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Annual Report 2007

Metropolitano de Lisboa

Table of contents

1. The Company's mission, goals and policies

Mission

Metropolitano de Lisboa (ML) mission is to provide Collective Public Transportation Service, as a subway system, according to principles of economical and financial rationality and social and environmental efficiency.

Company Goals and Policies

- Suitably anticipate and respond to market demands and customer expectations, with:
  a) capacity, quality and reliability improvement in provided service;
  b) timely accomplishment and development of the Network within the principles of economical and financial rationality.

- Provide the service assuring social, economical, financial and environmental sustainability, with:
  a) operational cost rationalisation;
  b) energy efficiency and environmental sustainability improvement;
  c) customer and mobility promotion focused management.

- Contribute for the sustainable development of the transportation system in the Lisbon Metropolitan Area (AML):
  a) promoting solutions for a more efficient public transportation system management;
  b) promoting an adequate collaboration with other collective transportation systems:
    - bringing out a better operational planning;
    - a better tariff balance;
    - definition of policies for a resource and method intertwined management;
    - joint promotion of Collective Transportation.

2. Chairman's statement

2007 was the consolidation year for Metropolitano de Lisboa activity.

Only the fulfilment of some projects that, due to different setbacks waited their opportunity to be carried out, made this consolidation come true.
Thus, the operation of the line section between Baixa-Chiado and Santa Apolónia was started; the physical and electronic close of the network has began; an electronic multimodal support system for the use of different public transportation operators was introduced; negotiations with the workers' unions for the revision of the company's agreement have begun, having in mind a new and more efficient model of labour organization with benefits, both for the company and for all the workers; a first financing (still insufficient) has been obtained for the creation of a Pension Fund in the amount of 20 million euros – after 36 years of impasses and hesitations; the analytical accounting structure has been concluded, enabling a separate and rigorous statement of the operation management costs and of the network infrastructure management costs. Also, it was possible to begin the construction works of the line section Gare do Oriente / Aeroporto, in the Red line – after a several months setback, while waiting for the judicial decision regarding the protective order lodged by one of the competing consortiums, and finally won by Metropolitano de Lisboa; the launch of competitive biddings for the reconstruction of Cais das Colunas (conclusion estimated for November 2008) and the construction of the square between the different public transport operators in Cais do Sodré.

Metropolitano de Lisboa has assured a quality service – as stated by the customer satisfaction studies carried out by an independent agent. Its negative operational deficit has been improved by 13%, 37% overall in the last 2 years, excluded the restructuring costs. The standard EBITDA (without restructuring costs related with early retirement of about 2% of the workers) has reached 29 negative million euros, the best value of the last 13 years.

Between 2007 and the present year, the reduction of total staff by early retirement and mutual agreement reached 7%, returning an important and structural operational benefit, assured by the restructure of some services of the company to be carried out during 2007, 2008 and the first quarter of 2009.

It is important mentioning that the restructuring costs, to have impact along 2008, are the result of the present context, not to be repeated in the future.

Thus, the operating revenue obtained is based on the reduction in the operating costs, resulting from the control with staff costs and the rigorous control of costs with supplies and external services, which recorded a reduction of 2.5% in nominal terms, as well as from the substantial 9% increase in the return from transport titles, as a result of the network closure. The increase of 6%, to reach 23 million euros, in the operational subsidy awarded by the Portuguese State to the Metropolitano de Lisboa, has also been a key factor to this result.

Even not taking into account the costs with the undertaken restructure, the operating improvement attains 5.4%.

The debt level has grown 4.8%, as a result of the operating deficit, the investment and, above all, of the charges with the interest bearing bank liabilities.

However, debt management model turned possible to restrain the interest and debt servicing value. As to this subject, it is worth mentioning that the management of the remunerated liabilities by means of the derivative market attained savings of 83.9 million euros in the last 2 years, 58.6 millions of which in 2007 alone.

Despite this cycle of interest rate increase of about 19% in longer term yields, the charges with debt interest rates have remained mostly unchanged.

The public transportation service provided by Metropolitano is known as having high quality standards, and aiming at future improvements, within realistic economical costs, compatible with the well known economical and financial restrictions.

The present fuel price increase environment should be an opportunity for most public transport operators to strengthen their position throughout the mobility axels of the city, thus contributing for a healthier and sustainable economical, social and environmental re-balancing of the regions served.

Metropolitano de Lisboa is committed to grant solutions for this goal.

One word of gratitude is addressed to the always attentive and open collaboration of the Audit Committee, the external auditors and the Statutory Auditor.

Finally, our gratitude to the Metropolitano workers who could understand the importance the provision of a quality passenger transport service with larger efficiency, and have put all their dedication and devotion in the accomplishment of their functions and duties, definitely concurring to the results obtained.

Public transportation is a key factor in the management model of the cities being the Metropolitano de Lisboa a central system within the city of Lisbon.

Our clients and the city deserve it.

Joaquim Reis

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3. Members of the corporate bodies

3.1 Members of the corporate bodies and their duties

Management Board

Appointed by Cabinet Resolution no. 101/2006, of November 2nd, for a 3 year mandate:

Functions and responsibilities of the Members:

Chairman (CEO)

Mr. Joaquim Reis
- ML's Institutional Representative
- Safety Executive
- General Administration and Communication
- Economy and Finance
- Studies, Planning, Budget and Management Control (on the budget and management control areas)
- Information Systems and Technology
- Audit
- Subsidiaries: Chairman of the BD of Ferconsult, S.A.; Chairman of the BD of Metrocom, S.A.; Chairman of the General Meeting of Ensitrans, A.E.I.E.; Member of the Board of Trem, A.C.E. e Member of the Board of Trem II, A.C.E.

Member of the Board

Mr. Morais Correia
- Infrastructure Management
- Project Management, Network Expansion and Modernization Works
- Studies, Planning, Budget and Management Control (on the work project and management side)
- Subsidiaries: Member of the Board of Ferconsult, S.A.; Member of the Board of Ensitrans, A.E.I.E.; Member of the Board of SOTRANS, S.A.

Member of the Board

Mr. Jorge Jacob
- Commercial Operation
- Industrial Operation
- Studies, Planning, Budget and Management Control (on the expansion and commercial side)
- Development of the Strategic and Operational Marketing
- Artistic and Historical Heritage, jointly with the MB/Mr. Pedro Bogas
- Subsidiaries: Member of the Board of Publimetro, S.A.; Chairman of the General Meeting of Metrocom, S.A.

Member of the Board

Mr. Pedro Bogas
- Human Resources
- Legal and Litigation
- Artistic and Historical Heritage, jointly with the MB/Mr. Jorge Jacob
- Subsidiaries: Member of the Board of Publimetro, S.A.; Chairman of the General Meeting of Ferconsult, S.A.; Chairman of the General Meeting of Sotrans, S.A.

Member of the Board

Mr. Miguel Roquette
- Ombudsman
- Assistant to the CEO institutional function regarding the relations with Lisbon Municipality
- Subsidiaries: Chairman of the General Meeting of Publimetro, S.A; Chairman of the General Meeting of Gil, S.A.

Audit

Appointed by Joint Order from the Secretary of State for Treasury and Finance and the Secretary of State for Transports of October 26th 1998, for a renewable 3 year period:

Chairman
Mr. Renato Campos

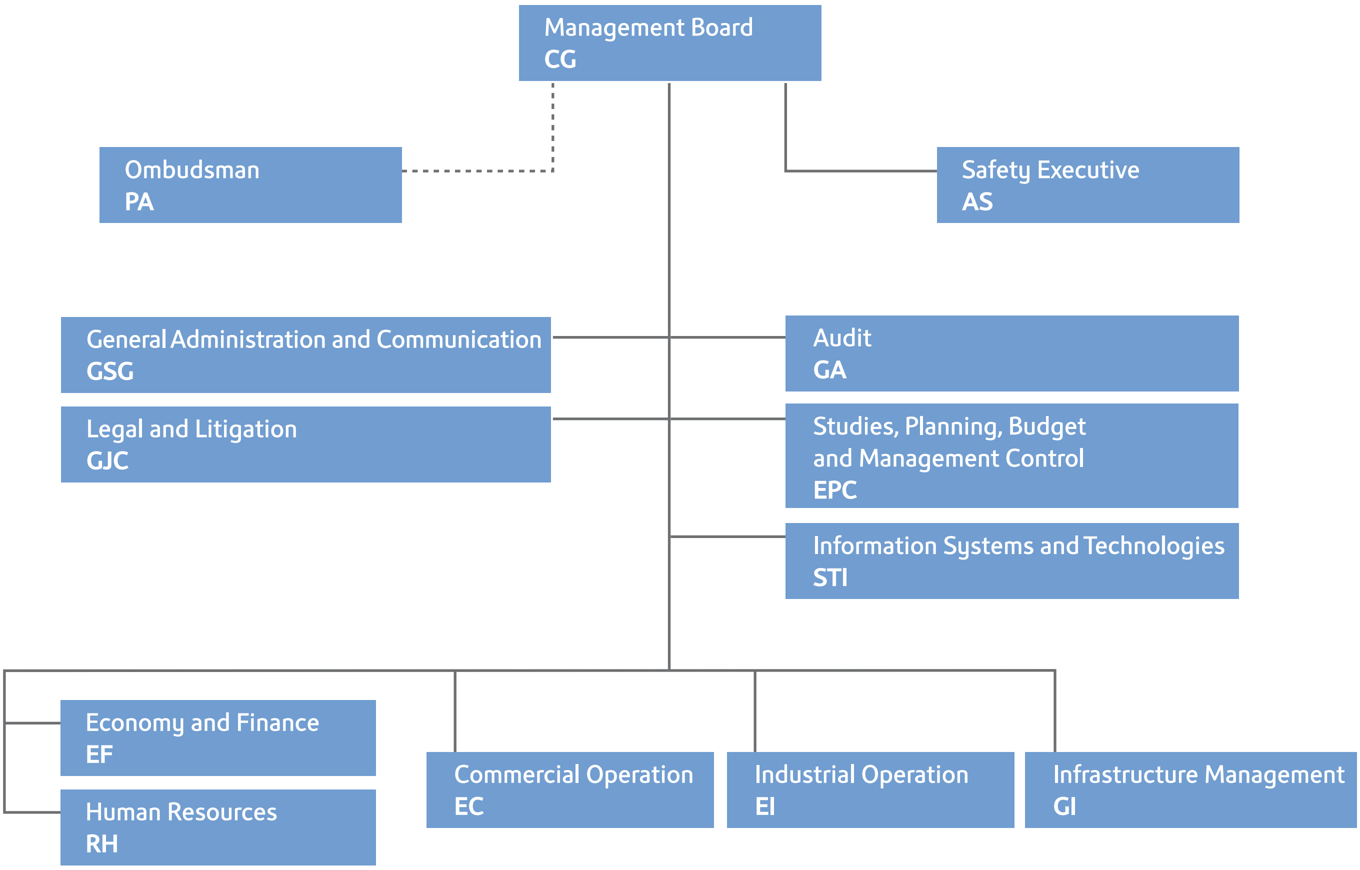
Member
Mr. Evaristo Branquinho

Member
Caiano Pereira, António and José Reimão, SROC
Represented by:
Mr. José Martins Reimão [1]

[1] By Dispatch no. 192/08-SETF of the Secretary of State for the Treasury and Finance of March 18th, the firm Caiano Pereira, António e José Reimão, SROC is thereafter represented by Mr. Luís Caiano Pereira.

Organization structure

Although the Company's flowchart has been kept unchanged, new directors were appointed to the areas of Infrastructure Management and Safety Executive, in June and September 2007 respectively.



Safety Executive	Mr. Armando Silva Neves
Commercial Operation	Mr. Pedro Machado Vazão de Almeida
Infrastructure Management	Mr. João Afonso Monteiro Correia
Industrial Operation	Mr. José Osvaldo Bagarrão
Economy and Finance	Mr. José Maria Ferreira de Melo
Human Resources	Mrs. Maria Paula Ferreira Freitas Martins Caçador
General Administration and Communication	Mr. António José Pinto Mendes Mourão
Legal and Litigation	Mr. Nuno Mariano Agostinho Soares
Studies, Planning, Budget and Management Control	Mr. Luís Filipe Pereira Melo de Almeida
Audit	Mr. José António Carballo Sequeira
Information Systems and Technologies	Mr. Carlos José Duarte Rocha
Ombudsman [2]	Mr. Guilherme da Palma Carlos

[2] Autonomous body with its own status.

3.2 Remuneration paid to the members of corporate bodies

In 2007, the earned gross remunerations were as follows:

Management body remuneration plan – 2007
Calculation basis => Group A – Complexity level 1

Unit: €

	Joaquim Reis Chairman	Morais Correia Executive member	Jorge Jacob Executive member	Pedro Bogas Executive member	Miguel Roquette Executive member
1. Remuneration					
Basic salary	57,030.60	50,450.16	50,450.16	50,450.16	50,450.16
Business expenses [a]	19,960.68	15,135.00	15,135.00	15,135.00	15,135.00
Additional remuneration [b]	10,123.80	10,123.80	10,123.80	10,123.80	10,123.80
Holiday / Christmas subsidy	5,596.20	5,047.83	5,047.83	5,047.83	5,047.83
2. Other fringe benefits					
Maximum plafond for mobile telephone use	135 €/month	135 €/month	135 €/month	135 €/month	135 €/month
Average value for mobile telephone use	0.05 €/month	70 €/month	62 €/month	36 €/month	81 €/month
Renting – company vehicle [c]	12,098.40	9,534.29	6,531.02	7,571.75	--
Official vehicle purchased by the company [d]	--	--	--	--	40,323.00
Fuel costs with company vehicle	2,616.42	1,561.20	3,675.48	1,198.08	1,628.59
Business travel allowance (year 2007)	--	--	--	--	--
Meal subsidy	n.a.	n.a.	n.a.	n.a.	n.a.
3. Charges with social benefits					
Social Security – compulsive	16,648.68	15,017.26	--	15,017.26	15,017.26
Retirement complementary plans	no	no	no	no	no
Life insurances	no	no	no	no	no
Health insurances [e]	ML	ML	ML	ML	ML
Additional information					
Option for source salary	no	no	no	no	no
Social Security regime	Social Security	Social Security	CGA	Social Security	Social Security
Observance of no. 7 of RCM 155/2005	n.a.	n.a.	n.a.	n.a.	n.a.
Option for company vehicle acquisition	no	no	no	no	no
Beneficial right to official house	no	no	no	no	no
Exerc. remuneratory functions outside the group	--	--	--	--	--

Unit: €

	Renato Campos President	Evaristo Branquinho Member
Remuneration		
Basic salary	14,257.68	11,406.12
Business expenses	--	--
Additional remuneration	--	--
Holiday / Christmas subsidy	1,188.14	950.51
Other remunerations	--	--
Social Security Regime	--	Social Security
Social security – compulsive	--	3,160.48

(a) The subsidy for business expenses established by Ministry Dispatch corresponds to € 1,663.39 and € 1,261.25 month, respectively for the Chairman and for the Management Board members.
(b) 30% of the standard value established by dispatch no. 8035/2002 of March 26th (presently fixed in 2,812.16 €), which from that date on, results in 843.65 € month, arising from the fact that they also can hold management functions in the companies or bodies in which ML has social interests.
(c) The renting value includes the rent (+VAT at 21%) and annual insurance
(d) Vehicle acquired in the year 2000. The acquisition value of the vehicle includes VAT at 17%.
(e) General Company insurance – if they so desired, each MB member, can, at their own cost, extend monthly cover to family unit (46.60 € for the partner, 28.00 € per child under age, and 46.10 € per child over 18), similarly to all the staff.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4. Activity report

4.1 2007 Key aspects

Within the scope of the Public Transport promotion and the development of intermodality and of contactless ticketing, the following activities occurred in 2007:

- The closing of the Metro network from February 16th, except for Jardim Zoológico, Entre Campos and Restauradores stations, where the gates remained open to allow the free circulation of passengers bearing valid CP tickets, regular users of the Rossio's rail tunnel;
- The launching, in November, of the new multimodal ticket – "Zapping", loaded on the 7 Colinas and Viva Viagem cards, which in the firts stage may be used either in Metro or in Carris, being later extended to other operators;
- Entry into force, in January 2008, of Viva Viagem cards, which will gradually replace the 7 Colinas cards, and which will gradually be adopted by all operators of Lisbon area public transport, too;
- The disposal of all magnetic tickets, from February 2008, replaced by a contactless ticketing system with Lisboa Viva and Viva Viagem or 7 Colinas cards.

Human Resources:

- As the dispute, arisen in 2006, concerning the validity date of the two Company Agreements (AE) could not been solved, a formal denouncing of these agreements took place in September 2007, and the respective negotiation proposal was delivered to the unions;
- There was a significant reduction in the effective staff (– 9.7%), as a result of 86 exits of staff, 60 of them due to early retirement, against 29 entries;
- The lowest overtime work rate (+ 1.92%) recorded in the last decade was achieved.

New projects:

- On February 2nd, signature of the contract "Execution of the Carcase Works between Oriente and Aeroporto stations of the Red line";
- Opening of Alvalade station in October 2007;
- In November, approval by the Secretary of State for Transports of the Metro's Blue line extension to the CP Sintra Line (Reboleira) and subsequent launching, in January 2008, of the international bidding for the carcase works assignment/construction;
- On December 19th, opening of the Blue line extension Baixa-Chiado/Santa Apolónia.

Economy and Finance:

- A Net Loss for the year of m€ 144,222, about 1.9% lower than in 2006 was achieved, essentially explained by a 5.4% improvement in operating income and 4.2% of exceptional earnings;
- After the restructuring programme started in 2007 (and extended for 2008) to reduce the number of staff and deduction of other restructuring costs, standard EBITDA recorded m€ – 39,277 in 2006 against m€ – 29,310 in 2007, representing an increase of 25.4%;
- In 2007 there was also a significant reduction in Shareholder Equity recording m€ – 56,678, equivalent to – 9.39% of the Statutory Capital.

4.2 Service provided

4.2.1 Demand

In 2007, there was a reduction of 2.33% in the total number of transported passengers, as a result of the sharp drop in fraud levels (from 9.5% in 2006 to 4% from February 2007) and of passengers with free tickets, as a result of the network closure.

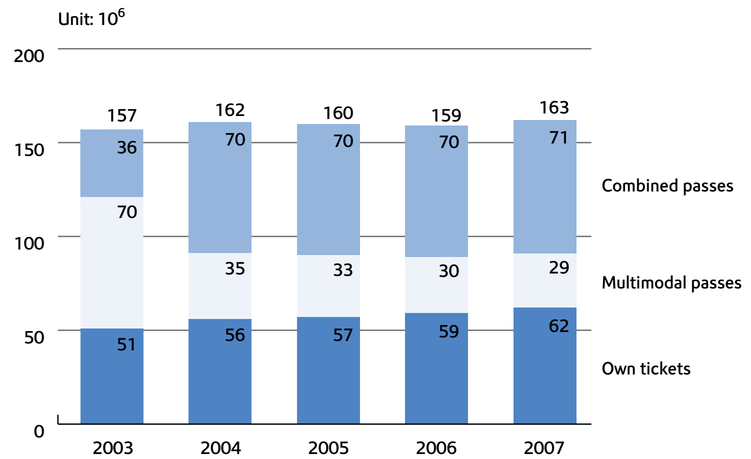
Unit: 10^3

	2003	2004	2005	2006	2007	Chg. % 2007/2006	Chg. % 2007/2003
Own tickets	50,863	56,175	57,132	58,528	62,351	6.53	22.59
Multimodal passes	70,086	35,288	32,589	30,384	29,309	-3.54	-58.18
Combined passes	35,577	70,123	70,414	69,904	71,100	1.71	99.85
Total paid tickets	156,526	161,587	160,135	158,816	162,759	2.48	3.98
Fraud and complementary tickets	19,603	18,064	25,309	25,159	16,928	-32.72	-13.64
Total	176,128	179,650	185,444	183,975	179,687	-2.33	2.02
Average trip per passenger (km)	4.20	4.46	4.65	4.65	4.65	0.00	10.71
Pass x km carried	739,739	801,210	862,313	855,484	835,545	-2.33	12.95

Passengers by type of ticket used

Contradicting the reduction trend in the total number of transported passengers, there was an increase in the number of passengers bearing paid tickets (+ 2.48%), namely the holders of ML tickets.

Trends in the number of passengers with paid tickets [3]



[3] The change stated in 2004, between multimodal and combined tickets, results from the change of the L pass, in its various forms, to Carris/Metro urban pass (L) – 30 days, classified as combined pass.

4.2.2 Traffic revenues

In order to simplify the existing pricing system, providing a better mobility and equity in the type of available tickets and prices, following tickets were created in 2007:

- Return ticket 2 zones;
- Travel units: valid in ML from July 2007 and subsequently extended to Carris with the launching of the "Zapping" ticket, in November;
- Ordinary 7 Colinas – 1 zone and 2 zones.

Trends in the main ticket rates

Unit: €

Tickets	2006 01/Jan	2006 01/Jul	2007 01/Jan
Metro tickets			
Ordinary – 1 zone	0.70	0.70	0.75
Ordinary – 2 zones	1.00	1.00	1.05
Ordinary 7 Colinas – 1 zone	--	--	0.70
Ordinary 7 Colinas – 2 zones	--	--	1.00
Return – 1 zone	1.30	1.30	1.35
Return – 2 zones	--	--	1.90
Ordinary 10 units – 1 zone	6.50	6.65	6.65
Ordinary 10 units – 2 zones	9.60	9.85	9.50
Metro season ticket			
30 days urban	17.00	17.45	17.80
30 days network	25.50	26.15	26.20
Combined passes with Carris			
Carris/Metro urban – 30 days	25.85	26.50	27.05
Carris/Metro network – 30 days	28.35	29.10	29.70
Multimodal passes			
L1	35.20	36.10	36.85
L12	42.35	43.45	44.35
L123	48.20	49.45	50.50

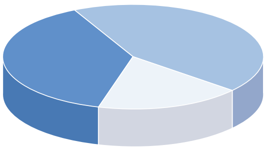
The creation of new tickets and the consequent increase in the transfer of passengers to higher value tickets, as well as the pricing update occurred in January, resulted in an increase in ticket revenue of 8.99%.

Unit: €

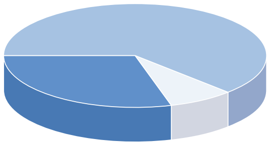
	Passengers			Revenues (*)			Revenue/Passenger		
Tickets	2007	2006	Chg. %	2007	2006	Chg. %	2007	2006	Chg. %
Own tickets	62,350,902	58,528,193	6.53	33,921,427	30,677,313	10.57	0.544	0.524	3.80
Multimodal passes	29,308,578	30,383,911	-3.54	4,358,954	4,301,449	1.34	0.149	0.142	5.05
Combined passes	71,099,589	69,903,852	1.71	16,307,570	15,104,337	7.97	0.229	0.216	6.15
Total with tickets paid	162,759,069	158,815,956	2.48	54,587,951	50,083,099	8.99	0.335	0.315	6.35

(*) Does not include the aquisition value of Lisboa Viva and 7 Colinas cards.

Percentage share of passengers by tickets



Percentage share of revenues by tickets



Despite the slight improvement in Metro and Carris combined tickets revenue in 2004, ML's shared revenue access on most combined and multimodal tickets remains heavily imbalanced and fails to reflect both the impact of the increased size of ML network and the results of June 2006 questionnaire about the use of passes.

4.2.3 Supply

Considering the demand levels recorded, there was an adjustment in the supply levels and some changes have been made in the operation model, namely:

- Blue line: in July, 3 carriage trains replaced some 6 carriage trains;
- Yellow line: from July 26th to November 23rd at 22:50, operation suspension due to works in progress.

