ANNUAL REPORT

2017

Grupo ML

Metropolitano de Lisboa

FERCONSULT

metrocom

Trem, A.C.E.
Trem II, A.C.E.

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Message from the Chairman

After a first year of intense activity, the Board of Directors over which I preside, appointed for the 2017/2019 three-year period, hereby presents the Consolidated Annual Report for 2017, which is made available to workers, customers and other parties interested in the life of Metropolitano de Lisboa.

The Consolidated Annual Report for 2017 outlines, in a detailed and thorough manner, the activity of Metropolitano de Lisboa, Ferconsult and Metrocom, as well as the results achieved by these companies during that period.

For Metropolitano de Lisboa, at its very start, the 2017 financial year was characterized by the conclusion of the corporate transition process, from the model previously implemented by “Transportes de Lisboa” to a model of separation of the companies involved, with Metropolitano de Lisboa’s consequent autonomous management. Consequently, the company was subject to a reorganization through the implementation of a new organization model deemed appropriate to achieve its objectives, including the resurgence of investment in infrastructure and in rolling stock reconditioning, as well as the expansion of the workforce, which has been increasing in light of the current demand needs.

At the same time, customer focus was strengthened at Metropolitano de Lisboa, with progressive improvements in operational performance and a consequent increase in the quality of the service provided. In this context, internal and external personnel have been recruited to meet operational needs.

In the area of infrastructure, the six-car platform extension refurbishment work in Arroios station was initiated, being the last station in these conditions, as well as some stations’ re-qualification and modernization, regarding lighting, cleaning, refreshing and equipment and signage improvement. Simultaneously, with the beginning of the Expansion Project Studies between Rato and Cais do Sodré, contracted to the affiliate Ferconsult, a new phase of network expansion was launched.

The implementation of this diversified set of measures started a new cycle in the life of Metropolitano de Lisboa, now marked by an atmosphere of stability and social harmony, engaging in an open dialog with the Workers’ Council and other Workers’ Representative Organizations, which is deemed essential for the company’s normal operation and to increase the quality of the service provided every day to the Customer. In a different context, we sought to stimulate innovation by creating a specific unit for such purpose, seeking new solutions arising from the economy and the sector’s increasing digitalization.

Thus, in 2017, we sought to change Metropolitano de Lisboa’s attitude and behaviour enabling it to confirm itself as a more flexible public company, with renewed momentum, an increased market focus and conditions ensuring greater future sustainability to be able to strengthen its contribution to competitiveness and Lisbon’s quality of life.

The expansion, in the project phase, connecting the Green and Yellow lines in a circular line, the beginning of the modifications to the signalling systems, the procurement of new rolling stock and the overhaul of a large number of systems and components will provide a challenge to all of Metropolitano de Lisboa’s workers and executives, representing a necessary step up for the company’s future sustainability and making an effective contribution to improving the city’s quality of life and competitiveness, with a significant impact on the mobility of its citizens.

Regarding Ferconsult, the Board of Directors continued the strategy defined in 2016, the results of which are also shown in this report.

Within Ferconsult’s ongoing development plan for the period 2017-2021, we implemented a new organization structure, more appropriate to existing market opportunities, using Metropolitano de Lisboa’s shared areas and ensuring the company’s knowledge and know-how in the fields of transport engineering consultancy, studies and projects.

In 2017, within the scope of its activity, Ferconsult also maintained the export of engineering services to the Algerian and Brazilian markets, following up on existing agreements.

With respect to Metrocom, in 2017, the Board of Directors, over which I also preside, continued its strategy by encouraging the capitalization of the commercial spaces located in Metropolitano de Lisboa's network, therefore contributing to revenue maximization and to provide a quality service to Metro's final customer.

In 2017, Metrocom's activity featured the commercialization of the available spaces, the management of agreements resulting therefrom and related to different types of business models, and the execution of further original ways of product commercialization, in occasional events, within stations and network spaces.

Metropolitano de Lisboa and both companies whose equity it holds entirely, Ferconsult and Metrocom, face great challenges for the next few years, with efficiency gains, ensuring high quality and innovation standards in procedures, as well as in the products and services offered.

Finally, but most importantly, we would also like to address a word of gratitude and recognition to all of Metropolitano de Lisboa and subsidiaries' employees and executive management, who commit themselves, on a daily basis, through their work to enable the companies to provide a high quality service.

Lisbon, the 21st of September 2018

The Chairman of the Board of Directors

Vítor Manuel Jacinto Domingues dos Santos, Engineer

Nature of the Report

Pursuant to the applicable legal and statutory provisions, the Board of Directors of Metropolitano de Lisboa, E.P.E. hereby presents the Consolidated Annual Report and Accounts for the year 2017, having chosen to present, in light of paragraph 6 of article 508-C of the Portuguese Companies Code (PCC), a Single Annual Report, which, in accordance with all applicable legal requirements, shall allow for a practical and integrated full analysis of the information made available therein.

The Consolidated Annual Report comprises the information regarding the Group Companies and has been prepared in accordance with the International Integrated Reporting Council (IIRC) Guidelines for information regarding strategy, management and performance of the Company's key business areas. In addition, it also includes information on Governance, financial statements and performance of key sustainability aspects.

This (annual) Report includes financial and non-financial information of the ML Group concerning the year 2017. Nonetheless, it also presents data concerning previous years, thus allowing the analysis of the developments made.

Embedded in a global economy which aspires to be increasingly sustainable, the main objective of this report is to improve stakeholders' perceptions of the business carried by ML and by the companies whose equity it holds entirely, as well as their performance. All the information presented herein provides evidence of Metropolitano de Lisboa, Ferconsult and Metrocom's determination to continuously implement measures that enhance the creation of value and the service usefulness, enhancing sustainable mobility.

The financial statements presented (the individual according to SNC standards, and the consolidated according to IFRS standards) were prepared pursuant to the Portuguese Accounting Standards System (SNC), as approved by Decree-Law no. 158/2009, of the 13th of July, and subsequently amended and republished by Decree-Law no. 98/2015, of the 2nd of June.

All non-financial information was prepared, for the first time, pursuant to the GRI Standards guidelines.

