



This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED ANNUAL ACCOUNTS

To the shareholders of Aena, S.A.:

Report on the Consolidated Annual Accounts

We have audited the accompanying consolidated annual accounts of Aena, S.A. and its subsidiaries, which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated income statement, statement of other comprehensive income, statement of changes in equity, cash flow statement and related notes for the year then ended.

Directors' Responsibility for the Consolidated Annual Accounts

The parent company's directors are responsible for the preparation of these consolidated annual accounts, so that they present fairly the consolidated equity, financial position and financial performance of Aena, S.A. and its subsidiaries, in accordance with International Financial Reporting Standards, as adopted by the European Union, and other provisions of the financial reporting framework applicable to the Group in Spain and for such internal control as directors determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated annual accounts based on our audit. We conducted our audit in accordance with legislation governing the audit practice in Spain. This legislation requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated annual accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the parent company's directors' preparation of the consolidated annual accounts 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the consolidated annual accounts taken as a whole.

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

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Opinion

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the consolidated equity and financial position of Aena, S.A. and its subsidiaries as at December 31, 2016, and 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, and other provisions of the financial reporting framework applicable in Spain.

Report on Other Legal and Regulatory Requirements

The accompanying consolidated directors' Report for 2016 contains the explanations which the parent company's directors consider appropriate regarding Aena, S.A. and its subsidiaries' situation, the development of their business and other matters and does not form an integral part of the consolidated annual accounts. We have verified that the accounting information contained in the directors' Report is in agreement with that of the consolidated annual accounts for 2016. Our work as auditors is limited to checking the directors' Report in accordance with the scope mentioned in this paragraph and does not include a review of information other than that obtained from Aena, S.A. and its subsidiaries' accounting records.

PricewaterhouseCoopers Auditores, S.L.

Alejandro García López

21 February 2017



AENA, S.A. AND SUBSIDIARIES

Consolidated Financial Statements and Consolidated Management Report for the year ended on 31 December 2016.

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Aena, S.A. and Subsidiaries – Consolidated Financial Statements 2016
(Thousand euros unless otherwise stated)

Consolidated statement of financial position at 31 December 2016 and 2015

	Note	2016	2015
ASSETS			
Non-current assets			
Fixed assets	6	13,563,922	14,869,922
Intangible assets	7	525,647	634,764
Property Investment	8	135,690	165,266
Investments in subsidiaries	9	71,741	77,379
Other receivables	13	2,599	-
Deferred tax assets	21	143,971	127,876
Financial assets available for sale	11	354	4,823
Other financial assets	10	58,697	54,241
Derivative financial instruments	12	-	1,280
		14,502,621	15,935,551
Current assets			
Inventories	14	8,958	8,545
Clients and other receivables	13	437,579	522,543
Cash and cash equivalents	15	564,616	556,741
		1,011,153	1,087,829
Total assets		15,513,774	17,023,380
NET EQUITY AND LIABILITIES			
Net equity attributable to the owners of the parent			
Share capital	16	1,500,000	1,500,000
Share premium	16	1,100,868	1,100,868
Retained profits/(losses)	17	2,521,852	1,763,434
Accumulated exchange differences	18	(16,261)	(3,852)
Other reserves	18	(113,110)	(56,568)
Minority interests	18	32,400	56,399
		5,025,749	4,360,281
Liabilities			
Non-current liabilities			
Financial debt	20	7,912,184	8,760,484
Derivative financial instruments	12	96,895	31,547
Deferred tax liabilities	21	89,990	118,761
Employee benefits	22	53,065	31,138
Provisions for other liabilities and expenses	23	133,639	1,145,737
Grants	24	544,382	566,430
Other long-term liabilities	25	132,001	166,108
		8,962,156	10,820,205
Current liabilities			
Providers and other payables	19	439,045	439,688
Financial debt	20	880,439	1,197,935
Derivative financial instruments	12	39,651	42,356
Grants	24	38,266	43,820
Provisions for other liabilities and expenses	23	128,468	119,095
		1,525,869	1,842,894
Total liabilities		10,488,025	12,663,099
Total net equity and liabilities		15,513,774	17,023,380

Notes 1 to 36 are an integral part of these Consolidated financial statements.

Aena, S.A. and subsidiaries - Consolidated Financial Statements

(Thousand euros unless otherwise stated)

Consolidated profit and loss statement for years ended on 31 December 2016 and 2015

	Note	2016	2015
Continuing operations			
Ordinary revenue	5	3,709,581	3,450,709
Other operating revenue	29	7,761	8,476
Own work capitalised		4,615	4,212
Supplies	30.a	(180,366)	(180,968)
Personnel expenses	28	(390,724)	(363,911)
Other operating expenses	30.b	(901,775)	(872,206)
Fixed asset depreciation	6,7,8	(825,805)	(846,215)
Release of non-financial fixed asset grants and other		41,590	45,928
Excess provisions		8,940	8,463
Impairment and loss on disposal of fixed assets	6,7,8	(6,402)	(7,843)
Other net profits / (losses)	27	399	5,513
Operating profit/loss		1,467,814	1,252,158
Financial revenue	31	208,484	4,092
Financial expenses	31	(117,552)	(207,498)
Other net financial revenue/(expenses)	31	(58,748)	(22,186)
Net financial expense	31	32,184	(225,592)
Share in profits obtained by associates	9	16,121	14,012
Profit/loss before tax		1,516,119	1,040,578
Revenue tax	32	(351,733)	(209,793)
Consolidated profit/loss for period		1,164,386	830,785
Profit/loss for period attributable to minority interests		237	(2,752)
Profit/loss for year attributable to shareholders of the Parent Company	33	1,164,149	833,537
Earnings per share (Euro per share)			
Basic earnings per share based on profit for year	33	7.76	5.56
Diluted earnings per share based on profit for year	33	7.76	5.56

Notes 1 to 36 are an integral part of these Consolidated financial statements.

Aena, S.A. and subsidiaries - Consolidated Financial Statements

(Thousand euros unless otherwise stated)

Consolidated profit and loss statement for years ended on 31 December 2016 and 2015

	Note	2016	2015
Profit/Loss for the year		1,164,386	830,785
Other comprehensive revenue - Items that are not reclassified to revenue for the period.		(23,125)	6,425
- Due to revaluation / (reversal of revaluation) of property, plant and equipment and intangible assets		-	-
- Due to actuarial gains and losses and other adjustments	32	(27,629)	8,482
- Share in other comprehensive revenue recognised for investments in joint and associated businesses		30	-
- Other revenue and expenses that are not reclassified to revenue for the period			
- Tax effect	32	4,474	(2,057)
Other comprehensive revenue - Items that may be subsequently reclassified to revenue for the period		(66,712)	(44,066)
1. Financial assets available for sale		-	-
- Profits/(Losses) on measurement		-	-
- Amounts transferred to the revenue statement		-	-
- Other reclassifications		-	-
2. Cash flow hedges	32	(62,668)	(65,915)
- Profits/(Losses) on measurement		(107,140)	(91,118)
- Amounts transferred to the revenue statement		44,472	25,203
- Amounts transferred to the initial value of the hedged items		-	-
- Other reclassifications		-	-
3. Differences on exchange		(19,164)	5,533
- Profits/(Losses) on measurement		(19,164)	5,533
- Amounts transferred to the revenue statement			
- Other reclassifications		-	-
4. Share in other comprehensive revenue recognised for investments in joint and associated businesses			
- Profits/(Losses) on measurement		-	-
- Amounts transferred to the revenue statement		-	-
- Other reclassifications		-	-
5. Other revenue and expenses that may be reclassified subsequently to revenue for the period			
- Profits/(Losses) on measurement		-	-
- Amounts transferred to the revenue statement		-	-
- Other reclassifications		-	-
6. Tax effect	32	15,120	16,316
Total comprehensive revenue for the year		1,074,549	793,144
- Attributed to the parent company		1,095,198	788,081
- Attributed to minority interests		(20,649)	5,063

Notes 1 to 36 are an integral part of these Consolidated financial statements.

Aena, S.A. and subsidiaries - Consolidated Financial Statements

(Thousand euros unless otherwise stated)

Consolidated statements of changes in equity for the years ended on 31 December 2016 and 2015

	Note	Attributable to the Parent Company's shareholders									Total net equity	
		Share capital (Note 16)	Share premium (Note 16)	Capitalisation reserve (Note 17)	Accumulated profits (Note 17)	Hedging reserve (Note 32)	Actuarial gains and losses (Note 32)	Accumulated conversion differences (Note 32)	Share in other comprehensive revenue from (Note 32)	Total (Note 18)		Minority interests (Note 18)
Balance at 1 January 2015		1,500,000	1,100,868	-	930,230	(7,053)	(2,684)	(5,120)	-	3,516,241	62,063	3,578,304
Profit/loss for the year	17	-	-	-	833,537	-	-	-	-	833,537	2,572	830,965
Other comprehensive revenue for the	18	-	-	-	-	(50,029)	3,305	1,268	-	(45,456)	7,815	(37,641)
Total comprehensive revenue for the year		-	-	-	833,537	(50,029)	3,305	1,268	-	788,081	5,063	793,144
Distribution of dividends		-	-	-	-	-	-	-	-	-	(10,727)	(10,727)
Other operations	17	-	-	-	(333)	-	(107)	-	-	(440)	-	(440)
Total contributions by and distributions to shareholders recognised directly under equity		-	-	-	(333)	-	(107)	-	-	(440)	(10,727)	(11,167)
Balance at 31 December		1,500,000	1,100,868		1,763,434	(57,082)	514	(3,852)	-	4,303,882	56,399	4,360,281
Profit/loss for the year	17	-	-	-	1,164,149	-	-	-	-	1,164,149	237	1,164,386
Share in other comprehensive revenue from associates	9,18	-	-	-	-	-	-	-	30	30	-	30
Other comprehensive revenue for the	18	-	-	-	-	(44,748)	(11,824)	(12,409)	-	(68,981)	20,886	(89,867)
Total comprehensive revenue for the year		-	-	-	1,164,149	(44,748)	(11,824)	(12,409)	30	1,095,198	(20,649)	1,074,549
Distribution of dividends	17	-	-	-	(406,500)	-	-	-	-	(406,500)	(3,350)	(409,850)
Allocation to the capitalisation	17	-	-	42,406	(42,406)	-	-	-	-	-	-	-
Other operations	17	-	-	-	769	-	-	-	-	769	-	769
Total contributions by and distributions to shareholders recognised directly under equity		-	-	42,406	(448,137)	-	-	-	-	(405,731)	(3,350)	(451,487)
Balance at 31 December		1,500,000	1,100,868	42,406	2,479,446	(101,830)	(11,310)	(16,261)	30	4,993,349	32,400	5,025,749

Notes 1 to 36 are an integral part of these Consolidated financial statements.

Aena, S.A. and subsidiaries - Consolidated Financial Statements

(Thousand euros unless otherwise stated)

Consolidated statement of cash flow account for the years ended on 31 December 2016 and 2015

	Note	2016	2015
Profit/loss before tax		1,516,119	1,040,578
Adjustments for:		829,591	1,095,454
- Depreciation and amortisation	6,7,8	825,805	846,215
- (Profit)/loss on fixed assets disposal		6,402	7,843
- (Profit)/loss on disposal of financial instruments	31	4,469	(97)
- Losses/(gains) in the fair value of financial instruments	31	44,472	25,203
- Attribution of grants	24	(41,590)	(45,928)
- Trade receivable impairment adjustments		7,845	3,362
- Change in provisions		78,349	21,974
- Financial revenue	31	(208,484)	(4,092)
- Financial expenses and exchange rate differences	31	127,359	204,578
- Other revenue and expenses		1,045	50,408
- Share in losses /(gains) in associates	9	(16,121)	(14,012)
Changes in working capital:		(55,319)	(103,971)
- Inventories		(951)	669
- Debtors and other receivables		26,155	(58,920)
- Other current assets		(42)	(122)
- Creditors and other payables		(42,359)	(2,227)
- Other current liabilities		(36,909)	(35,132)
- Other non-current assets and liabilities		(1,213)	(8,239)
Cash generated from operations		(455,666)	(403,080)
Interest paid		(146,825)	(238,797)
Interest receivable		1,533	2,635
Taxes paid		(309,019)	(166,141)
Other collections (payments)		(1,355)	(777)
Net cash generated from operating activities		1,834,725	1,628,981

Aena, S.A. and subsidiaries - Consolidated Financial Statements

(Thousand euros unless otherwise stated)

Consolidated statement of cash flow account for the years ending on 31 December 2016 and 2015

	Note	2016	2015
Cash flows from investment activities			
Acquisitions of property, plant and equipment		(287,919)	(241,593)
Acquisitions of intangible assets		(16,120)	(13,066)
Acquisitions of investment properties		(1,346)	(87)
Payments for acquisitions of other financial assets		(3,901)	(11,088)
Payments received from divestment/loans to Companies in the group and associates		2,027	697
Payments received from property, plant and equipment divestment		1	136
Payments received for other financial assets		11	421
Dividends received	2.2	15,609	10,164
Net cash used in investment activities		(291,638)	(254,416)
Cash flow from financing activities			
Revenue from external financing (ERDF grants)	24	10,665	22,287
Revenue from bank financing		31,739	13,078
Other payments received		19,392	13,207
Repayment of bank borrowings		(333)	(878)
Repayment of Group financing	20	(1,172,339)	(1,080,128)
Dividends paid		(409,716)	(10,727)
Other payments		(12,490)	(66,554)
Net cash generated from/(used in) financing activities		(1,533,082)	(1,109,715)
Effect of exchange rate fluctuations		(2,130)	1,586
Net (decrease)/increase in cash and cash equivalents		7,875	266,436
Cash and cash equivalents at start of the year		556,741	290,305
Cash and cash equivalents at end of the year		564,616	556,741

Notes 1 to 36 are an integral part of these Consolidated financial statements.

Aena, S.A. and subsidiaries - Consolidated Financial Statements

(Thousand euros unless otherwise stated)

Notes to the Consolidated financial statements as of 2016

1 General information

Aena, S.A. (“the Company”, or “Aena”) is the Parent Company of a group of companies (the “Group”) consisting of 6 subsidiaries and 4 associates at the end of 2016. Aena, 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 incorporation of the State-owned corporation Aena Aeropuertos, S.A. as provided in Article 166 of Act 33/2003 (3 November) on Public Institution Assets (LPIA).

On 5 July 2014, in virtue of Article 18 of Royal Decree Law 8/2014, the name of Aena Aeropuertos, S.A. was changed to Aena, S.A. and the public business entity “Aeropuertos Españoles y Navegación Aérea” was renamed ENAIRE (“Parent Company”). 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 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.

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 Act 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 7.1.2 of Royal Decree Law 13/2010 (3 December), and may sell the rest in accordance with Act 33/2003 (3 November) on Public Institution Equity.

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

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,

Aena, S.A. and subsidiaries - Consolidated Financial Statements

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

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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 Ministry of Defence: 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: heliports in Ceuta and Algeciras.

The functional ownership of the Company falls to the Ministry of Development, together with the authority to propose the appointment of one-third of the members of the Board of Directors. Aena Aeropuertos, S.A. is the beneficiary of the expropriations associated with the infrastructures it manages.

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 airport air traffic services associated with those airport infrastructures.
- The evaluation of needs and, if appropriate, the proposal for planning new airport infrastructures and airport and acoustic rights of way associated with airports and services for which the Company is responsible for managing.
- The performance of organisational and security services at airport facilities that it manages, notwithstanding the authority assigned to the Ministry of the Interior 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 address for Aena, S.A. is located in Madrid (Spain), at Arturo Soria St., 109.

Moreover, in the Council of Ministers' meeting of 11 July 2014, the public business entity "Aeropuertos Españoles y

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Navegación Aérea" was authorised to initiate proceedings for the sale of the share capital of Aena, S.A. and to dispose of up to 49% of its capital.

Shares in Aena, S.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.

The price performance of Aena, S.A. during the year 2016 was very positive, with a revaluation at year end 23.0 % to 129.65 Euros per share compared to the evolution of the IBEX 35, which fell by 2.0 %.

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 Basis of presentation

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 years ended 31 December 2016, 2015, 2014, 2013, 2012 and 2011 and in accordance with the IFRS-EU, 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 integrated into 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 the 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 the year 2011 as of the transaction date would not have reflected the fundamental economic reality of

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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 the year 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 the 31 December 2016, as well as the commercial legislation applicable to companies that prepare financial information in accordance with IFRS.

The figures set out in the documents making up the consolidated financial statements, the consolidated balance sheet, the consolidated revenue statement, the consolidated comprehensive revenue 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.

The consolidated financial statements have been prepared in accordance with the historic cost approach, modified by the restatement of derivative financial instruments at fair value.

The preparation of financial statements under IFRS requires the use of certain critical accounting estimates. Similarly, Management is required to exercise 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.

These consolidated financial statements were prepared by the Board of Directors on 21 February 2017, and will be presented for approval by the Shareholders' Meeting.

2.1.1 Changes in estimates

There have been no changes in accounting policies or significant estimates during 2016 other than those resulting from the entry into force of new standards described in Note 2.1.2, from the criteria stated in Note 2.28 and regarding the criteria applied in the year 2015.

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2.1.2 Standards, interpretations and amendments to published standards adopted by the Group

The accounting policies used in the preparation of these consolidated financial statements for the year ended 31 December 2016, are the same as those applied in the consolidated financial statements for the year ended 31 December 2015, except for the following standards, interpretations and amendments:

Standard, interpretation or amendment	Date of application in the EU
IFRS Annual Improvements - 2012-2014 cycle	1 January 2016
Amendments to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to IAS 1 - Information disclosure initiative	1 January 2016
Amendments to IAS 16 and IAS 38 - Clarifications of acceptable amortisation methods	1 January 2016

Amendments to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations

The amendment to IFRS 11 requires an investor to apply the principles of accounting for a business combination when it acquires an interest in a joint operation that constitutes a business, applying the relevant principles of IFRS 3 for the accounting of business combinations. The amendments also clarify that holdings that were previously held in the joint operation are not revalued in the acquisition of additional holdings while joint control is maintained. In addition, it added an exception to the scope of these amendments so they do not apply when the parties sharing joint control are under the common control of an ultimate parent company.

The changes apply to the initial acquisition of shares in a joint operation and the acquisition of any additional interest in the same joint operation.

This change in the standard has had no effect on these consolidated financial statements.

Amendments to IAS 16 and IAS 38 - Clarification of acceptable amortisation methods

These amendments clarify that revenues reflect a pattern of economic benefits arising from the operation of a business (of which the asset is part), rather than the economic benefits that are consumed by the use of the asset. Therefore property, plant and equipment cannot be amortised using a revenue-based amortisation method and it can only be used in very limited circumstances to amortise intangible assets.

This change in the standard has had no effect on these consolidated financial statements.

IFRS Annual Improvements cycle 2012-2014

These improvements to the IFRS include the following amendments:

IFRS 5 – Non-current assets held for sale and discontinued operations

Assets (or groups of assets) are generally disposed of through their sale or distribution to the owners. The amendments clarify that when an entity decides to sell an asset (or a disposable group) that was previously classified as held for distribution to the owners, or vice versa when it decides to distribute to the owners an asset that was previously classified as held for sale, this is not considered a new disposal plan. Therefore the application of the requirements of IFRS 5 is not interrupted. These amendments are applied prospectively for the years beginning on or after 1 January 2016.

This change in the standard has had no effect on these consolidated financial statements.

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IFRS 7 – Financial instruments: Disclosures

Service contracts

The amendment clarifies that a service contract that includes remuneration may constitute a continuing involvement in the transferred financial asset. An entity should evaluate the nature of the compensation and the agreement, taking into account the rules included in IFRS 7 regarding continued involvement, to determine the breakdowns to be made. The evaluation of whether service contracts constitute continuous involvement should be done retroactively. However, it will not be necessary to include comparative information prior to the first year in which the entity applies this change.

This change in the standard has had no effect on these consolidated financial statements.

IAS 19 – Employee benefits

The amendment makes it clear that in order to calculate the discount rate of employee compensation plans, the rates of high-quality corporate bonds operating in deep markets of countries using the same currency as the entity which has the obligation must be used instead of those corresponding to the country in which the company is located. If there is no deep market for high-quality corporate bonds with that currency, the rates of government bonds will be used. These amendments are applied prospectively for periods beginning on or after 1 January 2016.

This change in the standard has had no effect on these consolidated financial statements.

Amendments to IAS 1 - Information disclosure initiative

These amendments, which the IASB has established as applicable to years which begin on 1 January 2016, encourage entities to apply professional judgment in the determination of what information to reveal in the financial statements, and clarify some of the requirements of IAS 1:

- Entities shall not add or disaggregate information so that it conceals useful information.
- Intangible information shall not be included, neither in main statements nor in the notes, even if it is minimum information required in a paragraph of the standards.
- Specific items from the revenue statement and comprehensive revenue statement can be disaggregated.
- If main statements contain additional subtotals to those required by IAS 1, they shall be displayed and express so that the subtotal can be understood, they should be consistent from period to period and they may only be items recognised and valued according with IFRS.
- Besides, if these subtotals belong to the revenue statement or comprehensive revenue, they cannot be displayed more prominently than the subtotals and totals provided in IAS 1, and must be reconciled with subtotals and totals required by this standard.
- The notes do not have to be included in the systematic order indicated in paragraph 114 of IAS 1.
- Each item in the main statements shall be referenced to any related information in the notes.
- Examples of significant accounting policies in paragraph 120 of IAS 1 are removed.
- The part corresponding to another comprehensive revenue of investments in associates and joint ventures accounted for by the equity method are not classified based on their nature, rather they fall into two specific items, one in which the result is reclassified and another in which they are not reclassified.

This amendment has been taken into account in the preparation of the information included in these consolidated financial statements.

2.1.3 Standards, interpretations and amendments to existing standards that have not been adopted by the EU or having been adopted by the EU do not apply until subsequent years

Up to the date of preparation of these consolidated financial statements, the Group has not been an early adopter of any other standard, interpretation or amendment that is yet to enter into force.

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The standards that the EU has already adopted but have not yet entered into force are:

Area	Fundamental requirements	Effective date
IFRS 9 "Financial instruments"	The IASB has published the full version of IFRS 9, "Financial Instruments", which replaces the IAS 39 guide. This final version includes the requirements for the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the model for impairment losses incurred that is currently used. The final hedge accounting part of the IFRS was issued in November 2013.	IFRS 9 comes into effect for financial years beginning on or after 1 January 2018, although its early adoption is permitted.
IFRS 15 "Revenue from Contracts with Customers"	In May 2015, the IASB and FASB (US Financial Accounting Standards Board) jointly issued a converged standard regarding the recognition of revenue from contracts with customers. Under this standard, the revenue is recognised when a customer obtains the control of the good or service sold. A customer obtains the control when it has both the capacity to direct the use and to obtain the benefits of the good or service. A transfer of control is not the same as a transfer of risks and benefits, nor is it necessarily the same as the culmination of a process of profits as is considered today. Entities will also have to implement a new guide to determine whether they should recognise the revenue over time or at a given time. In comparison with the regulations currently in force, IFRS 15 requires extensive information to provide a greater knowledge of both the revenue that has been recognised and the revenue expected to be recognised in the future in relation to existing contracts. Likewise, quantitative and qualitative information shall be provided on the significant judgements made by management in determining the revenue to be recognised, as well as on the changes in terms of these judgements.	IFRS 15 shall come into effect for financial years beginning on or after 01 January 2018, although its early adoption is permitted. This standard shall apply in accordance with one of the following methods: a) Retroactively for each prior period for which information is presented in accordance with IAS 8, subject to certain practicalities; or b) Retroactively recognising the cumulative effect of initially implementing this standard on the date of initial application.

Furthermore, on the date these consolidated financial statements were prepared, the IASB and IFRIC published a series of standards, amendments and interpretations that have not yet been adopted by the European Union.

Area	Fundamental requirements	Effective date
IFRS 16 "Leases"	The new international rule on leases (IFRS 16) was approved on January 2016, which implies a significant change in approach to the applicable standard (IAS 17). Under this new standard, in the case of tenants, companies will be required to include most of the leases in their balance sheets, as both their assets and liabilities increase. In this new context, companies should record an Asset for the usage right the leased property and a Liability for the present value of the future minimum payments (also including the final payment of the property, as the case may be, and there are expectations that it will be incurred).	IFRS 16 comes into effect for financial years beginning on or after 1 January 2019. This standard shall apply in accordance with one of the following methods: a) Retroactively to all existing leases in the company on the date of initial application of this standard; or

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Area	Fundamental requirements	Effective date
	Compared to current regulations, IFRS 16 eliminates classification of operating and financial leases.	b) By applying the new standard only for those leases signed after the date of initial application.
Amendments to IFRS 10 and IAS 28 - Sales or contributions of assets between an investor and its associate/joint venture	This amendment seeks to eliminate the existing conflict between IFRS 10 and IAS 28 for contributions from businesses to associates or joint ventures.	The implementation of this amendment is still pending.
Amendments to IFRS 10, IFRS 12 and IAS 28 - Investment Entities: Applying the Consolidation Exception	This amendment refers to the exception applicable to a subsidiary of an investment entity to present consolidated financial statements if the investment entity measures the investment in the subsidiary at fair value.	For financial years beginning on or after 1 January 2016.
IAS 12 - Recognition of Deferred Tax Assets for Unrealised Losses	The amendment establishes how to record deferred tax assets derived from expected losses on financial instruments that have not yet been realised. The amendment also includes guidance on how to assess future tax benefits that can be used to offset tax losses.	For financial years beginning on or after 1 January 2017.
Amendments to IAS 7 - Disclosure initiative	This amendment is part of the amendments related to the information to be disclosed and requires entities to disclose information that allows users to know the variations in the liabilities that come from financing activities in the statement of cash flows.	For financial years beginning on or after 1 January 2017.
Amendments to IFRS 2 - Classification and measurement of share-based payment transactions	The amendment affects the classification and quantification of share-based payments in three areas: <ul style="list-style-type: none"> • The effects of the maturity conditions on the amount of the obligation if their payment is in cash • The classification of payments made on behalf of the recipient of the tax withholdings • The accounting record when a payment in shares is changed from being liquidated in cash to liquidated in shares. 	For financial years beginning on or after 1 January 2017.
IFRS 15 (Amendment), "Clarifications to IFRS 15" Revenue from contracts with customers "	Clarifying the guide to identify performance obligations, accounting industrial property licensing and presentation of net versus gross revenue.	For annual periods beginning on or after 1 January 2018.
Interpretation 22, Advances on Foreign Currency Transactions	This interpretation deals with the accounting record of advances that are delivered in a currency other than the functional currency for the purchase of goods and how the exchange differences for such advances should be recognised.	For financial years beginning on or after 1 January 2017.
IFRS improvement, 2014-2016 cycle	Includes changes to IFRS 12, IFRS 1, and IAS 28	For annual periods beginning on or after 1 January 2018, except for IFRS 12 where it is 1 January 2017.
Amendments to IAS 40; Transfer of investment property	This amendment clarifies the assumptions and circumstances that allow the transfer of inventories or property, plant and equipment to investment property.	For financial years beginning on or after 1 January 2017.

Based on the analysis conducted to date, the Group believes that the application of many of these standards and amendments will not have a significant impact on the consolidated financial statements in the initial period of application. However, for the most relevant standards (IFRS 9, 15 and 16) the Group has carried out the following analysis to date with the following conclusions.

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IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes the criteria for the accounting recording of revenue from contracts with customers. The Group is currently in the process of estimating the impact of this new standard on its contracts. No relevant aspects have been identified in this analysis that might affect the Group's accounting in terms of recognition of revenue from its activities as an application of the standard.

The analysis carried out to come to this conclusion has been based on:

- The Group's revenue for the provision of airport services is mainly for the use of airport infrastructure by airlines and passengers (including airport charges and private prices). The establishment of fees for public charges is carried out in accordance with Act 1/2011 (4 March), which establishes the State Operational Security Programme for Civil Aviation and amends Act 21/2003 (7 July) on Air Security. Furthermore, Article 68 of Act 21/2003 defines the items that are equity benefits of a public nature.
- Therefore no impacts are observed either on the identification of the corresponding performance obligations, which would be the legal concepts, or in the allocation of transaction prices to them, which would be the tariffs approved for each differentiated service.
- In addition, Aena's aeronautical customers simultaneously receive and consume the benefits of the entity's performance as it executes it, which means there is no difficulty in determining such moment of recognition from which Aena has a present right to the service charge as it is the same as the current one.
- The rest of the revenue earned by the Group is for the impact of overheads on the lessees of airport facilities and does not present any difficulties in the identification of the performance obligations, the calculation of the amount or the date of recognition that will be similar to the current one.
- However, the breakdowns related to the estimates made by the Management will be increased.

The company's management believes that the application of this standard will not have a material impact on future financial statements.

IFRS 9 Financial instruments

The changes introduced by IFRS 9 will affect the recognition of financial assets and derivative financial instruments as of 1 January 2018. The Group believes that the application of this standard will not bring substantial changes to the financial assets and liabilities which it currently has registered.

Furthermore, the application of the expected credit losses model to trade receivables is also not expected to have any significant impact.

IFRS 16 Leases

IFRS 16 states that companies acting as lessees must recognise in the balance sheet the assets and liabilities for all leases (except for short-term lease agreements and those for assets of low value).

IFRS 16 also stipulates that those rights-of-use assets and their corresponding liabilities can only be recognised if the amounts established in the contract are fixed or fixed in substance or are indexed or indexed at fixed interest rates. Payments referenced to variables that depend on a performance or another type of similar variable cannot be included.

IFRS 16 does not impact the lessor's accounting; it mainly impacts the lessee's accounting, so the most significant part of the AENA Group related to leases, considering that it refers to its role as lessor, will not be affected.

The AENA Group has carried out a detailed analysis of all the leases it has signed both as lessor and lessee. The conclusion of this analysis is that the Group will have to register the rights of use and their corresponding liabilities related to the rent of the land and the constructions of the business in the United Kingdom, those corresponding to leases of vehicles in the facilities of such airport, and some leases for vehicles and buildings of the business in Spain.

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The impact to be recorded has not yet been accurately determined as there are a number of transition alternatives and the estimates are complex. However, considering the volume and characteristics of the affected contracts, the company believes that the amendments introduced by IFRS 16 would not have a material impact on the Group's financial statements from the date of adoption, including recognition in the balance sheet of the rights-of-use assets and the corresponding obligations in relation to most of the contracts that under current regulation are classified as operating leases, or the depreciation of the right to use the assets and the recognition of interests over the lease obligations that will replace a significant part of the amount recognised in the revenue statement as an operating lease expense under the current standard. The classification of payments in the statement of cash flows will also be impacted by this new regulation.

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 govern the 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 the 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 agreement.

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 revenue statement or a change in other comprehensive results in accordance with IAS 39. 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 on which the stake in the equity of the acquired target company is recognised by the buyer is again measured at fair value on the acquisition date, and any loss or profit arising from this new measurement is recognised in the profit/(loss) for the year.

Goodwill is initially stated as the excess over the total compensation paid and the fair value of the non-controlling shareholding over 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 recognized directly in the revenue statement. For each business combination, the Group may choose to recognise any non-controlling interest in the acquired company at fair value or the proportional part of the non-controlling interest in the recognised amount of the investee's identifiable net assets.

A joint venture between companies or businesses under joint control is a business combination in which all of the entities or businesses that are being combined are controlled, ultimately, 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 joint venture 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.

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During the consolidation process, intra-group revenue 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 eliminated. The accounting policies followed by subsidiaries have been standardised where necessary to ensure uniformity with policies adopted by the Group.

The breakdown of the Group's subsidiaries at 31 December 2016 and 2015, all consolidated using the full consolidation method, is as follows:

Subsidiaries	Address	Activity	%		Owner of the Shareholding
			Direct	Indirect	
Aena Desarrollo Internacional, S.A. (1) ("ADI")	Madrid	Operation, maintenance, management and administration of Airport infrastructures, as well as supplementary services.	100	-	Aena, S.A.
London Luton Airport Holdings III Limited ("LLAH III")	Luton (United Kingdom)	Holding of shares in the company that holds the concession for the operation of Luton Airport.	-	51	Aena Desarrollo Internacional, S.A.
London Luton Airport Holdings II Limited ("LLAH II")	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")	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")	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")	Luton (United Kingdom)	Company holding the concession for the operation of Luton Airport.	-	51	London Luton Airport Group Limited ("LLAGL")

Subsidiaries	Address	Activity	%		Owner of the Shareholding
			Direct	Indirect	
Aena Desarrollo Internacional, S.A. (1) ("ADI")	Madrid	Operation, maintenance, management and administration of Airport infrastructures, as well as supplementary services.	100	-	Aena, S.A.
London Luton Airport Holdings III Limited ("LLAH III")	Luton (United Kingdom)	Holding of shares in the company that holds the concession for the operation of Luton Airport.	-	51	Aena Desarrollo Internacional, S.A.
London Luton Airport Holdings II Limited ("LLAH II")	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")	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")	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")	Luton (United Kingdom)	Company holding the concession for the operation of Luton Airport.	-	51	London Luton Airport Group Limited ("LLAGL")

(1) Companies audited by the PwC network.

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On 30 September 2015 the articles of termination of the two concessionary companies (Concesionaria del Aeropuerto de Madrid-Barajas S.A. and Concesionaria del Aeropuerto de Barcelona-El Prat S.A) are signed. These companies did not present any activity since their establishment on 26 July 2011.

At 31 December 2016 and 2015, 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 years 2016 and 2015, 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.A. The key amounts of capital, equity, profit and carrying value, expressed in local currency and under local accounting principles, relating to this company and its investees at the close of 2016 and 2015 are as follows (expressed in thousands):

31 December 2016					
Name / Address / Line of business	% Holding	Share capital and share premium	Profit/Loss for the year	Other equity	Total equity
		GBP	GBP	GBP	GBP
London Luton Airport Holdings III Limited (*) (1)	51.0 %	98,600	396	(42,619)	56,377
London Luton Airport Holdings II Limited (*) (1)	51.0 %	98,600	2,197	(89,750)	11,047
London Luton Airport Holdings I Limited (*) (1)	51.0 %	193,011	9,800	(96,564)	106,247
London Luton Airport Group Limited (*) (1)	51.0 %	5,274	34,805	2,811	42,890
London Luton Airport Operations Limited (**) (1)	51.0 %	5,274	36,835	1,999	44,108

(*) Data obtained from the consolidated financial statements at 31 December 2016

(**) Data obtained from the individual financial statements at 31 December 2016

(1) Company audited by other auditors.

31 December 2015					
Name / Address / Line of business	% Holding	Share capital and share premium	Profit/Loss for the year	Other equity	Total equity
		GBP	GBP	GBP	GBP
London Luton Airport Holdings III Limited (*) (1)	51.0 %	98,600	(4,080)	(9,714)	84,806
London Luton Airport Holdings II Limited (*) (1)	51.0 %	98,600	(0.757)	(54,308)	43,535
London Luton Airport Holdings I Limited (*) (1)	51.0 %	193,011	6,842	(61,321)	138,532
London Luton Airport Group Limited (*) (1)	51.0 %	5,274	21,548	22,732	49,554
London Luton Airport Operations Limited (**) (1)	51.0 %	5,274	22,273	21,695	49,242

(*) Data obtained from the consolidated financial statements at 31 December 2015

(**) Data obtained from the individual financial statements at 31 December 2015

(1) Company audited by other auditors.

In 2014, Aena Desarrollo Internacional (ADI) reached 51% of the capital stock of London Luton Airport Holdings III Limited (LLAHL III) amounting to GBP 53.1 million (corresponding to 63.0 million euros), 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 (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 purpose vehicle created with the objective, through its 100 % owned subsidiary London Luton Airport Holdings II Limited (LLAH II), which 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, management company of Luton airport in the United Kingdom, under administrative concession (see Note 2.6.d).

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During the year 2016, the subsidiary LLAH III distributed to its shareholders dividends amounting to GBP 5,200 thousand (6,836 thousand euros at the exchange rate transaction), of which Aena Desarrollo Internacional has received 3,486 thousand euros, and the remaining 3,350 thousands euros were received by external partners.

During financial year 2015, LLAH III distributed to its shareholders dividends amounting to GBP 15,500 thousand (21,890 thousand euros at the exchange rate transaction), of which Aena Desarrollo Internacional received 11,163 thousand euros, and the remaining 10,727 thousands euros were received by external partners.

b) Associated companies

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20 % and 50 % of the voting rights. The investments in associates are recorded using the equity method. Under the equity method, the investment is initially recognised at cost and the carrying amount 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 revenue statement, and its share in movements subsequent to the acquisition in other comprehensive revenue is recognised in "Other comprehensive revenue" 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 revenue is reclassified to revenue.

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

The losses and gains resulting from ascendant and descendant 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. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the value of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the accounting policies adopted by the associates. Dilution gains or losses on investments in associates are recognized in the revenue statement.

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The breakdown of associates at 31 December 2016 is as follows:

Associated companies: Company and address Social	Activity	%		Value of investments in associates (Note 9) 31/12/2016	Owner of the shareholding	Consolidation method
		Direct	Indirect			
Aeropuertos Mexicanos del Pacífico, S.A. de CV (AMP) México DF (1)	Stake in the operator of Grupo Aeroportuario del Pacífico (GAP)	-	33.33	59,364	Aena Desarrollo Internacional, S.A.	Equity method
Sociedad Aeroportuaria de la Costa S.A. (SACSA) Aeropuerto Rafael Núñez Cartagena de Indias – Colombia (1)	Operation of Cartagena Airport.	-	37.89	4,490	Aena Desarrollo Internacional, S.A.	Equity method
Aeropuertos del Caribe, S.A. (ACSA) Aeropuerto Ernesto Cortissoz Barranquilla – Colombia (1)	No activity	-	40	-	Aena Desarrollo Internacional, S.A.	Equity method
Aerocali, S.A. Aeropuerto Alfonso Bonilla Aragón Cali - Colombia (1)	Operation of the Cali Airport	-	50	7,887	Aena Desarrollo Internacional, S.A.	Equity method

(1) Companies audited by other auditors.

(*) Barranquilla airport concession ended in 2012.

The breakdown of associates at 31 December 2015 is as follows:

Associated companies: Company and address Social	Activity	%		Value of investments in associates (Note 9) 31/12/2015	Owner of the shareholding	Consolidation method
		Direct	Indirect			
Aeropuertos Mexicanos del Pacífico, S.A. de CV (AMP) México DF (1)	Stake in the operator of Grupo Aeroportuario del Pacífico (GAP)	-	33.33	67,456	Aena Desarrollo Internacional, S.A.	Equity method
Sociedad Aeroportuaria de la Costa S.A. (SACSA) Aeropuerto Rafael Núñez Cartagena de Indias – Colombia (1)	Operation of Cartagena Airport.	-	37.89	3,219	Aena Desarrollo Internacional, S.A.	Equity method
Aeropuertos del Caribe, S.A. (ACSA) Aeropuerto Ernesto Cortissoz Barranquilla – Colombia (1)	No activity	-	40	-	Aena Desarrollo Internacional, S.A.	Equity method
Aerocali, S.A. Aeropuerto Alfonso Bonilla Aragón Cali - Colombia (1)	Operation of the Cali Airport	-	50	6,704	Aena Desarrollo Internacional, S.A.	Equity method

(1) Companies audited by other auditors.

(*) Barranquilla airport concession ended in 2012.

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At 31 December 2016 and 2015, none of the associates were listed on a stock market.

On 28 April 2016 the General Meeting of Shareholders 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 135,000 thousand shares, leaving it set at 2,243,350 thousand Mexican pesos. As a result of this transaction, the Group has recognised a cash receipt of 2,296 thousand euros, has reduced the shareholding in the associate by 1,457 thousand euros and has recorded in equity the difference as a result of this transaction. This transaction has not generated changes in the shareholding percentage (see note 9).

On 30 January 2015, the Extraordinary Shareholders Meeting of Sociedad Restauración de Aeropuertos Españoles, S.A (in liquidation) has approved the final liquidation balance sheet, a complete report on the liquidation transactions, and a proposal for dividing the remaining assets and proceeds of liquidation between the shareholders, resulting in payment of liquidation proceeds in the amount of 697 thousand euros on 16 March 2015.

On 29 May 2014, the subsidiary Aena Desarrollo Internacional, S.A. purchased 63,000 Aerocali, S.A. ordinary shares. In light of this acquisition the Group came to hold a 50 % interest in the company. The amount paid for this acquisition amounted to 2,036 thousand euros. In accordance with the analysis conducted by the Group Management, with this acquisition, it would not obtain control of the investee upon the existence of joint control, which is why in 2015 and 2016 it continues 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) began to be 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 on the stock market for 26,229,376 Mexican pesos (capital MXN), representing 0.11396 %, thereby raising the stake held by Grupo Aeroportuario del Pacífico, S.A. to 17.40996 %. The average acquisition price for the shares that Aeropuertos Mexicanos del Pacífico holds in Grupo Aeroportuario del Pacífico totals 23.12 Mexican pesos (MXN), while the listed value at 31 December 2016 was 170.48 Mexican pesos (MXN) (2015: 152.05 Mexican pesos (MXN)).

The Group also estimated the recoverable amount of the aforementioned investment in AMP as the current value of future cash flows arising from the same, taking into account the estimates included in the business plan prepared by the Grupo Aeroportuario del Pacífico, S.A.B. de C.V. (GAP), the main assets of AMP, as well as revenue 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 the years 2016 and 2015, 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 Management considers that the recoverable amount calculated, at 31 December 2016 and 2015, is greater than the acquisition cost of the aforementioned investment in AMP.

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

All the associates close their financial year on 31 December.

During 2016, the subsidiary Aena Desarrollo Internacional, S.A. collected dividends from associated companies amounting to 15,609 thousand euros (2015: 10,164 thousand euros).

2.3 Segment reporting

Reporting on operating segments is presented in accordance with internal information provided by the maximum decision-taking authority. The highest decision-making authority has been identified, and is responsible for assigning resources and evaluating the performance of the operating segments, as the Chairman and CEO of the Company.

The Chairman and CEO take the business into consideration from the perspective of the various activities making up the Group's business.

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Until 31 December 2015, AENA had its business segments in three Operational Segments, consistent with the internal reporting structure, the Group's economic management, risks and customers, assets assigned to operations and, in particular, the regulatory environment established in Act 1/2011, of 4 March, which establishes the State Operational Safety Programme for Civil Aviation and amends Act 21/2003, of 7 July, on Aviation Safety: 1) Airports, which includes the aeronautical and commercial activities of the Group, 2) Off-terminal services, including real estate services and the car park network, and 3) International. Information relating to LLAH III is included in the International segment, since the revenue, profit and assets are less than 10 % of the aggregate values of the Group. Note 5 reflects the financial information broken down by segment.

For the reasons explained in Note 2.8, a change in the previous system has been made in 2016: this change involves the modification of the segments with respect to those presented in 2015, and the car parks network which was previously in the Off-Terminal Services Segment, a segment that from 2016 is renamed Real Estate Services, is moved to the Airports segment.

As a result, the management of the Aena Group has changed the comparative information so that it is wholly comparable with the data for 2016 and the way resource management is currently monitored and streamlined by the management. The ultimate objective is to group the activities in a way that is consistent with the drivers and fundamental risks of the business and with the organisational structure of Aena but one which at the same time avoids the existence of separations in commercial activity derived solely from the previous system used for setting rates ("single till") which is no longer applicable, and is presented in a manner consistent with the Group's business strategy of offering an integrated service of the highest quality to its customers, namely airport users.

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 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 euros (€), which is the functional and presentation currency of Aena, S.A.

b) Transactions and balances

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 transactions and translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currency are recognized in the revenue statement, except when deferred in other comprehensive profit as cash flow hedges or net investment hedges. Losses and gains on exchange relating to loans and cash and cash equivalents are presented in the consolidated revenue statement under "Other net financial revenue/(expense)". All other losses or gains on exchange are presented under the same heading.

The conversion of the results obtained by the 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 revenue 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 that do not differ significantly from the exchange rate in force on the transaction date. The difference between equity, including profit calculated as indicated in the preceding point, converted using the historic exchange rate, and the net equity situation that results from the conversion of assets, rights and obligations, is recognised as a positive or negative figure, as appropriate, under equity in the "Foreign exchange differences" heading.

Entities of the Group

The results and the financial position of all the entities of the Group (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:

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- (i) The assets and liabilities of each balance sheet presented are converted at the closing exchange rate on the balance sheet date;
- (ii) The revenue and expenditure for each revenue 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 revenue and expenditure are converted on the date of the transactions); and
- (iii) All exchange differences arising are recognised in other comprehensive revenue.

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 revenue".

2.5 Property, plant and equipment

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

The Group activates, as the largest value in terms of fixed assets, the initial estimate of the costs of renovating the site on which they lie, when these constitute obligations incurred as a result of using the item. Thus, these are capitalised as a higher value of the airport assets for all the obligations laid down for carrying out the works of acoustic insulation and soundproofing of residential areas in order to comply with current legislation on noise generated by the airport infrastructures (see Note 23 with regards to the provision of acoustic insulation).

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, 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 components is eliminated from the accounting records. All other repair and maintenance expenses are charged to the revenue statement in the financial year in which they are incurred. Work carried out by the Group on its own assets is measured at production cost, and is stated as an ordinary revenue item in the revenue statement.

Land is not depreciated. The depreciation of other property, plant and equipment components is calculated on a straight-line basis in order to assign the difference between their costs and the residual values relating to their estimated useful lives, as follows:

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

Airport assets are depreciated using the useful life method, as is specified below:

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

The asset's residual values and useful life are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on the sale of property, plant and machinery are calculated by comparing the revenue obtained against the carrying value of those assets and are recognised in the revenue statement under "Impairment and gains/(losses) on disposal of assets".

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2.6 Intangible assets

a) Goodwill

Goodwill arises in the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the subsidiary acquired and the fair value on the acquisition date of any prior shareholding in the equity of the subsidiary acquired based on 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 valued at fair value is less than the fair value of net assets of the subsidiary acquired, in the event of an acquisition on extremely favourable terms, the difference is recognised directly in the revenue statement.

In order to carry out the tests for impairment losses, acquired goodwill in a business combination is assigned to each one 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.

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

b) Software

These headings record the amounts paid with respect to the acquisition and development of software.

Software licenses acquired are capitalised based on the acquisition costs incurred and the costs arising from installing the specific programme ready for use. The costs of development directly attributable to the design and implementation of computer programmes which are identifiable, original, and able to 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 such that it will be available for use or for sale;
- The Group has the intention of completing the intangible asset in question, for use or for sale.
- The Group has the capacity to use or sell the intangible asset.
- It is possible to demonstrate the manner in which the intangible asset will generate probable profits in the future.
- Adequate technical, financial or any other type of resources are available to complete development and to use or sell the intangible of asset; and
- The payment attributable to the intangible asset may be reliably measured.

Attributable direct costs that are capitalised as part of the software programs include software development employee costs and an appropriate portion of relevant overheads.

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

Software is amortized over the assets' estimated useful lives, normally up to a maximum of 6 years.

Costs associated with maintaining computer software programs are recognized as an expense when incurred.

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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 carried out, 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 for 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, for use or for sale.
- The Group has the capacity to use or sell the intangible asset.
- Adequate technical, financial or any other type of resources are available to complete development and to use or sell the intangible of asset; and
- The costs may be reliably estimated.

In the event that the circumstances that allowed a project to be capitalised undergo changes, the accumulated cost is realised on the revenue statement. Capitalized development expenses are amortised over their useful lives, which are estimated to be 4 years.

Expenditures on research activities are recognised as an expense in the year in which incurred.

d) LLAH II service concession

The service concession arrangement of London Luton Airport (property of Luton Borough Council) is not subject to IFRIC 12, since this airport's fees are not subject to regulated prices. Such an arrangement is recorded as an operating lease in accordance with IAS 17. The related intangible asset is amortised on a straight-line basis throughout its remaining useful life. To establish the remaining useful life of this intangible asset, the maturity of the aforementioned service concession arrangement is used in the year 2031.

e) Other intangible assets

As other intangible assets the Group mainly capitalizes the Airport Steering Plans and the studies associated with them, and they are amortized over 8 years.

2.7 Investment properties

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

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

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2.8 Impairment of non-financial assets

Assets that have an indefinite useful life and fixed intangible assets that are not in a state of use are not subject to amortisation and are tested annually for impairment. Property, plant and equipment and intangible assets subject to depreciation/amortisation are subject to impairment reviews provided that some event or change in circumstances indicates that carrying value may not be recoverable. All loss from impairment of the value is recognized for the book value that exceeds the recoverable amount. The recoverable amount is determined as the fair value less sales costs or the value-in-use, whichever is higher.

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

For the periods presented in these financial statements, the determination of the cash-generating units has been influenced by the rules applicable in each period and the mechanisms for establishing the economic benefits associated with the assets in these cash-generating units.

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 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 Law 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 revenue, expenses and investments derived from commercial services and activities that are not strictly aeronautical are not included for the purpose of determining airport tariffs. 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%, and 2018: 0%). Therefore, from 2018 a dual till system will be used in full.

Until fiscal year 2015, the management of the company has 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 of the car parks considered as a whole), in the airport network for the Airports segment (which consists of the infrastructure assigned to aeronautical activity and the commercial spaces included in it), and in the financial investments constituting international activity. This identification was based on the following considerations:

- 1) The company considered the network of airports as a whole as a cash-generating unit in light of the legislation regulating the airport charges contained in Act 1/2011 mentioned above, mainly due to the following reasons:
 - Individually speaking, the airports do not have independence with respect to the management of revenues, as management is carried out on a joint basis and fees are calculated based on the entire network.
 - Control over airport operations is carried out by Company management on a joint basis.
 - The fees that are received by the Company for performing its activities are calculated taking into account practically all of the activities carried out by the Company and they seek a balanced budget such that commercial revenues could give rise to a reduction in aviation fees, with the beneficiaries being the users of the airport infrastructure, notwithstanding the provisions of Royal Decree Law 20/2012.
 - Finally, the regulatory framework established by Act 1/2011 stipulates that the fees must be calculated based on the entire network, allowing the recovery of the cost of the network taken as a whole, and not at the level of individual airports.
- 2) In relation to the cash-generating unit of the car parks within the off-terminal services segment, the Company has also considered them as a network as a whole, taking into account all applicable regulations and reasons considered for the airport network, primarily for the following reasons:

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- Revenue generated by the network of car parks is intimately dependent on airport activity, since they cannot operate independently of the other integral assets of the network. Consequently, the recovery of such assets is also considered as a whole, with car parking being considered an accessory to airport activity.
- Parking management is considered as a whole, due to its interdependence with airport assets and the nature of the compulsory service that must be provided in relation to airport activity. In this regard, it is worth noting that Company management assesses the adequacy of the infrastructure at airports depending on the traffic, and as the car parks form part of the airport service, evaluates investment, management and operating decisions taking passenger traffic into account.
- The price of parking is based on the characteristics described above, so the said prices are comparable to prices set according to the parameters for public services. Therefore, the car parks should be considered as a whole and not separately, since their existence is conditional on the existence of the airport assets as a whole.
- Valet parking is considered a mandatory public service for the provision of airport services in accordance with the rules governing the management of airports of general interest and their service areas.

The establishment of the “progressive dual till” with Royal Decree Law 20/2012, of 13 July, on measures to ensure budgetary stability and foster competitiveness, and Act 18/2014 referred to above 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 revenue of such activities is not included in the calculation of airport charges. As a result, the value judgment 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 should be reconsidered from 2016.

The analysis carried out for this purpose concludes 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 because of the high interdependence of revenue between the two activities and the existence of a single asset shared by both activities due to the legal impossibility to dispose, sell or split the airport assets; and secondly, and for the same reasons, it is also concluded that activity corresponding to the “car park network”, hitherto 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, the segment and the cash-generating unit of “Off-terminal services” is renamed “Real estate services”, as it is constituted exclusively by each of the real estate assets.

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

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

These projections take into account the financial projections included in the Airport Regulation Document (DORA) for the period 2017-2021 (see Note 36).

- Other variables that influence the recoverable value calculation are:
 - Discount rate to be applied, which is understood to be the average weighted cost of capital and the main variables that influence its calculation is the cost of liabilities and the specific of risks affecting the assets.
 - The cash flow growth rate used to extrapolate the cash flow projections beyond the period covered by the budgets or projections.
- Business plans are prepared based on the best estimates available and are approved by the Board of Directors.

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

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

2.9 Borrowing costs

Interest costs incurred on the construction of any qualified asset are capitalised over the period of time necessary to complete and prepare the asset for its intended use. Other interest costs are recorded under expenses in the year incurred.

2.10 Financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and accounts receivable available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management classifies its investments at the time of initial recognition.

Usual acquisitions and disposals of financial assets are recognised on the trading date, i.e., on the date the Group undertakes to acquire or sell the asset.

Financial investments are written off the balance sheet when the rights to receive cash flows from them have expired or have been transferred and the Group has transferred substantially all the risks and advantages deriving from ownership.

Financial assets and liabilities are offset and the net amount is recognized in the balance sheet when there is the legal right to offset the recognized amounts and the Group has the intention of settling the net amount or realizing the asset and simultaneously cancelling the liability. During 2016 and 2015, the Group has no offset financial assets and liabilities because the requirements were not fulfilled for this.

a) Financial assets at fair value through profit or loss

Financial assets at fair value through changes in profit or loss are financial assets which are held for trading. A financial asset is classified under this category if it was acquired mainly for the purpose of being sold in the short-term. Derivatives are also categorized as held-for-trading unless they are designated as hedge instruments. The assets in this category are classified as current assets if they are expected to be liquidated within twelve months. If not, they are classified as non-current assets.

Financial assets at fair value through changes in profit and loss are initially and subsequently recognised at their fair value, excluding the transaction costs, which are expensed in the revenue statement. Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are included in the revenue statement under "Other net financial revenue/(expense)" in the period in which they arise.

b) Trade and other receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets except for assets maturing in more than 12 months of the balance sheet date which are classified as non-current assets. "Loans granted to and receivables" from the Group consist of the items in "Trade and other receivables" and "Cash and cash equivalents in the balance sheet" (Notes 2.13 and 2.14).

Investments in "Loans and receivables" are initially recognised at fair value plus transaction costs. Loans and receivables are initially stated at their amortised cost in accordance with the effective interest rate method. Interest calculated using the effective interest rate method is recognised in the revenue statement under the heading "Financial revenue".

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At the balance sheet date, the Group assesses whether there is objective evidence of impairment losses with respect to a financial asset or group of financial assets. A financial asset or group of financial assets is impaired, and an impairment loss arises, if and only if there is objective evidence of the impairment as a result of one or more events taking place after the initial recognition of the asset (an "event" that causes the loss), and this event or events causing the loss have an impact on the future estimated cash flows relating to the financial asset or group of financial assets that may be reliably estimated.

Among the evidence for impairment losses are included indications that debtors or groups of debtors are undergoing significant financial difficulties, defaults or delays in the payment of interest or principal amounts, the probability of entering into a bankruptcy or other financial reorganisation situation, and when observable data indicate that there is a measurable decline in future estimated cash flows, such as changes in payment conditions or financial conditions that may correlate with defaults.

For "Loans and receivables", the amount of the impairment loss is the difference between the carrying value of the asset and the present value of the future estimated cash flows (excluding future credit losses that have not been incurred) discounted at the original effective interest rate of the financial asset. The carrying value of the asset is reduced and the loss is recognised in the consolidated revenue statement.

If subsequently the amount of the impairment decreases, and the decrease can be objectively attributed to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the impairment previously recognized may be recorded in the consolidated revenue statement.

c) Financial assets available for sale

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included under non-current assets unless they mature within 12 months of the balance sheet date or if management has the intention of disposing of the investment within that period.

Investments in "Financial and available-for-sale assets" are initially recognised at fair value plus transaction costs.

Available-for-sale financial assets are subsequently recognised at fair value and any changes in the fair value are recorded under "Other comprehensive revenue", provided that it is possible to reliably determine the aforementioned fair value. If this is not the case, they are stated at cost less impairment losses.

When financial assets classified as available-for-sale are disposed of, or suffer impairment, the accumulated adjustments to fair value recognised under "Other comprehensive revenue" are included in the revenue statement as "Other net financial revenue/(expenses)". Dividends from equity instruments available-for-sale are recognised in the revenue statement under "Financial revenue" when the Group's right to receive the payment is established.

