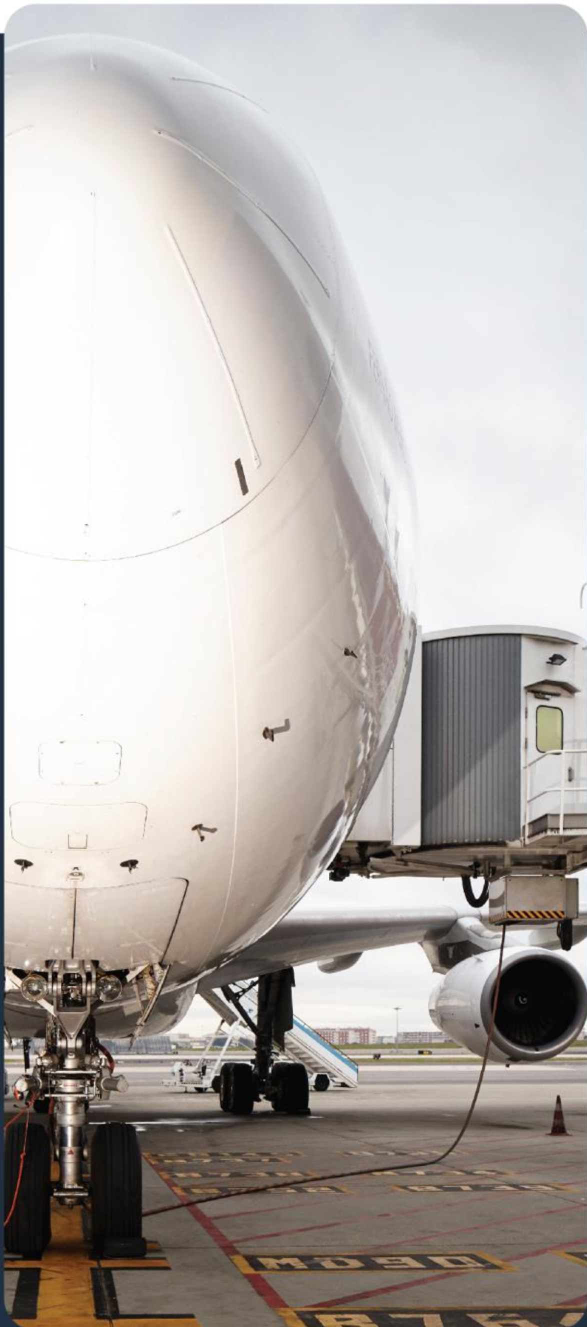

Annual Report

2017

ANA Aeroportos de Portugal

VINCI AIRPORTS

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Management report

Annual Report 2017

Aeroportos de Portugal

AIRPORTS

1. KEY PERFORMANCE INDICATORS

Table 1. **ANA Group – Indicators** (2015-2017)

INDICATORS	Real 2017	Real 2016	Real 2015	Variation % 2017/2016
OPERATING INDICATORS				
Commercial traffic				
Passengers	51,802,422	44,477,908	38,948,253	16.5
Aircraft movement	398,344	358,981	320,392	11.0
Cargo (tonnes)	167,064	137,113	136,810	21.8
Activities				
Turnover (thousand euros)[1]	760,639	657,814	568,330	15.6
Aviation (share of total %)	73.8	73.7	74.1	0.1 p.p.
Non-aviation (share of total %)	26.2	26.3	25.9	(0.1) p.p.
Staff				
Staff at 31 December	3,286	3,201	3,236	2.7
Average staff	3,514	3,456	3,504	1.7
Staff costs (thousand euros)	126,463	122,995	123,536	2.8
Productivity				
Passengers/staff	14,742	12,870	11,115	14.5
Earnings				
EBITDA[2] (thousand euros)	485,385	384,568	322,293	26.2
EBITDA[3] margin (%)	62.0	55.4	54.9	6.6 p.p.
EBIT[4] (thousand euros)	393,841	287,416	214,945	37.0
EBIT margin (%)	50.1	41.3	36.4	8.8 p.p.
FINANCIAL INDICATORS				
Earnings				
Net profit (thousand euros)	248,451	168,097	101,169	47.8
Financial structure				
Equity (thousand euros)	764,259	515,325	547,591	48.3
Debt (thousand euros)	1,131,748	1,413,363	1,453,631	(19.9)
Capital employed (thousand euros)	1,896,007	1,928,688	2,001,222	(1.7)
Cash flow				
Operating cash flow (thousand euros)	398,256	353,990	266,687	12.5

[1] Does not include amounts related to construction services (IFRIC 12) and is discounted from incentives to traffic development.

[2] EBITDA - Earnings before interest, taxes, depreciation and amortization.

[3] EBITDA / turnover.

[4] EBIT - Earnings before interest and taxes.

Table 2. **ANA, S.A. – Indicators (2015-2017)**

INDICATORS	Real 2017	Real 2016	Real 2015	Variation % 2017/2016
OPERATING INDICATORS				
Commercial traffic				
Passengers	51,802,422	44,477,908	38,948,253	16.5
Aircraft movement	398,344	358,981	320,392	11.0
Cargo (tonnes)	167,064	137,113	136,810	21.8
Activities				
Turnover (thousand euros)[1]	710,891	608,388	521,145	16.8
Aviation (share of total %)	71.3	70.8	70.8	0.5 p.p.
Non-aviation (share of total %)	28.7	29.2	29.2	(0.5) p.p.
Staff				
Staff at 31 December	1,272	1,239	1,243	2.7
Average staff	1,250	1,241	1,273	0.7
Staff costs (thousand euros)	75,410	72,912	75,808	3.4
Productivity				
Passengers/staff	41,442	35,840	30,596	15.6
Earnings				
EBITDA[2] (thousand euros)	483,220	381,334	318,484	26.7
EBITDA[3] margin (%)	65.9	59.1	59.0	6.8 p.p.
EBIT[4] (thousand euros)	392,620	285,236	212,327	37.6
EBIT margin (%)	53.2	43.9	38.9	9.3 p.p.
FINANCIAL INDICATORS				
Earnings				
Net profit (thousand euros)	249,154	168,412	103,430	47.9
Financial structure				
Equity (thousand euros)	761,014	511,377	543,328	48.8
Debt (thousand euros)	1,143,093	1,423,642	1,460,563	(19.7)
Capital employed (thousand euros)	1,904,107	1,935,019	2,003,891	(1.6)
Cash flow				
Operating cash flow (thousand euros)	393,144	348,434	259,599	12.8

[1] Does not include amounts related to construction services (IFRIC 12) and is discounted from incentives to traffic development.

[2] EBITDA - Earnings before interest, taxes, depreciation and amortization.

[3] EBITDA / turnover.

[4] EBIT - Earnings before interest and taxes.

2. THE ANA GROUP AT A GLANCE

The ANA Group comprises ANA - Aeroportos de Portugal, S.A. (“ANA, S.A.” or “Company”), the parent company and Portway - Handling de Portugal, S.A. (“Portway, S.A.”).

Through the 50-year Concession Contract signed with the Portuguese State, ANA, S.A. is responsible, until 2062, for providing public airport facilities and services in support of civil aviation at Lisbon, Porto, and Faro airports and at the Beja Civilian Terminal, all on mainland Portugal, at the airports of Ponta Delgada, Santa Maria, Horta and Flores in the Autonomous Region of the Azores and also at the two airports in the Autonomous Region of Madeira, Madeira and Porto Santo.

At 31 December 2017, ANA, S.A.'s share capital stood at 200,000,000 euros, fully subscribed and paid up, represented by 40,000,000 shares, each with a nominal value of 5 euros. These shares are 100% owned by VINCI Airports International, S.A.. ANA, S.A. fully owns Portway, S.A., which has a share capital of 4,500,000 euros.

More detailed information on the business framework, the constitution of the share capital of the companies comprising the ANA Group and the transactions between related parties can be found in the Notes to the Financial Statements (Part III of this report).

Not only was 2017 the year in which Lisbon Airport celebrated its 75th anniversary, but also, on 15 February, the Portuguese Government and ANA, S.A. signed a memorandum of understanding to develop airport capacity in the Lisbon region. Built on the terms of the underlying Concession Contract and the outcome of studies carried out by the concession grantor in the course of 2016, this agreement covers the expansion of capacity at Lisbon Airport, to ensure its operation as a hub, as well as the use of the runway at the Montijo Air Base as a supplementary airport.

During 2017, and as provided for by the memorandum of understanding, a solution was worked up for the joint operation of the two airports. ANA, S.A. submitted its proposed solution to the Portuguese Government in October.

3. ECONOMIC ENVIRONMENT

3.1. MACROECONOMIC OVERVIEW

Global economic growth rates became more broad-based over the year. The global recovery appears to be synchronised and the share of countries that are achieving above-average economic growth rates has been gradually increasing since the second quarter of 2016. This trend is sufficient reason to believe that this growth may be more sustainable than it has previously been[1].

Economic expansion in the euro area in 2017 was underpinned by growth in private consumption and investment and by exports, which rose on the back of a generalised global upswing. The real rate of growth in the area is expected to remain robustly positive in the short term. The European Central Bank’s (ECB) December

[1] Source: ECB Economic Bulletin no. 8/2017.

macroeconomic projections, which have been revised upwards, forecast real annual GDP growth for the euro area of 2.4% in 2017, 2.3% in 2018 and 1.9% in 2019[1].

Banco de Portugal (BdP) projections indicate that the current expansion seen in the Portuguese economy will likely continue over the next few years. Portugal's real GDP is forecast to grow by 2.6% in 2017, 2.3% in 2018 and 1.9% in 2019. GDP growth in Portugal will be largely similar to the euro area average over the forecast period (2017-2019)[2].

3.2. THE AIR TRANSPORT SECTOR

The performance of the air transport sector, historically, tracks the level of economic activity. Demand for this form of transport tends to correlate strongly with economic growth, in all its facets.

Given that they are unquestionably central infrastructures in this global network of mobility, airports are responsible for delivering an appropriate response to the competitive challenges faced by the industry. They are also partners in the economic development of the regions in which they are embedded. These days, airports are far more than just providers of infrastructure to the airlines. They are, in fact, a critical link in the air travel value chain.

Most European airports saw record growth in air traffic in 2017. This growth was driven by the continuing improvement of euro area economies and global economic growth, aided by suppressed oil prices.

The change in consumption habits, which are largely grounded in the economy of the "experience", associated with the ongoing development of the low-cost airlines, has also led to increased demand for travel, particularly for leisure purposes.

There is an increasing competition between European airports serving touristic destinations in the leisure segment. The business model of low-cost airlines is actually based on comparing commercial conditions of all airports active on a specific market (i.e. for short-term break market, compare Lisbon, Barcelona, Roma, Berlin; and for family holiday market comparing Faro and all Mediterranean destinations) rather than on detailed market analysis. Furthermore, the leadership position of Lisbon hub for Brazil is increasingly challenged by major European hubs (namely Charles des Gaulle Airport (Paris), Heathrow Airport (London), Adolfo Suárez Madrid-Barajas Airport (Madrid), and Frankfurt Airport (Frankfurt)) but also by Brazilian hubs (Rio de Janeiro and Sao Paulo).

In Portugal, the growth in passenger traffic is closely linked to the gradual and somewhat persistent improvement in the economy and also to the leveraging provided by other drivers. These include a notable surge in the tourism sector, which has underpinned much of recent growth. The growth levels achieved in Portugal over the year can also be attributed to low-cost carriers consolidating their market presence, the instability and insecurity in competitor markets and the sheer diversity of the tourism offer in Portugal.

In this context, the strategy implemented in Portugal over the last few years, of developing and promoting tourism, taken together with ANA, S.A.'s proactive route building has allowed the country to make the most of the current economic climate. This has, quite naturally, resulted in a sustained increase in tourist demand and an ongoing rise in passenger traffic through Portuguese airports.

[1] Source: ECB Economic Bulletin no. 8/2017.

[2] Source: BdP economic projections for Portugal: 2017-2020.

The tourism-related awards that Portugal picked up in 2017 have helped to solidify the country's reputation and underscore the important role of demand over the coming years. For the very first time, the World Travel Awards 2017 chose Portugal as the World's Leading Destination, Lisbon as the World's Leading City Break Destination and Madeira as the World's Leading Island Destination. In its European version, World Travel Awards 2017 selected, amongst others, the Algarve as Europe's Leading Beach Destination, the Azores as Europe's Leading Island Destination and Lisbon as Europe's Leading Cruise Port. The European Consumers Choice awards decided that Porto was the Best European Destination in 2017.

4. BUSINESS REVIEW

The ANA Group's business portfolio essentially comprises the management of the airport infrastructures that serve aircraft, passengers and cargo alike (generally defined as "aviation") at the airports of Lisbon, Porto and Faro and at the civilian terminal in Beja, in continental Portugal. These same services are also delivered at Ponta Delgada, Santa Maria, Horta and Flores airports, in the Azores Autonomous Region, and at Madeira and Porto Santo airports, in the Madeira Autonomous Region. The group's business activities also include the operation of commercial and advertising spaces at the airports, real estate (linked to airport operations, commercial buildings and hotels), car parks and car rental services (known collectively as our non-aviation business). As a whole, these businesses accounted for 91.8% of ANA Group turnover.

Through Portway, S.A., the group also provides the full range of handling services required by air transport businesses, which equates to 8.2% of the turnover generated by the Group in 2017.

This year, ANA Group continued the sustainable development strategy of air traffic at the airports it manages, by continuing to invest in increasing connectivity in the country, as a cornerstone of the process of creating value.

Over the year, the strategic plan for 2018 to 2022 was comprehensively reviewed by a multidisciplinary team. The project was formally presented to the Concession Grantor at the end of the year, as required by the Concession Contract.

4.1. AIR TRAFFIC EVOLUTION

In 2017, 51.8 million commercial passengers passed through ANA airports (7.3 million more than in 2016), a year-on-year increase of 16.5%.

Growth at Portuguese airports continues to stand out in European terms, with four of the country's airports posting record passenger numbers in 2017. For the first time in their history, Lisbon, Porto, Faro and Madeira passed the 26, 10, 8 and 3 million passenger marks, respectively.

Lisbon Airport handled a total of 26,663,096 commercial passengers (up 4.2 million passengers and 18.8%) and 199,262 aircraft movements (+11.5%). Lisbon Airport accounted for more than half of the passenger traffic growth across the ANA network. Moreover, as numbers rose above the 25 million passenger threshold, Lisbon is now ranked as one of Europe's biggest airports by the Airports Council International (ACI) Europe, which represents some 500 airports in 45 countries.

Within the ANA network, the traditional airline segment made the biggest gains in 2017, carrying a total of 28.4 million passengers, or 4.6 million more than in 2016. The low-cost segment also expanded, carrying around 21.9 million passengers (up by 2.9 million or 15.3%).

The supply side also performed well (+11.0% in aircraft movements and +13.9% in seats). Growth in movements was higher in the low-cost segment whilst the traditional airlines delivered the highest growth in seats offered. The average load factor for commercial flights reached 84.2%, 1.8 p.p. up on 2016.

The best origination/destination passenger growth, in absolute terms, in the 10 main markets was as follows: Portugal (+1.06 million), the United Kingdom (+998 thousand), France (+715 thousand), Spain (+688 thousand) and Germany (+683 thousand).

A total of 55 brand new routes were opened by ANA airports in 2017 (16 in Lisbon, 8 in Porto, 16 in Faro, 9 in Madeira and 6 in Ponta Delgada). Adding to this, new airlines launched 61 new operations on existing routes (17 in Lisbon, 8 in Porto, 23 in faro, 12 in Madeira and 1 in Ponta Delgada).

Furthermore, 6 new scheduled airlines began operating out of ANA airports. However, there were also the bankruptcy and the closing of operation of 3 regular airlines – Monarch Air Berlin and Niki, representing around 1 million passengers per year.

For this performance contributed the consolidation of an aviation marketing strategy, which is coordinated across the various airports in the ANA network and all other VINCI airports around the world. The focus was on developing both our route profile and the airport product, with the overall aim of driving sustained growth.

This strategy seeks to ensure that the airports in the ANA network are served by a vast range of airlines, with a multi-segment and comprehensive offer from a market dispersal point of view. The penetration of new markets is our main priority. For this purpose, ANA, S.A. has an extensive network of contacts with a broad range of airlines and uses these to actively promote new business opportunities, particularly as regards enhancing the offer on existing routes and opening up routes to new destinations.

The programme of action of this strategy is developed in close cooperation with the national and regional tourism boards, to ensure that there is a desirable alignment between the development of new routes and the promotion of the destination Portugal and its regions. This cooperation has certainly been reflected in the results that have been obtained.

One of the tools that have contributed to achieving this strategic objective is the incentive system for route development, which has been in place since April 2015. This incentive system, based on a common structure for all ANA airports (with the exception of Lisbon, to which it does not apply) has been designed to be adaptable to the specific characteristics of each of the airports and regions. This specificity operates at the level of seasonal factors and the varying capacities of the different infrastructures. The system has produced highly satisfying results to date.

We reviewed and updated our traffic growth incentives system in 2017, to bring it fully into line with market conditions. In the case of Porto and Faro airports, the existing system was supplemented by a new incentives model that encourages airlines to set up operational bases, with the aim of maximising the capacity usage at these airports and diversifying the network of destinations they serve.

The main commercial traffic indicators for ANA network airports in 2017 were as follows:

Table 3. **Commercial traffic by area** (2017)

	Lisbon	Porto	Faro	Beja	Azores	Madeira	ANA Group
Passengers (unit)	26,663,096	10,787,630	8,727,132	1,166	2,245,555	3,377,843	**51,802,422**
Var. % 2017-2016	*18.8%*	*15.0%*	*14.4%*	*350.2%*	*18.7%*	*8.0%*	***16.5%***
Aircraft movements (unit)	199,262	85,263	57,473	42	27,809	28,495	**398,344**
Var. % 2017-2016	*11.5%*	*10.2%*	*12.0%*	*23.5%*	*14.5%*	*4.2%*	***11.0%***
Cargo (tonnes)	115,759	41,425	117	0	6,815	2,949	**167,064**
Var. % 2017-2016	*25.5%*	*16.9%*	*(15.7%)*	-	*8.6%*	*(1.3%)*	***21.8%***
Seats (unit)	32,064,138	12,685,260	9,997,090	1,514	3,015,530	4,069,448	**61,832,980**
Var.% 2017-2016	*15.0%*	*13.3%*	*12.9%*	*64.2%*	*20.1%*	*6.0%*	***13.9%***
Load factor (%)	83.2%	85.9%	87.8%	77.0%	76.0%	83.6%	**84.2%**
Var. % 2017-2016	*2.7 p.p.*	*1.4 p.p.*	*1.0 p.p.*	*48.9 p.p.*	*(1.8 p.p.)*	*1.4 p.p.*	***1.8 p.p.***

4.2. AVIATION BUSINESS

As in previous years, the Group's aviation business, which includes the handling business operated through the subsidiary Portway, S.A., was responsible for most of the turnover. In 2017, it contributed with 561.6 million euros, or 73.8% of total ANA Group turnover.

Regulated revenues comprise by far the major part of aviation income (95%). These revenues were generated under the economic regulation model, the application of which led to the updating of the regulated charges in 2017. This year, ANA, S.A. decided that airport charges income from the Lisbon Group would be set at 5% less than the maximum average income allowed under the regulation model. The aviation revenues for 2017 included the recouping of 7.6 million euros attributable to 2015 revenues, resulting from the application of the estimate error adjustment factor built into the Concession Contract.

In August, ANA, S.A. began its user consultation on the charges to be applied in 2018. The resulting charges structure was approved by the National Civil Aviation Authority (ANAC) on 18 December 2017.

The charges subject to the economic regulation model, paid in return for use of airport installations and services, are detailed in the Charges Guide, which can be accessed on the ANA, S.A. (www.ana.pt/en/business/airlines/charges).

Within the current regulatory framework and the applicable legislation, the Company has been acting in the modeling of airport charges, in a transparent and non-discriminatory manner, in its suitability to market conditions and infrastructure capabilities. This pricing strategy has been used successfully to adapt airport charges as a function of the seasonality of demand, especially in the winter period at Faro airport, in the development of traffic transfer and where there is reason to promote a more efficient use of the installed capacity at our airports.

The investment in the quality of the service provided to the various stakeholders has been another critical factor in ensuring an ongoing improvement in performance and in our ability to meet our commitments, as set out in Annexe 7 to the Concession Contract. This document details the minimum service levels that we must provide, in terms of both infrastructure availability and passenger satisfaction.

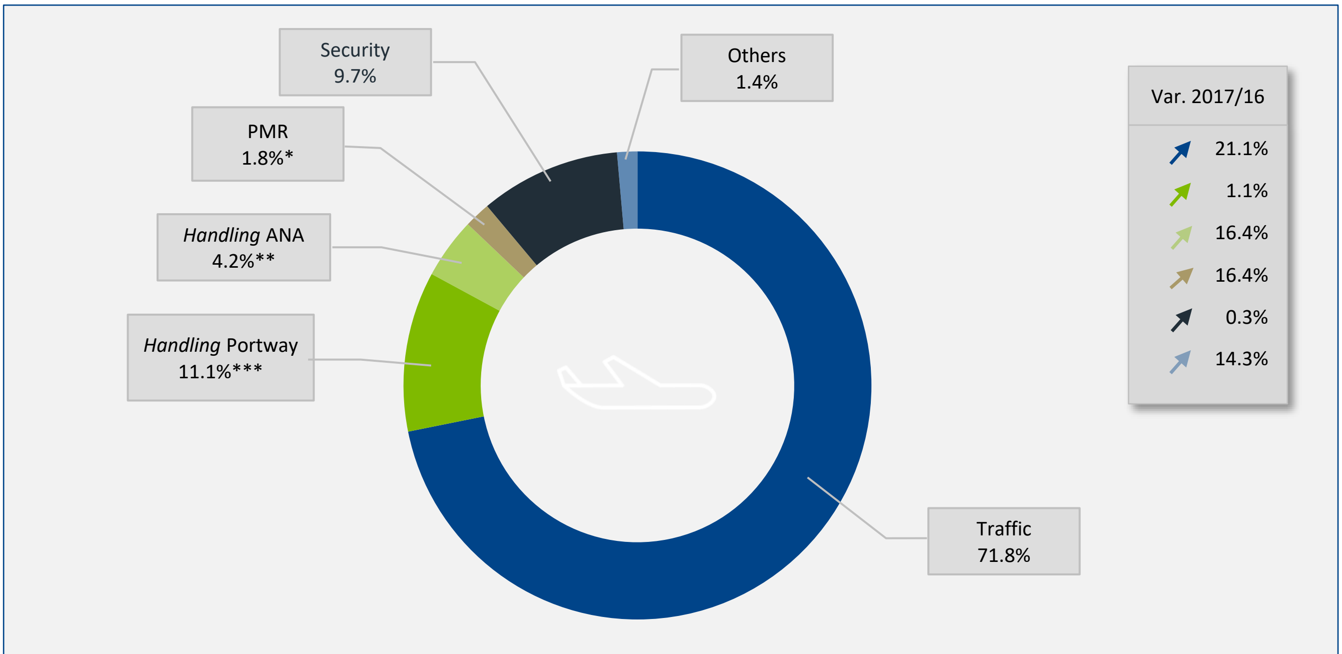
In 2017 the aviation product development strategy also resulted in the carrying out of a number of prospective studies, including a pilot satisfaction survey of passengers with reduced mobility (PRM), an analysis of the implementation of the self-service bag drop concept at Lisbon Airport and a pilot study into the implementation of real-time passenger feedback collection technologies, also at Lisbon Airport.

The ANA Group's aviation business is sub-divided into five different revenue streams. The most important of these streams, in revenue terms, was traffic, which accounted for 71.8% of the group's aviation turnover in 2017. It was also the stream that turned in the highest year-on-year growth (up 21.1%). Revenue from handling services (including from our subsidiary Portway, S.A.) also feeds into this business segment and contributed 15.3% of aviation turnover for the year. Other aviation segment revenue streams include security services, PRM and other aviation services, which accounted for 9.7%, 1.8% and 1.4% of 2017 aviation turnover, respectively.

Regarding Portway, S.A., it is noteworthy that this company is one of the two players in the Portuguese market licensed to provide ground handling to airline companies at national airports. In this context, in 2017, Portway, S.A. handled 29% of commercial flights at Portuguese airports, which represents a decrease of 7 b.p. compared to 2016, following the decision of Ryanair, an important Portway's client, to carry out self-handling in Portugal. It should be highlighted that Portway, S.A. had a market share of 43% regarding total cargo handled by air. These market shares should, however, be interpreted in a context in which there are airline companies that directly or indirectly carry out handling activity.

