GLOBALIA

2018 ANNUAL REPORT

GLOBALIA CORPORACIÓN EMPRESARIAL S.A.
Y SOCIEDADES DEPENDIENTES
Entre ellas:
AIR EUROPA LÍNEAS AÉREAS, S.A.U.
GLOBALIA BUSINESS TRAVEL, S.A.U.
GLOBALIA TRAVEL CLUB SPAIN, S.L.U.
WELCOME INCOMING SERVICES, S.L.U.
VIAJES HALCÓN, S.A.U.
VIAJES ECUADOR, S.A.U.
VIAJES TU BILLETE, S.L.
BE LIVE HOTELS, S.L.U.
GLOBALIA HANDLING, S.A.U.

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Presentation of

2018 ANNUAL REPORT

2018 has demonstrated the success of the strategy adopted by our group through its different divisions. If the previous year was a turning point for our group, during the year 2018 our group has registered historic economic results, that strengthen our leadership within the sector and enable us to face the coming years knowing that we are progressing in the right direction.

2018 has been a record year in which we have practically quintupled our profits before taxes, that have amounted to 72 million Euros, and in which, moreover, we have implemented the principles that will determine our future lines of action.

Within a market as excessively competitive as the tourist sector, our group, that is managed by the best possible professionals, has been capable of carrying out new and remarkable achievements and adopting an innovative use and application of new technologies that has situated our group in a key position to successfully face the future.

Consolidation year for Air Europa

During 2018, the air division has become firmly established as a solid flight alternative for the transatlantic corridor with the establishment of a new route to Quito and with the consolidation of other routes such as Recife and San Pedro Sula; as well as through an enhancement of flight frequencies to other destinations. During this year, the first two Boeing 787-9 Dreamliners have been incorporated to our fleet, being the most efficient aircraft that enhance the connotative meaning of flying.

With the incorporation of the foregoing two aircraft and three Boeing 737-8 New Generation the group continues to progress with its plans regarding the homogenisation of the fleet with the consequential benefits that shall be provided thereby, both in relation to the reduction of costs as well as enhanced marketing opportunities.

During recent months, said international expansion has been enhanced through the growth of the European network with new routes to Düsseldorf and Venice, as well as through an increase of the number of flights to Rome, Milan, Tel Aviv and Marrakesh, and the implementation of the second phase of the Canary Islands inter-island flights.

The sector increasingly associates Air Europa with modernity, renovation, security, efficacy, sustainability and quality, and all of the foregoing is demonstrated through the continuous improvement of the products and services that are provided on board, thereby making passengers feel special.

In 2018, Air Europa has been acknowledged as the most efficient European network airline. The pertinent data corroborates said distinction: CO_2 emissions have been reduced by 2.88% in relation to 2017 and, furthermore, fuel consumption has been reduced, especially with regard to the Boeing 787 fleet.

With an increase of turnover of 9.3% in relation to the previous year, Air Europa has also exceeded, for the first time, the barrier of 11 million passengers and has implemented its new Air Europa Cargo division for the transport of goods within the aircraft holds.

Strategic time for the hotel division

The hotel division “Be Live” continues with the consolidation of its establishments and the success thereof is guaranteed by reason of its prominent presence within the four most popular tourist destinations worldwide: Cuba, Dominican Republic and the Balearic and Canary archipelagos.

The refurbishment of the division's hotels both in the Canary Islands as well as in the Balearic Islands has enhanced, even more, the strength of the division in both tourist destinations and the division's entry to Mexico through the Melody Maker resort represents the beginning for the new brand in a strategic destination for the projection and development of the hotel division.

The portfolio of the hotel division comprises a total of 32 establishments, that are operated under a range of different regimes, that have registered an average occupancy of more than 78%.

Success of the wholesale division

During 2018, the wholesale division of Globalia, leader in the tour-operator segment in Spain, has enhanced its position and market share and has grown by more than the average sales growth registered in previous years in relation to products such as "Disney" and "Circuitos por Europa".

The leadership of the wholesale division is also reflected in the trends of the rest of the products that homogeneously maintain their sales volumes.

The wholesale division of Globalia has the necessary resources to successfully face the upcoming year and to enhance the profitability of its products and to adapt to a dynamic and constantly evolving market.

The incoming division has consolidated its growth volumes with the inclusion of new accounts both in Europe, the Middle East and Africa, as well as in South America, and also by reason of the increase of the business of Welcomebeds.

Retail division: forecast of growth of sales and offices

For the year that has now been closed, the sales of the Retail and Online Division amounted to 980 million Euros and the forecast projections and estimations predict a 2% growth for 2019.

For the purposes of promoting the different commercial activities, this year the split-off was carried out of the Corporate and Holiday business.

In light of the fact that two years have passed since the creation of "Geomoon", and by reason that the brand already includes within its network 200 associated offices, the division is satisfied with the growth thereof and acknowledges the trust and confidence that has been created and that continues to be created within the sector.

The objective of the division is to continue to grow within the different travel sectors, and to increase the number of associated offices and to promote the growth of the online business.

Ground Handling Division: national benchmark

The services for more than 190,000 flights within Spain that Groundforce has provided during 2018, that has continued to grow as in other previous years, strengthens its position as the leading ground handling operator for third parties throughout Spain.

In turn, "Groundforce Cargo" continues to be the leading player as it has the largest network of cargo services with 15 terminals in Spain. In 2018, "Groundforce Cargo" managed 16% more tonnes than in 2017.

Road transport division: enhancement of operations

In 2018 our road transport division has continued to develop the upcoming inclusion of new routes and has continued to consolidate its existing routes. The division is working to optimise the regular line between Alicante-Cartagena-Murcia and the division has enhanced and has obtained optimum operating results in relation to the transport of passengers between the airport terminals at the Adolfo Suárez Madrid-Barajas airport.

The report that is presented hereinbelow presents a perfect snap short image of our tourist services group, and highlights the milestones achieved and strengthens the pillars upon which the group must continue to support its activities in order to continue to grow and retain our leadership position within the sector. For said purposes, we have the best possible professionals that, without a doubt, constitute our most valuable asset.

INTRODUCTION TO THE
2018 MANAGEMENT REPORT
AND MAIN MAGNITUDES

GLOBALIA CORPORACIÓN EMPRESARIAL, S.A. AND SUBSIDIARIES

Globalia, the company founded and chaired by Juan José Hidalgo, operates in the transport, hotel, travel and tourism sectors, and essentially comprises the following business units:

Globalia Corporación Empresarial S.A., the parent company and leader of the Group.

Air Division captained by Air Europa, the first wholly Spanish-owned private airline, specialising in tourist and transatlantic travel. It is a member of the Sky Team alliance.

Wholesale Division, headed by Travelplan, the Spanish market leader.

In March 2003, this was added to by the company Iberotours and its Touring Club brand.
In 2007, a partnership was established with tour operator MK Tours, based in Miami and focusing on the North American domestic market.

Incoming Division,
The Welcome Incoming Services brand was set up in 2010 to provide us with our own infrastructure in the most significant destinations where Globalia currently operates. It operates two main business lines: sale of accommodation online and incoming services such as trips, transportation and vehicle rentals.

Retail Division, including Viajes Halcón, Viajes Ecuador, which became part of Globalia in 2003 and Viajes Tu Billete.

The Division has the largest network of branches operating in Spain and Portugal, giving it a leading position on the Iberian market.

Hotel Division, operating under the brand name Be Live Hotels. Management of premium category hotels in the Balearic and Canary Islands, mainland Spain, Morocco, the Dominican Republic and Cuba.

Handling Division, operating under the brand name Groundforce. Providing ground services to the Group's airline and third-party clients in airports in Spain and Morocco.

1971
Juan José Hidalgo opens the first branch of Viajes Halcón.

1988
Juan José Hidalgo sets up the tour operator Travelplan.

1991
A majority stake in Air Europa is acquired by Juan José Hidalgo.

1993
Air Europa begins scheduled domestic operations in Spain, competing with Iberia.

1999
Viajes Halcón and Travelplan begin operations in Portugal.

In May, the central services move into their newly built corporate offices of Llucmajor (Baleares).

Incorporation of the first Boeing 737-800 NG aircraft.

2000 - 2005
In May 2000, the first hotel operated by the Group's Hotel Division opens its doors.

In October 2001, following the events of September 11, the Air Division is restructured.

In the year 2003, Globalia Handling is set up and Viajes Ecuador is acquired.

During 2005, Strong international expansion at the Group's Handling Division.

Air Europa and Travelplan begin to operate in France following the creation of Globalia France.

2006 - 2007
Globalia strengthens its position in two particularly key areas: the Handling Division, with new contracts won at Spanish airports, and the Hotel Division, which now boasts more than 10,000 rooms.

Acquisition of Iberrail and a stake in MK Tours.

A contract is signed to acquire 8 Boeing 787 "Dreamliner" aircraft.

2008

A contract is signed to acquire 11 Embraer 195 aircraft with 120 seats and with the most advanced technology.

The Hotel Division operates more than 11.400 rooms.

2009

Viajes Halcón begins the process of expansion through franchised branches operating under the brand name.

Acquisition of 75% of Tubillete.com, an online travel agency specialising in the sale of airline tickets.

The first four Embraer 195 aircraft begin operations.

2010

International expansion of Travelplan, via the opening of offices in Italy and France. New " Latitudes" tour operator. Air Europa starts the operation of new routes to Lima and Miami.

Set up of "Welcome Incoming Services" as a new business unit focused on incoming travel agency activity. Air Europa becomes a full member of SkyTeam.

2011

New in-house incoming services previously managed by third parties in Mexico, Dominican Republic and London. Inclusion of the Welcomebeds online platform.

2012

Acquisition of the additional 50% of the tour operator MK Tours in Miami. Sale of Globalia Handling Mexico and Pepemobile. Major restructuring of all Group Divisions.

2013

Restructuring of a significant number of travel agents in the Retail Division. The Aerial Division continues to expand its long-distance routes and to reinforce its short and medium-distance routes.

2014

Air Europa signs a contract with Boeing to purchase fourteen B787-9 planes with delivery expected between February 2020 and October 2022.

2015

The airline Aeronova is absorbed into the Air Division. In this same year, agreements are signed for the purchase of twenty 737 MAX 8 aeroplanes.

2016

Launch of Air Europa Express, operating 4 Embraer 195 and 1 ATR-72 at the end of the year. The Retail Division launches the Geomoon brand for its managed travel agency business.

2017

Air Europa continues to expand its long-haul fleet, with eight B787-8 aircraft in place by the end of 2017. Consolidation continues at Air Europa Express which has now incorporated the entire Embraer fleet (11 E195s) along with three ATR-72s.

2018

The Air Division has continued to grow in relation to long-haul routes, and has consolidated routes such as Recife, San Pedro Sula (Honduras). In other markets, destinations such as Marrakesh and Canary Islands inter-island flights have been consolidated. Furthermore, additional flights have been included to destinations such as Rome, Milan, Tel Aviv, Asunción, Córdoba, and Montevideo. In relation to new routes, Quito, Venice and Düsseldorf have been established as new destinations during 2018.

GLOBALIA IN FIGURES
(Thousands of Euros)

CONSOLIDATED INCOME

2014	3,337,423
2015	3,414,805
2016	3,570,834
2017	3,689,127
2018	**3,850,254**

NET CONSOLIDATED PROFIT

2014	27,684
2015	4,105
2016	-17,878
2017	16,336
2018	**48,740**

CONSOLIDATED EBITDA

2014	184,949
2015	103,271
2016	136,836
2017	102,486
2018	**166,856**

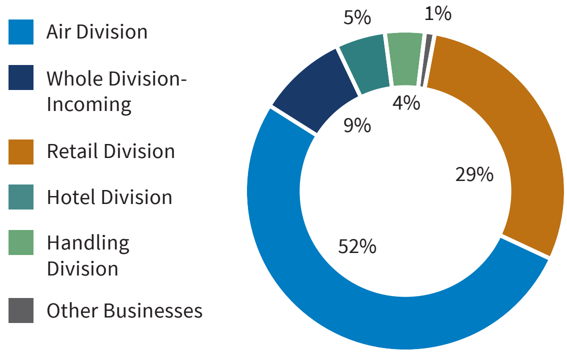
YEAR-ENDED TOTAL EMPLOYEES

2014	12,232
2015	12,931
2016	15,029
2017	14,754
2018	**15,035**

CONSOLIDATED SHAREHOLDER'S EQUITY

2014	191,298
2015	170,965
2016	110,942
2017	116,339
2018	**163,254**

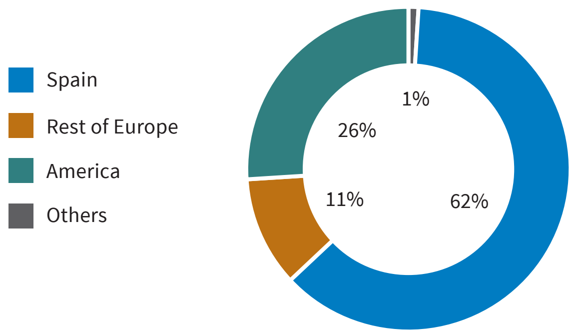
DETAILS REVENUE PER DIVISION 2018



CONSOLIDATED FIXED ASSETS

2014	579,076
2015	625,201
2016	551,011
2017	510,035
2018	**516,880**

DETAILS REVENUE POR GEOGRAPHICAL MARKET 2018



AIR DIVISION

As for Globalia's traditional businesses (Wholesale, Retail and Air), these have continued to maintain their leading positions within their respective market segments.

Air Europa was the country's first privately owned company to operate domestic scheduled flights in Spain. It broke into the tourist sector when demand was at its greatest, and its expansion and growth have made decisive contributions to the maturity of Spain's commercial aviation market, which there can be no doubt would never have taken on the form it has today if Air Europa had not played its pioneering role.

In its ongoing drive to achieve progress, focusing at all times on customer satisfaction, Air Europa today has one of the most modern fleets in the sector.

In 2007, Air Europa became an associate member of the Sky Team alliance, alongside such airlines as Air France, KLM, Alitalia, Continental Airlines, Delta Airlines and Aeromexico, further consolidating its market position as a scheduled airline.

In 2008 a deal was signed to purchase 11 Embraer 195 with 120 seats and with the most advanced technology.

The Embraer fleet allows the company to optimise routes with a low passenger density.

In 2010, Air Europa became a full member of the SkyTeam Alliance.

During 2014, the airline continued to expand and plan new routes to South America, with destinations such as Salvador de Bahí a, Santiago de Chile and Sao Paulo, and continued to bolster its lines in Europe and its short-range flights in Spain. New routes to Morocco and Germany were also opened.

With an eye on adding 787-8s to its fleet from 2016, Air Europa has been operating an aircraft with these characteristics on its Madrid-Miami route, and using it to train its crews in 2015. During 2015, Air Europa launches its own loyalty program, " SUMA MILES" .

2016 has been a year of strong growth in the long-distance fleet with the inclusion of five 787-8 aircraft. New routes have been operated such as Asunción and Bogotá, and the frequency has been increased for the flights along its pre-existing routes. Launch of Air Europa Express, operating 4 Embraer 195 and 1 ATR-72 at the end of the year.

The expansion of the long-haul fleet has continued in 2017. Air Europa Express now enjoys a consolidated position, having incorporated the entire Embraer fleet (11 E195s) and three ATR-72s. New routes were launched during the year to Guayaquil, Recife, San Pedro Sula and Marrakech, as well as the first inter-island flights in the Canaries. The SUMA loyalty programme has been handled by a management company since 1 January 2017.

In 2018

The company has continued to modernise its fleet and in 2018, two new Boeing 787-9 have been added to the eight 787-8 that had previously been incorporated during 2016 and 2017.

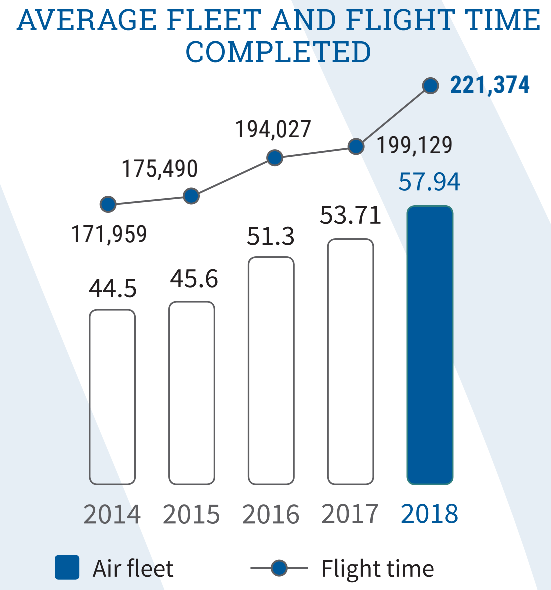
Furthermore, another 18 Boeing 787-9 shall be incorporated between 2019 and 2022 that shall replace the current Airbus 330-200/300 and that shall situate Air Europa at the forefront of efficiency and technology, and shall notably reduce consumption and maintenance costs and shall enhance comfort and speed, which shall represent a real advantage in relation to competitors.

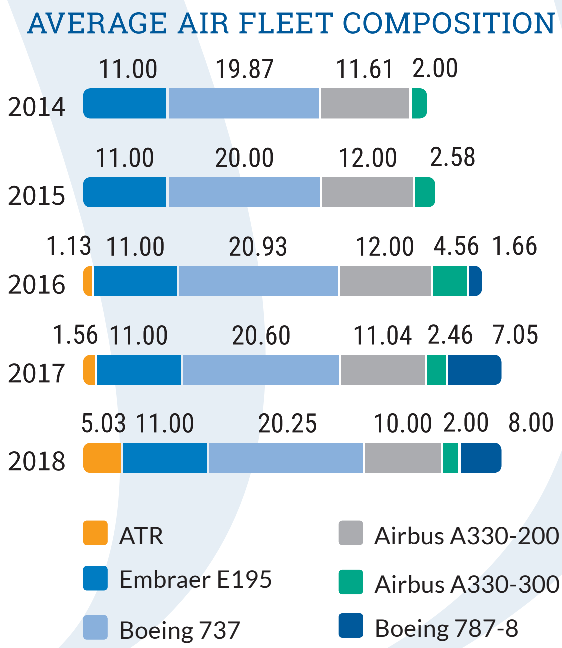
Moreover, three Boeing 737-800 New Generation and three ATR-72 have also been incorporated within the fleet.

It is important to highlight the homogenisation of the fleet, as the foregoing directly affects the results of the division, both in relation to the reduction of costs as well as enhanced marketing opportunities.

As a relevant fact, the consolidation of Air Europa Express, with the totality of the fleet thereof already incorporated and comprised of eleven E195 and six ATR-72. The main objective has been satisfied, namely the reduction of the costs of crew and the enhancement of efficiency and consumption of long-haul flights. Furthermore, the foregoing provides for new marketing options in all of the current routes with the specific business model thereof, however being price competitive competition con el with the other low-cost companies, and enhancing the "hub" of Air Europa in Madrid.

In 2018, the net turnover of Air Europa amounted to €2.11452 billion, which is 9.3 % higher than that of the year 2017.





WHOLESALE DIVISION

Ever since it was set up as a wholesale travel agency in 1986, Travelplan has been one of the leading tour operators on the Spanish market with regard to both its number of destinations and number of passengers. Its offer is based on Air Europa's network of scheduled and charter flights, but also covers every type of product and destination.

As part of its expansion policy, in May 2007 Travelplan acquired a 50% stake in the US tour operator MK Tours, based in Miami, specialising in the Dominican Republic as a destination.

Greats advances have taken place since 2009 with the introduction of new technologies allowing for the development of the Internet business, this channel now accounting for 80% of total sales.

The Division rolled out an international expansion process with the opening of offices and sale of tourism packages in France in 2010, along with the launch of a new top-end line: Latitudes.

During 2012 and 2013 the Wholesale Division underwent a substantial restructuring of its companies. The remaining 50% of MK Tours was also acquired, bringing the equity stake held to 100%.

In 2014, Touring Club consolidated its position as the second leading Disney operator in the market and Latitudes continued to grow as the Division's Premium segment.

During 2015, Globalia's Wholesale Division, whose brand portfolio includes Travelplan, Touring Club and Latitudes, saw an expansion of 8% in seats sold as compared to 2014, reinforcing its position as the leader in the Spanish issue market, especially in a year that was characterised by strong competition and plenty of offers for the destinations of the Caribbean, the Canaries and the Balearic Islands.

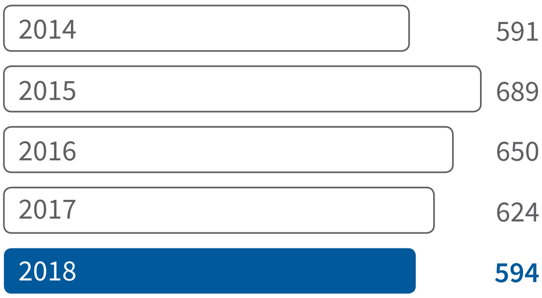
During the year 2016, the Wholesale Division of Globalia, that includes within its brand portfolio Travelplan, Touring Club and Latitudes, has maintained and strengthened its leadership position within the Spanish issue market, being a year that has been characterised by strong competition and supply in relation to the Caribbean, Canary Islands and Balearic Islands destinations.

In 2017, Travelplan has maintained its leading position on the Spanish outbound market as a general Tour Operator, with particular mention of the 15% growth in European Itineraries as the biggest product expansion in 2017.

During the year 2018, the Wholesale Division of Globalia, the leading tour operator within Spain, has enhanced its leadership position and its market share within the Spanish market, and has grown by more than the average sales growth registered in previous years in relation to products such as "Disney" and "Circuitos por Europa", and has maintained the sales volumes in relation to the rest of the products by way of the promotion of the rest of the direct distribution channels.

The Wholesale Division of the Group aims to improve the profitability of its products and to adapt to a dynamic and constantly evolving market.

WHOLESALE DIVISION REVENUE (Millions of Euros)



INCOMING DIVISION

The commercial brand Welcome Incoming Services was created in 2010 in order to provide a specific infrastructure for the most relevant destinations where Globalia operates.

Welcome Incoming Services has been offering comprehensive incoming services through its network of offices in Spain: North, South and East Coasts; Balearic and Canary Islands; Madrid and Barcelona since 2010.

In 2011 it provided services in France, Mexico, Dominican Republic and London, which were previously managed by third parties. Also, during 2011 some 393,000 passengers contracted our own incoming services, and saw the introduction of the online hotel accommodation sales platform “WELCOMEBEDS” which will be providing services to all third parties, Travel Agencies and Tour Operators, with a focus on markets where our own incoming operations have a physical presence.

In 2012 WELCOMEBEDS increased its sales and established its position in the online market. The Division also began to market the Coasts product, covering the Northern, Central Eastern, Catalan and Andalusian coastlines of Spain.

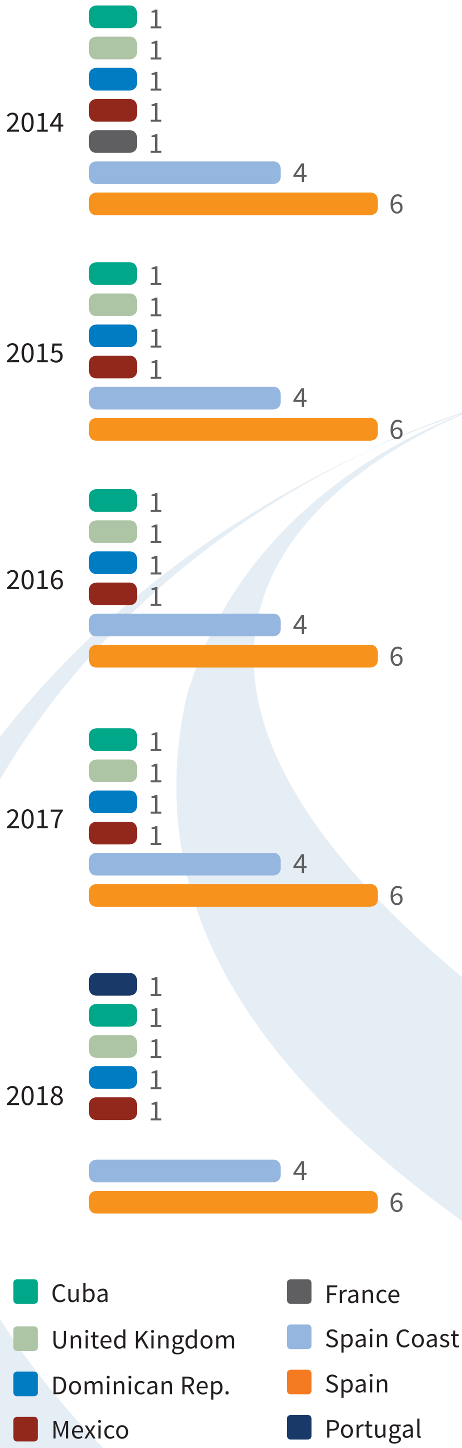
2014 represents the year in which the new online accommodation sales business consolidated with 1.4 million “room nights” .

On the 5th anniversary after its creation, Welcomebeds has registered growth of 10% (1.93 million “room nights”).

In 2017 Welcomebeds-Incoming has increased its sales with the constant addition of new accounts on the EMEA and LatAm international markets.

In 2018, the incoming division has incorporated new international market accounts within Europe, the Middle East and Africa, as well as in South America, and as a result of the increase of the business of Welcomebeds, has also consolidated its volume of growth.

OWN DESTINATION OFFICES



RETAIL DIVISION

Although the company’s founder hailed from Salamanca, it was in Cá ceres that the first Viajes Halcó n agency opened for business in 1971. Not long afterwards, Juan José Hidalgo set up his company’s second branch on Paseo de Anaya, in the city of his birth. With the acquisition of Air Europa in 1991, Viajes Halcón experienced its great boom.

Today, Halcón Viajes is established as the undisputed leader on the Spanish holiday market in terms of number of points of sale, creation of exclusive products and the outstanding training of its staff.
Acquired by Globalia in 2003, Viajes Ecuador is one of Spain's best-represented travel agencies thanks to its strong presence across the country, particularly in the North. It provides its customers with comprehensive advice, guaranteeing the utmost quality in travel and accommodation.
The Retail Division is today the undisputed Iberian market leader.

In 2009 the group acquired a 75% stake in Tubillete.com, an online travel agency specialising in the sale of airline tickets.
The Division started a franchise branch expansion programme process this year under the Viajes Halcón brand name, making progress in the field of the " e-commerce" , through the following brands: halconviajes.com, viajesecuador.com and tubillete.com.
With the objective of staying in the market and adapting to changing circumstances, 2013 has been a year that has seen the large-scale restructuring of Viajes Halcón and Viajes Ecuador, both in terms of number of offices and number of employees: approximately 160 sales points were closed and 450 employees were made redundant.
Thanks to these tough and difficult measures, the Division returned to profit in 2014.

2015 has been a year of significant growth in the Retail Division. Apart from being a benchmark in the holiday sector, the Division has substantially increased the weight of its Corporate business, and has consolidated itself as a benchmark brand in the world of sport. All these factors have allowed the Division to substantially improve its results as compared to 2014.

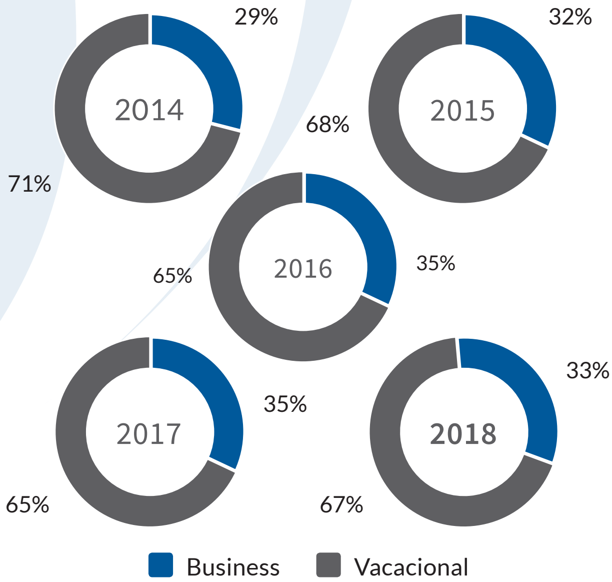
2016 has been a year in which the Division has continued its positive trend of recovery due to the increase in sales. This year the Geomoon brand has been launched in order to encompass all of the managed travel agencies (30 offices at the end of the year). It is expected that in 2017 the Division will strengthen its position in the corporate travel sector and will create several associated stores.

In 2017 the Geomoon brand, which groups together travel agencies under the managed office model, had more than 140 offices in place under this type of contract by the close of year. In 2018 the division will continue its consolidation within the companies and MICE travel segments, alongside its targets to expand the number of associate offices and underpin the growth of the online business.

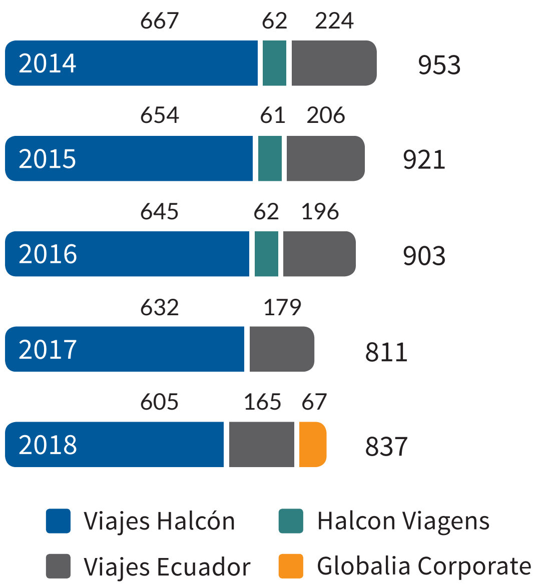
In 2018, the sales of the Retail and Online Division amounted to 980 million Euros with a growth forecast of 2% for the year 2019. For the purposes of promoting the different commercial activities, during the year 2018 the split-off was carried out of the Corporate and Holiday business.
The brand "Geomoon", that includes the travel agencies under the format of managed offices, as at the date of close, comprised a total of 200 offices pursuant to this type of contract.

For the year 2019, the Division shall continue to grow within the different travel sectors, including Holiday, Corporate and MICE sectors, and also aims to increase the number of associated offices and to enhance the growth of the online business.

EVOLUTION BY TYPE OF BUSINESS



YEAR ENDED SALES OFFICES



HOTEL DIVISION

Globalia started operating hotels in the year 2000, with the construction of the Hotel Palace de Muro (Majorca) and the refurbishment of the Hotel Orotava (Tenerife).

In 2010 the Division launched its new brand Be Live. In 2011 Globalia's portfolio of hotels included 22 establishments with almost 6.200 rooms, operating in Spain (on the mainland, and in the Balearic and Canary Islands), the Mexican Caribbean, the Dominican Republic, Cuba and Morocco, with the brand Be Live Hotels.

In 2012 the Division embarked on a new business model with two franchise hotels. It meanwhile gave up its Mexican Caribbean operations.

In 2013 the Division took on the Luabay Hotel Chain with a portfolio of 10 hotels under lease, 1 under management and a total of 2,262 rooms. During that year, the Group opened its first hotel in Portugal under a management contract and acquired ownership of the Canoa Hotel in the Dominican Republic. Furthermore, the works for the extension and improvement of the hotels in the Dominican Republic continued and consolidated.

Be Live Hotels was reorganised in six different brands in 2015, Collection Resorts (5 star), Be Live Experience Hotels (establishments to suit all kinds of guests), Be Live Family Resorts (family hotels), Be Live Adults Only (absolute relax), Be Smart Hotels (more economical holidays), and Be Live City Center (city hotels, situated at strategic points). The objective of the brand makeover was to offer customers differentiated products and the segment that best suits their needs.

2016 has been characterised by excellent results, both from an occupancy perspective as well as in relation to average revenue, thanks to the good positioning of the hotel complexes in zones with high worldwide demand.

In 2017 investments have been made in refurbishing some of the hotel stock to offer an enhanced product and increased customer satisfaction, as well as revenues and profits.

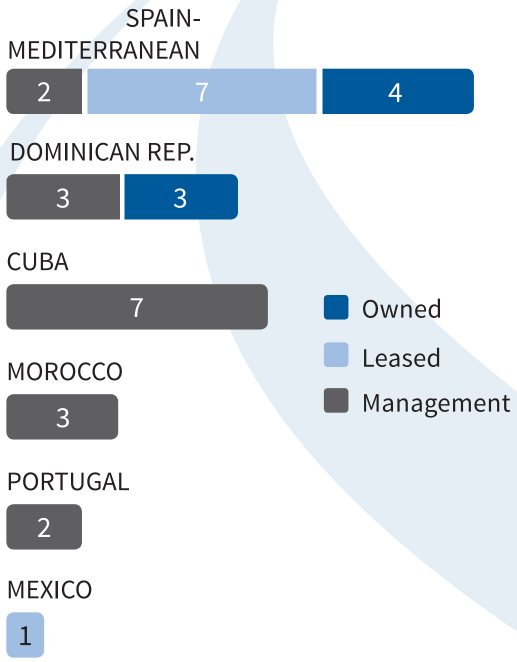
In 2018, the Hotel Division continues with the consolidation of its establishments. Its prominent presence within the four most popular tourist destinations worldwide: Cuba, Dominican Republic and the Balearic and Canary Islands, has contributed to the continued success of this division.

During this year, it is important to highlight the refurbishment of the division's hotels in the Balearic and the Canary Islands, in order to provide a modern product, as well as the commencement of operations in Mexico with a new product and a new brand in a destination that is considered to be strategic for the projection and development of the hotel chain.

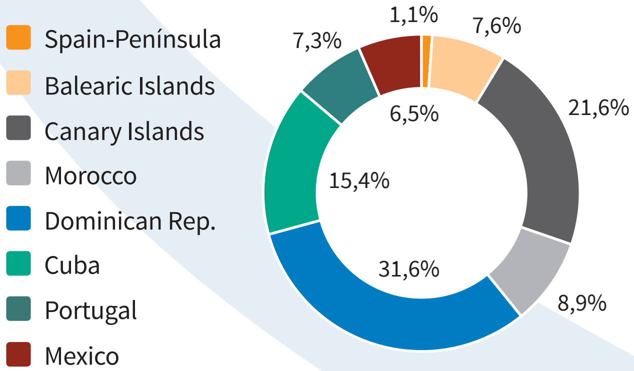
The portfolio of hotels is comprised of a total of 32 establishments, 7 of which are owned, 8 of which are leased and 17 of which are managed hotels.

In 2018, the turnover of the division amounted to €132 million with an average occupancy of more than 78%, and the division provided an EBITDA to the group of €13.3 million.

HOTELS PORTFOLIO 31/12/2018



HOTEL ROOM INVENTORY BY AREA 31/12/2018



HANDLING DIVISION

Groundforce provides ground support services for the Group's airline and third parties.

In Spain, following the licences awarded at the end of 2006, Groundforce has succeeded in positioning itself as the second-biggest handling operator in terms of volume and licences awarded, and is the only operator with presence at the first two Spanish airports, Madrid and Barcelona.

The Group also acquired a 100% stake in Groundforce Cargo during 2006, providing cargo services at Spanish airports.

In 2014 the Handling Division was operating in 7 airports in Spain and 1 in Morocco providing passenger ground support services, while also providing cargo services at 14 airports in Spain.

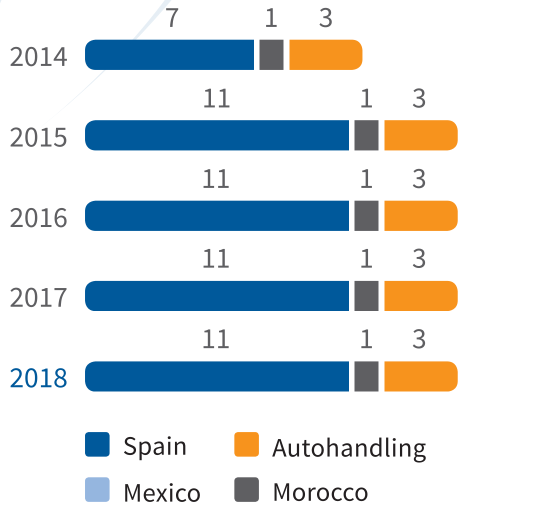
In 2015, Globalia Handling was awarded the contracts for third party Handling services, increasing the number of airports in which it operates from 7 to 12: Las Palmas, Bilbao, Zaragoza, North Tenerife, Valencia, Fuerteventura, Barcelona, Malaga, Madrid, Alicante, Palma and Ibiza. It stopped operating in the bases of South Tenerife and Seville. It continues to operate in Casablanca Airport (Morocco).

2016 has been a very positive year in light of the new licences issued in 2015. Sales have increased by 26% in relation to 2015 and approximately 170,000 passenger flights have been managed, and over 122,500 tonnes of cargo has also been managed.

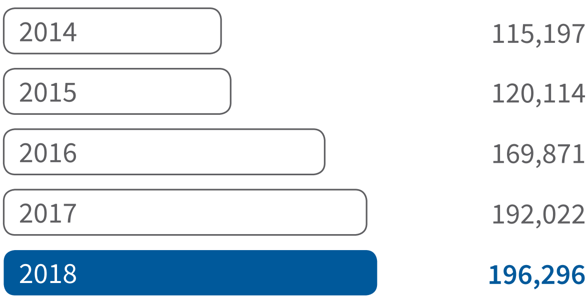
During 2017, Groundforce handled a weighted volume of over 190,000 flights, representing an increase of some 20,000 on the figure of 2016, and a rise of more than 12% in Handling revenues. Meanwhile, Groundforce Cargo handled more than 144,000 tonnes of freight, up 21,500 tonnes on 2016 and accounting for an increase of more than 8% in revenues.

In 2018, Groundforce closed its financial year and has provided, again, services for more than 190,000 flights in Spain and constitutes the leading ground handling operator for third parties within Spain. It has a network of 13 airports, 12 in Spain and one in Casablanca. In turn, "Groundforce Cargo" continues to service the largest network of cargo services with 15 terminals within Spain and it managed 16% more tonnes that amounted to a total of 166,000 per annum.

PASSENGERS GROUND HANDLING EVOLUTION AIRPORTS AND SELF-HANDLING OPERATED 2014-2018



GROUNDFORCE WEIGHTED NUMBER OF SERVICES (% GROUP)



KPMG Auditores, S.L.
Edifici Ca'n Segura
Avda. Comte de Sallent, 2
07003 Palma de Mallorca

Independent Auditor's Report on the Consolidated Annual Accounts

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

To the shareholders of Globalia Corporación Empresarial, S.A.

Opinion

We have audited the consolidated annual accounts of Globalia Corporación Empresarial, S.A. (the "Parent") and subsidiaries (together the "Group"), which comprise the consolidated balance sheet at 31 December 2018, and the consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and consolidated notes.

In our opinion, the accompanying consolidated annual accounts give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of the Group at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the applicable financial reporting framework (specified in note 2 to the accompanying consolidated annual accounts) and, in particular, with the accounting principles and criteria set forth therein.

Basis for Opinion

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

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

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

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Most Relevant Aspects of the Audit

The most relevant aspects of the audit are those that, in our professional judgement, have been considered as the most significant risks of material misstatement in the audit of the consolidated annual accounts of the current period. These risks were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these risks.

Recognition of revenue from services rendered (see notes 26 and 30)

Revenue recognition is a significant area and susceptible to material misstatement, particularly at the reporting date with regard to the appropriate timing of revenue recognition. Also, in the particular case of the air division, revenues from services rendered relating to the sale of flight tickets not yet used are recognised at the unaccrued amount in liabilities under current accruals and amount to Euros 211,336 thousand at 31 December 2018.

Our main audit procedures included evaluating the design and implementation as well as testing the operating effectiveness of the Group's key controls over the recognition of revenue from services rendered, performing tests of detail on revenue recognised for a sample of transactions, verifying the nature and accuracy of the transaction and whether the timing of the recognition is correct and, on the basis of a selection of transactions either shortly before or shortly after the reporting date, verifying whether the transactions were recognised in the appropriate period. Moreover, we obtained external confirmation for a sample of outstanding trade receivables, performing alternative verification procedures, where applicable, on these balances, basically evidence of subsequent collection. Finally, for a sample of tickets sold by the air division, we performed tests of detail on the revenue recognised and, where applicable, on the accrual thereof at the reporting date. In addition, we assessed whether the disclosures included in the consolidated annual accounts comply with the requirements of the financial reporting framework applicable to the Group.

Provisions for major repairs (see note 22)

The Group's air division operates aircraft, mostly under operating leases. In these cases, due to the scheduled periodic maintenance and the conditions for returning aircraft set out in the contracts with the lessors, there is a commitment to perform certain repairs during the term of the aforementioned contracts, which gives rise to the recognition of a provision for major repairs under liabilities on the balance sheet. Calculation of these provisions entails significant value judgements and is an inherently subjective activity, which has led us to consider it as a relevant aspect of our audit. At 31 December 2018 the provision for major repairs amounts to Euros 211,774 thousand.

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We met with the Group personnel responsible for aircraft maintenance in order to understand the methodology used to calculate the provision for major repairs. We analysed, for a sample of aircraft models and types of repairs, the criteria used by the Group to estimate the cost for which provision is made. We also performed a retrospective analysis, comparing the amounts ultimately incurred in the repairs with the amounts of the provisions in prior years, in order to assess the degree of reliability of the estimates made by the Group. We reviewed the terms for returning aircraft whose lease period expired during the period audited. In addition, we assessed whether the disclosures included in the consolidated annual accounts comply with the requirements of the financial reporting framework applicable to the Group.

Other Information: Consolidated Directors' Report

Other information solely comprises the 2018 consolidated directors' report, the preparation of which is the responsibility of the Parent's Directors and which does not form an integral part of the consolidated annual accounts.

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

a) A specific level applicable to the consolidated non-financial information statement, which consists solely of verifying that this information has been provided in the consolidated directors' report, or where applicable, that the consolidated directors' report makes reference to the separate report on non-financial information, as provided for in legislation, and if not, to report on this matter.

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

Based on the work carried out, as described above, we have verified that the information mentioned in section a) above is presented in a separate report, "Non-financial information statement", to which the consolidated directors' report makes reference; that the rest of the information contained in the consolidated directors' report is consistent with that disclosed in the consolidated annual accounts for 2018; and that the content and presentation of the report are in accordance with applicable legislation.