At the end of each accounting period the Group evaluates whether or not there is objective evidence that a financial asset, or group of financial assets classified in this category, has become impaired. In the case of financial investments in equity instruments classified as "Available-for-sale financial assets", a significant or prolonged decline in the fair value of the instrument to a point below its cost is also considered to be evidence that the asset has become impaired. If there is any evidence of this type for available-for-sale financial assets, the cumulative loss determined as the difference between the acquisition cost and current fair value, less any impairment loss in that financial asset previously recognized in the revenue statement is eliminated from equity and recognized in the revenue statement. Impairment losses on equity instruments recognized in the consolidated revenue statement are not reversed through that consolidated revenue statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase may be objectively attributed to an event taking place after the impairment loss was recorded in the revenue statement, the impairment loss may be reversed in the consolidated revenue statement.

2.11 Derivative financial instruments and hedges

The 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 fair value. The method of recognizing 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 Group designates certain derivatives to be hedges of a specific risk associated with a recognised liability or a highly likely expected transaction (cash flow hedges).

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At the beginning of the transaction the Group documents the relationship existing between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions.

The Group also documents its evaluation, at the beginning and on a continuous basis, as to whether the derivatives that are being used in the hedge transactions are highly effective to offset changes in the effective flows from the hedged items, i.e., it may be expected that changes in cash flows from the hedged item will be nearly completely offset by those from the hedging instrument and which, retrospectively, the results obtained from the hedge have ranged within the 80 % and 125 % range with respect to the results obtained from the hedged item.

The effective portion of changes in the fair value of derivatives that is designated and qualified as cash flow hedges is recognised in "Other comprehensive revenue". The profit or loss relating to the ineffective portion is recognised immediately under "Other net financial revenue/(expense)" in the revenue statement.

Accumulated equity amounts are reclassified to the revenue statement in the periods in which the hedged item affects results. The profit or loss on the effective part of interest rate swaps which cover variable interest rate borrowings is recognised in the revenue statement under "Other net financial revenue/(expense)". However, when the forecast 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 hedge instrument expires, is sold, or when it no longer meets the requirements for carrying the hedge, any accumulated gain or loss in equity up until that moment remains in equity and is recognised when the planned transaction is finally recognised in the revenue statement. When the forecast transaction is expected not to take place, the profit or loss accumulated in equity is taken immediately to the revenue statement under "Other net financial revenue/(expense)".

2.12 Inventories

Inventories include spare parts and sundry materials located in the 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 selling price in the ordinary course of business, less applicable variable costs of sales.

2.13 Trade receivables

"Trade receivables" are amounts owed by customers for the sale of goods or services rendered during the normal course of the business. If the receivable is expected to be collected within one year (or in the normal operating cycle if longer) it is recognised under current assets. Otherwise they are presented as non-current liabilities.

"Trade receivables" are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less the provision for impairment (see Note 2.10.b).

2.14 Cash and cash equivalents

"Cash and cash equivalents" include cash, demand deposits at credit institutions, other short-term highly liquid investments with an original maturity of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

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 revenue obtained.

When a Group company acquires Company shares (own shares), the consideration paid, including any directly attributable incremental cost (net of revenue tax) is deducted from equity attributable to the Company's shareholders

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through to redemption, reissue or disposal. When these shares are subsequently reissued, any amount received, net of any incremental cost on the transaction which is directly attributable and the corresponding revenue tax effects, is included in equity attributable to the Company's shareholders.

2.16 Trade payables

"Trade payables" are obligations to make payment for assets or services that have been acquired from suppliers during the normal course of the business. "Trade payables" are classified as current liabilities if the payments fall due in one year or less (or fall due in the normal operating cycle, if higher). Otherwise they are presented as non-current liabilities.

Trade payables are initially carried at their fair value and subsequently they are valued at the amortized 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 long-term liabilities".

2.17 Borrowings

Borrowings are recognised initially at fair value, net of the transaction costs incurred. Subsequently, borrowings are recognized at amortized cost. Any differences between the funds obtained (net of necessary costs) and their repayment value are recognised in the revenue statement over the life of the debt applying the effective interest method.

The 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 used. In these cases the commissions are deferred until the line of credit is accessed. Insofar as it is not likely that the credit line will be used in full or part, the commission is capitalised as an advance payment for liquidity services and amortised over the period during which the credit line 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 balance sheet date.

2.18 Current and deferred taxes

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

Current tax is the amount that the Company pays as a result of the tax returns it files in relation to its tax on profits for a particular financial year. Current tax expenses calculated based on the laws that have been approved or are about to be approved at the balance sheet date. Deductions and other tax benefits applicable to tax payable, excluding withholdings and interim payments, and tax-loss carry-forwards applied in the current year, result in a reduction in current tax.

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 creates, when appropriate, all necessary provisions based on the amounts that are expected to be paid to the tax authorities.

Deferred revenue tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred taxes arise from the initial recognition of an asset or liability on a transaction other than a business combination that at the time of the transaction has no effect on the tax gain or loss, they are recognised. Deferred revenue tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred revenue tax asset is realised or the deferred revenue tax liability is settled.

Deferred tax assets are recognized insofar as future tax profits will probably arise against which to offset the temporary differences. The deferred tax assets recognised are reassessed at the end of each reporting period and the appropriate adjustments are made to the extent that there are doubts as to their future recoverability. Deferred tax assets not

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recognised in the balance sheet are also reviewed at each year end in order to recognise the extent to which it is likely that they may be offset against future taxable profits.

Deferred revenue tax is provided 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 the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and 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 liabilities derive from corporate revenue 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.

Since 2011 the Company has been taxed under the tax consolidation system within the scope of consolidation of its single shareholder at the time together with certain subsidiaries since the conditions established to do so are met.

The listing of the Company on the stock exchange in February 2015 (see Note 1), as explained above, via the IPO of 49 % of Aena S.A.'s capital, meant that the Parent Entity, ENAIRE's holding in Aena S.A. fell to 51%, compared to its previous holding of 100%.

In accordance with the tax regulations in force (art. 59.2 of Act 27/2014 on Corporation Tax), and with effect from 1 January 2015, Aena S.A. and its subsidiaries withdrew from the tax consolidation group headed by ENAIRE.

On the occasion of such termination, at 1 January 2015, the Aena Tax Group to which they belonged, together with ENAIRE, as subsidiaries Aena and Aena Desarrollo Internacional, and according to the will expressed by the Boards of both companies, at 7 April 2015, Aena informed the Tax Office on the application to the tax consolidation system of companies AENA S.A. and Aena Desarrollo Internacional S.A.U.

Consequently, the debit balances of pending deductions credits and of credits for tax losses which, within the tax Group, were owned by Aena S.A. vis-à-vis ENAIRE, and therefore, they were included in the "Other receivables" heading on the balance Sheet, are owned since the date of termination of 1 January 2015, against the Treasury, so since that date these were reclassified to heading "Deferred tax assets" totalling 63,548 and 37,186 thousand euro, respectively.

At year-end 2015, such balances were cancelled when used in the calculation of tax for that year. The only remaining receivable with respect to ENAIRE (see Note 32) was the result of the pending refund for the filing of revenue tax for the 2014 fiscal year amounting to 50,217 thousand euros, which was collected in 2016 (see Note 13).

On 5 June 2015, the Tax Office announced the creation of the new Tax Group 471/15 comprised by AENA S.A. as parent company and Aena Desarrollo Internacional as subsidiary and, henceforth, be taxed at the corporate revenue tax in the year 2016 as Tax Group.

The companies that formed part of the tax group in 2015 are as follows:

1. The public business entity "ENAIRE"
2. Aena, S.A.
3. Aena Desarrollo Internacional, S.A.
4. Concesionaria del Aeropuerto Madrid-Barajas, S.A.
5. Concesionaria del Aeropuerto Barcelona-El Prat, S.A.

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2.19 Employee benefits

The Group maintains in post-employment commitments (pension plans) and other long-term compensation commitments with personnel that are both defined contribution and defined benefit in nature:

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 current year and prior year services. 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 balance sheet with respect to defined benefit commitments is the present value of the obligation accrued at the balance sheet date, less the fair value of the plan 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 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 the actuarial assumptions are recognised in equity under "Other comprehensive revenue" in the period in which they arise. Past service costs are recognised immediately in the revenue statement.

The expected cost for other long-term benefits that are not of a post-employment nature 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 the actuarial assumptions are charged and credited, as appropriate, in the consolidated revenue 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 I Collective Bargaining Agreement for the Aena Group of Companies (public business entity Aena and Aena, S.A.) stipulates length of service awards for services effectively rendered for a period of 25, 30 or more years. The Company makes provision for the present value of the best estimate possible of future commitments, based on actuarial calculation.

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

	31-12-2016	31-12-2015
Technical interest rate	1.42 %	2.09 %
Salary increases	2.0 %	2.0 %
Mortality table	PERMF 2000 NP	PERMF 2000 NP
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 77	MO 77

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Early-retirement bonuses

Article 154 of the I Collective Bargaining Agreement for the Aena Group of Companies (public business entity Aena and Aena, S.A.) stipulates that any employee between the ages of 60 and 64 who, in accordance with current provisions is entitled thereto, may take voluntary early retirement and will receive an indemnity, taken together with the vested rights in the pension plan, at the time the employment contract is terminated, equal to four monthly base salary payments and length of service bonuses for each year remaining until reaching the age of 64, or the relevant pro-rate amount.

In 2004 the early retirement awards were externalized by obtaining a lump sum-payment insurance policy from Mapfre Vida on 25 March 2004. Currently, pension obligations are insured through Group Life Insurance policies. The Company makes provision for the present value of the best estimate possible of future commitments, based on actuarial calculation.

The principal actuarial assumptions used are as follows:

	31-12-2016	31-12-2015
Technical interest rate	1.57 %	2.28 %
Long-term salary growth	1.00% (2% following years)	3.00 % (1 % for 2016)
Yield on Defined Contribution Fund	4.00 %	4.00 %
Rate guaranteed by Mapfre	3.1 %	3.10 %
Mortality table	PERMF 2000 NP	PERMF 2000 NP
Financial system used	Individual capitalisation	Individual capitalisation
Accrual method	Projected Unit Credit	Projected Unit Credit
Retirement age	Between 60-63 years and 11 months	Between 60 and 63 years and 11 months

Pension plans

According to the Collective Bargaining Agreement, the Group should maintain a defined contribution pension plan. However, Act 48/2015, of 29 October, and Act 36/2014, of 26 December, on the GSB for 2016 and 2015, respectively, provide that public enterprises cannot make contributions to employee pension schemes or group insurance policies that include coverage of the contingency of retirement, and hence the provision of the Collective Agreement has not been applicable in 2016 or 2015 (see Note 22.c).

London Luton Airport Operations Limited (LLAOL) pension plan

LLAOL maintains a defined benefit pension plan, London Luton Airport Pension Scheme ("LLAPS"), whose assets are owned and managed by funds that are legally separate from LLAOL (see Note 22.d).

The principal actuarial assumptions used are as follows:

	31-12-2016	31-12-2015
Technical interest rate	2.55%	3.75%
Inflation	3.15%	3.00%
Pension growth rate	2.95%	2.85%
Accrual method	Projected Unit Credit	Projected Unit Credit
Retirement age	65 years	65 years

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

- Male: 21.8 (2015: 22.0)
- Female: 23.9 (2015: 24.0)

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

- Male: 23.5 (2015: 24.3)
- Female: 25.8 (2015: 26.5)

b) Termination benefits

Termination benefits are payable when employment is terminated 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 the said benefits; or (b) when the entity recognises restructuring costs in the scope of IAS 37 and it assumes the payment of the termination benefits. When an offer is made for voluntary redundancy separation 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 of the balance sheet date are discounted at 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 past events;
- It is likely resources must be applied to settle the obligations; and
- the amount of the provision has been reliably estimated.

Provisions are not recognized for future operating losses.

When there is a number of similar obligations, the probable need for an outflow to settle them is determined taking into account the type 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.

Provisions are carried at the present value of the payments that are expected to be necessary to settle the obligation, using a rate before taxes that reflects the valuation of the current market for the temporary value of money and the specific risks relating to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

In accordance with the accounting policy set out in Note 2.5, the corresponding environmental provisions were provided for (especially the provision for acoustic insulation), with a balancing entry in the largest value in terms of fixed assets, due to the amount of the initial estimate of the costs of renovating the site on which they lie, when these constitute obligations incurred by the group as a result of using these items. Equally, the provision for expropriations records the best estimate of the amount relating to the difference between the fair values paid for the expropriation of land acquired for the expansion of airports and the estimates of the prices that the Group will have to pay, considering that it is likely that certain legal claims in progress regarding some of the fair values paid will be successful for the claimants (see Note 23).

The contingent liabilities represent possible 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, if appropriate, the amount cannot be reasonably estimated. Contingent liabilities are not recognized in the consolidated revenue statement unless they have been acquired for consideration within the framework of a joint venture.

2.21 Revenue recognition

Ordinary revenues are measured at the fair value of the compensation received or to be received, and represent the amounts receivable for the assets sold, net of discounts, refunds and value added tax. Ordinary revenues are recognised

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

Ordinary revenues are recognised as follows:

- Sales of assets are recognised when a Group company has delivered the products to the customer, the customer has accepted the products and the collectability of the relevant accounts receivable is reasonably assured.
- Sales of services are recognised in the financial year in which the services are rendered, with reference to the end of the specific transaction evaluated based on the actual service provided as a percentage of the total service to be provided, when the revenue and the costs relating to the service contract, as well as the percentage of completion, may be reliably estimated and it is likely that the related receivables will be recoverable. Where one or more of these service agreement items cannot be reliably estimated, service sales revenues are only recognized up to the limit of contract costs incurred that are likely to be recovered.

Provision of services

Most of the Company's revenues derived from airport services rendered, which mainly relate to the use of airport infrastructure by airlines and passengers (including public equity gains and private prices). In addition, the Company records commercial revenues that mainly consist of the rental of space in airport terminals for stores, restaurants and advertising and off-terminal facilities such as the rental of premises and land, vehicle parking and rental cars.

Aviation (Public charges):

The establishment of fees for public charges is carried out in accordance with Act 1/2011 (4 March), which establishes the State Operational Security Programme for Civil Aviation and amends Act 21/2003 (7 July) on Air Security. Furthermore, Article 68 of Act 21/2003 defines the following items as equity benefits of a public nature:

- Use of runways at civil and joint-use airports and the airbases open to civil aircraft traffic and the rendering of the necessary services for that use, other than ground handling of aircraft, passengers and cargo.
- Airport air traffic services provided by the airport manager, regardless of whether such services are rendered through duly certified air traffic service providers that may have been contracted by the airport manager and designated as such by the Ministry of Public Works.
- Weather services provided by the airport manager, regardless of whether such services are rendered through duly certified weather service suppliers and, furthermore, designated in this respect by the Ministry of the Environment and Rural and Marine Resources.
- Inspection and screening services of passengers and luggage in airport premises as well as the means, facilities and equipment necessary for the provision of services for control and monitoring in the areas of aircraft movement, open access areas, controlled access areas and restricted security areas around the airport grounds linked to the public property contributions.
- Airport facilities made available to passengers, not accessible to visitors, in terminals, platforms and runways necessary to enforce its air transport contract.
- Services that allow the general mobility of passengers and the necessary assistance to persons with reduced mobility to allow them to travel between the point of arrival at the airport to the aircraft, or from the aircraft to the exit, including boarding and exiting the aircraft.
- Use of aircraft stand areas prepared for this purpose at airports.
- Use of the airport installations to facilitate the boarding and exiting of passengers for airlines through telescopic boarding gates or the mere use of a platform that impedes the use by other users of the relevant boarding gate.

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- Use of the airport facilities for the transportation and supply of fuel and lubricants, regardless of the mode of transportation or supply.
- Use of the airport facilities to render ground assistance services that are not subject to any specific compensation.

Title VI of Royal Decree Law 20/2012 (13 July), on measures to guarantee budgetary stability and to encourage competitiveness, amends the adjustment of the public charges received by Aena Aeropuertos, S.A., in order to change the formula applied to updates, under which the revenues, expenses and investments deriving from commercial services and activities not strictly related to economics are not included when calculating airport fees.

However, in order to smooth the increase in airport charges, it states that from 2014 and for a period of five years to obtain the regulated revenues required, it will add to the match resulting formula, the costs exploitation generated by activities related to private rates terminal areas and deducted likewise, the corresponding revenue to private prices resulting from these terminal areas affected both by the correction coefficient K, which is represented in 2014 by the 80 % of sales revenues, in 2015 by 60 %, in 2016 by 40 %, in 2017 by 20 % and 0 % in 2018.

In article 71 of Act 36/2014, of the 26th of December, on the General State Budget for 2015 is set the maintaining of prices with effect as from the 1st of March 2015. In accordance with it, the amount of equity services of a public nature of Aena, S.A., established in Title VI, Chapters I and II of Act 21/2003, of the 7th of July on Aviation Safety, these shall be kept at the same levels as those called for as at the 28th of February 2015 and in 2014.

On 5 July 2014, Royal Decree Law 8/2014 of 4 July was published in the Official State Gazette (BOE), further amended by Act 18/2014 of 15 October, approving urgent measures for growth, competitiveness and efficiency. These regulations set out:

- The regime governing the network of airports of general interest as a service of general economic interest, with the objective of guaranteeing the mobility of citizens and economic, social and territorial cohesion, to ensure the accessibility, adequacy and suitability of the airport infrastructure capacity, the economic sustainability of the network, as well as the continuity and adequate provision of basic airport services. Moreover, the network management guarantees the economic sustainability of the airports included in the network by allowing, under conditions of transparency, objectivity and non-discrimination, support for loss-making infrastructures.
- The closure or sale of all or part of any facilities or airport infrastructures required to maintain the provision of airport services is prohibited, unless authorised by the Council of Ministers or the Secretary of State for Infrastructure, Transport and Housing. (Amount as appropriate).
- On a regulatory level, a procedure could be implemented making it possible to close down or sell airport facilities or infrastructures. Such a regulatory development could also contemplate transfers to the State of capital gains generated during the disposal process.
- The Airport Regulation Document (DORA) is created with a five-year term, which will determine the maximum revenue per Aena passenger in the period, quality conditions of the provision of services, the capacity of facilities and the investments to be made.
- Regarding revenue of the airport operator in relation to the basic airport services, these are considered as public service benefits. Their regulation respects the legal right established by Act 21/2003, on Air Safety, as amended by Act 1/2011, and the determination of its essential elements. Non-essential airport services, as well as the commercial management of infrastructures and their urban operation, are subject to the free market.
- In compliance with Act 18/2014, the DGAC is responsible for drafting the Airport Regulation Document (DORA) and forwarding it to the competent bodies at the Ministry of Public Works for its subsequent approval by the Council of Ministers.

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- The revenue of the airport operator associated with basic airport services will be subject to compliance with a maximum annual revenue per passenger, 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 based on a series of incentives or penalties established based on the degree of compliance with service quality levels and penalties for any delay in the execution of strategic investments.
- For the 2015-2025 period, the maximum increase in charges will be zero. Charges may only be increased above this maximum increment if during the period of the second Airport Regulation Document (DORA) and for exceptional reasons, such as unpredictable and non-deferrable investments, the annual average investment is increased above the amount approved, subject to the prior approval of the Council of Ministers. For the first DORA, which should enter into force within a maximum of three years from the publication date of Act 8/2014, it has been determined that at its completion any accumulated shortfall in charges corresponding to previous years may not be transferred to the following DORA.

The supervision of the fees proposed by Aena, S.A. for 2013 applied, for the first time, the new regulatory framework deriving from Directive 2009/12/EC of 11 March 2009 on airport charges. This framework consists mainly of Act 21/2003 of 7 July on Air Security (Act 21/2003), in accordance with the wording provided by Act 1/2011 of 4 March, which establishes the State Operational Security Program for Civil Aviation and amends Act 21/2003 of 7 July on Air Security, and furthermore Royal Decree Law 11/2011 of 26 August, which creates the Airport Economic Regulatory Commission, and regulates its composition and duties, and Act 3/2013 of 4 June, which creates the National Commission on Financial Markets and Competition (CNMC).

As a result of this new regulatory framework, a significant portion of the revenue received by Aena, S.A. is considered to be equity benefits of a public nature and, as a result, they must be established, updated and modified through legislation with the rank of law. In addition, the update of these benefits are first subject to a transparency and consultation procedure involving the airline, user and other associations or organisations and, secondly, to a supervisory procedure by the supervisory authority.

On 23 April 2015, the CNMC issued an agreement establishing criteria for the separation of the costs of airport and commercial activities of Aena, S.A. airports. In that agreement, the CNMC states that the share of costs between regulated activity should be performed in a different manner than that of the previous year. Pursuant to such agreement, part of the costs relating to airport terminals amounting to 69.8 million euros per year, which were accounted as regulated airport activity costs, should be considered as commercial activity costs. This agreement has been appealed by Aena. This administrative appeal was declared inadmissible at first instance by ruling of 29 July and 10 November 2015 of the Spanish National High Court. AENA has appealed before the Supreme Court, the ruling is still pending.

On 23 July 2015, the CNMC issued its "Resolution adopting the proposal for modification of tariffs of Aena, S.A. for 2016, and establishing the measures to be adopted in future consultation procedures".

Under this Resolution, the CNMC agrees that public service benefits of Aena, S.A. for 2016 should be reduced by 1.9 % compared to those adopted for 2015, instead of the proposed fees freeze by Aena, S.A. The CNMC establishes that this proposal must be included in the Draft Bill on the General State Budget for 2016. Against this Resolution, the Company filed an administrative appeal before the National High Court, which is still pending. However, Article 80 of Act 48/2015 of 29 October, on the State General Budget for 2016, reflects the reduction agreed by the CNMC, with effect from 1 March 2016 and which shall remain in force indefinitely.

On 8 March 2016, and after thorough preliminary consultation with the airline associations that bring together its main customers, Aena, S.A., sent to the DGAC its final DORA proposal, which included a proposed tariff freeze for the period 2017-2021 (both included). The freezing proposal resulted from application of the Sixth Transitional Provision of Act 18/2014, which imposes freezing as the ceiling on movements in fees until 2025.

As has been said, this proposal was subject to the process of review and approval established by Act 18/2014 so that in no case could it be considered as a final document. On 21 June 2016 the CNMC issued its non-binding supervision and control report under the new framework established by the aforementioned Act 18/2014 in which it sets out its recommendation to update the fees in the DORA period by -2.02 % per year (compared to Aena's proposed fee freeze). The main divergences between this CNMC report and Aena's proposal were as follows:

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- The CNMC maintains its principle of 23 July 2015 on the allocation of costs between regulated airport activity and commercial activity, under which 69.8 million euros a year should move from the regulated cost base to commercial activity. Aena appealed against this allocation of costs and did not apply this principle in its final DORA proposal.
- The Weighted Average Cost of Capital Before Tax ($WACC_{BT}$) proposed by the CNMC is 6.26% (with a risk-free rate of 2.3% and a market risk premium of 4.9%), while the $WACC_{BT}$ included in Aena's final proposal was 8.4% (with a risk-free rate of 3.38% and a market risk premium of 6.85%).

On 27 January 2017, the Council of Ministers approved the Airport Regulation Document (DORA) for the period 2017-2021. As a result of this process, this document establishes a 2.2% annual reduction in the Maximum Annual Revenue per Passenger (IMAP) for this period (see Note 36).

All the new regulatory rules and the CNMC public consultation have not resulted in any change to the revenue recognition policy of the Company, which continues to be subject to the rules set out at the beginning of this Note (see also Note 23 with regard to Contingent assets - Tariffs shortfall).

Commercial:

Revenues from the rental of commercial spaces located within the airport infrastructures are recognised on a straight-line basis in accordance with the lease agreements concluded with the counterparties. The contingent part of the receivables for leases relating to the variable level of revenues generated by commercial spaces is recognised as revenue in the period in which it accrues. Car park revenue (which up to 2015 were in the "Off-terminal services" segment and became part of the Commercial component of the Airport network from 2016 as a result of the considerations set out in Note 2.3) is recognised as the services are provided.

Real estate services:

Real estate service revenues relate to land leases, warehouses and hangars, and the management and operation of cargo centres. Revenues from the rental agreements are recognized on a straight-line basis in accordance with the lease agreements concluded with the counterparties. The conditional portion of revenues from leases is recognized as revenues in the period in which they accrue.

Interest and dividends

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

2.22 Leases

Leases covering property, plant and equipment in which the Group is the lessee and a significant portion of the risks and rewards of ownership are retained, 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 instalments. 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 taken to the revenue statement over the term of the lease such that a constant 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 lease will be depreciated over the shorter period between their useful lives and the lease period.

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

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When the Group leases assets covered by operating leases to third parties, the asset is included in the balance sheet in accordance with the nature of the asset concerned. Revenues from leases are recognised during the term of the lease on a straight-line basis.

2.23 Government grants

Capital grants that do not have to be repaid are recognized 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 competent authority will be adequately met.

Operating grants are deferred and recognised under Other operating revenue over the necessary period to match them to the costs which they are intended to cover.

Government grants for the acquisition of property, plant and equipment are included in non-current liabilities as deferred government grants and credited to the revenue 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 agreements in which the public sector controls or regulates the services which the Concessionaire must provide with the infrastructure, who must render those services and at what price, and when any significant residual stake in the infrastructure at the end of the term of the agreement is contractually controlled. The infrastructures recognised by the Group as concessions refer to the heliports in Ceuta and Algeciras. The term of the two concessions is 30 years and 25 years, respectively, which will end in 2033 and 2034, respectively.

The infrastructure used in a concession maybe classified as an intangible asset or a financial asset, depending on the nature of the payment rights established under the relevant agreement.

The Group recognises an intangible asset insofar as it is entitled to receive payments from final customers for the use of the infrastructure. This intangible asset is subject to the accounting policy described in Note 2.6 and it is amortized on a straight-line basis over the term of the concession.

The aforementioned concession agreements have been classified as intangible assets and there are no concession agreements that qualify as financial assets.

The most significant accounting policies applied by the Group with respect to the service concession agreements are as follows:

- ordinary revenues from the fees received from users of the infrastructure are recognized in each period;
- operating and maintenance expenses that do not lead to an extension of the useful lives of the assets are charged to the revenue statement in the year in which they are incurred;
- intangible assets are amortized on a straight-line basis over the term of the concession;
- the financial expenses accrued over the time the asset is being built are capitalized as an increase in the value of assets and are recognized as an expense subsequent to the time the asset enters into operation;
- the total cost of construction or acquisition is recognized as an intangible asset and the benefits attributed to the construction phase of the infrastructure are recognized by applying the percentage of completion method, based on the fair value assigned to the construction phase and the concession phase.

2.25 Activities affecting the environment

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

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In this connection, investments relating to environmental activities are measured at their acquisition cost and capitalized as an increase in the cost of assets in the year in which they are incurred.

Costs incurred to protect and improve the environment are taken to the revenue statement when they accrue, irrespective of when the related monetary or financial flows take place.

Provisions related to probable or certain environmental liabilities, litigation in progress and indemnities or other outstanding obligations not covered by insurance policies are recorded when the liability or obligation arises.

2.26 Jointly controlled assets

Through an Agreement with the Ministry of Defence, the Company has interests in assets controlled jointly with the said Ministry to operate Air Bases Open to Civil Traffic (BAATC). This agreement establishes the key distribution and compensation criteria for the use of air bases open to civil traffic in Villanubla, León, Albacete, Matacán, Talavera, San Javier, and the aerodrome in Zaragoza used jointly by civil aircraft. This Agreement is based on the application of Royal Decree 1167/1995 (7 July) on the system for using airports jointly used by an airbase and an airport and the airbases open to civil traffic.

The Group's interest in the assets are recognized as the stake held in the jointly-controlled assets, classified in accordance with their nature, any liability that has been incurred, its stake in any liabilities that have been incurred together with other participants, with respect to the joint venture, any revenues from the sale or use of its portion of the production of the joint venture, together with its portion of any expense that has been incurred by the joint venture, and any expense that has been incurred with respect to its participation in the joint venture.

Given that the assets, liabilities, expenses and revenues from the joint business have already been recognized in the Parent Company's financial statements, no adjustments or other consolidation procedures are necessary with respect to these items when preparing and presenting the consolidated financial statements.

The Air Bases Open to Civil Traffic included in the agreement with the Ministry of Defence are those located in Villanubla, León, Albacete, Matacán, Talavera, San Javier and the joint-use aerodrome in Zaragoza that is open to civil aircraft. This Agreement is based on the application of Royal Decree 1167/1995 (7 July) on the system for using airports jointly used by an airbase and an airport and the airbases open to civil traffic. This Agreement had an initial term of 5 years subject to annual renewals linked to the validity of Royal Decree 1167/1995 with respect to any subsequent provision affecting the continuity of the Agreement.

2.27 Transactions with related parties

As a state-controlled enterprise, Aena is exempt from the disclosure requirements in relation to related party transactions and outstanding balances, when the other company is also controlled or influenced significantly by the same public administration, provided that there is no evidence of influence between the two, or when transactions are not significant in terms of size. There will be such influence, among other cases, when the operations are not carried out under normal market conditions (unless such conditions are imposed by a specific regulation).

The company performs all its related party transactions at market value. In addition, the transfer prices are adequately supported so that the directors of the Company consider that there are no significant risks in this connection that might give rise to significant liabilities in the future.

In general, transactions between group companies are initially recognised at fair value. Wherever appropriate, if the agreed price differs from its fair value, the difference is recognised based on the economic reality of the operation. Subsequent valuation is performed in accordance with the provisions of relevant standards.

Notwithstanding the foregoing, in the merger, demerger or contribution in kind of a business the constituent elements of the business acquired are valued at the amount corresponding to them, once the transaction is completed, in the consolidated financial statements of the group or sub-group.

When the parent company of the group or sub-group and their dependents do not intervene, the financial statements

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to be considered for this purpose will be those of the largest group or sub-group in which assets whose parent company is Spanish are integrated.

In these cases, the difference that could be revealed between the net value of the assets and liabilities of the acquired company, adjusted for the balance of groupings of grants, donations and inheritances received and adjustments for changes in value, and any amount of capital and premium, if any, issued by the acquiring company is recognised in reserves.

2.28 Comparison of information

In compliance with current legislation, the figures for the years ended 31 December 2016 and 2015 are presented for comparison purposes.

The format of the consolidated statement of comprehensive revenue has been adapted through the application of the precepts and principles contained in IAS 1 (see Note 2.1).

Similarly, the figures for 2015 related to party transactions have been changed in order to make them comparable with those for 2016, duly drafted according to the criteria explained in the previous Note 2.27.

Finally, the figures for financial information by segment for 2015 have been changed to make them comparable with those for 2016, duly drafted in accordance with the criteria explained in Note 2.3.

The figures in the consolidated financial statements are expressed in thousands of euros, unless otherwise indicated.

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3 Managing operational and financial risks

3.1 Description of key operational risks

Regulatory risks

Aena, S.A. operates in a regulated sector, and any change or future developments to the applicable regulations can have negative impacts on revenues, operating results and the Aena's financial position. Act 18/2014 introduces the mechanism governing the determination of airport charges for the first Airport Regulation Document ("DORA").

As mentioned above, on 27 January 2017 the Council of Ministers approved the DORA for the period 2017-2021, which establishes the minimum conditions of service that will prevail at the airports in the Aena network over the next five years, providing a predictable regulatory framework in the medium term that will make it possible to improve the efficiency and competitiveness of airport operations. In this regard, and in relation to airport charges, this document establishes a reduction of 2.22% per year in the Maximum Annual Revenue per Passenger (IMAP) for this period, which will take effect on 1 March 2017.

Annual increases in passenger traffic in the network as a whole by 10 percentage points more than the initially planned annual growth rate may lead to a modification of the DORA.

In addition, the DORA establishes service quality standards implemented through 17 indicators, of which 11 are part of the system of incentives and penalties, to encourage continuous quality improvement. These indicators have a standard value for minimum required quality, a neutral band with no incentive or penalty and a maximum level of incentive and penalty. Non-compliance with the minimum service quality levels established will have a penalty in the value of IMAP. By contrast, exceeding these levels will lead to a bonus. The maximum annual penalty/bonus applicable to Aena would be $\pm 2\%$ of IMAP.

Likewise, DORA aims to ensure that airports provide the necessary capacity and that their infrastructure meets adequate capacity levels in good quality conditions, thus ensuring the adequacy and suitability of the network. The investments required to meet the capacity standards are considered strategic investments and are subject to a penalty scheme in case of non-compliance with the planned start-up dates. The maximum annual penalty applicable to Aena, S.A. would amount to 2% of the annual volume of regulated investment. Furthermore, since the maintenance of the quality of infrastructure is the responsibility of Aena, S.A., irrespective of the evolution of demand, the additional cost associated with the actions necessary to tailor capacity to actual demand will be at the risk of Aena, S.A.

Finally, the activity of Aena, S.A., is regulated by both domestic and international law in terms of operational safety regarding persons, property and the environment, which may limit activities or growth of Aena airports, and/or require significant expenditure.

Operating risks

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

- Economic developments both in Spain and in the main countries that are the source/destination of traffic (United Kingdom, Germany, France and Italy, among others).
- In this regard, following the outcome of the referendum in the UK for its departure from the European Union (Brexit), the following risks have been considered, the final completion is subject to the negotiation process that the British government must undergo with the Union Europe to determine the final terms of its departure:
 - Currently, 18.1% of passengers of the Aena S.A. airport network in Spain have their origin/destination in the UK.
 - From an operational viewpoint, the risk is focused on airlines as it would involve agreements that will allow the movement of aircraft between the European Union and the United Kingdom. With

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regard to passengers, the UK already had a specific treatment due to not belonging to the Schengen Treaty so no additional impact would be felt. That said, during 2016, the volume of British passengers was not reduced (British passenger growth was 15.7%).

- From a commercial revenue viewpoint, the depreciation of the pound against the euro means a loss of purchasing power on the part of British passengers, which could affect sales of commercial dealers at airports and, therefore, the revenue of Aena, SA, although an important part of Aena S.A.'s business is ensured by the Minimum Annual Guaranteed Revenue agreements.
- Activity at Luton Airport could be reduced as a result of restrictions on the free movement of persons or economic developments in the United Kingdom, given that a high percentage of its traffic is international.
- It operates in a competitive environment both with respect to other airports and compared to other means of transport that can affect its revenue.
- It faces risks arising from the concentration of airlines and depends on the revenue of its two main airports.
- Revenues from commercial activities are linked to sales of commercial areas by tenant companies, which can be affected both by the volume of passengers and by their degree of spending power.
- In the operation of its airports, the Group depends on the services provided by third parties, which may have an impact on its activity.
- Events such as terrorist attacks, wars or global epidemics could have a negative impact on international air traffic.
- Labour disputes may have an impact on Aena's activities.
- Aena is dependent on information and communications technology, and systems and infrastructures face certain risks including the risks of cybersecurity.
- Aena is exposed to risks related to the operation at its airports (operational and physical security).
- Aena is exposed to the risk of major plane accidents.
- Natural disasters and weather conditions could adversely affect business.
- Moreover, the Group's international activity is subject to risks associated with the development of operations in third countries and the fact that prospects for profitability cannot be expected.
- Aena's profitability could be affected if it is unable to maintain current levels of efficiency.
- Changes in tax legislation could result in additional taxes or other forms of curtailment to the fiscal situation of Aena.
- The Group is, and will continue to be in the future, exposed to the risk of losing in judicial or administrative proceedings in which it is involved, especially in relation to A.S. Madrid-Barajas Airport (see Note 23).

The management bodies of the Company have implemented mechanisms to identify, quantify and cover risk situations. Notwithstanding the foregoing, those situations that may pose a risk as well as the relevant measures taken thereof, will be closely monitored.

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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 overall risk management program focuses on the uncertainty of financial markets and attempts to minimize the potential adverse effects on the Group's financial yields. In specific cases, the Group uses derivative financial instruments to hedge certain risk exposures.

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

There is a financial debt recognition agreement between Aena, S.A. and its parent company ENAIRE, originating with the non-monetary contribution that gave rise to the creation of Aena Aeropuertos, S.A. (see Note 1), according to which 94.9% of the parent company's bank borrowings was initially assumed. On 29 July 2014 this contract was novated as is explained in Note 20.

The main risks of a financial nature are described below:

a) Market risk

(i) Currency risk

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

1. Investments in foreign countries (mainly in the UK, Mexico and Colombia) (see Note 2.2).
2. Operations carried out by associates and other related parties which operate in countries whose currency is not the euro (mainly in the UK, Mexico and Colombia).

The exchange rate risk on the net assets of the Group's foreign operations is mainly managed through borrowings denominated in the relevant foreign currency. In particular, with respect to the operation of Luton Airport its business is hedged as its operational collections and payments are in pounds.

In the 2016 fiscal year, there was a loss of 12.7 million euros associated with a loan between group companies denominated in pounds (see Note 31).

(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 Group's objective with respect to the management of interest rates is to optimise financial expenses within the established risk limits, where the risk variables are the 3- and 6-month Euribor, the main 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.

Financial expenses are mainly due to the financial debt with the parent company. Likewise, the parent company has concluded interest rate hedging agreements for an extremely limited number of loans which are transferred to the Company, as described in Note 12. The cost of these derivatives is charged to the Company, in the proportion indicated in Note 12, given that Aena, S.A. is responsible to the parent company in this proportion for some loans.

Additionally, Aena, S.A. has contracted interest rate hedging operations that protect it against possible increases in the Euribor over 3 and 6 months, and on 10 June 2015 a hedging transaction with a variable rate was underwritten at a fixed rate, for the notional amount of 4.195 billion euros. The average differential over 3 and 6 month Euribor of these loans is of 1.0379%. The execution fixed rate was 1.9780%. The objectives pursued in this transaction were:

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- Adjustment of the fixed rate / variable rate debt structure to comparable companies: 79% fixed / 21% variable (previously 50% fixed / 50% variable).
- To have a stable framework of interest rates for the 2017-2021 DORA period.

On 31 December 2016, the total amount of liabilities for interest rate swaps amounted to 129,506 thousand euros (2015: 72,217 thousand euros) (see Note 12). On the aforementioned date, if the interest rate of variable loans would have increased or decreased by 20 basis points, while all other variables remained constant, the pre-tax profit of the year would have been 3,620 thousand euros lower and 3,620 thousand euros higher, respectively (2015: 3,928 thousand euros lower and 3,928 thousand euros higher, respectively).

In regard to reviewable rate loans, the parent Company has modified the system for those loans due to be revised in 2016. The revised total amounts to 781,304 thousand euros for EIB loans that are linked to fixed rates with maturity at an average rate of 0.82%.

Notwithstanding the above, the Regulatory Framework established by Act 1/2011 of 4 March, establishing the State Programme for Operational Security for Civil Aviation and modifying Act 21/2003 of 7 July on Aviation Safety, establishes a system of fee updates that protects Aena SA, in the long term, in terms of the regulated part, against increases in costs of financing, in that it enables the recovery of its capital costs via the remuneration of its asset base, according to the legislation in force.

In this sense, the Company has carried out a sensitivity analysis in relation to possible interest rate fluctuations that could occur; on the basis of this analysis the directors of the Company considered that any potential changes in these would not have a significant effect on the "Equity" of the Company.

b) Credit Risk

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. With regard to the commercial customers that maintain leased premises in the airports, risk is managed by obtaining guarantees and sureties.

On 5 March 2011 Act 1/2011 of 4 March, was published in the Official State Gazette. This Act amends Act 21/2003 of 7 July, on Air Security, which approves the mechanism whereby the management, settlement and collection of all public charges on the part of Aena Aeropuertos, S.A. or its subsidiaries may include encumbrances to ensure effective collections, and this mechanism is managed by the collection 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 financial markets, increase in the projected investment and reduction of the generation of cash flows.

The credit risk policy described in the previous section results in short average collection periods. In addition, the Group has committed to substantially reducing costs and investment needs over the coming years, which has had a positive effect on its cash generation. Although on 31 December 2016 the Group has negative working capital (calculated as total current assets less total current liabilities) of 514,716 thousand euros (2015: 755,065 thousand euros), with an EBITDA in the period of 2016 to 2,293,619 thousand euros (2015: 2,098,673 thousand euros), and is not considered that there is a risk to meet its short term given the positive operating cash flows have allowed a reduction of negative working capital in recent years and that the Group expects them to remain positive in the short term.

On the other hand, on 29 July 2015 the Parent Company signed loan agreements with banking institutions for 1 billion euros to meet timely cash needs.

Additionally, the investee LLAH II has £56 million in unused credit lines (2015: £82 million).

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Under these circumstances, the directors of the Group do not believe that there will be any problems with respect to satisfying payment commitments.

The following table includes an analysis of the Group's non-derivative financial liabilities and derivative financial liabilities linked to the ENAIRE loan, grouped by maturity dates and taking into consideration the remaining term at the balance sheet date until final contractual maturity. Derivative financial liabilities are included in the analysis if their contractual maturity dates are essential for understanding the cash flow schedule.

At 31 December 2016	2017	2018	2019	2020	2021	Following	Total
ENAIRE loan (Note 34.f)	777,629	742,701	744,461	744,335	657,066	4,605,379	8,271,571
Interest accrued on ENAIRE loans (Note 34.f)	33,812	-	-	-	-	-	33,812
Bank borrowings (Note 20.b)	40,383	-	-	-	-	258,259	298,642
Financial lease liabilities (note 20.c)	1,996	2,177	2,258	2,341	2,429	13,444	24,645
Loans with LLAH III shareholders (Note 20.b)	-	-	-	-	-	54,403	54,403
Interest accrued on loan from LLAH III shareholders (Note 20)	418	-	-	-	-	-	418
Other financial liabilities (Note 20)	27,240	8,606	6,577	33,475	5,908	35,126	116,932
Trade and other payables (excluding advances from customers) (Note 19)	320,756	-	-	-	-	-	320,756
Interest on Aena, S.A.'s debt (*)	108,428	97,856	87,715	77,568	67,612	284,551	723,730
Interest on LLAH III Bank Debt	9,914	10,107	9,078	9,680	11,918	(2,265)	52,962
Interest on LLAH III shareholder loan (Ardian)	4,352	4,352	4,352	4,364	4,352	8,251	30,023

(*) Annual average estimated calculation of interest on the ENAIRE debt for each period, calculated on the basis of the average interest rate over the period from January to December 2016.

At 31 December 2015	2016	2017	2018	2019	2020	Following	Total
ENAIRE loan (Note 34.f)	1,125,488	826,393	747,995	749,755	731,835	5,262,444	9,443,910
Interest accrued on ENAIRE loans (Note 34.f)	26,453	-	-	-	-	-	26,453
Bank borrowings (Note 20.b)	11,421	333	-	-	-	296,831	308,585
Financial lease liabilities (note 20.c)	2,080	2,096	2,134	2,174	2,214	17,974	28,672
Loans with LLAH III shareholders (Note 20.b)	-	-	-	-	-	62,953	62,953
Interest accrued on loan from LLAH III shareholders (Note 20)	482	-	-	-	-	-	482
Other financial liabilities (Note 20)	33,721	209	1,963	3,972	30,618	27,412	97,895
Trade and other payables (excluding advances from customers) (Note 19)	323,265	-	-	-	-	-	323,265
Interest on Aena, S.A.'s debt (*)	199,047	174,764	156,165	138,833	123,682	568,421	1,360,912
Interest on LLAH III Bank Debt	11,143	11,473	11,695	10,505	11,201	13,791	69,808
Interest on LLAH III shareholder loan (Ardian)	5,050	5,036	5,036	5,036	5,050	14,585	39,793

(*) Annual average estimated calculation of interest on the ENAIRE debt for each period, calculated on the basis of the average interest rate over the period from January to December 2015.

The details of loans with related parties by interest rate applicable and average interest rate at 31 December 2016 and 31 December 2015 were as follows:

Thousand euros	31 December 2016		31 December 2015	
	Balance	Average rate	Balance	Average rate
Variable	1,810,244	0.16	1,964,242	1.23
Reviewable	543,404	1.30	1,473,656	1.98
Fixed	5,917,923	1.78	6,006,012	2.23
TOTAL	8,271,571	1.36	9,443,910	1.86

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3.3 Capital management

The Group's objectives when managing capital are to safeguard its capacity to continue as a going concern, to provide yields to shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors the capital structure on the basis of the debt index. This index is calculated according to ratios defined in the financing agreements (see Note 20).

The debt ratios at 31 December 2016 and 2015 are as follows:

	2016	2015
Net financial debts / "covenants" / EBITDA according to "covenants"	3.6x	4.5x

The change in the debt ratio corresponds to the added effect of an improvement in the EBITDA derived from containment and expenditure savings, as well as an improvement in revenues resulting from an increase in air traffic, and the amortisation of debt with the Parent Company in accordance with the debt amortisation schedule.

3.4 Estimation of fair value

The following table presents an analysis of the financial instruments that are measured at fair value, classified by measurement method. The various levels have been defined as follows:

- Listed prices (not adjusted) on active markets for identical assets and liabilities (Tier 1).
- Directly (prices) or indirectly (deriving from prices) (Tier 2) observable information relating to the asset or liability.
- Information regarding the asset or liability that is not based on observable market data (non-observable data) (Tier 3).

The following table presents the Group's financial instruments measured at fair value at 31 December 2016:

	Tier 1	Tier 2	Tier 3	Total balance
Assets				
Derivatives (Note 12)	-	-	-	-
Total assets	-	-	-	-
	Tier 1	Tier 2	Tier 3	Total balance
Liabilities				
Derivatives (Note 12)	-	136,546	-	136,546
Total liabilities	-	136,546	-	136,546

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The following table presents the Group's financial instruments measured at fair value at 31 December 2015:

	Tier 1	Tier 2	Tier 3	Total balance
Assets				
Derivatives (Note 12)	-	1,280	-	1,280
Total assets	-	1,280	-	1,280
	Tier 1	Tier 2	Tier 3	Total balance
Liabilities				
Derivatives (Note 12)	-	73,903	-	73,903
Total liabilities	-	73,903	-	73,903

There were no transfers of financial instruments between Tier 1 and Tier 2 during the year.

a) Financial instruments in Tier 1:

The fair value of the financial instruments that are negotiated on active markets is based on listed market prices at the balance sheet date. A market is considered to be active when the listed prices are easily and regularly available through a stock market, financial brokers, industry institution, a pricing service or a regulatory entity and those prices reflect current market transactions that take place on a regular basis between parties that operate under conditions of mutual independence. The listed market price used for the financial assets held by the Group is the current purchasing price. These instruments are included in Tier 1. There are no Tier 1 financial instruments at any date.

b) Financial instruments in Tier 2:

The fair value of financial instruments that are not listed on an active market (for example, derivatives not listed on an official market) is calculated using measurement techniques. The measurement techniques maximize the use of observable market information that is available and are based as little as possible on specific estimates made by the companies. If the significant inputs that are required to calculate the fair value of an instrument are observable, the instrument is included in Tier 2. The financial instruments included under Tier 2 are those deriving from interest rates (swaps) to hedge variable-rate loans.

If one or more of the significant inputs are not based on data observable in the market, the financial instrument is included in Tier 3.

The specific measurement techniques applied to financial instruments are:

- Listed market prices or the prices established by financial brokers for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of estimated future cash flows, based on estimated interest rate curves.
- The present value of foreign currency futures is calculated using forward exchange rates at the balance sheet date, discounting the resulting amount from the present value.
- Other techniques, such as an analysis of discounted cash flows, are used to analyse the fair value of all other financial instruments.

4 Accounting estimates and judgements

The preparation of consolidated financial statements under IFRS requires the application of assumptions and estimates that have an impact on the recognised amount of assets, liabilities, revenue, expenses and related disclosures. 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 balance sheet date. Actual results may differ from the estimates.

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The understanding of the accounting policies for these items is important for the understanding of the consolidated financial statements. Further information is provided below with respect to the estimates and assumptions used for these items in accordance with IFRS, and must be taken into account together with the notes to the consolidated financial statements.

4.1 Main accounting estimates and judgements

The main accounting policies, which reflect the assumptions and estimates that are most significant for calculating amounts in the consolidated financial statements, are as follows:

- (a) Possible impairment of intangible assets, tangible fixed assets and investment property.
- (b) Useful lives of property, plant and equipment.
- (c) Evaluation of disputes, provisions, commitments, contingent assets and liabilities at the closure of the financial year.
- (d) Fair value of derivative financial instruments.
- (e) Hypotheses used in the determination of liabilities for commitments to pensions and other commitments to the personnel.

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 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 2016 and 2015.

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 revenue statement. The Group's most significant accounting policies are described in further detail in Note 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) Impairment of Goodwill, Intangible assets, and Property, plant and equipment

The Group annually verifies whether there is an impairment loss in respect of the goodwill, intangible assets, and property, plant and equipment, in accordance with the accounting policy described in Note 2.8, which describes how management identifies the cash generating units (CGUs) and the method used to submit the assets allocated to these impairment tests. Identification and grouping of the CGU is based on revenue 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.

b) 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

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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.

c) Provisions

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.

In addition, the calculation of the expense and liability associated with employment commitments requires the application of several assumptions. At the end of each year the Group estimates the provision required to cover employment commitments and similar obligations for advisory services received from independent actuaries. The changes affecting such assumptions may result in the recording of different amounts and liabilities.

d) Derivative financial instruments

The Group uses derivative financial instruments in order to mitigate the risks that are mainly derived from changes in the interest rates associated with its 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 measurement techniques (Tier 2). The measurement 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 measurement techniques. The use of different market assumptions and/or estimation techniques could have a significant effect on the calculated fair values.

e) Provisions for staff obligations

The calculation of pension expenses and other expenses associated with post-retirement commitments requires the application of several assumptions. At the end of each year the Aena Group estimates the provision required to cover pension commitments and similar obligations, in accordance with the assessment 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. Any changes to these assumptions will have an impact on the expenses and future pension liabilities.

4.2 Main judgements in applying the accounting policies of the entity

a) Revenue recognition of minimum guaranteed annuities contract with World Duty Free Global (WDFG)

During 2013, Aena, S.A. awarded to World Duty Free Group (WDFG) a multi-annual contract for the management of duty free and duty paid shops in three airport lots until 2020, whose fees are based on sales volumes made by those shops. The 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 and concluded that the revenue from the contract should be recognised on an accrual basis, considering the charges imposed as contingent, although contractually certain fees are set regardless of the volume of sales made by 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 shops, duration of availability of such spaces, the variability of airport passenger traffic and the ability of parties to obtain a minimum cost associated with contract, among other factors. Future changes to contract conditions evaluated by the management of the Group could result in a different revenue recognition compared to that which Aena, S.A. has applied to this contract up to now. For new contracts with features similar to this one, the Group has continued to follow the same revenue recognition criteria.

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b) Recoverability of tax deductions for investments in the Canary Islands

The management of Aena, S.A. has decided to offset the tax deductions for investments in the Canary Islands from the total state tax. Deductions for investments in the Canary Islands were applied at the end of 2013, after consultation with the Directorate General of Taxes regarding the recoverability conditions, where the necessary conditions were in existence. During the year 2016, an additional amount of 10,466 thousand euros was set aside relating to tax credits for investments in the Canary Islands, and the utilisation of deductions for all items amounting to 13,071 thousand euros was estimated. During the year 2015 an additional amount of 38,884 thousand euros corresponding to tax credits for investments in the Canary Islands was set aside, and use of deductions were estimated for all items amounting to 112,593 thousand euros, corresponding to 99.17% on deductions investment in Canary Islands (See Notes 21 and 32).

The Group has no tax deductions activated for investment in the Canary Islands at the end of 2016 (December 31, 2015: 0 thousand euros).

5 Segment reporting

According to the information indicated in Note 2.3, the Group carries out its business activities based on the following segments: Airports, Real estate services and International.

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 with the so-called Commercial activity.

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

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

The Chairman and CEO evaluates the performance of the operating segments based on EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation). During fiscal year 2016, EBITDA calculated in the manner explained above, was adjusted for impairments and removals of fixed assets (during the year 2015, the EBITDA calculated in the manner explained above, was adjusted for the effects linked to the Voluntary Separation Social Plan and impairments and removals of fixed assets).

The segment information has been supplied to the highest authority for making decisions for the years 2016 and 2015 obtained from the analytical accounting system of the Group and has been valued according to uniform criteria to those applied in these consolidated financial statements. Financial information per segment is presented as analysed at the present time by the highest decision-making authority. No modification has been made to the criteria for distributing costs among segments during the years presented.

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

This methodology provides for the allocation of expenditure according to its nature to different activities defined in the model that are both operational as well as support activities, under the premise that these services consume activities and these in turn consume resources.

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Considering the philosophy of ABC, the activities of technical and administrative support basically gather the set of indirect or overhead costs that are necessary for airports' operations. Support activities have cost repercussions on operating activities and these in turn share their costs with services provided through the criteria of objective and causal distribution.

Cost allocations are made using cause-effect relationships throughout the entire model by ensuring that the result is a true reflection of the genuine and operational management of the organisation.

Moreover, corporate unit costs are allocated according to the same ABC methodology. Activities defined in the corporate model reflect the organisational chart of the group and, therefore, it defines such activities as resource consuming units. Each management division assigns source costs (staff, running costs, depreciation, etc.) according to their nature to the various defined activities, thus establishing resource consumption through activities.

Once the cost per activity has been obtained, the model establishes cause and effect relationships between the activities and the final cost objects through different distribution criteria, attributing thus consumption of resources to services, and therefore, to the business segments.

The financial information by segment in 2016 and 2015 is as follows (in thousand euros):

31 December 2016	Airports		Real estate services	Subtotal	International	Adjustments	Total consolidated
	Aeronautical	Commercial					
Ordinary revenue-	2,502,081	939,787	62,204	3,504,072	207,733	(2,224)	3,709,581
External customers	2,502,012	939,787	62,204	3,504,003	205,578	-	3,709,581
Inter-segments	69	-	-	69	2,155	(2,224)	-
Other operating revenue	50,937	8,984	2,421	62,342	272	292	62,906
Total revenue	2,553,018	948,771	64,625	3,566,414	208,005	(1,932)	3,772,487
Supplies	(182,188)	-	-	(182,188)	-	1,822	(180,366)
Staff	(308,787)	(32,776)	(8,243)	(349,806)	(40,918)	-	(390,724)
Other operating expenses	(654,544)	(132,200)	(19,299)	(806,043)	(95,801)	69	(901,775)
Depreciation and Amortisation	(666,919)	(95,041)	(16,198)	(778,158)	(47,647)	-	(825,805)
Impairments and removals of fixed assets	(4,848)	(1,444)	146	(6,438)	36	-	(6,402)
Other results	277	297	175	399	-	-	399
Total expenditure	(1,817,009)	(261,164)	(44,061)	(2,122,234)	(184,330)	1,891	(2,304,673)
EBITDA	1,402,928	782,648	36,762	2,222,338	71,322	(41)	2,293,619
Impairments and removals of fixed assets	(4,848)	(1,444)	146	(6,438)	36	-	(6,402)
Adjusted EBITDA	1,407,776	784,092	36,908	2,228,776	71,286	(41)	2,300,021
Operating profit/loss	736,009	687,607	20,564	1,444,180	23,675	(41)	1,467,814
Financial result	60,953	(1,285)	632	60,300	(28,116)	-	32,184
Share in profits obtained by associates	-	-	-	-	16,121	-	16,121
Profit/loss before tax	796,962	686,322	21,196	1,504,480	11,680	(41)	1,516,119
Total Assets				14,847,456	831,911	(165,593)	15,513,774
Total Liabilities				9,920,874	568,071	.920	10,488,025

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31 December 2015	Airports		Real estate services	Subtotal	International	Adjustments	Total consolidated
	Aeronautical	Commercial					
Ordinary revenue-	2,332,976	850,676	57,203	3,240,855	211,768	(1,914)	3,450,709
External customers	2,332,916	850,676	57,203	3,240,795	209,914	-	3,450,709
Inter-segments	60	-	-	60	1,854	(1,914)	-
Other operating revenue	54,602	10,346	1,418	66,366	713	-	67,079
Total revenue	2,387,578	861,022	58,621	3,307,221	212,481	(1,914)	3,517,788
Supplies	(182,822)	-	-	(182,822)	-	1,854	(180,968)
Staff	(285,226)	(29,181)	(7,275)	(321,682)	(42,229)	-	(363,911)
Other operating expenses	(625,669)	(130,717)	(18,690)	(775,076)	(97,190)	60	(872,206)
Depreciation and Amortisation	(673,776)	(96,210)	(16,724)	(786,710)	(59,505)	-	(846,215)
Impairments and removals of fixed assets	(5,435)	(1,000)	402	(6,837)	(1,006)	-	(7,843)
Other results	5,000	(24)	11	4,987	526	-	5,513
Total expenditure	(1,767,928)	(257,132)	(43,080)	(2,068,140)	(199,404)	(1,914)	(2,265,630)
EBITDA	1,293,426	700,100	32,265	2,025,791	72,582	-	2,098,373
Voluntary Redundancy Program (VRP)	21,610	2,124	478	24,212	-	-	24,212
Impairments and removals of fixed assets	(5,435)	(1,000)	402	(6,837)	(1,006)	-	(7,843)
Adjusted EBITDA	1,277,251	698,976	32,189	2,008,416	73,588	-	2,082,004
Operating profit/loss	619,650	603,890	15,541	1,239,081	13,077	-	1,252,158
Financial result	(179,715)	(20,880)	(7,487)	(208,082)	(17,510)	-	(225,592)
Share in profits obtained by associates	-	-	-	-	14,012	-	14,012
Profit/loss before tax	439,935	583,010	8,054	1,030,999	9,579	-	1,040,578
Total Assets				16,306,205	890,302	(173,127)	17,023,380
Total Liabilities				12,079,322	592,670	(8,893)	12,663,099

The Adjustments column mainly includes consolidation adjustments.