Supply trends	2007	2006	Chg. %
Carriages x km (public service)			
Blue line	7,495,257	7,752,041	-3.31
Yellow line	7,552,865	7,576,799	-0.32
Green line	5,586,309	5,529,770	1.02
Red line	1,957,360	2,006,575	-2.45
Total	22,591,791	22,865,186	-1.20
Seats x km (10^3)			
Blue line	1,266,698	1,310,110	-3.31
Yellow line	1,276,434	1,280,479	-0.32
Green line	944,086	934,531	1.02
Red line	330,794	339,111	-2.45
Total	3,818,013	3,864,231	-1.20

Operating efficiency	2007	2006	Chg. %
Trips (public service)			
Blue line	130,072	129,324	0.58
Yellow line	124,316	123,374	0.76
Green line	156,919	156,395	0.34
Red line	129,455	130,705	-0.96
Network (total)	540,762	539,798	0.18
Carriages x km performance rate (%)			
Blue line	99.23	98.21	1.04
Yellow line	99.28	98.65	0.64
Green line	98.76	97.56	1.23
Red line	99.55	98.93	0.63
In the network	99.15	98.27	0.90
Trips performance rate (%)			
Blue line	99.12	98.18	0.96
Yellow line	99.32	98.74	0.59
Green line	98.89	98.21	0.69
Red line	99.55	98.94	0.62
In the network	99.18	98.50	0.69

4.2.4 Communication and image

For the second consecutive year, Customer's Satisfaction Index (CSI) studies show that ML clients acknowledge an every day effort and are more and more satisfied with the quality of the provided service.

Also, as regards the ECSI – European Customer Satisfaction Index – and when compared with the other sector players operating in AML, Metropolitano was first place for the second consecutive year in 2006.

Aiming at a service quality improvement and a better customer support, there was:

- In July, the start up of the new SAP R/3 "Customer Management" application, to obtain more efficient information flux, both internally and in the external links to the SIIT and ticketing systems.
- The transfer of the Customer Bureau from Alameda to Terreiro do Paço does, when this segment became operational.

Included in the Mobility Week, ML together with the other Lisbon public transport operators signed, under OTLIS [4], the first partnership agreements with companies in the entertainment and culture sectors (Lusomundo Cinemas, S.A. and Jardim Zoológico), thus making a premium package for Lisboa Viva card bearers.

4.3 Social responsibility

4.3.1 Environmental dimension

In May, Metropolitano de Lisboa subscribed the "Charter for a Sustainable Development", thus becoming the first Portuguese Public Transport operator to have a place in the list of subscribers of this charter.

This is an initiative promoted by the UITP, presently gathering 120 worldwide participants, bound to adopt the social, economical and environmental principles of the sustainable development, as a measurable strategic organisational goal.

Under this context, the Company will start the implementation of an Environmental Management System (SGA), based on the NP EN ISO 14001:2004 standards, aiming at a continuous and gradual management of the environmental aspects, in order to obtain the Environmental Certification of the whole Company, including the operating service and the new extensions.

In 2007, with the elimination of the magnetic tickets, an important step towards the achievement of the 3 Rs policy was taken – Reduce, Reuse and Recycle.

4.3.2 Social dimension

In 2007, ML as a catalyst of social cohesion and sustained development, with high social responsibility within its community, developed several social activities in areas of culture, education, health, social assistance and ecology granting support and spaces for event diffusion (stations and carriages).

[4] Transport Operators in Lisbon Area, A.C.E.

Grants and sponsorships

- Sponsorship of the exhibition about Françoise Schein: "De Lisboa para o Mundo (From Lisbon to the World) – Tiles for the Metropolitano de Lisboa", which took place in the "Museu do Azulejo" between March 17th and June 24th;
- Sponsorship of the 1st edition of the festival "Dias da Música (Music Days) in Belém", which took place in the CCB between April 20th and 22nd;
- Sponsor of the Lemur Sebastião, (inhabitant of the Lisbon Zoo), an endangered species, seeking the preservation of Madagascar Island biodiversity, its origin land;
- Sponsorship of the European Conference "European year of equal opportunities for everyone – celebration of diversity", organised by the Portuguese Disabled People Association, on December 3rd.

Event advertisement and granting of spaces

- "Face to Face" Project by the International Amnesty (AI), publicizing in its stations the work developed by the AI Portugal (February and March);
- "May, month of the Heart" a program of the Portuguese Cardiology Foundation (FPC) dedicated to obesity, allowing cardiovascular screenings in some of the stations, as well as its divulgation inside the carriages;
- In June, AMI prize award ceremony "Journalism against Indifference", in ML Auditorium;
- Campaign "Help to Live Vanilla and Chocolate" in ML stations (September and October) to raise funds for the "Ajuda de Berço" Institution;
- Free screenings in the stations, on the National Diabetes Day (November 14th) in partnership with the Young Diabetics of Portugal Association (AJDP).

Free transport

In order to promote the use of Metro as an alternative and efficient transport, safe and environment friendly, the company has provided free transport to all involved participants, during the following events:

- 17th Lisbon Half Marathon (March 18th);
- 2007 Lisbon Gold Marathon - Carlos Lopes Foundation (April 15th);
- "Sempre Mulher (Always Women)" race, promoted by the Portuguese Foundation to Support Women with Breast Cancer (May 6th and November 11th);
- "Fight hunger, walk the World" march against hunger, 2007 edition (May 13th);
- "World Child Day" (June 1st), for children up to 12;
- "2007 I Jornadas de Energia GERA" - Create Energy Day (June 1st to 3rd), organized by the Youth Science Association;
- Lisbon Village Festival (June 7th to 24th);
- Lisboa Bike Tour (June 24th);
- Portugal Half Marathon (September 16th);
- Official Opening of the School Year 2007/08 – Lisbon Police (PSP) (October 9th);
- Celebrations of the signing of the Treaty of Lisbon, providing free transport to the public in general on December 13th;
- Annual Christmas Party (December 19th), to the homeless, organised by the Life and Peace Community.

Within the scope of the Mobility Week (September 16th to 22nd):

- Again, Metro has cooperated in the initiative "Belém - Trancão, a green corridor to Lisbon", advertising and providing free transport to all participants;
- Signing of a protocol, on September 18th, between the Ministry of Culture and the Passenger Transport Operators – ML, Carris and CP, concerning the advertisement of cultural events inside the carriages and stations;
- A concert by Jorge Palma, with free admittance, took place at Cais do Sodré station;
- Prize award ceremony "2007 Bike Mobility", together with the Portuguese Cycling Federation and Bike to promote the use of bicycle as a mobility alternative.

4.3.3 Safety

Proceeding with the high safety standards characterising the Company, an external audit to assess safety conditions took place in Terreiro do Paço and Santa Apolónia stations, before the beginning of their operation, as well as a training action of the Fire Brigade.

There was also a Safety Audit to the ML system by an international consortium lead by the Superior Institute of Quality (ISQ).

4.4 International Relations

In 2007, ML kept a high level of participation in the activities of the international organisations to which it belongs, gathering in Lisbon the three most important organs of the worldwide Metropolitan System Operation: the UITP Operation Subcommittee, the ALAMYS Technical Committees and the Metro Benchmarking Nova Group.

Among the events, the following stand out:

UITP (International Association of Public Transport)

- Appointment of Mr. Joaquim Reis (CEO) to the Police Board of UITP, representing the public transport national sector and of Mr. Jorge Jacob as representative in the Product Marketing and Development Committee;
- Host of UITP 75th Commission on Transport Economics Meeting (March 28th to 30th);
- Host of the 3rd Design Day – UITP Design and Culture Platform (November 8th and 9th), under the theme "How design can be used to improve a transport network quality and customer satisfaction".

ALAMYS (Latin-American Metro Association):

- Re-election of ML, represented by Mr. Morais Correia as member of the Direction Committee, in ALAMYS Assembly, Monterrey;
- The 12th Intermediate Meeting of ALAMYS Technical Committees took place in Lisbon between May 14th to 18th;

Nova Group:

- Meeting of the Metro Benchmarking Nova Group, in Lisbon (September 26th to 28th), and subsequent ML annual seminar on benchmarking, considering the presence of the representatives of the Metro members as well as the Imperial College consultants.

ModURBAN Project:

- Project meeting in Lisbon (March 6th and 7th), with the participation of experts from 38 companies of 12 European countries, including metros, industrial associations, suppliers, universities and research institutes.

International delegations:

- Visit of Paris, Sofia, Xi'an (China) Metro Delegations and of the Japanese Association of Infrastructures and Mobile Telecommunications, among others.

4.5 Material and technological resources

In order to ensure the Network and the Rolling Stock operation capacity, as well as their consequent compliance with high levels of functionality and availability, the Maintenance and Correction Plans were defined and developed in 2007, as well as internal Quality Audits were carried out.

4.5.1 Infrastructure and equipment management

Among the 249 thousand foreseen operations, 195 thousand were carried out, corresponding to about 78.4% of the programmed Maintenance. Although the number of accomplished interventions has decreased when compared to 2006, there was a reduction in the total number of operation trouble events, from 90 to 60.

	No. of accomplished actions			Performance level (%)			Change %
Programmed maintenance	2005	2006	2007	2005	2006	2007	2007/2006
Energy	693	938	719	48.6	51.9	62.8	21.0%
Electromechanical installations	3,948	4,041	3,032	107.5	87.9	75.0	-14.7%
Signalling	8,263	9,709	8,868	70.4	81.7	90.9	11.3%
Telecommunications	1,656	1,015	412	137.5	73.4	40.2	-45.2%
Track	150,349	195,053	182,153	67.9	74.8	78.1	4.4%
	164,909	210,756	195,184	68.8	75.2	78.4	4.3%

4.5.2 Engineering and development

Besides the tunnel and viaduct inspection programme, as regards third party activities susceptible to affect ML infrastructures, Metro has followed up the development of the following projects:
- Road Tunnel at Marquês de Pombal;
- High Speed Project in Vale de Chelas;
- Restructuring of Alameda das Linhas de Torres;
- Urbanization of Rua Ivens above Baixa-Chiado station;
- Restructuring of ML Equipment and Workshop I, in Sete Rios.

As concerns constructions and tracks, an acoustic treatment study was carried out in Campo Grande viaduct, as well as the decrease of vibrations resulting from the railroad.

4.5.3 Rolling Stock

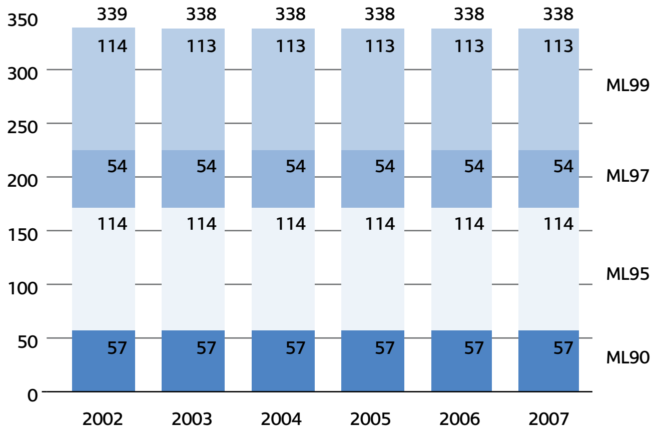
Regarding the Rolling Stock, the following activities are highlighted:

- Conclusion of the "Reliability Centred Maintenance/Root Cause Failure Analysis (RCM/RCFA[5])" project;
- Beginning of the Fleet Maintenance Plan update;
- And the conclusion of the Maintenance Engineering procedure, through the identification of improvement actions and technical audits, as well as the reviewing of the procedures, with the inclusion of the "sub-standard product" concept.

Rolling Stock performance

As the Rolling Stock Fleet (including 338 carriages, of which 225 are motors and the remaining are tows) was kept unchanged since 2003, it was possible, in 2007, with the new maintenance methodology, to consolidate the fleet availability rate as well as to increase the average kilometric between breakdowns (MKBF)[6] 11%.

Trends in Rolling Stock



Indicator	2005	2006	Change 2006/2005	2007	Change 2007/2006
Rolling stock availability (%)	92.9%	92.8%	-0.1%	90.2%	-2.6%
MKBF – Average kilometric between breakdowns	12,644	12,270	-3.0%	13,659	11.3%

5 Identification of the failure root causes, behind breakdowns.
6 In 2007, the average kilometric value between breakdowns was calculated based on the breakdowns occurred in carriages while in operation (excluding vandalisms and other reasons).

4.5.4 Energy

Given the slight reduction in the levels of supply and consequent decrease in traction energy (– 4.10%) the overall consumption balance was positive.

Nevertheless, there was an increase in the consumption of the complementary and support services, after the entry into operation of the refurbished Alvalade and Roma Stations, as well as the Baixa-Chiado/Santa Apolónia section.

Unit: thousand kWh

Energy consumption	2007	2006	Chg. %
Traction	47,803	49,848	-4.10
Complementary and support services	46,523	44,889	3.64
Other consumptions	3,052	3,166	-3.61
Total	97,378	97,903	-0.54

Energy consumption indicators	2007	2006	Var. %
Traction / Seat x km	0.013	0.013	-2.94
Traction / Passenger x km	0.057	0.058	-1.81
Total / Seat x km	0.026	0.025	0.67
Total / Passenger x km	0.117	0.114	1.84

Nota: In 2006, there was consumption redistribution, reducing the volume of the then designated by “other consumptions”.

4.5.5 ICT Systems

In 2007, besides the ongoing preventive and corrective maintenance of the existing systems, the following key projects were concluded for a better improvement of the processes:

- The “Plan of Technological Recovery (PRT)” project, culminated with the accomplishment of a disaster simulacrum, aiming to assess the defined procedures as well as all the technological infrastructure supporting it;
- “Improvements to the SAP ECC and BW system” project, integrating the improvements deemed critical and prior, resulting from the “Upgrade to the SAP R/3 and BW systems”.

The “Budget” project was started in January 2008, in the SAP BW system.

4.6 Human Resources

The Human Resources Management activity carried out, in 2007, has privileged the adjustment of the Company's existing professional competences to the requirements of the current development cycle of the Company.

Accordingly, several studies were achieved to implement the new career regulations and performance evaluation. As a result, change proposals are presently under discussion with the concerned Worker Unions.

Cost of the labour factor [7]

Labour force rationalisation and reorganisation enabled workforce restraint and improved productivity.

		2004	2005	2006	2007	Change 2007/2006
Cost of labour factor	(10^3 €)	63,457	65,366	66,363	67,411	1.6%
Cost of labour factor / Operating costs	(%)	43.6%	44.4%	44.2%	45.1%	0.9%
Cost of labour factor / Total costs	(%)	26.6%	26.3%	27.9%	27.6%	-0.3%
Cost of labour factor / Average staff	(10^3 €)	36.958	38.496	38.991	40.006	2.6%

In 2007, in terms of the collective bargaining contract, the social discussion was increased as to dim the disagreement that came up in 2006 concerning the validity date of the Company Agreements (AE). Nevertheless, the Union Associations stood by their initial decision to postpone the concerned date, and the Company should globally review the Agreements in order to adapt them to the present management cycle.

As it was not possible to reach, in due time, either a global agreement or an agreement about wages update, it was decided to approve a managerial wage increase and, in September 2007, the Company declared the termination of the two Company Agreements and returned the Union Associations the respective negotiation proposal.

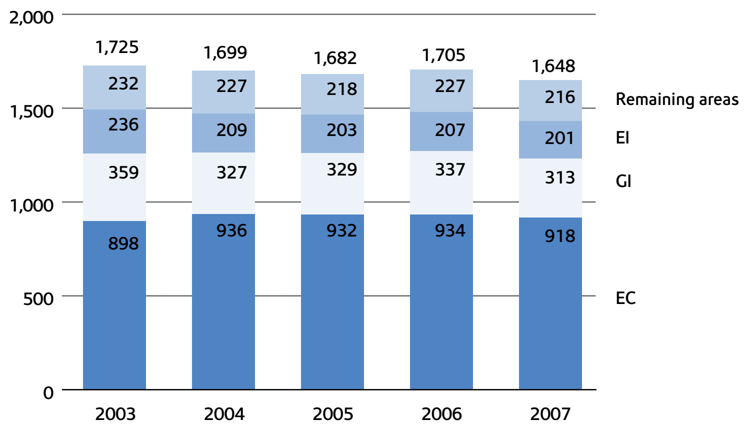
Staff

2007 recorded 29 new entries and 86 exits of staff, 60 of which left for early retirement. Therefore average staff decreased by about 9.7%.

These changes allowed carrying on the process of staff rank rejuvenation and the consolidation of the productivity improvements recorded during these last years namely, the last five years, when, despite the increase in the network size in 9.2 km and 9 stations, a cut back of 77 staff members was possible.

[7] On the evolution of this factor and on the operational costs displayed on the table, the costs concerning the supplementary retirement benefits, pre-retirements, retirement incentives, pension fund and actuarial study were not accounted.

Staff on December 31st [8]



Retirement and social responsibility

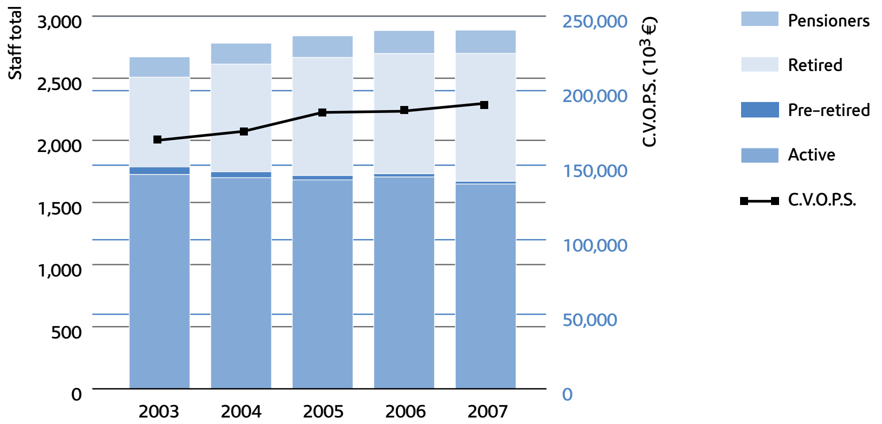
The historical social responsibilities arising from the Company Agreements, namely the payment by the Company of the supplementary contributions for retirement and survival pensions, now represent a significant and upsetting liability cost, aggravated in 2007 by the number of recorded early retirements.

By the end of 2007, the Metropolitano de Lisboa comprised a total of 2,887 staff members, 1,648 active and 1,239 inactive, of which 18 were on a pre-retirement situation, 1,033 on retirement (76 due to disability, 421 to old-age and 536 to early retirement) and 188 pensioners.

		2003	2004	2005	2006	2007	Chg. 2007/2006 Abs.	%
Total staff	**Persons**	**2,672**	**2,782**	**2,841**	**2,884**	**2,887**	**3**	**0.1%**
Inactive	**Persons**	**947**	**1,083**	**1,159**	**1,179**	**1,239**	**60**	**5.1%**
Pre-retired	Persons	61	48	35	26	18	- 8	-30.8%
Retired	Persons	722	866	950	967	1 033	66	6.8%
Pensioners	Persons	164	169	174	186	188	2	1.1%
C.V.O.P.S.	(10^3 €)	166,106	167,731	179,527	183,336	191,868	8,532	4.7%
C.V.O.P.S. / Total staff	(10^3 €)	62.165	60.292	63.192	63.570	66.459	2.89	4.5%
Active staff / Inactive staff	Persons	1.82	1.57	1.45	1.45	1.33	-0.12	-8.0%

[8] Of the 1,648 members of staff working for ML on December 31st, 2007, 3% were on a part-time basis.

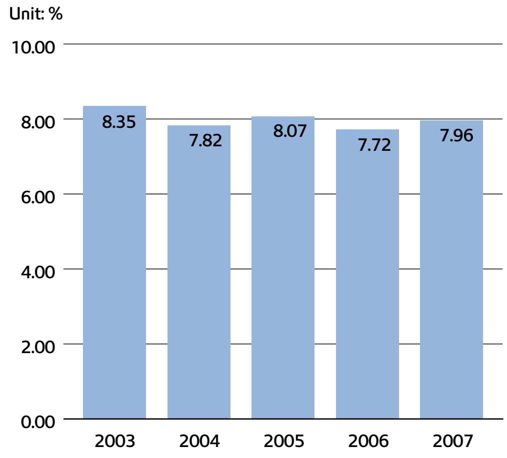
Evolution of total staff and social responsibility



The Current Value of Obligations for Past Services (C.V.O.P.S.) has risen, by the end of 2007, to m€ 191,868 (+ 4.65% when compared to the previous year). Consequently, the C.V.O.P.S. per capita for total staff rose to m€ 66.5, whereas in 2006 it was m€ 63.6.

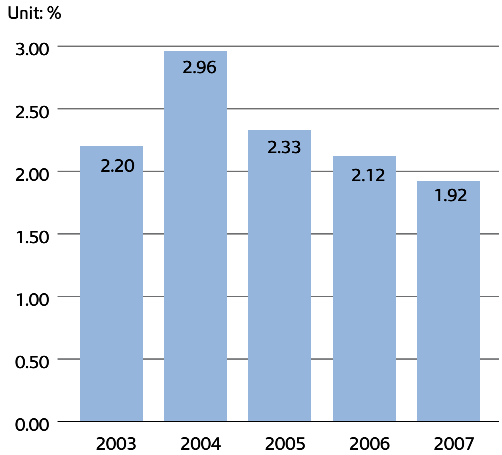
Absenteeism

2007 recorded a slight inflection in the down trend until then verified, although the absenteeism rate is still below 8%.



Overtime

With the slow down of the network expansion dynamics and staging of major events in Lisbon, the overtime work volume reached its lowest value for the last years: 55,343 hours (– 9.1% than in 2006). This enabled a reduction of overtime work rate by average staff from 35.8 hours in 2006 against 32.7 hours in 2007.



Training

As the Company currently faces the consolidation of the acquired competences, namely in the technical area, there was during the last three years a decrease in the training levels.

Among the training held in 2007, the following actions focused in the workshop area, as well as those related to Safety and English Language should be mentioned.

	2003	2004	2005	2006	2007	Chg. % 2007/2006	Chg. % 2007/2003
Training activities	661	520	272	287	326	13.6%	-50.7%
Participants	4,847	3,034	1,302	1,320	1,775	34.5%	-63.4%
Hours	50,855	57,571	20,903	23,297	16,879	-27.5%	-66.8%
Cost (10^3 €)	416	488	229	342	437	27.8%	5.1%
Hours / Average staff	28.9	33.5	12.3	13.7	10.0	-27.0%	-65.4%

4.7 Network Expansion

With the accomplishment of the Network Expansion Plan presently under way/in launching phase, it is expected the entry into operation, until March 2012, of 7.2 km of new network sections, served by 7 stations, two multimodal Interfaces – Cais do Sodré and Terreiro do Paço – and also four stations of the Green line properly refurbished.

	Present		In progress				Future	
Lines	Stations no.	Network km	Extensions	Stations no.	Network km	Opening date	Stations no.	Network km
Yellow	13	11.0	--	--	--		13	11.0
Blue	17	12.9	Amadora Este / Reboleira	1	0.9	2011	18	13.8
Green	13	8.9	--	--	--	--	13	8.9
Red	7	5.0	Alameda II / S. Sebastião II	2	1.8	2009	13	11.3
			S. Sebastião II / Campolide	1	0.9	2012		
			Oriente / Aeroporto	3	3.6	2011		
Network	50	37.8		7	7.2		57	45.0

2007 – Works in progress

Blue line

- **Baixa-Chiado/Santa Apolónia extension**

The expansion of the Blue line, Baixa-Chiado to Santa Apolónia, having an extension of 2.2 km, was designed to improve mobility in the Lisbon Metropolitan Area, namely along the riverside zone of Lisbon.

