ANA Aeroportos de Portugal

.16

ANNUAL REPORT 2016

VINCI AIRPORTS

CONTENTS

1. KEY PERFORMANCE INDICATORS

INDICATORS	ANA GROUP Real 2016	Real 2015	Real 2014	Δ % 2016/2015
OPERATING INDICATORS				
Commercial Traffic				
Passengers	44,477,908	38,948,253	35,083,810	14.2
Aircraft movements	358,981	320,392	300,571	12.0
Cargo (tonnes)	137,113	136,810	140,815	0.2
Activities				
Turnover (thousand euros)[1]	657,814	568,330	509,818	15.7
Aviation (share of total)	73.7	74.1	74.0	(0,4)p.p.
Non-Aviation (share of total)	26.3	25.9	26.0	0,4p.p.
Staff				
Staff at 31 December	3,201	3,236	3,061	(1.1)
Average staff	3,456	3,504	3,214	(1.4)
Staff costs (thousand euros)	122,995	123,536	113,377	(0.4)
Productivity				
Passengers/average staff	12,870	11,115	10,916	15.8
Earnings				
EBITDA[2] (thousand euros)	384,568	322,293	281,681	19.3
EBITDA Margin (%)	58.5	56.7	54.2	1,8p.p.
EBIT[3] (thousand euros)	287,416	214,945	165,747	33.7
EBIT Margin (%)	41.3	36.4	31.5	4,9p.p.
FINANCIAL INDICATORS				
Earnings				
Net profit (thousand euros)	168,097	101,169	50,627	66.2
Financial structure[4]				
Equity (thousand euros)	515,325	547,591	446,807	(5.9)
Net debt (thousand euros)	1,413,363	1,453,631	1,601,158	(2.8)
Shareholder	1,332,200	1,332,200	1,382,200	0.0
Other entities	81,163	121,431	218,958	(33.2)
Capital employed (thousand euros)	1,928,688	2,001,222	2,047,965	(3.6)
Cash flow				
Operating cash flow (thousand euros)	353,990	266,687	227,094	32.7

[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 amortisation

[3] EBIT - Earnings before interest and taxes

INDICATORS	ANA,SA Real 2016	Real 2015	Real 2014	Δ % 2016/2015
OPERATING INDICATORS				
Commercial Traffic[1]				
Passengers	44,477,908	38,948,253	33,066,227	14.2
Aircraft movements	358,981	320,392	281,406	12.0
Cargo (tonnes)	137,113	136,810	137,693	0.2
Activities				
Turnover (thousand euros)[2]	608,388	521,145	435,418	16.7
Aviation (share of total)	70.8	70.8	69.7	0,0p.p.
Non-Aviation (share of total)	29.2	29.2	30.3	0,0p.p.
Staff[3]				
Staff at 31 December	1,239	1,243	1,290	(0.3)
Average staff	1,241	1,273	1,108	(2.5)
Staff costs (thousand euros)	72,912	75,808	64,091	(3.8)
Productivity				
Passengers/average staff	35,840	30,596	29,843	17.1
Earnings				
EBITDA[4] (thousand euros)	381,334	318,484	260,569	19.7
EBITDA Margin (%)	59.1	59.0	58.5	0,1p.p.
EBIT[5] (thousand euros)	285,236	212,327	149,236	34.3
EBIT Margin (%)	43.9	38.9	33.0	5,0p.p.
FINANCIAL INDICATORS				
Earnings				
Net profit (thousand euros)	168,412	103,430	40,947	62.8
Financial structure				
Equity (thousand euros)	511,377	543,328	440,283	(5.9)
Net debt (thousand euros)	1,423,642	1,460,563	1,619,053	(2.5)
Shareholder	1,332,200	1,332,200	1,382,200	0.0
Other entities	91,442	128,363	236,853	(28.8)
Capital employed (thousand euros)	1,935,019	2,003,891	2,059,336	(3.4)
Cash flow				
Operating cash flow (thousand euros)	348,434	259,599	213,646	34.2

[1] Includes, as from the 1 October 2014, the Madeira Autonomous Region airports, previously managed by ANAM, S.A.

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

[3] Includes former ANAM, S.A.'s staff, absorbed by ANA, S.A. from 1 October 2014

[4] EBITDA - Earnings before interest, taxes, depreciation and amortisation

[5] EBIT - Earnings before interest and taxes

2. THE ANA GROUP AT A GLANCE

The ANA Group comprises ANA, Aeroportos de Portugal, S.A., the parent company and Portway, Handling de Portugal, 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.

On 15 May 2016, an official naming ceremony was held for Lisbon Airport, which was christened Humberto Delgado Airport. The ceremony was presided over by the Portuguese President, and the Prime Minister, the Minister and the Secretary of State for Infrastructures, and other key stakeholders were all present.

At 31 December 2016, 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. 100% of these shares are 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, appended to this report.

3. ECONOMIC ENVIRONMENT

3.1. MACROECONOMIC OVERVIEW

In 2016, the world economy continued to recover in a moderate and uneven fashion. The result of the UK's referendum on staying in the European Union took markets by surprise. Although analysts are not all in agreement, the economic implications of Brexit may well be adverse, with increased uncertainty and a negative impact on trade, investment and business confidence. Private consumption has been the main driver of the economic upswing in recent years, and this was particularly the case in 2016. To a large extent, this can be attributed to progress on the employment front and the subsequent boost to disposable family income. [1]

The economic upswing in the eurozone continued at a moderate pace throughout 2016. According to ECB analysts, the rate of GDP growth in the eurozone is expected to remain steady over the next few years. The same analysts have calculated that real GDP in Portugal grew by 1.7%. They have also forecast GDP growth of 1.6% for 2017 and 2018.

[1] Source: ECB Report 6/ 2016

3.2. THE AIR TRANSPORT SECTOR

Air transport is an integral part of our everyday lives, these days. Growth in this business is certainly driven by socio-economic activity on a global scale. However, the safe and efficient transport of both people and goods by air is also a necessary precondition for the successful development of our modern societies.

Airports, an unquestionably central feature of this global network of mobility, are responsible for underpinning the response to the competitive challenges faced by the industry. More than this, they are also partners in the economic development of the regions in which they are embedded.

ANA, S.A.'s proactive strategy in route development, along with the national strategy of developing and promoting tourism have allowed increased demand in Portugal as a destination. Circumstances such as the instability in competitor tourism destinations and the low price of oil, have also made positive contributions to the Portuguese tourism market.

The increase in the number of awards being won by the sector is a clear indication of the extent to which the industry is building a reputation at home and abroad. It is to be hoped that this will help sustain demand over the coming years. At the Travel Media Awards 2015, Lisbon was named best Short Break destination; Tripadviser picked Porto as the best emerging destination in Europe; at the World Travel Awards 2016, the Algarve was elected Europe's best beach destination; the Azores the best island destination and Lisbon the best cruise destination. To top this all off, Bloomberg selected Portugal as best world destination for 2017.

In Portugal, the growth seen in passenger traffic was somewhat influenced by the improvements in both the domestic and the wider European economies. However, the main driver of growth was the significant upturn in tourism demand for Portugal, leveraged by the increased offer in terms of flights, the appearance of new airlines and by the penetration of new markets.

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 areas 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 90.6% of ANA Group turnover.

Through Portway - Handling de Portugal, S.A., the group also provides the full range of handling services required by air transport businesses, which equates to 9.4% of the turnover generated by the group in 2016.

This year, the ANA Group built on its strategy of developing 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.

4.1 AVIATION BUSINESS

As in previous years, the group's aviation business, which includes the handling business operated through our subsidiary Portway, S.A., was responsible for most of our turnover. In 2016, it contributed with 484.8 million euros, or 73.7% of total ANA Group turnover. These revenues were generated under the economic regulation model. The application of this model led to the updating of some regulated fees, as a way of ensuring we met the 2016 regulated revenue targets per terminal passenger [2] for the whole ANA airport network. This included the recouping of 5.3 million euros attributable to 2014 revenues, resulting from the application of the estimate error adjustment factor built into the concession contract.

In 2016, we invested in consolidating an aviation marketing strategy that was coordinated across the various airports in the ANA Group and all other VINCI airports around the world. The focus was on growing air traffic and developing the airport product, with a firm eye to creating the conditions required for sustainable growth.

ANA, S.A. has an extensive network of contacts with a broad range of airlines. We use these to actively promote new business opportunities, particularly as regards enhancing the offer on existing routes and opening up routes to new destinations. This is also designed to ensure that the airports in the ANA network are served by a healthy variety of airlines, with a multi-segment and comprehensive offer from the point of view of market dispersal. The penetration of new markets is a priority.

This strategy is designed and implemented 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 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 incentives 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.

Pricing is also a key determiner in the implementation of this strategy. As a tool, it is used to modulate airport charges, within the current regulatory framework and the applicable legislation. It works transparently, is not discriminatory and can be modified to specific local market conditions and infrastructure capabilities. The pricing strategy has been used successfully to tweak airport charges as a function of the seasonality of demand and where there is reason to promote a more efficient use of the installed capacity at our airports.

This year, ANA airports managed to open 27 new routes (10 in Lisbon, 6 in Porto, 10 in Faro and 1 in Madeira) and increase operations on 41 existing routes (18 in Lisbon, 9 in Porto, 9 in Faro and 5 in Madeira). Twenty-one airlines (11 in Lisbon, 2 in Porto, 5 in Faro and 3 in Madeira) began regular flights to airports that they had not operated out of in previous years.

Our 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.

[2] Does not include transit passengers

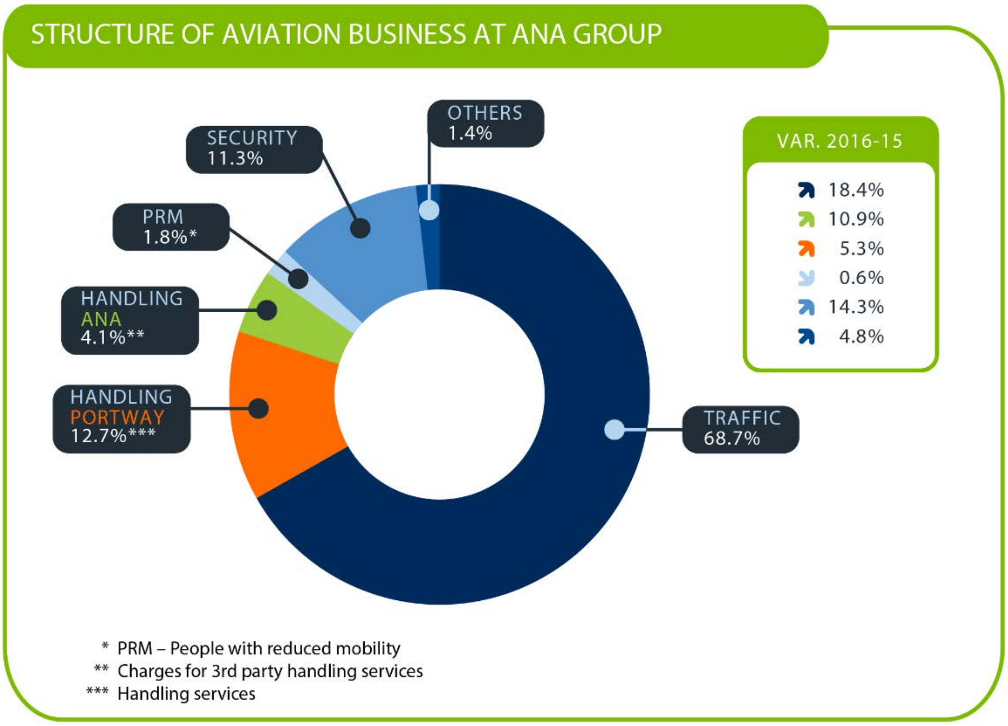
In 2016, product development initiatives were based on a systematic response to the opportunities for improvement identified by the service quality monitoring programme. This programme involves the ongoing oversight of a set of qualitative and quantitative indicators relating to the quality of our service provision.

The aviation product development strategy also resulted in the carrying out of a number of prospective studies designed to assess the potential for developing the product in question. These included the study of the connectivity between Lisbon airport and the city’s port (the new cruise terminal), a self-connecting study (the protection and ease afforded to passengers in informal transfers) at Porto airport and an analysis of the executive aviation offer at Lisbon airport.

On the communication front, there was a focus on improving internal organisation processes, whilst also maintaining the support for business development through communication initiatives aimed at airlines, passengers and business partners.

On 1 August 2016, we began a user consultation on the regulated airport charges to be applied in 2017. Participation was high and the response fed into the final report submitted to the regulatory authority (ANAC).

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 website. (www.ana.pt).



The ten airports under ANA management served 44.5 million commercial passengers in 2016, or 14.2% more than in the previous year.

The growth in passenger traffic in Portugal is still amongst the most impressive in all of Europe and reflects the attraction of the country's various regions, the efficiency of our airport management and the effectiveness of our traffic generation strategy.

For the very first time in its history, Lisbon Airport served 22 million passengers over the year. Porto also achieved and surpassed a significant target, by breaking through the 9 million passenger barrier. Furthermore, 7 million passengers passed through Faro Airport and 3 million passengers used the 2 airports in the Madeira islands.

The increase in passenger numbers at Lisbon Airport (+2.36 million) reflected year-on-year growth of 11.7% and accounted for 42.7% of all passenger growth in the ANA network.

Passenger numbers grew fastest at Faro Airport, up 18.5% or 1.2 million more passengers than in the year before. The 17.9% growth seen at the airports managed by ANA, S.A. in the Autonomous Region of the Azores reflects the first full year of operations since the liberalisation of air traffic between the island of São Miguel (where Ponta Delgada Airport is located) and mainland Portugal.

There was also a substantial increase in the airline offer (12.0% in aircraft movements and 13.9% in seats). This was particularly the case for the low cost segment, which saw a rise of 15.9% in movements and 17.0% in seats. The average load factor on commercial flights in 2016 rose 0.2 pp to 82.4%.

The main commercial traffic indicators for 2016, for airports managed by the ANA Group, were as follows:

Commercial Traffic

	Lisbon	Porto	Faro	Beja	The Azores	Madeira	ANA Group
Passengers	22,449,289	9,378,082	7,630,909	259	1,891,524	3,127,845	44,477,908
Change 16-15	11.7%	16.0%	18.5%	11.2%	17.9%	14.6%	14.2%
Aircraft movements	178,639	77,361	51,330	34	24,279	27,338	358,981
Change 16-15	10.2%	11.5%	19.1%	(10.5%).	13.3%	12.0%	12.0%
Seats	27,889,728	11,192,536	8,856,660	922	2,526,371	3,840,650	54,306,867
Change 16-15	11.7%	14.0%	19.9%	33.0%	16.7%	15.2%	13.9%
Load factor	80.1%	84.5%	86.8%	28.1%	77.3%	82.2%	82.4%
Change 16-15	0.0 pp	1.3 pp	(1.3 pp)	(5.5 pp)	0.5 pp	(0.5 pp)	0.2 pp

4.2 NON-AVIATION BUSINESS

As at the end of 2016, the ANA Group's non-aviation income represented approximately 26.3% of the total turnover for this business, which was 173.0 million euros. This was an increase of 17.3% compared to 2015.