The following graph summarises the contributions of the streams comprising the ANA Group's aviation business and their year-on-year performance.

Graph 1. **Distribution of ANA Group's aviation business** (2017; %)



* PRM - Passengers with reduced mobility
** Charges for third party handling services
*** Handling services

4.3. NON-AVIATION BUSINESS

As at the end of 2017, ANA Group's non-aviation income represented 26.2% of the total turnover for this business, which was 199.1 million euros. This was an increase of 15.1% compared to 2016.

The retail business continued to generate the largest part of our non-aviation income, at 56.9%. Growth in this business area is based on four actionable priorities:

- continuation of the reconfiguration of the shopping areas in the main airports, including:
  - the reorganisation and expansion of the airside retail units in Lisbon Airport's Terminal 2, to allow for the introduction of the walk-through duty free shop concept. In what concerns Terminal 1 at the same airport, it should be noted that it has benefited from new brands coming on board to complement the existing offer;
  - the remodelling and expansion of the terminal at Faro Airport, which includes an in-depth refurbishment and modernisation of the shopping areas;
  - the opening of new shops at Porto and Ponta Delgada airports.
- optimisation of the revenue stream was built into the new licensee selection process for new spaces or existing spaces, as well as into the processes for renegotiating and/or extending current licences;
- maximisation of occupancy rates for the retail areas;
- continued optimisation of the retail business based on the governance model agreed between ANA, S.A. and the licence holders, with the aim of providing a better shadowing of results and of helping concessionaires to develop their businesses. This permits to identify deviations from planned outcomes and put in place corrective measures in an environment of exchange and sharing of information in order to maximise results.

The year-on-year growth of 18.3% in retail revenues in 2017 was helped by a set of economic factors associated with the increase in the number of passengers in all ANA network airports and the economic recovery in two main traffic origin/destination markets: Brazil and Angola. The boost to consumption at Lisbon Airport was particularly relevant.

Revenue in the ANA Group's real estate business increased by 9.3% in year-on-year terms. The new business areas, specifically the hotel units, were major contributors to this growth, as was the redefinition of the more traditional businesses, which was aimed at allowing them to attain new levels of performance. A new licensing contract for the construction and operation of a hangar at the Beja Civilian Terminal was also signed in 2017.

The Group's parking business continued to follow the pattern of growth seen in recent years, with revenue rising 8.4% in 2017 compared to the previous year. The consolidation of the growth in this business area can be attributed to a set of initiatives designed to enhance availability and increase the offer and quality of existing parking services. A number of dynamic strategies aimed at harnessing demand were also put in place. As part of this drive, the pricing model for the kiss&fly (K&F) parks was overhauled, with a view to encouraging a more rational usage of these spaces.

With the significant increase in traffic in all ANA airports, demand for subscriptions for airport staff also increased and this trend will continue in the near future. For this reason it is crucial to provide for more parking spaces for this segment, as it was recently done in Lisbon with the construction of an additional floor in P6 that we expect will reach full capacity by the end of 2018.

There are also ongoing studies for expanding parks in Porto, Faro and Funchal specifically for this demand increase. Particularly in Lisbon it is absolutely essential to expand P3 in height in all its extension with a direct road link to the car rental Silo building

As was the case in 2016, the car rental business was the best performing non-aviation business for the ANA Group in 2017, with revenues rising 19.1%. The following factors fed into the successful performance of this business area:

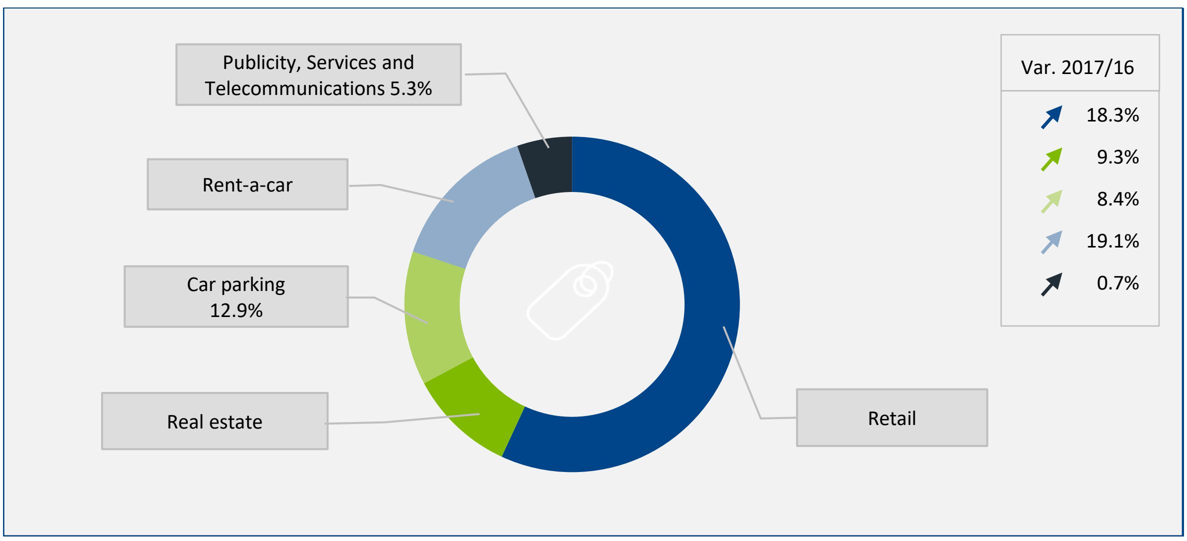
- consolidation of the new business model implemented at mainland airports in 2016. This involved the application of effort rates to sales, which include occupancy and operation revenues. This model encouraged car rental companies to make significant investments in their existing car rental infrastructures at Lisbon, Porto and Faro airports;
- a new car sharing business was also launched at Lisbon Airport under the DriveNow brand. Passengers and other airport users will now have access to a new form of transport that complements the already substantial offer;
- negotiation of new licences with car rental companies at the island airports of Madeira and the Azores.

Over the year, the Group also continued to implement the regulations governing off-terminal car rental operators at the mainland airports. The approach in this area was underpinned by the introduction of new passenger pick-up and drop-off zones at Lisbon, Porto and Faro airports. Further works were also carried out with a view to setting up arrangements that will make it possible to expand during 2018 the implementation of the regulations in question at Madeira and Ponta Delgada airports, with the aim of improving the conditions under which these companies are able to provide their services. A set of common rules and guidelines for the companies already licensed by ANA, S.A., was also put in place to ensure the smooth development of this business line.

The performance of the publicity, services and telecommunications businesses in 2017 was similar to that of 2016.

The graph below illustrates the distribution of the revenue streams comprising ANA Group’s non-aviation business as well as the year-on-year growth rates for these streams.

Graph 2. **Distribution of the ANA Group’s non-aviation business** (2017; %)



5. SUSTAINABILITY

5.1. HUMAN RESOURCES

5.1.1. RECRUITMENT

The recruitment initiatives in 2017 were firmly focused on fostering and training up young talent. To this end, it was continued with the Trainees Programme, which had been initially launched in 2016. This programme offers structured internships in our various departments to young people with significant potential. These 12-month traineeships are specifically designed to help close the gap between the worlds of study and work.

Following completion of the first Trainees Programme in 2017, the Company took on 22 trainees from a wide range of backgrounds. These new hirings have brought both youthfulness and diversity to ANA, S.A..

5.1.2. SKILLS DEVELOPMENT

The Group ANA continued to implement the skills-building training plan in 2017. This plan, which includes the three-year department heads and coordinators and operational programmes, focuses specifically on competence acquisition and on the ongoing personal and professional enhancement of Group's employees.

The following training initiatives were developed over the year:

- completion of the three-year department heads and coordinators programme, which started in 2015. This programme, which aims to develop the leadership and management skills of our department heads and coordinators, was attended by 826 participants and clocked up some 10,900 hours of training over the three years;
- delivery of the ATOPA programme, a theoretical and practical refresher course for Airport Operations Officers (AOO). The course was attended by 197 employees, which was practically 100% of potential uptake;
- work on the design and preparation of the functional qualification courses to be delivered to the Airport Firefighting and Rescue area, as required by ANAC Regulation no. 401/2017, of 28 July;
- development of a set of e-learning courses that focused on marketing and publicising the company and its business, on the one hand, and on building skills and competences in the area of health and safety at work (HSW). The courses specifically covered the 12 golden rules of HSW and the company's zero accidents policy. The plan is to offer these courses to company employees in 2018;
- with specific regard to the subsidiary Portway, S.A., new approaches were worked up for performance assessment, careers, recognition and rewards and social benefits, all of which will be phased in during 2018.

The ongoing investment in building workforce competences translated into the group-wide delivery of 151,540 hours of (internal and external) training in 2017, which is 24,7% more hours than were given in the previous year. Of this total, 35,540 hours were delivered to ANA, S.A. employees and 116,000 hours to Portway, S.A. employees.

5.1.3. RECOGNITION

This year saw the publication of a new edition of "25 Years Amongst Us". This book is designed to serve as a tribute to everyone who has worked with the Company for 25 years, by giving them a voice and recounting their stories. In 2017, a total of 73 employees reached this career milestone. The ensuing celebrations culminated at the Christmas party, where each honouree received a copy of the book.

There were plenty of times when employees got together to enjoy each other's company. Smiling Day, trips and sports events, such as the Airport Run and Bike to Work Day, were just a few of the 2017 highlights of life as it is lived at ANA, S.A..

For the thirteenth straight year, the Portway, S.A.. Training Centre was recertified as an International Air Transport Association (IATA) Accredited Training School.

5.1.4. HUMAN RESOURCES IN NUMBERS

As at 31 December 2017, the ANA Group had a total workforce of 3,286[1]. 1,272 people were employed by ANA, S.A. and 2,014 by Portway, S.A., as detailed in the table below.

Table 4. **Distribution of ANA Group employees by company, gender and age group** (2016-2017)

	ANA, S.A.			Portway, S.A.			ANA Group		
	2017	2016	Var. % 17/16	2017	2016	Var. % 17/16	2017	2016	Var. % 17/16
Total staff	1,272	1,239	*2.7%*	2,014	1,962	*2.7%*	3,286	3,201	*2.7%*
Gender									
Male	801	779	*2.8%*	1,531	1,502	*1.9%*	2,332	2,281	*2.2%*
Female	471	460	*2.4%*	483	460	*5.0%*	954	920	*3.7%*
Age									
< 30	48	30	*60.0%*	363	375	*(3.2%)*	411	405	*1.5%*
30-50	758	787	*(3.7%)*	1,495	1,447	*3.3%*	2,253	2,234	*0.9%*
>50	466	422	*10.4%*	156	140	*11.4%*	622	562	*10.7%*
Average age	46.9	46.6	*0.6%*	37.2	36.6	*1.6%*	42.1	41.6	*1.2%*

As can be seen from the table, there were 2.7% more employees in 2017 than in the previous year. This overall increase in the number of group employees resulted from transfers, new hirings and people leaving, all driven by the growth we have achieved in an ever more challenging sector.

The average age of the Group's employees is 42.1, which is slightly up from 2016's average age of 41.6.

5.2. ENVIRONMENT

Ever since the turn to this century, ANA, S.A. has put the environment at the heart of its daily management. Its environmental management system (which is fully embedded in a single management system along with quality, health and safety at work and innovation) is ISO 14001 certified. This is how the Company makes sure that it is properly controlling its environmental impact. The following areas of intervention are both relevant to this report and of significant note in their own right.

[1] Includes members of the Executive Committee.

5.2.1. NOISE AND AIR QUALITY

One strategic area that ANA, S.A. prioritises for action and that we have comprehensively covered in our environmental policy is the management of the negative impacts of noise emissions.

Therefore, the noise environment monitoring programme already in place is designed to assess the real impact of the noise generated by airport activity on the neighbouring community, as well as to check that it complies with legal requirements.

To address this issue, ANA, S.A. has installed a monitoring system comprising both fixed and mobile stations at all our airports where noise is a significant factor. It was also set up a noise simulation and modelling system that is used to draw up noise maps (for both existing traffic and for forecast simulations). More specifically, the Company prepared noise maps for Lisbon and Porto airports in 2017, as these are both legally classified as large air transport infrastructures. The maps were used to set up a reference database, which then fed into the updating of our current noise reduction action plans.

ANA, S.A. strictly controls all gaseous emissions at the airports, particularly as regards one-off releases, in compliance with legal obligations. In this particular area, the air quality at Lisbon, Porto, Faro and Madeira airports is similarly monitored.

5.2.2. VOLUNTARY CARBON MANAGEMENT

All airports of ANA network are accredited under the Airport Carbon Accreditation programme run by the Airports Council International (ACI). In 2017, the ten airports that are managed by the Company achieved level-2 accreditation (Reduction), in recognition of the efforts they have made to manage and reduce their direct and controllable greenhouse gas emissions.

5.2.3. INCREASE IN ENERGY EFFICIENCY

Energy efficiency is of prime importance in the airport business, both in economic terms and in what concerns the environmental impact resulting from atmospheric emissions. This is a key area in the Company’s sustainability management. In this context, several energy efficiency measures have been implemented at the ANA Group, some in an across-the-board corporate sense while others have been adapted to the reality of each airport.

One major task undertaken in 2017 was the replacement of older lighting technology with more efficient solutions, namely LED.

ANA, S.A. was also energy audited in 2017, a useful exercise that resulted in the identification of consumption reduction measures that will improve our energy efficiency.

5.2.4. CONSERVATION OF NATURAL RESOURCES

In this area, ANA, S.A. has played a pioneering role in what concerns environmental responsibility. One outcome of this is that we have set up a project to measure our water footprint. The main aim of this project, which was launched in 2012, is to calculate the Company’s footprint on a regular basis and to establish measurable water consumption objectives and targets. ANA, S.A. wants to ensure that the water use is as efficient as possible and is also kept to a minimum.

In 2017, it was calculated the 2016 water footprint at all ANA, S.A. airports. Over recent years, this footprint has grown smaller, due to the implementation of measures designed to reduce our water consumption. Amongst these measures, it should be highlighted the (already operational) recycling of the water used in firefighting tests at Porto Airport, along with a similar project that is almost ready for launch at Lisbon Airport.

5.2.5. RESEARCH, DEVELOPMENT AND INNOVATION

One of the key objectives is to encourage innovation, a major driver of ANA, S.A.'s success.

To this end, it was put a lot of effort into the Research, Development and Innovation Management System in 2017, to build an organisational culture that drives innovation. Through the application of specifically designed tools, this project aims to foster the processes that generate knowledge and encourage innovation and the sharing of ideas and opportunities. The Company believes that, by stimulating both in-house critical spirit and a management structure that is innovation friendly, it will create the capabilities that will lead forward in the future.

In 2017, ANA, S.A. fine-tuned its entire innovation value chain, in all its various focuses and across its broad range of intervention areas. It was set up pathways that allow the Company to encourage the creation, acquisition and dissemination of knowledge, the management of dedicated interfaces with other science and technology oriented entities, education and training institutions, international aviation organisations and regulatory bodies.

In leveraging Company's "Innovation Network" and in-house know-how, the employees were encouraged to get involved in partnerships at both the national and international level. ANA, S.A. has also hosted experience sharing initiatives at the airports in Porto and the Azores and participated in forums and fairs and other external events. One example of this outreaching was the participation in the Web Summit in November 2017, an event for which the Company also provided logistical support.

In September, it was hosted a public session at Faro Airport, attended by invited external entities, consortium partners and representatives from the European Union, to present the results of the Energy in Time project. The objective of the Energy in Time project is to develop a smart energy simulation based control for the operation and maintenance of non-residential buildings. This control will cut energy consumption and costs and make use of new techniques for forecasting comfort conditions inside the building and the performance of the building's users.

The I_SENSE project, a partnership between Lisbon Airport and Thales Group, made it to the regional finals of the VINCI 2017 Innovation Awards, along with 192 other projects. Not only did this project win the "Partners Award – Europe Region" but it was also selected to compete in the world final, where it earned the "Management Award". The project team have produced a tool for automatically counting passengers, which will be useful in the real-time counting of passenger flows in critical airport areas. Such areas include border control and security, where the tool will automate the collection of various processing times, which it can then pass on to the relevant stakeholders.

5.3. INFORMATION SYSTEMS

The year of 2017, like the previous year, was particularly demanding in terms of the need to strengthen some of our business support infrastructures and application platforms. However, this work will leave ANA, S.A. and many of its lead systems in a position where the Company will be able to deal with future challenges with confidence.

The main initiatives developed over the year were:

- implementation of the strategy to increase the capabilities of the Outsystems operational solutions, namely through the introduction of new mobile and offline mode components and the setting up of the 24x7 prevention service in support of this platform;
- implementation of the first phase of the Analytics On HANA and SAP Fiori projects, as part of the strategic roadmap for the evolution of the SAP platform. The governance models for these technology platforms were also consolidated and put into service. Once these projects had reached completion, it also proved possible to expand the scope of the analytics & business intelligence component, specifically as regards the launch of strategic business information handling and consolidation projects across a number of our business areas;
- completion of the Digital Contracts project, which means that the contracts themselves, the signing of contracts, the sending of the documents between the parties and the corresponding filing and custody process have all been dematerialised;
- consolidation of the new digital strategy, by means of the stabilisation of the ANA, S.A. website platform, APP, evolution of the Microsoft Sharepoint platforms and the launch of the Digital Hub project. The overall aim here is to support the evolution of the current B2B site, particularly its operational and safety components;
- consolidation of the Company's strategic role in the implementation of the new SITA framework adopted by VINCI Airports;
- centralisation of the 1st line support team in the CCCit (Command and Control Centre information technology), which carries out the ongoing monitoring of the status of the infrastructures, of the platforms and systems that support the Company's business process. The CCCit is run by a duty manager, who, at any given time, is responsible for the operation of the Company's information technologies;
- delivery of a maturity assessment of cybersecurity protocols, based on the interaction with the National Cybersecurity Centre (CNCS) and the ACI (Airports Council International). The existing protocols will now be reinforced by an information security management system that is compliant with the ISO 270001 standard;
- work pertaining to the implementation of the self service bag drop platform at Lisbon Airport, supplemented by a kiosks platform that will increase capacity;
- expansion of the eGates platforms, used to check whether or not passengers are entitled to enter the departure lounge, in Terminal 2 at Lisbon Airport and at Porto Airport;
- Implementation among work teams of the "new workstation" concept, supported by the sharing of documentation via cloud platforms (OneDrive and Sharepoint online) and by communication via Skype for Business.

6. ECONOMIC AND FINANCIAL ANALYSIS

6.1. RESULTS

ANA Group turnover[1] in 2017 was 760.6 million euros, a year-on-year increase of 15.6%. This growth can be attributed to the remarkable performance of both the aviation (+15.8%) and non-aviation (+15.1%) businesses.

ANA, S.A.'s contribution to group turnover, excluding intragroup operations in the form of the invoicing of the Portway, S.A. subsidiary, was 698.4 million euros, 17.1% more than in 2016. This increase was slightly higher than the 16.8% rise in ANA, S.A. turnover, as shown in the following table:

Table 5. **ANA Group turnover** (2015-2017; thousands of euros)

ANA Group	2017	2016	2015	Var. % 2017/2016
ANA, S.A.	710,891	608,388	521,145	16.8%
Portway, S.A.	77,805	74,771	70,866	4.1%
Intra-group operations	(28,058)	(25,345)	(23,681)	10.7%
ANA Group	**760,639**	**657,814**	**568,330**	**15.6%**

Portway, S.A. managed to turn in a positive performance, despite the fact that 2017 was the first full operational year after one of its major clients decided to begin self-handling and two other clients, also of some consequence in terms of turnover, suspended operations. These results were positively influenced by the restructuring at Portway, S.A., which focused on cost optimisation and the negotiation of new contracts.

Group's EBITDA for 2017 came to 485.4 million euros, 26.2% higher than in 2016. This translates into an EBITDA margin of 62%, a year-on-year rise of 6.6 p.p..

Group revenue per passenger, at 14.7 euros, was broadly similar to the previous year, which means that income rose in line with the increase in traffic.

Net profits for the ANA Group were 248.5 million euros, 47.8% higher than the previous year.

This performance was mainly driven by revenue performance, which rose by 89.1 million euros year-on-year, as detailed in chapter 4 of this report.

The efficiency of the management of its operating costs also improved, despite this having been a year of strong growth, which also explains the above results.

The provision of external supplies and services to the ANA Group, amounting to 163.7 million euros (excluding the 25.6 million euro impact of IFRIC 12), was 7.3% higher than in 2016, but this has to be interpreted in a context in which business grew by over 15%, as mentioned above. The Group was able to achieve significant cost reductions by renegotiating some of the main contracts and also by a more efficient consumption of utilities.

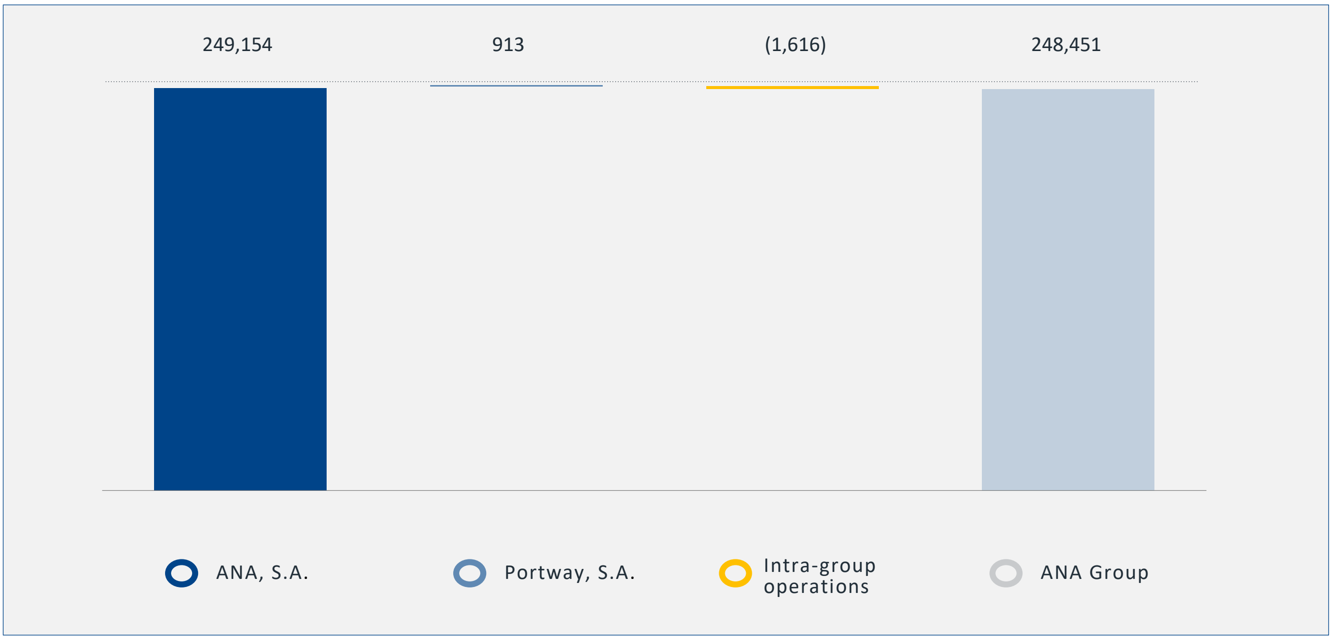
Staff costs showed an increase of 2.8% compared to 2016, a reflection of the combined factors of salary updates and staff numbers.

[1] Turnover is presented net of construction services (IFRIC 12) and air traffic development incentives.

As regards net financial income in 2017, the fall of 2.6 million euros in funding costs is explained by the fall in the reference interest rates for our loans (3-month and 6-month Euribor) and lower finance charges due to the loans that were repaid in 2016.

The following graph shows the breakdown of net profits for each Group company in 2017:

Graph 3. **Breakdown of the net profits of the ANA Group companies** (2017; thousand of euros)



6.2. FINANCIAL SITUATION

At the end of 2017, the capital invested in the ANA Group totalled 1.9 thousand million euros.

The change in the value of the fixed tangible and intangible assets is the result from the combined effect of the investments made and the amortisations and depreciations for the year.

With respect to working capital, the reduction in third-party debt is highlighted, resulting from a reinforcement of the integrated and systematic corporate intervention to reduce exposure to credit risk.

On the funding side, the change in equity is explained by the net results obtained in 2017.

The net debt to other entities was heavily influenced by the excess liquidity achieved as at the end of 2017 (423.3 million euros) and by the repayment of EIB loans (totalling 28.2 million euros).