In operation since December 19th, 2007, Terreiro do Paço and Santa Apolónia stations, inserted in major intermodal complexes, have granted a more rational use of the public transport system, making more efficient, reliable and comfortable division of the passengers coming from national, regional and suburban railway into the city, and from the river transport.

In 2008, aiming at the conclusion of the programmed interventions, Cais das Colunas in Terreiro do Paço shall be reconstructed, and the project for the exterior definitive finishing of Terreiro do Paço shall be executed, as soon as CML Commission decision about the rehabilitation of the front riverside is known.

- **Terreiro do Paço Interface** [9]

In order to build a new fluvial terminal and respective building, the works for the implementation of the wave attenuation system, the installation of pontoons and the contracting for dredging and bottoming were assigned in October.

LNEC[10] opinion for the fluvial terminal building structure project as well as for the basic project for the reinforcement of Cottinelli Telmo building was obtained.

- **Amadora Este/Reboleira extension**

Preparation as well as geological and geotechnical recognition works were executed in 2007 to turn possible, in January 2008, the launching of the international public tender, for the design/carcase works between Amadora Este and Reboleira stations.

Simultaneously, the Environmental Impact Assessment process was concluded in July 2007 with the issue of the respective Environmental Impact Statement.

9 In execution for ML by a third party (Transtejo).
10 National Civil Engineering Laboratory.

Green line

- **Remodelling of Green line stations**

In October 2007, included in the remodelling project of Green line stations, ML reopened Alvalade station, providing its customers with a new, modern and quality space.

After the remodelling of two of the six stations (the first was Roma station in 2006) was concluded, in 2007 also occurred the development and review of the renovation/expansion projects of Areeiro, Anjos, Arroios and Intendente stations.

- **Cais do Sodré Interface**

Including CP/Refer buildings and a Fluvial Terminal + Ferry, this undertaking was proceeded at a good pace.

Among the works in progress, the focus goes to the completion of the finishing/premises for CP/Refer building, as well as the resuming of the extension works of the Fluvial Terminal building + Ferry, beginning in March 2008, which have been suspended by CML imposition since June 2006.

The construction of roads and exterior fittings in the interface area were assigned in March 2008.

Red line

- **Alameda II/S. Sebastião II extension**

In 2007, the carcase works between Saldanha and S. Sebastião stations were developed, while the excavation works of the Mineiro tunnel are still under way, which will allow the connection of the TBM tunnel (executed by the tunnel boring machine) to the Alameda II terminal station.

The excavation works of the entire section of S. Sebastião station are concluded, and the concrete filling of the secondary finishing has begun in January 2008.

In the area of S. Sebastião I station was installed the shipyard for the execution of half of the concrete slab in the interconnection of Blue line service Branch line under the Avenida António Augusto de Aguiar.

In Saldanha I station, the demolition works of the north atrium and the works for the connection containment structure to Saldanha II have been completed, and in January 2008 the treatment of the pedestrian galleries under the station shall be started.

In Saldanha II, the excavation works of the station have been accomplished and the concrete works of the sills, platforms and side walls already exist.

- **Oriente/Aeroporto extension**

On February 2nd, the contract for the execution of the carcase works between Oriente and Aeroporto stations of the Red line was signed as well as the corresponding partial assignment of the contract.

Subsequently, the works of underground occupation/affected services have begun, as well as the works for traffic deviations and shipyard construction.

A containment perimeter for the PV[11] 192 is under way, being the 1st phase of the excavation already in progress. A containment perimeter for Aeroporto station was started, as well as the construction of the access passage to the Rent-a-Car building.

[11] Ventilation Unit (PV).

Part of the specialty projects for the gallery and ventilation shafts of Moscavide and Aeroporto stations have already been developed, as well as the specialties and architecture of Encarnação station, the structure project of which is the Contractor's responsibility.

For the Alameda/S. Sebastião and Oriente/Aeroporto undertakings, the phase of post-Environmental Assessment has proceeded in order to assure that the terms and conditions for the approval of the project, as defined in the respective Environmental Impact Statements have been effectively accomplished.

- **S. Sebastião II/Campolide extension**

Following the entry into force of the new General Noise Regulation (Decree-Law no. 09/07, January 17th) and the conclusion of the different specialties of the previous study the Environmental Impact Study was reviewed.

The architecture execution projects have been launched, as well as the ones for the station structures, tunnels and ventilation units.

4.8 Investments

Having in mind the accomplishment of the ongoing Network's Expansion Plan, as well as the needs for current investment and equipments, ML has invested in 2007, under technical costs, m€ 75,502, 96% of which were in Durable Infrastructure Investment (m€ 72,612) and 4% in ML investment (m€ 2,890).

Unit: €

	FBCF Gross Fixed Capital Formation	ICT Investment Technical Costs	DI Investment Expenses
A – DIF's	**69,793,761**	**72,612,385**	**76,456,175**
In progress	59,756,466	59,756,466	63,188,215
Cais do Sodré Interface	184,146	184,146	425,104
Baixa-Chiado / Santa Apolónia extension	14,274,686	14,274,686	15,657,536
Alameda / S. Sebastião extension	36,727,334	36,727,334	38,462,365
Oriente / Aeroporto extension	8,570,300	8,570,300	8,643,210
New	297,462	297,462	321,962
Rato / Alcântara extension	9,676	9,676	31,337
S. Sebastião / Campolide extension	251,380	251,380	251,718
Amadora Este / Reboleira extension	36,406	36,406	38,907
Other	9,739,833	12,558,457	12,945,998
Campo Grande / Odivelas extension	1,958,964	1,958,964	1,958,964
Pontinha / Amadora Este extension	1,037,128	1,037,128	1,037,128
Network remodelling	1,397,344	1,397,344	1,432,857
Network remodelling - Green line stations	4,936,652	4,936,652	5,261,302
Projects and Studies	0	28,556	52,775
ATP/ATO	409,745	409,745	412,904
Self investment	0	2,790,068	2,790,068
B – ML	2,877,144	2,890,004	3,025,353
Equipment and Workshops	243,022	243,022	247,479
Rolling stock	32,279	32,279	32,279
Equipments and other	2,071,579	2,071,579	2,148,468
Current investments	530,264	543,124	597,127
Total Investment	**72,670,905**	**75,502,389**	**79,481,528**

Among the DIF's, the execution of the following projects in progress stand out: Baixa-Chiado/Santa Apolónia (m€ 14,275), Alameda/S. Sebastião (m€ 36,727), Oriente/Aeroporto (m€ 8,570) and remodelling of the Green line stations (m€ 4,937) as well as the already concluded projects of Campo Grande/Odivelas and Pontinha/Amadora Este (m€ 1,037), both on the stage of account closing.

Unit: €

Investments	2007	2006	Var. %
Investments / FBCF	72,670,905	51,257,852	41.78
Investment / Technical Costs	75,502,389	54,215,540	39.26
Investment Expenses (including financial costs)	79,481,528	62,964,266	26.23

In line with previous years practice, in 2007, ML allocated financing charges related to the item Fixed Assets in Progress. During the year under review, the Company capitalised m€ 3,979 increasing total investment expenditure to m€ 79,482.

[12] Durable Infrastructure Investment.

5. Observance of good government principles

In accordance with the Cabinet Decision no. 49/2007 of March 28th, which determines the need to include in the Management Reports the Corporate Governance issue, as well as the information already stated in the present Report and in the previous ones, it is worth mentioning the publication of the following acts in 2007:

5.1 External regulations binding the Company from 2007

- Cabinet decision no. 49/2007 of March 28th approving the Proper Public Sector corporate governance;
- Decree-Law no. 280/2007, of August 7th:
  - Establishes the real estate judicial system for the State Public Sector, Autonomous Regions and local autarchies.
  - Approves the real estate judicial system for the State Private Sector and Public Institutes;
  - Also establishes the administrative and corporate sector patrimonial management co-ordination and information duties, namely for inventory purposes;
- Regulation (CE) no. 1370/2007 of the European Parliament and Council of October 23rd, 2007, concerning passenger railway and highway public transport services, which revokes the (EEC) Regulations no. 1191/69 and (EEC) Council no. 1107/70;
- Decree-Law no. 18/2008 of January 29th, approving the Public Contract Code (PCC).

5.2 Relevant transactions with related entities

As concerns the financial volume of contracts and/or order forms with contractors and suppliers, these are some of the main transactions occurred in 2007:

Contractors (Works):

- AEROMETRO, A.C.E. – Red line Oriente/Aeroporto carcase works: Contract 12/2007;
- SOMAGUE, BPC, ENGIL, SPIE, S.B.E.S. - Alameda/S. Sebastião extension: additional no. 6 to ML053/03;
- OPCA - Obras Públicas e Cimento Armado, S.A. - Jet Gr Columns Terreiro do Paço alluvions: Contract ML018/07;
- LINHA METRO - Emp. Metropolitano de Lisboa - Alfornelos/Falagueira gallery carcase works: additional no. 3 to Contract ML084/01;
- BPC, BCO, SOMAGUE and PROFABRIL, A.C.E. – Santa Apolónia station carcase works: Additional no. 6 to Contract ML047/01;
- NAVAL TAGUS, A.C.E. – Transtejo pier ballast in Terreiro do Paço: Contract ML050/07;
- SPIE BATIGNOLLESD EUROPE, S.A. – Rehabilitation of Yellow line 11st stretch: Contract ML033/07;
- IRMÃOS CAVACO, S.A. – Transtejo pier dredging in Terreiro do Paço: Contract ML052/07.

Suppliers (Materials, Equipment or Services):

- INDRA SISTEMAS, S.A.;
- 2045 Empresa de Segurança, S.A.;
- GRUPO 8 – Serviços de Segurança, S.A.;
- VADECA AMBIENTE – Preserv. e Controle, S.A.;
- SAFIRA SERVICES, S.A.;
- ISS – Facility Services;
- FERCONSULT;
- DIMETRONIC, S.A..

5.3 Information about other transactions

As regards goods and services acquired, the system adopted was the one specified in Decree-Law no. 223/01 of August 9th.

Awarding of projects consisting in additional deliveries by initial suppliers for the partial enlargement or replacement of already existing equipment or installations (justified by the need of technical match with the technical material already existing in the Company) were executed under the dispositions of subparagraphs c) and g) of no. 1 of article 18th of the Decree-Law no. 223/2001 of August 9th.

Among these stand out:
- DIMETRONIC, S.A. m€ 231

Rolling Stock spare parts suppliers:
- SIEMENS, S.A. m€ 511
- KNORR BREMSE, A.G. m€ 200
- DELLNER COUPLERS AB m€ 8.6

As for EDP and EPAL suppliers, the values invoiced in 2007 were, respectively, M€ 6.1 and m€ 383.

6. Economy and finance

6.1 Year balance

The Financial Statements for 2007 reflect a net loss for the year of m€ 144,222, about 1.9% lower than the previous year, equivalent to less m€ 2,722.

This situation is a result of a 5.4% improvement in the operating income, which recorded a negative value of m€ 73,325 (less m€ 4,157 than in the previous year) and of 4.2% in the exceptional earnings. On the other hand, the financial income suffered 2.2%, corresponding to about m€ 1,482.

The total costs incurred was m€ 244,110 and the total revenues obtained was some m€ 99,924.

Financial statements

Unit: €

Costs for the Year	2007	%	2006	%	Chg. % 2007/2006
Operating costs	**170,653,269**	**69.9%**	**166,616,575**	**70.1%**	**2.4%**
Cost of goods sold and materials consumed	1,830,016	0.7%	2,276,644	1.0%	-19.6%
Supplies and external services	30,522,669	12.5%	30,466,439	12.8%	0.2%
S.E.S. – Operational leasing	11,420,021	4.7%	12,541,660	5.3%	-8.9%
Staff costs	77,698,901	31.8%	76,558,886	32.2%	1.5%
Pension plan	10,860,821	4.4%	6,137,287	2.6%	77.0%
Depreciations	37,752,244	15.5%	38,204,819	16.1%	-1.2%
Taxes	247,859	0.1%	242,431	0.1%	2.2%
Other costs and losses	320,738	0.1%	188,409	0.1%	70.2%
Financial costs and losses	**72,175,425**	**29.6%**	**69,495,735**	**29.2%**	**3.9%**
Exceptional costs and losses	**1,281,732**	**0.5%**	**1,715,583**	**0.7%**	**-25.3%**
Total Costs for the Year	244,110,425	100.0%	237,827,893	100.0%	2.6%
Revenue for the Year					
Operating revenues	**97,328,309**	**97.4%**	**89,134,613**	**98.0%**	**9.2%**
Sales + services provided (*)	62,477,540	62.5%	56,290,080	61.9%	11.0%
– Tickets and passes	55,408,666	55.5%	51,025,601	56.1%	8.6%
– Other	7,068,874	7.1%	5,264,478	5.8%	34.3%
Own work capitalised	3,348,318	3.4%	2,781,777	3.1%	20.4%
Suplementary revenues	907,528	0.9%	902,763	1.0%	0.5%
Operating subsidies	23,147,894	23.2%	21,641,174	23.8%	7.0%
Other revenues and profits	7,377,581	7.4%	7,281,479	8.0%	1.3%
Reversals of adjustments	69,447	0.1%	237,340	0.3%	-70.7%
Financial revenues and profits	**2,441,602**	**2.4%**	**1,243,637**	**1.4%**	**96.3%**
Exceptional revenues and profits	**153,940**	**0.2%**	**538,356**	**0.6%**	**-71.4%**
Total Revenues for the Year	99,923,851	100.0%	90,916,606	100.0%	9.9%
Income tax	35,408		32,391		9.3%
Net Profit / Loss for the Year	(144,221,982)		(146,943,679)		1.9%
Operating income	(73,324,960)		(77,481,962)		5.4%
Operating revenues / Operating costs	57.0%		53.5%		6.6%
Financial income	(69,733,823)		(68,252,099)		-2.2%
Exceptional earnings	(1,127,791)		(1,177,226)		4.2%
Revenues / Costs	40.9%		38.2%		7.1%
EBITDA	(35,572,716)		(39,277,142)		9.4%
Standard EBITDA	(29,309,707)		(39,277,142)		25.4%
Cash In – Cash Out	(31,907,963)		(40,642,712)		21.5%

(*) Note 44 of the Balance Sheet and Income Statement appendend.

The positive evolution of the operating results is essentially explained by:

- the increase in about 9.2% of the operating revenues, in the global amount of m€ 97,328;
- the increase in about 2.4% of the operating costs, meaning in real terms a stabilisation of the respective costs in the global amount of m€ 170,653.

All revenues by nature have contributed for the good performance of the operating revenues, namely:

- the 11% increase in "Sales and services provided", more than about 4.5 times the inflation, was due to the 8.6% rise in traffic revenues and also to the positive contribution of the contract defining the contractual relationship between the ML and associated companies, resulting from their integration in the Metro group;
- the 20.4% increase in "Own work capitalised" intrinsically related to the ongoing investment expansion stage regarding the network;
- the increase in "Other revenues and profits", and essentially the increase in "Operating subsidies" related with the 7% added amount in the operational subsidy awarded to the Company.

Only the "Exceptional revenues and profits" recorded a significant percentage decrease, although of little relevance in absolute terms.

The "Financial revenue and profits" have contributed in a positive way for the increase in "Total revenues" which recorded a percentage increase of 96%.

"Operational costs" recorded, in real terms, a decrease of 0.1% having in mind the year inflation (2.5%), however, in nominal terms, there was an increase of m€ 4,037, exclusively explained by the impact of the total cost regarding supplementary retirement and survival pensions in the "Staff costs" item, lately stated by the Company in this account. In fact, according with the Actuarial Study reported to the position as at December 31st, the increase of Current Value of Obligations for Past Services was of m€ 10,861, explaining per se the nominal increase in the operating costs.

After deducting the amounts pension plan commitments, "Staff costs" show a global increase of just 1.5%, corresponding to a global wage bill increase in the same percentage.

Except for this exceptional situation, is worth mentioning the good performance of all the other operating cost items.

Thus, "Cost of goods sold and materials consumed", "Supplies and external services" and "Depreciations, adjustments and provisions" have decreased in nominal terms, respectively 19.6%, 2.5% and 1.2%.

On the other hand, "Taxes" and "Other costs and losses" have increased in percentage terms, respectively 2.2% and 70.2%, but with no relevance in absolute terms.

"Financial costs", totalising about m€ 72,175, registered an increase of 3.9%, essentially due to the consistent interest rate increase along the year.

In conclusion, the following situations stand out:

- “Operating costs” have stabilised in real terms, and registered a 2.4% increase, slightly inferior to inflation;
- “Operating revenues” increased about 9.2%, that is, almost 4 times the inflation;
- “Staff costs”, deducting the pension plan obligation effect, increased just 1.5%, due to salary updates and the Company Agreement automatic effects;
- “Revenues” financed about 41% of “Costs” (7.1% more than in the previous year);
- “Operating revenues” covered about 57% of the “Operating costs” (6.6% more than in 2006);
- EBITDA improved 9.4%, equivalent to m€ 3,704;
- Standard EBITDA (deducted the early retirement) improved about 25%, stating a negative value of m€ 29,310.

Income statement by activity

In the year 2007, internal service supply values were as follows:

- Usage Rate: € 0.60 x carriage.km exploitation
- Station Management Rate: € 0.06 x total passengers
- Maintenance Rate: € 0.52 x carriage.km total

For use of Equipment and Workshops, a rent in terms of occupation (m2) amounting to a total value of m€ 6,766 was established.

As concerns Corporative Services (ODDCG – Bodies Directly Dependent on the Management Board), operating income, excluding the cost regarding supplementary retirement and survival pensions (pension plan), 83% were shared among the various activity areas, as follows:

- 19% for Industrial Operation;
- 48% for Commercial Operation;
- 33% for Infrastructure Management.

“Other financial costs” item was shared on a cash in - cash out basis.

Income statement by activity

Unit: €

	Industrial Operation	Commercial Operation	Infrastructure Management	Bodies Directly Dependent on the Management Board	Total
Operating revenues					
Sales and service provided	123	57,169,459	5,265,111	42,848	62,477,540
Own work capitalised	256,817	--	2,263,031	828,470	3,348,318
Suplementary revenues	123,566	282,556	210,682	290,723	907,528
Operating subsidies	--	23,147,894	--	--	23,147,894
Other revenues and profits	2,496	5,641,161	1,663,130	70,794	7,377,581
Reversal of adjustments	--	--	--	69,447	69,447
Total operating revenues	383,002	86,241,070	9,401,954	1,302,282	97,328,309
Operating costs					
Cost of goods sold and materials consumed	994,667	589,659	235,125	10,564	1,830,016
Supplies and external services	1,550,621	9,965,649	14,143,450	4,862,950	30,522,669
S.E.S. – Leasing	--	11,420,021	--	--	11,420,021
Staff costs	10,065,813	38,532,717	16,765,118	12,335,253	77,698,901
Pension fund	*2,379,583*	*3,399,518*	*3,640,532*	*1,441,189*	*10,860,821*
Depreciations	892,318	13,146,819	20,518,915	3,172,810	37,730,862
Provisions	--	--	--	21,382	21,382
Taxes	433	551	173,545	73,331	247,859
Other costs and losses	7,332	11,049	9,290	293,067	320,738
Total operating costs	15,890,767	77,065,983	55,485,975	22,210,545	170,653,269
Operating income	(15,507,766)	9,175,087	(46,084,021)	(20,908,263)	(73,324,960)
Usage rate	--	(13,555,075)	13,555,075	--	0
Station management rate	--	(10,781,226)	10,781,226	--	0
Maintenance rate	12,352,441	(12,352,441)	--	--	0
Rents	(3,080,087)	(1,982,709)	6,766,041	(1,703,245)	0
Traction energy	--	(2,791,042)	2,791,042	--	0
Lighting and motor power energy	--	(2,332,415)	2,332,415	--	0
Corporate service rate *	(3,387,339)	(8,468,352)	(5,716,137)	17,571,828	0
Total internal services	5,885,016	(52,263,261)	30,509,662	15,868,583	0
Operating income with internal services	(9,622,750)	(43,088,174)	(15,574,359)	(5,039,680)	(73,324,960)
Financial revenues	--	524,209	--	1,917,393	2,441,602
Financial costs with DIF's	--	--	43,527,788	--	43,527,788
Financial costs with rolling stock	--	12,746,336	--	--	12,746,336
Assigned financial expenses	2,536,576	3,704,208	4,275,257	5,385,260	15,901,301
Financial income	(2,536,576)	(15,926,335)	(47,803,045)	(3,467,867)	(69,733,823)
Net operating income	(12,159,326)	(59,014,509)	(63,377,404)	(8,507,547)	(143,058,783)
Exceptional revenues and profits	17,565	24,930	47,177	64,268	153,940
Exceptional costs and losses	51,921	127,428	85,158	1,017,225	1,281,732
Exceptional earnings	(34,356)	(102,498)	(37,981)	(952,957)	(1,127,792)
Income tax				35,408	35,408
Net profit/loss for the year	(12,193,682)	(59,117,007)	(63,415,385)	(9,495,912)	(144,221,982)

* Excluding pension fund.

Activity financing

"State financial contribution" reached the global amount of m€ 29,203, that is, 4.2% more than in the previous year.

Unit: €

State financial contribution	2007	2006	Chg. % 2007/2006
Operational subsidy	24,305,289	22,723,233	7.0%
PIDDAC (Government investment subsidies)	4,897,400	5,306,725	-7.7%
Total	29,202,689	28,029,958	4.2%

There was an increase in the "Operational subsidy" and a decrease in the PIDDAC, although with little meaning in absolute value.

"Sinking fund investment from European Community" amounted to about m€ 17,903, shared as follows:

Unit: €

European Community funds	2007	2006	Chg. % 2007/2006
FEDER (European Regional Development Fund)	51,580	0	-
Cohesion Funds	17,851,699	9,024,752	97.8%
Total	17,903,279	9,024,752	98.4%

Having in mind the Company core mission – production of transport, maintenance and infrastructure management – and the responsibilities related with debt servicing, financing requirements have risen to m€ 473,065.

Unit: €

Financing requirements	2007	2006
Operating activities	(16,808,181)	(6,406,741)
Investment activities	(104,519,020)	(76,964,647)
Depreciations:	-	-
Bank loans	(191,410,940)	(205,562,752)
Bond loans	(45,663,701)	-
Leasing	(37,011,185)	(35,756,109)
Interest and similar costs	(77,652,179)	(80,664,623)
Total financing requirements	(473,065,205)	(405,354,872)
Capital increases	-	-
Financial disinvestment	-	96,137
Investment subsidies	53,299,636	5,306,725
New loans:		
Bank loans	-	-
Bond loans	400,000,000	400,000,000
Leasing	-	-
Interest and similar profits	5,771	6,997
SWAP operation restructure	19,727,000	-
Total financings	473,032,407	405,409,859
Cash and bank variation	32,798	(54,987)

Financial coverage for these requirements was accomplished essentially through the following policies:
- Recourse to "European Community funds and PIDDAC" (investment subsidies), about m€ 53,300;
- Recourse to the Financial Market through 20 year, bullet, bond issue with State guarantee in the amount of m€ 400,000.

In a monetary market framework of sustained raise of interest rates along the year, the Company tried to minimize the unfavourable effects of this situation with financial policies of permanent debt restructuring and revision of the financing conditions as well as with an adequate intervention in the derivative market. Thus, the Company managed to globally report a slight increase of 0.7% equal to m€ 569 in the financial operation, stating an excellent performance.