The retail business generates the largest part of our non-aviation income, at 55.3%. This income stream is based on a strategy of extracting value from the asset base available to the retail business. There are four strands to this strategy:

- Reconfiguration of the shopping areas in the main airports, including: the completion of work on the main shop, known as the Duty Free Store, at Lisbon Airport, the completion of the layout changes made to the shopping areas at Porto and Madeira airports and the full refurbishment and enlargement of the terminal at Faro Airport, a work in progress. The specialised retail offer has also been broadened as a result of all these changes, with a number of new brands coming on board;

- Optimisation of the revenue stream was built into the new licensee selection process as well as into the processes for renegotiating and/or extending current licences;
- Maximisation of occupancy rates for the retail areas;
- 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. Deviations from planned outcomes are quickly identified and corrective measures put in place. Information is fluidly shared and exchanged in order to maximise results.

The 11.9% growth in retail revenue at the ANA Group in 2016 was much influenced by the limitations that had affected trading in 2015, particularly those of an economic nature (currency restrictions, fall in purchasing power and changes in the exchange rate) that affected two of our biggest origin/destination markets: Brazil and Angola. However, these markets began to recover during the last quarter of 2016.

The fall of the pound against the euro, following the Brexit referendum, negatively impacted on results, particularly at Faro Airport, which is the airport that is most dependent on traffic from the United Kingdom.

Revenue in the ANA Group's real estate business increased by 5.4%. The new business areas, specifically the hotel units, were major contributors to this growth. Although it had no effect on 2016 results, it is worth mentioning that in December a new occupancy licence was granted for the construction and operation of a petrol station at Madeira Airport.

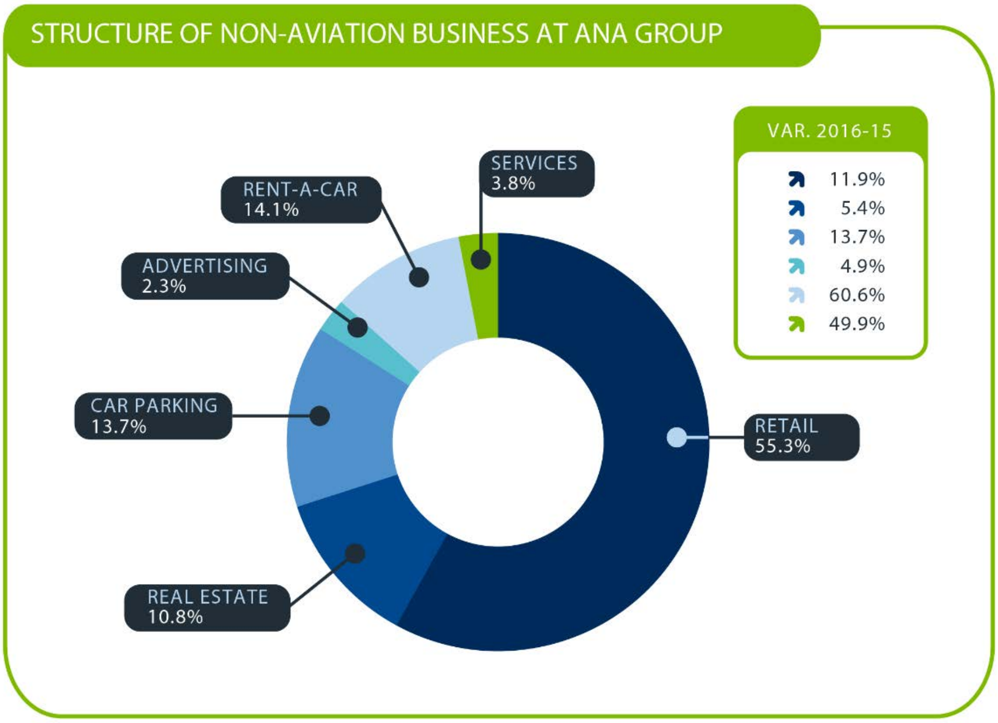
The group's parking business continued to follow the pattern of growth seen in recent years, with revenue rising 13.7% year-on-year. The consolidation of the growth in this business area can be attributed to a set of initiatives designed to enhance availability and increase the offer and quality of existing parking services. A number of dynamic strategies aimed at harnessing new demand were also put in place. At Lisbon Airport, the new curbside control and management system for the departures curbside was brought online in 2016, with the creation of a Kiss&Fly park. This system regulates access to heavily congested airport areas whilst making a contribution to the economic and environmental sustainability of these areas.

Car rental was the best performing non-aviation business for the ANA Group in 2016, with revenues rising 60.6% compared to 2015. A new business model was implemented in 2016. This involved the application of effort percentages to sales, which included occupancy and rates and operation. As part of the implementation of this model, the companies licensed to operate at airports in mainland Portugal were asked to make significant investments in the existing car rental infrastructures in Lisbon, Porto and Faro and also to ensure that they have a presence at each of these three airports.

We also continued to implement the regulations governing off-terminal car rental operators at our mainland airports, with the aim of improving the conditions under which these companies are able to provide their services. We also put in place a set of common rules and guidelines for the companies already licensed by ANA, S.A., to ensure the smooth development of this business line.

Advertising revenues were 4.9% up on 2015, as a result of the new commercial terms that had been negotiated and formalised in the previous year. Our strategy was extended and expanded in 2016, through the installation of more digital supports, particularly at Lisbon and Porto airports. The strategy in question is aimed at bringing in more international advertisers and it also significantly improves the image of the airports, given that it involves the use of technologically robust supports that have high visual impact and are clearly of a superior design.

On the services side, the 49.9% increase is largely accounted for by the excellent performance of the ANA, S.A. lounge at Lisbon Airport, which aims to offer passengers comfort and quality.



Also noteworthy is the digital strategy project, which took off in late 2015 and released the first integrated developments in September 2016 with the launch of the new website and app. The aims is to reposition the company's digital platforms of in terms of the B2C target, enabling a more commercial approach and extra revenue through the online sale of services such as fast track or lounge. A single backoffice for all platforms was also created since it is of major importance in managing customer relations. This project combines a reading of the technological trends with careful analysis of the needs of passengers, who favour quick and intuitive access to available information. A new tone of voice, adapted to the different types of customers, was also defined in order to strengthen the contact between the company and its customers and thus, lead to increased sales and new streams of revenue. The project developed at ANA, S.A. is aligned with the strategic vision of the VINCI group in terms of digital roadmap.

5. SUSTAINABILITY

5.1 HUMAN RESOURCES

We have a revamped career scheme based on the new company agreement, which came into effect in 2015. The scheme revolves around a credit system that underpins the professional development of ANA, SA staff. This credit system was implemented for the first time in 2016. Employees are awarded points according to their overall performance assessment and these points then dictate the career development opportunities open to the employee.

Another commitment the company has made under the new company agreement is to set up a scheme that acknowledges employee merit. This involves the sharing of performance results, in the form of a variable component added to employees' salaries and the updating of salary tables every 3 years.

After a 4-year interval, during which the company went through a significant transition, the National Observatory of Human Resources (ONRH) questionnaire was once again made available in 2016, and 88% of staff responded. The idea behind this is to measure employee satisfaction and motivation, as expressed through indicators that reflect the quality of the employee/employer relationship: satisfaction, loyalty and involvement. The overall results for the company lie within the ONRH's average range. Of the 3 indicators, involvement returned the highest scores.

We also used an anonymous questionnaire to determine employee opinion regarding satisfaction, worth and use of the benefits provided to all staff at the company. We received a notable level of response (65%) and found that general satisfaction with these benefits was high. The same benefits tended to score highly on all three scales of satisfaction, worth and use.

Through a partnership set up with Lusófona University, our first ever Specialised Course in Airport Operations (CEOPA) came to a successful conclusion on 13 March. A new course was begun on 17 October 2016. From the first course, 81% of the students finished with results that were good enough to allow them to sign up for ANA's recruitment and selection scheme. Of these, 16 went on to become fully fledged Airport Operations Staff employed by the company.

Another human resources initiative in 2016 was the Trainees programme. This programme, which involves the attribution of structured traineeships, aims to bring us closer to the world of academia, refresh knowledge and competitively position ANA, S.A. in the labour market. It also proved to be a way of helping the company to grow, thanks to the 28 promising young people who worked in various departments at ANA, S.A. for a 12-month period.

Our appreciation of the 91 employees who have been with the company for 25 years was apparent in the commemorative book that recounts their stories, whilst also remembering 25 great ANA, S.A. moments over the last 25 years. The commemoration culminated with the gift of a copy of the book to each of the honourees during the Christmas festivities.

There were plenty of times when employees got together to enjoy each other's company. We believe that celebrating and socialising are all part of life at our company. Smiling Day, ANA Rocks, trips and sports events, such as the Airport Run or Bike to Work Day, are just a few of the highlights of life at ANA, S.A..

5.1.1 HUMAN RESOURCES IN NUMBERS

At 31 December 2016, the ANA Group had 3,201 employees[3] working at the group's ten airports. 1,239 people were employed by ANA, S.A. and 1,962 by Portway, S.A., as shown in the table below.

	ANA, S.A.			Portway, S.A.			ANA GROUP		
	2016	2015	Var. 16/15	2016	2015	Var. 16/15	2016	2015	Var. 16/15
Total staff	1 239	1 243	(0.3%)	1 962	1 993	(1.6%)	3 201	3 236	(1.1%)
Gender									
Male	779	775	0.5%	1 502	1 496	0.4%	2 281	2 271	0.4%
Female	460	468	(1.7%)	460	497	(7.4%)	920	965	(4.7%)
Age									
<30	30	15	100.0%	375	405	(7.4%)	405	420	(3.6%)
30-50	787	828	(5.0%)	1 447	1 443	0.3%	2 234	2 271	(1.6%)
>50	422	400	5.5%	140	146	(4.1%)	562	546	2.9%
Average Age	46.6	46.2	0.9%	36.6	36.2	1.1%	40.1	40.6	(1.2%)

Note: includes members of the Management Committee

5.1.2 BUILDING SKILLS

We continued our work to build employee skills through our across-the-board training programmes, department head and operational programmes. The general programme offer was strengthened, with the inclusion of such courses as project management and pedagogical training of trainers. A number of awareness-raising initiatives focusing in health and safety at work were provided for heads of departments and coordinators, as a way of promoting the group's main objective: "zero accidents at work".

Our ongoing investment in training meant that over the year the group delivered around 121,496 hours of training, a 48% increase compared to the previous year, of which 25,782 hours were for ANA, S.A. employees and 95,714 hours were for Portway, S.A. employees.

[3] Includes members of the Management Committee

5.2 ENVIRONMENT

5.2.1 NOISE AND AIR QUALITY

Minimising the negative impacts of noise emissions is an ever-present challenge.

ANA, S.A. takes noise pollution very seriously and we have included it in our environmental policy as a strategic area deserving of priority action designed to mitigate the impact of noise around our airports.

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. We have constructed noise maps on the basis of our noise simulation system.

We strictly control all gaseous emissions at ANA, S.A. airports, particularly as regards one-off releases, in compliance with our legal obligations. The air quality at Lisbon, Porto and Madeira airports is similarly monitored.

5.2.2 VOLUNTARY CARBON MANAGEMENT

All our airports have renewed their Airport Carbon Accreditation with the Airports Council International (ACI). Eight of the ten ANA airports have achieved level 2 accreditation (Reduction), and the remaining two at level 1 (Mapping), in recognition of the efforts made to reduce 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 as regards the environmental impact resulting from atmospheric emissions. This is a key area in our sustainability management. Various 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, with the aim of reducing energy consumption and increasing energy efficiency.

5.2.4 CONSERVATION OF NATURAL RESOURCES

ANA, S.A. has played a pioneering role as regards environmental responsibility. One of the outcomes was a project to measure our water footprint. The main aim of this project, which we launched in 2012, is to calculate our footprint on a regular basis and to establish measurable water consumption objectives and targets. We want to ensure that our water use is as efficient as possible and is also kept to a minimum. In 2016 we completed our calculations of the 2015 footprint, for all 10 ANA, S.A. airports. Through the implementation of water consumption reduction measures we have managed to reduce our water footprint.

5.3 RESEARCH, DEVELOPMENT AND INNOVATION

The importance that ANA, S.A. places on innovation and our desire to see it embedded in our company culture as a vehicle for the fixing of knowledge and the realisation of technological advances has led to the implementation of a series of initiatives that will enhance our research, development and innovation system.

One of these, designed to underpin a creative and sustainable process for the generation of innovative services and solutions, is the “Ideas for Projects” tool, through which all ANA, S.A. staff can submit their ideas. Many employees have done just that and their many high quality suggestions are now in the preliminary evaluation stage. Ideas from outside the company can now also be submitted through our new website.

In 2016, both Madeira and Porto Santo airports earned the certification of their Research, Development and Innovation Systems (SGIDI) under the NP 4457:2007 standard. This means that all ANA, S.A. airports are now certified for research, development and innovation.

The company was also played an active role in Horizon 2020 candidatures and in three European RD&I projects, two of which came to an end in 2016.

We developed an "Interface and Knowledge Management" tool that has allowed us to create an organised record of both the regular and occasional RD&I contacts with entities outside the company, thus setting up an important conduit for external knowledge flow.

ANA, S.A., in partnership with Lisbon and Óbidos City Councils and the Pedro Nunes Institute, organised an exhibition entitled AirportExpo. This initiative, which ran during the WebSummit week in Lisbon, showcased a sample of some of Portugal's best start-up projects, in terms of innovation and creativity, in the following fields: environment, technology, services and digital. This exhibition also set aside an area for publicising the recent reworking of our digital strategy, with a focus on the new functionalities available on our site (www.ana.pt) and via our app (free download), new versions of which were launched in 2016.

5.4 INFORMATION SYSTEMS

In line with the technological transformation currently being experienced on the new digital economy and in organisations in general, ANA, S.A. invested in a significant number of projects and initiatives in 2016. Our objective was to prepare the organisation, and some of major systems, for a number of impending challenges, including:

- Adoption of a 3-year roadmap for the corporate ERP - SAP, a process that began with the technological migration to the SAP HANA platform. In the near future, this will allow the company to make the most of the new processing technology known as in-memory computing. Once the technological migration had been successfully completed, 3 structuring projects were launched to assess the adoption of Simple Finance and the adoption of the BPC (Business Planning and Consolidation) solution, Analytics On HANA and adoption of the new SAP Fiori technology;
- Adoption of a 5-year roadmap for the platform that, amongst others, supports the development of operational solutions with a strong Mobile and Offline Mode component;
- Selection of a new operational framework, aligned with the global VINCI airport strategy. The implementation project was started at ANA airports;
- Technical support for the new digital strategy, arming it with the technical competences that will underpin corrective and evolving maintenance of ANA's current site, APP and development in the B2C segment;
- Upgrade of the WAN (the network that interconnects the airports) and of internet accesses, in support of the growing use of cloud-based solutions. This transformation of the idea of the "work station" has had a significant knock-on effect in the organisation, with efficiency gains in the use of resources and the generation of the more effective outcomes that are obtained through the greater interaction fomented by the collaborative working environment.
- As regards cybersecurity, the work done in conjunction with the National Cybersecurity Centre (CNCS) and with the Airports Council International (ACI) have allowed us to set up a basis for a governance system in this domain. This system will be brought online next year, with the implementation of an

Information Security Management System that will be aligned with such best practices as those stipulated in the ISO 27001 standard.

6. ECONOMIC AND FINANCIAL ANALYSIS

6.1 RESULTS

ANA Group turnover[4] in 2016 was 657.8 million euros, a year-on-year increase of 15.7%. This growth can be attributed to the remarkable performance of both the aviation (+15.2%) and non-aviation (+17.3%) businesses.

