

2020 MANAGEMENT REPORT





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Governing Bodies

Board of Directors

Manuel Rebelo Teixeira de Melo Ramos - *Chairman*
Manuel Eduardo Henriques de Andrade Lamego – *Member**
Manuel de Sousa Pereira – *Member**
João Adolfo de Brito Portela – *Member*
José António Labarra Blanco – *Member*
José María Ojeda Ruiz de Luna - *Member*
Manuel António Garcia de Matos – *Member*
Maria Esther Ayuso Gil – *Member*

* Managing Director

General Meeting

Alexandre Cabral Corte-Real de Albuquerque - Chairman of the General Meeting
Tiago Severim de Melo Alves dos Santos - Secretary

Supervisory Board

Joaquim Oliveira de Jesus – Chairman
Fernando Marques Oliveira – Member
Pedro Miguel Pereira Manso – Member
João António Martins de Sousa e Moura – Alternate
Pedro Manuel Palma Monteiro Varela – Alternate

External Auditor

Deloitte & Associados, SROC S.A.,
Represented by Luís Miguel Baptista da Costa, ROC no. 1602
Alternate:
João Carlos Henriques Gomes Ferreira, ROC no. 1129



Changes in Governing Bodies

On 28 May 2020, the Board of Directors resolved to co-opt José Maria Ojeda Ruiz de Luna as a member to fill the vacancy resulting from the resignation of its member Maria Esther Ayuso Gil.

By unanimous written resolution, on 11 November 2020, the shareholders resolved to appoint Maria Esther Ayuso Gil as a member of the Board of Directors to fill the vacancy resulting from the resignation of its member Jose Ramon Ballesteros Martinez. By the same means and on the same date, in order to fill the vacancy resulting from the resignation of its member Luís Rua Geraldes, the shareholders resolved to appoint Manuel Rebelo Teixeira de Melo Ramos, who was also appointed as Chairman of the Board of Directors, to replace Manuel Eduardo Henriques de Andrade Lamego, who became a member of the Board of Directors.

The co-option of the member of the Board of Directors José Maria Ojeda Ruiz de Luna, previously effected by the Board of Directors on 28 May, was similarly ratified.



Introduction

The COVID-19 pandemic was, in all respects, the event that dominated AEA – Auto-Estradas do Atlântico’s business in 2020, with an unprecedented negative impact on the Company.

The measures taken in respect of employees, the organisation of operations and the containment of costs enabled AEA to fully meet its contractual and financial obligations, as well as its obligations to its suppliers. Particular attention is being paid to the health and protection of our employees.

In this context, our results were naturally affected, AEA having taken immediate action to adjust its operations to this new situation, showing great resilience in a particularly challenging environment.

Macroeconomic Background

2020 was marked by the COVID-19 pandemic and the measures taken to fight it. The governments of the vast majority of countries imposed more or less stringent lockdowns and restrictions on the free movement of people and the free exercise of economic activities, which forced many businesses to operate at a reduced capacity or even to shut down.

This had a major impact on economic activity and the global economy.

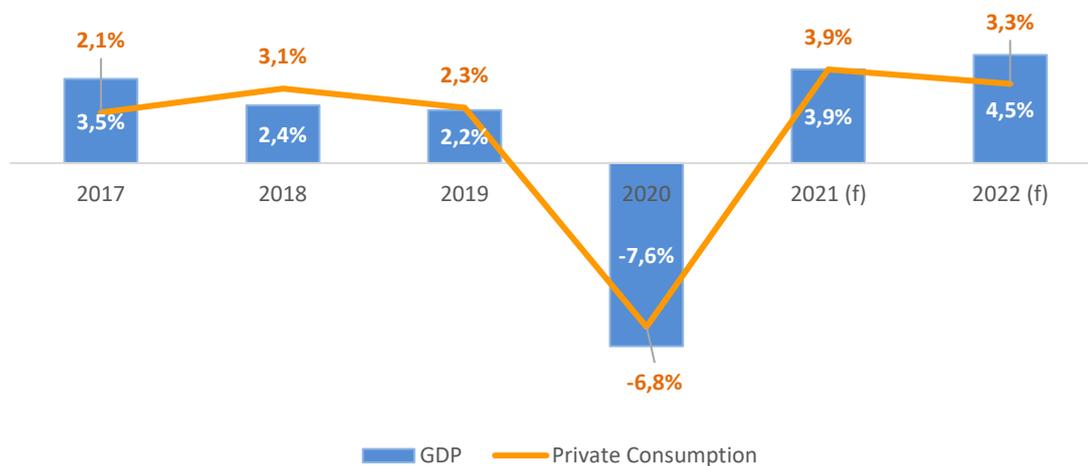
In Portugal, on 18 March, the Government decreed a state of emergency, severely restricting people’s mobility by means of a full lockdown for the entire population, which persisted until the beginning of May, was imposed again on 4 November and is currently still in effect. During these periods, as well as the rest of the year, people’s mobility was constrained by the pandemic and the measures decreed, such as mandatory teleworking, prohibition on circulation between counties during certain periods or obligatory curfew, among others.