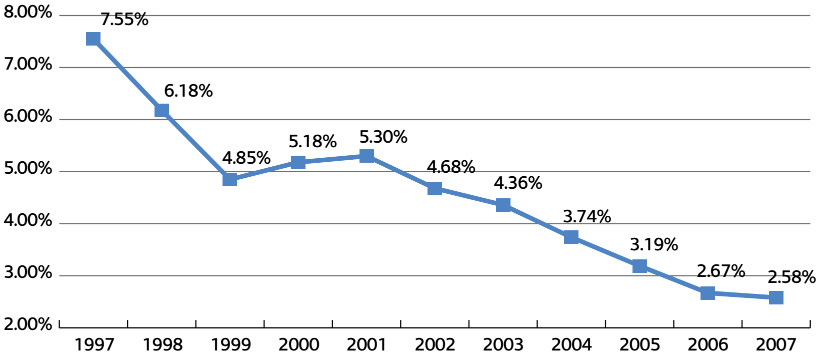
Unit: €

Corporate financial performance	2007	2006	Chg. % 2007/2006
Operation	32,322,955	31,147,846	3.8%
Financial costs with DIF's	39,624,470	37,976,373	4.3%
Investment – ML	135,349	169,466	-20.1%
Investment – DIF's	3,843,788	8,579,259	-55.2%
Investment – third parties	2,537,236	21,772	–
Total	78,463,798	77,894,716	0.7%

Global contribution were m€ 78,464, m€ 3,979 of which capitalised as a result of the execution of the investment plan in progress.

Policy measures relating to funding and derivative market involvement were significantly efficient, clearly reducing the underlying "Debt interest rate" from 2.67% to 2.58% in the year, a reduction of 3.4% on the underlying interest rate that, face to market conditions, already showed a rather low level by the end of 2006.

Debt interest rate



Assets structure / Balance sheet

Unit: €

	2007	%	2006	%	Chg. % 2007/2006
Total Assets	3,459,308,048	100.0%	3,420,988,726	100.0%	1.1%
ML fixed assets	456,707,609	13.2%	469,596,627	13.7%	-2.7%
Intangible fixed assets	3,325,911	--	5,694,999	--	-41.6%
Tangible fixed assets	423,263,249	--	455,444,292	--	-7.1%
Financial investments	30,118,449	--	8,457,336	--	256.1%
Fixed assets financed by the State	2,846,382,153	82.3%	2,769,927,535	81.0%	2.8%
Intangible fixed assets	6,721,029	--	6,649,645	--	1.1%
Tangible fixed assets	2,839,661,124	--	2,763,277,890	--	2.8%
Third party receivables (medium and long term)	440,263	0.0%	423,105	0.0%	4.1%
Current assets	67,087,303	1.9%	101,460,179	3.0%	-33.9%
Stocks	3,671,338	--	2,738,949	--	34.0%
Third party receivables (short term)	63,143,929	--	98,416,397	--	-35.8%
Liquid assets	272,036	--	304,833	--	-10.8%
Accruals and deferrals	88,690,719	2.6%	79,581,280	2.3%	11.4%
Total Shareholder Equity	(56,678,366)	-1.6%	64,742,936	1.9%	-187.5%
Statutory capital	603,750,000	--	603,750,000	--	0.0%
Adjustments	134,577	--	134,577	--	0.0%
Revaluation reserves	236,296,083	--	236,296,083	--	0.0%
ML fixed assets	37,234,075	--	37,234,075	--	0.0%
Fixed assets financed by the State	199,062,008	--	199,062,008	--	0.0%
Reserves	740,915,391	--	718,114,711	--	3.2%
Retained earnings	(1,493,552,435)	--	(1,346,608,756)	--	10.9%
Net profit/loss for the year	(144,221,982)	--	(146,943,679)	--	-1.9%
Total Liabilities	3,515,986,414	101.6%	3,356,245,790	98.1%	4.8%
Provision for other risks and charges	192,360,331	5.6%	183,806,973	5.4%	4.7%
Third party payables (medium and long term)	2,922,186,817	84.5%	2,642,921,875	77.3%	10.6%
Credit institutions	2,757,118,698	--	2,457,051,818	--	12.2%
Leasing suppliers	164,570,332	--	185,372,270	--	-11.2%
Other creditors	497,787	--	497,787	--	0.0%
Third party payables (short term)	259,041,501	7.5%	397,475,795	11.6%	-34.8%
Credit institutions	191,387,255	--	328,528,776	--	-41.7%
Leasing suppliers	20,890,188	--	20,858,423	--	0.2%
Suppliers	7,646,267	--	7,070,262	--	8.1%
Fixed asset suppliers	26,284,993	--	24,448,070	--	7.5%
Other creditors	12,832,797	--	16,570,264	--	-22.6%
Accruals and deferrals	142,397,765	4.1%	132,041,147	3.9%	7.8%
Total Shareholders' Equity and Liabilities	3,459,308,048	100.0%	3,420,988,726	100.0%	1.1%

The Company growth rate measured by the increase in net assets was 1.1%, increasing the amount to m€ 3,459,308.

This growth is essentially explained by the increase of 2.8% on “Fixed assets financed by the State”, corrected by the decreases of “ML investment” in 2.7% and of “Current assets” in about 33.9% (particularly “Third party receivables”).

Shareholder equity had another significant reduction, stating now a negative value of m€ 56,678.

Total liabilities increased about 4.8%, to m€ 3,515,986.

This growth is influenced by around 10.6% rises in “Third party payables – medium and long term”.

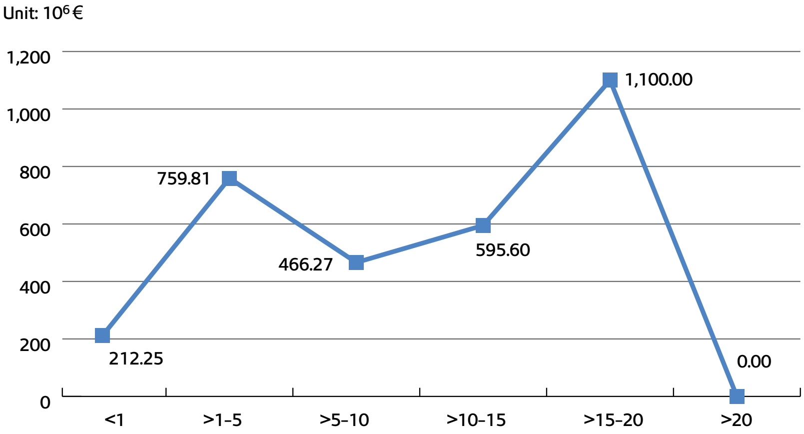
Remunerated liabilities has been increasing gradually along the last years in about 4.8%, to m€ 3,133,966, more than 93.2% of which concern the medium and long term, equal to m€ 2,921,689, and only 6.8%, equal to m€ 212,277, referring to the short term.

Unit: €

Remunerated liabilities	2007	2006	Chg. % 2007/2006
Long term	2,921,689,030	2,642,424,088	10.6%
Bond loans	861,850,939	469,582,307	83.5%
Bank loans	1,895,267,759	1,987,469,511	-4.6%
BEI	1,160,267,759	1,199,969,511	-3.3%
Commercial paper	435,000,000	487,500,000	-10.8%
Others	300,000,000	300,000,000	0.0%
Finance leasing	164,570,332	185,372,270	-11.2%
Short term	212,277,442	349,387,199	-39.2%
Bond loans	7,731,367	45,663,701	-83.1%
Bank loans	183,655,887	282,865,075	-35.1%
BEI	39,701,752	37,872,827	4.8%
Commercial paper	50,000,000	50,000,000	0.0%
Others	93,954,135	194,992,248	-51.8%
Finance leasing	20,890,188	20,858,423	0.2%
Total remunerated liabilities	3,133,966,473	2,991,811,286	4.8%
Bond loans	869,582,306	515,246,007	68.8%
Bank loans	2,078,923,646	2,270,334,586	-8.4%
BEI	1,199,969,511	1,237,842,338	-3.1%
Commercial paper	485,000,000	537,500,000	-9.8%
Others	393,954,135	494,992,248	-20.4%
Finance leasing	185,460,520	206,230,692	-10.1%

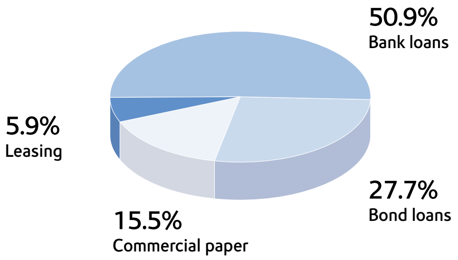
Average debt maturity is 11.2 years against 10 years in 2006, increasing duration in more than 12%, a correct policy face to the long duration characteristics of assets inherent to the infrastructure.

Average Debt Term



The result of this increase is related with the 20 year bullet bond issue, with State guarantee, of last November.

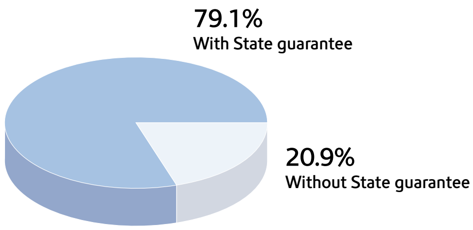
Debt distribution by type of instrument



This debt is distributed by the following financing sources:

- Bank loans 51%
- Leasing 6%
- Bond loans 28%
- Commercial paper 15%

Financing structure by type of guarantee



About 79.1% of the global debt amount, equal to m€ 2,480,216 has been underwritten by the State, that is, almost 85% of the long term remunerated liabilities is “granted by the State”.

“Net fixed assets” representing 95.5% of total assets and of fixed assets financed by the State in the amount of m€ 2,846,382, is totally financed by long term alien capital.

In the overall capital structure, shareholder equity lost any kind of weight, showing for the first time a negative value, having long term alien capital assumed the financing of the long duration infrastructure, characteristic of our network.

Consequently, a negative financial indicator performance is stated, namely in the lower equity to assets and solvency levels.

6.2 Proposed application results

In the terms of paragraph a) no. 1 of article 31st of Metropolitano de Lisboa, E.P. Statutes, we propose that the incurred net loss of the year, in the negative amount of € 144,221,982, is totally transferred to retained earnings.

The Management Board

Mr. Joaquim José de Oliveira Reis

Mr. Luís Filipe Salgado Zenha de Morais Correia

Mr. Jorge Manuel Quintela de Brito Jacob

Mr. Pedro Gonçalo de Brito Aleixo Bogas

Mr. Miguel Teixeira Ferreira Roquette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7. Financial statements

Balance sheets as at December 31st, 2007 and 2006

Unit: €

PoA Account Code	Assets	Notes	Years 2007 Gross assets	Years 2007 Depreciations and adjustments	Years 2007 Net assets	2006 Net assets
	Fixed assets financed by the Company:					
	Intangible fixed assets:					
431	Installation costs		3,397,901	2,088,053	1,309,848	2,219,297
432	Research and development costs		2,776,931	1,381,426	1,395,505	2,319,070
433	Industrial property and other rights		53,909	53,909	0	0
444	Fixed assets in progress		620,558	0	620,558	1,156,632
		8 - 10	6,849,299	3,523,389	3,325,911	5,694,999
	Tangible fixed assets:					
421	Land and natural resources		24,282,696	0	24,282,696	24,281,087
422	Buildings and other constructions		251,016,435	116,051,149	134,965,286	145,913,753
423	Basic equipment	15	502,369,961	244,216,267	258,153,694	279,918,850
424	Transport equipment		1,020,419	993,536	26,883	14,781
425	Tools and utensils		2,304,461	1,963,689	340,773	324,775
426	Office equipment		24,778,238	22,366,974	2,411,264	2,150,359
428/429	Other tangible fixed assets		1,041,610	322,181	719,429	713,630
441/6	Fixed assets in progress		2,214,191	0	2,214,191	1,850,917
448	Advance payments for tangible fixed assets accounts		149,032	0	149,032	276,140
		10 - 13	809,177,044	385,913,795	423,263,249	455,444,292
	Financial investments:					
4111	Investments in group companies		7,362,338	0	7,362,338	5,581,606
4112	Investments in associated companies		113,945	0	113,945	162,430
4113+414+415	Securities and other financial investments		23,881,576	1,239,410	22,642,166	2,713,300
		10 - 16	31,357,859	1,239,410	30,118,449	8,457,336
	Fixed assets financed by the State:					
	Intangible fixed assets:					
431	Installation costs		2,019,827	0	2,019,827	2,019,827
432	Research and development costs		1,436,967	0	1,436,967	1,407,904
444	Fixed assets in progress		3,264,235	0	3,264,235	3,221,913
		8 - 10	6,721,029	0	6,721,029	6,649,645
	Tangible fixed assets:					
421	Land and natural resources		15,330,202	0	15,330,202	15,304,290
422	Buildings and other constructions		2,282,736,892	0	2,282,736,892	1,955,420,934
423	Basic equipment		367,759,538	0	367,759,538	348,460,034
441/6	Fixed assets in progress		169,436,550	0	169,436,550	438,094,333
448	Advance payments for tangible fixed assets accounts		4,397,942	0	4,397,942	5,998,298
		10 - 13	2,839,661,124	0	2,839,661,124	2,763,277,890
	Third party receivables - medium and long term:					
253	Subsidiary and participating companies		0	0	0	0
268	Other debtors	49	440,263	0	440,263	423,105
			440,263	0	440,263	423,105
	Current assets:					
	Stocks:					
36	Raw materials, subsidiaries and consumables	21 - 22 - 41	4,431,105	759,768	3,671,338	2,738,949
			4,431,105	759,768	3,671,338	2,738,949
	Third party receivables - short term:					
211	Clients, current account		1,725,771	0	1,725,771	2,079,604
218	Doubtful receivables	21 - 23	17,909	17,909	0	0
252	Group companies	16	250,000	0	250,000	250,000
229	Advances to suppliers		52,137	0	52,137	78,008
2619	Advances to fixed asset suppliers		56,154	0	56,154	56,154
24	State and other public bodies	28	8,161,353	0	8,161,353	9,913,599
262+267+268	Other debtors	21 - 23 - 49	26,632,814	3,854,698	22,778,116	55,918,635
264	Capital subscribers	37	30,120,397	0	30,120,397	30,120,397
			67,016,536	3,872,606	63,143,929	98,416,397
	Bank deposits and cash:					
12+13	Bank deposits		253,736	0	253,736	231,352
11	Cash		18,300	0	18,300	73,481
		55	272,036	0	272,036	304,833
	Accruals and deferrals:					
271	Accrued revenue		4,154,764	0	4,154,764	1,688,818
272	Deferred costs		84,535,955	0	84,535,955	77,892,462
		50	88,690,719	0	88,690,719	79,581,280
	Total Depreciations			390,364,248		
	Total Adjustments			4,944,720		
	Total Assets		3,854,617,016	395,308,968	3,459,308,048	3,420,988,726

The notes to the accounts are integral part of the balance sheets as at December 31st, 2007.

The Chief Accountant

Mr. Carlos Alberto Meira Rodrigues

Balance sheets as at December 31st, 2007 and 2006

Unit: €

PoA Account Code	Shareholder Equity and Liabilities	Notes	Years 2007	2006
	Shareholder Equity			
51	Capital	37	603,750,000	603 750,000
55	Adjustments in equity investments in subsidiaries and associates		134,577	134,577
56	Revaluation reserves			
	Fixed assets not financed by the State		37,234,075	37,234,075
	Fixed assets financed by the State		199,062,008	199,062,008
	Reserves:			
571	Legal reserves:			
5711	General reserve		14,398	14,398
5712	Reserves for returns on investments		7,199	7,199
5713	Investment reserves		645,377,709	622,577,030
574+575+576	Other reserves		95,516,084	95,516,084
59	Retained earnings		(1,493,552,435)	(1,346,608,756)
	Subtotal		87,543,616	211,686,615
88	Net profit / loss for the year		(144,221,982)	(146,943,679)
	Total Shareholder Equity	40	(56,678,366)	64,742,936
	Liabilities			
	Provisions:			
291	Provisions for pensions	34	191,867,555	183,335,579
293/8	Other provisions	34	492,776	471,394
			192,360,331	183 806,973
	Third party payables – medium and long term:			
	Bond loans:			
2322	Non-convertible	48	861,850,939	469,582,307
231	Bank loans	48	1,895,267,759	1,987,469,511
2611	Fixed assets suppliers, current accounts	15	164,570,332	185,372,270
268	Other creditors	49	497,787	497,787
			2,922,186,817	2,642,921,875
	Third party payables – short term:			
	Bond loans:			
2322	Non-convertible	48	7,731,368	45,663,701
231	Bank loans	48	183,655,887	282,865,075
221	Suppliers, current accounts		7,625,625	6,936,239
228	Suppliers – Invoices under review		20,643	134,023
254	Subsidiary and participating companies		0	0
2611	Fixed assets suppliers, current accounts	15 - 16 - 53	47,175,181	45,306,493
24	State and other public bodies	28	2,338,427	2,201,410
262+263+265				
266+267+268	Other creditors	49	10,494,370	14,368,854
			259,041,501	397,475,795
	Accruals and deferrals:			
273	Accrued costs		20,185,875	21,486,418
274	Deferred revenue		122,211,890	110,554,729
		50	142,397,765	132,041,148
	Total Liabilities		3,515,986,414	3,356,245,790
	Total Shareholders' Equity and Liabilities		3,459,308,048	3,420,988,726

The notes to the accounts are integral part of the balance sheets as at December 31st, 2007.

The Management Board

Mr. Joaquim José de Oliveira Reis

Mr. Luís Filipe Salgado Zenha de Morais Correia

Mr. Jorge Manuel Quintela de Brito Jacob

Mr. Pedro Gonçalo de Brito Aleixo Bogas

Mr. Miguel Teixeira Ferreira Roquette

Income Statements by Nature for the years ended December 31st, 2007 and 2006

Unit: €

PoA Account Code	Costs and Losses	Notes	Years 2007		2006	
61	Cost of goods sold and materials consumed:					
	Raw materials, subsidiaries and consumables	41		1,830,016		2,276,644
62	Supplies and external services			41,942,690		43,008,099
	Staff costs:	52				
641+642	Remuneration		52,883,884		52,147,142	
	Social charges:					
643	Pensions	51	20,668,461		15,545,533	
645/8	Other		15,007,377	88,559,722	15,003,498	82,696,173
662+663	Depreciations of tangible and intangible fixed assets	10	37,219,037		38,016,765	
666+667	Adjustments	21	511,825		188,053	
67	Provisions	34	21,382	37,752,244	0	38,204,819
63	Taxes			247,859		242,431
65	Other operating costs and losses			320,738		188,409
				170,653,269		166,616,575
682	Losses in group companies and associates	45	156,865		300,382	
683+684	Depreciation and adjustments of financial investments	45	71,134		71,134	
681+685+686+688	Interest and similar costs:					
	Other	45	71,947,425	72,175,425	69,124,219	69,495,735
	(C)			242,828,693		236,112,310
69	Exceptional costs and losses	46		1,281,732		1,715,583
	(E)			244,110,425		237,827,893
86	Income tax			35,408		32,391
	(G)			244,145,833		237,860,284
88	Net profit / loss for the year			(144,221,982)		(146,943,679)
				99,923,851		90,916,605

	Revenues and Profits					
71	Sales:					
	Goods	44	14,911		11,929	
72	Services provided	44	62 462,629	62,477,540	56,278,150	56,290,079
75	Own work capitalised			3,348,318		2,781,777
73	Suplementary revenues	16	907,528		902,763	
74	Operating subsidies	3.i)	23,147,894		21,641,174	
76	Other operating revenues and profits	53	7,377,581		7,281,479	
77	Reversals of adjustments	21	69,447	31,502,451	237,340	30,062,756
	(B)			97,328,309		89,134,612
782	Gains in group companies and associates	45	1,889,113		397,718	
7815+783	Yields on securities and other financial investments:					
	Other	45	24,091		23,777	
7811+7818+ 785+786+788	Other interest and similar profits:					
	Other	45	528,398	2,441,602	822,142	1,243,637
	(D)			99,769,911		90,378,249
79	Exceptional revenues and profits	46		153,940		538,356
	(F)			99,923,851		90,916,605

Summary:

	2007	2006
Operating income: (B)-(A) =	(73,324,960)	(77,481,963)
Financial income: [(D)-(B)]-[(C)-(A)] =	(69,733,823)	(68,252,098)
Net operating income: (D)-(C) =	(143,058,783)	(145,734,061)
Income before taxes: (F)-(E) =	(144,186,574)	(146,911,287)
Net profit/loss for the year: (F)-(G) =	(144,221,982)	(146,943,679)

The appendend notes are integral part of the income statement by nature as at December 31st, 2007.

The Chief Accountant

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Income Statements by Function for the years ended December 31st, 2007 and 2006

Unit: €

	Notes	Years 2007	2006
Sales and services provided	44	62,477,540	56,290,079
Operating subsidies	3.i)	23,147,894	21,641,174
Cost of sales and services provided		(78,904,304)	(79,153,007)
Gross Income		6,721,130	(1,221,754)
Other operating revenues and profits		11,856,815	11,741,715
Distribution costs		(69,510,528)	(57,192,859)
Administrative costs		(21,917,698)	(30,082,300)
Other operating costs and losses		(1,602,470)	(1,903,992)
Operating Income		(74,452,751)	(78,659,190)
Net financing costs	45	(71,419,027)	(68,302,077)
Gains / (Losses) from subsidiaries and associates	45	1,732,248	97,336
Losses on other investments	45	(47,043)	(47,357)
Net Operating Income		(144,186,574)	(146,911,288)
Taxes on net operating income		(35,408)	(32,391)
Net profit/loss for the year		(144,221,982)	(146,943,679)

The appendend notes are integral part of the income statement by function as at December 31st, 2007.

The Chief Accountant

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Cash Flow Statements for the financial years ended December 31st, 2007 and 2006

Unit: €

	Notes	Years 2007	2006
Operating activities:			
Sales of tickets and passes		68,161,473	61,936,297
Operational subsidy		23,147,894	22,524,317
Receipts from other operator tickets and passes		4,059,690	2,113,042
Payments to suppliers		(42,461,815)	(42,952,266)
Payments to staff		(64,207,510)	(62,519,421)
Flow Generated by Operations		(11,300,267)	(18,898,031)
Payments to and receipts from taxes		(1,700,979)	7,639,203
Other receipts from operating activities		(3,828,661)	4,860,555
Flow Generated before Exceptional Items		(16,829,907)	(6,398,273)
Receipts from exceptional items		42,067	4,251
Payments from exceptional items		(20,341)	(12,719)
Flow from Operating Activities (1)		(16,808,181)	(6,406,741)
Investment Activities:			
Receipts derived from:			
Financial investments		0	96,137
Investment subsidies		53,299,636	5,306,725
Interest and similar profits		5,771	6,997
Total Receipts		53,305,407	5,409,859
Payments relating to:			
Financial investments		(20,000,000)	(38)
Tangible fixed assets		(84,519,020)	(76,964,609)
Total Payments		(104,519,020)	(76,964,647)
Flow used in Investment Activities (2)		(51,213,613)	(71,554,788)
Financing Activities:			
Receipts derived from:			
Bank loans		0	0
Bond loans	48	400,000,000	400,000,000
SWAP operation restructure		37,725,000	0
Total Receipts		437,725,000	400,000,000
Payments relating to:			
Bank loans		(191,410,940)	(205,562,753)
Leasing/hire operations		(37,011,185)	(35,756,109)
Bond loans		(45,663,701)	0
Interest and similar costs		(77,652,179)	(80,664,623)
SWAP operation restructure		(17,998,000)	0
Total Payments		(369,736,004)	(321,983,485)
Flow of Financing Activities (3)		67,988,996	78,016,515
Cash and Cash Equivalent Variation (4)=(1)+(2)+(3)		(32,798)	54,986
Cash and Cash Equivalents at Beginning of Period		304,834	249,847
Cash and Cash Equivalents at End of Period		272,036	304,833
Cash	55	18,300	73,481
Bank deposits	55	253,736	231,352
Cash and Cash Equivalents at End of Period		272,036	304,833

The appendend notes are integral part of the cash flow statement as at December 31st, 2007.