ANA, S.A.'s contribution to group turnover, excluding intragroup operations in the form of the invoicing of the Portway, SA subsidiary, was 596.3 million euros, 17.0% more than in 2015. This increase was slightly higher than the 16.7% rise in ANA, SA turnover, as shown in the table below:

ANA Group turnover

Thousands of euros

ANA Group	2016	2015	2014	Δ% 16/15
ANA, SA	608,388	521,145	435,418	16.7
ANAM, S.A.	-	-	30,241	-
Portway, SA.	74,771	70,866	65,531	5.5
Intra-group operations	(25,345)	(23,681)	(21,372)	7.0
ANA Group	**657,814**	**568,330**	**509,818**	**15.7**

Portway, S.A. managed to turn in a positive performance, despite the decision by one of its major clients to begin self-handling. The company carried out a significant restructuring exercise in 2016, as a way of offsetting the financial impact of the loss of this client.

Group EBITDA for 2016 came to 384.6 million euros, 19.3% higher than in 2015. This translates into an EBITDA margin of 58.5%, a year-on-year rise of 1.8 pp.

Revenues per passenger for the group, at 14.8 euros, were up 1.4% year-on-year, as they responded to the development of the non-aviation business and price rises.

Net profits for the ANA Group were 168.1 million euros, 66.2% higher than the previous year.

Turnover, which rose by 89.5 million euros year-on-year, as detailed in chapter 4 of this report, was a major contributor to this increase. Another significant contributor was net financial income, which came in at 22.8 million euros higher.

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

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

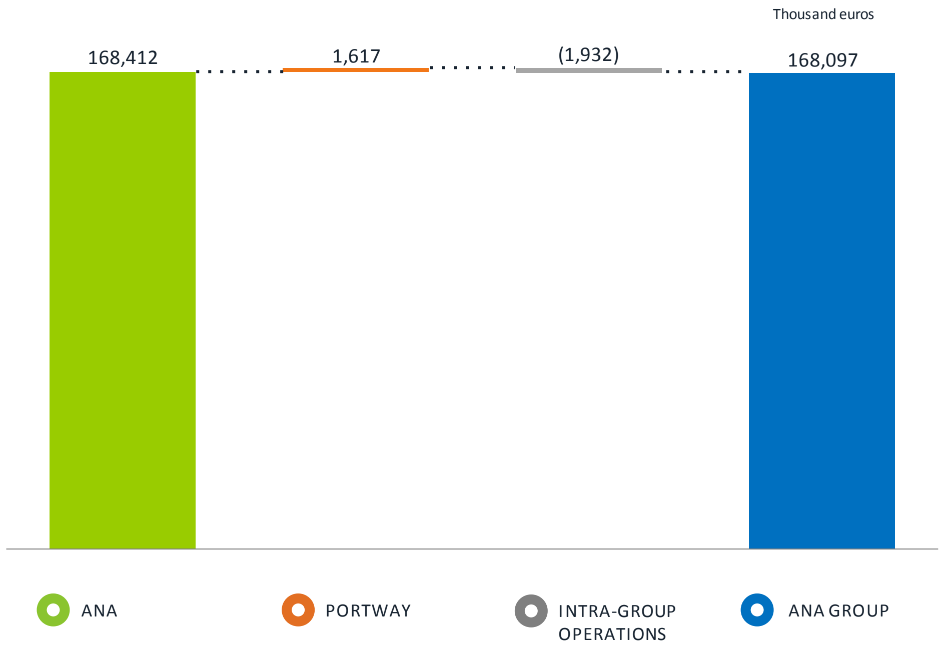
The provision of external supplies and services to the ANA Group, amounting to 170.8 million euros (excluding the 42.2 million euro impact of IFRIC 12), was 4% higher than in 2015, but this has to be interpreted in a context in which business grew by over 15%, as mentioned above. We were able to achieve significant cost optimisation by renegotiating some of our main contracts and also by a more efficient consumption of utilities.

Year-on-year staff costs fell slightly, by 0.4%, a reflection of the combined factors of salary updates and lower staff numbers.

Other costs also came down, largely because 2015 had been influenced by the payment of the Municipal Tourist Tax, required by Regulation no. 569-A/2014, of 30 December, which was not applied in 2016.

As regards net financial income, the fall of 22.8 million euros in funding costs is explained by: the fall in the reference interest rates for our loans (3-month and 6-month Euribor); lower finance charges due to the loans that were repaid in 2015; the effect of a full year of the reduction, at the end of July 2015, of the spread on the loans taken out with the shareholder in 2013, for the purposes of paying the second tranche of the concession upfront fee to the grantor.

The following graph shows the breakdown of net profits for each group company in 2016:



6.2 FINANCIAL SITUATION

As at the end of 2016, the capital invested in the ANA Group and ANA, S.A. totalled 1.9 thousand million euros.

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

As regards the working capital, the evolution in debts to third parties is namely the result of an increase in the current tax on earnings and an increase in the supplier balance at the end of the year.

On the funding side, the fall in equity reflects the distribution of dividends to the shareholder, in the amount of 200 million euros and the carrying of the net profit for 2016.

The decrease in net debt to other entities fell following loan repayments totalling 28.1 million euros to the European Investment Bank and the increase in cash resources as at the end of the year (11.8 million euros).

Financial position

Thousands of euros

ANA, SA				ANA Group		
2016	2015	2014		2016	2015	2014
259,716	294,219	340,509	Tangible Fixed Assets (net of subsidies)	261,620	296,965	343,667
1,784,794	1,784,592	1,805,447	Intangible Assets (net of subsidies)	1,786,224	1,786,022	1,806,877
40,763	35,975	38,167	(+) Deferred tax assets	40,814	36,105	38,177
320	329	316	(+) Inventories	1,024	942	889
88,086	104,371	76,697	(+) Third party debt	93,364	110,902	84,193
(243,931)	(220,921)	(219,654)	(+) Debt to third parties	(255,055)	(230,466)	(226,618)
1,929,748	1,998,565	2,041,482	(=) Net use of capital	1,927,991	2,000,470	2,047,185
5,271	5,326	17,854	(+) Financial investments	697	752	780
1,935,019	2,003,891	2,059,336	(=) Total use of capital	1,928,688	2,001,222	2,047,965
511,377	543,328	440,283	Equity	515,325	547,591	446,807
1,332,200	1,332,200	1,382,200	(+) Debt to shareholder	1,332,200	1,332,200	1,382,200
91,442	128,363	236,853	(+) Net debt to other entities[5]	81,163	121,431	218,958
1,935,019	2,003,891	2,059,336	(=) Capital employed	1,928,688	2,001,222	2,047,965

6.3 RISK MANAGEMENT

The risk management model used by ANA, S.A. 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.

ANA, S.A. groups risk into 5 main categories:

- Strategic – Dependent on external forces that can impact the company's strategy, performance, operations and organisation in the mid to long term;

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

- Operational – Arising from our engagement in our business activities and from the company's internal processes;

- Financial – Associated with the company'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 company's business activity;

- Fraud – Associated with deliberate misconduct, whether originating inside or outside the company.

The different risks that are identified are prioritised on the basis of 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 actually occur. The periodicity of the assessment and oversight of risks depends on whether or not they have been classified as priority risks.

7. INVESTMENTS

In 2016, the ANA Group invested 69.5 million euros in the ten airports under its management. Of this total, around 88% was invested to expand our installed capacity. The remainder was absorbed by maintenance and conservation projects for the existing infrastructures.

Geographically speaking, the investment programme focused on the mainland airports (Lisbon, Porto and Faro), which accounted for 56.6 million euros, about 81% of the overall investment and an equal weight in the capacity expansion effort, as a consequence of traffic growth in recent years. The island airports accounted for 8.8 million euros, or around 13%, of total investment, with the focus on improving the quality of the service provided to passengers.

The remaining investments, totalling 6%, mainly related to information systems, as detailed in point 5.4.

The ongoing work pertaining to the development programme at Faro airport absorbed about 22.2 million euros, or some 32% of the investment total. This work should be completed during the first four months of 2017.

The following relevant investments were also made: at Lisbon Airport, the construction of multiple entrances, the replacement of lit signage and the maintenance of the infrastructures on runway 03-21, the refurbishment of terminal 2 and the remodelling of the departures curbside and, at Madeira Airport, the reorganisation of floors 2 and 3 inside the terminal.

At Portway, S.A., investment was 0.2 million euros. This was mostly spent on equipment for detecting explosives, mobile terminals for recording operational data and IT hardware.

8. SUBSEQUENT EVENTS

No relevant events worthy of disclosure have occurred since the closure of the reporting period ending 31 December 2016.

9. 2017 OUTLOOK

After a year of significant growth in traffic at our airports, the ANA Group is now focusing on working with airlines to open new routes and increase frequencies on existing ones. These initiatives should allow traffic to continue to grow throughout 2017.

The commercial areas, particularly retail, are also expected to grow significantly in the coming years. This growth will be fuelled by the work we have done to bring the layouts and offer in the shopping areas in line with the needs of our passengers.

In addition to the measures to promote demand, the ANA Group maintains its commitment to improving the conditions offered by our infrastructures, in addition to the specific development obligations written in the concession contract.

The projects that we have put in place to meet our development obligations under the concession contract account for around 30% of the total planned investment for 2017. The remaining investment will be channelled into capacity growth and service quality improvement projects.

Moreover, one of the capacity factors set out in the concession contract was triggered at Lisbon Airport in 2016.

Therefore, in alignment with the Memorandum of Uunderstanding signed 15 February, 2017, between ANA, S.A. and the Portuguese government, the company will work to further study the development of airport capacity in the Lisbon area.

10. PROPOSED ALLOCATION OF NET PROFIT

ANA, S.A. closed out the 2016 financial year with net profits of **168,412,407.51 euros.**

On the basis of the results and objectives attained in 2015, the Board of Directors also proposes that part of the company's net profits, in the amount of 824,850.00 euros, be shared with our 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: 8,420,620.38 euros
Retained earnings: 159,991,787.13 euros

Lisbon, 29 March 2017

Board of Directors

Chairman:

____

Jorge Manuel da Mota Ponce de Leão

Members of the Board:

____

Nicolas Dominique Notebaert

____

Jean-Luc Bernard Marie Pommier

____

Olivier Patrick Jacques Mathieu

____

Pascale Frédérique Thouy Albert-Lebrun

____

Tanguy André Marie Bertolus

____

François Jean Amossé

____

Thierry Franck Dominique Ligonnière

____

António dos Santos Morgado

FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION SEPARATE AND CONSOLIDATED

(thousand euros)

ANA, S.A. 2016	ANA, S.A. 2015	Description	Notes	ANA Group 2016	ANA Group 2015
		ASSETS			
		Non-Current			
		Tangible fixed assets			
106,199	118,232	State property acquired	6	106,199	118,232
154,717	184,794	Company assets	6	156,617	187,536
20,134	14,379	Fixed assets in progress	6	20,138	14,383
-	-	*Goodwill*	8	1,430	1,430
1,781,324	1,782,503	Concession right	7	1,781,324	1,782,503
3,470	2,089	Other intangible assets	7	3,470	2,089
4,574	4,574	Investment in subsidiaries and associates	9	-	-
697	686	Financial investments	11	697	686
158	66	Derivatives financial assets	12	158	66
1,225	1,117	Receivables and others	13	1,225	1,117
40,763	35,975	Deferred tax assets	14	40,814	36,105
2,113,261	2,144,415			2,112,072	2,144,147
		Current			
320	329	Inventories	15	1,024	942
96,856	114,598	Receivables and others	16	102,919	120,572
151,272	139,490	Cash and cash equivalents	20	151,527	139,741
248,448	254,417			255,470	261,255
2,361,709	2,398,832	Total assets		2,367,542	2,405,402
		EQUITY			
200,000	200,000	Share capital	21	200,000	200,000
66,120	162,394	Reserves	22	67,080	163,355
76,845	77,504	Retained earnings	23	80,148	83,068
168,412	103,430	Net profit		168,097	101,169
511,377	543,328		24	515,325	547,592
511,377	543,328	Total equity		515,325	547,592
		LIABILITIES			
		Non-Current			
1,532,991	1,561,271	Loans	25	1,532,991	1,561,271
3,344	3,547	Derivatives financial liabilities	26	3,344	3,547
4,458	4,461	Provisions	27	4,724	4,772
1,549	1,082	Retirement benefits obligations	18	1,549	1,082
89,785	94,094	Payables and other liabilities	28	89,984	94,284
1,632,127	1,664,455			1,632,592	1,664,956
		Current			
38,737	35,235	Loans	25	28,713	28,554
140,227	134,096	Payables and other liabilities	29	151,844	143,200
39,241	21,718	Current tax	19	39,068	21,100
218,205	191,049			219,625	192,854
1,850,332	1,855,504	Total liabilities		1,852,217	1,857,810
2,361,709	2,398,832	Total of equity and liabilities		2,367,542	2,405,402

Notes 1 to 48 are an integral part of these Financial Statements.

(thousand euros)

INCOME STATEMENT SEPARATE AND CONSOLIDATED

ANA, S.A. 2016	ANA, S.A. 2015	Description	Notes	ANA Group 2016	ANA Group 2015
647,747	543,484	Revenue	30	695,275	588,808
800	867	Work executed by the entity and capitalised	6	800	867
(1,775)	(1,755)	Goods sold and materials consumed	31	(2,819)	(2,684)
(178,085)	(137,684)	External supplies and services	32	(170,793)	(130,414)
(72,912)	(75,808)	Personnel expenses	33	(122,995)	(123,537)
(11,990)	(1,006)	Impairment in receivables and other assets	17	(12,205)	(1,030)
235	(3,183)	Provisions	27	167	(2,995)
516	945	Other income	34	517	1,010
(3,724)	(7,789)	Other expenses	35	(3,942)	(7,990)
3,309	3,881	Investment subsidies	29	3,309	3,881
(98,885)	(109,625)	Amortisation and depreciation	36	(99,898)	(110,971)
285,236	212,327	**Operating results**		287,416	214,945
(50,376)	(73,185)	Finance costs	37	(50,376)	(73,192)
1,939	4,221	Share in the results of associates and others	38	7	14
1,125	(975)	Other financial results	39	1,125	(973)
(47,312)	(69,939)	**Financial results**		(49,244)	(74,151)
237,924	142,388	Results before income tax		238,172	140,794
(69,512)	(38,958)	Corporate income tax expenditure	40	(70,075)	(39,625)
168,412	103,430	**Net profit**		168,097	101,169
		Earnings per share (euros)			
4.21	2.59	Basic earnings per share		4.20	2.53
4.21	2.59	Diluted earnings per share	41	4.20	2.53

Notes 1 to 48 are an integral part of these Financial Statements.

COMPREHENSIVE INCOME STATEMENT SEPARATE AND CONSOLIDATED

(thousand euros)

ANA, S.A. 2016	ANA, S.A. 2015	Description	Notes	ANA Group 2016	ANA Group 2015
168,412	103,430	Net profit		168,097	101,169
		Other income not qualified as results			
(752)	(1,189)	Remeasurements		(752)	(1,189)
227	354	Deferred tax	14	227	355
		Other income qualified as results			
203	691	Fair value variation of swaps coverage	26	203	691
12	(102)	Fair value variation of assets available-for-sale	11	12	(102)
(54)	(139)	Deferred tax	14	(54)	(139)
168,048	103,045	**Total comprehensive income**		167,733	100,785
		Net profit			
168,412	103,430	Allocated to shareholders		168,097	101,169
168,412	103,430			168,097	101,169
		Total comprehensive income			
168,048	103,045	Allocated to shareholders		167,733	100,785
168,048	103,045			167,733	100,785

Notes 1 to 48 are an integral part of these Financial Statements.