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

Directors' Responsibility for the Consolidated Annual Accounts

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing legislation regulating the audit of accounts in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence economic decisions of users taken on the basis of these consolidated annual accounts.

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

- Identify and assess the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's Directors.
- Conclude on the appropriateness of the use by the Parent's Directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw

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attention in our auditor's report to the related disclosures in the consolidated annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

– Evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves a true and fair view.

– Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

From the significant risks communicated to the Directors of Globalia Corporación Empresarial, S.A., we determine those that were of most significance in the audit of the consolidated annual accounts of the current period and which are therefore the most significant risks.

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

KPMG Auditores, S.L.
On the Spanish Official Register of
Auditors ("ROAC") with No. S0702

(Signed on original in Spanish)

Joan Manuel Plà Hernàndez

On the Spanish Official Register of Auditors ("ROAC") with No. 20351

17 April 2019

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2018 AND 2017 (Expressed in thousands of Euros)

ASSETS	note	2018	2017
Intangible assets	**Note 6**	**57,072**	**55,426**
Goodwill on consolidation	Note 7	5,092	2,628
Concessions		2,334	2,566
Patents, licenses, trademarks and similar rights		104	55
Goodwill	Note 7	2,881	3,732
Computer software		46,654	46,430
Other intangible assets		7	15
Property, plant and equipment	**Note 8**	**455,813**	**450,712**
Land and buildings		225,059	219,844
Technical installations, machinery, tools, furniture and other property, plant and equipment		178,654	181,727
Under construction and advances		52,100	49,141
Investment property	**Note 9**	**3,994**	**3,897**
Land		924	863
Buildings		3,070	3,034
Non-current investments in Group companies and associates	**Note 13**	**876**	**729**
Equity instruments		100	99
Equity-accounted investees		776	630
Non-current investments	**Note 15**	**138,350**	**130,394**
Equity instruments		3,126	10,659
Loans to third parties		335	475
Debt securities		8	8
Other financial assets		134,881	119,252
Deferred tax assets	**Note 27**	**44,099**	**45,230**
TOTAL NON-CURRENT ASSETS		**700,204**	**686,388**
Inventories	**Note 17**	**50,962**	**25,651**
Raw materials and other supplies		24,054	21,241
By-products, waste and recovered materials		4,744	2,332
Advances to suppliers		22,164	2,078
Trade and other receivables	**Note 15**	**404,879**	**333,587**
Trade receivables – current		312,742	243,806
Other receivables		25,403	28,563
Personnel		1,589	1,431
Current tax assets	Note 27	19,939	17,509
Public entities, other	Note 27	45,206	42,278
Current investments in Group companies and associates	**Note 29**	**(6)**	**-**
Loans to companies		(6)	-
Current investments	**Note 15**	**84,051**	**84,301**
Equity instruments		400	627
Loans to companies		153	925
Derivatives	Note 16	9,281	39,676
Other financial assets		74,217	43,073
Prepayments for current assets	**Note 18**	**59,951**	**35,278**
Cash and cash equivalents	**Note 19**	**69,600**	**80,465**
Cash		69,595	80,460
Cash equivalents		5	5
TOTAL CURRENT ASSETS		**669,437**	**559,282**
TOTAL ASSETS		**1,369,641**	**1,245,670**

The accompanying notes form an integral part of the annual accounts.

Globalia Corporación Empresarial, S.A. and Subsidiaries

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2018 AND 2017 (Expressed in thousands of Euros)

EQUITY AND LIABILITIES	note	2018	2017
Capital and reserves	**Note 20**	**163,255**	**116,339**
Capital		16,894	16,894
Reserves		120,225	112,144
Reserves in consolidated companies		(23,069)	(29,346)
Reserves in equity-accounted investees		465	311
Profit attributable to the Parent		48,740	16,336
Valuation adjustments		**(18,397)**	**26,558**
Hedging transactions	Note 16	(23,952)	17,961
Translation differences	Note 20	5,555	8,597
Non-controlling interests	**Note 21**	**9,434**	**1,507**
TOTAL EQUITY		**154,292**	**144,404**
Non-current provisions	**Note 22**	**132,852**	**97,118**
Long-term employee benefits		180	180
Other provisions		132,672	96,938
Non-current payables	**Note 24**	**103,933**	**113,037**
Loans and borrowings		54,153	55,131
Finance lease payables		47,355	55,790
Derivatives	Note 16	99	100
Other financial liabilities		2,326	2,016
Deferred tax liabilities	**Note 27**	**14,157**	**19,870**
TOTAL NON-CURRENT LIABILITIES		**250,942**	**230,025**
Current provisions	**Note 22**	**91,735**	**62,443**
Loyalty programmes		1,529	1,224
Provision for greenhouse gas emission allowances	Note 17	11,104	3,233
Other provisions		79,102	57,986
Current payables	**Note 24**	**132,963**	**128,408**
Loans and borrowings		65,093	72,562
Finance lease payables		10,609	10,846
Derivatives	Note 16	40,186	24,700
Other financial liabilities		17,075	20,300
Trade and other payables	**Note 24**	**524,298**	**464,285**
Current payables to suppliers		355,287	280,472
Other payables		20,791	13,644
Personnel (salaries payable)		12,715	27,005
Current tax liabilities	Note 27	1,943	1,997
Public entities, other	Note 27	56,686	73,075
Advances from customers		76,876	68,092
Current accruals	**Note 26**	**215,411**	**216,105**
TOTAL CURRENT LIABILITIES		**964,407**	**871,241**
TOTAL EQUITY AND LIABILITIES		**1,369,641**	**1,245,670**

The accompanying notes form an integral part of the annual accounts.

CONSOLIDATED INCOME STATEMENTS AT 31 DECEMBER 2018 AND 2017
(Expressed in thousands of Euros)

	note	2018	2017
Revenues	**Note 30**	**3,830,313**	**3,666,886**
Services rendered		3,830,313	3,666,886
Self-constructed assets		**13,281**	**12,599**
Supplies	**Note 30**	**(1,727,621)**	**(1,687,624)**
Merchandise used		(1,867)	(1,990)
Raw materials and consumables used		(1,693,817)	(1,652,910)
Subcontracted work		(31,937)	(32,702)
Impairment of merchandise, raw materials and other supplies		-	(22)
Other operating income		**19,941**	**22,241**
Non-trading and other operating income		19,941	22,241
Personnel expenses		**(571,968)**	**(582,167)**
Salaries and wages		(438,165)	(443,933)
Employee benefits expense	Note 30	(133,803)	(138,234)
Other operating expenses		**(1,393,865)**	**(1,333,257)**
Losses, impairment and changes in trade provisions	Note 15	(2,866)	(2,550)
Other operating expenses		(1,390,999)	(1,330,707)
Amortization and depreciation	**Notes 6, 7, 8 and 9**	**(49,109)**	**(50,263)**
Provision surpluses		**58**	**199**
Impairment and gains/(losses) on disposal of fixed assets		**(404)**	**1,367**
Gains/(losses) on disposal and other	Note 30	(404)	1,367
Other income/(expenses)	**Note 30**	**(2,879)**	**2,241**
RESULTS FROM OPERATING ACTIVITIES		**117,747**	**52,222**
Finance income			
Marketable securities and other financial instruments		341	680
Group companies and associates		11	42
Other		330	638
Finance costs		**(29,911)**	**(31,018)**
Other		(25,830)	(31,018)
Provision adjustments		(4,081)	-
Exchange losses		**(16,247)**	**(6,403)**
Other exchange losses		(16,247)	(6,403)
Impairment and gains/(losses) on disposal of financial instruments		**(211)**	**281**
Impairment and losses		(197)	28
Gains/(losses) on disposal and other		(14)	253
NET FINANCE COST		**(46,028)**	**(36,460)**
Share of profit of equity-accounted investees		146	154
Profit before income tax		**71,865**	**15,916**
Income tax	**Note 27**	**(21,714)**	**586**
PROFIT FOR THE YEAR		**50,151**	**16,502**
Profit attributable to the Parent		48,740	16,336
Profit attributable to non-controlling interests	Note 21	1,411	166

The accompanying notes form an integral part of the annual accounts.

Globalia Corporación Empresarial, S.A. and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY AT 31 DECEMBER 2018 AND 2017

A) CONSOLIDATED STATEMENTS OF RECOGNISED INCOME AND EXPENSE FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017
(Expressed in thousands of Euros)

	2018	2017
CONSOLIDATED PROFIT FOR THE YEAR	**50,151**	**16,502**
Income and expense recognised directly in equity		
Cash flow hedges	(31,936)	23,182
Translation differences		
- Differences on translation into presentation currency	(3,042)	(1,365)
Tax effect	7,871	(4,975)
TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN CONSOLIDATED EQUITY	**(27,107)**	**16,842**
Amounts transferred to the consolidated income statement		
Cash flow hedges	(23,182)	(24,925)
Tax effect	4,975	6,233
TOTAL AMOUNTS TRANSFERRED TO THE CONSOLIDATED INCOME STATEMENT	**(18,207)**	**(18,692)**
TOTAL CONSOLIDATED RECOGNISED INCOME AND EXPENSE	**4,837**	**14,652**
Total recognised income and expense attributable to theParent	3,426	14,486
Total recognised income and expense attributable to non-controlling interests	1,411	166

The accompanying notes form an integral part of the annual accounts.

B) STATEMENT OF TOTAL CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017
(Expressed in thousands of Euros)

	CAPITAL	RESERVES AND PRIOR YEARS' PROFIT AND LOSS	PROFIT FOR THE YEAR ATTRIBUTABLE TO THE PARENT	VALUATION ADJUST-MENTS	NON-CONTROLLING INTERESTS	TOTAL
Balance at 31 December 2017	**16,894**	**83,109**	**16,336**	**26,558**	**1,507**	**144,404**
Corrections of errors 2017 and prior years	-	(1,466)	-	-	-	(1,466)
Adjusted balance at 1 January 2018	**16,894**	**81,643**	**16,336**	**26,558**	**1,507**	**142,938**
Recognised income and expense	**-**	**-**	**48,740**	**(45,314)**	**1,411**	**4,837**
Transactions with shareholders or owners						
Additions to the consolidated Group	-	-	-	-	6,516	6,516
Distribution of profit/(Application of loss) for the period						
Reserves	-	16,336	(16,336)	-	-	-
Other movements	-	(359)	-	359	-	-
Balance at 31 December 2018	**16,894**	**97,620**	**48,740**	**(18,397)**	**9,434**	**154,291**

B) STATEMENT OF TOTAL CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017
(Expressed in thousands of Euros)

	CAPITAL	RESERVES AND PRIOR YEARS' PROFIT AND LOSS	PROFIT FOR THE YEAR ATTRIBUTABLE TO THE PARENT	VALUATION ADJUST-MENTS	NON-CONTROLLING INTERESTS	TOTAL
Balance at 31 December 2016	**16,894**	**111,926**	**(17,878)**	**28,408**	**1,375**	**140,725**
Adjustments for changes in criteria 2017 and prior years	-	(10,939)	-	-	-	(10,939)
Adjusted balance at 1 January 2017	**16,894**	**100,987**	**(17,878)**	**28,408**	**1,375**	**129,786**
Recognised income and expense	**-**	**-**	**16,336**	**(1,850)**	**166**	**14,652**
Transactions with shareholders or owners						
Capital increases	-	-	-	-	325	325
Capital reductions	-	-	-	-	1	1
Disposals of companies	-	-	-	-	(360)	(360)
Distribution of profit/(Application of loss) for the period						
Reserves	-	(17,878)	17,878	-	-	-
Balance at 31 December 2017	**16,894**	**83,109**	**16,336**	**26,558**	**1,507**	**144,404**

The accompanying notes form an integral part of the annual accounts.

Globalia Corporación Empresarial, S.A. and Subsidiaries

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017

(Expressed in thousands of Euros)

	2018	2017
Consolidated cash flows from operating activities		
Consolidated profit for the year before tax	**71,865**	**15,916**
Consolidated adjustments for:		
Amortization and depreciation	49,109	50,263
Impairment	2,866	2,550
Change in provisions	12,916	(3,677)
Proceeds from/losses on disposals and sale of fixed assets	404	(1,885)
Finance income	(341)	(680)
Finance costs	29,911	31,018
Exchange (gains)/losses	(19,058)	26,286
Change in fair value of financial instruments	(8,306)	8,306
Other income and expenses	(2,757)	586
Share in losses of equity-accounted investees	(146)	(154)
Changes in consolidated operating assets and liabilities		
Inventories	(27,228)	2,450
Trade and other receivables	(57,162)	(41,047)
Other current assets	(6,540)	(7,900)
Trade and other payables	25,894	60,475
Other current liabilities	45,629	(63,574)
Other consolidated cash flows from operating activities		
Interest paid	(29,911)	(31,018)
Interest received	341	680
Income tax paid	(2,484)	(419)
Other amounts paid	(5,570)	(24,959)
Consolidated cash flows from operating activities	**79,432**	**23,217**
Consolidated cash flows from investing activities		
Payments for investments		
Intangible assets	(14,180)	(21,159)
Property, plant and equipment	(76,301)	(46,783)
Investment property	(249)	(814)
Other financial assets	(40,967)	(36,136)
Proceeds from sale of investments		
Associates	6	272
Intangible assets	529	8,104
Property, plant and equipment	48,079	51,199
Other financial assets	12,154	2,873
Non-current assets held for sale	-	23,562
Other assets	-	5,881
Consolidated cash flows used in investing activities	**(70,929)**	**(13,001)**
Cash flows from consolidated financing activities		
Proceeds from and payments for financial liability instruments		
Issue		
- Loans and borrowings	22,652	39,263
- Other	-	12,107
Redemption and repayment of		
- Loans and borrowings	(39,869)	(49,529)
- Other	(2,151)	(1,620)
Cash flows from/(used in) consolidated financing activities	**(19,368)**	**221**
Net increase/decrease in cash and cash equivalents	**(10,865)**	**10,437**
Cash and cash equivalents at beginning of the year	80,465	70,028
Cash and cash equivalents at year end	69,600	80,465

The accompanying notes form an integral part of the annual accounts.

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS

GLOBALIA CORPORACIÓN EMPRESARIAL, S.A. AND SUBSIDIARIES

1. NATURE, ACTIVITIES AND COMPOSITION OF THE GROUP

Globalia Corporación Empresarial, S.A. (hereinafter the Parent) was incorporated in Palma de Mallorca on 14 May 1997. Its statutory activity consists of the rendering of management, advisory and other business services as well as the holding of fixed assets, investments, bonds, shares and interests in other companies. In 1998 the Parent changed its name from GAE Corporación Empresarial, S.A. to its current name. The Parent's registered office is located in Polígono de Son Noguera, Llucmajor, Balearic Islands.

The Globalia Group (hereinafter the Group) operates in the transportation, travel and tourism sector and basically comprises: the Parent, as head of the Group; Air Europa Líneas Aéreas, S.A.U., which acts as an air carrier and has a fleet of 60 jet aircraft (54 aircraft at 31 December 2017); Globalia Business Travel, S.A.U. and Globalia Travel Club Spain, S.L.U., which are present in the wholesale travel sector; Viajes Halcón, S.A.U. and Viajes Ecuador S.A.U., with 770 points of sale in Spain (811 points of sale at 31 December 2017); Welcome Incoming Services, SLU, which provides incoming services; the Hotel division, headed by Be Live Hotels, S.L.U. and operating a total of 32 hotels in Spain and the Caribbean (29 hotels at 31 December 2017); Globalia Handling, S.A.U., as head of the Handling division, which provides ground handling services at the main Spanish airports; Globalia Autocares, S.L., which has a fleet of 49 coaches (49 at 31 December 2017) and Globalia Mantenimiento Aeronáutico, S.L.U., which owns and operates the maintenance hangar located at Palma de Mallorca airport. The Group also includes other entities that provide ancillary services for the core activities.

The Group also holds interests in associates (see Appendix III) and jointly controlled entities (see Appendix IV) and participates in several joint ventures along with other venturers (see Appendix V).

2. BASIS OF PRESENTATION

a) True and fair view

The accompanying consolidated annual accounts have been prepared on the basis of the accounting records of Globalia Corporación Empresarial, S.A. and of the consolidated companies. The consolidated annual accounts for 2018 have been prepared in accordance with prevailing legislation, the Spanish General Chart of Accounts and the standards for the preparation of consolidated annual accounts, to give a true and fair view of the consolidated equity and consolidated financial position at 31 December 2018 and consolidated results of operations, consolidated changes in equity, and consolidated cash flows for the year then ended.

The directors consider that the consolidated annual accounts for 2018, authorised for issue on 19 March 2019, will be approved with no changes by the shareholders at their annual general meeting.

b) Comparative information

The consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity, consolidated statement of cash flows and the notes thereto for 2018 include comparative figures for 2017, which formed part of the consolidated annual accounts approved by the shareholders at the annual general meeting held on 13 June 2018.

i) Changes in the consolidated Group

Changes in the consolidated Group for the year ended 31 December 2018 were as follows:

- The following companies have joined the consolidated group: Deliriio Beach Club, S.A. de C.V., Melody Maker Hotel, S.A. de C.V., Golf Maioris, S.A., Cloverdale Spain, S.L.U. and Air Europa, Aeronova Swiftair, UTE.
- The following companies have left the consolidated group: Air Europa Swift Air, UTE; Ecuador GBT Air Europa Autocares, UTE; Sunion Proyecto y Construcción, S.L.U. and CH Marketing, Corp.

Changes in the consolidated Group for the year ended 31 December 2017 were as follows:

- Zarek Investments 2017, S.L., acquired on 29 November 2017, was included in the consolidated Group.
- On 3 November 2017 Halcon Viagens e Turismo, Lda was sold to unrelated third parties and therefore no longer forms part of the consolidated Group.
- The Groundforce Sevilla, Bilbao and Madrid and Iberia Globalia Cargo UTEs (Unión Temporal de Empresas – a form of temporary business association) were wound up on 17 May 2017, because the concession term had ended.
- The UTEs Globalia Chapin, Globalia Monbus, Monforte Castromil Globalia, Monbus Globalia Barcelona and Mundosenior UTE 2011 2012 were wound up during the year as their concession term has ended.

c) Functional and presentation currency

The figures disclosed in the consolidated annual accounts are expressed in thousands of Euros, the functional and presentation currency of the Parent and most of the Group companies, rounded off to the nearest thousand.

d) Critical issues regarding the valuation and estimation of relevant uncertainties and judgements used when applying accounting principles

Relevant accounting estimates and judgements and other estimates and assumptions have to be made when applying the Group's accounting principles to prepare the consolidated annual accounts. A summary of the items requiring a greater degree of judgement or which are more complex, or where the assumptions and estimates made are significant to the preparation of the consolidated annual accounts, is as follows:

i) Relevant accounting estimates and assumptions

The Group analyses whether goodwill is impaired. The calculation of the recoverable amount of a segment to which goodwill has been allocated requires the use of estimates. The recoverable amount is the higher of fair value less costs to sell and value in use. The Group generally uses cash flow discounting methods to calculate these values. Discounted cash flow calculations are based on five-year projections in the budgets approved by the Group. The cash flows take into consideration past experience and represent the Group's best estimate of future market performance. From the fifth year cash flows are extrapolated using individual growth rates. The key assumptions employed when determining fair value less costs to sell and value in use include growth rates, the weighted average cost of capital and tax rates. The estimates, including the methodology used, could have a significant impact on values and impairment.

Group management estimates the useful life of assets and their residual value. Given the complexity and relevance of the residual value of the aircraft owned or held under finance leases by the Group, management uses reports prepared by independent third parties to estimate this value.

Air Europa Líneas Aéreas, S.A.U. is subject to regulatory processes and inspections by government bodies in charge of air traffic. The Group recognizes a provision if it is probable that an obligation will exist at year end which will give rise to an outflow of resources embodying economic benefits and the outflow can be reliably measured. Legal processes usually involve complex legal issues and are subject to substantial uncertainties. As a result, management uses significant judgement when determining whether it is probable that the process will result in an outflow of resources embodying economic benefits and estimating the amount. The calculation of provisions for major repairs is subject to a high degree of uncertainty given that it is based on an individual analysis of the different components subject to review for each aircraft. Air Europa Líneas Aéreas, S.A.U. recognizes provisions for major repairs when the total cost can be reliably measured.

Following usual sector practice, Air Europa Líneas Aéreas, S.A.U. prepares an estimate of the revenues from tickets sold and not used and that will not be used in the future.

3. DISTRIBUTION OF PROFIT OF THE PARENT

The distribution of the Parent's profit for the year ended 31 December 2017, approved by the shareholders at their annual general meeting held on 13 June 2018, was as follows:

	Euros
Basis of allocation	
Profit for the year	8,082
Distribution	
Reserves	8,082

The proposed distribution of the Parent's profit for 2018 to be submitted to the shareholders for approval at their annual general meeting is as follows:

	Thousands of Euros
Basis of allocation	
Profit for the year	6,343
Distribution	
Dividens	6,000
	343
Reserves	6,343

At 31 December non-distributable reserves of the Parent are as follows:

	Thousands of Euros	
	2018	2017
Parent reserves		
Legal reserve	3,379	3,379

4. SIGNIFICANT ACCOUNTING POLICIES

a) Subsidiaries

Subsidiaries are entities, including special purpose entities (SPE), over which the Company, either directly or indirectly through subsidiaries, exercises control as defined in article 42 of the Spanish Code of Commerce. Control is the power to govern the financial and operating policies of an entity or business so as to obtain benefits from its activities. In assessing control, potential voting rights held by the Group or other entities that are exercisable or convertible at the end of each reporting period are considered.

For presentation and disclosure purposes only, Group companies are considered to be those controlled by one or more individuals or entities acting jointly or under the same management through statutory clauses or agreements.

The consolidated annual accounts include the profit/loss of a subsidiary, See Europe Tours Limited, registered in the United Kingdom, which has availed of the exemption from the audit of individual annual accounts provided for in article 479a of the UK Companies Act of 2006.

Subsidiaries are fully consolidated.
Information on the subsidiaries included in the consolidated Group is presented in Appendix I.

Information on companies that have not been consolidated because their impact on the fair presentation of the consolidated annual accounts is immaterial has been included in Appendix II.

Transactions and balances with subsidiaries and unrealized gains or losses have been eliminated upon consolidation. Nevertheless, unrealized losses have been considered as an indicator of impairment of the assets transferred.

The Parent and its subsidiaries form an integrated group engaged in transport, travel and tourism and therefore transactions between the airline, wholesale travel agencies and retail travel agencies are very significant. All accounts and transactions between consolidated entities, particularly the aforementioned businesses, have been eliminated on consolidation, including investments between these entities, giving rise, where applicable, to the corresponding goodwill on consolidation.

The subsidiaries' accounting policies have been adapted to Group accounting policies, for like transactions and other events in similar circumstances.

The timing of the annual accounts or financial statements of subsidiaries has been harmonized and relevant adjustments have been made to reflect the effect of transactions and significant events occurred between the closing date of subsidiaries and the closing date of the Parent.

b) Non-controlling interests

Non-controlling interests in subsidiaries acquired after the transition date are recognised at the acquisition date at the proportional part of the fair value of the identifiable net assets. Non-controlling interests in subsidiaries acquired prior to the transition date were recognised at the proportional part of the equity of the subsidiaries at the date of first consolidation. Non-controlling interests are presented in the consolidated balance sheet under equity, separately from equity attributable to the Parent. Non-controlling interests' share in profit or loss for the year is also presented separately in the consolidated income statement.

The profit or loss and changes in equity of the subsidiaries attributable to the Group and non-controlling interests, after consolidation adjustments and eliminations, are determined in accordance with the percentage ownership at year end.

The profit/loss and recognised income and expense of subsidiaries are allocated to equity attributable to the Parent and to non-controlling interests in proportion to their investments, even if this results in a balance receivable from non-controlling interests. Agreements entered into between the Group and non-controlling interests are recognised as a separate transaction.

Increases and reductions in non-controlling interests in subsidiaries in which control is retained are recognised as equity instrument transactions. Consequently, no new acquisition cost arises on increases nor is a gain recorded on reductions; rather, the difference between the consideration given or received and the carrying amount of the non-controlling interests is recognised in the reserves of the Parent, notwithstanding the reclassification of consolidation reserves and the reallocation of recognised income and expense between the Group and the non-controlling interests. When a Group's interest in a subsidiary increases, non-controlling interests are recognised at their share of the consolidated net assets, including goodwill on consolidation.

c) Associates

Associates are companies over which the Parent, either directly, or indirectly through subsidiaries, exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The existence of potential voting rights that are exercisable or convertible at the end of each reporting period, including potential voting rights held by the Group or third parties, are considered when assessing whether an entity has significant influence.

Investments in associates are accounted for using the equity method from the date that significant influence commences until the date that significant influence ceases. However, associates that qualify for classification at the acquisition date as non-current assets or disposal groups held for sale are recognised at fair value less costs to sell.

Details of equity-accounted investees are included in Appendix III.

The Group's share of the profit or loss of an associate from the date of acquisition is recognised as an increase or decrease in the value of the investment, with a credit or debit to share in profit/loss of equity-accounted investees in the consolidated income statement. The Group's share of the total recognised income and expense of associates from the date of acquisition is recognised as an increase or decrease in investments in associates with a balancing entry in consolidated equity accounts. The distribution of dividends is recognised as a decrease in the value of the investment. The Group's share of profit or loss, including impairment losses recognised by the associates, is calculated based on income and expenses arising from application of the acquisition method.

The accounting policies of associates have been harmonized in terms of timing and measurement, applying the policies described for subsidiaries.

The timing of the annual accounts or financial statements of associates has been harmonized and the relevant adjustments have been made to reflect the effect of transactions and significant events occurred between the closing date of associates and the closing date of the Parent.

i) Impairment

The Group applies the impairment criteria set out in the section on financial instruments to determine whether additional impairment losses to those already recognised on the net investment in the associate, or on any other financial asset held as a result of applying the equity method, should be recognised.

Impairment is calculated by comparing the carrying amount of the investment with its recoverable amount. The recoverable amount is the higher of value in use and fair value less costs to sell.

Value in use is calculated based on the Group's share of the present value of future cash flows expected to be derived from ordinary activities and from the disposal of the asset, or the estimated cash flows expected to be received from the distribution of dividends and the final disposal of the investment.

Nonetheless, and in certain cases, unless better evidence of the recoverable amount of the investment is available, when estimating impairment of these types of assets, the investee's equity is taken into consideration, adjusted, where appropriate, to generally accepted accounting principles and standards in Spain, corrected for any net unrealized gains existing at the measurement date.

d) Joint ventures

Joint ventures are those in which there is a statutory or contractual agreement to share the control over an economic activity, in such a way that strategic financial and operating decisions relating to the activity require the unanimous consent of the Parent and the remaining venturers.

Group joint ventures adopt the form of investments in jointly controlled entities, operations and assets.

Details of jointly controlled entities are provided in Appendix IV.

Jointly controlled operations and assets are those in which there is a statutory or contractual agreement to share the control over an economic activity, in such a way that strategic financial and operating decisions relating to the activity require the unanimous consent of the Group and the remaining venturers.

Information relating to jointly controlled operations, referred to as UTEs (Unión Temporal de Empresas – a form of temporary business association), is presented in Appendix V.

Investments in jointly controlled entities are proportionately consolidated from the date joint control is obtained until the date joint control ceases. However, investments that are classified as non-current assets or disposal groups held for sale at the date joint control is obtained are recognised at fair value less costs to sell.

The Group recognizes assets controlled and liabilities incurred in respect of jointly controlled operations, as well as the proportional part of jointly controlled assets and liabilities and of expenses incurred and income earned from the sale of goods or services by the joint venture. The statement of changes in equity and the statement of cash flows also include the proportional part corresponding to the Group by virtue of the agreements reached. Reciprocal transactions, balances, income, expenses and cash flows have been eliminated in proportion to the interest held by the Group in joint ventures. All dividends have been eliminated.

Unrealized gains and losses from non-monetary contributions or downstream transactions in joint ventures are recognised based on the substance of the transaction. Where the assets are retained by the joint ventures and the Group has transferred the significant risks and rewards of ownership, only the portion of the gain or loss that is attributable to the interests of the other venturers is recognised. Unrealized losses are not eliminated if they provide evidence of an impairment loss.

The Group only recognizes the portion of gains and losses on transactions in joint ventures that is attributable to the interests of the other venturers. In the event of losses, the Group applies the same recognition criteria as those described in the previous paragraph.

The Group has made the necessary measurement and timing harmonization adjustments to incorporate its joint ventures in the consolidated annual accounts.

The timing of the annual accounts or financial statements of joint ventures has been harmonized and the relevant adjustments have been made to reflect the effect of transactions and significant events occurred between the closing date of the joint ventures and the closing date of the Company.

e) Foreign currency transactions, balances and cash flows

i) Foreign currency transactions, balances and cash flows

Foreign currency transactions have been translated into Euros using the spot exchange rate prevailing at the transaction date. Some Spanish Group companies which operate in US Dollars recognize purchases and sales using a standard exchange rate, in accordance with the Group policy of contracting the appropriate financial instruments to hedge against fluctuations in the US Dollar exchange rate. The differences between the standard exchange rate and the settlement or hedging rate are recognised as exchange gains or losses in the income statement.

Monetary assets and liabilities denominated in foreign currencies have been translated into Euros at the closing rate, while non-monetary assets and liabilities measured at historical cost have been translated at the exchange rate prevailing at the transaction date.

Non-monetary assets measured at fair value have been translated into Euros at the exchange rate at the date that the fair value was determined.

In the consolidated statement of cash flows, cash flows from foreign currency transactions have

been translated into Euros at the exchange rates at the dates the cash flows occur.

ii) Translation of foreign operations

Foreign operations whose functional currency is not the currency of a hyperinflationary economy have been translated into Euros as follows:

- Assets and liabilities, including goodwill and net asset adjustments derived from the acquisition of the operations are translated at the closing rate at the reporting date;

- Income and expenses are translated at the average exchange rate for the period; and

- All resulting exchange differences are recognised as translation differences in consolidated equity.

These criteria are also applicable to the translation of the financial statements of equity-accounted investees, with translation differences attributable to the Parent recognised in consolidated equity.

The translation into Euros described in the preceding paragraph using the closing exchange rate is performed on the functional currency. Given the economic and financial characteristics of certain companies' activities, the functional currency is considered to be the US Dollar rather than the official currency of the country where their registered offices are located.

The translation from local currency to functional currency implies the use of historical exchange rates for the non-monetary balance sheet and income statement items and the exchange rate prevailing at year end for monetary items. Cash and those items that are representative of accounts receivable and payable are considered to be monetary items.

When the date of the financial statements of foreign operations differs from that of the Parent, the assets and liabilities, including goodwill and net asset adjustments derived from the acquisition of the operations, are translated at the rate prevailing at the reporting date of the foreign operation and any necessary adjustments are made to balances and transactions with the Group in respect of exchange rate fluctuations up to the reporting date.

f) Capitalization of borrowing costs and exchange differences

As permitted by the second transitional provision of Royal Decree 1514/2007 approving the Spanish General Chart of Accounts, the Group opted to apply this accounting policy to work in progress at 01 January 2008 that will not be available for use, capable of operating or available for sale for more than one year. Until that date, the Group opted to recognize borrowing costs as an expense as they were incurred.

Borrowing costs related to specific and general financing that are directly attributable to the acquisition, construction or production of intangible assets (except capitalized research and development expenditure), property, plant and equipment, investment property, and inventories that will not be available for use, capable of operating or available for sale for more than one year are included in the cost of the asset, as well as exchange differences to the extent that they comprise an adjustment to the interest rate of the transaction.

To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization is determined as the actual borrowing costs incurred. Non-commercial general borrowing costs eligible for capitalization are calculated as the weighted average of the borrowing costs applicable to outstanding borrowings during the period, other than those specifically for the purpose of obtaining a qualifying asset and the portion financed using consolidated equity. The borrowing costs capitalized cannot exceed the borrowing costs incurred during that period. When determining borrowing costs eligible for capitalization, adjustments to the finance costs corresponding to the effective portion of hedges entered into by the Group are considered. These calculations are based on the Group's financial structure.

The Company begins capitalizing borrowing costs as part of the cost of a qualifying asset when it incurs expenditures for the asset, interest is accrued, and it undertakes activities that are necessary to prepare the asset for its intended use or sale, and ceases capitalizing borrowing costs when all or substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. Nevertheless, capitalization of borrowing costs is suspended when active development is interrupted for extended periods, except where a temporary delay is a necessary part of the process of getting an asset ready for its intended use or sale.

The Group capitalizes exchange differences on receivables in foreign currency that fall due in more than one year which specifically finance the construction or production of non-monetary assets in the same currency and which will not be available for use, capable of operating or available for sale for more than one year.

Capitalized exchange differences are recognised in the consolidated income statement under capitalized exchange differences.

g) Intangible assets

Intangible assets are measured at cost of acquisition or production, using the same criteria as for determining the cost of production of inventories. Capitalized production costs are recognised under self-constructed assets in the consolidated income statement. Intangible assets are carried at cost, less any accumulated amortization and impairment.

Expenditure on activities that contribute to increasing the value of the Group's business as a whole, such as goodwill, trademarks and other similar items generated internally, as well as establishment costs, are recognised as expenses when incurred.

i) Industrial property, patents and trademarks

Industrial property rights primarily consist of land rights over the plot on which the Be Live Smart Talavera Hotel was built, amounting to Euros 2,394 thousand. These land rights are valid for 75 years starting 16 November 2005 and are amortized over the remaining useful life of this concession from the date on which the Group acquired the company, that is, 70 years.

Administrative concessions include the costs incurred in their procurement.

ii) Goodwill on consolidation and goodwill

Goodwill on consolidation arises from the consolidation of subsidiaries and joint ventures. Goodwill arises from business combinations recognised in the individual annual accounts of consolidated companies.

Goodwill can only be recognised under assets when its value arises from an onerous acquisition within the context of a business combination. The amount of goodwill is determined in accordance with the standard on business combinations and it must be allocated from the acquisition date to each of the Company's cash-generating units that are expected to benefit from the synergies of the business combination.

After initial recognition, goodwill is measured at cost of acquisition, less accumulated amortization and, where applicable, the accumulated amount of recognised impairment adjustments.

Goodwill is amortized over its useful life. Useful life is determined separately for each cash-generating unit to which goodwill has been allocated. It will be presumed, unless there is evidence to the contrary, that the useful life of goodwill is ten years, to be amortized on a straight-line basis.

At least once a year, the cash-generating units to which goodwill has been allocated will be analyzed for indications of impairment. If such indications exist, the potential impairment will be measured using the criteria provided for property, plant and equipment. Impairment losses on goodwill will not be reversed in subsequent years.

The Group has recognised goodwill amounting to Euros 7,973 thousand (Euros 6,360 thousand at 31 December 2017).

iii) Computer software

Computer software acquired and produced by the Company, including website costs, is recognised when it meets the conditions for consideration as development costs. Expenditure on developing a website to promote and advertise the Group's own products or services is recognised as an expense when incurred. Computer software maintenance costs are charged as expenses when incurred.

iv) Leaseholds

Leaseholds are rights to lease premises which have been acquired through an onerous contract subrogated by the Group.

v) Subsequent costs

Subsequent costs incurred on intangible assets are recognised in profit and loss, unless they increase the expected future economic benefits attributable to the intangible asset.

vi) Useful life and amortization rates

The Group assesses whether the useful life of each intangible asset acquired is finite or indefinite. An intangible asset is regarded by the Group as having an indefinite useful life when there is no foreseeable limit to the period over which the asset will generate net cash inflows.

Intangible assets with indefinite useful lives are not amortized, but are instead tested for impairment on an annual basis or whenever there is an indication that the intangible asset may be impaired.

Intangible assets with finite useful lives are amortized by allocating the depreciable amount of an asset on a systematic basis over its useful life, by applying the following criteria:

	Amortisation method	Estimated years of useful life
Goodwill	Straight-line	10
Industrial property, patents and trademarks	Straight-line	5
Concessions	Straight-line	6
Computer software	Straight-line	6
Leaseholds	Straight-line	10

The depreciable amount of intangible assets is measured as the cost of the asset, less any residual value.

The Group considers that the residual value of the assets is zero unless:

- There is a commitment by a third party to purchase the asset at the end of its useful life.
- There is an active market for the intangible asset and:
- Residual value can be determined by reference to that market; and
- It is probable that such a market will exist at the end of the asset's useful life.
- The Group reviews the residual value, useful life and amortization method for intangible assets at each financial year end. Changes to initially established criteria are accounted for as a change in accounting estimates.

vii) Impairment losses

The Group measures and determines impairment to be recognised or reversed based on the criteria in section (k) Impairment of non-financial assets subject to amortization or depreciation.

h) Property, plant and equipment

i) Initial recognition

Property, plant and equipment are measured at cost of acquisition or production, using the same criteria as for determining the cost of production of inventories. Capitalized production costs are recognised under self-constructed assets in the consolidated income statement. Property, plant and equipment are carried at cost less any accumulated depreciation and any accumulated impairment.

Spare parts used to replace similar parts in facilities, equipment and machinery are measured applying the aforementioned criteria. Parts with a warehouse cycle of less than one year are recognised as inventories. Parts with a warehouse cycle of more than one year and which are related to certain specific assets are recognised and depreciated on a systematic basis consistent with the depreciation policy for the assets in question, and those not related to specific assets are recognised as other fixed assets and depreciated using the same process as for the part to be replaced, if this can be identified. In general, these latter spare parts are depreciated from the date they are incorporated into the asset, considering their technical obsolescence and the weighted technical or economic useful life of the assets in which they are to be incorporated.

Non-current investments in property held by the Group under operating leases are classified as property, plant and equipment. Investments are depreciated over their useful lives, provided these are not expected to exceed the duration of the lease contract or the contract is renewed indefinitely for a period greater than their useful lives.

ii) Depreciation

Property, plant and equipment are depreciated by allocating the depreciable amount of the asset on a systematic basis over its useful life. The depreciable amount is the cost of an asset, less its residual value. The Group determines the depreciation charge separately for each component of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and with a useful life that differs from the remainder of the asset.

Property, plant and equipment are depreciated using the following criteria:

	Depreciation method	Estimated years of useful life
Buildings	Straight-line	20 - 50
Technical installations and machinery (aircraft, engines, aircraft spare parts, maintenance equipment and handling equipment)	Straight-line	8 - 20
Other installations, equipment and furniture	Straight-line	8 - 12
Other property, plant and equipment	Straight-line	4 - 12

The Group reviews residual values, useful lives and depreciation methods at each financial year end. Changes to initially established criteria are accounted for as a change in accounting estimates. Management of the Air division determines the residual value of the aircraft on the basis of reports drawn up by independent experts.

iii) Subsequent costs

Subsequent to initial recognition of the asset, only the costs incurred which increase capacity or productivity or which lengthen the useful life of the asset are capitalized. The carrying amount of parts that are replaced is derecognised. Costs of day-to-day servicing are recognised in profit and loss as incurred.

Replacements of property, plant and equipment that qualify for capitalization are recognised as a reduction in the carrying amount of the items replaced. Where the cost of the replaced items has not been depreciated independently and it is not possible to determine the respective carrying amount, the replacement cost is used as indicative of the cost of items at the time of acquisition or construction.

iv) Impairment

The Group measures and determines impairment to be recognised or reversed based on the criteria in section (k), Impairment of non-financial assets subject to amortization or depreciation.

i) Investment property

Investment property comprises property, including that which is under construction or being developed, which is earmarked totally or partially to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services, for administrative purposes or for sale in the ordinary course of business.

The Group measures and recognizes investment property following the policy for property, plant and equipment.

The Group reclassifies investment property to property, plant and equipment when it begins to use the property in the production or supply of goods or services, or for administrative purposes.

The Group reclassifies investment property to inventories when it commences construction work to substantially alter the property with a view to selling it.

The Group reclassifies property, plant and equipment to investment property when it ceases to use the building in the production or supply of goods or services, for administrative purposes or when it is held to earn rentals or for capital appreciation or both.

The Group reclassifies inventories to investment property when the property is leased under an operating lease.

Investment property is depreciated applying the following policies:

	Depreciation method	Estimated years of useful life
Buildings	Straight-line	33

j) Non-current assets held for sale and discontinued operations

i) Non-current assets held for sale

The Group recognizes non-current assets or disposal groups as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. Non-current assets or disposal groups are classified as held for sale, provided that they are available for immediate sale in their present condition subject to terms that are usual and customary for sales of such assets and that the disposal is highly probable.

Non-current assets or disposal groups classified as held for sale are measured at the lower of the carrying amount and fair value less costs to sell and are not depreciated.

Impairment losses on initial classification and subsequent remeasurement of assets classified as held-for-sale are recognised under profit or loss from continuing operations in the consolidated income statement, except in the case of discontinued operations. Impairment losses on a cash-generating unit (CGU) are allocated first to reduce the carrying amount of goodwill and then to reduce pro rata the carrying amounts of other assets in the unit. Impairment of goodwill recognised may not be reversed.

Gains due to increases in the fair value less costs to sell are recognised in the income statement to the extent of the cumulative impairment previously recognised due to measurement at fair value less costs to sell or to impairment of non-current assets.

The Group measures a non-current asset that ceases to be classified as held-for-sale or to form part of a disposal group at the lower of the carrying amount before the asset was classified as held-for-sale, adjusted for any depreciation, amortization or revaluations that would have been recognised had the asset not been classified as held-for-sale, and its recoverable amount at the date of reclassification. Any required adjustment to the carrying amount of a non-current asset that ceases to be classified as held-for-sale is included in profit or loss from continuing operations.

k) Impairment of non-financial assets subject to amortization or depreciation

The Group evaluates whether there are indications of possible impairment losses on non-financial assets subject to amortization or depreciation to verify whether the carrying amount of these assets exceeds the recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and the value in use.

The Group tests goodwill, intangible assets with indefinite useful lives and intangible assets that are not yet available for use for impairment at least annually, irrespective of whether there is any indication that the assets may be impaired.

An asset's value in use is measured based on the future cash flows the Group expects to derive from use of the asset, expectations about possible variations in the amount or timing of those future cash flows, the time value of money, the price for bearing the uncertainty inherent in the asset and other factors that market participants would reflect in pricing the future cash flows the Group expects to derive from the asset.