According to the AA1000 Stakeholder Engagement Standard 2011 guidelines, stakeholders were identified, *i.e.*, all groups whose quality of life may be affected by the Metropolitano de Lisboa, Ferconsult and Metrocom's activity, both now and in the future. For this purpose, apart from the inclusion of all entities who maintain any contractual or regulatory relations (customers, workers and retired employees, suppliers and supervisory authority), we have made an analysis regarding the impact of these companies' activity in order to identify other types of dependencies or relations. The following stakeholders were identified: Customers, Supervisory Authority, Workers, Suppliers, Community and Other transport operators.

You may address any questions, issues or suggestions to:

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ANNUAL REPORT

A. General Overview / External Environment

1. Macroeconomic Framework[1]

The Portuguese economy recorded a 2.7% real growth in 2017, exceeding the growth in the euro zone (2.3%) and above the figures projected in the SB 2018 (2.6%).

Such positive evolution of Portugal's economic and financial situation, reflecting an increasing economic dynamism, a labour market improvement and a reduction of public and private sector indebtedness, led the European Commission to remove Portugal from the category of 'excessive macroeconomic imbalances'.

Economic growth recorded in 2017 was driven, to a large extent, by an evolution of goods and services' exports (7.8%, a 3.4 p.p. growth compared to 2016) and by a strong gross fixed capital formation acceleration (7.6 p.p. more than 2016), in particular regarding the investment in other machinery and equipment and in construction (which evidenced, respectively, a 13.1% and a 9.2% growth). The evolution of private consumption also played a significant role, with a 2.3% growth.

In 2017, the Portuguese unemployment rate decreased for the fourth consecutive year, standing at 8.9%, the lowest rate since 2008 and lower than the rate in the euro zone. In turn, employment growth stood at 3.3%, the highest figure since the single currency was adopted. The labour force also recorded a positive evolution, for the first time since 2010, having increased by 0.8% compared to 2016.

The inflation rate measured by the variation of the consumer price index (CPI) stood at 1.4% in 2017, accelerating by 0.8 p.p. compared to 2016. The underlying CPI (excluding energy and unprocessed food products) increased by minus three decimals (1.1%).

The Portuguese economy's decarbonisation has been one of the performance pillars defined by the Portuguese government, which derives from the agreements signed at COP 21 in Paris and from the need to fight against climate change. Therefore, the support for public transport and the use of cleaner energy are two national areas of action to which Metropolitano de Lisboa responds to.

Such framework, although favourable to ML, brings along an increased responsibility in acquiring new customers and maintaining the company's high environmental performance level.

In 2017, the city of Lisbon had a significant increase in tourism demand, thus increasing the pressure on public transportation and forcing a supply's readjustment.

[1] Source: Stability Program 2018-2022 (April 2018), from the Ministry of Finances

2. Mission, Vision and Values

2.1. Metropolitano de Lisboa, E.P.E.

Metropolitano de Lisboa, E.P.E. is a Public Business Entity with legal personality and administrative, financial and patrimonial autonomy, and it is governed by its own statutes and by the laws applicable to public companies.

In November 2017, bearing in mind the new organization model, the Board of Directors approved the “Management System’s Handbook”, a base document for defining the ML’s management guidelines.

In the above-mentioned Management System’s Handbook, the main guidelines concerning ML’s Mission, Vision and Values are presented:

Mission

To provide a customer-oriented, metro Public Passenger Transport Services, promoting sustainable mobility.

Vision

To affirm itself as the structural public transport operator which guarantees Lisbon’s urban mobility, pursuant to the highest standards on quality, safety and economic, social and environmental effectiveness.

Values

I. Innovation and Development:

- Continuous search for new services and products, based on technological evolution at customers’ service.

II. Responsibility:

- At an environmental level: regarding energy yield and the environmental protection guarantee resulting from the performed activity;
- At a social level: regarding mobility of passengers who commute in the Metropolitan Area of Lisbon;
- At an economic level: guaranteeing the Company’s sustainability, from a business and employment point of view.

III. Quality:

- By means of the creation of value and service usefulness regarding customers’ service.

IV. Accuracy and Integrity:

- Promoting demanding practices from an ethics and behaviour perspective, both in business and in individual terms, as an Organization governed by principles of honesty, transparency, social initiative and environmental responsibility;
- Compliance with thorough processes which support the service provided, guaranteeing its reliability and assurance.

V. Competence and Safety:

- To hold and strengthen the Company’s image and credibility as an external and internal affirmation factor;
- To ensure the integrated safety of people and goods.

Metropolitano de Lisboa informs the customers of its mission according to the "Customer Charter", in which the Company undertakes the following:

I. Transport service offer:

- To propose network developments which best meet the Metropolitan Area of Lisbon's mobility needs;
- To implement train schedules which respond to the current demand in an effective manner.

II. Safety:

- To promote and implement all necessary actions which guarantee the transportation service's high safety standards;
- To ensure, in permanent collaboration with the security forces, the implementation of necessary measures which ensure customers' safety on trains and in stations.

III. Frequency:

- To maintain high service frequency levels, promoting the possible measures to minimize disruptions caused by circulation problems, either due to the operation itself or to external factors.

IV. Information and customer support:

- To make all relevant information available concerning the service provided, placed in special spaces in stations and trains and in other communication materials available to the customer, in both normal situations and cases of disruption of service, in a clear, comprehensible and accurate manner.

V. Equipment availability:

- To ensure the existing equipment in stations - namely elevators, escalators and passenger conveyors, sales equipment and access points - are in perfect working conditions, and where it is not the case, pushing towards their repair in the shortest period possible.

VI. Cleaning and conservation:

- To ensure the stations, trains and equipment are in a good state of repair and cleanliness and, for such purpose, are inspected and cleaned on a regular basis.

VII. Human resources:

- To ensure the initial and continuous training of the human resources employed by Metro, enabling them to perform their service in a competent and professional manner, guaranteeing that trains are driven in such a way that customers are offered comfort and safety conditions and they are served with quality and accuracy.

VIII. Accessibilities:

- To ensure, in cooperation with the competent authorities, the service provided is easily used by all passengers, by means of implementing necessary measures enabling the accessibility of customers whose mobility may be reduced in some way; for these passengers, a progressive accessibility implementation program is being developed in stations which are not yet equipped for such purpose.

IX. Suggestions and complaints:

- To make available to customers the necessary means for making suggestions and complaints;
- To ensure careful analysis of complaints, promoting appropriate corrective and improvement measures at an internal level and providing responses in a timely manner.