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 2015		200,000	113,930	82,250	50,627	446,807
Application of the result of the previous year		-	48,350	2,277	(50,627)	-
Other movements		-	624	(624)	-	-
Total income in the period		-	451	(835)	101,169	100,785
Balance as of 31 December 2015	24	200,000	163,355	83,068	101,169	547,592
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		-	(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

Notes 1 to 48 are an integral part of these Financial Statements.

STATEMENT OF SEPARATE CHANGES IN EQUITY

(thousand euros)

Description		Allocated to shareholders				Total ANA
		Capital	Reserves	Retained earnings	Net profit	
Saldo em 1 de janeiro de 2015		200,000	120,373	78,963	40,947	440,283
Application of the result of the previous year		-	40,947	-	(40,947)	-
Other movements		-	624	(624)	-	-
Total income in the period		-	450	(835)	103,430	103,045
Saldo em 31 de dezembro de 2015		200,000	162,394	77,504	103,430	543,328
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

Notes 1 to 48 are an integral part of these Financial Statements.

Direct method

CASH FLOW STATEMENT SEPARATE AND CONSOLIDATED

(thousand euros)

ANA, S.A. 2016	ANA, S.A. 2015		Notes	ANA Group 2016	ANA Group 2015
		Operating activities:			
687,011	557,429	Receipts from customers		733,761	600,715
(162,701)	(181,712)	Payments to suppliers		(158,966)	(177,960)
(72,300)	(76,163)	Payments to personnel		(116,390)	(116,613)
(56,605)	(7,125)	Payments and receipts of income tax		(56,423)	(7,125)
(46,971)	(32,830)	Other operating payments and receipts		(47,992)	(32,330)
348,434	259,599	*Operating cash flows*		353,990	266,687
		Investment activities:			
		Receipts from:			
-	12,500	Financial investments		-	-
38	21	Tangible fixed assets		38	21
137	25	Interest and similar income		137	33
384	1,020	Investment subsidies		384	1,020
1,939	4,221	Dividends		7	14
		Payments regarding:			
(62,612)	(32,015)	Tangible fixed assets and intangible assets		(62,834)	(33,741)
(60,114)	(14,228)	*Investments cash flows*		(62,268)	(32,653)
		Financing activities:			
		Receipts from:			
65	-	Interest and similar income		65	-
3,343	-	Other financing operations (Cash Pooling)		-	-
-	-	Other financing operations		7	7
		Payments regarding:			
(28,076)	(77,934)	Loans		(28,076)	(77,934)
(51,870)	(87,658)	Interest and similar costs		(51,932)	(87,720)
(200,000)		Dividends		(200,000)	
-	(10,739)	Other financing operations (Cash Pooling)		-	-
(276,538)	(176,331)	*Financing cash flows*		(279,936)	(165,647)
11,782	69,040	Variation of cash and equivalents		11,786	68,387
139,490	70,450	Cash and equivalents at the beginning of the period	20	139,741	71,354
151,272	139,490	Cash and equivalents at the end of the period	20	151,527	139,741

Notes 1 to 48 are an integral part of these Financial Statements.

CONTENTS

NOTES TO THE FINANCIAL STATEMENTS

PRELIMINARY NOTE

ANA - Aeroportos de Portugal, S.A. (ANA, S.A.) 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 eight national airports. These are located in continental Portugal (Lisbon, Porto, Faro and Beja) and in the Autonomous Region of the Azores (Ponta Delgada, Santa Maria, Horta and Flores). It also runs two airports 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 - Aeroportos de Portugal, 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 2016, 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., 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 CONTRACT

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:

This concession contract for the provision of airport services includes the following activities:

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

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;
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.

The establishment of the concession includes all the assets allocated to the concession, regardless of their ownership, which includes: a) buildings and land; b) other tangible assets; and c) 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[6];
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 ANAC - Autoridade Nacional de Aviação Civil, 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.

Under the terms of the concession contract, the period of the contract may be extended, specifically in the event of the concessionaire's proposal for the design, construction, financing and/or operation and management of the new Lisbon airport is approved by the grantor.

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;

[6] International Air Transport Association

- 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 and the Azores and at the regional airports in the Autonomous region of 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;
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
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[7], less the applicable efficiency factor; ii) the contribution made by the

[7] Harmonised Consumer Price Index

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 - Handling de Portugal, 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;
- 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 IFRS adopted by the European Union ("IFRS"), issued and in force or issued and adopted prior to 31 December 2016.

Thus, the financial statements were prepared according to the principle of historic cost basis, except with regard to derivative financial instruments, the financial assets available for sale, which are recorded according to their fair value in the statement of financial position and financial assets, which are recorded according to their fair value through results.

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 2016

2.2.1 RECENTLY ISSUED ACCOUNTING STANDARDS AND INTERPRETATIONS THAT HAVE COME INTO FORCE AND THAT THE GROUP APPLIED IN PREPARING ITS FINANCIAL STATEMENTS

The new standards and interpretations adopted by the European Union for which application is mandatory are as follows:

- **IAS 19 (change) – Defined Benefit Plans: Employee contributions** - On 21 November 2013, the IASB issued the amendment, with effective (retrospective) application for reporting periods beginning on, or after, 1 July 2014. This amendment was endorsed by European Commission Regulation no. 29/2015, of 17 December 2014 (which sets the latest possible date for application as being the start date of the first financial reporting period that begins on or after 1 February 2015).
  This amendment clarifies the guidance given in the case of contributions made by employees or third parties in respect of service, requiring that the entity attributes such contributions in accordance with paragraph 70 of IAS 19 (2011). Thus, such contributions are attributed using the benefit formula or linearly.
  Thus, such contributions are attributed using the benefit formula or on a straight-line basis. The amendment reduces the level of complexity, introducing a simple form that allows an entity to recognise contributions, made by employees or third parties in respect of service, that are independent of the number of years of service (for example, a percentage of salary), as a reduction in the cost of services in the period in which they are rendered. These amendments had no impact on the ANA Group's financial statements.

- **Improvements to the IFRS (2010-2012)** - The annual improvements for the 2010-2012 cycle, issued by the IASB on 12 December 2013, introduced alterations to the IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38 standards. These alterations come into effect for reporting periods beginning on or after 1 July 2014. These amendments were endorsed by European Commission Regulation no. 28/2015, of 17 December 2014 (which sets the latest possible date for application as being the start date of the first financial reporting period that begins on or after 1 February 2015). The ANA Group has adopted the improvements to the 2010-2012 IFRS cycle.

- **IFRS 2 – Definition of vesting conditions** - The amendment clarifies the definition of the vesting conditions contained in Annex A of IFRS 2 – Share-based Payments, separating the definition of “performance condition” and “condition of service” from the vesting condition of acquisition, giving a clearer description of each of the conditions. This amendment had no impact on the ANA Group’s financial statements.

- **IFRS 3 – Accounting of a contingent consideration within the scope of a concentration of business activities** - The aim of this amendment is to clarify certain aspects of the accounting of the contingent consideration within the scope of a concentration of business activities, namely the classification of the contingent consideration, taking into account if this contingent consideration is a financial instrument or a non-financial asset or liability. This amendment had no impact on the ANA Group’s financial statements.

- **IFRS 8 – Aggregation of operating segments and reconciliation between all of the assets of the reportable segments and the assets of the company** - The amendment clarifies the criterion of aggregation and requires an entity to disclose the factors used to identify the reportable segments, when the operating segment has been aggregated. In order to achieve internal consistency, a reconciliation of all of the assets of the reportable segments for all of the assets of an entity should be disclosed, if these amounts were regularly provided to the operational decision-maker. This amendment had no impact on the ANA Group’s financial statements.

- **IFRS 13 – Short-term receivables and payables** - The IASB altered the bases of conclusion in order to clarify that, in eliminating AG 79 from IAS 39, it did not intend to eliminate the need to determine the current value of an account receivable or payable in the short term, where the invoice for this was issued without interest, even if the effect is immaterial. It should be pointed out that IAS 8.8 now allows an entity not to apply accounting policies defined in the IFRS if their impact is immaterial. This amendment had no relevant impact on the ANA Group’s financial statements.

- **IAS 16 and IAS 40 – Valuation model – proportional reformulation of accumulated depreciation or amortisation** - In order to clarify the calculation of accumulated depreciation or amortisation, on the reassessment date, the IASB altered paragraph 35 of IAS 16 and paragraph 80 of IAS 38 in order to: Determine that accumulated depreciation (or amortisation) does not depend on the selection of the valuation technique; and that accumulated depreciation (or amortisation) is calculated by the difference between the gross and net book values. This amendment had no impact on the ANA Group’s financial statements.

- **IAS 24 – Related party transactions – services of key management personnel** - In order to resolve concern over the identification of the costs of the service of key management personnel (KMP), when these services are rendered by an entity (management entity, as, for example, in investment funds), the IASB clarified that the disclosures of the amounts incurred by KMP provided by a separate management entity should be disclosed, but that it is not necessary to present the breakdown described in paragraph 17. This amendment had no impact on the ANA Group’s financial statements

- **Improvements to the IFRS (2012-2014)** - The annual improvements for the 2012-2014 cycle, issued by the IASB on 25 September 2014, introduced alterations to the IFRS 5, IFRS 7, IAS 19 and IAS 34 standards. These alterations come into effect for reporting periods beginning on or after 1 January 2016. These amendments were endorsed by European Commission Regulation no. 2343/2015, of 15 December 2015. This amendment had no relevant impact on the ANA Group’s financial statements.

- **IFRS 5 - Non-Current Assets Held For Sale and Discontinued Operations: Change of Disposal Method** - The amendments to IFRS 5 clarify that if an entity reclassifies an asset (or a disposal group) directly from being 'held for sale' to being 'held for distribution to owners' (or vice versa), then the change in classification is considered a continuation of the original plan of disposal. Therefore, no measurement gain or loss is accounted for in the statement of profit or loss or other comprehensive income. This amendment had no relevant impact on the ANA Group's financial statements.

- **IFRS 7 - Financial Instruments - Disclosures: servicing contracts** - The amendments to IFRS 7 clarify – by adding additional application guidance – when servicing contracts constitute continuing involvement for the purposes of applying the disclosure requirements in paragraph 42C of IFRS 7. These amendments had no impact on the ANA Group's financial statements.

- **IFRS 7 - Financial Instruments - Disclosures: Applicability of the Amendments to IFRS 7 on offsetting financial assets and financial liabilities to condensed interim financial statements** - This amendment clarifies that the additional disclosures requirements that were introduced in December 2011 by the amendments to IFRS 7 – offsetting financial assets and financial liabilities – are not applicable to interim periods after the year of their initial application, unless IAS 34 Interim Financial Reporting requires such disclosures. These amendments do not apply to the Group.

- **IAS 19 - Employee benefits - Discount rate: regional market issue** - The amendments to IAS 19 clarify that the determination of the discount rate for post-employment defined benefit obligations must correspond to high-quality bonds in the same currency in which the liabilities are calculated. Consequently, the depth of the market for high quality corporate bonds should be assessed at currency level rather than at country level. If such a market does not exist, the market yield on government bonds denominated in that currency shall be used. These amendments had no relevant impact on the ANA Group's financial statements.

- **IAS 34 - Interim Financial Report: Disclosure of information "elsewhere in the interim financial report"** - The amendments clarify that the 'other disclosures' required by paragraph 16A of IAS 34 shall be presented either in the interim financial statements or incorporated by cross-reference from the interim financial statements to some other statement (such as the management report or risk report) that is available to users of the financial statements on the same terms as the interim financial statements and at the same time. These amendments had no impact on the ANA Group's financial statements.

- **IAS 27 - Equity method in separate financial statements** - On 12 August 2014, the IASB issued amendments to IAS 27 that are to be applied to reporting periods that begin on or after 1 January 2016. These amendments introduce an option to measure subsidiaries, associates and joint ventures by the equity method, in the separate financial statements. These amendments were endorsed by European Commission Regulation no. 2441/2015, of 18 December 2015. The Group did not adopt this option.

- **Consolidation exemption (changes to IFRS 10, IFRS 12 and IAS 28)** - On 18 December 2014, the IASB issued amendments to IFRS 10, IFRS 12 and IAS 28, Investment Entities: application of the consolidation exemption. These amendments, which apply to reporting periods beginning on or after 1 January 2016, allow investment entities to be exempted from consolidation, provided that certain requirements are met. These amendments were endorsed by European Commission Regulation no. 1703/2016, of 22 September 2016. These amendments do not apply to the Group.

- **Other amendments** - In 2014, the IASB also issued the following amendments, which are applicable to reporting periods that begin on or after 1 January 2016: (i) amendments to IFRS 16 and IAS 41: bearer plants (issued on 30 June and endorsed by European Commission Regulation no. 2113/2015, of 23 November); (ii) amendments to IAS 16 and IAS 38: clarification of the acceptable methods for depreciation and amortisation (issued on 12 May and endorsed by European Commission Regulation no. 2231/2015, of 2 December); (iii) amendments to IFRS 11: accounting for the acquisition of holdings in joint ventures (issued on 6 May and endorsed by European Commission Regulation no. 2173/2015, of 24 November) and (iv) amendments to IAS 1: disclosure Initiative (issued on 18 December and endorsed by European Commission Regulation no. 2406/2015, of 18 December). The application of these amendments had no relevant impact on the Group.

2.2.2 THE GROUP DECIDED AGAINST EARLY ADOPTION OF THE FOLLOWING STANDARDS AND/OR INTERPRETATIONS ENDORSED BY THE EUROPEAN UNION

- **IFRS 9 - Financial instruments (issued in 2009 and revised in 2010, 2013 and 2014)** - IFRS 9 was endorsed by European Commission Regulation no. 2067/2016, of 22 November 2016. IFRS 9 (2009) and IFRS 9 (2010) introduced new requirements for the classification and measurement of financial assets and liabilities. In this new approach, financial assets are classified and measured based on the business model of the portfolio concerned and the contractual characteristics of the cash flows of the instruments in question.
  IFRS 9 (2013) was published with the requirements that regulate the accounting of hedge operations.
  IFRS 9 (2014) was also published. This reviewed some of the guidelines for the classification and measurement of financial instruments (in addition to holdings in the capital of companies that are considered to be strategic, this also covers other debt instruments measured at fair value, with the alterations being recognised in other comprehensive income – OCI[8]). It also established a new model for impairment, based on the expected losses model. IFRS 9 will be applicable to reporting periods beginning on or after 1 January 2018 (early adoption being permitted). This standard may have an impact on the Group's financial statements.

- **IFRS 15 - Revenue from contracts with customers - On 28 May 2014, the IASB issued IFRS 15** - Revenue from contracts with customers. IFRS 15 was endorsed by European Commission Regulation no. 1905/2016, of 22 September 2016. Application of this standard is mandatory for reporting periods beginning on or after 1 January 2018. Early adoption is permitted. This standards replaces the following standards: IAS 11 - Construction Contracts, IAS 18 - Revenue, IFRIC 13 - Customer Loyalty Programmes, IFRIC 15 - Agreements for the Construction of Real Estate, IFRIC 18 - Transfers of Assets from Customers and SIC 31 - Revenue - Barter Transactions Involving Advertising Services. IFRS 15 establishes a five-step model for determining when, and how much, revenue should be recognised. The model specifies that revenue should be recognised when an entity transfers goods or services to the client. This revenue is measured as the amount that the entity expects it will be entitled to. Depending on the fulfilment of certain criteria, the revenue is recognised i) at the precise time that the client gains control of the goods or services; or ii) over a period of time, as the entity's performance transfers control. This standard should have no impact on the Group's financial statements.