The reconciliation of EBITDA and adjusted EBITDA against Profit for the years ended 31 December 2016 and 2015 is as follows:

Item	31 December 2016	31 December 2015
Total adjusted EBITDA	2,300,021	2,082,004
Impairments and removals of fixed assets	(6,402)	(7,843)
Voluntary Separation Plan (Note 19)	-	24,212
Total segment EBITDA	2,293,619	2,098,373
Fixed asset depreciation	(825,805)	(846,215)
Net financial expense	32,184	(225,592)
Share in profits obtained by associates	16,121	14,012
Revenue tax	(351,733)	(209,793)
Profit/Loss for the year	1,164,386	830,785
Results attributable to external partners	237	(2,752)
Profit/(loss) for the year attributable to the parent company shareholder	1,164,149	833,537

The forecast for the calculation of regulated tariffs in the future is based, as stated in Act 18/2014 (see Note 2.21), on the fact that during 2014 the total costs of basic airport services to be recovered decreased by the amount resulting from 80% of the result of commercial activities subject to private prices within the terminal; this percentage was 60% for 2015, is 40% for 2016, and will be 20% for 2017 and 0% in 2018 and subsequent years. As a result, starting in 2018 the dual till system will apply entirely.

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Revenue Breakdown

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

	2016	2015
Airport services	2,502,081	2,332,976
Monetary benefits	2,426,613	2,264,966
Landings	681,395	632,790
Parking	32,821	28,617
Passengers	1,079,620	1,017,609
Telescopic boarding gates	109,054	104,228
Security	396,205	363,539
Handling	85,960	80,276
Fuel	31,885	29,092
Catering	9,673	-8,815
Other airport services ⁽¹⁾	75,468	68,010
Commercial Services	939,787	850,676
Leases	25,005	26,490
Shops	89,660	82,353
Duty-Free Shops	285,153	250,968
Hostelry	154,493	132,086
Car rental	114,466	104,526
Parking ⁽²⁾	121,554	110,767
Advertising	30,290	28,564
Other commercial revenue ⁽³⁾	119,166	114,922
Real estate services	62,204	57,203
Leases ⁽⁴⁾	10,312	-
Land	23,686	12,739
Hangars	10,275	17,961
Cargo Logistic Centres	12,503	21,165
Real Estate Operations	5,428	5,338

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

2) With regard to the explanation in Note 2.3, in order to make comparative figures for 2015, the heading "Commercial Services" has been reclassified from the heading "Real estate Services" which appeared in that year in the one for parking revenues.

3) Includes Commercial operations, Commercial supplies, Use of conference rooms, and Filming and recording.

4) In 2016 this item includes revenue which in 2015 was mainly included in "Hangars".

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

The approximate amount of ordinary revenues totalling 375,165 thousand euros, 348,478 thousand euros and 336,295 thousand euros in 2016 relates to three customers, respectively (three customers in 2015: 334,536 thousand euros, 327,797 thousand euros and 311,749 thousand euros respectively). These revenues relate to the Airport segment.

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Geographical information:

Ordinary revenue from external customers is distributed geographically as follows:

	2016	2015
Country	Volume	Volume
Spain	3,505,468	3,242,169
United Kingdom	198,154	201,940
Colombia	1,143	1,023
Mexico	4,787	(4.721)
Angola	-	800
Cuba	29	56
TOTAL	3,709,581	3,450,709

Non-current assets valued at net carrying value, are located as follows:

Year 2016:

Country	Property, plant and equipment	Intangible assets	Investment property	TOTAL
Spain	13,371,597	86,754	135,690	13,594,041
United Kingdom	192,325	438,893	-	631,218
	13,563,922	525,647	135,690	14,225,259

Year 2015:

Country	Property, plant and equipment	Intangible assets	Investment property	TOTAL
Spain	14,699,755	91,699	165,266	14,956,720
United Kingdom	170,167	543,065	-	713,232
	14,869,922	634,764	165,266	15,669,952

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6 Property, plant and equipment

	Land and buildings	Plant and machinery	Other facilities, tools and furnishings	Other property, plant and equipment	Property, plant and equipment under construction	Total
At 1 January 2016						
Cost or valuation	17,490,910	1,329,218	4,500,603	140,454	185,538	23,646,723
Accumulated depreciation	(5,143,374)	(867,127)	(2,628,772)	(136,947)	-	(8,776,220)
Impairment	-	-	-	581	-	581
Carrying amount at 1 January 2016	12,347,536	462,091	1,871,831	2,926	185,538	14,869,922
New additions	64,241	27,433	43,702	1,088	146,806	283,270
Disposals	(837,795)	(32,010)	(33,932)	568	(3,052)	(907,357)
Transfers (Notes 7 and 8)	71,795	21,837	44,111	2	(91,961)	45,784
Difference in cost conversion	(16,243)	(3,716)	-	-	(7,841)	(27,800)
Allocation to depreciation	(408,219)	(71,933)	(287,484)	(1,024)	-	(768,660)
Eliminations of accumulated depreciation	21,067	30,960	32,261	560	-	84,848
Amortisation transfers (Notes 7 and 8)	(19,089)	688	459	-	-	(19,318)
Difference in depreciation conversion	2,119	723	2	(1)	-	(2,843)
Reversal of cumulative impairment	-	-	-	390	-	390
Carrying amount at 31 December 2016	11,225,412	434,697	1,670,950	3,373	229,490	13,563,922
At 31 December 2016						
Cost or valuation	16,772,908	1,342,762	4,554,484	140,976	229,490	23,040,620
Accumulated depreciation	(5,547,496)	(908,065)	(2,883,534)	(137,412)	-	(9,476,507)
Impairment	-	-	-	191	-	191
Carrying amount at 31 December 2016	11,225,412	434,697	1,670,950	3,373	229,490	13,563,922
At 1 January 2015						
Cost	17,419,132	1,351,902	4,429,925	267,704	318,974	23,787,637
Accumulated depreciation	(4,850,293)	(851,496)	(2,336,788)	(190,649)	-	(8,229,226)
Impairment	-	-	-	581	-	581
Carrying amount at 1 January 2015	12,568,839	500,406	2,093,137	76,474	318,974	15,557,830
Rectification cost LLAH II (*)	(60,255)	(53,133)	-	(52,680)	-	(166,068)
New additions	91,394	28,535	49,665	104	99,747	269,445
Disposals	(158,052)	(8,339)	(11,065)	7	(10,376)	(187,839)
Transfers (Notes 7 and 8)	197,526	9,707	32,078	(79,388)	(222,985)	(63,062)
Differences on exchange rate	1,165	546	-	(4,721)	178	6,610
Rectification cost LLAH II (*)	60,255	53,133	-	52,680	-	166,068
Allocation to depreciation	(403,623)	(76,917)	(298,417)	(1,003)	-	(779,960)
Eliminations of accumulated depreciation	26,153	-6,553	6,373	6	-	39,085
Transfers (Notes 7 and 8)	22,949	605	60	1,123	-	24,737
Differences on exchange rate	1,185	995	-	896	-	3,076
Net carrying amount at 31 December 2015	12,347,536	462,091	1,871,831	2,926	185,538	14,869,922
At 31 December 2015						
Cost	17,490,910	1,329,218	4,500,603	140,454	185,538	23,646,723
Accumulated depreciation	(5,143,374)	(867,127)	(2,628,772)	(136,947)	-	(8,776,220)
Impairment	-	-	-	581	-	581
Net carrying amount at 31 December 2015	12,347,536	462,091	1,871,831	2,926	185,538	14,869,922

In 2016, lease income amounting to 6,026 thousand euros was recognised in the revenue statement (2015: 6,080 thousand euros).

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The main additions recognized in 2016 and 2015 are described below:

Land and buildings

In 2016 additions in land and buildings amounted to 64,241 thousand euros. The main additions in the period were the regeneration of the paving on the runway and taxiways of the airports of Palma de Mallorca, Gran Canaria, Ibiza and Lanzarote, amongst others, works for the relocation of aerial navigation equipment at Adolfo Suárez Madrid-Barajas Airport, waterproofing at terminals and modules in Palma de Mallorca, remodelling and upgrading of the lounges of Adolfo Suárez Madrid-Barajas Airport, regeneration of taxiway paving at Tenerife Sur Airport and the new footbridge at Vigo Airport.

As for the work in progress, the most significant investments in 2016 are in Spain: the work at Santiago de Compostela Airport in unfinished areas of the terminal and parking facilities, the works for the new airport in Reus and the renovation of screeds on plant-life in T1 of Adolfo Suárez Madrid-Barajas Airport. Outside Spain there has been the work on the "Curium" project to expand the capacity of London Luton Airport which affects the terminal building and its accesses and car parks. In addition, the new power plant has been brought into service at Asturias Airport and there have been actions for the commissioning to II/III category at Zaragoza Airport.

In 2015, additions to Land and buildings totalled 91,394 thousand euros, mainly motivated by the work related to the Noise Insulation Scheme in Tenerife Norte and Adolfo Suárez Madrid-Barajas airports, by the screed of the runway of A Coruña, the lengthening of the 36L/18R runway of Adolfo Suárez Madrid-Barajas Airport, the conditioning of the southern entrance of Málaga-Costa del Sol Airport and the works performed on taxiways, runways and platform at the Airport of Palma de Mallorca.

The most significant ongoing investments in buildings were related to the remodelling and adaptation of five VIP lounges in Terminal 1, 2 and 3, and the upgrading works of the boarding area of regional traffic at T4 of Adolfo Suárez Madrid-Barajas Airport; the supply and installation of a new check-in desks set, and remodelling of the passenger boarding bridges at T2 in Barcelona-El Prat; and works in the new FPP building of Ibiza Airport.

In terms of completed and operational works, the most representative work was the new terminal (south embankment) at Gran Canaria Airport and the new group of continuity for the supply of electricity to Barcelona-El Prat Airport.

Land and buildings:

At year-end 2016 and 2015, the Group owns properties with separate net value from buildings and the land, which is as follows:

	2016	2015
Land	3,570,172	4,341,700
Buildings	7,655,240	8,005,836
Total	11,225,412	12,347,536

Plant and other property, plant and equipment

The most representative additions in 2016 are namely:

- Supply with installation of air-bridges and equipment to handle aircraft at Malaga Airport
- Broadening the multiservice network at Gran Canaria Airport.
- Replacing several lifts, escalators and moving walkways in the airport terminals in Adolfo Suárez Madrid-Barajas Airport.
- The acquisition of new database servers for SAP

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- The replacement of newsstands and new check-in counters at Barcelona Airport
- The work related to low voltage distribution at Málaga Airport
- Replacement of several self-check-in desks at Adolfo Suárez Madrid-Barajas Airport.
- Renovation of the Wi-Fi network in the airports of Barcelona and Madrid
- New self-extinguishing vehicles at the airports of Palma de Mallorca, La Coruña, León, Santiago, Seville and Vigo
- Remodelling of the airfield ring at Fuerteventura Airport.

Regarding current facilities, worthy of mention is employment related with equipment for communications networks at Palma de Mallorca and Malaga airports, and replacement of equipment to handle aircraft in Palma de Mallorca.

Additions and start-up have become more representative as of 31 December 2015 with facilities related to the provision of luggage trolleys at airports of Barcelona-El Prat and Adolfo Suárez Madrid-Barajas, and works in the period, such as the new passenger boarding air bridges and all their auxiliary elements (power and air conditioning systems for aircraft, display systems docking guides, etc.) at the airports of Adolfo Suárez Madrid-Barajas and Gran Canaria, the new newsstands, printers and card readers at Adolfo Suárez Madrid-Barajas Airport and actions related to the system of landing aids at Palma de Mallorca Airport.

In other installations, it was worth mentioning the new explosive trace detectors installed in all airports in the networks and the works carried on the electrical system of the airports of Adolfo Suárez Madrid-Barajas and Palma de Mallorca.

Similarly, in other ongoing installations, the renewal of the Wi-Fi network at Barcelona-El Prat airport was worth mentioning, as well as the new fuel service at Adolfo Suárez Madrid-Barajas Airport.

Property, plant and equipment under construction

The main actions underway as of 31 December 2016 in Spain are the works concerning the adequacy of the unfinished areas at Santiago Airport, renovation of screeds for plant-life in T-1 of Adolfo Suárez Madrid-Barajas Airport, upgrade actions at Santiago Airport, expansion of the terminal building in Reus, equipment of communication networks of the airports of Palma de Mallorca and Málaga, and replacement of equipment to handle aircraft in Palma de Mallorca; and, outside Spain, the actions related to the "Curium" project to expand the capacity of London Luton Airport.

In 2015, the main works that were underway were those related to the fuel service at Adolfo Suárez Madrid-Barajas Airport, the new power plant in Asturias, the adequacy of the unfinished areas of Santiago Airport, the actions for the commissioning to II/III category of Zaragoza Airport, the multiservice network expansion in the expansion of the terminal building of Gran Canaria Airport, the supply and installation of walkways and aircraft assistance equipment in the T2 of Málaga-Costa del Sol, the expansion of the terminal building at Reus Airport and the actions required for the certification of Vigo Airport.

Disposals

During the year 2016, land disposals were caused by favourable rulings in several expropriation disputes, in particular for the Adolfo Suárez Madrid-Barajas Airport (see Note 23). Also removed from the list due to demolishing are the old airport lounges in Adolfo Suárez Madrid-Barajas, the departures building and Reus Airport and renewal of part of the La Coruña terminal building; also the screeds surface of the tracks of the airports of Badajoz, Ibiza and Gran Canaria; airport facilities in Barcelona and Adolfo Suárez Madrid-Barajas relating to check-in, due to being subject to renewal; and computerised equipment for their replacement.

The removals of fixed assets produced in 2016 affecting the revenue statement mainly involve plants and equipment, and have led to an overall negative result of 6,321 thousand euros, which coincides with the net book value of several assets (-7,455 thousand euros) and the positive result in the repurchase of equipment by suppliers (+556 thousand euros), the reversal of impairments (+389 thousand euros) and sales and expansions (+189 thousand euros). In addition,

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the disposals in 2015 included the following items, the amount of which has not been charged to the profit/loss account:

- Reversals of provisions recorded in previous years for fair value differences arising primarily from land expropriations and estimated environmental investments to comply with current legislation, and for litigation related to works. In these cases, the disposals were carried out and charged to accounts of provisions for risks and expenses, and amounted to a total of 808,309 thousand euros.
- Payments to suppliers of fixed assets in relation to amounts activated in previous years, amounted to 6,743 thousand euros.

During 2015, land disposals were motivated by favourable rulings that led to the calculation of a new revaluation of open procedures, particularly for Adolfo Suárez Madrid-Barajas Airport. Similarly, favourable rulings have been passed on creditor claims on works carried out in the parking lots at airports in Barcelona and La Palma, and the removal by replacement of the raised platform performed on the runway at Adolfo Suárez Madrid-Barajas Airport. The facilities under renovation at the airports of Gran Canaria and Adolfo Suárez Madrid-Barajas regarding the boarding air-bridges and check-in counters respectively, the signage system and markings at Palma de Mallorca Airport and the catwalks T Málaga airport and explosives detection systems at Adolfo Suárez Madrid-Barajas Airport were also removed from the list.

In 2015, disposals of property, plant and equipment with allocation to revenue resulted in losses of 7,351 thousand euros.

In addition, the disposals in the year included the following items, the amount of which was not charged to the profit/loss account:

- Reversals of provisions recorded in previous years for fair value differences arising primarily from land expropriations and estimated environmental investments to comply with current legislation, and for litigation related to works. In these cases, the disposals were carried out and charged to accounts of provisions for risks and expenses (see Note 19), and amounted to a total of 127,441 thousand euros.
- Payments to suppliers of fixed assets in relation to amounts activated in previous years, amounted to 12,848 thousand euros.

Capitalized interest costs

During the year, the Group capitalised interest costs totalling 596 thousand euros (2015: 2,646 thousand euros).

Impairment

In accordance with the procedure described in Note 2.8 and for the network of airports that constitutes the Airports segment also described in this note, at the end of 2015 and 2016 the Group performed an impairment test on the airport network and did not identify any significant impacts on the financial statements at 31 December 2016 and at 31 December 2015, even after applying sensitivities to the variables used. The main assumptions used were:

	2016	2015
Growth rate	1.50%	2.00%
Discount rate before tax	6.98 %	7.11 %
Post-tax discount rate	5.23%	5.33%

In 2016 and 2015, the Company has no recognized any asset impairment.

The group has made calculations on recoverable amounts based on financial projections approved by management, taking into account the projections included in DORA (see Note 36), for the period of five years (2017-2021) referred to in the aforesaid DORA.

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The discount rate applied to cash flow projections is the weighted average cost of capital before taxes (W_{ACCAI}) 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.

Projections of cash flows from the sixth year are calculated using a constant expected growth rate, considering the air traffic growth estimates contained in the DORA document (CAGR of 1.8% in passenger traffic for the period 2022-2031).

The Group carried out a sensitivity analysis on 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 2016, it appears that there are no significant risks associated with reasonably possible changes to the assumptions, considered on an individual basis. That is, management believes that, within the above ranges, no corrections for impairment will be necessary.

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

Leasing agreements

The provision for property, plant and equipment includes an automated flight inspection system (console), an electrical co-generation plant at Adolfo Suárez Madrid-Barajas Airport, and an aircraft parking platform at London Luton Airport, which are covered by financial lease agreements in which the Group is the lessee; the relevant amounts of these agreements are as follows:

	At 31 December	
	2016	2015
Cost-capitalized finance leases	27,473	28,430
Accumulated depreciation	(8,050)	(3,979)
Carrying amount	19,423	24,451

The maturity of the leasing contracts is as follows:

	At 31 December	
	2016	2015
Gross finance lease liabilities – minimum lease payments:		
Less than one year	2,981	2,808
Between 1 and 5 years	12,360	12,869
More than 5 years	15,290	20,979
	30,631	36,656
Future financial charge by financed lease	(5,986)	(7,984)
Present value of finance lease liabilities	24,645	28,672

The present value of finance lease liabilities is as follows:

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	At 31 December	
	2016	2015
Less than one year	1,995	2,080
Between 1 and 5 years	9,198	8,617
More than 5 years	13.452	17,975
TOTAL	24,645	28,672

At 31 December 2016, property, plant and equipment includes assets leased to third parties, the value of which represents 8.59% of total property, plant and equipment (2015: 9.74%).

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, San Javier and the joint-use aerodrome in Zaragoza. This Agreement is based on the application of Royal Decree 1167/1995 (7 July) on the system for using airports jointly used by an airbase and an airport and the airbases open to civil traffic. The following amounts represent the Group's stake in the assets and liabilities, and the sales and profits of the joint venture, which have been included in the balance sheet and the revenue statement:

	At 31 December	
	2016	2015
- Non-current assets	253,417	268,945
- Non-current/current liabilities	-	-
Net assets	253,417	268,945
	2016	2015
- Revenues	25,145	24,620
- Expenses	(43,720)	(42,197)
Profit after taxes	(18,575)	(17,577)

There are no contingent liabilities relating to the Group's interest in the joint venture or contingent liabilities in the joint venture 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") guarantee the bank debt of the London Luton Airport Holdings III Limited Group ("LLAH III") (Note 20.b).

Limitations

Contributed land, buildings and other construction which are 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).

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7 Intangible assets

	Service concessions	Development	Computer applications	Goodwill	LLAH III concession	Other fixed intangible assets	Fixed intangible assets in progress	Total
At 1 January 2016								
Cost	17,718	1,608	220,980	1,872	585,554	136,130	37,736	1,001,598
Accumulated depreciation and impairment losses	(5,521)	(1,233)	(183,110)	-	(44,361)	(132,609)	-	(366,834)
Carrying amount at 1 January 2016	12,197	375	37,870 (*)	1,872	541,193	3,521	37,736	634,764
New additions	60	-	11,203	-	-	2	4,854	16,119
Disposals	(11)	-	615	-	-	(30)	211	867
Transfers (Note 6 and 8)	357	-	5,245	-	-	(54)	(5,376)	542
Differences on exchange rate	-	-	-	-	(79,529)	-	-	(79,529)
Allocation to depreciation	(690)	265	(18,572)	-	(31,919)	968	-	(52,414)
Eliminations of accumulated depreciation	5	-	553	-	-	30	-	588
Transfers (Note 6 and 8)	134	-	23	-	-	95	-	252
Conversion difference amortisation	-	-	-	-	7,276	-	-	7,276
Carrying amount at 31 December 2016	11,338	110	35,707	1,872	437,021	2,596	37,003	525,647
At 31 December 2016								
Cost	17,410	1,608	236,813	1,872	506,025	136,048	37,003	936,779
Accumulated depreciation and impairment losses	(6,072)	(1,498)	(201,106)	-	(69,004)	(133,452)	-	(411,132)
Carrying amount at 31 December 2016	11,338	110	35,707	1,872	437,021	2,596	37,003	525,647

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	Service concessions	Development	Computer applications	Goodwill	LLAH III concession	Other fixed intangible assets	Fixed intangible assets in progress	Total
At 1 January 2015								
Cost	17,774	1,608	203,024	1,872	551,730	135,868	35,566	947,442
Accumulated depreciation and impairment losses	(4,874)	968	(160,590)	-	(7,825)	(131,608)	-	(305,865)
Carrying amount at 1 January 2015	12,900	640	42,434	1,872	543,905	4,260	35,566	641,577
New additions	51	-	13,813	-	-	33	7,650	21,547
Disposals	66	-	(45)	-	(1)	(212)	(950)	(1,274)
Transfers (Note 6 and 8)	(41)	-	4.188***	-	-	441	(4,530)	58
Differences on exchange rate	-	-	-	-	33,825	-	-	33,825
Allocation to depreciation	694	265	(22,397)	-	(37,043)	(1,267)	-	(61,666)
Eliminations of accumulated depreciation	23	-	29	-	-	113	-	165
Transfers (Note 6 and 8)	24	-	152	-	-	153	-	25
Conversion difference amortisation	-	-	-	-	507	-	-	507
Carrying amount at 31 December 2015	12,197	375	37,870	1,872	541,193	3,521	37,736	634,764
At 31 December 2015								
Cost	17,718	1,608	221,025	1,872	585,554	136,130	37,736	1,001,643
Accumulated depreciation and impairment losses	(5,521)	(1,233)	(183,155)	-	(44,361)	(132,609)	-	(366,879)
Carrying amount at 31 December 2015	12,197	375	37,870	1,872	541,193	3,521	37,736	634,764

(*)The breakdown of net book value at the end of 2015 existing between costs and accumulated depreciation has been fixed.

At the end of 2016 and 2015 there were no intangible assets subject to guarantees.

Of the total capitalized costs at 31 December 2016 relating to the various classes of intangible assets, assets in progress are included as follows (thousand euros):

	2016	2015
Computer applications	3,305	6,293
Other fixed intangible assets	33,698	31,443
Total	37.003	37,736

The main additions in 2016 and 2015 under the heading "Computer applications" and "Fixed intangible assets in progress" were acquisitions, as well as upgrades and developments, of new technologies for IT applications relating to central airport services. Worth special mention in 2016 is the integrated parking management system at airports and the work done in 2015 on the Aena public website.

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

In 2016, 67 thousand euros were capitalised as financial expenses associated with fixed intangible assets (2015: 274 thousand euros).

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Concession of services:

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

Ceuta Heliport:

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

Algeciras Heliport:

The Company has an administrative concession agreement with the Port of Algeciras Bay for the occupation of the facilities that will be used for the installation and operation activities of publicly owned heliport at the Port of Algeciras. This concession has a start date of 3 February 2009 with duration of 25 years. The contract establishes an occupancy rate of public port deprivation of 82 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 administrative concession

Since 16 October 2014 (see Note 2.2.1), the Group's scope of consolidation has globally included the accounts of London Luton Airport Holdings III Limited (LLAH III), 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), of carrying out the acquisition, on 27 November 2013, of London Luton Airport Group Limited (the management company of Luton Airport in the UK). Luton Airport is managed, 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 Luton Airport concession does not meet the IFRIC 12 requirements to be classified as a service concession (see Note 2.24), but is instead recorded as an operating lease (see Note 2.22).

Impairment tests for non-amortised 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 2016 and 2015 the Group performed impairment tests on the non-amortised intangible assets and did not identify any adjustments at 31 December 2016 and 2015, even after applying sensitivities to the variables used.

The recoverable amount of a CGU is determined based on calculations of value in use. These calculations use cash flow projections based on financial projections included in the DORA, for the five-year period 2017-2021 (see Note 36). Projections of cash flows from the sixth year calculated using a constant expected growth rate, considering the air traffic growth estimates contained in the DORA document (CAGR of 1.8% in passenger traffic for the period 2022-2031).

The main assumptions used to calculate value-in-use are as follows:

	2016	2015
Growth rate	1.50%	2.00%
Discount rate before tax	6.98 %	7.11%
Post-tax discount rate	5.23%	5.33%

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Sensitivity to changes to the assumptions

On 31 December 2016, 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 2016, 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 estimates the recoverable amount of the investment and the present value of future cash flows, taking into account the estimates contained in the business plan prepared by the Board of Directors of the Company. By applying discount rates consistent with recent historical experience, a recoverable amount is obtained that exceeds fixed assets' carrying amount. The Company has performed a sensitivity analysis of the calculation of the recoverable amount based on changes in the key assumptions in the years 2016 and 2015 (growth in revenue coming from passengers, inflation rate, discount rate). On the basis of the foregoing, the Group management considers that the recoverable amount calculated, at 31 December 2016 and 2015 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 2016, it was considered that there was 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 preceding paragraph, a sensitivity analysis was carried out on changes in the main valuation variables considered to be reasonably possible, and the recoverable value remains above the net carrying amount.

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8 Investment properties

	Land and buildings	Technical installations and other property, plant and equipment	Total
At 1 January 2016			
Cost or valuation	267,379	6,315	273,694
Amortisation	(96,323)	(5,862)	(102,185)
Impairment losses	(6,243)	-	(6,243)
Carrying amount at 1 January 2016	164,813	453	165,266
New additions	1,345	-	1,345
Disposals	(50)	-	(50)
Transfers (Note 6 and 7)	(44,985)	(257)	(45,242)
Allocation to depreciation	(4,681)	(50)	(4,731)
Disposals	36	-	36
Transfers (Note 6 and 7)	18,957	109	19,066
Carrying amount at 31 December 2016	135,435	255	135,690
At 31 December 2016			
Cost or valuation	223,689	6,058	229,747
Amortisation	(82,011)	(5,803)	(87,814)
Impairment losses	(6,243)	-	(6,243)
Carrying amount at 31 December 2016	135,435	255	135,690

	Land and buildings	Technical installations and other property, plant and equipment	Total
At 1 January 2015			
Cost or valuation	204,144	6,319	210,463
Amortisation	(67,369)	(5,465)	(72,834)
Impairment losses	(6,243)	-	(6,243)
Carrying amount at 1 January 2015	130,532	854	131,386
New additions	227	-	227
Transfers (Note 6 and 7)	63,008	(4)	63,004
Allocation to depreciation	(4,189)	(400)	(4,589)
Transfers (Note 6 and 7)	(24,765)	3	(24,762)
Carrying amount at 31 December 2015	171,056	453	171,509
At 31 December 2015			
Cost or valuation	267,379	6,315	273,694
Amortisation	(96,323)	(5,862)	(102,185)
Impairment losses	(6,243)	-	(6,243)
Carrying amount at 31 December 2015	164,813	453	165,266

This heading mainly includes buildings used for rental operations (land, offices, warehouses and hangars). 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 2016 and 2015 there were no investment properties subject to guarantees.

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The Company's policy is to obtain insurance policies to cover all risks that could affect its investment properties. At the end of 2016 and 2015, the Company had reasonably covered these risks.

At 31 December 2016 transfers from tangible fixed assets to investment property were made of those properties which were leased to third parties or where there was a plan for them to be leased, having begun their development for marketing, for a net accounting value of 8,772 thousand euros, and a fair value of 13,552 thousand euros. In the contrary sense, there were transfers from investment property to tangible fixed assets of those buildings which do not fulfil the above requirements, as well as buildings which are being used, in a not insignificant part, for the production or supply of goods or services or for administrative purposes, for a net accounting value of 34,948 thousand euros, and a fair value of 120,388 thousand euros. The net accounting result of both movements, -26,176 thousand euros, is shown in the movements in investment properties in this note (transfer of cost for -45,242 thousand euros plus transfer of depreciation for 19,066 thousand euros).

Investments amounted to 1,345 thousand euros and relate to renovation and improvements, highlighting the waterproofing of Aena III building located at Palma de Mallorca Airport.

In the 2015 fiscal year, 38,242 thousand euros net of book value of property, plant and equipment were transferred to investment property, as they are assets that change to fulfil the condition of buildings for development on a rental basis.

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

	<u>2016</u>	<u>2015</u>
Rent Revenues	60,926	57,203
Direct operating expenses	(32,529)	(35,857)

The fair value of investment properties, taking into account current values (some of which are being revised) at the presented date is as follows:

	<u>31 December 2016</u>	<u>31 December 2015</u>
Land	325,236	301,359
Buildings	393,842	489,615
Total	719 078	790,974

The Company commissioned an independent valuation company to undertake a review and valuation of the Group's real estate portfolio as of 31 December 2016 with the aim of determining the fair value of its investment property. The valuation of assets was carried out in accordance with the Rules Regulating the Royal Institution of Chartered Surveyors (RICS) compiled in the work entitled *Red Book - Ratings Manual*, as well as the provisions of International Accounting Standard 40 (IAS 40 - Investment property), on the basis of market value, defined as 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 after a reasonable marketing period, and in which both parties have acted knowledgeably, prudently and without coercion.

The market value is obtained by capitalising the estimated net proceeds of the property, depending on the lease period and reversal. This involves the capitalisation of current revenue over the period, together with the assessment of each of the likely subsequent revenue after updates rents or after conclusion of new leases for each of the periods permitted, provided from the current value. Profitability or returns applied to the different categories of revenue reflect all expectations and risks associated with cash flow and investments, and are located in a range around 5.50% - 9.50%, with the lower parts of *Prime* sites.

Yields and profits are obtained from a combination of analysis of similar formalised investments whose prices usually are set by the market in terms of gross profitability and overall experience along with market knowledge. That said, the profile of the return on investment over time, especially as regards the initial yield at the time of valuation, must be taken into account.

With regard to flows of expected gross revenues, the necessary adjustments have been made to reflect non-recoverable expenses. Since it is not known with any certainty whether periods of unemployment will occur in the

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future, nor their duration, the forecast has been based on the quality and location of the building, and generally a period of average tenure is adopted when information is not available on the future intentions of each tenant.

The selling price per square metre, determined from the analysis of investments and available information on global prices per square metre, currently in force in the market, has been taken into account by introducing appropriate adjustments, at the time the valuation is prepared.

All ratings reflect the price that would be applicable in a sales contract, and therefore, represents the net value, without taking into account transfer costs. According to usual practices, an amount corresponding to the normal costs of the buyer, for a net amount of valuation has been deducted from the gross amount of the valuation.

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

As a result of this first evaluation, the fair value of these assets has been adjusted. Accordingly, the management of Aena does not believe that any significant impairment exist other than that recognised at 31 December 2016. The reduction observed in the fair value of investment properties at 31 December 2016, with respect to that given for 31 December 2015, is largely explained by the transfers to and from tangible fixed assets referred to above, which by themselves result in a lower figure for that value, in 106,836 thousand euros.

At 31 December 2015 the calculation of fair value in Tier 3 was obtained by internal calculations based on discounted cash flows individualised for each asset. The principal assumptions used were as follows:

	31 December 2015
Growth rate	1.50 %
Discount rate	7-9% (*)

(*) Range of discount rates used for assets according to the location, activity level and category of the airport.

This discount rate reflects a specific premium based on the characteristics of the real estate business. In the determination of the fair value for investment property in 2015 the Group analysed the situation contract by contract; for contracts in force using the rents established in the contracts and supposing that the contracts would be complied with in the term fixed; the flows were estimated for ten years with a perpetual return after year eleven. For assets undergoing an awarding process, only assets for which no debts existed in relation to their future awarding and generation of cash flows were included. For the calculation of cash flows, annual guaranteed minimum rents (in the case of awards) or rents determined according to market conditions were used.

9 Investments in associates

The breakdown and movement of the heading "Investment in associates" in 2016 and 2015 is as follows (thousand euros):

								2016
	Opening balance	Additions/Disposals (Reduction of capital) (Note 2.2)	Profit sharing	Dividends received	Exchange rate differences (Note 18.b)	Share in other comprehensive revenue of associates (Note 18)	Other (Wealth tax payment)	Closing balance
SACSA	3,219	-	2,991	(2,001)	28	-	-	4,490
AMP (*)	67,456	(1,457)	9,298	(9,366)	(6,597)	30	-	59,364
Aerocali	6,704	-	3,832	(3,516)	937	-	70	7,887
Total	77,379	(1,457)	16.121	(14,883)	(5,379)	30	70	71,741

(*) The impact of the reduction of capital in AMP explained in Note 2.2. on accumulated profits was 839 thousand euros.

(**) Investment with joint control (see Note 2.2). As a result of the acquisition of shares in this company and the obtainment of a 50% holding, the Group has evaluated the rights therein and has concluded there is joint control since decisions are taken unanimously by partners. The articles of association of the company, which set out the rights of partners, were not modified by this acquisition, and 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 Barranquilla Airport.

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							2015
	Opening balance	Additions/Disposals	Profit sharing	Dividends received	Exchange rate differences (Note 18.b)	Other	Closing balance
SACSA	3,555	-	2,163	(1,621)	460	418	3,219
PMA	69,687	-	8,378	(8,927)	(1,682)	-	67,456
Aerocali	4,410	-	3,471	-	(1,029)	(148)	6,704
Total	77,652	-	14,012	(10,548)	(3,171)	566	77,379

(*) "Other" includes an adjustment, in Equity, in homogenisation to International Regulations derived from the first presentation of the Financial Statements of SACSA under International Standard in Colombia, with the opening balance sheet at 01 January 2015.

(**) Investment with joint control (see Note 2.2). As a result of the acquisition of shares in this company and the obtaining of a 50% holding, the Group has evaluated the rights therein and has concluded there is joint control since decisions are taken unanimously by partners. The articles of association of the company, which set out the rights of partners, were not modified by this acquisition, and 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 Barranquilla Airport.

During the first half of 2015 the Company RAESA was liquidated (see Note 2.2).

AMP has a holding of 17.4% 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 at 31 December 2016 and 2015, measured in euros at the exchange rate in force at the end of each of the years, is as follows:

Name	Country of constitution	Assets	Liabilities	Operating revenue	Profit/ (Losses)	% of ownership
31 December 2016:						
SACSA	Colombia	40,474	28,623	31,072	7,894	37.89%
PMA	Mexico	181,026	9,293	14,603	27,896	33.33%
Aerocali	Colombia	46,360	30,586	37,722	7,665	50.00%
31 December 2015:						
SACSA	Colombia	35,688	27,193	26,496	5,707	37.89 %
PMA	Mexico	203,957	7,944	13,144	25,137	33.33 %
Aerocali	Colombia	29,917	16,509	34,579	6,942	50.00 %

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

	2016	2015
Non-current assets	170,517	195,297
Current assets	10,509	8,660
Non-current liabilities	-	-
Current liabilities	9,293	7,944
Ordinary revenue	14,603	13,144
Results of the year from ongoing operations	27,896	25,137
Total overall profit/(loss)	27,896	25,137

10 (a) Financial instruments by category

	31 December 2016			Total
	Loans and receivables	Hedging derivatives	Available for sale	
Assets on the balance sheet				
Available-for-sale financial assets (Note 11)	-	-	354	354
Other financial assets	58,697	-	-	58,697
Trade and other payables (excluding pre- payments and non-financial assets) (Note 13)	306,660	-	-	306,660
Cash and cash equivalents (Note 15)	564,616	-	-	564,616
Total	929,973	-	354	930,327

	31 December 2016		Total
	Hedging derivatives	Other financial liabilities at amortised cost	
Liabilities on the balance sheet			
Financial debt (excluding finance lease liabilities) (Note 20)	-	8,767,978	8,767,978
Finance leases (Note 20)	-	24,645	24,645
Derivative financial instruments (Note 12)	136,546	-	136,546
Trade and other payables (excluding non- financial liabilities) (Note 19)	-	300,908	300,908
Total	136,546	9,093,531	9,230,077

	31 December 2015			Total
	Loans and receivables	Hedging derivatives	Available for sale	
Assets on the balance sheet				
Financial assets available for sale	-	-	4,823	4,823
Derivative financial instruments (Note 12)	-	1,280	-	1,280
Other financial assets	54,241	-	-	54,241
Trade and other payables (excluding pre- payments and non-financial assets) (Note 13)	397,730	-	-	397,730
Cash and cash equivalents (Note 15)	556,741	-	-	556,741
Total	1,008,712	1,280	4,823	1,014,815

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	31 December 2015		Total
	Hedging derivatives	Other financial liabilities at amortised cost	
Liabilities on the balance sheet			
Financial debt (excluding finance lease liabilities) (Note 20)	-	9,929,747	9,929,747
Finance leases (Note 20)	-	28,672	28,672
Derivative financial instruments (Note 12)	73,903	-	73,903
Trade and other payables (excluding non- financial liabilities) (Note 19)	-	302,195	302,195
Total	73,903	10,260,614	10,334,517

10 (b) Credit quality of financial assets

The credit quality of financial assets that have not yet expired and which have not been impaired can be assessed in terms of credit rating granted by external agencies to the Group or through the historical rate of NPLs:

(Million euros)	At 31 December	
	2016	2015
CUSTOMERS		
Customers with external credit ratings (Source: Reuters)		
BBB+	0.3	6.9
BB	3.3	3.8
B	6.1	1.5
Customers without external credit ratings		
Group 1	1.2	.14
Group 2	277.6	298
Group 3	-	-

- Group 1 - New customers / associated parties (less than 6 months).
- Group 2 - Existing customers/ related parties (more than 6 months) with no past defaults.
- Group 3 - Existing customers / related parties (more than 6 months) with some past defaults. All defaults were fully recovered.

None of the loans to related parties have fallen due or suffered any impairment.

11 Available-for-sale financial assets

	At 31 December	
	2016	2015
At 1 January	4,823	4,823
Impairment loss	(4,469)	-
At 31 December	354	4,823

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In particular, the Group recognises minority interests in the following companies under this category:

Name and address	Activity	% interest held		Owner of the shareholding
		2016	2015	
Barcelona Regional Agency Edificio Centreservei, Zona Franca Carrer 60, 25-27 Barcelona	Performance of analyses and studies regarding development, regional and environmental issues. Planning, development, management, advisory services, execution and operation of all types of works, buildings and infrastructures, as well as urban systems in the metropolitan area.	11.76	11.76	AENA, S.A.
Airport Concessions and Development Limited (ACDL) 10 Upper Bank St- London - UK	Management of financial assets held by the airport group TBI.	10	10	AENA Desarrollo Internacional, S.A. (a)
European Satellite Service Provider, SAS (ESSP SAS) Toulouse – France	Development of the satellite navigation system	16.67	16.67	AENA Desarrollo Internacional, S.A. (a)

The value of the shareholdings at 31 December 2016 and 2015 is as follows (thousand euros):

Name and address	Amount of the shareholding	
	2016	2015
Barcelona Regional Agency Edificio Centreservei, Zona Franca Carrer 60, 25-27 Barcelona	180	180
Airport Concessions and Development Limited (ACDL) 10, Upper Bank St- London – UK	7	4,476
European Satellite Service Provider, SAS (ESSP SAS) Toulouse – France	167	167
	354	4,823

None of these companies is listed on a stock market.

In 2016 and 2015, Airport Concessions and Development Limited (ACDL), did not operate and was in the process of liquidation after completing in 2013, through its subsidiary TBI, the sale of the airports of Cardiff, Belfast International and Stockholm Skavsta, London Luton Airport, the terminal concessions of Orlando Sanford Airport and the airport management business of TBI in the United States.

On 15 February 2016 the shareholders of ACDL decided to reduce the share capital, allocating 25,000 thousand pounds to reserves of free disposal and approving a dividend for that sum. The amount of the dividend recognised by the Group amounted to 3,234 thousand euros. Likewise, on 12 December 2016 the shareholders of ACDL decided to reduce the share capital, allocating 11,375 thousand pounds to reserves of free disposal and approving a dividend for that sum. The amount of the dividend recognised by the Group amounted to 1,356 thousand euros. As a result of the disinvestment carried out in ACDL through TBI, the Group recognised a loss for impairment of that investment amounting to 4,590 thousand euros (Note 31). This impairment is caused as a consequence of the reduction in recoverable value of the investment following the disinvestment mentioned above.

The total liquidation of the company ACDL is still pending execution, which is expected to be performed in 2017 following a partial liquidation made in 2016, through the distribution of surplus cash via dividends to its shareholders.

Additionally, in 2016 the Group received a dividend from European Satellite Services Provider SAA (ESSP SAS) amounting to 250 thousand euros (2015: 250 thousand euros).

At 31 December 2016 and 2015, their fair value cannot be reliably estimated. For this reason these shareholdings are measured at cost and the applicable adjustment has been determined to be the difference between the carrying value and the recoverable value.

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Financial assets available for sale are denominated in the following currencies for 2016 and 2015:

	At 31 December	
	2016	2015
Pounds	7	4,476
Euros	347	347
Total	354	4,823

Available-for-sale financial assets include debt securities and equity instruments in other companies, in which the Group does not exercise any control or significant influence over decisions.

12 Derivative financial instruments

	31 December 2016		31 December 2015	
	Assets	Liabilities	Assets	Liabilities
ENAIRES interest rate swaps transferred to AENA- hedges CF	-	176	-	1,686
Interest rate swaps – cash flow hedges Aena, S.A.	-	129,506	-	72,217
Interest rate swaps - cash flow hedges LLAH III	-	6,864	1,280	-
Total	-	136,546	1,280	73,903
Current portion	-	39,651	-	42,356
Non-current portion	-	96,895	1,280	31,547

The breakdown of the derivative financial instruments as of 31 December 2016 and 31 December 2015 is shown in the previous table.

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 ended on 31 December 2016 and 31 December 2015 derivatives for cover were 100% effective and met the requirements for hedge accounting to apply, so that there was no ineffective item recorded in the Profit & Loss Account.

Interest rate swaps

- ENAIRES derivatives transferred to Aena, S.A.

In accordance with the description provided in Note 20, a financing agreement exists between the public business entity "ENAIRES" and Aena, S.A., which transfers the financing assigned to Aena, S.A. in the contribution of the line of business (see Note 1) and any obligations that may exist in the agreements with financial institutions that financed the public business entity. The interest rate swaps indicated below relate to the original agreements signed between ENAIRES and the relevant financial institutions, with ENAIRES being responsible for compliance with the obligations of this agreement. As a result of the agreement between Aena, S.A. and ENAIRES, the measurement and recognition of the effect of the interest rate swap agreements relating to the financing between the two companies has been reflected in the Group's balance sheet.

Their main characteristics as of 31 December 2016 are as follows:

	Classification	Type	Contracted amount (thousand euros)	Date of agreement	Start date for the derivative	Maturity	Designation date of the hedge
<i>Interest rate swaps</i>	Cash flow hedge	Fixed interest rate swap at 0.98% against variable interest rate	66,500	13-12-12	13-12-12	13-12-17	13-12-12

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The main characteristics as of 31 December 2015 were as follows:

	Classification	Type	Contracted amount (thousand euros)	Date of agreement	Start date for the derivative	Maturity	Designation date of the hedge
<i>Interest rate swaps</i>	Cash flow hedge	Fixed interest rate swap at 2.57 % against variable interest rate	255,000	28-07-10	15-12-11	15-03-16	28-07-10
<i>Interest rate swaps</i>	Cash flow hedge	Fixed interest rate swap at 0.98% against variable interest rate	66,500	13-12-12	13-12-12	13-12-17	13-12-12

Of the interest rate swap with a contracted sum of 255,000 thousand euros, only 94.9% had been transferred to Aena, S.A., up to the moment of its due date on 15 March 2016; of the interest rate swap with a contracted sum of 66,500 thousand euros, 66.67% had been transferred to Aena. The amounts of the notional principal of these interest rate swap contracts outstanding at 31 December 2016 amounted to 14,778 thousand euros (31 December 2015: 214,611 thousand euros).

At 31 December 2016, the fixed interest rate of the swap was 0.98% (2015: 0.98% to 2.57%) and the variable interest rate was EURIBOR at 6 months (2015: EURIBOR at 3 months and 6 months). These parent company loans and derivatives are intended to finance airports and, therefore, the parent company attributed the interest and depreciation to the Group. The profits and losses recognised in the reserve for net equity cover in interest rate swap contracts at 31 December 2016 and 31 December 2015 will be continuously transferred to the profit/loss account until the bank loans are repaid. During the year ended on 31 December 2016 1,547 thousand euros were imputed to the Profit/Loss Account in the heading of losses on cover instruments (year ended at 31 December 2015: 5,120 thousand euros).

The fair value of these derivatives at 31 December 2016 and 31 December 2015 is as follows:

Fair value recorded in "Non-Current Liabilities" at 31 December 2016 (in thousand euros)	Fair value recorded in "Current Liabilities" at 31 December 2016 (in thousand euros)
-	176

Fair value recorded in "Non-Current Liabilities" at 31 December 2015 (in thousand euros)	Fair value recorded in "Current Liabilities" at 31 December 2015 (in thousand euros)
151	1,535

- Aena, S.A. derivatives

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

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Their main characteristics as of 31 December 2016 are as follows:

	Classification	Type	Contracted amount (thousand euros)	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	290,000	19-12-16	27-12-16	15-12-20	19-12-16
Interest rate swaps	Cash flow hedge	Fixed interest rate swap at 1.1735% against variable interest rate	854,100	10-06-15	15-06-15	15-12-26	10-06-15
Interest rate swaps	Cash flow hedge	Fixed interest rate swap at 0.9384% against variable interest rate	3,041,833	10-06-15	15-06-15	15-12-26	10-06-15

Its main features as of 31 December 2015 are as follows:

	Classification	Type	Contracted amount (thousand euros)	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 0.2941% against variable interest rate	300,000	10-06-15	27-06-15	27-12-18	10-06-15
Interest rate swaps	Cash flow hedge	Fixed interest rate swap at 1.1735% against variable interest rate	854,100	10-06-15	15-06-15	15-12-26	10-06-15
Interest rate swaps	Cash flow hedge	Fixed interest rate swap at 0.9384% against variable interest rate	3,041,833	10-06-15	15-06-15	15-12-26	10-06-15

As it's shown in Note 34.f, 300 million euros relating to loans from the Instituto de Crédito Oficial have been revised. The related derivative has been also revised to coincide with the new calendar of payments, changing the fixed rate from 0,2941 % to 0,144 %.

The fair value of these new derivatives as of 31 December 2016 and 2015 is the following:

Fair value recorded in "Non-Current Liabilities" at 31 December 2016 (in thousand euros)	Fair value recorded in "Current Liabilities" at 31 December 2016 (in thousand euros)
90,031	39,475
Fair value recorded in "Non-Current Liabilities" at 31 December 2015 (in thousand euros)	Fair value recorded in "Current Liabilities" at 31 December 2015 (in thousand euros)
31,396	40,821

As of December 31, 2016, had the interest rate increased or decreased by 20 basis points, holding other variables constant, the fair value liability for such derivatives would have been 39.798 thousand euros less and 40.537 thousand euros more, respectively; and the profit before tax for the year would have been 6,900 thousands euros higher and lower, respectively.

The Company's notional principal amounts in the interest rate swap contracts outstanding at 31 December 2016 amounted to 3,393,484 thousand euros (2015: 4,095,596 thousand euros).

During the year 2016, 42,925 thousand euros have been charged to the profit and losses columns for derivatives contracted by Aena (2015: 20,083 thousand euros). Adding the loss from derivatives with ENAIRE for 1,547 thousand

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euros indicated above, a total of 44,472 thousand euros in hedging instruments losses will be reached (2015: 25,203 thousand euros) (Note 31).

As of December 31 2016 and 2015, the hedging derivatives are effective and meet the requirements for applying hedge accounting, meaning that there is no ineffectiveness recorded in the profit and loss account.

- LLAH III group derivatives

The LLAH I loan agreement with banks (Note 20) required that 70% of the nominal value of the loans (154 million pounds) was covered by fixed rates. Regarding the debt with banks mentioned in the aforementioned Note, the LLAH III group contracted various interest rate swaps. These swaps had a fixed interest rate of 1.8525% against variable interest rate.

The principal initial characteristics of the LLAH III group derivatives were the following:

	Classification	Contracted amount (thousand euros)	Date of agreement	Start date for the derivative	Maturity	Designation date of the hedge
<i>Interest swaps</i> rate	Cash flow hedge	38,334	29-11-13	27-11-13	27-11-18	29-11-13
<i>Interest swaps</i> rate	Cash flow hedge	39,612	29-11-13	27-11-13	27-11-18	29-11-13
<i>Interest swaps</i> rate	Cash flow hedge	39,612	29-11-13	27-11-13	27-11-18	29-11-13
<i>Interest swaps</i> rate	Cash flow hedge	39,612	29-11-13	27-11-13	27-11-18	29-11-13
<i>Interest swaps</i> rate	Cash flow hedge	39,612	29-11-13	27-11-13	27-11-18	29-11-13

On the occasion of the refinancing transaction described in Note 20, these swaps were cancelled, being replaced by new swaps for 70% of the new loan (notional principal of 159.6 million pounds), with a new maturity at 7 years (with a date in March 2022), of fixed interest rate at 1.685% against variable rate, the value of which, recognised in the long-term liabilities at 31 December 2016, amounted to 6,864 thousand euros (31 December 2015: long-term asset of 1,280 thousand euros).

The characteristics of these new swaps are the following:

	Classification	Contracted amount (thousand pounds)	Date of agreement	Start date for the derivative	Maturity	Designation date of the hedge
<i>Interest swaps</i> rate	Cash flow hedge	34,059	26-03-15	26-03-15	28-03-22	26-03-15
<i>Interest swaps</i> rate	Cash flow hedge	34,059	26-03-15	26-03-15	28-03-22	26-03-15
<i>Interest swaps</i> rate	Cash flow hedge	34,059	26-03-15	26-03-15	28-03-22	26-03-15
<i>Interest swaps</i> rate	Cash flow hedge	34,059	26-03-15	26-03-15	28-03-22	26-03-15
<i>Interest swaps</i> rate	Cash flow hedge	34,059	26-03-15	26-03-15	28-03-22	26-03-15
<i>Interest swaps</i> rate	Cash flow hedge	34,059	26-03-15	26-03-15	28-03-22	26-03-15
<i>Interest swaps</i> rate	Cash flow hedge	12,261	26-03-15	26-03-15	28-03-22	26-03-15

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13 Trade and other receivables

	2016	2015
Trade receivables for sales and services rendered	398,953	449,012
Credit right to receive a building	2,769	-
Minus: provision for impairment losses on receivables	(123,452)	(121,742)
Trade receivables for sales and services rendered – net	278,270	327,270
Trade receivables from related parties (Note 34)	3,115	2,871
Other receivables from related parties	-	46,318
Miscellaneous debtors and other assets	24,945	20,742
Staff	330	529
Current tax assets	110,456	107,840
Other receivables from public administrations	23,062	16,973
Total	440,178	522,543
Minus non-current portion	2,599	-
Current portion	437,579	522,543

The fair value of Trade and other receivables is similar to their carrying value.

At 31 December 2016 this heading showed 31,030 thousand euros in foreign currency, of which 24,344 thousand euros were denominated in pounds sterling (2015: 34,505 thousand euros in foreign currency).

At 31 December 2016, the outstanding non-provisioned trade receivables amount to 266,525 thousand euros (2015: 298,858).

At 31 December 2016, there were trade receivables amounting to 11,745 thousand euros (2015: 28,412) that were due and not provided for, as they correspond to settlements and invoices that were under management at 31 December of each year and that have already been collected.

The age of these accounts at each year end, is analysed below:

	2016	2015
Up to 3 months	5,766	23,472
Between 3 and 6 months	4,327	1,837
Over 6 months	1,652	(3,103)
	11,745	\$28.412

Trade receivables that have suffered impairment with respect to the value basically relate to airlines and companies that are in bankruptcy proceedings. Provisions for the total amount are funded at the end of each year. The age of these accounts is analysed below:

	2016	2015
Between 3 and 6 months	114	34
Over 6 months	123,338	121,708
	123,452	121,742

The amount of the provision for impairment of trade and other receivables totalled 123,452 thousand euros (121,742 thousand euros at 31 December 2015).

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Movements in the provision for the impairment of the value of the Group's trade and other receivables were as follows:

	2016	2015
Initial balance	121,742	126,565
Provision for the value impairment of receivables	1,723	(5,491)
Other movements	(13)	6
Encumbrance adjustment	-	662
At 31 December	123,452	121,742

The allocation and application of the provision for impaired trade receivables has been included under "Other operating expenses" in the revenue statement. 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 variation of 1,723 thousand euros (2015: positive variation of 5,491 thousand euros) in impairment provisions for operations during the 2016 fiscal year, these have been recorded under the heading "Losses, deterioration and variation in provisions for operations" in the profit and loss account, thus showing losses of 6,122 thousand euros (2015: 8,852 thousand euros), for final cancellations by the State Taxation Authorities of debts transferred to the surcharge route. This brings the total losses and changes in provisions for commercial operations in 2016 to 7,845 thousand euros (2015: 3,031 thousand euros) (Note 30).

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 balance sheet date is the carrying amount of each of the categories of the aforementioned receivables. The Group does not maintain any guarantee as insurance.

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 leasing transaction. The non-current value of this right amounted to 2,599 thousand euros at 31 December 2016.

At 31 December 2016, the heading "Other receivables from Public Administrations" records 13,860 thousand euros relating to ERDF grants receivable conceded to the Company (2015: 10,790). At 31 December 2016 and 2015, the rest of the heading records receivables relating to indirect taxes.

The heading for "Other receivables with related parties" mainly includes the credit that Aena, S.A. and Aena Desarrollo Internacional, S.A. held with ENAIRE as payments on unmatched accounts and other deductions activated through fiscal consolidation, originating for the settlement of corporate revenue tax for the period in the tax consolidation regime. After the breakup of the tax group, these balances were settled (see Note 32). At 31 December 2015, the receivable by the total of these items amounted to 52,402 thousand euros (of which 50,217 thousand euros from the Parent Company Aena, S.A. corresponded to payments of corporation tax of 2014 not cleared at the closing date of the consolidated financial statements for 2015 and had not yet been charged as of January 2015, and 2,185 thousand euros related to Aena Desarrollo Internacional, S.A.; from the latter amount, 1,274 thousands of euro came from the tax break and the rest from the movement of corporation tax for the year 2015).

The "Other receivables" heading mainly includes accruals for deferred expenses, as well as taxes and deposits with maturity less than twelve months but greater than three months. It also includes the outstanding balance corresponding to the invasion of the tracks incident in the El Prat Airport on 28 July 2006 amounting to 7,422 thousand euros, an amount that the Group has accrued.

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14 Inventories

	2016	2015
Raw materials and other supplies	7,628	6,771
Advanced payments to suppliers	1,330	1,774
Total Inventories	8,958	8,545

The balance under raw materials and other supplies mainly includes materials and spare parts used in airport operations. At 31 December 2016, this includes 25 thousand euros (2015: 151 thousand euros) for spare parts purchased from the Parent Company ENAIRE.

15 Cash and cash equivalents

	2016	2015
Cash and bank deposits	564,616	556,741
Short-term bank deposits	-	-
Cash and cash equivalents	564,616	556,741

At 31 December 2016 and 2015, cash balances and other equivalent liquid assets are not available for use. At 31 December 2016 and 2015 the Group does not have any bank overdrafts.