Customer collaboration is vital to achieve the proposed quality indexes. Using the Metro implies the compliance with simple rules by customers, thus allowing for a better quality of the service provided, benefiting everyone. Therefore, customers shall:

- Be in possession of a valid ticket while traveling and produce it to a Metro agent whenever requested;
- Always validate the ticket, when entering and exiting stations. Failure to do so means the customer incurs an infringement situation;
- Not smoke in the Metro facilities and trains. Failure to do so mean the customer incurs an offense, punishable by law;
- Respect all existing rules as to transporting animals, bicycles and other special objects which, due to their size or content, may cause discomfort or constitute danger;
- Carefully pass through access points, waiting for the doors to close after the previous customer has passed, before ticket validation;
- Not enter or exit the trains after the closing doors audible and luminous warning;
- Allow the stations' access gates and train seats reserved for reduced mobility customers to be used only by those for whom they are designed;
- Help maintain stations and trains clean by using the existing waste containers;
- Behave in a responsible and compliant manner, in relation both to other customers and to agents employed by Metro, always abiding by the indications transmitted by the latter.

As a structural transport company in the Lisbon region, Metropolitano de Lisboa, E.P.E. intends to contribute to the development of a new and dynamic business model, focused on improving inter-modality, efficiency and increasing the quality of services provided.

The Management System achieves the following principles, which reflect the Management Policy:

- Customer satisfaction as the core objective;
- A committed and engaged leadership;
- Shared and clearly defined responsibilities;
- The employees' participation and qualification;
- The Organization's management as a system consisting of interrelated processes;
- Continuous performance improvement;
- Founded decision-making;
- Establishing partnership relations with Suppliers;
- Managing environmental impacts;
- Full compliance with the applicable requirements;
- Control of dangers and risks;
- Innovation as a differentiating factor for the quality of the service provided.

2.2. Ferconsult, S.A.

Mission

To make effective solutions exceeding its customers' expectations available. To be a progressively robust organization, promoting the consolidation of its position in the domestic market. To promote innovation and quality as economic development catalysts, in a continuous and sustained manner.

Vision

To be a domestic market leader in providing services in the areas of Consulting, Engineering and Mobility Studies and Transportation Systems, while achieving recognition for its accuracy, quality, competence and innovation standards.

Values

- Ethics;
- Professionalism;
- Integrity;
- Customer Solidarity;

2.3. Metrocom, S.A.

Mission

To manage commercial spaces and other Lisbon metro network's equipment in a thorough and efficient manner, guaranteeing its sound use, valuation and capitalization, as well as promoting an increase in the customer satisfaction degree and in their loyalty.

Vision

To bring together the commercial interest and the provision of the public transport service inherent to the Metropolitano de Lisboa's mission, by means of capitalizing spaces, obtaining additional revenues and generating value for its shareholder, customers and workers.

Values

- Definition of the activity's organization in light of human dignity and people's appreciation and respect, as well as of customer satisfaction;
- Activity development oriented by providing quality services, by accuracy, impartiality, coherence and operational efficiency criteria and by meeting the commitments assumed before the customer and the shareholder;
- Organization structure definition founded on its human resources' professional and technical qualification, on team spirit and on the push for excellence, with humility and respect for others;
- Economic, social and environmental responsibility as a sustainable and value-generating company, which respects people and their dignity (workers, employees, customers and shareholder) and is environmentally friendly.

3. Organization's History and Profile

3.1. Metropolitano de Lisboa, E.P.E.

Metropolitano de Lisboa was founded on the 26th of January 1948 as a Public Limited Company, being that, after several studies carried out by the Municipality of Lisbon, the network's construction began on the 1st of August 1955.

On the 29th of December 1959 the work was officially inaugurated and the network's 1st level opened to the public on the following day. Metropolitano de Lisboa's network was then only 6.5 km long and comprised 11 stations, with terminals at Sete Rios (nowadays Jardim Zoológico), Entre Campos and Restauradores.

It expanded to Rossio in 1963, to Anjos in 1966 and to Alvalade in 1972. From that time until 1987, only the stations' platforms were extended to accommodate up to six-car formations.

In 1975, Metropolitano de Lisboa was nationalized and three years later, in 1978, it was incorporated as a Public Company, and the Metropolitano de Lisboa, E.P.'s new statutes were published.

The city's expansion required a new network expansion and, in October 1988, the Laranjeiras, Alto dos Moinhos, Colégio Militar/Luz and Cidade Universitária stations were inaugurated. The Campo Grande connecting station would be inaugurated in 1993.

In 1995, with the disconnection of the "Y-shaped" line from Rotunda (currently named Marquês de Pombal) allowing for the creation of two independent lines, a broad network expansion plan was initiated and its most significant developments took place in 1997, with the inauguration of the Carnide and Pontinha stations, and in 1998, with the inauguration of the Cais do Sodré and Baixa-Chiado stations, as well as the Red line, which connected Alameda to the Oriente station and included seven new stations.

In 2004, the public opening of the Yellow line extension between Campo Grande and Odivelas and of the Blue line extension between Pontinha and Amadora Este, totalling seven new stations, was a historical milestone for Metropolitano de Lisboa, which surpassed the municipality of Lisbon, for the first time in 45 years, towards the municipalities of Odivelas and Amadora, establishing itself in high population density areas and enabling quick and peaceful commuting.

On the 26th of July 2009, it assumed its current trading name as a Public Business Entity, Metropolitano de Lisboa, E.P.E., and in August of that same year, the Red line was extended from Alameda to S. Sebastião, crossing the Yellow line (at Saldanha) and the Blue line (at S. Sebastião), a strategic extension for reducing commuting times and enabling several route possibilities.

In the second decade of the 21st century, the network's last two expansions occurred, with the inauguration of the Aeroporto station, in 2012, and the Reboleira extension, in 2016.

Currently, Metropolitano de Lisboa has a network comprising 4 independent lines, 44.5 km in length and 56 stations (6 correspond to double and connecting stations), serving approximately 162 million passengers every year. Operating in Lisbon and in neighbouring municipalities, with stations connected to other public transport operators, Metro improves mobility and adds to the transport system's greater connection efficiency, making inter-modality a reality, from a standpoint of searching and establishing inter-modal solutions, promoting healthy lifestyles and playing a paramount role in facilitating Urban and Sustainable Mobility.

Figure 1: Network diagram

The Metro Group consists of Metropolitano de Lisboa, E.P.E. and its subsidiaries, *i.e.*, entities over which Metro exercises control, corresponding to the power to define these entities' financial and operational policies, thus gaining benefits resulting from their activities, typically associated with the majority of the voting rights' direct or indirect control.