[8] Other comprehensive income

2.2.3 STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BUT NOT YET ADOPTED BY THE GROUP

STANDARDS

- **IFRIC 22 - Foreign currency transactions and advance consideration** - The IFRIC 22 interpretation, which was issued on 8 December 2016, is mandatory for reporting periods beginning on or after 1 January 2018. The new IFRIC 22 stipulates that, where advances have been paid in a foreign currency, for the purposes of acquiring assets, paying costs or generating revenues, the transaction date to be used in applying paragraphs 21 to 22 of IAS 21 for the purposes of determining the exchange rate to be used in recognising the inherent asset, cost or revenue (or part thereof) is the date of initial recognition of the non-monetary asset or liability resulting from the payment or receipt of the foreign currency advance payment (or, where there are multiple advance payments, the rates in effect for each of these). The Group does not expect the adoption of this interpretation to result in any significant changes.

- **IFRS 16 - Leases** - On 13 January 2016, the IASB issued IFRS 16 - Leases. Application of this standard is mandatory for reporting periods beginning on or after 1 January 2019. Early adoption is permitted, provided IFRS 15 is also adopted. This standard replaces IAS 17 - Leases. IFRS 16 eliminates the classification of leases as operating leases or financial leases (for the lessor - the leasing client*)*, treating all leases as financial leases. The standard does not apply to short-term leases (less than 12 months) or leases for low-value assets (such as personal computers). This standard may have an impact on the Group's financial statements.

- **Other amendments** – The IASB also issued: (i) on 19 January 2016, and effective for reporting periods beginning on or after 1 January 2017: changes to IAS 12 that aim to clarify the requirements for the recognition of deferred tax assets for unrealised losses, to address diversity in practice; (ii) on 29 January 2016, and effective for reporting periods beginning on or after 1 January 2017: changes to IAS 7, disclosure initiative, requiring companies to disclose information on changes to their financial liabilities, to provide investors with information that will help them understand a company's debt situation; (iii) on 20 June 2016, and effective for reporting periods beginning on or after 1 January 2018: changes to IFRS 2 - Classification and measurement of share-based payments in transactions; (iv) on 8 December 2016, and effective for reporting periods beginning on or after 1 January 2018: changes to IAS 40 - Transfer of investment properties, to clarify the moment at which an entity should transfer properties that are under construction or in development to, or from, investment properties, when there is a provable change in the use of such properties (beyond those proofs listed in paragraph 57 of IAS 40); and (v) the annual improvements for the 2014-2016 cycle, issued by the IASB on 8 December 2016, and effective for reporting periods beginning on or after 1 July 2018, amend IFRS 1 (deletion of the short-term exemption for those adopting IFRS for the first time) and IAS 28 (measurement of an associate or joint venture at fair value). These improvements also amend IFRS 12 (clarification of the scope of application of the standard), for reporting periods beginning on or after 1 January 2017. The Group does not expect these amendments to have any relevant impact on 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 Board of Directors 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 Board of Directors.

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, advertising 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	2016	2015
USD	1.0541	1.0887
GBP	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 replacement 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

Amortisation 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 obligation for payment by the grantor for the management of the public service provided (operation and investment). There is only the right to charge the airport users, while the concessionaire bears 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.

The capitalised 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. The goodwill of acquisitions of subsidiaries is included in the intangible assets and that of the acquisition of associates is included as investments in associates. The goodwill 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.

While determining the value recoverable from the assets, two cash flow generating units are considered:

- The network of airports managed by ANA, S.A., keeping in mind that their assets alone do not themselves generate independent cash flows;
- 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, depending on its qualification as derivative trading or coverage (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 for costs relating legal complaints 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;
- 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.

The provisions are quantified at the present value of the estimated expenditure to satisfy the obligation using a rate before taxes, which reflects the market assessment for the discount period and for the risk of the provision in question.

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 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 as a counterpart to results. 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

ANA, S.A. has opted for the Special Taxation Regime for Company Groups with regard to its subsidiary Portway, S.A..

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 separate 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.

SUPPLEMENTARY EARNINGS

The supplementary 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.

This risk is assessed using specific tools, namely the Dun & Bradstreet Portfolio Manager, which sorts clients into risk bands.

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:

Rating	Balances 2016	Balances 2015
Cash equivalents		
A1	149,859	137,825
Baa3	16	35
Ba3	18	38
B1	278	437
B3	16	-
Caa1	1,165	1,238
Others	108	103
	151,460	139,676

Rating assigned by Moody's at 31.12.2016

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.

At the end of the 1st half of 2014, the ANA Group joined the VINCI Group cash pooling mechanism. As a result, the Group gained 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.

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	268	259	563	-
Other creditors	4,692	-	-	-
Guarantees by third parties	3,357	2	497	145
Bank loans	33,982	42,282	271,490	1,497,558
Derivatives	366	348	1,975	678
Contractual liabilities (1)	7,200	8,362	33,262	102,960
Accrual of costs, except banking interest and contractual liabilities	57,226	-	-	-
	143,455	51,253	307,787	1,601,341

(1) Contractual liabilities with substitution/ replacement

2015	0 - 6 Months	6 - 12 Months	1 - 5 Years	> 5 Years
Accounts payable - current	8,851	-	-	-
Accounts payable - investments	17,531	-	-	-
Accounts payable - leasing	287	238	724	-
Other creditors	2,533	-	-	-
Guarantees by third parties	2,660	11	558	313
Bank loans	35,273	43,799	292,118	1,566,754
Derivatives	386	376	2,190	809
Contractual liabilities (1)	2,773	8,796	31,594	94,092
Accrual of costs, except banking interest and contractual liabilities	79,058	-	-	-
	149,352	53,220	327,184	1,661,968

(1) Contractual liabilities with substitution/ replacement

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

Once the ANA Group had joined the VINCI Group's cash pooling mechanism, its remunerated assets took the form of short-term applications set up within the scope of this mechanism.

The 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 2016, 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 2017.

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

2016	Scenario at present rate *	Scenario +0.20%	Scenario -0.20%
Loans at variable rate	(46,086)	(2,988)	2,988
Loans at fixed	(1,955)	-	-
Financial leasing interest	(37)	-	-
Approximate impact on results/ Present rate scenario		(2,988)	2,988

* Estimated cost of interest in 2017

3.2 CAPITAL RISK MANAGEMENT

The company's objective with regard to the management of capital (which is a broader concept than the equity) 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;
- To create value in the long term for the shareholder.

The gearing ratios as of 31 December 2016 and 2015 were as follows:

	ANA Group	
	2016	2015
Total loans	1,561,704	1,589,825
Cash pooling	(149,750)	(137,825)
Cash and cash equivalents	(1,777)	(1,916)
Net debt	1,410,177	1,450,084
Equity	515,325	547,592
Total capital	**1,925,502**	**1,997,676**
Gearing (%)	*73.2*	*72.6*

The change in the level of indebtedness is essentially accounted for by the capital repayments on loans obtained from the EIB, in a total amount of 28 million euros.

The drop in equity is accounted for by the distribution of dividends to the shareholder (see note 42).

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.

	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

	2015			
	Airports	Handling	Non-allocated	ANA Group
Services				
Aviation	325,872	58,565	-	384,437
Security	47,714	-	-	47,714
Passengers with reduced mobility	8,772	-	-	8,772
Non-aviation	147,477	-	(3)	147,474
Construction contracts	18,993	-	121	19,114
Traffic incentives	(20,068)	-	-	(20,068)
Other revenue and operating earnings	2,032	155	1,055	3,242
Operating costs	(162,922)	(53,726)	(52,002)	(268,650)
Investment subsidies	3,881	-	-	3,881
Depreciations/ Amortisations	(103,786)	(1,345)	(5,840)	(110,971)
Operating result	267,965	3,649	(56,669)	214,945
Finance costs				(73,192)
Share in the results of associates and others				14
Other financial results				(973)
Corporate income tax expenditure				(39,625)
Activities result				101,169
Net profit				101,169
Assets and investment				
Tangible fixed assets	311,498	2,746	5,907	320,151
Concession right	1,679,431	-	103,072	1,782,503
Intangible assets	322	-	1,767	2,089
Investments	37,553	948	1,402	39,903

6. FIXED TANGIBLE ASSETS

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; (ii) the maintenance of infrastructures on runway 03 and (iii) the replacement of lit signage on runway 03-21, all at Lisbon Airport, and (iv) the reorganisation of floors 2 and 3 of the terminal at Madeira Airport.

ANA, S.A.		ANA Group				
Total		State	Patrimony	In progress	Advances	Total
	Gross value					
1,067,211	Balance 01-January-2015	336,400	745,080	9,106	-	1,090,586
15,661	Increases	-	1,868	14,330	412	16,610
867	Capitalised work	-	-	867	-	867
4,908	Transfers	2,302	13,063	(10,241)	(91)	5,033
(2,913)	Write-offs	(44)	(2,870)	-	-	(2,914)
(351)	Sales	-	(405)	-	-	(405)
1,085,383	Balance 31-December-2015	338,658	756,736	14,062	321	1,109,777
	Accumulated depreciations					
701,198	Balance 01-January-2015	205,768	515,648	-	-	721,416
70,083	Reinforcements	14,702	56,726	-	-	71,428
(45)	Transfers	-	94	-	-	94
(2,908)	Write-offs	(44)	(2,864)	-	-	(2,908)
(350)	Sales	-	(404)	-	-	(404)
767,978	Balance 31-December-2015	220,426	569,200	-	-	789,626
	Net value					
366,013	Balance 01-January-2015	130,632	229,432	9,106	-	369,170
317,405	Balance 31-December-2015	118,232	187,536	14,062	321	320,151

The main investments made in 2015 were the replacement of the lit signage on runway 03-21 and the acquisition of equipment for the enlargement of the baggage terminals of the baggage handling system at the new Busgate North. Both investments were at Lisbon Airport.

The fixed tangible assets acquired by the Group through financial leasing contracts have the following net value at 31 December 2016:

	Cost	Depreciations	Net value
Basic equipment	44	44	-
Transport equipment	203	203	-
Administrative equipment	3,760	2,943	817
Software	148	110	38
	4,155	3,300	855

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 2016 period.

The capitalised amounts are as follows:

	2016	2015
Goods sold and consumable materials	3	4
Supplies and external services	52	68
Personnel costs	745	795
	800	867

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
Concession right	Other intangible assets		Assets	Subsidies	Advances	In progress	Net value	intangible assets
		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.

ANA, S.A.			ANA Group					
			Concession right					Other
Concession right	Other intangible assets		Assets	Subsidies	Advances	In progress	Net value	intangible assets
		Gross value						
2,285,730	29,394	Balance 01-January-2015	2,543,658	(270,835)	42	12,865	2,285,730	29,394
22,830	9	Increases	-	-	-	22,830	22,830	9
(5,549)	333	Transfers	11,025	(1,007)	(24)	(15,543)	(5,549)	333
98	-	Interest capitalised	-	-	-	98	98	-
-	(531)	Write-offs	-	-	-	-	-	(531)
2,303,109	29,205	Balance 31-December-2015	2,554,683	(271,842)	18	20,250	2,303,109	29,205
		Accumulated depreciations						
484,181	25,496	Balance 01-January-2015	587,016	(102,835)	-	-	484,181	25,496
37,419	2,118	Reinforcements	40,923	(3,504)	-	-	37,419	2,118
(994)	33	Transfers	12	(1,006)	-	-	(994)	33
-	(531)	Write-offs	-	-	-	-	-	(531)
520,606	27,116	Balance 31-December-2015	627,951	(107,345)	-	-	520,606	27,116
		Net value						
1,801,549	3,898	Balance 01-January-2015	1,956,642	(168,000)	42	12,865	1,801,549	3,898
1,782,503	2,089	Balance 31-December-2015	1,926,732	(164,497)	18	20,250	1,782,503	2,089

The main investments made in 2015 were as follows: (i) the redesign of the shopping and services areas on Floors 2, 4, 5 and 6 (food court, central x-ray facility and duty free) at Lisbon Airport; (ii) the enlargement of room F and new connections to the former baggage retrieval hall in Lisbon Airport; and (iii) the enlargement and remodelling of the terminal at Faro 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:

	2016	2015
Acquisition of 40% of Portway, S.A. in 2006	1,430	1,430
	1,430	1,430

The goodwill ascertained with reference to Portway, S.A. was generated in January 2006, when ANA 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 considered originate in Portway, S.A.'s plan for the period from 2016 to 2017. From this time until when the concession comes to term (2018-2062), the forecast used was based on a geometric ratio formula, with increasing terms and a constant ratio of 0.5%.

The discount rate used was 8.31%.

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

Investments in subsidiaries break down in the following way:

	ANA, S.A. 2016	2015
Subsidiaries		
Portway- Handling de Portugal, S.A.	4,574	4,574
	4,574	4,574

The transactions that took place under the Investments in Subsidiaries item were as follows:

	Portway	Total
1 January 2015	17,074	17,074
Share capital decrease	(12,500)	(12,500)
31 December 2015	4,574	4,574
31 December 2016	4,574	4,574

10. FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

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

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

2015	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	-	677	9	-	-	-	686
Derivative instruments	-	-	66	-	-	-	66
Customers and other receivables	110,902	-	-	-	-	-	110,902
Other assets	-	-	-	-	-	10,787	10,787
Cash and cash equivalents	139,741	-	-	-	-	-	139,741
	250,643	677	75	-	-	10,787	262,182
Liabilities							
Loans obtained	-	-	-	-	1,589,825	-	1,589,825
Derivative instruments	-	-	-	3,547	-	-	3,547
Suppliers and other payables	-	-	-	-	38,337	-	38,337
Other liabilities	-	-	-	-	-	199,147	199,147
	-	-	-	3,547	1,628,162	199,147	1,830,856

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

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

2015	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value via results	9	-	-	9
Financial assets available for sale (1)	-	-	677	677
Covering financial assets	-	66	-	66
	9	66	677	752
Financial liabilities				
Covering financial liabilities	-	(3,547)	-	(3,547)
	-	(3,547)	-	(3,547)

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

11. FINANCIAL INVESTMENTS

	2016	2015
Assets available for sale		
Capital shares - Futuro	688	677
Financial assets at fair value via results		
Others - Reserve fund	9	9
	697	686

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 on the basis of the discounted cash flow method, considering the growth of free cash flow to be 0.5% up to maturity, adjusted to the opportunity cost of the capital (5.68%).

	Futuro
Balance as of 1 January 2015	779
Variation in fair value	(102)
Balance as of 31 December 2015	677
Variation in fair value	11
Balance as of 31 December 2016	688

The fair value sensitivity analysis, with growth rates varying between +10 base points and -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	4.68%	786	814
	6.68%	607	621

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 Complements (defined benefit).