The Chief Accountant

Mr. Carlos Alberto Meira Rodrigues

The Management Board

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8. Notes to the financial statements

On December 31st, 2007
(Amounts shown in euros)

1. Introduction

Metropolitano de Lisboa, E.P. (“the Company”) was established in 1975 following the nationalisation of Sociedade Metropolitano de Lisboa, S.A.R.L., in the terms of the Decree-Law no. 280-A/75, of June 5th. The company’s current name and public sector statutes were established by Decree-Law no. 439/78, December 30th.

The Company’s main object is to provide public underground transport services in the Great Lisbon Area.

The Company’s operations are governed by general laws concerning the public sector company activities, and by specific laws and government regulations relating to the transport sector, and the Company itself.

Travel tariffs are fixed by the relevant Ministry and the Company benefits from official government subsidies including statutory capital funds and funds from investments, operational subsidy and other subsidies.

The services provided are realized in conformity to the tariff policies fixed by the relevant Ministry and the Company benefits from official government subsidies including statutory capital funds, and funds for investments, operational subsidy and other subsidies.

The Company shall present consolidated financial statements set under Decree-Law no. 238/91, July 2nd. As the Company already uses the equity method in the statement of its investment values, the impact of consolidation on shareholder’s equity and earnings are already reflected in the individual financial statements. The impact of consolidation on assets, liabilities, costs and revenues of subsidiaries will only be reflected on the consolidated accounts.

The notes below are presented in accordance with the Official Plan of Accounts. Notes not included in this appendix do not apply or are not relevant to the understanding of the financial statements presented.

3. Preparation and main accounting policies

The financial statements presented below were prepared on the going concern principle from the Company accounting books and records, kept in accordance with the accounting principles generally accepted in Portugal.

The main valuation criteria used in preparing these financial statements comprise:

a) Intangible fixed assets

i) Financed by the Company

Intangible fixed assets financed by the Company refer to internal costs related to commercial project studies, Company reorganisation studies, the introduction of a new management information system, and Company image (Note 8). These fixed assets are depreciated over periods of 3 and 6 years on a straight-line basis.

ii) Financed by the State

Intangible fixed assets financed by the State essentially include network expansion studies, considered as durable infrastructure investment ("DIF"). These fixed assets are not being depreciated.

b) Tangible fixed assets

i) Financed by the Company

Tangible fixed assets financed by the Company, acquired up to December 31st, 1997, are stated at acquisition cost, which includes financial changes incurred during construction and revaluation in terms of the relevant legislation (Note 12). Tangible fixed assets acquired after that date are stated at acquisition cost.

Depreciation is stated on a straight-line basis starting with the year in which goods come into use. It is calculated on the basis of the following estimated useful life of the asset:

	Years
Buildings and other constructions	10 - 50
Basic equipment:	
Operating rolling stock	14 - 28
Rolling stock in service	10 - 30
Control and telecommunication systems	12 - 16
Transport equipment	4 - 5
Tools and utensils	4 - 10
Office equipment	7 - 10
Other tangible fixed assets	4 - 10

Current repair and maintenance costs are stated in cost accounts for the year. Major repair work is stated under the item "Accruals and deferrals" and is depreciated over a three years period.

ii) Financed by the State

Tangible fixed assets financed by the State, acquired up to December 31st, 1997, are stated at acquisition cost, which includes financial costs incurred during their construction and revaluation in terms of the relevant legislation (Note 12). Fixed assets acquired after that date are stated at acquisition cost.

The accumulated depreciation related to theses fixed assets was taken into consideration and carried out on the basis of the above mentioned criteria for tangible fixed assets financed by the Company, but only up to December 31st, 1997. Depreciations calculated and stated until this date were directly credited at cost or the re-evaluated amount of tangible fixed assets adjusted by deducted revaluation reserves. After January 1st, 1998, these assets are not depreciated.

c) Financial investments

Financial investments in associated and group companies are stated by the equity accounting method. Initially, this is at acquisition cost to which is then added or deducted the amount proportional to the Company's holdings in the respective shareholder's equity stated at acquisition date or after first use of the equity method.

According with the equity accounting method, financial investments are adjusted annually in the amount corresponding to the proportion of net profit/loss of the invested companies and recognised under gains or losses for the year. In addition, dividends received from these companies are stated as a depreciation of the financial investment value.

Provisions are established for financial investments whenever there is a reasonable expectation that the amounts invested will not be recovered.

The remaining financial investments are stated under acquisition cost – below market value.

d) Stocks

Raw materials, subsidiaries and consumables are stated at acquisition cost, which does not exceed the respective market value, using the average price as the costing method.

Where estimated consumption value is below acquisition cost, the difference is stated under provisions for stock depreciation.

e) Accruals basis of accounting

The Company follows the accruals basis of accounting when referring to revenue and costs, recognised when generated, irrespective of when paid or collected. The difference between the amounts collected and the amounts paid, and the corresponding revenue and costs are stated under the item "Accruals and deferrals" (Note 50).

f) Retirement pension supplementary contributions

As described in detail under Note 51, the Company meets pension fund obligations in terms of supplementary retirement pension contributions (old-age, disability and survival pensions) over and above the levels paid by the Social Security system. In the year ended December 31st, 2001, the Company adopted the requirements of the Accounting Directive no. 19 of May 21st, 1997 from the Accounting Standards Committee in respect to the stating of its obligations on the balance sheet. These obligations are quantified by means of an actuarial study performed in terms of internationally accepted actuarial assumptions and methods, so as to establish the amount of total obligations at balance sheet date, and the pension cost to be stated in the period under review. These obligations are compared to the accounting records of the company so as to ascertain the differences to be stated. Pension fund profits and losses are stated under the "Staff costs" item, and based on amounts determined by the actuarial study already mentioned.

g) Health care

The Company has assumed responsibilities in paying benefits to the personnel, both still active and in early retirement, in respect of health care. These are not recorded in balance sheet as at December 31st, 2007. To meet these undertakings, the Company has provided a collective health insurance scheme for its active and pre-retired staff, which provides for access to medical services subsidised by the Company. These charges are recorded in the financial statements in respect of the year in which they were paid. Company obligations to pre-retired staff are not reflected in the balance sheet, given that these amounts are not material in actuarial terms.

h) Revenue from services provided and statement of revenue

Revenue from transport services provided comprises receipts from sales of metro tickets, and a share of receipts from sales of multimodal monthly tickets, valid for the underground and other urban and suburban transport services provided by other operators. The government fixes their prices.

The Company recognises revenue for services provided, as follows:

- **Multimodal passes** – revenues from multimodal passes sold by the Company and other transport operators are divided among each of the operators according to a monthly distribution guideline determined by the Institute for Mobility and Ground Transports (IMTT, I.P. in its Portuguese acronym). Distribution is calculated according to statistical indexes of service use of the Company and of other operators.
- **Tickets and pre-paid tickets** – The Company recognises these revenues at the moment of sale.

i) Operating subsidies

Operating subsidies, provided by the State in compensation for the application of government-capped prices, are recorded in the P&L account. In 2007, these amounted to € 23,147,894, allocated in the terms of a Cabinet Decision taken in September 28th, 2007.

j) Departmental costs

Internal running costs of various management departments not exclusively responsible for the investment are recognised as a percentage of 2% of the investment in progress.

These costs are recognised in respect of durable infrastructure investment – DIF's (fixed assets financed by the State) – operating rolling stock and depot/workshops (fixed assets financed by the Company) (Note 10), since these are the most long term, technically complex and consequently most manpower intensive investments.

l) Leasing

Leased fixed assets, along with the corresponding obligations, are stated by the financial method. In accordance with this method, costs are stated under tangible assets, and the corresponding obligation is recognised under liabilities interest, calculated in terms of the method referred to in Note 3.b) is included in the value of rents and asset depreciation and recognised as costs in the financial statements of the year to which they refer.

m) Operational lease

Charges relative to operational lease contracts are recognised as costs in that year.

n) Subsidies granted for financing fixed assets

Sinking fund subsidies granted to the Company for financing the acquisition of tangible fixed assets are stated as deferred revenue under the item “Accruals and deferrals”, and recognised in the financial statements proportionate to the depreciation on the subsidised tangible fixed assets.

The subsidies granted on a sinking fund basis for financing DIF’s, are stated directly as shareholder’s equity under the item “Investment reserves”. In the year under review, these subsidies accounted for some 30% of the investment made in DIF’s, which at the present date are integrally settled.

o) Assets, liabilities and transactions in foreign currency

All assets and liabilities denominated foreign currency were converted into euros using exchange rates in effect at balance sheet dates.

Foreign exchange gains and losses resulting from exchange rate differences in effect at the date of transaction and the date of settlement, or close of accounts, were stated as revenue or costs in the P&L account, except for unfavourable exchange losses in the amount of € 108,473, arising from bank loans obtained for financing fixed assets in progress, and which are stated in the attached balance sheet under the item “Deferred costs” (Note 50).

p) Deferred taxes

Deferred taxes refer to time differences between assets and liabilities recorded for accounting carryover and the respective amounts for taxation purposes.

On January 1st, 2002 requirements under Accounting Directive no. 28, of June 29th, 2001, became effective with regard to the stating of deferred taxes. The Company decided to make use of the transitory regime allowed under Accounting Directive no. 28 permitting not to state – for a period not exceeding five years – assets and liabilities for deferred taxes with respect to years prior to the date on which the Directive came into force, or its first application, that is, prior to January 1st, 2002. Consequently, such deferred taxes are not stated in the attached financial statements nor is it entirely quantified as at this date. Assets for deferred taxes are relative to estimated tax losses and provisions not fiscally accepted, while liabilities for deferred taxes are relative to depreciation of revalued assets not fiscally accepted, and taxable capital gains subject to deferred taxation.

In the years ended December 31st, 2002 to 2007, situations occurred which led to the stating of assets for deferred taxes in an amount approximately € 218,800,000, with respect to tax losses carried forward and provisions not fiscally accepted, which were not stated. This was because the stating of assets for deferred taxes was not required in terms of Accounting Directive no. 28 where liabilities for such deferred taxes were the result of situations prior to the January 1st, 2004, and also because there was no reasonable assurance that such deferred taxes could be realised in the period of the tax loss brought forward.

q) Derivatives financial instruments

The Company is exposed to financial risks basically related to interest rate fluctuations. Thus, the Company has used derivative financial instruments to manage interest rate fluctuation risks, only to grant the cover of those risks, rather than as a negotiation goal (speculation).

The coverage derivatives used by the Company are bank loan interest rate coverage instruments, essentially interest rate “swaps”. Loan amounts, interest maturity dates and reimbursement plans of loans subjacent to those interest rate coverage derivatives are totally identical to the conditions established for the contracted corresponding loans, thus being perfect coverages.

The derivatives used by the Company to cover loan interest rate risks are initially recorded by their cost, if there is one. The result of the year shall be directly stated in the financial statements in respect of the period in which the coverage instrument affects the results. The coverage derivative accounting is discontinued when the instrument is due or sold.

When the derivatives are no longer qualified as coverage instrument or are re-negotiated, the resulting profit/loss as well or the fair value variations accumulated and stated in the item “Accrual and deferrals” and stated in the financial statements of the year, according with the loan terms to which they are related.

6. Taxes

The Company is subject to Corporate Tax on Profits at a rate of 25%, which with the publication in Diário da República of the Law no. 2/2007 approving the Local Financial Law (“LFL”), and under the terms of article 14th of the new LFL, from the year 2007 the municipal charge has been calculated up to the maximum limit of 1.5% of the Taxable Profit, when in the past the same corresponded to 10% of the tax value (usually 2.5%).

In terms of current legislation, tax declarations are subject to revision and correction by tax authorities over a four year period (ten years for the Social Security till 2000, inclusive, and five years since 2001), except in the case of tax losses, or when tax benefits have been conceded, an inspection is under way, complaints or contests have been lodged, in which cases, depending on the circumstances, the limitations are extended or suspended. Accordingly, the Company’s tax declarations for the fiscal years 2004 to 2007 may be subject to revision or adjustment.

The Management Board believes that any further revision/inspection of tax declarations by the tax authorities would not materially affect the financial statements as at December 31st, 2007.

In terms of the current legislation, tax losses can be deducted from future profits up to six years after losses were incurred, and subject to deduction of taxable profits reported during this period. The limit date to use tax losses deduction, in terms of tax returns filed, as at December 31st, 2007, is as follows:

	Fiscal loss	Use limit date
Generated in 2002	118,760,365	2008
Generated in 2003	134,014,301	2009
Generated in 2004	155,241,079	2010
Generated in 2005	152,356,406	2011
Generated in 2006	151,322,061	2012
Generated in 2007	163,517,051	2013
	875,211,263	

7. Average staff number

During the financial years of 2007 and 2006, Metropolitano de Lisboa average staff number was 1,685 and 1,702, respectively.

8. Installation, research and development costs, and industrial patents, and other rights

The items stated in these accounts and their respective balances at December 31st, 2007, are as follows:

Fixed assets financed by the Company	2007	2006
Installation costs:		
Company portal	222,000	222,000
RCM methodology for rolling stock maintenance	741,394	741,394
Organisational development of infrastructure area	262,500	262,500
Reorganisation of administration services	291,000	291,000
ML reorganisation studies	1,687,600	1,687,600
Financial costs (Note 10)	193,407	193,407
	3,397,901	3,397,901
Accumulated depreciations	(2,088,053)	(1,178,604)
	1,309,848	2,219,297
Research and development costs:		
Implementation of the management and quality system	658,125	658,125
Profitability study of the installed capacity	75,000	75,000
AMTL integration studies	1,722,163	1,722,163
Increasing use of ML parking lots	197,887	197,887
Study relating to sharing of monthly pass revenues	0	14,306
Other	0	76,009
Financial costs (Note 10)	123,757	231,458
	2,776,931	2,974,948
Accumulated depreciations	(1,381,426)	(655,878)
	1,395,505	2,319,070
Industrial patent elements:		
Image and identity of the multimodal pass	50,396	50,396
Financial costs (Note 10)	3,513	3,513
	53,909	53,909
Accumulated depreciations	(53,909)	(53,909)
	0	0
Fixed assets in progress:		
Installation costs:		
SAP projects	64,200	626,481
Financial costs	13,941	17,310
	78,141	643,791
Research and development costs:		
Study of Depots/Workshops I profitability	490,818	490,818
Other	12,860	0
Financial costs	38,739	22,023
	542,416	512,841
	620,558	1,156,632
	3,325,911	5,694,999

Fixed assets financed by the State	2007	2006
Installation costs:		
Network development studies	1,988,425	1,988,425
Other	86	86
Financial costs (Note 10)	31,316	31,316
	2,019,827	2,019,827
Research and development costs:		
Study for the development of a standardised station	33,627	5,092
Impact study for possible new extensions	326,662	326,134
Impact study for the Road Tunnel	108,989	108,989
Tender for artist to decorate stations	40,721	40,721
Study for Light Metropolitan Railway project	674,703	674,703
Feasibility study for Colinas line	48,938	48,938
Analysis of electromagnetic compatibility	90,599	90,599
Other	4,977	4,977
Financial costs (Note 10)	107,751	107,751
	1,436,966	1,407,904
Fixed assets in progress:		
Research and development costs:		
Impact study for possible new extensions	871,041	870,916
Electrical power plant project	24,694	24,694
Study for Oriente / Aeroporto extension	1,714,733	1,712,879
Study for Amadora Este / Reboleira extension	77,961	77,961
Study for Rato / Alcântara extension	379,503	374,725
Study for S. Sebastião / Campolide extension	20,847	19,611
Other	49,118	49,118
Financial costs	126,338	92,010
	3,264,235	3,221,914
	6,721,029	6,649,645

10. Changes in fixed assets

During the financial year ending December 31st, 2007 changes in the value of intangible, tangible and financial assets, financed by the Company and respective accumulated depreciation was as follows:

	Gross assets				
Accounts	Opening balance	Increases	Disposals	Write-offs and transfers	Closing balance
Intangible fixed assets:					
Installation costs	3,397,901	0	0	0	3,397,901
Research and development costs	2,974,947	0	0	(198,016)	2,776,931
Industrial property and other rights	53,909	0	0	0	53,909
	6,426,758	0	0	(198,016)	6,228,742
Fixed assets in progress:					
Installation costs	643,791	309,086	0	(874,735)	78,141
Research and development costs	512,841	29,576	0	0	542,416
	1,156,632	338,661	0	(874,735)	620,558
	7,583,390	338,661	0	(1,072,751)	6,849,299
Tangible fixed assets:					
Land and natural resources	24,281,087	1,609	0	0	24,282,696
Buildings and other constructions	250,971,356	45,079	0	0	251,016,435
Basic equipment	501,239,096	1,044,404	(42,004)	128,465	502,369,961
Transport equipment	1,155,944	29,240	(164,765)	0	1,020,419
Tools and utensils	2,166,140	139,711	0	(1,389)	2,304,461
Office equipment	23,512,215	218,256	(5,726)	1,053,493	24,778,238
Other tangible fixed assets	1,033,864	7,746	0	0	1,041,610
	804,359,701	1,486,046	(212,496)	1,180,569	806,813,821
Fixed assets in progress:					
Buildings and other constructions	212,856	0	0	0	212,856
Basic equipment	1,258,518	1,320,046	0	(586,231)	1,992,333
Office equipment	379,542	9,266	0	(379,807)	9,001
	1,850,916	1,329,312	0	(966,038)	2,214,190
Advance payments for tangible fixed asset accounts	276,140	72,287	0	(199,395)	149,032
	806,486,758	2,887,645	(212,496)	15,136	809,177,044
Financial investments:					
Investments in group companies	5,581,606	1,780,732	0	0	7,362,338
Investments in associated companies	162,430	(48,485)	0	0	113,945
Securities and other financial investments	3,881,576	20,000,000	0	0	23,881,576
	9,625,612	21,732,248	0	0	31,357,859

	Depreciations and adjustments			
Accounts	Opening balance	Increase	Disposals /Write-offs	Closing balance
Intangible fixed assets				
Installation costs	1,178,604	909,449	0	2,088,053
Research and development costs	655,877	923,565	(198,016)	1,381,426
Industrial property and other rights	53,909	0	0	53,909
	1,888,391	1,833,014	(198,016)	3,523,389
Tangible fixed assets				
Buildings and other constructions	105,057,603	10,993,546	0	116,051,149
Basic equipment	221,320,246	23,051,693	(155,672)	244,216,267
Transport equipment	1,141,163	17,138	(164,765)	993,536
Tools and utensils	1,841,365	123,554	(1,230)	1,963,689
Office equipment	21,361,856	1,198,144	(193,026)	22,366,974
Other tangible fixed assets	320,233	1,947	0	322,181
	351,042,466	35,386,023	(514,694)	385,913,795
Financial investments				
Securities and other financial investments	1,168,276	71,134	0	1,239,410
	1,168,276	71,134	0	1,239,410
	354,099,133	37,290,171	(712,710)	390,676,594

The additions in the year ended December 31st, 2007 to the item "Tangible fixed assets - basic equipment", in the amount of € 1,044,404, relate essentially to adjustments to the ticketing to process the new ticket formats and to the reconditioning of the hydraulic press of the rolling stock wheels.

The additions in the fiscal year of 2007 to the item "Fixed assets in progress - basic equipment", in the amount of € 1,320,046, relate essentially to costs in passenger information systems, development of the ticketing system, and centralised video surveillance in ML stations.

The write-offs and transfers in the fiscal year of 2007 in the item "Tangible fixed assets - office equipment", in the amount of € 1,053,493, relate essentially to the transfer of "Fixed assets in progress – intangible fixed assets", of SAP system development, and of the transfer of "Fixed assets in progress – office equipment" of the Technological Recovery Plan of ML Information Systems.

In the write-offs and transfers in the fiscal year of 2007 in "Tangible fixed assets – basic equipment" item are included the projects of "Ticketing sales and count remodelling", in the amount of € 327,578, and the "PMO II" project in the amount of € 159,306. Also included is the reclassification change to "Stock – raw materials, subsidiaries and consumables" of rolling stock spare parts in the amount of € 439,650, which has originated a reclassification of the depreciation item in the amount of € 83,011, in exchange of the item "Provision for stock depreciation" (Note 21).

The changes in the items "Investments in group companies" and "Investments in associated companies", in the total net amount of € 1,732,248, include, essentially the amounts of € 1,889,113 and € 154,595, relating to the gains and losses arising from appropriation by the equity accounting method (Note 45), respectively.

The addition occurred in "Securities and other financial investments" item, in the amount of € 20,000,000 relates to a term deposit for a future fund pension constitution, as deliberated by the Management Board, which has interest overcoming to the market normal rate.

Increase depreciation and adjustments under the item "Securities and other financial investments", € 71,134 (Note 45), relate to depreciation of investments in real estate acquired for investment income.

In terms of Decree-Law no. 196/80 of June 20th, the Government committed the State to finance durable infrastructure investment of the Metro. Such investment was defined as follows:
- Network development studies;
- Subways, stations and other auxiliary and complementary constructions;
- Track;
- High and low voltage network;
- Remote control and telecommunication systems;
- Ventilation and hydraulic equipment;
- Escalators and other mechanical ancillary people movers.

This commitment was reflected in the practice by Portuguese Government sinking fund grants to cover investments made up to December 31st, 1980 along with associated financing costs. At that date, investments made and the values of grants attributed were equal. They were stated under fixed assets financed by the State and investment reserves, respectively.