Table 6. **Financial situation in the ANA Group** (2015-2017; thousand of euros)

ANA, S.A.				ANA Group		
2017	2016	2015		2017	2016	2015
250,050	259,716	294,219	Tangible Fixed Assets (net of subsidies)	253,333	261,620	296,965
1,752,952	1,784,794	1,784,592	Intangible Assets (net of subsidies)	1,754,382	1,786,224	1,786,022
41,794	40,763	35,975	(+) Deferred tax assets	41,859	40,814	36,105
372	320	329	(+) Inventories	972	1,024	942
79,091	88,086	104,371	(+) Third party debt	84,276	93,364	110,902
(225,276)	(243,931)	(220,921)	(+) Debt to third parties and other liabilities	(239,365)	(255,055)	(230,466)
1,898,983	**1,929,748**	**1,998,565**	**(=) Net use of capital**	**1,895,457**	**1,927,991**	**2,000,470**
5,124	5,271	5,326	(+) Financial investments	550	697	752
1,904,107	**1,935,019**	**2,003,891**	**(=) Total use of capital**	**1,896,007**	**1,928,688**	**2,001,222**
761,014	511,377	543,328	Equity	764,259	515,325	547,591
1,332,200	1,332,200	1,332,200	(+) Debt to shareholder	1,332,200	1,332,200	1,332,200
(189,107)	91,442	128,363	(+) Net debt to other entities[1]	(200,452)	81,163	121,431
1,904,107	**1,935,019**	**2,003,891**	**(=) Capital employed**	**1,896,007**	**1,928,688**	**2,001,222**

[1] Includes other loans and derivative financial instruments, less cash and cash equivalents.

6.3. RISK MANAGEMENT

The risk management model used by the ANA Group presupposes that risk management is an integral part of the organisation’s processes and is based on the principle that the “owners” of the various risks are responsible for managing them, under the supervision of senior management.

The ANA Group presents its main risks into five main categories:

- strategic - dependent on external forces that can impact the group’s strategy, performance, operations and organisation in the mid to long term;
- operational - arising from the engagement in the business activities and from the Group's internal processes;

- financial - associated with the Group's financial performance. The financial risk management policy for the ANA Group is detailed in the Notes to the Financial Statements, in points 2.20. Coverage Policy and 3. Management of Financial Risk;
- conformity - pertaining to compliance with the domestic and international legislation and regulations that govern the Group's business activity;
- fraud - associated with deliberate misconduct, whether originating inside or outside the Group.

The different risks that are identified are prioritised based on their inherent risk, that is, prior to any mitigation measures. They are assigned to the risk matrix as a function of their impact and the likelihood that they will occur. The periodicity of the assessment and oversight of risks depends on the level of priority of the risks.

7. INVESTMENTS

In 2017, the ANA Group invested 62.7 million euros in the ten airports under its management, including the investments associated to major maintenance under the scope of application of IFRIC 12. Of this total, around 54.4% was invested to expand our installed capacity. The remainder was absorbed by maintenance, conservation and replacement projects for the existing infrastructures and equipment.

Geographically speaking, the investment programme focused on the mainland airports (Lisbon, Porto and Faro), which accounted for 49.2 million euros, a weight of about 79% of the overall investment and 82% in the capacity expansion effort, as a consequence of air traffic growth in recent years.

The island airports, Madeira and Azores, accounted approximately for 7.4 million euros, or around 12% of the total investment, with the focus being on improving the quality of the service provided to passengers.

The development programme at Faro Airport absorbed about 15.7 million euros, or some 25% of the investment total. The work carried out under this programme included the ceremonial start, in July, of the terminal expansion project at Faro Airport. This event was attended by the Prime Minister, the Minister for Planning and Infrastructures and other key stakeholders.

Other major investments over the year included:

- at Faro Airport, an overhaul of the runway and the remodelling/repair of the old platform;
- at Lisbon Airport, the refurbishment of taxiway surfaces and the restructuring of the parking lots in the auto silo;
- at all mainland airports, the acquisition of machines for screening cabin baggage and liquids and also the investment in automatic lines and operator centralisation (LACO);
- at Flores Airport, the refurbishment of the runway surface;
- in terms of our central structure, the development of strategic studies.

A total of 2.4 million euros was invested at Portway, S.A.. Most of this amount was accounted for by airport support equipment, IT hardware and systems development, furniture and security and surveillance equipment.

8. SUBSEQUENT EVENTS

No relevant events worthy of disclosure have occurred since the closure of the reporting period ending 31 December 2017.

9. 2018 OUTLOOK

After an unparalleled year of traffic growth at its airports, the ANA Group is focused on working with airlines to open up new routes and increasing frequencies on existing routes, in order to continue the growth of traffic in recent years. With the implementation of these initiatives, it is expected that the traffic in the network's airports will continue to grow in 2018.

As a result of the efforts that we have made to ensure that the layout and offer of our shopping areas are in tune with passenger consumption and preference trends, the Group fully expects to see significant growth in this revenue stream in the coming years.

Like the measures designed to drive business development, ANA, S.A. is determined to continue improving the conditions offered by the infrastructures managed, which clearly exceed the scope of the specific development obligations written into the Concession Contract.

The Group will also continue to encourage innovation as a key drive of its success. It plans to continue along the same path as that staked out by the initiatives that have been already implemented. The Group now intends to develop a range of innovation initiatives that address the following strategic cornerstones: leadership, human resources, know-how and its situational environment.

In the 2018 investment plan, projects relating to development obligations written into the Concession Contract account for 6% of the total investment. The remainder will be spent on capacity management and service quality improvement projects and the development of our non-aviation business.

It should also be mentioned here the fact that, as per the framework set out in the Concession Contract regarding increasing the airport capacity in the Lisbon area, ANA, S.A. has been studying a solution involving the joint operation of two airports, Lisbon Airport and a secondary airport in Montijo. The report on this study was delivered to the Portuguese Government at the end of 2017.

It is expected that a decision in 2018 on the proposed solution and on the way it will impact the Concession Contract.

10. PROPOSED ALLOCATION OF NET PROFIT

ANA, S.A. closed out the 2017 financial year with net profits of 249,154,151.33 euros.

On the basis of the results and objectives attained in 2017, the Board of Directors proposes that the amount of 980,612.00 euros be shared with its employees. In accordance with the accounting principles underpinning the preparation of the Company's financial statements, this amount is already reflected in the net profits stated above.

The Board of Directors proposes that the net profits for the year be appropriated in the following manner:

Legal Reserve: 7,187,334.76 euros

Retained earnings: 241,966,816.57 euros

Lisbon, 10th April 2018

Board of Directors

Chairman:

____

José Luís Fazenda Arnaut Duarte

Member of the Board and Chairman of the Executive Committee:

____

Carlos Filipe Pires de Gouveia Correia de Lacerda

Members of the Board:

Nicolas Dominique Notebaert	Thierry Franck Dominique Ligonnière
Oliver Patrick Jacques Mathieu	François Jean Amossé
Tanguy André Marie Bertolus	António dos Santos Morgado
Anthony Cedric Guy Martin	
Jean-Luc Bernard Marie Pommier	
Luís Manuel dos Santos Silva Patrão	

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STATEMENT OF FINANCIAL POSITION SEPARATE AND CONSOLIDATED

(thousand euros)

ANA, S.A. 2017	ANA, S.A. 2016	Description	Notes	ANA Group 2017	ANA Group 2016
		ASSETS			
		Non-Current			
		Tangible fixed assets			
98,170	106,199	State property acquired	6	98,170	106,199
151,546	154,717	Company assets	6	154,744	156,617
19,111	20,134	Fixed assets in progress	6	19,196	20,138
-	-	*Goodwill*	8	1,430	1,430
1,749,829	1,781,324	Concession right	7	1,749,829	1,781,324
3,123	3,470	Other intangible assets	7	3,123	3,470
4,574	4,574	Investment in subsidiaries and associates	9	-	-
550	697	Financial investments	11	550	697
90	158	Derivatives financial assets	12	90	158
1,844	1,225	Receivables and others	13	1,844	1,225
41,794	40,763	Deferred tax assets	14	41,859	40,814
2,070,631	2,113,261			2,070,835	2,112,072
		Current			
372	320	Inventories	15	972	1,024
87,991	96,856	Receivables and others	16	93,364	102,919
422,659	151,272	Cash and cash equivalents	20	423,319	151,527
511,022	248,448			517,655	255,470
2,581,653	2,361,709	Total assets		2,588,490	2,367,542
		EQUITY			
200,000	200,000	Share capital	21	200,000	200,000
74,312	66,120	Reserves	22	75,273	67,080
237,548	76,845	Retained earnings	23	240,535	80,148
249,154	168,412	Net profit		248,451	168,097
761,014	511,377		24	764,259	515,325
761,014	511,377	Total equity		764,259	515,325
		LIABILITIES			
		Non-Current			
1,507,856	1,532,991	Loans	25	1,507,856	1,532,991
2,559	3,344	Derivatives financial liabilities	26	2,559	3,344
4,802	4,458	Provisions	27	5,607	4,724
1,225	1,549	Retirement benefits obligations	18	1,225	1,549
91,252	89,785	Payables and other liabilities	28	91,397	89,984
1,607,694	1,632,127			1,608,644	1,632,592
		Current			
55,427	38,737	Loans	25	44,742	28,713
124,399	140,227	Payables and other liabilities	29	137,683	151,844
33,119	39,241	Current tax	19	33,162	39,068
212,945	218,205			215,587	219,625
1,820,639	1,850,332	Total liabilities		1,824,231	1,852,217
2,581,653	2,361,709	Total of equity and liabilities		2,588,490	2,367,542

The notes are part of the financial position at the end of 31 December 2017.

(thousand euros)

INCOME STATEMENT SEPARATE AND CONSOLIDATED

ANA, S.A. 2017	ANA, S.A. 2016	Description	Notes	ANA Group 2017	ANA Group 2016
736,308	647,747	Revenue	30	784,377	695,275
522	800	Work executed by the entity and capitalised	6	522	800
(2,076)	(1,775)	Goods sold and materials consumed	31	(3,391)	(2,819)
(171,852)	(178,085)	External supplies and services	32	(163,705)	(170,793)
(75,410)	(72,912)	Personnel expenses	33	(126,463)	(122,995)
212	(11,990)	Impairment in receivables and other assets	17	(558)	(12,205)
79	235	Provisions	27	(575)	167
444	516	Other income	34	516	517
(4,533)	(3,724)	Other expenses	35	(4,857)	(3,942)
3,113	3,309	Investment subsidies	29	3,113	3,309
(94,187)	(98,885)	Amortisation and depreciation	36	(95,138)	(99,898)
392,620	285,236	**Operating results**		393,841	287,416
(47,822)	(50,376)	Finance costs	37	(47,822)	(50,376)
1,624	1,939	Share in the results of associates and others	38	8	7
284	1,125	Other financial results	39	288	1,125
(45,914)	(47,312)	**Financial results**		(47,526)	(49,244)
346,706	237,924	Results before income tax		346,315	238,172
(97,552)	(69,512)	Corporate income tax expenditure	40	(97,864)	(70,075)
249,154	168,412	**Net profit**		248,451	168,097
		Earnings per share (euros)	41		
6.23	4.21	Basic earnings per share		6.21	4.20
6.23	4.21	Diluted earnings per share		6.21	4.20

The notes are part of the income statement at the end of 31 December 2017.

COMPREHENSIVE INCOME STATEMENT SEPARATE AND CONSOLIDATED

(thousand euros)

ANA, S.A. 2017	ANA, S.A. 2016	Description	Notes	ANA Group 2017	ANA Group 2016
249,154	168,412	Net profit		248,451	168,097
		Other income not qualified as results			
39	(752)	Remeasurements		39	(752)
49	227	Deferred tax	14	49	227
		Other income qualified as results			
784	203	Fair value variation of swaps coverage	26	784	203
(187)	12	Fair value variation of assets available-for-sale	11	(187)	12
(202)	(54)	Deferred tax	14	(202)	(54)
249,637	168,048	**Total comprehensive income**		248,934	167,733
		Net profit			
249,154	168,412	Allocated to shareholders		248,451	168,097
249,154	168,412			248,451	168,097
		Total comprehensive income			
249,637	168,048	Allocated to shareholders		248,934	167,733
249,637	168,048			248,934	167,733

The notes are part of the comprehensive income statement at the end of 31 December 2017.

STATEMENT OF CONSOLIDATED CHANGES IN EQUITY

(thousand euros)

Description	Notes	Allocated to shareholders: Capital	Reserves	Retained earnings	Net profit	Total Group
Balance as of 1 January 2016		200,000	163,355	83,068	101,169	547,592
Application of the result of the previous year		-	103,430	(2,261)	(101,169)	-
Dividends	42	-	(200,000)	-	-	(200,000)
Other movements		-	134	(134)	-	-
Total income in the period		-	161	(525)	168,097	167,733
Balance as of 31 December 2016	24	200,000	67,080	80,148	168,097	515,325
Balance as of 1 January 2017		200,000	67,080	80,148	168,097	515,325
Application of the result of the previous year		-	8,421	159,676	(168,097)	-
Other movements		-	(623)	623	-	-
Total income in the period		-	395	88	248,451	248,934
Balance as of 31 December 2017	24	200,000	75,273	240,535	248,451	764,259

The notes are part of the statement of consolidated changes in equity at the end of 31 December 2017.

STATEMENT OF SEPARATE CHANGES IN EQUITY

(thousand euros)

Description		Allocated to shareholders				Total ANA
		Capital	Reserves	Retained earnings	Net profit	
Balance as of 1 January 2016		200,000	162,394	77,504	103,430	543,328
Application of the result of the previous year		-	103,430	-	(103,430)	-
Dividends	42	-	(200,000)	-	-	(200,000)
Other movements		-	134	(134)	-	-
Total income in the period		-	162	(525)	168,412	168,049
Balance as of 31 December 2016		200,000	66,120	76,845	168,412	511,377
Balance as of 1 January 2017		200,000	66,120	76,845	168,412	511,377
Application of the result of the previous year		-	8,421	159,991	(168,412)	-
Other movements		-	(624)	624	-	-
Total income in the period		-	395	88	249,154	249,637
Balance as of 31 December 2017		200,000	74,312	237,548	249,154	761,014

The notes are part of the statement of separate changes in equity at the end of 31 December 2017.

Direct method

CASH FLOW STATEMENT SEPARATE AND CONSOLIDATED

(thousand euros)

ANA, S.A. 2017	ANA, S.A. 2016		Notes	ANA Group 2017	ANA Group 2016
		Operating activities			
807,625	687,011	Receipts from customers		855,507	733,761
(179,904)	(162,701)	Payments to suppliers		(177,272)	(158,966)
(75,986)	(72,300)	Payments to personnel		(118,752)	(116,390)
(105,319)	(56,605)	Payments and receipts of income tax		(105,532)	(56,423)
(53,272)	(46,971)	Other operating payments and receipts		(55,695)	(47,992)
393,144	348,434	**Operating cash flows**		398,256	353,990
		Investment activities			
		Receipts from:			
215	38	Tangible fixed assets		215	38
-	137	Interest and similar income		-	137
-	384	Investment subsidies		-	384
1,624	1,939	Dividends		7	7
		Payments regarding:			
(47,400)	(62,612)	Tangible fixed assets and intangible assets		(49,840)	(62,834)
(45,561)	(60,114)	**Investments cash flows**		(49,618)	(62,268)
		Financing activities			
		Receipts from:			
70	65	Interest and similar income		70	65
661	3,343	Other financing operations (Cash Pooling)		-	-
-	-	Other financing operations		11	7
		Payments regarding:			
(28,223)	(28,076)	Loans		(28,223)	(28,076)
(48,704)	(51,870)	Interest and similar costs		(48,704)	(51,932)
-	(200,000)	Dividends		-	(200,000)
(76,196)	(276,538)	**Financing cash flows**		(76,846)	(279,936)
271,387	11,782	Variation of cash and equivalents		271,792	11,786
151,272	139,490	Cash and equivalents at the beginning of the period	20	151,527	139,741
422,659	151,272	Cash and equivalents at the end of the period	20	423,319	151,527

The notes are part of the cash flow statement at the end of 31 December 2017.

Notes to the financial statements

Annual Report 2017

Aeroportos de Portugal

CONTENTS

PRELIMINARY NOTE

ANA - Aeroportos de Portugal, S.A. (“ANA, S.A.” or “Company”) was set up by Decree-Law no. 404/98, of 17 December. This law transformed the former *Empresa Pública Aeroportos e Navegação Aérea, ANA, E.P.*, itself set up by Decree-Law no. 246/79, of 25 July, into a legal person under private law, with the status of a public limited liability company.

The Company is governed by its articles of association, by the regulatory standards applicable to limited liability companies, by the Concession Contracts to which it is party and also by the special regulations applicable because of the Company's specific business activity.

ANA - Aeroportos de Portugal, S.A. is currently the concessionaire for the provision of public airport services in support of civil aviation operations at ten national airports. These are located in continental Portugal (Lisbon, Porto, Faro and Beja), in the Autonomous Region of the Azores (Ponta Delgada, Santa Maria, Horta and Flores) and in the Autonomous Region of Madeira (Madeira and Porto Santo).

The legal framework for these concessions is set out in decree-Law no. 254/2012, of 28 November, and in the amendments to this introduced by Decree-Law no. 108/2013, of 31 July, which brings the airports in the Autonomous Region of Madeira into the airport network managed by ANA, S.A..

This legal framework is completed by the Concession Contracts for the provision of public airport services in support of civil aviation operations at national airports: (i) in continental Portugal and the Azores, through the contract signed by ANA, S.A. and the Portuguese State on 14 December 2012, and (ii) in the airports in the Autonomous Region of Madeira, accordingly to the contract signed on 10 September 2013. Under this latter contract, ANA, S.A. succeeded to ANAM, S.A. as concessionaire, as from October 2014, when ANAM, S.A. was incorporated by merger into ANA, S.A..

ANA, S.A. has its registered office at Rua D, Edifício 120, Lisbon Airport, and is the “parent company” of the ANA Group. The shareholder structure and business purpose are described in the following points.

The Financial Statements given refer to the individual financial statements for ANA, S.A. and the consolidated financial statements for the ANA Group.

All values are expressed in thousands of euros, unless otherwise indicated.

1. ACTIVITY

1.1. GROUP STRUCTURE AND FRAMEWORK OF ACTIVITY

SHAREHOLDERS:

At 31 December 2017, ANA, S.A. was 100% owned by VINCI Airports International, S.A..

GROUP COMPANIES:

ANA, S.A., the parent company, is the sole owner of Portway, Handling de Portugal, S.A. ("Portway, S.A."), its handling subsidiary.

The main business purpose of ANA, S.A. is to operate public airport services, as a concession, in support of civil aviation in Portugal. Additionally, the Company may carry out business activities and commercial or financial operations that are directly or indirectly related, wholly or partially, to the main purpose, or that may help or ease the achievement of this main purpose.

1.2. CONCESSION OF PUBLIC AIRPORT SERVICES CONTRACTS

ANA, S.A. is a concessionaire of the public airport service in support of aviation at eight national airports in mainland Portugal (Lisbon, Porto, Faro and Beja) and in the Autonomous Region of Azores (Ponta Delgada, Santa Maria, Horta and Flores), under the Concession Contract signed with the Portuguese State on 14 December 2012.

Following the merger by incorporation of ANAM, S.A., ANA, S.A. succeeded ANAM, S.A. as contract concession holder for the provision of public airport services in support of aviation at the two airports in the Autonomous Region of Madeira (Madeira and Porto Santo), as provided for under the contract signed by ANAM, S.A. and the Portuguese State on 10 September 2013 (clause 43.4).

Thus, ANA, S.A. has been the concession holder under two Concession Contracts since October 2014. Although these contracts are independent, the grantor is the same and the form of the contracts is entirely identical.

OBJECT OF THE CONTRACTS

These Concession Contracts for the provision of airport services includes the following activities:

a) Airport activities and services –directly provided by the concessionaire and for which it provides airport infrastructures, particularly in relation to:

   1. The availability of airport infrastructures consisting of runways, taxiways and aprons;
   2. The availability of airport infrastructures necessary for air traffic control;
   3. The parking of aircraft on the aprons, as well as their shelter in hangars, when applicable;
   4. The safety of airport operations within the entire airport perimeter;
   5. The provision of emergency, rescue and fire fighting services;

6. The availability of areas specifically designed for the embarking, disembarking, transfer or transit of passengers, cargo and mail;
7. The availability of airport infrastructures for the provision of assistance services to aircraft, passengers, cargo and mail, including the supply of fuel, oil and meals (catering);
8. The supply, operation and maintenance of equipment for embarking and disembarking passengers and equipment for remote embarking of persons with reduced mobility, as well as supply of energy to aircraft;
9. The availability of passenger check-in counters or any other infrastructure associated with the processing of passengers, including common use computer platforms;
10. The supply, operation and maintenance of infrastructures for the reception, treatment, handling and collection of baggage;
11. The availability of car parks with public access to airports;
12. General maintenance and upkeep of airport infrastructures.

b) The exclusive right (for a limited time) of the concessionaire to present a proposal for the design, construction, financing and/or operation and management of the new airport for Lisbon (“NAL”);

c) The provision of activities for design, projects, construction, strengthening, reconstruction, expansion, deactivation and closing of airports, under the terms of the contract;

d) The carrying out of business activities that may be performed in airports or other areas affected by the concession.

CONCESSION ASSETS AND ASSOCIATED OBLIGATIONS

The Concession Contract was awarded for a period of 50 years, from the date of the signing of the contract (14 December 2012) for the airports in mainland Portugal and in the Autonomous Region of Azores. The contract signed with the Autonomous Region of Madeira has the same term.

In return for being granted this concession, ANA, S.A. paid the grantor the amount of 1,200 million euros, maintaining the right of use over all the airport infrastructures that make up the concession and assuming the responsibilities inherent in the maintenance of airport infrastructures according to the parameters of service quality set forth in the contract.

In addition to the initial payment of 1,200 million euros, ANA, S.A. is obligated to share with the grantor, in two equal annual payments (31 March and 30 September) between the 10th and 50th years of the concession, an amount corresponding to a percentage of the gross income from the concession, which varies between 1 and 10% according to the defined time intervals. Under IFRIC 12 these variable remunerations will be recognized in the income statement at the moment of its occurrence due to its contingent nature.

The establishment of the concession includes all the assets allocated to the concession, regardless of their ownership, which includes: (i) buildings and land; (ii) other tangible assets; and (iii) intangible assets.

ANA, S.A. may not engage in any business deals related to the assets allocated to the concession that could jeopardise the effectual and continuing allocation of these to the concession, except when there is a need for replacement or when these have been shown to be obsolete or inadequate for the performance of the activities of the concession.

Under the Concession Contract, ANA, S.A. assumes specific obligations for development, including the maintenance of the airports in good operating conditions, assuming the total and exclusive responsibility for the operation, repair, replacement, maintenance and management of airports, and in particular to:

a) Maintain the runways, aprons, taxiways and cargo and mail infrastructures, as well as all the areas of the airport essential to the secure access to air transports, in conditions that are at least equal to those at the date of the contract;

b) Maintain all the passenger terminals at a C service level, according to the IATA manual [1];

c) Keep airports free from any environmental damage resulting from the concession activity;

d) Guarantee, on the expiration date of the contract, the delivery of the assets allocated to the concession in operating conditions that meet the minimum reversion conditions.

FINANCING

As concessionaire, ANA, S.A. assumes full financing of the concession, although this may be renegotiated, provided that the debt servicing coverage ratio stipulated in the contract is maintained.

INCOME AND REBALANCING OF THE CONCESSION

The concession income consists of proceeds from charges issued by the concessionaire in return for providing airport activities and services, and includes income from commercial or other activities related to the management of the concession.

The charges under the provision of public service are regulated by *Autoridade Nacional de Aviação Civil* (“ANAC”), which sets the maximum values that can be put into practice.

The concessionaire assumes complete responsibility for all the risks inherent in the concession, rebalancing only being permitted in those cases expressly provided for in the contract. Rebalancing can take one or more forms:

a) Change in the charges subject to economic regulation;

b) Attribution of co-payment or direct compensation by the grantor;

c) Extension of the concession period; or

d) Any other form agreed upon between parties.

At the end of the concession, all the concession assets revert to the grantor, with the concessionaire retaining no rights of indemnification, except for investments greater than 30 million euros made in the last 5 years of the Concession Contract with the approval of the grantor. In these cases, the grantor shall pay the residual amount of the assets or extend the concession period.

[1] International Air Transport Association.

Towards the end of 2017, ANA, S.A. submitted a proposal to the concession grantor for the expansion of the airport capacity in the Lisbon Area. This proposal includes plans for a secondary airport in Montijo. The impact of this solution on the Concession Contract is currently under study.