The breakdown of cash and cash equivalents in currencies other than the euro is as follows:

	2016	2015
Cash and cash equivalents in US dollars (USD)	721	223
Cash and cash equivalents in Great Britain Pound (GBP)	24,052	16,532

16 Share capital and share premium

Changes in the number of shares and in the amount of Share Capital and Share Premium of the Company in 2015 and 2016 were as follows:

	Number of shares	Share capital (thousand euros)	Share premium (thousand euros)	Total (thousand euros)
At 31 December 2016	150,000,000	1,500,000	1,100,868	2,600,868
At 31 December 2015	150,000,000	1,500,000	1,100,868	2,600,868

The company was created on 31 May 2011 with an initial share capital of 61 shares with a par value of €1,000 each, fully subscribed by the public business entity Aeropuertos Españoles y 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 value of 10 euros each.

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- Increase share capital to 1,500,000 thousand euros by issuing 149,993,900 new shares with a 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 to the 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.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.A.'s capital, meant that ENAIRE's holding in Aena S.A. fell to 51%, compared to its previous 100%.

On 31 December 2016 and 2015, Aena S.A.'s share capital was represented by 150,000,000 ordinary fully paid shares of 10 euro each. These shares bear the same financial and voting rights.

On 31 December 2016, there are no capital increases in progress nor authorisations to operate in own shares.

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

ENAIRE	51.00%
TCI Fund Management Limited ¹	11.32%

¹ The Children's Investment Fund Management is the indirect owner of 3.61% through certain equity swaps (CFDS)

According to the information available at 31 December 2015, stock held to the value of more than 10% was the following :

ENAIRE	51.00%
TCI Fund Management Limited ¹	11.32%

¹ The Children's Investment Fund Management is the indirect owner of 3.61% through certain equity swaps (CFDS)

17 Retained profits/(losses)

	Legal reserves	Capitalisation reserve	Other reserves	Total
At 1 January 2015	58,008	-	872,222	930,230
Profits for the year	45,217	-	788,320	833,537
Other movements	-	-	.333	.333
At 31 December 2015	103,225	-	1,660,209	1,763,434
Profits for the year	81,168	-	1,082,981	1,164,149
Endowment capitalization reserve		42,406	(42,406)	-
Dividends paid out		-	(406,500)	(406,500)
Other movements	-	-	769	769
At 31 December 2016	184,393	42,406	2,295,053	2,521,852

At 31 December 2016 and 2015, the amount of the Legal Reserve is an Unavailable Reserve.

At 31 December 2016, the heading for "Other movements" mainly includes the impact that AMP reduced capital explained in Note 2.2. has had in the accumulated gains of 839 thousand euros, offset by the payment of tax on wealth (70) thousand euro gains made in Aerocali (Note 9).

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In this section, an amount of 42,406 thousand euros for the capitalisation reserve resulting from the approval of the distribution of Company profits for the year ended on 31 December 2015 is also included.

At 31 December 2015 the heading for "Other transactions" mainly, included an amount of -418 thousand euros from a IFRS homogenisation in equity of SACS A and a reclassification of 107 thousand euros of Aena's actuarial reserves at 31 December 2014 included in this heading, and that in 2015 were detailed in the actuarial profit and losses section under the heading "Other reserves".

Proposed distribution of result

The distribution of profits/losses for 2016 proposed by the Board of Directors to the Shareholders' Meeting of the parent Company Aena, S.A., under the General Accounting Plan approved by Royal Decree 1514/2007, is as follows:

	Thousand euros
	2016
Basis of allocation:	
Gains and losses (Profits)	1,148,061
Application:	
Dividends	574,500
Legal Reserves	114,806
Capitalisation Reserve (Act 27/2014)	28,160
Voluntary Reserves	430,595

The parent company has used, in the calculation of revenue tax, the tax benefit established in Art. 25 of Act 27/2014 on Corporation Tax, capitalisation reserves, which has made for a reduction in its tax base, and has recorded capitalisation reserves amounting to 28,160 thousand euros, with a commitment to maintain both the restricted reserve provided by this item as well as the increase of own funds used as the basis for this reduction over the next 5 years.

With the suggested distribution of the profits/losses from 2016, the legal reserve stands at 299,199 thousand euros, 99.7% of the legally established minimum amount for Aena, S.A. which is set at 300,000 thousand euros in accordance with Article 274 of the aforementioned Corporate Enterprises Act.

The legal reserve must be funded in accordance with Article 274 of the Corporate Enterprises Act. 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.

With the proposed use of the profits/losses from 2015, the legal reserve stood at 183,494 thousand euros, 61.16% of the legally established minimum amount for Aena, S.A. which is set at 300 thousand euros in accordance with Article 274 of the aforementioned Corporate Enterprises Act.

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The distribution of the profits of the parent Company for the year ended 31 December 2015, adopted by the General Shareholders Meeting on 28 June 2016 was as follows:

	<u>Thousand euros</u>
	<u>2015</u>
Basis of allocation:	
Gains and losses (Profits)	811,676
Application:	
Dividends	(406,500)
Legal Reserves	81,168
Capitalisation Reserve	42,406
Voluntary Reserves	281,602

The reserves of the Company designated as free distribution, as well as the profit for the year, are, nevertheless, subject to the restriction that dividends can only be distributed if net equity value is not or, as a result of the deal, lower than the share capital.

18 Minority interests and other reserves

a) Minority interests

The breakdown of minority interests is as follows:

	Segment	Country	% Aena	2016	2015
LLAH III (Note 2.2)	International	United Kingdom	51 %	32,400	56,399
				32,400	56,399

Movements of minority interests in 2016 and 2015 were as follows:

	LLAH III	Total
At 1 January 2015	62,063	62,063
Distribution of dividends	(10,727)	(10,727)
Total contributions by and distributions to shareholders recognised under equity	(10,727)	(10,727)
Profit/loss for the period	(2,752)	(2,752)
Other comprehensive revenue for the year	7,815	7,815
Total comprehensive revenue for the year	5,063	5,063
At 31 December 2015	56,399	56,399
Distribution of dividends	(3,350)	(3,350)
Total contributions by and distributions to shareholders recognised under equity	(3,350)	(3,350)
Profit/loss for the period	237	237
Other comprehensive revenue for the year	(20,886)	(20,886)
Total comprehensive revenue for the year	(20,649)	(20,649)
At 31 December 2016	32,400	32,400

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b) Other reserves

	Note	Hedging derivatives	Actuarial gains and losses	Exchange rate differences	Associates results	Total
At 1 January 2015		(7,053)	(2,684)	(5,120)	-	(14,857)
Cash flow hedge		(91,769)	-	-	-	(91,769)
Actuarial gains and losses		-	4,363	-	-	4,363
Tax effect		23,594	(1,058)	-	-	22,536
Other movements	17	-	(107)	-	-	(107)
Transfers to the revenue statement		25,203	-	-	-	25,203
Tax effect		(7,057)	-	-	-	(7,057)
Differences on exchange - associates	9	-	-	(3,171)	-	(3,171)
Differences on exchange - group		-	-	4,439	-	4,439
At 31 December 2015		(57,082)	514	(3,852)	-	(60,420)
Cash flow hedge		(103,766)	-	-	-	(103,766)
Actuarial gains and losses		-	(14,110)	-	-	(14,110)
Tax effect		25,664	2,286	-	-	27,950
Transfers to the revenue statement		44,472	-	-	-	44,472
Tax effect		(11,118)	-	-	-	(11,118)
Share in other comprehensive revenue of associates	9	-	-	-	30	30
Differences on exchange - associates	9	-	-	(5,379)	-	(5,379)
Differences on exchange - group		-	-	(7,030)	-	(7,030)
As of 31 December 2016		(101,830)	(11,310)	(16,261)	30	(129,371)

c) Other retained earnings/ (losses) net of tax

	Other reserves attributable to the Parent Company	Other reserves attributable to minority interests	Total other retained earnings/(losses) net of tax
31 December 2016			
Items that may be subsequently reclassified to revenue statement:			
Cash flow hedging (Note 32)	(44,748)	(2,800)	(47,548)
Participation in other overall revenue of associates (Note 32)	30	-	30
Exchange rate differences	(12,409)	(6,755)	(19,164)
Actuarial gains and losses (Note 32)	(11,824)	(11,331)	(23,155)
Total	(68,951)	(20,886)	(89,837)
31 December 2015			
Items that may be subsequently reclassified to revenue statement:			
Cash flow hedging (Note 32)	(50,029)	430	(49,599)
Exchange rate differences	1,268	4,265	5,533
Actuarial gains and losses (Note 32)	3,305	3,120	6,425
Total	(45,456)	7,815	(37,641)

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19 Suppliers and other payables

	At 31 December	
	2016	2015
Suppliers	467	178
Sundry payables	183,710	180,031
Trade payables to related parties (Note 34)	32,953	34,104
Asset suppliers	61,359	58,418
Payables to related parties for property, plant and equipment (Note 34)	2,634	2,003
Staff	19,785	27,461
Current tax liabilities	6,025	4,457
Social Security and other taxes	19,848	21,070
Advance payments from customers	112,264	111,966
	439,045	439,688

In 2016, this heading included 62,402 thousand euros originally expressed in pounds sterling (2015: 62,985 thousand euros).

The carrying value of Suppliers and other payables approximate their fair value given that the effect of the discount is not significant.

On 14 February 2013, Aena, S.A. signed three contracts with World Duty Free Group Spain, S.A. for the commercial rental of the duty free and duty paid shops across the entire network of airports in Spain. These contracts are valid until 31 October 2020 and included an advance by 332,442 thousand euros, which is periodically offset by billing. In this sense, at 31 December 2016 short-term advances amounted to 51,283 thousand euros (2015: 53,852 thousand euros), and long-term advances included in the heading "Other long-term liabilities", amounted to 120,508 thousand euros (2015: 159,993 thousand euros) (Note 25).

Information on the deferral of payments to suppliers

Information on the average payment period of Aena, S.A. and Aena Desarrollo Internacional, S.A. is as follows:

	2016	2015
	Days	Days
Average supplier payment period	52	56
Ratio of transactions paid	54	59
Ratio of transactions outstanding payment	18	25

These parameters have been calculated in accordance with what is set forth in Art. 5 of Ruling of 29 January 2015, of the Institute of Accounting and Accounts Auditing, on the information to include in the financial statements report in regard to Days Payment Outstanding to suppliers in commercial transactions, as follows:

1. Average supplier payment period = (Ratio of transactions paid * total amount of payments made + ratio of outstanding transactions * total amount of pending payments) / (total amount of payments made + total payments outstanding).
2. Ratio of operations paid = \sum (days payment outstanding* amount of transaction paid) / total amounts paid.

Days Payment Outstanding is understood to mean the calendar days that have elapsed since the date the calculation begins until the actual payment of the transaction.

3. Ratio of outstanding operations = \sum (number of days outstanding payment * amount of outstanding operation) / total amount of outstanding payments.

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

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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 supplier who, given their nature, are suppliers of goods and services, so that it includes data regarding the items "Trade creditors and other accounts payable" in the balance sheet.

	2016	2015
	Amount (thousand euros)	Amount (thousand euros)
Total payments made	770,526	886,343
Total payments outstanding	95,150	93,480

In 2016 the average payment periods have been significantly reduced, adapting to the periods set forth in Act 15/2010. The cases in which a payment has been made outside of the legally stipulated period are due mainly to reasons not attributable to the Group: invoices not received on time, AEAT expired certificates, lack of certificates of proof of supplier bank accounts, etc.

20 Borrowings

	At 31 December	
	2016	2015
Non-current		
ENAIRE loan (Note 34)	7,487,181	8,309,601
Bank borrowings	258,259	297,164
Loans with LLAH III shareholders	54,403	62,953
Finance lease liabilities	22,649	26,592
Other financial liabilities	89,692	64,174
	7,912,184	8,760,484
Current		
ENAIRE loan (Note 34)	810,402	1,150,231
Bank borrowings	40,383	11,421
Loans with LLAH III shareholders	418	482
Finance lease liabilities	1,996	2,080
Other financial liabilities	27,240	33,721
	880,439	1,197,935

The variations in the balance on the ENAIRE loan, produced during 2016, corresponded to amortising the principal for an amount of 1,172,339 thousand euros and, in reverse, 7,359 thousand euros for an increase in interest payable and 2,731 thousand euros for the effects of expenses written off. The variations in loans from lending entities and financial lease liabilities were for payments made in the period and fluctuations in the euro/pound exchange rate. The variation in the item "Loans from LLAH III shareholders" was due exclusively to fluctuations in the euro/pound exchange rate. The item of other financial liabilities varied as a consequence of collections and payments of warranties in Aena, S.A.

The carrying and fair values of non-current borrowings are as follows:

	Carrying amount		Fair value	
	At 31 December		At 31 December	
	2016	2015	2016	2015
Borrowings from the Group	7,487,181	8,309,601	7,372,180	8,052,886
Bank borrowings	258,259	297,164	258,259	297,164
Loans with LLAH III shareholders	54,403	62,953	54,403	62,953
Finance lease liabilities	22,649	26,592	22,649	26,592
Other financial liabilities	89,692	64,174	89,692	64,174
Total	7,912,184	8,760,484	7,797,183	8,503,769

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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 debt with a term of over one year were based on discounted cash flows at a rate based on the rate for outside resources valued at the 0 coupon curve plus a spread of 0.99% (2015 : the 0 coupon curve plus a spread of 1.14%) and were at Tier 3 of the fair value hierarchy.

As a result of a review process on variable rate loans in October 2016 loans amounting to 15,000 thousand euros were canceled in advance whose due date was 15 March 2017, amounting to 30,000 thousand euros whose due date was 30 September 2017 and amounting to 75,000 thousand euros whose due date was 15 December 2019. In 2015, a loan was repaid in advance amounting to 25,000 thousand euros whose due date was 15/03/2016 and the *spread* was renegotiated downwards for an outstanding amount of debt of 613,239 thousand euros at 30/11/2015. The maturity of the 300,000 thousand euros loans was extended from 28.12.2018 to 15.12.2020.

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

On 29 July 2015 credit facilities with banks were signed totaling 1,000 million euros to meet any specific treasury cash flow needs. At 31 December 2015 none of them had been made use of, so that what was paid in 2015, 1,575 thousand euros, corresponded to financial arrangement fees. At the end of 2016, the amount not yet amortised of said amount, 459 thousand euros (2015: 1,247 thousand euros), appears under "Trade and other receivables" on the asset balance, particularly within miscellaneous debtors and other assets. As of 31 December 2016, all amounts are not available. The credit facilities arranged by Aena expire in June 2017, being automatically renewed for a period of two years.

The interest rate is variable, with a *spread* varying between 0.70 and 0.98%. The duration, conditions and amount contracted per financial institution are listed below:

BANKING INSTITUTION	AMOUNT (Thousand euros)	EURIBOR	DUE DATE
POPULAR	100,000	1m	July 2017
BANKINTER	100,000	1m	July 2017
KUTXA BANK	50,000	1m	July 2017
SABADELL	100,000	1m	July 2017
UNICAJA	100,000	1m	July 2017
TARGO BANK	50,000	1m	July 2017
SOCIETE GENERAL	100,000	1m	July 2017
SANTANDER	100,000	1m	July 2017
CAIXA	200,000	1m	July 2017
BBVA	100,000	1m	July 2017
1,000,000			

(a) *Total borrowings undertaken with Parent Company (Note 34)*

	31 December 2016	31 December 2015
Non-current		
Loan to Aena S.A. from ENAIRE	7,493,942	8,318,422
Adjustment of the loan from ENAIRE using the effective cost criteria.	(6,761)	(8,821)
Sub-total of loans from related parties	7,487,181	8,309,601
Non-current hedge derivatives attributed by ENAIRE	-	151
Subtotal of Aena S.A.'s non-current borrowings in respect of ENAIRE	7,487,181	8,309,752
Current		
Loan from ENAIRE	777,629	1,125,488
Other	(1,039)	(1,710)
Interest accrued on loans from ENAIRE	33,812	26,453
Sub-total of loans from related parties	810,402	1,151,231
Current hedge derivatives attributed by ENAIRE	176	1,535
Subtotal of Aena S.A.'s current borrowings in respect of ENAIRE	810,578	1,151,766
Total	8,297,759	9,461,518

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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.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 Españoles y Navegación Aérea" is the formal borrower as regards the financial lending institutions, but it also recognises that Aena, 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 Españoles y Navegación Aérea" is required to pay to the financial institutions, in accordance with the financial conditions and the other terms and stipulations established in the Financing Agreements.

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.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 financial debt) and the hedging agreements taken out with all of the financial institutions, on 29 July 2014, the public business entity "ENAIRE", Aena 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 novations, in order to, amongst other amendments, eliminate any contractual restriction that may affect the privatisation process and to include Aena, 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.

These novations 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.A. (such as, among others: repayment of principal, maturity dates, interest rate regime, terms of repayment, etc.). The main clauses that were modified are summarised below:

- The joint and several nature of the borrowers, namely the Public Business Entity "ENAIRE" and Aena, S.A., which are jointly and severally obliged vis-à-vis the bank to repay the amount of the loan which had been arranged by either of them and to pay any interest, commissions, costs, expenses and any other concept owed by them directly to the bank under the contracts. The banks recognise expressly that payment under any heading received from any of the borrowers in accordance with the contractual provisions, will have full releasing effect for the item and amount.
- The removal of clauses imposing limitations on the transfer of Aena shares and the sale of a percentage of shares exceeding 49%.
- The obligatory nature of compliance with certain financial ratios, on the basis of the consolidated financial statements of the Aena group, is to be certified through the delivery of a certificate proving compliance with these ratios, on a semi-annual and annual basis. The definition of terms included in the calculation of these ratios (net financial debt, EBITDA and financial expenses) are established in novated contracts as follows.

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

- a) loans, credits and trade discounts;
- b) any amount due in respect of bonds, debentures, notes, debt and generally instruments of a similar nature;
- c) any amount due by way of lease, or leasing which, in accordance with applicable accounting standards, would be treated as financial debt;
- d) financial guarantees made by Aena covering part of the entire debt, excluding those in relation to an already computed debt consolidation; and

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

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

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

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

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

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

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

EBITDA / financial expenses ratio: means the resulting ratio of the quotient between EBITDA and financial expenses for each calculation period during the term of the Contract.

Ratio	2015	2016	2017	2018	2019 and subsequent
Net debt/adjusted EBITDA less than or equal to:	8.00x	8.00x	7.00x	7.00x	7.00x
EBITDA / Financial expenses greater than or equal to:	3.00x	3.00x	3.00x	3.00x	3.00x

- In terms of the option of granting charges and levies, a more favourable framework compared to the one stipulated in the initial financing contracts has been established, to allow the granting of certain real guarantees on international assets in relation to international financing operations without recourse to Aena, S.A. or the Public Business Entity "ENAIRE", contrary to the prohibition stipulated in many initial contracts which in many cases hinder business expansion.
- The unification of clauses that restrict the disposal of assets: Aena, S.A. shall retain, directly or indirectly, proprietary ownership of all airport assets and shall not dispose of them in a single transaction or in a series of transactions, whether linked or unlinked, with a few exceptions in relation to airport assets located outside Spain.

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- Certain clauses will be unified in order to qualify the events subject to which financing contracts could be subject to early termination, as a result of defaults arising from the commercial relationships of Aena, S.A.

The novations of these financing contracts mean that in 2014 Aena, S.A. had to pay novation fees to all the financial institutions, as well as the costs of legal advisers amounting to a total of 12,163 thousand euros, of which 11,772 thousand euros were recognised in the carrying amount of the liability.

As a result of these novations, and in order to include the changes to the contractual loan relationship with the public business entity "ENAIRES", on 29 July 2014, the Company signed an amending and non-extinguishing novation to the debt recognition contract with the public business entity "ENAIRES", which amends the contract of 1 July 2011 transferring to Aena, S.A. all property, rights, debts and obligations of the public business entity "ENAIRES" earmarked for the development of airport and commercial activities and other state services linked to airport management, including amounts allocated to the airfield's air traffic services, amounting to 11,672,857 thousand euros.

By virtue of this novation, the parties agreed to amend certain aspects of the debt-recognition contract solely for the effect of novation and under no circumstances with extinguishing effect, in order to, among others, i) indicate the updated amount of the debt recognised, ii) regulate the payment by the public business entity "ENAIRES" and Aena, S.A. of the amounts owed under the financing agreements, iii) specify the exercising of powers by the co-borrowers under the scope of these financing agreements, iv) determine the mandatory compliance by Aena, S.A. of the same financial ratios, as detailed in the novations of the financial agreements, and v) commit to the future pledging of receivables (the amount corresponding to one year of servicing the debt owed under financing agreements) by the Company to the benefit of the public business entity "ENAIRES" in the event of any breach of its obligations under the debt-recognition contract or loss of the majority of the share capital of Aena by the public business entity "ENAIRES".

During the debt novation process, the parties expressly agreed that, without prejudice to their status as joint-debtors who are jointly and severally responsible for compliance with the obligations stipulated in the financing agreements, any payments to be made for reason under the scope of these financing agreements, would be paid by the public business entity "ENAIRES"; therefore, the contractual relationship between Aena S.A. and the public business entity "ENAIRES" shall be maintained through the debt recognition contract.

Without prejudice to joint and principal responsibility that Aena, S.A. and the public business entity "ENAIRES" assume vis-à-vis financial entities under the financing agreements, payments made by Aena, S.A. will reduce proportionally, for the public business entity "ENAIRES", its payment obligations stemming from the contribution.

In any event, the failure by Aena, S.A. to pay its obligations arising from the debt-recognition contract, shall not exempt the public business entity "ENAIRES" from complying with its payment commitments under the provisions stipulated in the financing agreements.

Consequently, any amendments made to the financing contracts with banks and the public business entity "ENAIRES" did not change the accounting treatment of the Company's financial debt with the Parent Company, the public business entity "ENAIRES".

The financial agreements set out the following reasons for early termination under ordinary market terms:

- a) Any breach of the payment obligations arising from each and every one of the financing agreements.
- b) Any breach of the payment obligations arising from other financing contracts.
- c) The breach of any payment obligation stemming from usual business relationships in the ordinary activities of Aena, unless it has filed a judicial or extra-judicial challenge against the corresponding payment claim in relation to the breach and/or it has filed, or intends to file the corresponding procedural actions to which Aena, S.A. is entitled to bring by law, and when no contrary ruling has been made regarding the payment.
- d) Generalised seizure of the property of Aena, S.A. and/or ENAIRES.
- e) The constitution by ENAIRES and/or by the Companies, organisations and entities of the ENAIRES Group (with the exception of Aena, S.A. and the Companies of its group, which are governed by the limitation indicated in the point below) of any right in rem, charge, encumbrance or privilege over any of the (present or future) assets or rights.
- f) The constitution by Aena, S.A. and/or by Companies of its group of any right in rem, charge, encumbrance or privilege over any of the existing assets or rights existing in its balance sheet, with exception of any right in

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rem, charge, encumbrance or privilege constituted over assets located outside of Spain (this exception includes shares or holdings in Companies domiciled in Spain provided that all of its operating assets are located outside of Spain) exclusively, to guarantee financing or other obligations without recourse to Aena, S.A. and contracted by subsidiaries and/or other companies of the Aena group.

- g) Unless the bank had given its written consent: Aena, S.A. shall retain, directly or indirectly, proprietary ownership of all airport assets and shall not dispose of them in a single transaction or in a series of transactions, whether linked or unlinked, with a few exceptions in relation to airport assets located outside Spain owned directly or indirectly by Aena, of disposals to an aggregate amount set for the duration of the contract that shall not exceed 20% of the consolidated assets of Aena, determining the value of both the consolidated and the disposed asset at all times by reference to the values recorded in Aena's consolidated balance at 31 December of the last financial year closed at the time of signing the agreement on disposal of assets. For the purposes of this clause "Airport Assets" means any property part of the airport activity, included in Aena's consolidated property plant and equipment.
- h) Any change to the risk weighting of ENAIRE or the loans or credit granted through the financial agreements.

Only the occurrence of the above reasons for early termination entitle the financial entities, in accordance with the specific terms and conditions stipulated in the respective agreements, to declare the early termination of their respective financing agreements. All this, without prejudicing the need for competition in good faith and the essential nature of the reason put forward.

If Aena breaches its obligations under the debt-recognition contract:

- Aena agrees to the future constitution of a first-ranking pledge contract for certain credit rights (the amount corresponding to one year of servicing the debt accrued under the financial agreements) in favour of ENAIRE (this obligation also arises if ENAIRE loses control of Aena); any amounts Aena fails to pay shall bear late-payment interest.
- The amounts unpaid by Aena shall accrue penalty interest.
- In the event that ENAIRE is required to pay amounts to the financial institutions that, under the terms of the debt-recognition contract, Aena should have paid, ENAIRE will be subrogated in the rights and guarantees of the creditor vis-à-vis Aena and the debt acknowledged in the debt recognition contract will be automatically incremented by the amount paid by ENAIRE.
- Moreover, if, as a result of the breach of an obligation by Aena under the terms of the financing agreements, one or more of the financing contracts are terminated early and the actual payment of any amounts is requested, Aena must pay to ENAIRE a penalty equivalent to 3% of the principal amount due on the respective unfulfilled finance contract. This provision also applies in the event that the defaulting party is ENAIRE, in which case ENAIRE will be the party required to pay the above-mentioned penalty to Aena.

The breakdown of the heading "total financial debt with financial institutions in relation to which ENAIRE" (hereinafter "joint borrowers' debt") with financial entities on 31 December 2016 is as follows (in thousand euros):

Financial institutions	Amount
EIB	4,454,338
ICO	2,265,000
DEPFA	1,050,000
FMS	800,000
BBVA	30,300
BANKINTER	8,333
POPULAR	5,700
TOTAL Co-accredited	8,613,671

Of the 8,613,671 thousand euros above, Aena S.A owes to the public entity "ENAIRE" a debt stemming from the contribution of the airport activity, which on 31 December 2016 amounted to 8,271,571 thousand euros, 96% of the total joint borrowers' debt.

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With regard to the causes of declaration of early termination, ENAIRE, as principal in the financing contracts, is not in breach of any of the conditions leading to early termination, so that this does not affect the Company's balance at 31 December 2016 and 31 December 2015.

On 9 February 2016, Circular 2/2016 of the Bank of Spain to credit institutions, on the monitoring and solvency which complete the adaptation of Spanish Law to Directive 2013/36 / EU and Regulation (EU) No 575/2013 was published in the Official State Gazette. This Circular aims to complete the adaptation of the Spanish legal framework for banking supervision and solvency to standards in line with Basel III.

After a series of consultations with the Bank of Spain with the aim of clarifying the interpretation and consequences of the provisions of said Circular, it has been confirmed that the same introduces a change in the risk weighting that credit institutions had been applying thus far to ENAIRE's debt, of which Aena is co-accredited (mirror debt). In particular, the entry into force of the Circular obliges lender financial institutions to assign their exposures with regard to ENAIRE with a different weighting assigned to risk their exposures for the Central Government, which is 0%.

Some of the financing agreements in which ENAIRE and AENA are co-accredited contractors, whose outstanding balance as of 31 December 2016 amounted to 2,940 million euros (of which 2,804.9 million euros correspond to debt assigned to Aena, SA) set forth as a possible cause of early maturity, at the request of the lender, a change in the risk weight of the borrower by the Bank of Spain, or in accordance with the Spanish banking norms, for the purposes of capital adequacy ratio for credit institutions, unless borrowers can compensate credit institutions affected by costs, duly accredited, that may be incurred as a result of the foregoing, in line with the interpretation of contracts made by the Company.

Faced with claims with regard to this, Aena recorded as a financial expense in the consolidated revenue statement for the year 2016, 11.834 million euros to cover the amount of claims received from credit institutions for costs incurred as a result of the change in the risk weight. Although, in the future other similar claims by other bodies might occur, at present it is not possible to estimate the amount.

Likewise, as a result of the implementation of the new risk weighting, the interest rate applied in the future to those loans could be revised upwards. Whilst the effect of the revisions can not be estimated at present, taking into account the current situation of solvency and liquidity of the Company, as well as its ability to access new funding, it is estimated that the resulting impact would not be significant.

The maturity schedule of outstanding contributions of the principal payment of the short and long-term debt with the public entity ENAIRE for financing airports (Note 10), at the end of 2016, is as follows:

Contributions with Maturity	Thousands of euros 2016
2017	777,629
2018	742,701
2019	744,461
2020	744,335
2021	657,066
Following	4,605,379
Total	8,271,571

(b) Loans with credit institutions and loans with LLAH III shareholders

These loans relate to dependent companies, to Aena Desarrollo Internacional, S.A. and LLAH III.

In the 2016 fiscal year, total debts to credit institutions amounted to 298,642 thousand euros (298,308 thousand euros belonging to LLAH III, and 334 thousand euros to ADI), of which 258,259 thousand euros are non-current debt, wholly held by LLAH III, and 40,383 thousand euros are current debt (40,049 thousand euros belonging to LLAH III and 334 thousand euros to ADI).

In 2015, total debts with credit institutions amounted to 308,585 thousand euros (307,918 thousand euros belonging to LLAH III, and 667 thousand euros belonging to ADI), of which 297,164 thousand euros are non-current debt (296,831

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thousand euros belonging to LLAH III and 333 thousand euros belonging to ADI) and 11,421 thousand euros is current debt (11,087 thousand euros belonging to LLAH III and 334 thousand euros belonging to ADI).

The carrying amount of Group bank borrowings is denominated in the following currencies:

	At 31 December	
	2016	2015
Thousand euros (ADI)	334	667
Thousand pounds sterling (LLAH III)	298,308	307,918

In turn, the carrying over amount of the loan with shareholders LLAH III is also fully denominated in pounds sterling for an amount of 46,740 thousand GBP, 54,402 thousand euros at the closing exchange rate of 2016 (2015: 46,740 thousand pounds, 62,953 thousand euros at the closing exchange rate of 2015).

As a result of the divestment process in 2013 by ACDL-TBI, the previous owner of the concessionary company of Luton Airport (LLAOL), Aena Desarrollo Internacional, S.A., following its new international development strategy, acquired LLAOL along with Aerofoi, Sàrl ("Aerofoi"), a subsidiary of Ardian (formerly AXA Private Equity) (see Note 2.2). Thus, on 27 November 2013 the purchase was formalised at a price of 394.4 million pounds. The operation was implemented through London Luton Airport Holdings III ("LLAH III"), in which Aena Desarrollo Internacional, S.A. acquired a 40% stake and Aerofoi acquired the remaining 60%. The contribution of Aena Desarrollo Internacional, S.A. accounting for 40% of LLAH III amounted to 39.4 million pounds, financed by dividends resulting from the sale of minority stakes in international airports, without Aena needing to furnish additional funds. The rest of the operation, which was not covered by equity, was funded through (i) a shareholder loan amounting to 94.7 million pounds, contributed entirely by Aerofoi; and (ii) bank financing amounting to 220 million pounds, without recourse to company's shareholders.

Therefore, this debt does not affect the covenants established in the financing contracts of Aena, S.A. (see Note 3.1).

Regarding the bank financing of the previously mentioned 220 million pounds for the acquisition, this was implemented through a 5-year "bullet" loan maturing on 27 November 2018 and granted by six entities each funding the same amount (36.6 million pounds).

The banks financing the purchase required a corporate structure where they had priority of payment over the shareholders of Aerofoi and Aena. This led to the creation of London Luton Airport Holdings I ("LLAH I") or the first company in terms of priority of payment.

LLAH I was the source of the 220 million pounds bank debt and is consequently responsible for paying the principal amount and interest for the external financing, in addition to assuming on an accounting level the depreciation of the intangible assets acquired. The depreciation included in LLAH I corresponds to the intangible asset or the airport concession from the acquisition and divided on a pro rata basis during the lifetime of the concession.

After complying with the obligations of the financing banks and the debt servicing "covenants", LLAH I will provide flows for the payment of the loan (94.7 million pounds) to London Luton Airport Holdings II ("LLAH II") to cover the repayment of the principal and interest on the loan from shareholders. If it posts sufficient profits, LLAH I will start distributing dividends to shareholders using flows in relation to London LLAH III.

As indicated in Note 2.2. a) after obtaining the authorisation of the Council of Ministers, Aena Desarrollo Internacional, S.A. exercised the option it had available to purchase about 11% of the capital of LLAH III on 16 October 2014. The total amount that the Group paid for the transaction was 62 million pounds (77.8 million euros) which is broken down as follows:

- For the 11% option: 13.7 million pounds (17.2 million euros)
- For the 51% of the shareholder loan previously held by Aerofoi in its entirety: 48.3 million pounds (61.3 million euros). This amount is eliminated in consolidation, so that the amount shown under this "Loans with credit institutions and loans with LLAH III shareholders" heading is solely for the LLAH III debt with banks and Aerofoi.

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On 26 February 2015, the Board of Directors of London Luton Airport Holdings, decided to refinance the existing loans and lines of funding by a total of 285 million pounds (5-year bullet loan of 220 million pounds maturing on 27 November 2018, credit line of 50 million pounds for investment and credit policy of 15 million pounds for working capital) and the restructuring of existing swap interest rate by 154 million pounds (see Note 12), in order to:

- Extend the maturity of bank loans and swaps,
- Reduce the financial cost of the loan,
- Increase the credit line for investment to reflect the business needs of the airport,
- To enhance financial flexibility.

The new financing, totalling 318 million pounds, consists of:

- 7-year bullet loan of 228 million pounds to refinance the existing loan and pay the refinancing costs. An amount of 7.8 million pounds paid in the financing and refinancing transactions is shown at 31 December 2016 adjusting the carrying value of the liabilities.
- 75 million pounds credit line to finance and refinance the investment plan,
- 15 million pounds credit facility, for corporate and working capital needs,

The main features of the new financing and its comparison with the current one are outlined below:

	Existing financing	New financing	Comment
Credit facilities	£228 M Bullet loan £75 M Investment policy £15 M Credit facility	£228 M Bullet loan £75 M Investment policy £15 M Credit facility	Increased loan to pay refinancing costs. Increase of investment line to reflect business needs and provide financial flexibility.
Maturity date	5 years	7 years	The new maturity date involves the deferral of payment for 3.5 years
Differential	Year 1: 250bps Year 2: 250bps Year 3: 275bps Year 4: 300bps Year 5: 325bps	Year 1: 165bps Year 2: 175bps Year 3: 185bps Year 4: 195bps Year 5: 200bps Year 6: 225bps Year 7: 250bps	Significant improvement in financial costs. The new financing differential average, if maintained at maturity, is 200 bps, which, despite the longer maturity, is cheaper than the previous financing which had an average remaining differential of 300 bps.
Covenant net debt/EBITDA	June 15: 8.0x Dec. 15: 7.5x June 16: 7.5x Dec. 16: 7.5x June 17: 7.5x Dec. 17: 7.0x June 18: 7.0x	2016: 8.25x 2016: 8.25x 2017: 7.5x 2018: 7.0x 2019: 6.5x 2020: 6.5x 2021: 6.0x	Ratios' increase to provide greater financial flexibility.
Covenant interest rate hedges	2015 - 2016: 1.25x 2017: 1.3x	2015 – 2021: 1.25x	Elimination of the increase in 2017 to 1.3, increasing financial flexibility.

All the covenant requirements have been met. The breaching of these covenants, in case they are not remedied, could trigger a process that would lead to the early termination of the loan.

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During financial year 2016, 17 million pounds in credit facilities were available to finance investment and 6.5 million pounds for working capital.

During financial year 2015, 8 million pounds in credit facilities were available to finance investment, while 6.5 million pounds of the policy for working capital requirements was reimbursed.

(c) *Finance lease liabilities*

At the end of 2016 and 2015, the Group took out financial leases for an automated flight inspection system (console), an electrical co-generation plant at Adolfo Suárez Madrid-Barajas Airport and an aircraft parking platform at London Luton Airport, which were recognised under “property, plant and equipment” in the consolidated balance sheet at 31 December 2015 and 31 December 2016.

The carrying amount of debt entered into the accounts denominated in currencies other than the euro was as follows:

	At 31 December	
	2016	2015
Pounds sterling	9,279	11,226

Lease liabilities are effectively secured given that the rights to the leased asset revert to the lessor in the event of default.

The present value of finance lease liabilities is as follows:

	At 31 December	
	2016	2015
Less than one year	1,995	2,080
Between 1 and 5 years	9,198	8,617
More than 5 years	13,452	17,975
Total	24,645	28,672

(d) *Other financial liabilities*

The amounts recorded as other financial liabilities include bonds received from debtors for the lease of premises and facilities, as well as creditors in ensuring compliance with their obligations.

21 Deferred tax

The analysis of deferred tax assets and liabilities is as follows:

	At 31 December	
	2016	2015
Deferred tax assets:		
Deferred tax assets to be recovered in more than 12 months	111,120	96,125
Deferred tax assets to be recovered within 12 months	32,851	31,751
	143,971	127,876
Deferred tax liabilities:		
Deferred tax liabilities to be recovered in more than 12 months	83,078	110,200
Deferred tax liabilities to be recovered within 12 months	6,912	8,561
	89,990	118,761
Net deferred tax assets	53,981	9,115

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Gross movement in the Deferred taxes heading was as follows:

	2016	2015
At 1 January	9,115	(25,277)
Tax charged against/credited to the revenue statement	7,679	(2,112)
Tax charged/paid relating to components of other overall results (Note 32)	19,594	14,259
Valuation adjustments Act 27/2014 against result	-	19,367
Addition for tax break	-	100,734
Use of credits	(2,335)	(101,668)
Adjustment for fluctuation in tax rates in England against result	3,762	10,578
Reclassifications	2,344	(2,497)
Exchange rate differences	14,697	(8,267)
Other	875	996
At 31 December	53,981	9,115

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

Deferred tax liabilities	Amortisation	Other	Total
At 1 January 2015	126,526	880	127,406
Reclassifications	2,391	-	2,391
Charged/(credited) to the revenue statement	(8,684)	-	(8,684)
Charge/(credited) over profit and loss account due to exchange rates in England	(10,768)	-	(10,768)
Exchange rate differences	8,416	-	8,416
At 31 December 2015	117,881	880	118,761
At 1 January 2016	117,881	880	118,761
Reclassifications	(2,344)	-	(2,344)
Charged/(credited) to the revenue statement	(7,194)	-	(7,194)
Charge/(credited) over profit and loss account due to exchange rates in England	(3,681)	-	(3,681)
Charged directly against equity	-	-	-
Exchange rate differences	(15,552)	-	(15,552)
As of 31 December 2016	89.110	880	89.990

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Deferred tax assets	Amortisation	Impairment losses	Derivatives	Credit deductions	B.I.N credits	Other	Total
At 1 January 2015	71,712	3,034	(3,675)	-	-	23,708	102,129
Charged/(credited) to the revenue statement	(4,221)	825	-	-	-	(7,400)	(10,796)
Charged directly against equity	-	-	18,522	-	-	(1,548)	16,974
Addition for tax group break (Note 32)	-	-	-	63,548	37,186	-	100,734
Use of credits (Note 32)	934	-	-	(63,548)	(37,186)	-	(101,668)
Effect of Act 27/2014 on profit/loss	20,505	.993	-	-	-	145	19,367
Charge over exchange rates results in England	-	-	89	---	---	(511)	.600
Charge over net equity exchange rate in England	-	-	-	-	-	4,888	4,888
Reclassifications	(76)	(1,084)	-	-	-	163	997
Other (*)	-	-	(2,115)	-	-	1	(2,114)
Effect of Act 27/2014 on equity	-	-	18	-	-	131	149
Exchange rate differences	-	-	-	-	-	-	-
At 31 December 2015	86,986	1,782	20,011	-	-	19,097	127,876
Charged/(credited) to the revenue statement	(1,946)	1,691	-	-	-	740	485
Charged directly against equity	-	-	15,361	-	-	5,528	20,889
Use of credits	(2,335)	-	-	-	-	-	(2,335)
Charge over exchange rates results in England	-	-	-	-	-	81	81
Charge over net equity exchange rate in England	-	-	.242	-	-	(1,053)	(1,295)
Other (*)	(20)	(726)	-	-	-	(129)	875
Exchange rate differences	-	-	(88)	-	-	767	855
At 31 December 2016	82,685	2,747	35,042	-	-	23,497	143,971

(*) This mainly includes the effect of the final liquidation of the 2015 corporate income tax presented in 2016.

In 2016, the following deductions were applied in the Corporation Tax settlement without any deductions having remained outstanding at the end of the fiscal year:

	Year generated (1)	Year due (2)	Amount pending at 31.12.2015	Amount recognised in 2016	Registered amount generated in 2016	Amount applied
	2011	2016	-	-	-	-
	2012	2017	-	-	-	-
Deductions in the Canary Islands due to investments in fixed assets	2014	2019	-	-	-	-
	2015	2030	-	-	-	-
	2016	2031	-	10,466	-	(10,466)
International double taxation deductions	2016	2027	-	270	-	(270)
Recovery 30% non-deductibility (3)	2016	-	-	2,335	-	(2,335)
Total			-	13,071	-	(13,071)

In 2015, the following deductions were applied in the corporation tax settlement without any remaining outstanding deductions by the year's end:

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	Year generated (1)	Year due (2)	Amount pending at 31/12/2014	Amount recognised in 2015	Registered amount generated in 2015	Amount applied
Deductions in the Canary Islands due to investments in fixed assets	2011	2016	25,769	8,642	-	(34,411)
	2012	2017	37,779	-	-	(37,779)
	2014	2019	-	-	38,884	(38,884)
International double taxation deductions	2015	2026	-	-	585	(585)
Recovery 30% non-deductibility	2015	-	-	-	934	934
Total			63,548	8,642	40,403	(112,593)

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

(2) Deduction in the Canary Islands for 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 Act, does not set any limit on its use.

(3) The 2,335 thousand euros of this deduction, recognised and applied to taxation in 2016 (2015: 934), does not reduce the expense for tax in that period since it were recognised in the accounting in 2015 (see Note 32).

The "Amount recognised in 2015" column reflects the differences between the deductions applied to calculating the corporate tax charge for 2014 and the charge actually applied in the final settlement for that year, as filed with the Tax Office.

The "Registered amount generated in 2015" column reflects the actual deductions generated in 2015.

As stated in Note 2.18, the listing of the Company on the stock exchange in February 2015 via the IPO of 49% of Aena S.A.'s capital, meant that the Parent Entity, ENAIRE's holding in Aena S.A. fell to 51%, compared to its previous holding of 100 %.

In accordance with the tax regulations in force (art. 59.2 of Act 27/2014 on Corporation Tax), and with effect from 1 January 2015, Aena S.A. and its subsidiaries withdrew from the tax consolidation group headed by ENAIRE.

On the occasion of such termination, at 1 January 2016, the AENA Tax Group to which they belonged, together with ENAIRE, as subsidiaries AENA and AENA Desarrollo Internacional, and according to the will expressed by the Boards of both companies, at 7 April 2015, Aena informed the Tax Office on the application to the tax consolidation system of companies AENA S.A. and Aena Desarrollo Internacional, S.A.U.

Consequently, the debit balances of pending deductions credits and of credits for tax losses which, within the tax Group, were owned by Aena S.A. vis-à-vis ENAIRE, and therefore, they were included in the "Other receivables" heading on the Balance Sheet, are owned since the date of termination of 1 January 2015, against the Treasury, so since that date these were reclassified to heading "Deferred tax assets" totalling 63,548 and 37,186 thousand euros, respectively.

At year-end 2015, such balances were cancelled when used in the calculation of tax for that year. As of December 31, 2016 there remains no account receivable with respect to ENAIRE regarding this concept (see Note 13). At year-end 2015 was pending collection corresponding to the final declaration of income tax for the financial year 2014 amounting to 50,217 thousand euros, which was charged in February 2016 quota.

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22 Employee benefits

The table below shows where have been included the Group's amounts for post-employment benefits in the financial statements:

	At 31 December	
	2016	2015
Commitments in the balance sheet in respect of:		
- Length of service awards	8,097	7,579
- Early-retirement bonuses	498	405
- Defined benefit pension plans of LLAOL	44,470	23,154
Liabilities for employee benefits	53,065	31,138
- Defined contribution pension plans (Other payables)	-	-
- Defined benefit pension plans	-	-
Total liabilities on the balance sheet	53,065	31,138
Charges in the revenue statement included in the operating profit/loss (Note 28):		
- Length of service awards	762	8
- Early-retirement bonuses	22	25
Defined contribution pension plans	18	6
- Defined benefit pension plans of LLAOL	3,875	4,303
	4,677	4,342
Revaluations for:		
- Length of service awards (22.a)	236	567
- Defined benefit pension plans of LLAOL (22.d)	46,376	(11,553)
- Early-retirement bonuses (22.b)	39	(77)
	46,651	(12,197)

a) Length of service awards

The Collective Bargaining Agreement for the Aena Group of Companies (public business entity "ENAIRES" and Aena, S.A.) stipulates length of service awards for services effectively rendered for 25, 30 or more years. The Company makes provision for the present value of the best estimate possible of future commitments, based on actuarial calculation.

The amounts are recognised in balance sheet as follows:

	2016	2015
Present value of the financed obligations	-	-
Fair value of plan assets	-	-
Deficit in financing plans	-	-
Present value of unfunded obligations	8,097	7,579
Total pension deficit of defined benefit	8,097	7,579
Impact of minimum funding requirement / asset ceiling	-	-
Total liabilities on the balance sheet	8,097	7,579

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Length of service awards are not financed so there are no assets allocated to the registered plan.

	Present value of obligation	Total
At 1 January 2015	7,861	7,861
Interest expense / (Revenue)	132	132
Previous service cost and gains and losses on settlements	575	575
	707	707
Recalculation of Ratings:		
- (Gains)/losses due to changes in actuarial assumptions	567	567
- Plan payment:	-	-
- Benefit payments	422	422
At 31 December 2015	7,579	7,579
Interest expense / (Revenue)	165	165
Previous service cost and gains and losses on settlements	526	526
	691	691
Recalculation of Ratings:		
- (Gains)/losses due to changes in actuarial assumptions	236	236
	236	236
- Plan payment:	-	-
- Benefit payments	.409	.409
At 31 December 2016	8,097	8,097

The estimated accounting charge relating to long-service bonuses for the year ended 31 December 2016 amounted to 927 thousand euros.(2015).140 thousand euros). The estimated accounting charge of expected benefits corresponding to awards through 2017 amounts to 689 thousand euros.

The weighted average duration of the defined benefit obligation is 15.38 years.

b) *Early-retirement bonuses*

The Collective Bargaining Agreement stipulates that any employee between the ages of 60 and 64 who, in accordance with current provisions is entitled to do so, may voluntarily retire early and will receive an indemnity, taken together with the vested rights in the Pension Plan, at the time the employment contract is terminated equal to four monthly base salary payments and length of service bonuses for each year remaining until reaching the age of 64, or the relevant proportional part.

In 2004 the early retirement awards were externalized by obtaining a lump sum-payment insurance policy from Mapfre Vida on 25 March 2004.The value of the plan's assets has been determined as the value of the mathematical provision of related insurance policies.

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The movement in the defined benefit obligation during the year was as follows:

	Present value of obligation	Total
At 31 December 2015	405	405
Interest expense / (Revenue)	10	10
Expected return of the funds affected	(1)	(1)
Previous service cost and gains and losses on settlements	22	22
	31	31
Recalculation of Ratings:		
- (Gains)/losses due to changes in actuarial assumptions	39	39
	39	39
Return (premiums)		
• Return	23	23
Payment plan:		
- Benefit payments	-	-
At 31 December 2016	498	498

The movement in the defined benefit obligation during 2015 was as follows:

	Present value of obligation	Total
At 1 January 2015	402	402
Interest expense / (Revenue)	8	8
Expected return of the funds affected	(2)	(2)
Previous service cost and gains and losses on settlements	25	25
	31	31
Recalculation of Ratings:		
- (Gains)/losses due to changes in actuarial assumptions	(77)	(77)
	(77)	(77)
Return (premiums)		
• Return	49	49
Payment plan:		
- Benefit payments	-	-
At 31 December 2015	405	405

c) Defined contribution pension plans

The Collective Agreement sets forth that all workers attesting a minimum of 360 calendar days of service recognised in any of the entities and/or companies established in Spain that constitute the Aena Group may become a participant in the Pension Plan as part of the Joint Promotion for Aena Group companies. The pension plan covers retirement, disability (with contingencies for total permanent, absolute and near-total disability) and death, in accordance with the criteria established by the negotiating committee of the III Aena Collective Bargaining Agreement on 16 December 2002, with respect to the characteristics of the new coverage for Aena Group employees under which the

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aforementioned pension plan was created, notwithstanding the provisions of the minutes to the meeting of the Aena Group Pension Plan Control Commission on 15 February 2005 and, if appropriate, other subsequent meetings regarding the regulating enabling and supplementary specifications.

However, for financial years 2016, 2015, 2014 and 2013, the Company did not make these contributions due to the exemption established in Act 48/2015 of 29 October, Act 36/2014 of 26 December, Act 22/2013 of 23 December and Royal Decree Law 17/2012 of 27 December, respectively, which stipulate that public business enterprises are entitled to refrain from making contributions to employee pension plans or group insurance contracts which include coverage for the retirement contingency.

d) Defined benefit pension plans (LLAOL)

The defined benefit commitments recognised in the consolidated balance sheet, 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	Total
At 31 December 2015	137,226	137,226
Interest expense / (Revenue)	4,589	4,589
Previous service cost and gains and losses on settlements	3,875	3,875
	8464	8464
Recalculation of Ratings:		
- (Gains)/losses due to changes in actuarial assumptions	46,376	46,376
	46,376	46,376
Exchange rate differences	(20,688)	(20,688)
Returns (Premiums)	-	-
Contributions from Plan participants	1,082	1,082
Payment plans		
- Benefit payments	(3,655)	(3,655)
At 31 December 2016	168,805	168,805
	Fair value of plan assets	Total
At 31 December 2015	(114,072)	(114,072)
Interest expense / (Revenue)	(3,942)	(3,942)
Expected return of the funds affected	(18,786)	(18,786)
	(22,728)	(22,728)
Recalculation of Ratings:		
- (Gains)/losses due to changes in actuarial assumptions	-	-
Exchange rate differences	16,545	16,545
Returns (Premiums)	-	-
Contributions to the Plan by the Company	(6,644)	(7,726)
Contributions from Plan Participants	(1,082)	
Payment plans	-	-
- Benefit payments	3,646	3,646
At 31 December 2016	(124,335)	(124,335)
Provisions for pensions and similar obligations	44,470	44,470

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The defined benefit commitments recognised in the consolidated balance sheet, as well as changes to the present value of the obligations and the fair value of the 2015 plan's assets, are as follows:

	Present value of the obligations	Total
At 31 December 2014	131,529	131,529
Interest expense / (Revenue)	5,343	5,343
Previous service cost and gains and losses on settlements	4.303	4.303
	9,646	9,646
Recalculation of Ratings:		
- (Gains)/losses due to changes in actuarial assumptions	(11,553)	(11,553)
	(11,553)	(11,553)
Exchange rate differences	10,126	10,126
Returns (Premiums)		
Contributions from Plan members	1,119	1,119
Payment plans		
- Benefit payments	(3,641)	(3,641)
At 31 December 2015	137,226	137,226

	Fair value of plan assets	Total
At 31 December 2014	(99,016)	(99,016)
Interest expense / (Revenue)	(4,195)	(4,195)
Expected return of the funds affected	3,136	3,136
	(1,059)	(1,059)
Recalculation of Ratings:		
- (Gains)/losses due to changes in actuarial assumptions		
Exchange rate differences	(7,941)	(7,941)
Returns (Premiums)		
Contributions to the Plan	(9,552)	(9,552)
Payment plans		
- Benefit payments	3,496	3,496
At 31 December 2015	(114,072)	(114,072)
Provisions for pensions and similar obligations	23,154	23,154

Amounts recognised in the Profit and Loss Statement are as follows:

	2016	2015
Amount attributed to the revenue statement		
Interest expense / (Revenue)	647	1.148
Previous service cost and gains and losses on settlements	3,875	4.303
Total charge on profit and loss statement	4,522	5,451

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The plan's assets, expressed as a percentage of the total fair value of assets, are as follows:

Plan assets	2016	2015
United Kingdom shares	15%	17%
Rest of the World shares	15%	17%
Investment grade fixed-rate bonds	4%	4%
Investment funds	58%	59%
Cash	8%	3%

The change recognised in the assets corresponds to actuarial gains and losses, relating mainly to changes in:

	2016	2015
Financial assumptions	46,591	(3,449)
Experience	(215)	(8,104)
At 31 December	46,376	(11,553)

The Group performed a sensitivity analysis on the main actuarial assumptions in thousands of euros:

	Impact on the present value of defined benefit obligations		
	Change in the assumptions	Increase	Decrease
Discount rate	0.5%	(18,271)	21,559
Pension growth rate	0.5%	12,238	(12,796)
		Increase in one year	Decrease in one year
Life span	1 year	3,406	(3,210)

Moreover, to eliminate the deficit of the Plan, LLAOL has agreed to make contributions to the Plan until 31 March 2023. The next contribution to the Plan, amounting to 2,252 thousand pounds, will take place before 31 December, 2017, with an additional income of 1,748 thousand pounds in a deposit account, or directly to the Plan, at the Company's discretion.

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23 Provisions and contingencies

a) Provisions and contingencies

Movements in this heading during 2016 and 2015 are set out below:

	Environmental action	Liabilities	Taxes	Expropriations and late-payment	Other operating provisions	Voluntary separation plan	Total
Balance at 1 January 2016	128,459	34,483	17,367	1,033,922	50,601	-	1,264,832
Charges	1,254	10,057	5,632	15,997	71,853	-	104,793
Increase due to discounts	284	-	-	-	-	-	284
Reversals/Excesses	(31,527)	(6,910)	(7,569)	(987,145)	(4,505)	-	(1,037,656)
Amounts Used	(17,458)	(1,077)	806	(5,061)	(45,744)	-	(70,146)
At 31 December 2016	81,012	36,553	14,624	57,713	72,205	-	262,107

	Environmental action	Liabilities	Taxes	Expropriations and late-payment	Other operating provisions	Voluntary separation plan	Total
Balance at 1 January 2015	131,207	74,106	21,959	1,110,328	29,800	24,211	1,391,611
Charges	21,893	11,437	5,064	36,620	50,093	-	125,107
Increase due to discounts	1,022	-	-	-	-	-	1,022
Reversals/Excesses	(19,253)	(45,693)	(2,544)	(88,780)	(5,470)	(24,211)	(185,951)
Amounts Used	(6,410)	(5,367)	(7,112)	(24,246)	(23,822)	-	(67,957)
At 31 December 2015	128,459	34,483	17,367	1,033,922	50,601	-	1,264,832

Analysis of total provisions:

	At 31 December	
	2016	2015
Non-current	133,639	1,145,737
Current	128,468	119,095
Total	262,107	1,264,832

Provision for environmental action

This heading recognises provisions amounting to 76,916 thousand euros (31 December 2015: 120,132 thousand euros), relating to the expected obligations in regard to noise abatement and sound-proofing in residential areas, in order to comply with current legislation on noise generated by airport infrastructures.

In addition, up to a total of 81,012 thousand euros has been acknowledged (2015: 128,459 thousand euros), an environmental provision of 4,096 thousand euros (2015: 8,327 thousand euros was provided in relation to the additional measures under Resolution of 9 April 2015, of the Ministry of Environment, by which the 9th condition of the Environmental Impact Statements of Adolfo Suárez Madrid-Barajas Airport of 30 November 2001 is modified, and foresees actions in Gravera de Arganda, biological corridors and in the Jarama river.

The reversal for an amount of 31,527 thousand euros in 2016 is fundamentally related with the fall in the estimated average cost of insulation per home to an amount of 9,451 euros, as against the 12,407 euros used in the Financial

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statements for 2015. This reversal has been set against the value of the assets for which the provision was made at the time.

In 2015 Reversals/Excesses during the year were caused mainly by refusals of dwellings pending to be soundproofed at airports in Bilbao (49), Gran Canaria (60 dwellings), Alicante-Elche (79 dwellings) and A Coruña (520 dwellings) as well as the decrease in the average estimated price in the soundproofing of dwellings of 13,154 euros to 12,407 euros.

Environmental evaluation legislation (currently Act 21/2013), requires that certain Aena projects are submitted to an environmental impact assessment (particularly runway extensions exceeding 2,100 m), finalised by the formulation of the corresponding Environmental Impact Statements (DIA) by the Ministry of Agriculture, Food and Environment, which confer environmental feasibility on the execution of projects, and contain the obligation to develop and execute Soundproofing Plans. The provisions include the soundproofing actions set out in the Environmental Impact Statements published up till now.

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

On the date of preparation of these consolidated financial statements, a Royal Decree had approved acoustic easements and their corresponding action plans at the airports of Adolfo Suárez Madrid-Barajas (RD 1003/2011 of 8 July, BOE (Official State Gazette) No. 174 of 21 July 2011), Barcelona-El Prat (RD 1002/2011 of 8 July, BOE No. 174 of 21 July 2011) and Palma de Mallorca (RD 769/2012 of 27 April, BOE No. 119 of 18 May 2012).

