido en 2019 subvenciones, desgravaciones o créditos fiscales ni incentivos financieros por parte de gobierno alguno.

Contributions to foundations and non-profit entities

To satisfy the growing demands of today's society, and to attain the goals included in Agenda 2030, the companies must set up mechanisms for involvement and cooperation that enable them to take advantage of synergies and of the multiplier effect in benefit of the common interest. Accordingly, Aena is a signatory of The UN Global Compact and takes part in organisations of experts on the issue of sustainability to share experience, knowledge and perspectives, such as Forética, the Excellence in Sustainability Club, Community for the Climate, Initiative of Companies for a society free of gender violence, and the Seres Foundation.

Aena's total contributions[48] to non-profit foundations and entities in 2019 has reached 3,457,567.00 €, which includes both membership in the aforementioned organisations and also different initiatives for social action.

Moreover, on the corporate web page you can consult in detail all

agreements concluded between Aena and different entities. http://www.aena.es/es/corporativa/convenios.html

Impact on the local populations and on the territory

Noteworthy among Aena's most important impacts is its contribution to the development of air transport - a strategic fact in terms of connectivity, accessibility, cohesion and territorial connection-, and thus to local development, both at the economic and at the social level.

In order to promote structuring of the territory on the peninsula, different actions are carried out that ensure the cohesion and optimise the connections between the airport and its surroundings.

[46] Source: ATAG. Aviation Benefits Beyond Borders, October 2018. Data from 2016.
[47] Source: Active population (INE EPA 4T2016).
[48] Includes amounts from AIRM and ADI.

The most noteworthy are:

- Mobility Plans:
  - Josep Tarradellas Barcelona-El Prat Airport has a Mobility Plan for the integration of access and transport infrastructure (car parks, bus stop and taxi area, etc.) with that of the airport itself.
  - In other facilities, periodic mobility surveys in air mode (EMMA) are carried out in various airports that make it possible to identify the passenger's profile, their modes of access and origin.

- Application of insularity criteria in the airport charges in the Canary Islands and the Balearic Islands.

- By setting up new subsidised routes and developing hub airports, the Company also fosters the airport sector as a tool for connectivity and connection between the world's main cities.

It is also worth emphasising the International Cooperation Programme, the goal of which it to improve training of professionals in the aeronautical sector in Ibero-America and to promote the development of its countries and regions.

- Each of the activities carried out by the programme is conducted in collaboration with national and international organisations and institutions, such as: the Spanish Agency for International Cooperation for Development (AECID), the Technical Cooperation Directorate of the International Civil Aviation Organisation (ICAO), or the Higher Technical School of Aeronautics and Space Engineering at the Polytechnic University of Madrid. This programme contributes to reinforce excellence and showcase the good practices of the Company and of Spanish industry abroad.

- Thanks to this initiative, over the last five years more than 1000 aeronautics professionals have been trained in 23 different countries, which has entailed an investment of 948,000 €. In 2019, 136 professionals participated in the training programme, with a total investment of € 187,000, and a satisfaction rating of 9.8 points out of 10.

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14.6.3. Relationship and dialogue with stakeholders

Based on communication policy and the culture of corporate responsibility, Aena fosters a framework of relationships with stakeholders based on transparency, dialogue, the generation of trust and the creation of shared value.

In this context, the Company is developing a series of tools and mechanisms for active and bidirectional communication with its stakeholders to enable dialogue, collaboration, accountability and, at the same time, to help evaluate and permanently reinforce the Company's commitment.

Examples of this are the quality perception surveys and the complaints channels, which are available to all users, or the section of the web page on investor relations.

Moreover, Aena's strong presence in social media is noteworthy, since it enables the Company to enhance its relationships over the long term with all stakeholders, thus promoting continuous feedback. In this regard, in 2019 we can highlight the following results:

- 35,3 million visits to the Aena website.
- 19.7 million users.
- +250,000 interactions with network users.
- 167,000 followers on the social media.
- 50 internal weekly publications (Aena 360º)
- 121 news items on corporate responsibility.

14.6.4. Subcontracting and suppliers

The Procurement Directorate is responsible for management with suppliers and has in place a centralised procurement unit; besides this, there are as many procurement units as there are airports. These manage and process supplier contracts and commercial leases.

For the conduct of its procurement operations, Aena is subject to different regulations:

In Spain:

- Act 9/2017 of 8 November on Public Sector Contracts, which transposes into the Spanish legal system the Directives of the European Parliament and of the Council 2014/23/EU and 2014/24/EU, of 26 February 2014.
- Act 31/2007, of October 30, on hiring procedures in the water, energy, transport and postal service industries.

In the United Kingdom:

- Public procurement is regulated by the Utilities Contracts Regulations 2016 and the Company's procurement policy, which is subject to the approval of the Procurement Directorate.

Likewise, in all territories where the Company operates, Aena's internal regulations apply, and in the field of contracting suppliers they provide for the following tools:

- Internal manual for vendor contracting of Aena S.M.E., S.A.
- Internal circular on Minor contracts of Aena S.M.E., S.A.
- Internal circular on Spending authorisations of Aena S.M.E., S.A.

In procurement, Aena has made a firm commitment to transparency and competition when selecting suppliers. For this purpose, it has in place its own General Internal Procurement Rules and management through Procurement Portal.

Inclusion of social issues, gender equality and environmental issues in the purchasing policy

Pursuant to Act 9/2017 of 8 November, on Public Sector Contracts, which transposes into the Spanish legal system the Directives of the European Parliament and Council 2014/23/EU and 2014/24/EU, of 26 February 2014, on procurement processes, to which Aena has been adapting gradually since its approval, important aspects related with social, labour or environmental conditions have been incorporated into the procurement specifications, and suppliers must necessarily comply with these when performing the contracts.

In specific, sections and clauses have been added that require compliance with:

- Special conditions for performing the contract. These include a minimum percent of fixed staff in the company or of staff with disability or social exclusion; timely payment of wages to staff; reduction, reuse and recycling of waste products; sustainable water management; environmental vigilance system; or being up-to-date in payments to subcontractors and suppliers.
- Labour and social obligations related with compliance with legal provisions in force on social, social security and health and safety matters.
- Obligations in occupational risk preventions pursuant to regulations in force.
- Environmental obligations regarding waste managements, storage of hazardous materials and substances, conditions for use of vehicles / machinery, atmospheric emissions, dumping, among others.

Aena also incorporates economic penalties that could result in cancellation of contracts for cases of non-compliance with this type of obligations by contractors.

In the case of London-Luton Airport in 2018, a set of tools was developed for incorporating environmental and sustainability considerations in purchasing processes, which incorporates a rating system in tender documents that assesses the social, environmental and governance standards of suppliers.
By the same token, in 2019, a Code of Conduct specifically for suppliers was developed.

Supplier monitoring

All contracts signed with Aena suppliers that are in progress have a File Manager, whose main function is to monitor, supervise and verify the correct and adequate execution of the contract, verifying that the established requirements and quality levels defined in the technical specifications of the file are met. The file manager reviews and verifies the valued list issued by the contractor and generates the corresponding certification of compliance with the contract, with the certification frequency established in the contract itself.

Main initiatives in 2019

Digitalisation of processes: Act 9/2017, of November 8, on Public Sector Contracts, aims to digitalise procurements processes, and electronic procedures are already mandatory in some of their phases. For this reason, contracting bodies must comply with these requirements and, to prevent any problems derived from lack of familiarity with the electronic media of certain providers.

In this respect, Aena has in place a user manual and a support centre, in addition to a mailbox for receiving questions and queries in real time. For the coming FYs, Aena plans to complete implementation of the system for tenders and electronic notifications throughout the company, together with a new internal electronic communication system, in the context of the requirements of the National Scheme for Interoperability to which Aena must adapt. At present, the Company is involved in 10 projects on the topic of electronic billing.