1.3. ECONOMIC REGULATION LEGAL FRAMEWORK

- Decree-Law no. 254/2012 approved the rules applicable to the airport sector. The aforesaid Decree-Law regulates: (i) the licensing regime for the private use of airport assets in the public domain and the performance of activities and services in airports and national public aerodromes, as well as the fees related to these activities; (ii) a set of fees applied to all airports and aerodromes located in Portuguese territory, specifically the security fee due on the number of passengers boarded; (iii) the conditions for applying the juridical regime related to the rights of people with disabilities and persons with reduced mobility; (iv) the rules and common principles applicable to the fees subject to economic regulation and setting the indicators of quality in service, to be followed at airports and aerodromes located in Portuguese territory;
- Under article 49 of Decree-Law no. 254/2012, the security fee consists of two distinct components. One part covers the charges levied by ANAC and the security forces. The other part covers the costs incurred by the airport management bodies in providing civil aviation security services and also in installing, operating and maintaining the systems for screening all hold baggage. The part of the charge pertaining to this second component is fixed by ministerial order issued by the members of the government responsible for finance, internal administration and the economy. Prior to this, the airport management body makes a proposal that has been guided by the opinions of airport users, or their representatives, and is based on the costs of the security services provided, as per no. 2 of article 52 of Decree-Law no. 254/2012;
- In order to cover the costs inherent to providing assistance to persons with reduced mobility, a fee was created that came into effect in December 2008, complying with Regulation no. 1107/2006, of 5 July. This fee is paid by the airlines using airports or aerodromes in Portugal. The amount is fixed, per passenger embarked, by decision of the administrative board of ANAC. Prior to this, the airport management body makes a proposal that has been guided by the opinions of airport users, or their representatives, or users associations, as per nos. 1 and 3 of article 61 of Decree-Law no. 254/2012.

1.3.1. ECONOMIC REGULATION ESTABLISHED IN THE CONCESSION CONTRACTS

The economic regulation defines the principles and rules applicable to the charges paid by airport customers for the use of available facilities and for services provided by the airport operator related to the landing, take-off, lighting and parking of aircraft and for the processing of passengers, cargo and mail.

The Concession Contracts for the provision of public airport services in support of aviation at the national airports in mainland Portugal, the Azores and Madeira specify the economic regulation applicable to the business carried out at these airports, through a common and materially standardised model.

In terms of the regulation model adopted, the activities provided by the airport managing entity are divided into:

a) Regulated activities: i) directly related to aircraft operations; ii) related to the processing and assistance to passengers, on arrival, departure and in transfer; and

b) Monitored activities: i) the commercial activities on the airside not included in the “airside retail activities”; ii) availability of ticket sale counters or for support of the airline operations; iii) activities for supplying fuel and catering to aircraft and other categories of assistance during stopover; and iv) activities related to flights exclusively operated by cargo planes.

The setting of the income per terminal passenger is made by airport or set of airports,

i) Lisbon group [Lisbon, Azores, Madeira (Madeira and Porto Santo) and Beja Civilian Terminal]

ii) Porto and

iii) Faro,

the concessionaire being free to set the structure and amounts of the charges owed, as long as the limits established for the Regulated Price Cap are observed.

The following factors feed into the calculation of the annual Regulated Price Cap: i) the Regulated Price Cap from the previous year indexed to the HCPI[1], less the applicable efficiency factor; ii) the contribution made by the airside retail income for the year; and iii) the estimate of the number of terminal passengers for the year. However, the calculated amount may be subject to adjustments or restrictions dictated by the economic regulation. In practice, the most likely of these to be applied are those arising from the restrictions drawn up specifically for the "Lisbon group", such as the adjustments resulting from the biannual comparative test or the mechanisms for sharing traffic risk.

At the end of each year, the difference between the proposed Regulated Price Cap and the actual Regulated Price Cap is calculated. When this difference results from errors in estimating annual passenger traffic volumes or errors in estimating the traffic mix and/or composition of services provided, the negative difference in the maximum average regulated income can be recovered through adjustment in year n+2. When the calculated difference is in the favour of ANA, S.A., the Company must return this difference to airlines within six months.

In any case, the amount to be fixed as annual Regulated Price Cap must be evaluated in the light of aviation market conditions on the date on which this amount is fixed. This is to ensure that the airport network does not lose competitiveness. In the case of the "Lisbon group", the restrictions referred to in point six of annexe 12 of the economic regulation and the established rules of preponderance must also be observed.

The rates to be applied for monitored activities are not subject to being set by ANAC, as they are merely monitored. Monitored activities may be reclassified as regulated activities and vice-versa by decision of the regulator with justification.

A regulatory description of rates due for using the airport facilities and services and for operating commercial activities can be found in the 'Regulated Charges Guide' available online at ANA, S.A.'s official website (www.ana.pt).

1.3.2. GROUND HANDLING SERVICES

Via Portway, S.A., the Group is involved in the activity of providing the aircraft that use Lisbon, Porto, Faro, Madeira, Porto Santo and Ponta Delgada airports with assistance during stopovers, as defined by Decree-Law no. 275/99 dated 23 July, under licence from ANAC for the following activities:

- Administrative assistance on the ground and supervision;
- Assistance to passengers;

[1] Harmonised Consumer Price Index.

- Assistance with baggage;
- Assistance for cargo and mail;
- Assistance for runway operations;
- Assistance for cleaning and servicing aircraft;
- Assistance for air operations and crew management;
- Assistance for ground transport.

2. ACCOUNTING POLICIES

The main accounting policies applied while preparing these financial results are described below. These policies were applied consistently to all the years presented herein, unless otherwise indicated.

2.1. BASIS FOR THE PRESENTATION

These financial statements sheets were prepared according to the International Financial Reporting Standards (IFRS) adopted by the European Union, issued and in force at 31 December 2017.

Financial assets and liabilities are recognized in the balance sheet when the Company becomes part of the corresponding contractual provisions.

The preparation of the financial statements in accordance with the IFRS requires the use of some important estimates that affect the amounts of assets and liabilities as well as the amounts of income and costs during the reported period. These estimates and assumptions are derived from a better knowledge of management with regard to current events and activities. However, it is not expected that significant adjustments of the values of assets and liabilities in future years will result from these estimates. The areas that involve a greater degree of judgement or where the estimates are more significant for the financial statements are described in note 4.

2.2. IFRS DISCLOSURES – NEW RULES AS OF 31 DECEMBER 2017

2.2.1. STANDARDS AND INTERPRETATIONS THAT CAME INTO FORCE ON JANUARY 1, 2017, AND THAT THE GROUP APPLIED IN PREPARING ITS FINANCIAL STATEMENTS

As at the date of approval of these financial statements, the following accounting standards, interpretations, amendments and revisions have been endorsed by the European Union. Application of these was mandatory as of the fiscal year beginning 1 January 2017:

- **IAS 12 (Amendment) – Recognition of deferred tax assets for unrealised losses.** This amendment clarifies the conditions governing the recognition and measurement of deferred tax assets resulting from unrealised losses. Adopting this amendment had no impact on the Group's financial statements.
- **IAS 7 (Amendment) – Disclosures**. This amendment introduces additional disclosures pertaining to funding cash flows. Adopting this disclosure had no significant impact on the Group's financial statements.

2.2.2. STANDARDS, CHANGES AND INTERPRETATIONS ISSUED AND ENDORSED BY THE EUROPEAN UNION. APPLICATION OF THESE WILL BE MANDATORY IN FUTURE YEARS

- **IFRS 9 – Financial instruments: amendment to IFRS 9 and IFRS 7** (applicable to reporting periods beginning on or after 1 January 2018). This standard is based on the draft revision of IAS 39 and establishes new requirements for the classification and measurement of financial assets and liabilities, for the method used to calculate impairment and for the application of hedge accounting rules. The Group estimates that the future adoption of these standards will not result in any significant changes to its financial statements.
- **IFRS 15 – Revenue from contracts with customers** (applicable to reporting periods beginning on or after 1 January 2018). This standard introduces a structure for recognising revenue that is based on principles and a model that is to be applied to all contracts with customers. It replaces the following standards: IAS 18 - Revenue, IAS 11 – Construction contracts, IFRIC 13 – Loyalty programmes, IFRIC 15 – Agreements for the construction of real estate, IFRIC 18 – Transfers of assets from customers and SIC 31 – Revenue –Direct exchange transactions involving publicity services. Future adoption of this standard is not expected to have any significant impact on the Group's financial statements.
- **IFRS 16 – Leasing** (applicable to reporting periods beginning on or after 1 January 2019). This standard introduces the recognition and measurement principles for leases. It replaces IAS 17 – Leasing. The standard sets out a single model for the accounting of leasing contracts. Under this model, the lessee must recognise the assets and liabilities for all leasing contracts, except for contracts of less than 12 months or for low-value assets. Lessors will continue to classify leases as being either operating or financial. For lessors, IFRS 16 does not imply any substantial changes, when compared to IAS 17. The Group estimates that the future adoption of this standard will not result in any significant changes to its financial statements.
- **IFRS 15 (Clarifications) – Revenue from contracts with customers** (applicable to reporting periods beginning on or after 1 January 2018). These amendments introduce various clarifications into the standard, with a view to preventing the possibility of divergent interpretations of a number of issues. Future adoption of this interpretation is not expected to have any significant impact on the Group's financial statements.
- **IFRS 4 (Amendment) – Application of IFRS 9, Financial instruments, with IFRS 4, Insurance contracts** (applicable to reporting periods beginning on or after 1 January 2018). This amendment sets out guidelines on applying IFRS 4 jointly with IFRS 9. The IFRS 4 will be replaced by the entry into force of IFRS 17. The future adoption of this amendment will have no significant impact on the Group's financial statements.

2.2.3. STANDARDS, AMENDMENTS AND INTERPRETATIONS THAT HAVE BEEN PUBLISHED BUT HAVE NOT YET BEEN ENDORSED BY THE EUROPEAN UNION

As at 31 December 2017, the IASB had issued the following standards and interpretations that have not yet been endorsed by the European Union, but which are mandatorily applicable in the next reporting period or in later reporting periods:

- **IFRS 17 – Insurance contracts.** This standard establishes the principles underpinning the recognition, measurement, presentation and disclosure of insurance contracts that fall within its scope. This standard replaces IFRS 4 – Insurance contracts. The future adoption of this standard will have no impact on the Group's financial statements.
- **IFRS 2 (Amendment) – Classification and measurement of share-based payment transactions.** This amendment introduces a number of clarifications into the standard pertaining to: (i) the accounting of cash-

settled share-based payment transactions; (ii) the accounting of modifications of share-based payment transactions (from cash-settled to equity-settled); (iii) the classification of transactions with an element of offsetting in the settlement. This standard will have no impact on the Group's financial statements.

- **IFRIC 40 (Amendment) – Transfer of investment properties.** This amendment clarifies that the change in classification to or from the investment property category can only take place when there is evidence of a change of asset use. The future adoption of this amendment will have no impact on the Group's financial statements.
- **Improvements to the international financial reporting standards (2014-2016 cycle).** These improvements are concerned with the clarification of certain aspects of: IFRS 1 – First-time adoption of the international financial reporting standards: elimination of some short-term exemptions; IFRS 12 – Disclosure of interests in other entities: clarification of the scope of the standard with respect to its application to interests classified as held for sale or held for distribution under IFRS 5; IAS 28 – Investments in associates and joint ventures: introduction of clarifications on the measurement of investments in associates or joint ventures held by risk capital firms or investment funds by means of fair value through profit or loss. Future adoption of these improvements is not expected to have any significant impact on the Group's financial statements.
- **Improvements to the international financial reporting standards (2015-2017 cycle).** These improvements are concerned with the clarification of certain aspects of: IFRS 3 – Business combinations: mandatory remeasurement of previously held interests when an entity gains control of a holding over which it previously had joint control; IFRS 11 – Joint ventures: clarification that there should be no remeasurement of previously held interests when an entity gains joint control over a joint operation; IAS 12 – Income taxes: clarification that all the fiscal consequences of dividends should be accounted for in the income statement, irrespective of how the tax was levied; IAS 23 – Costs of loans obtained: clarification that the part of a loan that is directly associated with the purchase/construction of an asset and that remains outstanding once the corresponding asset has been readied for the intended use is, for the purposes of calculating the capitalisation rate, considered an integral part of the entity's generic funding. Future adoption of these improvements is not expected to have any significant impact on the Group's financial statements.
- **IFRS 9 (Amendment) – Prepayment features with negative compensation.** For those financial assets whose contractual conditions stipulate that, in the case of prepayment, the creditor must pay a considerable sum, this amendment now allows such assets to be measured at amortised cost or at fair value through reserves (depending on the business model), provided that: (i) on the date on which the asset is initially recognised, the fair value of the prepayment component is insignificant; and (ii) the possibility of negative compensation in the prepayment is the only reason why the asset in question is not considered to be an instrument that solely involves the payment of capital and interest. Future adoption of this standard is not expected to have any significant impact on the Group's financial statements.
- **IAS 28 (Amendment) – Long-term investments in associates and joint ventures.** This amendment clarifies that IFRS 9 (including the respective impairment requirements) should be applied to investments in associates and joint ventures when the equity method is not used in measuring such investments. This amendment will have no impact on the Group's financial statements.
- **IFRIC 22 – Foreign currency transactions, including advance consideration for asset purchases.** This interpretation establishes that, for the purposes of determining the exchange rate to be used in recognising the revenue, the initial recognition date for the advance consideration or deferred income is the transaction date. Future adoption of this standard is not expected to have any impact on the Group's financial statements.

- **IFRIC 23 – Uncertainty over income tax treatments.** This interpretation offers guidelines on calculating taxable profit/loss, tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments. The Group estimates that the future adoption of this standard will not result in any changes to its financial statements.

2.3. CONSOLIDATION

SUBSIDIARIES

The financial holdings in companies over which the Group exercises control are consolidated by means of the full consolidation method. The method is applied from the date on which the Group gains control over the financial and operational activities of the subsidiary and until the date on which it relinquishes such control.

The Group is presumed to have control when it is exposed, or is entitled, to variable returns arising from its involvement in the holding and where it is able to influence such returns through the power it exercises over the holding, irrespective of the percentage of equity that it owns.

On an individual basis, investments in financial holdings that are not classified as non-current assets held for sale or included in a disposal Group that is classified as non-current assets held for sale are recognised at acquisition cost. They are also subject to periodic impairment tests, whenever there are signs that a given financial holding may be impaired.

Business combinations are measured using the purchase method. The cost of an acquisition is assessed by the fair value of the goods handed over, capital instruments issued and liabilities incurred or undertaken on the date of the acquisition. The transaction costs are recorded as expenses when incurred, in accordance with IFRS 3.

The identifiable assets that were acquired and the liabilities and contingent liabilities undertaken in a merger have initially been measured at the fair value on the date of the acquisition, irrespective of the existence of non-controlled interests. The surplus cost of acquisition with regard to the fair value of the Group's share of the identifiable assets that have been recorded has been recorded as goodwill. If the cost of the acquisition was lower than the fair value of the Group's share of the net assets of the subsidiary that has been acquired, the difference is recorded directly on the income statement.

Internal transactions, balances and unrealised gains in transactions between Group companies have been eliminated. Unrealised losses have also been eliminated, except in cases where the transaction proves to be evidence of the impairment of a transferred asset. The accounting policies of subsidiaries are altered whenever necessary, so as to ensure consistency with the policies adopted by the Group.

Investments in companies over which the Group exercises control, shown in the separate financial statements of ANA, S.A., are measured at acquisition cost, less any impairment losses.

2.4. REPORT PER SEGMENT

An operating segment is a component of an entity:

a) Which develops business activities from which revenues can be obtained and expenditure can be incurred (including revenues and expenditure related to transactions with other components of the same entity);

b) Whose operating results are regularly reviewed by the main body responsible for making operating decisions for the entity, for the purpose of making decisions about the allocation of resources to the segment and for assessing its performance; and

c) With regard to which separate financial information is available.

The ANA Group has identified the Executive Committee as being responsible for making operating decisions. This is the body that reviews internal information that has been prepared so as to assess the performance of the activities of the Group and the allocation of resources. The operating segments were defined on the basis of the information that is analysed by the Executive Committee.

The operating segments of the ANA Group are Airports and Handling:

- Airports – includes all activities related to the provision of public service support to civil aviation as well includes all activities relating to the areas of retail, real estate, parking, rent-a-car, publicity and other services;
- Handling – includes all the activities provided by Portway, S.A. in support of aircraft, passenger, baggage and air freight in the airports of ANA, S.A..

2.5. FOREIGN EXCHANGE CONVERSIONS

A. Operating currency

The figures in the financial statements are expressed in thousands of euros (the currency of the economic environment in which the ANA Group operates).

B. Transactions and balances

Transactions in currencies other than the euro have been converted into the operational currency using the exchange rates in effect on the date of the transaction.

The differences in exchange rates during the financial year, as well as those that were not realised, identified with regard to the monetary assets and liabilities that existed on the date of the balance sheet, at the exchange rates in effect on that date, have been included in the income statement.

The following exchange rates with regard to the Euro were used for the conversion of monetary assets and liabilities in foreign currencies, which existed on the date of the balance sheet:

Currency	2017	2016
USD	1.1993	1.0541
GBP	0.8872	0.8561

2.6. CONCESSION ASSETS

The concessions granted to ANA, S.A. include the following concession assets.

2.6.1. FIXED TANGIBLE ASSETS

The fixed tangible assets include the State property and Company assets:

a) State property – includes all assets acquired by the Group companies that are implanted on lands in the public domain and attributable to the activities of providing public service;

b) Patrimony:

✓ Property assigned to the concession – includes all the assets used in providing the public service and, thus, assigned to the operation of the concession but which are, in substance, controlled by the concessionaire;

✓ Others – remaining assets not used in providing the public service but which have been acquired by Group companies.

The concession operator is deemed to have substantial control over the concession assets when it can independently, and without prior authorisation from the grantor, make decisions on the timing of the re-placement of such assets, the size of the investment to be made and the specifications of the equipment to be procured (see note 2.6.2).

Fixed tangible assets are recorded at the value of the initial exchange paid and are subject to legal revaluations, within the scope of the former standards, which constitutes the presumed cost at the date of transition. The fixed tangible assets are being amortised by the respective estimated useful life, the linear method.

Subsequent expenditure is included in the sum recorded on the amount of the property or shown as separate assets, when appropriate, only when it is likely that the future outflow of the economic benefits for the companies and the cost can be reliably measured. Other expenditure related to repairs and maintenance has been shown as an expense during the period in which it was incurred.

The costs incurred with loans obtained for the construction of qualifiable assets have been capitalised during the time period necessary to complete and prepare the asset for its intended use. Other costs with loans have been shown as expenditure for the period.

Direct costs related to the technical areas involved in constructing the Group's assets are likewise capitalised into tangible assets. This capitalisation is carried out according to the internal resources used and the time spent, as a counterpart to the heading of work executed by the entity and capitalised.

The gains or losses derived from the sale or writing off of assets are determined by the difference between the receipts from the sale and the sum recorded on the amount of the asset and is shown as income or expenses on the income statement.

The period of useful life of the main fixed tangible assets can be summarised as follows:

Buildings	10 to 50 years
Other constructions	10 to 50 years
Basic equipment	3 to 20 years
Transport equipment	4 to 7 years
Administrative equipment	4 to 10 years

Depreciation for the period is calculated using the linear method.

2.6.2. INTANGIBLE ASSETS – CONCESSION RIGHT

In accordance with the Concession Contracts of ANA, S.A. and the economic regulation established in those instruments, as described in note 1.3, the model for recording the concession assets as applied under IFRIC 12 is that of intangible asset, since there is no unconditional right to receive fixed or determinable amounts associated with public service provided. There is only the right to charge the airport users, while the concessionaire is exposed to the risk of demand.

In determining the property to be classified as assets comprising the concession right, the classes associated to the various activities carried out were identified, being considered as assets integrating the concession right those that are related to the services/activities in which:

i) the grantor controls or regulates:

   a) which services are to be provided – the concessionaire is obligated to provide the services set forth in the Concession Contract;

   b) the users – the concessionaire is obligated to provide access to the public service to all users indiscriminately; and

   c) the price – the concessionaire is obligated to practice the prices established by the grantor or other equivalent entity (e.g., the regulator);

ii) concession grantor substantially controls any significant interest in the infrastructure and the concessionaire cannot make free use of the assets without permission from the grantor.

The value of subsidies received for these investments was deducted from the total of these assets, the net amounts invested in the concession right being presented in the accounts, according to the policy defined for the ANA Group.

The concession right presented on the statement of the financial position includes the additional amounts agreed to with the grantor for the construction/acquisition of assets for the establishment of the concession that consist of investments for the expansion or renewal of infrastructures (see note 1.2).

The concession right is amortised over the period of the concession (50 years), up to 2062, by the linear method.

2.7. OTHER INTANGIBLE ASSETS

Other intangible assets are valued at the cost of acquisition less accumulated amortisation and impairment losses.

Intangible assets are only recognised if identifiable and if it is likely that they will result in future economic benefits controlled by the Group and can be reliably measured.

The other intangible assets refer to software, with an estimated 3 year lifetime.

A. GOODWILL

Goodwill represents the surplus of the cost of acquisition as compared to the fair value of the identifiable assets and liabilities of the subsidiary/associate at the date of acquisition. In individual accounts, goodwill is included as part of subsidiaries' investments. This is subject to impairment tests, on an annual basis, and is presented at cost, less the accumulated impairment losses. Gains or losses derived from the sale of an entity include the value of the goodwill pertaining to the entity.

The goodwill is allocated to the units that generate the cash flows for purposes of conducting impairment tests. The tests are conducted at least once a year with reference to the financial reporting date.

B. RESEARCH AND DEVELOPMENT EXPENDITURE

Expenditure on research carried out while pursuing new technical or scientific knowledge, or a quest for alternative solutions, is shown in the results when incurred.

The expenditure incurred on account of development is capitalised when it is proved that the product or process being developed can be executed in technical terms and that the Group has the intention and the capacity to complete its development and begin its use or sale.

C. SOFTWARE

The costs incurred with the acquisition of software are capitalised whenever it is expected that they will be used by the Group.

2.8. IMPAIRMENT OF NON-FINANCIAL ASSETS

The assets of the ANA Group are analysed during each report period so as to detect possible losses due to impairment.

The determination of the value recoverable is made considering the following operating segments:

- The airport activity managed by ANA, S.A.;
- The handling activity developed by Portway, S.A..

2.9. FINANCIAL ASSETS

The Group determines the classification of its financial assets on the date that the asset is first shown in accordance with the objective of its purchase, re-evaluating this classification on the date of each report.

Financial assets can be classified as:

- Financial assets at fair value through profit or loss – these include non-derivative financial assets held for trading concerning short term investments and assets that the Company chooses to measure at fair value through profit or loss at the date they were initially shown. They are initially recognized at fair value, the costs of the transaction being shown in the results;
- Loans granted and receivables – this includes the non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are shown under amortised costs using the effective interest rate, after deducting any impairment loss. The adjustment for impairment of receivables is carried out when there is objective evidence that the Group will not have the capacity to receive the amounts due in accordance with the initial conditions of the transactions that created them;
- Investments held till maturity – include non-derivative financial assets with fixed or determinable payments and fixed maturities, which the entity has the intention and the capacity to maintain until its maturity;

- Financial assets available for sale – include the non-derivative financial assets that are deemed to be available for sale at the time when they are initially shown or if they cannot be classified in the categories above. They are shown as non-current assets, except in cases where they are intended to be sold in the 12 months after the date of the balance sheet. They are valued at their fair value, with any variations of this value shown under equity.

Financial assets are removed when the rights to receive the monetary flows created by these investments expire or are transferred, along with all the risks and benefits associated with their possession.

2.10. INVENTORIES

Inventories are valued as the lesser of the cost of acquisition or the net sale value. Inventories essentially refer to fuels, spare parts and other materials. Inventories are initially shown at the cost of acquisition, which includes all the expenses associated with the purchase. The cost is determined using the pondered average cost method.

2.11. CASH AND CASH EQUIVALENTS

The cash and cash equivalents item includes: cash, bank deposits, other short term investments with high levels of liquidity, insignificant risk of changes in value and with an initial maturity of up to 3 months and bank overdrafts.

It also includes the cash pooling figure, as the ANA Group is now part of the VINCI Group cash pooling mechanism. Cash pooling qualifies as being a cash equivalent because there are no restrictions on the way it is used, it is immediately available because it meets all the other pertinent criteria.

Bank overdrafts are shown on the statements of the financial position, in current liabilities under the loans item. For the purposes of cash flow statements, the bank overdrafts are included in the cash and cash equivalents item.

2.12. DIVIDENDS

Dividends are shown as a liability whenever approved by Shareholders General Meeting.