Impairment losses are recognised in the consolidated income statement.

Recoverable amount is determined for each individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs.

However, the Group determines the individual impairment of an asset included in a CGU when:

a) It no longer contributes to the cash flows of the CGU to which it belongs and its recoverable amount is similar to its fair value less costs to sell, or, where applicable, the asset must be derecognised.

b) The carrying amount of the CGU has increased by the value of the assets which generate independent cash flows, provided that there are indications that the assets may be impaired.

This year the Group uses detailed calculations made in a preceding year of the recoverable amount of a CGU to which an intangible asset of indefinite life or goodwill has been included, provided the following requirements are met:

a) The assets making up that unit have not changed significantly since the most recent recoverable amount calculation;

b) the most recent recoverable amount calculation resulted in an amount that exceeded the unit's carrying amount by a substantial margin; and

c) based on an analysis of events that have occurred and circumstances that have changed since the most recent recoverable amount calculation, the likelihood that a current recoverable amount determination would be less than the unit's carrying amount is remote.

The Group distributes goodwill and common assets between each of the CGUs to test for impairment. If part of the goodwill or common assets cannot be allocated to the CGUs, it is distributed in proportion to the carrying amount of each of the CGUs.

Impairment losses for cash-generating units are allocated first to reduce the carrying amount of goodwill allocated to the unit and then to the other non-current assets of the unit pro rata with their carrying amounts. The carrying amount of each asset may not be reduced below the highest of its fair value less costs to sell, its value in use and zero.

At the end of each reporting period the Group assesses whether there is any indication that an impairment loss recognised in prior periods may no longer exist or may have decreased. Impairment losses on goodwill are not reversible. Impairment losses on other assets are only reversed if there has been a change in the estimates used to calculate the recoverable amount of the asset.

A reversal of an impairment loss is recognised in the consolidated income statement. The increased carrying amount of an asset attributable to a reversal of an impairment loss may not exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognised.

A reversal of an impairment loss for a CGU is allocated to the non-current assets of each unit, except goodwill, pro rata with the carrying amounts of those assets. The carrying amount of an asset may not be increased above the lower of its recoverable amount and the carrying amount that would have been disclosed, net of amortization or depreciation, had no impairment loss been recognised.

After an impairment loss or reversal of an impairment loss is recognised, the depreciation (amortization) charge for the asset is adjusted in future periods based on its new carrying amount.

However, if the specific circumstances of the assets indicate an irreversible loss, this is recognised directly in losses on the disposal of fixed assets in the consolidated income statement.

Valuations from independent appraisers or the discounted cash flow method have been used to determine the recoverable amount. Discounted cash flow calculations are based on five-year projections in the budgets approved by management plus a residual value. The cash flows take into consideration past experience and represent management's best estimate of future market performance. The key assumptions employed when determining value in use include growth rates, the weighted average cost of capital and tax rates. The discount rate applied for the impairment test on the Group's hotel assets and for goodwill has been 9%. In order to calculate the recoverable amount of certain hotel properties, external valuations by renowned appraisal companies have been obtained.

l) Leases

i) Lessee accounting

Leases in which, upon inception, the Group assumes substantially all the risks and rewards incidental to ownership are classified as finance leases, otherwise they are classified as operating leases.

The Group assesses the economic substance of contracts that confer the right to use certain assets, to identify any implicit leases. A contract is or contains a lease if compliance with the agreement depends on the use of a specific asset or assets. In these cases, at the inception of the lease the Group separates future lease payments and the consideration relating to the lease from those for the rest of the items included in the agreement, based on their fair values. Lease payments are recognised by applying the criteria set out in this section.

The Group has the right to use aircraft, hotels, handling equipment and travel agency offices through lease contracts.

Financial assets and financial liabilities under lease contracts are subject to the same derecognition criteria as financial instruments.

- Finance leases
At the commencement of the lease term, the Group recognizes finance leases as assets and liabilities at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Initial direct costs are added to the asset's carrying amount. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. Interest is expensed using the effective interest method.

Contingent rents are recognised as an expense when it is probable that they will be incurred.

The accounting policies applied to the assets used by the Group by virtue of finance lease contracts are the same as those set out in section (h) and (i) Property, plant and equipment and Investment property. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the assets are fully depreciated over the shorter of the lease term and their useful lives.

- Operating leases
Lease payments under an operating lease, net of incentives received, are recognised as an expense on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern of the lease's benefit.

Contingent rents are recognised as an expense when it is probable that they will be incurred.

ii) Sale and leaseback transactions
Asset sale and leaseback transactions that meet the conditions for classification as a finance lease are considered as financing operations and, therefore, the type of asset is not changed and no profit or loss is recognised.

m) Financial instruments

i) Classification and separation of financial instruments
Financial instruments are classified on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the economic substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument.

The Group classifies financial instruments into different categories based on the nature of the instruments and the Group's intentions on initial recognition.

ii) Offsetting principles
A financial asset and a financial liability are offset only when the Group currently has the legally enforceable right to offset the recognised amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

iii) Financial assets and financial liabilities held for trading
Financial assets or financial liabilities held for trading are those which are classified as held for trading from initial recognition.

A financial asset or financial liability is classified as held for trading if it:
- Originates or is acquired or incurred principally for the purpose of selling or repurchasing it in the near term
- Forms part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking or
- Is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

Financial assets and financial liabilities held for trading are initially recognised at fair value. Transaction costs directly attributable to the acquisition or issue are recognised as an expense when incurred.

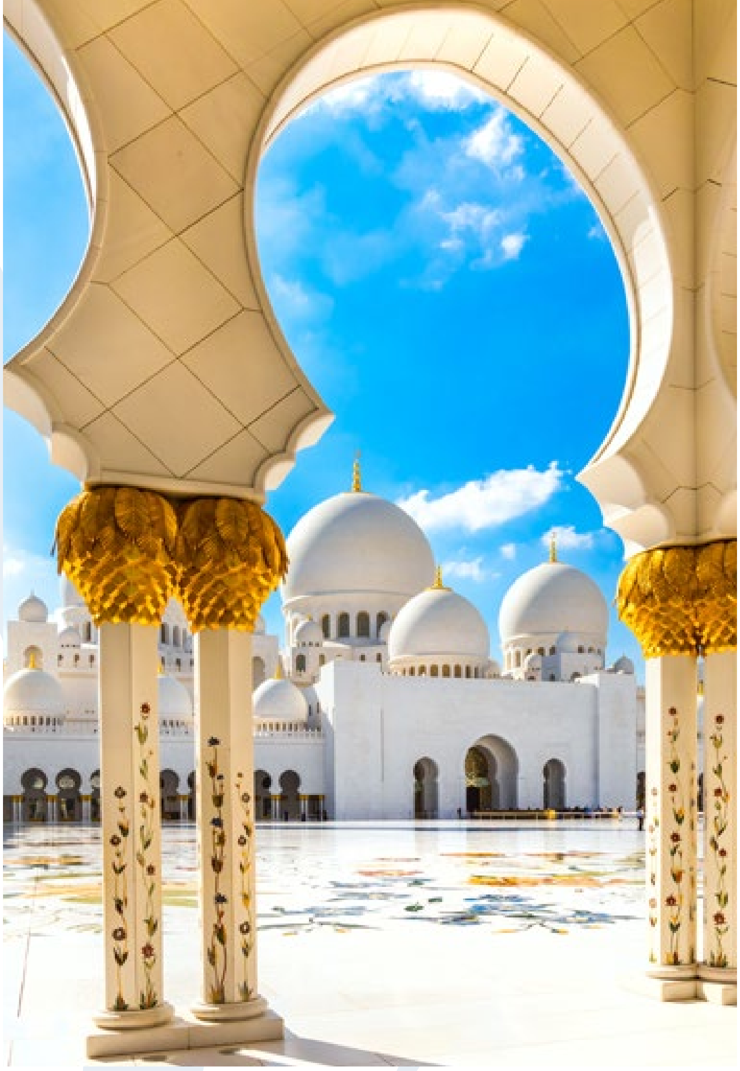
After initial recognition, they are recognised at fair value through profit or loss. Fair value is not reduced by transaction costs incurred on sale or disposal. Accrued interest and dividends are recognised separately.

The Group does not reclassify any financial asset or financial liability into or out of this category while it is recognised in the consolidated balance sheet, except when there is a change in the classification of hedging financial instruments.

iv) Loans and receivables

Loans and receivables comprise trade and non-trade receivables with fixed or determinable payments that are not quoted in an active market other than those classified in other financial asset categories. These assets are initially recognised at fair value, including transaction costs, and are subsequently measured at amortized cost using the effective interest method.

Nevertheless, financial assets which have no established interest rate, which mature or are expected to be received in the short term, and for which the effect of discounting is immaterial, are measured at their nominal amount.



v) Held-to-maturity investments

Held-to-maturity investments are debt securities with fixed or determinable payments and fixed maturity traded on an active market and that the Group has the positive intention and ability to hold to maturity, other than those classified in other categories. The measurement criteria applicable to financial instruments classified in this category are the same as those applicable to loans and receivables.

The Group has not reclassified or sold any held-to-maturity investments during the year.

vi) Financial assets and financial liabilities carried at cost

Investments in equity instruments for which the fair value cannot be reliably measured and derivative instruments that are linked to and must be settled by delivery of such unquoted equity instruments, are measured at cost less any accumulated impairment. Nonetheless, if the financial assets or liabilities can subsequently be reliably measured on an ongoing basis, they are accounted for at fair value and any gain or loss is recognised in accordance with their classification.

vii) Investments in non-consolidated Group companies, associates and jointly controlled entities

Investments in Group companies, associates and jointly controlled entities are initially recognised at cost, which is equivalent to the fair value of the consideration given, including transaction costs in the case of investments in associates and jointly controlled entities, and are subsequently measured at cost net of any accumulated impairment. The cost of investments in Group companies acquired before 1 January 2010 includes any transaction costs incurred.

The cost of acquisition of an investment in a Group company, associate or jointly controlled entity includes its carrying amount immediately before classification. Amounts previously recognised in equity are transferred to the income statement when the investment is derecognised or when an impairment loss is recognised or reversed.

If an investment no longer qualifies for classification under this category, it is reclassified as available-for-sale and is measured as such from the reclassification date.

Investments in equity instruments for which the fair value cannot be reliably measured and derivative instruments that are linked to and must be settled by delivery of such unquoted equity instruments, are measured at cost less any accumulated impairment. Nonetheless, if the financial assets or liabilities can subsequently be reliably measured on an ongoing basis, they are accounted for at fair value and any gain or loss is recognised in accordance with their classification.

viii) Interest and dividends

Interest is recognised using the effective interest method.

Dividends from investments in equity instruments are recognised when the Group is entitled to receive them. If the dividends are clearly derived from profits generated prior to the acquisition date because amounts higher than the profits generated by the investment since acquisition have been distributed, the carrying amount of the investment is reduced.

ix) Derecognition of financial assets

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received, net of transaction costs, including any new asset obtained less any new liability assumed and any cumulative gain or loss deferred in consolidated recognised income and expense, is recorded in consolidated profit or loss.

x) Impairment of financial assets

A financial asset or a group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and the event or events have an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Group recognizes impairment of loans and receivables and debt instruments when estimated future cash flows are reduced or delayed due to debtor insolvency.

For equity instruments, objective evidence of impairment exists when the carrying amount of an asset is uncollectible due to a significant or prolonged decline in its fair value.

Nevertheless, in cases in which the fair value of these instruments declines and subsequently recovers to above their quoted price, the one and a half-year period is counted from the date on which, after this recovery, the quoted price starts to drop progressively again, except when the recovery of the fair value would have been an isolated and barely significant event, in which case, the one and a half-year period is counted from the date the value first starts to decrease. This same criterion is applicable to determine whether there has been a 40% decrease in the quoted price. For this purpose, the quoted price is understood to be the initial measurement of the asset, or the weighted average price of homogeneous groups, if there have been various acquisitions.

Impairment of financial assets carried at amortized cost

The amount of the impairment loss of financial assets carried at amortized cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. For variable income financial assets, the effective interest rate corresponding to the measurement date under the contractual conditions is used. For held-to-maturity debt instruments the Group uses the market value, providing this is sufficiently reliable to be considered representative of the recoverable amount.

The impairment loss is recognised in profit and loss and may be reversed in subsequent periods if the decrease can be objectively related to an event occurring after the impairment has been recognised. The loss can only be reversed to the limit of the amortized cost of the assets had the impairment loss not been recognised.

The Group has made a collective or global valuation allowance for trade balances, equivalent to 3% of the total amount of trade receivables at year end, less the recoverable amount of guarantees obtained and without taking into account balances with public entities, or balances that have been individually tested for impairment.

Investments in non-consolidated Group companies, associates and jointly controlled entities and equity instruments carried at cost.

Impairment is calculated by comparing the carrying amount of the investment with its recoverable amount. The recoverable amount is the higher of value in use and fair value less costs to sell.

xi) Financial liabilities

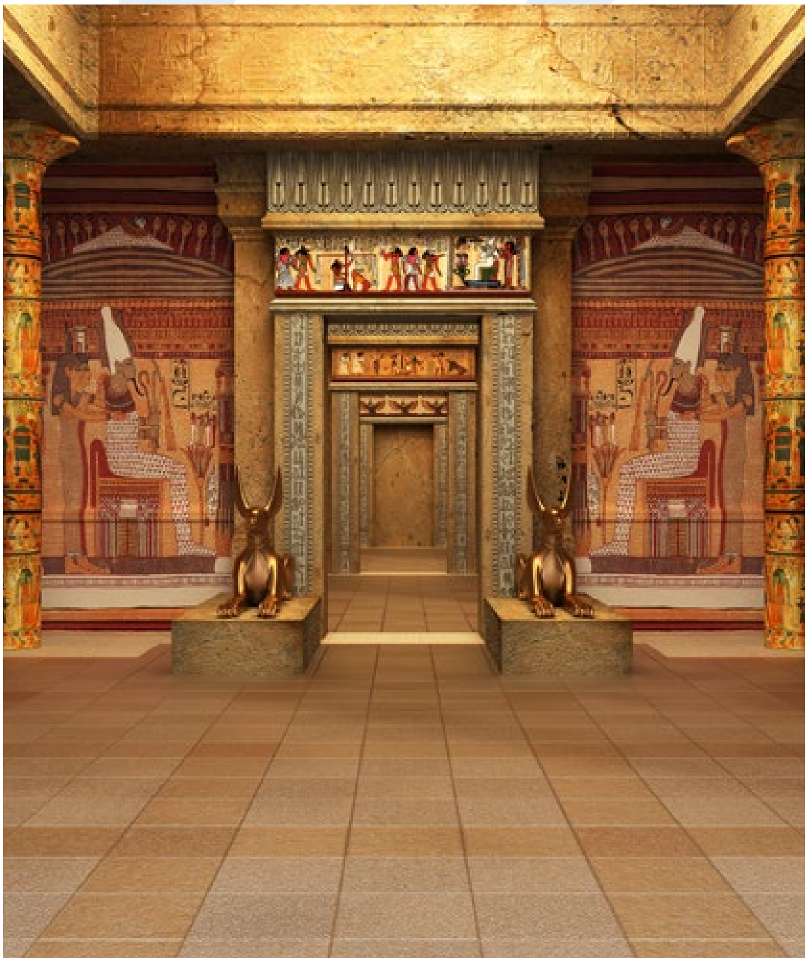
Financial liabilities, including trade and other payables, that are not classified as held for trading or as financial liabilities at fair value through profit or loss are initially recognised at fair value less any transaction costs directly attributable to the issue of the financial liability. After initial recognition, liabilities classified under this category are measured at amortized cost using the effective interest method.

Nevertheless, financial liabilities which have no established interest rate, which mature or are expected to be settled in the short term, and for which the effect of discounting is immaterial, are measured at their nominal amount.

The Group measures financial liabilities at amortized cost provided that reliable estimates of cash flows can be made based on the contractual terms.

xii) Security deposits

Security deposits paid in relation to operating lease contracts on aircraft, hotels and sales offices are measured using the same criteria as for financial assets. The difference between the amount paid and the fair value is classified as a prepayment and recognised in consolidated profit or loss over the lease term (over the period for which the service is rendered). Non-current advances are restated at the end of each reporting period based on the market interest rate on initial recognition.



xiii) Derecognition and modifications of financial liabilities

The Group derecognizes all or part of a financial liability when it either discharges the liability by paying the creditor, or is legally released from primary responsibility for the liability either by process of law or by the creditor.

n) Hedge accounting

Derivative financial instruments which qualify for hedge accounting are initially measured at fair value, plus any transaction costs that are directly attributable to the acquisition, or less any transaction costs directly attributable to the issue of the financial instruments. Nonetheless, transaction costs are subsequently recognised in profit and loss, inasmuch as they do not form part of the changes in the effective value of the hedge.

The Group undertakes foreign currency (US Dollar) cash flow hedges, interest rate hedges and hedges on jet fuel prices.

At the inception of the hedge the Group formally designates and documents the hedging relationships and the objective and strategy for undertaking the hedges. Hedge accounting is only applicable when the hedge is expected to be highly effective at the inception of the hedge and in subsequent years in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, throughout the period for which the hedge was designated (prospective analysis), and the actual effectiveness is within a range of 80%125% (retrospective analysis) and can be reliably measured.

For cash flow hedges of forecast transactions, the Group assesses whether these transactions are highly probable and if they present an exposure to variations in cash flows that could ultimately affect profit or loss.

The Group only designates as hedged items assets, liabilities, firm commitments and forecast transactions that involve a party external to the Group. Nevertheless, the foreign currency risk of a monetary item receivable from or payable to consolidated foreign operations qualifies as a hedged item in the consolidated annual accounts if it results in an exposure to foreign exchange rate gains or losses that are not fully eliminated on consolidation. The foreign currency risk of highly probable forecast transactions with consolidated foreign operations qualifies as a hedged item in the consolidated annual accounts provided that the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction and the foreign currency risk will affect the consolidated income statement. As a result, amounts from the hedging operation deferred in recognised income and expense are taken to profit or loss when the transaction is carried out with parties external to the Group.

i) Cash flow hedges

The Group recognizes the portion of the gain or loss on the measurement at fair value of a hedging instrument that is determined to be an effective hedge in consolidated recognised income and expense. The ineffective portion and the specific component of the gain or loss or cash flows on the hedging instrument, excluding the measurement of the hedge effectiveness, are recognised under change in fair value of financial instruments.

The separate component of consolidated equity associated with the hedged item is adjusted to the lesser of the cumulative gain or loss on the hedging instrument from inception of the hedge and the cumulative change in fair value or present value of the expected future cash flows on the hedged item from inception of the hedge. However, if the Group expects that all or a portion of a loss recognised in consolidated equity will not be recovered in one or more future periods, it reclassifies into change in fair value of financial instruments the amount that is not expected to be recovered.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognised in consolidated equity are reclassified to profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss and under the same caption of the consolidated income statement.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the Group reclassifies the associated gains and losses that were recognised in consolidated equity and includes them in the initial cost or carrying amount of the non-financial asset or liability.

The Group prospectively discontinues hedge accounting if the foreseen circumstances affecting fair value hedges arise. In these cases, the cumulative gain or loss on the hedging instrument that has been recognised in consolidated equity is not recorded in profit or loss until the forecast transaction occurs. If the transaction is no longer expected to occur, the cumulative gain or loss that had been recognised in consolidated equity is reclassified from equity to consolidated profit or loss as change in fair value of financial instruments.

o) Inventories

Inventories are initially measured at cost of purchase or production.

The consolidated companies measure their inventories using the last invoice price, which does not differ significantly from the cost calculated on a FIFO basis. The valuation of slow-moving inventories has been lowered to their estimated probable realizable value.

Advances on account of inventories are initially recognised at cost. In subsequent years, advances accrue interest at the supplier's incremental borrowing rate when the period between payment and the receipt of the inventories exceeds one year.

Emission allowances

Under Directive 2003/87/EC and subsequent amendments to the Directive of the European Parliament and of the Council, which established a trading scheme for greenhouse gas emission allowances in the European Community, measures aimed at reducing the impact of aviation on climate change came into effect in 2012, requiring airlines to assume certain costs for CO2 emissions from flights from or to any country in the European Union.

On 17 November 2014, the Company received a notification from the Spanish Ministry for Agriculture, Food and the Environment, stating that Regulation (EU) No 421/2014 introduced a number of amendments: the European emission allowances trading scheme for 2013 to 2016 is only applicable to emissions in the European Economic Area. It is not applicable to emissions from flights operated from 2013 to 2016 between airports in the outermost regions, as defined in article 349 of the Treaty on the Functioning of the European Union (TFEU), and airports located in another region in the European Economic Area. From 1 January 2013 until 31 December 2020, the emission allowances trading scheme will exclude flights undertaken by operators of non-commercial aircraft with emissions of less than 1000 tonnes per year.

In accordance with the above, the number of allowances granted free of charge to aircraft operators should be reduced in proportion to the reduced scope of application of the trading scheme for 2013 to 2016. To this end, member states should adapt the emission allowances granted to each aircraft operator for these annual cycles.

In accordance with the mandate established in Regulation (EU) No 421/2014, through the agreement dated 7 November 2014, the Council of Ministers amended the free allocation of allowances for 2013 to 2016 for aircraft operators, which had been approved by agreement of the Council of Ministers on 16 December 2011 and subsequently corrected on 13 July 2012. The definitive allocation of allowances exclusively for 2013 to 2016 totalled 252,224, with no amendment, as a result of this agreement, of the amounts foreseen for the trading period, i.e. 2017 to 2020.

Upon their allocation, the Company recognizes these allowances as inventories under "Greenhouse gas emission allowances" at their fair market value. At the same time the Company recognizes a non-repayable capital grant for the same amount. After initial recognition, emission allowances are carried at the value attributed to them upon their receipt or acquisition and are not amortized.

The non-current provisions recognised with a balancing entry under other operating expenses reflect the expenses associated with the greenhouse gas emissions for the year. Where allowances for such emissions are available these provisions are measured at the amount at which the allowances were granted or acquired. Where these allowances are not available the Company recognizes the best possible estimate of the cost to be incurred to cover the shortfall.

Firstly, through allocated emission allowances, which are then used to cancel actual emissions in proportion to total forecast emissions for the entire period to which they have been allocated. The expense corresponding to this part of the obligation is determined based on the carrying amount of the transferred emission allowances;

Secondly, through the remaining emission allowances recorded. Expenditure on this part of the obligation is measured as the weighted average cost of the emission allowances.

Emission allowances acquired for the purpose of being sold are classified and measured based on the standards applicable to inventories. The non-repayable grants associated with emission allowances received free of charge are taken to profit and loss in line with the recognition of the expenses derived from the gas emissions related to the subsidized allowances.

When the cost of inventories exceeds net realizable value, materials are written down to net realizable value.

p) Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand deposits in financial institutions. They also include other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. An investment normally qualifies as a cash equivalent when it has a maturity of less than three months from the date of acquisition.

q) Defined benefit plans

In accordance with prevailing Spanish employment regulations applicable to retail travel agencies, wholesale travel agencies and ground transport companies, employees are entitled to retirement bonuses based on years of service and retirement age. Management of these retirement bonus commitments has been outsourced to non-Group companies. This outsourcing is based on an actuarial study of these commitments applying the Projected Unit Credit method using PERM00 mortality tables, a capitalization rate of 2% and an annual salary increase of 0%.

Certain collective bargaining agreements applicable to Spanish Group companies with activities other than those mentioned in the preceding paragraph basically establish that permanent personnel retiring between the age of 60 and 65 are entitled to a long-service bonus equivalent to a

certain number of monthly payments depending on the number of years worked. All long-service bonuses have been externalized to non-Group companies.

r) Provisions

i) General criteria

Provisions are recognised when the Group has a present obligation (legal, contractual, constructive or tacit) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account all risks and uncertainties surrounding the amount to be recognised as a provision and, where the time value of money is material, the financial effect of discounting provided that the expenditure to be made each period can be reliably estimated. The discount rate is a pre-tax rate that reflects the time value of money and the specific risks for which future cash flows associated with the provision have not been adjusted at each reporting date.

Single obligations are measured using the individual most likely outcome. When the provision involves a large population of identical items, the obligation is estimated by weighting all possible outcomes by their associated probabilities. Where there is a continuous range of possible outcomes, and each point in that range is as likely as any other, the mid-point of the range is used.

The financial effect of provisions is recognised as a finance cost in the consolidated income statement.

The tax effect and gains on the expected disposal of assets are not taken into account in measuring a provision.

Rights to reimbursement from third parties of the expenditure required to settle a provision are recognised as a separate asset provided that it is virtually certain that the reimbursement will be received. The reimbursement is recognised as income in the consolidated income statement based on the nature of the expenditure up to the amount of the provision. Where a risk is externalized to a third party by means of a legal or contractual agreement, provision is only made for the part of the risk assumed by the Group.

If it is not probable that an outflow of resources will be required to settle an obligation, the provision is reversed.

ii) Provisions for customer loyalty programmes

Air Europa Líneas Aéreas, S.A.U. recognizes a provision at the fair value of the liabilities accrued at the reporting date. This balance, amounting to Euros 1,529 thousand (Euros 1,224 thousand for the year ended 31 December 2017), is recognised under current provisions (see note 22). In 2017 the operations related to the points were transferred to the Group company Air Europa Suma Miles, S.L.U. because a new points programme known as "Suma" has been developed. In these cases the

Company recognizes the cost communicated by the provider, which in this case is Air Europa Suma Miles, S.L.U.

Air Europa Líneas Aéreas, S.A.U. recognizes the transport revenue when points from any of its programmes are redeemed on an Air Europa flight.

iii) Provisions for termination benefits

Termination benefits are recognised as a liability when the Group has a detailed formal plan for the termination and there is a valid expectation among the affected employees that termination will arise either because the plan has already started to be implemented or because its main characteristics have been published.

Restructuring provisions are recognised when the Group has a detailed formal plan for the restructuring and there is a valid expectation among the employees that termination will arise either because the plan has already started to be implemented or because its main characteristics have been published.

On the matter of employee transfers, under the collective bargaining agreement governing airport ground handling services, on expiry of a concession the new concession holder for the service must assume the position of employer of all personnel who exercise their rights and voluntarily choose to be transferred to the new operator. In the unlikely event that employees voluntarily decide not to be transferred to the new operator, the transferring operator, in this case entities forming part of the Handling division, is obliged to indemnify them with an amount equivalent to 21 days' pay for each year of service up to a maximum of 12 months' salary. The directors of the Parent do not expect any significant liabilities to arise in connection with these indemnity payments given the favourable terms and conditions governing transfers set forth in the aforementioned collective bargaining agreement. Consequently, no provision has been recognised in the consolidated annual accounts.

iv) Provisions for major repairs on aircraft under operating lease contracts

Pursuant to the contracts, the Group recognizes a provision for the total cost to be incurred for scheduled inspections of aircraft contracted under operating leases (general inspections of aircraft, engines and components), expensing these costs on a straight-line basis over the period that elapses between two successive inspections. Air Europa Líneas Aéreas, S.A.U. and Aeronova, S.L.U. also make provision for the cost of returning the leased aircraft, in accordance with the contractual terms agreed with the lessor, provided that sufficient technical and financial information is available to reliably estimate the cost.

Under some of the contracts between Air Europa Líneas Aéreas, S.A.U. and Aeronova, S.L.U. and the aircraft lessors, most of the inspection costs are paid to the lessor in regular instalments. This company then settles the cost of these periodic inspections through the lessor's repayment of the amounts that were previously advanced. The monthly amounts paid to the lessors as advances on account are recognised under non-current investments - other financial assets and current investments - other financial assets, depending on the period in which they are offset.

For those aircraft leased with part of their useful life consumed, the provision has been calculated for the whole of the remaining lease term, recognising the cost on a straight-line basis in the consolidated income statement. The effect of applying this criteria does not differ significantly from general criteria.

s) Revenue from the sale of goods and rendering of services

Revenue from the sale of goods or services is measured at the fair value of the consideration received or receivable. Volume rebates, prompt payment and any other discounts, as well as the interest added to the nominal amount of the consideration, are recognised as a reduction in the consideration.

Revenues associated with the rendering of services are recognised in the income statement by reference to the stage of completion at the reporting date when revenues, the stage of completion, the costs incurred and the costs to complete the transaction can be estimated reliably and it is probable that the economic benefits derived from the transaction will flow to the Group.

Air Europa Líneas Aéreas, S.A.U. and Aeronova, S.L.U. recognize revenues from air transport services rendered when the passenger has actually flown. The amount received from tickets sold for future flights is recognised under current accruals. Current accruals reflect the estimated liability associated with tickets sold prior to the end of each reporting period and not yet used at that date. The revenues from these tickets, as well as the estimate of the tickets sold that will not be used, are recognised on the dates for which the flights are booked. Following usual sector practice, Air Europa Líneas Aéreas, S.A.U. prepares an estimate of tickets sold that the buyer will not use in the future. This estimate is drawn up on the basis of historical statistical information on this aspect.

Viajes Halcón, S.A.U., Viajes Ecuador, S.A.U., Viajes Tu Billete, S.L.U. and Globalia Corporate Travel, S.L.U. provide travel agency services. Since these companies bill customers, transactions are presented at their sales amount and cost of supplies when the travel documents or documents for other services to be provided are delivered to the customer, which is when the accrual of income and cost of supplies is deemed to take place, irrespective of when the customer is to travel or when the contracted services are to be used.

Globalia Travel Club Spain, S.A.U, Globalia Business Travel, S.A.U., Iberotours, S.A.U. and Welcome Incoming Services, S.L.U. recognize revenue and expense on an accruals basis. As these companies contract tourism services as wholesale travel agencies, sales and cost of supplies are recognised when services are rendered to end customers.

Be Live Hotels, S.L.U., Inversiones Costa Adeje, S.L.U., Explotadora Hotelera Luabay, S.L.U., Smart Inversiones S.A.S., Inversiones La Albufera, S.A.S. and Media & Design, S.A.U. operate and market hotel complexes. These companies recognize revenue from their activity in line with their customers' overnight stays.

Transactions between consolidated companies have been eliminated on consolidation as explained in section a) of this note.

t) Income tax

The income tax expense or tax income for the year comprises current tax and deferred tax.

Current tax assets or liabilities are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and tax laws that have been enacted or substantially enacted at the reporting date.

Current and deferred tax are recognised as income or an expense and included in profit or loss for the year, except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different year, directly in consolidated equity, or from a business combination.

Government assistance provided in the form of deductions and other tax relief applicable to income tax payable and considered as government grants is recognised in accordance with the prevailing regulations.

The Parent files consolidated tax returns with other companies belonging to the Globalia business group. This tax group is headed by Globalia Corporación Empresarial as the parent, and includes the following subsidiaries, including the Company itself: Air Europa Líneas Aéreas, S.A.U.; Viajes Halcón, S.A.U.; Globalia Business Travel, S.A.U.; Globalia Formación, S.L.U.; Globalia Mantenimiento Aeronáutico, S.L.U.; Globalia Autocares, S.A.; Globalia Broker Services, S.A.U.; Globalia Activos Inmobiliarios, S.A.U.; Globalia Sistemas y Comunicaciones, S.L.U., Globalia Hotel Orotava, S.L.U.; Iberhandling, S.A.U.; Globalia Call Center, S.A.U.; Be Live Hotels, S.L.U.; Globalia Handling, S.A.U.; Globalia Artes Gráficas, S.L.U.; Globalia Hotel Talavera, S.A.U.; Globalia Hotel Palace de Muro, S.L.U.; Media&Design, S.A.U.; Iberrail Spanish Railroads, S.A.U.; Groundforce Cargo, S.L.U.; Globalia Servicios Corporativos, S.L.U.; Viajes Ecuador, S.A.U.; Welcome Incoming Services, S.L.U.; Globalia Gestión Seguros, S.L.U.; Globalia Travel Club Spain, S.L.U.; Globalia Hotel la Niña, S.L.; Viajes Tu Billete, S.L.U.; Globalia Trading Services, S.L.U.; Canoa Spain, S.L.U.; Halcon Online Services, S.A.U.; Techite Inversiones 2012, S.L.U.; Luabay Hoteles y Apartamentos, S.L.U.; Inversiones Costa Adeje, S.A.U.; Iberotours, S.A.U.; León Activos Aeronáuticos, S.L.U.; Aeronova, S.L.U.; Geomoon, S.L.U.; Globalia Autocares Levante, S.L.; Air Europa Suma Miles, S.L.U.; Globalia Travelling, S.L.U.; Globalia Corporate Travel, S.L.U.; Mundaka Corporación Hotelera, S.L.U.; Punta Cana Inversiones Exteriores, S.L.; Zarek Investments 2017, S.L.U.; Cloverdale Spain, S.L.U.

i) Recognition of deferred tax liabilities

The Group recognizes all deferred tax liabilities, except where:

- they arise from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable income.

- they relate to taxable temporary differences associated with investments in subsidiaries, associates and jointly controlled entities over which the Group is able to control the timing of the reversal of the taxable temporary difference and it is not probable that the taxable temporary difference will reverse in the foreseeable future.

ii) Recognition of deferred tax assets

The Group recognizes deferred tax assets provided that:

- it is probable that sufficient taxable income will be available against which they can be utilized or when tax legislation envisages the possibility of converting deferred tax assets into a receivable from public entities in the future. Nonetheless, assets arising from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable income, are not recognised.

- they relate to investments in subsidiaries, associates and jointly controlled entities, to the extent that it is probable that the deductible temporary difference will reverse in the foreseeable future and sufficient taxable profit will be available against which the temporary difference can be utilized.

The Group recognizes the conversion of a deferred tax asset into a receivable from public entities when it becomes enforceable in accordance with prevailing tax legislation. For this purpose, the deferred tax asset is derecognised with a charge to the deferred tax expense and the receivable is recognised with a credit to current tax. Likewise, the Group recognizes the exchange of a deferred tax asset for government debt securities when it acquires ownership thereof.

The Group recognizes the payment obligation deriving from financial contributions as an operating expense at its present value with a credit to payables to public entities classified as current or non-current based on the period in which it will be settled.

In the absence of evidence to the contrary, it is not considered probable that the Group will have future taxable profit when the deferred tax assets are expected to be recovered in a period of more than ten years from the end of the reporting period, irrespective of the nature of the deferred tax asset; or, in the case of tax credits for deductions and other tax relief that are unused due to an insufficient amount of total tax, when there is reasonable doubt – after the activity or the income giving rise to entitlement to the deduction or tax credit has been rendered or received, respectively – as to whether the requirements for their offset will be met.

The Group only recognizes deferred tax assets arising from tax loss carryforwards when it is probable that future taxable profit will be generated against which they may be offset within the period stipulated in applicable tax legislation, up to a maximum period of ten years, unless there is evidence that their recovery in a longer period of time is probable and tax legislation provides for their utilization in a longer period or stipulates no time limit for their utilization.

Conversely, it is considered probable that the Group will generate sufficient taxable profit to recover deferred tax assets when there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity, which are expected to reverse in the same tax period as the expected reversal of the deductible temporary differences or in periods into which a tax loss arising from a deductible temporary difference can be carried back or forward. If the only future taxable profit is derived from taxable temporary differences, the recognition of deferred tax assets arising from tax loss carryforwards is limited to 70% of the deferred tax liabilities recognised.

The Group recognizes deferred tax assets not previously recognised because they were not expected to be utilized within the ten-year recovery period, inasmuch as the future reversal period does not exceed ten years from the end of the reporting period or when there are sufficient taxable temporary differences.

In order to determine future taxable profit the Group takes into account tax planning opportunities, provided it intends or is likely to adopt them.

iii) Measurement of deferred tax assets and liabilities

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the years when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted. The tax consequences that would follow from the manner in which the Group expects to recover or settle the carrying amount of its assets or liabilities are also reflected in the measurement of deferred tax assets and liabilities. For these purposes, the Group has considered the deduction for reversal of the temporary measures provided in transitional provision thirty-seven of Income Tax Law 27/2014 of 27 November 2014 as an adjustment to the tax rate applicable to the deductible temporary difference associated with the non-deductibility of amortization and depreciation charges in 2013 and 2014.

iv) Offset and classification

The Group only offsets tax assets and liabilities if it has a legally enforceable right to offset the recognised amounts and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

Deferred tax assets and liabilities are recognised in the consolidated balance sheet under non-current assets or liabilities, irrespective of the expected date of recovery or settlement.

u) Classification of assets and liabilities as current and non-current

The Group classifies assets and liabilities in the consolidated balance sheet as current and non-current. Current assets and liabilities are determined as follows:

- Assets are classified as current when they are expected to be realized or are intended for sale or consumption in the Group's normal operating cycle, they are held primarily for the purpose of trading, they are expected to be realized within 12 months after the reporting date or are cash or a cash equivalent, unless the assets may not be exchanged or used to settle a liability for at least 12 months after the reporting date.
- Liabilities are classified as current when they are expected to be settled in the Group's normal operating cycle, they are held primarily for the purpose of trading, they are due to be settled within 12 months after the reporting date or the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.
- Financial liabilities are classified as current when they are due to be settled within 12 months after the reporting date, even if the original term was for a period longer than 12 months, and an agreement to refinance or to reschedule payments on a long-term basis is completed after the reporting date and before the annual accounts are authorised for issue.

v) Environment

The Group takes measures to prevent, reduce or repair the damage caused to the environment by its activities.

Expenses derived from environmental activities are recognised as other operating expenses in the period in which they are incurred.

See note 28 for further details on these activities.

w) Transactions between non-consolidated Group companies

Transactions between non-consolidated Group companies, except for those related to mergers, spin-offs and non-monetary contributions, are recognised for the fair value of the consideration given or received. The difference between this value and the amount agreed is recognised in line with the underlying economic substance of the transaction.

5. JOINT VENTURES

Information on joint ventures in the form of jointly controlled entities is presented in Appendix IV.

Information on joint ventures in the form of temporary business associations (UTEs) is presented in Appendix V.

a) Foreign currency

The functional currency of foreign operations is the currency of the countries in which such operations are domiciled.