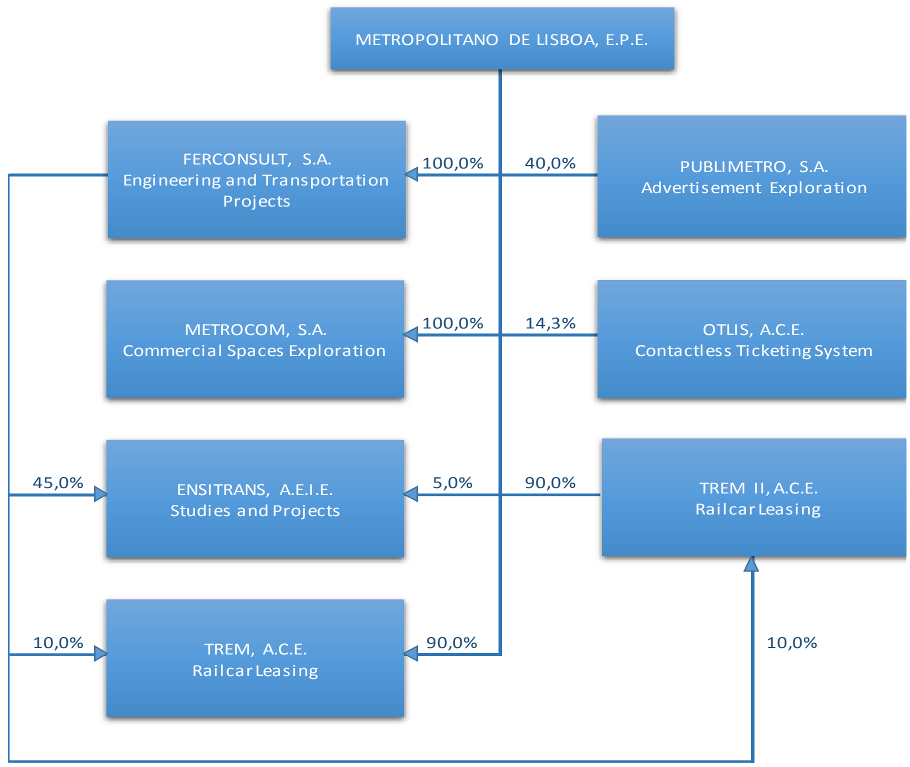
In this respect, Metro holds the entire equity of the subsidiary Ferconsult, S.A. - Engineering and Transportation Projects, a company specialized in the areas of Transport Engineering Consultancy, Studies and Projects operating in the domestic and international markets.

By means of its subsidiary Ferconsult, Metro holds directly and indirectly a 50% share in Ensitrans, A.E.I.E. (a Transport Engineering and Systems Grouping), the main purpose of which is to develop studies and projects. Similarly, Metro holds a 100% equity share in TREM, ACE and TREM II, ACE, the main purpose of which is to purchase and lease railway equipment for ML.

Metro also holds equity shares in Metrocom, S.A. – Commercial Spaces Exploration (100%), in Publimetro, S.A. (40%), a company for exploring media advertising in Metro vehicles and spaces, as well as in OTLIS – Transport Operators of the Lisbon Region (Complementary Grouping of Companies – 14.3%), the main purpose of which is to develop, implement and manage new technologies in the area of contactless ticketing systems.

It should be noted that Otlis is assigned with the VIVA System, providing services to over twenty companies in the areas of mobility and transportation, and this grouping is held by Metropolitano de Lisboa, E.P.E., Companhia Carris de Ferro, S.A., CP - Comboios de Portugal, E.P.E., Transtejo/Soflusa, S.A., Barraqueiro Transportes, S.A., Transportes Sul do Tejo, S.A. and Rodoviária de Lisboa, S.A. in equal shares.

Figure 2: ML Group Companies



3.2. Ferconsult, S.A.

Ferconsult, S.A. is a multidisciplinary company specialized in the areas of Transport Engineering Consultancy, Studies and Projects operating in the domestic and international markets since 1991. The company has Metropolitano de Lisboa, E.P.E. as its sole shareholder.

It also participates as a member in several national and international associations, such as APPC (*Associação Portuguesa de Projetistas e Consultores*), LNEC (*Laboratório Nacional de Engenharia Civil*) and ALAMYS (*Asociación Latino-Americana de Metros y Subterráneos*).

Ferconsult, S.A. aims at developing quality and environmental policies, and therefore it intends to develop all its activities from a perspective of continuous improvement, basing its activity on accuracy, quality, competence and innovation values, towards the excellence of its services and organization, ensuring its customers' satisfaction and the environment's conservation and protection.

Therefore, by promoting all its employees and suppliers' commitment, as well as the participation of the entire community in which it operates, in order to achieve these objectives, Ferconsult undertakes the following responsibilities:

- EMPLOYEE APPRECIATION, promoting their commitment to costs, deadlines and quality of services provided, as well as to the development of the best Environmental Practices and a Safety and Health Culture, providing all staff with adequate training;

- COMPLIANCE WITH AGREEMENTS, aiming at exceeding Customer expectations, satisfying their demands and Criteria of an Environmental Character, as well as respecting the General Principles of Prevention and Safety in different approaches and in all Projects' cycles;
- CREATION OF VALUE FOR THE SHAREHOLDER and for society in general, by means of participation in value-added chains which enhance economic growth;
- Preference for SUPPLIERS and partners which conduct Environmental Sustainability and Work Safety and Health policies;
- KNOWLEDGE UPDATE in light of current markets' technological developments and competitiveness;
- RATIONALIZATION OF CONSUMPTION of energy and raw materials in regard to fossil fuels, electricity, water, paper and waste generation, IMPROVING THEIR MANAGEMENT thus preventing various associated forms of pollution;
- Active contribution to greenhouse gas emissions' reduction by means of promoting SUSTAINABLE MOBILITY;
- MAINTAINING COMMUNICATION CHANNELS which are simple and open to promote its policy and key results;
- Periodic effectiveness ASSESSMENT concerning the Integrated Management System, with a view of continuous improvement towards Sustainability.