Against this background, the key macroeconomic indicators for AEA's business experienced a major contraction, Gross Domestic Product (GDP) having fallen by 7.6% in 2020 (compared to a growth of 2.5% in 2019), private consumption having fallen by 5.9% in 2020 (compared to a growth of 2.6% in 2019) and the Harmonised Consumer Price Index (HCPI) having remained unchanged (compared to an increase of 0.3% in 2019). Domestic demand weighed heavily and adversely in the annual variance in GDP (-4.7%), chiefly due to the contraction of private consumption. Net foreign demand also weighed adversely (-3.0%), with sharp reductions in exports and imports of goods and services, among which the unprecedented decrease in tourism stands out.

For 2021, economic activity is expected to recover as the year progresses. According to its latest Bulletin disclosed, the Bank of Portugal expects Portuguese GDP to grow by 3.9% in 2021 and 4.5% in 2022. Private consumption is expected to grow by 3.9% in 2021 and 3.3% in 2022. The HCPI is expected to return to 0.3% in 2021 and reach 0.9% in 2022.

Evolution of GDP and private consumption in Portugal (2017-2022f)



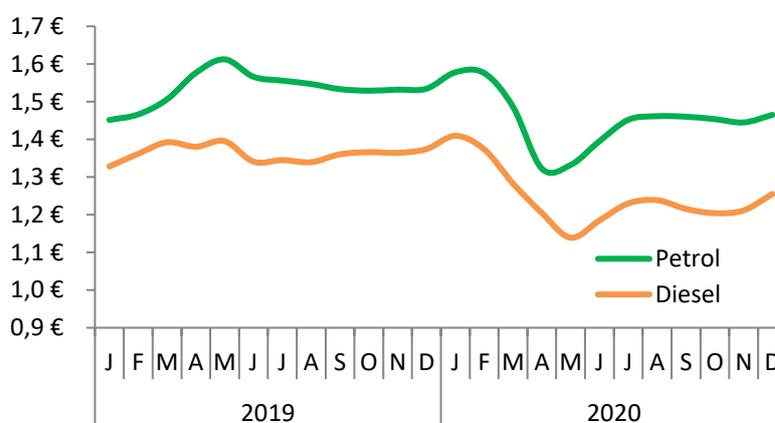
Source: Bank of Portugal



ROAD FUELS

In 2020, the annual average sales price of diesel in Portugal fell by 8.6% compared to the preceding year. Petrol prices also fell, albeit to a lesser extent (-5.4%).

Monthly evolution of the sales price of road fuels in Portugal



Annual average sales price of road fuels in Portugal, 2019-2020

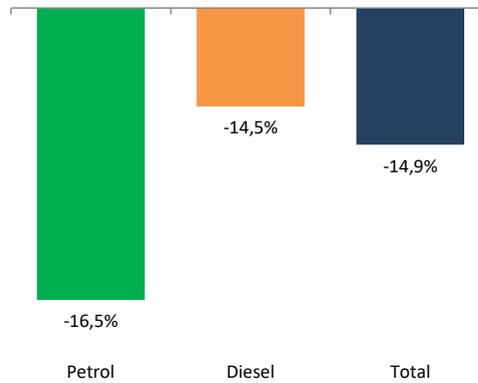
	2019	2020	Change
Petrol	€1.53	1.45 €	-5.4%
Diesel	€1.36	1.25 €	-8.6%

Source: DGEG, Direção Geral de Energia e Geologia

Against the macroeconomic background described above, fuel sales volumes fell by 14.9%, with a more pronounced contraction in petrol sales (-16.5%).