- In parallel to this, Aena is awaiting the transposition of the Directive of 2014 that will update Act 31/2007, of 30 October, on procurement procedures in the water, energy, transport and postal services sectors, to which the Company will likewise have to adapt. In FY 2019 new developments have been made in electronic procurement and in adaptation of processes and procedures to the requirements of Act 9/2017 of 8 November, on Public Sector Contracts.

Taking as a reference point the aforementioned regulatory framework, the Company's general goals in this field are as follows:

- Automation of procurement processes.
- Savings in economic and administrative costs, both for economic operators and for Aena's procurement units.
- Decrease in procurement terms.
- Improvement of the procedures' effectiveness.
- Compliance with and reinforcement of the general principles of public procurement.

n this respect, during FY 2019 the following initiatives were noteworthy:

- Aena's new electronic tendering system (eLicita) and electronic notification system. Over the course of 2019, the phases of analysis, design and development of these novel systems have been carried out, and their implementation is planned for the first quarter of 2020. In this manner, Aena complies with the points regarding use of electronic media that are set out in the Additional Provisions Fifteen, Sixteen and Seventeen of Act 9/2017 of 8 November, on Public Sector Contracts.
- Internal procedure for electronic document interchange by setting up a SharePoint, thus reinforcing digital transformation within Aena, and supporting implementation of the electronic signature and of Aena's OFISPA electronic signature system.
- Implementation of the OFISPA electronic signature system in the field of procurement, which is expected to be launched in the first half of 2020. In 2019, the use of almost all document types that are involved in procurement processes has been extended to incorporate the electronic signature, and a project has been developed to extend its use to the decentralised procurement units.
- The PPO electronic platform for the submission of bids, which consolidates its implementation and use by the economic players that bid on Aena's dossiers.
- Consolidation of the electronic auction process in Aena.
- Developments for implementation of Phase III for publishing contract modifications on the Public Sector Procurement Platform (PLASCP).
- Over the course of 2019, preparations were made to begin operations of this platform for commercial procurement, so that in 2020 bids can be received electronically. Moreover, all templates have been completed for electronic signature of documents.
- For technical evaluation of offers, a new version of the SETO application has been deployed to generate the documents resulting from this evaluation immediately while creating a database with a high level of security and limited access.
- In the Aena Concession Company for the International Airport of the Region of Murcia (SCAIRM), the AIRM applications and the Public Sector Procurement Platform (PLASCP) have been systemically integrated, which enables daily publication of the announcements of the Company's procurement processes on this electronic platform.

Results of procurement 2019[49]

	M€ 2019[50]	M€ 2018
Amount allotted by Aena to dossiers	1,176.78	1,854.8
Centralised volume of procurement	89,3%	93,5%
Decentralised volume of procurement	10.7%	6.5%
Allotment of minor contracts	22.02	25.2
Total volume of procurement allotted associated with leases for commercial activity	111.19	93.1

14.6.5. Customer focus

As cross-cutting elements throughout the Company, quality and safety are priority aspects in Aena's management; the purpose of this is to achieve the highest levels of satisfaction, excellence and safety for its customers.

Aena focus therefore on a management aimed to meet these demands, as well as pro-active detection of other new demands by means of measures such as those described below.

Quality of customer services

The area of services, maintenance and airport quality is in charge of ensuring that the best services are provided to the following groups:

- Passengers: together with accessibility services that represent a growth sector. This includes passenger facilitation services and passenger experience, as well as the evaluation of their perceptions.
- Airlines: ground handling and other handling services, pursuant to Royal Decree 1161/1999, of 2 July, which governs the provision of airport ground handling services.
- In general, all airport users: maintenance services and planning and management services that include establishing common rules to ensure uniform provision of the service.

All these activities are conducted pursuant to Aena's Integrated Management System for Quality and Environment, set out in Chapter 2.

Over the course of FY 2019, different initiatives have been carried out on the issue of quality, the most noteworthy of which are improvements of services both for airlines and for passengers, as described in more detail below.

49 In 2019 no dossier has been processed as contract reserved for special employment centres. Nevertheless, in 2019 the processing of a dossier reserved for special employment centres was approved, BCN-745/2019, with a net tender amount of 741,410 euros, which was published in January 2020 and which will be allotted in the first quarter of 2020.
50 Taxes excluded.

Improvements in airline services

Handling

- **Facial recognition:**
  The different pilot projects related with the use of facial recognition technology are aimed at improving the flow of passengers through the airport. By enabling passengers to pass through security filters and to board with no need to show their documentation, this technology increases the capacity of the handling service.
  This pilot project was launched at Menorca Airport in the first quarter of 2019, followed by Adolfo Suarez Madrid-Barajas Airport. Afterwards, the option of registering by mobile device with the APP of Aena and Iberia (partner in this project) was added.
  Trials are planned at Josep Tarradellas Barcelona-El Prat airport.

- **Self-check-in of luggage:**
  A new service related to self-check-in of luggage (self bag drop) has been added, which provides passengers with an automated system for carrying out the entire check-in process without the need for external human intervention. It is currently implemented at Josep Tarradellas Barcelona-El Prat Airport at some companies' counters (Vueling, Air France-KLM, Lufthansa or Air Europa), and its development at Adolfo Suárez Madrid-Barajas Airport is planned for the start of the summer season 2020.

Fuel

On 1 December 2019, the operational transitions have been completed in 41 airports, which is the upshot of the last 41 licenses granted. On entry into force of the new contracts, the airports start to apply the new maximum tariffs that service providers can charge the airlines, tariffs that have been reduced by more than 30% in some cases, all of which guarantees top levels of quality, security and respect for the environment.

Air Traffic Services

- **Servicio avanzado de enlace de datos con las Advanced service for datalink with D-DCL airplanes (*Datalink Departure Clearance*):**
  This service uses datalinks between controllers and pilots to improve the tasks of takeoff authorisations by significantly reducing voice communications over aeronautical frequency.
  Since June 2019 it has been implemented in the Control Towers of Josep Tarradellas Barcelona-El Prat Airport and Palma de Majorca Airport.

- **Activation of D-ATIS services:**
  The D-ATIS service allows aircraft to have access to significant information from the aerodrome in the travel phase and not only in the approach phase as occurs with the conventional ATIS. Over the course of the third quarter of 2019, D-ATIS services have been activated in eight more airports in the network.

- **Provision of aerodrome transit control service in twelve airports:**
  In the final quarter of 2019, a new dossier has been tendered to replace the current contract, which is coming to an end. It is expected that the new contracts will be allotted for the third quarter of 2020.

- **Project for Installation of Remote Towers at Vigo Airport and Menorca Airport:**
  Work is underway with the goal of starting operations during the first quarter of 2021. The Remote Tower concept offers operational and safety benefits since it incorporates new technologies that enable safer and more effective service compared to what a new conventional tower can offer.

Operational systems

- **Integration of the airports in the Aena network with the A-CDM (Airport-Collaborative Decision Making) and Advanced Tower programmes promoted by Eurocontrol:**
  In 2019, advances have continued to be made on these programmes, which promote the exchange of information among all players involved in operating flights, with the objective of promoting joint decisions, improving punctuality, reducing the cost of movements and mitigating the environmental impact. In this regard, we can highlight two important milestones:
  - Tenerife North and Valencia Airports have obtained the Advanced Tower Certification in the fourth quarter of 2019, meaning that the operational data from these airports are integrated into the European real-time information network managed by Eurocontrol, extending to close to 75% of transactions in the network in Spain by the end of 2019.
  - During the fourth quarter of 2019, migration work has commenced from Advanced Tower to A-CDM at Malaga Costa del Sol Airport, with the objective of it being certified at the start of 2020.