At the airports where acoustic easements have been approved (Adolfo Suárez Madrid-Barajas, Barcelona-El Prat and Palma de Mallorca), the number of homes where soundproofing work is required is estimated to be 321 (all relating to Palma de Mallorca Airport). These actions are already included in the accounting provisions established. In the case of the airports of Adolfo Suárez Madrid-Barajas and Barcelona-El Prat, no additional dwellings have been added, since the area delimited by the current easement scenario is smaller than the isophonic area determined by the Soundproofing Plans already in force.

In addition, at the date of preparation of these financial statements, the public information stage had closed for sound easements and action plans for the airports of Bilbao, Ibiza, Málaga-Costa del Sol, Seville and Valencia, the processing of the Royal Decrees of approval being pending with the Ministry of Public Works. The estimated increase in additional dwellings to be included in the scope of the respective Soundproofing Plans amounts to 2,742 for all of the aforementioned airports. These properties are not covered by the provisions as the corresponding acoustic easements have not yet been approved. For all other airports with more than 50,000 flights a year (Gran Canaria, Tenerife Norte and Alicante-Elche), the process of updating and approving the acoustic easements has not yet started; full compliance with Act 5/2010 in relation to these airports is estimated to be completed during the period from 2016 to 2020.

The Group will recognise in the accounts the corresponding provisions at the moment in which the need arises to soundproof dwellings, that is, either when an easement and its action plan have been approved (by Royal Decree), or following the adoption of a new Environmental Impact Statement as the result of environmental assessment of projects requiring such measures.

Provisions for liabilities

This heading mainly records provisions made based on the best estimates available to Company directors to cover risks relating to litigation, claims and commitments in progress that are known at the end of the year and for which the expectation is that an outflow of resources in the medium or long-term is likely. At 31 December 2016 and 2015, the allocations made by the Company mainly related to claims made by contractors. In 2016, provisions have been made concerning adverse judgments resulting on claims made by airlines, amounting to 4,111 thousand euros, recorded under the entry for "Other current operating expenses" in the accompanying revenue statement, against rates applicable from 1 July 2012 whose impact had not been possible to pass on to final passengers (see Note 28 on contingent liabilities for claims from airlines). It also includes an amount of 3,017 thousand euros for a provision to address an Act of Settlement of the Inspectorate of Labour and Social Security received during the exercise by differences of opinion in trading of industrial accidents and occupational diseases in certain occupations in the period August 2011-July 2015 (see section Social Security of Note 28 on personnel costs).

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During 2016, reversals for an amount of 6,910 thousand euros (2015: 45,693 thousand euros) correspond mainly to rulings favourable to the Company in disputes with constructors for which it is estimated that no unfavourable financial consequences will arise, so that a sum of 5,092 thousand euros has been reversed (2015: 40,750 thousand euros) credited to the value of fixed assets against which the provision was made at the time. The rest of the reversals, for an amount of 1,818 thousand euros (2015: 4,943 thousand euros) has been credited to the revenue statement, principally to the "Excess provisions" heading.

On the other hand, there are other proceedings pending rulings with construction companies for which the Company has made a provision amounting to approximately 18 million euros at 31 December 2016 (31 December 2015: 23 million euros).

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

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 the consolidated financial statements were prepared.

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

At 31 December 2016, the provisions set aside corresponded mainly to judicial proceedings relating to the expropriation of land at Adolfo Suárez Madrid-Barajas Airport. Such proceedings include, in particular, several rulings concerning the revaluation of expropriation procedures conducted in connection with the expansion of the Adolfo Suárez Madrid-Barajas Airport, as well as the risk involved in the cancellation of the delimitation of the Public Water Domain in force, which allows the former owners of the lands included within the delimited area to claim payment for surface areas previously acquired at zero cost.

As a whole, these rulings and risks have given place to a provision for an amount of 21,570 thousand euros at 31 December 2016, of which 15,543 thousand euros corresponded to differences in assessment, balanced against the higher land value, and 6,027 thousand euros for interest on delay due at 31 December 2016, balanced against the expense for interest for delay on expropriations (31 December 2015: 38,859 thousand euros, of which 23,596 thousand euros were for differences in assessment, balanced against higher land value, and 15,263 thousand euros in interest for delay due at 31 December 2015, balanced against the expense for interest for delay on expropriations).

Moreover, particularly noteworthy is the ruling notified to Aena on 29 October 2014 and delivered by the High Court of Justice of Madrid (TSJ) on 1 October, in Ordinary Procedure 1/2011, which recognised the right for the revaluation of a number of properties acquired for the extension of the Adolfo-Suárez Madrid-Barajas Airport, along with two other similar procedures, resulted in the addition of land amounting to 758,605 thousand euros (see Note 23). The rulings were based on the occurrence of what is called "positive administrative silence" and, in consequence, cancel the Ministry of Public Works Order which dismissed the appeals to a higher court filed by the appellants against the dismissals (by administrative silence) of their applications for revaluation of the expropriated plots. This ruling gave rise to an accumulated value of the provision for expropriations and interest for delay on expropriations of 963,491 thousand euros, of which 758,605 thousand euros were for differences in assessment (396,400 thousand euros for Proceedings 1/2011 referred to, the rest of the amount being for two other cases relating to the first: Proceedings 66/2011 with an amount provided for of 351,403 thousand euros, and Proceedings 427/2011 with an amount of 10,802 thousand euros), which were balanced against the higher land value, and 204,886 thousand euros for due interest for

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delay, balanced against the expense for interest for delay on expropriations (31 December 2015: 952,1742 thousand euros, of which 758,605 thousand euros were for differences in assessment, balanced against higher land value, and 193,569 thousand euros in interest for delay due at 31 December 2015).

In relation with the 3 proceedings mentioned, Aena received the respective notifications of Rulings favourable to its interests from the Supreme Court, dated 20 and 27 June 2016 in relation with the Ministry of Works Resolutions of 12 November 2010 and that notified on 15 February 2011, mentioned above, dismissing the appeal to a higher court lodged by various expropriated owners against the presumed dismissal of their application for revaluation of various expropriated properties in relation with the Madrid-Barajas Airport expansion project. In consequence, it is estimated that the risk of these proceedings is non-existent and the aforesaid provisions were reversed for the total accumulated amount of 963,491 thousand euros, of which 758,605 thousand euros are credited to the value of the land for which they were made at the time, and the rest, 204,886 thousand euros, is shown as financial revenue in the Profit & Loss Account.

The rest of reversals identified in the movement of the provision are the consequence, in favour of Aena, of the result of several procedures considered at that time, by the experience in similar cases, which would be resolved contrary to the interests of Aena. In these procedures, the TSJ of Madrid has extended the consideration of out-of-time repricing claim for all cases where the owner did not make the reservation of shares at the time of payment, restricting and significantly delimiting the cases in which the right to reprice occurs depending on the attitude of the owner at that time of payment.

To sum up, of the total reversions indicated in this provision, for an amount of 987,145 thousand euros, 771,690 thousand euros were credited to the fixed asset values against which the provision was charged at the time, and the rest – 215,455 thousand euros – was credited in the Profit & Loss Account (31 December 2015: total of 88,780 thousand euros, of which 67,516 thousand euros were credited to the fixed asset values against which the provisions were charged at the time, and the rest –21,264 thousand euros– was credited in the Profit & Loss Account, under the heading “Expense for interest on expropriations”).

There are additional provisions for an amount of 36.1 million euros, corresponding to other less significant cases regarding the Adolfo Suárez Madrid-Barajas Airport and for other airports in the network.

Interest expenses from expropriations as of 31 December 2016 after taking into account the aforementioned reversals and provisions made, has a positive effect on the profit and loss statement, amounting to 201,406 thousand euros (31 December 2015: costs of 9,922 thousands of euros) (see Note 31).

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. At the same time the General State Budgets Acts for 2015 and 2016 established incentives in public service benefits for growth in passenger departures on the routes operated in the Aena, S.A. network. The reversal for an amount of 4,505 thousand euros (2015: 5,470 thousand euros), is principally due to the difference between the sum estimated at the closure of 2015 as probably payable to Aena and that which was finally paid as incentive in application of the legal mechanisms laid down by the Act referred to.

At 31 December 2016 the sum estimated for all these items amounted to 72,205 thousand euros (31 December 2015: 50,601 thousand euros).

b) Contingent liabilities

At the close of the 2016 and 2015 fiscal years, the Company has claims and legal disputes against it, as a natural consequence of the normal course of its business, which management considers possible obligations for which it is not probable that an outflow of resources will occur or that the amount of the obligation can not be reliably estimated.

Environmental action

As was described in the “Provisions for environmental actions” heading, as a result of the necessary actions to comply with environmental regulations regarding the airport network’s various expansion and improvement works, the Company is obliged to make a series of investments to minimise the impact of noise on homes affected by such works.

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At the end of 2016 and 2015, the Company was involved with several claims which, if resolved in an unfavourable manner, could give rise to liabilities that cannot yet be quantified at the end of the aforementioned years.

As a result of overflying aircraft in the settlement named Ciudad Santo Domingo (Algete, Madrid), some inhabitants of this area consider that their fundamental rights have been violated due to excessive noise levels in their homes. These residents lodged appeal for judicial review 109/2004 against Aena, S.A., ENAIRE and the Ministry of Public Works, claiming a cessation of the violation of their rights, which for them would mean paralysing the use of runway 18R (one of the four at the Adolfo Suárez Madrid-Barajas Airport). Up till now, the Court has not agreed to this measure.

On 31 January 2006, the High Court of Justice of Madrid (hereinafter "TSJ") issued a judgement rejecting the aforementioned judicial appeal. The ruling was appealed by five of the initial appellants, and the Supreme Court partially upheld the appeal in a ruling of 13 October 2008 on the grounds of violation of the right to privacy at home.

Subsequently, there have been various pronouncements and incidents of execution which have been appealed by all the parties involved in the proceedings.

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

With respect to this measure, the TSJ clarified the following:

- The 30% reduction in the number of overflights must begin within a period not exceeding two months following the notification of the decree of 2 December 2014, and imposing the obligation to inform the court of the start date. The deadline expired on 5 February 2015.
- Six months after the start of the reduction, ENAIRE, Aena, SA and the Ministry of Public Works are required to inform the court within a period of one month of the impact of the measure on noise levels in the area. In this same one-month period the appellants are required to furnish their own corresponding arguments and measurements in this respect.

The Order of 2 December 2014 has also been the subject of an appeal for reversal before the same chamber of the TSJ. Along with the presentation of this appeal, the suspension of the Order of 2 December 2014 has also been requested. By an Order of 18 December the Supreme Court acceded to the suspension applied for so that, at the present time, the Adolfo Suárez Madrid-Barajas Airport can go on operating in the same conditions as hitherto, without having to reinstate the reduction in the number of flights over Ciudad Santo Domingo until they are down to 30% less than those existing in 2004. On 9 April 2015, the Supreme Court in Madrid dismissed all the appeals for review against the order of 2 December 2014; on 27 April 2015 Aena and ENAIRE filed the preparation of their appeal to the Supreme Court and on 15 June a Certificate of Ordinance was received accepting the appeal as prepared, giving a term for it to be lodged. Aena's appeal to the Supreme Court was lodged on 27 July 2015. All the appeals to the Supreme Court against the Order of 2 December 2014, both by Aena and of the rest of the parties involved, were admitted by a Resolution of the Supreme Court of 9 May 2016; at the present time, the parties were summonsed to formulate their opposition to these appeals. In addition, the residents appealed for reversal of the Order of 18 December 2014 which agreed the suspension of the 30% reduction. This appeal to the Supreme Court was admitted by Order of the Supreme Court of 9 May 2016. Aena was summonsed to file its opposition to these appeals for reversal against the Order of 18 December 2014, having now filed its opposition.

The Company is analysing the measures to be taken to mitigate the possible economic impact of a potential unfavourable ruling.

If the outcome of this claims process is unfavourable, this could give rise to liabilities at the close of this period that cannot be quantified.

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Expropriations

The Company is also involved in proceedings relating to claims involving expropriations that have taken place and which at the end of 2016 and 2015 could not be quantified as final 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 the end of the financial year, the Company is involved in legal disputes with certain hospitality and catering companies with concessions in airports within the Aena network, which are either pending final decisions or suspended pending a potential agreement between the parties.

Construction company claims

In addition to the above, at the end of 2016 and 2015, there are claims that have been filed against the Company by several construction companies, deriving from the execution of various construction contracts relating to the airport network. The Company's Management does not consider that such claims will give rise to financial penalties against it.

Airline claim relating to fees

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

The airlines operating in Spain broadened their claim against the Spanish State, filed with the European Commission, complaining of irregularities in the system established by Spanish Law for updating the benefits to be received by Aena, S.A., in 2012. The aviation sector asked for the Community body's intervention on the price rise 2012 and after the rise in 2013, also calling for the setting up of an independent supervisory body for air transport. In 2013 the National Commission on Financial Markets and Competition (CNMC), which is an independent body, was created. Until its operation in October 2013, the supervision of the proposed 2014 tariffs was attributed to temporary Committee and Airport Railway Regulation (CRFA) acting in the exercise of their work impartially and transparently. The process of consultation on the tariff proposal for 2014 ended in a long-term agreement on tariffs for the period 2014-2018. After the agreement reached with the airlines the latter suggested to their associates to withdraw from the claims filed. The situation at 31 December 2015 is as follows: the percentage of companies whose claims have been dismissed by the TEAC or which have withdrawn from the claims filed is 97%.

Additionally:

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

As of 30 June 2016, various airlines have filed 38 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 several of the administrative appeals by rulings which considered that the rise in tariffs applied under Act 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 clearly and directly recognises rights for users, and in virtue of the principle of primacy of Union Law, it concluded that the rise in tariffs under Act2/2012 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 Act 21/03 on Air Safety. These unfavourable rulings gave rise to the allocation of a provision for liabilities of 4,111 thousand euros (see the section on Provision for liabilities in this Note 23).

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The Company's management does not consider additional economic consequences may arise against it.

Employment

There are various proceedings on the dismissals of employees, both of Aena and under contracts, which are in various stages of processing, but cannot be taken as finalised as no ruling has been given, or if it has, it is not yet firm.

In the event that there should be rulings unfavourable to Aena, declaring the dismissals unfair, and that the option of readmission should be taken, this would mean that the Company would have to pay the salaries of processing corresponding to the employees. In the event that termination of the relationship was chosen, this would mean paying the appropriate compensation for unfair dismissal, and in those dismissals prior to 12 February 2012, there would also be the payment of the salaries while in process.

Furthermore, there are several procedures in which employees have filed claims against the termination of their contracts due to forced retirement. These procedures are in various stages of completion but have not been completed as no judgments have been issued or the judgments that have been issued are not final. In the event of judgements that are unfavourable for the Company, the employees must be reemployed and the salary amounts they did not receive must be paid up until the time that they are reemployed.

In addition, there are challenges against (internal and external) hiring procedures, the composition of reserve candidate pools and the right to conclude contracts, which may lead to the claimants being awarded positions or the entitlement to conclude contracts. In the event of the claims being upheld, periods of time would have to be awarded to the claimants and they would have to be paid their salaries (or equivalent compensation) or the salary differences generated.

The Company is involved in several business liability administrative procedures (which in some cases have resulted in legal proceedings) that establish its liability for social security surcharges relating to occupational accidents.

It is not considered that any of these employment disputes would be significant, either in terms of the amount claimed or in terms of the low probability that Aena, S.A. would ultimately have to bear any financial consequence. When assessing the likelihood of success of these cases, an individual analysis of their content and legal basis is carried out and, based upon experience drawn from previous similar disputes and existing case law in this area, it is not considered likely that the Group will have to assume liability in these matters.

Claims by airlines

The Company is involved in claims and disputes over specific incidents that have generated damage to aircraft at airports within the network. As of 31 December 2016, the management of Aena, S.A. considers that these would not be significant.

Contingent assets – Tariff shortfall

In September 2012, the Directorate General for Civil Aviation (DGAC) supervised the proposal to update and modify tariffs for 2013 that was presented by Aena, S.A., and applied, for the first time, the new regulatory framework deriving from Directive 2009/12/EC of 11 March 2009 on airport tariffs. This framework mainly consists of Act 21/2003 of 7 July on Air Security (Act 21/2003), in accordance with the wording provided by Act 1/2011 of 4 March, which establishes the State Operational Security Program for Civil Aviation and amends Act 21/2003 of 7 July on Air Security, and furthermore Royal Decree Law 11/2011 of 26 August, which creates the Airport Economic Regulatory Commission, and regulates its composition and duties, and Act 3/2013 of 4 June, which creates the National Commission on Financial Markets and Competition (CNMC).

According to the Oversight Report on Aena, S.A.'s fee modification proposal for 2014, issued by the Railway and Airport Regulatory Committee (CRFA) on 12 September 2013, the tariffs shortfall for 2013 remained the same at 298 million euros (which corresponds to the shortfall agreed by the DGAC, adjusted for inflation using the real consumer price index).

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Furthermore, in the above-mentioned Oversight Report on Aena, S.A.'s tariff modification proposal for 2015, the CRFA verified that the modified tariffs for 2014 set out a shortfall adjustment for 2014 of 286,8 million euros. That report also stated that, once the CPI was published in October 2013, the value of the deficit in 2014 should be updated, finally reaching an amount of 312.0 million euros.

The same applies for the consultation process of the tariffs for 2015, the tariff deficit forecast by Aena amounted to 45.6 million euros, thus, capitalised tariff deficit for 2015-2016 amounted to 555.3 million euros.

On 13 May 2015 Aena filed a judicial review appeal against the CNMC Resolution of 23 April 2015. In that Agreement, the CNMC establishes that the accounting that should be used as a basis for updating tariffs for 2016 should reflect in a different manner than that of the previous year the "costs arising from the commercial revenue generated by a higher volume of traffic". Pursuant to the contested Agreement, that consequence would establish that part of the costs arising in airport terminals, and which were recorded as regulated airport activity, would be part of business activities and be considered as costs thereof. Following the gradual application of the criterion of the dual till system, reallocation of regulated business activities costs supported by the contested Agreement corresponds to 40% of the amount of 69.8 million euros, that is, a variation of 27.9 million euros. This administrative appeal was declared inadmissible at first instance by ruling of 29 July and 10 November 2015 of the Spanish National High Court, which AENA has appealed before the Supreme Court. This appeal is awaiting resolution.

On 23 July 2015, the CNMC issued the "Resolution adopting the Proposal for modification of tariffs of Aena for 2016, and establishing the measures to be adopted in future consultation procedures". This Resolution incorporates the criteria established in the Agreement of 23 April 2015, for the purpose of the proposed tariff review which has been submitted for approval by the General State Budgets Act for 2016. Against this Resolution, the Company has filed an administrative appeal before the National High Court. The processing of this administrative appeal has been suspended until Aena's appeal to the Supreme Court against the National High Court Rulings of 29 July and 10 November 2015 has been settled.

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

24 Grants

The breakdown and movements for this heading at 31 December 2016 and 2015 are as follows (thousand euros):

	2016	2015
Capital grants from official European bodies		
1 January	610,250	650,160
Additions	13,988	6,018
Amount attributed to the income statement	(41,590)	(45,928)
31 December	582,648	610,250

Grants are mainly resources granted by the European Regional Development Fund (ERDF) for the development of airport infrastructure (see Note 13).

The details by operative programmes of gross grants received during 2016 and 2015 are as follows, in thousand euros:

	Thousand euros	
	2016	2015
Operational programme Com. Canarias	9,013	22,287
A.T.Governance	38	-
Knowledge-driven economy Operating Schedule	1.614	-
Total Funds from ERDF	10,665	22,287

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At the end of 2016, the Company understands that it has complied with all requirements necessary to receive and enjoy the above grants.

25 Other long-term liabilities

On 14 February 2013, Aena, S.A. signed three contracts with World Duty Free Group Spain, S.A. for the commercial rental of the duty free and duty paid stores across the entire network of airports in Spain. These contracts are valid until 31 October 2020 and include an advance by 332,442 thousand euros, which is periodically offset by billing. In this sense, at 31 December 2016 long-term advances amounted to 120,508 thousand euros (2015: 159,993 thousand euros).

	Long-term liability	
	2016	2015
Bonds and other	11,493	6,115
Accruals (Note 19)	120,508	159,993
Total	132,001	166,108

26 Commitments

a) *Environmental commitments*

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

Property, plant and equipment at 31 December 2016 included investments of an environmental nature for an amount of 509.02 million euros, for which the accumulated depreciation amounted to 212.92 million euros (2015: investments for 538.2 million euros and depreciation for 197.9 million euros).

The environmental investments made during the year 2016, comprising the elements incorporated into the Company's net worth with the aim of being used permanently in its professional activity, whose main purpose is to minimise environmental impact and protect and improve the environment including control, prevention, reduction or elimination of future pollution of the operations of the entity, they amounted to stood at 6,324 thousand euros (2015:26,058 thousand euros), broken down as follows:

	Thousand euros	
	2016	2015
Madrid-Barajas	(2,840)	10,511
Málaga	1,409	114
Palma-Mallorca	113	1,439
Bilbao	389	513
Alicante	311	1,887
Barcelona	191	-
Santiago	116	40
Menorca	113	4
Gran Canaria	52	834
Tenerife Norte	84	7,457
Valencia	76	824
Ibiza	44	1,723
Pamplona	-	1
A Coruña	12	253
Other airports	574	458
Total	6,324	26,058

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The Profit & Loss Account for 2016 and 2015 includes the following expenses of an environmental nature, detailed by concepts:

	Thousand euros	
	2016	2015
Repairs and maintenance	7,994	7,534
Independent professional services	1,374	1,549
Other environmental services	3,543	2,994
Total	12,911	11,949

Provisions and contingencies of an environmental nature are detailed in Note 23. Environmental evaluation legislation (currently Act 21/2013), requires that certain Aena projects are submitted to an environmental impact assessment (particularly runway extensions exceeding 2,100 metres), finalised by the formulation of the corresponding environmental impact statements by the Ministry of Agriculture, Food and Environment, which contain the obligation to develop and execute Soundproofing Plans. The aforesaid environmental impact statements published are those considered at the time of making provisions, regardless of whether these insulation tasks are performed subsequently on buildings affected, thus causing a temporary difference between the provision and execution of the works. The directors of the Company do not expect any additional liabilities or contingencies to appear for this concept which could be significant.

As of 31 December 2016 under the Acoustic Insulation Plans a total of 21,271 residential units have been soundproofed (2015: 19,639 units), highlighting the 12,841 homes in the vicinity of the Adolfo Suárez Madrid-Barajas Airport (2015: 12,828 homes), 2,602 in Alicante-Elche and 811 in Málaga-Costa del Sol (2015: 2,087 homes in Alicante-Elche and 810 in Malaga-Costa del Sol), 1,325 in Bilbao (2015: 1,071) and 803 in Palma de Mallorca (2015: 779). For this item, during the financial year, works worth 13,259 thousand euros and 4,199 thousand euros have been carried out for actions related to the compensatory measures of the river basins of the Jarama and Henares Rivers.

In addition, work to soundproof homes located in the areas surrounding the airports of Sabadell, Girona and Melilla, was started in 2007 and is ongoing as at the end of 2016.

Moreover, it has been observed for the period between December 2015 and November 2016 that the actions carried out have been less extensive, for this reason we have proceeded to review the unit cost per outstanding home run, which has fallen from 12,407 euros to 9,451 euros (Note 23).

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

b) Commitments to acquire fixed assets

At 31 December 2016, outstanding investments amount to approximately 379.5 million euros (2015: 303.6 million euros), which include allocated investments pending formalisation by contract and confirmed investments awaiting execution.

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c) Operating lease commitments

The Parent company records operating leases obtained from third parties covering certain assets, notably those indicated below together with the main characteristics of the relevant agreements (thousand euros):

Asset	Location	Maturity date	Annual rent excluding VAT	Remarks
Piovera building	Madrid	31/01/2019	3,595	Rent may be reviewed in accordance with the contractual terms

Asset	Location	Maturity date	Annual rent excluding VAT	Remarks
Arturo Soria building	Madrid	31/01/2018	942	Rent may be reviewed in accordance with the contractual terms

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

	2016	2015
Less than 1 year	4,391	3,595
Between 1 and 5 years	4,834	7,925
Total	9,225	11,520

There are no total future minimum payments for periods longer than five years.

d) Minimum future fees to be received under operating leases

The Company Aena, S.A. leases several shops and warehouses under irrevocable operating leases. These contracts have a duration of between five and ten years, mostly being renewable at their expiry in accordance with market conditions. Total minimum leasing collections for the next 5 years, for non-cancellable operating leases are as follows:

	2016	2015
Less than 1 year	588,063	503,700
Between 1 and 5 years	1,727,573	1,784,000
More than 5 years	114,283	53,500
Total	2,429,919	2,341,200

27 Other net (losses)/profits

	2016	2015
Other losses	(1,058)	(1,101)
Other profits	1,457	6,614
Total Other net (losses) / profits	399	5,513

The amount of "Other profits" for financial years 2016 and 2015 includes mainly seizures of guarantees and bonds, as well as late payment penalties and surcharges; losses include mainly compensation payments and provision for contingencies.

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28 Employee benefit expenses

	2016	2015
Wages and salaries, including voluntary separation compensation	279,698	282,567
Voluntary Separation Plan (Note 19)	-	(24,211)
Social Security expenses	89,194	84,601
Pension costs (Note 22)	3,893	4,309
Retirement and long-service bonus costs (Note 22)	784	33
Other social expenses	17,155	16,612
	390,724	363,911

The increase in this heading is due to the effect of the reversal in the year 2015 of the remaining balance of the Provision for Voluntary Separation Social Plan amounting to 24,211 thousand euros (see Note 23). Moreover, in the year 2015 under the heading for "Salaries, wages and allowances" this includes, pursuant to the provisions of LPGE 2016, the estimate, amounting to 7.8 million euros for the parent company Aena, SA, of the extra payment which was not made in 2012 to each employee under Article 2 of Royal Decree Law 20/2012, an amount that was paid in 2016. In 2016, the heading on Social Security includes the effect derived from the Act of Settlement of the Inspectorate of Labour and Social Security received at Aena, SA during the year, due to differences of opinion in trading of industrial accidents and occupational illnesses in certain occupations, in the period from August 2011 to July 2015 (See Note 23 Liability Provision).

Furthermore, as a result of the full consolidation of the LLAH III group under the heading for "Expenses for employee benefits" in 2016 this includes an amount of 39,057 thousand euros corresponding to said group (2015: 40,428 thousand euros).

The number of employees at the year-end, by category and gender, in the fully consolidated companies forming part of the Group were as follows:

Professional Category	31/12/2016 ^(*)			31/12/2015 ^(*)		
	Male	Female	Total	Male	Female	Total
Senior management	8	2	10	8	2	10
Executives and graduates	901	675	1,576	837	610	1,447
Coordinators	785	267	1,052	811	285	1,096
Technicians	2,978	1,440	4,418	2,920	1,431	4,351
Support personnel	534	473	1,007	529	449	978
Totals	5,206	2,857	8,063	5,105	2,777	7,882

(*)The above figures include temporary employees, a total of 951 at the end of 2016 (2015:756).

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The average number of employees by professional category is as follows:

Professional Category	2016 ^(*)	2015 ^(*)
Senior management	10	9
Executives and graduates	(1,462)	1,442
Coordinators	1,077	1,114
Technicians	4,396	4,339
Support personnel	1019	1,036
Total	7,964	7,940

^(*)The above figures include temporary employees, a total of 829 at the end of 2016 (2015:707).

At the close of 2016, and at the date of preparation of the financial statements, the Board of Directors of the parent Company is made up of 12 men and 3 women (2015: 11 men and 4 women).

At 31 December 2016, the Group has an average of 115 disabled employees (2015:115).

29 Other operating revenue

The breakdown of the heading "Other operating revenue" in 2016 and 2015 is as follows:

	2016	2015
Sundry and other operating revenues	7,107	7,046
Operating grants taken to revenue	654	1,430
Other operating revenue	7,761	8,476

30 Supplies and other operating expenses

a) Supplies

The breakdown of the heading "Supplies" in 2016 and 2015 is as follows (thousand euros):

	2016	2015
Purchases of other supplies	(613)	(1.140)
Work carried out by other companies	(179.753)	(179.828)
Total	(180.366)	(180.968)

The works carried out by other companies relate mainly to the services provided by the Ministry of Defence (Note 2.26) amounting to 3.039 thousand euros (2015: 3.128 thousand euros), as well as the Communications, Navigation, and Surveillance Services (CNS), Air Transit Management (ATM), and Aeronautical Information Services (AIS) provided by ENAIRE (Note 34) amounting to 145.441 thousand euros (2015: 145.480 thousand euros). This heading also includes the costs of the agreement signed in March 2014 with the Spanish Meteorology Agency (AEMET) for the provision of meteorological services to the network of airports managed by Aena (Note 34) amounting to 10,000 thousand euros (2015: 10.000 thousand euros).

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b) Other operating expenses

The breakdown of the heading "Other operating expenses" in 2016 and 2015 is as follows:

	2016	2015
Rent and royalties	6,025	6,083
Repairs and maintenance	260,314	252,643
Independent professional services	39,196	34,412
Bank services	870	1,430
Public relations	6,831	5,865
Utilities	96,933	102,982
Other services	141,451	137,043
Security	135,331	127,583
Taxes	151,928	153,084
Losses, impairment and changes in provisions for commercial transactions (Note 13)	7,845	3,361
Other ordinary expenses	55,051	47,720
Other operating expenses	901,775	872,206

As a consequence of the full consolidation method being applied to the LLAH III group since 16 October 2014, the heading of "Other operating expenses" includes, for 2016, 93,349 thousand euros originating in this group, of which 48,178 thousand euros are included in the heading "Other current management expenses" (2015: 94,442 thousand euros originating in this associate, of which 45,793 thousand euros are included in the heading "Other current management expenses"). This "Other ordinary expenses" item mainly shows the administrative concession of LLAH III royalty (see note 7), for an amount of 47,929 thousand euros (2015: 45,447 thousand euros) and also includes, for 2016, the allocation to the provision for liabilities related with claims by airlines of an amount of 4,111 thousand euros (see Note 23).

Under the heading on "Repair and maintenance", this includes mainly repair costs of airport infrastructures, maintenance of the SATE (automatic baggage treatment) system and cleaning of buildings and passenger terminals. "Utilities" mainly relates to lighting, water and telephone costs. "Other services" mainly relate to car park management services, the cost of services to assist passengers with limited mobility, insurance premiums and public information services.

The analysis of variations in this group shows:

- Increases under the heading for "Surveillance and security services" stands at 7.2 million euros, due to the new regulations on hand-luggage screening operational from March 2015 and the significant growth in traffic recorded in the Spanish airport network.
- Increase under the heading for "Other services" is also due to expenses incurred as a result of fulfilling the needs arising from the increase in traffic.
- Decreases under the heading for "Supplies" due to lowering electricity costs.

By application of IFRIC 21, the item of Taxes recognised, at the start of the financial year 2016, the annual amount of the burdens affected by this standard, for an amount of 145,104 thousand euros (2015: 144,289 thousand euros). Balance collected in Taxes mainly corresponds to the amounts paid in local taxes, mainly in property tax (IBI) and tax on commercial and professional activities (IAE).

At 31 December 2016 balances provided for with customers were recovered for an amount of 21,801 thousand euros and trade credits were impaired and deregistered for an amount of 13,956 thousand euros (2015: 20,373 thousand euros and 17,012 thousand euros, respectively).

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31 Financial revenue and expenses

The breakdown of the heading "Net financial expense" in 2016 and 2015 is as follows:

	2016	2015
Financial expense:		
Financial expense on amounts owed to third parties	(22,430)	(41,558)
Financial expenses on loans from ENAIRE	(95,325)	(167,698)
Update of provisions (Note 23)	460	(1,162)
Minus: financial expenses capitalised for qualifying assets (Notes 6 and 7)	663	2,920
Total financial expense	(117,552)	(207,498)
	2016	2015
Financial revenue:		
Financial revenue from equity instrument holdings (Note 34)	4,840	250
Financial revenue from expropriation interests (Note 23)	201,406	-
Other financial revenue	2,238	3,842
Total finance revenue	208,484	4,092
	2016	2015
Other net financial revenue/(expense)		
Net exchange differences	(9,807)	2,920
Impairment of financial assets held for sale (Note 11)	(4,469)	97
Profit/(Loss) on interest rate derivatives: cash flow hedges (Note 12)	(44,472)	(25,203)
Total other net financial revenue/(expense)	(58,748)	(22,186)
Net financial expenses	32,184	(225,592)

The most significant amounts in financial years 2015 and 2016 relate to financial expenses were in relation to the debt with ENAIRE.

The heading "Financial expense on amounts owed to third parties" included 18,722 thousand euros in 2016 (2015: 20,478 thousand euros) of financial expenses LLAH III group; and 648 thousand euros of interest accrued by potential liability for lawsuits (2015: 8,624 thousand euros). At 31 December 2015 this heading also included financial expenses for interest for delay on expropriation litigation for a sum of 9,922 thousand euros (Note 23).

The reduction in financial expenses on the ENAIRE loan was due to the reduction in average debt and a fall in the average interest rate. The average debt reduces due to the Group generating sufficient cash flow to deal with its payment commitments without needing to take on more debt. The decline in the average interest rate is due to lower benchmark rates in the 3M and 6M Euribor, and to the negotiation held in 2015 to reduce loan spreads greater than 1.58%, along with the revision of the policy on interest rates on EIB loans that is currently underway (see Note 34.f).

On the other hand, it has provided 11,834 thousand euros to deal with the possible increase in financial costs driven by the change in the risk weighting of ENIARE occurring after the new regulations issued by the Bank of Spain (see Note 20).

The Group records the provisions for financial adjustments under the heading for "Update of provisions" as a result of the modification of the provisions concerned.

"Other financial revenue" includes benefits for 201,406 thousand euros from the reversal of provisions for default interest in expropriation disputes (Note 23).

The negative change in the heading for exchange rate differences in 2016 has been caused mainly by the unfavourable evolution of the GBP/EUR change in the valuation of loan LLAHL III Group shareholders (Note 20), these differences - 12.7 million euros compared to 2015 (Note 3.2).

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32 Corporate tax

	2016	2015
Current tax:		
Current tax on revenue for the year	(376,294)	(277,319)
Valuation adjustments Act 27/2014 against profit/loss (Note 21)	-	19,367
England Exchange rate (Note 21)	3,762	10,578
Adjustments with respect to prior years and other	2,384	224
Total current taxes	(370,148)	(247,150)
Deferred tax (Note 21)	7,679	(2,112)
Generated deductions	10,736	39,469
Revenue tax	(351,733)	(209,793)

The item "Adjustments with respect to prior years and other" mainly corresponds to the regularisation between the estimates made at the end of the year and the presentation of the corporate revenue tax return.

The main permanent differences of the year mainly relate to non-deductible expenses and a reduction in Taxable Revenue derived from capitalisation reserve adjustment established in Article 25 of Act 27/2014 on Corporate Tax. The main temporary differences relate to the difference between tax depreciation and book depreciation, provision for insolvency and contingencies and staffing costs.

The standard rate of corporation tax for the financial year 2016 is 25%. Act 27/2014 of 27 November on Corporation Tax, which entered into force on 1 January 2015, provides that the standard rate for those subject to this tax will be 28% in 2015 and 25% from 2016.

In 2015, as a result of this reduction in the standard rate of tax and other amendments included in Act 27/2014 of 27 November, deferred tax assets and liabilities were reassessed according to their estimated reversion period, with the following effects:

- Decreased expenses under the heading "Revenue tax expenses" in the financial statement for the amount of 19,367 thousand euros which was credited, increasing them, to assets for temporary differences (heading "Deferred tax assets" under Non-current assets in the balance sheet). Of this amount, 21,944 thousand euros correspond to the credit amount activated by differences in tax depreciation and book depreciation non-deductible by temporary measures at 30%, resulting from the deduction provided for in the transitory provision of Act 27/2014, of which 934 thousand euros have been used in 2016 (see table of deductions in Note 21).
- A charge in "Hedging transactions" under Equity to the amount of 2,115 thousand euros, to reduce "deferred tax assets" in respect of items previously paid under the aforementioned heading in net Equity.
- A charge in "Actuarial gains and losses" under net Equity to the amount of 2 thousand euros, to reduce "deferred tax assets" in respect of items previously paid under the aforementioned heading in net equity.

Moreover, as a result of a future decrease in tax rates in England, in 2016 we have proceeded to reassess assets and deferred tax liabilities based on their estimated reversal period in the investee LLAH III, recording the following impacts:

- Lower expenses under the heading for "Revenue tax benefits" of the revenue statement amounting to 3,762 thousand euros, of which is entered, decreasing them to liabilities for temporary differences (under "Deferred tax liabilities" of non-current liabilities in the balance sheet) an amount of 3,681 thousand euros, and on the other, are credited, decreasing them to temporary differences assets (under "Deferred tax assets" of non-current assets in the balance sheet) an amount of 81 thousand euros (see Note 21).
- A decrease under the heading for "Deferred tax assets" heading for an amount of 1,295 thousand euros, with its counterpart in net equity (Note 21).

In 2015, the impact of future rate decrease in England was:

- Decreased expenses under the heading "Revenue tax expenses" in the financial statement for the amount of

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10,578 thousand euros which was credited, decreasing them, to liabilities for temporary differences (heading "Deferred tax assets" under non-current liabilities in the balance sheet) an amount of 10,768 thousand euros, and on the other, decreasing them due to temporary differences assets (under "Deferred tax assets" of the non-current assets in the balance sheet) an amount of 190 thousand euros (see Note 21).

- A decrease under the "Deferred Tax Assets" heading for an amount of 600 thousand euros, with counterpart in net equity (Note 21).

The Group's revenue 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:

	2016	2015
Profit/loss before tax	1,516,119	1,040,578
Tax calculated at standard national applicable rate	(379,030)	(291,362)
- Tax effects of:		
- Profits from associates, net of taxes	4,030	3,923
- Revenues not subject to taxation	-	-
- Effect minus rate applicable to LLAH III	(41)	(1,421)
- Non-deductible expenses for tax purposes	(37)	431
- Capitalisation reserve	7,770	9,787
- Valuation adjustments Law 27/2014	-	19,367
- Utilisation of tax deductions not previously recognised	10,736	39,469
- Tax credits deductions recorded in the year with the tax group	-	-
- Adjustment England tax rate (Note 21)	3,762	10,578
- Adjustments of prior years	1,409	1,950
- Negative tax adjustment	975	(1,725)
- Other	(1,307)	72
Tax expense	(351,733)	(209,793)

The applicable tax rate before tax credits and deductions and activation tax losses stood at 25% (2015: 28%), except for the results relating to the investee LLAH III, upon which tax is paid at the rate of 20% (2015: 20.25%).

The charge/credit for taxes relating to the components of Other comprehensive revenue is as follows:

	2016			2015		
	Before taxes	Tax (charge)/credit	After taxes	Before taxes	Tax (charge)/credit	After taxes
Cash flow hedging (Note 18)	(62,668)	15,120	(47,548)	(65,915)	16,316	(49,599)
Actuarial losses and gains (Note 18)	(27,629)	4,474	(23,155)	8,482	(2,057)	6,425
Share in other comprehensive revenue of associates (Note 18)	-	-	30	-	-	-
Other overall	(90,297)	19,594	(70,673)	(57,433)	14,259	(43,174)
profit/(loss):						
Current revenue tax						
Deferred tax (Note 21)	-	19,594	-	-	14,259	-
	(90,297)	19,594	(70,673)	(57,443)	14,259	(43,174)

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Other issues

In accordance with the tax regulations in force (art. 59.2 of Act 27/2014 on Corporation Tax), and with effect from 1 January 2015, Aena S.A. and its subsidiaries withdrew from the tax consolidation group headed by ENAIRE.

On the occasion of such termination, at 1 January 2015, the AENA Tax Group to which AENA and AENA International Development belonged as subsidiaries, together with ENAIRE, and according to the will expressed by the Boards of both companies, on 7 April 2015 Aena informed the Tax Office on the application to the tax consolidation system of companies AENA S.A. and Aena Desarrollo Internacional, S.A.U. (see Note 21).

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. At 31 December 2016, inspection is open for all taxes between 1 January 2013 and 31 December 2016.

The public company "ENAIRE", head of the Tax Group (Note 2.18), has opened the limitation period on corporate income tax for the years 2012-2014 in which the Company was taxed as part of a fiscal consolidation regime with ENAIRE.

The directors of Aena believe that taxes have been appropriately settled, so that even in case of discrepancies arising in the interpretation of the rules in effect for the tax treatment of the transactions, any resulting liabilities, should there be any, would not have a significant effect on the accompanying consolidated financial statements.

The taxes for the last 6 years in the United Kingdom companies comprised in the LLAH III group are open to inspection by that taxation authority.

33 Earnings per share

Basic earnings per share are calculated by dividing the profit/loss for the year attributable to the Company's shareholders by the weighted average number of outstanding shares during the year.

	31 December 2016	31 December 2015
Net profit for the year (thousand euros)	1,164,149	833,537
Weighted average number of ordinary shares	150,000,000	150,000,000
Basic earnings per share (euro per share)	7.76	5.56

Diluted earnings per share are calculated by dividing the results for the year 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 2016 and 2015 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 Transactions with related parties

The Group is controlled by the public business entity "ENAIRE", holding 51% in Aena, S.A.'s share capital.

All transactions with related parties 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.

Those transactions over which the Government of Spain has a position of control, with which there is no balance and no significant transaction, are not detailed in the section of related entities.

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The transactions carried out with related parties are set out below:

(a) Sales of goods and services

Rendering of services:	2016	2015
-Last Company	1,433	2,479
ENAIRE	1,433	2,479
- Associated companies	5,930	5,744
SACSA	684	594
AMP	4,787	(4,721)
AEROCALI	459	429
- Related companies	62	114
INECO	57	108
ISDEFE	5	6
Total	7,425	8,337

(b) Purchases of goods and services

	2016	2015
Services received:		
- Last Company	146,534	146,561
ENAIRE	146,534	146,561
- Related companies	24,849	25,682
INECO	12,387	12,833
AEMET	10,000	10,000
ISDEFE	2,462	2,849
Total	171,383	172,243
Acquisition of assets		
- Group companies	292	-
ADI	292	-
-Related companies	8,346	8,431
INECO	6,068	6,371
ISDEFE	2,278	2,060
Total	8,638	8,431

The amount for the service provided to ENAIRE, 146,534 thousand euros, mainly belongs 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 "Raw materials and consumables" in the attached consolidated profit and loss account.

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Main contracts:

Contracts between the public company "ENAIRES" and Aena, S.A. for 2016 and 2015 are listed below:

Year 2016:

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

Year 2015:

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

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

Additionally, there is an agreement of collaboration with Ingeniería y Economía del Transporte, S.A. (INECO) for drafting and reviewing projects, construction supervision and technical assistance on surveillance monitoring, engineering for certification, maintenance and operation of airport facilities and processes planning, airport development and environment, airport commercial development and logistics studies and designs in terminal buildings to improve operational efficiency and achieve greater cost reduction, whose annex of actions has been renewed on an annual basis.

The related company ISDEFE has been providing Aena with a series of services that fall under any of the activities forming its corporate purpose, including the following activities in accordance with the agreement dated 8 November 2013:

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

The State Meteorological Agency (AEMET), in its capacity as State meteorological authority and as a certified service provider, is the only body officially designated in Spain to provide meteorological services to aviation activity. For the designation of more providers of this service, a prior regulatory development is necessary. AEMET also provides weather services to other Spanish airports not managed by Aena, S.A.

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

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

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

Because the supply of this service is essential for the operations' development, it is necessary to provide continuity to this service by ensuring the fulfillment of the current quality, safety and efficiency requirements, while maintaining at the same time equal economic conditions.

Therefore, the cost of the contract to AENA is set to ten million euros (10.000.000,00 €) per year, without any variation regarding the current agreement.

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(c) Revenue from shareholdings in Related parties

	2016	2015
-Related companies (Note 31)	4,840	250
ACDL	4,590	-
ESSP SAS	250	250
Total	4,840	250

On 15 February 2016 the shareholders of ACDL decided to reduce the share capital, allocating 25,000 thousand pounds to reserves of free disposal and approving a dividend for that sum. The amount of the dividend recognised by the Group amounted to 3,234 thousand euros. Similarly, on 12 December 2016 ACDL shareholders decided to reduce the share capital, allocating 11,375 thousand pounds to unrestricted reserves and approving a dividend of this amount. The amount of the dividend recognized by the Group amounted to 1,356 thousand euros. As a result of the disinvestment carried out in ACDL through TBI, the Group recognised a loss for impairment of that investment amounting to 34,590 thousand euros (Note 9). This impairment is caused as a consequence of the reduction in recoverable value of the investment following the disinvestment mentioned above.

Additionally, in 2016 the Group received a dividend from European Satellite Services Provider SAS (ESSP SAS) amounting to 250 thousand euros (31 December 2015: 250 thousand euros).

See dividends received from associated companies in Note 9.

During the first half of 2016, the subsidiary LLAH III distributed to its shareholders dividends amounting to 5,200 thousand pounds (6,836 thousand euros at the exchange rate transaction), of which Aena Desarrollo Internacional has received 3,486 thousand euros, and the remaining 3,350 thousands euros were received by external partners.

(d) Key management personnel compensation

See Note 35. Other information

(e) Year-end balances arising from sales/purchases of goods/services

	2016	2015
Receivables from related parties:		
- Associated companies	2,847	2,374
SACSA	155	125
AMP	2,660	2,221
AEROCALI	32	28
- Related parties	25	3
INECO	25	3
AEMET	-	-
ISDEFE	-	-
Most recent parent company	243	494
ENAIRE	243	494
Total receivables from related parties	3,115	2,871

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	2016	2015
Payables to related parties:		
- Related parties	8.988	8,620
INECO	6,036	7,031
AEMET	1,842	833
ISDEFE	1110	756
Most recent parent company	26.599	27,487
ENAIRES	26.599	27,487
Total payables to related parties	35,587	36,107

Receivables from related parties derive mainly from the purchase and sale of services. Receivables from the Parent Company that arised from corporate revenue tax filed under the tax consolidation system until the tax group break were included in "Other receivables from related parties", together with the balance of tax deductions recognised (see Note 13). The receivables are not secured due to their nature and do not accrue interest. There is no provision for receivables from related parties.

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" (see Note 19). Payables do not accrue any interest.

(f) *Loans and derivatives with related parties*

	At 31 December	
	2016	2015
Non-current		
Loan to Aena S.A. with ENAIRES	7,493,942	8,318,422
Adjustment of the loan from the Company using the effective cost criteria	(6,761)	(8,821)
Sub-total of loans from related parties (Note 20)	7,487,181	8,309,601
Non-current hedge derivatives attributed by the Company	-	151
Subtotal of Aena S.A.'s non-current borrowings in respect of ENAIRES	7,487,181	8,309,752
Current		
Loan with ENAIRES	777,629	1,125,488
Other	(1,039)	(1,710)
Interest accrued on loans from the Company	33,812	26,453
Sub-total of loans from related parties (Note 20)	810,402	1,150,231
Current hedge derivatives attributed by ENAIRES	176	1,535
Subtotal of Aena S.A.'s current borrowings in respect of ENAIRES	810,578	1,151,766
	8,297,759	9,461,518

The fair values of the loans from the Company (public business entity "ENAIRES") are broken down in Note 20.

As a result of a review process on variable rate loans in October 2016 loans amounting to 15,000 thousand euros were cancelled in advance whose due date was 15 March 2017, amounting to 30,000 thousand euros whose due date was 30 September 2017 and amounting to 75,000 thousand euros whose due date was 15 December 2019.

As indicated in Note 3.2, regarding revisable rate loans, the parent company has modified the rate regime for those loans that were open for review in 2016. The total revised amount totalled 781,304 thousand euros for loans from the European Investment Bank, which have been set at a fixed rate to maturity, from an average rate of 1.765% to an average rate of 0.82%. 290 million euros relating to loans from the Official Credit Institute have also been revised with a variable rate with spread of 0.98%, thus achieving a reduction of said *spread* to 0.75%, changing in addition the schedule of payments.

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In 2015 the total amount revised was 2,432,139 thousand euros, of which 945,372 thousand euros pertained to EIB loan and were set at a fixed rate to maturity at an average rate of 1.04% and 1,486,767 thousand euros pertained to FMS and DEPPFA bank loans that became variable interest rate loans (3 month Euribor +0.11).

Similarly, during the month of December 2015 variable rate loans were traded with spreads greater than 1.58% (with an average spread of 4.42%) for a total of 613,239 thousand euros, reducing the spread to 0.98%.

The exposure of the Company's loans and credit facilities to interest rate variations and the contract dates on which prices at the balance sheet date are revised are as follows:

	At 31 December	
	2016	2015
Date of revision of debt with variable rate ENAIRE:		
Less than 6 months	1,810,244	1,964,242
Revision Date of Fixed Reviewable Rate Debt with ENAIRE:		
Less than 6 months	428,504	531,890
6 months to 1 year	87,500	360,989
1- 5 years	27,400	580,777
	2,353,648	3,437,898
Fixed Rate debt with ENAIRE	5,917,923	6,006,012
	8,271,571	9,443,910
Debt with ENAIRE Interest Accrued	33,812	26,453
Debt with ENAIRE Commission	(7,800)	(10,530)
TOTAL	8,297,583	9,459,833

As indicated in Note 20, due to the non-monetary contribution described in Note 1, the Company and ENAIRE signed a financing agreement, whereby debts corresponding to the branch of activity contributed in the capital increase described in the aforesaid Note 1 were passed from ENAIRE to Aena Company SA. On 29 July 2015, the public company "ENAIRE", Aena, SA and the respective financial institutions agreed the amendatory and non-extinction of the financing agreements.

The re-wording of the new financing agreements supersedes entirely, and to all legal effects, the original contracts and their novations, in order to, amongst other amendments, eliminate any contractual restriction that could affect the privatisation process and to include Aena S.A. as jointly liable together with the public business entity "ENAIRE" under the various Financing Contracts and to make all the adjustments to these financing contracts that may be necessary for this purpose (see Note 20).

In respect of the reasons for declaring early maturity, Aena does not breach any of the conditions for early maturity and this will not affect the Company's balance sheet at 31 December 2016 and 31 December 2015.

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35 Other information

Audit fees

The audit fees contracted during 2016 and 2015 by PricewaterhouseCoopers Auditores, S.L. (PwC) for audit and other verification services are set out below:

Item	2016	2015
Audit services	65	65
Other attest services	67	34
Other services	-	162
Total	132	261

The fees accrued in 2016 and 2015 by other audit firms for audit and other services are indicated below (thousand euros):

Item	2016	2015
Audit services	243	126
Other attest services	-	-
Other services	236	157
Total	479	283

Compensation for senior management and directors

Compensation received in 2016 and 2015 by the senior management and directors of the Parent Company, classified by item, was as follows (thousand euros):

Item	2016			2015		
	Senior management	Board of Directors	Total	Senior management	Board of Directors	Total
Salaries	1,259	-	1,259	1,190	-	1,190
Allowances	26	118	144	26	131	157
Insurance premiums	7	-	7	6	-	6
Total	1,292	118	1,410	1,222	131	1,353

The compensation received during 2016 corresponds to those perceived by Aena, S.A. for 9 senior management positions and for the Chairman-CEO.

The compensation received during 2015 corresponds to those perceived by Aena, S.A. for 9 senior management positions and for the Chairman-CEO.

Retributive difference can be seen between the periods analysed as being mainly due to the fact that in the first half of 2015 there were organisational movements and one post was vacant for much of this period, along with the 1% increase in wages, with effects of 1 January 2016. This was authorized by the 2016 State Budget Act and the related credit to the recovery of 49.73% of the fourteenth of total annual remuneration, which was granted as equivalent to the Extra Payment from December 2012, suspended due to application of Royal Decree Law 20/2012 of 13 July.

No advances or loans at year-end 2016 and 2015. Also, there are no pension obligations owed to former or current managers.

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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.

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

In 2016 and 2015 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 2016 and 2015 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.

36 Events after the balance sheet date

From 31 December 2016 until the date of preparation of these Consolidated Financial Statements, the following events have taken place within the Aena Group:

- 1) The Council of Ministers of 27 January 2016 approved the Airport Regulation Document (DORA) for the five years from 2017 to 2021, which is the basic instrument that defines the minimum conditions necessary to ensure accessibility, adequacy and appropriateness of airport infrastructures and the adequate provision of basic airport services in Aena network airports.

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 forth in Act 18/2014, of 15 October, and contains therein Aena's obligations for a period of 5 years, establishing, amongst other aspects:

- With regard to tariffs, with the establishment of a maximum annual revenue per passenger (IMAP) that allows for 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 tariffs will undergo an annual decrease of 2.22% over the period 2017-2021.
- 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.
- The levels of service quality, as well as a system of incentives and sanctions to ensure compliance.

The DORA mechanism sets a double cash-desk or dual till meaning that the costs of basic airport services, subject to public property contributions, can be covered solely with the revenues generated by these services.

DORA establishes the strategic guidelines for Aena in the period 2017-2021, namely:

- Viable and efficient management of the airport network.
- The provision of airport services under the most appropriate conditions of quality and safety.
- Environmental sustainability ensuring citizens' mobility.
- Social and territorial cohesion.

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The main elements and conditions applicable to the services provided by Aena during the five years 2017-2021 are detailed below.

1- Traffic forecasts

In recent years, traffic at Aena airports has experienced a recovery that culminated in 2016 with an increase of 11% in passenger traffic figures.

The forecasts contained in the 2017-2021 DORA reflect growth expectations as the macroeconomic environment and the data for the historical records, which are summarised below:

Traffic	2015	2016	2017	2018	2019	2021	2021
Passengers (in millions)	207.4	230.2	241.6	244.4	246.7	248.6	250.0
%	5.9%	11.0%	5.0%	1.1%	1.0%	0.8%	0.6%
Operations (in thousands)	1,903.0	2,045.0	2,134.6	2,154.9	2,171.1	2,184.7	2,194.7
%	3.8%	7.5%	4.4%	0.9%	0.8%	0.6%	0.5%
Freight (in millions of kg)	715.6	795.6	827.2	853.7	880.2	906.7	931.7
%	4.8%	11.2%	4.0%	3.2%	3.1%	3.0%	2.8%
ATU* (in millions)	404.9	442.7	463.4	468.4	472.6	476.1	478.8
%	4.9%	9.3%	4.7%	1.1%	0.9%	0.7%	0.6%

Source: DORA 2017-2021

ATU: Passengers (10 * tonnes of freight) (100 * operations)

As is duly established in Annex VIII of Act 18/2014, in its seventh paragraph, variations in the number of passengers in relation to the values planned and established for in DORA are at the risk and expense of Aena, unless exceptional situations occur under the terms defined by DORA.

In this sense, the 2017-2021 DORA establishes as exceptional situation an annual increase of passenger traffic in the whole network which exceeds by 10 percentage points the values initially provided during any of the years contained within the period.

This could lead to a modification of DORA for the purposes of reversing the revenue system generated by the increase in traffic compared to forecast values.

2 - Capacity Standards

Aena has made strident efforts in recent years that have allowed it to build the capacity of Spanish airports to meet the future demands of airlines and passengers.

The current capacity is more than 335 million passengers a year, and it is estimated for this figure to increase after the implementation of investments planned for expansion projects over the five year period to reach 338 million passengers a year.

The DORA reflects the value of the indicators corresponding to the overall capacity of the network capacity, the current maximum capacity and airport infrastructure and the level of use envisaged for each year of the five-year period. Regardless of the validity of existing indicators, Aena shall perform all actions necessary to ensure the capacity of the infrastructure in adequate quality conditions.

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3 - Quality standards

In order to ensure that airport services are continually provided with the current high levels of quality, Aena will implement a comprehensive quality plan to ensure the highest standards that can be measured through a series of indicators.