The above-mentioned Decree-Law contained a clause calling for its revision before expiry in December 31st, 1980. However, this did not happen. And, as a result, funds were from then on allocated in accordance with an ad hoc legislation included in the Investment Plans for Public Sector Enterprises. Grants came to take the form of statutory capital contributions and other general subsidies for investment and financial restructuring. As a result, the value of investments and subsidies attributed, stated under investment reserves, ceased to be equal. Accordingly, State financing is accounted in the financial statements in December 31st, 2007 and 2006:

Fixed assets financed by the State	2007	2006
Intangible:		
Cost value	3,456,794	3,427,731
In progress	3,264,235	3,221,913
	6,721,029	6,649,645
Tangible:		
Cost value	2,466,764,624	2,120,123,250
Revaluations (Note 13)	199,062,008	199,062,008
In progress and advances	173,834,492	444,092,632
	2,839,661,124	2,763,277,890
	2,846,382,153	2,769,927,535
Revaluation reserves (Note 40)	199,062,008	199,062,008
Investment reserves (Note 40)	645,377,709	622,577,030
Other reserves (Note 40)	93,999,764	93,999,764
	938,439,481	915,638,801

Fixed assets financed by the Company	2007	2006
Intangible:		
Cost value	6,228,742	6,426,758
In progress	620,558	1,156,632
	6,849,299	7,583,390
Accumulated depreciations	(3,523,389)	(1,888,391)
	3,325,911	5,694,999
Tangible:		
Cost value	778,748,110	776,267,265
Revaluation (Note 13)	28,065,711	28,092,437
In progress and advances	2,363,223	2,127,057
	809,177,044	806,486,758
Accumulated depreciations	(385,913,795)	(351,042,466)
	423,263,249	455,444,292
	426,589,160	461,139,291

The following supplementary costs are included in the cost value of fixed assets – intangible, tangible and in progress – in December 31st, 2007 and 2006:

	2007				2006			
Fixed assets financed by the Company	Intangible	Tangible	In progress	Total	Intangible	Tangible	In progress	Total
Financial costs (Note 14)	320,676	67,035,772	194,555	67,551,004	428,378	66,984,475	110,503	67,523,356
Departmental costs (Note 3.j))	967,341	7,984,176	15,442	8,966,959	967,341	8,003,050	16,324	8,986,714
Total	1,288,017	75,019,949	209,997	76,517,963	1,395,719	74,987,525	126,827	76,510,071

	2007				2006			
Fixed assets financed by the State	Intangible	Tangible	In progress	Total	Intangible	Tangible	In progress	Total
Financial costs (Note 14)	139,068	272,732,011	12,082,109	284,953,188	139,068	223,376,060	57,594,273	281,109,400
Departmental costs (Note 3.j))	38,038	47,264,785	6,039,856	53,342,679	37,169	40,527,570	9,987,872	50,552,611
Total	177,106	319,996,797	18,121,965	338,295,867	176,237	263,903,630	67,582,145	331,662,011

The following changes occurred in the year ended in December 31st, 2007, in the value of intangible and tangible fixed asset costs financed by the State:

Accounts	Opening balance	Increases	Disposals	Write-offs and transfers	Closing balance
	Gross assets				
Intangible fixed assets:					
Installation costs	2,019,827	0	0	0	2,019,827
Research and development costs	1,407,904	29,062	0	0	1,436,967
Fixed assets in progress:					
Research and development costs	3,221,913	42,322	0	0	3,264,235
	6,649,645	71,384	0	0	6,721,029
Tangible fixed assets:					
Land and natural resources	15,304,290	25,912	0	0	15,330,202
Buildings and other constructions	1,955,420,934	3,005,513	0	324,310,445	2,282,736,892
Basic equipment	348,460,034	1,396,986	0	17,902,518	367,759,538
	2,319,185,258	4,428,411	0	342,212,963	2,665,826,632
Fixed assets in progress:					
Land and natural resources	0	66,405	0	0	66,405
Buildings and other constructions	422,580,731	69,503,281	0	(332,630,348)	159,453,664
Basic equipment	15,513,602	12,304,256	0	(17,901,377)	9,916,481
	438,094,333	81,873,942	0	(350,531,725)	169,436,550
Advance payments for tangible fixed asset accounts	5,998,298	455,864	0	(2,056,220)	4,397,942
	2,763,277,890	86,758,216	0	(10,374,982)	2,839,661,124

The additions occurred in the year ended December 31st, 2007 under the item "Fixed assets in progress – buildings and other constructions", in the amount of € 69,503,281 relate essentially to works in Alameda/S. Sebastião, Baixa-Chiado/Santa Apolónia and Oriente/Aeroporto, amounting respectively to € 40,369,345, € 16,698,719 and € 7,325,992.

The additions occurred in the year ended December 31st, 2007 under the item "Fixed assets in progress - basic equipment", in the amount of € 12,304,256 relate essentially to the works in Baixa-Chiado/Santa Apolónia, to the remodelling of Green line and to the works in Oriente/Aeroporto, with € 8,406,810, € 1,214,348 and € 1,067,128, respectively.

The write-offs and transfers occurred during the fiscal year of 2007 under the item "Tangible fixed assets – building and other constructions", in the amount of € 324,310,445, relate essentially to the transfer of "Fixed assets in progress" of costs related to the works in Baixa-Chiado/Santa Apolónia resulting from its opening to the public during the fiscal year of 2007 and to the Roma station remodelling, amounting respectively to € 305,470,791 and € 11,125,095.

The write-offs and transfers occurred during the fiscal year of 2007 under the item "Tangible fixed assets – basic equipment" in the amount of € 17,902,518 relate essentially to the transfer move of "Fixed assets in progress" of costs related to works in Baixa-Chiado/Santa Apolónia and to Roma station remodelling, amounting respectively to € 16,847,352 and 1,092,152.

On December 31st, 2007, fixed assets in progress items, "Land and natural resources", "Buildings and other constructions" and "Basic equipment", in the amounts of € 66,405, € 159,453,664 and € 9,916,481, respectively, include the following:

	Land and natural resources	Buildings and other constructions	Basic equipment
Network Remodelling	0	3,974,864	5,514,492
Alameda/S. Sebastião extension	0	127,313,316	1,190,315
Rato/Estrela extension	0	1,405,888	0
Amadora Este/Reboleira extension	0	76,745	636
S. Sebastião/Campolide extension	0	258,143	0
Cais do Sodré interface	0	12,333,618	1,264,810
Oriente/Aeroporto extension	66,405	13,385,748	1,067,936
Other	0	705,343	878,292
	66,405	159,453,664	9,916,481

11. Capitalised financial costs

During the financial years of 2007 and 2006, the Company has capitalised the following financial costs in respect of loans obtained to finance fixed assets in progress and departmental costs:

Tangible fixed assets in progress	2007	2006
Financial charges:		
Financed by the Company (Note 14)	135,349	169,466
Financed by the State (Note 14)	6,358,579	8,579,259
	6,493,928	8,748,725
Departamental costs:		
Financed by the Company	0	120,496
Financed by the State	2,949,732	2,352,639
	2,949,732	2,473,135

12. Revaluations of tangible fixed assets (legislation)

The Company has revalued tangible fixed assets in prior years, in accordance with the following legislation:

- Decree-Law no. 219/82, 2nd June
- Decree-Law no. 399 – G/84, 28th December
- Decree-Law no. 118-B/86, 27th May
- Decree-Law no. 111/88, 2nd April
- Decree-Law no. 49/91, 25th January
- Decree-Law no. 264/92, 24th November
- Decree-Law no. 31/98, 11th February

As a result of the revaluations made, depreciation in the year ending December 31st, 2007, was increased by € 392,267. Of this, 40% is not accepted as a cost for the calculation of Tax Income under Corporate Taxation regulations.

13. Revaluations of tangible fixed assets

The historic acquisition cost of tangible fixed assets financed by the Company and by the State together with corresponding revaluations as at December 31st, 2007 and 2006 was as follows:

i) Financed by the Company

	December 31st, 2007			December 31st, 2006
Accounts	Historic costs	Revaluations (Note 10)	Revalued balances	Revalued balances
Tangible fixed assets:				
Land and natural resources	23,838,183	444,513	24,282,696	24,281,087
Buidings and other constructions	236,895,128	14,121,307	251,016,435	250,971,356
Basic equipment	490,336,807	12,033,154	502,369,961	501,239,096
Transport equipment	1,020,419	0	1,020,419	1,155,944
Tools and utensils	2,095,676	208,786	2,304,461	2,166,140
Office equipment	23,619,724	1,158,515	24,778,238	23,512,215
Other tangible fixed assets	942,173	99,437	1,041,610	1,033,864
	778,748,110	28,065,711	806,813,821	804,359,701
Fixed assets in progress:	2,214,191	0	2,214,191	1,850,917
Advance payments for tangible fixed assets accounts	149,032	0	149,032	276,140
	781,111,333	28,065,711	809,177,044	806,486,758

ii) Financed by the State

	December 31st, 2007			December 31st, 2006
Accounts	Historic costs	Revaluations (Note 10)	Revalued balances	Revalued balances
Tangible fixed assets:				
Land and natural resources	12,941,760	2,388,442	15,330,202	15,304,290
Buidings and other constructions	2,106,426,862	176,310,029	2,282,736,892	1,955,420,934
Basic equipment	347,396,001	20,363,537	367,759,538	348,460,034
	2,466,764,624	199,062,008	2,665,826,632	2,319,185,258
Fixed assets in progress:	169,436,550	0	169,436,550	438,094,333
Advance payments for tangible fixed assets accounts	4,397,942	0	4,397,942	5,998,298
	2,640,599,116	199,062,008	2,839,661,124	2,763,277,890

14. Tangible fixed assets and assets in progress (additional information)

Included in the Company's fixed assets are investments in the Museum of the Music and the Road Tunnel, amounting to € 172,124 and € 117,063, respectively. The remaining fixed assets of the Company are allocated to passenger transport services.

On December 31st, 2007, the tangible fixed assets in the possession of third parties and sited on property, above or below the ground, not owned by the Company totalised € 409,485 and € 2,906,167,117, respectively.

Financial costs capitalised in fixed assets up to December 31st, 2007 amount to € 352,504,192, € 6,493,928 of which were capitalised in the year 2007 (Note 11).

In addition, as at December 31st, 2007 and 2006, the following should be mentioned:

a) Sited on property, above or below the ground, not owned by the Company	2007	2006
Fixed assets financed by the Company:		
Tangible fixed assets:		
Buildings and other constructions	5,619,792	5,619,792
Basic equipment	58,875,428	58,092,980
Fixed assets in progress:		
Basic equipment	1,978,477	1,183,760
	66,473,696	64,896,532
Advance payments for tangible fixed assets accounts	32,297	158,054
	66,505,993	65,054,586
Fixed assets financed by the State:		
Tangible fixed assets:		
Land and natural resources	15,330,202	15,304,290
Buildings and other constructions	2,282,736,892	1,955,420,934
Basic equipment	367,759,538	348,460,034
Fixed assets in progress:		
Land and natural resources	66,405	0
Buildings and other constructions	159,453,664	422,580,731
Basic equipment	9,916,481	15,513,602
	2,835,263,182	2,757,279,592
Advance payments for tangible fixed assets accounts	4,397,942	5,998,298
	2,839,661,124	2,763,277,890
	2,906,167,117	2,828,332,476
b) Financial charges		
Total financial costs	352,504,192	348,632,757
Imputed financial costs (Note 11)	6,493,928	8,748,725

15. Goods held under leasing

As referred to in note 3.l) the Company states leased assets under its tangible fixed assets (Note 10).
As at December 31st, 2007, the Company leases 55 triple traction units and ticket sale and control equipment stated under the item “Basic equipment”, passenger light vehicle stated under the item “Transport equipment”, and two photocopiers stated in the item “Office equipment”, and valued as follows:

Account	Book value	Accumulated depreciation	Net value
423	305,858,686	(112,984,340)	192,874,346
423	29,516,500	(15,065,777)	14,450,723
424	25,402	(2,117)	23,285
426	8,777	(293)	8,484
	335,409,365	(128,052,527)	207,356,838

As at December 2007, the Company's undertakings on payments related to leasing contracts included:

Description	Short term	Medium and long term	Total
55 Traction Units (Note 53)	15,676,349	164,570,332	180,246,681
Integrated Closing Network Equipment (Note 53)	5,183,962	0	5,183,962
	20,860,311	164,570,332	185,430,643

Medium and long term leases mature as follows:

Years	Amount
2009	16,502,763
2010	17,378,364
2011	18,306,283
2012	19,289,884
2013 and subsequent years (Note 29)	93,093,038
	164,570,332

Leasing payments on triple traction units include interest rates which vary between 1.4400% and 2.5789%.

Additionally, the Company has ten operating leasing contract obligations with TREM, A.C.E. and TREM II, A.C.E. (Note 16) and Hewlett-Packard International Bank, not recognised in the appended balance sheet (Note 3.m)) in the amount of € 272,441,380.

Schedule for payments falling due and related to operation leasing contracts is as follows:

Years	Amount
Short term:	
2008	9,346,969
Medium and long term:	
2009	14,816,478
2010	14,816,478
2011	14,816,478
2012	14,816,478
2013 and subsequent years	203,828,499
	272,441,380

16. Group companies, associates and subsidiaries

On December 31st, 2007 and 2006, group companies, associates and subsidiaries comprised:

Investment in group companies	Head office	Capital	Shareholder Equity as at 31.12.07	Net profit/loss in 2007	Holdings in 2007	%	Holdings in 2006	%	
Ferconsult, S.A.	Lisboa	1,000,000	7,100,564	1,866,282	7,100,564	100	5,234,281	100	a) b)
Metrocom, S.A.	Lisboa	750,000	327,218	(106,938)	261,774	80	347,324	80	a) b)
					7,362,338		5,581,606		
Investments in associated companies									
Publimetro – Publicidade em Meios de Transporte e Outros, S.A.	Lisboa	150,000	214,734	44,276	85,893	40	68,183	40	a)
Fernave, S.A.	Lisboa	1,000,000	(1,323,193)	(1,679,770)	0	20	71,315	20	a)
Ensitrans - Engenharia e Sist. de Transporte, A.E.I.E.	Lisboa	49,880	103,731	102,408	5,187	5	66	5	a)
SOTRANS – Operadora de Transportes, S.A.	Madrid	60,200	60,200	0	18,060	30	18,060	30	
ASSER - Serviços para Emp. de Transporte , A.C.E.	Lisboa	0	0	0	4,805		4,805	-	d)
					113,945		162,430		
Securities and other financial investments									
Edel – Emp. Editorial, Lda.	Lisboa	c)	c)	c)	20	-	20	-	a)
GIL – Gare Intermodal de Lisboa, S.A.	Lisboa	1,952,160	(29,773,329)	(3,220,014)	312,346	16	312,346	16	a)
Otlis, A.C.E.	Lisboa	69,832	69,832	0	9,976	14	9,976	14	a)
TREM, A.C.E.	Lisboa	11,823,188	(56,195,969)	(2,817,825)	1,064	-	1,064	-	a) b)
TREM II, A.C.E.	Lisboa	28,261,342	(110,114,014)	(9,381,766)	2,576	-	2,576	-	a) b)
					325,982		325,982		
Real Estate Rental (Note 10)					3,555,595		3,555,595		
Financial investment - term deposit					20,000,000		0		
					23,881,576		3,881,576		
					31,357,859		9,625,612		

a) Unaudited financial information reported as at December 31st, 2006.
b) Entities consolidated in terms of the purchase method in the Company's consolidated financial statements.
c) Information not available.
d) The liquidation of the A.C.E. (Agrupamento Complementar de Empresas) was decided in 2006.

As at December 31st, 2007 and 2006, the following balances relating group companies and associates were outstanding:

Debit balances 2007	Clients, current account	Other debtors (Note 49)	Group companies and associated - short and medium/ long term	Accrued revenues (Note 50)	IRC - Retained corporate income tax	Advance payments for tangible fixed assets	Total
Ferconsult, S.A.	0	1,998,597	250,000	2,866,728	707,533	414,838	6,237,696
Metrocom, S.A.	0	14,866	0	432,730	187,756	0	635,352
Publimetro, S.A.	0	186,677	0	0	0	0	186,677
Fernave, S.A.	0	0	0	0	40	0	40
Ensitrans, A.E.I.E.	0	85,450	0	0	0	0	85,450
Otlis, A.C.E.	55,797	0	0	0	0	0	55,797
Total	55,797	2,285,589	250,000	3,299,458	895,329	414,838	7,201,011

Debit balances 2006	Clients, current account	Other Debtors (Note 49)	Group companies and associated – short and medium/ long term	Accrued revenues (Note 50)	IRC - Retained corporate income tax	Advance payments for tangible fixed assets	Total
Ferconsult, S.A.	0	1,329,532	250,000	860,006	753,516	414,838	3,607,892
Metrocom, S.A.	0	594,329	0	0	262,801	0	857,130
Publimetro, S.A.	0	501,799	0	0	0	0	501,799
Fernave, S.A.	0	0	0	0	184	0	184
Ensitrans, A.E.I.E.	0	85,450	0	0	0	0	85,450
Otlis, A.C.E.	209,238	0	0	0	0	0	209,238
Total	209,238	2,511,109	250,000	860,006	1,016,501	414,838	5,261,692

Credit balances 2007	Suppliers, current account	Fixed asset suppliers, current account	IRC - Retained corporate income tax	Total
Ferconsult, S.A.	0	5,200,333	0	5,200,333
Fernave, S.A.	30,283	0	0	30,283
Ensitrans, A.E.I.E.	0	105,666	27	105,693
GIL, S.A.	215,235	0	0	215,235
Otlis, A.C.E.	263,403	0	2	263,404
Trem, A.C.E.	0	0	41	41
Trem II, A.C.E.	0	0	42	42
Total	508,920	5,305,998	112	5,815,030

Credit balances 2006	Suppliers, current account	Fixed asset suppliers, current account	IRC - Retained corporate income tax	Total
Ferconsult, S.A.	0	3,954,461	0	3,954,461
Fernave, S.A.	7,136	0	0	7,136
Ensitrans, A.E.I.E.	0	105,666	27	105,693
GIL, S.A.	226,138	0	0	226,138
Otlis, A.C.E.	247,230	0	2	247,232
Trem, A.C.E.	0	0	41	41
Total	480,504	4,060,126	70	4,540,700

Transactions 2007	Services provided	Suplementary revenues	Other debtors and creditors	Exceptional income (Note 46)
Ferconsult, S.A.	2,902,446	98,527	65,412	0
Metrocom, S.A.	1,683,766	17,756	31,312	1,825
Publimetro, S.A.	1,629,541	86,385	0	0
Otlis, A.C.E.	644,744	0	4,194	0
Total	6,860,497	202,668	100,918	1,825

Transactions 2006	Services provided	Suplementary revenues	Accrued revenues	Other debtors and creditors	Exceptional income (Note 46)	Financial revenues
Ferconsult, S.A.	82,448	154,282	903,982	62,536	0	0
Metrocom, S.A.	0	19,902	1,751,460	29,970	0	0
Publimetro, S.A.	1,580,544	67,278	0	0	0	0
Fernave, S.A.	0	0	0	1,250	4,000	666
Asser, A.C.E.	0	0	0	628	0	0
Otlis, A.C.E.	417,506	0	43,505	2,255	0	0
Ensitrans, A.E.I.E.	0	0	0	2,819	0	0
Total	2,080,498	241,461	2,698,946	99,458	4,000	666

Transactions 2007	Fixed assets in progress	Supplies and external services	Deferred costs	IRC - Retained corporate income tax	Staff costs	Tangible fixed assets	Other debtors and creditors
Ferconsult, S.A.	11,117,729	122,446	644,892	0	0	500,406	0
Metrocom, S.A.	0	6,000	1,500	0	0	0	0
Fernave, S.A.	0	136,231	1,248	0	2,146	0	0
GIL, S.A.	0	355,761	0	0	0	0	0
Otlis, A.C.E.	0	139,306	0	0	0	0	626,193
Total	11,117,729	759,743	647,639	0	2,146	500,406	626,193

Transactions 2006	Fixed assets in progress	Supplies and external services	Deferred costs	IRC - Retained corporate income tax	Tangible fixed assets	Associated companies	Other debtors and creditors
Ferconsult, S.A.	7,474,742	150,657	162,683	174,984	736,890	0	0
Metrocom, S.A.	0	4,500	0	0	0	0	0
Fernave, S.A.	1,620	111,170	0	184	0	0	0
GIL, S.A.	0	373,781	0	0	0	0	0
Otlis, A.C.E.	0	10,117	0	0	0	8,060	334,299
Total	7,476,362	650,224	162,683	175,168	736,890	8,060	334,299

21. Changes in values of current assets

For the year ending December 31st, 2007, changes to adjustments included:

	Opening balance	Increases	Reversal	Closing balance
Adjustments for stock depreciation (Note 22)	476,667	283,101	0	759,768
	476,667	283,101	0	759,768
Adjustments for doubtful receivables:				
For doubtful debts (Note 23)	87,356	0	(69,447)	17,909
For other debtors (Note 23)	3,309,314	311,735	0	3,621,049
Carris/DGTT revenue (Note 23)	233,649	0	0	233,649
	3,630,319	311,735	(69,447)	3,872,606
	4,106,986	594,836	(69,447)	4,632,374

The increase of € 283,101 includes the amount of € 83,011 concerning the depreciation item transfer resulting from the rolling stock spare parts transfer to the "Stocks" item (Note 10).

22. Stocks

As at December 31st, 2007 and 2006, this item comprised:

	2007	2006
Raw materials, subsidiaries and consumables:		
Materials	4,219,521	3,046,533
Tools	28,799	25,579
Cleaning products	12,446	12,429
Office material	5,485	3,144
Fuels	23,285	22,042
Other materials	72,654	105,891
Tickets	68,916	0
	4,431,105	3,215,617
Provision for stock depreciation (Note 21)	(759,768)	(476,667)
	3,671,338	2,738,950

As at December 31st, 2007 and 2006, the Company had no stock in the custody of third parties. At the account close, no stock was in transit or under consignment.

23. Doubtful receivables

As at December 31st, 2007 and 2006, doubtful receivables totalised € 3,872,606 and € 3,630,319, respectively, which are stated in the balance sheet under doubtful receivables and other debtors in the amounts of € 17,909 and € 3,854,698 as at December 31st, 2007 and € 87,356 and € 3,542,963 as at December 31st, 2006, and are fully provisioned (Note 21).

25. Staff accounts – receivables and payables

As at December 31st, 2007 and 2006, the following staff account balances were outstanding:

	2007	2006
Receivables (Note 49)	541,207	700,858
Payables (Note 49)	414,799	468,930

28. State and other public bodies

As at December 31st, 2007 and 2006, no overdue debts to the State and other public sector entities were outstanding. Balances comprised:

	2007		2006	
	Debt balance	Credit balance	Debt balance	Credit balance
Value Added Tax	3,888,027	0	8,440,754	0
Corporate taxes	4,273,326	35,408	1,472,845	32,391
Social Security payments	0	1,298,011	0	1,257,021
Personal tax	0	812,879	0	723,423
Other	0	192,129	0	188,574
	8,161,353	2,338,427	9,913,599	2,201,410

29. Third party payables at more than five years

As at December 31st, 2007 and 2006, the following third party payables with maturities over five years were outstanding:

	2007	2006
Fixed asset suppliers (Note 15)	93,093,038	112,382,922
Loans from credit instituitions (Note 48)	1,362,859,103	1,309,361,679
Other loans obtained (Note 48)	830,925,470	438,656,837
	2,286,877,611	1,860,401,438

31. Financial commitments not included in the consolidated balance sheet

a) Health benefits

The Company has been providing health benefits for active and pre-retired staff until Social Security retirement age. These benefits provide access to medical services subsidised by the Company. These charges are recorded in the financial statements corresponding to the year in which they were paid. During the year ended on December 31st, 2007, health charges were stated in the amount of € 974,285 (Notes 3.g) and 52), for the Company active and pre-retired staff related to costs of health insurance paid in that period.

b) Obligations to fixed asset suppliers

On December 31st, 2007 and 2006, the Company had obligations to fixed asset suppliers totalising the amounts of € 185,430,643 (Note 15) and € 206,230,692, respectively. These obligations basically respect to network expansion. In addition, the Company has ten operating lease contract obligations in the amount of € 272,441,380 (Note 15).

32. Guaranties furnished

On December 31st, 2007 and 2006, guarantees furnished by the Company totalised € 261,331,096 and are basically related to current financial contracts and legal proceedings in progress.

34. Changes on provisions

For the year ending December 31st, 2007 changes in provisions were as follows:

	Opening balance	Increases	Decreases (Note 46)	Closing balance
Provisions for pensions (Note 51)	183,335,579	8,531,976	0	191,867,555
	183,335,579	8,531,976	0	191,867,555
Provisions for risks and charges:				
Legal proceedings in progress	66,542	21,382	0	87,924
Interest payable	261,881	0	0	261,881
Staff costs	142,971	0	0	142,971
	471,394	21,382	0	492,776
	183,806,973	8,553,358	0	192,360,331

37. Capital holder

On December 31st, 2007, the Company's statutory capital, which is not represented by a fixed amount, totalised € 603,750,000, totally held by the Portuguese State. As at December 31st, 2007 an amount of € 30,120,397 arising from the capital increase carried out on December 27th, 2001 remains to be paid up.