Airfield and Platforms

- **Preparation for implementation of RCR (Runway Condition):**
Document 9981 of the International Civil Aviation Organization (OACI) Procedures for Air Traffic Services - Aerodromes, stipulates the entry into force on 5 November 2020 of a global notification system on the conditions of the movement area when the runway is contaminated with water, snow, melting snow, ice or frost.
The Notice of Proposed Amendment (NPA= 2018-14)[51] proposes changes in EU Regulation no. 139/2014 to adapt it to this message, known as RCR. The necessary steps have been taken to adapt Aena's regulations, to coordinate the rest of affected parties and to prepare for its entry into force in all airports of the network.

- **Tasks for implementation of the recommendations of the EAPPRI v3.0:**
Updating of the regulations affected by the EAPPRI (European Action Plan for the Prevention of Runway Incursions) v3.0 for presentation of the recommendations to the aerodrome operator. The documents reviewed have included: EXA 23 Regulation of the Local Committee on Runway Security, EXA 50 I. O. for tasks in the aerodrome, and EXA 43 Basic manual for the area for manoeuvres.

- **Updating of EXA 83 General procedure for coordination for control of alcohol and drug consumption in the aeronautical area of operational security and allotment of the dossier DEA 8-2019 "Service of analysis for interventions on the topic of platform traffic safety for Aena's network of airports":**
Updating of the procedure for control of psychoactive substances so that indicative tests can be carried out on site in all airports of the network, and, in the event of a positive result, the donor is offered the option of requesting a counter-analysis of saliva, in addition to the sample that is sent to be analysed in the laboratory. A dossier has been drawn up, tendered and allotted to support the entire airport network in carrying out saliva analysis in laboratory.

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<u>Improvements in services for passenge</u>

- Aena's participation in the launch of the Tablets programme for ASQ (Airport Service Quality), aimed at making technological improvements in the real-time tracking of the results of the passenger experience surveys, which enables airports to act immediately if a problem or risk is detected, thus improving passenger service.

- The Strategic Cleaning Plan has been subject to continuing development, which has afforded continuity to the procurement processes necessary to implement it. From the start of the Plan, the provision of this service has been tendered and allotted in a total of 21 airports, including Adolfo Suárez Madrid-Barajas and Josep Tarradellas Barcelona-El Prat Airports. Moreover, in 2019, Phase V of the plan has been tendered, which included an additional 8 airports.

- A new dossier for defibrillators has been contracted, taking the total from 291 to 502 (including 120 mobile defibrillators for the RFEC vehicles), which are distributed throughout all airports of Aena's network.

- In order to provide a better vehicle hire service, a new lobby has been inaugurated in Málaga Airport that brings together all the companies, thus facilitating the passenger experience.

- VIP services: remodelling and redesign of the VIP Lounges, with new value-added services (Meet and Assist, Fast Lane and Fast Track).

- Improvements and reforms in areas for Tax- and Duty-Free Shops, as well as expansion of the variety of products and brands offered. Enhancement of the home delivery service.

- Free passenger advising service so that they can enjoy our commercial offerings of Shops and Restaurants (Personal Shopper), at Adolfo Suárez Madrid-Barajas, Josep Tarradellas Barcelona - El Prat, Málaga Costa del Sol and Alicante-Elche Airports.

- Renovation of the restaurant offerings, with expanded offerings of brands and variety for customers.

- Diversification of car parks and implementation of payment per license plate.

[51] The NPA include the modifications of the regulations on issues of air safety of EASA. In specific, the NPA 2018-14 refers to "Runway safety."

Assessment of the quality of the customer experience

Maintaining excellent service to customers requires on-going monitoring of the customers expectations and of the advances on the market. In this respect, Aena takes advantage of the new technologies in innovative and effective ways by applying them to quality assessments of its activities and services. In order to monitor the quality of the customer experience, the Company has in place different tools and indicators:

Passenger satisfaction and perception	- ASQ surveys (Airport Service Quality) endorsed by the ACI (Airports Council International)
	- Instant feedback devices (at present, for Happy or Not) which conduct surveys on the cleanliness of the toilets, the courteousness of the security staff and the baggage claim time in 33 airports of the network.
Satisfaction and perception of airlines: airport marketing	- Working groups/expert sessions
	- Mixed monitoring commissions
	- Analysis of the satisfaction and quality perception of airlines.
Relationship with franchise companies: commercial marketing	- Regular tracking meetings.
	- Brands conferences (professional meetings where we explain the airport's overall offering).
	- Exchange of periodic statistical surveys.
	- Mystery shopper and compilation of opinions in VIP lounges
	- Aena Companies Portal
	- Entertainment, promotion and revitalisation of Commercial Areas.
	- Loyalty Club (more than one million customers in 2019).
London-Luton Airport Aena Internacional	- Customer Experience Strategy developed in 2019.
	- Customer Experience Board / Customer Comments Board.
	- Airport operators' committee
	- Accessibility Forum of London Luton Airport for inquiries with users with reduced mobility and charitable organisations.
	- ASQ surveys (1,516 passengers surveyed in 2019).
	- Real-time collection of comments from the customers (FeedbackNow) on different points (security, check-in, bathrooms, immigration and baggage claim).
	- Mystery Shop Programme (will start again in the second quarter of 2020).
	- Quality walkarounds.

Guarantee of Security in provision of services

Airport operations is subject to certain challenges and risks intrinsic to the business activity itself: some of these are internal (accidents, incidents, regularity, overcrowding, labour conflicts, etc.) and others are external (adverse weather conditions, presence of animals in the airport surroundings, activities in the airport surroundings such as the presence of obstacles, etc.).

Aena strives to eliminate, reduce or minimise all threats and risks that affect airport activity through an on-going process of identification of hazards and risk management. Moreover, the Company takes into account that the infrastructures do not adapt to the risks detected with the same speed that new threats appear.

All airports are subject to instructions from the AESA, an organisation in charge of regulating this critical aspect of Aena's activity, which is audited, in turn, by the European Commission to verify compliance with these regulations and make recommendations regularly to all countries, thus ensuring a uniform level of security. Hence, for all these reasons, Aena's procedures for action in safety matters are subject to constant evolution and adaptation.

In addition, in the specific case of airports from Group I, they must comply with the sectoral regulation 134/2014. The other airports (Groups II and III) are subject to Royal Decree 862/2009, managed by the Directorate General of Aviation[52].

National Committee on Civil Aviation Safety is another authority competent on safety issues, and it features a mixed monitoring commission that approves regulatory changes and reviews safety. Aena likewise is in constant contact with State Security Forces and Corps and with the customs authorities.

[52] This does not include air bases that depend on the Air Force, which is the authority that inspects and certifies them.

Areas of responsability:

In 2018, the Operational Safety Central Office (OSCO) was inaugurated, and its responsibilities and duties include, among others:

- The review of projects from the operational standpoint (accessibility, emergencies, etc.).
- Monitoring of certifications from the AESA, and the airport supervision programme.
- Support for airports in Operational Safety, which includes safety studies and change management for airports of Group III.
- Monitoring of accidents and incidents.
- Leadership of projects and proposals for Eurocontrol.
- Defining requirements for apron driving permits.
- Apron safety.
- Analysis of traffic, capacities, accidents, evacuations and emergencies in the terminal area.
- Vigilance on issues of border health controls, by establishing information protocols and emergency procedures.
- Implementation of emergency plans.
- Support for procedures of the Business Continuity Plan.