6. INTANGIBLE ASSETS

Details of and movement in intangible assets, excluding goodwill and goodwill on consolidation, are as follows:

	Thousands of Euros				
2018	Concessions	Patents, licenses, trademarks and similar rights	Computer software	Other intangible assets	Total
Cost at 1 January 2018	3,089	3,270	129,337	1,470	137,166
Additions	-	61	14,119	-	14,180
Disposals	-	-	(529)	-	(529)
Additions to the consolidated Group	-	-	6	-	6
Transfers	(190)	-	(591)	(1)	(782)
Cost at 31 December 2018	2,899	3,331	142,342	1,469	150,041
Accumulated amortization at 1 January 2018	(523)	(3,215)	(82,907)	(1,455)	(88,100)
Amortisation	(42)	(12)	(12,784)	(6)	(12,844)
Accumulated amortization at 31 December 2018	(565)	(3,227)	(95,688)	(1,461)	(100,941)
Carrying amount at 31 December 2018	**2,334**	**104**	**46,654**	**8**	**49,100**

	Thousands of Euros				
2017	Concessions	Patents, licenses, trademarks and similar rights	Computer software	Other intangible assets	Total
Cost at 1 January 2017	2,899	3,271	117,270	1,575	125,015
Additions	190	-	20,451	-	20,641
Disposals	-	-	(8,458)	-	(8,458)
Additions to the consolidated Group	-	-	126	-	126
Disposals from the consolidated Group	-	(1)	(52)	(105)	(158)
Cost at 31 December 2017	3,089	3,270	129,337	1,470	137,166
Accumulated amortization at 1 January 2017	(481)	(3,195)	(71,674)	(1,554)	(76,904)
Amortisation	(42)	(21)	(11,613)	(6)	(11,682)
Disposals	-	-	347	-	347
Additions to the consolidated Group	-	-	(19)	-	(19)
Disposals from the consolidated Group	-	1	52	105	158
Accumulated amortization at 31 December 2017	(523)	(3,215)	(82,907)	(1,455)	(88,100)
Carrying amount at 31 December 2017	**2,566**	**55**	**46,430**	**15**	**49,066**

The main additions for 2018 and 2017 comprise: Computer software: Additions in 2018 amount to Euros 14,119 thousand (Euros 20,451 thousand in 2017) and essentially reflect IT development for online business and business development for the various Group divisions, mainly the Air, Retail and Wholesale divisions and the online bed bank business.

a) Fully amortized assets

The cost of fully amortized intangible assets in use at 31 December is as follows:

	Thousands of Euros	
	2018	2017
Concessions, patents and trademarks	3,185	3,132
Computer software	56,680	50,116
Administrative concessions	-	217
Other intangible assets	1,420	1,420
	61,285	**54,885**

7) GOODWILL, GOODWILL OF CONSOLIDATED COMPANIES AND IMPAIRMENT

Details of goodwill and movement are as follows:

	Thousands of Euros	
	2018	2017
Cost at beginning of year	15,400	15,400
Cost at year end	15,400	15,400
Accumulated amortization at beginning of year	(8,204)	(7,095)
Amortisation	(851)	(1,109)
Accumulated amortization at year end	(9,055)	(8,204)
Accumulated impairment at beginning of year	(3,464)	(3,464)
Accumulated impairment at year end	(3,464)	(3,464)
Carrying amount at year end	**2,881**	**3,732**

Details of the goodwill of consolidated companies and movement are as follows:

	Thousands of Euros	
	2018	2017
Cost at beginning of year	17,957	17,565
Additions due to business combinations	2,963	392
Cost at year end	20,920	17,957
Accumulated amortization at beginning of year	(15,329)	(13,871)
Amortisation	(499)	(1,458)
Accumulated amortization at year end	**(15,828)**	**(15,329)**
Carrying amount at year end	5,092	2,628

Details of residual useful life, the CGU to which it belongs, amortization for the year, accumulated amortization and the carrying amount of individually significant goodwill at 31 December are as follows:

			Thousands of Euros		
			2018		
Description of the asset	CGU	Residual useful life	Amortisation for the year	Accumulated amortization	Carrying amount
Groundforce Cargo, S.L.U.	Groundforce	-	-	(8,416)	-
Viajes Ecuador, S.A.	Viajes Ecuador	-	-	(4,944)	-
MK Tours	MK Tours	-	-	(2,845)	-
Aeronova, S.L.U.	Aeronova	8 - 9 years	(239)	(756)	1,630
Viajes Tu Billete, S.L.	Tu Billete	2 years	(122)	(878)	347
Mundosocial	Mundosocial	3 - 7 years	(862)	(5,801)	2,813
Golf Maioris, S.A.	Golf Maioris	3 years and 10 months	-	-	2,963
Other	Other	1 - 5 years	(127)	(1,243)	220
			(1,350)	**(24,883)**	**7,973**

Description of the asset	CGU	Residual useful life	Thousands of Euros 2017 Amortisation for the year	Accumulated amortization	Carrying amount
Groundforce Cargo, S.L.U.	Groundforce		(847)	(8,416)	-
Viajes Ecuador, S.A.	Viajes Ecuador		(407)	(4,944)	-
MK Tours	MK Tours		-	(2,845)	-
Aeronova, S.L.U.	Aeronova	8 - 9 years	(239)	(517)	1,869
Viajes Tu Billete, S.L.	Tu Billete	2 years	(90)	(756)	469
Mundosocial	Mundosocial	3 - 7 years	(861)	(4,939)	3,675
Other	Other	1 - 5 years	(123)	(1,116)	347
			(2,567)	**(23,533)**	**6,360**

8. PROPERTY, PLANT AND EQUIPMENT

Details of property, plant and equipment and movement are as follows:

2018	Thousands of Euros Land	Buildings	Technical installations and machinery	Other installations, equipment and furniture	Under construction and advances	Other property, plant and equipment	Total
Cost at 1 January 2018	60,144	259,865	351,046	67,586	49,141	33,215	820,997
Additions	8,306	16,997	15,158	1,849	17,017	16,974	76,301
Disposals	(6,573)	(19,141)	(16,215)	(6)	(14,166)	(1,790)	(57,891)
Additions to the consolidated Group	7,707	9,938	2,230	363	-	809	21,047
Disposals from the consolidated Group	-	-	(34)	(69)	-	(10)	(113)
Translation differences	-	-	3,573	1,017	108	(12)	4,686
Cost at 31 December 2018	69,584	267,659	355,758	70,740	52,100	49,186	865,027
Accumulated depreciation at 1 January 2018	-	(100,165)	(191,430)	(57,080)	-	(21,610)	(370,285)
Depreciation	-	(7,907)	(21,787)	(3,161)	-	(1,959)	(34,814)
Disposals	-	-	10,156	2	-	201	10,359
Additions to the consolidated Group	-	(1,986)	(1,720)	(247)	-	(46)	(3,999)
Disposals from the consolidated Group	-	-	(33)	(69)	-	-	(102)
Translation differences	-	(2,125)	(2,872)	90	-	-	(4,907)
Accumulated depreciation at 31 December 2018	-	(112,183)	(207,686)	(60,465)	-	(23,414)	(403,748)
Additions to the consolidated Group	-	-	(5,466)	-	-	-	(5,466)
Accumulated impairment at 31 December 2018	-	-	(5,466)	-	-	-	(5,466)
Carrying amount at 31 December 2018	**69,584**	**155,476**	**142,606**	**10,275**	**52,100**	**25,772**	**455,813**

2017	Land	Buildings	Technical installations and machinery	Other installations, equipment and furniture	Under construction and advances	Other property, plant and equipment	Total
	Thousands of Euros						
Cost at 1 January 2017	61,646	256,649	346,841	64,961	81,312	31,869	843,278
Additions	460	3,216	27,075	3,785	8,516	3,726	46,778
Disposals	-	-	(21,438)	(361)	(41,617)	(843)	(64,259)
Additions to the consolidated Group	-	-	5	-	-	-	5
Business combinations	-	-	(1,390)	(961)	-	(232)	(2,583)
Translation differences	(1,962)	-	(47)	162	930	(1,305)	(2,222)
Cost at 31 December 2017	60,144	259,865	351,046	67,586	49,141	33,215	820,997
Accumulated depreciation at 1 January 2017	-	(90,442)	(184,026)	(54,697)	-	(20,432)	(349,597)
Depreciation	-	(9,724)	(21,842)	(2,289)	-	(2,044)	(35,899)
Disposals	-	-	14,842	200	-	601	15,643
Other movements	-	1	(404)	(294)	-	265	(432)
Accumulated depreciation at 31 December 2017	-	(100,165)	(191,430)	(57,080)	-	(21,610)	(370,285)
Accumulated impairment at 1 January 2017	-	-	(2,490)	-	-	-	(2,490)
Disposals of companies	-	-	2,490	-	-	-	2,490
Carrying amount at 31 December 2017	**60,144**	**159,700**	**159,616**	**10,506**	**49,141**	**11,605**	**450,712**

a) General

Advances made by Air Europa Líneas Aéreas, S.A.U. for various aircraft orders to be received in the future are reflected in under construction and advances.

The main additions in the year to under construction and advances comprise:

- A payment in advance for 14 Boeing 787-9 amounting to US Dollars 2,344 thousand (equivalent to Euros 1,934 thousand), due to be delivered from 2020 to 2022.

Additions in 2017 mainly reflected the advance payment for three Boeing 737-800 amounting to US Dollars 4,875 thousand (equivalent to Euros 4,541 thousand) and the advance payment for 14 Boeing 787-9 amounting to US Dollars 2,285 thousand (equivalent to Euros 2,094 thousand).

Disposals for the period mainly reflect the transfer of purchase positions of two Boeing 737-9 in February 2018 to entities unrelated to the Group, amounting to US Dollars 5,920 thousand, and three Boeing 787-9 totalling US Dollars 8,976 thousand (equivalent to Euros 12,956 thousand).

Disposals for 2017 mainly reflected the transfer of purchase positions of three Boeing 737-8 in June 2017 to two entities unrelated to the Group, amounting to US Dollars 34,234 thousand, and four Boeing 787-9 totalling US Dollars 10,049 thousand (equivalent to Euros 39,080 thousand).

b) Property, plant and equipment located abroad

Details of property, plant and equipment located abroad at 31 December are as follows:

	Thousands of Euros		
	2018		
Description	Cost	Accumulated depreciation	Total
Be Live Punta Cana Grand Hotel	128,103	(50,139)	77,964
Aircraft and advances on aircraft	38,472	(3,036)	35,436
Canoa Hotel	85,788	(45,172)	40,616
Premises and other	11,756	(7,965)	3,791
	264,119	**(106,312)**	**157,807**

	Thousands of Euros		
	2017		
Description	Cost	Accumulated depreciation	Total
Be Live Punta Cana Grand Hotel	111,482	(44,866)	66,616
Aircraft and advances on aircraft	37,798	(2,995)	34,803
Canoa Hotel	87,063	(40,734)	46,329
Premises and other	11,801	(7,181)	4,620
	248,144	**(95,776)**	**152,368**

c) Fully depreciated assets

Details of the cost of fully depreciated property, plant and equipment in use at 31 December are as follows:

	Thousands of Euros	
	2018	2017
Buildings	873	873
Technical installations and machinery	97,385	69,391
Other installations, equipment and furniture	32,514	17,596
Other property, plant and equipment	13,670	8,794
	144,442	**96,654**

d) Property, plant and equipment pledged as collateral

At 31 December 2018 the Group has property, plant and equipment with a carrying amount of Euros 96,535 thousand (Euros 86,729 thousand at 31 December 2017) which have been pledged as collateral for several mortgage-backed loans and credit facilities (see note 24 (b)).

e) Commitments

Under construction and advances include payments made to the aircraft manufacturer for the construction and assembly of aircraft.

The advances paid to date amount to US Dollars 15,457 thousand for the fleet of 787-9 (US Dollars 28,009 thousand in the year ended 31 December 2017), and US Dollars 25,336 thousand for the fleet of 737-8 MAX (US Dollars 25,336 thousand in the year ended 31 December 2017) totalling an equivalent of Euros 35,628 thousand at 31 December 2018 (Euros 47,402 thousand at 31 December 2017).

	Aircraft	
	2018	2017
Boeing 787-9	5	10
Boeing 737-8 MAX	20	20
	25	**30**

Details of these commitments at 31 December 2018 and 2017 are as follows:

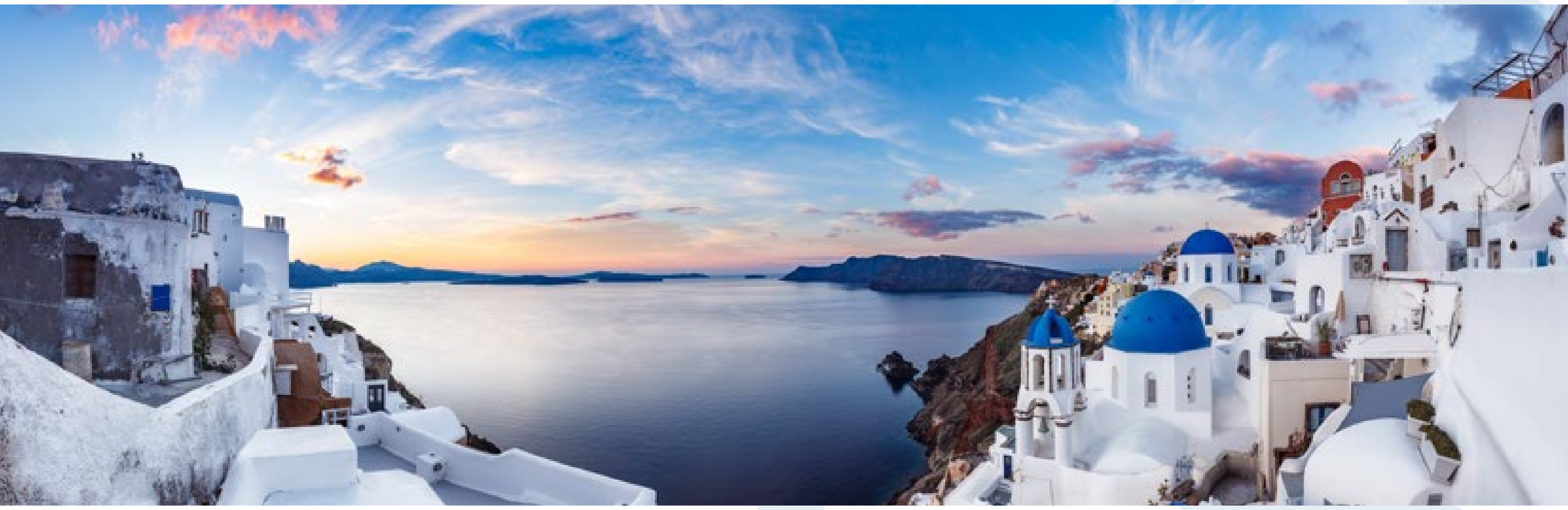
- A contract with the aircraft manufacturer The Boeing Company, for the acquisition of five Boeing 787-9 (10 aircraft in 2017) with a total catalogue value of US Dollars 3,052 million, and with estimated delivery dates from 2019 to 2022.

- A contract with the aircraft manufacturer The Boeing Company, for the acquisition of 20 Boeing 737-8 MAX with a total catalogue value of US Dollars 2,533 million, with estimated delivery dates from 2021 to 2024.

The Company intends to finance its purchase commitments using funds generated by the Group and financial transactions that can be entered into with aircraft lessors.

f) Insurance

The Group has taken out insurance policies to cover the risk of damage to its property, plant and equipment. The coverage of these policies is considered sufficient.



9. INVESTMENT PROPERTY

Details of investment property and movement during the year are as follows:

	Thousands of Euros		
	2018		
Description	Land	Buildings	Total
Cost at 1 January 2018	863	4,745	5,608
Additions to the consolidated Group	61	188	249
Cost at 31 December 2018	**924**	**4,933**	**5,857**
Accumulated depreciation at 1 January 2018	-	(582)	(582)
Depreciation	-	(101)	(101)
Additions to the consolidated Group	-	(14)	(14)
Accumulated depreciation at 31 December 2018	**-**	**(697)**	**(697)**
Accumulated impairment at 1 January 2018	-	(1,129)	(1,129)
Additions to the consolidated Group	-	(37)	(37)
Accumulated impairment at 31 December 2018	**-**	**(1,166)**	**(1,166)**
Carrying amount at 31 December 2018	**924**	**3,070**	**3,994**

Description	Land	Buildings	Total
	2017		
Cost at 1 January 2017	577	4,217	4,794
Additions	286	528	814
Cost at 31 December 2017	863	4,745	5,608
Accumulated depreciation at 1 January 2017	-	(491)	(491)
Depreciation	-	(91)	(91)
Accumulated depreciation at 31 December 2017	-	(582)	(582)
Accumulated impairment at 1 January 2017	-	(1,129)	(1,129)
Accumulated impairment at 31 December 2017	-	(1,129)	(1,129)
Carrying amount at 31 December 2017	**863**	**3,034**	**3,897**

a) General

Assets mostly comprise commercial premises and parking spaces in several locations in Spain.

b) Impairment

At 31 December 2018 and 2017, impairment of Euros 1,129 thousand was recognised on investment property, specifically commercial premises and parking spaces in several locations in Spain.

c) Insurance

The Group has taken out insurance policies to cover the risk of damage to its investment property. The coverage of these policies is considered sufficient.

10. FINANCE LEASES - LESSEE

The Group has leased the following types of assets under finance leases:

	Thousands of Euros	
	Other property, plant and equipment	Total
Initially recognised at:		
Fair value	73,105	73,105
Accumulated depreciation and impairment losses	(13,679)	(13,679)
Carrying amount at 31 December 2018	**59,426**	**59,426**
Initially recognised at:		
Fair value	91,042	91,042
Accumulated depreciation and impairment losses	(11,536)	(11,536)
Carrying amount at 31 December 2017	**79,506**	**79,506**

The Group has leased assets under finance leases, basically aircraft, engines and handling equipment. The assets acquired under finance leases are included under property, plant and equipment on the consolidated balance sheet.

Future minimum lease payments are reconciled with their present value as follows:

	Thousands of Euros	
	2018	2017
Future minimum payments	60,229	69,676
Unaccrued finance costs	(2,265)	(3,040)
Present value	57,964	66,636

Details of minimum payments and the present value of finance lease liabilities, by maturity date, are as follows:

	Thousands of Euros			
	2018		2017	
	Minimum payment	Present value	Minimum payment	Present value
Less than one year	10,913	10,609	11,303	10,846
One to five years	28,487	27,784	36,319	34,609
Over five years	20,721	19,571	22,053	21,181
	60,121	57,964	69,675	66,636
Less current portion	(10,913)	(10,609)	(11,303)	(10,846)
Total non-current	**49,208**	**47,355**	**58,372**	**55,790**

Finance lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

11. OPERATING LEASES - LESSEE

The Group has leased aircraft, hotels and travel agency sales offices from third parties under operating leases.

Operating lease payments have been recognised as an expense for the year as follows:

	Thousands of Euros	
	2018	2017
Minimum lease payments	279,143	303,724

Future minimum payments under operating leases are as follows:

	Thousands of Euros	
	2018	2017
Less than one year	276,991	250,648
One to five years	755,916	531,486
Over five years	760,083	369,824
	1,792,990	**1,151,958**

These payments basically relate to lease commitments for aircraft, hotels and retail sales offices and other items, for Euros 1,698,509 thousand, Euros 45,124 thousand and Euros 21,392 thousand, respectively (Euros 1,065,269 thousand, Euros 32,912 thousand and Euros 24,299 thousand, respectively, at 31 December 2017).

On 25 November 2015 Globalia Mantenimiento Aeronáutico, S.L.U. signed a 35 year leasehold right on land at Madrid Barajas airport for the construction of an aircraft maintenance hangar. This leasehold right stipulated the payment of an annual levy of Euros 678 thousand for the duration of the right, which has started to be accrued from the date the land certificate of delivery was issued.

12. RISK MANAGEMENT POLICY

a) Financial risk factors

The Group's activities are exposed to various financial risks: market risk (including currency risk, interest rate risk and jet fuel price risk), credit risk and liquidity risk. The Group's global risk management programme focuses on uncertainty in the financial markets and aims to minimize potential adverse effects on the Group's profits. The Group uses derivatives to mitigate certain risks.

Risks are managed by the Group's Finance Department in accordance with policies approved by the board of directors. This department identifies, evaluates and mitigates financial risks in close collaboration with the Group's operational units. The board of directors issues global risk management policies, as well as policies for specific issues such as currency risk, interest rate risk, liquidity risk, the use of derivatives and non-derivative instruments, and investments of cash surpluses.

i) Market risk

Market risk is mainly derived from trends in the Spanish tourist market, although to minimize this risk the Group's area of influence is also diversified into Europe and the USA/Canada.

ii) Currency risk

The Group operates internationally and is therefore exposed to currency risk, especially with regard to the US Dollar. Currency risk is associated with future commercial transactions, recognised assets and liabilities, and net investments in foreign operations.

In order to control currency risk associated with future commercial transactions, the Group uses forward currency contracts. Currency risk arises when future commercial transactions are presented in a foreign currency other than the Group's functional currency. The Group's financial management is responsible for controlling the net position of each foreign currency by entering into external forward currency contracts. Details of the amounts of transactions in foreign currency are provided in note 30.

iii) Credit risk

The Group is not significantly exposed to credit risk. The Group has policies to ensure that wholesale sales are only made to customers with adequate credit records. Retail customers pay in cash or by credit card. Derivative and cash transactions are only performed with financial institutions that have high credit ratings. The Group has policies to limit the amount of risk with any one financial institution.

Valuation allowances for bad debts, and the review of individual balances based on customers' credit ratings, market trends and historical analysis of bad debts at an aggregated level entail a significant use of estimates. The credit rating of the country, based on information provided by external agencies, is used to calculate the individual country-specific valuation allowance for bad debts. Any decrease in the volume of outstanding balances entails a reduction in impairment resulting from an aggregate analysis of historical bad debts, and vice versa.

Trade and other receivables from third parties mainly comprise balances receivable from travel agencies and private customers for passenger transport in the Air division, receivables from private customers in the Retail division, receivables from airlines in the Handling division, receivables from travel agencies in the Wholesale division and receivables from wholesale and retail travel agencies in the Hotel division. Transactions with travel agencies in the Air division are carried out using a settlement system managed by the International Air Transportation Association (IATA), which in each country also imposes credit conditions involving risk hedging on travel agencies using the scheme. The Group has a policy of arranging credit insurance for most other trade and credit transactions in each division, which partially covers these balances.

iv) Liquidity risk

The Group applies a prudent policy to cover its liquidity risks based on having sufficient cash and marketable securities, as well as sufficient financing through credit facilities, to settle market positions. The excess of current liabilities compared to current assets common among groups operating in the travel sector reflects the difference in average collection days from customers and average payment days to suppliers due to the financing of advances from customers and suppliers. The amount received from tickets sold and not used at 31 December 2018 is recognised by Air Europa Líneas Aéreas, S.A.U. under current accruals (see note 26). Group management considers that this liability is not payable as it relates to future services not yet carried out for which returns are insignificant.

The Finance department manages this situation by controlling these average periods and by obtaining and drawing funds from credit facilities with financial institutions (see note 24).

One-off cash requirements of the Group companies are covered by Globalia Corporación Empresarial, S.A., as the entity that manages the Group's cash, receives the cash surpluses and allocates them to offset the various seasonal requirements of the Group's businesses.

v) Cash flow and fair value interest rate risks

Interest rate risk arises from non-current borrowings. Borrowings at variable interest rates expose the Group to cash flow interest rate risks. The Group has taken out interest rate swaps to partially hedge the interest rate risk derived from bank debt (see note 16).

The Group is sensitive to fluctuations in the price of jet fuel for the aircraft it operates. To minimize this risk, the Group contracted short-term jet fuel futures during the reporting period to hedge between 20% and 50% of forecast consumption.

13. EQUITY-ACCOUNTED INVESTEES

Details of equity-accounted investees and movement during the year are shown in Appendix VI.

14. FINANCIAL ASSETS BY CATEGORY

a) Classification of financial assets by category

The classification of financial assets by category and class, as well as a comparison of the fair value and the carrying amount are shown in Appendix VII.

15. INVESTMENTS AND TRADE RECEIVABLES

a) Investments

Details of investments are as follows:

	Thousands of Euros			
	2018		2017	
	Non-current	Current	Non-current	Current
Unrelated parties				
Equity instruments	3,126	400	10,659	627
Loans	335	153	475	925
Debt securities	8	-	8	-
Hedging derivatives (note 16)	-	9,281	-	39,676
Security and other deposits	134,881	74,217	119,252	43,073
Total	**138,350**	**84,051**	**130,394**	**84,301**

The Group has deposits on aircraft under operating leases for an equivalent value of Euros 50,856 thousand at 31 December 2018 (Euros 40,339 thousand at 31 December 2017), which are recognised under current and non-current security and other deposits.

This heading also includes the deposits paid to the lessors of the aircraft to secure the periodic fleet inspections. The Company settles the cost of these periodic inspections through the lessor's repayment of amounts previously paid in advance by the Company. At 31 December 2018 these deposits have an equivalent value of Euros 114,831 thousand (Euros 78,294 thousand at 31 December 2017), of which Euros 63,432 thousand is current (Euros 30,004 thousand at 31 December 2017).

On 19 October 2017 the Parent agreed that the share capital of Golf Maioris, S.A. would be increased by Euros 7,526 thousand through a partial debt-for-equity swap on the loan extended by the Parent to this company and through a monetary contribution, issuing 3,925 new registered shares of Euros 2,000 each, numbered from 5,738 to 9,662. Globalia Corporación Empresarial, S.A. subscribed 3,664 registered shares for an amount of Euros 7,328 thousand through the debt-for-equity swap and made a monetary contribution of Euros 198 thousand through the creation of 99 registered shares of Euros 2,000, acquiring 42.08% of the capital. This interest has been included in the full consolidation in 2018.

b) Trade and other receivables

Details of trade and other receivables are as follows:

	Thousands of Euros	
	2018 Current	2017 Current
Unrelated parties		
Trade receivables	369,063	297,261
Other receivables	25,403	28,563
Personnel	1,589	1,431
Taxation authorities, income tax (note 27)	19,939	17,509
Public entities, other (note 27)	45,206	42,278
Impairment	(56,321)	(53,455)
Total	**404,879**	**333,587**

Other receivables from unrelated parties include advances paid to suppliers by companies from the Retail and Wholesale divisions to guarantee operational capability to render services in the coming season, as is common practice in the sector. These advances are subsequently cancelled.

c) Impairment

An analysis of the changes in allowance accounts related to impairment of financial assets measured at amortized cost due to credit risk is as follows:

	Thousands of Euros	
	2018	
	Trade receivables	Total
Current		
Balance at 1 January 2018	(53,455)	(53,455)
Charges	(2,866)	(2,866)
Balance at 31 December 2018	**(56,321)**	**(56,321)**
	2017	
Current		
Balance at 1 January 2017	(50,627)	(50,627)
Charges	(2,550)	(2,550)
Balance at 31 December 2017	**(53,455)**	**(53,455)**

d) Classification by maturity

The classification of financial assets by maturity is shown in Appendix VIII.

e) Amounts denominated in foreign currencies

Details of monetary financial assets denominated in foreign currencies are as follows:

	Thousands of Euros				
	2018				
	US Dollar	Mexican Peso	Dominican Peso	Other currencies	Total
Non-current investments					
Other financial assets	112,816	53	27	75	112,971
Total non-current financial assets	**112,816**	**53**	**27**	**75**	**112,971**
Trade and other receivables					
Trade receivables – current	45,912	343	1,517	8,301	56,073
Other receivables	173	58	12	63	306
Current investments					
Other financial assets	27,020	1	1	3	27,025
Cash and cash equivalents					
Cash	14,782	341	686	4,456	20,265
Total current financial assets	**87,887**	**743**	**2,216**	**12,823**	**103,669**
Total financial assets	**200,703**	**796**	**2,243**	**12,898**	**216,640**

	Thousands of Euros				
	2017				
	US Dollar	Mexican Peso	Dominican Peso	Other currencies	Total
Non-current investments in Group companies and associates					
Other financial assets	111,837	7	27	42	111,913
Total non-current financial assets	**111,837**	**7**	**27**	**42**	**111,913**
Trade and other receivables					
Trade receivables – current	43,736	230	2,581	7,161	53,708
Other receivables	(854)	55	839	84	124
Current investments					
Other financial assets	33,758	-	1	6	33,765
Cash and cash equivalents					
Cash	31,564	119	522	5,495	37,700
Total current financial assets	**108,204**	**404**	**3,943**	**12,746**	**125,297**
Total financial assets	**220,041**	**411**	**3,970**	**12,788**	**237,210**

16. DERIVATIVE FINANCIAL INSTRUMENTS

Details of derivative financial instruments are as follows:

	Thousands of Euros			
	Fair values			
	Assets		Liabilities	
2018	Notional amount	Current	Non-current	Current
Cash flow hedges				
Foreign currency swaps	216,000	9,281	-	(216)
Interest rate swaps	10,942	-	(99)	-
Fuel futures (in tonnes)	884,760	-	-	(39,970)
Total derivatives at fair value through changes in equity	1,111,702	9,281	(99)	(40,186)
Total hedging derivatives	**1,111,702**	**9,281**	**(99)**	**(40,186)**
2017				
Derivatives held for trading and at fair value through profit or loss				
Aircraft fuel futures	374,356	-	-	(8,306)
Total derivatives traded on OTC markets	**374,356**	**-**	**-**	**(8,306)**
Total derivatives at fair value through profit or loss	**374,356**	**-**	**-**	**(8,306)**

	Fair values			
	Assets		Liabilities	
2017	Notional amount	Current	Non-current	Current
Cash flow hedges				
Foreign currency swaps	343,479	-	-	(16,394)
Interest rate swaps	10,942	-	(100)	-
Fuel futures (in tonnes)	203,376	39,676	-	-
Total derivatives at fair value through changes in equity	**557,797**	**39,676**	**(100)**	**(16,394)**
Total hedging derivatives	**557,797**	**39,676**	**(100)**	**(16,394)**

a) Interest rate swaps

To manage its interest rate risks, Globalia Hotel La Niña, S.L. has arranged two variable-to-fixed interest rate swaps for a notional amount of Euros 10,942 thousand, which expire on 25 September 2023.

The fair value of the financial swaps is based on the market values of equivalent derivative financial instruments at the consolidated reporting date. All interest rate swaps are effective as cash flow hedges.

b) Forward exchange contracts

In order to manage its currency risks, Globalia Corporación Empresarial, S.A. and Air Europa Líneas Aéreas, S.A.U. have mainly entered into US Dollar forward exchange contracts.

The fair values of these forward contracts are based on the market values of equivalent instruments. At the start of the contract the Group assesses whether hedge accounting should be applied.

c) Jet fuel hedges

To hedge the risk of fuel price fluctuations Air Europa Líneas Aéreas, S.A.U. and Globalia Corporación Empresarial, S.A. have entered into a number of jet fuel futures contracts. These contracts expire in the short term. The fair values of these forward contracts are based on the market values of equivalent instruments.

The total amount of cash flow hedges recognised in equity is as follows:

	Thousands of Euros Income/(Expense)	
	2018	2017
Exchange rate insurance	(6,648)	(11,400)
Interest rate swaps	(74)	75
Fuel price hedge	(16,993)	29,186
	(23,715)	**17,861**

17. INVENTORIES

Details of inventories are as follows:

	Thousands of Euros	
	2018	2017
Production and distribution business		
Raw materials and other supplies	24,054	21,241
Gas emission allowances	4,744	2,332
Advances to suppliers	22,164	2,078
	50,962	**25,651**

The Group's inventories mainly comprise maintenance consumables, aircraft catering materials and hotel consumables.

The Group has taken out insurance policies to cover the risk of damage to its inventories. The coverage of these policies is considered sufficient.

	Thousands of Euros	
	2018	2017
Emission allowances - short cycle	4,744	2,332
	4,744	**2,332**

Description	Free of charge	Interest-bearing	Total
Balances at 1 January 2017	121,026	331,986	453,012
Additions	252,224	270,000	522,224
Disposals	(121,026)	(447,235)	(568,261)
Balance at 31 December 2017	**252,224**	**154,751**	**406,975**
Additions	252,224	203,485	455,709
Disposals	(370,592)	(159,236)	(529,828)
Balance at 31 December 2018	**133,856**	**199,000**	**332,856**

Additions in 2018 comprise the allocation of free-of-charge allowances under the allocation plan explained in note 4 o), which amounted to 252,224 allowances (252,224 allowances in 2017) equivalent to Euros 2,290 thousand (Euros 1,276 thousand in 2017), and the acquisition of 203,485 allowances (270,000 allowances in 2017) equivalent to Euros 3,529 thousand (Euros 1,676 thousand in 2017).

The effect of this estimate of greenhouse gas expenses used at 31 December 2018 has been Euros 11,104 thousand (Euros 3,233 thousand in 2017), the balancing entry of which has been recognised under Provisions - Provision for emission allowances (see note 22).

18. PREPAYMENTS

Details of prepayments are as follows:

	Thousands of Euros	
	2018 Current	2017 Current
Prepayments for operating leases	28.242	10.022
Prepayments for aircraft maintenance and insurances	23.782	18.852
Prepayments for unused flight tickets and others	628	1.402
Others	7.299	5.002
Total	**59.951**	**35.278**

19. CASH AND CASH EQUIVALENTS

Details of cash and cash equivalents are as follows:

	Thousands of Euros	
	2018	2017
Cash in hand and at banks	69,595	80,460
Current bank deposits	5	5
	69,600	**80,465**

20. EQUITY

Details of consolidated equity and movement during the year are shown in the consolidated statement of changes in equity.

a) Capital

At 31 December 2018 and 2017 the share capital of Globalia Corporación Empresarial, S.A., the Parent, is represented by 168,944,700 registered shares of Euros 0.1 par value each, fully subscribed and paid.

Mr. Juan José Hidalgo Acera owns 5% of the Parent's share capital (15.415% in 2017).

The company that holds a direct or indirect interest of at least 10% in the share capital of the Parent is JJH Cl & Asset Management S.L.U. with a percentage of 46.58% (36.18% in 2017).

b) Reserves

i) Legal reserve

The legal reserve has been appropriated in compliance with article 274 of the Spanish Companies Act, which requires that companies transfer 10% of profits for the year to a legal reserve until this reserve reaches an amount equal to 20% of share capital.

The legal reserve is not distributable to shareholders and if it is used to offset losses, in the event that no other reserves are available, the reserve must be replenished with future profits.

This reserve is not distributable to shareholders and may only be used to offset losses if no other reserves are available. This reserve may be used to increase share capital.

At 31 December 2018 and 2017, the Parent has appropriated to this reserve the minimum amount required by law.

ii) Voluntary reserves

These reserves are freely distributable.

c) Translation differences

Details of translation differences, by source, are as follows:

	Thousands of Euros	
	2018	2017
Bajuba de México Consultores S de RL de CV	232	232
Be Live Trading, Inc	9	8
CH Marketing, Corp.	-	(335)
Globalia Incoming Services Mexico, S. de R.L.de C.V.	(560)	(672)
Globalia Incoming Services Dominicana, S.A.	(21)	(24)
Be Live Hotels, S.L.U.	15	-
Globalia Lease Finance, Limited	2,529	2,505
Globalia Lease Finance Two, Limited	173	171
Globalia Lease Finance Three, Limited	497	496
Globalia Lease Finance Four, Limited	1,710	1,696
Globalia Lease Finance Five, Limited	1,874	1,850
Globalia Lease Finance Six, Limited	2,128	2,093
Globalia Servicios Corporativos Dominicana, S.A.	4	(6)
Hotel Canoa, S.A.	(4,155)	(1,522)
Intertravel, S.R.L.	(2,675)	(2,611)
Inversiones Bávaro, S.A.	2,156	2,593
Inversiones Inmobiliarias, RCJ, S.A.	(133)	(134)
Inversiones La Albufera, S.A.S.	608	642
MK Dominicana USA, INC	(530)	(359)
MK Media Corp.	(72)	(69)
MK Puerto Rico, S.A.	(198)	(167)
MK Tours, INC	(272)	(320)
MK Travel & Tours, INC	202	83
Morocco, G.H.S.	93	1,586
Globalia Corporación Empresarial, S.A.	(15)	-
Panamericana de Servicios Energéticos	36	32
See Europe Tours, LTD	(23)	(21)
Servicios D&A de R.L. de C.V.	358	358
Eurogestión Hoteliere S.A.R.L.	(8)	(17)
Globalia Lease Finance Seven, Limited	546	112
Smart Inversiones, S.A.S.	398	397
Melody Maker Hotel S.A. de C.V.	578	-
Delirio Beach Club S.A. de C.V.	71	-
Total	**5,555**	**8,597**

21. NON-CONTROLLING INTERESTS

Details of non-controlling interests by company and movement during the year are as follows:

	Thousands of Euros					
	2018					
Company	Balance at 1 January	Disposals	Additions arising from transactions with the Group	Changes in the consolidated Group	Share in profits/ (losses)	Balance at 31 December
Golf Maioris, S.A.	-	-	-	6,516	1,018	7,534
Globalia Autocares, S.A.	1,134	-	-	-	(46)	1,088
Globalia Autocares Levante, S.L	383	-	-	-	439	822
Panamericana de Servicios Energéticos, S.A.S.	(11)	-	-	-	-	(11)
Zarek Investments 2017,S.L.	1	-	-	-	-	1
	1,507	**-**	**-**	**6,516**	**1,411**	**9,434**

	2017					
Company	Balance at 1 January	Disposals	Additions arising from transactions with the Group	Changes in the consolidated Group	Share in profits/ (losses)	Balance at 31 December
Viajes Tu Billete, S.L.	-	-	-	-	-	-
Globalia Autocares, S.A.	1,361	(360)	-	-	133	1,134
Globalia Autocares Levante, S.L.	25	-	325	-	33	383
Panamericana de Servicios Energéticos, S.A.S.	(11)	-	-	-	-	(11)
Iberhandling, S.A.	-	-	-	1	-	1
	1,375	**(360)**	**325**	**1**	**166**	**1,507**

The companies or individuals, both related to the Group and unrelated parties, with a direct or indirect interest of at least 10% in the share capital of a Group company are as follows:

- Transportes Chapín, S.L.
  (10% interest in Globalia Autocares, S.A.).

- Mr. Francisco Manuel Rodríguez García
  (25% interest in Viajes Tu Billete, S.L.).

- Saraitsa Comercializadora, S.A.
  (33.33% interest in Panamericana de Servicios Energéticos, S.A.S.)

- Transportes Chapín, S.L.
  (25% interest in Globalia Autocares levante, S.L.).

- Covilla, S.L.
  (37.63% interest in Golf Maioris, S.A.U.)

22. PROVISIONS

Details of provisions are as follows:

	Thousands of Euros			
	2018		2017	
	Non-current	Current	Non-current	Current
Provisions for other employee benefits	180	-	180	-
Provisions for major repairs	132,672	79,102	96,938	57,986
Provisions for customer loyalty programmes	-	1,529	-	1,224
Provisions for emission allowances	-	11,104	-	3,233
Total	**132,852**	**91,735**	**97,118**	**62,443**

The provision for major repairs includes the provision for inspections to be made in the coming years considering the regulatory maintenance commitments for aircraft under operating leases.

An amount of Euros 11,104 thousand (Euros 3,233 thousand at 31 December 2017) is also recognised under provisions for emission allowances in relation to the provision for greenhouse gas emissions (see note 17).

23. FINANCIAL LIABILITIES BY CATEGORY

a) Classification of financial liabilities by category

The classification of financial liabilities by category and class and a comparison of the fair value with the carrying amount are shown in Appendix IX.

24. PAYABLES AND TRADE PAYABLES

a) Payables

Details of payables are as follows:

	Thousands of Euros			
	2018		2017	
	Non-current	Current	Non-current	Current
Unrelated parties				
Loans and borrowings	54,153	65,093	55,131	72,562
Finance lease payables	47,355	10,609	55,790	10,846
Hedging derivatives (Note 16)	99	40,186	100	24,700
Other financial liabilities	2,326	-	2,016	-
Guarantees and deposits received	-	17,075	-	20,300
Total	**103,933**	**132,963**	**113,037**	**128,408**

b) Other information on payables

i) Main characteristics of payables

The terms and conditions of loans and payables are provided in Appendix XI.

At 31 December 2018 the Parent is the guarantor of subsidiaries' loans totalling Euros 73,256 thousand (Euros 86,728 thousand at 31 December 2017). The Parent has extended bank guarantees to third parties totalling Euros 70,986 thousand (Euros 53,118 thousand at 31 December 2017). The directors of the Parent do not consider that additional liabilities will arise as a result of these guarantees, other than those already recognised.

The Group has the following credit and discount facilities at the reporting dates:

	Thousands of Euros			
	2018		2017	
	Drawn down	Limit	Drawn down	Limit
Credit facilities:				
Globalia Corporación Empresarial, S.A.	40,584	100,500	39,306	107,000
Globalia Mantenimiento Aeronáutico, S.L.U.	1,065	3,350	3,195	5,480
Air Europa Líneas Aéreas, S.L.U.	10,419	13,974	16,725	16,676
Halcon Monfobus Fisterra, UTE	75	120	-	300
Grupo MK Tours	-	-	334	417
Collection management facilities				
Viajes Halcón, S.A.U.	-	-	703	-
Globalia Artes Gráficas S.L.U.	-	-	68	-
	52,143	**117,944**	**60,331**	**129,873**

The following payables are secured as shown below (see note 8):

		Thousands of Euros	
		2018	2017
Spanish bank	Be Live La Ñiña Hotel	14,337	17,355
Spanish bank	Maintenance hangar	3,350	4,415
Spanish bank	Business centre and central offices in Llucmajor	7,209	8,463
Spanish bank	Be Live Orotava Hotel	5,063	6,750
Spanish bank	Be Live Palace de Muro Hotel	17,571	19,795
		47,530	**56,778**

c) Trade and other payables

Details of trade and other payables are as follows:

	Thousands of Euros	
	2018 Current	2017 Current
Unrelated parties		
Suppliers	355,287	280,472
Payables	20,791	13,664
Personnel	12,715	27,005
Taxation authorities, income tax (note 27)	1,943	1,997
Public entities, other (note 27)	56,686	73,075
Advances from customers	76,876	68,092
Total	**524,298**	**464,284**

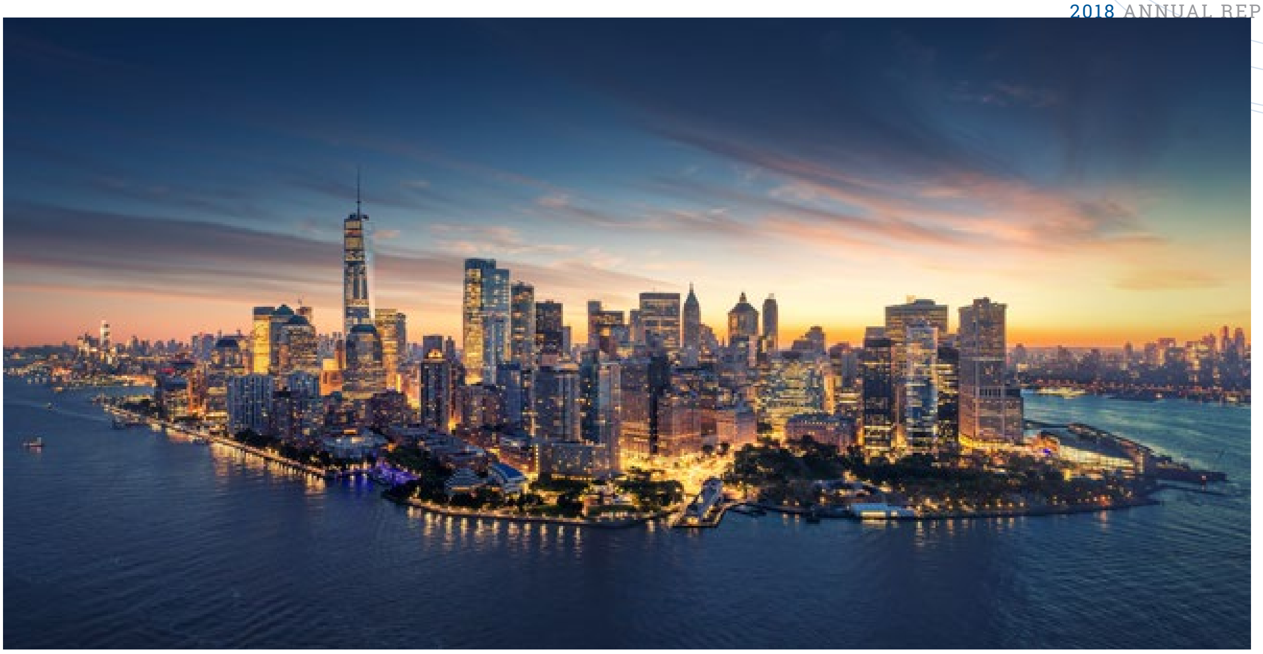
d) Classification by maturity

The classification of financial liabilities by maturity is shown in Appendix X.

e) Amounts denominated in foreign currencies

Details of financial liabilities denominated in foreign currencies are as follows:

	Thousands of Euros 2018				
	US Dollar	Mexican Peso	Dominican Peso	Other	Total
Non-current payables					
Finance lease payables	20,800	-	-	-	20,800
Other financial liabilities	1	-	510	-	511
Total non-current liabilities	20,801	-	510	-	21,311
Current payables					
Loans and borrowings	10,444	-	-	-	10,444
Finance lease payables	1,999	-	-	-	1,999
Trade and other payables					
Suppliers	111,767	622	3,025	(2,982)	112,432
Other payables	(1,750)	754	6,659	(831)	4,832
Total current liabilities	**122,460**	**1,376**	**9,684**	**(3,813)**	**129,707**
Total financial liabilities	**143,261**	**1,376**	**10,194**	**(3,813)**	**151,018**



	Thousands of Euros				
	2017				
	US Dollar	Mexican Peso	Dominican Peso	Other	Total
Non-current payables					
Finance lease payables	21,767	-	-	-	21,767
Other financial liabilities	1	-	513	-	514
Total non-current liabilities	**21,768**	**-**	**513**	**-**	**22,281**
Current payables					
Loans and borrowings	16,861	-	-	-	16,861
Finance lease payables	2,306	-	-	-	2,306
Other financial liabilities	163	-	-	-	163
Trade and other payables					
Suppliers	104,994	544	2,979	6,414	114,931
Other payables	(2,079)	11	1,107	(625)	(1,586)
Total current liabilities	**122,245**	**555**	**4,086**	**5,789**	**132,675**
Total financial liabilities	**144,013**	**555**	**4,599**	**5,789**	**154,956**

25. LATE PAYMENTS TO SUPPLIERS. "REPORTING REQUIREMENT". THIRD ADDITIONAL PROVISION OF LAW 15/2010 OF 5 JULY 2010.

Details of late payments to suppliers by Spanish consolidated companies are as follows:

	2018	2017
	Days	
Average supplier payment period	27	24
Transactions paid ratio	26	23
Transactions payable ratio	43	61
	Amount in Euros	
Total payments made	**2,860,583**	**2,985,124**
Total payments outstanding	**126,191**	**112,252**

The calculation of the average supplier payment periods includes the average balance recognised by the Company under Current suppliers and payables and Trade and other payables.