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

	Reserve fund
Balance as of 1 January 2015	1
Variation in fair value	8
Balance as of 31 December 2015	9
Variation in fair value	-
Balance as of 31 December 2016	9

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
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% (as from 15 December 2015)

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:

	2016		2015	
	Notional	Fair value	Notional	Fair value
Designated as cash flow coverage				
Interest rate swap	14,063	158	14,063	66
Total derivatives	14,063	158	14,063	66

13. RECEIVABLES AND OTHERS – NON-CURRENT

ANA, S.A.			ANA Group	
2016	2015		2016	2015
28	26	Guarantees to third parties	28	26
1,197	1,091	Advanced payments	1,197	1,091
1,225	1,117		1,225	1,117

The advanced payments on account item refers to the stamp duty paid on: (i) a bank guarantee provided to the Portuguese state for the concession contract, the cost of which will be recognised up to the end of the contract (2062) and (ii) a loan contract, being the cost recognised until July 2022.

14. ASSETS AND LIABILITIES FOR DEFERRED TAXES

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

	2016	2015
ANA	29.15%	28.84%
Recoverable tax losses	-	21.00%
Portway	22.50%	24.24%

In 2016, the rates used for calculating deferred tax took into account the corporate income tax (IRC) rate estimated for 2017.

In 2016, the reportable tax losses for the company founded in 2014 (ANAM, S.A.) were deducted in their entirety from the taxable profit made by ANA, S.A., as per the terms and conditions established in the tax code and as allowed by the tax authorities.

Year	Recoverable until	Reportable tax losses as of 31 December 2014	Year movements		Reportable tax losses as of 31 December 2015
			Adjustments	Used by ANAM	
2009	2015	2,934	(567)	-	2,367
		2,934	(567)	-	2,367

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

	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
Retirement benefits	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

	ANA Group									
	2014		Movements 2015						2015	
				Transfer	Impact on results		Impact on equity			
	Base	Deferred tax	Rate	Base	Rate change	Results movement	Rate change	Equity movement	Base	Deferred tax
Assets due to deferred taxes										
Provisions not accepted for tax purposes	4,504	1,261	28.84%	-	39	70	-	-	4,747	1,370
Retirement benefits	5,209	1,457	28.84%	-	45	-	-	-	5,209	1,502
Retirement benefits	1,366	382	28.84%	-	1	(343)	11	343	1,366	394
Derivative instruments	4,237	1,185	28.84%	-	-	-	37	(199)	3,547	1,023
Recoverable tax losses	2,934	615	21.00%	(567)	-	(119)	-	-	2,367	496
Contractual liabilities - Concession	123,904	34,656	28.84%	-	1,078	(3,082)	-	-	113,217	32,652
Total ANA	142,154	39,556		(567)	1,163	(3,474)	48	144	130,453	37,437
Tangible assets	24	7	24.24%	-	-	(7)	-	-	-	-
Provisions not accepted for tax purposes	10	3	24.24%	-	-	127	-	-	537	130
Total subsidiaries	34	10		-	-	120	-	-	537	130
	142,188	39,566		(567)	1,163	(3,354)	48	144	130,990	37,567
Liabilities due to deferred taxes										
Re-evaluations of fixed assets	4,273	1,195	28.84%	-	37	17	-	-	4,332	1,249
Derivative instruments	-	-	28.84%	-	-	40	-	-	139	40
Financial assets	693	194	28.84%	-	-	2	6	(29)	599	173
Total ANA	4,966	1,389		-	37	59	6	(29)	5,070	1,462
				-				-	-	-
ANA- Assets due to deferred taxes	137,188	38,167		(567)	1,126	(3,533)	42	173	125,383	35,975
Group ANA- Assets due to deferred taxes	137,222	38,177 -	-	(567)	1,126	(3,413)	42	173	125,920	36,105

15. INVENTORIES

ANA, S.A.			ANA Group	
2016	2015		2016	2015
57	56	Goods	761	669
263	273	Raw, subsidiary and consumable materials	263	273
320	329		1,024	942
320	329		1,024	942

16. RECEIVABLES AND OTHERS – CURRENT

ANA, S.A. 2016	ANA, S.A. 2015		ANA Group 2016	ANA Group 2015
101,811	106,317	Customers	107,692	113,766
21	25	VAT receivable	1,347	780
9,795	11,177	Debtors and other receivables	9,986	11,407
6,322	7,339	Accrued income	6,322	6,043
1,073	-	Subsidies receivable	1,073	-
2,476	2,392	Advanced payments	3,261	3,132
121,498	127,250		129,681	135,128
(20,725)	(8,714)	Losses due to impairment of customers debts	(22,845)	(10,618)
(3,917)	(3,938)	Losses due to impairment of third party debts	(3,917)	(3,938)
(24,642)	(12,652)		(26,762)	(14,556)
96,856	114,598		102,919	120,572

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 final balance for 2016 was 4.1 million euros.

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:

2016	Outstanding	Arrears without Impairment 0 - 6 months	Arrears without Impairment 6 - 12 months	Arrears without Impairment > 12 months	In impairment
Accounts Receivable	46,546	18,920	1,283	18,098	22,845
Other debtors	1,352	1,322	45	3,350	3,917

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:

	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**

Attending the risk management policies described in note 3, impairment losses were increased based on the estimated present value of the cash flows of the debts receivable.

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.

	2015			
	Opening Balance	Increase	Reversal	Closing Balance
Losses due to impairment of customers' debts				
ANA, S.A.	8,807	803	(896)	8,714
Portway, S.A.	1,881	41	(17)	1,905
	10,688	844	(913)	10,619
Losses due to impairment of other third party debts				
ANA, S.A.	2,839	1,149	(50)	3,938
	2,839	1,149	(50)	3,938
Losses due to impairment of inventories				
Consumable materials	1	-	(1)	-
	13,528	**1,993**	**(963)**	**14,557**

The increase in impairment losses in 2015 is mainly accounted for by arrears interest charged to third parties for delayed payments in previous years.

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:

	2016	2015
Mortality table	TV 88/90	TV (88/90)
Technical rate	1.35%	2.10%
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:

	2016	2015	2014	2013	2012
Fund patrimony	3,938	3,913	4,345	4,418	4,510
Responsibilities undertaken	5,487	4,995	4,238	4,106	4,448
(Insufficiency)/Surplus	(1,549)	(1,082)	107	312	62

The Fund presents financing gap.

After carrying out a sensitivity analysis for the amounts as of 31 December 2016, varying the technical rate by +25 bp and -25 bp, the actuarial results are as follows:

Technical rate	1.10%	1.60%
Fund patrimony	3,868	4,027
Responsibilities undertaken	5,605	5,374
(Insufficiency)/Surplus	(1,737)	(1,347)

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

	2016	2015
Shares	14.64%	15.62%
Bonds	60.50%	67.61%
Real estate	9.62%	11.87%
Other funds	10.82%	12.09%
Liquidity	2.96%	(6.79)%
Others	1.45%	(0.40)%
	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:

	2016	2015
Initial balance	3,913	4,345
Opening reclassification	(62)	(72)
Pensions paid	(106)	(422)
Contributions	306	-
Fund revenue	(113)	62
Final balance	3,938	3,913

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

	2016	2015
Opening balance	4,995	4,238
Net interest (1)	100	93
Remeasurements - financial assumptions	329	81
Remeasurements - adjusting experience	169	1,005
Paid benefits	(106)	(422)
Final balance	5,487	4,995

(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, were as follows:

	Income Statement	Comprehensive Income Statement	Statement of Financial Position
Balance as of 1 January 2015			107
Opening reclassification		(72)	
Cost of the year 2015			
Net interest	1		
	1		
Remeasurements			
Return on assets		(32)	
Gains/ (losses) financial assumption variation		-	
Gains/ (losses) experience adjustments		(1,086)	
		(1,118)	
Balance as of 31 December 2015			(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)	
		(752)	
Balance as of 31 December 2016			(1,549)

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 2016 rose to 1,823 thousand euros (1,804 thousand euros in 2015).

19. CURRENT TAX

ANA, S.A. 2016	ANA, S.A. 2015		ANA Group 2016	ANA Group 2015
		Liabilities		
73,979	37,224	Tax provision	74,463	38,022
(7,357)	(6,347)	Withholding taxes by third parties	(7,357)	(6,347)
(27,381)	(9,159)	Payments on account	(28,038)	(10,575)
39,241	21,718	Payable income tax	39,068	21,100

During the 2016 financial year, ANA, S.A. benefited from tax incentives for Research & Development activities (SIFIDE). The tax estimate for the year considered a deduction of 57 thousand euros which encompassed eligible Research & Development expenditure to the amount of 306 thousand euros.

In 2015 this benefit translated into a tax deduction of the sum of 174 thousand euros (presented in the tax return form 22 for 2015), derived from a total eligible R & D expenditure of 515 thousand euros.

20. CASH AND CASH EQUIVALENTS

Cash and cash equivalents were as follows, at 31 December 2016 and 2015:

ANA, S.A. 2016	ANA, S.A. 2015		ANA Group 2016	ANA Group 2015
		Cash		
38	37	Cash	67	65
		Cash equivalents		
1,484	1,628	Bank deposits - account	1,710	1,851
149,750	137,825	Cash pooling	149,750	137,825
151,272	**139,490**		**151,527**	**139,741**

At 31 December 2016, the cash and cash equivalents balance on the statement of financial position is equal to that on the cash flow statement.

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, 2016, 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 2015	17,173	(345)	16,828	103,545	-	103,545	120,373
Application of results	2,048	-	2,048	38,899	-	38,899	40,947
Others movements	-	624	624	-	-	-	624
Change in fair value of financial assets and liabilities	-	450	450	-	-	-	450
Balance as of 31 December 2015	19,221	729	19,950	142,444	-	142,444	162,394
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

ANA Group	Not distributable			Distributable			Total
	Legal	Others	Total	Free	Others	Total	
Balance as of 1 January 2015	25,284	2,988	28,272	85,659	-	85,659	113,931
Application of results	2,269	-	2,269	46,081	-	46,081	48,350
Others movements	-	624	624	-	-	-	624
Change in fair value of financial assets and liabilities	-	450	450	-	-	-	450
Balance as of 31 December 2015	27,553	4,062	31,615	131,740	-	131,740	163,355
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	(138)	10,583	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	25,336	1,163	26,499	40,720	(138)	40,582	67,081

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 2016 is due to the appropriation of the 2015 profits, in the amount of 5,171 thousand euros, as approved in the unanimous written decision issued by ANA, S.A. on 19 May 2016.

23. RETAINED EARNINGS

ANA, S.A.				Group ANA		
Not distributable	Distributable	Total		Not distributable	Distributable	Total
20,003	58,960	78,963	Balance as of 1 January 2015	20,003	62,247	82,250
-	-	-	Application of results	-	2,277	2,277
-	(624)	(624)	Others movements	-	(624)	(624)
-	(835)	(835)	Retirement benefits	-	(835)	(835)
20,003	57,501	77,504	Balance as of 31 December 2015	20,003	63,065	83,068
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

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

2016		Equity before net profit for the year	Dividends	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		4,264	(1,932)	1,616	3,948
		349,161	(1,932)	168,096	515,325

a) Refers to the settlement of balances between the companies in the Group

2015		Equity before net profit for the year	Dividends	Net profit	Equity after net profit for the year
ANA, S.A.		439,898	-	103,430	543,328
Pre-consolidation adjustments	*a)*	4,207	-	(4,207)	-
Impact of Subsidiaries and Associates		6,525	(4,207)	1,946	4,264
		450,630	(4,207)	101,169	547,592

a) Refers to the settlement of balances between the companies in the Group

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

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
	4,264	1,616	(1,932)	3,948

* Before intra-group transactions and after consolidation adjustments

2015	Equity before net profit for the year	Net profit *	Dividends	Equity after net profit for the year
Portway, S.A.	6,525	1,946	(4,207)	4,264
	6,525	1,946	(4,207)	4,264

* Before intra-group transactions and after consolidation adjustments

25. LOANS

ANA, S.A.		Non-current loans	ANA Group	
2016	2015		2016	2015
1,532,291	1,560,513	Loans	1,532,291	1,560,513
158	66	Swap | Fair Value Hedge	158	66
542	692	Suppliers - leasing	542	692
1,532,991	1,561,271		1,532,991	1,561,271

ANA, S.A.		Current loans	ANA Group	
2016	2015		2016	2015
28,223	28,077	Loans	28,223	28,077
10,024	6,681	PORTWAY, S.A. loans	-	-
490	477	Suppliers - leasing	490	477
38,737	35,235		28,713	28,554

The loans have the following composition:

Contract	Interest rate	Amount owed Non-current 2016	Non-current 2015	Current 2016	Current 2015	Fair Value 2016	Fair Value 2015
BEI 97/98							
A+B	Fixed	0	2,696	2,696	2,678	2,680	5,289
	Floating	0	499	499	499	499	998
C+D	Fixed	3,905	7,724	3,820	3,737	7,733	11,325
	Floating	1,039	2,078	1,039	1,039	2,078	3,117
E+F	Fixed	3,741	4,988	1,247	1,247	4,804	5,822
	Floating	3,741	4,988	1,247	1,247	4,988	6,235
BEI 02	Fixed	10,211	11,466	1,255	1,210	11,438	12,170
	Revisable fixed	38,500	44,000	5,500	5,500	42,044	45,683
BEI 02	Floating + fixed spread	16,875	18,750	1,875	1,875	18,750	20,625
	Revisable fixed	16,875	18,750	1,875	1,875	18,540	19,877
BEI 09	Floating + fixed revisable spread	56,571	60,000	3,429	3,429	60,000	63,429
BEI 98/2000 - 2.	Floating	48,633	52,374	3,741	3,741	52,374	56,115
Bonds 2013/2022	Floating	100,000	100,000	-	-	100,000	100,000
Bonds 2013/2022	Floating	732,200	732,200	-	-	732,200	732,200
Credit Line	Floating	500,000	500,000	-	-	500,000	500,000
		1,532,291	1,560,513	28,223	28,077	1,558,128	1,582,885

No new loans were taken out in 2016 nor were any extraordinary debt servicing repayments made beyond those already scheduled. Capital repayments for the loans taken out with the EIB totalled 28 million euros.

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 2016, 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.