Operational Safety Certifications
All airports are certified and pass through the audits of the Spanish agency that verifies compliance with all safety requirements. Aena's airports are visited by auditors an average of 45 times per year, although they visit those of Group I more often.

Aena has put in place an internal team that conducts pre-audit processes in order to prevent the detection of non-conformities.

All airports were certified by AESA in Operational Safety before 31 December 2017. During 2019, this agency has conducted a total of 30 Operational Safety audits, among the activities planned to guaranteed that the airports meet all requirements established for maintaining the certifications.

Measures aimed to improve facilities and safety in 2019

- Drafting a typical procedure that airports must use to apply the coordinated response protocol in the presence of a drone constituting a safety threat to air transport. This protocol was approved on 26 June 2019 by the National Committee on Civil Aviation Safety, and it has already been implemented in 22 airports of the network[53].
- Coordination among all players affected by the Brexit (Department of Customs and Special Taxes of the State Tax Administration Agency (AEAT), General Sub-directorate of Health Agreements and Border Control of the Ministry of Agriculture, Fisheries and Food, among others) to minimise the impact on airport operations both at customs controls of flights originating in the United Kingdom and in matters of traffic of passengers and pet animals; and to anticipate possible changes in infrastructure for their adaptation. In the short term, the baggage claim area need not be remodelled, nor will there be substantial changes in infrastructure, since the air cargo transport is minimal.
- Completion of the first year of contract for the new private security dossiers, which are in line with the goals set out in DORA, with a positive result.
- On the topic of equipment, different very relevant projects are underway:
    - EDS System: which entails gradual updating of the Explosive Detection Systems in most airports of the network, which are in transition from Standard 2 to Standard 3, just as is required by national and European regulations. Standard 3 implies a greater capability for explosive detection and, as of today, two machines with these characteristics are already installed in Menorca Airport.
    - ABC system: developed in collaboration with the Ministry of Internal Affairs, this is oriented to the adaptation of automatic border control booths in the face of a change in regulations applying to them, with a massive initial rollout.
    - Pilot project for facial recognition systems at boarding gates and security filters.
    - Pilot project for carrying out tests with equipment in security filters that enables the passenger to carry liquids and laptops inside carry-on bags.
    - Pilot project aimed to implement remote inspection rooms that will enable relocation of some security filter guards to independent rooms.
- Dossiers for modernisation of the fire brigade.
- Inauguration of a new fire extinguishing building (Ibiza Airport).
- As far as Operational Safety, in December 2017 when the certification process of all airports was completed, its consolidation will be continued through annual supervision.
- AESA continued its physical safety audit activity at different airports in the network, with satisfactory results. Likewise, Aena continues to work on internal quality control to achieve continuous improvement in operations and processes by way of verifications conducted over the course of the year.

[53] A Coruña, Alicante-Elche, Asturias, Josep Tarradellas Barcelona-El Prat, Bilbao, Fuerteventura, Gran Canaria, Ibiza, Jerez, Lanzarote, Adolfo Suárez Madrid-Barajas, Madrid-Cuatro Vientos, Málaga-Costa del Sol, Menorca, Palma de Majorca, Sabadell, Santiago, Seville, Tenerife North, Tenerife South, Valencia and Vigo.

Investments in quality and security

During 2019, 47.6 million euros have been invested in quality improvements, and 132.63 million euros has been earmarked for investments in safety.

At the London-Luton Airport, the investment has reached 23.5 million pounds, with 15.2 million dedicated to maintenance.

Network of Spanish airports	2018	2019
Investments in security (M€)	131.8	132.63
Investments in quality (M€)	47.3	47.6

Complaint mechanism

If there are any complaints or claims, Aena provides users with the following mechanisms for communicating them to the Company:

- Through the Telematic Services Portal, which features a specific section for claims, complaints and suggestions.
- Complaint sheets provided mainly at the information points in the airports, as well as the VIP lounges and car parks.

Aena has set out a Procedure for Complaints and Claims Management to process these and a Department of Facilitation and Passenger Experience, which belongs to the Service, Maintenance and Airport Quality Division of the Operations, Safety and Service Directorate (DOSS).

Each and every complaint about airport management lodged with Aena receives a response in less than 4 days and is resolved in less than 20. The financial compensation derived from claims regarding property in Spain and Luton totalled 74,070.39 euros[54].

Main complaints and claims received at Spanish airports 2019

Indicator	2018	2019	Variación (%)
Transport contract	2,735	1,748	-36%
Handling charges	649	458	-29%
Information Systems	732	637	-13%
Facilities	562	469	-17%
Security services	1,531	1,826	19%
Supplementary Services	1,189	830	-30%
Access points	44	73	66%
Damage and theft	402	326	-19%
Miscellaneous	234	143	-39%
Shopping and Food & Beverage services	406	503	24%
Parking facilities	2,155	2,094	-3%
TOTAL AIRPORT MANAGEMENT CLAIMS AND COMPLAINTS	**7,255**	**6,901**	-5%

[54] The amount includes possible expenses accruing for experts and/or legal counsel. This includes both civil liability claims for personal injuries and for property damages greater than 9,000€. The resolution of personal injuries does not occur until the claimant receives medical discharge. In cases that wind up in court, the resolution does not occur until a final ruling is issued.

Main complaints and claims received at Londres-Luton 2019

Indicator	2018	2019	Variación (%)
Transport contract	370	674	45%
Handling charges	2,015	1,785	-12%
Information Systems	-	-	-
Facilities	-	-	-
Security services	994	912	-9%
Supplementary Services	-	-	-
Access points	-	-	-
Damage and theft	213	610	65%
Miscellaneous	-	-	-
Shopping and Food & Beverage services	555	662	16%
Parking facilities	1,120	1,049	-7%
TOTAL AIRPORT MANAGEMENT CLAIMS AND COMPLAINTS	5,267	5,692	7%

14.7. Innovation for fostering opportunities

Aena is aware that innovation is the motor for development of 21st century organisations. Therefore, it actively promotes the creation of new and innovative technological solutions aimed at improving the customer experience and the Company's competitiveness.

14.7.1. Innovation management at Aena

In 2019, as part of the goals associated with the Strategic Plan and of Aena's commitment to innovation, innovation in the Company has been promoted with new initiatives. The main initiatives have been the creation of an Innovation strategy, the development of the Airport 4.0 as a result of the new strategy, and the implementation of initiatives that allow testing and implementing of new technology in Aena.

From this area, the company manages contacts with organisations and companies to boost existing trends in technology, develops innovation and pilot projects, and supports the different units when they implement them, thus promoting research and facilitating the company's availability of the most advanced technologies in the airport environment. In this respect, it also benefits from the collaboration of different partners (staff, suppliers, startups and other external entities such as city councils, universities, etc.), for the purposes of accelerating innovation processes.

Similarly, with the aim of taking full advantage of the company's internal expertise, the Innova Awards are held each year, where the workers from all centres themselves present ideas and good practices that can be rewarded and put into practice. In the last event in 2019, 159 contributions were been received from 17 centres, 23% compared to the previous event.

The investment made in R+D and innovation projects during FY 2019 grew to 13.9 million euros, which constitutes 2.83% of the investment made by Aena, an increase of 12.14% compared to the previous year.

14.7.2. Developments in 2019

Throughout the year, different actions in technological innovation have been carried out, among which are:

- ***Pilot programme in facial recognition (biometrics)***: as is described in detail in Section 14.6, the first project for identification using biometrics during the boarding process has been launched at Menorca and Adolfo Suárez Madrid-Barajas Airports. It is expected to be extended to the Josep Tarradellas - Barcelona El Prat Airport.