26. ACCRUALS

Details of accruals are as follows:

	Thousands of Euros	
	2018 Current	2017 Current
Income received in advance	(215,411)	(216,105)

Current accruals in the consolidated balance sheet at 31 December 2018 primarily include payments received in advance totalling Euros 211,336 thousand (Euros 210,870 thousand at 31 December 2017) derived from how Air Europa Líneas Aéreas, S.A.U. handles scheduled flight tickets sold and not used at that date.

27. TAXATION

Details of balances with public entities are as follows:

	Thousands of Euros			
	2018		2017	
	Non-current	Current	Non-current	Current
Assets				
Deferred tax assets	44,099	-	45,230	-
Current tax assets	-	19,939	-	17,509
Value added tax and similar taxes	-	422	-	-
Other	-	44,784	-	42,278
	44,099	**65,145**	**45,230**	**59,787**
Liabilities				
Deferred tax liabilities	14,157	-	19,870	-
Current tax liabilities	-	1,943	-	1,997
Value added tax and similar taxes	-	56,686	-	73,075
	14,157	**58,629**	**19,870**	**75,072**

The Group has the following main applicable taxes open to inspection by the Spanish taxation authorities:

Tax	Years open to inspection
Income tax	2014 - 2017
Value added tax	2015 - 2018
Personal income tax	2015 - 2018
Capital gains tax	2015 - 2018
Tax on Economic Activities	2015 - 2018
Social Security	2015 - 2018
Non-residents	2015 - 2018

In 2011 the tax inspection of León Activos Aeronáuticos, S.L.U. in connection with transport registration tax (Impuesto Especial sobre Determinados Medios de Transporte) was completed. The tax assessment, which proposed a settlement of Euros 893 thousand and a penalty of Euros 592 thousand, was contested. Following the decision handed down by the Economic-Administrative Tribunal, this company filed an appeal for judicial review. The Spanish National High Court's ruling received on 28 January 2016 partially upheld the company's appeal. The ruling eliminated the penalty imposed and required the taxation authorities to modify the settlement on the understanding that the tax base was calculated incorrectly. As the company disagreed with the taxation authorities' interpretation, it lodged an appeal on 11 February. These consolidated annual accounts do not include an accounting provision for this contingency as it is considered probable that the Tribunal will rule in favour of the company. The Tribunal ultimately rejected the company's arguments and an order for the enforcement of the economic-administrative decision was received on 4 September 2017. A request for a second expert appraisal has been filed in respect of this order because the company disagrees with the taxation authorities' valuation of the aircraft. On 6 August 2018 notification was received of a decision by the Balearic Islands Economic-Administrative Tribunal rejecting the ruling and as the company disagreed with this decision, an appeal was filed, which to date is pending resolution by the Central Economic-Administrative Tribunal.

Moreover, the tax prescription period for the Spanish companies that file consolidated tax returns (which are detailed below) has been interrupted due to the taxation authorities opening inspections in 2012 in connection with corporate income tax for the years 2008, 2009, 2010 and 2011. They also initiated inspections on VAT, withholdings and payments on account for personal income tax and withholdings and payments on account for capital gains tax from July 2008 until December 2011.

During 2014 contested assessments were signed of Euros 39,985 thousand with regard to tax and Euros 6,836 thousand with regard to late payment interest. As a result of the assessments signed on a contested basis, the Group companies have filed an appeal for judicial review. The ruling is still pending on this appeal. During the year ended 31 December 2014 a VAT assessment was contested in an amount of Euros 1,224 thousand with regard to tax and Euros 208 thousand with regard to late payment interest. Like the other companies, an appeal for judicial review has been filed.

In July 2016 the Group companies subject to inspection filed appeals for judicial review against the default dismissal by administrative silence of the Central Economic-Administrative Tribunal (TEAC). A decision has yet to be handed down on these appeals. The Company's directors and tax advisors consider that it is not likely that any significant liabilities would arise as a result of the above and therefore no provision has been recognised in this regard.

On 11 February 2016 Globalia Corporación Empresarial, S.A., as head of the tax group, was notified of the start of partial inspection and verification procedures for VAT from 2012 to 2015. The verification is partial as it will focus on transactions declared as exempt by Air Europa Líneas Aéreas, S.A.U. On 5 May 2016 an assessment of Euros 5,836 thousand was signed on a contested basis. On 21 November 2017 the Parent filed the corresponding economic and administrative appeal, which is pending resolution.

On the same date, 11 February 2016 Globalia Travel Club Spain, S.L.U. and Iberotours, S.A.U. were informed of the start of general inspection and verification procedures for VAT from 2012 to 2015. This inspection was completed in 2017 with the signing of settlement decision for an amount of Euros 16,894 thousand.

On 23 October 2018, notification was received of the start of a tax inspection on income tax for 2014. This inspection is partial and is limited to the verification of the effects deriving from its interest in PRODUCCIONES RAMSES, AIE in the income tax declaration. In the opinion of the Company's directors and its tax advisors, it is unlikely that any significant liabilities would arise as result of this new inspection.

Due to the treatment permitted by fiscal legislation of certain transactions, additional tax contingencies could arise as a result of the inspection. In any event, the directors of the Parent consider that any such contingencies that could arise would not have a significant effect on the consolidated annual accounts.

a) Income tax

The Group files consolidated tax returns with the companies indicated in note 4 (t).
A reconciliation of net income and expenses for the year with the taxable income/tax loss is provided in Appendix XII.

Details of the consolidated tax expense/tax income and consolidated accounting profit/loss for the year is shown in Appendix XIII.

Details of the tax expense/(tax income) in the consolidated income statement are as follows:

	Thousands of Euros	
	2018	2017
Current income tax		
Present year	19,222	1,414
Foreign tax	201	2,799
Taxes derived from tax inspection	-	1,059
	19,423	**5,272**
Deferred tax		
Source and reversal of temporary differences	2,291	(5,858)
	21,714	(586)

Details of deferred tax assets and liabilities by type of asset and liability are as follows:

	Thousands of Euros			
	Assets		Liabilities	
	2018	2017	2018	2017
Accelerated depreciation and amortization and leases	1,126	898	(5,956)	(6,825)
Fixed assets Depreciation deductibility limit	1,302	1,506	-	-
Financial hedging instruments	10,306	2,827	(4,451)	-
Tax loss carryforwards	6,313	11,964	-	-
Unused deductions	2,534	6,912	-	-
Provisions and other	22,518	21,123	(3,750)	(13,045)
Net assets and liabilities	**44,099**	**45,230**	**(14,157)**	**(19,870)**

The Group has unused tax loss carryforwards from individual companies before they joined the consolidated tax group, the amounts of which are as follows:

Year	Thousands of Euros	
	2018	2017
2000	109	109
2002	616	1,428
2003	1,437	1,437
2004	494	494
2005	1,200	1,200
2006	1,540	1,540
2007	674	674
2008	91	91
2009	522	522
2010	309	309
2011	2,696	2,696
2012	2,771	2,771
2013	4,930	4,930
2014	628	628
2015	1,456	1,456
	19,473	**20,285**

Capitalized tax loss carryforwards amount to Euros 4,868 thousand (Euros 5,066 thousand at 31 December 2017). The Group also capitalized the entire amount of tax loss carryforwards calculated for 2012 for the consolidated tax group in Spain. Unused tax loss carryforwards capitalized at 31 December 2018 amount to Euros 851 thousand (Euros 6,898 thousand at 31 December 2017). The Group has capitalized individual taxable income during the year in an amount of Euros 594 thousand.

The deductions to be offset were mostly generated in 2003, 2015, 2016 and 2017. At 31 December 2018 an amount of Euros 2,534 thousand still has to be offset, which is capitalized under assets in the consolidated balance sheet (Euros 6,912 thousand at 31 December 2017).

In 2003-2004, the Parent (Globalia Corporación Empresarial, S.A.) and its subsidiaries Travelplán, S.A.U., Air Europa Líneas Aéreas, S.A.U. and Viajes Halcón, S.A.U. made outlays for advertising and marketing covering a period of several years as part of the activity plans and programmes approved by the Jacobean Council to celebrate the 2004 Jubilee Year, giving rise to and applying the following income tax deductions for that year:

Globalia Corporación Empresarial, S.A
Euros 150 thousand

Air Europa Líneas Aéreas, S.A.U.
Euros 111 thousand

Viajes Halcón, S.A.U.
Euros 1,522 thousand

Travelplán, S.A.U.
Euros 577 thousand

In July 2005, the taxation authorities, through the central tax management department for large businesses (Unidad Central de Gestión de Grandes Empresas), notified the above companies that, among other things, they had been refused the right to apply the deduction set forth in section of Two 1 (c) of the second additional provision of Law 53/2002 to advertising and marketing expenses for the period from 1 November 2003 to 31 October 2004, on the grounds that the application for recognition of the tax benefit had been submitted after the deadline.

As they were not in agreement with the tenor of these rulings, the companies filed administrative appeals which were dismissed, first by the National Inspection Office and subsequently by the TEAC, forcing the entities to file appeals for judicial review in order to have their rights recognised. These were heard and favourable rulings dated 15 July 2010, 7 October 2010 and 28 October 2010 were handed down by the Judicial Review Chamber (second section) of the Spanish High Court.

Specifically, in every case, the Spanish High Court overruled the contested TEAC decisions, allowing the parties to be reimbursed for excess amounts paid, together with the corresponding late payment interest.

The amount pending collection on this account including late payment interest at 31 December 2018 was Euros 4,085 thousand (Euros 3,908 thousand at 31 December 2017), presented under current tax assets in the consolidated balance sheet.

b) Value added tax

Most transactions by the Retail and Wholesale divisions are subject to the special VAT regime governing travel agencies. In accordance with accounting regulations, the Company applies the following criteria with respect to the aforementioned special regime:

i) Input VAT on acquisitions of goods and services as a part of transactions subject to the special regime increases the amount of goods and services acquired.

ii) Output VAT on transactions included in the special regime is recognised together with income from the transaction.

iii) The VAT amount settled in accordance with the special regime, that is, the VAT for which the taxable base is the Parent's gross margin, is deducted from recorded income.

The Parent files consolidated VAT returns with other companies belonging to the Globalia business group. This tax group, which is headed by Globalia Corporación Empresarial, S.A. as the Parent, also includes the following subsidiaries: Air Europa Líneas Aéreas, S.A.U.; Viajes Halcón, S.A.U.; Globalia Business Travel, S.A.U.; Globalia Formación, S.L.U.; Globalia Autocares, S.A.; Globalia Broker Services, S.A.U.; Globalia Activos Inmobiliarios, S.A.U.; Globalia Sistemas y Comunicaciones, S.L.U.; Globalia Call Center, S.A.U.; Globalia Handling, S.A.U.; Globalia Artes Gráficas, S.L.U.; Globalia Hotel Palace de Muro, S.L.U.; Iberrail Spanish Railroads, S.A.U.; Groundforce Cargo, S.L.U.; Globalia Servicios Corporativos, S.L.U.; Viajes Ecuador, S.A.U.; Welcome Incoming Services, S.L.U.; Globalia Gestión Seguros, S.L.U.; Globalia Trading Services, S.L.U.; Air Europa Suma Miles, S.L.U.; Globalia Autocares Levante, S.L.; Geomoon, S.L.; Globalia Hotel Talavera, S.A.U.; Globalia Corporate Travel, S.L.U.; Globalia Travelling, S.L.U.; Leon Activos Aeronáuticos, S.L.U.; Aeronova, S.L.U.; Halcon Online Services, S.A.U.; Techite Inversiones 2012, S.L.U.; Iberotours, S.A.U.; Media & Design, S.A.U.; Mundaka Corporación Hotelera, S.L.U.; Punta Cana Inversiones Exteriores, S.L.; Zarek Investments 2017, S.L.U.; Cloverdale Spain, S.L.U.

28. ENVIRONMENTAL INFORMATION

Aware of the importance of the environment in sustainable development, in January 2006 Air Europa Líneas Aéreas, S.A.U. became the first Spanish airline to receive the ISO 14001 Environmental Management Systems certificate. In 2012 it reaffirmed its commitment to the environment by registering with EMAS (Eco-Management and Audit Scheme). The Environmental Declaration is published on the website www.aireuropa.com.

The main aim of this system is to minimize the environmental impact of all activities, focusing on a decrease in the consumption of natural resources, correct waste management and the optimization of procedures to reduce both noise and CO2 emissions.

Reducing air pollution as much as possible is a priority for Air Europa Líneas Aéreas, S.A.U., as evidenced, among other actions, by the effort and major commitment the Company has demonstrated by purchasing the most modern aircraft, which unquestionably results in a more efficient use of fuel.

The main aim of the Environmental Management System is to implement the Company's Environmental Policy, ensuring its compliance with prevailing environmental legislation, managing environmental aspects, controlling indicators and fulfilling the objectives proposed through continuous improvement.

The Company has approved procedures in place to guarantee compliance with the requirements established in Commission Decisions 2007/589/EC of 18 July 2007 and 2009/339/EC of 16 April 2009, which establish the guidelines for the monitoring and reporting of greenhouse gas emissions, and are in line with Law 1/2005 of 9 March 2005, which regulates the scheme for greenhouse gas emission allowance trading. Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003, establishing a scheme for greenhouse gas emission allowance trading in the European Union, was transposed to the Spanish legal system in Law 1/2005. Law 13/2010 of 5 July 2010 amends Law 1/2005 of 9 March 2005, perfecting and expanding the greenhouse gas emission allowance trading scheme and including the aviation industry in this scheme as a result of the publication of Directive 2008/101/EC of 19 November 2008. It also complies with the requirements of EMAS Regulation (EC) No.1221/2009 and, therefore, its Environmental Declaration is audited on an annual basis.

29. RELATED PARTY BALANCES AND TRANSACTIONS

a) Related party balances

Details of balances by category are as follows:

	Thousands of Euros 2018 Other related parties	Total
Trade and other receivables		
Trade receivables – current	2,469	2,469
Current investments		
Loans to companies	(6)	(6)
Total current assets	**2,463**	**2,463**
Total assets	**2,463**	**2,463**
Trade and other payables		
Suppliers	(897)	(897)
Total current liabilities	**(897)**	**(897)**
Total liabilities	**(897)**	**(897)**

	Thousands of Euros 2017 Other related parties	Total
Trade and other receivables		
Trade receivables – current	4,080	4,080
Total current assets	**4,080**	**4,080**
Total assets	**4,080**	**4,080**
Trade and other payables		
Suppliers	(39)	(39)
Total current liabilities	**(39)**	**(39)**
Total liabilities	**(39)**	**(39)**

b) Group transactions with related parties

The Group's transactions with related parties are as follows:

	Thousands of Euros 2018			
	Directors	Senior management personnel	Other related parties	Total
Net sales				
Sales	-	-	723	723
Total income	**-**	**-**	**723**	**723**
Expenses				
Supplies	-	-	(287)	(287)
Operating lease expenses	-	-	(1,210)	(1,210)
Other expenses	-	-	(6,021)	(6,021)
Personnel expenses				
Salaries	(5,211)	(1,409)	-	(6,620)
Allowances	(194)	-	-	(194)
Total expenses	**(5,405)**	**(1,409)**	**(7,518)**	**(14,332)**

	Thousands of Euros 2017			
	Directors	Senior management personnel	Other related parties	Total
Net sales				
Sales	-	-	3,057	3,057
Total income	**-**	**-**	**3,057**	**3,057**
Expenses				
Operating lease expenses	-	-	(9,554)	(9,554)
Other expenses	-	-	(3,999)	(3,999)
Personnel expenses				
Salaries	(5,947)	(2,384)	-	(8,331)
Allowances	(300)	-	-	(300)
Total expenses	**(6,247)**	**(2,384)**	**(13,553)**	**(22,184)**

Operating lease expenses reflect hotel operating lease expenses and advisory fees for Caribbean hotel properties operated by the Group for companies related to the Parent's majority shareholder.

Transactions with related parties are carried out at arm's length.

c) Information on the Company's directors and senior management personnel

In 2018 and 2017 the directors and senior management received the remuneration shown in the above table. The directors have not received any loans or advances, nor has the Group extended any guarantees on their behalf. The Group has no pension or life insurance obligations with the Company's former or current directors or senior management personnel.

The Group has paid an annual public liability insurance premium of Euros 27 thousand (Euros 35 thousand in 2017) for directors and senior management.

In the years ended 31 December 2018 and 2017 the directors have not carried out any transactions other than ordinary business with the Parent or other Group companies or applying terms that differ from market conditions.

d) Conflicts of interest of the directors of the Parent and their related parties in other companies

The situations of conflict of interest of the Parent's directors are detailed in Appendix XV, which forms an integral part of this note to the consolidated annual accounts.

30. INCOME AND EXPENSE

a) Revenues

Details of revenues by category of activity and geographical market are shown in Appendix XIV.

b) Supplies

Details of merchandise, raw materials and other supplies used are as follows:

	Thousands of Euros	
	2018	2017
Merchandise used		
Domestic purchases	1,867	1,990
Raw materials and other supplies used		
Domestic and other purchases	1,693,817	1,652,910
	1,695,684	**1,654,900**

c) Employee benefits expense and provisions

Details of employee benefits expense and provisions are as follows:

	Thousands of Euros	
	2018	2017
Employee benefits expense		
Social Security and other benefits	133,803	138,234
	133,803	**138,234**

d) Gains/losses on disposal of fixed assets

Details of gains and losses on the disposal of fixed assets are as follows:

	Thousands of Euros	
	2018	2017
Gains		
Sale of aircraft	-	2,337
Losses		
Property, plant and equipment	404	(970)
	(404)	**1,367**

e) Other income and expenses

Details of other income/expenses are as follows:

	Thousands of Euros	
	2018	2017
Expenses		
Penalties, fines and other	(6,823)	(2,700)
Income		
Adjustments of balances/sale of Latitudes business	3,945	4,942
	(2,879)	**2,241**

f) Foreign currency transactions

Details of income and expenses denominated in foreign currencies are as follows:

	Thousands of Euros	
	2018	2017
Income		
Net sales	740,543	704,713
Other services rendered	1,404	1,835
Expenses		
Net purchases	(504,603)	(474,582)
Operating lease expenses	(242,616)	(249,357)
Personnel expenses	(16,287)	(18,024)
Other services received	(266,599)	(264,664)
	(288,158)	**(300,079)**

31. EMPLOYEE INFORMATION

The average headcount of the Group in 2018 and 2017, distributed by category, is as follows.

	Number	
	2018	2017
Consolidated companies		
Management	155	149
Middle management	249	202
Hotel personnel	1,819	2,418
Ground handling personnel	3,888	3,826
Travel agency personnel	1,665	1,862
Pilots	691	670
Flight attendants	1,773	1,768
Mechanics	449	433
Drivers	112	125
Other	109	96
IT programmers	129	135
Administration	297	301
Other office personnel	1,508	1,562
Call centre operators	578	406
	13,422	13,953

At year end the distribution by gender of personnel is as follows:

	Number	
	2018	2017
Consolidated companies		
Male	7,928	7,744
Female	7,107	7,010
	15,035	**14,754**

The distribution by gender of the Parent's directors is three men and two women.

The average number of Group employees with a disability rating of 33% or higher (or equivalent local rating) in 2018 and 2017, distributed by category, is as follows:

	Number	
	2018	2017
Consolidated companies		
Administrative staff	102	87
	102	**87**

32. AUDIT FEES

The auditors of the annual accounts of the Group have accrued the following fees and expenses for professional services during 2018 and 2017:

	Thousands of Euros	
	2018	2017
Audit services	385	365
Other audit services	49	34
Other tax and sundry services	-	19
	434	**418**

Other affiliates of KPMG International invoiced the Group the following fees for professional services during 2018 and 2017:

	Thousands of Euros	
	2018	2017
Audit services	12	61

Other auditors invoiced the Group the following fees and expenses for professional services during 2018 and 2017:

	Thousands of Euros	
	2018	2017
Audit services	56	75

33. OTHER CONTINGENCIES

In 2015 the Group company Air Europa Líneas Aéreas, S.A.U. was notified of the resolution regarding the repayment in relation to the settlement of tariff deductions applied to air transport for residents in non-mainland Spain from January 2009 to September 2014. Despite having paid the amount to the Directorate General of Civil Aviation (DGAC), the company has filed an appeal as Group management considers that very restrictive assumptions have been used regarding the possibility of applying these deductions to calculate the amount repayable.

In 2015 legal proceedings commenced involving the Parent and various Globalia Group companies in respect of the possible incorrect application of the tariff deductions for scheduled air transport services for residents in the autonomous regions of the Canary Islands, Balearic Islands, Ceuta and Melilla. On 14 February 2017 the Central Criminal Court of the Spanish High Court found Globalia Servicios Corporativos, S.L.U. guilty of incorrectly applying the tariff deductions and ordered the company to pay a fine of Euros 7,672 thousand.

Following this judgment and the rulings of the regulators in 2015, the directors of the Parent consider all contingencies relating to grants received for tariff reductions for scheduled air transport services for residents in the autonomous regions of the Canary Islands, Balearic Islands, Ceuta and Melilla to be resolved and they consider that no additional liabilities or any other measure will arise that could affect the Group's operations. In October 2017 a decision was received from the Spanish Ministry of Public Works and Transport's Directorate-General for Civil Aviation regarding discounts on scheduled flights for residents of the Canary Islands, Balearic Islands, Ceuta and Melilla for 2019 and 2010. The Group has filed a contentious-administrative appeal, although the directors do not expect that any additional liabilities will arise.

The Company has various legal proceedings underway with employees. However, the Company's advisors do not consider it likely that any liabilities will arise other than those recognised in the consolidated annual accounts for the year.

DIRECTOR'S REPORT

1. INTRODUCTION

1.1 The global economy

Global expansion continues at a more moderate rate compared to recent years. This restrained global activity can be explained by various factors: gradual restriction of global financial conditions, greater wariness due to trade tensions and uncertainty over the slowdown in the Chinese economy. Along the same lines, the IMF revised its 2019 global economic growth projections downwards slightly. The IMF reported that escalating trade tensions continue to be a source of risk, although the 90-day truce between the USA and China over the introduction of new customs tariffs and the reasonably positive tone of subsequent negotiations have appeased concerns regarding a trade war.

The uncertainty surrounding Brexit persists. The UK government's Brexit agreement with the EU was rejected by a large majority in the House of Commons. In this context, it is increasingly likely that the UK will request an extension to the negotiations beyond the Brexit date (29 March), thus opening up the possibility of a wide range of alternatives, though the most probable scenario continues to be to avoid leaving the EU without a deal. Activity in the USA continues to be robust, although there are indications of a moderation in growth reflecting the maturity of the economic cycle in the country. Furthermore, uncertainty over trade tensions and the partial shutdown of the US Federal Administration for almost the whole of January (the longest shutdown on record) could have started to cripple economic growth.

China ended 2018 with confirmation of a downturn in its economy. Although official figures continue to show a gradual economic deceleration, as a result of the shift of its economy towards the services sector, alternative activity indexes suggest that the slowdown in growth could be more significant than according to official data, and could have been affected by trade tensions with the USA and the tariffs on Chinese imports imposed by the US Administration (which have started to significantly affect the Chinese export sector). Looking forward to 2019, we expect that the downturn will continue, albeit gradually, due to new measures being introduced by the Chinese government to stimulate growth, together with increased investment in infrastructures.

1.2 Eurozone

Growth continues at a more moderate rate, as suggested by the most recent activity indicators. This restrained global activity in recent months can be explained by a combination of the aforementioned factors, in addition to those of the economies forming part of the Eurozone. We expect these factors to remain in the coming quarters, thus endorsing a more moderate growth scenario for 2019.

Activity in the Eurozone progresses at a lower rate. Eurozone GDP reported growth of 0.2% in the last quarter of the year, added to the gradual slump in growth of recent quarters. For 2018 as a whole, the economy expanded by 1.8%, albeit far removed from the exceptional growth reported in 2017 (2.5%). This partly reflects a less favourable international scenario, the presence of temporary obstacles which are being more persistent than expected (such as the car industry's slow adaptation to new EU emission regulations) and the economic cycle's entry into a more mature phase (it is estimated that the Eurozone closed its output gap in 2018).

Nevertheless, domestic demand remains solid, backed by accommodating financial conditions and the healthy state of the labour market. Looking ahead to the coming quarters, the Eurozone economy is expected to continue progressing, albeit at a moderate rate and more in line with its potential.

1.3 Spanish economy

The Spanish economy has shown very gradual growth. Year-end GDP was at a healthy level, with 0.7% quarter-on-quarter growth in Q4. For the whole of 2018 the Spanish economy grew by 2.5% (3.0% in 2017) which, as predicted by analysts, confirmed the gradual downturn in activity towards more sustainable growth rates. By components, internal demand represented the mainstay of growth and offset the net negative contribution of the foreign sector, dragged down by a deteriorating international scenario due to trade tensions between the USA and China and uncertainties in Europe.

For 2019 we expect that activity will continue to grow at a more moderate rate than in recent years, but at higher rates than those of the majority of Eurozone countries. Activity will be supported by robust growth in employment and more accommodating financial conditions in the Eurozone, which will continue to drive consumption and investment. However, the persistence of a less favourable foreign scenario, surrounded by geopolitical and macro financial uncertainties, suggests that external demand will continue to make a very limited net contribution to growth.

Activity indicators are giving mixed signals. On the one hand, different indicators portray the lower dynamics of the industry, due to the negative performance of the energy sector (highly volatile) and car industry, the latter being affected by the new EU emission regulations and the climate of trade tensions. On the contrary, indicators in the services sector are favourable, with growth in turnover and a services PMI in December remaining at a comfortable 54.0 points for the third consecutive month.

The labour market closed 2018 with significant impetus. According to data from the Active Population Survey (EPA), the number of employed individuals increased by 566,000 in Q4 (accumulated from four quarters), a similar figure to the rise in individuals registered with the Social Security in the same period (564,000). Therefore, the job creation rate according to the EPA rose to a year-on-year 3% in Q4 2018 after various quarters of slight deceleration, partly due to the turnaround from the creation of public employment, which rose by 4.4% year-on-year. Unemployment fell sharply in 2018, reaching 14.4% in Q4 2018 (a decline of 2.1 p.p. over the last four quarters). The healthy state of the labour market is expected to continue in 2019, albeit with less intensity after an exceptionally buoyant year, in line with the expected slowdown in Spanish economic growth.

Inflation moderated due to the price of energy. In January, general inflation slowed to 1.0%, 0.2 p.p. less than in December, which, pending the breakdown by components, the Spanish National Statistics Institute (INE) attributes to the decline in the price of gas and the decrease in fuel prices. The decline in January continues the trend of the prior month, for which details by component are already available and in which inflation dropped by 0.5% to 1.2%, while underlying inflation remained at 0.9%. Thus, average inflation for 2018 was 1.7% and underlying inflation 0.9%.

The foreign trade surplus is losing momentum. In November, the current account balance remained positive, but fell to 0.9% of GDP (accumulated 12 months). The erosion of the last 12 months occurred against a more challenging foreign backdrop, with an overall deterioration in the balance of goods and a lower services surplus.

Specifically, the goods trade deficit amounted to 2.7% of GDP (accumulated from 12 months), with the drop largely attributable to the balance of non-energy goods, and in particular, the contrast between the slowdown of non-energy exports (2.5% year-on-year in November compared to 3.2% in October, with accumulated 12-month data) and the strength of imports (4.0% in November and 4.1% in October). The services trade

surplus steadied due to the lower dynamism of exports of non-tourism services and the rise in imports of tourism services. Over the coming months, the less favourable foreign environment and imports driven by domestic demand will probably continue to erode the current account balance, although the decline in the price of oil at the end of 2018 could offer some relief.

2. INTERNATIONAL SCENARIO IN WHICH THE GROUP HAS CARRIED OUT ITS ACTIVITY

2.1 Euro-Dollar exchange rates

The impact of fluctuations in the Euro-US Dollar exchange rate is highly significant for the Group, as almost all of its aircraft lease costs and engine and spare part expenses are denominated in US Dollars, as well as the costs of insurance and jet fuel. The average Euro-Dollar exchange rates for the past six years were as follows.

Year	US Dollar-Euro
2014	1.349
2014 (Nov-Dec)	1.240
2015	1.110
2016	1.103
2017	1.137
2018	**1.179**

The average monthly exchange rates during this period compared to the two previous periods were as follows:

	US Dollar-Euro		
	2018	2017	2016
January	1.246	1.076	1.092
February	1.221	1.060	1.088
March	1.232	1.069	1.138
April	1.208	1.093	1.140
May	1.170	1.122	1.115
June	1.166	1.141	1.110
July	1.174	1.173	1.111
August	1.165	1.183	1.113
September	1.158	1.181	1.116
October	1.132	1.164	1.094
November	1.136	1.185	1.063
December	1.145	1.199	1.054
Average for the year	**1.179**	**1.137**	**1.103**

On average, the US Dollar has devalued by 3.7% against the Euro in 2018 in comparison to the prior year.

2.2 Jet fuel prices

Average basic jet fuel prices (CIF Northwest Europe Cargoes market) for the past six years have been as follows:

Year	US Dollar/tonne
2014	956.26
2014 (Nov-Dec)	710.65
2015	527.16
2016	425.00
2017	527.58
2018	**685.53**

Variations in average monthly basic jet fuel prices during 2018 compared to the prior two years are as follows:

	US Dollar/tonne		
	Year 2018	Year 2017	Year 2016
January	656.86	520.77	314.14
February	642.39	526.40	331.94
March	641.71	493.83	378.25
April	693.09	510.24	398.25
May	728.99	485.57	444.59
June	702.80	457.93	467.14
July	703.42	486.57	433.50
August	697.41	517.51	433.72
September	731.00	555.50	442.97
October	766.14	557.60	486.35
November	668.96	606.25	455.91
December	593.56	612.76	513.31
Average for the year	**685.53**	**527.58**	**425.00**

Average basic prices of jet fuel in 2018 have risen by 30% compared to the prior year.

3. GROUP BUSINESS PERFORMANCE DURING THE YEAR

3.1 Air division

The average number of aircraft in service during the year compared to the two prior years is as follows:

	Average number of aircraft		
	2018	2017	2016
Embraer 195	11.00	11.00	11.00
Boeing 737 - 800	20.25	20.60	20.93
Boeing 787-8	8.00	7.05	1.66
Boeing 787-9	1.66	-	-
Airbus 330-200	10.00	11.04	12.00
Airbus 330-300	2.00	2.46	4.56
ATR	5.03	1.56	1.13
	57.94	**53.71**	**51.28**

The Group continues to invest in a modern and efficient fleet of aircraft, improving the service to our customers and the airline's operating capacity.

The flight hours clocked up by Air Europa Líneas Aéreas, S.A.U. in 2018 compared to the two previous years were as follows:

Fleet	*Flight hours*		
	2018	2017	2016
Embraer 195	34,625	31,563	31,705
Boeing 737-800	69,017	67,536	73,368
Boeing 787-8	39,236	40,098	9,164
Boeing 787-9	8,717	-	-
Airbus 330-200/300	58,233	56,653	77,758
ATR	11,547	3,279	2,032
	221,374	**199,129**	**194,027**
Flights for other airlines	12,686	13,014	16,369
Total	**234,060**	**212,143**	**210,396**

The total number of passengers (charter and scheduled flights) carried by the Group's Air Division over the past six years is as follows:

Year	Number of passengers carried
2014	9,586,044
2014 (Nov-Dec)	1,463,023
2015	10,221,104
2016	10,679,045
2017	10,596,881
2018	**11,839,366**

Below we list the number of seats for sale, the number of passengers carried and the resulting load factor for scheduled flights during the year ended 31 December 2018 compared with the two prior years:

Year/Market	AKO'000	PKT000	% Load Factor
Balearic Islands	1,041,805	798,956	76.7%
Canary Islands	3,462,447	2,817,826	81.4%
Domestic	1,026,433	801,358	78.1%
International	22,767,605	19,315,282	84.8%
TOTAL 2016	**28,298,290**	**23,733,422**	**83.9%**
Percentage variation	*6.1%*	*5.9%*	*-0.2%*
Domestic	5,015,013	3,950,317	78.8%
Europe	4,591,456	3,898,622	84.9%
International	21,059,660	17,435,627	82.8%
TOTAL 2017	**30,666,128**	**25,284,566**	**82.5%**
Percentage variation	*8.4%*	*6.5%*	*-1.7%*
Domestic	5,078,133	4,017,746	79.1%
Europe	6,686,018	5,445,846	81.5%
International	22,661,740	19,112,604	84.3%
TOTAL 2018	**34,425,891**	**28,576,195**	**83.0%**
Percentage variation	*12.3%*	*13.0%*	*0.6%*

The number of employees of the Air Division over the past six years, not including personnel corresponding to the Group's airport handling concessions, was as follows:

	Average headcount					
	2018	2017	2016	2015	2014 (Nov-Dec)	2014
Direct employees	2,749	2,693	2,527	1,914	2,194	2,043
Indirect employees	1,066	966	886	800	784	749
	3,815	3,659	3,413	2,714	2,978	2,791
Own ground handling division	57	58	62	266	271	277
Total	**3,872**	**3,717**	**3,475**	**2,980**	**3,249**	**3,068**

3.2 Wholesale division

The Wholesale Division felt the effects of the slump in Spain's domestic consumer spending, as a result of the serious economic crisis suffered by families and companies. However, the recovery of sales has consolidated in 2018, a trend started in the prior year. The Division has continued with its drive to consolidate traditional areas of the tour operator market, concentrating particularly on the launch of new middle- and long-distance destinations in conjunction with the Group's Air Division, with a view to strengthening its position in those market segments.

The Division has made considerable advances in and consolidated its ecommerce B2B business in recent years, via the incorporation of new technologies developed by the Group's systems department. Particularly noteworthy is the new online sales system linked to the Group's operating system, the implementation of which has facilitated and increased the agility and effectiveness of its reservations management system, and permitted interconnection with the different Group and external retail networks. As a result, approximately 90% of retail network bookings are made automatically via this channel, with no need for any telephone contact or other communication.

The number of passengers carried by the Division this year and in the five prior years is as follows:

Year	Passengers
2014	531,411
2014 (Nov-Dec)	39,886
2015	570,812
2016	505,767
2017	496,090
2018	**457,569**

The preceding passenger figures do not include customers of the Division's incoming area.

Aggregate revenues of the Wholesale Division over the last six years are as follows:

Year	Millions of Euros
2014	591
2014 (Nov-Dec)	51
2015	689
2016	650
2017	624
2018	**595**

3.3 Incoming Division

The Globalia Group Incoming Division was set up in November 2010 under the “Welcome Incoming Services” brand, and its economic activity centres mainly on the provision of excursions and transfer services, hotel reservations and car hire. Its main supplier is the Globalia Group Wholesale Division.

The second phase of its implementation saw the introduction of an online hotel accommodation sales platform, “WELCOMEBEDS”, which provides services to third parties, travel agencies and tour operators with no geographic restrictions, but with a focus on markets where our incoming operations have a physical presence.

The average number of employees in this Division since 2014 is as follows:

Year	Average Headcount
2014	211
2014 (Nov-Dec)	216
2015	238
2016	226
2017	149
2018	**144**

3.4 Retail division

The Retail Division has continued to adapt to the market, reducing the number of own offices open to the public by closing those that were not contributing positively to the Group's consolidated income statement. On the other hand, the Division has continued with the office franchising process. Furthermore, in 2018 Globalia Corporate Travel was set up as a corporate travel agency through the spin-off of a part of the business that Viajes Halcón had on its operating account.

The Division has continued to promote its technological B2C business line, under the halconviajes.com, viajesecuador.com and tubillete.com brands, assigning new technical and human resources to this priority development area. The high level of technological development and internal control in the Division, the strength of its brands and the maturity of its professional teams are all cause for confidence in the future attainment of its business objectives.

The number of offices (both own offices and franchises) operating at the end of each of the last three years is as follows:

Year	Viajes Halcón, S.A.	Grupo Viajes Ecuador	Halcon Viagens e Turismo, Lda	Globalia Corporate Travel	Total
2016	645	196	62	-	903
2017	632	179	-	-	811
2018	**605**	**165**	**-**	**67**	**837**

Revenue in the Travel Agency Division over the last six years has been as follows:

	Millions of Euros					
Year	Viajes Halcón, S.A.	Grupo Viajes Ecuador	Halcon Viagens e Turismo, Lda	Viajes Tu Billete, S.L.	Globalia Corporate Travel	Total
2014	917	142	34	49	-	1,142
2014 (Nov-Dec)	115	14	3	7	-	139
2015	977	136	35	50	-	1,198
2016	1,000	132	36	43	-	1,211
2017	991	129	-	33	-	1,153
2018	**650**	**122**	**-**	**19**	**303**	**1,094**

The average number of employees of the main company in the Retail Division, Viajes Halcón, S.A.U. over the last six years is as follows:

Year	Average number of employees	% increase
2014	1,507	-18%
2014 (Nov-Dec)	1,554	3%
2015	1,637	5%
2016	1,691	3%
2017	1,651	-2%
2018	1,252	-24%

3.5 Hotel division

The number of rooms and hotels operated by the Division compared with the end of the previous year is as follows:

	Spain Mediterranean		Dominican Republic		Cuba		Mexico	TOTAL	
	2018	2017	2018	2017	2018	2017	2018	2018	2017
Rooms	4.524	4.365	3.081	3.081	1.502	949	635	9.742	8.395
Hotels	18	18	6	6	7	4	1	32	28

The hotels currently operated have had high occupancy rates and high average prices.

Group management implemented measures in previous years to strengthen its hotel management system and support the Divisional sales team. In 2018, the Group's focus on Cancun as a tourist destination materialised with the refurbishment and opening of the Melody Maker hotel.

3.6 Handling division

In 2018, the Group continued with its policy of consolidating the Handling division, having obtained almost full coverage of operations at Spanish airports since 1997. The Division's handling operating hubs in Spain are as follows:

Alicante (Groundforce)
Barcelona (Groundforce)
Bilbao (Groundforce)
Fuerteventura (Groundforce)
Ibiza (Groundforce)
La Coruña (autohandling)
Las Palmas (Groundforce)
Madrid (Groundforce)
Málaga (Groundforce)
Mahón (autohandling)
Melilla (autohandling)
Palma de Mallorca (Groundforce)
Tenerife Norte (Groundforce)
Valencia (Groundforce)
Zaragoza (Groundforce)

Over the last six years, the level of autonomy of the Air Division with respect to Handling services has developed as follows:

Year	% Handling operations carried out in Spanish airports by the Group's own Handling Division	Total number of handling operations carried out by the own Handling Division
2014	91.26%	55,279
2014 (Nov-Dec)	91.53%	8,850
2015	90.26%	59,630
2016	93.31%	63,099
2017	93.61%	61,169
2018	91.97%	71,600

Apart from Air Europa, Groundforce clients include leading airlines.

4. CONSOLIDATED PROFIT FOR THE YEAR AND CONCLUSIONS

The Group's consolidated revenue totalled Euros 3,830 million for the year ended 31 December 2018, compared to Euros 3,667 million obtained in the prior year.

Consolidated profit after tax amounted to Euros 50.1 million for 2018, compared to profit of Euros 16.5 million in the previous year.

5. RISK MANAGEMENT

The Group's activities are exposed to various financial risks: market risk, credit risk, liquidity risk, and cash flow interest rate risk. The Group's global risk management programme focuses on uncertainty in the financial markets and aims to minimise potential adverse effects on its profits.

The Globalia Group implements its risk management policy as a whole, which can be summarised as follows:

1- Market risk. The Group has diversified market risk by increasing its international presence, thereby reducing the impact of domestic demand on its business.

2- Risks arising from exchange rate fluctuations. Risks arising from exchange rate fluctuations are hedged through the hedging contracts the Company has with its subsidiaries.

3- Risks arising from variations in fuel prices. The Group has a hedging policy for fluctuations in fuel prices, to hedge the price of part of the fuel consumed by its aircraft, which is managed by Group Management.

4- Liquidity risks. Globalia is an integrated transport, travel and tourism group with a number of lines of business (air transport, tour operators and travel agents, passenger ground handling service, hospitality, etc.). The Parent, as the head of the Group, manages all of the cash generated by Group companies to cover potential liquidity risks resulting from the various business cycles of the entities forming part of the Group.

6. OTHER

The Group does not hold own shares or equity holdings or shares in the Parent. No research or development activity was conducted during the year ended 31 December 2018, although certain Group companies have undertaken technological innovation projects. No events have taken place after the end of the reporting period which have not been mentioned in the attached notes which could have a significant effect on the annual accounts for the year ended 31 December 2018.

The non-financial information statement is presented as an Appendix to this consolidated directors' report.