The quality measurement system will be performed on five areas, across 17 indicators, 11 of which are subject to a system of incentives or penalties as detailed below:

- Satisfaction perceived by passengers, comprising the following indicators:
 - SPAX-01 Overall passenger satisfaction
 - **SPAX-02 Satisfaction with cleanliness at the airport**
 - **SPAX-03 Satisfaction with guidance at the airport**
 - SPAX-04 Passenger satisfaction with physical security
 - **SPAX-05 Satisfaction with comfort in boarding areas**
 - **SPAX-06 Satisfaction of passengers with reduced mobility (PRM) in terms of accessibility**

- Waiting time in passenger processing points, which includes as indicators:
 - **TEPP-01 Waiting time in passenger security control**
 - **TEPP-02 Waiting time until the delivery of the last baggage item**

- Availability of equipment on the land side, which includes:
 - **DEET-01 Availability of electro-mechanical equipment, luggage claim belts and Baggage Handling Systems (STE)**
 - DEET-02 Availability of Automatic baggage handling system (SATE)
 - DEET-03 Availability of the connection system between terminals (APM)

- Availability of equipment on the air side, with these indicators:
 - **DELA-01 Availability of parking spaces**
 - **DELA-02 Availability of passenger boarding air bridges**
 - **DELA-03 Availability and continuity of communications, navigation and surveillance service (CNS)**

- Other key areas, including:
 - **OTAC-01 Response time to complaints on airport management**
 - OTAC-02 Delay due to airport infrastructure
 - OTAC-03 Additional time in taxiways

The indicators highlighted in bold are subject to incentive or penalty

The indicators will be used to monitor the performance of Aena in the area of quality of service. Should said performance be reduced below certain minimum levels, a penalty will be incurred in the value of the maximum annual revenue per passenger (IMAP). Conversely, if the values of the indicators are exceeded a bonus will be paid in line with the IMAP.

The maximum range of incentives or penalties for quality is between 2% and -2% of the value of the IMAP at a network level. For the calculation on an individual level of each airport the 2% limit for bonuses is maintained, establishing a limit of -5% for penalties.

The value of the incentive or penalty for each airport will be the sum of the contributions of each of the indicators, bearing in mind the fact that they all have the same specific weight.

4- Investments

Investments respond to the standards of capacity and service levels commensurate with traffic forecasts contained in the DORA, respecting the limit established under which the maximum average annual investment in the period 2017-2021 will be 450 million euros.

Regulated investment related to basic airport services amounts to 2,185 million euros for the 5 years, with the following annual breakdown:

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(Thousand euros unless otherwise stated)

Million euros	2017	2018	2019	2020	2021	Total for the period	Annual average
Regulated investment	365.6	373.0	429.2	514.3	503.3	2,185.4	437.1

Source: DORA 2017-2021

The investments to be made will be classified into the following groups:

- Strategic, necessary to meet the standards DORA capacity, as well as those that the Ministry of Public Works considers essential to ensure the public interest. These are mandatory, not allowing for modifications in their scope or date of application, having to be completed on the dates indicated in DORA. Any delay in implementation will result in the corresponding adjustment to the IMAP.

The penalty will be activated when more than 3 months' delay occurs with respect to the fixed date of completion.

The maximum value of the penalty will not exceed 2% of the total amount of the annual programming of all investments in the network, while the annual ceiling for each strategic investment penalty will be up to 5% of its annual programme.

Once the 3-month grace period mentioned has elapsed, penalty amounts for a maximum period of 4 months will begin to be effectively accounted. The monthly amount of penalty to be applied to each investment is a quarter of 5% of its annual programme. Once the 4 months of the penalty period have elapsed, the maximum penalty of 5% will have been reached, and thus longer delays would not increase the amount to be penalised.

- Regulations derived directly or indirectly from national or European regulatory obligations. They must strictly comply with the conditions that justify its necessity.
- Relevant: due to their functional necessity or volume representing for an airport require monitoring of a differentiated nature. They will require prior authorisation from the DGCA for total or partial annulment, or in relation to the modification of its scope or term.
- Other investments, mainly dedicated to ensuring the proper functioning of the airport and to undertaking actions that are difficult to predict.

Type of investment (million euros)	Total 2017-2021	
Strategic	462.88	21.2%
Regulatory	726.60	33.2%
Relevant	258.18	11.8%
Other investments	442.86	20.3%
Budget replenishment	294.89	13.5%
Total for the period	2,185.41	100%

Source: DORA 2017-2021

In the event that Aena were to conduct a lower investment volume relative to the total amount recognised for the period, the regulated asset base (RAB) will be adjusted downward over the next five years. By contrast, a greater volume of investment will not result in adjustments to the RAB for the next period. The RAB values provided for the five years 2017-2021 will not be adjusted in any case during the regulatory period.

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A deviation in the investment executed in relation to the investment programmed to produce a capital gain will result in a corresponding adjustment in the next regulatory period.

5- Operating and capital costs

Determine the value of the X component that allows for the variation of IMAP path, and thus, of airport charges.

These costs combine efficiency conditions established through Act 18/2014 and acknowledged by the regulator, by virtue of the dual till correspond to the basic airport services, except in 2017, in which a reduction equivalent to 20% of the profit margin of the services subject to private prices in the terminal area will be applied.

Operating Costs

This item includes personnel and supply expenses, along with other operating expenses. The recognised annual amount ensures that the ratio of operating costs per ATU for each year of the five-year period is less than the value of 2014, as established in Transitional Provision six of Act 18/2014.

Operating expenses are the sum of operating costs, depreciation, provisions for credit losses and risks, impairments and disposals and costs arising from the implementation of safety regulations enacted after the year 2014.

Operating costs and expenses for the period are shown in the following table:

Million euros	2014	2017	2018	2019	2021	2021
Operating costs		1,221.6	1,232.9	1,242.3	1,250.1	1,256.1
ATU (millions)		463.4	468.4	472.6	476.1	478.8
OPEX/ATU ratio	2.707	2.64	2.63	2.63	2.63	2.62
Provisions for insolvency and risks		6.7	6.7	6.7	6.6	6.6
Impairments and disposals		5.2	5.2	5.2	5.2	5.2
New security rules		17.9	18.1	18.3	18.5	18.6
Amortisation		631.0	622.0	591.2	600.2	608.4
Operating expenses		1,882.4	1,884.8	1,863.6	1,880.6	1,894.9

Source: DORA 2017-2021

The operating expenses recognised have a prospective nature so that any unexceptional deviation is considered as a risk and hazard on the part of Aena, and do not produce changes in the maximum revenue allowed per passenger. Therefore, DORA introduces incentives to improve efficiency on the part of Aena.

Capital cost

It corresponds to the result of applying the weighted average cost before taxes (WACBT) to the average value of the RAB defined for each one of the five years.

The value of the RAB recognised in the period stated is contained in the following table:

Million euros	2017	2018	2019	2020	2021
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(Thousand euros unless otherwise stated)

Regulated Asset Base (RAB) Average	10,996.1	10,491.6	10,305.4	10,199.3	10,122.1
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Source: DORA 2017-2021

The WACBT used for the calculation of the capital cost is 6.98% and is constant for the five-year period, as it has been calculated by applying the methodology of the Capital Asset Pricing Model (CAPM).

The cost of capital recognised each year of the five-year period is shown in the following table:

Million euros	2017	2018	2019	2020	2021
(RAB) average	10,996.1	10,491.6	10,305.4	10,199.3	10,122.1
WACBT	6.98%	6.98%	6.98%	6.98%	6.98%
Capital cost	767.5	732.3	719.3	711.9	706.5

Source: DORA 2017-2021

6 - Limit on annual revenue per passenger

The X component defines the maximum revenue growth corresponding to basic airport services during the five years. Its application sets the value of the maximum annual revenue per passenger (IMAP) and tariff guidelines for the next five years.

The estimation of the X component ensures that the present value of the revenue of Aena basic airport services during the regulatory period allows for the recovering of the costs incurred in providing those services. These costs are called Required Regulated Revenues (IRR) and are the sum of operating costs and capital costs.

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The estimate of the value of X component is as follows:

Estimating IRR (millions of euros)	2016	2017	2018	2019	2020	2021
Operating expenses		1,882.4	1,884.8	1,863.6	1,880.6	1,894.9
Separation adjustment costs		-31.5	-38.8	-38.5	-38.4	-38.1
Operating expenses after adjustment		1,850.9	1,846.1	1,825.2	1,842.2	1,856.9
Expenses for private prices in terminals		51.8	0.0	0.0	0.0	0.0
Revenue for private prices in terminals		-180.6	0.0	0.0	0.0	0.0
Subsidies charged in terminal		-32.8	-32.3	-28.2	-27.1	-26.1
Capital cost		767.5	732.3	719.3	711.9	706.5
WACBT		6.98%	6.98%	6.98%	6.98%	6.98%
RAB		10,996.1	10,491.6	10,305.4	10,199.3	10,122.1
Required Regulated revenues (IRR)		2,456.7	2,546.1	2,516.3	2,527.0	2,537.2
Present value of IRR (2017-2021)	10,316.2					
Estimate of anticipated revenues and X	2016	2017	2018	2019	2020	2021
Expected revenue		2,575.5	2,547.2	2,514.3	2,477.0	2,436.0
Number of passengers (millions)		241.6	244.4	246.7	248.6	250.0
IMAPt	10.90	10.66	10.42	10.19	9.96	9.74
Value of X		-2.22%	-2.22%	-2.22%	-2.22%	-2.22%
Present value of expected revenues (2017-2021)	10,316.2					

Source: DORA 2017-2021

Note: The adjustment for cost separation includes re-allocating costs of basic airport services subject to applied private prices on the analytical accounts of Aena in the DORA 2017-2021 for regulatory purposes.

- 2) On 31 January 2017, London Luton Airport Operations Limited (LLAOL), with the agreement of the employees of the Company and the trustees of the plan (Trustees) has carried out the closing of the accrual of future benefits from 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.

From the closing date of the LLAPS, active plan members become deferred members of the same and stop accumulating benefits for services rendered to the employer (LLAOL). Likewise, as of that date, contributions for services rendered by both LLAOL as well as by plan members cease, maintaining on the part of LLAOL solely the obligation to make whichever contributions that, according to the plan periodic assessments, are deemed necessary to ensure payment of benefits for services rendered accrued prior to 31 January 2017, updated annually in accordance with the terms set forth in the LLAPS regulations.

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Since the closure of the plan has taken place after 31 December 2016 the foregoing has no effect on the consolidated financial statements for 2016. Moreover, its impact on equity and the consolidated results for the year 2017 is not considered significant.

Consolidated Management Report

for the year ended on 31 December 2016



1. Executive summary

The 2016 fiscal year has been characterised by the excellent performance of Aena, marked by the following highlights:

- The significant growth in passenger traffic at airports managed by Aena;
- The positive impact this traffic growth has had on total revenues, amounting to 3,772.5 million euros (7.2% compared to 2015) is broken down into more detail in the following sections of this report for each segment;
- Strident efforts aimed at cost containment resulting in an increase in total expenses (Luton) of 53.5 million euros (+2.6%), while the growth rate of passenger traffic was 11.0% in the Spanish airport network. However, in the heading on costs levels of efficiency in Spain have been reached that would make it difficult to obtain significant improvements in the future;
- These facts have been reflected in the profitability achieved by increasing the EBITDA to 2,293.6 million euros as of 31 December 2016, representing an increase of 9.3% compared to 2015 and meaning reaching an EBITDA margin of 60.8%.
- And, exceptionally, this year there has been the impact of the disappearance of the risks associated with certain litigations resulting from expropriations at Adolfo Suárez Madrid-Barajas Airport.

However, following the end of the year, there has been the most important milestone in the regulatory environment will mark the future of Aena.

On 27 January 2017, the Council of Ministers approved the Airport

Regulation Document (DORA) for the period 2017-2021, in which the minimum service conditions that will be in force in airports in the Aena network are set for the next five years, providing a foreseeable regulatory framework in the medium-term that will enable improved levels of efficiency and competitiveness in terms of airport operations.

In this sense, and in relation to airport tariffs, the aforesaid document provides for a reduction of 2.22% annually in the Maximum Annual Revenue per Passenger (IMAP) for that period, which will come into force on 1 March 2017.

As mentioned above, 2016 has been a record year in Aena's history in terms of passenger volume, reaching 244.8 million in Luton and the Spanish network, with a growth rate of 11.4%.

This increase is reflected in Spain both in domestic traffic growing by 8.8% (67.6 million passengers) and international traffic, which totaled 161.8 million, an increase of 12.0%. This is widespread in the major airports in the network: Adolfo Suárez Madrid-Barajas (7.7%), Barcelona-El Prat (11.2%), Palma de Mallorca (10.6%), Málaga-Costa del Sol (15.7%), Gran Canaria (13.8%) and Alicante-Elche (16.7%).

These traffic growth figures in Spain, which have had continuity during the month of January 2017, with growth of 10.0% in the number of passengers, are the result of the excellent performance of the tourism sector, and have not been adversely affected by the Brexit. In 2016, the British passenger growth stood at

15.7% (+5.7 million additional passengers) and growth in each of the months of 2016 has continually been higher than 12.6%. Regarding Brexit, the only impact that has been noted so far has been in sales dealerships, where spending from passengers of British origin is experiencing a downward trend.

With regard to the ratio of commercial revenue per passenger, it remains stable at around 4.1 euros per passenger, in line with the new attribution methods for business revenue introduced in 2016, which includes commercial activities within the terminal's parking facilities, and does not account for revenue from real estate services that form a differentiated business segment.

During this year, worthy of special mention is the awarding of the tender for the driverless car rental service at 36 airports in the network to 16 companies. This contract began on 1 November 2016, and will last for six years with Aena offering 203 premises to local companies awarded with 15,000 parking spaces for car rental.

Likewise, in the month of September works were commenced relating to the analysis of free lands and the development of the Master Plans for merchantable lands in the airports of A.S. Madrid-Barajas and Barcelona-El Prat, which will be completed during 2017. The aim is to analyse and schedule the development of approximately 1,000 hectares of free land for use in these airports, in a coherent and proper manner, proposing possible commercial usage.

In connection with the execution of necessary investments, after a period of significant investments in new infrastructure completed in previous years, this leads to a new stage with priority for maintenance improvements and safety investments without reducing service quality. Investment paid in 2016 amounted to 305.4 million euros, including 61.1 million euros invested in Luton Airport, which is undergoing significant transformation to reach a capacity of 18 million passengers in 2018.

As the result of the events highlighted at the beginning of this Executive Summary, Aena recorded before-tax profits of 1,516.1 million euros compared to 1,040.6 million euros in 2015, while net profits amounted to 1,164.1 million euros, a 39.7% increase with regard to that registered

in 2015 (833.5 million euros). This reflects positive business development, the reversal of provisions for legal proceedings related to land expropriations at Adolfo Suárez Madrid-Barajas Airport and higher corporate tax expense. Excluding the extraordinary reversal of provisions for expropriations, net profits amounted to 1,010.4 million euros and a growth of +21.2%.

This improvement in revenue is reflected in a significant increase in operating cash flow to 1,834.7 million euros compared to 1,629.0 million euros of 2015 (up 12.6%) and in the reduction of debt, which led to reducing the ratio of net financial debt to EBITDA, as established in debt renewal agreements for the calculation of covenants, from 4.5x in 2015 to 3.7x at the end of 2016.

This excellent operating and financial performance has been reflected in the share price performance of Aena during 2016, which has been very positive, with an increase of 23.0% to 129.65 euros per share compared to the evolution of the IBEX 35 which decreased by 2.0%. During this period Aena share peaked at 136.0 euros and registered a minimum of 94.07 euros per share.

Finally, in relation to the dividend policy and in accordance with what is reflected in the Prospectus for the IPO, in which the Company adopted a policy of distributing 50% of net profit for each year, the Board of Directors of Aena, SA resolved to propose the General Shareholders Meeting the distribution of a dividend of 3.83 euros per share, to be paid after the approval by the latter.

2. Macroeconomic environment and activity details

2.1. Macroeconomic situation and sector details

The Spanish economy continued with its gradual recovery reflected in the main economic figures. According to data published by the National Statistics Institute, Spanish GDP recorded a growth of 3.2% in 2016, representing confirmation of the recovery of the Spanish economy that began in 2014 (with a GDP growth of 1.4 %) and in 2015 (3.2%), after 3 consecutive years of economic downturn.

Air transport is a strategic sector for Spain due to its economic and social impact. Furthermore, it contributes in terms of connectivity, accessibility, cohesion and territorial connection.

Tourism-related indicators have continued the favourable trend witnessed in the last three years in which record numbers of foreign tourists have been achieved, an aspect of great significance given that tourism accounts for 10.9% of Spain's GDP in 2016. According to the data published by the Spanish National

Institute of Statistics, in 2016, 75.6 million international tourists visited Spain, 10.3% more than in 2015.

The major issuance countries are the UK (almost 17.8 million tourists, an increase of 12.4% compared to 2015), France (with 11.4 million tourists and an increase of 7.1 %) and Germany (11.2 million tourists and an increase of 6.4%). With respect to the countries of origin and following the UK's referendum vote to leave the European Union (Brexit), it is worth pointing out that in 2016 passengers with origin/destination in the UK accounted for 18.1% of total passenger traffic in the Aena network in Spain.

By communities, Catalonia is the first tourist destination (over 18.0 million, +4.0% compared to 2015), followed by the Canary Islands (13.3 million, +13.2%) and the Balearic Islands (13.0 million, +11.9%).

By type of access, of the total foreign tourists that visited Spain during 2016, 60.6 million (80.2% of the total figure) travelled by air, 17.2% travelled by road and 2.6% used other means of transport (rail and sea). Having said

this, it should not be forgotten that Spain is the gateway to Latin America by air.

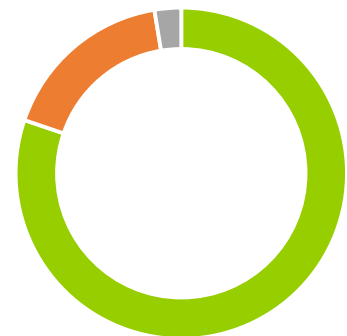


Figure 1. Distribution of tourists broken down via means of access in 2016

2.2. Traffic in the Aena airport network in Spain

In 2016 passenger traffic grew by 11.0% to 230.2 million in Aena's Spanish airports. This growth has been favoured by instability in major tourist destinations in the

Mediterranean and the context of low fuel prices.

The contribution of international and domestic traffic has remained stable during this period (70.5% and 29.5% respectively), and the growth of international passengers (12.0%) and domestic traffic (8.8%) reflects that the strong growth recorded is distributed in both markets.

As regards the number of aircraft, over 2,045,000 flights were registered, representing an increase of 7.5% over 2015.

Freight traffic has increased by 11.2% in 2016, exceeding 795,000 tonnes of cargo.

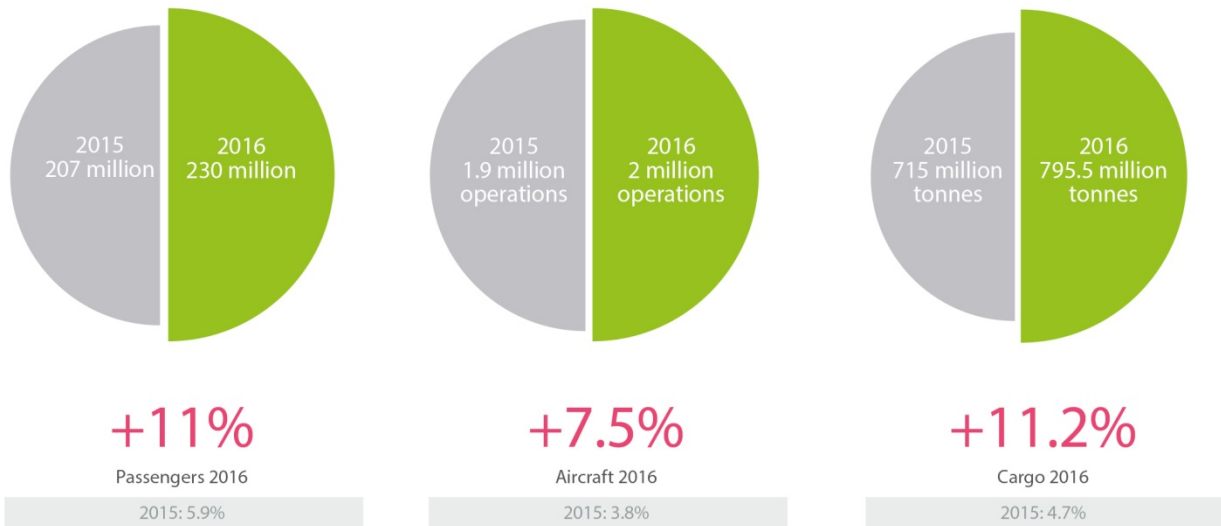


Figure 2. Traffic in the Aena airport network in Spain



2.3. Analysis of passenger traffic by airports and airlines

As has become the norm, in 2016 the percentage share of passengers is concentrated significantly in the major airports within the network, although virtually all airports in the network have experienced significant growth:

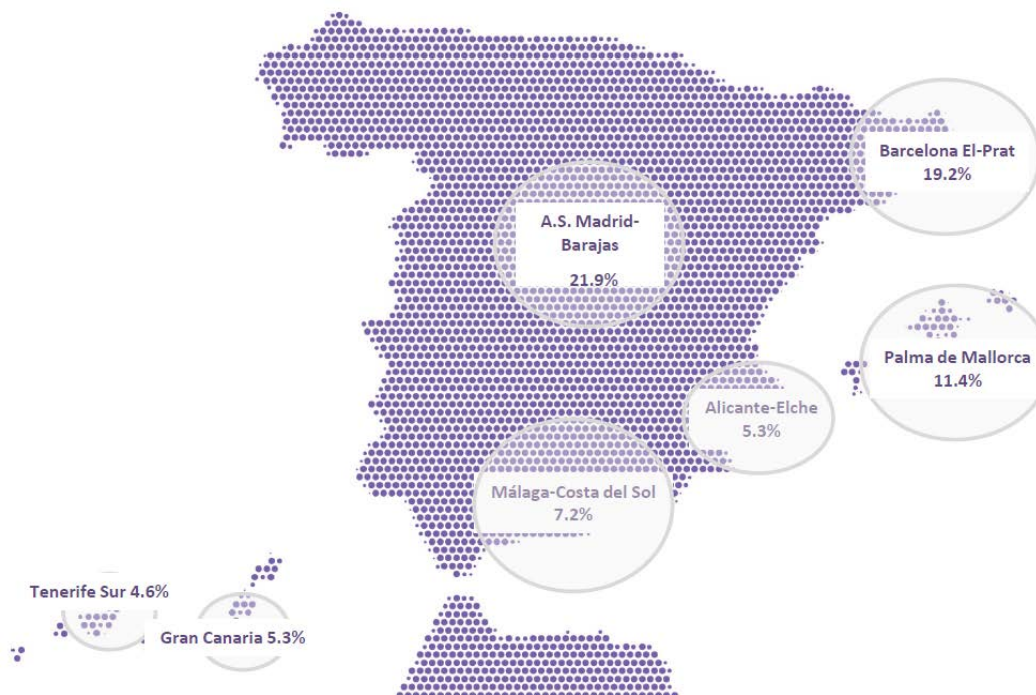


Figure 3. Share of passenger traffic at major airports in Spain

Airports and Airport Groups	Passengers			Aircraft			Freight		
	Millions	Variation 2016 / 2015	Share of total	Thousands	Variation 2016 / 2015	Share of total	Tonnes	Variation 2016 / 2015	Share of total
Adolfo Suárez Madrid-Barajas	50,4	7,7%	21,9%	378,2	3,1%	18,5%	415.774	9,0%	52,3%
Barcelona-El Prat	44,2	11,2%	19,2%	307,9	6,6%	15,1%	132.755	13,3%	16,7%
Palma de Mallorca	26,3	10,6%	11,4%	197,6	10,9%	9,7%	10.453	-8,1%	1,3%
Total Canary Islands Group	40,5	12,8%	17,6%	356,4	10,3%	17,4%	37.470	-1,0%	4,7%
Total Group I	56,3	13,2%	24,4%	487,1	9,5%	23,8%	33.197	3,4%	4,2%
Total Group II	11,5	10,2%	5,0%	172,6	7,6%	8,4%	113.614	27,9%	14,3%
Total Group III	1	5,9%	0,5%	145,2	3,1%	7,1%	52.312	12,3%	6,6%
TOTAL	230,2	11,0%	100%	2.045,0	7,5%	100%	795.575	11,2%	100%

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

Adolfo Suárez Madrid-Barajas is the main airport in the network in terms of passenger traffic, flights and freight, representing 21.9% of total passengers (50.4 million). In 2016, the number of passengers has increased by 7.7% over the same period last year (10.0% in domestic traffic and 6.8% in international traffic).

In 2016, a total of 378,150 aircraft have operated out of this airport, 3.1% more than in the same period of the previous year. In addition, freight, which accounts for more than half of the total volume passing through the network, registered an increase of 9.0% to 415,774 tonnes transported.



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

At Barcelona-El Prat Airport, passenger numbers increased by 11.2% with regard to 2015 (11.4% in domestic traffic and 11.1% in international traffic) standing at 44.2 million.

A total of 307,864 aircraft operations were registered, which accounts for an increase of 6.6% compared to 2015, and freight consolidated its growth trend with a 13.3% increase in the volume of goods to 132,755 tonnes.



Figure 2. Barcelona-El Prat Airport Terminal

Palma de Mallorca Airport registered 26.3 million passengers in traffic in 2016 (up 10.6%), with a significant 12.7% rise in international traffic to 20.4 million passengers, while domestic traffic came to 5.8 million, an increase of 3.8%.

Equally significant are the figures showing growth of aircraft flights during 2016, which totalled 197,639 (10.9%)

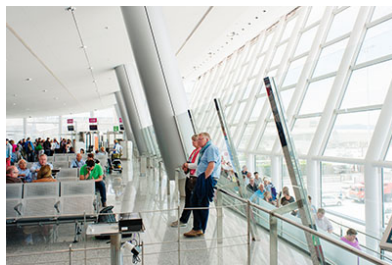


Figure 3. Palma de Mallorca Airport terminal

In the **Canary Islands Group**, the number of passengers who passed through the airports in the Canary Islands came to 40.5 million (up 12.8% compared to the same period of 2015), of which over 13 million were passengers on domestic flights (up 10.7%) and 26.8 million on international flights (13.8% more than in the same period in the previous year).



Figure 4. Fuerteventura Airport terminal

The eight airports in **Group I** grew by 13.2% in 2016 to reach 56.3 million passengers, with especially high growth in Alicante-Elche (16.7%), Málaga-Costa del Sol (15.7%), Valencia (14.7%), Ibiza (14.5%) and Menorca (10.8%). Both domestic traffic (5.9%) and international traffic (16.0%) have contributed to the growth of this group of airports.



Figure 5. Menorca Airport terminal

All 11 airports of **Group II** registered a global increase in passenger traffic of 10.2%, which dropped to a total of 11.5 million passengers. These figures confirm the recovery in traffic both domestically (+9.3%) and internationally (+11.9%).

Group III airports (those with lowest traffic) have recorded almost 1,143,000 passengers, an increase of 5.9% over the same period in the previous year.

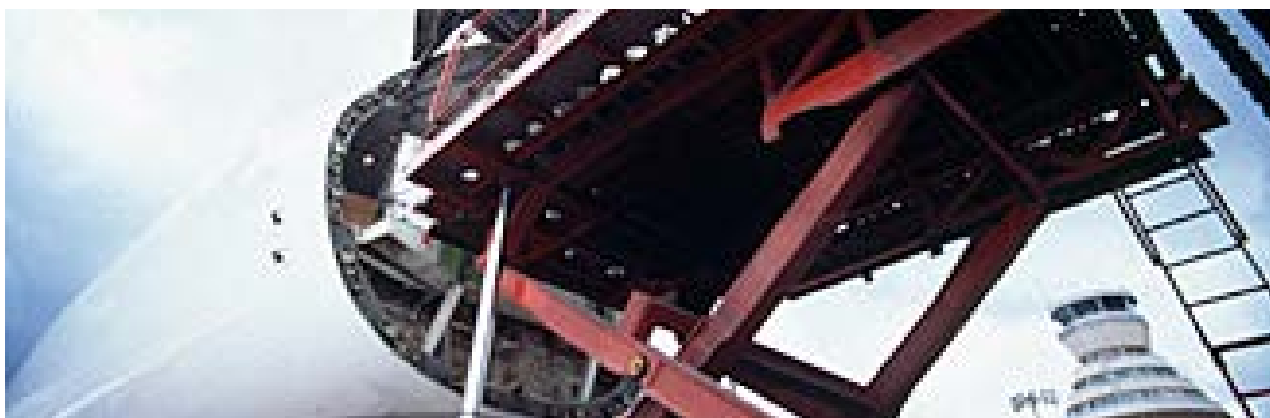


Figure 6. Air freight at Vitoria Airport

As part of the result of the activity of airport marketing during 2016, we opened 450 new routes (considering those that recorded less than 1,000 total passengers in 2015 and exceeded in 2016 the figure of 5,000 total passengers) from the Aena airport network; 70 domestic destinations, 19 European destinations and 361 intercontinental destinations. Specifically the airports with the highest number of new routes are Palma de Mallorca (56 new routes), Adolfo Suárez Madrid-Barajas (52), Barcelona-El Prat (38), Alicante (39), Málaga-Costa del Sol (37) and Tenerife Sur (32).

The companies with the largest number of new routes are Vueling (49 new routes), Ryanair (47), Grupo Iberia (37), Air Europa (27), Jetairfly (26) and Norwegian (19).

It is worth highlighting the opening of 13 new long-haul routes, one from Barcelona to Washington (United States) and 12 from AS Madrid-Barajas Airport: San Juan (Iberia), Shanghai (Iberia and China Eastern), Johannesburg (Iberia), Hangzhou (Beijing Capital Airlines), Hong Kong (Cathay Pacific), Lima (Plus Ultra), Santo Domingo (Plus Ultra), Bogota (Air Europa), Mauritius (Evelop), Varadero (Air Europa) and Tokyo (Iberia).

In addition, in February 2016 the company easyJet has established an operational base at the Barcelona-El Prat Airport, where three A320 aircraft sleep permanently, and in June 2016 the company Norwegian opened its seventh based in Spain in Palma de Mallorca Airport; it is a permanent base which operates 12 months of the year.

With respect to the distribution of traffic broken down into geographical regions, widespread increases are noted in all regions, although traffic quotas are maintained practically stable with respect to 2015.

Region	Passengers	
	2016	Variation %
Europe ¹	144.902.902	12,3%
Spain	67.976.343	8,8%
Latin America	6.721.460	9,5%
North America ²	4.529.205	8,0%
Africa	2.862.839	5,4%
Middle East	2.735.733	13,2%
Asia and Other	501.041	35,9%
TOTAL	230.229.523	11,0%

¹ Excludes Spain

² Includes USA, Canada and Mexico

Table 2. Breakdown of traffic by geographical area

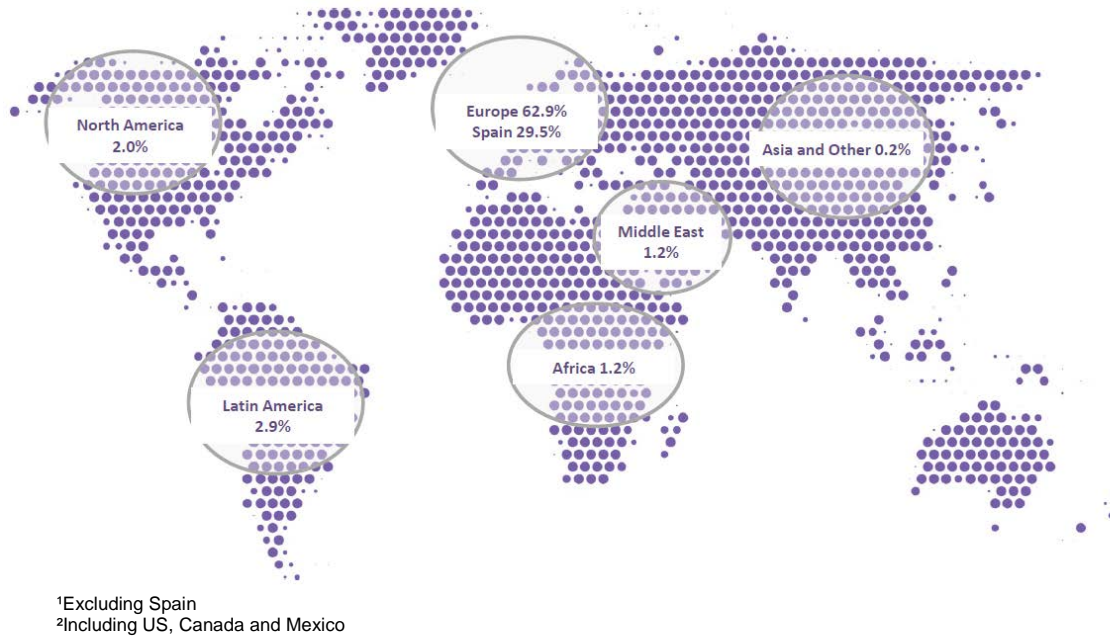


Figure 7. Map of traffic distribution by geographic area

Passenger traffic levels by country were virtually stable, with five countries (Spain, UK, Germany, Italy and France) concentrating 70% of total traffic. It is worth mentioning the excellent performance of traffic with the United Kingdom, which has not been affected by the Brexit and which, in annual terms, recorded an accumulated growth of 15.7% (5.7 million more passengers) compared to 2015, almost 5 percentage points higher than the overall network growth (11.0%).

Country	Passengers		Variation		Share of total (%)	
	2016	2015	%	Passengers	2016	2015
Spain	67.976.343	62.501.684	8,8%	5.474.659	29,5%	30,1%
United Kingdom	41.700.473	36.030.037	15,7%	5.670.436	18,1%	17,4%
Germany	27.728.750	25.195.312	10,1%	2.533.438	12,0%	12,1%
Italy	13.032.089	11.871.529	9,8%	1.160.560	5,7%	5,7%
France	11.802.321	11.088.353	6,4%	713.968	5,1%	5,3%
Holland	7.588.040	6.351.054	19,5%	1.236.986	3,3%	3,1%
Sw itzerland	6.127.255	5.508.689	11,2%	618.566	2,7%	2,7%
Belgium	5.672.226	5.477.091	3,6%	195.135	2,5%	2,6%
Ireland	3.947.665	3.442.969	14,7%	504.696	1,7%	1,7%
Portugal	3.612.145	3.231.641	11,8%	380.504	1,6%	1,6%
Sw eden	3.452.868	3.085.441	11,9%	367.427	1,5%	1,5%
United States	3.296.634	3.044.580	8,3%	252.054	1,4%	1,5%
Denmark	3.114.005	2.526.380	23,3%	587.625	1,4%	1,2%
Norw ay	3.012.436	2.826.952	6,6%	185.484	1,3%	1,4%
Poland	2.125.081	1.692.005	25,6%	433.076	0,9%	0,8%
Total Top 15	204.188.331	183.873.717	11,0%	20.314.614	88,7%	88,6%
Rest of countries	26.041.192	23.547.329	10,6%	2.493.863	11,3%	11,4%
Total Passengers	230.229.523	207.421.046	11,0%	22.808.477	100,0%	100,0%

Table 3. Air traffic distribution by country

With regard to the distribution of passenger traffic by airline type, 51.6% are low-cost companies (50.4% in 2015) and the remaining 48.4% corresponds to traditional companies (49.6% in 2015), confirming the distribution shown at the end of 2015. Aena's major airline customers are, on one hand, the IAG Group (Iberia, Vueling, Iberia Express, British Airways and Air Lingus)

with a share of 26.2% of total passenger traffic in 2016 (26.5% in 2015) and, secondly, Ryanair, with a share of 17.3% (17.0% in 2015).

Carrier	Passengers 2016	Passengers 2015	Variation		Share of total (%)	
			%	Passengers	2016	2015
Ryanair	39.855.897	35.159.572	13,4%	4.696.325	17,3%	17,0%
Vueling	32.236.952	29.574.360	9,0%	2.662.592	14,0%	14,3%
Iberia	16.591.832	15.035.922	10,3%	1.555.910	7,2%	7,2%
Air Europa	16.184.934	15.586.523	3,8%	598.411	7,0%	7,5%
Easyjet	12.113.790	11.023.760	9,9%	1.090.030	5,3%	5,3%
Norwegian Air	7.750.426	5.330.759	45,4%	2.419.667	3,4%	2,6%
Iberia Express	7.640.725	6.826.269	11,9%	814.456	3,3%	3,3%
Air Berlin	7.567.337	8.817.535	-14,2%	-1.250.198	3,3%	4,3%
Air Nostrum	7.539.913	7.167.546	5,2%	372.367	3,3%	3,5%
Thomson Airways	4.973.151	4.297.605	15,7%	675.546	2,2%	2,1%
Total Passengers	230.229.523	207.421.046	11,0%	22.808.477	100%	100%
Total Low Cost Passengers*	118.791.517	104.585.708	13,6%	14.205.809	51,6%	50,4%

*Includes low-cost carrier's traffic in scheduled flights. From January 2016 they incorporated the passengers of low cost IBK Norwegian codes with which it operates, and EWG with which Eurowings (formerly Germanwings) operates.

Table 4. Distribution of air traffic by airlines

International presence

Aena has a direct interest in 15 airports outside Spain (twelve in Mexico, two in Colombia and one in the United Kingdom), and indirectly through GAP in the Montego Bay Airport in Jamaica.

(Million passengers)	2016	2015	% Variation	% Aena share
Grupo Aeroportuario del Pacífico (GAP) ¹ (Mexico)	36,5	31,4	16,5%	5,8%
London Luton (United Kingdom)	14,6	12,3	18,5%	51,0%
Aerocali (Cali, Colombia)	5,7	5,3	9,3%	50,0%
SACSA (Cartagena de Indias, Colombia)	4,4	4,0	12,1%	37,9%
TOTAL	61,3	52,9	15,9%	--

¹ GAP includes the traffic at the Montego Bay Airport, MBJ (Jamaica)

Table 5. Passenger traffic in investee airports

Luton Airport registered in 2016 a significant increase in traffic (+18.5%) reaching almost 14.6 million passengers and nearly 132,000 aircraft operations (13.0%), which represents a historical record in the airport's activity. This growth is continuing during 2017, as passenger traffic figures published in January 2017 represent an increase of 20.1%.



Figure 8. Luton Airport

2.4. Commercial activity

Aena's commercial contracts vary according to the type of business activity, and are based, in general, on a variable revenue as a percentage of sales (percentages vary by product category and/or services) and with a minimum annual guaranteed rent

(MAG) which sets a minimum amount to be paid by the tenant regardless of the level of sales achieved. In this regard, the following chart shows the calculation of minimum annual guaranteed rent by business line:

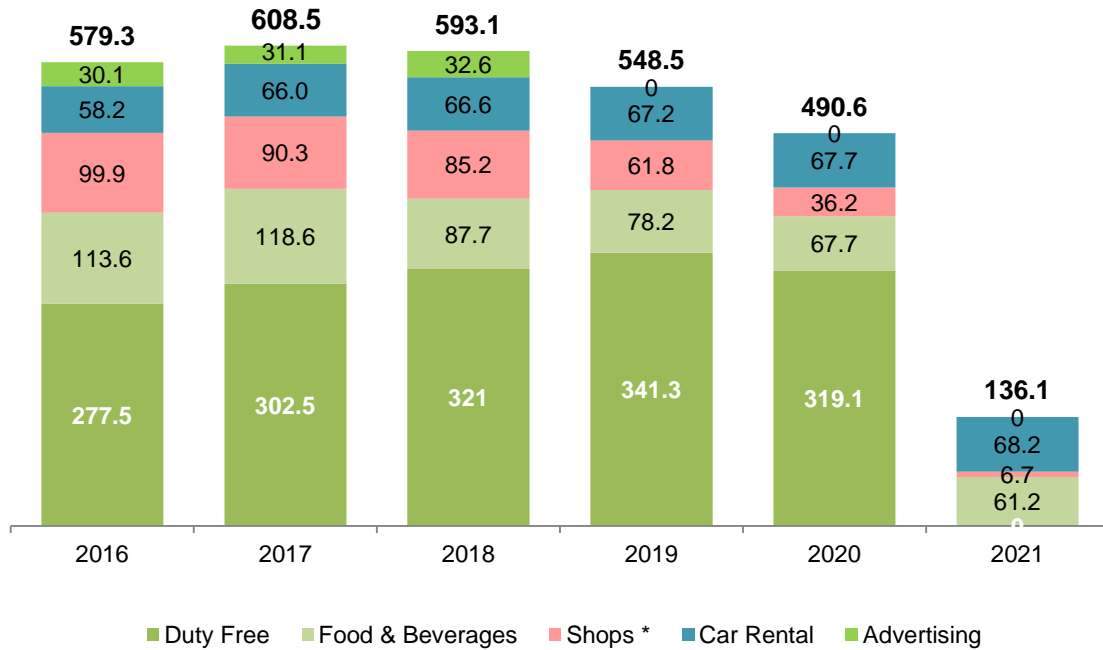


Figure 4. Minimum Annual Guaranteed Rent (MAG) by business line

(1) Figures in millions of euros of existing contracts. Potential new contracts are not considered. MGAR have been prorated to the actual days of the beginning and end of contract. Commercial services contracts include contracts from other commercial operations: financial and regulated services (exchange, pharmacy, tobacco, etc.).

Positive traffic performance has also helped to boost commercial revenue, although the rate of commercial revenue per passenger remains at €4.1, the same figure as last year. In section "3.1.2 Commercial Activity" of this report, a more detailed breakdown of each of the business lines is performed.

3. Business segments

Below, the main results for Aena are shown corresponding to 31 December 2016, itemised by segments: the airports segment represents 95.3% of total EBITDA (aeronautical activity represents 61.2% and commercial activity contributes 34.1%), real estate services segment contributes 1.6%, while international business accounts for 3.1%.

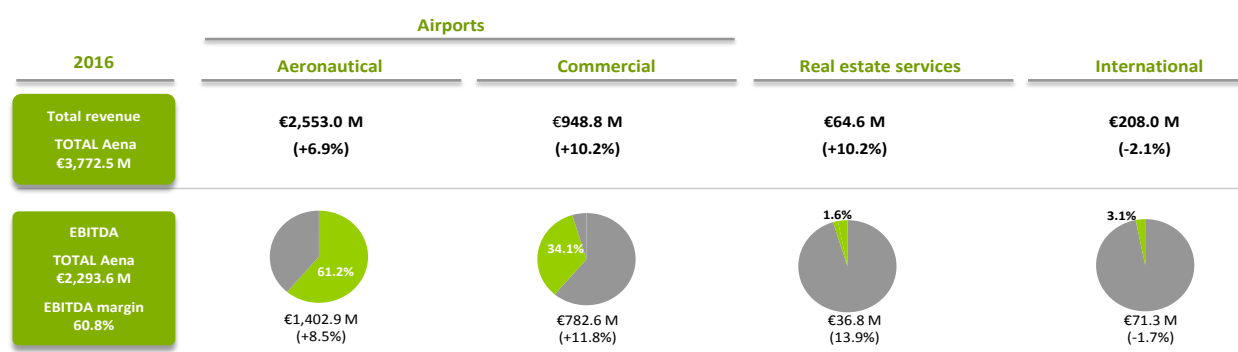


Figure 5. Aena main results by business area

3.1. Airport segment

3.1.1 Aeronautical Activity

Through the application of Act 48/2015, of 29 October, on the State General Budget for 2016, airport charges decreased by 1.9% since March 2016 onwards. The most significant figures for aeronautical activity are summarised below:

(Thousand euros)	2016	2015	Variation	% Variation
Ordinary revenue	2.502.081	2.332.976	169.105	7,2%
Monetary benefits ⁽¹⁾	2.426.613	2.264.966	161.647	7,1%
Passengers	1.079.620	1.017.609	62.011	6,1%
Landings	681.395	632.790	48.605	7,7%
Security	396.205	363.539	32.666	9,0%
Air bridges	109.054	104.228	4.826	4,6%
Handling	85.960	80.276	5.684	7,1%
Parking	32.821	28.617	4.204	14,7%
Fuel	31.885	29.092	2.793	9,6%
Catering	9.673	8.815	858	9,7%
Incentives (Landings, Passengers and Security)	-67.701	-44.270	-23.431	52,9%
Other Airport Services ⁽²⁾	75.468	68.010	7.458	11,0%
Other operating revenue	50.937	54.602	-3.665	-6,7%
Total revenue	2.553.018	2.387.578	165.440	6,9%
Total expenditure (including amortisation)	-1.817.009	-1.767.928	-49.081	2,8%
EBITDA ⁽³⁾	1.402.928	1.293.426	109.502	8,5%
Adjusted EBITDA ⁽⁴⁾	1.407.776	1.277.251	130.525	10,2%

⁽¹⁾ The total does not include incentives (Landings, Passengers and Security)

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

⁽³⁾ Earnings before interest, taxes, depreciation and amortisation

⁽⁴⁾ Excludes fixed assets impairments.

Table 6. The most significant figures in aeronautical activity

Total revenues in aeronautical activity increased to 2,553.0 million euros (6.9% compared to 2015) due to the positive evolution of traffic (11.0% increase in passenger traffic and 7.5% increase in the number of aircraft) that was partially offset by the reduction in airport charges from 1 March 2016 (41.6 million lower revenue), fee incentives for the opening of new routes and the increased in connection passenger bonus, which has raised from 35% in 2015 to 40% in 2016, and has made 70.4 million euros in 2016 against 59.0 million euros in 2015.

Aena continues to implement trade incentives for increased air traffic, both on existing routes and new ones, bringing the amount recorded in 2016 to 67.7 million euros (net from regularisation of 4.5 million euros in provisions for previous years), compared to 44.3 million in 2015 (net from the regularisation of 5.5 million of provisions from previous years).

Expenditures for aeronautical activity amounted to 1,817.0 million euros, 2.8% more than those registered for 2015. This increase is due to actions associated with

maintenance and the increase in activity as well as the wage review conducted in 2016. For a discussion of operating expenses, see section 4. Revenue Statement.

The above effects have made it possible to improve EBITDA by 8.5% (1,402.9 million euros).

2016 was characterised by a significant increase in the number of passengers and aircraft that have used the network of national airports. This increase in traffic, especially during peak periods (summer, Easter and Christmas), has forced airport services to adapt to users' needs, reinforcing the main services as part of the Summer Plan.

A part of this increase in traffic, from an operational viewpoint, airports have continued to be immersed in the aerodrome certification process and have included new handling agents. In addition, it has complied with the main aim of Aena to maintain the quality of service provided to passengers and companies.

Below, the most significant actions that have been carried out at airports during 2016 related to the aeronautical activity are summarised:

Passengers

Revenue resulting from passengers' tariffs has grown in line with the increase of traffic noted in Aena's airport network in Spain. This significant increase of activity has been managed efficiently and with high levels of service quality.

The number of passengers with reduced mobility receiving assistance (PMR) has grown by 13.8% with respect to the same period of the previous year. In spite of this notable increase in activity, this service has maintained the high rating levels obtained on the part of users in previous years.

With the aim of improving passenger perception in their experience in the airport, ongoing actions have been undertaken in the terminal building and access points.

Flagship services:

Passenger information

Improved guidance within the terminal with actions in static signaling and the information service offered to the public:

- ▶ Installing new passenger information points (SIPA) that will guide passengers better, renovation of obsolete equipment, installation of illuminated maps at terminals, information service with traveling green jackets serving the passenger and training activities to improve telephone service at AS Madrid-Barajas Airport.



Figure 9. Adolfo Suarez Madrid-Barajas Airport terminal

- Improvements in signage in all terminals at the AS Madrid-Barajas Airport, renovation of signage in T2 of Barcelona Airport, new outdoors signalisation panels and in passenger decision-making points in the Palma de Mallorca Airport and renovation of signage in the security filter and the international arrivals hall in the Gran Canaria Airport.



Figure 10. Improvement in signage. Palma de Mallorca Airport

Cleanliness

Actions aimed at improving the sensation perceived by users: renovation of toilets, soil surface treatments, cleaning facades, perceived quality measuring devices at the exit of lavatory facilities, etc.

Renovation and modernisation of lavatory facilities in the airports of AS Madrid-Barajas (9 cores in T1 and 7 cores in T2), Barcelona, Palma de Mallorca, Gran Canaria, Tenerife Sur, Bilbao, Tenerife Norte and practically all airports in Group II.



Figure 11. Refurbishment and modernisation of lavatory facilities. Bilbao Airport

Comfort

Actions aimed at ensuring a good passenger comfort feeling throughout their stay at the airport, with a focus on waiting areas. Included herein are actions involving lighting, climate control, electromechanical installations and benches, playgrounds and workstations. Worthy of special mention are:

- Improvement of air-conditioning facilities in the terminals of the airports of Málaga, Gran Canaria, Girona and Zaragoza with the installation of HVLS fans, and miscellaneous actions involving air-conditioning facilities in the airports of Barcelona, Fuerteventura, Lanzarote, Tenerife Norte and Almería. New waterproofing of the terminal building and modules, renovation of suspended ceilings, replacement of several air conditioning units and heat pumps, sun protection films in exits and check-in and installation of temperature displays and temperature and humidity sensors, all of these in Palma de Mallorca Airport.
- New high-capacity elevator and installation of a moving walkway of more than 40 metres long which facilitates the transit of island residents and national passengers between the security filter and their respective boarding areas at Gran Canaria Airport. Modernisation of the most commonly used lifts in Palma de Mallorca Airport.
- Adequacy of pavements in public area of Terminal B at Barcelona. Replacement and polishing of marble slabs in passenger traffic areas and installation of LED lights in the check-in lobby at Fuerteventura Airport. Improved lighting in several areas of the airport terminal building in Palma de Mallorca.
- Deployment of flow control sensors for the airport terminals in Madrid-Barajas allowing for trigger actions when a certain number of steps is detected.
- Workstations with power sockets at airports in Bilbao and Santiago, improved decoration, benches and cargo area at the airport of Seville, and installation of an illuminated cube with plugs and sockets for charging USB devices at Girona Airport.

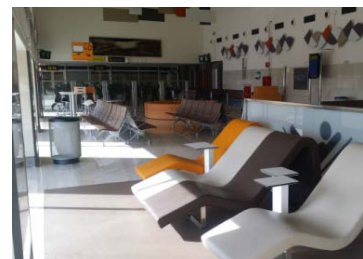


Figure 12. Improved bench seating. Seville Airport

- For passengers with reduced mobility (PRM): the launch of an electric vehicle for the service at AS Madrid-Barajas Airport, improved signage and decoration items in PMR waiting lounges with adapted benches in Ibiza Airport, incorporating reserved seating at PMR meeting points and frequently used spaces at the airport of Valencia, benches and PMR waiting signaling points in Lanzarote Airport, etc.

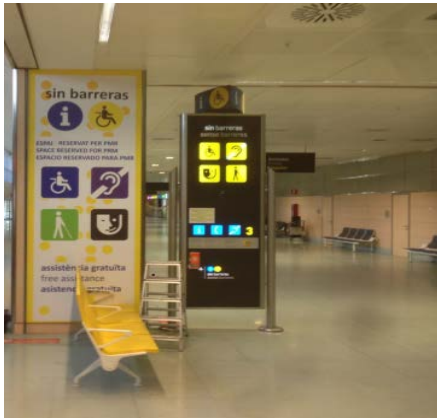


Figure 13. Ibiza Airport

- For passengers traveling with children and babies: luggage trolleys equipment with baby chairs and breast-feeding rooms at Bilbao Airport, improved baby changing facilities at Alicante Airport, new playgrounds in C module, check-in and arrivals at Palma de Mallorca Airport, near to the hostelry area at FGL Granada-Jaen Airport and in the pre-boarding hall of Seville Airport, equipped with interactive floor projector.



Figure 14. Child's play area. Alicante-Elche Airport

- Several action plans in the baggage claim areas, amongst which we can highlight:

- Adaptation of the baggage room in Terminal 2C at Barcelona Airport.
- New baggage claim concourses on floor 0 of Palma de Mallorca Airport.
- Placement of benches between the collection belts in order to increase passenger comfort, increased number of trolley dispensers points and new children's areas at Alicante Airport.
- Modification of the information provided on monitors to include the handling company dealing with the flight so that passengers know who to turn to in case of incidents, reinforcement of the information given to locate lost luggage and the location of other means of transport to connect to at the exit of the Valencia Airport.
- Surveillance and monitoring services for the baggage delivery process, in order to optimise the allocation of resources (delivery belts) and minimise incidents related to them, coordinating between CGA and the trolley park any deviation produced both in belt allocation and the installation itself (mechanical impact) for rapid resolution of issues at Palma de Mallorca Airport.
- Regarding access points: remodelling the T2 arrivals roadways at Madrid -Barajas Airport, change to the layout of the taxi-rank for single-file parking to improve capacity, improved signaling of public parking, specific signalling for scheduled public bus services and implementation of transportation management service for passengers arrivals, all in Ibiza Airport. New pedestrian awning at Bilbao Airport. New parking for coaches belonging to private companies in the waiting zone at Palma de Mallorca Airport.



Figure 15. Road access. A.S. Madrid-Barajas Airport

Landings

Revenue per landing and air transit service has risen with the increase of aircraft operations. Aena is currently involved in the process of certification of aerodromes in compliance with European regulation, which demands strident efforts to adapt infrastructures. In the last twelve months, the certified airports have handled 81% of passengers.

With the aim of providing higher levels of service to the companies as part of their airport activities, actions are regularly performed in the platform and airfields. In 2016, worthy of special mention are:

- Adaptation of airfield paving: refurbishment of paving on taxiways at AS Madrid-Barajas, regeneration of the surface layer and the bearing layer on the southern runway at Palma de Mallorca Airport, base layer reinforcement on track 03L/21R and in associated taxiways at Gran Canaria, regeneration of paving in the rapid exit lane in Lanzarote, signalling repainted at the airfield in Bilbao, regeneration of the airport runway in Ibiza, raising of the runway and other actions undertaken at Cuatro Vientos airfield in Madrid, and track improvements in El Hierro.



Figure 16. Taxiway paving repair. A.S. Madrid-Barajas Airport

- Adapting runway margins and strips, along with the parallel taxiway in line with safety requirements at Ibiza Airport.

- Purchase of new deck vehicles for the airports of Gran Canaria and Fuerteventura and installation of awnings at access points for deck vehicles at Barcelona Airport.
- Actions on horizontal and vertical signage on airfields at Malaga Airport.
- Modernisation of pedestrian pathways for boarding by foot on the platform with repainting of said paths, placement of bollards and safety chains at the airports of Alicante and Reus and expansion of the deck awnings to fully cover the walkway at Granada-Jaen Airport.



Figure 17. Modernisation of pedestrian pathways. Alicante-Elche Airport

- NAVAIDs: ILS 03L modernisation at Gran Canaria, moving the 03 glideslope track at Lanzarote and installation of new ILS Cat I equipment at Santander Airport.
- Meteorological Service: installation of new weather stations next to headers 06 and 24 at Ibiza Airport.

Added to this, from a safety viewpoint, the following actions are:

- In order to reduce the average age of the fleet of self-extinguishing vehicles used in the Network, and framed within the Renewal Plan for the 6x6 10,000 l models, in 2016, the supply of 10 of these vehicles has been provided for the airports of Madrid-Barajas (7), Palma de Mallorca (1) and Santander (2). They stand out due to their engine

power, acceleration power and fire-fighting ability. Response times and capabilities will be improved when faced with aeronautical emergencies.

- Provision of new decks for aircraft recovery in Palma de Mallorca.

Related to aircraft traffic control:

- Alicante Airport has been certified as an Advance ATC Tower, thus being integrated into the European Aerial Traffic Management Network, which should lead to an increase in flight punctuality.
- Selective implantation of CherryPicking procedure regulations to facilitate the management of ATC capacity at Madrid-Barajas Airport. Local regulations agreement between the ACC of Palma de Mallorca and Ibiza Airport, with the aim of reducing delays caused to airlines by air traffic regulations.
- Expansion of the operating hours of airports in Burgos (65%) and Logroño (75%) has been carried out with restricted use mode that increases the service to users.

Security

The security fee paid by passengers has grown thanks to the increase in passenger numbers. This increase in the airports' activity has been managed effectively without having a bearing on waiting times when passing through security controls.

With regard to security, with the aim of continuously improving the passenger experience in the airport, action plans are embarked upon that optimise security processes. Amongst these, in 2016 the deployment of measurement systems on waiting time at security checkpoints in

airports with an annual passenger volume exceeding 2 million was undertaken at: Madrid-Barajas, Barcelona, Palma de Mallorca, Malaga, Alicante, Gran Canaria, Tenerife, Ibiza, Lanzarote, Fuerteventura, Valencia, Bilbao, Seville, Tenerife Norte, Menorca, Girona and Santiago. Said systems are based on image analysis through overhead coverage sensors that allow for accurate measurements (without estimations) of processing times by monitoring 100% of passengers without loss of traceability.



Figure 18. Security checkpoint. Alicante-Elche Airport

Other action plans worthy of special mention with regard to security in 2016 are:

- Remodelling of installations, new passport control point, new security checkpoint for non-Schengen connections and improvements to urgent connects in T4 security. New furnishings in checkpoints. Introduction of fairing in the roller lines to prevent children from being trapped. A pilot installation project has been carried out using piped music in the T2 security checkpoint to enliven the journey for passengers. Installation of televisions in passport control to enliven the journey for passengers. All these actions have been carried out in AS Madrid-Barajas Airport.