- The launch of the ***Tablets programme for ASQ (Airport Service Quality)***, aimed at the technological improvement of real-time monitoring of the results of surveys conducted among passengers, in order to facilitate immediate action in the event a problem or risk is detected.

- Unmanned aircraft: various projects are underway for their use within airports. Moreover, together with the Secretary of State for Security, work is being done to develop another proposal that allows their use within the airport protection systems.

- Development of «RPAS Utility» or unmanned aircraft: Based on the use of drones for airport management and maintenance, for example, for calibration lighting and radio-assistance systems or as simulators of birds of prey to drive off wildlife.

  This year a project on the use of drones in airports has been launched. For the first time, drones have been used inside an airport in a controlled airspace, i.e. making flying them compatible with the daily activity of the airport.

- ***Aena Venture*** is the Aena Startup accelerator, within the framework of the open innovation programme with a clear objective of converting it into a leading, innovative, agile, adaptive and dynamic organisation, thus endowing it with the capability of defining the future of the sector. It will feature a maximum of 5 companies accelerated during 6 months after a selection process with the possibility of implementation if the results are satisfactory.

- Completion of ***Aviator Project*** in collaboration with the European Union (Horizon 2010). Its purpose is to adopt a strategy for measurement, modelling and assessment of relevant emissions from aircraft engines, as well as assessment of their impact on air quality under different weather conditions. To this end, particle and gas emissions from engines will be measured in a test cell and on the wing of an aircraft in service to determine the evolution of the engine's pollutant trail and of the exhaust from the APU (Auxiliary Power Unit), and a network of measurement sensors will be deployed. This will provide a better understanding will be reached of the primary pollutants emitted (of special interest for assessing the air quality in the environment).

14.7.3. Perspectives and future overview outlook

The maturation period of innovation projects is long, and investment in these is closely tied to the financial cycle, and hence subject to fluctuations. Therefore there is the risk of not having the necessary financial resources over the entire life of the proposals.

The strict regulatory framework to which the Company is subject sometimes hinders the implementation and deployment of certain innovative solutions, and this is an aspect that must be taken into account when they are developed.

Aena is committed to the previously mentioned concepts of ***Smart Airports and Airports 4.0***, to continue intense work in the future on digital solutions and optimisation of processes and resources, the ultimate purpose of which is to enrich and improve the passenger experience.

14.8. Technical record

Aena's Non-Financial Information Statement was drawn up pursuant to the requirements set out by Law 11/2018, of 28 December, which modifies the Commercial Code, the revised text of the Capital Companies Law approved by the Royal Legislative Decree 1/2010, of 2 July, and Law 22/2015, of 20 July, on Audits of Accounts, regarding non-financial information and diversity.

In accordance with its stipulations, the Company, which in 2019 included the information for 2018 in its "Non-Financial Information Statement. Annual Corporate Responsibility Report," has integrated this year's Non-Financial Information Statement into its Management Report, which accompanies the Consolidated Financial Statement corresponding to FY 2019.

Aena, both due to its status as a listed company and due to the stipulations associated with its size, is obliged by this Law to disseminate certain contents whose location within the document is listed in the table at the end of this chapter.

Aena's main management areas have taken part in drawing up the information subject to the coordination of the Corporate Responsibility Area, and different frameworks and guidelines for non-financial information have been taken into account, including the Standards of GRI (Global Reporting Initiative), the supplement G4 Airport Operators Sector Disclosures, also published by GRI, the guide published by AECA (Spanish Accounting and Financial Auditing Association), the United Nations Global Compact, the UN Sustainable Development Goals, and the Carbon Disclosure Project (CDP).

The present Non-Financial Information Statement describes the risks and impacts identified, as well as the management policies and key indicators for results as required by Act 11/2018. It comprises companies with more than 50% ownership by Aena, as indicated in the Annual Financial Statement by virtue of the control criterion; i.e., the data available from the subsidiaries in the United Kingdom and Brazil are included in a consolidated manner, while other shareholdings that are not fully consolidated have not been taken into account in the non-financial performance indicators included in the present document.

Moreover, together with the Non-Financial Information Statement, the mandatory external verification report issued by Deloitte S.L., is published, in its capacity as independent verification service provider, pursuant to Art. 49 Commercial Code as reworded by Act 11/2018.

Materiality analysis 2019

This Non-financial Information Statement describes the policies for risk management and mitigation, results and key indicators, as well as the Company's advances in economic, social and environmental fields, corresponding to the period between 1 January and 31 December 2019, with reference to matters identified as material, i.e., relevant for the Company and for its stakeholders.

In order to identify these material matters and classify them from greater to lesser relevance, Aena has conducted an analysis following classic social research methods, which has taken into account the following research and work phases:

I. Analysis of secondary sources: social networks, sectoral reports, satisfaction surveys, press information.
II. Semi-structured interviews with the heads of the company's different business units.
III. Setting up a prior inventory of relevant issues and definition of these issues.
IV. Quantitative analysis: weighting, using a questionnaire, of the relevance of different material issues identified.
V. Classification by relevance and drawing up of the materiality matrix: prioritisation of material issues.
VI. Validation by Aena.

The different risks, trends or management elements identified as relevant have been grouped into 11 major material topics, in accordance with the GRI's criteria related with specific lines of work. Given the complexity of the environment in which Aena operates, many of these risks, trends and opportunities are present in more than one material topic, which enables the company to manage its different facets and implications specifically.

Below is a list of the material topics for Aena that summarises the significant impacts derived from the organisation's activities in the environmental, social and governance fields (ASG) as well as those related with its services and commercial relationships:

MATERIAL TOPICS	Examples of issues taken into account
Agent integrated in the community	Dialogue with stakeholder groups Relationship with local communities Social action Suppliers Human Rights
Climate change	Fight against climate change Energy consumption
Professional culture based on talent and commitment	Equality Talent management Training Employment Work organisation Social dialogue Human rights and labour rights
Requirements and restrictions derived from the regulatory framework	Business model Regulatory context Risk management
Customer's experience	Future trends Geo-political factors Economic situation Consumer health and safety Suppliers Business model Complaint mechanism
Sustainability	Impact on local communities Relations with stakeholders Efficient consumption of resources
Efficient management	Geo-political factors Economic situation Suppliers Business model Risk management
Innovation and technology	Relations with stakeholders Efficient consumption of resources
Internationalisation	Economic situation Geo-political factors Relations with stakeholders Business model Risk management
Operational and airport security	Geo-political factors Regulatory factors Business model Risk management Relations with stakeholders Consumer health and safety
Transparency	Regulatory factors Relations with stakeholders Suppliers Business model Risk management

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Content index required by Law 11/2018, of 28 December, which modifies the Commercial Code, the revised text of the Capital Companies Law approved by the Royal Legislative Decree 1/2010, of 2 July, and Law 22/2015, of 20 July, on Audits of Accounts, regarding non-financial information and diversity.