2016	First repayment	Last repayment	Interest rate	Interest payment period	Average interest rate (%)
ANA, S.A. Loans					
BEI 97/98					
A+B	15-09-2003	15-09-2017	Fixed	Tranche A - Quarterly	3.09%
			Fixed	Tranches B2 and 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	Fixed	Tranche F - Annual	2.36%
			Floating	Tranche E - Quarterly	0.39%
BEI 02					
A+B	15-09-2009	15-09-2024	Revisable fixed	Tranche A1 - Annual	0.85%
			Revisable fixed	Tranches A2, A3, A4 and B1 - Annual	2.07%
			Fixed	Tranche B2 - Annual	4.25%
C	15-09-2011	15-09-2026	Floating + fixed spread	Tranche C1 - Quarterly	0.67%
			Revisable fixed	Tranche C2 - Annual	1.74%
BEI 09	15-12-2013	15-06-2034	Floating + fixed revisable spread	Tranche D1 -Semiannual	0.71%
				Tranche D2 - Semiannual	0.44%
BEI 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%

2015	First repayment	Last repayment	Interest rate	Interest payment period	Average interest rate (%)
ANA, S.A. Loans					
BEI 97/98					
A+B	15-09-2003	15-09-2017	Fixed	Tranche A - Quarterly	3.10%
			Fixed	Tranches B2 and B3 - Annual	2.00%
			Floating	Quarterly	0.61%
C+D1+D2	15-06-2007	15-06-2018	Fixed	Annual	3.01%
					2.71%
D3	15-06-2007	15-06-2018	Floating	Quarterly	0.65%
E+F	15-12-2009	15-12-2020	Fixed	Annual	2.32%
			Floating	Quarterly	0.65%
BEI 02					
A+B	15-09-2009	15-09-2024	Revisable fixed	Tranche A1 - Annual	2.43%
				Tranches A2, A3, A4 and B1- Annual	2.07%
			Fixed	Tranche B2 - Annual	4.25%
C	15-09-2011	15-09-2026	Floating + fixed spread	Tranche C1 - Quarterly	0.93%
			Revisable fixed	Tranche C2 - Annual	1.74%
BEI 09	15-12-2013	15-06-2034	Floating + fixed revisable spread	Semiannual	0.93%
					2.08%
BEI 98/2000 - 2.	15-03-2011	15-03-2020	Floating	Quarterly	0.65%
Bonds 2013/2022	bullet	31-07-2022	Floating	Semiannual	4.87%
Bonds 2013/2022	bullet	31-07-2022	Floating	Semiannual	4.87%
Credit Line	bullet	31-07-2022	Floating	Semiannual	4.85%

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 31.12.2016	Covenant	Limit	Covenant 31.12.2016
ANA, S.A.	EIB Financing Contracts	451,989	228,313	**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	0.21
				EBITDA / Consolidated Net Financial Costs	> 4x	107.80
				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 cure;

(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 this covenant 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 2016, 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 2016 are as follows:

	First Instalment	Last Instalment	Interest rate	Periodicity
Leasing - ANA, S.A.				
	2013	2017	Fixed	Quarterly
	2014	2017	Fixed	Quarterly
	2014	2018	Fixed	Quarterly
	2015	2018	Fixed	Quarterly
	2015	2019	Fixed	Quarterly
	2016	2019	Fixed	Quarterly
	2016	2020	Fixed	Quarterly
	2017	2020	Fixed	Quarterly

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

ANA, S.A. 2016	ANA, S.A. 2015		ANA Group 2016	ANA Group 2015
		Property acquired through leasing		
1,032	1,169	Administrative equipment	1,032	1,169
		Future minimum payments		
527	524	Up 1 year	527	524
563	724	From 1 year to 5 years	563	724
		Interest		
37	48	Up 1 year	37	48
21	32	From 1 year to 5 years	21	32
		Present value of minimum payments		
490	477	Up 1 year	490	477
542	692	From 1 year to 5 years	542	692

26. DERIVATIVE FINANCIAL LIABILITIES

	2016		2015	
	Notional	Fair Value	Notional	Fair Value
Designated as cash flow coverage				
Interest rate swap	30,000	(3,344)	30,000	(3,547)
Total derivatives	30,000	(3,344)	30,000	(3,547)

At 31 December 2016 the ANA Group had contracted a derivative financial instrument with a notional of 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
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 movement in the year was as follows:

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

	Fair Value	Impact in net results		Impact in equity	Fair Value
	2014	Interest Paid	Interest costs		2015
Coverage	(4.238)	789	(789)	691	(3.547)

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 item changed in the following way:

Provisions for risks and charges	2016				
	Opening Balance	Increase	Reversal	Used	Closing Balance
ANA, S.A.	4,461	945	(947)	(1)	4,458
ANA Group	4,773	1,178	(1,112)	(114)	4,724

Provisions for risks and charges	2015				
	Opening Balance	Increase	Reversal	Used	Closing Balance
ANA, S.A.	1,279	3,286	(47)	(57)	4,461
ANA Group	1,802	3,387	(336)	(81)	4,772

In 2016, there was no significant change, when compared to 2015.

28. PAYABLES AND OTHER LIABILITIES – NON-CURRENT

ANA, S.A.			ANA Group	
2016	2015		2016	2015
2,164	2,414	Deferred income	2,164	2,414
18,357	19,877	Investment subsidies	18,357	19,877
65,462	68,451	Contractual liabilities	65,462	68,451
3,802	3,352	Guarantees provided by third parties	4,001	3,542
89,785	94,094		89,984	94,284

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 regularisation of the impact of the financial effect of the liability's discount. The contractual liabilities are recorded at its present value.

Guarantees extended by third parties include: guarantees extended by clients as surety (around 3,148 thousand euros), required depending on the assessed level of risk and guarantees provided by investment suppliers (around 853 thousand euros), realised by means of withholdings on the payments made, required where no bank guarantee or surety 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.			ANA Group	
2016	2015		2016	2015
18,582	8,683	Suppliers	19,714	8,851
16,649	17,530	Investment suppliers	16,650	17,531
		State and other public entities		
1,115	1,409	Tax withheld from third parties	1,425	1,722
1,272	1,249	Social expenses	2,048	1,992
3,828	2,075	Other taxes	3,828	2,166
2,543	719	Other creditors	4,692	2,533
		Accrued costs		
10,187	9,631	Personnel costs	17,531	15,488
20,036	21,263	Interest payable	20,035	21,263
15,522	15,296	External supplies and services	15,152	14,898
18,444	16,521	Contractual liabilities	18,444	16,521
22,013	29,848	Other accrued costs	22,995	31,069
7,059	6,563	Deferred earnings (advanced receipts)	6,353	5,857
2,977	3,309	Investment subsidies	2,977	3,309
140,227	**134,096**		**151,844**	**143,200**

The other taxes item includes VAT for the month of November and December, to be paid in January and February 2017 respectively.

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

ANA, S.A.			ANA Group	
	25,504	**Balance as of 1 January 2015**		**25,504**
20,037		Non-current	20,037	
5,467		Current	5,467	
	1,563	Subsidies granted in the period		1,563
	(3,881)	Transfers to earnings in the year		(3,881)
	23,186	**Balance as of 31 December 2015**		**23,186**
19,877		Non-current	19,877	
3,309		Current	3,309	
	1,457	Subsidies granted in the period		1,457
	(3,309)	Transfers to earnings in the year		(3,309)
	21,334	**Balance as of 31 December 2016**		**21,334**
18,357		Non-current	18,357	
2,977		Current	2,977	

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

ANA, S.A.			ANA Group	
	115,543	**Balance as of 1 January 2015**		**115,543**
86,012		Non-current	86,012	
29,531		Current	29,531	
	(10,262)	Year movement		(10,262)
	916	Reclassification		916
	(21,225)	Use in the period		(21,225)
	84,972	**Balance as of 31 December 2015**		**84,972**
68,451		Non-current	68,451	
16,521		Current	16,521	
	7,271	Year movement		7,271
	(8,337)	Use in the period		(8,337)
	83,906	**Balance as of 31 December 2016**		**83,906**
65,462		Non-current	65,462	
18,444		Current	18,444	

30. REVENUE

ANA, S.A.			ANA Group	
2016	2015		2016	2015
333,171	281,294	Traffic	333,171	281,296
102,238	85,647	Operation	102,236	85,645
63,261	56,486	Security charges and PRM	63,261	56,486
33,665	30,316	Occupancy	30,191	26,838
25,304	22,787	Handling	81,344	75,758
24,490	21,655	Parking facilities	23,896	21,075
13,650	11,426	Other commercial activities	13,343	11,801
6,824	6,005	Equipment	5,360	4,750
4,134	3,927	Advertising	4,134	3,927
1,650	1,600	Sales of goods	878	753
608,387	521,143		657,814	568,329
36,631	19,114	Construction contracts (concession)	36,631	19,114
2,729	3,227	Other earnings	830	1,365
647,747	**543,484**		**695,275**	**588,808**

The construction services revenue recognised for the period was 36,631 thousand euros.

Construction contract 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 amount carried in the traffic item for 2016 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 2016, the Group spent a total of 23,289 thousand euros on incentives.

31. GOODS SOLD AND MATERIALS CONSUMED

ANA, S.A.		ANA Group		
Total	Movements	Goods	Consumable materials	Total
	2016			
329	Inventories - opening balance	670	272	942
1,764	Purchases	2,745	169	2,914
2	Inventory adjustments	(13)	0	(13)
320	Inventories – closing balance	761	263	1,024
1,775	Costs in the financial year	2,641	178	2,819
	2015			
316	Inventories - opening balance	632	257	889
1,764	Purchases	2,481	214	2,695
4	Inventory adjustments	40	1	42
329	Inventories – closing balance	670	272	942
1,755	Costs in the financial year	2,483	201	2,684

32. EXTERNAL SUPPLIES AND SERVICES

ANA, S.A.			ANA Group	
2016	2015		2016	2015
35,606	18,232	Construction contracts costs	35,606	18,232
32,179	31,229	Subcontracts	20,665	20,367
25,747	25,812	Surveillance and security	26,073	26,151
19,762	17,953	Repairs and maintenance	20,007	18,179
17,500	17,652	Water, electricity and fuel	17,623	17,747
11,551	11,408	Specialised work	12,341	12,111
6,973	6,721	Cleaning	7,235	6,938
6,607	(11,348)	Contractual liabilities	6,607	(11,348)
1,759	1,705	Rental costs	2,304	2,029
1,712	1,840	Insurance	1,984	2,070
1,240	1,137	Advertising	1,248	1,152
725	951	Travel	868	1,135
724	772	Communications	773	822
16,000	13,620	Other external supplies and services	17,459	14,829
178,085	**137,684**		**170,793**	**130,414**

The change in construction contract costs is largely explained by the investment in the enlargement and remodelling of the terminal at Faro Airport and the expansion of runway 03-21 at Lisbon Airport.

The other external supplies and services item includes the technical and management services that the shareholder provides to the ANA Group.

33. PERSONNEL EXPENSES

ANA, S.A.			ANA Group	
2016	2015		2016	2015
54,163	54,745	Salaries	89,386	89,283
12,283	12,527	Charges on remunerations	19,953	20,019
1,655	3,806	Incentives/ indemnities	1,655	3,806
1,545	1,491	Pensions	1,545	1,491
3,266	3,239	Other costs	10,456	8,938
72,912	**75,808**		**122,995**	**123,537**

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.

34. OTHER INCOME

ANA, S.A.			ANA Group	
2016	2015		2016	2015
38	19	Gains on tangible assets	38	24
478	926	Other unspecified income	479	986
516	**945**		**517**	**1,010**

35. OTHER EXPENSES

ANA, S.A. 2016	ANA, S.A. 2015		ANA Group 2016	ANA Group 2015
1,431	78	Bad Debts	1,431	78
737	1,124	Incentives	737	1,124
474	972	Donations	475	974
431	355	Taxes	430	366
330	305	Bank service costs	394	366
155	153	Contributions to business/ Professional	169	170
166	4,802	Other costs	306	4,912
3,724	**7,789**		**3,942**	**7,990**

The change in the bad debts item is mainly accounted for by the closure of an insolvency process.

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

The other costs item in 2015 is mostly explained by the Municipal Tourist Tax paid to the Lisbon City Council, as required by Regulation no. 569-A/2014, of 30 December, a situation that did not occur in 2016.

36. AMORTISATIONS AND DEPRECIATIONS

ANA, S.A. 2016	ANA, S.A. 2015		ANA Group 2016	ANA Group 2015
98,620	109,620	Amortisations/ Depreciations in the financial year	99,633	110,965
265	5	Write-offs of fixed assets	265	6
98,885	109,625		99,898	110,971

37. COST OF GROSS FINANCIAL DEBT

ANA, S.A. 2016	ANA, S.A. 2015		ANA Group 2016	ANA Group 2015
(49,414)	(71,846)	Interests on bank loans	(49,414)	(71,846)
(709)	(778)	Income from swaps	(709)	(778)
(202)	(531)	Stamp duty on bank loans	(202)	(531)
(51)	(71)	Interests on financial leasing	(51)	(78)
-	41	Commissions on guarantees	-	41
(50,376)	**(73,185)**		**(50,376)**	**(73,192)**

The fall in interest is largely the result of the 50-million-euro partial repayment of the bond loan in October 2015 and the reduction in the spread charged on loans from VINCI, S.A., which came into effect on 31 July 2015.

38. SHARE IN THE RESULTS OF ASSOCIATES AND OTHERS

ANA, S.A. 2016	ANA, S.A. 2015		ANA Group 2016	ANA Group 2015
1,932	4,207	Dividends received (Portway)	-	-
7	14	Dividends received (Futuro)	7	14
1,939	**4,221**		**7**	**14**

39. OTHER FINANCIAL RESULTS

ANA, S.A. 2016	ANA, S.A. 2015		ANA Group 2016	ANA Group 2015
		Expenses		
(664)	(1,087)	Financial effect of contractual liabilities	(664)	(1,087)
(4)	(11)	Foreign exchange losses	(10)	(24)
(2)	(27)	Interests paid	(2)	(19)
(353)	(349)	Other	(353)	(349)
		Income		
2,135	490	Interest received	2,135	490
13	3	Foreign exchange gains	19	10
-	6	Other financial gains	-	6
1,125	**(975)**		**1,125**	**(973)**

The increase seen in 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. 2016	ANA, S.A. 2015		ANA Group 2016	ANA Group 2015
73,979	37,224	Current tax	74,463	38,022
(4,615)	2,407	Deferred tax	(4,536)	2,287
148	(673)	Over/ Under estimation/ Restitution	148	(684)
69,512	**38,958**		**70,075**	**39,625**

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

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%

2015	ANA	PORTWAY	Adjustment in consolidation	ANA Group
Current tax				
Tax for the year	37,224	798	-	38,022
(Over)/ Under estimation/ Restitution	(673)	(11)	-	(684)
Deferred tax	2,407	(120)	-	2,287
Tax expenditure	38,958	667	-	39,625
Results before income tax	142,388	2,588	(4,182)	140,794
Rate of taxation	28.61%	24.04%	28.61%	-
	40,735	622	(1,196)	40,161
Permanent differences	(1,003)	(6)	1,196	187
Diference in tax rate	(308)	7	-	(301)
Deduction of tax losses	-	-	-	-
Tax benefits - SIFIDE	(170)	-	-	(170)
Autonomous rate	377	55	-	432
(Over)/ Under estimation/ Restitution	(673)	(11)	-	(684)
Income tax	38,958	667	-	39,625
Effective tax rate	27.36%	25.77%	-	28.14%

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	
2016	2015		2016	2015
168,412	103,430	Net profit of the period	168,097	101,169
40,000	40,000	Number of shares	40,000	40,000
		Net profit per share in euros		
4.21	2.59	Basic earnings	4.20	2.53
4.21	2.59	Diluted earnings	4.20	2.53

42. DIVIDENDS

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	
2016	2015		2016	2015
153,124	110,117	Contracts signed and in progress	153,178	110,127

An amount of 5,809 thousand euros in 2016 and 4,052 thousand euros in 2015 was added to the above amounts for ANA, S.A., related to service provision contracts signed with Portway, S.A..

The commitments undertaken item includes 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	
2016	2015		2016	2015
445	357	Up 1 year	468	367
625	211	Between 1 and 5 years	656	211

44. GUARANTEES PROVIDED

ANA, S.A.			ANA Group	
2016	2015		2016	2015
50,654	50,773	Bank guarantees	51,947	52,066
492	492	Surety insurance	492	492
51,146	**51,265**		**52,439**	**52,558**

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

ANA, S.A. 2016	ANA, S.A. 2015		ANA Group 2016	ANA Group 2015
50,000	50,000	Compliance guarantee - Concession contract	50,000	50,000
605	724	Corporate Income Tax	605	724
492	492	Expropriation lawsuits	492	492
-	-	Customs licensed warehouses management	1,286	1,293
49	49	Others	56	49
51,146	**51,265**		**52,439**	**52,558**

As regards the compliance guarantee of the concession contract and as set out in point 28.1 of the concession contract, 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 of 119 million euros, taken out to cover potential corporate income tax liabilities, was cancelled in 2016.