APPENDIX 1

Globalia Corporación Empresarial, S.A. and Subsidiaries

DETAILS OF INVESTMENTS IN SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2018 (THOUSANDS OF EUROS)

					Investment		
NAME	REGISTERED OFFICE	ACTIVITY	AUDITOR	GROUP COMPANY HOLDING THE INVESTMENT	% OWNERSHIP	% EFFECTIVE INTEREST OF THE GROUP	THOUSANDS OF EUROS
Air Europa Líneas Aéreas, S.A.U.	Llucmajor (Spain)	Airline company	KPMG	Globalia Corporación Empresarial, S.A.	100	100	18,260
Globalia Business Travel, S.A.U.	Llucmajor (Spain)	Tour operator	KPMG	Globalia Corporación Empresarial, S.A.	100	100	4,546
Globalia Handling, S.A.U.	Llucmajor (Spain)	Ground handling services	KPMG	Globalia Corporación Empresarial, S.A.	100	100	13,200
Viajes Halcón, S.A.U.	Llucmajor (Spain)	Travel agency	KPMG	Globalia Corporación Empresarial, S.A.	100	100	30,520
Be Live Hotels, S.L.U.	Llucmajor (Spain)	Hotel management	KPMG	Globalia Corporación Empresarial, S.A.	100	100	234,702
Globalia Lease Finance, Limited (1)	Dublin (Ireland)	Aircraft owner	KPMG	Globalia Corporación Empresarial, S.A.	100	100	
Globalia Lease Finance Two, Limited (1)	Dublin (Ireland)	Aircraft owner	KPMG	Globalia Corporación Empresarial, S.A.	100	100	
Globalia Lease Finance Three, Limited (1)	Dublin (Ireland)	Aircraft owner	KPMG	Globalia Corporación Empresarial, S.A.	100	100	
Globalia Lease Finance Four, Limited (1)	Dublin (Ireland)	Aircraft owner	KPMG	Globalia Corporación Empresarial, S.A.	100	100	
Globalia Lease Finance Five, Limited (1)	Dublin (Ireland)	Aircraft owner	KPMG	Globalia Corporación Empresarial, S.A.	100	100	
Globalia Lease Finance Six, Limited (1)	Dublin (Ireland)	Aircraft owner	KPMG	Globalia Corporación Empresarial, S.A.	100	100	
Globalia Lease Finance Seven, Limited (1)	Dublin (Ireland)	Aircraft owner	KPMG	Globalia Corporación Empresarial, S.A.	100	100	
Globalia Servicios Corporativos, S.L.U.	Llucmajor (Spain)	General services	KPMG	Globalia Corporación Empresarial, S.A.	100	100	11,086
Globalia Hotel La Niña, S.L.	Puerto de la Cruz (Spain)	Real estate	KPMG	Mundaka Corporación Hotelera, S.L.U.	100	100	21,045
Globalia Call Center, S.A.U.	Llucmajor (Spain)	Call Centre	KPMG	Globalia Corporación Empresarial, S.A.	100	100	61
Welcome Incoming Services, S.L.U.	Llucmajor (Spain)	Incoming services	KPMG	Globalia Corporación Empresarial, S.A.	100	100	7,991
Media & Design, S.A.U.	Llucmajor (Spain)	Communication and advertising	-	Globalia Corporación Empresarial, S.A.	100	100	
Globalia Gestión de Seguros, S.L.U.	Llucmajor (Spain)	Insurance brokerage	-	Globalia Corporación Empresarial, S.A.	100	100	185
Globalia Hotel Talavera, S.A.U.	Llucmajor (Spain)	Hotel owner	-	Mundaka Corporación Hotelera, S.L.U.	100	100	1,522
Globalia Sistemas y Comunicaciones, S.L.U.	Llucmajor (Spain)	IT services	KPMG	Globalia Corporación Empresarial, S.A.	100	100	3,004

(1) The company's reporting date is at 30 June. This appendix forms an integral part of note 4 to the consolidated financial statements, in conjunction with which it should be read.

APPENDIX 1

Globalia Corporación Empresarial, S.A. and Subsidiaries

DETAILS OF INVESTMENTS IN SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2018 (THOUSANDS OF EUROS)

					INVESTMENT		
NAME	REGISTERED OFFICE	ACTIVITY	AUDITOR	GROUP COMPANY HOLDING THE INVESTMENT	% OWNERSHIP	% EFFECTIVE INTEREST OF THE GROUP	THOUSANDS OF EUROS
Globalia Formación, S.L.U.	Llucmajor (Spain)	Training	-	Globalia Corporación Empresarial, S.A.	100	100	670
Globalia Activos Inmobiliarios, S.A.U.	Llucmajor (Spain)	Real estate	KPMG	Globalia Corporación Empresarial, S.A.	100	100	14,824
Globalia Hotel Palace de Muro, S.L.U.	Llucmajor (Spain)	Hotel owner	-	Mundaka Corporación Hotelera, S.L.U.	100	100	32,578
Iberotours, S.A.U.	Santa Cruz de Tenerife (Spain)	Tour operator	KPMG	Globalia Corporación Empresarial, S.A.	100	100	3,649
Globalia Autocares, S.A.	Llucmajor (Spain)	Passenger transport	KPMG	Globalia Corporación Empresarial, S.A.	90	90	1,661
Globalia Hotel Orotava, S.L.U.	Puerto de la Cruz (Spain)	Hotel owner	-	Be Live Hotels, S.L.	100	100	15,378
Globalia Broker Services, S.A.U.	Llucmajor (Spain)	Aircraft broker	-	Globalia Corporación Empresarial, S.A.	100	100	1,205
Globalia Mantenimiento Aeronaútico, S.L.U.	Llucmajor (Spain)	Maintenance	KPMG	Globalia Corporación Empresarial, S.A.	100	100	3,000
Globalia France, S.A.S.	Paris (France)	Travel agency	Auditeurs & Conseils Ass	Globalia Corporación Empresarial, S.A.	100	100	
Halcon Online Services, S.A.U.	Llucmajor (Spain)	Sales of items	-	Globalia Corporación Empresarial, S.A.	100	100	
Morocco GHS, S.A.	Casablanca (Morocco)	Ground handling services	KPMG	Globalia Handling, S.A.U.	100	100	3,247
Iberhandling, S.A.U.	Llucmajor (Spain)	Ground handling services	-	Globalia Handling, S.A.U.	100	100	571
Geomoon, S.L.U.	Llucmajor (Spain)	Travel agency	-	Viajes Halcón, S.A.U.	100	100	359
Intertravel, S.A.R.L.	Luxembourg (Luxembourg)	Hotel management	-	Punta Cana Inversiones Exteriores, S.L.	100	100	12
Viajes Ecuador, S.A.U.	Llucmajor (Spain)	Travel agency	KPMG	Globalia Corporación Empresarial, S.A.	100	100	13,700
Globalia Artes Gráficas, S.L.U.	Llucmajor (Spain)	Printing	KPMG	Viajes Halcón, S.A.U.	100	100	961
Eurogestion Hoteliere, S.A.R.L.	Casablanca (Morocco)	Hotel management	-	Be Live Hotels, S.L.	100	100	5
Viajes Tu Billete, S.L.	Santa Cruz de Tenerife (Spain)	Travel agency	KPMG	Globalia Corporación Empresarial, S.A.	100	100	
Bajuba de México Consultores, S de R.L. de C.V.	Quintana Roo (Mexico)	Rendering of personnel services	Baker Tilly Mexico	Media & Design, S.A.	100	100	

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APPENDIX 1

DETAILS OF INVESTMENTS IN SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2018 (THOUSANDS OF EUROS)

					Investment		
NAME	REGISTERED OFFICE	ACTIVITY	AUDITOR	GROUP COMPANY HOLDING THE INVESTMENT	% OWNERSHIP	% EFFECTIVE INTEREST OF THE GROUP	THOUSANDS OF EUROS
D & A Servicios Integrales, S. de E.L. de C.V.	Quintana Roo (Mexico)	Rendering of personnel services	Baker Tilly Mexico	Media & Design, S.A.	100	100	
Punta Cana Inversiones Exteriores, S.L.	Amsterdam (Netherlands)	Holding of assets	-	Be Live Hotels, S.L.	100	100	91,601
Globalia Trading Services, S.L.U.	Llucmajor (Spain)	Tour operator	KPMG	Globalia Corporación Empresarial, S.A.	100	100	4
Groundforce Cargo, S.L.U.	Llucmajor (Spain)	Ground handling services	KPMG	Globalia Handling, S.A.U.	100	100	
Globalia Travel Club Spain, S.L.U.	Santa Cruz de Tenerife (Spain)	Tour operator	KPMG	Globalia Corporación Empresarial, S.A.	100	100	27,010
Be Live Trading, INC	Miami (United States)	Holding of shares	-	Be Live Hotels, S.L.	100	100	7
Smart Inversiones, S.A.S.	Santo Domingo (Dominican Republic)	Hotel operation	Urrutia Liriano & Asoc.	Punta Cana Inversiones Exteriores, S.L.	100	100	
Inversiones La Albufera, S.A.S.	Santo Domingo (Dominican Republic)	Hotel operation	Urrutia Liriano & Asoc.	Punta Cana Inversiones Exteriores, S.L.	100	100	
Globalia Servicios Corporativos Dominicana, S.A.	Santo Domingo (Dominican Republic)	General services	Urrutia Liriano & Asoc.	Globalia Servicios Corporativos, S.L.U.	100	100	
Inversiones Bávaro, S.A.	Santo Domingo (Dominican Republic)	Hotel owner	Urrutia Liriano & Asoc.	Punta Cana Inversiones Exteriores, S.L.	100	100	23,080
Inversiones Inmobiliarias RCJ, S.A.	Santo Domingo (Dominican Republic)	Real estate	Urrutia Liriano & Asoc.	Punta Cana Inversiones Exteriores, S.L.	100	100	1,401
Travelplan Italia, S.R.L.	Milan (Italy)	Tour operator	-	Globalia Corporación Empresarial, S.A.	100	100	
Travelplán Portugal, Agencia de Viagens e Turismo, Sociedade Unipessoal Lda.	Lisbon (Portugal)	Tour operator	Pinto Leite & Machado Vaz-SROC, Lda.	Globalia Corporación Empresarial, S.A.	100	100	
Globalia Incoming Services Mexico, S.R.L. de C.V.	Quintana Roo (Mexico)	Incoming services		Welcome Incoming Services, Slu	100	100	51
Globalia Incoming Services Dominicana, S.A.	Santo Domingo (Dominican Republic)	Incoming services	Urrutia Liriano & Asoc. (R.D.)	Welcome Incoming Services, Slu	100	100	22
See Europe Tours Limited	London (United Kingdom)	Incoming services	-	Welcome Incoming Services, Slu	100	100	731

(1) The company's reporting date is at 30 June. This appendix forms an integral part of note 4 to the consolidated financial statements, in conjunction with which it should be read.

					Investment		
NAME	REGISTERED OFFICE	ACTIVITY	AUDITOR	GROUP COMPANY HOLDING THE INVESTMENT	% OWNERSHIP	% EFFECTIVE INTEREST OF THE GROUP	THOUSANDS OF EUROS
MK Media Corp.	Miami (United States)	Tour operator	-	MK Tours, S.A.	100	100	1
MK Puerto Rico, S.A.	Hato Rey (Puerto Rico)	Tour operator	-	Globalia Business Travel, S.A.U.	100	100	
MK Tours, S.A.	Miami (United States)	Tour operator	-	Globalia Business Travel, S.A.U.	100	100	
MK Tours Dominicana USA INC.	Santo Domingo (Dominican Republic)	Tour operator	-	MK Tours, S.A.	100	100	1
MK Travel & Tours, INC	Miami (United States)	Tour operator	-	MK Tours, S.A.	100	100	1
Cloverdale Spain, S.L.U.	Llucmajor (Spain)	Hotel business	-	Mundaka Corporación Hotelera, S.L.U.	100	100	3
Delirio Beach Club, S.A. de C.V.	Santo Domingo (Dominican Republic)	Hotel business	-	Zarek Investments, S.L.	99	99	
Golf Maioris, S.A.	Llucmajor (Spain)	Golf club	KPMG	Globalia Corporación Empresarial, S.A.	42.65	42.65	7,526
Mundaka Corporación Hotelera, S.L.U.	Llucmajor (Spain)	Hotel business	-	Be Live Hotels, S.L.	100	100	113,835
Maintenance of Equipment on Tarmac Service, S.A.	Madrid (Spain)				49	49	245
Melody Maker Hotel, S.A. de C.V.	Cancún (Mexico)	Hotel business	-	Zarek Investments, S.L.	99	99	
Canoa Spain, S.L.U.	Llucmajor (España)	Hotel business	-	Mundaka Corporación Hotelera, S.L.U.	100	100	43,309
Hotel Canoa, S.A.	Santo Domingo (Dominican Republic)	Hotel business	-	Canoa Spain, S.L.	100	100	17,771
Luabay Hoteles y Apartamentos, S.L.U.	Llucmajor (Spain)	Hotel business	-	Techite Inversiones 2012,Sl.U.	100	100	
Inversiones Costa Adeje, S.A.U.	Puerto de la Cruz (Spain)	Hotel business	-	Luabay Hoteles y Apartamentos, S.L.U.	100	100	
Techite Inversiones 2012,S.L.U.	Llucmajor (Spain)	Hotel business	-	Globalia Corporación Empresarial, S.A.	100	100	1,757
Aeronova, S.L.U.	Llucmajor (Spain)	Airline company	KPMG	Globalia Corporación Empresarial, S.A.	100	100	7,364
Panamericana de Servicios Energéticos, S.A.S.	Santo Domingo (Dominican Republic)	Energy services	-	Be Live Hotels, S.L.	66.66	66.66	62

(1) The company's reporting date is at 30 June. This appendix forms an integral part of note 4 to the consolidated financial statements, in conjunction with which it should be read.

APPENDIX 1

Globalia Corporación Empresarial, S.A. and Subsidiaries

DETAILS OF INVESTMENTS IN SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2018 (THOUSANDS OF EUROS)

					Investment		
NAME	REGISTERED OFFICE	ACTIVITY	AUDITOR	GROUP COMPANY HOLDING THE INVESTMENT	% OWNERSHIP	% EFFECTIVE INTEREST OF THE GROUP	THOUSANDS OF EUROS
Globalia Corporate Travel, S.L.U.	Llucmajor (Spain)	Travel agency	-	Globalia Corporación Empresarial, S.A.	100	100	3,419
Globalia Traveling, S.L.U.	Llucmajor (Spain)	Travel agency	-	Viajes Halcón, S.A.U.	100	100	500
Air Europa Suma Miles, S.L.	Llucmajor (Spain)	Airline company	-	Air Europa Líneas Aéreas, S.A.U.	100	100	500
Globalia Autocares Levante, S.L	Llucmajor (Spain)	Passenger transport	-	Globalia Autocares, S.A.	75	75	
León Activos Aeronáuticos, S.L.	Llucmajor (Spain)	Airline company	-	Globalia Corporación Empresarial, S.A.	100	100	3,503
Iberrail Spanish Railroads, S.A.U.	Llucmajor (Spain)	Travel agency	-	Globalia Corporación Empresarial, S.A.	100	100	63
Zarek Investments 2017,S.L.	Llucmajor (Spain)			Be Live Hotels, S.L.	100		3

(1) The company's reporting date is at 30 June. This appendix forms an integral part of note 4 to the consolidated financial statements, in conjunction with which it should be read.

APPENDIX 2

Globalia Corporación Empresarial, S.A. and Subsidiaries

DETAILS OF INVESTMENTS IN NON-CONSOLIDATED SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2018 (THOUSANDS OF EUROS)

			Investment		Thousands of Euros			
COMPANY	REGISTERED OFFICE	ACTIVITY	GROUP COMPANY HOLDING THE INTEREST	% OWNERSHIP	CAPITAL AND SHARE PREMIUM	RESERVES	OTHER EQUITY ITEMS	TOTAL
Globalia Tunisie, S.A.R.L.	Tunisia	In liquidation	Globalia Corporación Empresarial, S.A.	100.00	(89)	(89)	(5,554)	(5,732)

This appendix forms an integral part of note 13 to the consolidated financial statements, in conjunction with which it should be read.

APPENDIX 3

Globalia Corporación Empresarial, S.A. and Subsidiaries

DETAILS OF INTERESTS IN ASSOCIATES FOR THE YEAR ENDED 31 DECEMBER 2018 (EXPRESSED IN THOUSANDS OF EUROS)

				Investment			
NAME	REGISTERED OFFICE	ACTIVITY	AUDITOR	GROUP COMPANY HOLDING THE INTEREST	% OWNERSHIP	COMPANY'S EFFECTIVE % OWNERSHIP	AMOUNT OF THE INTEREST
Maintenance of Equipment on Tarmac Service, S.A	Madrid (Spain)	Maintenance and Handling	Unaudited	Globalia Handling, S.A.U.	49	49	245
Palacio de Congresos de Tenerife Sur	Tenerife (Spain)	Dormant	Unaudited	Viajes Halcón, S.A.U.	49	49	72

This appendix forms an integral part of note 13 to the consolidated financial statements, in conjunction with which it should be read.

APPENDIX 4

Globalia Corporación Empresarial, S.A. and Subsidiaries

DETAILS OF INTERESTS IN JOINTLY CONTROLLED ENTITIES FOR THE YEAR ENDED 31 DECEMBER 2018 (EXPRESSED IN THOUSANDS OF EUROS)

				Investment			
NAME	REGISTERED OFFICE	ACTIVITY	AUDITOR	GROUP COMPANY HOLDING THE INTEREST	% OWNERSHIP	COMPANY'S EFFECTIVE % OWNERSHIP	AMOUNT OF THE INTEREST
Mundo Social, A.I.E.	Palma de Mallorca (Spain)	Travel agency	KPMG	Viajes Halcón, S.A.U.	50	50	1,762
Ocio y Turismo Novotours, A.I.E.	Palma de Mallorca (Spain)	Travel agency	KPMG	Viajes Halcón, S.A.U.	50	50	427

This appendix forms an integral part of note 13 to the consolidated financial statements, in conjunction with which it should be read.

APPENDIX 5

INFORMATION RELATING TO JOINTLY CONTROLLED OPERATIONS FOR THE YEAR ENDED 31 DECEMBER 2018

NAME	REGISTERED OFFICE	ACTIVITY	AUDITOR	GROUP COMPANY HOLDING THE INVESTMENT	Investment % OWNERSHIP	% EFFECTIVE INTEREST OF THE GROUP	THOUSANDS OF EUROS
Groundforce Barcelona UTE	Barcelona (Spain)	Ground handling services	KPMG, SL	Globalia Handling, S.A.U.	68	68	1,632
Groundforce Tenerife Sur UTE	Tenerife (Spain)	Ground handling services	KPMG, SL	Globalia Handling, S.A.U.	80	80	923
Groundforce Tenerife Norte UTE	Tenerife (Spain)	Ground handling services	KPMG, SL	Globalia Handling, S.A.U.	80	80	207
Groundforce Las Palmas UTE	Las Palmas de Gran Canaria (Spain)	Ground handling services	KPMG, SL	Globalia Handling, S.A.U.	80	80	706
Groundforce AGP 2015, UTE	Málaga (Spain)	Ground handling services	KPMG, SL	Globalia Handling, S.A.U.	80	100	488
Groundforce ALC 2015, UTE	Alicante (Spain)	Ground handling services	KPMG, SL	Globalia Handling, S.A.U.	80	100	200
Groundforce BCN 2015, UTE	Barcelona (Spain)	Ground handling services	KPMG, SL	Globalia Handling, S.A.U.	80	100	800
Groundforce BIO 2015, UTE	Bilbao (Spain)	Ground handling services	KPMG, SL	Globalia Handling, S.A.U.	80	100	160
Groundforce FUE 2015, UTE	Fuerteventura (Spain)	Ground handling services	KPMG, SL	Globalia Handling, S.A.U.	80	100	140
Groundforce IBZ 2015, UTE	Ibiza (Spain)	Ground handling services	KPMG, SL	Globalia Handling, S.A.U.	80	100	180
Groundforce LPA 2015, UTE	Las Palmas de Gran Canaria (Spain)	Ground handling services	KPMG, SL	Globalia Handling, S.A.U.	80	100	488
Groundforce MAD 2015, UTE	Madrid (Spain)	Ground handling services	KPMG, SL	Globalia Handling, S.A.U.	80	100	1,600
Groundforce PMI 2015, UTE	Palma de Mallorca (Spain)	Ground handling services	KPMG, SL	Globalia Handling, S.A.U.	80	100	540
Groundforce TFN 2015, UTE	Tenerife (Spain)	Ground handling services	KPMG, SL	Globalia Handling, S.A.U.	80	100	140
Groundforce VLC 2015, UTE	Valencia (Spain)	Ground handling services	KPMG, SL	Globalia Handling, S.A.U.	80	100	280
Groundforce ZAZ 2015, UTE	Zaragoza (Spain)	Ground handling services	KPMG, SL	Globalia Handling, S.A.U.	80	100	40
La Hispano, Monforte, Castromil, Globalia UTE	Madrid (Spain)	Airport passenger transport services		Globalia Autocares, S.A.	45	45	36
Mundosenior PLUS	Baleares (Spain)	Travel agency		Viajes Halcón, S.A.U.	50	50	150
Halcón Monfobus Fisterra UTE	A Coruña (Spain)	Convention centre management and operation		Viajes Halcón, S.A.U.	40	40	32

(1) The company's reporting date is at 31 August. This appendix forms an integral part of note 5 to the consolidated financial statements, in conjunction with which it should be read.

APPENDIX 5

Globalia Corporación Empresarial, S.A. and Subsidiaries

INFORMATION RELATING TO JOINTLY CONTROLLED OPERATIONS FOR THE YEAR ENDED 31 DECEMBER 2018

					Investment		
NAME	REGISTERED OFFICE	ACTIVITY	AUDITOR	GROUP COMPANY HOLDING THE INVESTMENT	% OWNERSHIP	% EFFECTIVE INTEREST OF THE GROUP	THOUSANDS OF EUROS
Air Europa Aeronova Swiftair, UTE	Baleares (España)	Passenger air transport		Air Europa Líneas Aéreas, S.A.U.	51	51	5
Air Europa Swiftair, UTE 2015	Baleares (España)	Passenger air transport		Air Europa Líneas Aéreas, S.A.U.	51	51	5

(1) The company's reporting date is at 31 August. This appendix forms an integral part of note 5 to the consolidated financial statements, in conjunction with which it should be read.

APPENDIX 6

Globalia Corporación Empresarial, S.A. and Subsidiaries

DETAILS OF EQUITY-ACCOUNTED INVESTEES BY COMPANY AND MOVEMENT FOR THE YEAR ENDED 31 DECEMBER 2018 (EXPRESSED IN THOUSANDS OF EUROS)

	Thousands of euros		
COMPANY	BALANCE AT 1 JANUARY 2018	SHARE IN PROFIT/(LOSS)	BALANCE AT 31 DECEMBER 2018
Maintenance of Equipment on Tarmac Service, S.A.	660	146	806
Palacio de Congresos Tenerife Sur	(30)	-	(30)
	630	**146**	**776**

This appendix forms an integral part of note 13 to the annual accounts, in conjunction with which it should be read.

APPENDIX 7

Globalia Corporación Empresarial, S.A. and Subsidiaries

CLASSIFICATION OF FINANCIAL ASSETS BY CATEGORY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Thousands of Euros					
	NON-CURRENT			CURRENT		
	AT AMORTIZED COST OR COST			AT AMORTIZED COST OR COST		
2018	CARRYING AMOUNT	FAIR VALUE	TOTAL	CARRYING AMOUNT	FAIR VALUE	TOTAL
Assets held for trading						
Equity instruments						
Unquoted	3,126	3,126	3,126	400	400	400
Debt securities						
Unquoted	8	8	8	-	-	-
Total	**3,134**	**3,134**	**3,134**	**400**	**400**	**400**
Loans and receivables						
Loans, derivatives and other						
Variable rate	335	335	335	153	153	153
Other financial assets	134,881	134,881	134,881	74,217	74,217	74,217
Trade receivables	-	-	-	312,742	312,742	312,742
Trade and other receivables	-	-	-	26,992	26,992	26,992
Total	**135,216**	**135,216**	**135,216**	**414,104**	**414,104**	**414,104**
Hedging derivatives						
Traded on organized markets	-	-	-	9,281	9,281	9,281
Total financial assets	**138,350**	**138,350**	**138,350**	**423,785**	**423,785**	**423,785**

This appendix forms an integral part of note 14 to the annual accounts, in conjunction with which it should be read.

APPENDIX 8

Globalia Corporación Empresarial, S.A. and Subsidiaries

CLASSIFICATION OF FINANCIAL ASSETS BY MATURITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Thousands of Euros							
2018	2019	2020	2021	2022	2023	SUBSEQUENT YEARS	LESS CURRENT PORTION	TOTAL NON-CURRENT
Investments								
Loans to third parties	153	-	-	-	-	335	(153)	335
Debt securities	-	-	-	-	-	8	-	8
Derivatives	9,281	-	-	-	-	-	(9,281)	-
Other financial assets	74,217	63,966	23,991	10,360	406	36,158	(74,217)	134,881
Other investments	400	-	-	-	-	3,126	(400)	3,126
Trade and other receivables								
Trade receivables	312,741	-	-	-	-	-	(312,741)	-
Other receivables	25,403	-	-	-	-	-	(25,403)	-
Personnel	1,589	-	-	-	-	-	(1,589)	-
Total	**423,785**	**63,966**	**23,991**	**10,360**	**406**	**39,627**	**(423,785)**	**138,350**

This appendix forms an integral part of note 15 to the annual accounts, in conjunction with which it should be read.

APPENDIX 9

Globalia Corporación Empresarial, S.A. and Subsidiaries
DETAILS OF FINANCIAL LIABILITIES BY CATEGORY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Thousands of Euros					
	NON-CURRENT			CURRENT		
	AT AMORTIZED COST OR COST			AT AMORTIZED COST OR COST		
2018	CARRYING AMOUNT	FAIR VALUE	TOTAL	CARRYING AMOUNT	FAIR VALUE	TOTAL
Debts and payables						
Loans and borrowings						
Variable rate	54.153	54.153	54.153	65.093	65.093	65.093
Finance lease payables	47.355	47.355	47.355	10.609	10.609	10.609
Other financial liabilities	2.326	2.326	2.326	17.075	17.075	17.075
Trade and other payables						
Suppliers	-	-	-	355.287	355.287	355.287
Other payables	-	-	-	110.382	110.382	110.382
Hedging derivatives						
Traded on organized markets	99	99	99	40.186	40.186	40.186
Total financial liabilities	**103.933**	**103.933**	**103.933**	**598.631**	**598.631**	**598.631**

This appendix forms an integral part of note 23 to the annual accounts, in conjunction with which it should be read.

APPENDIX 10

Globalia Corporación Empresarial, S.A. and Subsidiaries
CLASSIFICATION OF PAYABLES AND TRADE PAYABLES BY MATURITY FOR THE YEARS ENDED 31 DECEMBER 2018

	Thousands of Euros							
2018	2019	2020	2021	2022	2023	SUBSEQUENT YEARS	LESS CURRENT PORTION	TOTAL NON-CURRENT
Payables								
Loans and borrowings	65,093	10,495	10,218	10,244	8,711	14,485	(65,093)	54,153
Finance lease payables	10,609	9,782	7,693	6,665	3,595	19,620	(10,609)	47,355
Derivatives	40,186	-	-	-	-	99	(40,186)	99
Other financial liabilities	17,075	670	32	-	-	1,624	(17,075)	2,326
Trade and other payables								
Suppliers	355,287	-	-	-	-	-	(355,287)	-
Payables	20,791	-	-	-	-	-	(20,791)	-
Personnel	12,715	-	-	-	-	-	(12,715)	-
Advances from customers	76,876	-	-	-	-	-	(76,876)	-
Total financial liabilities	**598,631**	**20,947**	**17,943**	**16,909**	**12,306**	**35,828**	**(598,631)**	**103,933**

This appendix forms an integral part of note 24 to the annual accounts, in conjunction with which it should be read.

APPENDIX 11

MAIN CHARACTERISTICS OF PAYABLES
FOR THE YEAR ENDED 31 DECEMBER 2018

TYPE OF DEBT	CURRENCY	EFFECTIVE RATE	MATURITY	LIMIT/NOMINAL AMOUNT	CURRENT	NON-CURRENT
Credit facility 1	EUR	Market	2019	7.500	118	
Credit facility 2	EUR	Market	2019	5.000	4.704	
Credit facility 3	EUR	Market	2019	6.000	5.804	
Credit facility 4	EUR	Market	2019	5.000	3.147	
Credit facility 5	EUR	Market	2019	5.000	335	
Credit facility 6	EUR	Market	2019	12.000	9.111	
Credit facility 7	EUR	Market	2019	7.000	2.943	
Credit facility 8	EUR	Market	2019	2.500	2.445	
Credit facility 9	EUR	Market	2019	5.000	4.499	
Credit facility 10	EUR	Market	2019	13.974	10.419	
Credit facility 11	EUR	Market	2019	0	-3	
Credit facility 12	EUR	Market	2019	1.650	535	
Credit facility 13	EUR	Market	2019	1.700	530	
Credit facility 14	EUR	Market	2019	7.500	7.477	
Credit facility 15	EUR	Market	2019		79	
Credit facility 16	EUR	Market	2019	7.000	0	
Credit facility 17	EUR	Market	2019	2.000	0	
Credit facility 18	EUR	Market	2019	18.000	0	
Credit facility 19	EUR	Market	2019	2.000	0	
Credit facility 20	EUR	Market	2019	4.000	0	
Credit facility 21	EUR	Market	2019	5.000	0	
Other	EUR	Market	2019		0	
Total credit facilities				**117.824**	**52.143**	**0**
Lease 1	EUR	Market	2020	771	63	86
Lease 2	EUR	Market	2021	1.753	347	500
Lease 3	EUR	Market	2021	91	28	42
Lease 4	EUR	Market	2022	4.493	753	1.843
Lease 5	EUR	Market	2022	4.103	697	1.989
Lease 6	EUR	Market	2023	10.000	2.904	3.231
Lease 7	EUR	Market	2023	9.600	1.008	1.258
Lease 8	EUR	Market	2023	3.517	492	1.739
Lease 9	EUR	Market	2023	2.607	370	1.239
Lease 10	EUR	Market	2023	260	50	206
Lease 11	EUR	Market	2024	10.575	1.483	5.074
Lease 12	EUR	Market	2024	484	66	316
Lease 13	EUR	Market	2024	1.378	166	861
Lease 14	EUR	Market	2024	1.393	168	880
Lease 15	EUR	Market	2030	34.802	2.013	28.091
Total finance leases				**85.827**	**10.609**	**47.355**
Loan 1	EUR	Market	2019	5.000	1.687	0
Loan 2	EUR	Market	2020	2.000	672	398
Loan 3	EUR	Market	2020	13	4	6
Loan 4	EUR	Market	2021	13.500	1.688	3.375
Loan 5	EUR	Market	2022	882	147	377
Loan 6	EUR	Market	2023	5.146	644	2.432
Loan 7	EUR	Market	2023	2.000	329	1.106
Loan 8	EUR	Market	2023	2.627	430	1.531
Loan 9	EUR	Market	2023	21.883	3.024	11.106
Loan 10	EUR	Market	2024	1.200	212	988
Loan 11	EUR	Market	2024	712	115	569
Loan 12	EUR	Market	2024	15.000	1.320	5.865
Loan 13	EUR	Market	2025	23.000	2.383	15.281
Loan 14	EUR	Market	2028	11.658	0	11.659
Total loans				**104.621**	**12.655**	**54.694**
Collection management facilities						
Other					295	
Non-current loan arrangement costs						-541
Total				**308.272**	**75.702**	**101.508**

This appendix forms an integral part of note 24 to the consolidated financial statements, in conjunction with which it should be read.

APPENDIX 12

Globalia Corporación Empresarial, S.A. and Subsidiaries

RECONCILIATION BETWEEN NET INCOME AND EXPENSE FOR THE YEAR AND TAXABLE INCOME OF THE CONSOLIDATED TAX GROUP IN SPAIN FOR THE YEAR ENDED 31 DECEMBER 2018

	Thousands of Euros			
	INCOME STATEMENT			
2018	INCREASES	DECREASES	NET	TOTAL
Income and expenses for the period			50,151	50,151
Income tax			21,714	21,714
Profit/(loss) before income tax			71,865	71,865
Permanent differences				
Individual company	19,492	37,766	(18,274)	(18,274)
Temporary differences:				
Individual company				
originating in current year and prior years	5,923	5,002	921	921
Consolidation adjustments	30,091	-	30,091	30,091
Taxable income of the consolidated tax group in Spain			**84,603**	**84,603**

This appendix forms an integral part of note 27 to the annual accounts, in conjunction with which it should be read.

APPENDIX 13

Globalia Corporación Empresarial, S.A. and Subsidiaries

DETAILS OF THE INCOME TAX INCOME RELATED TO PROFIT OF THE CONSOLIDATED TAX GROUP IN SPAIN FOR THE YEAR ENDED 31 DECEMBER 2018

	Thousands of Euros	
	CONSOLIDATED PROFIT OR LOSS	TOTAL
Income and expenses for the period before tax	71,865	71,865
Tax at 25%	17,966	17,966
Non-taxable income		
Permanent differences	(25,998)	(25,998)
Non-deductible expenses		
Permanent differences	4,873	4,873
Deductions and credits for the current year	1,607	1,607
Tax losses for the current year	26,260	26,260
Prior years' adjustment	(1,915)	(1,915)
Consolidation adjustments	(1,079)	(1,079)
Income tax expense/(income)		
Continuing operations	**21,714**	**21,714**

This appendix forms an integral part of note 27 to the annual accounts, in conjunction with which it should be read.

APPENDIX 14

Globalia Corporación Empresarial, S.A. and Subsidiaries

DETAILS OF REVENUES BY CATEGORY OF ACTIVITY AND GEOGRAPHICAL MARKET FOR THE YEARS ENDED 31 DECEMBER 2018 (EXPRESSED IN THOUSANDS OF EUROS)

	Domestic		*Rest of European Union*		*America*		*Other*		*Total*	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Air division	618,653	554,404	406,236	364,048	925,133	829,056	44,251	39,655	1,994,273	1,787,163
Retail division	1,111,501	1,167,527	-	-	-	-	-	-	1,111,501	1,167,527
Wholesale division	331,499	329,257	12,837	17,161	10,159	8,101	-	-	354,495	354,519
Hotel division	114,186	64,435	-	-	52,181	86,403	-	-	166,367	150,838
Handling division and other	202,304	206,839	-	-	111	-	1,262	-	203,677	206,839
	2,379,516	**2,322,462**	**419,073**	**381,209**	**987,473**	**923,560**	**44,251**	**39,655**	**3,830,313**	**3,666,886**

This appendix forms an integral part of note 30 to the annual accounts, in conjunction with which it should be read.

APPENDIX 15

SITUATIONS OF CONFLICTS OF INTEREST OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2018

DIRECTOR	COMPANY	STATUTORY ACTIVITY	PERCENTAGE OWNERSHIP	POSITION AND DUTIES
Mr. Juan José Hidalgo Acera	JJH Capital & Asset Management S.L.U.	Management of investments and real estate assets	100.00%	Sole director
Mr. Juan José Hidalgo Acera	Covilla, S.L. (1)	Management of investments and real estate assets	80.00%	-
Mr. Juan José Hidalgo Acera	Beach Resorts, S.L. (1)	Management of investments and real estate assets	20.00%	-
Mr. Juan José Hidalgo Acera	JJH Activos Inmobiliarios S.L.U. (1)	Management of investments and real estate assets	100.00%	-
Mr. Juan José Hidalgo Acera	JJH Capital Inversiones Exteriores S.L.U. (1)	Management of investments and real estate assets	100.00%	-
Mr. Juan José Hidalgo Acera	DPM Sales & Marketing S.L.U. (1)	Travel Agency	100.00%	-
Mr. Juan José Hidalgo Acera	Hamaca Beach Resort S.A.S. (1)	Management of investments and real estate assets	100.00%	-
Mr. Juan José Hidalgo Acera	Costa Dorada Beach Resort S.A.S. (1)	Management of investments and real estate assets	100.00%	-
Mr. Juan José Hidalgo Acera	Nobile Capital 2018 S.L.U.	Holding of investments	0.00%	Joint and several director
Ms. María José Hidalgo Gutiérrez	Covilla, S.L. (1)	Management of investments and real estate assets	5.00%	-
Ms. María José Hidalgo Gutiérrez	Beach Resorts, S.L. (1)	Management of investments and real estate assets	20.00%	-
Ms. María José Hidalgo Gutiérrez	Elemar Inversiones, S.L.U.	Holding of investments	100.00%	Sole director
Ms. María José Hidalgo Gutiérrez	Hotel Son Antem, S.L.(1)	Management of investments and real estate assets	50.00%	Joint administrator
Ms. María José Hidalgo Gutiérrez	El Salado Resorts, S.L. (1)	Management of investments and real estate assets	50.00%	-
Ms. María José Hidalgo Gutiérrez	See Usa Tours, S.L. (1)	Incoming services	50.00%	Joint and several director
Mr. Francisco Javier Hidalgo Gutiérrez	Covilla, S.L. (1)	Management of investments and real estate assets	5.00%	-
Mr. Francisco Javier Hidalgo Gutiérrez	Beach Resorts, S.L. (1)	Management of investments and real estate assets	20.00%	-
Mr. Francisco Javier Hidalgo Gutiérrez	Desarrollos Bondi Beach S.A. de C.V. (1)	Hotel activity	50.00%	General administrator
Mr. Francisco Javier Hidalgo Gutiérrez	JHG Investment Models, S.L.U.	Holding of investments	100.00%	Sole director
Mr. Francisco Javier Hidalgo Gutiérrez	Lamica 2014 Inversiones S.L.U. (1)	Holding of investments	100.00%	Sole director
Mr. Francisco Javier Hidalgo Gutiérrez	Nobile Capital 2018 S.L.U. (1)	Holding of investments	100.00%	Joint and several director
Mr. Francisco Javier Hidalgo Gutiérrez	Global Dynamics Security S.R.L.		80.00%	-
Ms. Cristina Hidalgo Gutiérrez	Covilla, S.L. (1)	Management of investments and real estate assets	5.00%	-
Ms. Cristina Hidalgo Gutiérrez	Beach Resorts, S.L. (1)	Management of investments and real estate assets	20.00%	-
Ms. Cristina Hidalgo Gutiérrez	Crisdago Inversiones, S.L.U.	Management of investments and real estate assets	100.00%	Sole director

(1) Indirect ownership. This appendix forms an integral part of note 17 to the consolidated financial statements, in conjunction with which it should be read.

NON-FINANCIAL INFORMATION REPORT

GLOBALIA CORPORACIÓN EMPRESARIAL, S.A. AND SUBSIDIARIES

CONTENTS

ABOUT THIS REPORT

This report sets out the non-financial information statement of the Globalia Group (hereinafter the Group or the Globalia Group, indistinctly), which has been prepared in line with the requirements provided for in Law 11/2018 of 28 December 2018, amending the Commercial Code, the Revised Spanish Companies Act approved by Royal Legislative Decree 1/2010 of 2 July 2010 and Audit Law 22/2015 of 20 July 2015, on non-financial and diversity information.

This report seeks to provide information with relevance for the Group's key stakeholders on issues of a social and personnel-related nature and concerning respect for human rights and the environment and the fight against corruption and bribery, in line with the prevailing legislation.

1. INTRODUCTION

The Globalia Group remains true to its firm commitment to corporate responsibility and has once again set in place an array of initiatives and activities, while following through on those initiated in previous years, bearing witness to the values and principles that govern the Group.

The management of the Group is committed to developing the tools and initiatives required to help foster and enhance the unambiguously two-way relationship that must be struck between the interests of the company and those of the society it serves, at all times in line with the criteria of sustainable development and growth, continuous improvement, customer satisfaction and an outstanding working atmosphere.

Globalia is keenly aware that its human resources lie at the heart of its operations. With this in mind, with a view to encouraging the participation and contribution to decision-making of each and every one of its employees, in 2018 the Group laid the groundwork for a major new line of internal communication, which has without doubt already yielded better customer service. 2017 saw the launch of "Compliance", Globalia's new programme that seeks to ensure that all of its employees act in line with the principles and values set forth in the Group's Code of Ethics, approved by the Board of Directors on 29 June 2017.

With this programme, the Group has taken on board a commitment to comply and ensure compliance with the relevant laws and internal rules and regulations, thereby ensuring that all of its workers, without exception, act in line with the values and principles previously detailed in the tourism group's Code of Ethics. To this end, Globalia has also set in place a straightforward, confidential reporting channel, enabling any workers who may become aware of incidents or irregularities entailing unlawful conduct or practices running contrary to those promoted by Globalia to report such circumstance.

Methods of reporting:
- E-mail:
  cumplimos@globalia.com
- Completing the form:
  https://www.globalia.com/es/compliance

These reports are managed by an independent unit falling under the "Compliance" area.

Under the umbrella of its Quality and Environmental Management System, the Group continues to improve the existing working conditions and has made a firm commitment to training its work force, with a view to enhancing their expertise, while ensuring they are equipped with the optimal, broad-ranging skills required by todays' society.

All of the relevant initiatives set in place over 2018 can be broken down into two major, distinct lines: environmental measures and social measures.

2. DESCRIPTION OF THE BUSINESS MODEL

2.1. Description of the economic backdrop

See section 1, "Introduction", of the consolidated directors' report.

2.2. Organisation, structure and markets in which the Group operates

Globalia operates in the transport, hospitality, travel and tourism sectors, and is essentially made up of the following business units:

- Globalia Corporación Empresarial S.A., as the Group's parent company.
- Air Transport Division, headed by Air Europa, the leading, primarily Spanish-owned air transport company. It operates mainly in Spain, Europe, the Americas and North Africa.
- Wholesale Division, headed by Travelplan, Spain's

market leader in organised travel in Spain, Europe, the Americas and Africa.

- Incoming Division. Welcome Incoming Services, providing incoming travel infrastructure in the key destinations where Globalia currently operates. It operates two main business lines: sale of accommodation online (Welcome Beds) and incoming services such as excursions and transfers.
- Retail Division, comprising Viajes Halcón and Viajes Ecuador, boasting Spain's largest network of travel agencies.
- Hotel Division, operating under the names Be Live Hotels and Melody Maker. It manages hotels in the Balearic Islands, the Canaries, mainland Spain, Morocco, the Dominican Republic, Mexico and Cuba.
- Handling Division, operating under the brand name Groundforce. It provides ground services to the Group's airline and third-party clients in airports in Spain and Morocco.

2.3. Goals aligned with strategy. Key factors and trends that may affect future developments

Globalia's Code of Ethics sets out the Group's Mission, Vision and Guiding Values, underpinning the definition of its strategy and the related objectives.

"Mission: to be the top national tourist group which responds to customer satisfaction in a profitable manner and always under the principle of ethics and professionalism.

Vision: to collaborate and improve the economic and social progress of everyone we serve and with whom we interact, serving our customers with transparency and integrity.