SUBJECTS		CHAPTER/ EXPLANATION	Framework used
	according to local limitations.		
	Consumption of raw materials and measures adopted to improve the efficiency of their use.	14.2.3. 14.2.6.	No procede
	Consumption, direct and indirect, of energy.	14.2.3.	GRI 302-1
	Measures taken to improve energy efficiency.	14.2.3.	GRI 302-3 GRI 302-4
	Use of renewable energies.	14.2.3.	GRI 302-1
Climate change.	Important elements of greenhouse gas emissions generated as a result of the activities of the company and the use of the goods and services it produces.	14.2.4.	GRI 305-1 GRI 305-2
	Measures taken to adapt to the consequences of climate change.	14.2.4.	GRI 201-2
	Reduction goals established voluntarily in the medium and long term to reduce greenhouse gas emissions and the means implemented for that purpose.	14.2.4.	GRI 305-5
Protection of biodiversity.	Measures to preserve or restore biodiversity.	14.2.6.	GRI 304-1
	Impacts caused by activities or operations in protected areas.	14.2.6.	GRI-AO9
Information on social and staff issues			
Employment.	Total number and distribution of employees by sex, age, country and professional category.	14.3.1	GRI 102-8
	Total number and distribution of work contract modalities.	14.3.1	GRI 102-8
	Annual average of permanent contracts, temporary contracts and part-time contracts by sex, age and professional category.	14.3.1	GRI 102-8
	Number of dismissals by sex, age and professional category.	14.3.1	GRI 401-1
	The average remunerations and their evolution disaggregated by sex, age and professional categories or equal value.	14.3.2	GRI 405-2
	Wage gap.	14.3.2	GRI 405-2
	The remuneration of equal or average jobs in the company.	14.3.2	GRI 405-2
	The average remuneration of directors and executives, including variable remuneration, allowances, compensation, payment to long-term savings systems and any other perception disaggregated by sex.	14.3.2	GRI 102-36
	Implementation of 'right to disconnect' policies for employees.	14.3.2	GRI 401-2
	Employees with disabilities.	14.3.6	GRI 405-1
Work organisation.	Working time organisation.	14.3.2	GRI 401-2
	Number of hours of absenteeism.	14.3.3	GRI 403-2
	Measures designed to facilitate the enjoyment of work/life balance and encourage joint responsibility of these by both parents.	14.3.2	GRI 401-2
Health and safety.	Health and safety conditions in the workplace	14.3.3	GRI 403-3
	Work accidents, in particular their frequency and severity, as well as occupational diseases; disaggregated by sex.	14.3.3	GRI 403-3

SUBJECTS		CHAPTER/ EXPLANATION	Framework used
Social relationships	Organisation of social dialogue, including procedures for informing and consulting staff and negotiating with them.	14.3.4	GRI 403-1
	Percentage of employees covered by collective agreement by country.	14.3.4	GRI 102-41
	The balance of collective agreements, particularly in the field of health and safety at work.	14.3.3	GRI 403-4
Training	The policies implemented in the field of training.	14.3.5	GRI 404-2
	The total amount of training hours by professional categories.	14.3.5	GRI 404-1
Universal accessibility for people with disabilities		14.3.6	GRI 103-2
Equality	Measures taken to promote equal treatment and opportunities between women and men.	14.3.7	GRI 103-2
	Equality plans (Chapter 3 of Organic Law 3/2007, of 22 March, for the effective equality of women and men).	14.3.7	GRI 103-2
	Measures taken to promote employment.	14.3.7	GRI 103-2
	Protocols against sexual and gender-based harassment, integration and universal accessibility for people with disabilities.	14.3.7	GRI 103-2
	The policy against all types of discrimination and, where appropriate, management of diversity.	14.3.7	GRI 406-1 GRI 103-2
Information on respect for Human Rights			
Application of due diligence procedures in the field of Human Rights.		14.4.1	GRI 102-16 GRI 102-17
Prevention of the risks of violation of Human Rights and, where appropriate, measures to mitigate, manage and redress possible abuses.		14.4.1	GRI 102-16 GRI 102-17
Complaints about cases of violation of Human Rights.		14.4.1	GRI 102-17
Promotion and compliance with the provisions of the fundamental conventions of the International Labour Organization related to respect for freedom of association and the right to collective bargaining.		14.4.1	GRI 103-2
The elimination of discrimination in employment and occupation.		14.4.1	GRI 102-12 GRI 103-2
The elimination of forced or compulsory labour.		14.4.1	GRI 102-12 GRI 103-2
The effective abolition of child labour.		14.4.1	GRI 102-12 GRI 103-2 GRI 103-2
Measures taken to prevent corruption and bribery.		14.5.1	GRI 102-16 GRI 102-17
Measures to combat money laundering.		14.5.1	GRI 102-16 GRI 102-17
Contributions to foundations and non-profit entities.		14.6.2	GRI 201-1
Information about the company			
Commitments of the company with sustainable development.	The impact of society's activity on employment and local development.	14.6.1	GRI 203-1
	The impact of society's activity on local populations and in the territory.	14.6.2	GRI 203-1

	The relationships maintained with the actors of the local communities and the modalities of dialogue with them.	14.6.2	GRI 102-43
	The association or sponsorship actions.	14.6.2	GRI 102-13
Subcontracting and suppliers.	The inclusion in the purchasing policy of social issues, gender equality and environmental issues.	14.6.4	GRI 103-3
	Consideration in the relations with suppliers and subcontractors of their social and environmental responsibility.	14.6.4	GRI 103-3
	Supervision systems and audits and their results.	14.6.4	GRI 103-3
Consumers.	Measures for the health and safety of consumers.	14.6.5	GRI 103-2
	Claims systems, complaints received and resolution of them.	14.6.5	GRI 103-2
Tax information.	The benefits obtained country by country.	14.6.2	GRI 201-1
	Taxes on benefits paid.	14.6.2	GRI 201-1
	The public subsidies received.	14.6.2	GRI 201-4

Deloitte, S.L.
Plaza Pablo Ruiz Picasso, 1
Torre Picasso
28020 Madrid
España

Tel: +34 915 14 50 00
Fax: +34 915 14 51 80
www.deloitte.es

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish language version prevails

INDEPENDENT ASSURANCE REPORT ON THE CONSOLIDATED NON-FINANCIAL INFORMATION STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019 OF AENA S.M.E., S.A AND ITS SUBSIDIARIES

To the Shareholders of AENA S.M.E., S.A.:

Pursuant to article 49 of the Spanish Code of Commerce, we have performed the verification, with a scope of limited assurance, on the consolidated Non-Financial Information Statement (hereinafter "NFIS"), for the year ended 31 December 2019 of AENA S.M.E., S.A. and its subsidiaries (hereinafter "AENA"), which forms part of the Group´s 2019 consolidated management report.

The contents of the NFIS includes additional information to that required by prevailing Spanish mercantile legislation on non-financial information, which has not been the subject of our verification work. In this regard, our work was limited solely to verification on the information identified in the chapter "Contents index" included in the NFIS.

Responsibilities of the Directors

The preparation and content of the NFIS included in the consolidated management report are the responsibility of the Directors of AENA S.M.E., S.A. The NFIS has been prepared in accordance with the contents specified in the prevailing Spanish mercantile legislation and following the criteria of the Sustainability Reporting Standards of the Global Reporting Initiative (GRI standards) selected, as well as those other criteria described as indicated for each subject in the NFIS "Content Index" table.

These responsibilities also include the design, implementation and maintenance of internal control deemed necessary to enable the NFIS to be free from material misstatement, whether due to fraud or error.

The Directors and the Management of AENA S.M.E., S.A. are also responsible for defining, implementing, adapting and maintaining the management systems from which the necessary information for preparing the NFIS was obtained.

Our independence and quality control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA), based on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Quality Control Standard 1 (IQCS 1) and accordingly maintains a comprehensive quality control system that includes documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The engagement team was comprised of professionals who are experts in reviews of non-financial Information and, specifically, in information about economic, social and environmental performance.

Deloitte, S.L. Inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª.
C.I.F.: B-79104469. Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

Our responsibility

Our responsibility is to express our conclusions in an independent limited assurance report based on the work performed, which refers exclusively to 2019.

We have carried out our review in accordance with the requirements established in International Standard on Assurance Engagements 3000 Revised, currently in force, "Assurance Engagements other than Audits or Reviews of Historical Financial Information" (ISAE 3000 Revised), issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC), and with the Performance Guide on assurance engagements on non-financial information statements issued by the Spanish Institute of Certified Public Accountants.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement and, consequently, the level of assurance provided is also substantially lower.