2.13. FINANCIAL LIABILITIES

The IAS 39 classifies financial liabilities into two categories:

- Financial liabilities at fair value through profit or loss;
- Other financial liabilities.

Financial liabilities at fair value through profit or loss refer to derivative financial instruments contracted within the scope of managing the Group's financial risks.

Derivative financial instruments are shown on the date they are contracted at their fair value. Subsequently, the fair value of the derivative financial instruments is regularly evaluated. The gains or losses resulting from this evaluation are shown directly in the results for the period or in coverage reserves, in equity, in situations that these gains or losses qualify for cash flow hedge accounting (note 3.3).

Other financial liabilities include Loans obtained (note 2.14) and Accounts payable (note 2.15).

The financial liabilities are removed when the underlying obligations are eliminated by payment, or are cancelled or expire.

2.14. LOANS OBTAINED

A financial instrument is classified as a financial liability when the issuer is contractually obliged to pay back the capital and/or interest by disbursing money or handing over some other financial asset, irrespective of its legal form. Financial liabilities are recognised (i) initially, at fair value, less the transaction costs incurred and (ii) subsequently, at amortised cost, which is calculated using the effective rate method.

They are classified as current liabilities, except if the Group has an unconditional right to defer the liquidation of the liability for, at least, 12 months after the date of the balance sheet. In this case they are classified as non-current liabilities.

2.15. PAYABLES AND OTHER LIABILITIES

The balances of suppliers and other payables are initially shown at the fair value, and are subsequently measured at the amortised cost in accordance with the effective interest rate method.

2.16. RETIREMENT BENEFITS

The parent company has responsibilities with complementary retirement benefits.

ANA, S.A. has a Complementary Pension Fund, managed by an autonomous entity, which includes two plans:

- Defined contribution plan – covers all employees, contributions for this plan are shown as a cost, in the financial year in which they occur;
- Defined benefits plan – covers only the employees who had already retired before 1 January 2004 (the date the defined benefits fund was changed to the defined contributions fund). The actuarial calculation of the Company's responsibilities is carried out annually using the immediate annuity method. The actuarial differences (re-measurements) are recognised immediately and only in 'Other comprehensive income'. The financial cost of funded plans is calculated on the basis of the net non-funded liability.

2.17. PROVISIONS

Provisions are shown when:

- There is a legal, contractual or a constructive obligation, as a result of past events;
- It is likely that an outflow of resources will be necessary to satisfy the obligation; and
- A reliable estimate of the amount of the obligation can be made.

When there are a number of similar obligations, the probability of generating an outflow of resources is determined together. The provision is shown even if the likelihood of an outflow owing to one element included in the same class of obligations might be lower.

Provisions are reviewed at each reporting date and are adjusted so that they reflect the best estimate. Provisions are measured on the basis of their nominal value, plus any legally applicable interest, so that the outflow of resources arising from the liability is duly accounted for.

For ongoing legal cases, management bases its judgement on external legal advice in conjunction with the assessment of the internal Legal and Litigation Office.

2.18. SUBSIDIES

Subsidies are shown at their fair value when there is a reasonable assurance that they will be received and that the Group will fulfil the inherent obligations.

Subsidies received for financing acquisitions of tangible fixed assets are recorded under liabilities and shown in the results, in proportion to the amortisation of the subsidised assets.

The subsidies granted under the public service activities are deducted from the value of construction contracts provided in concession right by constituting reimbursement of certain expenses incurred.

Subsidies concerning expenses are deferred and recognised in the balance sheet for the period necessary to balance them with the expenses that they are meant to compensate.

Subsidies are classified as non-current liabilities, under the Accounts payable and other liabilities item, when the period of deferral is greater than 12 months. The remaining balance is classified under current Accounts payable and other liabilities.

2.19. LEASING

FINANCIAL LEASING

Assets acquired via financial leasing contracts, in which the Group has all the risks and benefits inherent to the ownership of these assets, are accounted for using the financial method, therefore the respective asset value and the corresponding liabilities are recognised in the statement of financial position.

Leases are capitalised at the beginning of the lease as the lesser between the fair value of the leased asset and the present value of the minimum leasing payments, established on the date when the contract began. The resulting debt from a financial leasing contract is shown net of financial costs, under the current and non-current loans item. The financial costs included in the rental and depreciation of leased assets are shown in the income statement of the respective period.

The assets acquired under the regime of financial leasing are considered to be part of the services provided and consequently are deemed to be an additional intangible asset if they constitute investments for expansion or upgrading.

OPERATIONAL LEASING

Leases are considered to be operational as long as a significant part of the risks and benefits inherent to the possession of the property in question is retained by the lessor.

The rents paid under operational leasing contracts are recorded as a cost in the financial year during which they occur, during the period of the lease.

2.20. HEDGING POLICY

The ANA Group follows a policy of resorting to derivative financial instruments which comply with the provisions of IAS 39, with a view to covering the financial risks to which it is exposed, resulting from variations in interest rates.

Derivative financial instruments are shown on their trade date, at their fair value. Subsequently, the fair value of the derivative financial instruments is regularly re-evaluated, the resulting gains or losses of this re-evaluation are shown directly in the results for the period, except in cases that refer to cash flow coverage derivatives. The recognition of the variations of the fair value of the coverage derivatives depends on the nature of the risk covered and the model of coverage used.

COVERAGE ACCOUNTING

Derivative financial instruments used for purposes of coverage can be classified in accounting terms as coverage as long as they fulfil, cumulatively, the following conditions:

i) On the date the transaction is initiated, the coverage relation has been identified and formally documented, including the identification of the covered item, the coverage instrument and an evaluation of the effectiveness of the coverage;

ii) There is an expectation that the coverage relation will be highly effective, at the date the transaction is initiated and over the life of the operation;

iii) The effectiveness of the coverage can be reliably measured at the date the transaction is initiated and over the life of the operation;

iv) For cash flow coverage operations, there must be a high probability that they will occur.

INTEREST RATE RISK (COVERAGE OF FAIR VALUE)

Coverage instruments that are designated and qualify as fair value coverage are shown in the statement of financial position at their fair value. Simultaneously, the change in the fair value of the covered instruments, in the component that is being covered, is adjusted as a counterpart to results. Consequently, any ineffectiveness of the coverages is immediately shown in the results.

If the coverage ceases to comply with the criteria required for coverage accounting, the derivative financial instrument is transferred to the trading portfolio and the coverage accounting is prospectively discontinued.

INTEREST RATE RISK (CASH FLOW COVERAGE)

The operations that qualify as coverage instruments with regard to cash flow coverage are shown in the statement of financial position at their fair value and, insofar as they are considered to be effective coverages, the variations in the fair value of the instruments are initially shown as a counterpart to equity and are later reclassified under the financial costs item.

If the coverage operations are ineffective, this is directly shown in the results. Thus, in net terms, the flows associated with covered operations are accrued at the rate inherent to the contracted coverage operation.

When a coverage instrument expires or is sold, or when the coverage ceases to comply with the criteria required for coverage accounting, the variations of the fair value of the derivative accumulated in reserves are shown under results when the covered operation also shows results.

2.21. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

While determining the fair value of a financial asset or liability, if there is an active market, the market quotation is used. This constitutes level 1 of the fair value hierarchy.

In case there is no active market, which is the case for some financial assets and liabilities, valuation techniques that are generally accepted by the market are used, based on market assumptions. This constitutes level 2 of the fair value hierarchy.

The Group uses valuation techniques for non-quoted financial instruments, such as derivatives, fair value financial instruments by means of results and for financial assets available for sale. The valuation models that are used most frequently are discounted cash flow (DCF) models and options evaluation models that incorporate, for example, interest rate curves and market volatility.

For financial assets and liabilities for which there is no market data or equivalent, more advanced valuation models are used containing assumptions and data that are not directly observable in the market, for which the Group uses internal estimates and assumptions. This constitutes level 3 of the fair value hierarchy.

2.22. INCOME TAX

In 2017, VINCI, S.A. opted to apply the Special Tax Scheme for Groups of Companies (RETGS) to a large number of companies that have their registered offices in Portugal and meet the conditions set out in article 69-A of the Income Tax Code (CIRC). The decision to apply this scheme is valid for three fiscal years, after which it may be renewed in the same terms.

ANA, S.A. was named the designated controlled company by VINCI, S.A. and, as a result, bears the responsibility for compliance with all the obligations incumbent on the controlling company, in the terms of no. 3 of article 69-A of the CIRC.

The income tax includes the current tax and deferred tax. The estimate of income tax is accounted for on the basis of the year and result for tax purpose, according to applicable legislation.

Deferred taxes are shown as a whole, using the liability method for temporal differences derived from the difference between the tax basis of the assets and liabilities and their values in the consolidated financial statements. However, if the deferred tax emerges from the initial showing of an asset or liability in a transaction that is not a merger, and which on the date of the transaction does not affect either the accounting results or the result for tax purpose, it is not included in the accounts.

The deferred taxes are determined by the tax rates (and laws) decreed or substantially decreed on the date of the balance sheet and that are expected to be applied during the period when the asset deferred tax will be realised or the liability deferred tax will be liquidated.

Asset deferred taxes are shown insofar as it is likely that future taxable profits will be available for use of the temporary difference.

Income tax is shown in the income statement, except when related to items that are shown directly in equity.

2.23. INCOME

SALES

Sales are recognized in the accounting period during which the Group transferred all the significant risks and benefits derived from the ownership of the properties to the buyer, comprising the fair value of the sale of goods, net of taxes and discounts.

SERVICES

Services are recognized in the accounting period in which the services were provided, with reference to the phase of progress of the transaction at the date of the balance sheet, comprising the fair value of the sale of services provided, net of taxes and discounts.

The providing of services essentially encompasses charges for services in the areas of traffic, security, passengers with reduced mobility (PRM), handling services, rents, exploitation and other commercial rates, as foreseen in economic regulation.

Service provision revenue is recognised in direct proportion to the percentage completion of the transaction at the reporting date. This occurs when: (i) the amount of revenue can be reliably measured, (ii) it is likely that the transaction will generate economic benefits, (iii) the percentage completion of the transaction at the reporting date can be reliably measured and (iv) the costs incurred in the transactions and the costs to be incurred in completing the transaction can be reliably measured.

When it is not possible to estimate the outcome of a service provision transaction with any reliability, the revenue is only recognised to the extent that the recognised costs can be recovered.

Recognition of revenue is also dependent on the type of service provided:

- Traffic, handling, security and PRM charges are recognised in the reporting period in which the services are provided. They are carried as the fair value of the service provision, net of taxes and the air traffic development incentives paid to airlines;
- Rents are recognised by the linear method over the period of the occupancy licence;
- Exploitation charges have a fixed component and/or a variable component. The fixed component is recognised by the linear method over the licence period. The variable component is arrived at by applying a set percentage to the concessionaire's revenues. This amount is recognised in the period in which the concessionaire earns these revenues. Moreover, most of the operating licences incorporate a minimum guaranteed earnings component.

Other business charges are recognised in the period in which the services are provided.

CONSTRUCTION CONTRACTS

The construction services item refers to the carrying of construction services associated with the Concession Contracts. The Group carries the costs associated with the acquisition/construction of expansion assets or the upgrade of concession infrastructures in the income statement, recognising the revenue of the corresponding construction. The calculation of construction services income also takes into account the direct costs of the technical areas involved in the construction of the expansion assets.

OTHER EARNINGS

The other earnings item mainly comprises services debited to Portway, S.A., the Company's handling subsidiary. These services are: technical and management services, staff secondments, occupational health, maintenance of information systems and others.

3. MANAGEMENT OF FINANCIAL RISK

3.1. FACTORS FOR FINANCIAL RISK

The Group's activities are exposed to a variety of financial risk factors: credit risk, liquidity risk and cash flow risk associated to interest rates.

The Group has a risk management programme that seeks to minimize potential adverse effects, using the appropriate instruments to cover certain risks to which it is exposed.

A. CREDIT RISK

Credit risk may result from counterpart risk, risk of cash balances and cash equivalents, deposits and derivative financial instruments in financial institutions, as well as the credit risk related to receivables from clients and other debtors.

The ANA Group is subject to the credit risk given to its different aviation and non-aviation clients. The Group assesses the credit risk of its clients by evaluating the impact any potential default could have on the Group's financial situation.

The assessment of this risk, which underpins any credit decision, is based on a model that combines internal information on the client with information provided by Dun & Bradstreet's Portfolio Manager tool.

Credit risk is monitored systematically and the Group has adopted a set of credit risk mitigation measures. These include the requirement to provide a bank guarantee, depending on the loan amount.

With regard to counterpart risk, the following table summarises the credit quality of the financial institutions, as regards deposits and applications. The Group applies its excess liquidity at institutions rated Aa3 for risk.

Rating	Balances 2017	Balances 2016
Cash equivalents		
Aa3	421,937	-
A1	-	149,859
Baa3	-	124
Ba1	586	-
Ba3	-	18
B1	125	278
B3	21	16
Caa1	-	1,165
Caa2	589	-
	423,258	151,460

Rating assigned by Moody's at 31.12.2017.

B. LIQUIDITY RISK

The management of liquidity risk implies the maintenance, at a sufficient level, of availability of cash and its equivalents, the consolidation of floating debt, via an adequate amount of credit facilities, and the ability to liquidate market positions.

Through the cash pooling mechanism established with the VINCI Group, the ANA Group has unconditional access to short-term cash funds, up to an amount equivalent to 2 months of sales. This has allowed the Group to manage its floating debt in a much more flexible manner

2017	0 - 6 Months	6 - 12 Months	1 - 5 Years	> 5 Years
Accounts payable - current	20,593	-	-	-
Accounts payable - investments	20,092	-	-	-
Accounts payable - leasing [1]	325	225	653	-
Other creditors	4,302	-	-	-
Guarantees by third parties	111	213	3,691	313
Bank loans [1]	33,219	38,668	1,603,414	102,361
Derivatives	331	312	1,603	421
Contractual liabilities [2]	1,535	3,751	40,973	116,264
Accrual of costs, except banking interest and contractual liabilities	66,911	-	-	-
	147,419	43,169	1,650,334	219,359

[1] Include interests until the end of the financing
[2] Contractual liabilities with substitution/replacement

The bank loans (1 to 5 year terms) item includes loans in the amount of 1,332,000 thousand euros. This funding, which matures in 2022, will be refinanced.

2016	0 - 6 Months	6 - 12 Months	1 - 5 Years	> 5 Years
Accounts payable - current	19,714	-	-	-
Accounts payable - investments	16,650	-	-	-
Accounts payable - leasing [(1)]	268	259	563	-
Other creditors	4,692	-	-	-
Guarantees by third parties	210	2	3,644	145
Bank loans [(1)]	33,982	42,282	271,490	1,497,558
Derivatives	366	348	1,975	678
Contractual liabilities [(2)]	7,200	8,362	33,262	102,960
Accrual of costs, except banking interest and contractual liabilities	57,226	-	-	-
	140,308	51,253	310,934	1,601,341

[(1)] Include interests until the end of the financing
[(2)] Contractual liabilities with substitution/ replacement

C. CASH FLOW RISKS AND FAIR VALUE RISKS ASSOCIATED TO INTEREST RATES

The Group's operating cash flows are fairly independent of changes in market interest rates.

The Group's risk associated to interest rates is derived from long term loans that have been obtained. Such loans that have been issued with floating interest rates are exposed to cash flow risks associated to interest rates and those issued with fixed rates are exposed to the fair value risk of the debt.

The prevailing interest rates at 31 December 2017, plus a stress factor of +0.20% to -0.20%, were used in analysing sensitivity to changes in interest rates, as a way of estimating the impact on results for the 12-month period ending on 31 December 2018.

This analysis of sensitivity to interest rate changes shows the following likely impacts on results:

2017	Scenario at present rate *	Scenario +0.20%	Scenario -0.20%
Loans at variable rate	(44,580)	(2,887)	2,887
Loans at fixed	(1,592)	-	-
Financial leasing interest	(29)	-	-
Approximate impact on results/ present rate scenario		(2,887)	2,887

* Estimated cost of interest in 2018

3.2. CAPITAL RISK MANAGEMENT

The Group's objective with regard to the management of capital is:

- To safeguard the Group's capacity to continue its activities and carry out the necessary investments to pursue the object of the concession;
- Maintain the debt ratio within the limits established in the Concession Contract (see note 25);
- To create value in the long term for the shareholder.

The gearing ratios as of 31 December 2017 and 2016 were as follows:

	ANA Group	
	2017	2016
Total loans	1,552,598	1,561,704
Cash pooling	(51,934)	(149,750)
Cash and cash equivalents	(371,385)	(1,777)
Net debt	1,129,279	1,410,177
Equity	764,259	515,325
Total capital	**1,893,538**	**1,925,502**
Gearing (%)	*59.6*	*73.2*

The change in the ratio is largely explained by the excess liquidity generated over the year, along with the increase in equity.

3.3. DERIVATIVE FINANCIAL INSTRUMENTS ACCOUNTING

The Group has contracted two derivative financial instruments for the purpose of hedging interest rate risk.

The method used to recognise the changes in fair value depends on whether or not the instrument is classified as a hedge and the nature of the item that is covered.

The fair value of the interest rate swap contracts incorporates the ANA Group's credit risk.

4. IMPORTANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continuously evaluated and are based on past experiences and other factors, including expectations about future events that are reasonable in the existing circumstances.

The intrinsic nature of the estimates may differ in the future from the amounts originally estimated.

4.1. ASSET IMPAIRMENT

Whenever the accounting value of a set of assets that constitute a cash generating unit exceeds the recoverable quantity, corresponding to the highest value between the value in use and fair value less costs to sell, it is reduced to the recoverable amount and this impairment loss is recognized in the results of the financial year.

4.2. ESTIMATE OF THE FAIR VALUE OF FINANCIAL ASSETS

Whenever the financial assets available for sale are not quoted on the market, their fair value is estimated.

This estimate is carried out on the basis of the discounted cash flow method, and the best management estimate with regard to profitability, growth and discount rate, which may occur in the future.

4.3. ESTIMATE OF THE FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

The fair value of financial instruments is determined based on the interest rate curves estimated in the medium term, resulting from market transactions stated for those maturities and the credit risk rating for the ANA Group.

4.4. RENOVATION/REPLACEMENT RESPONSIBILITIES

The accrued costs for the responsibilities of renovation and replacement associated with the concession are calculated according to the quality parameters required for concession infrastructures and estimated wear, considering their state of repair and usage.

This liability is evaluated annually, both in regard to the amount and the date of occurrence, the accrued costs being entered at the current value of the best estimate of liability assumed at each date of the financial report.

The calculated liabilities result from the assessment by the technical team of the periodicity, the working periods and the amounts to be disbursed. These liabilities were discounted using the discount rates estimated for each period, based on a “basket” of risk-free interest rates from eurozone countries.

4.5. IMPAIRMENT OF ACCOUNTS RECEIVABLE

The credit risk of accounts receivable balances is evaluated at each reporting date, taking into consideration the client’s history and risk profile. The accounts receivable are adjusted according to management's evaluation of the estimated collection risks existing on the date of the statement of financial position, which may differ from the actual risk incurred.

5. INFORMATION BY SEGMENTS

ANA Group has identified two segments of core businesses: Airports and Handling.

	2017			
	Airports	Handling	Non-allocated	ANA Group
Services				
Aviation	462,052	62,226	-	524,278
Security	54,725	-	-	54,725
Passengers with reduced mobility	10,145	-	-	10,145
Non-aviation	199,059	-	-	199,059
Construction contracts	19,804	-	2,337	22,141
Traffic incentives	(27,568)	-	-	(27,568)
Other revenue and operating earnings	1,918	163	554	2,635
Operating costs	(185,200)	(61,548)	(52,801)	(299,549)
Investment subsidies	3,113	-	-	3,113
Depreciations/ Amortisations	(89,733)	(951)	(4,454)	(95,138)
Operating result	448,315	(110)	(54,364)	393,841
Finance costs				(47,822)
Share in the results of associates and others				8
Other financial results				288
Corporate income tax expenditure				(97,864)
Activities result				248,451
Net profit				248,451
Assets and investment				
Tangible fixed assets	261,393	3,283	7,434	272,110
Concession right	1,648,317	-	101,512	1,749,829
Intangible assets	2,473	-	650	3,123
Investments	43,720	2,335	4,217	50,272

	2016			
	Airports	Handling	Non-allocated	ANA Group
Services				
Aviation	383,290	61,516	-	444,806
Security	54,543	-	-	54,543
Passengers with reduced mobility	8,719	-	-	8,719
Non-aviation	173,037	-	(2)	173,035
Construction contracts	35,606	-	-	35,606
Traffic incentives	(23,289)	-	-	(23,289)
Other revenue and operating earnings	2,819	49	471	3,339
Operating costs	(201,909)	(57,523)	(53,322)	(312,754)
Investment subsidies	3,309	-	-	3,309
Depreciations/ Amortisations	(94,020)	(1,012)	(4,866)	(99,898)
Operating result	342,105	3,030	(57,719)	287,416
Finance costs				(50,376)
Share in the results of associates and others				7
Other financial results				1,125
Corporate income tax expenditure				(70,075)
Activities result				168,097
Net profit				168,097
Assets and investment				
Tangible fixed assets	273,982	1,903	7,069	282,954
Concession right	1,680,298	-	101,026	1,781,324
Intangible assets	2,291	-	1,179	3,470
Investments	57,967	169	2,979	61,115

6. FIXED TANGIBLE ASSETS

ANA, S.A.		ANA Group				
Total		State	Patrimony	In progress	Advances	Total
	Gross value					
1,106,195	Balance 01-January-2017	340,423	770,159	20,057	81	1,130,720
23,688	Increases	1,792	4,329	19,840	63	26,024
522	Capitalised work	-	-	522	-	522
18,184	Transfers	4,270	35,280	(21,237)	(130)	18,183
(4,997)	Write-offs	(625)	(5,439)	-	-	(6,064)
(6,067)	Sales	-	(5,515)	-	-	(5,515)
1,137,525	Balance 31-December-2017	345,860	798,814	19,182	14	1,163,870
	Accumulated depreciations					
825,145	Balance 01-January-2017	234,224	613,542	-	-	847,766
54,555	Reinforcements	14,091	41,405	-	-	55,496
(4,961)	Write-offs	(625)	(5,391)	-	-	(6,016)
(6,041)	Sales	-	(5,486)	-	-	(5,486)
868,698	Balance 31-December-2017	247,690	644,070	-	-	891,760
	Net value					
281,050	Balance 01-January-2017	106,199	156,617	20,057	81	282,954
268,827	Balance 31-December-2017	98,170	154,744	19,182	14	272,110

Overall, the main investments made in 2017 were: (i) the construction of car parking silo 6 and (ii) the acquisition of equipment for Lisbon Airport.

ANA, S.A.		ANA Group				
Total		State	Patrimony	In progress	Advances	Total
	Gross value					
1,085,383	Balance 01-January-2016	338,658	756,736	14,062	321	1,109,777
20,355	Increases	36	2,217	18,218	54	20,525
800	Capitalised work	-	-	800	-	800
2,298	Transfers	2,537	13,079	(13,023)	(294)	2,299
(2,125)	Write-offs	(808)	(1,318)	-	-	(2,126)
(516)	Sales	-	(555)	-	-	(555)
1,106,195	Balance 31-December-2016	340,423	770,159	20,057	81	1,130,720
	Accumulated depreciations					
767,978	Balance 01-January-2016	220,426	569,200	-	-	789,626
59,543	Reinforcements	14,381	46,174	-	-	60,555
(1,860)	Write-offs	(583)	(1,277)	-	-	(1,860)
(516)	Sales	-	(555)	-	-	(555)
825,145	Balance 31-December-2016	234,224	613,542	-	-	847,766
	Net value					
317,405	Balance 01-January-2016	118,232	187,536	14,062	321	320,151
281,050	Balance 31-December-2016	106,199	156,617	20,057	81	282,954

The main investments made in 2016 were: (i) the refurbishment of terminal 2 and (ii) the replacement of lit signage on runway 03-21 at Lisbon Airport and, also, (iii) the reorganisation of floors 2 and 3 of the terminal at Madeira Airport.

The fixed tangible assets acquired by the Group through financial leasing contracts have the following net value at 31 December 2017:

	Cost	Depreciations	Net value
Basic equipment	43	43	-
Transport equipment	203	203	-
Administrative equipment	4,075	2,964	1,111
Software	214	150	64
	4,535	3,360	1,175

In accordance with the policy outlined in point 2.6, the direct costs pertaining to technical areas involved in constructing Group assets have been capitalised under tangible assets in the 2017 period.

The capitalised amounts are as follows:

	2017	2016
Goods sold and consumable materials	2	3
Supplies and external services	33	52
Personnel costs	487	745
	522	800

7. CONCESSION RIGHT AND OTHER INTANGIBLE ASSETS

The amounts carried in the concession right item refer to the amounts invested in respect of the management/ operation of the Portuguese airports covered by the Concession Contracts.