The sum of 605 million euros carried as guarantee for potential corporate income tax liabilities relates to a process that the company settled on 14 December 2016, by paying the tax in question (under the terms of the PERES programme). This guarantee should be cancelled in due course.

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 2016, the fourth year of economic regulation, indicates that there is a negative difference, which should be recovered in future periods (2018 or later), in the amount of € 7.8 million euros. The recognition period and amount will largely depend on future developments in the aviation market.

At 31 December 2016, 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 2016, which is not expected to result in responsibilities for the Group, can be summed up as follows:

ANA, S.A. 2016	ANA, S.A. 2015		ANA Group 2016	ANA Group 2015
1,831	2,683	Labour suits	1,933	2,709
264	615	Expropriation suits	264	615
7,278	7,538	Public procurement suits	7,278	7,538
(5,344)	(5,265)	Counterclaims related with public procurement suits	(5,344)	(5,265)
311	311	Litigation against traffic duties application	311	311
63	63	Litigation on handling rates	63	63
280	-	Administrative offence proceeding	280	-
377	174	Other liabilities	377	262

The litigation for public procurement item includes an amount of 6,627 thousand euros, relating to counterclaims, which amounted to 5,344 thousand euros in 2016.

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 Airports
- VINCI Concessions
- VINCI Assurances
- Sotécnica, S.A.
- Sotécnica Açores, Unipessoal, Lda.
- Cegelec
- Eurovia Beton GMBH
- TG Concept

Board of Directors:

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

ANA, S.A.			ANA Group	
2016	2015		2016	2015
1,245	1,067	Remunerations	1,404	1,275

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).

The balances with related parties are as follows:

Company	Account	2016	2015
Balances			
VINCI Concessions	Costs accrual	1	1
VINCI Concessions	Clients	1	1
VINCI Airports International, S.A.	Loans	1,332,200	1,332,200
VINCI Airports International, S.A.	Cash pooling	149,750	137,825
VINCI Airports International, S.A.	Costs accrual - Interests	19,414	20,504
VINCI Airports International, S.A.	Income accrual - interests	-	30
VINCI Airports International, S.A.	Costs accrual	120	-
VINCI Airports	Costs accrual	946	10,755
VINCI Airports	Suppliers	11,773	74
VINCI Airports	Clients	47	41
Grupo Sotécnica - Sotécnica Açores	Suppliers	2	-
Grupo Sotécnica - Sotécnica	Clients	3	2
Grupo Sotécnica - Sotécnica	Suppliers	582	724
Grupo Sotécnica - Sotécnica	Assets suppliers	146	150
Grupo Sotécnica - Sotécnica	Guarantees provided	8	48
Grupo Sotécnica - Sotécnica	Advance to suppliers	-	221
Grupo Sotécnica - Sotécnica	Costs accrual	424	272
Grupo Sotécnica - Cegelec	Suppliers	-	205
Grupo Sotécnica - Cegelec	Advance to suppliers	27	100
Grupo Sotécnica - Cegelec	Costs accrual	31	3
TG Concept	Suppliers	24	-

The transactions with related parties are as follows:

Company	Account	2016	2015
Transactions			
VINCI Concessions	Other expenses	353	350
VINCI Assurances	External supplies and services	975	938
VINCI Airports International, S.A.	Costs of financing	46,499	67,483
VINCI Airports International, S.A.	Other financial results	107	63
VINCI Airports International, S.A.	External supplies and services	120	-
VINCI Airports	Income	87	38
VINCI Airports	External supplies and services	12,748	10,702
VINCI Airports	Personnel expenses	185	127
Grupo Sotécnica - Sotécnica Açores	External supplies and services	2	-
Grupo Sotécnica - Sotécnica	External supplies and services	3,193	2,599
Grupo Sotécnica - Sotécnica	Income	15	9
Grupo Sotécnica - Sotécnica	Fixed assets	2,958	819
Grupo Sotécnica - Cegelec	External supplies and services	112	129
Grupo Sotécnica - Cegelec	Fixed assets	328	425
Eurovia Beton GMBH	External supplies and services	24	-
TG Concept	External supplies and services	24	-

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 29 march 2017. 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

____

Janete Hing Lee

Board of Directors

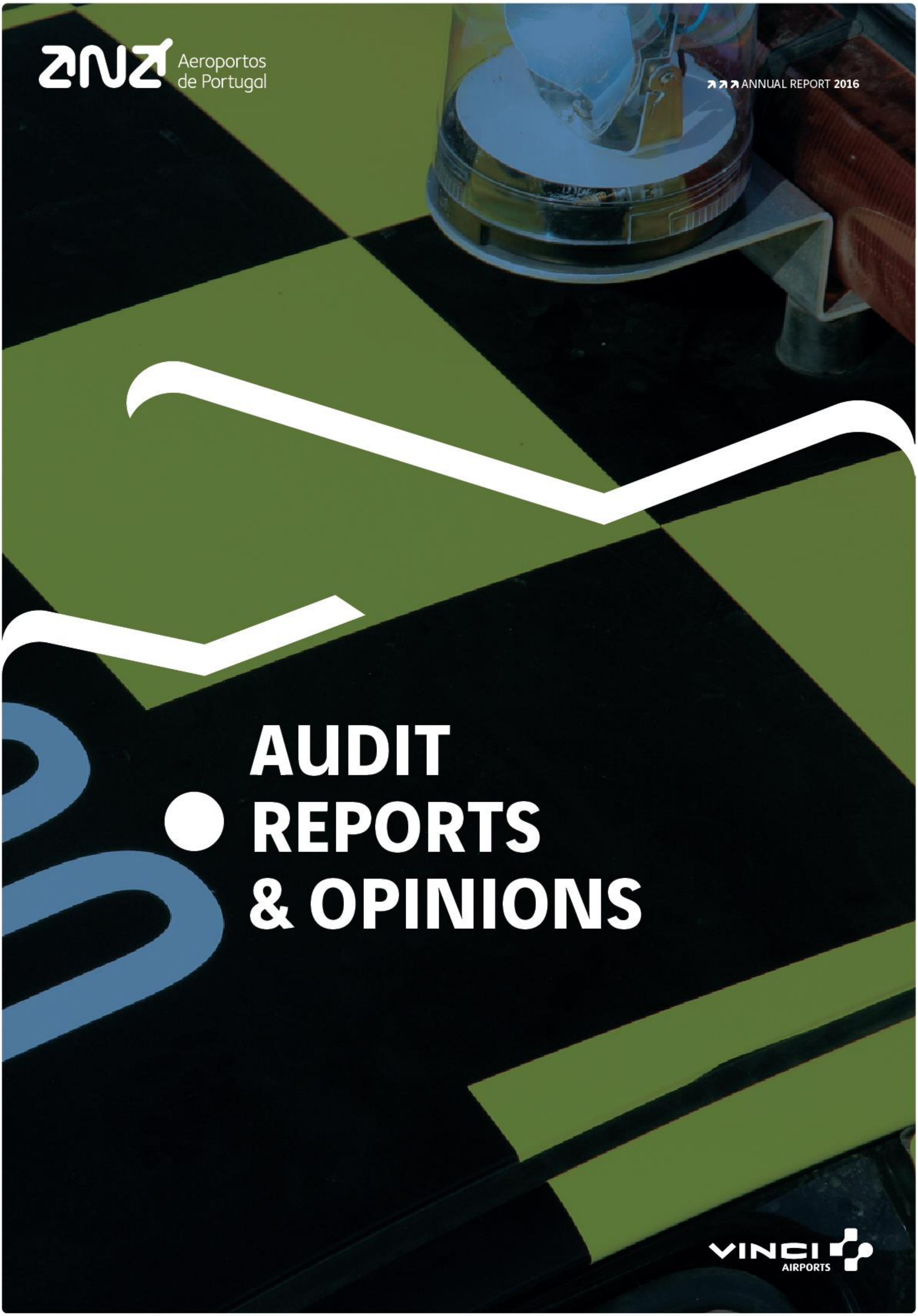
Chairman:

____

Jorge Manuel da Mota Ponce de Leão

Members of the Board:

________________________________	________________________________
Nicolas Dominique Notebaert	Jean-Luc Bernard Marie Pommier
________________________________	________________________________
Olivier Patrick Jacques Mathieu	Pascale Frédérique Thouy Albert-Lebrun
________________________________	________________________________
Tanguy André Marie Bertolus	François Jean Amossé
________________________________	________________________________
Thierry Franck Dominique Ligonnière	António dos Santos Morgado



Aeroportos de Portugal

AUDIT REPORTS & OPINIONS

VINCI AIRPORTS

SUPERVISORY BOARD

REPORT AND OPINION OF THE SUPERVISORY BOARD ON THE MANAGEMENT REPORT AND THE 2016 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 Companies Act 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 2016.

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 it relevant matters resulting from the work we have performed.

The Supervisory Board had also several meetings in order to analyze and issue the respective reports on operations and decisions taken by the Board of Directors that have been submitted to the shareholders approval, in accordance with the Portuguese Companies Code.

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 KPMG 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 2016, which showed a turnover of approximately €658 million, excluding construction works (IFRIC 12) and incentive discounts in respect of air traffic, representing a growth of 15.7% compared to 2015 corresponding to a total volume of 44 million passengers which compares to 39 million in 2015.

The group's EBITDA totaled €384 568 thousand, which represents an increase of 19.3% compared to 2015 and a net profit of €168 097 thousand compared to a net profit of €101 169 in 2015.

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 2016 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.

Finally 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, KPMG, for their collaboration and support in carrying out our work.

Lisbon, 30 March, 2017

THE SUPERVISORY BOARD

Dr. Jacques dos Santos - President

Dr. José Vitorino – Member

Dr. William Woolston - Member

KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A.
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STATUTORY AUDITOR'S REPORT

(This report is a free translation to English from the original Portuguese version. In case of doubt or misinterpretation the Portuguese version will prevail.)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of **ANA – Aeroportos de Portugal, S.A.** (the Entity), which comprise the statement of financial position as at 31 December 2016 (showing total assets of 2,361,709 thousands of euros and total equity of 511,377 thousands of euros, including a profit for the year of 168,412 thousands of euros), the income statement by natures, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the accompanying notes to the financial statements that include a summary of the significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **ANA – Aeroportos de Portugal, S.A.** as at 31 December 2016 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA) and further technical and ethical standards and guidelines issued by the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"). Our responsibilities under those standards are further described under "Auditor's responsibilities for the audit of the financial statements" section below. We are independent of the Entity in accordance with the law and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics for Professional Accountants of the Portuguese Institute of Statutory Auditors.

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

KPMG & Associados – Sociedade de Revisores Oficiais de Contas, S.A., a Portuguese company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

KPMG & Associados - S.R.O.C., S.A.
Capital Social: 3.916.000 Euros - Pessoa Colectiva Nº PT 502 161 078 - Inscrito na O.R.O.C. Nº 189 - Inscrito na C.M.V.M. Nº 20161489
Matriculada na Conservatória do registo Comercial de Lisboa sob o Nº PT 502 161 078

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for:

- the preparation of financial statements that give a true and fair view of financial position, the financial performance and the cash flows of the Entity, in accordance with the International Financial Reporting Standards as adopted by the European Union;
- the preparation of the management report in accordance with the applicable legal and regulatory requirements;
- the implementation and maintenance of an appropriate internal control system to enable the preparation of the financial statements that are free from material misstatement whether due to fraud or error;
- the adoption of accounting policies and criteria adequate to the circumstances; and,
- the assessment of the Entity's ability to continue as a going concern, disclosing, as applicable, matters that may cast significant doubt on the going concern of the operations.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements whether due to fraud or error, and to issue a report comprising 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 taken by users on the basis of these financial statements.

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

- identify and assess the risks of material misstatement of the 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'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'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 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 auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern;

— evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and,

— communicate with those charged with governance, among other matters, the scope and planned timing of the audit, and significant audit findings including any significant deficiency in internal control identified during our audit.

Our responsibility also includes the verification of the consistency of the information included in the management report with the financial statements.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

About the management report

In compliance with article 451, nr. 3, e) of the Portuguese Companies Code, we are of the opinion that the management report has been prepared in accordance with the applicable legal and regulatory requirements, the information contained therein is consistent with the audited financial statements and, taking into account the knowledge and assessment of the Entity, we have not identified material inaccuracies.

29 march 2017

SIGNED ON THE ORIGINAL

KPMG & Associados -
Sociedade de Revisores Oficiais de Contas, S.A. (nr. 189)
represented by
João Paulo da Silva Pratas (ROC nr. 965)

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STATUTORY AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

(This report is a free translation to English from the original Portuguese version. In case of doubt or misinterpretation the Portuguese version will prevail.)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of **ANA – Aeroportos de Portugal, S.A.** (the Entity), which comprise the consolidated statement of financial position as at 31 December 2016 (showing total assets of 2,367,542 thousands of euros and total equity of 515,325 thousands of euros, including a profit for the year of 168,097 thousands of euros), the consolidated income statement by natures, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the accompanying notes to the financial statements that include a summary of the significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of **ANA – Aeroportos de Portugal, S.A.** as at 31 December 2016 and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA) and further technical and ethical standards and guidelines issued by the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"). Our responsibilities under those standards are further described under "Auditor's responsibilities for the audit of the consolidated financial statements" section below. We are independent of the entities included in the Group in accordance with the law and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics for Professional Accountants of the Portuguese Institute of Statutory Auditors.

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

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for:

— the preparation of consolidated financial statements that give a true and fair view of financial position, the financial performance and the cash flows of the Group, in accordance with the International Financial Reporting Standards as adopted by the European Union;

— the preparation of the management report in accordance with the applicable legal and regulatory requirements;

— the implementation and maintenance of an appropriate internal control system to enable the preparation of the consolidated financial statements that are free from material misstatement whether due to fraud or error;

— the adoption of accounting policies and criteria adequate to the circumstances; and,

— the assessment of the Group's ability to continue as a going concern, disclosing, as applicable, matters that may cast significant doubt on the going concern of the operations.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor´s responsibilities for the audit of the consolidated financial statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatements whether due to fraud or error, and to issue a report comprising 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 taken by users on the basis of these financial statements.

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

— identify and assess the risks of material misstatement of the 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 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 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 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

— evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the 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 financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion; and,

— communicate with those charged with governance, among other matters, the scope and planned timing of the audit, and significant audit findings including any significant deficiency in internal control identified during our audit.

Our responsibility also includes the verification of the consistency of the information included in the management report with the consolidated financial statements.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

About the management report

In compliance with article 451, nr. 3, e) of the Portuguese Companies Code, we are of the opinion that the management report has been prepared in accordance with the applicable legal and regulatory requirements, the information contained therein is consistent with the audited consolidated financial statements and, taking into account the knowledge and assessment of the Entity, we have not identified material inaccuracies.

29 March 2017

SIGNED ON THE ORIGINAL

KPMG & Associados -
Sociedade de Revisores Oficiais de Contas, S.A. (nr. 189)
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Aeroportos de Portugal

2016
ANNUAL REPORT

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