Road fuel sales, Portugal, 2019-2020

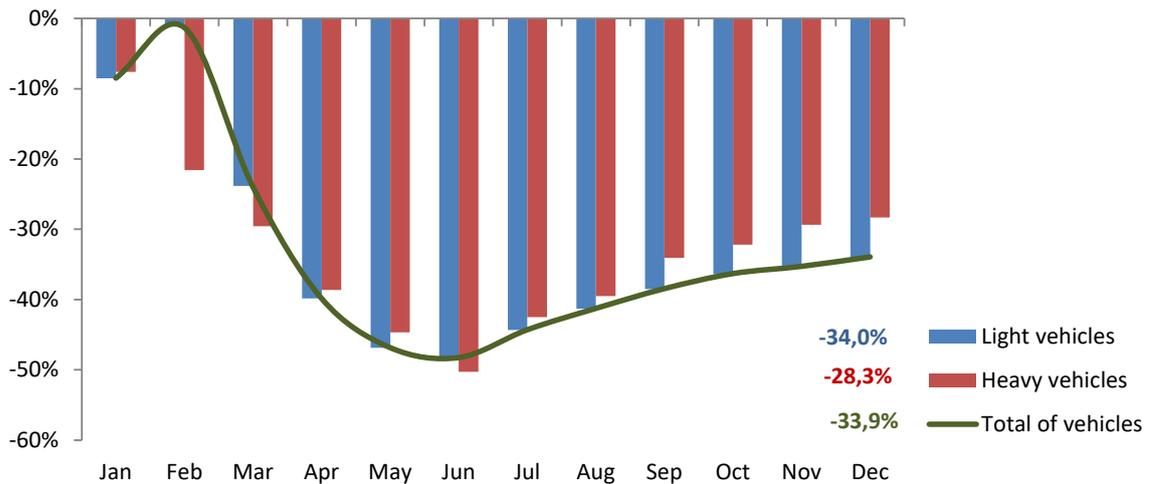


Source: DGEG, Direção Geral de Energia e Geologia

CAR MARKET

Approximately 177 thousand vehicles were sold in Portugal in 2020, which corresponds to a reduction of 33.9% compared to 2019.

Accumulated monthly evolution of new car sales, Portugal, 2019-2020





Characterisation of the Concession

The corporate objects of Auto-Estradas do Atlântico – Concessões Rodoviárias de Portugal, S.A. (AEA) are the design, construction, financing, operation and maintenance of motorways and other roadways in western Portugal, comprising the A8 – the Western Motorway between Olival de Basto (Lisbon) and Leiria South and the A15 – the Arnóia – Santarém Motorway, totalling 170km.

The network is fully built and in operation, its concession ending in December 2028.

	Length (in km)				
	Total	Profile		Tolls	
		2x2	2x3	with	without
A8 – Lisbon - Leiria	129.8	73.7	56.1	103.8	26.0
A15 – Arnóia – Santarém	40.2	40.2		40.2	
Length of the network	170.0	113.9	56.1	144.0	26.0

Business Activity

Traffic

The cycle of reduction in traffic between 2010 and 2013 having ended, a growth period of six uninterrupted years began, which made it possible in 2018 to achieve the levels of traffic reached in 2009, 2019 having still been a year of consolidation of this growth.

2020 also started with a positive trend, traffic having increased in January and February compared to the same months in 2019. However, with the start of the pandemic in Portugal, this trend reversed abruptly from March onwards, traffic haven fallen sharply in 2020.



AUTO-ESTRADAS DO ATLÂNTICO - CONCESSÕES RODOVIÁRIAS DE PORTUGAL, S.A.
NOTES TO THE FINANCIAL STATEMENTS AS AT 31 December 2020
(Amounts in euros)

Annual average daily traffic (AADT) on the tolled network fell by 23.8% compared to 2019. Given that 2020 was a leap year, circulation on the network fell marginally less because of the additional day.

Tolled stretches	2018	2019	2020	Δ % 2020/2019
A8 (South)				
- Annual Average Daily Traffic	29 637	30 981	23 554	-23.97%
- Circulation	590	617	470	-23.76%
A8 (North)				
- Annual Average Daily Traffic	12 013	12 772	9 454	-25.98%
- Circulation	216	230	170	-25.90%
A8 (Total)				
- Annual Average Daily Traffic	21 275	22 342	16 864	-24.52%
- Circulation	806	847	641	-24.34%
A15				
- Annual Average Daily Traffic	4 797	4 991	4 221	-15.43%
- Circulation	70	73	62	-14.87%
Total tolled network				
- Annual Average Daily Traffic	16 674	17 496	13 333	-23.79%
- Circulation	877	920	703	-23.59%

AADT – Annual Average Daily Traffic
Circulation - $(\sum \text{vehicles} \times \text{km} \times \text{days of operation})/10^6$

The subsystem with the highest variance continued to be the A8 (North), with 26.0% less. By motorway, traffic on the A8 fell by 24.5%, having fallen by 15.4% on the A15.