The figures for the concession right and other intangible assets have the following detail:

ANA, S.A.			ANA Group					
Concession right	Other intangible assets		Concession right: Assets	Subsidies	Advances	In progress	Net value	Other intangible assets
		Gross value						
2,339,580	32,000	Balance 01-January-2017	2,561,396	(271,842)	18	50,008	2,339,580	32,000
25,899	78	Increases	59	-	-	25,840	25,899	78
(19,205)	943	Transfers	43,563	(1,133)	-	(61,635)	(19,205)	943
39	-	Interest capitalised	-	-	-	39	39	-
2,346,313	33,021	Balance 31-December-2017	2,605,018	(272,975)	18	14,252	2,346,313	33,021
		Accumulated depreciations						
558,256	28,530	Balance 01-January-2017	669,105	(110,849)	-	-	558,256	28,530
38,228	1,368	Reinforcements	41,744	(3,516)	-	-	38,228	1,368
596,484	29,898	Balance 31-December-2017	710,849	(114,365)	-	-	596,484	29,898
		Net value						
1,781,324	3,470	Balance 01-January-2017	1,892,291	(160,993)	18	50,008	1,781,324	3,470
1,749,829	3,123	Balance 31-December-2017	1,894,169	(158,610)	18	14,252	1,749,829	3,123

The main expansion investments in 2017 were: (i) the enlargement of the terminal at Faro Airport and (ii) the increase in the area of the security control zone at Porto Airport.

ANA, S.A.			ANA Group					
Concession right	Other intangible assets		Concession right					Other intangible assets
			Assets	Subsidies	Advances	In progress	Net value	
		Gross value						
2,303,109	29,205	Balance 01-January-2016	2,554,683	(271,842)	18	20,250	2,303,109	29,205
39,999	1,821	Increases	8	-	-	39,991	39,999	1,821
(3,576)	986	Transfers	6,705	-	-	(10,283)	(3,578)	986
50	-	Interest capitalised	-	-	-	50	50	-
-	(12)	Write-offs	-	-	-	-	-	(12)
2,339,582	32,000	Balance 31-December-2016	2,561,396	(271,842)	18	50,008	2,339,580	32,000
		Accumulated depreciations						
520,606	27,116	Balance 01-January-2016	627,951	(107,345)	-	-	520,606	27,116
37,652	1,426	Reinforcements	41,154	(3,504)	-	-	37,650	1,426
-	(12)	Write-offs	-	-	-	-	-	(12)
558,258	28,530	Balance 31-December-2016	669,105	(110,849)	-	-	558,256	28,530
		Net value						
1,782,503	2,089	Balance 01-January-2016	1,926,732	(164,497)	18	20,250	1,782,503	2,089
1,781,324	3,470	Balance 31-December-2016	1,892,291	(160,993)	18	50,008	1,781,324	3,470

The main investments made in 2016 were as follows: (i) the enlargement and remodelling of the terminal at Faro Airport, (ii) construction of multiple entrances to runway 03-21 at Lisbon Airport and (iii) the remodelling of the departures curbside at Lisbon Airport.

The amortisations for the period were calculated using the linear method over the concession term.

8. GOODWILL

The goodwill can be summarised in the following manner:

	2017	2016
Acquisition of 40% of Portway, S.A. in 2006	1,430	1,430

The goodwill ascertained with reference to Portway, S.A. was generated in January 2006, when ANA, S.A. acquired the entire stake that Fraport held in this company, thus becoming the sole shareholder. The capital stake acquired, 40%, was assessed at 2,704 thousand euros, a sum paid in cash by ANA, S.A.. Taking into consideration Portway, S.A.'s equity as of 1 January 2006, the goodwill was ascertained at the sum of 1,430 thousand euros.

According to the policies defined by the Management, an impairment test was carried out for this goodwill at the end of the year.

The main assumptions used in carrying out the impairment test were as follows:

CALCULATION OF THE RECOVERABLE VALUE

The recoverable value was determined by the value of use, as there was no fair value established under the terms provided for in IAS 36.

The assumptions applied were underpinned by the Portway, S.A. budget for 2018. Cash flows have been projected through to the end of the concession, by using market benchmarks for handling services and applying discounted cash flows method.

The discount rate used was 9.63%.

No impairment loss was identified.

SENSITIVITY ANALYSIS OF THESE ASSUMPTIONS

The sensitivity analyses carried out took into account the prevailing conditions in the financial markets, the situation of the Portuguese market for ground handling, as well as Portway, S.A.'s competitive position.

This sensitivity test did not result in any potential impairment loss.

9. INVESTMENTS IN SUBSIDIARIES

	Head office	% Held	Share capital
Portway - Handling de Portugal, S.A.	Lisbon	100	4,500

	ANA, S.A.	
	2017	2016
Portway- Handling de Portugal, S.A.	4,574	4,574

There were no entries in the investments in subsidiaries item for 2016 or for 2017.

10. FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

The breakdown of assets and liabilities of the Group by category is as follows:

2017	Credits and receivables	Assets available for sale	Assets at fair value via results	Cover liabilities at fair value	Other financial liabilities	Non financial assets/ liabilities	Total
Assets							
Financial investments	-	502	48	-	-	-	550
Derivative instruments	-	-	90	-	-	-	90
Customers and other receivables	84,276	-	-	-	-	-	84,276
Other assets	-	-	-	-	-	10,932	10,932
Cash and cash equivalents	423,319	-	-	-	-	-	423,319
	507,595	502	138	-	-	10,932	519,167
Liabilities							
Loans obtained	-	-	-	-	1,552,598	-	1,552,598
Derivative instruments	-	-	-	2,559	-	-	2,559
Suppliers and other payables	-	-	-	-	57,472	-	57,472
Other liabilities	-	-	-	-	-	171,608	171,608
	-	-	-	2,559	1,610,070	171,608	1,784,237

2016	Credits and receivables	Assets available for sale	Assets at fair value via results	Cover liabilities at fair value	Other financial liabilities	Non financial assets/ liabilities	Total
Assets							
Financial investments	-	688	9	-	-	-	697
Derivative instruments	-	-	158	-	-	-	158
Customers and other receivables	93,364	-	-	-	-	-	93,364
Other assets	-	-	-	-	-	10,780	10,780
Cash and cash equivalents	151,527	-	-	-	-	-	151,527
	244,891	688	167	-	-	10,780	256,526
Liabilities							
Loans obtained	-	-	-	-	1,561,704	-	1,561,704
Derivative instruments	-	-	-	3,344	-	-	3,344
Suppliers and other payables	-	-	-	-	52,360	-	52,360
Other liabilities	-	-	-	-	-	189,468	189,468
	-	-	-	3,344	1,614,064	189,468	1,806,876

The fair value hierarchy used in measuring assets and liabilities of the Group (note 2.21) is as follows:

2017	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value via results	48	-	-	48
Financial assets available for sale [(1)]	-	-	502	502
Covering financial assets	-	90	-	90
	48	90	502	640
Financial liabilities				
Covering financial liabilities	-	(2,559)	-	(2,559)
	-	(2,559)	-	(2,559)

[(1)] The disclosures demanded on measurable assets at level 3 fair value are included in note 11 - Financial Investments

2016	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value via results	9	-	-	9
Financial assets available for sale [(1)]	-	-	688	688
Covering financial assets	-	158	-	158
	9	158	688	855
Financial liabilities				
Covering financial liabilities	-	(3,344)	-	(3,344)
	-	(3,344)	-	(3,344)

[(1)] The disclosures demanded on measurable assets at level 3 fair value are included in note 11 - Financial Investments

11. FINANCIAL INVESTMENTS

	2017	2016
Assets available for sale		
Capital shares - Futuro	502	688
Financial assets at fair value via results		
Others - Reserve fund	48	9
	550	697

FUTURO

The assets available for sale relate to the participation of ANA, S.A. 3.89% stake in the capital of the pension fund manager Futuro - Sociedade Gestora de Fundos de Pensões, S.A..

The fair value of the stake in Futuro is estimated considering perpetuity for the evolution of the cash flow released, adjusted to the opportunity cost of the capital (6.87%).

	Futuro
Balance as of 1 January 2016	677
Variation in fair value	11
Balance as of 31 December 2016	688
Variation in fair value	(186)
Balance as of 31 December 2017	502

The fair value sensitivity analysis, with growth rates varying between plus 10 base points and minus 10 base points and the cost of capital varying between plus 100 basis points and minus 100 basis points, resulted in the following:

	Futuro	Growth rate	
		0.40%	0.60%
Cost of capital	5.87%	542	554
	7.87%	465	471

RESERVE FUND

The financial assets at fair value through profit or loss only concern the Reserve Fund. The Reserve Fund corresponds to the overfunding existing in the Pensions Fund – ANA Complementos.

The fair value of these investments is assessed on the basis of market quotations.

	Reserve fund
Balance as of 1 January 2016	9
Variation in fair value	-
Balance as of 31 December 2016	9
Variation in fair value	39
Balance as of 31 December 2017	48

12. DERIVATIVE FINANCIAL ASSETS

In 2015, the ANA Group contracted a derivative financial instrument (interest rate) with a notional value of 14 million euros.

This derivative was intended to cover the fair value of the debt. The objective is to hedge the risk inherent in the interest rate applied to EIB loans, after this rate was changed to a revisable fixed rate. The instrument will cover the volatility in the fair value of the debt.

The main conditions of the hedged instrument and the hedge instrument are as follows:

HEDGED INSTRUMENT

Cash flows for the loans taken out with the EIB:

Notional	14 million euros (see note 25)
Issue date	15 September 2015
Maturity date	15 September 2020
Interest rate	0.357% per month, effective
Payment dates	on maturity

HEDGE INSTRUMENT

ANA, S.A. negotiated an interest rate swap with the following features:

Type	Interest Rate Swap
Counterparty	Banco Santander Totta
Notional	14 million euros (amortising)
Transaction date	7 August 2015
Start date	15 September 2015
Maturity date	15 September 2020
Underlying	ANA, S.A. receives 0.357% effective per month, and pays Euribor 3M + 0.121%

EFFICACY TESTS

The cumulative dollar offset method is used to test the efficacy of the hedge.

The test is carried out on each reporting date.

The change over the past year was as follows:

	2017		2016	
	Notional	Fair Value	Notional	Fair Value
Designated as cash flow coverage				
Interest rate swap	10,938	90	14,063	158
Total derivatives	10,938	90	14,063	158

13. RECEIVABLES AND OTHERS – NON-CURRENT

ANA, S.A.			ANA Group	
2017	2016		2017	2016
28	28	Guarantees to third parties	28	28
474	-	Subsidies receivable	474	-
1,342	1,197	Accrual and deferred	1,342	1,197
1,844	1,225		1,844	1,225

14. ASSETS AND LIABILITIES FOR DEFERRED TAXES

For purposes of assessing assets and liabilities for deferred taxes the following rates of taxation were used:

	2017	2016
ANA, S.A.	31.06%	29.15%
Portway, S.A.	22.50%	22.50%

In 2017, the rates used for calculating deferred tax took into account the corporate income tax (IRC) rate estimated for 2018.

The transactions that occurred under the deferred taxes item at ANA, S.A. and at the Group can be summarised as follows:

	ANA Group								
	2016		Movements 2017					2017	
				Impact on results		Impact on equity			
	Base	Deferred tax	Rate	Rate change	Results movement	Rate change	Equity movement	Base	Deferred tax
Assets due to deferred taxes									
Provisions not accepted for tax purposes	15,289	4,458	31.06%	291	(2,311)	-	-	7,852	2,438
Contributions not accepted for tax purposes	5,209	1,518	31.06%	100	-	-	-	5,209	1,618
Retirement benefits	1,650	481	31.06%	(30)	101	61	(12)	1,935	601
Derivative instruments	3,344	975	31.06%	69	-	(5)	(244)	2,559	795
Contractual liabilities - Concession	119,377	34,798	31.06%	2,280	730	-	-	121,725	37,808
Total ANA	144,869	42,230		2,710	(1,480)	56	(256)	139,280	43,260
Provisions not accepted for tax purposes	230	51	22.50%	-	14	-	-	230	65
Total subsidiaries	230	51		-	14	-	-	230	65
	145,099	42,281		2,710	(1,466)	56	(256)	139,510	43,325
Liabilities due to deferred taxes									
Re-evaluations of fixed assets	4,258	1,240	31.06%	82	(32)		-	4,154	1,290
Derivative instruments	164	48	31.06%	3	(19)	-	-	103	32
Financial assets	611	179	31.06%	-	11	12	(58)	463	144
Total ANA	5,033	1,467		85	(40)	12	(58)	4,720	1,466
							-	-	-
ANA- Assets due to deferred taxes	139,836	40,763		2,625	(1,440)	44	(198)	134,560	41,794
Group ANA- Assets due to deferred taxes	140,066	40,814		2,625	(1,426)	44	(198)	134,790	41,859

	ANA Group								
	2015			Movements 2016				2016	
				Impact on results		Impact on equity			
	Base	Deferred tax	Rate	Rate change	Results movement	Rate change	Equity movement	Base	Deferred tax
Assets due to deferred taxes									
Provisions not accepted for tax purposes	4,747	1,370	29.15%	15	3,073	-	-	15,289	4,458
Contributions not accepted for tax purpose	5,209	1,502	29.15%	16	-	-	-	5,209	1,518
Retirement benefits	1,366	394	29.15%	(4)	(136)	8	219	1,650	481
Derivative instruments	3,547	1,023	29.15%	-	-	11	(59)	3,344	975
Recoverable tax losses	2,367	496	21.00%	-	(496)	-	-	-	-
Contractual liabilities - Concession	113,217	32,652	29.15%	351	1,795	-	-	119,377	34,798
Total ANA	130,453	37,437		378	4,236	19	160	144,869	42,230
Provisions not accepted for tax purposes	537	130	22.50%	(10)	(69)	-	-	230	51
Total subsidiaries	537	130		(10)	(69)	-	-	230	51
	130,990	37,567		368	4,167	19	160	145,099	42,281
Liabilities due to deferred taxes									
Re-evaluations of fixed assets	4,332	1,249	29.15%	13	(22)	-	-	4,258	1,240
Derivative instruments	139	40	29.15%	1	7	-	-	164	48
Financial assets	599	173	29.15%	-	-	3	3	611	179
Total ANA	5,070	1,462		14	(15)	3	3	5,033	1,467
							-	-	-
ANA- Assets due to deferred taxes	125,383	35,975		364	4,251	16	157	139,836	40,763
Group ANA- Assets due to deferred taxes	125,920	36,105 -	-	354	4,182	16	157	140,066	40,814

15. INVENTORIES

ANA, S.A.			ANA Group	
2017	2016		2017	2016
90	57	Goods	890	761
282	263	Raw, subsidiary and consumable materials	282	263
372	320		1,172	1,024
-	-	Losses due to impairment of goods	(200)	-
372	320		972	1,024

16. RECEIVABLES AND OTHERS – CURRENT

ANA, S.A. 2017	ANA, S.A. 2016		ANA Group 2017	ANA Group 2016
91,533	101,811	Customers	98,197	107,692
38	21	VAT receivable	1,028	1,347
10,847	9,795	Debtors and other receivables	11,068	9,986
6,147	6,322	Accrued income	5,668	6,322
600	1,073	Subsidies receivable	600	1,073
3,255	2,476	Advanced payments	3,922	3,261
112,420	121,498		120,483	129,681
(20,789)	(20,725)	Losses due to impairment of customers debts	(23,479)	(22,845)
(3,640)	(3,917)	Losses due to impairment of third party debts	(3,640)	(3,917)
(24,429)	(24,642)		(27,119)	(26,762)
87,991	96,856		93,364	102,919

The book value deducted from impairment losses of commercial debts is approximately its fair value.

Under "Debtors and other receivables", approximately 3.1 million euros related to the Group's security charges are included. This amount is related to the fact that ANAC, under the terms of article 3 no. 5 of Decree-Law no. 72-A/2010, of 18 June, blocked the amount in question. However, according to paragraph 6 of the same article, the blocked monies can be released and used through an order by the member of the Government responsible for the area of finances, and for this reason they were entered under this item.

The accrued income item includes, amongst other sub-items, the security charges to be received from ANAC. The amounts in question pertain to security charge income for the last quarter of 2013, collected by ANAC but not yet transferred to the Group.

The Advanced payments item is essentially related to Supplies of external services that have already been paid for but whose cost has not yet become effective due to respecting the subsequent periods.

The antiquity of receivables in the Group is as follows:

	Outstanding	Arrears without Impairment			In impairment
		0 - 6 months	6 - 12 months	> 12 months	
Accounts Receivable	51,264	14,605	529	8,320	23,479
Other debtors	513	2,488	-	4,427	3,640

Credit risk is managed as described in note 3.1.

17. LOSSES DUE TO ASSET IMPAIRMENT

The impairment losses ascertained during the financial year were shown as expenses in the income statement. In the same manner, the reversal of impairment losses has been recognised as income in the financial statements.

The movements shown under the impairment losses item are as follows:

	2017			
	Opening Balance	Increase	Reversal	Closing Balance
Losses due to impairment of customers' debts				
ANA, S.A.	20,725	1,051	(987)	20,789
Portway, S.A.	2,120	746	(176)	2,690
	22,845	1,797	(1,163)	23,479
Losses due to impairment of other third party debts				
ANA, S.A.	3,917	-	(276)	3,641
	3,917	-	(276)	3,641
Losses due to impairment of inventories				
Portway, S.A.	-	200	-	200
	-	200	-	200
	26,762	1,997	(1,439)	27,320

The impairment losses carried reflect the risk management policy described in note 3 and were based on the present value of the estimated cash flows for debt receivables.

The increase in impairment losses in 2017 is essentially accounted for by the credit extended to an airline that went bankrupt. The reversal in impairment losses results from the settlement of an impairment set up in 2016.

	2016			
	Opening Balance	Increase	Reversal	Closing Balance
Losses due to impairment of customers' debts				
ANA, S.A.	8,714	13,781	(1,770)	20,725
Portway, S.A.	1,905	236	(21)	2,120
	10,619	14,017	(1,791)	22,845
Losses due to impairment of other third party debts				
ANA, S.A.	3,938	-	(21)	3,917
	3,938	-	(21)	3,917
	14,557	14,017	(1,812)	26,762

The reversal in impairment losses in 2016 is largely accounted for by the conclusion of an insolvency process. This impairment had been set up in 2007.

18. OBLIGATIONS ON ACCOUNT OF RETIREMENT BENEFITS

These obligations only concern ANA, S.A. as mentioned in note 2.16. The Complementary Pension Fund has two associated plans, one of which is a defined benefits plan.

DEFINED BENEFITS PLAN

Actuarial calculations using the immediate annuity method were carried out to ascertain the responsibilities with services of the Defined Benefits Plan, which only covers a population of pensioners.

The actuarial assumptions used to ascertain responsibilities with past services of the Defined Benefits Plan were as follows:

	2017	2016
Mortality table	TV (88/90)	TV (88/90)
Technical rate	1.75%	1.35%
Pension growth rate (CGA)	1.50%	1.50%
Pension growth rate (SS)	1.50%	1.50%

Based on actuarial studies, the following values were ascertained:

	2017	2016	2015	2014	2013
Fund patrimony	4,024	3,938	3,913	4,345	4,418
Responsibilities undertaken	5,249	5,487	4,995	4,238	4,106
(Insufficiency)/Surplus	(1,225)	(1,549)	(1,082)	107	312

The Fund presents financing gap, and the respective liability is recorded by the Company.

After carrying out a sensitivity analysis for the amounts as of 31 December 2017, varying the technical rate by plus 25 bp and minus 25 bp, the actuarial results are as follows:

Technical rate	1.50%	2.00%
Fund patrimony	4,024	4,024
Responsibilities undertaken	5,359	5,144
(Insufficiency)/Surplus	(1,335)	(1,120)

The Fund patrimony demonstrated the following average proportions by financial asset class:

	2017	2016
Shares	5.70%	14.64%
Bonds	70.60%	60.50%
Real estate	7.30%	9.62%
Other funds	4.00%	10.82%
Liquidity	12.50%	2.96%
Others	-	1.45%
	100%	100%

The Others item includes gains/losses in foreign exchange, commissions, taxes and non-attributable gains.

An analysis of the composition of the portfolio allows one to conclude that there is sufficient diversification with regard to the various financial products and it is in accordance with the need for liquidity to pay pensions.

The movements that occurred in the fund's patrimony are as follows:

	2017	2016
Initial balance	3,938	3,913
Opening reclassification	67	(62)
Pensions paid	(472)	(106)
Contributions	305	306
Fund revenue	186	(113)
Final balance	4,024	3,938

The movements in the liabilities of the plan were as follows:

	2017	2016
Opening balance	5,487	4,995
Current services expenses	(3)	-
Net interest [1]	71	100
Remeasurements - financial assumptions	(177)	329
Remeasurements - adjusting experience	343	169
Paid benefits	(472)	(106)
Final balance	5,249	5,487

[1] Net interest effect on the liabilities of the plan as of January 1st

The changes in the liabilities plan – impacts on staff costs and the statement of comprehensive income and the statement of financial position, present the following breakdown:

	Income Statement	Comprehensive Income Statement	Statement of Financial Position
Balance as of 1 January 2016			(1,082)
Opening reclassification		(62)	
Cost of the year 2016			
Net interest	(21)		
	(21)		
Contributions			306
Remeasurements			
Return on assets		(192)	
Gains/ (losses) financial assumption variation		(329)	
Gains/ (losses) experience adjustments		(169)	
		(690)	
Balance as of 31 December 2016			(1,549)
Opening reclassification		67	
Cost of the year 2017			
Net interest	(20)		
	(20)		
Contributions			305
Remeasurements			
Return on assets		135	
Gains/ (losses) financial assumption variation		177	
Gains/ (losses) experience adjustments		(343)	
Gains/ (losses) of benfits		3	
		(28)	
Balance as of 31 December 2017			(1,225)

DEFINED CONTRIBUTION PLAN

The defined contribution plan encompasses all workers of ANA, S.A., and the Company contribution is carried out according to the following conditions:

- 2.8% of the reference salary, in case the worker does not provide own contributions;
- 3.5% of the reference salary, in case the worker chooses to make a contribution of, at least, 1%.

The value of the contributions made by ANA, S.A. to this fund during the year 2017 rose to 1,895 thousand euros (1,823 thousand euros in 2016).

19. CURRENT TAX

ANA, S.A. 2017	ANA, S.A. 2016		ANA Group 2017	ANA Group 2016
		Liabilities		
100,098	73,979	Tax provision	100,141	74,463
(7,905)	(7,357)	Withholding taxes by third parties	(7,905)	(7,357)
(59,074)	(27,381)	Payments on account	(59,074)	(28,038)
33,119	39,241	Payable income tax	33,162	39,068

Like all Portuguese companies that fall within the perimeter of the VINCI Group, the ANA Group is taxed under the RETGS scheme (see note 2.22). The calculated taxable income for each of these companies is carried on the books of ANA, S.A.. In the year ending 31 December 2017, the amounts payable to and receivable from these companies was 107 thousand euros (of which 103 thousand euros are related to Portway, S.A.) and 567 thousand euros, respectively (see note 46).

ANA, S.A. did not benefit from any research and development tax incentives in 2017. In 2016 this benefit translated into a tax deduction of the sum of 57 thousand euros, derived from a total eligible R&D expenditure of 306 thousand euros.

20. CASH AND CASH EQUIVALENTS

Cash and cash equivalents were as follows, at 31 December 2017 and 2016:

ANA, S.A. 2017	ANA, S.A. 2016		ANA Group 2017	ANA Group 2016
		Cash		
37	38	Cash	61	67
		Cash equivalents		
370,688	1,484	Bank deposits - account	371,324	1,710
51,934	149,750	Cash pooling	51,934	149,750
422,659	151,272		423,319	151,527

At 31 December 2017, the cash and cash equivalents balance on the statement of financial position is equal to that on the cash flow statement.

Financial investments made either through deposits or through the cash pooling mechanism are remunerated according to market conditions.

21. SHARE CAPITAL

The share capital is represented by 40,000,000 shares with a face value of 5 euros each, which are registered and follow the regime of nominal shares. The share capital is entirely subscribed and realised.

On December 31, 2017, ANA, S.A. was 100% owned by the VINCI Airports International, S.A..