40. Changes to shareholder equity accounts

Changes to shareholder equity accounts in the year ended December 31st, 2007, comprised:

	Opening balance	Increases	Transfers	Closing balance
Capital	603,750,000	0	0	603,750,000
	603,750,000	0	0	603,750,000
Adjustments to investments in group and associate companies				
Transition adjustments	21,306	0	0	21,306
Other changes in shareholders' equity	113,271	0	0	113,271
	134,577	0	0	134,577
Revaluation reserves:				
Fixed assets not financed by the State	37,234,076	0	0	37,234,076
Fixed assets financed by the State (Notes 10 and 13)	199,062,008	0	0	199,062,008
	236,296,083	0	0	236,296,083
Legal reserves:				
General reserve	14,398	0	0	14,398
Reserves for returns on investments	7,199	0	0	7,199
Reserves for investments (Note 10)	622,577,030	22,800,680	0	645,377,709
	622,598,627	22,800,680	0	645,399,307
Other free reserves	95,516,084	0	0	95,516,084
Retained earnings	(1,346,608,756)	0	(146,943,679)	(1,493,552,435)
Net profit/loss for the year	(146,943,679)	(144,221,982)	146,943,679	(144,221,982)
	(1,398,036,351)	(144,221,982)	0	(1,542,258,333)
Total	64,742,936	(121,421,302)	0	(56,678,366)

The increase stated in the year ending December 31st, 2007, in "Reserves for investments", corresponds to a subsidy allocated under PIDDAC, in the amount of € 4,897,400, to a subsidy by the Cohesion Fund in the amount of € 17,851,699 and to the subsidy by FEDER for the Light Metropolitan Railway in the amount of € 51,580, booked during the year for financing DIF's (Note 3.n)).

The item "Other free reserves" includes an amount of € 93,999,764 arising from the assumption by the State, in previous years, of Company's liabilities related to "Fixed assets financed by the State" (Note 10).

41. Cost of goods sold and materials consumed

During the financial years of 2007 and 2006, the costs of goods sold and material consumed were assigned as follows:

	2007	2006
	Raw materials, subsidiaries and consumables	Raw materials, subsidiaries and consumables
Opening stocks	3,215,616	2,911,385
Purchases	2,409,862	2,458,626
Stock adjustments	635,643	122,249
Closing stocks	(4,431,105)	(3,215,616)
Costs for the year	1,830,016	2,276,644

43. Remuneration to members of the governing bodies

Remuneration of members of the Management Board and Audit Committee totalised in the year of 2007 the amount of € 448,077 and € 33,506, respectively, (€ 464,290 and € 46,575, on December 31st, 2006). These amounts are stated in the income statements under the item "Staff costs" (Note 52).

44. Sales and services provided

During the years ended on December 31st, 2007 and 2006, sales and services provided were exclusively related to the domestic market, and distributed as follows:

	2007	2006
Sales:		
Scrap	14,911	11,929
	14,911	11,929
Services provided:		
Traffic revenues	55,408,666	51,025,601
Suplementary services	7,051,699	5,251,750
Other	2,263	799
	62,462,629	56,278,150
	62,477,540	56,290,080

45. Statements of financial income

Financial income in 2007 and 2006 was distributed as follows:

	2007	2006
Costs and losses		
Interest paid	67,613,654	65,538,096
Losses in group companies and associates (Note 10)	156,865	300,382
Depreciation of investments in buildings (Note 10)	71,134	71,134
Exchange rate losses	20,817	11,316
Other financial costs and losses	4,312,954	3,574,808
	72,175,425	69,495,735
Financial income	(69,733,823)	(68,252,099)
	2,441,602	1,243,636
Profits and gains		
Interest received	2,594	2,570
Gains in group companies and associates (Note 10)	1,889,113	397,718
Revenue from buildings	24,091	23,777
Exchange rate gains	1,542	3,599
Cash payment discounts obtained	44	41
Other financial revenues and profits	524,218	815,931
	2,441,602	1,243,636

In the year ending December 31st, 2007, the item "Interest paid", includes financial charges totalising € 4,472,757 related to leasing contracts signed by the Company (Note 53). It also includes financial charges (DIF operation) for the year in the amount of € 40,293,182.

In the year under review "Other financial costs and losses" item includes charges totalising € 4,101,396, related to guarantees on various financings obtained.

The item "Other financial revenues and profits" includes the amount of € 446,629 related to depreciation of capital gains on 14 TEU's (Triple Traction Units of the rolling stock) and 24 TEU's amounting at financial year end to € 250,922 (Note 53) and € 195,707 (Note 53), respectively.

46. Statements of exceptional income

Exceptional income in 2007 and 2006 include:

	2007	2006
Costs and losses		
Donations	951,372	909,033
Stock losses	64,441	59,713
Fixed asset losses	2,201	3,689
Fines and levies	360	430
Other adjustments to previous years	240,543	195,968
Other exceptional costs and losses	22,814	546,750
	1,281,732	1,715,583
Exceptional income	(1,127,791)	(1,177,226)
	153,940	538,356
Profits and gains		
Stock gains	22,441	110,047
Fixed asset gains	38,306	90,857
Benefits from contractual levies	19,596	20,750
Provision decrease	0	160,109
Adjustments to previous years (Note 16)	49,933	153,337
Other exceptional revenues and profits	23,665	3,257
	153,940	538,356

48. Loans from credit institutions

On December 31st, 2007, loans from credit institutions included:

	Interest rate %	Short term	Medium and long term
Bank financings:			
Banco Santander Totta	4.0420	42,427,446	---
Banco Bilbao Vizcaya	4.4500	3,493,471	---
Banco Millenium BCP	4.4660	7,000,870	---
Banco AMRO - Bank	4.1660	28,532,347	---
Banco Português de Investimento	4.8238	---	40,000,000
BES Investimento	4.7456	50,000,000	---
BNP Paribas	2.6275	---	50,000,000
Caixa Banco de Investimento	4.8339	---	100,000,000
Barclays Bank	2.6250	---	125,000,000
BNP Paribas	2.6013	---	50,000,000
Banco Santader Negócios	4.6290	---	70,000,000
Caja Madrid	5.1660	12,500,000	---
ABN AMRO Bank N.V.	1.3750	---	300,000,000
Banco Europeu de Investimento	1.6273	3,000,000	27,822,150
Banco Europeu de Investimento	0.6747	8,950,000	35,649,737
Banco Europeu de Investimento	2.4403	12,455,283	180,590,161
Banco Europeu de Investimento	2.3580	4,987,979	54,867,769
Banco Europeu de Investimento	2.0622	---	53,038,843
Banco Europeu de Investimento	2.5137	6,650,639	79,807,664
Banco Europeu de Investimento	2.2728	---	124,699,474
Banco Europeu de Investimento	2.8889	---	74,819,685
Banco Europeu de Investimento	2.8791	3,657,851	49,380,992
Banco Europeu de Investimento	2.9440	---	169,591,285
Banco Europeu de Investimento	1.1440	---	150,000,000
Banco Europeu de Investimento	1.6030	---	80,000,000
Banco Europeu de Investimento	2.1530	---	80,000,000
		183,655,887	1,895,267,759

Repayment schedule for medium and long term bank loans is as follows:

Year	Amount
2009	79,701,752
2010	259,701,752
2011	71,502,576
2012	121,502,576
2013 and subsequent years (Note 29)	1,362,859,103
	1,895,267,759

On December 31st, 2007 bond loans included:

Bond loans	Interest rate %	Short term	Medium and long term
Issue "Private Placement"	3.3934	7,731,367	61,850,939
Issue Metro - 2026	0.6141	0	400,000,000
Issue Metro - 2027	1.5560	0	400,000,000
		7,731,367	861,850,939

The bond loan “Private Placement”, from October 7th, 1996, running for a 20-year period, with a USD/PTE Swap arranged for the total amount at the end of the issue, and backed by an entity with an “Aaa/AAA Rating”. Repayment is made in 20 equal instalments from the tenth year of life of the bond, and the interest rate is fixed.

The bond loan “Metro - 2027” took place as at December 7th, 2007 and shall run for a period of 20 years, bullet, fixed rate, with the personal guarantee of the State. The governing law is the Portuguese law, except for the “subscription agreement” which is governed by the British law.

On December 31st, 2007 this bond loan scheduled for the medium and long term has the following repayment terms:

Year	Amount
2009	7,731,367
2010	7,731,367
2011	7,731,367
2012	7,731,367
2013 and subsequent years (Note 29)	830,925,470
	861,850,939

The issue was admitted to quotation in Euronext Lisbon.

As referred to in Note 3.q), considering the financial risk exposure, the Company has arranged with different bank institutions interest rate Swap for bank financings, as follows:

Bank financings				Date		Covered capital 2007-12-31		
Designation		Institution	Swap	Opening	Closing	Capital	Inc. Capital (BEI)	Total associated financing
B E I (ML A)		M Lynch	02/10/03	05/12/03	05/12/08			
B E I (ML A)		BBVA	02/02/06	05/12/05	15/12/17			
B E I (ML A)		M Lynch	24/05/07	15/03/07	15/03/14	30,101,792	720,358	30,822,150
B E I (ML B)	1st, 2nd, 3rd, 4th, 5th Payments	UBS	14/05/04	15/09/04	15/09/12			
B E I (ML B)	1st, 2nd, 3rd, 4th, 5th Payments	BST	18/10/05	15/09/05	15/09/12			
B E I (ML B)	1st, 2nd, 3rd, 4th, 5th Payments	Barclays	17/05/07	15/09/05	15/09/12	31,174,869		31,174,869
B E I (ML B)	6th Payment	BST	31/07/02	15/03/03	15/03/12			
B E I (ML B)	6th Payment	BES Inv.	24/09/03	15/09/03	15/09/08			
B E I (ML B)	6th Payment	Barclays	06/12/07	15/09/07	15/09/12	13,360,658		13,360,658
						44,535,526	64,211	44,599,737
B E I (ML 1/2)	1st, 4th, 5th, 7th, 8th Payments	DBI	05/12/07	15/09/07	15/09/19	117,716,304		117,716,304
B E I (ML 1/2)	2nd, 3rd and 6th Payments	BST	30/03/06	15/03/06	15/09/19	69,831,706		69,831,706
						187,548,009	5,497,435	193,045,444
B E I (ML II)	6th Payment	JP Morgan	25/10/06	15/06/06	15/12/19	23,942,299		23,942,299
B E I (ML II)	2nd and 3rd Payments	BST	31/07/02	15/03/03	15/03/12			
B E I (ML II)	2nd and 3rd Payments	BES Inv.	24/09/03	15/09/03	15/09/08			
B E I (ML II)	2nd and 3rd Payments	ABN	12/07/07	15/12/05	15/12/19	23,942,299		23,942,299
B E I (ML II)	1st Payment	BNPP	11/12/07	15/12/07	15/12/19	11,971,150		11,971,150
						59,855,748	--	59,855,748
B E I (ML III)	1st and 4th Payments	M Lynch	26/09/03	15/12/03	15/06/11			
B E I (ML III)	1st and 4th Payments	BBVA	02/02/06	15/12/05	15/06/20			
B E I (ML III)	1st and 4th Payments	M Lynch	24/05/07	15/03/07	15/06/20	29,096,544		29,096,544
B E I (ML III)	2nd and 3rd Payments	BST	31/07/02	15/03/03	15/03/12			
B E I (ML III)	2nd and 3rd Payments	BES Inv.	24/09/03	15/09/03	15/09/08			
B E I (ML III)	2nd and 3rd Payments	Barclays	06/12/07	15/09/07	15/06/20	16,626,597		16,626,597
						45,723,141	7,315,702	53,058,843
B E I (ML II/B)	1st, 2nd, 3rd, 4th Payments	DBI	05/12/07	15/06/07	15/12/20	86,458,302	--	86,458,302
B E I (ML I/3)	1st, 2nd, 3rd, 4th, 5th Payments	UBS	24/02/05	15/09/04	15/09/21			
B E I (ML I/3)	1st, 2nd, 3rd, 4th, 5th Payments	Barclays	17/05/07	15/09/05	15/09/21	116,386,176	8,313,298	124,699,474
B E I (ML I/3-B)	1st, 2nd Payments	BNPP	11/05/04	15/06/04	15/06/12	33,751,991		33,751,991
B E I (ML I/3-B)	3rd Payment	BST	31/07/02	15/03/03	15/03/12			
B E I (ML I/3-B)	3rd Payment	BES Inv.	24/09/03	15/09/03	15/09/08			
B E I (ML I/3-B)	3rd Payment	Barclays	06/12/07	15/09/07	15/06/22	38,573,704		38,573,704
						72,325,695	2,493,989	74,819,685
B E I (ML II/C)	1st, 2nd Payments	BNPP	11/05/04	15/06/04	15/06/12	53,038,843	--	53,038,843
B E I (ML IV)	1st, 2nd, 3rd, 4th, 5th Payments	BES Inv.	06/03/03	15/09/03	15/09/18			
B E I (ML IV)	1st, 2nd, 3rd, 4th, 5th Payments	JP Morgan	07/12/07	15/09/07	15/09/18	169,591,285	--	169,591,285
B E I (ML V/A)	1st, 2nd, 3rd, 4th Payments	DBI	24/05/07	15/03/07	15/12/20	150,000,000	--	150,000,000
B E I (ML V/B)	1st, 2nd, 3rd Payments	Barclays	06/12/07	15/09/07	15/06/21	80,000,000	--	80,000,000
B E I (ML V/C)	1st Payment	BST	26/05/03	16/06/03	15/06/22			
B E I (ML V/C)	1st Payment	BNPP	14/02/06	15/12/05	15/06/22			
B E I (ML V/C)	1st Payment	JP Morgan	31/05/07	15/12/06	15/06/22	40,000,000		40,000,000
B E I (ML V/C)	2nd Payment	BNPP	11/12/07	15/12/07	15/06/22	40,000,000		40,000,000
						80,000,000	--	80,000,000
B E I (REEST – Inc. Capital)	Tranche A	C Suisse	22/05/06	15/03/06	15/06/22	12,202,497		12,202,497
B E I (REEST – Inc. Capital)	Tranche B	BST	31/05/07	15/03/07	15/06/22	6,101,249		6,101,249
B E I (REEST – Inc. Capital)	Tranche C	DBI	30/05/06	15/03/06	15/06/22	6,101,249		6,101,249
						24,404,994	(24,404,994)	--
A B N (Schuldschein)	Tranche A	Morgan Stanley	24/02/05	22/07/05	22/07/24			
A B N (Schuldschein)	Tranche A	C Suisse	01/06/07	22/07/06	22/07/24	100,000,000		100,000,000
A B N (Schuldschein)	Tranche B	UBS	24/02/05	22/07/05	22/07/24			
A B N (Schuldschein)	Tranche B	C Suisse	01/06/07	22/07/06	22/07/24	100,000,000		100,000,000
A B N (Schuldschein)	Tranche C	BST	25/02/05	22/07/05	22/07/24			
A B N (Schuldschein)	Tranche C	C Suisse	06/10/06	22/07/06	22/07/24	100,000,000		100,000,000
						300,000,000	--	300,000,000
COM P (BNPP -2005)		BNPP	31/05/07	12/02/07	12/08/12	50,000,000	--	50,000,000
COM P (Barclays)		JP Morgan	07/12/06	18/12/06	18/12/13	125,000,000	--	125,000,000
COM P (BNPP -2007)		BNPP	11/12/07	08/11/07	08/05/14	50,000,000	--	50,000,000
						1,933,059,020	--	1,933,059,020

As concerns bond loans, the Company has arranged with different bank institutions interest rate Swap for bank financings, as follows:

Bank loans			Date		Covered capital 2007-12-31		
Designation	Institution	Swap	Opening	Closing	Capital	Inc. Capital (BEI)	Total associated financing
Merrill Lynch	M Lynch	2007/05/24	2007/04/15	2016/10/15	69,582,307	-	69,582,307
Bonds 2026	Barclays	2006/12/05	2006/12/04	2026/12/04	100,000,000		100,000,000
Bonds 2026	Lehman Brothers	2006/12/14	2006/12/04	2026/12/04	70,000,000		70,000,000
Bonds 2026	JP Morgan	2006/12/14	2006/12/04	2026/12/04	100,000,000		100,000,000
Bonds 2026	BBVA	2006/12/15	2006/12/04	2026/12/04	70,000,000		70,000,000
Bonds 2026	M Lynch	2006/12/22	2006/12/04	2026/12/04	60,000,000		60,000,000
Bonds 2026	JP Morgan	2007/05/17	2006/12/04	2026/12/04	85,000,000		85,000,000
Bonds 2026	JP Morgan	2007/05/17	2006/12/04	2026/12/04	85,000,000		85,000,000
Bonds 2026	JP Morgan	2007/05/17	2006/12/04	2026/12/04	30,000,000		30,000,000
Bonds 2026	Barclays	2007/05/17	2006/12/04	2026/12/04	200,000,000		200,000,000
Bonds 2026	Barclays	2007/05/17	2006/12/04	2026/12/04	100,000,000		100,000,000
Bonds 2026	M Lynch	2007/05/24	2006/12/04	2026/12/04	100,000,000		100,000,000
					1,000,000,000	-	1,000,000,000
Bonds 2027	Barclays	2007/12/20	2007/12/07	2022/12/07	200,000,000		200,000,000
Bonds 2027	JP Morgan	2007/12/07	2007/12/07	2027/12/07	100,000,000		100,000,000
Bonds 2027	BNPP	2007/12/11	2007/12/07	2027/12/07	100,000,000		100,000,000
					400,000,000	-	400,000,000
					1,469,582,307	-	1,469,582,307

49. Other debtors and creditors

As at December 31st, 2007, this item included:

	Short term		Medium and long term	
	Debit balance	Credit balance	Debit balance	Credit balance
Parque Expo'98	7,980,766	7,082,930	0	0
C.P. - Caminhos de Ferro Portugueses E.P.	982,387	0	0	0
Staff (Note 25)	541,207	414,799	0	0
Câmara Municipal Barreiro – interest penalties	1,658,179	0	0	0
Câmara Municipal Barreiro - Municipal Undertakings	717,586	0	0	0
Rodoviária de Lisboa S.A.	2,559,290	7,153	0	0
Câmara Municipal de Lisboa	17,158	0	423,105	0
Companhia Carris de Ferro de Lisboa, S.A.	200,051	2,504,355	0	0
REFER - Rede Ferroviária Nacional	279,356	0	0	0
FERTAGUS - Travessia do Tejo Transportes, S.A.	339,227	0	0	0
Transtejo	76,545	0	0	0
Other State creditors	0	0	0	497,787
Group companies, associates and subsidiaries (Note 16)	2,285,589	0	0	0
Subsidies receivable	7,622,305	0	0	0
Other	1,373,168	485,132	17,158	0
	26,632,814	10,494,370	440,263	497,787

On August 17th, 1994, the Company signed an agreement with Parque Expo'98, S.A. ("Parque Expo'98") in respect of an offset payment to be received by the Company for starting construction and operation of Alameda–Expo line and respective stations ahead of time. Offset, in the total amount of € 9,975,957, was to be paid by Parque Expo'98 during the years 1995 to 1998, in the amounts of € 1,995,191, € 2,493,990, € 2,493,990 and € 2,992,787, respectively. As a result of this protocol, the Company stated a receivable and a deferred revenue account in the amount of € 9,975,957. Up to December 31st, 2007, of the total offset agreed, the Company had received an amount of € 1,995,191 concerning the instalment of 1995. At that date, it stated an amount of € 7,980,766 under the item "Other debtors".

In 1998, following the conclusion of construction work and start of line exploration and respective stations, the Company decided to record revenue from offset payments received between May 1998 (date on which the line became operational) and 2003 (date on which the Company would conclude construction and this line would become operational).

On September 29th, 1995, the Company signed an Agreement Protocol with Parque Expo'98 and Lisbon City Hall. This protocol stipulated that the Company would pay Parque Expo'98 the amount of € 7,082,930 for the expropriation of the land area required for the implementation and construction of "Gare do Oriente" station. No payment term or plan was established. As a result of this protocol, the Company capitalised the charges associated with the construction of Oriente line and respective stations, in the amount of € 7,082,930 and recorded this amount under the item "Other creditors".

The amount of € 7,622,305 refers to subsidies to be obtained from FEDER (European Regional Development Fund) referring to investments by the Company in the years of 2006 and 2007, and whose applications were made in those years. This amount was reorganised under the item "Investment reserve" (Note 40).

50. Accruals and deferrals

On December 31st, 2007 and 2006, the balances on these items included:

	2007	2006
Accrued revenues:		
Accrued interest	0	447
Group companies (Note 16)	3,299,458	860,006
Traffic revenues	685,690	627,199
Other	169,616	201,166
	4,154,764	1,688,818
Deferred costs:		
Insurance	88,610	88,345
Financial expenses	1,357,984	1,488,561
Charges on leasing contracts (Note 53)	2,933,744	3,196,516
Financial charges	6,501,189	6,959,424
Discounts on bond issues	1,204,194	1,141,349
Works carried out for third parties	34,431,583	23,861,563
Pluriannual maintenance	603,854	1,164,825
Exchange rate losses (Note 3.o))	108,473	119,320
Technical support contracts	4,376	20,893
Charges with pensions (Note 51)	37,261,518	39,590,363
Other	40,431	261,303
	84,535,955	77,892,462

	2007	2006
Accrued costs:		
Holidays, holiday allowances and related charges	8,187,587	8,567,551
Interest due and not paid	6,181,011	7,983,279
Capital gains - operational lease (Note 53)	2,850,455	3,759,140
Other	2,966,822	1,176,448
	20,185,875	21,486,418
Deferred revenues:		
Investment subsidies	37,453,539	40,486,544
Leasing contracts – deferred capital gains (Note 53)	64,931,774	69,662,945
SWAP operations restructure	19,058,258	0
Other	768,319	405,240
	122,211,890	110,554,729

The item "Deferred costs – financial expenses" in the amount of € 1,357,984 refers to financial costs incurred in contracting bank loans. These are deferred over the life of the loan.

The item "Deferred costs – charges on leasing contracts", in the amount of € 2,933,744, relates to charges incurred on leasing and operating contracts signed in 1995, 1997, 1999, 2000, 2001 and 2002, which are stated in the respective financial years.

The item "Deferred costs – financial charges" includes the amount of € 5,495,649 related to the amount paid upfront on the total spread of the ABN bank loan totalising € 300,000,000 (Note 48), which is deferred over the life time of this loan.

The item "Deferred costs – works carried out for third parties" includes essentially the amounts of € 21,260,757 and € 9,517,589 concerning works performed by the Company on account of Transtejo and Lisbon Local Authority, respectively.

The item "Deferred revenues – investment subsidies", in the amount of € 37,453,539, includes amounts from FEDER grants through PRODAC in 1993 and QCA in 1994, used to finance Company investment in the network expansion plan. These subsidies are recorded in the financial statements under the item "Other operational revenues and profits", proportionally to the depreciation of the subsidised tangible fixed assets (Note 3.n)).

The item "Deferred revenues – SWAP operations restructure" in the amount of € 19,058,258, related with the net revenue obtained by the Company from the negotiation of 15 SWAP operations according with the Company management policy of its derivatives, as detailed below:

Institution	Amount	Operation date	Financing	Financing amount (Note 48)
JP Morgan	30,000,000	2007/07/15	Bonds 2026	400,000,000
Santander Totta	7,725,000	2007/06/01	BEI-Inc. Capital	6,101,249
	37,725,000			406,101,249
JP Morgan	(6,500,000)	2007/05/31	BEI ML V/C	40,000,000
BNP Paribas	(6,323,000)	2007/05/31	Com P-2005	50,000,000
Barclays	(1,275,000)	2007/05/17	BEI ML B, III, I/3-B (V)	68,560,959
Barclays	(3,900,000)	2007/05/17	BEI ML B(Fr) + I/3	143,923,977
	(17,998,000)			302,484,935
	19,727,000			708,586,184

This amount is being deferred for the period of the respective derivatives resulting from the re-negotiation, and the correspondent revenue is recorded in the financial statements under the item "Other financial costs and losses" in the amount of € 668,712.