AADT on the tolled network reached 13 333 vehicles in 2020, with a daily average use of 4 163 fewer vehicles compared to 2019.

Light vehicles, which represent 94.8% of total vehicles, fell by 24.7%. Heavy vehicles, which weigh 5.2%, fell significantly less (-3.5%), given that critical economic activities continued to operate. This evolution caused heavy vehicles to marginally increase their weight by 1.1 percentage points.



Accidents

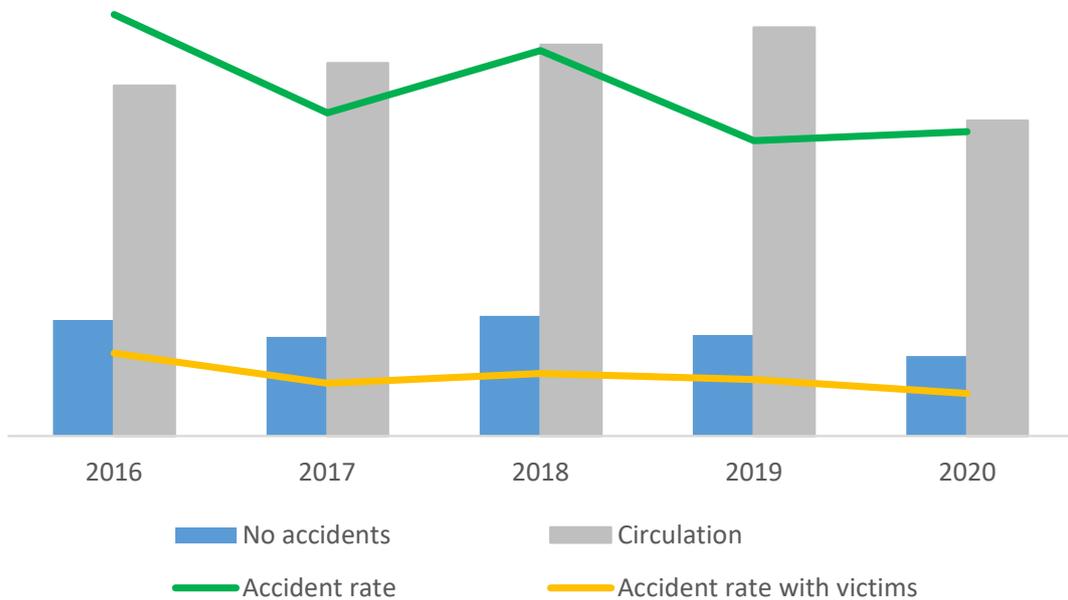
Accident indicators performed well overall during 2020, the trend witnessed in 2019 persisting for most indicators.

However, in spite of the absolute reduction in the number of accidents, the strong reduction in circulation in the network resulting from the COVID-19 pandemic and the measures taken resulted in a slight increase (+2.5%) in the accident rate.

AEA devotes continual attention and efforts to accident-related issues. These efforts were rewarded by a decrease of 20% in the number of accidents in 2020 (249) compared to 2019 (315), which, naturally, was also due to the behaviour of drivers.

In 2020, one fatality is, sadly, to be regretted.

	2017	2018	2019	2020
Number of accidents ⁽¹⁾	309	375	315	249
Number of fatalities	1	2	0	1
Number of severely injured persons	13	9	12	8
Accidents with minor injuries	86	104	103	68
Accidents with severe injuries	12	6	9	8
Accidents with fatalities	1	2	0	1
Total accidents with victims ⁽²⁾	99	112	112	77
Accident rate ^{(1)/(3)}	265.9	307.4	247.2	253.4
Accident rate with victims ^{(2)/(3)}	85.2	91.8	87.9	78.4
Total circulation on the network (10⁹vehicles x km) ⁽³⁾	1.162	1.220	1.274	0.983



The rate of accidents with bodily injuries in 2020 was in line with the decreasing trend in the accident rate witnessed in 2019, having fallen by 10.8%.

No black spot was identified on the network in 2020.

Service Areas

In 2020, the reversion processes pertaining to the Torres Vedras (GALP) and Óbidos (CEPSA) service areas, whose agreements expire on 31 December 2021, were initiated.