Our values are the convictions that we at Globalia consider to be indispensable since they determine our way of being, they orient our culture, and they help us to improve ourselves: standards, honesty, capacity to adapt, teamwork and professionalism, integrity, leadership and transparency."

Work has been under way since 2017 on the preparation of a three-year business plan, which seeks to give shape to the Group's overall strategy, before following up with detailed initiatives in each of the business divisions.

This plan has also identified a series of risks that could impact on the future performance initially forecast, with a view to identifying the most relevant ones and keeping them under control.

The key risks with a potentially relevant impact on the Group's performance are sensitivity to changes in the price of airline fuel and variations in the Euro/Dollar exchange rate (see the 2018 Director's Report for details on variations in these indicators).

Other risk factors that may have a future impact include operations in certain countries whose currencies are weaker than the euro or the dollar, the investment required to consolidate in new overseas markets in which the Group begins to operate and the impact of direct sales and the need to adapt to the new tools offered by the Internet.

3. ENVIRONMENTAL ISSUES

3.1. Commitment to the environment

Globalia pursues its activities with the utmost respect for the environment, complying with the legislation in force and going beyond in some of the Group's divisions, with the implementation of internationally recognized voluntary standards such as EMAS and ISO 14001.

The companies within the Group adopt behavioural standards to minimize and manage the risks produced by waste, emissions, discharges, radiation, noise, vibration or explosives, among others, as well as any other agent that may have an environmental impact.

Moreover, Globalia has stated its commitment to preserving natural resources and public assets or places that are recognized for their landscape, or other ecological, artistic, historic or cultural value.

In the course of their work, all of our employees must keep this rule of conduct regarding the protection of the environment uppermost in their minds. Globalia seeks to raise awareness of all of the measures, policies and procedures that help prevent environmental risks and undertakes to act to further sustainability and establish the relevant criteria.

Moreover, Globalia has set in place controls over the activities of its suppliers, contractors and collaborators, requiring that they comply with the applicable environmental procedures and requirements.

On 25 January 2018, the Compliance Committee approved Globalia's Environmental Policy. This

Policy states that the Globalia Group is an environmentally-friendly company, as provided for in the Group's Code of Ethics. We firmly believe that the success of our business rests on developing an environmentally sustainable business across all sectors and wherever we may operate. This responsibility forms part of our corporate culture and allows us to draw on the relevant resources and engage all of our personnel and any third parties related to Globalia.

The core principles governing environmental action are:

- Integrating environmental aspects within the strategic management of the Group so that they form part of our corporate culture.
- Complying with the environmental legislation in the countries in which the Group operates and, to the extent possible, implementing internationally recognised, voluntary environmental management standards such as ISO 14001 or the European EMAS Regulation at any companies that have currently failed to do so.
- Systematically identifying and assessing the environmental impacts deriving from the activities of the Globalia Group companies.
- Informing and training personnel on the environmental impact of their activities.
- Extending compliance with the Group's environmental management policies, procedures and practices to include suppliers, contractors and any related third parties.
- Seeking to ensure, wherever the Group operates, the conservation of natural resources, public assets and places that are recognized for their landscape, or other ecological, artistic, historic or cultural value.
- Making a sustainable use of natural resources.

3.2. Description of the Management System in place at Air Europa

Aware of the importance of the environment in sustainable development, in January 2016 Air Europa was certified in line with ISO 14001:2014 Environmental Management Systems, for the activities pursued at the head offices, in Llucmajor, passenger and general goods transportation: aircraft operation, on-board services and passenger ground handling services, baggage and aircraft: Autohandling.

In 2008, the scope of ISO 14001:2004 Environmental Management Systems was expanded to include all of the company's activities, making it the only company in Spain with its own online maintenance and autohandling service to receive such certification.

The main aim of the Environmental Management System is to implement the company's Environmental Policy, ensuring compliance with the environmental legislation in force, managing the relevant environmental aspects, controlling the indicators and meeting the targets set in the form of ongoing improvement in order to minimise the environmental impact generated by all activities, focusing on a decrease in the consumption of natural resources (paper, water, electricity, fuel, etc.), correct waste management and the optimisation of procedures to reduce both noise and CO2 emissions.

Reducing air pollution as much as possible is a priority for Air Europa. Among other things, we are known in the industry for the effort and major commitment the Company has demonstrated by purchasing the most modern aircraft, which unquestionably results in a more efficient use of fuel, given that our fleet is among the most modern in the world, with an average age of less than seven years overall.

Air Europa's commitment goes beyond choosing the most environmentally friendly aircraft. All of the workers at the company are committed to the process of optimising environmental management across all areas. Taking in everything from printer paper to water and electricity consumption, improvements in fuel management, in terms of both aircraft and ground equipment, and optimising the procedures for reducing engine noise.

The Environmental Management System approved by the general management is made up of the overall structure of the organisation, functions, procedures, processes and (human and material) resources available to Air Europa for managing its operations and complying with the requirements under ISO Standard 14001:2004 and the EMAS Regulation.

Air Europa's commitment to the environment is further borne out by the EMAS certification received in 2012, verifying the EU Environmental Management and Audit System.

In 2018, Air Europa has worked to adapt to ISO standard 14001:2015 and to fall into line with Regulation EMAS (EU) 2017/1505. Given all of the certificates obtained by Air Europa, the company's environmental policy was renamed as the "Integrated Management System Policy". The latest version was published in November 2018.

Air Europa publishes the following documents on its website: www.aireuropa.com/es/vuelos/corporativo
• Quality and environmental policy.
• Air Europa sustainability report.
• Air Europa environmental declaration.

3.2.1. Environmental Aspects

An environmental aspect is defined as any element of Air Europa's activities that may interact with the environment. An environmental impact is any adverse or beneficial change to the environment as a result, in whole or in part, of the activities and services of the organisation.

In order to draw on as much information as possible when monitoring the environmental management system, all of the environmental aspects are identified in terms of the both the company (direct aspects) and the suppliers, contractors and personnel working at our facilities (indirect aspects), as well as any arising as a result of Air Europa's activities falling outside standard conditions, due to situations of emergency (potential aspects, associated to situations of risk).

The mechanisms for identifying, evaluating and recording the relevant aspects are defined in the general procedure for the "Identification and Evaluation of Environmental Aspects".

Where relevant, the process for identifying environmental aspects factors in the following details: consumption of natural resources, atmospheric emissions, waste, noise and spillage.

Those identified are recorded in the Environmental Aspects File, and the available information is reviewed annually in order to conduct a new evaluation. Moreover, a special evaluation is conducted whenever any modification is made to any of Air Europa's activities. Based on the environmental aspects identified, the relevance of their impact is ascertained in the form of an evaluation based on predetermined criteria.

3.2.2. Contaminating gases released by aircraft

The combustion of kerosene essentially produces carbon dioxide (71.7%) and water vapour (28.2%). The emission of both gases is proportional to the amount of fuel consumed (1 kilo of fuel produces 3.15 kilos of CO2 according to (EU) Commission Regulation no. 601/2012), and such emissions can therefore be reduced by setting in place measures to save on fuel. The remaining 0.1% of kerosene combustion produces nitrogen oxide, sulphur dioxide, carbon monoxide, unburned hydrocarbons and particulates. Such emissions can only be reduced by optimising combustion processes.

Emissions for aircraft engines have a local impact on the quality of air in an airport's environs, as well as global repercussions for the process of climate change. With this in mind, emissions from aircraft operations are structured into two major groups.

Emissions in the LTO cycle (Landing and Take Off)
Emissions in the LTO cycle are those produced by aircraft up to an altitude of 3,000 feet, including taxiing, take-off and landing. The importance of quantifying emissions in the take-off and landing cycle lies in the emission of contaminants in the surrounding areas of airports, which have a direct impact on local air quality.

Cruise emissions
Including all activities taking place at altitudes in excess of 3,000 feet. This is when most emissions are generated. 90% of gases are released in the troposphere. CO2 is emitted above all during this phase.

3.2.3. Monitoring emissions

Emissions deriving from aircraft engines are monitored by measuring flight times (chock-to-chock time or the time during which the engine is running) and the consumption of fuel on each flight.

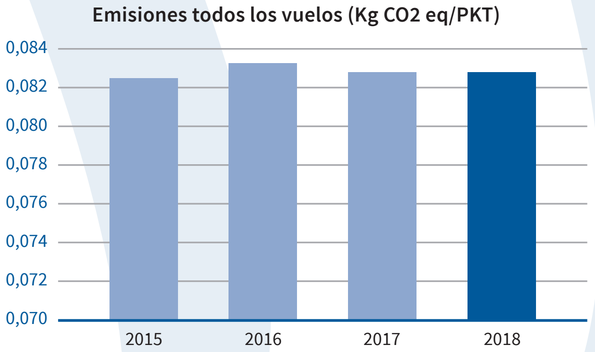
These times are then recorded in the Technical Log and logged on the Aircraft Maintenance IT System (SMA), which is validated for verification of greenhouse gas emissions per Decisions 2007/589/EC and 2009/339/EC. Using the information provided by this system, the Management Systems Department conducts an analysis of fuel by plane/fleet, converting such consumption into emissions in line with Commission Regulation (EU) No. 601/2012, DEFRA (The Department for Environment, Food and Rural Affairs, a government department in the UK), Annex 16 of the OACI and the manuals of the engine manufacturers.

These days, the two leading aircraft manufacturers are keenly aware of the environment when manufacturing their models: Airbus has demonstrated its concern for the environment with the construction of the A380, a plane that is quieter despite its size and which has a consumption of 3 litres per passenger per 100km. Boeing has done likewise with the B787-8 Dreamliner and the B787-9, two models of aircraft that save up to 20% in fuel.

3.2.4. Global environmental conduct

CO_2 emissions have fallen for all of Air Europa's flights, whether compared against the historic average or the 2017 figures.

The following table shows the variations in emissions for all flights operated. A trend towards falling CO_2 emissions by PKT (passenger kilometres travelled) can be seen.



3.2.5. Discharges

The activities of Air Europa with an impact on this environmental aspect are: waters with de-icing residue; aircraft cleaning, cleaning of ground handling vehicles, aircraft wastewater, sewage and cleaning of accidental discharges.

The operational control of cleaning activities and all matters concerning the discharge of waste water are detailed in the General "Waste, Discharge and Emissions Control and Management" Procedure, which sets out the methodology used by Air Europa to ensure that the waste, discharges and emissions generated in its activities are managed in line with the conditions defined in the applicable environmental legislation, ensuring that people and the environment are duly protected.

3.2.6. Waste

Non-hazardous waste

This type of waste is generated by all of the company's activities: administrative and on-board during the in-flight service. All offices are equipped with various containers/refuse bins for segregating urban-like waste. The agreement signed with the cleaning companies collecting such waste specifies that once such segregated waste has been collected, it must be deposited in the various recycling spots available in each location. Thus, each airport has a recycling spot at which to deposit packaging, paper, glass and organic waste separately.

Managing this type of waste on aircraft poses a series of challenges due to the lack of space in which to deposit the waste generated. It has been agreed with the cleaning companies that the waste will be properly segregated since it has already been separated on board. Periodic inspections will be carried out to check such on-board segregation.

Hazardous waste

At Air Europa, all hazardous waste is treated by authorised management companies. The environmental liaison in each department will ensure that all special and hazardous waste is duly managed by the management company. The General "Waste, Discharge and Emissions Control and Management" Procedure notes that the GESMED tool must be used by each environmental liaison to record any hazardous waste.

Maintenance

This is the area that generates the widest variety and the greatest amount of hazardous waste. Most of the waste originates from aircraft maintenance and the warehouse in which the various materials used are stored.

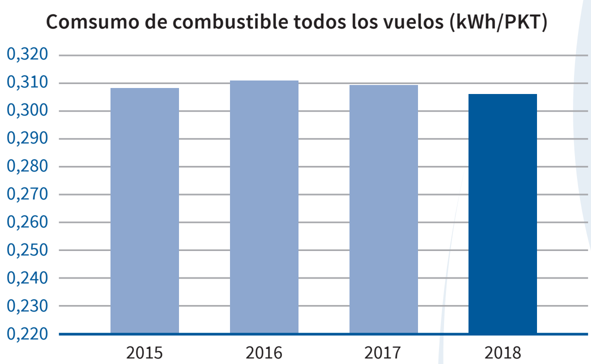
	Total	
Total Kg	2018 vs historic average	2018 vs 2017
Absorbents	37,16%	14,86%
Oils	148,87%	73,87%
Adhesives, Seals, Resins and Silicon	31,63%	-6,11%
Empty aerosols	155,47%	135,25%
Batteries and Accumulators	100,00%	100,00%
Scrap	-100,00%	0,00%
Fuels	-16,40%	-25,54%
Dissolvents	-82,09%	-91,58%
Electrical and electronic	-100,00%	0,00%
Packaging	45,22%	13,33%
Oil filters	45,50%	24,06%
Air filters	91,89%	-1,68%
Deactivated O2 generators	-14,52%	41,44%
Halon	-100,00%	-100,00%
Break liquid	100,00%	100,00%
Batteries (alkaline + Ni-Cd)	26,20%	75,00%
Paints	80,17%	19,67%
Fluorescents	-6,56%	-25,96%
Print toner	109,20%	106,88%
Voluminous	806,38%	914,29%

In order to calculate its fuel consumption, Air Europa uses the real consumption for each flight based on the amounts reported by captains on the Technical Log Page (TLP) per the readings of the fuel meters (kg) for each of a plane's tanks. These figures are logged on the Aircraft Maintenance IT System (SMA), which is validated for verification of greenhouse gas emissions per Decisions 2007/589/EC and 2009/339/EC.

Using the information provided by this system, the Management Systems Department conducts an analysis of fuel by plane/fleet, converting such consumption into emissions in line with Commission Regulation (EU) No. 601/2012, DEFRA, Annex 16 of the OACI and the manuals of the engine manufacturers. Fuel consumption on flights operated by Air Europa is broken down by passenger and kilometre travelled (PKT).

Overall, factoring in all Air Europa flights, fuel consumption by PKT has fallen by 1%, whether compared against the historic average or the 2017 figures. Passenger numbers have risen by 12.6% with respect to the historic average and 11.7% on 2017. Total PKT (passenger kilometres travelled) has risen by 14% with respect to the historic average and 8.6% on 2017.

Fuel consumption on all Air Europa flights measured in kwh by PKT:

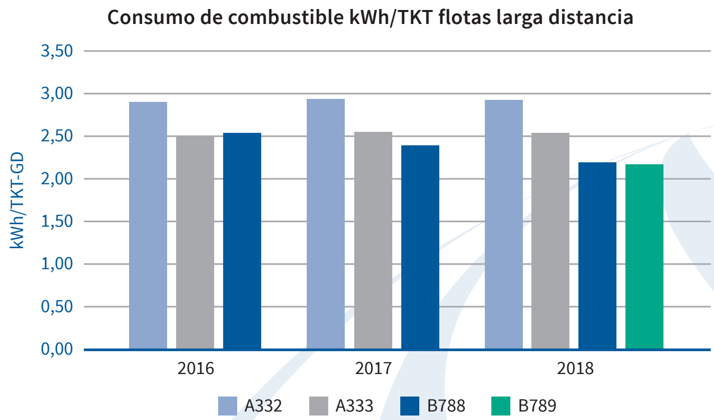


Analysing the long-haul fleet, 2018 saw fuel consumption by TKT-GD fall by 4.86% on 2017. The number of flights and TKT rose by 14%, while overall fuel consumption increased by 8.5%.

Comparing figures against the starting point (2016), the reduction in fuel consumption by TKT-GD has dropped by 9%, while the number of flights operated rose by 27.3%, with tonnes/km transported rising by 33.6%.

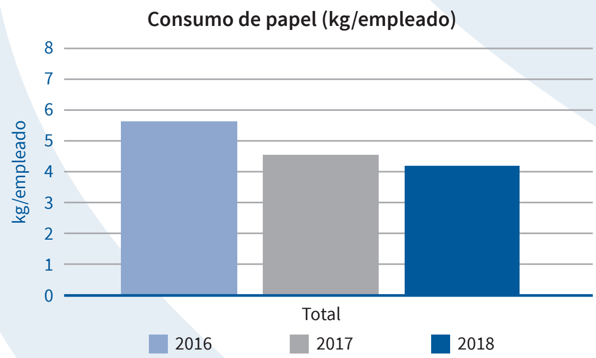
Long-haul fleet fuel consumption by aircraft model in 2016 compared with 2016 (starting point):

2018 vs 2016	No. flights	TKT-GD	MWh	MWh/ TKT-GD	kWh/ TKT-GD
A332	-11.22%	-22.70%	-22.08%	0.80%	0.80%
A333	-33.44%	-31.46%	-30.05%	2.06%	2.06%
B788	336.34%	395.87%	333.51%	-12.58%	-12.58%
B789					
Total	**27.29%**	**33.61%**	**21.57%**	**-9.01%**	**-9.01%**



In terms of paper consumption, a target has been set to reduce paper consumption by 5% per employee across the entire organisation (two-year target, 2017-2019).

15,086kg of paper was consumed in 2018, a 6% drop on the previous year and 23.85% less than in 2016. Consumption by employee fell by 8% on 2017 and 26% on 2016, the starting point.



3.3. Quality and Environmental Management System in place at Be Live Hotels

In August 2018, Globalia's hotel division published its "Integrated Quality and Environmental Policy". In this document, quality and the environment are viewed as key for the hotel business, offering added value for stakeholders, shareholders, employees, customers, tour operators, travel agencies, suppliers, subcontractors, public authorities, hotel associations in the region, non-governmental associations and the local community.

To this end, the management, collaborators and workers of Be Live Hotels have set out a series of undertakings:

- To offer a warm, welcoming treatment to our customers.
- To guarantee the very highest quality in the services and products offered, integrating this aspect within the planning and decision-making processes.
- To adopt measures enabling us to prevent pollution, minimising consumption and the generation of the waste, discharges and emissions generated by our activities, promoting the conservation of natural resources and improving energy efficiency.
- To meet the statutory and regulatory requirements, as well as the UNE-EN ISO standards 14001 and 9001 and the Tenerife sustainability criteria.
- To monitor and follow up on any complaints and suggestions made by customers and to adopt the necessary measures.
- To effectively and efficiently manage hazardous waste by training personnel.
- To inform stakeholders of all of the sustainability policies with a view to seeking their support and raising awareness.
- In line with the process of ongoing improvement, to define, set in place and periodically review compliance with the sustainability policies and the Group's sustainable management programme in order to meet the targets set.
- To require suppliers and subcontracted companies to operate in line with environmental and quality criteria similar to the principles described in this document.
- To maintain specific areas with recycling points in common areas for urban waste and an internal disposal site for separating special and hazardous waste.
- To motivate personnel by raising awareness of their efforts in Be News, the magazine for agencies and tour operators, on our website, on the employee portal and in the in-house magazine Fórum.

Meanwhile, the "Integrated Management System Manual" was prepared in August 2018 and reviewed in October 2018.

The Integrated Management System Manual is the core document of the Quality and Environmental Management System in place at the Be Live Hotels chain. It details the structure of the system set in place in relation to each of the sections of the standards *UNE-EN ISO 14001:2015 "Environmental management systems. Requirements with user guidelines"* and *UNE-EN ISO 9001:2015 "Quality management systems. Requirements".*

The Integrated Management System covers all areas at the organisation's centres (HQ and hotels), all of the activities and the services rendered and must be observed by all personnel at the organisation involved in the relevant areas.

3.3.1. Integrated management policy

The management of the organisation has designed the integrated management policy, alongside the other sustainability policies approved, and all Be Live personnel undertake to abide by it.

It is available to the general public on the website, within the section on each hotel, in a link at the bottom of the page to "Sustainability": https://www.belivehotels.com/hotel/ES/home.jsp

All of the members of the chain can access the policy at a range of sites, such as notice boards or the employee portal. It is available to customers and the general public at hotel receptions, not only on the notice board, but also on "tablets".

3.3.2. Steps for dealing with risks and opportunities. Goals

Once a year, the director conducts a risk assessment in the form of a series of established procedures. Specifically in this case, ***IT DIR 07 Identification and assessment of risks and opportunities.***

The Working Instruction I***T.DIR 01 "Identification and assessment of environmental risks"*** details the system to be used by the hotels in order to identify and assess any **environmental aspects** of their activities and services that may have a significant impact on the environment.

The **"Quality and environmental targets"** are set annually, and are quantified and have follow-up indicators.
When setting such targets, regard may be had to the information available on aspects such as:

- Significant environmental aspects (reduction in consumption, etc.).

- Customer claims and complaints.
- Suggestions made by customers and employees.
- Analysis of customer satisfaction surveys.
- Compliance with environmental protection and pollution prevention.
- Legislative compliance.
- Initiatives entailing improvements to management.

Having regard to the Integrated Policy of the Be Live Hotels chain, the applicable statutory requirements and the other requirements to which the organisation has signed up, the significant environmental aspects, the technological alternatives available and the opinions of interested parties, **Objectives and Goals** are set annually, which are planned and developed in line with Working Instruction ***IT.DIR 03 "Sustainable Management Programme"***, detailing the deadlines, resources and responsibilities for carrying out the initiatives under the **Programme**.

3.3.3. Skills and awareness-raising

Be Live Hotels believes that all of its personnel who may have a significant impact on the environment have the relevant skills based on suitable **training and awareness-raising**.

Working Instruction ***IT.DIR 04 "Training and awareness-raising"*** describes the mechanisms used to detect the degree of professional skill required for key positions (management, people in charge of environmental matters and middle management), to identify training needs and to prepare, follow up on and assess an establishment's training plan.

3.3.4. Communication

Communication is essential to ensure the system works properly, and Working Instruction ***IT.DIR 05 "Communication"*** describes the process used for internal communications between personnel and the establishment. It also details the steps envisaged for receiving, documenting and responding to any relevant communications from customers or outside the organisation. A Communication Plan has been developed in order to raise awareness of the Policy.

3.3.5. Planning and operational control

Operational control affects the activities and services of the Be Live Hotels chain impacting on the quality of the service and the environment.
With respect to the environment, specifically:

- Waste management
- Resource management: water, energy and fuels
- Atmospheric emissions
- Water quality
- Noise and vibrations
- Maintenance of installations and equipment
- Storage, use and handling of fuels and environmentally risky products
- Managing procurement, supplies and contracts.

Environmental and quality operational control can be broken down into three sections:

1. Record R.ECO 03 "Incidents with Suppliers or Internal Incidents"
2. Record R.ECO 04 "Receipt of goods"
3. Record R.ECO 09 "Environmental and quality conduct of suppliers" setting out an environmental and quality assessment of suppliers based on the questionnaire completed and returned by such suppliers.
4. Record R.ECO 10 "Environmental and Quality Questionnaire for Suppliers", for which suppliers are asked to inform us of the criteria governing their environmental and quality-related conduct, which serves as the basis for the environmental and quality conduct assessment to be carried out by the people in charge of quality and sustainability at the hotel.
5. R.SSTT 07.02 "Operational Control and Maintenance" and the related working instructions, setting out environment-related action guidelines. For ease of viewing, we have subdivided this section into Operational Control - internal records; and Operational Control - external records.

3.3.6. Preparation and response in the event of emergency

Working Instruction IT.SSTT 08 "Environmental emergencies" details the steps to be taken in the scenarios identified as environmental emergencies, thus setting out the relevant **preparation and response in the event of emergency and enhancing prevention.**

3.3.7. Monitoring, measurement, analysis and evaluation

Monitoring and measurement takes the form of the mechanisms described below.

Periodic review of the environmental aspects and **evaluation of legal compliance** in order to ensure that such compliance is at all times up to date, as detailed in Working Instructions IT.DIR 01 and IT.DIR 02.
Periodic monitoring of the **sustainable management programme**, also known as the **objectives and targets programme**, in order to assess the degree to which the actions envisaged have been taken, as detailed in Instruction IT.DIR 03.

Monitoring of the environmental aspects identified in line with the operational control (IT.SSTT 07.02), storage (IT.ECO 07) and emergency (IT.SSTT 08) Working Instructions.

The processes are controlled and monitored using ***R.DIR-09 Scoreboards***

Particularly worthy of note are the scoreboards associated with various processes that seek to regularly measure the core characteristics of the operations that may have a significant impact. These scoreboards are as follows:

- R.DIR-09 Scoreboards
- Environmental Management Programme (R.DIR 03)
- Scoreboards: Generation of Non-Hazardous Waste (NHW) and Inert Waste -(R.SSTT 07.02/04)
- Scoreboards: Generation of Hazardous Waste (HW)-(R.SSTT 07.02/05)
- Rate of Variations in NHW and Inert Waste Indicators (R.SSTT 07.02/06)
- Rate of Variations in HW Indicators (R.SSTT 07.02/07)
- Consumption Scoreboard: Water and Energy (R.SSTT 07.02/08)
- Rate of Variations in CONSUMPTION Indicators: Water and Energy (R.SSTT 07.02/09)

Water and energy consumption with ratios by stay over the last two years were as follows:

WATER AND ENERGY CONSUMPTION HOTEL DIVISION

	Water (m3)	Ratio Water m3/stay	Electricity kWh	Ratio Electricity kWh/stay	Gas L	Gas kWh	Ratio Gas kWh/ stay	Gasoil L	Gasoil kWh	Ratio Gasoil kWh/ staty	Energy kWh (*)	Energy kWh/ stay
2017	1.879.697	0,80	50.197.190	16,98	3.263.783	23.408.402	8,14	4.207.301	44.448.601	19,65	118.054.193	39,94
2018	2.127.108	0,88	59.053.216	19,93	4.057.892	29.064.076	10,06	3.997.424	42.219.301	18,29	130.336.592	43,99

(*) Suma de Kwh de luz activa, gas y gasoil.

3.3.8. Evaluation of compliance

The external consultancy firm ASECORP compiles the environmental and industrial safety legislation applicable to the organisation's activities in the form of the "My legislation" and "Evaluation of compliance" databases, which will serve as an uncoded internal record, kept up to date with such sources of legislative information as:

- Official journals (EU, central government, autonomous community)
- Official central government and autonomous community bodies with competences in industrial, environmental, health and tourism legislation.
- Municipal councils (municipal ordinances)
- Hotel associations

The evaluations conducted are then subject to internal communication procedures.

3.3.9. Audits

In order to ensure that the system complies with the requirements under ISO Standards 9001:2015 and 14001:2015 and that it is duly implemented and is efficient, **internal audits** are conducted in line with Working Instruction ***IT.DIR 11 "Internal Audits".***

3.3.10. Improvements

The Sustainability Department of Be Live Hotels, together with the person in charge of environmental matters and the director of each hotel (where different), must identify any opportunities for improvement and take the action required to achieve the results envisaged in the Integrated Management System.

3.3.11. Hotel division certification

ISO 14001 is an environmentally-oriented management system. This certification helps to optimise the treatment of resources and waste and reduce adverse environmental impacts deriving from the company's activities, while also motivating personnel by providing them with clear working procedures, records and instructions. The use of recyclable products is encouraged, while also seeking alternatives to single-use waste, which will be legally mandatory as from 2021.

2015 was the first year audits were conducted at the Spanish hotels. As things stand, ISO certificate 14001 was issued in December 2017, and is valid from 8 February 2018 to 29 December 2020.

ISO 9001 seeks to ensure customer satisfaction over their entire relationship with the hotel chain. From their hotel reservation at the point of origin to their return home, when they take a few minutes to give their opinion on their experience in the hotel, including their time at the hotel. The documentation implemented seeks to facilitate ongoing improvement by making efficient working methods available to personnel.

2018 was the first year the audits for this certification were conducted at the Spanish hotels in the chain. This certificate is currently pending receipt.

The process for renewing both ISO certificates can be divided into two:

• Internally, in the month of October, inspections are carried out at each hotel by either the relevant directors or the Sustainability Department of Be Live in order to verify compliance with all aspects of the above standards. An internal audit report is drawn up, detailing any “failures to comply” detected, which must be remedied prior to the external audit.

• Externally, the certification company SGS audits Globalia’s hotels in the months of November and December each year. Various on-site inspections are generally carried out at the establishments, and the rest of the audit is conducted in writing at the Llucmajor head office. All of the multi-site hotels must be audited on-site every 3 years. The renewal process is carried out via the audits performed by SGS, checking to ensure that all of the records have been correctly filled in, and that the hotel personnel is effectively trained, informed and engaged and performs the functions detailed in the working procedures and instructions.

The Travelife certification, valid between 2018 and 2020, as well as being highly valued by leading tour operators worldwide, helps enhance the resources in place at each hotel, by taking on more local staff, using regional products and efficiently managing food-related processes (preventing waste), among other initiatives already in place thanks to the ISO certificates.

Travelife conducts an on-site audit of the hotels in Spain (save for the Florida Plaza apartment) and Portugal (only the Believe Palmeiras) every two years. The next audits are set for May 2020.

While the three international certificates initially call for some effort on the part of all of the hotel personnel, they soon recognise the added value and ease, since day-to-day functions are clearly defined.

Reports such as the "Environmental Management Certification (ISO 14001): Effects on Hotel Guest Review", prepared by the University of Cornell, have revealed that hotels in possession of an environmental certificate receive better customer reviews.

According to ABTA (Association of British Travel Agents), demand for sustainable accommodation is on the rise. "Customers believe their travel company should ensure that they are helping the local people and economy".

According to TripAdvisor, 71% of the customers surveyed will reserve more sustainable travel options over the coming 12 months.

According to the Los Angeles Times, "Holidaymakers feel better for choosing environmentally and socially aware hotels".

From the customer’s standpoint, these certificates guarantee guests certain minimum standards as opposed to other uncertified hotels. It is worth noting that the three certificates complement one another, adding up to more than the sum of their parts.

3.4. Quality and Environmental Management System in place at the Handling Division

3.4.1. Description of the Management System in place at Groundforce

The Environmental Management System of Groundforce (the brand name of the Handling Division) has been certified in line with ISO standard 14001:2015 since 2007, under certification number GA-2007/0598.

As part of its Environmental Management System, Groundforce has set in place Operational Environmental Control, with the aim of ensuring that all of its ground handling services are carried out in controlled conditions.

3.4.2. Policies implemented to manage and mitigate any risks and/or impacts identified

The policies of Globalia Handling S.A.U. (parent company of the Group’s Handling Division) set out its commitment to preventing pollution and sustainable development in the form of the following principles:

• Within the framework of a social commitment to its workers, client companies, suppliers and subcontractors, as well as the users of air transport services, Globalia Handling’s Integrated Quality, Environmental and Security Management System (certified in line with ISO Standards 9001 and

14001 and ISAGO) provides for a guarantee that it will follow through on the above commitment.

- To foster a corporate culture of pollution prevention and operational safety in order to optimise the efficiency of our services.

- To observe reliability, environmental and safety criteria in the acquisition and maintenance of equipment in order to improve performance in our operations.

- To abide by the corporate policies and requirements of our clients, the applicable regulations and any other commitments to which we have voluntarily signed up.

- To use reactive, proactive and predictive methods for identifying and identifying hazards and managing any operational and environmental risks that may be caused by our activities and processes, with a view to eliminating or mitigating them to the extent reasonably possible, at all times, wherever feasible, using the best available techniques.

- To establish indicators for measuring the environmental conduct associated with operations. The aim is to continue improving on performance levels by periodically planning goals and taking effective action.

- To ensure that our personnel (our prized asset) are qualified and duly trained, and are assigned tasks in keeping with their skills and abilities.

- To foster the participation of our personnel and their sense of responsibility when reporting any situations that may entail an operational risk via the reporting channels under the Integrated Management System.

- To work within a culture of fairness in which no punitive action will be taken against any personnel reporting defects in the quality of the service, environmental conduct or safety, at least where such reporting indicates, beyond reasonable doubt, an unlawful act, serious negligence or a deliberate failure to abide by regulations or procedures.

- To foster, among all of the people working either for or on behalf of the company, a preventative culture and proper, environmentally responsible and secure practices, ensuring they are aware of this policy, which is at all times available to the general public.

- To ensure that the systems and services provided externally in support of our operations are in line with all of the applicable policies and requirements.

3.4.3. Evaluation of environmental aspects in the Handling Division

The environmental aspects deriving from the activities and the services provided by the Globalia Group's Handling Division are evaluated in line with objective environmental criteria, with a view to identifying any aspects, be they internal (direct) or deriving from the activities pursued by subcontractors on its behalf (indirect), which may have a significant environmental impact.

The environmental aspects identified are reviewed and assessed periodically, at least once a year, and above all where any modifications are made to working processes or conditions.

Once identified and assessed, the environmental aspects are ordered hierarchically in order to ascertain which are significant and to take priority action in such connection.

Based on this inventory, Management Programmes are drawn up, setting out environmental goals and objectives, with the aim of eliminating or reducing the potential environmental impact of such aspects in the form of the environmental targets set annually.

3.4.4. Environmental risk management

Risk assessment is a process enabling operational risks to be categorised, analysing their frequency and severity in order to quantify them, then studying how to monitor them and setting priorities in order to eliminate or minimise them. This is carried out at least once a year and has always given rise to significant operational changes.

3.4.5. Key indicators

There are indicators in place for the most representative types of consumption (fuel, water and paper) in order to measure any variations and promote targets for reducing such consumption.

In order to convert such consumption-related information into comparable information, gross consumption is broken down by volume of activity analysed in terms of indicators.

This guarantees a real, comparable analysis of the relevant variations, ensuring that they are not distorted by any increases or decreases in activity.

A reduction target has been set for each of these indicators. Environmental performance is assessed by monitoring and analysing such indicators and corrective measures are established in the event of any deviations with respect to the relevant targets.

As a result of the implementation of policies for the ongoing improvement of performance and, above all, the campaigns to reduce the consumption of natural resources and to decrease greenhouse gas emissions, there follow the results of each of the key environmental indicators, compared against the previous year's performance.

Reduction in fuel consumption (fig. 1)

Compared with the 2017 result, it can be seen that 9 out of 12 airports in the network managed to significantly cut their diesel consumption and, by extension, their greenhouse gas emissions.

This reduction was due in part to the replacement of diesel with electrical equipment, together with the incorporation of new, more efficient equipment.

Reduction in water consumption (fig. 2)

In terms of water, it can be seen that consumption of this resource was reduced significantly in 2018 at 7 of the 9 airports at which equipment is cleaned.

Overall, consumption was reduced by more than 50% on 2017.

This reduction was thanks to awareness-raising campaigns during cleaning processes and the use of water pressure devices.

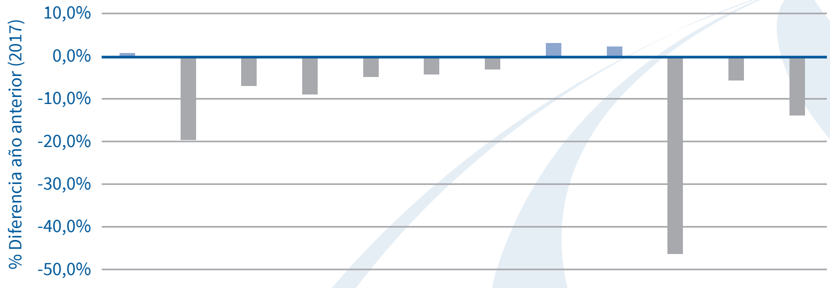
Reduction in paper consumption (fig. 3)

As far as paper consumption in 2018 is concerned, while more than half of the airports managed to reduce the results of this indicator, thanks to active campaigns to cut down on paper consumption, two of the largest airports in the network saw an increase in such consumption.

Nonetheless, it has come to light that this increase was due to the use of paper falling outside standard operations, such as requests to print documents on the part of client companies in the event of cancelations and delays.

2018

Figure 1. Detalle litros combustible y ratio por vuelo



AGP	ALC	BCN	BIO	FUE	IBZ	LPA	MAD	PMI	TFN	VLC	ZAZ
0,9%	-19,6%	-6,9%	-8,7%	-4,6%	-4,1%	-3,0%	3,2%	2,5%	-46,1%	-5,4%	-13,6%

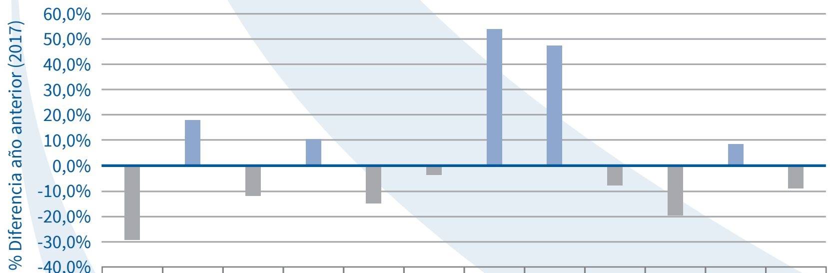
2018

Figure 2. Ratio litros utilizados por lavados

	AGP	ALC	BCN	BIO	FUE	IBZ	LPA	MAD	PMI	TFN	VLC	ZAZ
Total	-53,0%	10,9%	-67,3%	0,0%	-60,0%	0,0%	-83,8%	-34,0%	-63,4%	23,4%	-40,5%	0,0%

2018

Figure 3. Ratio KG papel consumidos por vuelo



	AGP	ALC	BCN	BIO	FUE	IBZ	LPA	MAD	PMI	TFN	VLC	ZAZ
Total	-29,0%	17,8%	-12,1%	10,8%	-15,1%	-3,6%	54,5%	47,7%	-7,6%	-19,9%	8,7%	-9,0%

3.4.6. Waste treatment at Groundforce

Groundforce, together with the subcontractors working on its behalf, manages the waste generated in the pursuit of its activities in line with the applicable legislation. All waste is separated by type into specific containers, with the relevant labelling:

Urban waste:

Urban waste is managed using the containers set in place and managed by AENA in the airport.

Selective collection of paper and cardboard: BLUE wastepaper bins labelled "PAPER ONLY" are used for the exclusive collection of paper and cardboard. Paper is collected at regular intervals by the cleaning staff, then taken to the selective collection point.

Selective collection of packaging: Using a YELLOW container expressly set aside for packaging, labelled "PACKAGING ONLY". To be collected by the cleaning staff, then taken to the selective collection point.

Selective collection of organic and general waste: The rest of the containers labelled ORGANIC/REST are set aside for the collection of general/organic waste, and will be replaced when waste is deposited.

Special waste:

Toner/ ink cartridge: The toners and ink cartridges generated in each department must be deposited in the containers set aside for such purpose and duly identified as such.

Electrical and electronic waste/batteries and accumulators: Both electrical and electronic waste and batteries and accumulators are returned to the supplier in line with the provisions of Royal Decrees 110/2015 and 710/2015, respectively.

Hazardous waste

Hazardous waste is identified with the label supplied by the management company, having completed all of the relevant fields (name, code, producer, pictograms detailing hazardous nature and storage start date). Depending on its type, hazardous waste must be deposited in the container set aside for such purpose.

Any drums containing liquid waste must be placed in a tank or the like to detain waste spillage in the event that the drum leaks or breaks and to prevent potential contamination of the land or the water network. Generally speaking, any drums containing hazardous waste must be placed on pallets, slightly raised above the ground so as to detect any potential defects in the container.

The transfer of waste (whether generated by the activity in the METSSA workshop or internal waste) from the facilities of Groundforce to the authorised waste treatment centres must at all times be carried out by authorised hauliers.

When waste is collected, it must be confirmed that the license of the relevant waste haulier features collection among its authorised activities.

There must always be documentary evidence of waste collection.

Waste water

The discharges generated may be:

Type	Description	Generating activity
Process waste water	Discharges originating from ground handling activities. Chanelled through a treatment system and subsequently discharged into the airport sewer network.	Cleaning of equipment
Waste water from lavatories and changing rooms	Originating from the use of hygiene-sanitary facilities. Non-contaminating.	Lavatories and changing rooms
Aircraft sanitary waste water	Originating from the emptying of waste water from aircraft.	Ground handling performed by cleaning subcontractor

All of the discharges generated by Groundforce are destined for the sewer network controlled and managed by the airport.

Thus, the discharge point is designated by AENA, and the person in charge of Quality and the Environment must ensure that the provisions in place at the airport for each discharge point are observed.

The following instructions must be observed when cleaning equipment:

Pre-cleaning: Observe whether the relevant area is clean and free of contaminating elements such as oils, fats, fuel, etc. If not, clean the area using sepiolite or absorbents, and manage in line with the section concerning Waste. Toxic/hazardous substances that may affect the treatment systems may not be discharged into the network.

During cleaning: Observe good environmental practices: do not waste water, do not leave taps running when not in use.

Post-cleaning: Turn off taps and check for leaks. The detergent used to clean equipment must comply with the biodegradability criteria under Regulation 648/2004/E.

Personnel may not discharge any substances that may damage the waste water treatment systems. To this end: No toxic or hazardous substances and/or substances that may affect the treatment systems may be introduced or discharged into the sewer system.

Atmospheric emissions
All ground handling equipment meets the requirements laid down in:
- The ITA (Technical Airport Inspection) for unregistered equipment/vehicles.
- The ITV (Technical Vehicle Inspection) with an additional ITA, for registered vehicles.

To this end, such inspections will be conducted with the frequency established for each piece of equipment, depending on age.

In order to properly conduct an ITA, regard must be had to the provisions of the Technical Airport Inspection Procedural Manual based on the general procedural rules for ITAs at all airports, and the ITV inspection procedure manual of the Ministry of Industry.

All handling equipment is subject to preventative and corrective maintenance to ensure it is in an optimal state of repair at all times.

Ground
With a view to preventing ground contamination, the following measures are taken:
Use of drip collection trays.
- Substances may not be stored on bare ground or near water basins or channels, drainage networks, etc.
- Tanks are used to store hazardous substances and waste.
- Use of absorbents to collect spillage.
- Proper handling of substances to prevent spillage.
- Vehicles must at all times be parked in paved areas set aside by Aena.
- GSEs that have reached the end of their useful life are managed as waste for decontamination via authorised treatment centres.
- Checks will be carried out to ensure that any vehicles to be decommissioned have no leaks.
- All personnel are informed of the steps to be taken in the event of accidental spillage:
- In the event of any minor spillage of hydraulic liquid/fuel from GSEs, such spills will be collected with absorbents (sepiolite) and deposited in the duly identified, specific containers for subsequent management.
- The airport emergency services must be notified of any major accidental spillage.
- Aena must be duly notified of any incidents with environmental repercussions.