22. RESERVES

Reserves showed the following movements:

ANA, S.A.	Not distributable			Distributable			Total
	Legal	Others	Total	Free	Others	Total	
Balance as of 1 January 2016	19,221	729	19,950	142,444	-	142,444	162,394
Application of results	5,171	-	5,171	98,259	-	98,259	103,430
Others movements	-	427	427	-	(138)	(138)	289
Distribution of dividends	-	-		(200,000)	-	(200,000)	(200,000)
Change in fair value of financial assets and liabilities	-	7	7	-	-	-	7
Balance as of 31 December 2016	24,392	1,163	25,555	40,703	(138)	40,565	66,120
Balance as of 1 January 2017	24,392	1,163	25,555	40,703	(138)	40,565	66,120
Application of results	8,421	-	8,421	-	-	-	8,421
Others movements	-	-	-	-	(88)	(88)	(88)
Change in fair value of financial assets and liabilities	-	(141)	(141)	-	-	-	(141)
Balance as of 31 December 2017	32,813	1,022	33,835	40,703	(226)	40,477	74,312

ANA Group	Not distributable			Distributable			Total
	Legal	Others	Total	Free	Others	Total	
Balance as of 1 January 2016	27,553	4,062	31,615	131,740	-	131,740	163,355
Application of results	5,171	-	5,171	98,259	-	98,259	103,430
Others movements	(7,388)	(2,906)	(10,294)	10,721	(139)	10,582	288
Distribution of dividends	-	-		(200,000)	-	(200,000)	(200,000)
Change in fair value of financial assets and liabilities	-	7	7	-	-	-	7
Balance as of 31 December 2016	25,336	1,163	26,499	40,720	(139)	40,581	67,080
Balance as of 1 January 2017	25,336	1,163	26,499	40,720	(139)	40,581	67,080
Application of results	8,421	-	8,421	-	-	-	8,421
Others movements	-	-	-	-	(88)	(88)	(88)
Change in fair value of financial assets and liabilities	-	(140)	(140)	-	-	-	(140)
Balance as of 31 December 2017	33,757	1,023	34,780	40,720	(227)	40,493	75,273

The Legal Reserves include those from the application of the Results of ANA, S.A. and Portway, S.A..

The change in Legal Reserves in 2017 is due to the appropriation of the 2016 profits, in the amount of 8,421 thousand euros, as approved in the unanimous written decision issued by ANA, S.A. on 29 March 2017.

23. RETAINED EARNINGS

ANA, S.A.				Group ANA		
Not distributable	Distributable	Total		Not distributable	Distributable	Total
20,003	57,501	77,504	Balance as of 1 January 2016	20,003	63,065	83,068
-	-	-	Application of results	-	(2,261)	(2,261)
-	(134)	(134)	Others movements	-	(134)	(134)
-	(525)	(525)	Retirement benefits	-	(525)	(525)
20,003	56,842	76,845	Balance as of 31 December 2016	20,003	60,145	80,148
20,003	56,842	76,845	Balance as of 1 January 2017	20,003	60,145	80,148
-	159,991	159,991	Application of results	-	159,676	159,676
-	624	624	Others movements	-	623	623
-	88	88	Retirement benefits	-	88	88
20,003	217,545	237,548	Balance as of 31 December 2017	20,003	220,532	240,535

The Retained earnings item includes an amount of 20,003 thousand euros pertaining to legal revaluations. As established in the relevant legislation, this reserve can only be used to cover losses or to increase the Company's share capital.

24. CONCILIATION BETWEEN INDIVIDUAL EQUITY AND CONSOLIDATED EQUITY

2017		Equity before net profit for the year	Net profit	Equity after net profit for the year
ANA, S.A.		511,860	249,154	761,014
Pre-consolidation adjustments	*a)*	1,616	(1,616)	-
Impact of Subsidiaries and Associates		2,332	913	3,245
		515,808	248,451	764,259

a) Refers to distributed dividends by Portway, S.A. eliminated in the consolidation process

2016		Equity before net profit for the year	Net profit	Equity after net profit for the year
ANA, S.A.		342,965	168,412	511,377
Pre-consolidation adjustments	*a)*	1,932	(1,932)	-
Impact of Subsidiaries and Associates		2,332	1,616	3,948
		347,229	168,096	515,325

a) Refers to distributed dividends by Portway, S.A. eliminated in the consolidation process

The impact of the Subsidiaries can be broken up in the following manner:

2017	Equity before net profit for the year	Net profit *	Dividends	Equity after net profit for the year
Portway, S.A.	3,948	913	(1,616)	3,245

* Before intra-group transactions and after consolidation adjustments

2016	Equity before net profit for the year	Net profit *	Dividends	Equity after net profit for the year
Portway, S.A.	4,264	1,616	(1,932)	3,948

* Before intra-group transactions and after consolidation adjustments

25. LOANS

ANA, S.A. 2017	ANA, S.A. 2016	Non-current loans	ANA Group 2017	ANA Group 2016
1,507,130	1,532,291	Loans	1,507,130	1,532,291
90	158	Swap | Fair Value Hedge	90	158
636	542	Suppliers - leasing	636	542
1,507,856	1,532,991		1,507,856	1,532,991

ANA, S.A. 2017	ANA, S.A. 2016	Current loans	ANA Group 2017	ANA Group 2016
25,160	28,223	Loans	25,160	28,223
10,685	10,024	Portway, S.A. loans	-	-
19,062	-	Interest payable	19,062	-
520	490	Suppliers - leasing	520	490
55,427	38,737		44,742	28,713

The breakdown of the changes in funding liabilities is as follows (see IAS 7 – Revision of the Disclosures):

	ANA, S.A.				
	Loans	Loan interest[1]	Swap	Suppliers- leasing	Total
Balance 01-January-2017	1,570,537	20,036	158	1,032	1,591,763
Changes due to cash flows					
Financial activities	(27,562)	(47,938)	(718)	(48)	(76,266)
Investiment activities	-	-	-	(1,024)	(1,024)
Changes in fair value	-	-	(69)	-	(69)
Other movements through balance sheet	-	-	-	1,148	1,148
Other movements through results	-	46,964	719	48	47,731
Balance 31-December-2017	1,542,975	19,062	90	1,156	1,563,283

[1] Until 2016, the value of the balance of loan interest accruals was reported under the item debts payable and other current liabilities

	ANA Group				
	Loans	Loan interest[1]	Swap	Suppliers- leasing	Total
Balance 01-January-2017	1,560,513	20,036	158	1,032	1,581,739
Changes due to cash flows					
Financial activities	(28,223)	(47,938)	(718)	(48)	(76,927)
Investiment activities	-	-	-	(1,024)	(1,024)
Changes in fair value	-	-	(69)	-	(69)
Other movements through balance sheet	-	-	-	1,148	1,148
Other movements through results	-	46,964	719	48	47,731
Balance 31-December-2017	1,532,290	19,062	90	1,156	1,552,598

[1] Until 2016, the value of the balance of loan interest accruals was reported under the item debts payable and other current liabilities

The loans have the following composition:

Contract	Interest Rate	Amount owed					
		Non-current		Current		Fair value	
		2017	2016	2017	2016	2017	2016
EIB 97/98							
A+B	Fixed	-	-	-	2,696	-	2,680
	Floating	-	-	-	499	-	499
C+D	Fixed	-	3,905	3,904	3,820	3,952	7,733
	Floating	-	1,039	1,039	1,039	1,039	2,078
E+F	Fixed	2,494	3,741	1,247	1,247	3,634	4,804
	Floating	2,494	3,741	1,247	1,247	3,741	4,988
EIB 02	Fixed	32,532	10,211	5,240	1,255	34,521	11,438
	Revisable fixed	9,375	38,500	1,563	5,500	10,239	42,044
EIB 02	Floating + fixed spread	15,000	16,875	1,875	1,875	16,875	18,750
	Fixed	15,000	16,875	1,875	1,875	14,400	18,540
EIB 09	Revisable fixed	29,524	-	1,905	-	24,950	-
	Floating + fixed revisable spread	23,619	56,571	1,524	3,429	25,143	60,000
EIB 98/2000 - 2.	Floating	44,892	48,633	3,741	3,741	48,633	52,374
Bonds 2013/2022	Floating [a]	100,000	100,000	-	-	100,000	100,000
Bonds 2013/2022	Floating [a]	732,200	732,200	-	-	732,200	732,200
Credit Line	Floating [a]	500,000	500,000	-	-	500,000	500,000
		1,507,130	1,532,291	25,160	28,223	1,519,327	1,558,128

[a] Financing with Vinci, S.A. (see note 46)

No new loans were taken out in 2017 nor were any extraordinary debt servicing repayments made beyond those already scheduled. Capital repayments for the loans taken out with the EIB totalled 28,223 thousand euros.

The four loans taken out with the EIB also came to term.

The market value of the Group’s medium/long term loans, contracted at fixed and revisable fixed interest rates is calculated on the basis on future cash flows, discounted at interest rates estimated in the medium/long term (forward rates).

In the case of the revisable fixed rate loans, it has been assumed that they will switch to a floating rate during the next period when interest rates are revised.

Throughout 2017, interest rates remained close to zero, in line with the reference rates. This allowed the Company to reduce the financial cost of loans contracted at floating interest rates.

The maturities of loans and the average interest rates applied during 2016 and 2017 are shown in the following tables:

2017	First repayment	Last repayment	Interest rate	Interest payment period	Average interest rate (%)
ANA, S.A. Loans					
EIB 97/98					
C+D	15-06-2007	15-06-2018	Fixed	Tranches C1, C2, D1 e D2 - Annual	2.70%
			Floating	Tranche D3 - Quarterly	0.30%
E+F	15-12-2009	15-12-2020	Floating	Tranche E - Quarterly	0.30%
			Fixed	Tranche F - Annual	2.36%
EIB 02					
A+B	15-09-2009	15-09-2024	Revisable fixed	Tranche A1 - Annual [a)]	0.85%
			Fixed	Tranches A2, A3, A4 and B1 - Annual	1.75%
			Fixed	Tranche B2 - Annual	4.25%
C	15-09-2011	15-09-2026	Floating + fixed spread	Tranche C1 - Quarterly [b)]	0.58%
			Fixed	Tranche C2 - Annual	1.56%
EIB 09	15-12-2013	15-06-2034	Revisable fixed	Tranche D1 -Semiannual	1.04%
			Floating + fixed revisable spread	Tranche D2 - Semiannual	0.30%
EIB 98/2000 - 2.	15-03-2011	15-03-2020	Floating	Quarterly	0.30%
Bonds 2013/2022	Bullet	31-07-2022	Floating	Semiannual	3.29%
Bonds 2013/2022	Bullet	31-07-2022	Floating	Semiannual	3.29%
Credit Line	Bullet	31-07-2022	Floating	Semiannual	3.29%

[a)] The company has a hedging instrument associated with this loan (see note 12)
[b)] The company has a hedging instrument associated with this loan (see note 26)

2016	First repayment	Last repayment	Interest rate	Interest payment period	Average interest rate (%)
ANA, S.A. Loans					
EIB 97/98					
A+B	15-09-2003	15-09-2017	Fixed	Tranche A - Quarterly	3.09%
			Fixed	Tranches B2 e B3 - Annual	2.03%
			Floating	Tranche B1 - Quarterly	0.40%
C+D	15-06-2007	15-06-2018	Fixed	Tranches C1, C2, D1 e D2 - Annual	2.70%
			Floating	Tranche D3 - Quarterly	0.39%
E+F	15-12-2009	15-12-2020	Floating	Tranche E - Quarterly	0.39%
			Fixed	Tranche F - Annual	2.36%
EIB 02					
A+B	15-09-2009	15-09-2024	Revisable fixed	Tranche A1 - Annual [a)]	0.85%
			Revisable fixed	Tranches A2, A3, A4 e B1 - Annual	2.07%
			Fixed	Tranche B2 - Annual	4.25%
C	15-09-2011	15-09-2026	Floating + fixed spread	Tranche C1 - Quarterly [b)]	0.67%
			Revisable fixed	Tranche C2 - Annual	1.74%
EIB 09	15-12-2013	15-06-2034	Floating + fixed revisable spread	Tranche D1 - Semiannual	0.71%
				Tranche D2 - Semiannual	0.44%
EIB 98/2000 - 2.	15-03-2011	15-03-2020	Floating	Quarterly	0.39%
Bonds 2013/2022	Bullet	31-07-2022	Floating	Semiannual	3.44%
Bonds 2013/2022	Bullet	31-07-2022	Floating	Semiannual	3.44%
Credit Line	Bullet	31-07-2022	Floating	Semiannual	3.43%

[a)] The company has a hedging instrument associated with this loan (see note 12)
[b)] The company has a hedging instrument associated with this loan (see note 26)

GENERAL COVENANTS OF ANA GROUP LOANS

The financing contracts of the ANA Group companies include various covenants, of which we highlight:

- **Financing contracts**

Company	Financing Contracts	Contractual debt	Current debt 31-12-2017	Covenant	Limit	Covenant 31-12-2017
ANA, S.A.	EIB Financing Contracts	451,989	200,090	**Borrower shareholder control (VINCI, S.A.)** [(1)]	> 50%	100%
				External indebtedness limit of Subsidiaries	< 20% Senior consolidated gross debt [(2)]	0%
				Financial Ratios [(3)]**:**		
				Senior Net Debt / EBITDA	< 5x	-0.45
				EBITDA / Consolidated Net Financial Costs	> 4x	158.84
				Access to Liquidity [(4)]	minimum of double of the monthly average of the consolidated revenue	100% (cash pooling)

(1) The EIB may require the early repayment of the loans, if: (i) there is an acquisition of a holding greater than 50% of the VINCI, S.A. share capital and/or of more than 50% of the voting rights in VINCI, S.A.; or (ii) VINCI, S.A. ceases to have a holding of over 50% in the share capital of ANA, S.A. and/or 50% of the voting rights in ANA, S.A. .

(2) This percentage excludes financing or loans provided by the EIB to any Group companies and financial debt not subject to appeal.

(3) The financial ratios have a dual function of covenant and as a basis for the application of an additional margin, to be applied during the term of each one of the loan contracts.

If, at any time, the net senior debt/EBITDA ratio and/or the EBITDA/net consolidated financial costs ratio exceed the stipulated limits, the bank may require that additional guarantees be provided or it may demand the early repayment of all EIB loans.

(4) ANA, S.A. must ensure that it will have unconditional access to short-term cash funds in an amount equivalent to twice its average consolidated monthly income, by means of: (i) revolving loan contracts provided by commercial banks or by VINCI Airports International, S.A., under market conditions; or (ii) the VINCI Group cash pooling system.

Failure to adhere to these covenants will be interpreted as a mandatory early repayment trigger, affecting all EIB loans.

- **Concession Contract**

The Concession Contract between ANA, S.A. and the Portuguese state, signed on 14 December 2012, stipulates that the maximum ratio for debt service coverage (ratio between the senior debt and the EBITDA, as defined in the Concession Contract) should be 6:1.

At 31 December 2017, the Group was in compliance with all the covenants it was a party to.

FINANCIAL LEASING CONTRACTS

The conditions of financial leasing contracts as at 31 December 2017 are as follows:

First Instalment	Last Instalment	Interest rate	Periodicity	Capital in debt at 31-12-2017
Leasing - ANA, S.A.				
2014	2018	Fixed	Quarterly	98
2015	2018	Fixed	Quarterly	27
2015	2019	Fixed	Quarterly	166
2016	2019	Fixed	Quarterly	10
2016	2020	Fixed	Quarterly	105
2017	2020	Fixed	Quarterly	151
2017	2021	Fixed	Quarterly	599
				1,156

The following table details the responsibilities assumed under financial leases for temporary period:

ANA, S.A. 2017	ANA, S.A. 2016		ANA Group 2017	ANA Group 2016
		Property acquired through leasing		
1,156	1,032	Administrative equipment	1,156	1,032
		Future minimum payments		
550	527	Up 1 year	550	527
653	563	From 1 year to 5 years	653	563
		Interest		
29	37	Up 1 year	29	37
17	21	From 1 year to 5 years	17	21
		Present value of minimum payments		
520	490	Up 1 year	520	490
636	542	From 1 year to 5 years	636	542

26. DERIVATIVE FINANCIAL LIABILITIES

	2017		2016	
	Notional	Fair Value	Notional	Fair Value
Designated as cash flow coverage				
Interest rate swap	16,875	(2,559)	30,000	(3,344)
Total derivatives	16,875	(2,559)	30,000	(3,344)

At 31 December 2017 the ANA Group had contracted a derivative financial instrument with a current notional of 16,875 thousand euros (initially 30 million euros) on the interest rate (interest rate swap).

This derivative was designated in a cash flow coverage report. The aim is to cover the interest rate risk associated with the floating interest rate payments on its financial liabilities, thus transforming the floating interest rate into a fixed one. The risk which is covered is the floating interest reference rate for the loans in question, but the credit risk is not covered.

The main conditions of the covered instrument and the coverage instrument are given here:

COVERED INSTRUMENT

Cash flows of the finance contracted with the EIB:

Notional	30 million euros (see note 25)
Date of issue	15 June 2005
Maturity date	15 September 2026
Interest rate	Eur 3M
Liquidation date	at maturity

COVERAGE INSTRUMENT

ANA, S.A. negotiated an interest rate swap with the following characteristics:

Type	Interest Rate Swap
Counterpart	Deutsche Bank
Notional	30 million euros (amortising)
Transaction date	15 June 2005
Start date	15 June 2005
Maturity date	15 September 2026
Underlying	ANA, S.A. receives Euribor 3M, pays 3.55% (from 15 June 2010 onwards)

EFFECTIVENESS TESTS

The dollar offset method is used for the purposes of identifying effectiveness.

The test is carried out on each reporting date.

The movements in the year were as follows:

	Fair Value	Impact in net results		Impact in equity	Fair Value
	2016	Interest Paid	Interest costs		2017
Coverage	(3,344)	719	(719)	785	(2,559)

	Fair Value 2015	Impact in net results: Interest Paid	Impact in net results: Interest costs	Impact in equity	Fair Value 2016
Coverage	(3,547)	774	(774)	203	(3,344)

27. PROVISIONS

The provisions set aside are designed to cover any exposure ANA, S.A. may come to have in ongoing legal proceedings.

The provisions for risks and charges item changed in the following way:

	2017						
	Opening Balance	Impact on balance sheet	Impact on results				Closing Balance
			Increase	Reversal	Used	Total	
ANA, S.A.	4,458	423	588	(460)	(207)	(79)	4,802
ANA Group	4,724	308	1,432	(650)	(207)	575	5,607

	2016					
	Opening Balance	Impact on balance sheet	Impact on results			Closing Balance
			Increase	Reversal	Total	
ANA, S.A.	4,461	232	630	(865)	(235)	4,458
ANA Group	4,773	118	863	(1,030)	(167)	4,724

The year-on-year increase in 2017 is largely attributable to the setting up of a provision of 424 thousand euros, to cover an ongoing compulsory purchase operation.

In 2017, there were no significant developments in any of the legal proceedings that were carried over from 2016.

28. PAYABLES AND OTHER LIABILITIES – NON-CURRENT

ANA, S.A.			ANA Group	
2017	2016		2017	2016
2,021	2,164	Deferred income	2,021	2,164
15,593	18,357	Investment subsidies	15,593	18,357
69,453	65,462	Contractual liabilities	69,453	65,462
4,185	3,802	Guarantees provided by third parties	4,330	4,001
91,252	89,785		91,397	89,984

Deferred income refers to the operating income from the operating rights leased to third parties for Group assets – fuel stations and the hotel unit.

Investment subsidies basically come from EU funding. Portuguese funding accounts for the lesser part of this item.

The contractual liabilities refer to expenditure to be borne in the next cycle of renovation/replacement of the concession assets, under IFRIC 12, and the financial update of the liabilities. The contractual liabilities are recorded at its present value.

Guarantees extended by third parties include: (i) guarantees extended by clients as surety (around 3,244 thousand euros), required depending on the assessed level of risk and (ii) guarantees provided by investment suppliers (around 1,086 thousand euros), realised by means of withholdings on the payments made, required where no guarantee is offered. These withholdings vary between 5% and 10%, depending on the type of contract/service involved.

29. PAYABLES AND OTHER LIABILITIES – CURRENT

ANA, S.A. 2017	ANA, S.A. 2016		ANA Group 2017	ANA Group 2016
19,739	18,582	Suppliers	20,593	19,714
20,092	16,649	Investment suppliers	20,092	16,650
		State and other public entities		
1,082	1,115	Tax withheld from third parties	1,888	1,425
1,335	1,272	Social expenses	2,096	2,048
4,171	3,828	Other taxes	4,171	3,828
2,002	2,543	Other creditors	4,302	4,692
		Accrued costs		
10,317	10,187	Personnel costs	17,874	17,531
-	20,036	Interest payable	-	20,035
26,743	19,152	External supplies and services	26,250	18,782
7,472	18,444	Contractual liabilities	7,472	18,444
20,601	18,383	Other accrued costs	22,818	19,365
7,661	7,059	Deferred earnings (advanced receipts)	6,943	6,353
3,184	2,977	Investment subsidies	3,184	2,977
124,399	140,227		137,683	151,844

The other taxes item includes VAT for the month of November and December, to be paid in January and February 2018 respectively.

Interest payable, which amounted to 19,062 thousand euros in 2017, has been moved to the current loans item (see note 25).

The increase recorded in the item accrued costs – external supplies and services corresponds to services already performed, waiting for invoicing.

Current and non-current investment subsidies item includes the following transactions:

	2017	2016
Opening balance		
Non-current	18,357	19,877
Current	2,977	3,309
	21,334	23,186
Subsidies granted in the period	1,792	1,457
Transfers to earnings in the year	(3,113)	(3,309)
Other transfers	(1,236)	-
Final balance		
Non-current	15,593	18,357
Current	3,184	2,977
	18,777	21,334

The quantification of the contractual responsibilities with renovation/replacement and its use within the application of IFRIC 12, are detailed in the following table:

	2017	2016
Opening balance		
Non-current	65,462	68,451
Current	18,444	16,521
	83,906	84,972
Year movement	4,225	7,271
Use in the period	(12,392)	(8,337)
Reclassification	1,186	-
Final balance		
Non-current	69,453	65,462
Current	7,472	18,444
	76,925	83,906

30. REVENUE

ANA, S.A. 2017	ANA, S.A. 2016		ANA Group 2017	ANA Group 2016
403,376	333,171	Traffic	403,376	333,171
123,932	102,238	Operation	123,930	102,236
64,871	63,261	Security charges and PRM	64,871	63,261
35,508	33,665	Occupancy	31,932	30,191
28,705	25,304	Handling	85,334	81,344
26,812	24,490	Parking facilities	26,210	23,896
14,147	13,651	Other commercial activities	13,895	13,343
7,676	6,824	Equipment	6,005	5,360
3,884	4,134	Advertising	3,884	4,134
1,980	1,650	Sales of goods	1,202	878
710,891	608,388		760,639	657,814
22,822	36,631	Construction contracts (concession)	22,822	36,631
2,595	2,728	Other earnings	916	830
736,308	647,747		784,377	695,275

The construction services revenue recognised at the end of 31 December 2017 was 22,822 thousand euros.

Construction contracts revenue includes the costs of acquiring/constructing expansion assets or upgrading concession infrastructures. It also includes the direct costs generated by the technical areas involved in the construction of the expansion assets.

The decreased compared to the year ended at 31 December 2016, is justified by the investment made in the “expansion and remodelling of the terminal” at Faro Airport, which was mostly carried out in the year ended at 31 December 2016.

The increase in traffic and operating revenue compared to the year ended 31 December 2016 is justified by the continuous improvement of the Eurozone economies and by overall economic growth alongside contained oil prices.

The amount carried in the traffic item for 2017 is net of the traffic development incentives given to airlines to open up new routes and/or increase frequencies to optimise the capacity offered by the Group's airports. In 2017, the Group spent a total of 27,568 thousand euros on incentives.

31. GOODS SOLD AND MATERIALS CONSUMED

ANA, S.A.		ANA Group		
Total	Movements	Goods	Consumable materials	Total
	2017			
320	Inventories - opening balance	761	263	1,024
2,135	Purchases	3,336	220	3,556
(7)	Inventory adjustments	(9)	(8)	(17)
372	Inventories – closing balance	890	282	1,172
2,076	Costs in the financial year	3,198	193	3,391
	2016			
329	Inventories - opening balance	670	272	942
1,764	Purchases	2,745	169	2,914
2	Inventory adjustments	(13)	-	(13)
320	Inventories – closing balance	761	263	1,024
1,775	Costs in the financial year	2,641	178	2,819

32. EXTERNAL SUPPLIES AND SERVICES

ANA, S.A. 2017	ANA, S.A. 2016		ANA Group 2017	ANA Group 2016
35,230	32,179	Subcontracts	21,560	20,665
28,605	25,747	Surveillance and security	28,935	26,073
23,396	19,762	Repairs and maintenance	23,874	20,007
22,141	35,606	Construction contracts costs	22,141	35,606
18,060	17,500	Water, electricity and fuel	18,208	17,623
10,844	11,551	Specialised work	11,722	12,341
9,083	6,973	Cleaning	9,349	7,235
3,550	6,607	Contractual liabilities	3,550	6,607
1,726	1,712	Insurance	1,996	1,984
1,678	1,759	Rental costs	2,697	2,304
1,518	1,240	Advertising	1,592	1,248
871	725	Travel	1,129	868
628	724	Communications	678	773
14,522	16,000	Other external supplies and services	16,274	17,459
171,852	178,085		163,705	170,793

In 2017, the amounts carried in the construction contract costs items mostly pertain to the investment required to enlarge the terminal at Faro Airport and increase the area of the security control zone in Porto Airport.