Figure 19. Control of T4 connections. A.S. Madrid-Barajas Airport

- Expansion and improvement of security filters in the airports of Palma de Mallorca, A Coruña and Asturias.
- Commissioning of works on the extension of security filters in T3 terminal with four double filters and modernisation of T2 security controls to suit demand with the aim of reducing passage time at Malaga Airport.
- Adaptation of queuing areas in security checkpoints in the airports of Fuerteventura and Tenerife Sur.

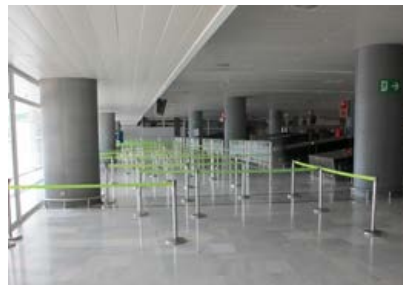


Figure 20. Adaptation of waiting queues. Fuerteventura Airport

- Opening of exclusive filter to improve the flow of families and PRM and new access control post for the controlled area in baggage claim, along with surveillance in the public arrivals area at Ibiza Airport.
- Virtual assistance in security filters at Melilla Airport.
- Remodelling of security filters to give greater amplitude at San Sebastian Airport.

Air bridges

Revenue from air bridges has grown largely due to the increase in the number of aircraft operations. Standout actions in 2016 involving air bridge services are given below:

- Remodeling boarding air bridges at Terminal 2 at Barcelona Airport.
- Installation of 7 boarding bridges and associated equipment services in Terminal 2 at Malaga Airport.



Figure 21. New air bridges. Málaga-Costa del Sol Airport

- Installation of laminate safety-glass paving on air bridges at terminals T4 and T4S in the AS Madrid-Barajas Airport.
- Refurbishment and renovation of structures and equipment for departure air bridges in the Tenerife Sur Airport and real-time adjustment of the set-point temperature for air-conditioning facilities on air bridges in Fuerteventura.
- Renovation of air-conditioning facilities for air bridges, sliding equipment for air bridges for hand luggage that must be moved to the cargo hold and renovation of all telephones in fingers, all of the foregoing in the Bilbao Airport.
- Installation of 6 slides in boarding air bridges at Lanzarote Airport.
- Installation of a system to improve coordinations between handling agents and service providers of air bridges for disconnections with the runway at Palma de Mallorca Airport.

Handling

Handling services have been performed by new agents following the progressive renewal of the licences expiring at the end of 2015. In spite of the complexity of this change in handling operators, it has been carried out satisfactorily due to the efforts of the employees and without leading to incidents in the operational readiness of the airports.



Figure 22. Aircraft assisted by handling agents. A.S. Madrid-Barajas Airport

With regard to actions involving handling in 2016, the following can be highlighted:

- ▶ The new courtyard for trolleys is currently under construction at international arrivals in the Gran Canaria Airport with three hippodromes which will reduce baggage handover times due to the renovation of the same, and elimination of unnecessary trips.



Figure 23. Belts on new trolley park. Gran Canaria Airport

- ▶ Equipping of 5 new offices for handling companies, one of these intended for use by the Civil Guard, between the check-in desks and passenger filters in the Tenerife Norte Airport.
- ▶ New touch-button screens in the claim belts located on the trolley concourse for the measuring of waiting times for luggage return in the Palma de Mallorca Airport.
- ▶ Improvement of the signalling of roadways for the service manoeuvring area, installing collection bins for foreign objects that might damage aircraft on many parts of the deck to minimise the risk of accidents / incidents at Malaga Airport. Furthermore, expansion of places for loading and parking for electrical equipment used by service companies and airport handlers, along with the construction of a new deck with recharging facilities for electric vehicles in Asturias Airport.
- ▶ Regarding the check-in process, installation of 28 check-in desks along with associated installations at Barcelona Airport and improving the counters at Bilbao Airport. Improvements to check-in lines at Terminal 1 (false ceiling and lighting) and deployment of new self-check-in booths for several companies at Madrid-Barajas Airport.



Figure 24. Self-check-in. A.S. Madrid-Barajas Airport

Parking

Aircraft parking has increased due to the increase in operations, being duly favoured by the widespread increase in average stay times.

The following actions can be highlighted for 2016:

- ▶ Redesign of parking spaces in T1 and T2 at ASMadrid-Barajas Airport with the creation of 3 new parking spaces for type E aircraft.
- ▶ Actions geared towards the improvement of the parking deck at the Gran Canaria Airport.
- ▶ Adaptation of the signage of the platform, new design and signage for ramp 7, works on horizontal signs on ramps 3, 4 and 9, new regulatory signs and lighting needs for platforms, all of them in Malaga Airport.



Figure 25. Deck signalling. Málaga-Costa del Sol Airport

- ▶ Actions on the parking deck and canalisations to put into service platform parking for the washing of aircraft in the Valencia Airport.

Fuel

In 2016, the supply of JET A1 fuel for commercial aviation has grown by almost 12%. However, AVGAS fuel for general aviation has been maintained in line with consumption levels from the previous year.

Outstanding performances worthy of special mention are the launch of the process of renewal of licenses for fuel handlers, Phase I, which includes 21 network airports with reduced traffic levels for a duration of seven years. The second phase will be tendered in 2017. The increase in competition, improved service quality and price caps are key points of the new tender.

Meanwhile, the refuelling deck for aircraft has been expanded in the Huesca Airport and the fuel installation has been put into service at the Heliport of Ceuta.

Other services

In a general sense, all services have noted the increase in traffic levels, while the increase of revenue from check-in desks due to greater use of these on the part of new handling agents is worthy of special mention.

It is also worth highlighting the construction of the new cargo terminal for two operators and the construction of a border inspection post at Tenerife Norte Airport.

3.1.2 Commercial Activity

The following table shows the most significant figures for commercial activity. In this regard, it is worthwhile noting that the parking activity is included in 2016 in this activity, so the 2015 figures have been adapted to this criterion to obtain a comparable grounding:

(Thousand euros)	2016	2015	Variation	% Variation
Ordinary revenue	939.787	850.676	89.111	10,5%
Other operating revenue	8.984	10.346	-1.362	-13,2%
Total revenue	948.771	861.022	87.749	10,2%
Total expenditure (including amortisation)	-261.164	-257.132	-4.032	1,6%
EBITDA ⁽¹⁾	782.648	700.100	82.548	11,8%
Adjusted EBITDA ⁽²⁾	784.092	698.976	85.116	12,2%

⁽¹⁾ Earnings before interest, taxes, depreciation and amortisation

⁽²⁾ Excludes fixed assets impairments.

Table 7. Most significant figures with regard to commercial activities

Total revenue from commercial activity increased by 10.2% in 2016 compared with 2015, rising to 948.7 million euros. Ordinary revenue amounted to 939.8 million euros (25.3% of the total ordinary revenue) having increased by 10.5% compared with 2015 (89.1 million euros).

The largest contribution to this increase comes from increased passenger traffic, growth in sales of

commercial operators, better contractual terms, and the effect of the evolution of the Minimum Annual Guaranteed Rents (MAG) acknowledged in commercial contracts. In the specific case of parking, growth of 9.7% (to 121.6 million euros) is linked to the increase in domestic traffic (+8.8% passengers) and pricing strategies, along with actions implemented in the spheres of marketing and loyalty.

Aena's commercial contracts vary according to the type of business activity, and are based, in general, on a variable revenue as a percentage of sales (percentages vary by product category and/or services) and with a guaranteed minimum annual revenue (GMAR) which sets a minimum amount to be paid by the tenant regardless of the level of sales achieved.

The detail and analysis of the commercial lines of business is set out below:

Commercial Services (Thousand euros)	2016	2015	Variation	% Variation	Minimum Guaranteed Rents	
					2016	2015
Duty-Free Shops	285.153	250.968	34.185	13,6%		
Food & Beverage	154.493	132.086	22.407	17,0%		
Parking	121.554	110.767	10.787	9,7%		
Car Rental	114.466	104.526	9.940	9,5%		
Shops	89.660	82.353	7.307	8,9%		
Advertising	30.290	28.564	1.726	6,0%		
Leasing agreements	25.005	26.490	-1.485	-5,6%		
Other commercial revenue ⁽¹⁾	119.166	114.922	4.244	3,7%		
Ordinary revenue from commercial services	939.787	850.676	89.111	10,5%	69.092	61.590

⁽¹⁾ Includes Other Commercial Operations, Banking Services, Travel Agencies, Vending Machines, Commercial Supplies, Use of Conference Rooms, and Filming and Recording

Table 8. Analysis of commercial business lines

In 2016, the amount recorded in minimum annual guaranteed rents remains at 11.5% of revenue, in line with contracts that incorporate said clauses (11.5% in 2015).

Total expenses (including depreciation) increased by 1.6%, resulting in an EBITDA of 782.6 million euros, 11.8 % higher than in 2015.

These figures have been made possible by continued momentum given to commercial revenues through different actions, emphasising, for each business line:

Duty-Free Shops

At present, Aena has signed three contracts with the Dufry company, divided into three lots, which operates under the trading name of WorldDuty Free, standard free shops in 26 Aena airports: A Coruña, Adolfo Suárez Madrid-Barajas, Alicante-Elche, Almería, Asturias, Barcelona-El Prat, Bilbao, FGL Granada-Jaén, Fuerteventura, Girona-Costa Brava, Gran Canaria, Ibiza, Jerez, La Palma, Lanzarote, Málaga-Costa del Sol, Menorca, Murcia-San Javier, Palma de Mallorca, Reus, Seve Ballesteros-Santander, Santiago, Seville,

Tenerife Norte, Tenerife Sur and Valencia.

Revenues derived from this business line grew in 2016 by 13.6% compared to 2015 (28.4% of revenue of the business of Aena), generated through 86 outlets (76 business premises and 10 Buy-Byes), with a total area of approximately 45,000 m².

In 2016, standout actions were:

- Price repositioning in Madrid and Barcelona in the categories of 400 brand leaders in cosmetics and

perfumery, 70 in alcoholic beverages with discounts up to 20% off compared to mirror establishments.

- ▶ Increased promotional activity: advertising campaigns offering price advantage and promotional campaigns: 20% discount on the second purchase, vouchers with direct discounts, seasonal campaigns (Summer drinks, whiskey festival).
- ▶ Exclusive releases (Travel Retail formats), Cristiano Ronaldo eau de perfume range in AS Madrid-Barajas.
- ▶ Animation at the sales point and tastings.
- ▶ Launch of the Reserve & Collect Service: book on-line and pick up in-store.
- ▶ Launch of the RED loyalty programme, with the sponsorship of the Madrid Open.

Within the progressive incorporation of the Canary Islands multi-shops into the contract, the addition of the new duty free shop at Fuerteventura Airport in August is worthy of mention. This has led to the redesign of the shop so that this has become WalkThrough and increased variable revenue due to said modernisation.



Figure 26. Fuerteventura Airport

Food & Beverages

Following intense renovation work in recent years, most of our airports already boast a variety of restaurants capable of satisfying different types of demand. We can cater for those passengers who have little time and want standard products with very fast services, through fast food in all ranges: burgers, sandwiches, sandwiches, ranging to those travellers who have more time and want to enjoy new experiences through "signature cuisine".

We have the best brands of national and international restaurants which are benchmarks for our customers. Among the brands that currently offer their wares are McDonald's and Burger King, Mas que Menos, Costa Coffee, Starbucks, Coffee Republic, Lavazza, Paul, Rodilla, and for passengers who have a little more time and want to enjoy the "cuisine", we have 4 restaurants with Michelin star chefs at: Adolfo Suarez Madrid-Barajas: "Kirei by Kabuki" with Ricardo Sanz (in T1 and T4) and "Gastrohub" (T4) with Paco Roncero; Barcelona-El Prat: "Porta Gaig" and "GastroBar" by Carles Gaig and in Malaga-Costa del Sol: "Delibar" with Dani Garcia.

In 2016, the restaurant business line, with more than 320 outlets, saw an excellent performance, with revenues amounting to 154.5 million euros, representing an increase of 17% compared to 2015.

Revenue growth in this business is due primarily to improved sales figures of our restaurant operators, owing to the growth of spending per passenger in tourist airports and the consolidation of the full range of hostelry adapting to the different passenger profiles, through the diverse brands offered.

In this financial year, the following actions are worth highlighting:

- ▶ The start of activity of the new food & beverage options at the airports of Bilbao and San Sebastian (5 points in Bilbao and 1 in San Sebastian), with openings of new brands such as Burger King, Santa Gloria or the Arrese premises, with an improvement to the quality and the presence of national, international brands and a local chef with the acknowledged presence such as Ricardo Perez.
- ▶ The new offer at Menorca Airport (7 premises) with the presence of new brands such as Ribs, Coffee Republic, Café Pans, Gambrinus, Paulaner, etc.



Figure 27. Food & Beverages at Menorca Airport

- ▶ The bidding on and awarding of most of the catering tenders at airports in Fuerteventura (6 outlets) and Ibiza (9 outlets), representing a total renewal options of these airports, gaining in terms of the presence of national and international brands and quality offered. The onset of activity of the new premises at these airports will start in 2017.

Also, this year Aena worked extensively with operators which manage establishments to improve the quality of their points and expand their offerings to suit different special needs foods, incorporate concepts such as healthier eating trends, creating more comfortable and relaxed surroundings, providing better customer service, and generally creating a fine dining experience.

Parkings

Airport car parks are managed by Aena itself, ensuring control of all the processes comprising the business unit. New infrastructures are planned, providing the "business case" for all new installations, as well as the applications of current ones, putting these into production and passing them on to their operative state.

The Aena parking network consists of more than 100 parking facilities with spaces for 113,000 vehicles in 32 airports.

To ensure proper operation of the facilities and customer services, an entire range of products are available for parking facilities users, including Low Cost / Extended Stay, General, Preferential, Express, VIP service with pickup and delivery with driver, as well as additional services such as car wash. With this range of services different parking products are structured according to duration, that aim to meet the needs of all types of Aena's customers, from the holiday passenger, including travellers at weekends, on bank-holidays or long-stay travellers, as well as business travellers, national next-day or same-day return, or even long-haul.



Figure 28. Parking. Barcelona-El Prat Airport

In addition to the operational part, Aena actively manages the pricing of parkings, applying frequent price

changes to achieve increased market shares.

Aena has a web booking platform which allows for online reservations, and from the Aena APP, as well as from the various distribution channels that have been deployed in recent years, with up to 3 hours forewarning throughout the entire parking network, which in 2016 handled more than one million bookings in the whole airport network.

Through this booking platform, customers can pre-book their parking space at discounted prices, in some cases pay for them, and when they access, their licence plate is detected with which they have booked their ticket.

In recent years, there have been great efforts to improve the service provided to customers through the use of technology, investing in equipment, means of payment and new developments that improve the customer experience within the car parks.

The turnover for this activity amounted to 121.6 million in 2016, representing an improvement of 9.7% over 2015.



Figure 29. Parking pay stations. Girona-Costa Brava Airport

In the segment of reserves it is where greatest increase is observed by segments, with a 46% growth of operations, and 44% in revenue. This continued and sustained improvement in the bookings sector is based mainly on a dynamic price-fixing policy which allows it to remain

competitive and always offering an economic option for vehicle parking for passengers.

Additionally, marketing and communications action plans have been carried out, held throughout the year via different channels and media, along with several radio campaigns, organic positioning SEO (Search Engine Optimisation) and SEM advertising (Search Engine Marketing), with the aim of improving the results and improving the price positioning of Aena parkings for our customers.

Car Rental

The driverless vehicle rental business in Aena airports is managed through a tender, being managed by major worldwide companies. Amongst Aena's customers in this business we can find AVIS, Europcar, Hertz, Enterprise, Sixt and Goldcar, all of them multinationals present in the main markets in the sector, both in Europe and in the rest of the world. In addition, Aena has powerful national companies, present in tourist markets such as as CICAR, TOP CAR, Autorreisen or Recordgo, as well as also boasting local business presence at some airports. With this stratification of customers, Aena can offer passengers all types of products and services in the business of driverless car rental.

At airports, a wide range of driverless car rental services can be hired: from low cost products to premium range, ranging to different brands and vehicles for each segment.

In order to provide this service, Aena offers companies 19,000 parking spaces, 256 customer service counters (checking counter) and 500,000 m² space for vehicle parking, as well as additional facilities such as storage facilities, maintenance areas, laundry rooms, etc.

Within the airports, more than 3 million vehicle rental agreements were signed with a turnover exceeding 800 million euros.

Revenue from this activity exceeds 114.5 million euros, representing an increase of 9.5% compared to the previous year.

The growth rate is mainly due to an increase in sales volume owing to the positive evolution of the international passengers' segment, although the strong competition within the sector

has an impact on the unit value of the contracts.

The new tender for this activity, awarded to the 16 companies from the sector for 36 airports which makes more licences and installations available in network airports, came into force in November 2016. Associated with this contract will be the setting up of new control and management systems for the activity.

The challenges in implementing the new contract will be continuing to increase the number of companies operating within the airport, as well as increasing the facilities made available to companies (parking spaces, counters and vehicle parking areas).



Figure 30. Car Rental access. Girona-Costa Brava Airport

Shops

In 2016, more than 350 retail premises have been operational, of which 22 belong to the luxury category, thus allowing for a wide offer to suit the needs of all our passengers groups. Large retail brands are present in our terminals. In this sense, we have shops from the Inditex Group, Mango, Desigual, GAP, Superdry and, amongst the luxury brands, we boast Loewe, CH, Bvlgari, Coach, Weekend by Max Mara, Longchamp, Burberry, Ferragamo, Omega, MontBlanc, etc.

This offer turns our network airports into major shopping malls, at the same level as the city centre of the main Spanish cities.

Revenue from this line of business in 2016 amounted to 89.7 million euros, representing an increase of 8.9% compared to 2015.

In 2016 the following actions have been carried out, amongst others:

- ▶ The opening of the new renewed commercial offer at airports in Alicante-Elche and Gran Canaria. In the Alicante-Elche Airport, between April and June 2016, new shops that were offered for tender at the end of 2015 were opened (13 shops). Brands such as WH Smith, Victoria's Secret or Petra Mora have joined the sales force.



Figure 31. Shops. Alicante-Elche Airport

Likewise, in the Gran Canaria Airport the new commercial offer put for tender at the end of 2015 (8 premises) has opened its doors, meaning the entry of new

brands and concepts such as Victoria's Secret, Bazar Sport or localised activities such as the sale of Aloe Vera and continuance of the sale of locally produced foodstuffs and delicatessen goods.

- ▶ The tender and awarding of the retail shops in module C in Palma de Mallorca (9 premises) which will provide a renovation and improvement in the range of offer available in said module. The new shops will open their doors before the peak season in 2017.
- ▶ The tender and award of the 1st stage of the renovation of shops in T123 in AS Madrid-Barajas (20 premises) and bidding of the 2nd stage (10 premises). The new brands will be opening their shops throughout 2017 when contract terms are finalised.



Figure 32. Shopping area. A.S. Madrid-Barajas Airport

Also during 2016, in order to improve the customer experience at our airports, and following the trends established in international airports, a Personal Shopper service has been made available to passengers at T4S at AS Madrid-Barajas Airport, with a positive impact in terms of perception by passengers. 2017 is expected to see the expansion of this service to the T4, T4S and T1 terminals (non-Schengen) at AS Madrid-Barajas Airport and, in the medium term, in Barcelona-El Prat Airport.

Advertising

Advertising activity at airports is part of the outdoor publicity within the marketing industry, competing with other exterior media such as street furniture, metro stations and fences.

Advertising is run in the airports via the concession model, and it is the concessionaire who performs the marketing tasks on the advertising space, both for predefined media on digital hoardings as well as the more conventional media, with more than 900 units, as well as temporary supports for eye-catching marketing.

Airports in the Aena network, with more than 230 million passengers handled in 2016, represent an ideal support for international brands, which make themselves known, strengthen the brand positioning and especially undertake product launches, choosing spectacular media such as moving walkways, large glass areas, awnings in singular buildings such as car parks or facilities within the passenger terminal.

The main sectors present in airports in 2016 were: automotive, banking, distribution, transportation and telecommunications.

This line of business grew in 2016 by 6.0% compared to 2015.

In the last quarter, the company awarded the advertising contract (in lots 1, 2 and 3), JCDecaux, has conducted an improvement of advertising media, eliminating almost all conventional media in favour of digital large-format media, to improve the eye-catching nature of their campaigns.

As an example of this renovation, we can highlight the new LED videowalls in Adolfo Suarez Madrid-Barajas and Barcelona airports, as well as screens at several airports.



Figure 33. Advertising media. A.S. Madrid-Barajas Airport

Other commercial revenue

The analysis of the rest of commercial revenue can be broken down into two large blocks:

VIP lounges

There are currently 21 Vip lounges in 13 Aena airports, all operated by Aena itself, except 4 rooms in Barcelona, operated on a tender basis until 2018. Aena VIP lounges hosted more than 2 million passengers in 2016, first class passenger airlines and other passengers with privileges granted through loyalty programs, credit cards or having gained access directly.

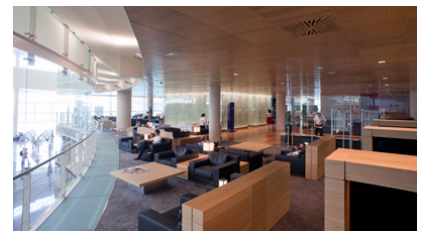


Figure 34. VIP lounges. Barcelona-El Prat Airport

The efforts in 2016 were aimed at improving the facilities and service offered in the Lounges through redefining the service-level agreement contracts for management and implementation of infrastructure

projects. Likewise, the major contracts with partner companies and airlines have also been regularised.

The business line for VIP lounges displayed excellent performance in 2016 with 20.5% more compared to 2015.

Worthy of special mention is the remodeling of the 5 lounges at Adolfo Suarez Madrid-Barajas Airport and the opening of the VIP lounges in the airports in Seville (April) and Ibiza (June).

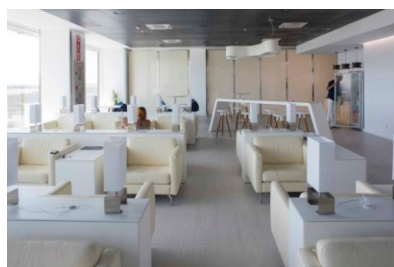


Figure 35. VIP lounges. Ibiza Airport

Likewise, remodelling projects are underway of Lounges at Palma de Mallorca, Valencia, Tenerife Norte and Tenerife Sur airports, as well as the future expansion of the Lounges in Málaga-Costa del Sol and Alicante-Elche to cope with growth rates in traffic. From this summer onwards, promotion has been given to our own sales channels for lounge access (Public Web and Aena App), as well as new channels such as GIS (commercialising company for airport services) and Vueling, amongst others.

Other commercial developments

Included herein are several business activities conducted at airports, such as banking services, laminated luggage wrappers, other vending machines, telecommunications services and regulated services (pharmacies, tobacco shops, lottery) where a positive trend has also been

seen in 2016, with an increase in revenue of 3.2% over the previous year.

Amongst those airports whose contractual terms had an impact this growth we find Alicante, in which, in this period, the activity of currency exchange was put up for tender, with an improvement in terms of revenue, or Málaga in which the currency exchange facilities were also renovated at the end of 2015 with a major improvement of economic conditions.

3.2. Real estate services segment

Key financial data for the real estate services segment are set out below:

(Thousands of euros)	2016	2015	Variation	% Variation
Ordinary revenue	62.204	57.203	5.001	8,7%
Real estate services ⁽¹⁾	62.204	57.203	5.001	8,7%
Other operating revenue	2.421	1.418	1.003	70,7%
Total revenue	64.625	58.621	6.004	10,2%
Total expenditure (including amortisation)	-44.061	-43.080	-981	2,3%
EBITDA⁽²⁾	36.762	32.265	4.497	13,9%
Adjusted EBITDA⁽³⁾	36.908	32.189	4.719	14,7%

⁽¹⁾ Includes Warehouses, Hangars, Real Estate Operations, Off-Terminal Supplies and Others.

⁽²⁾ Earnings before interest, taxes, depreciation and amortisation

⁽³⁾ Excludes fixed assets impairments.

Table 9. Key financial data for the real estate services segment

The real estate services segment corresponds to assets for the provision of leased or transferred land use services to third parties outside the airports' scope, such as land, warehouses, hangars and cargo warehouses. In 2016, revenue from these activities totaled 62.2 million euros, 8.7% above that obtained in 2015, mainly due to the recognition of the reversion of rights of use of buildings constructed on land affections to transfer contracts (3.3 million euros). Excluding this impact, growth stands at 1.7 million euros (+2.9%) boosted by new leases for hangars.

Real estate assets (land, warehouses and hangars, cargo logistic centres and real estate operations)

Aena has variety of real estate assets for the support of airport activity (operating airlines, operating air cargo, handling agents and other airport operators) and the development of complementary services.

Thus, to support the activity, airports have office buildings and warehouses, hangars, cargo ships, support surfaces (paved and unpaved) and land (developed and undeveloped) where various types of buildings and facilities may be built.

Amongst the additional services are 17 stations in 13 airports and FBOs terminals in 4 of the most important airports in the network, where business aviation is handled in a unique way.

Worthy of note this year was the signing of seven new leases for hangars (or construction) at AS Madrid-Barajas Airport (1), Sabadell (2), Son Bonet (1), Madrid-Cuatro Vientos (1), Palma de Mallorca (1) and Girona-Costa Brava (1), as well as the renovation of three dossiers on service stations at A.S.Madrid-Barajas (1), Barcelona-El Prat (1) and Tenerife Sur (1).

Likewise, in the month of September works were commenced relating to the analysis of free lands and the development of the Master Plans for merchantable lands in the airports of A.S. Madrid-Barajas and Barcelona-El Prat, which will be completed during 2017. The aim is to analyse and schedule the development of approximately 1,000 hectares of free land for use in these airports, in a coherent and proper manner, proposing possible commercial usage.

With regard to levels of freight transported, a notable 11.2% growth rate was experienced in comparison with 2015.



Figure 36. Airfreight. Zaragoza Airport

As proof of the development tasks in this activity, Aena has received an award from the Association of Couriers and Forwarding Agents, UNO Logística and

acknowledgement on the part of IATA for its collaboration in the CEIV Pharma Certification Project.

With regard to marketing actions on spaces intended for air cargo, it is worth highlighting the awarding of 4 rights to areas for the construction of facilities for handling air cargo of approximately 7,000 m² in Vitoria, 10,000 m² in Zaragoza and 32,000 m² and 20,000 m² both at Adolfo Suarez Madrid-Barajas Airport.



Figure 37. Airfreight. A.S. Madrid-Barajas Airport

3.3. International segment

The main economic data for the segment regarding international activity reflected the consolidation of Luton Airport in London (5th airport in the UK in terms of passenger numbers) and advisory services to international airports. International business revenue worsened by 4.0 million euros, as a result of the devaluation of the GBP which has had a negative impact, offsetting the strong traffic growth experienced in Luton Airport.

(Thousand euros)	2016	2015	Variation	% Variation
Ordinary revenue	207.733	211.768	-4.035	-1,9%
Other operating revenue	272	713	-441	-61,9%
Total revenue	208.005	212.481	-4.476	-2,1%
Total expenditure (including amortisation)	-184.330	-199.404	15.074	-7,6%
EBITDA ⁽¹⁾	71.322	72.582	-1.260	-1,7%
Adjusted EBITDA ⁽²⁾	71.286	73.588	-2.302	-3,1%

⁽²⁾ Earnings before interest, taxes, depreciation and amortisation

⁽¹⁾ Excludes fixed assets impairments.

Table 10. Key data for the international activity segment

More detailed information on the performance of Luton Airport can be found below. Its consolidation made a 65.4 million euros contribution to EBITDA, 1.8% lower than in 2015 (66.6 million euros).

(Thousand euros) ⁽¹⁾	2016	2015	Variation	% Variation
Tariff revenue	94,944	96,691	-1747	-1.8%
Commercial revenue	103,210	105,249	2039	-1.9%
Total revenue	198,154	201,940	-3786	-1.9%
Staff	39,057	40,428	1371	-3.4%
Other operating expenses	93,349	94,442	-1,093	-1.2%
Depreciation and impairments	47,442	59,508	12,066	-20.3%
Total expenditure	179,848	194,378	14,530	-7.5%
EBITDA ⁽²⁾	65,394	66,590	1,196	-1.8%
Operating profit/loss	18,306	7,562	10,744	142.1%
Financial result	23,405	25,891	2,486	-9.6%
Profit/loss before tax	5099	18,329	13,230	-72.2%

¹ Euro/GBP exchange rate 2016: 0.8192 and 2015: 0.7264

² Earnings before interest, taxes, depreciation and amortisation.

Table 11. Detailed financial information on the evolution of Luton Airport

Luton Airport recorded a significant increase in traffic in 2016 compared to 2015 (18.5%), surpassing 14.6 million passengers and nearly 132,000 aircraft operations (13.0%). This growth continues during 2017, as passenger traffic figures published in January 2017 represent an increase of 20.1%.



Figure 38. Luton Airport

These traffic figures, combined with the effect of the exchange rate have resulted in a decline of 1.9% in revenues (198.2 million euros in 2016 compared to 201.9 million euros in 2015), decreasing aeronautical revenue by 1.8% and commercial revenue by 1.9%.

In GBP, Luton's revenues grew by 10.7% in 2016 (15.6 million GBP) compared to 2015:

- In GBP, aeronautical revenue rose by +10.7% and commercial revenue by +10.6%. In the latter, worthy of special mention is the good performance of car parks (+16.0%) reflecting traffic growth and management strategies and prices implemented; and the lines of food & beverages and retail (12.5% overall) boosted by increased passenger traffic, the opening of the walk-through shop in June 2016 and improving the conditions of commercial contracts.
- EBITDA in GBP has risen by +10.5% (6.3 million GBP) compared to 2015. Staff costs rose by 9.5% due to increased resources necessary to maintain service levels with increasing passenger levels. The entry on other operating costs increased by 4.1%, thus being able to contain costs with high activity levels.

Another factor to consider in terms of the profit/loss for the segment is the **equity method applied to the earnings of investee companies**, the details of which are set out below:

(Thousand euros)	2016	2015	Variation	% Variation	Exchange rate	2016	2015	Variation
SACSA (Colombia)	2.991	2.163	828	38,3%	€/MXN	20,67	17,76	-16,4%
GAP (Mexico)	9.298	8.378	920	11,0%	€/COP	3.378,32	3.051,42	-10,7%
AEROCALI (Colombia)	3.832	3.471	361	10,4%	€/COP	3.378,32	3.057,78	-10,5%
Total share in profit/loss of associates	16.121	14.012	2.109	15,1%				

Table 12. Equity method for investee companies

In past investments two effects should be considered: on the one hand the companies' operating results and on the other the evolution of the exchange rates. In this sense, although the evolution of the activity has been positive, local currency results from investees have worsened in euros over the period due to the effect of the exchange rate.

4. Income statement

(Thousand euros)	2016	2015	Variation	% Variation
Ordinary revenue	3.709.581	3.450.709	258.872	7,5%
Other operating revenue	62.906	67.079	-4.173	-6,2%
Total revenue	3.772.487	3.517.788	254.699	7,2%
Supplies	-180.366	-180.968	602	-0,3%
Personnel expenses	-390.724	-363.911	-26.813	7,4%
Other operating expenses	-901.775	-872.206	-29.569	3,4%
Fixed asset depreciation	-825.805	-846.215	20.410	-2,4%
Impairment and profit/loss on fixed asset disposals	-6.402	-7.843	1.441	-18,4%
Other net profit / (loss)	399	5.513	-5.114	-92,8%
Total expenses	-2.304.673	-2.265.630	-39.043	1,7%
EBITDA ⁽¹⁾	2.293.619	2.098.373	195.246	9,3%
Adjusted EBITDA ⁽²⁾	2.300.021	2.106.216	193.805	9,2%
OPERATING PROFIT/LOSS	1.467.814	1.252.158	215.656	17,2%
Financial expenses and Other financial results	-169.222	-215.670	46.448	-21,5%
Expenses / Revenues from interest on net expropriations	201.406	-9.922	211.328	-2129,9%
FINANCIAL PROFIT/LOSS	32.184	-225.592	257.776	-114,3%
Share in profits obtained by associates	16.121	14.012	2.109	15,1%
PROFIT/LOSS BEFORE TAX	1.516.119	1.040.578	475.541	45,7%
Corporate Revenue Tax	-351.733	-209.793	-141.940	67,7%
NET PROFIT/LOSS FOR THE YEAR	1.164.386	830.785	333.601	40,2%
Profit/loss for period attributable to minority interests	237	-2.752	2.989	-108,6%
PROFIT/LOSS FOR THE PERIOD ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS	1.164.149	833.537	330.612	39,7%

⁽¹⁾ Earnings before interest, taxes, depreciation and amortisation

⁽²⁾ Excludes fixed assets impairments.

Table 13. Revenue statement

As a result of the positive business performance shown in virtually all its lines, Aena's **total revenues** increased to 3,772.5 million euros in 2016, up 7.2% over the same period last year. Revenue from the commercial area accounts for 25.1% of the total, which is above its share for the same period in 2015 (24.5%).

Ordinary revenue increased to 3,709.6 million euros in the

considered period, 7.5% compared to 2015. The increase of 258.9 million euros has been explained before in the analysis of the different business segments.

Operating expenses increased slightly (+39.0 million euros, +1.7%) as a result of cost-saving measures initiated in previous years, which have resulted in a containment of these expenses despite the strong

growth in traffic. Next, the most important variations broken down into cost concepts are analysed:

- Supply costs have been reduced by 0.3%, which is 0.6 million less compared to 2015, mainly due to lower implementation of purchases and spare parts for air navigation services (ATM/CNS) (-0.5 million euros).

Staff costs is the expenditure which has experienced the most significant increase, rising from 7.4%, 363.9 million euros in 2015, to 390.7 million euros in 2016 due to the reversal in December 2015 of the provision of Voluntary Social Disengagement Plan amounting to 24.2 million euros). Excluding this effect, the variation is explained by the 1% salary review in Spain, the effect of supplements linked to the age and occupation and the provision created for potential liabilities to Social Security resulting from occupational accidents and illnesses in certain occupations (+2.5 million euros) and the increase in staffing costs from Luton Airport.

Other development costs rose by 3.4% (+29.6 million euros) to 901.8 million euros. The change in this item is mainly due to maintenance costs (+9.6 million euros), security, including new baggage inspection rules applied since March 2015 (+7.2 million euros), the provision for unfavourable rulings associated with rising rates of 2012 (+4.1 million euros) for the effect of changes in provisions for bad debts (+4.5 million euros) and recoverable marketing actions (4.0 million).

Depreciation of fixex assets amounted to 825.8 million euros and is down compared to 2015 at 20.4 million euros (-2.4%), mainly due to the end of amortisation of assets, partially offset by the technical review of the working life of assets such as runways and taxiways.

The deterioration and loss on disposal of fixed assets amounted to 6.4 million euros

(1.4 million) showing a reduction compared to 2015.

Other results include, for the most part, seizures of guarantees, pledges, late fees and emergency charges; the losses mainly reflected allowances and allocations for risk provisions.

The reported **EBITDA** (earnings before interest, taxes, depreciation and amortisation) increased from 2,098.4 million euros in 2015 to 2,293.6 million euros in 2016, representing an increase of 9.3% and a margin of 60.8%. In 2016, it included 65.4 million euros for the consolidation of Luton (66.6 million euros in 2015).

Meanwhile the **net financial result** shows a year-on-year increase of 257.8 million euros mainly as a result of the reversal of 204.9 million euros due to Supreme Court decisions in favour of Aena in three proceedings for expropriations at A.S. Madrid-Barajas Airport. For the heading on Financial expenses and other financial results, a decrease of -46.5 million euros was entered (-21.5%) mainly as a result of decreased interest rate (-45.6 million euros), the reduction of the principal of the debt (-18.1 million euros), and non-recurring provisions in 2015 for several resources (-8.0 million euros) partially offset by the evolution of the euro/GBP exchange rate on the loan in GBP granted to Luton (+12.7 million) and provision to address the eventual cost increase associated with the change in Enaire risk weight as per the Circular issued on the 2/2016 by the Bank of Spain (+11.8 million euros). The profit from equity method accounting of **investee companies**

has increased by 1.6 million euros due to increased traffic, although they have been negatively impacted by the exchange rate effect.

As for the **corporate revenue tax**, the resulting expenditure stood at 351.7 million euros, an increase in spending of 141.9 million euros compared to the previous period due to the increase in the result (impacted in turn by the reversal of the provision for late payment interest for the expropriations at A.S. Madrid-Barajas Airport) and declining investment tax credits in the Canary Islands. This increase is partially offset by the deduction associated to the provision of the capitalisation reserve amounting to 7.8 million euros, in accordance with Act 27/2014, conditioned by the maintenance until 2021 of own funds from 2016. The effective rate for the period stood at 23.2%.

The **net profit for the year (before minority shareholders)** was **1,164.4** million euros. Profit for the period attributable to minority interests comes to 0.2 million euros (49% of the net result for Luton), bringing the **profit for the year attributable to shareholders of the parent company to 1,164.1** million euros (330.6 million euros greater than that achieved in 2015), reflecting positive business development, the reversal of provisions for legal proceedings related to land expropriations at Adolfo Suárez Madrid-Barajas Airport, reduced financial expenses and higher corporate tax expense. Excluding the extraordinary reversal of provisions for expropriations, net profits amounted to 1,010.4 million euros and growth to +21.2%.

5. Investments

At the end of 2016, investment payments (property, plant and equipment, intangible assets and investment properties) had risen to 305.4 million euros (this figure includes 61.1 million euros invested in Luton Airport), representing a 50.5 million euros increase (+19.8%) compared to the previous year.

Total investment in the Spanish airport network (based on payments) came to 244.3 million euros, representing a 17.0 million euros (+7.5%) increase on the 227.2 million euros in the same period in 2015. This increase was mainly due to service maintenance investments.

The main works commissioned in 2016 are the "Start-up Actions in Category II / III (improved operability in low visibility conditions)" at Zaragoza Airport, the "New Power Plant" in Asturias and the "Remodelling and Adaptation of 5 VIP Lounges" at Adolfo Suarez Madrid-Barajas Airport. Also noteworthy is the "Regeneration of Pavement in Flight Track" at Ibiza Airport, the "Regeneration of Pavement of T Taxiway" at Tenerife Sur Airport, "New Waterproofing of Terminal Building and Modules at Palma De Mallorca, and the "Deck Pavement Actions" and "Strengthening of the Track in the

03L-21R Runways and Associated Taxiways" at Gran Canaria Airport.



Figure 39. Zaragoza Airport

Amongst the main actions undertaken in 2016 we include the "Regeneration of Pavement of the South Track" at Palma de Mallorca Airport, the "Fulfillment of Operating Safety requirements" in Ibiza, the "Refurbishment of the Cargo Terminal" at Gran Canaria, and, in Lanzarote, "Coastline Action Plans" and "Renewal of Air Conditioning System in Terminal T1".



Figure 40. Palma de Mallorca Airport

Amongst the main actions undertaken in 2016 we find the "Adaptation of the Air Field" at the La Palma Airport and, in Barcelona-El Prat Airport, "Regeneration of Pavement of 07L-25R Runway" and "Adaptation to Regulations For Deck Taxiways".

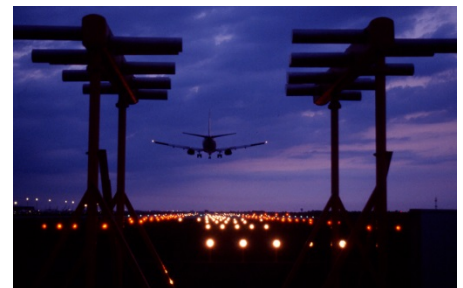


Figure 41. Barcelona-El Prat Airport

At Luton Airport investment continues both on maintaining and upgrading installations and in the Curium Project to expand the airport's capacity. This project aims to increase the current capacity from 12 million passengers per year to 18 million by 2018. These actions are making significant progress in all its areas and will see the construction of a car park, the remodelling and improvement of airport access routes, the expansion and refurbishment of the terminal building and the expansion of retail areas.

5.1. Analysis of investments by areas of action

Information on the breakdown of investment across the Spanish airport network in 2016 can be found below, along with a comparison with 2015:

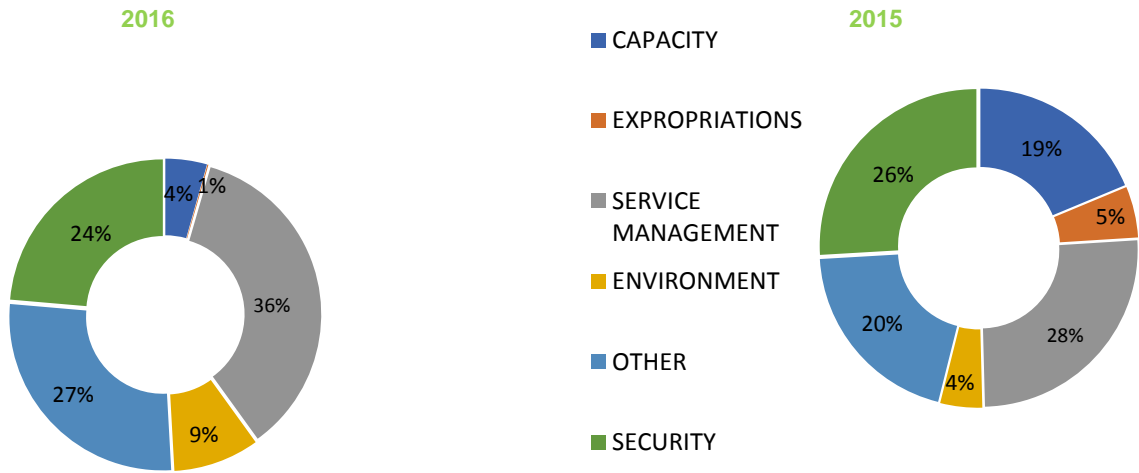


Figure 6. Analysis of investments by areas of application

➤ The investment percentage devoted to the improvement of installations to ensure **Service Maintenance** in 2016 has been increased with respect to the same period in 2015, shifting from 26% in 2015 to 36% in 2016. In absolute terms, the shift has gone from 58.1 million euros in 2015 to 86,7 million euros in 2016, which implies an increase of 49.2%. The main projects include minor works carried out by airports to maintain existing infrastructure, which totalled 22.6 million euros.

➤ Investments made in 2016 in **Security** amount to 24% of Aena's total investment (compared to 26% of 2015). These have decreased by 1.2 million euros between 2015 and 2016, shifting from 58.9 to 57.7 million euros. They emphasise the "Regeneration of the Pavement" at Ibiza Airport, "Regeneration of the Pavement on South Runway" at Palma de Mallorca, the "Regeneration of the Pavement at T Taxiway" at Tenerife Sur Airport and the

"Reinforcement of 03L-21R Runway Surface and Associated Taxiways" at Gran Canaria Airport. With regard to action plans for several airports, the most important are the "Supply of self-extinguishing 6x6 vehicles with capacity for 10,000 litres of water" and "Provision of an Integrated Access Control System".

➤ In the area of the **Environment**, 22.3 million euros were invested in 2016, 12.4 million more than in 2015 (9% of Aena's total investment). This investment was primarily concentrated on the "Countervailing Measures Agreement" at Adolfo Suárez Madrid-Barajas Airport and the "Measures Deriving from the Environmental Impact Statements (Noise Insulation)" at various airports.

➤ Investments in **Capacity** totalled 10.7 million euros, 31.8 million euros lower than in 2015. The most significant stand out investment projects include "Improvements in

HUB T123 - New Layout of STANDS T8, T10 and T12 for Use of Type E Aircraft" at Adolfo Suarez Madrid-Barajas Airport, the "Supply and Installation of Number 6 Check-in Area at Terminal T1" and "Renewal of Signalling in Terminal T2" both at Barcelona-El Prat Airport.

➤ Regarding **Expropriations**, we made payments amounting to 3.4 million euros, which have been virtually offset by diverse refunds amounting to 3.1 million euros for expropriations carried out primarily in Girona and Bilbao.

The investments classified under "**Other**" include investments in Information Technology, including the "Fitting out of communications networks and storage networks and servers". It is also important to highlight the investment to increase commercial revenue, such as the "Refurbishment and Upgrading of 5 VIP Lounges" at Adolfo Suárez Madrid-Barajas Airport.

6. Balance sheet

6.1. Net assets and capital structure

Thousand euros	2016	2015	Variation	% Variation
ASSETS				
Non-current assets	14.502.621	15.935.551	1.432.930	-9,0%
Current assets	1.011.153	1.087.829	-76.676	-7,0%
Total assets	15.513.774	17.023.380	1.509.606	-8,9%
NET EQUITY AND LIABILITIES				
Total net equity	5.025.749	4.360.281	665.468	15,3%
Non-current liabilities	8.962.156	10.820.205	1.858.049	-17,2%
Current liabilities	1.525.869	1.842.894	-317.025	-17,2%
Total Net equity and liabilities	15.513.774	17.023.380	1.509.606	-8,9%

Table 14. Summary of the consolidated balance sheets

Under non-current assets, the 1,433.0 million euros decline in the carrying amount during the period was mainly due to the 1,306.0 million euros decline in Property, Plant and Equipment in the Balance Sheet, mainly due, in turn, to the reversal of the provision (coming to 758.6 million euros) made for the value of the land in the expropriations at the A.S. Madrid-Barajas Airport, after obtaining, in the month of June 2016, favourable Supreme Court rulings. Moreover, due to the limitation applicable to the Spanish airport network, the amount of the new acquisitions of fixed assets has been much lower than the depreciation charged on regulated investment. Furthermore there have also been other derecognitions in the period, most of which are due to provision reversals, and the negative impact of the adverse movement of the GBP/euro exchange rate on the property, plant and equipment and

intangible assets of the LLAHIII group.

In turn, the downfall in current assets of 76.7 million euros is due to decreased 85.0 million euros in the balance entry for "Trade and other receivables" (owing to an improvement in the average collection period from customers and the collection of a 51.5 million euros credit for the tax purposes charged to Enaire in its role as the parent company in the previous tax consolidation group contained in said heading at year-end 2015) and the decline of the "Cash and cash equivalents" heading by 7.9 million euros.

Net equity increased by 665.5 million euros due to the positive result for the period amounting to 1,164.1 million euros. In July 2016, Aena distributed for the first time a dividend of 406.5 million euros. Likewise, the heading "Other reserves" has decreased by

56.7 million euros, due to the effect on Hedging Reserves caused by the evolution of the interest rate curve and its negative impact on the valuation at 31 December 2016 of derivative financial instruments underwritten by the group. Since the main maturity date of derivatives will take place in 2026 and that interest rates are at historic lows, the expectation is that these reserves will be reversed before maturity of the primary obligations. The fair value of the negative derivative financial instruments at 31 December 2016 is 136.5 million euros.

The 1,857.9 million euros decline in non-current liabilities is mainly due to the abovementioned reversal of the provision for expropriations at A.S. Madrid-Barajas Airport and the decrease in the heading "Financial Debt" by 848.3 million euros is mainly caused by the repayment of the principal of the debt Aena holds with ENAIRE as the co-lending institution

with various financial institutions totalling 1,172.3 million euros, according to the amortisation repayment schedule set forth. In the opposite sense, the heading for "Derivative financial instruments" grew by 65.3 million euros due to the

reason mentioned in the section on "Net equity".

The decrease of 317.0 million euros in current liabilities is mainly due to "Bank Debt" which has been reduced by 317.5 million euros.

The working capital (usually negative at the Company given its operations and financing) decreases from -755.1 million euros in 2015 to -514.7 million euros at the close of 2016.

6.2. Evolution of net financial debt

The Aena Group's consolidated net financial debt (calculated as Current Financial Debt plus Non-Current Financial Debt minus Cash and Cash Equivalents) was 8,228.0 million euros at 31 December 2016, including 337.9 million euros as a result of the LLAH III debt consolidation, compared to 9,401.7 million euros recorded in 2015.

Meanwhile, the Company's net financial debt, for the purpose of "covenants" included in financing contracts dated 29 July 2014, amounted to 8,041.0 million euros at 31 December 2016 against 9,103.4 million euros at 31 December 2015, with a substantial improvement in these ratios due to both the decrease in net financial debt as well as the evolution of EBITDA:

Thousand euros	2016	2015
Gross financial debt covenants	8.523.750	9.614.212
Cash and cash equivalents	482.758	510.784
Net Financial Debt covenants	8.040.992	9.103.428
Net Financial Debt covenants / EBITDA⁽¹⁾	3.6x	4.5x

⁽¹⁾ Earnings before interest, taxes, depreciation and amortisation. Includes adjustment for update of the upfront fee WDF

Table 15. Net financial debt of the Company

The difference between the net financial debt in Aena's accounts on 31 December 2016 (8,228.0 million euros) and the net financial debt calculated for the purposes of the covenants (8,041.0 million euros) is essentially due to the fact that the latter does not include the debt (without recourse) associated with Aena associates (mainly from LLAH III) or short-term guarantees, although it does include the fair value (liabilities) of derivative financial instruments.

As of 31 December 2016, debt amounting to 1,172.3 million euros has been repaid through cash generated during the year. Likewise, during 2016 a total of 781.3 million euros (loans from the European Investment Bank) of a revisable fixed rate regime have been converted to

maturity type, from an average rate of 1.765% to an average rate of 0.820%.

On 9 February 2016, the Bank of Spain published Circular 2/2016 to credit institutions in the Official State Gazette, which included, information on the monitoring and solvency, which completes the adaptation to Spanish law of Directive 2013/36/EU and Regulation (EU) No. 575/2013. This Circular aims to complete the adaptation of the Spanish legal framework for banking supervision and solvency standards in line with Basel III.

After a series of consultations with the Bank of Spain with the aim of clarifying the interpretation and consequences of the provisions of the said Circular, it has been confirmed

that the same introduces a change in the risk weighting that credit institutions had been applying thus far to ENAIRE's debt, of which Aena is co-accredited (mirror debt).

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

Some of the financing agreements in which ENAIRE and AENA are co-accredited contractors, whose outstanding balance as of 31 December 2016 amounted to 2,940 million euros (of which 2,804.9 million euros correspond to debt assigned to Aena) set forth as a possible cause of early maturity, at the request of the

lender, a change in the risk weight of the borrower by the Bank of Spain, or in accordance with the Spanish banking norms, for the purposes of capital adequacy ratio for credit institutions, unless borrowers can compensate credit institutions affected by costs, duly accredited, that may be incurred as a result of the foregoing, according to the interpretation of contracts drawn up by the company.

Faced with claims with regard to this, Aena recorded as a financial expense in the consolidated revenue statement for the year 2016, 11.8 million euros to cover the amount of claims received from credit institutions for costs incurred as a result of the change in the risk weighting. Although, in the future other similar claims by other bodies might occur, at present it is not possible to estimate the amount.

Likewise, as a result of the implementation of the new risk weighting, the interest rate applied in the future to those loans could be revised upwards. Whilst the effect of the revisions can not be estimated at present, taking into account the current situation of solvency and liquidity of the Company and its ability to access new funding, it is estimated that the resulting impact would not be significant.

In line with this statement, credit rating agencies have supported the financial soundness of Aena, confirming its solvency and creditworthiness. In June 2016, Moody's Investors Service maintained the credit rating assigned to Aena last year (Baa1 with stable outlook), which stands one notch above the rating currently being given by the agency to the Kingdom of Spain. In the same month Fitch Ratings improved its credit rating outlook for Aena from stable to positive (BBB+ with a positive

outlook). This rating means Aena's credit risk is in a slightly better position than the one this agency currently gives to the Kingdom of Spain and confirms backing for the company's financial soundness. Fitch's positive outlook is based on strong traffic growth, improved company operations and reduced debt levels.

Information on the average supplier payment period of Aena and Aena Desarrollo Internacional, S.A. is as follows:

Thousand euros	2016 (days)
Average supplier payment period	52
Ratio of transactions paid	54
Ratio of transactions outstanding payment	18

Table 16. Average supplier payment period

These parameters have been calculated in accordance with what is set forth in Art. 5 of Ruling of 29 January 2016, of the Institute of Accounting and Accounts Auditing, on the information to include in the financial statements report in regard to the average supplier payment period in commercial transactions, as follows:

- Average supplier payment period = (Ratio of transactions paid * total amount of payments made + ratio of outstanding transactions * total amount of pending payments) / (total amount of payments made + total payments outstanding).
- Ratio of operations paid = \sum (days payment outstanding * amount of transaction paid) / total amounts paid. Days Payment Outstanding is understood to mean the

calendar days that have elapsed since the date the calculation begins until the actual payment of the transaction.

- Ratio of outstanding operations = \sum (number of days outstanding payment * amount of outstanding operation) / total amount of outstanding payments. Days Payment Outstanding is understood to mean the calendar days that have elapsed since the date the calculation begins until the last day referred to in the financial statements.

- 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 supplier who, given their nature, are suppliers of goods and services, so that it includes data regarding the items "Trade creditors and other payables" in the balance sheet.

(Thousand euros)	Amount
Total payments made	766.900
Total payments outstanding	95.076

Table 17. Balance concerning suppliers

As in 2015, in 2016, average payment terms have been reduced, fully adapted to the deadlines set forth by Act 15/2010. The cases in which a payment has been made outside of the legally stipulated period are due mainly to reasons not attributable to the Group: invoices not received on time, AEAT expired certificates, lack of certificates of proof of supplier bank accounts, etc.

7. Cash flow

Thousand euros	2016	2015	Variation	% Variation
Net cash generated from operating activities	1.834.725	1.628.981	205.744	12,6%
Net cash used in investment activities	-291.638	-254.416	-37.222	14,6%
Net cash generated from/(used in) financing activities	-1.533.082	-1.109.715	-423.367	38,2%
Cash and cash equivalents at the start of the fiscal year	556.741	290.305	266.436	91,8%
Effect of exchange rate fluctuations	-2.130	1.586	-3.716	-234,3%
Cash and cash equivalents at the end of the period	564.616	556.741	7.875	1,4%

Table 18. Summary of consolidated cash flow statement

During 2016, the Group's financing needs have been met with significant cash flows from operating activities (+1,834.7 million euros), which were used to fund the investment program of non-financial assets (305.3 million euros) and the planned debt repayment, generating a positive cash balance of 564.6 million euros.

Net cash flow from operating activities

The main cash inflows from transactions represent payments from customers, by airlines and lessees of commercial space, and the main outflows represent payments to suppliers for services rendered, personnel and local and state taxes. The cash generated by operating activities before changes in working capital increased significantly in the period (9.8%), to 2,345.7 million euros, from 2,136.0 million euros in 2015. This is mainly due to the Group's improved operations, as reflected in the EBITDA figure (earnings before interest, taxes, depreciation and amortisation) of 2,293.7 million euros at the end of 2016 compared to 2,098.4 million euros in 2015. With regard to

changes in working capital, the change in the balance of "Trade and other receivables" is due to a significant improvement in the average collection period, owing to, amongst other reasons, the airline Vueling changing its payment terms from 60 days after date of invoicing to advance payment. The net cash provided by operating activities grew sharply to 1,834.7 million euros from 1,629.0 million in 2015, as a result of the above mentioned change, along with others, such as the reduced amount of interest paid (146.8 million euros in 2016 compared to 238.8 million euros in 2015).

Net cash flow from investment activities

The main payments for investment flows correspond to acquisitions and replacements of non-financial assets relating to airport infrastructures. Net cash used in investing activities in this period amounted to 305.3 million euros, compared with 254.7 million euros in the previous year. Investment in non-financial fixed assets mainly corresponded to investment in improving facilities and operational security, given that

significant investment to increase capacity was not necessary except for that relating to investment projects already underway (see section 5. Investments) and the Luton Airport expansion project in the United Kingdom. Also, dividend charges on the investee companies were collected amounting to 15.6 million euros, along with other minor charges.

Cash flow from financing activities

The main financing flows correspond to positive charges from ERDF grants amounting to 10.7 million euros, revenue from financing by credit institutions (31.7 million euros) and other charges (19.4 million euros). On the other hand, the main financing outflows correspond to the repayment of the principal of the debt corresponding to the mirror debt with ENAIRE, as Aena is co-accredited with the said debt. Debt repayments in this first year amount to 1,172.3 million euros owing to compliance with the schedule of payments established in the contract.

Furthermore, in July 2016 the first dividend distributed by Aena was paid amounting to 406.5 million euros.