Capital Expenditure

(in euros)

	2016	2017	2018	2019	2020
Signage and safety equipment	148 773	352 315	219 017	63 838	205 363
Tolling equipment	287 231	371 481	178 425	180 854	194 120
Other equipment	231 819	99 093	85 814	509 170	407 939
<i>Equipment</i>	<i>667 823</i>	<i>822 890</i>	<i>483 257</i>	<i>753 863</i>	<i>807 421</i>
Structures and similar works					26 720
Work in progress - studies and designs				14 670	113 964
Pavement (*)	684 347	4 970 141	3 480 182	2 134 177	446 778
Total	1 352 171	5 793 032	3 963 439	2 902 709	1 394 883

(*) In accounting terms, this is classified as current costs, through provisions (IFRIC 12).

The conditions prevailing since March 2020 led to a slowdown in investment, without ever putting in risk the safety of and in the infrastructure or priority actions, in line with our contractual obligations.

AEA continued to renovate its toll collection support equipment and its technological infrastructure security equipment, in which the Cybersecurity Project stands out and is progressing as planned.

Signage and safety equipment continued to be subject to continual and ongoing actions.

The redesign of the public illumination network was initiated, guided not only by a strong sustainability and environmental component, but also by operational and economic streamlining of the network management.

Improvement works were executed on the pavement of some areas of the CRIL/Loures stretch, on the A8, and structural reinforcement works were executed in a few areas of the pavement of the A15.



Conservation and Maintenance

As planned, the annual pavement inspection campaign (deflection, attrition, texture and longitudinal distortion) along the entire length of the network under concession, including interchanges with the road network, was performed. We also ensured the monitoring and follow-up of motorway slopes using appropriate equipment.

Following inspections of structures on the A8 South, certain maintenance works were identified and executed.

The current pavement and horizontal signage conservation activities were performed, some non-current conservation and maintenance works having also been executed, among which the reinforcement of vertical signage gantries and the restoration of 8 hydraulic passages stand out.

Environment

The Agência Portuguesa do Ambiente (the Portuguese Environment Agency) approved the A8 Noise Action Plan, following its public consultation.



Human Resources

At the end of 2020, AEA had 152 employees, 2 fewer than at the end of 2019, as a result of one unilateral termination and one mutually agreed termination of the respective employment contracts.

	2018	2019	2020
Registered office	38	36	36
Operational Centre	31	31	31
Tolls	91	87	85
Men	112	108	106
Women	48	46	46
Staff	160	154	152
Average age	46.4	47.2	48.2
Absenteeism	4.8%	5.0%	4.8%

The overall absenteeism rate remained comparatively stable, having fallen slightly. The remunerated absenteeism rate rose significantly (from 0.46% to 0.68%), as a result of absences related to COVID-19, which, in accordance with the legislation enacted, companies had to treat as justified, and thus remunerated, leave.

Collective Bargaining

In an extremely complex environment and after a quite difficult negotiation process, it was possible to reach an agreement for the annual review of the Collective Bargaining Agreement (entered into by and between AEA and the Sindicato da Construção, Obras Públicas e Serviços – SETACCOP (the Construction, Public Works and Services Union)).



Performance

In the context of the annual performance appraisal process, 137 employees were appraised and, as a result, 20 employees were promoted.

Training

COVID-19 caused the suspension or postponement of all face-to-face training, this area having also been severely impacted. Still, in 2020, 1 367 hours of training were given, which represented 19 000 euros in direct and indirect costs.

Occupational Health and Safety

The COVID-19 pandemic implied a significant increase in investment in this area. The definition of contingency plans and new operation protocols led to the massive acquisition of personal protection equipment and other consumables in order to ensure the safety of our employees.

We executed a cooperation protocol with a laboratory, which performed more than 40 PCR-based diagnostic tests. In 2020, only 2 employees tested positive for COVID-19.

In the field of occupational health, 147 occupational health consultations were given, 133 sets of laboratory tests were performed and 100 flu vaccines were supplied. Face-to-face curative medicine was cancelled in March 2020 as a result of the COVID-19 pandemic, but the possibility of remotely obtaining medical prescriptions was maintained. Still, 23 face-to-face general medicine consultations took place.

Professional risk assessments in all the Company's facilities were performed by means of external audits.