3.3. Metrocom, S.A.

Metrocom - Exploração de Espaços Comerciais, S.A., initially conceived as a Complementary Grouping of Companies (ACE), was transformed into a public limited company on the 28th of July 1993. Its incorporation is the result of a partnership made between Metropolitano de Lisboa, E.P., Promo Metro - Commerces et Gestion, S.A. (a French company from the RATP group), SETEP - Sociedade Exploradora de Espaço e Tempo Comerciais, Lda., and two small shareholders with one share each, which would be sold to SETEP on the 20th of September 1993. On the other hand, at the end of 1993, SETEP sold its shareholding to SETEPCOM - Espaços e Equipamentos Comerciais, S.A..

The purpose of the created company was:

- Promotion and commercialization of shops and commercial spaces, existing or to be created, in current or future Metropolitano de Lisboa stations, as well as in other facilities or spaces under control of Metropolitano de Lisboa, either current and future;
- Property exploration and management of shops, facilities and commercial spaces;
- Promotion and organization of new forms of product commercialization in such stations, facilities and commercial spaces;
- Conduction of studies and provision of services related with commercial spaces' promotion, exploration, management and commercialization.

From the prospective business segments in the transport networks, and within the scope of Metrocom's corporate purpose, retailing became of particular importance by way of the commercial exploration focused on shops, kiosks, vending machines and ATMs. The occupation of areas, available within the network and consistent with the mission assigned to a public means of transport such as the metro, are also not disregarded, as it is sought to program and organize several occasional events, such as book fairs, the placement of wagons and the installation of sales stands, among others.

In achieving its objectives, Metrocom seeks not to distance itself from the underlying public dimension in means of underground transport like the metro, nor from the role that its commercial activity can play, *inter alia*, in increasing revenues, in improving the transport service's image and in increasing safety, demand and attractiveness of the public transport network.

In a proactive attitude, it seeks out customers and business concepts which value and dignify commercial spaces, while accommodating a diversity of activities in the same station whenever possible.

Simultaneously, it develops a policy of proximity to its customers, by listening to their needs and claims, identifying difficulties and problems, ensuring space closure and termination of businesses and non-compliance events, while envisaging joint solutions consistent with the company's mission and objectives and with the shareholder's expectations.

In 2005, Metropolitano de Lisboa purchased the 20% equity shareholding corresponding to the shares held by Promo Metro and, in 2011, it purchased an equal shareholding position from SETEPCOM, currently holding the shares representing the entirety of Metrocom's equity .

As a result, since the 18th of April 2011, METROCOM, S.A.'s equity is entirely held by Metropolitano de Lisboa, E.P.E..

3.4. TREM, A.C.E.

TREM – Aluguer de Material Circulante, A.C.E. was incorporated on the 2nd of March 2000, the main purpose of which is to acquire and lease railway equipment which may possibly be required or related to its main purpose.

The contractual relations established by TREM in 2000, namely the carr rental agreement entered into with ML and the financing agreement entered into with Caixa Geral de Depósitos, S.A. (CGD), Banco Santander Totta, S.A. (BST) and Banco Santander de Negócios Portugal, S.A. (BSNP) – which in May 2010 was merged into BST, which assumed all the BSNP's assets and liabilities, as merged company – were maintained without any modifications.

In 2014, the entities CGD and BST were dismissed, without the need to make any payments or reimbursements for their corresponding contributions to the ACE, under the terms established in paragraphs 3 and 4 of article 8 of the entity's statutes, wherefore the allocated equity remains unchanged.

3.5. TREM II, A.C.E.

TREM II – Aluguer de Material Circulante, A.C.E. was incorporated on the 21st of September 2001, the main purpose of which is to acquire and lease railway equipment which may possibly be required or related to its main purpose.

The contractual relations established by TREM II between 2001 and 2002, namely the car rental agreement entered into with ML and the financing agreement entered into with Caixa Geral de Depósitos, S.A. (CGD), Caixa - Banco de Investimentos, S.A. (Caixa BI) and Crédito Predial Português, S.A., which changed its trading name to Banco Santander Totta, S.A. (BST), were maintained without any modifications.

In 2015, the entities CGD and BST were dismissed, without the need to make any payments or reimbursements for their corresponding contributions to the ACE, under the terms established in paragraphs 3 and 4 of article 8 of the entity's statutes, wherefore the allocated equity remains unchanged.

4. Highlights of the year / Relevant Facts in the ML Group

4.1. Metropolitano de Lisboa, E.P.E.

The year 2017 saw the implementation of measures oriented towards solving much conditioning arising from the financial constraints occurred in preceding years.

In 2017, the separation process regarding the four companies representing the *Transportes de Lisboa* "brand" was concluded, as determined by application of the Law no. 22/2016, of the 4th of August, thus establishing full legal autonomy of Metropolitano de Lisboa, E.P.E., Companhia de Carris de Ferro de Lisboa, S.A., Transtejo – Transportes do Tejo, S.A., and Soflusa – Sociedade Fluvial de Transportes, S.A.. The application of such Law demanded the implementation of a new organization structure for the company, as detailed in section B below.

As a consequence, the company has undergone an important internal reorganization, thus enabling it to meet its objectives. Infrastructure investment was resumed, and the rolling stock recovery process was unblocked, which has enabled its adaptation to demand levels and has resulted in the strengthening of the quality of the service provided to customers. Staff was further increased, by concluding the external recruitment process for 30 station agents and the internal recruitment process for 30 train drivers.

During 2017, the affiliated company Ferconsult reorganization was also concluded, involving the concentration of its corporate services in Metropolitano de Lisboa, as well as focusing its activity regarding projects in Metropolitno de Lisboa.

With respect to station refurbishment, it is worth highlighting the launching of the Arroios station construction work, which has been closed to the public since July 2017, in order to expand the station's boarding platform from 70 to 105 metres, thus allowing 6-car train operation, as well as some stations' re-qualification and modernization, regarding lighting, cleaning, refreshing and equipment and signage improvement.

In what concerns the network's expansion, 2017 was the year during which Metropolitano de Lisboa initiated the Feasibility Study, Descriptive Document and Expansion Plan Justification for connecting the Yellow and Green lines (Rato/Cais do Sodré).

On the other hand, after a period of lesser involvement in organizations it remained associated to, Metropolitano de Lisboa has progressively resumed its participation in international activities, namely at the International Association of Public Transport (UITP), the *Asociación Latino-Americana de Metros y Subterráneos* (ALAMYS) and in the Nova Benchmarking Group of Metros, with the objective of improving ML's international position, image and visibility, promoting the exchange with similar companies, namely by knowledge and experience sharing, thus allowing to identify, assimilate and adopt the sector's best international practices, in accordance with the Organization and Affiliated Companies' objectives.