3.4.7. Environmental awareness raising
With a view to disseminating and raising awareness among all personnel of the potential environmental impact of their activity inside and outside the company, a Good Environmental Practices Manual, visible at all facilities, is at the disposal of all company staff. Groundforce has launched the following environmental awareness-raising campaigns to reduce the use of natural resources:
- Paper consumption reduction campaigns:
- Replacement of paper with electronic resources (tablets) when checking services provided.
- Double-sided printing of flight plans for companies authorising this practice.
- Reuse of notepaper in offices.
- Inclusion of the message “BEFORE PRINTING, THINK OF THE ENVIRONMENT” at the foot of all Integrated Management System documentation, in order to discourage printing.
- Water consumption reduction campaigns, by raising awareness among employees to prevent the waste of water and the use of water pressure devices to reduce the amount of water used when cleaning ground handling equipment.

Climate change. Reduction of greenhouse gas emissions. Protecting biodiversity
There follow details of the specific initiatives set in place to reduce greenhouse gas emissions:
- Renewal of the fleet, giving priority to the introduction of electrical technology with a view to

reducing the greenhouse gas emissions related to the company's activity.

- Pioneering incorporation of equipment incorporating groundbreaking technology in the Spanish market, such as:

- ACU Combo: Equipment combining the provision of electricity and air-conditioning to aircraft, thereby reducing fuel consumption and, by extension, emissions, by half.

- Constant search for new technological solutions aimed at enhancing operating procedures and worker ergonomics and helping to cut emissions.

3.5. Quality and Environmental Management System in place at the Retail Division

A commitment to a quality service and respect for the environment means that the company must integrate criteria of sustainable development, ensuring the proper management of resources and safeguarding the environment, while responding to the demands of society. To this end, an Environmental Management System has been designed and implemented in line with the requirements under UNE EN ISO Standard 14001:2015.

There are currently 3 ISO 14001:2015 Standards in force at the companies in the Retail Division:

- Viajes Halcón, S.A.U. for corporate travel agency services. Bonus trips. Conventions and events. Reservation management as a travel agency for public or private invitations to tender. Original approval: 02/11/2010. Expiry of the certificate: 02/11/2019.

- Viajes Ecuador, S.A.U. for reservation management services as a travel agency for public or private invitations to tender. Original approval: 05/11/2010. Expiry of the certificate: 15/11/2019.

- Globalia Corporate Travel, S.L.U. for corporate travel agency services. Bonus trips. Conventions and events. Reservation management as a travel agency for public or private invitations to tender. Original approval: 09/10/2018. Expiry of the certificate: 02/11/2019.

4. SOCIAL AND PERSONNEL-RELATED ISSUES

4.1 Globalia Group Equality Plan

In line with Organic Law 3/2007 of 22 March 2007 on Effective Gender Equality and following the pertinent diagnoses at each of its business divisions, the Globalia Group has in 2017 and 2018 launched Equality Plans at its various companies, having regard to the specific characteristics of each business and as provided for in the above Law.

The relevant diagnosis reports were prepared by gathering and analysing information from the different Group companies, which, viewed together, give an initial idea of the existing level of gender equality, according to the nature of each business. While not included among the areas analysed in the various diagnoses performed, the policies for the prevention of sexual and gender-based harassment already in place at the Group are noteworthy. There is a clear commitment on the part of Management to prevent and resolve any potential situations of harassment. To this end, a protocol and procedure for action have been included within the Prevention Plan and have been published on the corporate intranet.

Based on the diagnoses performed, a series of measures have been defined along with the workers' representatives with a view to furthering the Group's commitment to equal rights among all of its workers.

The most relevant measures adopted as part of the Group's different equality plans are:

- **Corporate culture:** To communicate Management's commitment to equal treatment.
- **Access to jobs:** To guarantee identical opportunities for recruitment and promotion.
- **Training:** To facilitate access to training sessions for both men and women.
- **Remuneration:** To supervise correct implementation of the remuneration policy and adopt the measures necessary to correct any cases of discrimination in the shortest possible timeframe.
- **Time management:** To promote a culture that permits an appropriate work-life balance, and fosters an equal distribution of responsibilities between men and women.
- **Occupational health:** To guarantee a suitable level of health protection for all members of the organisation.
- **Gender-based violence**

The Group takes responsibility for monitoring effective implementation of the measures adopted as part of the various equality plans, according to the agreements reached in each division with the different steering committees.

Some of the key indicators for monitoring the measures adopted are:

- Average headcount by sex and type of contract during the year (see changes since the diagnosis began).
- Number of people hired in the Group (changes since diagnosis began).
- Number of people ceasing to work for the Group (dismissals) (changes since diagnosis began).
- Hours of training.
- Gross annual salaries by contract type, collective bargaining agreement and professional category (collective bargaining agreement level).

As regards diversity, the data regarding the Globalia Group workforce, by territory in which the various equality plans apply, are as follows:

	Spain				*Dominican Rep.*	
	Men		Women		Men	Women
	Indefinite-term	Casual contract	Indefinite-term	Casual contract	Indefinite-term	Casual contract
Administration	505	78	869	120	22	33
Flight attendants	462	1	1,305	5	0	0
Drivers	61	29	15	7	0	0
Management	105	1	32	0	5	1
Middle management	117	1	83	0	0	0
Mechanics	362	78	6	2	0	0
Other administration staff	0	0	0	0	0	0
Other	48	7	11	4	30	9
Travel agency staff	282	25	1,234	124	0	0
Handling staff	1,690	866	859	392	0	0
Hotel staff	207	153	166	152	854	275
Pilots	664	2	26	0	0	0
Computer programmers	110	2	17	2	0	0
Telephone operators	49	85	192	158	8	13
	4,662	**1,329**	**4,814**	**966**	**919**	**331**

	Rest of the World				*TOTAL*			
	Men		Women		Men		Women	
	Indefinite-term	Casual contract	Indefinite-term	Casual contract	Indefinite-term	Casual contract	Indefinite-term	Casual contract
Administration	81	0	96	0	608	78	998	120
Flight attendants	0	0	0	0	462	1	1,305	5
Drivers	0	0	0	0	61	29	15	7
Management	8	0	3	0	118	1	36	0
Middle management	20	0	28	0	137	1	111	0
Mechanics	0	0	0	0	362	78	6	2
Other administration staff	0	0	0	0	0	0	0	0
Other	0	0	0	0	78	7	20	4
Travel agency staff	0	0	0	0	282	25	1,234	124
Handling staff	33	23	13	12	1,723	889	872	404
Hotel staff	10	0	0	0	1,071	153	441	152
Pilots	0	0	0	0	664	2	26	0
Computer programmers	0	0	0	0	110	2	17	2
Telephone operators	16	0	40	18	73	85	245	176
	168	**23**	**180**	**30**	**5,749**	**1,352**	**5,325**	**996**

Part-time indefinite-term employment contracts are mainly used for cabin crew (TCPs) in the Air Division, where the ratio of women to men is 74%-26%. In the Handling Division on the other hand, the ratio of men to women hired under casual contracts is 61%-39%.

This chart appears in note 31 to the consolidated annual accounts.

MEN AND WOMEN AT 31/12/2018

	Overall total 2018	Overall total 2017	Diff. 2018-2017
MEN	7,928	7,744	184
WOMEN	7,107	7,010	96
Overall total	**15,035**	**14,754**	**280**

DISMISSAL BY AGE RANGE, PROFESSIONAL CATEGORY AND SEX

	Under 25		*Aged 25 to 35*		*Aged 35 to 45*		*Aged 45 to 55*		*Over 55*	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Administration	2		5	5	6	10	3	1	3	1
Flight attendants	1		1	1		3				
Drivers			1		1		2		3	
Management					1		2	4	1	1
Middle management					1		1			
Mechanics			2		2		2			
Other			5		3	3	1	1		
Travel agency staff			2	8	10	20	5	12	7	7
Handling staff	20	2	15	3	18	4	11	4	7	1
Hotel staff	5		13	5	10	5	5	3	1	
Pilots			1		3		5		2	
Computer programmers						1				
Telephone operators			1	5	1	5				
	28	**2**	**46**	**27**	**56**	**51**	**37**	**25**	**24**	**10**

(Information on Spain and the Dominican Republic, which represents 97% of the workforce).

Since most of the equality plans are being implemented in 2018, and although the results of the diagnosis are generally fairly acceptable, the Globalia Group is committed to working and focussing on all of the areas with room for improvement.

4.2 Salary gap

In line with the principles developed in the equality plans, the Group considers equal pay to be a fundamental right of its employees. With this in mind, the Globalia Group seeks to ensure that its remuneration policy is equal for both men and women, applying the salaries defined in the salary tables existing in the collective bargaining agreements of the different companies forming the Group. Average salaries are calculated solely based on the fixed portion of remuneration and the salary gap is the result of comparing the fixed salaries of workers subject to the same collective bargaining agreement and of the same professional category. The percentage salary gap has been obtained using the average of the above information weighted according to the number of people registered in each category within the groups specified in the annual accounts:

SALARY GAP (2018 VS 2017)	*2018*			*2018*			*2017*			*2017*		
	Spain Average annual salary			Dominican Republic Average annual salary			Spain Average annual salary			Dominican Republic Average annual salary		
	M	W	Gap	M	W	Gap	M	W	Gap	M	W	Gap
Management	106,626	82,126	33.56%	47,033	0	0.00%	106,098	85,835	23.61%	32,434	36,608	-5.89%
Middle management	47,047	41,704	7.41%				45,174	40,205	10.29%			
Administration	31,574	23,522	0.24%	12,183	13,466	4.75%	31,494	22,941	-0.29%	10,816	12,848	0.85%
Flight attendants	18,232	19,766	1.03%				18,185	19,682	1.09%			
Drivers	23,884	23,475	2.63%				23,352	23,332	-0.27%			
Mechanics	35,895	29,095	-1.19%				35,187	29,552	0.99%			
Other administration staff	26,213	23,309	0.50%				25,743	22,797	0.51%			
Other	21,367	18,513	-0.50%	4,218	3,532	12.72%	21,578	19,884	0.16%	4,653	5,399	7.64%
Travel agency staff	26,077	23,412	1.24%				25,471	23,004	0.53%			
Handling staff	20,525	21,107	1.42%				20,162	21,034	1.51%			
Hotel staff	20,366	19,300	3.16%	3,497	3,331	2.90%	19,919	18,950	0.23%	3,339	3,306	3.25%
Pilots	75,749	58,161	0.48%				80,331	63,385	-0.48%			
Computer programmers	32,782	25,404	3.14%				32,293	23,188	2.01%			
Telephone operators	15,741	16,122	0.50%	5,388	4,780	25.77%	15,832	16,153	0.43%	5,320	4,450	26.28%
	29,952	**22,019**	**1.64%**	**3,938**	**4,296**	**3.77%**	**29,820**	**21,854**	**1.30%**	**3,760**	**4,402**	**3.35%**

Average salaries and salary gap calculated based on 97% of the Globalia Group.

4.3 Occupational health and safety

The Globalia Group health and safety policy provides for continuous application of the strictest criteria as regards health and safety and risk prevention at its various workplaces. It systematically and regularly carries out the occupational health and safety activities envisaged in the Occupational Risk Prevention Plan published on the Group's corporate intranet (employee portal): https://intranet.globalia-corp.com

This policy also guarantees that all Group companies and collaborating companies carry out their activity in accordance with the rules, regulations and provisions applicable in each country according to the domestic legislation in force and having regard to the Globalia Group's own safety standards.

As part of the Globalia Group's health and safety activities, the company continually monitors accidents at its workplaces. It also has an occupational risk prevention department, which renders its services to the entire Group.

The accident rate, which is very low, has remained constant with respect to the previous year despite the increase in the Group's average headcount, and it is worth noting that there have been no fatal accidents and very few serious accidents during the year.

OCCUPATIONAL CONTINGENCY

	Index	2018	2017
A	TAI	0.50%	0.45%
B	TGA	1.8	1.6

A - % of working days not worked of total working days
B - Days not worked by average employee

OCCUPATIONAL ACCIDENTS

	Men	Women
Accidents requiring sick leave	767	259
Accidents not requiring sick leave	198	79
	965	**338**

(Information on Spain and ths Dominican Republic, which represents 97% of the workforce)

This is mainly due to the risk mitigation policies, which are essentially based on measures such as:

- Assessment of the risks inherent in the different positions and regular update thereof.
- Constant provision of information to workers via the various channels available, on any risks to their health and safety and the preventative measures to be observed in the event of emergency.
- Prevention training for all Group workers.
- Initial and periodic surveillance of workers' state of health, bearing in mind the risks inherent in their work.
- Monitoring of and compliance with statutory health and safety provisions by subcontracted companies.
- Incorporation of risk prevention at each Group company.

4.4 Healthy company

Notices relating to worker health and safety are published in the Human Resources / Employee Prevention / Occupational Risk Prevention Documentation section of the Globalia employee portal. Documents entitled “Hay fever” and “Hydration in summer” have recently been published.

4.5 Training

Globalia Formación is a Globalia Group company that is entrusted with managing annual training plans. It has facilities to meet the business' different training needs at both the Llucmajor Training School and at various airports. The main tasks of its personnel are administrative management of the annual training plans, provision of training, management of the Training School and creation of training content.

The Globalia Group is currently immersed in a large-scale project to transform its training area. This transformation is to be implemented via a three-year project - the “Elcano Project” - that has recently been approved by General Management, the main objective of which will be to provide the Company with a Corporate University.

Among its achievements in 2018, it has obtained a further 19 points in terms of training credits

Elsewhere, management and development of the Group's training plans have contributed to corporate cohesion with the creation of various training committees and implementation of an e-learning platform that will contribute to modernisation while optimising training costs within the Group.

HOURS OF TRAINING IN 2018 BY CATEGORY AND SEX

	Men	Women	Overall total
Management	3,678	1,230	4,908
Middle management	2,883	1,691	4,574
Administration	16,723	20,640	37,363
Flight attendants	9,788	30,673	40,461
Drivers	4		4
Mechanics	86,906	1,052	87,958
Other	370	48	418
Travel agency staff	2,843	17,045	19,888
Handling staff	168,481	106,061	274,542
Hotel staff	905	839	1,744
Pilots	6,686	290	6,976
Computer programmers	4,076	418	4,494
Telephone operators	3,004	11,111	14,115
	306,347	**191,098**	**497,445**

4.6 Employment

Note 31 to the consolidated annual accounts contains personnel-related information.

4.7 Organization of the work

The conciliation and organisation of working time is a matter of utmost importance to the Globalia Group. The enthusiasm and commitment of our employees is key to achieving our mission and their occupational health and safety and personal welfare are therefore important to us.

Achieving a work-life balance is a major challenge given the demands of the current climate. It is against this backdrop that measures applicable to all Group employees are being taken to improve this balance. For employees with children, these measures are specifically aimed at facilitating conciliation on the part of both parents, where applicable.

Flexible working hour arrangements have been introduced in 2018 in areas where there was formerly no such a tradition. Going forward, this model must be consolidated and extended to other groups of Globalia workers, always ensuring that service is not affected and encouraging conciliation and productivity.

4.8 Labour relations

Social dialogue exists at various levels at the Globalia Group companies, largely depending on the collective bargaining agreement regulations applicable and the trade union structure established when creating representative bodies.

With this in mind, one level of social dialogue is based on dealings with the works council and/or personnel delegates of the different workplaces/companies, notwithstanding a like level of dialogue with the workplace labour union branches. This dialogue is multi-layered as the representative bodies are made up of representatives of all of the workers of the company or workplace, as the case may be. At this level, social dialogue is for both information and negotiation purposes.

Another level of social dialogue is that within a company, essentially with workplace labour union branches of the different groups of workers that work there, having regard to the fact that regulations at the company are structured via different collective bargaining agreement bands. Consequently, all negotiations, interpretation of collective bargaining agreements and/or discussions of matters to be addressed with the workers' representatives are carried out with such representatives, maintaining a predominantly informative relationship with works councils/trade union delegates.

%WORKFORCE SUBJECT TO COLLECTIVE BARGAINING AGREEMENTS

	Spain	Dominican Rep.	Rest of the World	Globalia
Not subject to collective bargaining	1.17%	9.87%	100.07%	4.80%
Subject to collective bargaining	98.93%	90.13%	0.00%	95.20%

5. RESPECT FOR HUMAN RIGHTS

5.1. Risks

The Risks specified in this section refer to inherent risk, without bearing in mind the controls and measures implemented by Globalia.

Human rights-related risks affect several groups: workers of Globalia, workers of Globalia's providers or subcontractors and persons related to Globalia (clients, etc.).

- Generic risks:
  - Breach of the national laws of territories in which it operates and, specifically, labour laws.

- Specific risks:
  - Discrimination on grounds of sex, race, religion, origin, beliefs, political opinion or any other circumstance.
  - Unlawful processing of personal data infringing the personal or family privacy of the data subject.
  - Human trafficking (this may give rise to criminal liability for Globalia).

- Prostitution, sexual exploitation and corruption of minors (this may give rise to criminal liability for Globalia).
- Hatred and incitement to hatred (this may give rise to criminal liability for Globalia).

5.2. Risk management:

• **Prevention:**

- At organisational level

Globalia Servicios Corporativos, S.L.U. provides the entire GLOBALIA Group with support for internal processes, boasting particular technical expertise in labour and human resources matters. Its extensive knowledge of the applicable legislation is its first line of defence, enabling it to prevent the materialisation of risks associated with breaches of the legislation in force to ensure respect for human rights.

Moreover, Globalia has set up a specific Compliance area, led by a Compliance Committee and managed by an independent technical unit, which is responsible for preventing, detecting and reacting to the risks associated with crimes that may give rise to criminal liability for Globalia, and indeed for all aspects set out in the Code of Ethics.

- At regulatory level

1. Code of Ethics

Section 4.2.2 of the Globalia Code of Ethics approved by its Board of Directors dedicates a specific section to Human Rights, undertaking to respect the provisions of:

• The laws and regulations applicable in the territory in which it operates
• The Universal Declaration of Human Rights
• The Principles of the United Nations Global Compact
• The Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy
• The OECD Guidelines for Multinational enterprises

Sections 4.2.3 and 4.2.4 of the Code of Ethics guarantee equal opportunities, non-discrimination and prevention of workplace harassment in Globalia's activities.

Section 4.3 guarantees that information will be processed confidentially, without invading personal privacy.

2. Criminal risk analysis

As part of the criminal risk analysis carried out by Globalia across all of its divisions it has analysed the risk of perpetration of the crimes of human trafficking, prostitution, sexual exploitation and corruption of minors, as well the crimes of hate and incitement to hatred.

3. Policies

Compliance with the provisions of the Code of Ethics calls for the creation of a range of policies, the specific content of which as regards the protection of human rights is set out therein.

4. Training

Training activities are being held for all Group employees to raise awareness of the Code of Ethics and Policies in place at Globalia. This training has been personalised according to the different areas and divisions and based on hierarchical levels within the company.

• **Lines of action**

- Globalia has a Compliance and Good Practices Channel, accessible via its corporate website and intranet, where all personnel and persons related to Globalia can anonymously report any breach or irregularity detected in the pursuit of the company's activities.

Communication methods:

- By email: cumplimos@globalia.com
- By completing the following form: https://www.globalia.com/es/compliance

These complaints will be managed by an independent unit forming part of the "Compliance" area, by means of a pre-established procedure which we describe in the "Policies" section.

- Globalia has a specific Internal Audit department.
- Globalia carries out regular audits to verify compliance with the personal data protection legislation.

5.3 Key indicators

The following aspects are monitored regularly:

• Number of complaints received via the Compliance and Good Practices Channel.
• Number of complaints not accepted on grounds of inconsistency or incongruence.
• Number of complaints accepted and investigated by the Compliance Unit.
• Number of views of a preliminary explanatory video launched at the beginning of the Compliance programme.
• Number of entries to the employee portal to consult the Code of Ethics and Policies.

- Number of people who have completed the online Compliance training.
- Number of consultations on application of the Compliance Policies.
- Number of times the Compliance Committee meets each year and evidence of the holding of such meetings.
- Suppliers signing the code of Ethics for Suppliers, which, according to internal procedures, should be all of them.

5.4. Policies

- Code of Ethics.
- Code of Ethics for Suppliers.
- Protocol for action in the event of undesired conduct.
- Procedure for the Compliance and Good Practic• Investigation procedure for the Compliance and Good Practices Channel.

5.5. Results

The results are analysed by quantifying the following indicators:

Indicator	Result
1. Complaints received	15
2. Complaints rejected	3
3. Complaints accepted	12
4. Views of preliminary video	52
5. Number of times Code of Ethics and Policies accessed	1,128
6. Number of people completing online training	1,800
7. Number of consultations on application of policies	30
8. Meetings of Compliance Committee	3
9. Suppliers signing Code of Ethics	Included as clause in the contract with the supplier

5.6. Specific content:

- Violations of human rights are managed and reported via the Compliance and Good Practices Channel.
- Promotion of and compliance with the ILO Conventions are aligned with the Universal Declaration of Human Rights, and are included in the commitment contained in our Code of Ethics and policies.
- Likewise, ensuring non-discrimination at work, occupation, and rejection of forced or mandatory labour and child labour are included in the commitments set out in our Code of Ethics.

6. PREVENTION OF CORRUPTION AND BRIBERY

6.1. Risks

Risks:

The Risks specified in this section refer to inherent risk, without bearing in mind the controls and measures implemented by Globalia. The following risks have been identified in relation to the fight against corruption and bribery:

- Engaging in criminal conduct classed as bribery (arts. 419 to 427 bis of the Criminal Code, hereinafter, the “CC”).
- Engaging in criminal conduct classed as money laundering (arts. 298 to 304 CC).
- Engaging in criminal conduct classed as fraud (arts. 248 to 251 bis of the CC).
- Engaging in criminal conduct classed as corruption in business (art. 286 bis, 286 ter and 286 quarter of the CC).
- Engaging in criminal conduct classed as illegal financing of political parties (art. 304 bis and 304 ter of the CC).
- Engaging in criminal conduct classed as influence peddling (arts. 298 to 431 CC).
- Engaging in conduct not classed as a crime but which breaches the provisions of our Code of Ethics (section 4.1).

6.4. Risk management:

- **Prevention**

- At organisational level

Globalia has set up a specific Compliance area, led by a Compliance Committee and managed by an independent technical unit, which is responsible for preventing, detecting and reacting to the risks associated with crimes that may give rise to criminal liability at Globalia, and for all aspects set out in the Code of Ethics. In the case at hand, conduct related to corruption and bribery is punishable as a crime and subject to the Crime Prevention System.

- At regulatory level

1. Code of Ethics

Section 4.1.a of the Globalia Code of Ethics approved by its Board of Directors deals with the Prevention of Fraud, Bribery and Corruption.

2. Criminal risk analysis

The criminal risk analysis performed across all of Globalia’s divisions has analysed the risk of perpetration of the crimes specified above in the “Risks” section.

3. Policies

Compliance with the provisions of the Code of Ethics calls for the creation of a range of policies, the specific content of which as regards the prevention of bribery and corruption is set out above.

- At training level

Training activities are being held for all Group employees to raise awareness of the Code of Ethics and Policies in place at Globalia. This training has been personalised according to the different areas and divisions and based on hierarchical levels within the company.

- **Lines of action**
  - Globalia has a Compliance and Good Practices Channel, accessible via its corporate website and intranet, where all personnel and persons related to Globalia can anonymously report any breach or irregularity detected in the pursuit of the company's activities. These complaints will be managed by an independent unit forming part of the "Compliance" area, in line with internal procedures which we describe in the "Policies" section below.
  - Globalia has a specific Internal Audit department.

6.5. Key indicators

The following aspects are monitored regularly:

- Number of complaints received via the Compliance and Good Practices Channel.
- Number of complaints not accepted on grounds of inconsistency or incongruence.
- Number of complaints accepted and investigated by the Compliance Unit.
- Number of views of a preliminary explanatory video launched at the beginning of the Compliance programme.
- Number of entries to the employee portal to consult the Code of Ethics and Policies.
- Number of people who have completed the online Compliance training.
- Number of consultations on application of the Compliance Policies.
- Number of times the Compliance Committee meets each year and evidence of the holding of such meetings.
- Suppliers signing the code of Ethics for Suppliers, which, according to internal procedures, should be all of them.
- Control of contributions to foundations and nonprofit entities (by the Marketing Department)

6.4. Policies

- Code of Ethics.
- Code of Ethics for Suppliers.
- Procurement policy.
- Anti-corruption policy.
- Gift policy.
- Sponsorships and donations policy
- Procedure for the Compliance and Good Practices Channel.
- Investigation procedure for the Compliance and Good Practices Channel.

6.5. Results

Results are assessed using the same indicators as those listed in the section corresponding to Respect for Human Rights. (See section 5.4)

6.6. Specific content:

Specific content can be found in the Globalia Crime Prevention system, in which the specific crimes associated with bribery and corruption are particularly prominent.

7. SOCIETY

7.1 Corporate Social Responsibility Report

- **Community initiatives**

Globalia's 2018 Corporate Social Responsibility Report bears witness to our CSR and corporate outreach-related initiatives and achievements and the results of our corporate activities.

In 2018, the Globalia Group gave a further boost to its community-oriented side, taking the form of an increase in international cooperation and a firm commitment to the needs identified in today's society. All of which has led to the Group strengthening its ties with associations, foundations and NGOs, ensuring our intentions have a tangible outcome in the various areas of action.

2018 saw an increase in our social responsibility-related initiatives, working in partnership with a range of organisations. It is once again worth noting the participation of company personnel with the association AEA Solidaria, set up by workers from Air Europa with the backing of the general management. For the seventh year running, AEA Solidaria has continued contributing to the projects already underway, without overlooking the new community outreach challenges arising over the course of the year, both domestically and further afield.

To cite but a few examples of the work performed, it supports the Niños de Santa Cruz children's hospices in Bolivia and the Pasitos de Jesús and Barrio de Los Cocos foster homes in the Dominican Republic.

AEA Solidaria works in close collaboration with each of the homes, providing an array of humanitarian material that would not have been possible without the generosity of Air Europa, which fills the holds on its aircraft with boxes of clothes, shoes, school material, medicines, etc.

Meanwhile, workers gather and sort through the material most needed by each home, before delivering it in person. Our colleagues not only make deliveries, they also pay frequent visits to each of the homes, checking their needs and sharing their experiences at each of the centres (Santo Domingo and Bolivia) with the children.

AEA Solidaria can count on a key partner in Santo Domingo, Be Live Hotels. Hotel Be Live Experience Hamaca continues to deliver weekly food supplies to the Pasitos de Jesús foster home. Committed to the cause and project of AEA Solidaria, Hotel Be Live Experience works in partnership with our colleagues with daily deliveries of humanitarian aid and a range of initiatives at the hotel's installations.

Elsewhere, AEA Solidaria continues raising funds by staging Solidarity Breakfasts on the first Tuesday of each month at Globalia's Llucmajor offices in Mallorca and the company's offices at Adolfo Suarez Madrid Barajas Airport.

For another year, AEA Solidaria sought to bring the magic of Christmas to all of the children at its projects in Bolivia and Santo Domingo. To this end, Father Christmas dropped in on the Niños de Santa Cruz foster home, handing out presents to all of the children. Santo Domingo also enjoyed a visit from Father Christmas bearing gifts. As in the previous year, Hotel Be Live Experience Hamaca staged a party for the children.

AEA Solidaria collaborates on a wide range of initiatives by other foundations, associations and NGOs, both in Spain and in the various regions in which the Globalia Group operates.

Given its importance and the scale of its projects, the construction of La Matica in 2017 is particularly worthy of note. This centre has the capacity to house some 150 children, and is equipped with a multifunctional classroom, a canteen, an apartment for volunteers, an ecological allotment and a sports field. All of which seeks to ensure the proper development of the children in the Boca Chica municipality, while making sure their basic needs are met in every sense.

Meanwhile, AEA Solidaria picked up an award for social outreach from the training centre Aeronáutica Air Hostess, and was singled out for recognition in 2017 by Fundación Lo Que De Verdad Importa, when the Chairman of AEA Solidaria, Marta Andreu, was invited to speak at the events staged by the foundation. These events aim to foster solid values among the young.

• **Partner organisations**

International cooperation and a firm commitment to the needs of today's society are the basis for our partnerships with associations and NGOs, ensuring our intentions have a tangible outcome in the various areas of action in which such associations and NGOs focus their efforts.

Over the course of the year we have contributed to numerous charitable causes, whether in the form of galas or tournaments, while entering into and renewing collaboration agreements with the following organisations:

Fundación Cirujanos Plásticos Mundi - Fundación Integra - Fundación Respiralia - Fundación Mensajeros de la Paz - Scholas Ocurrentes - Bomberos Unidos Sin Fronteras - Infancia Sin Fronteras - Asociación Misiones Médicas de Salamanca - Fundación Sporting de Gijón - Fundación Plama 365 - Fundación Pedro Guillen - Fundación Bertín Osborne - Fundación Deporte Joven - Fundación Aviación Sin Fronteras - Advanced Leadership Foundation - Fundación Querer – AFA Salamanca – Fundación Bocalán – Asociación de Enfermedades Raras con Epilepsia desde la Infancia – Africamp – Fundación Caíco – Fundación Iker Casillas – AECC – Fundación Clínica Menorca-.

7.2 Subcontractors and suppliers:

• **Prevention**

- Code of Ethics

The penultimate paragraph of section 2 of the Code of Ethics ("Purpose and Scope of Application") notes that, to the extent possible, its provisions will be extended to include Globalia's suppliers, collaborators, contractors and customers.

- Procurement Policy:

The Procurement Policy sets out the following guiding principles:

• Integrity and transparency.

• Diversity and equal opportunities.
• Proximity.

- Supplier Code of Ethics:

The Supplier Code of Ethics is attached as a clause in all of Globalia's contracts. The rules of conduct imposed on suppliers under this Code are as follows:

• Prevention of fraud, bribery and corruption.
• Acting in line with the applicable occupational health and safety standards.
• Prevention of workplace harassment.
• Handling information transparently and in an environment of confidentiality.
• Observing fair competition and the rights of consumers and users.

• In terms of lines of action:

The Ethics Channel, on compliance and good practices, is available to suppliers on Globalia's website: https://www.globalia.com/es/canal-etico for the reporting of any failures to comply or irregularities detected. These reports are managed by an independent unit falling under the "Compliance" area, in line with the following internal procedures:

- Compliance and Good Practices Procedure.
- Compliance and Good Practices Investigation Procedure.

All contracts managed by the Globalia Procurement Department with suppliers of Air Europa or Groundforce operating or providing a service in the air include a clause on service quality and environmental protection:

Clause in contracts with suppliers: "SERVICE QUALITY AND ENVIRONMENTAL PROTECTION"

The Service Provider must undertake to observe the following requirements:

1. To familiarise itself with the applicable environmental legislation in force (licenses, authorisations, requirements, etc.) and to seek to ensure compliance with such legislation. In the event of a breach of the applicable statutory provisions or the environmental requirements, it shall take the steps required to remedy such breach.

2. To familiarise itself with all of the documentation and procedures furnished for the provision of the service, seeking to ensure compliance with such documentation and procedures.

3. To notify any incidents that may impact on the quality of the service or on environmental matters deriving from the provision of the service.

4. To collaborate with the persons designated by Groundforce in any controls or inspections deemed appropriate, with respect to environmental conduct during the provision of the service.

5. To assume liability for any such direct or indirect environmental damage as may arise during the pursuit of its activities.

6. To take responsibility for the withdrawal and subsequent management of any waste generated during the services, as well as the associated costs where the materials generating such waste have been provided by the above company.

   a) It must ensure that the facilities used in the pursuit of its activities are ordered and free of refuse.
   b) The service shall be provided in the places set aside for such purpose, avoiding, to the extent possible, the generation of waste, emissions or effluents.
   c) Waste may not be abandoned or discharged in places not equipped for such purpose.

7. To minimize any inconvenience that may derive from the pursuit of its activities in the surroundings (noise, odours, etc.).

8. To ensure that any vehicles or equipment used are periodically reviewed and fine-tuned and that the applicable ITVs/ITAs are successfully completed.

9. In the event of the leak or accidental spillage of products classed as hazardous waste or contaminating liquids, it must notify Groundforce immediately of such circumstance and take the relevant corrective decontamination action.

10. In the event of a serious, reiterated breach of the environmental legislation on the part of the service provider, Groundforce may pass on the costs borne when remedying the service quality or environmental deviations caused by the service provider.

11. To ensure that all of the personnel providing the service to Groundforce are suitably trained and duly informed of the work to be performed, including the steps to be taken in the event of environmental incidents and/or accidents.

12. Where services are subcontracted, the Service Provider shall be responsible for ensuring that the above requirements are met by each subcontracted company."

With respect to the Supplier Code of Ethics, the Compliance Department has given instructions to include a clause such as the following in all of the

contracts signed, or, in the case of services already underway or not provided under contract, to serve duly authenticated notice of the following clause on the provider:
"Supplier Code of Ethics. By signing this document, the provider accepts, understands and undertakes to abide by the Supplier Code of Ethics attached as Appendix ……"

7.3 Consumers

Globalia has in place claims systems at all of its business units. The most relevant are those concerning the Air, Retail, Wholesale and Hotel Divisions.

7.3.1 Air Division

"CLAIMS: passengers have various methods at their disposal, such as the claims form on the website www.aireuropa.com, the claims forms at the airport sales offices and the arrivals offices, as well as the in-flight comment forms or by contacting customer services.

Addresses and contact details:
Customer Relations Department:
Fax: +34 971178439.
Website: www.aireuropa.com> Information > Customer service > Claims. Air Europa. Customer Relations Department. Apartado de Correos 132. 07620 Llucmajor (Balearic Islands) Spain.
Baggage (delay, loss or damage):
Tel: 911 360 190 (Monday to Sunday, 08:00 to 24:00). International tel. (34) 911 360 190. Air Europa. Baggage service. Apdo. Correos 430. 07080 – Palma de Mallorca (Balearic Islands). Spain

Pursuant to Law 7/2017 of 2 November 2017 on alternative consumer dispute resolution, the Traveller is informed that, where a claim submitted directly to the trader has not been resolved, he/she may seek redress from an accredited alternative consumer dispute resolution body, filing a claim at any of the following instances: The Municipal Consumer Information Offices of the relevant municipal councils or the Directorate Generals of Consumer Affairs in the Autonomous Regions, depending on the autonomous region in which the agreement has been formalised (Spanish Consumer Agency:
http://www.aecosan.msssi.gob.es/AECOSAN/web/consumo/seccion/resolucion_de_conflictos_de_consumo.htm) with the trader taking part in the proceedings conducted before the relevant body, save in the case of Consumer Arbitration Panels. The body tasked with overseeing compliance with the passenger rights envisaged in Regulation 261 depends on the country from which the flight departs. In Spain, this is the State Air Safety Agency (AESA) www.seguridadaerea.es Av. General Perón, 40,
Acceso B – Recepción Planta 1ª 28020 Madrid. Tel.: +34 913 968 210. E-mail: sau.aesa@seguridadaerea.es. Consult the organisations from other EU countries: http://ec.europa.eu/transport/sites/transport/files/themes/passengers/air/doc/2004_261_national_enforcement_bodies.pdf"

Breakdown of air division claims
Measured in number of travel and baggage claims for each 100,000 passengers:

TOTAL CLAIMS	2018	2017	Difference
RATIO Travel claims x 100,000 passengers	473.44	434.42	39.02
RATIO Baggage claims x 100,000 passengers	333.97	342.95	-8.98
General Ratio	**807.41**	**777.37**	**30.05**

7.3.2 Wholesale and Retail Divisions

Package travel agreements provide as follows:

CLAIMS: Travellers are advised of the need to notify any complaints, breaches or deficiencies in the provision of a travel service included in a travel contract either to the provider of the service in question (hotelier, haulier, local agent, etc.) in the very moment in which it arises or to the Company first above written. The traveller must notify such complaint to the organiser or, as the case may be, the retailer, without undue delay, in writing or any other method placing such lack of agreement on record, with a view to filing a claim for any complaint arising during the provision of the travel service. Any action deriving from the rights recognised in Book Four of Royal Legislative Decree 1/2007 of 16 December 2007, on package travel, will become statute-barred in two years. Pursuant to Law 7/2017 of 2 November 2017 on alternative consumer dispute resolution, the Traveller is informed that, where a claim submitted directly to the trader has not been resolved, he/she may seek redress from an accredited alternative consumer dispute resolution body, filing a claim at any of the following instances: The Municipal Consumer Information Offices of the relevant municipal councils or the Directorate Generals of Consumer Affairs in the Autonomous Regions, depending on the autonomous region in which the agreement has been formalised (Spanish Consumer Agency:

http://www.aecosan.msssi.gob.es/AECOSAN/web/consumo/seccion/resolucion_de_conflictos_de_consumo.htm) with the trader taking part in the proceedings conducted before the relevant body. Moreover, the Traveller is informed that the Company has not signed up nor is it subject to any Consumer Arbitration Panels.

Breakdown of retail and wholesale division claims
The wholesale division (for both the bed bank and the tour operator) measures by the number of claims every 100 reservations and 1,000 passengers.

Welcomebeds	2018	2017	Difference
RATIO claims x 100 reservations	1,58	1,26	0,32
RATIO claims x 1000 passengers	6,65	5,32	1,33

Travelplan - Iberotours	2018	2017	Difference
RATIO claims x 100 reservations	3,63	3,50	0,13
RATIO claims x 1000 passengers	11,66	11,46	0,20

In the case of the retail division, the number of claims per orders processed:

ANNUAL SUMMARY halcon v. + v ecuador	2018	2017	Difference
RATIO CLAIMS AS % OF ORDERS (%)	0.53%	0.43%	0.10%
RATIO CLAIMS AS % OF 1000 ORDERS	5.35	4.31	1.04
CLAIMS RESPONDED BY PROVIDER	8,683	6,711	1,972

7.3.3 Hotel Division

The Customer Relations Department is tasked with standardising and streamlining the claims handling process and recording any claims received, as well as keeping track of any compensation granted (using the Customer Relationship Management (CRM) database).

This department provides an official, written response (in Spanish and English) to any post-vacation claims received from customers housed in any of the hotels (claim being understood to mean any expression of dissatisfaction conveyed by any written means by customers regarding any aspect of the services offered in the hotels). Thus, there is one single intermediary between the wholesale and/or retailer, the customer and the hotel. Nonetheless, it is the hotel management that then follows up on the claims (investigation, supporting documentation, arguments, resolution), analyses the grounds, authorises any compensation and seeks to enhance guest loyalty (drawing on a procedure and manual for the CRM, the database used by the Customer Relations Department to record claims, prepare monthly reports and send out payment orders to the administration department, so that it may process payments to tour operators/travel agencies).

E-mail contact addresses are published in the “contact” section of the Be Live Hotels website: https://www.belivehotels.com/hotel/ES/contacto.jsp

Customer service:
Customer relations:
relacionesconclienteshoteles@belivehotels.com
Dominican Republic Customer Relations:
rrcc.hotelesdom@belivehotels.com

Breakdown of hotel division claims

Measured in number of claims for every 1,000 reservations

Ratio (claims x 1.000 reservations)	Spain	Dominican Republic	Mexico	Morocco	Total average
2017	6.61	8.13	0.00	2.88	7.35
2018	6.06	7.54	0.63	3.84	6.53
Difference	-0.55	-0.59	0.63	0.95	-0.82

7.4 Tax information

As part of the criminal risk prevention plan, the policies designed by the Compliance Committee include the "Corporate Tax Policy". This document was approved in January 2018.

Content, oversight and control:

GLOBALIA's conduct as regards its tax obligations and its dealings with the various tax authorities is governed by compliance with the tax legislation in force in the various countries and regions in which the Group operates, settling the mandatory taxes in line with the prevailing statutory provisions.

The General Economic and Finance Department is tasked with issuing the necessary guidelines concerning the taxes payable by the Group, at all times in line with a prudent application of the applicable tax legislation.

While such guidelines are set by the Finance Department, the effective application of the relevant tax criteria lies with the various functional areas of the Group. To this end, such areas must work in partnership with the General Economic and Finance Department, raising any doubts that may arise in their remit as to due compliance with the tax legislation.

As part of its proper business management, GLOBALIA will set in place the oversight measures required to ensure compliance with the tax legislation and the above principles on the part of all of the Group companies. To such end, it will also deploy the relevant, suitably qualified human and material resources.

The General Economic and Finance Department can count on the assistance of external tax advisers in order to regularly monitor the ordinary aspects of the above area, and, in any event, to discuss the most relevant issues arising, offering advice and issuing second opinions.

Moreover, the General Economic and Finance Department will furnish the Board of Directors with information on the tax-related policies and criteria observed by the company during the year and, in particular, on the degree to which the Corporate Tax Policy has been observed and, where applicable, the key tax risks/incidents identified and the corrective measures implemented. In the case of transactions or matters that must be submitted to the approval of the Board of Directors, the General Economic and Finance Department will inform of the relevant tax consequences where they constitute a relevant factor to be taken into account.

It is worth noting that our financial and social contribution can be quantified not only in terms of the corporate income tax paid, but also in the form of other specific contributions in the various countries in which we operate. Notable examples of such contributions include the taxes settled by the permanent establishments of the Air Division, which are not covered by any double tax treaties.

(*) The pre-tax result is not detailed as it corresponds to payments made on the amount of sales. The pre-tax accounting result in Spain includes consolidation adjustments affecting the Group.

Country	Consolidated pre-tax result (€)	Tax payable (€)
Bolivia	*	426,513.55
Colombia	*	-254,220.46
Cuba	*	262,888.75
Spain	80,835,517.16	16,785,060.67
US	-345.063.73	0.00
Honduras	*	377,087.47
Ireland	923,772.06	847,497.09
Luxembourg	-25,860.68	200,946.86
Morocco	-162,450.21	33,341.66
Mexico	-9,255,540.42	0.00
Paraguay	*	547,464.44
Perú	*	1,312.68
Portugal	-387,813.10	0.00
Puerto Rico	*	16,437.29
Puerto Rico	-1,112.48	0.00
UK	-105,440.17	0.00
Dominican Rep.	*	451,580.38
Dominican Rep.	389,109.86	1,781,884.99
Venezuela	*	236,199.94
	71,865,118.29	**21,713,995.31**