Our work has consisted of making inquiries to Management, as well as of the different units of AENA that were involved in the preparation of the NFIS, in the review of the processes for compiling and validating the information presented in the NFIS, and in the application of certain analytical procedures and sample-based review testing described below:

- Meetings with the AENA's personnel to gain an understanding of the business model, policies and management approaches applied, the main risks related to these matters and to obtain the information required for the external review.
- Analysis of the scope, relevance and completeness of the contents included in the NFIS for 2019 based on the materiality analysis performed by the Group and described in the NFIS, considering the contents required in prevailing Spanish mercantile legislation.
- Analysis of the processes used to compile and validate the data presented in the NFIS for 2019.
- Review of the information concerning risks, policies and management approaches applied in relation to the material matters described in the NFIS for 2019.
- Verification, through sample-based testing, of the information relating to the contents included in the NFIS for 2019 and its adequate compilation from the data provided by information sources.
- Obtainment of a representation letter from the Directors and Management.

Conclusion

Based on the procedures performed in our verification and the evidence obtained, nothing has come to our attention that causes us to believe that the NFIS of AENA S.M.E., S.A. and its subsidiaries for the year ended 31 December 2019 has not been prepared, in all material respects, in accordance with prevailing Spanish mercantile legislation and the criteria of the selected GRI standards, as well as other criteria, described as indicated for each matter in the "Contents Index" table of the NFIS.

Use and distribution

This report has been prepared in response to the requirement established in corporate legislation in force in Spain and, therefore, it might not be appropriate for other purposes and jurisdictions

DELOITTE, S.L.

Ana Sánchez Palacios

25 February 2020

APPENDICES:

I. Consolidated financial statements
II. Summary of Relevant Events published
III. Corporate Governance Report

APPENDIX I: Consolidated financial statements

Consolidated interim statement of financial position at 31 December 2019 and 2018

Thousands of euros	**2019**	**2018** *(*)*
ASSETS		
Non-current assets		
Property, plant and equipment	12,670,706	12,872,781
Intangible assets	1,009,244	506,996
Investment properties	140,928	138,183
Right-of–use assets	61,725	-
Investment in affiliates and shared control	63,783	65,433
Other financial assets	80,123	72,854
Derivative financial instruments	-	1,144
Deferred tax assets	106,929	124,944
Other receivables	4,363	3,259
	14,137,801	**13,785,594**
Current assets		
Inventories	6,841	7,258
Trade and other receivables	505,304	454,838
Cash and cash equivalents	240,597	651,380
	752,742	**1,113,476**
Total assets	**14,890,543**	**14,899,070**
EQUITY AND LIABILITIES		
Equity		
Share capital	1,500,000	1,500,000
Share premium	1,100,868	1,100,868
Retained earnings/(losses)	3,938,336	3,534,635
Cumulative conversion differences	-21,575	-20,301
Other reserves	-111,827	-80,333
Non-controlling interests	-23,926	-11,064
	6,381,876	**6,023,805**
Liabilities		
Non-current liabilities		
Borrowings	5,675,036	6,573,078
Derivative financial instruments	95,672	56,543
Grants	461,690	495,594
Provisions for employee benefit obligations	44,639	46,622
Provision for other liabilities and expenses	77,267	84,700
Deferred tax liabilities	58,386	70,995
Other non-current liabilities	15,462	49,241
	6,428,152	**7,376,773**
Current liabilities		
Borrowings	1,238,403	732,428
Derivative financial instruments	31,662	32,740
Trade and other payables	679,879	613,049
Current tax liabilities	10,165	24,889
Grants	35,652	35,217
Provision for other liabilities and expenses	84,754	60,169
	2,080,515	**1,498,492**
Total liabilities	**8,508,667**	**8,875,265**
Total equity and liabilities	**14,890,543**	**14,899,070**

(*) The Group made the initial IFRS 16 application on 1 January 2019, opting for the transition to the modified retroactive approach contemplated in this standard, and therefore the comparative information has not been re-stated.

APPENDIX I: Consolidated financial statements

Consolidated income statement for the years ended 31 December 2019 and 31 December 2018

Thousands of euros	**2019**	**2018** *(*)*
Ongoing activities		
Ordinary revenue	4,443,560	4,201,406
Other operating revenue	10,067	11,107
Work carried out by the Company for its assets	5,261	4,981
Subcontracted work and other supplies	-170,542	-172,936
Staff costs	-456,173	-423,725
Losses, impairment and change in trading provisions	-13,809	1,813
Other operating expenses	-1,075,321	-1,008,289
Depreciation and amortisation	-788,969	-806,383
Portion of grants for fixed assets and others taken to income	39,655	95,076
Surplus provisions	4,710	7,679
Impairment of fixed assets	-	-46,248
Net gain or loss on disposals of fixed assets	-9,396	-16,107
Other gains/(losses) – net	-11,764	1,829
Operating revenue	**1,977,279**	**1,850,203**
Finance income	4,569	2,985
Finance costs	-124,786	-135,248
Other financial income/(expense) - net	3,341	-742
Net financial expenses	**-116,876**	**-133,005**
Share in income of associates	22,446	20,155
Profit before tax	**1,882,849**	**1,737,353**
Income tax expense	-437,174	-409,602
Consolidated profit (/loss) for the period	**1,445,675**	**1,327,751**
Profit/(loss) for the period attributable to non-controlling interest	**3,653**	**-131**
Profit for the period attributable to shareholders of the parent Company	**1,442,022**	**1,327,882**
Earnings per share (Euro per share)		
Basic earnings per share for the period	9.61	8.85
Diluted earnings per share for the period	9.61	8.85

(*) The Group made the initial IFRS 16 application on 1 January 2019, opting for the transition to the modified retroactive approach contemplated in this standard, and therefore the comparative information has not been re-stated.

APPENDIX I: Consolidated financial statements

Consolidated statement of cash flows for the years ended 31 December 2019 and 31 December 2018

Thousands of euros	**2019**	**2018** *(*)*
Profit before tax	**1,882,849**	**1,737,353**
Adjustments for:	**909,616**	**918,553**
Depreciation and amortisation	788,969	806,383
Impairment adjustments	13,809	-1,813
Changes in provisions	47,202	30,729
Impairment of fixed assets	-	46,248
Grants taken to income	-39,655	-95,076
(Profit)/loss on disposal of fixed assets	9,396	16,107
Financial instrument impairment adjustments	-863	229
Finance income	-4,569	-2,985
Finance expenses	91,087	97,915
Exchange differences	-2,478	513
Losses/(gains) in the fair value of financial instruments	33,699	37,333
Other revenue and expense	-4,535	3,125
Share in profit (loss) of equity method companies	-22,446	-20,155
Changes in working capital:	**-140,604**	**-180,504**
Inventories	450	-211
Trade and other receivables	-64,320	-115,020
Other current assets	6,292	-184
Trade and other payables	-18,702	-7,871
Other current liabilities	-62,974	-56,427
Other non-current assets and liabilities	-1,350	-791
Other cash generated from operations	**-537,517**	**-527,744**
Interest paid	-102,266	-131,539
Interest received	1,419	1,143
Taxes paid	-437,470	-396,836
Other income (payments)	800	-512
Net cash from operating activities	**2,114,343**	**1,947,658**
Cash flow from investment activities		
Acquisition of property, plant and equipment	-480,335	-498,865
Acquisition of intangible assets	-544,421	-21,328
Acquisition of investment properties	-7,660	-4,410
Payments for acquisition of other financial assets	-8,561	-12,905
Proceeds from divestments/loans to Group and associate	5,658	5,044
Proceeds from property, plant and equipment divestment	347	34
Proceeds from other financial assets	2,149	10,071
Dividends received	23,245	20,052
Net cash flows from investment activities	**-1,009,578**	**-502,307**