In 2017, the fare revenue (tickets, monthly passes and cards) amounted to 102.1 million EUR (excluded of VAT). In the year under analysis, the Metropolitano de Lisboa's economic and financial recovery continued to be observed, as the company recorded an EBITDA of approximately 32.6 million EUR and a net profit for the financial year of -24.5 million EUR, deriving from the company's indebtedness and corresponding financial expenses.

This recovery becomes clear in light of the positive evolution of such indicators when comparing 2017 with 2016, which reflects an evolution of EBITDA from 24 million to 32.6 million EUR, as well as a net profit evolution, from -44.1 million to -24.5 million EUR, which correspond to favourable variations, respectively, of 36% and 44%.

Metropolitano de Lisboa met the objective established in the SB law consisting in not increasing the public business sector indebtedness levels in more than 3%, as the variation rate was set at 2.88%. Turnover in 2017 has been 109.4

million EUR (excluded from VAT). In the next few years, it is estimated turnover will continue to increase at an approximately 3,8% annual average rate.

The implementation of this diversified set of measures started a new cycle in the life of Metropolitano de Lisboa, which is deemed essential for the company's normal operation and to increase the quality of the service provided every day to the Customer. The measures and actions carried out in 2017 enabled Metropolitano de Lisboa to provide a high quality level service, as well as to seek to overcome challenges and seize new opportunities, by developing projects which allow for the implementation of innovative transport and mobility solutions.

4.2. Ferconsult, S.A.

Following an analysis of the organization and its operating mode, of the financial results obtained in previous years, of the current human resources, of the work portfolio and market prospects, bearing also in mind the shareholder's needs for the subsequent years, and that Ferconsult's knowledge and experience are deemed a key to the Metropolitano de Lisboa's mission success regarding its network's expansion, Ferconsult's strategic objectives, in light of the development scenario set out by the shareholder, after the study prepared by an external consultant, shifted its focus away from the objectives which have been established in previous years.

The year 2017 was characterized by a slowdown in productive activity, mainly in the international market context, resulting in an approximately 2.2 million EUR Turnover, reflecting a reduction by about 60%, compared to the previous year.

As a result, Ferconsult initiated a reorganization process in 2017, focusing the company's activity in strengthening its support to ML's needs. Accordingly, its internal activity (ML and others) reflected 34.4% of the total production, differing from the previous year's 8.9%.

When facing the results achieved, it is possible to observe the slight effect of the ongoing strategy of refocusing the company's activity to supporting ML's needs, as defined in the reorganization plan.

In 2017, Ferconsult also sought to ensure its international commitments, with quality, by maintaining the existing agreements in Algeria and Brazil in consortium with Portuguese companies and in the context of Ensitrans, which it complied with, ensuring its product's quality and deadline fulfilment. One relevant aspect is related with the development of several contacts with its customers in order to receive the work carried out in a timely manner.

In 2017, Ferconsult continued to analyse several opportunities emerging in the domestic market which are interesting from a business perspective and may prospectively correspond to the company's competences and to the resources available at each occasion, but without jeopardizing the shareholder's clear orientation in considering the support of the latter's most pressing needs its absolute priority.

We would like to highlight the Nine Viana Provision of Services of Supervision and Management Support Project, awarded by IP-Infraestruturas de Portugal.

In 2017, the corporate department was extinguished, whose tasks were allocated to the shareholder's corporate departments, and Ferconsult employees were assigned to the shareholder in order to remedy the hoc needs arising from such functions' addition.

In addition, consistently with the reorganization plan set out, an effective staff reduction took place, by a total of 19 employees, as detailed in section E.3.2. below. (Social Performance – Ferconsult, S.A.).

4.3. Metrocom, S.A.

During the year 2017, no factors which could, directly or indirectly, change significantly Metrocom's commercial activity have been observed.

Regarding the number of passengers carried, a sharp increase of about 5.4% was observed, compared to the previous year as evidenced by the official data, as approximately 160 million were recorded.

The increase in demand for this means of transport and the increased purchasing power have certainly contributed to the recovery of the installed shopkeepers' commercial activity, providing them with greater comfort to fulfil the obligations established with Metrocom, in such a way that no major defaults have been observed at the end of the year.

Spaces located in stations which have been identified as less attractive to commerce have maintained the same level as in previous years. This is the case of the Jardim Zoológico/North, Picoas, Restauradores/North, Olaias, Olivais and Chelas stations, whose shops continue to evidence little attractiveness.