8. Operating and financial risks

8.1. Description of the main operating risks

Regulatory risks

Aena operates in a regulated sector, and any change or future developments to the applicable regulations can have negative impacts on revenues, operating results and Aena's financial position. Act 18/2014 sets forth the mechanisms governing the determination of airport charges for the first Airport Regulation Document ("DORA").

As mentioned above, on 27 January 2017, the Council of Ministers approved the Airport Regulation Document (DORA) for the period 2017-2021, in which the minimum service conditions that will be in force in airports in the Aena network are set for the next five years, providing a foreseeable regulatory framework in the medium-term that will enable improved levels of efficiency and competitiveness in terms of airport operations. In this sense, and in relation to airport tariffs, the aforesaid document provides for a reduction of 2.22% annually in the Maximum Annual Revenue per Passenger (IMAP) for that period, which will come into force on 1 March 2017.

Annual increases in passenger traffic in the whole of the network by more than 10 percentage points in comparison to the annual percentage of initially expected growth may lead to a modification of DORA.

Additionally, the DORA establishes standards of service quality, instrumented through 17 indicators, of which 11 are part of the system of incentives and penalties to encourage continuous quality improvement. These indicators have set a demanded standard minimum quality value, a neutral band without incentive or penalty and a maximum level of incentive and penalty. Failure to comply with the quality standards established minimum service associated will involve a sanction in the value of IMAP. Conversely, exceeding these levels will result in a bonus. The maximum annual penalty/bonus applicable to Aena would be $\pm 2\%$ of IMAP.

Similarly, the DORA seeks to ensure that airports provide the necessary capacity and infrastructure to meet appropriate levels of capacity, in good quality, ensuring the adequacy and appropriateness of the network. Investments needed to meet the standards of capacity have consideration of strategic investments and are subject to a scheme of penalties in case of breach of the dates of commissioning planned. The maximum annual penalty applicable to Aena, could represent up to 2% of the annual volume of regulated investment.

Moreover, since maintaining the level of quality of infrastructure is the responsibility of Aena, irrespective of demand's evolution, the additional cost associated with the necessary actions to adapt capacity to the real demand will similarly be borne by Aena.

Finally, 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 those which require significant expenditure.

Operating risks

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

- ▶ Economic development both in Spain and in the main countries that are the source/destination of traffic (United Kingdom, Germany, France and Italy, among others).
- ▶ In this regard, following the outcome of the referendum in the UK for its departure from the European Union (Brexit), the following risks have been considered and their final completion is subject to the negotiation process that the British Government must start with the European Union to determine the final terms of its departure:
- ▶ Currently, 18.1% of passengers of the airport network of Aena, SA in Spain, have their origin/destination in the UK.

From an operational viewpoint, the risk is focused on airlines as it would involve agreements that will allow the movement of aircraft between the European Union and the United Kingdom.

With regard to passengers, the UK already had a specific treatment due to not belonging to the Schengen Treaty so an additional impact would be felt. That said, during 2016, the volume of British passengers was reduced (British passenger growth was 15.7%).

From a business revenue viewpoint, the depreciation of the GBP against the euro means a loss of purchasing power on the part of British passengers, which could affect sales of commercial dealers at airports and, therefore, the revenue of Aena, SA, although an important part of Aena S.A.'s business is ensured by the Minimum Annual Guaranteed Rent agreements.

- ✦ Activity at Luton Airport could be reduced as a result of restrictions on the free movement of persons or economic developments in the United Kingdom, given that a high percentage of its traffic is international.
- ✦ It operates in a competitive environment both with respect to other airports and compared to other means of transport that can affect its revenue.
- ✦ It faces risks arising from the concentration of airlines and depends on the revenue of its two main airports.
- ✦ Revenue from commercial activities is linked to sales in commercial areas by tenant companies, which can be affected both by the volume of passengers and by their degree of spending power.
- ✦ In the operation of its airports, the Group depends on the services provided by third parties, which may have an impact on its activity.

- ✦ Events such as terrorist attacks, wars or global epidemics could have a negative impact on international air traffic.
- ✦ Industrial disputes may have an impact on Aena's activities.
- ✦ Aena is dependent on information technology and communications, and systems and infrastructures face certain risks including the risks of cybersecurity.
- ✦ Aena is exposed to risks related to the operation at its airports (operational and physical security).
- ✦ Aena is exposed to the risk of a major plane accidents.
- ✦ Natural disasters and weather conditions could adversely affect business.
- ✦ Moreover, the Group's international activity is subject to risks associated with the development of operations in third party countries and to the fact that prospects for profitability may not be as expected.
- ✦ Aena's profitability could be affected if it is unable to maintain current levels of efficiency.
- ✦ Changes in tax legislation could result in additional taxes or other forms of curtailment to the tax situation of Aena.
- ✦ The Group is, and will continue to be in the future, exposed to the risk of losing in judicial or administrative proceedings in which it is involved, especially in relation to A.S. Madrid-Barajas Airport.

The management bodies of the Company have implemented mechanisms to identify, quantify and cover risk situations. Notwithstanding the foregoing, those situations that may pose a relevant and the

measures taken thereof, will be closely monitored.

8.2. 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 overall risk management program focuses on the uncertainty of financial markets and attempts to minimize the potential adverse effects on the Group's financial yields. In specific cases, the Group uses derivative financial instruments to hedge certain risk exposures.

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

There is a financial debt recognition agreement between Aena, S.A. and its parent company ENAIRE, originating with the non-monetary contribution that gave rise to the creation of Aena Aeropuertos, S.A., under which 94.9% of the parent company's bank borrowings was initially assumed. As of 29 July 2014, the contract was renewed.

The main risks of a financial nature are described below:

Market risk

Exchange rate risk

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

- ✦ Investments in foreign countries (mainly in the UK, Mexico and Colombia).
- ✦ Operations carried out by associates and other related parties which operate in countries whose currency is not the euro (mainly in the UK, Mexico and Colombia).

The exchange rate risk on the net assets of the Group's foreign operations is mainly managed through borrowings denominated in the relevant foreign currency. In particular, with respect to the operation of Luton Airport, its business is hedged as its operational collections and payments are in GBP.

In 2016, there was a loss of 12.7 million euros associated with a loan between group companies denominated in GBP.

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 Group's objective with respect to the management of interest rates is to optimise financial expenses within the established risk limits, where the risk variables are the 3- and 6-month Euribor, the main reference for long-term debt.

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

The financial expenses are mainly due to the financial debt recognised with the parent company. Likewise,

the parent company has concluded interest rate hedging agreements for an extremely limited number of loans which are transferred to the Company. The cost of these derivatives is charged to the Company, given that Aena is responsible to the parent company in this proportion for some loans.

Additionally, Aena has contracted hedging interest rate operations that protect it against possible increases in the Euribor over 3 and 6 months, and on 10 June 2015 a hedging transaction with a variable rate was underwritten at a fixed rate, for the notional amount of 4.195 billion euros. The average differential over 3 and 6 month Euribor of these loans is of 1.0379%. The execution fixed rate was 1.9780%. The objectives pursued in this transaction were:

- ✦ Adaptation of the fixed rate / variable rate structure of debt to that of comparable entities: 79% fixed / 21% variable (previously 50% fixed / 50% variable).
- ✦ To have a stable framework of interest rates for the 2017-2021 DORA period.

On 31 December 2016, the total amount of liabilities for interest rate swaps amounted to 129 596 thousand euros. Upon the aforesaid date, if the interest rate of variable rate loans had increased or decreased by 20 basic points, with all other variables remaining constant, profit before tax for the year would have been 3,620 thousand euros less and 3,620 thousand euros higher, respectively (in 2015: 3,928 thousand euros lower and 3,928 thousand euros higher, respectively).

With respect to loans with revisable rates, the Group has modified the interest rate regime for loans likely to be revised in 2016. The revised total amounts to 781,304 thousand euros for EIB loans are linked to fixed rates

with maturity at an average rate of 0.82%.

Notwithstanding the above, the Regulatory Framework established by Act 1/2011 of 4 March, establishing the State Programme for Operational Security for Civil Aviation and modifying Act 21/2003 of 7 July on Aviation Safety, establishes a system of fee updates that protects Aena, in the long term, in terms of the regulated part, against increases in financing costs, in the sense that it enables the recovery of its capital costs via the remuneration of its asset base, according to the legislation in force.

In this sense, the Company has carried out a sensitivity analysis in relation to possible interest rate fluctuations that could occur; on the basis of this analysis the directors of the Company considered that any potential changes in these would not have a significant effect on the "Equity" of the Company.

Credit Risk

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 for trade receivables is low since the main customers are airlines and they are usually paid in cash or in advance, and guarantees and sureties are obtained for them. As for retail customers who have leased premises in the various airports, their risk is managed by obtaining sureties and guarantees.

The Official State Gazzete of 5 March 2011 published Act 1/2011 of 4 March, modifying Act 21/2003 of 7 July on Aviation Safety, allowing the use of legal proceedings for collection, managed by the collection

agencies of the State Tax Administration Agency, in the management, settlement and collection of all amounts for public services owed to Aena Aeropuertos, S.A. or its subsidiaries.

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

Liquidity Risk

The main risk variables are: limitations in financial markets, increase in the projected investment and reduction of the generation of cash flows.

The credit risk policy described in the previous section results in short

The following table includes an analysis of the financial liabilities, grouped by maturity dates and taking into consideration the remaining term at the balance sheet date until final contractual maturity. Derivative financial liabilities are included in the analysis if their contractual maturity dates are essential for understanding the cash flow schedule.

As of 31 December 2016	2017	2018	2019	2020	2021	Following	Total
Loan from ENAIRE	777.629	742.701	744.461	744.335	657.066	4.605.379	8.271.571
Interest accrued on loans from ENAIRE	33.812	-	-	-	-	-	33.812
Bank borrowings	40.383	-	-	-	-	258.259	298.642
Finance lease liabilities	1.996	2.177	2.258	2.341	2.429	13.444	24.645
Loans with LLAH III shareholders	-	-	-	-	-	54.402	54.402
Interest accrued on loan with LLAH III shareholders	418	-	-	-	-	-	418
Other financial liabilities	27.240	8.606	6.577	33.475	5.908	35.126	116.932
Trade and other payables (excluding advances from customers)	320.756	-	-	-	-	-	320.756
Interest on Aena, S.A. debt (*)	108.428	97.856	87.715	77.568	67.612	284.551	723.730
Interest on LLAH III bank debt	9.914	10.107	9.078	9.680	11.918	2.265	52.962
Interest on LLAH III shareholder loan (Ardian)	4.352	4.352	4.352	4.364	4.352	8.251	30.023

(*) Annual average estimated calculation of interest on the ENAIRE debt for each period, calculated on the basis of the average interest rate over the period from January to December 2016.

As of 31 December 2015	2016	2017	2018	2019	2020	Following	Total
Loan from ENAIRE	1.125.488	826.393	747.995	749.755	731.835	5.262.444	9.443.910
Interest accrued on loans from ENAIRE	26.453	-	-	-	-	-	26.453
Bank borrowings	11.421	333	-	-	-	296.831	308.585
Finance lease liabilities	2.080	2.096	2.134	2.174	2.214	17.974	28.672
Loans with LLAH III shareholders	-	-	-	-	-	62.953	62.953
Interest accrued on loan with LLAH III shareholders	482	-	-	-	-	-	482
Other financial liabilities	33.721	209	1.963	3.972	30.618	27.412	97.895

average collection periods. In addition, the Group has committed to substantially reducing costs and investment needs over the coming years, which has had a positive effect on its cash generation. Although on 31 December 2016 the Group has negative working capital (calculated as total current assets less total current liabilities) of 514,716 thousand euros (31 December 2015: 755,065 thousand euros), with an EBITDA in the period in 2016 of 2,293,619 thousand euros (2,098,373 thousand euros in 2015), and is not considered that there is a risk to meet its short-term commitments given the positive operating cash flows have allowed for a reduction of negative working capital in recent years and that the Group is expected to post positive figures in the short term.

In turn, on 29 July 2015 the Parent Company signed loan agreements with banking entities for 1 billion euros to meet timely cash needs.

Additionally, the investee LLAH II has 56 million GBP in unused credit lines (2015: 82 million GBP).

Under these circumstances, the directors of the Group do not believe that there will be any problems with respect to satisfying payment commitments.

Trade and other payables (excluding advances from customers)	323.265	-	-	-	-	-	323.265
Interest on Aena, S.A. debt (*)	199.047	174.764	156.165	138.833	123.682	568.421	1.360.912
Interest on LLAH III bank debt	11.143	11.473	11.695	10.505	11.201	13.791	69.808
Interest on LLAH III shareholder loan (Ardian)	5.050	5.036	5.036	5.036	5.050	14.585	39.793

(*) Annual average estimated calculation of interest on the ENAIRE debt for each period, calculated on the basis of the average interest rate over the period from January to December 2015.

Table 19. Analysis of the cash flows generated by financial liabilities related to the Group and by financial liabilities related to the ENAIRE loan

The details of loans by interest rate regime applicable and the average interest rate at 31 December 2016 and 31 December 2015 were as follows:

Thousand euros	2016		2015	
	Balance	Average rate	Balance	Average rate
Variable	1.810.244	0,16%	1.964.242	1,23%
Revisable	543.404	1,30%	1.473.656	1,98%
Fixed	5.917.923	1,78%	6.006.012	2,23%
TOTAL	8.271.571	1,36%	9.443.910	1,86%

Table 20. Details on related party loans

9. Litigation

As a result of overflying aircraft in the settlement named Ciudad Santo Domingo (Algete, Madrid), some inhabitants of this area consider that their fundamental rights have been violated due to excessive noise levels in their homes. These residents lodged appeal for judicial review against Aena, ENAIRE and the Ministry of Public Works, claiming a cessation of the violation of their rights, which for them would mean paralysing the use of runway 18R (one of the four at the Adolfo Suárez Madrid-Barajas Airport). Up to now, no Court has agreed to this measure. On 31 January 2006, the High Court of Justice of Madrid (TSJ) issued a judgement rejecting the aforementioned judicial appeal. The sentence was appealed against by five of the initial appellants and the Supreme Court partially upheld the judgment of 13 October 2008, on infringement of the right to domiciliary privacy. Subsequently, there have been various rulings and implementation incidents that have been challenged by all parties present in the proceedings.

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

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

- The 30% reduction in the number of overflights must begin within a period not exceeding two months following the notification of the Order, and imposing the obligation to inform the court of the start date. The deadline expired on 5 February 2015.
- Six months after the start of the reduction, ENAIRE, Aena and the Ministry of Public Works are required to inform the court within a period of one month of the impact of the measure on noise levels in the area. In this same one-month period the appellants are required to furnish their own corresponding arguments and measurements in this respect.

The Order of 2 December 2014 has also been the subject of an appeal for reversal before the same chamber of the High Court of Justice of Madrid. Along with the presentation of this resource, the suspension of the execution of the same has been requested with the Supreme Court agreeing to said suspension so that, at present, the Adolfo Suarez Madrid-Barajas Airport can continue operating with the same conditions under which it has done thus far, without the need to start reducing the number of flyovers needed over Ciudad Santo Domingo until they are 30% lower than those in place in 2004.

On 9 April 2015, the High Court of Justice of Madrid dismissed all the appeals for review against the ruling passed on 2 December 2014; on 27 April 2015 Aena and ENAIRE filed the preparation of their appeal to the Supreme Court and on 15 June a Measure of Organisation was received accepting the appeal as being duly prepared, setting thus a term for it to be lodged. Aena's appeal to the Supreme Court was lodged on 27 July 2015. All the appeals to the Supreme Court against the Order of 2 December 2014, both by Aena and of the rest of the parties involved, were admitted by a Resolution of the Supreme Court of 9 May 2016; at the present time, the parties were summonsed to formulate their opposition to these appeals. In addition, the residents appealed for reversal of the Order of 18 December 2014 which agreed to the suspension of the 30% reduction. This appeal to the Supreme Court was admitted by Order of the Supreme Court of 9 May 2016. Aena was summonsed to file its opposition to these appeals for reversal against the Order of 18 December 2014, having now filed its opposition.

The Company is analysing the measures to be taken to mitigate the possible economic impact of a potential unfavourable ruling.

10. Human resources

10.1. Workforce details

The average workforce total at 31 December 2016 remains practically stable at 7,964 employees (including 723 employees from the Luton Airport), compared with 7,940 employees (717 employees from Luton) at 30 June 2015, with an average temporary workforce of 829 employees in 2016 compared to 707 employees at the end of 2015.

Below is the most relevant information on the parent company in Spain, where it is noteworthy that in 2016, 99 contract workers were appointed to the staff on work experience contracts. Of these, 55% are men and 45% are women.

It is also important to highlight the good results obtained in terms of accumulated productivity of the parent Company, with a notable increase of the passengers/workforce ratio that increased 9.6% in 2016 in comparison with 2015.

10.2. Equality

Of the total number of professionals of the parent company in Spain, 65% are men and 35% are women. These percentages change if we take into account only executive and line-management posts within the organisation, 44% of which are held by women.

In compliance with the commitment established in the Equality Plan included in the Group's 1st Collective Agreement, as well as the provisions of Organic Law 3/2007, of 22 March, for the Effective Equality of Men and Women, the "Action Protocol in case

of sexual harassment and by reason of gender" continues to be applicable.

10.3. Selection

In 2016, three selection processes have been conducted:

- a) Constitution of candidates in reserve job boards. Levels D-F.

In July, the selection process of applicants for reserve pool candidates was concluded. The process lasted 10 months. Nearly 5,300 candidates were considered suitable for the carrying out of 13 different occupations (levels D to F) in all Aena centres.

This process has been the most wide-ranging in terms of attracting candidates after several years without creating public invitations for the selection of external staff.

- b) Announcement for internship contracts for University Graduates.

Aena participates in the 2014-2016 Youth Emancipation Plan and the 2020 Youth Strategy.

As a result of our volition to impulse these two initiatives, both promoted by the Government of Spain, we offer work experience contracts for university graduates. The aim is to provide work experience that complements academic training and facilitate their integration into the employment market.

With this effort, in May 2016 a selection process was announced for up to 110 work experience contracts for a minimum period of one year and a maximum of two. The announcement received 2,685 applications and the process ended in November with the addition of 99 employees.

- c) Scholarships.

Providing continuance to the Youth Emancipation Plan, 105 university

students have received scholarships for academic training courses with us, offering them the opportunity to acquire a working knowledge of specialised business in-situ, whilst at the same time contributing to their comprehensive training and facilitating their integration into the working world.

10.4. Training, Professional Development and Talent Management

In general, actions have been supported that hope to contribute to the transformation of the organizational culture and the modernization of the management of human resources, increasing motivation, commitment and implication, the improvement of work conditions, development of professional capabilities, diversity and equality, but also maintaining high safety levels in the prevention of occupational hazards.

For this, during this term, there have been training actions in diverse areas: Operating Safety, European Regulatory Framework for the certification of airports (RE 139/2014), Refresher actions for operating safety, Assistance to the victims of civil aviation accidents and family members, Improvement of the quality perceived by the passenger and boost in client excellence, etc.

In this period, a volume of 166,966 training hours were managed, for a total of 5,263 employees, more than 70% of the workforce. At the same time, more than €90,000 were billed for training services aimed at external

personnel, for more than 1,600 people from more than 430 different companies.

The talent and commitment of the employees of Aena are the pillars that make up the success of its performance and are its best asset for the adaptation to the challenges that the company will face in the future.

In 2016, work was continued to consolidate various specific programmes as tools for individual or group professional development, including two specific programmes:

a) Mentoring

The mentoring programme entitled "Leaders develop leaders" continues to grow. In April 2016, the fifth edition was launched. The project has accumulated a total of 135 participants. The mentoring programme is not only a professional development tool, it is also a gear lever that promotes the involvement of different levels of the organisation in the cultural values that we wish to foster.

With this idea, Aena promotes the implementation of some key mechanisms for professional development:

- ▶ Transfer of knowledge and know-how.

- ▶ Development of key competencies for leadership.
- ▶ Promoting commitment and cultural transformation.
- ▶ Stimulate internal networking.

b) Coaching

25 workers (12 men and 13 women) participated in 2016 in our coaching programme: 15 with internal coaches and 9 with external coaches. Together, they have accumulated 240 hours of professional training.

11. Corporate responsibility

In 2016, with the approval of the Framework Policy on Corporate Responsibility (CR) by the Board of Directors, Aena strengthened its commitment to sustainability, transparency and good governance, posing a corporate responsibility strategy that puts the company at the forefront of the best practices in this field. Its aims include:

- ✦ Integrating the RC into the business strategy, aligning it to the new reality and responding to the recommendations of the CNMV on matters of Good Corporate Governance.
- ✦ Contribution to fulfilling the social interest as a fundamental part of the strategy of excellence and improving the company's competitiveness.

11.1. Main actions

- ✦ Publication of the 2015 Annual and Corporate Responsibility Report created in accordance to the guidelines of the G4 Guide, and following some indications of the International Integrated Reporting Council (IIRC).
- ✦ Merco, reference ranking in Spain and Latin America, ranks Aena as the second company in its sector with the best corporate reputation. Amongst the 100 companies with the best reputation, Aena was placed 48th. Moreover, the company achieved third place in its sector in the ranking of Merco Talento.
- ✦ Reinforcement of the positioning and corporate reputation of Aena through the promotion and development of actions related to the dissemination of corporate values and the establishment of

strategic alliances. Aena chairs the Forética Cluster on Transparency, Good Governance and Integrity.

- ✦ The launch of the new company website realises the commitment of the company to offer its customers useful content and services, differentiated and constantly updated through the Internet.
- ✦ The Xavier Tourism 2016 Award, awarded for the company's commitment to responsible tourism by the Faculty of the University Ramon Llull of Barcelona, in acknowledgement of "Aena's work in improving the accessibility of travelers" with a special mention for its collaboration on awareness campaigns with the group of travelers affected by ASD (Autism Spectrum Disorder).
- ✦ In order to achieve excellence in terms of quality and infrastructure, safety of people and facilities, care for the environment, energy saving and efficiency, planning, optimisation of management processes and operations, the various management bodies in the company develop numerous projects.
 - ✦ Fostering innovation and innovative activities.
 - ✦ One example is the launch of the INNOVA channel, a management system of ideas and good innovative practices between and for employees. In order to improve services, increase airport capacity and optimize the development of its activity in the field of environment, airport management, commercial services, facilitating and security,

recruitment and joint projects in line with air navigation.

- ✦ The Integrated Management System for Quality and the Environment (SGI) allows for the monitoring and systematisation of mechanisms that lead to continuous improvement in all processes within the organisation, from an integrated perspective. Thus, a single certification and the improvement of information for making strategic decisions on the part of senior management is provided.
- ✦ Aena backs the dissemination of its activity and maintains an active and open dialogue with its stakeholders, using all possible communications channels, both internal and external.

11.2. Environmental protection

Aena's activity requires, by its nature, a model of sustainable performance with the surrounding environment. For the company, respect and care for the environment is one of its top priorities. This leads it to promote multitude of proposals and actions, to enable it to:

- ✦ Ensure compliance with current environmental regulations.
- ✦ Minimisation of noise pollution
- ✦ Promotion of energy efficiency and renewable energy at airports, allowing in turn to minimise the consumption of natural resources.
- ✦ Make advancements in the environmental management model.

- ✦ Protect biodiversity.
- ✦ Join the fight against climate change by reducing emissions. Along this line, special mention can be made to some of the outstanding performances:
- ✦ Encompassed in the implementation plan of the Acoustic Insulation Plans, in 2016 acoustic insulation were financed on 1,632 properties, 21,271 since 2000, thus aiming to mitigate the effects of noise and, in turn, respond to concerned stakeholders.
- ✦ The implementation of several measures at airports (installation of fans, selective switch-off in certain areas of the terminal, installation of presence detectors or energy saving systems in escalators), all of them completed with an environmental awareness task, have made it possible that, despite passenger growth of 11% over 2015 and the uniqueness of the climate, energy consumption has increased by only 0.9% compared to the previous year.
- ✦ Sound assessments: Meetings of the Combined Commissions of the airports of Málaga-Costa del Sol, Seville, Ibiza and Bilbao held to inform about the Noise Easements proposals. Currently, 18 acoustic insulation plans are underway.
- ✦ Atmospheric assessment: Renewal of the "Airport Carbon Accreditation" Certifications in the airports of Adolfo Suárez Madrid-Barajas and Barcelona-El Prat, on level 2, and Palma de Mallorca, Málaga-Costa del Sol, Menorca and Lanzarote on level 1. Another important aspect is the incorporation in the handling agent contracts of the obligation to reduce the emissions of their vehicles by 20% before 2020, which will positively result in the minimization of emissions of greenhouse gases at the airports.

- ✦ Management of the quality of the land and groundwater of the airports in the Aena network.
- ✦ In 2016, a sales contract on verified emission reductions of greenhouse gases for the years 2017-2020 was signed as part of the Climate Carbon Fund for a Sustainable Economy Project.
- ✦ Aware of the potential of renewable energy sources, several major projects have been fostered throughout 2016: including wind energy and PV projects.

11.3. Social performance

Aena assumes its shared responsibility to promote the welfare of the communities in which it operates. Likewise, it pays special attention to policies and practices related to work done by or on behalf of the company (conditions and working hours, pay, equality and reconciliation). In short, the social performance of the company is reflected in practices affecting the internal and external social dimension of our organisation.

Some of the most outstanding actions are summarised below:

- **Internal social dimension**
From the internal social dimension area, a new objective is to impulse a new balance and benefits program for the employees that facilitate improvement in their work, personal and family lives:
- ✦ Call for two tenders that hope to help employees in vital situations in a comprehensive and professional manner. In situations of birth, death, disability, etc., employees can use informational and specialized resources to adequately balance and face these situations.

- ✦ Along with the two previous programmes, the action protocols and coordination between the different areas of Human Resources involved in the Emotional Support Programme and Prevention and Treatment of Addictive Behaviours have also been consolidated.
- ✦ In some centres, actions to resolve issues involving industrial disputes have been implemented. These protocols identify areas for improvement in communication situations, decision making and conflict resolution in a dialogue-based and collaborative manner, with monitoring, evaluation and impact arrangements.
- ✦ With regard to the social aid programme, by the end of the fiscal year, the announcement will be published with an economic forecast of €1,250,000 for an estimate of approximately 11,000 aid actions.
- ✦ In 2016 Aena organized 253,383 hours of professional training for a total of 6,575 employees (more than 90% of the workforce).

- **External social dimension**

In the area of external social dimension, the following elements stand out:

- ✦ Advances in the projects related to interest groups, adapting to the needs of strategic planning in this area and to the compliance with the law in matters of disability and social integration. In 2016, its first public tender was awarded which allocated 100,000 euros to employment action programmes from 8 different socially orientated organisations. The forecast includes the creation by these organisations of 10 jobs for people with disabilities in first year, 20 in 2017 and 30 in 2018.
- ✦ Creation of a new channel to request the care service for

People with Reduced Mobility through the Aena APP.

- ▶ CERMI-AENA Accessibility Seminar with the presentation of the "Care manual for people with disabilities or reduced mobility", whose objective is to offer all organisms and agents involved in passenger assistance and information processes, the care and action guidelines necessary for these users.
- ▶ Celebration of Charitable and Cultural Workshops in the Aena work centres. More than 10 social entities that foster special

employment centres or professional integration companies or those that designate their objectives to the consolidation of the fair trade.

- ▶ Inclusion of the Lanzarote Airport in the network of charitable places. Within the Charitable Places Program, the average of employment was more than 70%, and more than 30 different entities participated.
- ▶ Selfless collaboration by workers, through donations or other initiatives.

- ▶ Participation of 235 professionals in activities included in training programmes for International Cooperation, with a total investment of 195,000 euros, and a level of satisfaction of 9.8 points out of 10.
- ▶ More than 20 different institutions come together in the Solidarity Event at Adolfo Suarez Madrid-Barajas Airport.

12. Stock performance

The price performance of Aena during 2016 has been very positive, with a revaluation of 23.0% to 129.65 euros per share compared to the evolution of the IBEX35, which fell by 2.0%. During this period Aena's stock peaked at 136.0 euros and registered a minimum of 94.07 euros.



Figure 7. Stock performance of the company

The following table tracks the price performance of Aena's stock in a summarised fashion:

2016 (31/12/2016)	Aena, S.A.
Total volume traded (no. shares)	148.374.306
Daily average volume traded in the period (no. shares)	577.332
Market capitalisation €	19.447.500.000
Closing price €	129,65
Number of shares	150.000.000
Free Float (%)	49%
Free Float (shares)	73.500.000
Turnover	201,9%

Table 21. Main data on Aena's evolution

In connection with the acquisition and disposal of treasury shares at 31 December 2016, Aena, S.A. does not own shares, so there has been no impact for this reason on the yield obtained by the shareholders nor on the value of the shares.

13. Other events

- ✦ The Council of Ministers of 27 January 2016 approved the Airport Regulation Document (DORA) for the five years from 2017 to 2021, which is the basic instrument that defines the minimum conditions necessary to ensure accessibility, adequacy and appropriateness of airport infrastructures and the adequate provision of basic airport services in Aena network airports.

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 forth in Act 18/2014, of 15 October, and collects Aena's obligations for a period of 5 years, establishing, amongst other aspects:

- Tariffs, with the establishment of a maximum annual revenue per passenger (IMAP) that allows for 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's tariffs will undergo an annual decrease of 2.22% over the 2017-2021 period.
- Investments that Aena must carry out and that must meet the standards of capacity and service levels, whilst also remaining in line with traffic forecasts.
- The levels of service quality, as well as a system of incentives and sanctions to ensure compliance.

The DORA mechanism sets a double or dual cash-desk meaning that the costs of basic airport services, subject to public property contributions, can be covered solely with the revenues generated by these services.

DORA establishes the strategic guidelines for Aena in the 2017-2021 period, namely:

- Viable and efficient management of the airport network.
- The provision of airport services under the most appropriate conditions of quality and safety.
- Environmental sustainability ensuring citizens' mobility.
- Social and territorial cohesion.

The main elements and conditions applicable to the services provided by Aena during the five years from 2017 to 2021 are detailed below.

Traffic forecasts

In recent years, traffic at Aena airports has experienced a recovery that culminated in 2016 with an increase of 11% in passenger traffic figures.

The forecasts contained in the 2017-2021 DORA reflect growth expectations according to the macroeconomic environment and the data for the historical records, which are summarised below:

Traffic	2015	2016	2017	2018	2019	2021	2021
Passengers (in millions)	207.4	230.2	241.6	244.4	246.7	248.6	250.0
%	5.9%	11.0%	5.0%	1.1%	1.0%	0.8%	0.6%
Operations (thousands)	1,903.0	2,045.0	2,134.6	2,154.9	2,171.1	2,184.7	2,194.7
%	3.8%	7.5%	4.4%	0.9%	0.8%	0.6%	0.5%
Freight (millions of kg)	715.6	795.6	827.2	853.7	880.2	906.7	931.7
%	4.8%	11.2%	4.0%	3.2%	3.1%	3.0%	2.8%
ATU* (millions)	404.9	442.7	463.4	468.4	472.6	476.1	478.8
%	4.9%	9.3%	4.7%	1.1%	0.9%	0.7%	0.6%

*ATU: Passengers + (10 * tonnes of freight) + (100 * Operations)

Table 22. Traffic forecast. Source: DORA 2017-2021

As is duly established in Annex VIII of Act 18/2014, in its seventh paragraph, variations in the number of passengers in relation to the values planned and established for in DORA are at the risk and expense of Aena, unless exceptional situations occur under the terms defined by DORA.

In this sense, the 2017-2021 DORA establishes as exceptional situation an annual increase of passenger traffic in the whole network which exceeds by 10 percentage points the values initially provided during any of the any years contained within the period.

This could lead to a modification of DORA for the purposes of reversing the revenue system generated by the increase in traffic compared to forecast values.

Capacity standards

Aena has made strident efforts in recent years that have allowed it to build the capacity of Spanish airports to meet the future demands of airlines and passengers.

The current capacity is more than 335 million passengers a year, and it is estimated for this figure to increase after the implementation of investments planned for expansion projects over the five year period to reach 338 million passengers a year.

DORA reflects the value of the capacity indicators corresponding to the overall capacity of the network, the current maximum capacity by airport and infrastructure and the level of use provided for in each of the years of the five year period. Independently of the validity of current indicators, Aena will perform all actions necessary to ensure the capacity of the infrastructure under conditions of suitable quality.

Quality standards

In order to ensure that airport services are continually provided with the current high levels of quality, Aena will implement a comprehensive quality plan to ensure the highest standards that can be measured through a series of indicators.

The quality measurement system will be performed on five areas, across 17 indicators, 11 of which are subject to a system of incentives or penalties as detailed below:

- Satisfaction perceived by passengers, comprising the following indicators:
 - SPAX-01 Overall passenger satisfaction
 - **SPAX-02 Satisfaction with cleanliness at the airport**
 - **SPAX-03 Satisfaction with way finding at the airport**
 - SPAX-04 Passenger satisfaction with physical security
 - **SPAX-05 Satisfaction with comfort in boarding areas**
 - **SPAX-06 Passenger satisfaction with reduced mobility (PMR) with accessibility at the airport.**
- Waiting time in passenger processing points, which includes as indicators:
 - **TEPP-01 Passenger security control**
 - **TEPP-02 Last suitcase delivery time**
- Availability of equipment on the ground side, which includes:
 - **DEET-01 Availability of electro-mechanical equipment, baggage carousels and Baggage Handling Systems (SATE)**
 - DEET-02 Availability of Automatic Baggage Handling System (SATE)
 - DEET-03 Availability of the connection system between terminals (APM)
- Availability of equipment on the air side, with these indicators:
 - DELA-01 Parking places
 - **DELA-02 Departure air bridges**
 - **DELA-03 Availability and continuity of the communications, navigation and surveillance (CNS) services**
- Other key areas, including:
 - **OTAC-01 Response time to complaints on airport management**
 - OTAC-02 Delays due to airport infrastructure
 - OTAC-03 Additional time on runways

The indicators highlighted in bold are subject to incentive or penalty

The indicators will be used to monitor the performance of Aena in the area of quality of service. Should said performance be reduced below certain minimum levels, a penalty will be incurred in the value of the maximum annual revenue per passenger (IMAP). Conversely, if the values of the indicators are exceeded a bonus will be paid in line with the IMAP.

The maximum range of incentives or penalties for quality is between 2% and -2% of the value of the IMAP at a network level. For its calculation on an individual level of each airport the 2% limit for bonuses is maintained, establishing a limit of -5% for penalties.

The value of the incentive or penalty for each airport will be the sum of the contributions of each of the indicators, bearing in mind the fact that they all have the same specific weight.

Investments

Investments respond to the standards of capacity and service levels commensurate with traffic forecasts contained in DORA, respecting the limit established under which the maximum average annual investment in the period 2017-2021 will be 450 million euros.

Regulated investment, linked to basic airport services, amounts in the 5 year period to a total of 2,185 million euros, with the following annual breakdown:

<i>Million euros</i>	2017	2018	2019	2020	2021	Total for the period	Annual average
Regulated investment	365.6	373.0	429.2	514.3	503.3	2,185.4	437.1

Table 23. Regulated investment. Source: DORA 2017-2021

The investments to be made will be classified into the following groups:

- **Strategic:** necessary to meet the standards DORA sets for capacity, as well as those of the Ministry of Public Works deems necessary to ensure general interests. Their compliance is mandatory, not allowing for modifications on its scope or its date of application, and they have to be completed on the dates indicated in DORA. The delay in implementation will result in the corresponding adjustment to the IMAP.

The penalty will be activated when more than 3 months' delay occurs with respect to the fixed date of completion.

The maximum value of the penalty will not exceed 2% of the total amount of the annual programming of all investments in the network, while the annual ceiling for each strategic investment penalty will be up to 5% of its annual programme.

Once the 3-month grace period mentioned has elapsed, penalty amounts for a maximum period of 4 months will begin to be effectively accounted. The monthly amount of penalty to be applied to each investment is a quarter of 5% of its annual programme. Once the 4 months of the penalty period have elapsed, the maximum penalty of 5% will have been reached, and thus longer delays would not increase the amount to be penalised.

- **Regulations** derived directly or indirectly from national or European regulatory obligations. They must strictly comply with the conditions that justify its necessity.
- **Relevant:** due to their functional necessity or volume representing for an airport, they require monitoring of a differentiated nature. They will require prior authorisation from the DGCA for total or partial annulment, or in relation to the modification of its scope or term.
- **Other investments,** mainly dedicated to ensuring the proper functioning of the airport and to undertaking actions that are difficult to predict.

Type of investment (million euros)	Total 2017-2021	
Strategic	462.88	21.2%
Regulatory	726.60	33.2%
Relevant	258.18	11.8%
Other investment	442.86	20.3%
Budget replenishment	294.89	13.5%
Total for the DORA period	2,185.41	100%

Table 24. Type of investment. Source: DORA 2017-2021

In the event that Aena were to conduct a lower investment volume relative to the total amount recognised for the period, the regulated asset base (BAR) will be adjusted downward over the next five years. By contrast, a greater volume of investment will not result in adjustments to the RAB for the next period. The RAB values provided for the five years from 2017 to 2021 will not be adjusted in any case during the regulatory period.

A deviation in the investment executed in relation to investment programmed to produce a capital gain will result in a corresponding adjustment in the next regulatory period.

Operating and capital costs

They determine the value of the X component that allows for the variation of IMAP, and thus, of airport charges.

These costs combine efficiency conditions established through Act 18/2014 and acknowledged by the regulator, by virtue of the dual till correspond to the basic airport services, except in 2017, in which a reduction equivalent to 20% of the profit margin of the services subject to private prices in the terminal area will be applied.

Operating costs

These costs include personnel and supply expenses, along with other operating expenses. The recognised annual amount ensures that the ratio of operating costs per ATU for each year of the five-year period is less than the value of 2014, as established in Transitional Provision six of Act 18/2014.

Operating expenses are the sum of operating costs, depreciation, provisions for credit losses and risks, impairments and disposals and costs arising from the implementation of safety regulations enacted after the year 2014.

Operating costs and expenses for the period are shown in the following table:

Million euros	2014	2017	2018	2019	2021	2021
Operating costs		1,221.6	1,232.9	1,242.3	1,250.1	1,256.1
ATU (millions)		463.4	468.4	472.6	476.1	478.8
OPEX/ATU ratio	2.707	2.64	2.63	2.63	2.63	2.62
Provisions for insolvency and risks		6.7	6.7	6.7	6.6	6.6
Impairment and disposals		5.2	5.2	5.2	5.2	5.2
New security regulations		17.9	18.1	18.3	18.5	18.6
Amortisation		631.0	622.0	591.2	600.2	608.4
Operating expenses		1,882.4	1,884.8	1,863.6	1,880.6	1,894.9

Table 25. Operating costs and operating expenses. Source: DORA 2017-2021

The operating expenses recognised have a prospective nature so that any unexceptional deviation is considered as a risk and hazard on the part of Aena, and do not produce changes in the allowed maximum revenue per passenger. Therefore, DORA introduces incentives to improve efficiency on the part of Aena.

Capital costs

These correspond to the result of applying the weighted average cost of capital before taxes ($WACC_{BT}$) with the average value of the RAB defined for each year of the five-year period.

The value of the RAB recognised in the period stated is contained in the following table:

Million euros	2017	2018	2019	2020	2021
Average Regulated Asset Base (RAB)	10,996.1	10,491.6	10,305.4	10,199.3	10,122.1

Table 26. Regulated Asset Base (BAR). Source: DORA 2017-2021

The value of $CMPC_{AI}$ used to calculate the cost of capital is 6.98% and remains constant for the entire five years, having been estimated using the methodology of the Capital Asset Pricing Model (CAPM).

The cost of capital recognised each year of the five-year period is shown in the following table:

Million euros	2017	2018	2019	2020	2021
Average (RAB)	10,996.1	10,491.6	10,305.4	10,199.3	10,122.1
$WACC_{BT}$	6.98%	6.98%	6.98%	6.98%	6.98%
Capital cost	767.5	732.3	719.3	711.9	706.5

Table 27. Capital cost. Source: DORA 2017-2021

Limit on annual revenue per passenger

The X component defines the maximum revenue growth corresponding to basic airport services during the five years. Its application sets the value of the maximum annual revenue per passenger (IMAP) and tariff guidelines for the next five years. The estimation of the X component ensures that the present value of the revenue of Aena's basic airport services during the regulatory period allows for the recovery of the costs incurred in providing those services. These costs are called Required Regulated Revenues (IRR) and are the sum of operating costs and capital costs.

The estimate of the value of the X component is as follows:

<i>Estimating IRR (million euros)</i>	2016	2017	2018	2019	2021	2021
Operating expenses		1,882.4	1,884.8	1,863.6	1,880.6	1,894.9
Cost separation adjustment		-31.5	-38.8	-38.5	-38.4	-38.1
Operating expenses after adjustment		1,850.9	1,846.1	1,825.2	1,842.2	1,856.9
Expenses for private prices in terminals		51.8	0.0	0.0	0.0	0.0
Revenue for private prices in terminals		-180.6	0.0	0.0	0.0	0.0
Subsidies charged in terminal		-32.8	-32.3	-28.2	-27.1	-26.1
Capital cost (PPP)		767.5	732.3	719.3	711.9	706.5
WACC_{BT}		6.98%	6.98%	6.98%	6.98%	6.98%
BAR		10,996.1	10,491.6	10,305.4	10,199.3	10,122.1
Required Regulated Revenues (IRR)		2,456.7	2,546.1	2,516.3	2,527.0	2,537.2
Present value of IRR (2017-2021)	10,316.2					
<i>Estimate of anticipated revenues and X</i>	2016	2017	2018	2019	2021	2021
Expected revenue		2,575.5	2,547.2	2,514.3	2,477.0	2,436.0
Number of passengers (millions)		241.6	244.4	246.7	248.6	250.0
IMAP_t	10.90	10.66	10.42	10.19	9.96	9.74
X value		-2.22%	-2.22%	-2.22%	-2.22%	-2.22%
Present value of expected revenues (2017-2021)	10,316.2					

Table 28. Estimation of the value of X component. Source DORA 2017-2021

Note: the cost separation adjustment includes costs re-allocation of basic airport services to the services subject to private prices applied on the analytical accounts of Aena for the DORA 2017-2021 period for regulatory purposes.

- ▶ On 31 January 2017, London Luton Airport Operations Limited (LLAOL), with the agreement of the employees of the Company and the trustees of the plan (Trustees) has closed the accrual of future benefits from 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.

From the closing date of the LLAPS, active plan members become deferred members and stop accumulating benefits for services rendered to the employer (LLAOL). Likewise, as of that date, contributions for services rendered by both LLAOL as well as by plan members cease, but LLAOL only maintains the obligation to make whichever contributions that, according to periodic assessments of the plan, are deemed necessary to ensure payment of benefits for services rendering accrued prior to 31 January 2017, annually updated in accordance with the terms set forth in the LLAPS regulations.

Since the plan closure has taken place after 31 December 2016, the foregoing has no effect on the consolidated financial statements for 2016. On the other hand, its impact on equity and the consolidated results for the year 2017 is not considered significant.

- ▶ On 21 February 2017, the Aena's Board of Director has approved the following 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 airport charges for passenger departures with 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 the network's airports which have fewer than 2 million passengers per year and on long-haul routes operated from all network airports. Aena, S.A. may decide to apply this incentive as well to airports being above this threshold but showing a poorer performance than those with an equivalent traffic structure. The incentive shall be a discount on the average amount of the airport 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 passenger growth in the seasonal airports included in Act 21/2003 (Canary Islands, Balearic Islands, Ceuta and Melilla) during their low season consisting of a discount on the average amount of the airport 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 shall be given in the following equivalent season if the carrier maintains at least the number of passenger departures operated on such route.

For the 2017 summer season, first season when the new incentive scheme will be applicable, which for the purpose of this scheme begins on 1 April and ends on 31 October 2017, as well as for the 2017 winter season that, for the purpose of this scheme, begins on 1 November 2017 and finishes on 31 March 2018, the applicable discount in case of the first two incentives (new routes and passenger growth on existing routes) will be 75% of the airport charges for passenger departures in the first season and 25% in the equivalent following season.

During these first two seasons the passenger growth incentive in existing short and medium haul routes will be applicable to airports with annual passenger traffic lower than 3 million passengers.

Regarding the discount applicable to passenger growth in seasonal airports during low season, the discount will amount to 5% on the first two low seasons of the application of the incentive.

The most important features of the new commercial incentives compared with the ones applied in 2016 are the following:

- The incentive consisting of a discount for new routes to destinations that are not served is maintained.

- The short and medium haul routes growth incentive will only be applicable for those airports and segments that require an additional stimulus to foster demand – which for 2017 is established for airports with fewer than 3 million passengers – while by contrast the previous incentive was applicable in general to all network airports.
- The percentage discount in the incentives for growth in the number of passengers increases. Previously it consisted of a discount on the airport charges for passenger departures of 50% in the first calendar year and 25% in the following calendar year if the carrier maintained at least the number of passengers, while the new scheme increases these percentages to 75% and 25% respectively recorded by seasons instead of calendar years.
- A new specific incentive for passenger growth in low season of seasonal airports is added.

APPENDICES:

- I. Consolidated financial statements for the year ended on 31 December 2016
- II. Summary of Price Sensitive Information issued in 2016
- III. Corporate Governance Report

APPENDIX I: I.Consolidated financial statements for the year ended on 31 December 2016

State of the consolidated financial position for the year ended on 31 December 2016 and 2015

Thousand euros	2016	2015
ASSETS		
Non-current assets		
Fixed assets	13,563,922	14,869,922
Intangible assets	525,647	634,764
Property Investment	135,690	165,266
Investments in associates	71,741	77,379
Other receivables	2,599	-
Deferred tax assets	143,971	127,876
Financial assets available for sale	354	4,823
Other financial assets	58,697	54,241
Derivative financial instruments	-	1,280
	14,502,621	15,935,551
Current assets		
Inventories	8,958	8,545
Clients and other receivables	437,579	522,543
Cash and cash equivalents	564,616	556,741
	1,011,153	1,087,829
Total assets	15,513,774	17,023,380
NET EQUITY AND LIABILITIES		
Net equity attributable to the owners of the parent		
Share capital	1,500,000	1,500,000
Share premium	1,100,868	1,100,868
Retained profits/(losses)	2,521,852	1,763,434
Accumulated exchange differences	-16,261	-3,852
Other reserves	-113,110	-56,568
Minority interests	32,400	56,399
	5,025,749	4,360,281
Liabilities		
Non-current liabilities		
Financial debt	7,912,184	8,760,484
Derivative financial instruments	96,895	31,547
Deferred tax liabilities	89,990	118,761
Employee benefits	53,065	31,138
Provisions for other liabilities and expenses	133,639	1,145,737
Grants	544,382	566,430
Other long-term liabilities	132,001	166,108
	8,962,156	10,820,205
Current liabilities		
Providers and other payables	439,045	439,688
Financial debt	880,439	1,197,935
Derivative financial instruments	39,651	42,356
Grants	38,266	43,820
Provisions for other liabilities and expenses	128,468	119,095
	1,525,869	1,842,894
Total liabilities	10,488,025	12,663,099
Total net equity and liabilities	15,513,774	17,023,380

Table 29. State of the consolidated financial position for the year ended on 31 December 2016 and 2015

APPENDIX I: I.Consolidated financial statements for the year ended on 31 December 2016

Consolidated profit and loss statement for the year ended on 31 December 2016 and 2015

Thousand euros	2016	2015
Continuing operations		
Ordinary revenue	3,709,581	3,450,709
Other operating income	7,761	8,476
Own work capitalised	4,615	4,212
Supplies	-180,366	-180,968
Personnel expenses	-390,724	-363,911
Other operating expenses	-901,775	-872,206
Fixed asset depreciation	-825,805	-846,215
Release of non-financial fixed asset grants and other	41,590	45,928
Excess provisions	8,940	8,463
Impairment and loss on disposal of fixed assets	-6,402	-7,843
Other net profits / (losses)	399	5,513
Operating profit/loss	1,467,814	1,252,158
Financial revenue	208,484	4,092
Financial expenses	-117,552	-207,498
Other net financial revenue / (expenses)	-58,748	-22,186
Net financial expense	32,184	-225,592
Share in profits/losses from associates	16,121	14,012
Profit/loss before tax	1,516,119	1,040,578
Revenue tax	-351,733	-209,793
Consolidated profit/loss for period	1,164,386	830,785
Profit/loss for period attributable to minority interests	237	-2,752
Profit/loss for the year attributable to parent company shareholders	1,164,149	833,537
Earnings per share (Euros per share)		
Basic earnings per share based on profit for year (euros)	7.76	5.56
Diluted earnings per share based on profit for year (euros)	7.76	5.56

Table 30. Consolidated profit and loss statement for the year ended on 31 December 2016 and 2015

APPENDIX I: I.Consolidated financial statements for the year ended on 31 December 2016

Consolidated statement of cash flows for the year ended on 31 December 2016 and 2015

Thousand euros	2016	2015
Profit/loss before tax	1,516,119	1,040,578
Adjustments for:	829,591	1,095,454
- Depreciation and amortisation	825,805	846,215
- (Profit)/loss on fixed assets disposal	6,402	7,843
- (Profit)/loss on disposal of financial instruments	4,469	-97
- Losses/(gains) in the fair value of financial instruments	44,472	25,203
- Attribution of grants	-41,590	-45,928
- Trade receivable impairment adjustments	7,845	3,362
- Change in provisions	78,349	21,974
- Financial revenue	-208,484	-4,092
- Financial expenses	127,359	204,578
- Other revenue and expenses	1,045	50,408
- Share in losses /(gains) in associates	-16,121	-14,012
Changes in working capital:	-55,319	-103,971
- Inventories	-951	669
- Debtors and other receivables	26,155	-58,920
- Other current assets	-42	-122
- Creditors and other payables	-42,359	-2,227
- Other current liabilities	-36,909	-35,132
- Other non-current assets and liabilities	-1,213	-8,239
Cash generated from operations	-455,666	-403,080
Interest paid	-146,825	-238,797
Interest receivable	1,533	2,635
Taxes collected (paid)	-309,019	-166,141
Other collections (payments)	-1,355	-777
Net cash generated from operating activities	1,834,725	1,628,981
Cash flows from investment activities		
Acquisitions of property, plant and equipment	-287,919	-241,593
Acquisitions of intangible assets	-16,120	-13,066
Acquisitions of investment properties	-1,346	-87
Payments for acquisitions of other financial assets	-3,901	-11,088
Payments received from loans to Companies in the group and associates	2,027	697
Payments received from property, plant and equipment divestment	1	136
Payments received for other financial assets	11	421
Dividends received	15,609	10,164
Net cash used in investment activities	-291,638	-254,416
Cash flow from financing activities		
Revenue from external financing (ERDF grants)	10,665	22,287
Revenue from bank financing	31,739	13,078
Other payments received	19,392	13,207
Repayment of bank borrowings	-333	-878
Repayment of Group financing	1,172,339	1,080,128
Dividends paid	-409,716	-10,727
Other payments	-12,490	-66,554
Net cash generated from/(used in) financing activities	1,533,082	1,109,715
Effect of exchange rate fluctuations	-2,130	1,586
Net (decrease)/increase in cash and cash equivalents	7,875	266,436
Cash and cash equivalents at start of the year	556,741	290,305
Cash and cash equivalents at the end of the period	564,616	556,741

Table 31. Consolidated statement of cash flows for the year ended on 31 December 2016 and 2015

APPENDIX II: Summary of Price Sensitive Information issued in 2016

Register	Date	Type of Event	Description
234765	10/02/2016	Calls for meetings or informative events	The company sends notices informing of the scheduled date and time for publishing Aena S.A. results for the January-December 2015 period.
235174	23/02/2016	Interim financial information	The company sends information on results for the second half of 2015.
235176	23/02/2016	Information on results	Presentation of results for FY 2015.
235178	23/02/2016	Information on dividends	The Board of Directors of Aena, S.A. has agreed to propose to the General Shareholders' Meeting the approval of the distribution of a dividend charged to FY 2015 profit.
235364	25/02/2016	Annual Corporate Governance Report	The company submits the Annual Corporate Governance Report for FY 2015.
235497	26/02/2016	Annual report on Board member compensation	The Company submits the Annual Report on Board member compensation for FY 2015.
236058	08/03/2016	Other on business and financial situation	Notice of approval by the Board of Directors of Aena, S.A., in a meeting held today, of the final proposal for the Airport Regulatory Document.
237631	21/04/2016	Calls for meetings or informative events	The company sends notices informing of the scheduled date and time for holding the conference-call on presentation of the results of Aena, S.A. for the January-March 2016 period.
237778	26/04/2016	Calls for meetings or informative events	Due to a last minute change by our conference-call service provider, the phone number for access from the UK to the conference-call on first quarter results 2016 has been changed.
237849	27/04/2016	Interim financial information	The company sends information on results for the first quarter of 2016.
239041	24/05/2016	Calls and resolutions of Boards and General Shareholders' Meetings	The company announces a Board of Directors resolution approving the calling of the General Shareholders' Meeting.
239096	26/05/2016	Calls and resolutions of Boards and General Shareholders' Meetings	The company announces the calling of the General Shareholders' Meeting.
239139	27/05/2016	Credit ratings	Fitch Ratings has confirmed the credit rating of AENA, S.A. (BBB+), improving its outlook from stable to positive.
240219	28/06/2016	Resolution of court or administrative proceedings	Supreme Court ruling on revaluation of properties expropriated at Madrid-Barajas Airport.
240243	28/06/2016	Calls and resolutions of Boards and General Shareholders' Meetings	The company announces the approval of resolutions of the General Shareholders' Meeting.
240244	28/06/2016	Information on dividends	Approval of dividend payment.
240306	29/06/2016	Resolution of court or administrative proceedings	Supreme Court rulings on revaluation of properties expropriated at Madrid-Barajas Airport.
240950	19/07/2016	Calls for meetings or informative events	Aena, S.A. announces the holding of the presentation of earnings corresponding to the first quarter of 2016.
241242	26/07/2016	Interim financial information	The company sends information on results for the first half of 2016.
241253	26/07/2016	Information on results	Information on earnings 1H 2016
243137	27/09/2016	Composition of the Board of Directors	The company notifies a change to the composition of the Board of Directors
243776	19/10/2016	Calls for meetings or informative events	Aena, S.A., announces the holding of the presentation of earnings corresponding to the third quarter of 2016.
243995	25/10/2016	Interim financial information	The company sends information on results for the third quarter of 2016.
243997	25/10/2016	Information on results	Presentation of results corresponding to the first nine months of 2016
244002	25/10/2016	Composition of the Board of Directors	Communication of the appointment of a new proprietary director of the company

Table 32. Summary of Price Sensitive Information

APPENDIX III. Corporate Governance Report

Aena's Annual Corporate Governance Report for the year 2016 is part of the Management Report and from the date of publication of the financial statements, it is available on the website of the Comisión Nacional del Mercado de Valores (CNMV) and the Aena website.

PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE CONSOLIDATED DIRECTORS' REPORT FOR THE FINANCIAL YEAR 2016

On 21 February 2017, in accordance with the requirements of article 253 of the Corporate Enterprises Act and article 37 of the Code Of Commerce, the Board of Directors of the company Aena, S.A. has prepared the consolidated Financial Statements and the Consolidated Directors' Report for the financial year to 31 December 2016, which comprise the attached documents that precede this statement.

Cargo	Nombre	Firma
Chairman:	Mr. José Manuel Vargas Gómez	
Director:	Mrs. Pilar Arranz Notario	
Director:	Mr. Juan Miguel Báscones Ramos	
Director:	Mrs. Tatiana Martínez Ramos e Iruela	
Director:	Mr. Rodrigo Madrazo García de Lomana	
Director:	Mr. José María Araúzo González	
Director:	Mrs. Pilar Fabregat Romero	
Director:	Mr. Francisco Javier Martín Ramiro	
Director:	TCI Advisory Services, LLP, representado por Mr. Christopher Anthony Hohn ¹	
Director:	Mr. Juan Ignacio Acha-Orbea Echeverría	
Director:	Mr. Eduardo Fernández-Cuesta Luca de Tena	
Director:	Mr. Simón Pedro Barceló Vadell	
Director:	Mr. Jaime Terceiro Lomba	
Director:	Mr. Amancio López Seijas	
Director:	Mr. José Luis Bonet Ferrer ²	
Secretary (non Director):	Mrs. Matilde García Duarte	

¹ Mr Christopher Hohn's signature is not included, due to the fact that he has formulated these annual accounts, but he is not present at the time of signature of the accounts because he has attended the Board of Directors' meeting by conference call, .

² Due to the impossibility of attending the meeting of the Board of Directors, this Director delegates his vote to D. Juan Ignacio Acha Orbea Echeverría.