APPENDIX I: Consolidated financial statements

Consolidated statement of cash flows for the years ended 31 December 2019 and 31 December 2018 (Continued)

Thousands of euros	2019	2018
Cash used in financing activities		
Proceeds from grants	6,453	88,097
Shareholder contributions	-	3,392
Debt Issuance	801,139	32,779
Other income	61,314	31,730
Repayment of bank borrowings	-650,000	-
Repayment of Group financing	-633,744	-798,059
Lease liability payments	-7,178	-3,072
Dividends paid	-1,051,230	-993,390
Other payments	-41,380	-10,385
Net cash generated/(used) in financing activities	**-1,514,626**	**-1,648,908**
Effect of exchange rate fluctuations	**-922**	**-40**
Net (decrease)/increase in cash and cash equivalents	-410,783	-203,597
Cash and cash equivalents at the beginning of the period	**651,380**	**854,977**
Cash and cash equivalents at the end of the period	**240,597**	**651,380**

(*) The Group made the initial IFRS 16 application on 1 January 2019, opting for the transition to the modified retroactive approach contemplated in this standard, and therefore the comparative information has not been re-stated.

APPENDIX II: Summary of Relevant Events published 2019

Register	Date	Type of event	Description
273536	04/01/2019	Composition of the Board of Directors	The Company communicates changes in the composition of the Board of Directors, Executive Committee and Appointments and Remuneration Committee
274244	29/01/2019	Composition of the Board of Directors	The Company communicates changes in the composition of the Board of Directors and the Appointments and Remuneration Committee
274582	07/02/2019	Others re corporate governance	The Company communicates the change of the chairman of the Audit Committee
274937	20/02/2019	Announcements of public presentations and meetings	Aena, S.M.E., S.A. announces the presentation of the Group´s results for FY2018
275161	26/02/2019	Annual corporate governance report	The company publishes its Annual Corporate Governance Report for 2018
275164	26/02/2019	Interim financial information	The Company publishes information on results for H2 2018 2018
275165	26/02/2019	Information on results	Results Presentation and Consolidated Management Report FY 2018
275167	26/02/2019	Announcements and resolutions of general shareholders meetings	The Company announces the approval of the call of the General Meeting of Shareholders
275168	26/02/2019	Board of directors remuneration annual statement	The Company publishes the Annual Report on directors' remuneration
275170	26/02/2019	Information on dividends	2018 financial year dividend proposal
275672	05/03/2019	Announcements and resolutions of general shareholders meetings	The Company communicates the call for the General Shareholder´s Meeting 2019
276121	15/03/2019	Start of form Transfers and acquisitions of company shares End of form	The company announces that it has been awarded the concession for the Northeast Group of airports in Brazil
276523	28/03/2019	Placing of large numbers of shares (block trades)	Merrill Lynch informs that it is carrying out on behalf of Talos Capital Designated Activity Company, an entity managed by TCI Fund Management Limited, a private placement among qualified investors of a package of AENA shares representing approximately 0.8% of its share capital.
276543	29/03/2019	Placing of large numbers of shares (block trades)	Merrill Lynch forwards details of the private placement among qualified investors of a package of AENA shares representing approximately 0.8% of its share capital.
276946	09/04/2019	Information on dividends	The Company communicates the dividend distribution approval by the General Shareholders´ Meeting
276947	09/04/2019	Announcements and resolutions of general shareholders meetings	The Company communicates the approval of Resolutions by the General Shareholders´ Meeting
276948	09/04/2019	Composition of the Board of Directors	The Company communicates changes in the composition of the Board of Directors and Board of Directors´ Committees
277143	15/04/2019	Announcements of public presentations and meetings	Aena, S.M.E., S.A. announces the presentation of the Group´s results for Q1 2019
277144	15/04/2019	Announcements of public presentations and meetings	Aena, S.M.E., S.A. announces the presentation of the Group´s results for Q1 2019
277145	15/04/2019	Announcements of public presentations and meetings	Aena, S.M.E., S.A. announces the presentation of the Group´s results for Q1 2019
277415	25/04/2019	Strategic plans, profit forecasts and presentations	The Company communicates the revision of passenger traffic growth estimate for the year 2019.
277681	30/04/2019	Interim financial information	The Company communicates Q1 2019 results
277989	09/05/2019	Credit ratings	Fitch affirms long-term IDR "A" Stable and rates Aena short-term IDR "F1"

APPENDIX II: Summary of Relevant Events published 2019 (continued)

Register	Date	Type of event	Description
280407	22/07/2019	Announcements of public presentations and meetings	Aena, S.M.E., S.A. announces the presentation of the Group´s results for H1 2019
280653	26/07/2019	Credit ratings	Moody's confirms the long-term credit rating "A3" with a Stable Outlook
280889	30/07/2019	Interim financial information	The Company communicates H1 2019 results
280892	30/07/2019	Information on results	1S 2019 results presentation
280914	30/07/2019	Settlement of court or administrative proceedings	The company communicates that it will not appeal the rulings of the National High Court.
281986	24/09/2019	Other remarks on business and financial situation	Aena communicates that the Board of Directors has resolved in today's meeting to extend the contracts of Duty Free and Duty Paid that are currently operated by World Duty Free Group S.A. (DUFRY) and its subsidiaries.
282740	22/10/2019	Announcements of public presentations and meetings	Aena, S.M.E., S.A. announces the presentation of the Group´s results for the nine-month period ended on September 30 2019
282977	29/10/2019	Strategic plans, profit forecasts and presentations	The Company communicates passenger traffic growth estimate for the year 2020.
282979	29/10/2019	Interim financial information	The Company communicates Q3 2019 results
283132	30/10/2019	Fixed Income Issues	Short-term promissory note issuance program

APPENDIX III: Corporate Governance Report

The Aena Annual Corporate Governance Report for the 2019 financial year forms part of the Management Report and, as of the publication date of the annual accounts, is available on the National Securities Market Commission website and on the Aena website (www.aena.es).

PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE CONSOLIDATED DIRECTORS' REPORT FOR THE FINANCIAL YEAR 2019

On 25 February 2020, in accordance with the requirements of article 253 of the Capital Companies Act and article 37 of the Code of Commerce, the Board of Directors of the company Aena, S.M.E., S.A. has prepared the consolidated Financial Statements and the Consolidated Directors' Report for the financial year ended on 31 December 2019 (including the Non-Financial Information Statement), which comprise the attached documents that precede this statement.

Cargo	Nombre	Firma
Chairman:	Mr. Maurici Lucena Betriu	
Director:	Mrs. Pilar Arranz Notario	
Director:	Mr. Francisco Javier Martín Ramiro	
Director:	Mr. Angel Luis Arias Serrano	
Director:	Mrs. Angélica Martínez Ortega	
Director:	Mr. Francisco Ferrer Moreno	
Director:	Mrs. Marta Bardón Fernández-Pacheco	
Director:	Mr. Juan Ignacio Díaz Bidart	
Director:	TCI Advisory Services, LLP, representado por Mr. Christopher Anthony Hohn	
Director:	Mr. Amancio López Seijas	
Director:	Mr. Jaime Terceiro Lomba	
Director:	Mr. José Luis Bonet Ferrer	
Director:	Mr. Josep Antoni Duran i Lleida	
Director:	Mrs. Leticia Iglesias Herraiz	
Director	Mr. Jordi Hereu Boher	
Secretary (non Director):	Mr. Juan Carlos Alfonso Rubio	