5. Main Indicators

5.1. Metropolitano de Lisboa, E.P.E.

Table 1 – ML Indicator Panel

ACTIVITY INDICATORS		2017	2016	2015	Var. 2017/2016 Abs	Var. 2017/2016 %
DEMAND INDICATORS						
PC (Passengers Carried) (comparable with 2016)*	10^3	161 490	153 191	142 704	8 300	5,4
PKT (Passengers x km) (comparable with 2016)*	10^3	777 684	735 161	685 636	42 523	5,8
SUPPLY INDICATORS						
PSK (Passenger Spaces x km)	10^6	3 178	3 039	2 865	139	4,6
SERVICE QUALITY						
Frequency	%	79,1	80,5	84,6	-	(1,4) p.p.
Occupation Rate	%	24,5	24,2	23,9	-	0,3 p.p.
ENERGY EFFICIENCY						
Traction Energy Consumption per railcar x km	kWh	1,91	1,83	1,75	0,09	4,7
HR INDICATORS						
Volume of Employment (CMR no. 16/2012)	Un.	1 424	1 401	1 407	23	1,6
Average headcount number	Un.	1 397	1 369	1 408	28	2,1
Wage Bill	m€	49 812	44 741	44 742	5 071	11,3
SHAREHOLDER STRUCTURE						
Total Shareholder's Equity	M€	2 368,6	2 176,5	1 818,1	192	8,8
Shareholder's Equity held by the State	%	100	100	100	-	0,0 p.p.
FINANCIAL POSITION						
Non-Current Assets	M€	5 235,5	5 229,1	5 092,3	6,5	0,1
Current Assets	M€	77,2	77,9	78,0	(0,6)	(0,8)
Total Assets	M€	**5 312,8**	**5 307,0**	**5 170,3**	**5,8**	**0,1**
Equity	M€	603,3	412,6	107,2	190,7	46,2
Liabilities	M€	4 709,5	4 894,4	5 063,1	(184,9)	(3,8)
Total Equity and Liabilities	M€	**5 312,8**	**5 307,0**	**5 170,3**	**5,8**	**0,1**
INVESTMENTS	M€					
Long-term Infrastructure	M€	2,0	5,2	13,4	(3,3)	(62,5)
Other Investments	M€	1,4	0,2	0,6	1,3	706,0
INVESTMENT EXPENDITURE	M€	**3,4**	**5,4**	**14,0**	**(2,0)**	**(37,2)**
STRUCTURE INDICATORS	M€					
Remunerated Liabilities	M€	3 441	3 487	3 724	(46,5)	(1,3)
Financial Autonomy %	%	11,36	7,77	2,07	-	3,6 p.p.
Solvency %	%	12,81	8,43	2,12	-	4,4 p.p.
FINANCIAL INDICATORS	M€					
Average period for payments (APP)	Days	19	22	20	(3)	(13,6)
Turnover	M€	109,4	101,2	93,8	8,2	8,1
EBITDA *(corrected)* [1]	M€	(4,23)	1,26	(7,21)	(5,49)	(434,5)
EBITDA margin *(corrected)*	%	(3,86)	1,25	(7,69)	-	(5,1) p.p.
Operating Income *(corrected)* [2]	M€	114,16	106,30	105,71	7,86	7,4
Operating Expenses *(corrected)* [3]	M€	118,39	105,04	112,92	13,35	12,7
Operating Expenses *(corrected)* **per Passenger Carried**	€	0,73	0,69	0,79	0,05	6,9
Operating Expenses Coverage Rate *(corrected)*	%	96,43	101,20	93,61	-	(4,8) p.p.

1) Excluding the items identified in notes 2) and 3)

2) Excluding Reversals, Adjustments and Investment subsidies

3) Excluding Provisions + Adjustments + Amortizations

** Pass.km value restated for 2015, enabling its comparison with 2016, i.e., the year when the detected fraud rate was first applied*

5.2. Ferconsult, S.A.

Table 2 – Ferconsult Indicator Panel

ACTIVITY INDICATORS		2017	2016	2015	Var. 2017/2016 Abs	Var. 2017/2016 %
PRODUCTION INDICATORS						
% Hours Worked Domestic Market	%	75,4	23,0	12,0	-	52,4 p.p.
% Hours Worked International Market	%	24,6	77,0	88,0	-	(52,4) p.p.
COMMERCIAL ACTIVITY						
Turnover Domestic Market	m€	753,6	498,0	450,5	255,6	51
Turnover International Market	m€	1.437,1	5.038,7	7.472,9	-3.601,6	-71
HR INDICATORS						
Volume of Employment (CMR no. 16/2012)[1]	Un.	71	102	130	(31)	(30,4)
Average headcount number	Un.	70	81	84	(11)	(13,6)
Wage Bill	m€	2 212	2 870	3 639	(659)	(23,0)
SHAREHOLDER STRUCTURE						
Total Shareholder's Equity	m€	1 000,0	1 000,0	1 000,0	0,0	0,0
Shareholder's Equity held by ML	%	100	100	100	-	0,0 p.p.
FINANCIAL POSITION						
Non-Current Assets	m€	309,8	1 101,3	1 093,1	(791,4)	(71,9)
Current Assets	m€	5 256,3	7 447,5	8 047,3	(2 191,2)	(29,4)
Total Assets	M€	**5 566,2**	**8 548,8**	**9 140,3**	**(2 982,6)**	**(34,9)**
Equity	m€	(2 456,1)	(885,3)	1 335,3	(1570,8)	177,4
Liabilities	m€	8 201,7	9 434,2	7 805,1	(1232,4)	(13,1)
Total Equity and Liabilities	m€	**5 745,6**	**8 548,8**	**9 140,3**	**(2 803,2)**	**(32,8)**
STRUCTURE INDICATORS	m€					
Financial Autonomy %	%	-44,1	-8,9	14,6	-	(35,2) p.p.
Solvency %	%	-29,9	-8,2	17,1	-	(21,7) p.p.
FINANCIAL INDICATORS	m€					
Turnover	m€	2 190,7	5 536,7	7 923,4	(3 346,0)	(60,4)
EBITDA	m€	(1 526,5)	(2 142,4)	(1 440,9)	616,0	28,8
EBITDA margin	%	(0,70)	(0,39)	(0,18)	-	(0,3) p.p.
Operating Income	m€	2 673,5	5 613,8	8 212,2	(2 940,3)	(52,4)
Operating Expenses	m€	4 233,4	7 756,2	9 653,1	(3 522,8)	(45,4)
Operating Expenses Coverage Rate *(corrected)*	%	63,15	72,38	85,07	-	(9,2) p.p.

1) Pursuant to paragraph no. 6 of CMR no. 16/2012, employees placed outside the national territory and service providers with and effective work exceeding 3 months are considered.

5.3. Metrocom, S.A.

Table 3 – Metrocom Indicator Panel

ACTIVITY INDICATORS		2017	2016	2015	Var. 2017/2016 Abs	Var. 2017/2016 %
COMMERCIAL ACTIVITY						
Turnover Blue Line	m€	1 024	884	834	140	15,8
Turnover Yellow Line	m€	939	957	912	(18)	(1,9)
Turnover Green Line	m€	170	158	167	12	7,4
Turnover Red Line	m€	557	523	521	33	6,4
HR INDICATORS						
Volume of Employment (CMR no. 16/2012)*	Un.	7	8	8	(1)	(12,5)
Average headcount number	Un.	5	5	6	0	0,0
Wage Bill	m€	173	160	180	13	8,1
SHAREHOLDER STRUCTURE						
Total Shareholder's Equity	m€	750,0	750,0	750,0	0,0	0,0
Shareholder's Equity held by ML	%	100	100	100	-	0,0 p.p.
FINANCIAL POSITION						
Non-Current Assets	m€	8,7	10,3	11,9	(1,6)	(15,9)
Current Assets	m€	3 546,4	3 660,5	3 150,3	(114,1)	(3,1)
Total Assets	m€	**3 555,1**	**3 670,8**	**3 162,2**	**(115,8)**	**(3,2)**
Equity	m€	2 871,8	2 620,1	2 334,9	251,6	9,6
Liabilities	m€	683,3	1 050,7	827,3	(367,4)	(35,0)
Total Equity and Liabilities	M€	**3 555,1**	**3 670,8**	**3 162,2**	**(115,8)**	**(3,2)**
STRUCTURE INDICATORS						
Financial Autonomy %	%	80,78	71,38	73,84	-	9,4 p.p.
Solvency %	%	420,28	249,37	282,22	-	170,9 p.p.
FINANCIAL INDICATORS						
Turnover	m€	2 688,5	2 521,8	2 434,3	166,7	6,6
EBITDA	m€	325,12	368,37	328,94	(43,2)	(11,7)
EBITDA margin	%	120,93	146,08	135,12	-	(25,1) p.p.
Operating Income	m€	2 802,8	2 616,4	2 537,6	186,4	7,1
Operating Expenses	m€	2 479,3	2 249,4	2 220,5	230,0	10,2
Operating Expenses Coverage Rate	%	113,05	116,32	114,28	-	(3,3) p.p.