The other external supplies and services item includes the technical and management services that the shareholder provides to the ANA Group (see note 46).

33. PERSONNEL EXPENSES

ANA, S.A. 2017	ANA, S.A. 2016		ANA Group 2017	ANA Group 2016
55,966	54,163	Salaries	91,496	89,386
12,660	12,283	Charges on remunerations	20,456	19,953
1,583	1,655	Incentives/ indemnities	1,583	1,655
1,566	1,545	Pensions	1,566	1,545
3,635	3,266	Other costs	11,362	10,456
75,410	72,912		126,463	122,995

The amount recorded in the incentives/indemnities item is accounted for by the staff optimisation plan, which resulted in a number of retirements and voluntary redundancies.

The average number of employees of the Group in the years ended at 31 December 2017 and 2016 is 3,514 and 3,456, respectively.

The average number of employees of ANA, S.A. in the years ended at 31 December 2017 and 2016 is 1,250 and 1,241, respectively.

34. OTHER INCOME

ANA, S.A.			ANA Group	
2017	2016		2017	2016
-	-	Operating subsidies	57	-
190	38	Gains on tangible assets	204	38
254	478	Other unspecified income	255	479
444	516		516	517

35. OTHER EXPENSES

ANA, S.A.			ANA Group	
2017	2016		2017	2016
725	-	Fines and penalties	727	-
586	737	Incentives	586	737
515	431	Taxes	521	430
495	474	Donations	495	475
389	330	Bank service costs	455	394
281	1,431	Bad Debts	323	1,431
169	155	Contributions to business/ Professional	185	169
1,373	166	Other costs	1,565	306
4,533	3,724		4,857	3,942

The incentives item only includes commercial incentives. The traffic incentives are deducted from revenue in the traffic item.

The amount carried in 2016 in the unrecoverable debt item is mainly accounted for by the closure of an insolvency process.

36. AMORTISATIONS AND DEPRECIATIONS

ANA, S.A. 2017	ANA, S.A. 2016		ANA Group 2017	ANA Group 2016
94,151	98,620	Amortisations/ Depreciations in the financial year	95,091	99,633
36	265	Write-offs of fixed assets	47	265
94,187	98,885		95,138	99,898

37. COST OF GROSS FINANCIAL DEBT

ANA, S.A. 2017	ANA, S.A. 2016		ANA Group 2017	ANA Group 2016
(46,925)	(49,414)	Interests on bank loans	(46,925)	(49,414)
(647)	(709)	Income from swaps	(647)	(709)
(202)	(202)	Stamp duty on bank loans	(202)	(202)
(48)	(51)	Interests on financial leasing	(48)	(51)
(47,822)	(50,376)		(47,822)	(50,376)

38. SHARE IN THE RESULTS OF ASSOCIATES AND OTHERS

ANA, S.A. 2017	ANA, S.A. 2016		ANA Group 2017	ANA Group 2016
1,616	1,932	Dividends received (Portway)	-	-
8	7	Dividends received (Futuro)	8	7
1,624	1,939		8	7

39. OTHER FINANCIAL RESULTS

ANA, S.A. 2017	ANA, S.A. 2016		ANA Group 2017	ANA Group 2016
		Expenses		
(676)	(664)	Financial effect of contractual liabilities	(676)	(664)
(24)	(2)	Interests paid	(24)	(2)
(10)	(4)	Foreign exchange losses	(17)	(10)
(355)	(353)	Other	(355)	(353)
		Income		
1,299	2,135	Interest received	1,299	2,135
11	13	Foreign exchange gains	22	19
39	-	Other financial gains	39	-
284	1,125		288	1,125

The interest received item is essentially explained by the arrears interest charged to two of ANA, S.A.'s larger clients.

40. CORPORATE INCOME TAX EXPENDITURE

ANA, S.A. 2017	ANA, S.A. 2016		ANA Group 2017	ANA Group 2016
99,631	73,979	Current tax	99,957	74,463
(1,185)	(4,615)	Deferred tax	(1,199)	(4,536)
(894)	148	Over/ Under estimation/ Restitution	(894)	148
97,552	69,512		97,864	70,075

The conciliation between current taxation and effective taxation is as follows:

2017	ANA	PORTWAY	Adjustment in consolidation	ANA Group
Current tax				
Tax for the year	99,631	326	-	99,957
(Over)/ Under estimation/ Restitution	(894)	-	-	(894)
Deferred tax	(1,185)	(14)	-	(1,199)
Tax expenditure	97,552	312	-	97,864
Results before income tax	346,706	1,225	(1,616)	346,315
Rate of taxation	29.21%	22.50%	29.21%	-
	101,268	276	(472)	101,072
Permanent differences	(407)	1	472	66
Diference in tax rate	(2,742)	(11)	-	(2,753)
Autonomous rate	327	46	-	373
(Over)/ Under estimation/ Restitution	(894)	-	-	(894)
Income tax	97,552	312	-	97,864
Effective tax rate	28.14%	25.47%	-	28.26%

2016	ANA	PORTWAY	Adjustment in consolidation	ANA Group
Current tax				
Tax for the year	73,979	484	-	74,463
(Over)/ Under estimation/ Restitution	148	-	-	148
Deferred tax	(4,615)	79	-	(4,536)
Tax expenditure	69,512	563	-	70,075
Results before income tax	237,924	2,180	(1,932)	238,172
Rate of taxation	29.12%	23.11%	29.12%	-
	69,277	504	(563)	69,218
Permanent differences	(399)	2	563	166
Diference in tax rate	202	8	-	210
Tax benefits - SIFIDE	(57)	-	-	(57)
Autonomous rate	342	49	-	391
(Over)/ Under estimation/ Restitution	147	-	-	147
Income tax	69,512	563	-	70,075
Effective tax rate	29.22%	25.81%	-	29.42%

41. RESULT PER SHARE

The basic result per share is equal to the diluted result per share and is obtained by the quotient between the net profit of the financial year and the number of shares of ANA, S.A. (40 million shares).

ANA, S.A.			ANA Group	
2017	2016		2017	2016
249,154	168,412	Net profit of the period	248,451	168,097
40,000	40,000	Number of shares	40,000	40,000
		Net profit per share in euros		
6.23	4.21	Basic earnings	6.21	4.20
6.23	4.21	Diluted earnings	6.21	4.20

42. DIVIDENDS

No dividends were paid in 2017.

In 2016 dividends were distributed in the amount of 200,000 thousand euros, as approved in the unanimous written decision, of September 23, 2016.

43. COMMITMENTS UNDERTAKEN

ANA, S.A.			ANA Group	
2017	2016		2017	2016
126,886	153,124	Contracts signed and in progress	127,480	153,178

An amount of 41,741 thousand euros in 2017 and 5,809 thousand euros in 2016 was added to the above amounts for ANA, S.A., related to service provision contracts signed with Portway, S.A.. The increase in the commitment to the subsidiary is explained by the renegotiation of the one of the contracts carried over from 2016. This used to be renewed on an annual basis, but it was renewed for five years in 2017.

The commitments undertaken include amounts for investments and for costs (including operational rents).

The commitments assumed related to the rental instalments falling due on operating leases are broken down in the following manner by timelines:

ANA, S.A.			ANA Group	
2017	2016		2017	2016
457	445	Up 1 year	517	468
727	625	Between 1 and 5 years	862	656

44. GUARANTEES PROVIDED

ANA, S.A.			ANA Group	
2017	2016		2017	2016
51,906	50,654	Bank guarantees	53,199	51,947
492	492	Surety insurance	492	492
52,398	51,146		53,691	52,439

The purpose of the guarantees provided is to cover the following situations:

ANA, S.A. 2017	ANA, S.A. 2016		ANA Group 2017	ANA Group 2016
51,446	50,000	Compliance guarantee - Concession contract	51,446	50,000
-	605	Corporate Income Tax	-	605
916	492	Expropriation lawsuits	916	492
-	-	Customs licensed warehouses management	1,286	1,286
36	49	Others	43	56
52,398	51,146		53,691	52,439

In what concerns the compliance guarantee of the Concession Contract and as set out in point 28.1 thereof, ANA, S.A. lodged an unconditional, irrevocable first-demand bank guarantee with the grantor for the purposes of guaranteeing compliance with the commitments given in the Contract in question. This guarantee may be used in the same terms, and for the same purposes, in relation to the Concession Contract signed with the former ANAM, S.A. (clause 27).

A guarantee, in the amount of 605 thousand euros, used to cover an IRC liability, was cancelled in 2017, as the debt in question was settled in December 2016, under the PERES programme.

The amounts carried in this item essentially pertain to the guarantee deposited to cover the legal costs of the compulsory purchase operation (see note 27).

45. CONTINGENCIES

45.1. CONTINGENT ASSETS

As mentioned in note 1.3 – Legal regulatory framework, the application of the economic regulation schedule to the ANA, S.A. airports network may result in differences between the real total Regulated Price Cap per passenger and the amounts calculated for the reporting period.

The preliminary calculation of the regulated income earned in 2017, the fifth year of economic regulation, indicates that there is a negative difference, which should be recovered in future periods (2019 or later), in the amount of 8.7 million euros. The recognition period and amount will largely depend on future developments in the aviation market.

At 31 December 2017, the estimated negative difference constitutes a contingent asset that cannot be entered into the accounts.

45.2. CONTINGENT LIABILITIES

Outstanding litigation under way as of 31 December 2017, which is not expected to result in responsibilities for the Group, can be summed up as follows:

ANA, S.A.			ANA Group	
2017	2016		2017	2016
1,672	1,831	Labour suits	1,995	1,933
322	264	Expropriation suits	322	264
7,144	7,278	Public procurement suits	7,144	7,278
311	311	Litigation against traffic duties application	311	311
610	-	Damage compensation lawsuits	610	-
59	63	Litigation on handling rates	59	63
-	280	Administrative offence proceeding	-	280
174	377	Other liabilities	174	377

46. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

The balances and transactions between Group companies that fall within the consolidation perimeter relate to the following services: handling, other commercial charges (occupation of spaces, use of equipment, consumption of water and power), use of fuel, use of staff, subcontracts and other service provision. These balance and transactions are eliminated in the consolidation process and are, thus, not disclosed in this note.

The following holdings are also considered to be related parties:

Shareholders:

- VINCI Airports International, S.A.

The following VINCI holdings are also considered to be related parties:

- VINCI, S.A.;
- VINCI Concessions;
- VINCI Airports;
- VINCI Assurances;
- VINCI Mobility;
- VINCI Energies Portugal, S.A.;
- Axianseu, S.A.;
- Cegelec, Lda.;
- Eurovia Beton GmbH;
- LFP – Lojas Francas de Portugal, S.A.;
- Rodio Portugal, S.A.;
- Soldata Iberia, Lda.;

- Sotécnica, S.A.;
- Sotécnica Açores, Unipessoal, Lda.;
- TG Concept;
- Aéroport Grénoble Isére.

Board of Directors:

The Board of Directors was treated as a related party of the Group, having received the following remunerations:

ANA, S.A. 2017	ANA, S.A. 2016		ANA Group 2017	ANA Group 2016
1,123	1,245	Remunerations	1,899	1,404

NATURE OF THE RELATIONSHIP WITH THE RELATED PARTIES

The transactions with the shareholder mainly relate to financing activities.

The ANA Group provides the following services: air traffic control, fuel sales, space rental and the provision of other services. It acquires services for attracting new routes and other service provision (sub-contracts, conservation and repair, amongst others).

Thus, at the level of the ANA Group:

i) Assets balances with related parties are as follows:

2017	Total	Current			
		Customers	Advance to suppliers	Current Tax	Cash pooling
		(Note 16)	(Note 16)	(Note 19)	(Note 20)
Vinci Airports International, S.A.	51,934	-	-	-	51,934
LFP - Lojas Francas de Portugal, S.A.	5,376	5,376	-	-	-
Sotécnica, S.A.	375	3	-	372	-
Cegelec, Lda.	179	-	15	164	-
Soldata Iberia, Lda	27	-	-	27	-
Vinci Airports	22	22	-	-	-
Sotécnica Açores, Lda	4	-	-	4	-
Vinci Concessions	1	1	-	-	-
	57,918	5,402	15	567	51,934

2016	Total	Non Current Customers (Note 16)	Non Current Advance to suppliers (Note 16)	Non Current Cash pooling (Note 20)
Vinci Airports International, S.A.	149,750	-	-	149,750
Vinci Airports	47	47	-	-
Cegelec, Lda.	27	-	27	-
Sotécnica, S.A.	3	3	-	-
Vinci Concessions	1	1	-	-
	149,828	51	27	149,750

ii) Liabilities balances with related parties are as follows:

2017	Total	Non Current Loans (Note 25)	Current Suppliers (Note 29)	Current Assets suppliers (Note 29)	Current Costs accrual (Note 29)	Current Current tax (Note 19)
Vinci Airports International, S.A.	1,350,881	1,332,200	-	-	18,681	-
Vinci Airports	10,888	-	10,862	-	26	-
Sotécnica, S.A.	1,160	-	328	210	622	-
Axianseu, S.A.	134	-	-	114	20	-
Cegelec, Lda.	21	-	-	-	21	-
Vinci Mobility	6	-	-	-	6	-
Vinci, S.A.	3	-	3	-	-	-
Rodio Portugal, S.A.	3	-	-	-	-	3
Vinci Energies Portugal, S.A.	1	-	-	-	-	1
Vinci Concessions	1	-	-	-	1	-
	1,363,098	1,332,200	11,193	324	19,377	4

2016	Total	Non Current		Corrente		
		Loans	Guaranties provide	Suppliers	Assets suppliers	Costs accrual
		(Note 25)	(Note 28)	(Note 29)	(Note 29)	(Note 29)
Vinci Airports International, S.A.	1,351,734	1,332,200	-	-	-	19,534
Vinci Airports	12,743	-	-	11,797	-	946
Sotécnica, S.A.	1,161	-	8	583	146	424
Cegelec, Lda.	31	-	-	-	-	31
Aéroport Grénoble Isére	25	-	-	25	-	-
TG Concept	24	-	-	24	-	-
Sotécnica Açores, Lda	2	-	-	2	-	-
Vinci Concessions	1	-	-	-	-	1
	1,365,721	1,332,200	8	12,431	146	20,936

iii) Transactions with related parties in the years ending 31 December 2017 and 2016 and carried on the consolidated income statement have the following breakdown:

2017	Total	Income	External supplies and services	Personnel expenses	Other expenses	Costs of financing
		(Note 30)	(Note 32)	(Note 33)	(Note 35)	(Note 37)
Vinci Airports International, S.A.	44,685	-	120	-	-	44,565
LFP - Lojas Francas de Portugal, S.A	32,092	32,092	-	-	-	-
Vinci Airports	11,843	78	11,317	448	-	-
Sotécnica, S.A.	4,282	34	4,248	-	-	-
Vinci Assurance	1,066	-	1,066	-	-	-
Vinci Concessions	408	-	-	53	355	-
Cegelec, Lda.	106	-	106	-	-	-
Vinci Mobility	80	-	80	-	-	-
Axianseu, S.A.	70	-	70	-	-	-
Vinci, S.A.	6	-	3	3	-	-
Sotécnica Açores, Lda	1	-	1	-	-	-
	94,639	32,204	17,011	504	355	44,565

2016	Total	Income	External supplies and services	Personnel expenses	Other expenses	Costs of financing	other financial results
		(Note 30)	(Note 32)	(Note 33)	(Note 35)	(Note 37)	(Note 39)
Vinci Airports International, S.A.	46,726	-	120	-	-	46,499	107
Vinci Airports	13,324	87	12,748	489	-	-	-
Sotécnica, S.A.	3,213	15	3,198	-	-	-	-
Vinci Assurance	987	-	987	-	-	-	-
Vinci Concessions	353	-	-	-	353	-	-
Cegelec, Lda.	112	-	112	-	-	-	-
Aéroport Grénoble Isére	36	-	-	36	-	-	-
TG Concept	24	-	24	-	-	-	-
Eurovia Beton GmbH	24	-	24	-	-	-	-
Sotécnica Açores, Lda	2	-	2	-	-	-	-
	64,801	102	17,215	525	353	46,499	107

iv) Transactions related to investments are as follows:

	2017	2016
Sotécnica, S.A.	2,016	2,958
Axianseu, S.A.	646	-
Cegelec, Lda.	236	328
TG Concept	27	-
	2,925	3,286

47. FURTHER EVENTS

Between the balance sheet date and the date on which the Board of Directors approved the financial statements, there were no events or occurrences that changed the conditions existing on the balance sheet date.

48. FINANCIAL STATEMENTS APPROVAL

These consolidated and separate financial statements were approved by the Board of Directors in the meeting on 10th April 2018. The Board of Directors believes that these financial statements are a true and appropriate representation of the Group's operations, as well as of its financial position and performance and cash flows.

Certified Accountant

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Janete Hing Lee

Board of Directors

Chairman:

____

José Luís Fazenda Arnaut Duarte

Member and Chairman of the Executive Committee:

____

Carlos Filipe Pires de Gouveia Correia de Lacerda

Members of the Board:

____

Nicolas Dominique Notebaert

____

Olivier Patrick Jacques Mathieu

____

Tanguy André Marie Bertolus

____

Anthony Cedric Guy Martin

____

Jean-Luc Bernard Marie Pommier

____

Luís Manuel dos Santos Silva Patrão

____

Thierry Franck Dominique Ligonnière

____

François Jean Amossé

____

António dos Santos Morgado

Audit, reports & opinions

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Aeroportos de Portugal

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REPORT AND OPINION OF THE SUPERVISORY BOARD ON THE MANAGEMENT REPORT AND THE 2017 ACCOUNTS
(Translated from the original in Portuguese)

Shareholders,

Under the terms of the mandate given to us and to comply with point g of paragraph 1 of article 420 of the Portuguese Companies Code we have prepared and issue our report on the management's report, the statement of the financial position, both on the separate and consolidated statements, the income statement and the comprehensive income statement, both separate and consolidated, the consolidated statement of changes in equity, the separate statement of changes in equity, the cash flow statement, separate and consolidated, and the respective annexes together with the notes to the financial statements, as well as the proposal for the application of the results presented by the Board of Directors of ANA – AEROPORTOS DE PORTUGAL, S.A. for the year ended 31st December 2017.

To carry out its mandate the Supervisory Board met with the Board of Directors of ANA and Senior Management, whenever it was felt necessary, to analyze management's performance and to discuss with its relevant matters resulting from the work we have performed.

In respect of its analysis and checks performed, the Supervisory Board requested and obtained documentation and clarifications to the various questions.

During the year the Fiscal Board met with Deloitte both in their capacity as external auditors and also statutory auditors and also with the internal auditors.

The Supervisory Board analyzed the report prepared by management as part of the closing of the year end accounts as well as the various documents related to the accounts as presented by the Board of Directors, performed the related checks and obtained clarifications as it deemed necessary.

The management report emphasized the most relevant aspects of the activity of the ANA group in 2017, which showed a turnover of approximately € 760 639 thousand, excluding construction works (IFRIC 12) and incentive discounts in respect of air traffic, representing a growth of 15.6% compared to 2016 corresponding to a total volume of 52 million passengers which compares to 44 million in 2016.

The group's EBITDA totaled €485 385 thousand, which represents an increase of 26.2% compared to 2016 and a net profit of €248 451 thousand compared to a net profit of €168 097 thousand in 2016.

Therefore, ANA group presented increasing results and individual and consolidated management performance indicators with positive growth as a result of the contribution of the strong demand by tourists for Portugal mainland and its islands.

Based on its analysis the Supervisory Board believes that the management report presented by the Board of Directors satisfies the requirements of the applicable laws and shows in a correct manner the growth of both ANA, S.A. and the group ANA's activities.

The various documents supporting the accounts were audited by the Statutory Auditor who issued its statutory audit opinion, which the Supervisory Board agrees with, and which is in agreement with that required by no. 2 of Article 452 of the Portuguese Companies Code.

Based on the above we believe that the Shareholders may:

(a) Approve the management report, as well as the various documents making up both the individual and consolidated accounts of 2017 presented by the Board of Directors;

(b) Approve the Board of Directors proposal for the distribution of the results as set out in the management report;

(c) Express its approval for the Management and Supervision of the company as foreseen in article 455 of the Portuguese Companies Code.

The Supervisory Board wishes to thank the Board of Directors and the Financial Department of ANA, the internal auditors and remaining departments and respective staff, and also the External and Statutory Auditors, Deloitte, for their collaboration and support in carrying out our work.

Finally, the Supervisory Board wishes to express its deep regret at the death of its eminent member, Dr. William Woolston, who has contributed greatly to this body, for his experience, pertinence and wit.

Lisbon, 23 April 2018

THE SUPERVISORY BOARD

Dr. Jacques dos Santos - President

Dr. José Vitorino – Member

Dr. Gabriel Alves - Member

STATUTORY AUDITOR'S CERTIFICATION

(Free translation of a report originally issued in Portuguese language. In case of doubt the Portuguese version will always prevail)

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated and separate financial statements of ANA - Aeroportos de Portugal, S.A. ("Entity") and its subsidiary ("Group"), which comprise the consolidated and separate statement of financial position as at December 31, 2017 (showing a total of 2,588,490 thousand Euros and 2,581,653 thousand Euros, respectively, and consolidated equity of 764,259 thousand Euros and separate equity of 761,014 thousand Euros, including a consolidated net profit attributable to Group of 248,451 thousand Euros and separate net profit of 249,154 thousand Euros), the consolidated and separate statements of profit and loss, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and the accompanying notes to the consolidated and separate financial statements, including a summary of the significant accounting policies.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view, in all material respects, of the consolidated and separate financial position of ANA - Aeroportos de Portugal, S.A. as at December 31, 2017 and of its consolidated and separate financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and further technical and ethical standards and guidelines as issued by Ordem dos Revisores Oficiais de Contas (the Portuguese Institute of Statutory Auditors). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated and separate financial statements" section below. We are independent from the entities that are part of the Group in accordance with the law and we have fulfilled other ethical requirements in accordance with the Ordem dos Revisores Oficiais de Contas code of ethics.

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

Other matters

The consolidated and separate financial statements as of December 31, 2016, presented for comparative purposes, were audited by another auditor, whose Statutory Auditor's Certification, dated March 29, 2017, do not include qualifications or emphases.

Responsibilities of management and supervisory body for the consolidated and separate financial statements

Management is responsible for:

- the preparation of consolidated and separate financial statements that give a true and fair view of the Entity and Group’s financial position, consolidated and separate financial performance and consolidated and separate cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union;
- the preparation of the management report in accordance with applicable laws and regulations;
- designing and maintaining an appropriate internal control system to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- the adoption of accounting policies and principles appropriate in the circumstances; and
- assessing the Entity and Group’s ability to continue as a going concern, and disclosing, as applicable, the matters that may cast significant doubt about the Entity and Group’s ability to continue as a going concern.

The supervisory body is responsible for overseeing of the Entity and Group’s financial reporting process.

Auditor’s responsibilities for the audit of the consolidated and separate financial statements

Our responsibility is to obtain reasonable assurance on whether the consolidated and separate financial statements as a whole are free from material misstatements, 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 ISAs 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 the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated and separate financial statements, 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 Entity and Group’s internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity and Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated and separate financial statements 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 report. However, future events or conditions may cause the Entity or the Group to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- 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 and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion;
- communicate with those charged with governance 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.

Our responsibility also includes the verification that the information contained in the management report is consistent with the consolidated and separate financial statements.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

About the Management report

Pursuant to article 451.º, n.º 3 al. e) of the Portuguese Commercial Code ("Código das Sociedades Comerciais"), it is our opinion that the management report was prepared in accordance with the applicable legal and regulatory requirements and the information contained therein is consistent with the audited consolidated and separate financial statements and, having regard to our knowledge and assessment over the Group, we have not identified any material misstatements.

Lisbon, April 20, 2018

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Deloitte & Associados, SROC S.A.
Represented by Carlos Alberto Ferreira da Cruz, ROC

Annual Report

2017

Aeroportos de Portugal

AIRPORTS