Internal Social Accountability

AEA's social accountability towards its employees and their families is essentially grounded on two pillars:

- health, meaning occupational health policies that far exceed the Company's legal obligations (e.g. flu vaccines, curative medicine, laboratory tests, ancillary diagnostic tests) and health insurance for all its employees;
- family, meaning life insurance and personal accident insurance for all its employees and health insurance for all employees' children from and including the second child;
- in 2020, in addition to the preventive measures implemented in the workplace, the Company privileged telework whenever possible, and extended to its employees' relatives the possibility of being tested for the SARS-COV-2 virus.

Although the traditional Christmas Party for the children of AEA employees could not be held, gifts were still given to children under 13 years of age.

Information Systems

The year 2020, marked by the pandemic, created challenges for the Information Systems Division, notably the need the Company had to resort to teleworking. Several activities were performed with a view to ensuring the continuity of operations, the security of our infrastructure and support to all employees.

Networks and systems

The Cybersecurity Project progressed. The completion of the technical design of the solution, the installation and configuration of the new network equipment in toll plazas and the



preparation of the test phase should be highlighted. With regard to security, a new firewall solution was implemented. These technological developments in terms of hardware and software enabled us to significantly increase the level of security of our infrastructure.

In 2020, fixed and mobile communications were migrated to a new operator, which included replacement of the analogical switchboard with a cloud-based VoIP solution.

Applications and databases

Attention was paid to the applicational and database component, new releases having been installed and new functionalities made available, not only in the field of telematics and toll collection, but also in various business and management support systems.

Telematics and tolling equipment

In the field of telematics and tolling, the programme to replace critical collection system equipment (servers, aerials, UPS and batteries) proceeded. Investments in telematics were postponed as a consequence of the pandemic. The project to migrate the bank card payment system from an off-line system to an on-line system, including the possibility of contactless payments, proceeded in 2020 and its certification stage with SIBS commenced at the end of the year.

APCAP Activities

Participating actively in the Associação Portuguesa de Concessionárias de Autoestradas e Pontes (APCAP), AEA monitored the MedTIS, ArcAtlantic and C-Roads European Programmes, as well as the cross-border toll collection programmes.



AEA continued to ensure its representation on this Association's various technical committees.

Quality Management System

AEA once more secured its certification under the Quality Management System (QMS), the usual internal audits pertaining to this quality system having been performed.

Economic and Financial Analysis

Operating Income

Toll tariffs were not updated on 1 January 2020, pursuant to the Concession Agreement, because the year-on-year change in inflation was negative.

The decrease in traffic caused toll income to fall by 22.1% compared to the preceding year.

(in thousand euros)

Operating revenues	2018	2019	2020	Δ% 2020-2019
Tolls	70 119,11	74 133,26	57 737,04	-22,1%
Assistance to clients	8,38	7,70	5,46	-29,0%
Service areas	1 372,59	2 373,36	2 319,98	-2,2%
Total	71 500,08	76 514,32	60 062,49	-21,5%

The turnover of service areas fell 29% compared to 2019, chiefly as a result of the reduction in consumption stemming from the decrease in traffic and the restrictions imposed by the Government to address the pandemic.



Via Verde, with 80.5%, continued to be the most popular means of payment with clients, followed by Multibanco (10.8%). Cash payment was the third most used means of payment (8.6%).

The use of automated means of payment (Via Verde) rose again, from 78.4% in 2019 to 80.2% in 2020 (76.7%, 74.8% and 73.1% in 2018, 2017 and 2016, respectively).

Payment methods in the manual lane continue to lose significance, having stood at 19.5% in 2020 (21.6% in 2019, 23.3%, in 2018, 26.9% in 2017 and 25.2% in 2016).

(in thousand euros)

Means of payment	Amount	%
Via Verde	46 491,10	80,5%
- Contracts	46 324,18	80,2%
- Invoices	166,93	0,3%
Manual lanes	11 245,94	19,5%
- Cash	4 953,93	8,6%
- Multibanco	6 210,90	10,8%
- Invoices	67,32	0,1%
- Other	13,78	0,0%
Total	57 737,04	100,00%

Operating Costs

Operating costs reached 15 918 thousand euros, representing a reduction of 14.4%. This reduction resulted chiefly from outsourcing agreements (-13.78%) and third-party supplies and services (-25.49%). In outsourcing agreements, transaction costs fell as a result of the reduction in traffic. In third-party supplies and services, after the increase in conservation and maintenance costs, notably in respect of slopes, drainage and structures, in 2019, the increase in this type of investment was halted in 2020.