51. Pensions

As mentioned in Note 3.f), the Company assumed obligations with supplementary retirement contributions covering old age, disability, pre-retirement and survivor pensions. As at December 31st, 2007, the number of active staff, pre-retired, retired and/or pensioned totalised 1,443, 20 and 1,204, respectively (1,501, 26 and 1,152 on December 31st, 2006).

Such contributions are a complement to those granted by the Social Security, and are calculated taking into account the number of years of Company service, amount of Social Security contributions and final salary on retirement.

In the year of 2004, the Company has decided and has come to an agreement with the Trade Unions that every worker admitted after December 31st, 2003 is no longer covered by this pension plan.

According with the actuarial studies elaborated by an independent entity, the value of the Company current obligations for past services of active staff, pre-retired and retired was computed as follows:

	2007	2006
Active staff	44,230,625	43,347,791
Pre-retired	3,542,094	4,868,802
Retired	144,094,836	135,118,985
	191,867,555	183,335,579

The actuarial study referring to December 31st, 2007 was conducted using the "Projected Unit Credit" method. It took into account the following assumed technical and actuarial principles:

Mortality table	TV 73/77 – França
Disability table	EVK 80 - Suíça
Average salary growth rate	2.25%
Average annual fund yield rate	6%
Average annual growth rate of pensions	2%
Average annual rate for updating of pre-retirement payments up to normal retirement date	5%

Pension fund payment obligations as at December 31st, 2007, in the amount of € 191,867,555 are stated as liabilities under the item "Pension fund provisions" (Note 34). Obligations as at December 31st, 2007 relative to current employees, and to be depreciated, in the amount of € 37,261,518, are stated under the item "Deferred costs – charges with pensions" (Note 50). These are being depreciated over a 23 year period, corresponding to the estimated average remaining working life of the staff.

On December 31st, 2007 and 2006, the item “Staff costs – pensions” (Note 52) includes the following pension fund costs:

	2007	2006
Increase in pension fund costs in the financial year (Note 34)	8,531,976	3,808,443
Pension payment in the financial year, without using provision	9,807,640	9,408,245
Depreciation of obligations under active staff	2,328,845	2,328,845
Pension Fund Costs in the Financial Year	20,668,461	15,545,533

On December 31st, 2007, the Company has not provisioned pension fund obligations. These are stated in the balance sheet.

52. Staff costs

In the financial years ending December 31st, 2007 and 2006, this item includes:

	2007	2006
Governing bodies remuneration (Note 43)	481,582	510,865
Salaries	52,402,302	51,636,277
Pensions (Note 51)	20,668,461	15,545,533
Social charges	12,229,775	12,099,813
Health insurance premium (Note 31)	974,285	1,153,588
Other staff costs	1,803,317	1,750,097
	88,559,722	82,696,173

53. Fixed asset suppliers – current account

On December 31st, 2007, the item fixed asset suppliers, current account relates essentially to lease payments on leasing contracts, in the amount of € 185,430,643 (Note 15), and accounts payable on network expansion works.

On December 29th, 1995 and December 30th, 1997, the Company signed two leasing contracts with DB EXPORT Leasing Gmbh involving 17 and 14 triple traction units (TEU’s), respectively. On December 31st, 2007, the amounts owed to that institution totalised € 98,905,344 (Note 15) (€ 89,047,362 stated as medium and long term, and € 9,857,982 as short term).

On December 31st, 1998, the Company signed a leasing contract for the acquisition of 24 ML95 TEU’s at the cost of € 124,699,474 and with a residual value of 3% of the equipment price. This was allocated as partial financing of the Network Expansion and Modernisation Plan over 20 years and indexed to EURIBOR 6 months less 0.71%, where the Portuguese State, owner of 100% of the capital, furnished the guarantee. The contract was signed on January 6th, 1999. On December 31st, 2007, the outstanding amount under this leasing contract was € 81,341,337 (Note 15).

To cover the financial risk of leasing contract interest rate variation, the Company contracted with the financial institutions interest rate SWAP, as follows:

		Date			
Designation	Institution	Swap	Opening	Closing	Capital
DB Export/95	BST	2003/02/26	2003/06/15	2013/12/30	52,680,881
DB Export/97	BST	2003/02/26	2003/06/15	2015/12/30	46,224,463
					98,905,344
BSN/CGD (US Lease)	BST	2005/09/22	2005/07/01	2019/01/02	81,341,337
					180,246,681

The operation was organised and structured by Banco Santander de Negócios Portugal and D'Accord Financial Service, Inc., and financed by Caixa Geral de Depósitos. This was authorised by Joint Resolution no. 911-A/98, of December 22nd, 1998, of the Ministry of Finance and Ministry of Public Works, Planning and Territory Administration.

On December 15th, 2003, the Company signed a leasing contract with TOTTA – Crédito Especializado, S.A., related to the integrated closed network, at the cost of € 29,516,500, for the partial financing of the Network Expansion and Modernisation Plan over 5 years, and indexed to EURIBOR for 3 months, increased by 0.30%. On December 31st, 2007, the outstanding amount under this leasing contract was € 5,183,962 (Note 15).

In the year under review, and related with the mentioned operations, including operational leasing contracts, the following balances refer to transactions conducted in the terms of these contracts, as at balance sheet date:

Deferred costs on commissions and fees for entities involved in operations (Note 50)	2,933,744
Deferred revenues from capital gains on 14 TEU's contract (Note 50)	2,007,377
Deferred revenues from capital gains on 24 TEU's contract (Note 50)	2,250,629
Accrued costs from deferred financial charges for the year ending 31st December, 2007, payable in 2008	599,722
Depreciation of capital gains from the 14 TEU's contract (Note 45)	250,922
Depreciation of capital gains from the 24 TEU's contract (Note 45)	195,707
Interest and other financial costs incurred (Note 45)	4,472,757
Costs incurred on guarantee supplied	442,930
Deferred revenues from capital gains on the US CROSS BORDER LEASE 2000 operation arising from the operating lease contract signed concerning the 18 triple traction units of the ML97 series (Note 50)	17,577,903
Deferred revenues from capital gains on the US CROSS BORDER LEASE 2000 operation arising from the operating lease contract signed concerning the 19 triple traction units of the ML97 series (Note 50)	27,680,223
Deferred revenues from capital gains on the US CROSS BORDER LEASE 2000 operation arising from the operating lease contract signed concerning the 18 triple traction units of the ML99 series (Note 50)	15,415,642
Accrued costs from deferred financial charges on payments concerning operational leasing contracts for 18 and 19 triple traction unitsof the ML97 series (Note 50)	2,850,455
Accrued costs from deferred financial charges on payments concerning operational leasing contracts for 18 triple traction unitsof the ML97 series	1,372,285
Accrued costs from deferred financial charges on payments concerning operational leasing contracts for 19 triple traction unitsof the ML97 series	1,977,162
Accrued costs from deferred financial charges on payments concerning operational leasing contracts for 19 triple traction unitsof the ML99 series	935,095
Charges stated under supplies and external services – rents and leasing arising from operational lease contracts	11,814,994

In the year ended December 31st, 2007, income related to US Cross Border Lease (NPV) operations is stated under the item “Other operational revenues and gains”, as it is related to operational leasing, and amounts to € 609,135. Additionally, the statement of depreciation of capital gains from operational lease contracts referring to 18 and 19 triple traction units of the ML97 series and 19 triple traction units of the ML99 series, in the amounts of € 1,372,285, € 1,977,162 and € 935,095, were stated under the item “Other operational revenues and profits”.

54. Obligations in litigation

On December 31st, 2007, compensation demands from the Company totalising € 133,386,535 refer essentially to expropriations and damages caused by works connected with the network expansion plan. On December 31st, 2007, the Company is assessing the total value of expropriations and no provision has been set aside for these. Should such compensation eventually be paid, they will be stated in the balance sheet as expropriation charges under the item “Tangible fixed assets”. In 2007, the Company paid compensation, in cash and kind (works) for damages caused by work connected to the network expansion, in the amounts of € 494,524 and € 343,769, which were stated in the balance sheet under the item “Tangible fixed assets financed by the State”.

55. Notes to the cash flow statement

The breakdown of cash and similar, and reconciliation of the cash flow statement for the year ending December 31st, 2007 with balance sheet items include:

Cash	18,300
Near money bank deposits	253,736
Cash on hand and similar	272,036
Cash and similar funds on balance sheet	272,036

The Chief Accountant

Mr. Carlos Alberto Meira Rodrigues

The Management Board

Mr. Joaquim José de Oliveira Reis

Mr. Luís Filipe Salgado Zenha de Morais Correia

Mr. Jorge Manuel Quintela de Brito Jacob

Mr. Pedro Gonçalo de Brito Aleixo Bogas

Mr. Miguel Teixeira Ferreira Roquette

9. Report of the audit committee

Introduction

In the terms of the Company's legal and statutory requirements, namely the article 21st, the Audit Committee of Metropolitano de Lisboa has elaborated the present Opinion on the Financial Statements and Management Report for the financial year of 2007, previously submitted.

Being Metropolitano de Lisboa a Public Company involving important public resources, it is the Audit Committee opinion that its management, always granting a public service quality excellence, should be ruled by strictness and restraint criteria, having always in mind the required expense control imposed by the country economic context.

According with these statutory purposes, the Audit Committee shall not limit to state the mandatory formal **Opinion** about Metro activity, it shall also concisely stand out those aspects deemed more relevant, and which can somehow clarify the understanding of its Opinion.

II – Audit Committee activity

This audit body has met regularly, at least once a month, to systematically be aware about the content of the different work documents issued by the respective operating services, and to regularly and systematically analyse the Company accounts and activity.

Besides the Opinion about the Annual Report and Statement of Accounts, the Audit Committee has elaborated and issued the respective Quarterly Reports, which in due time have been delivered to the relevant Governmental Departments. It is worth mentioning that, from the beginning of functions, this social body has decided to elaborate an annual Report about its own activity, which, in due time, has been submitted to the superior entities.

Also, in order to overcome the follow-up in presence in Management Board meetings, the Committee has carefully analysed the respective minutes, as well as the content of the documents supporting the decisions taken.

During the year, and whenever deemed required for the clarification of eventual situations of the Company's life or management, information has been requested from the Management Board, and periodic visits to the services and meetings with the direct responsible staff have taken place.

Whenever deemed convenient the Audit Committee has advised, formal or informally, the Management Board about facts and situations deemed pertinent and deserving particular attention.

Also, the Audit Committee has analysed the Predictable Management instruments, and has followed with particular attention the evolution of the Company's financial situation and the execution of its investment projects, as well.

In the development of the Committee activity, a regular contact with the Company's external auditors has been established through the Statutory Auditor Member (ROC), and we could have previous knowledge of their annual report.

Finally, whenever notified in due time, the Audit Committee has always been represented by one of its members in the opening acts of biddings.

III – The Company activity

It is the Audit Committee opinion that the Management Board's Annual Report clearly portraits the way how Metropolitano de Lisboa, E.P. activity was carried out in the year of 2007.

However, due to their importance and pertinence to the overall performance of the Company, we believe the following aspects should be highlighted:

- Presently, the Metropolitano de Lisboa network, with its four lines, with the opening on December 19th of Terreiro do Paço and Santa Apolónia, comprises now 50 stations covering about 38 km. Investments under way will in the short term provide 57 stations and 45 km of routes;

- It is worth mentioning that after several circumstances, some of them beyond the Company's control, it was possible during the year to definitively "close" the Metropolitano network, fundamental project not only for the elimination of fraud but also for the increase of revenue and for the obtaining of statistical records about the commercial demand;

- With a stricter control, it is expected that the return for the high investment is made in proper time;

- Tariff review approved in January and the mentioned network closure in February could increase significantly ticket revenue, particularly "Own tickets". In December there was a transfer of "Own ticket" revenue to the new ticket, "Zapping", created in the meanwhile;

- In terms of qualitative trend on resources provided to the customers, namely rolling stock and respective maintenance capacity, the reconfirmation of the Certification awarded by the competent entities to Metropolitano Industrial Operation (EI), ISO 9000:2001 stands out. Identical process began to be developed for the Commercial Operation, being expected soon the respective certification;

- Although in the year 2007 the number of ML passengers – about 179.7 million – has decreased globally in about 4.2 million relatively to the previous period, according to the Commercial Operation numbers, considering the estimated value for "Fraud and complementary tickets", the real number of paying customers was superior in 2.5% relatively to the previous year. However, the need to reinforce this type of public transport, the growth of measures promoting the flair and the increase of new customers in the use of the Metropolitano as the public transport par excellence are justified;

- However, notwithstanding the inferior number of customers transported by the ML, and taking into account the approved tariff review in January and the greater control of frauds due to the network closure process, the global increase of revenue collected was about 9%;

- In terms of new investments, the Company achieved 37.2% of the programmed investment – some € 75.5 million –, around € 72.6 million of which were spent in the construction of Durable Infrastructure Investment. It should be mentioned that these amounts exclude "Third party investments", which have been increasing in number and amount and, in some cases, there is no contract and the company has not been reimbursed in due time for the expenses involved;

- In prospective terms, it is noticed that the accomplishment of the works in progress will turn possible, in the medium term, the operation of more 5.8 km of route with 3 new stations – Moscavide, Encarnação and Aeroporto – and the duplication in two more with the construction of Saldanha II and S. Sebastião II, allowing the interface, respectively, between the Red line and the Green, Yellow and Blue lines;

- According with the reports issued by the Human Resources management, namely the "Social Balance", Metropolitano de Lisboa staff number, as at the end of December 2007, was 1,648 (1,592 active staff and 56 part time staff) stating a decrease in 17 collaborators relatively to the previous year. As concerns "social conflicts", there was more working stability meaning a considerable decrease in work hours lost;

- Also, the absenteeism level has increased slightly in 2007, settled in 7.96%, inverting the previous decreasing trend. Projects involving definitive solutions on PMO I installations in Sete Rios and on the property of Alameda das Linhas de Torres remain unsolved, notwithstanding their solution is important to safeguard the Company's patrimonial interests. On this subject, this Committee has acknowledged that finally the dispute relative to the rights on the surface involving Campo Grande station is about to be settled.

IV – Economic and financial situation

The accounting processes have been examined by the Statutory Auditor (ROC), a Member of this Committee, who according with the legal rules produced the respective Legal Certification of Accounts as well as the Report for the year 2007, having expressed the "reservations" and "emphasis" deemed appropriate. These documents have been fully approved by the Audit Committee.

According with the Income Statement, the Company reported in 2007 a net loss of € 144,222 million, some 1.9% less than in the previous year. This was mainly due to the improvement in 5.4% of the operational results and in 4.2% of the exceptional earnings.

Notwithstanding the relative improvement in the results, the Audit Committee states that the ongoing high level of losses together with the rising commitments to funding authorities can, over a period of time, create an unfavourable situation for the Company if, in the meanwhile other economic and financial solutions are not found.

Also, during the year, there was a significant decrease in the Company Shareholder Equity, showing presently a net loss of € 56,678 million, representing less 9.4% of the Statutory Capital.

V – Opinion

In accordance with the above views on the business of Metropolitano de Lisboa, E.P. and the considerations referred to in the mentioned documents, the Audit Committee is of the Opinion that:

1. The Report of the Management Board is correctly prepared, complies with the legal and statutory requirements, and fairly and rigorously shows the most important aspects of the Company management in 2007;

2. As determined by the Cabinet Resolution no. 49/2007 of March 28th, the Management Report includes, besides the required information relative to the company management, the transactions with higher financial value dealt with contractors and suppliers, as well as the juridical regime applied in the acquisition of goods and services;

3. The Balance Sheet, Net Income Statement and Notes to the Accounts, as well as the reservations and emphasis of matter expressed in the Legal Certification of Accounts reflect in a true and appropriate manner the economic and financial position of the ML as at December 31st, 2007.

Accordingly, and taking into account the above mentioned facts, the Audit Committee of the Metropolitano de Lisboa, E.P. hereby confirms its FAVOURABLE OPINION that the Report of the Management Board, the Accounts, Financial Statements and respective Notes to the Accounts for the year 2007 is approved, and also agrees with the Application of Results proposed by the Management Board.

The Audit Committee expresses its thanks for the collaboration shown by the Management Board whenever requested, as well as the prompt availability of the responsible for the different Departments and Services and by the generality of the collaborators of this Public Enterprise with which, in the performance of its duties, this committee has been in contact.

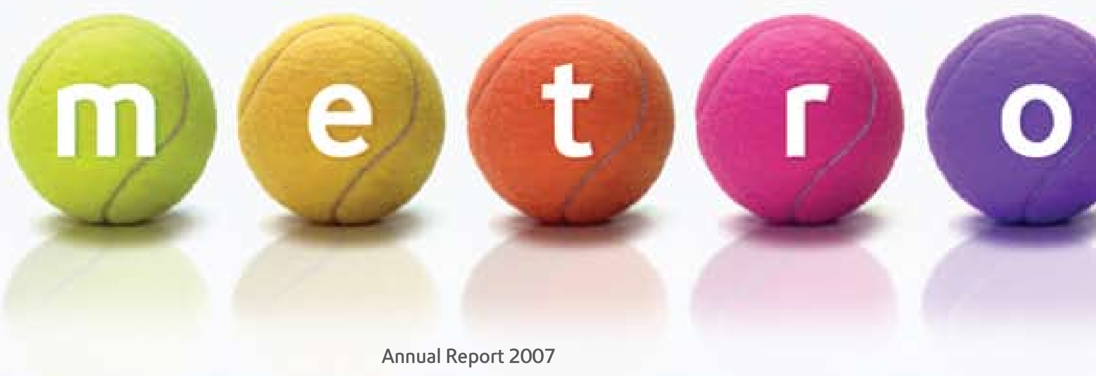
Lisbon, July 18th, 2008

The Audit Committee

Mr. Renato A. Vieira Campos

Mr. Luís Caiano Pereira, Statutory Auditor (ROC)

Mr. Evaristo da Cruz Branquinho



10. Statutory certification of the accounts

Introduction

1. We have examined the appended Financial Statements of the Metropolitano de Lisboa, E.P., comprising the Balance Sheet as at December 31st, 2007 (which reflect a total Balance Sheet of € 3,459,308,048 and a total negative Shareholder Equity of € 56,678,366, including a Net Loss of € 144,221,982), the Income Statements by Nature and by Function, and the Cash Flow Statement for that year and respective Notes.

Obligations

2. It is the Management Board responsibility the preparation of the financial statements that reflect in a true and appropriate manner the financial position of the Company and the results of its operations together with the implementation and use of consistent accounting policies and criteria and an appropriate system of internal control.

3. Our responsibility is to express a professional and independent opinion, based on our audit on those financial statements.

Scope

4. Our examination was conducted in accordance with the Auditing Standards and Technical Recommendations of the Chamber of Statutory Auditors. These standards and recommendations require that such examination is planned and executed so as to obtain a reasonable assurance as to whether or not the financial statements contain any relevant material misstatements. For this purpose, this examination includes:

   - Verification, on a test basis, of the evidence supporting the amounts disclosed in the financial statements, and an assessment of the estimates based on judgements and criteria defined by the Management Board and used in the preparation of the financial statements;
   - Verification that the adopted accounting policies are adequate and sufficiently disclosed, taking into account the circumstances;
   - Verification of the ongoing principle applicability; and
   - Verification that the overall presentation of the financial statements is adequate.

5. Our audit also included the checking of accordance of the financial information present both in the management report and in the financial statements.

6. Apart from the limitations mentioned on following paragraphs 7 and 8, we believe that this audit provides and an acceptable basis for the expression of our opinion.

Reservations

7. As stated in Note 10 appended to the Balance Sheet and Income Statement, the Government by Decree-Law 186/80, has assumed the principle that it is the Portuguese State responsibility the financing of Metropolitano de Lisboa, E.P. "Durable Infrastructure Investment" (DIF's), being the type of such investments defined in the referred to legal instrument. However, it is not legally defined if the Metropolitano de Lisboa, E.P. on making those investments is acting on own account or on account of the Portuguese State. This lack of definition raises the question if such investments are the Company's effective ownership, its own assets, and if the responsibilities assumed with the loans obtained for their financing are the Company's effective responsibility. Also, the depreciation policy of such assets, the accounting statement policy of the funds granted by the State for their financing, the capitalisation policy of the financial costs directly incurred for their financing, as well as the capitalisation policy of the internal costs associated to their accomplishment are not defined, raising a limitation to our review. Information about the criteria adopted by the Company on the accounting statement of such investments and about the funds granted by the State for their financing, as well as about the policies of capitalisation, depreciation and statement of the results of such investment financial are stated in the Notes 3.a)-ii, 3.b)-ii, 3.n), 8, 10, 11 and 14 appended to the Balance Sheet and Income Statement.

   Due to the referred to limitation, we can not be conclusive about the accounting statement suitability in the Metropolitano de Lisboa, E.P. Balance Sheet as at December 31st, 2007,about assets relative to durable investments in the amount of € 2,846,382,153, which include capitalised financial costs in the amount of € 284,953,188 and capitalised internal costs in the amount of € 53,342,679, neither about the suitability of non-depreciation of such assets, the suitability of the accounting statement as shareholder's equity in the item "reserves", of the funds granted by the State for the financing of such assets in the amount of € 938,439,481 nor the suitability of the record of the interest supported with the bank financings of such assets in the Financial Statements of the year.

8. As referred to in Note 50 of the Balance Sheet and Income Statement, on December 31st, 2007, the item "Assets - Deferred Costs – Works carried out for third parties" totalising € 34,431,582 relative to works executed by the Company for third parties, which are not invoiced by the Metropolitano de Lisboa, E.P., and most of which were not subject to contracts or any other type of agreement between the Company and other entities involved, defining the amounts to be invoiced and the invoice time or type. Accordingly, we can not be conclusive about the effective accomplishment of such assets.

Opinion

9. In our opinion, the mentioned Financial Statements, except for the effects of the adjustments that could be required if the limitations referred to in the above paragraphs 7 and 8 did not exist, present, in all relevant material aspects, a true and fair view of the financial position of Metropolitano de Lisboa, E.P. as at December 31st, 2007, together with the result of its operations and cash flows for the year ended on that date, in conformity with the accounting principles generally accepted in Portugal.

Emphasis

10. Without affecting the opinion expressed in the previous paragraph, we call your attention for the following:

10.1. In 2007, similarly to the previous years, Metropolitano de Lisboa, E.P. generated a significant net loss (€ 144,221,982), presenting an unbalanced financial structure, stated by the existence, as at December 31st, 2007, of a negative shareholder equity in the amount of € 56,678,366, and an insufficient current assets to face short term liabilities. It is also worth mentioning that a significant investment plan is in progress, requiring equally significant financings. Accordingly, it is our opinion that the continuity of the Company, and consequently the performance of its assets and settlement of its liabilities depends on the continuation of the Portuguese State support to the Company, which has been granted by means of operational subsidies, statutory capital contributions and subsidies for investment financing.

10.2. The financial statements object of Certification are prepared on an individual basis, according with the applicable legislation, being the investments in subsidiaries and associates stated by the equity method on Balance Sheet. The Company shall prepare consolidated financial statements, which shall provide a better understanding about the financial position as at December 31st, 2007, and about the results and cash flows of the group including the Company, its subsidiaries and associates, for that year.

Lisbon, July 18th, 2008

CAIANO PEREIRA, ANTÓNIO E JOSÉ REIMÃO
Sociedade de Revisores Oficiais de Contas

Represented by:
Mr. Luís Pedro Caiano Pereira
Statutory Auditor (ROC) no. 842

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Studies, Planning, Budget and Management Control
Sandra Tavares

Coordination
Studies, Planning, Budget and Management Control
Mafalda Veiga Alves

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Grafic criaton
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