*The amounts for 2016 and 2015 have been restated due to the fact that 2 employees, who have entered into a service agreement with the entity, have not been considered

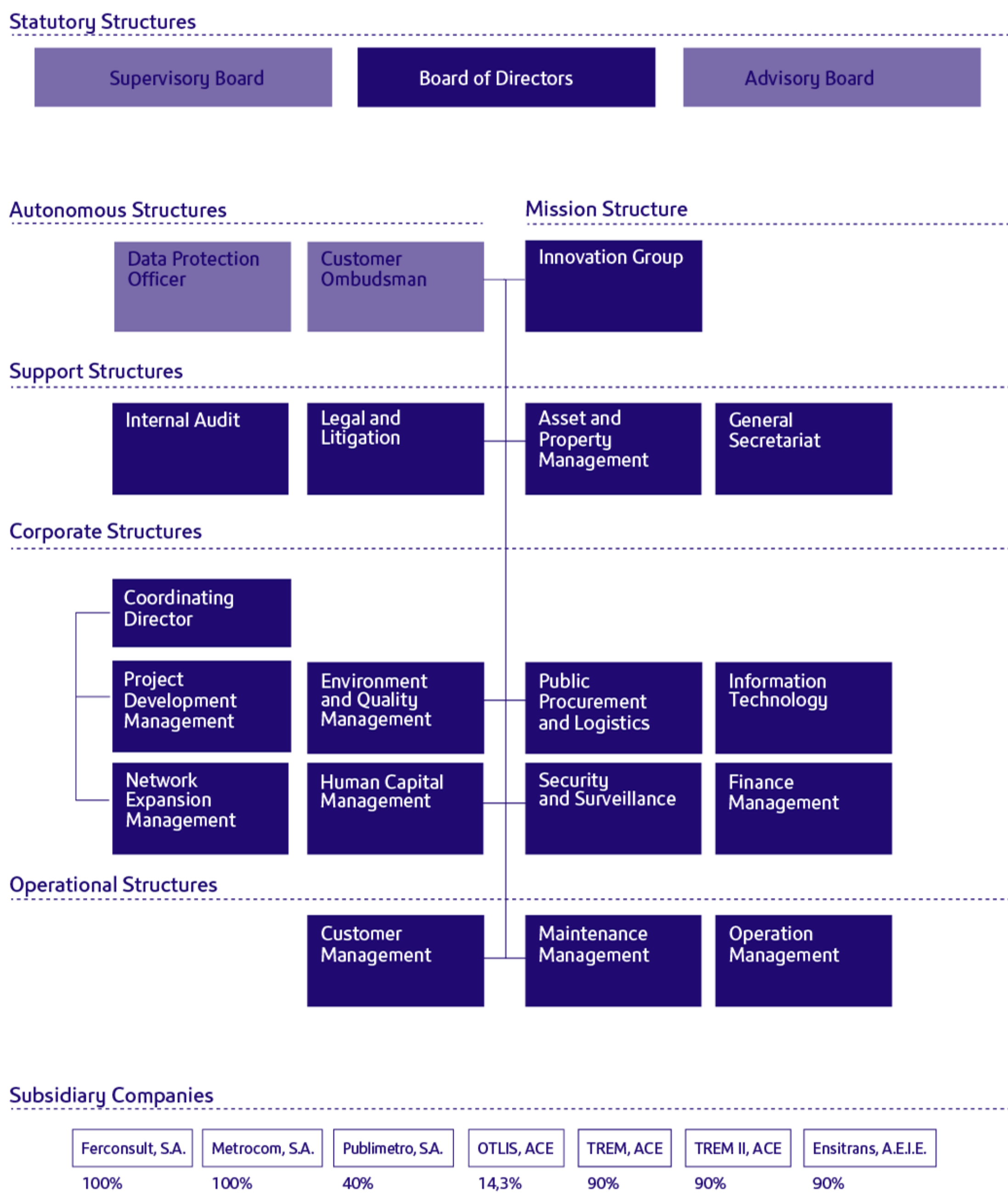
B. Governance Structure

1. Corporate Bodies

1.1. Metropolitano de Lisboa, E.P.E.

With the appointment of a new Board of Directors, with the CMR no. 16/2017, of the 16th of January, solely applicable to ML, which took effect from the 1st of January 2017, and envisaging to provide a better response to the new legal framework, a new organization model was implemented in the company from the second quarter of 2017.

Figure 3: Organization Chart



Metropolitano de Lisboa's corporate bodies are the **Board of Directors**, the **Supervisory Board**, the **Statutory Auditor** or an audit firm and the **Advisory Board**[2].

Table 4 – Identification of the members of Metropolitano de Lisboa's Board of Directors

Term (Start - End)	Position	Name	Academic Degree	Areas of Responsibility
2017-2019	Chairman	Eng.º Vitor Manuel Jacinto Domingues dos Santos	PADE – AESE Business School MBA Degree in International Management - Universidade Católica Portuguesa Licentiate Degree in Civil Engineering - Universidade do Porto (Faculty of Engineering)	Innovation Group (ING) General Secretariat Office (GSO) Internal Audit Office (IAO) Heritage Development Office (HDO) Information Technologies Directorate (ITD)
2017-2019	Board Member	Dr. Luís Carlos Antunes Barroso	- Master's Degree in Management - Universidade Lusíada de Lisboa - Licentiate Degree in Management - Universidade Lusíada de Lisboa	Financial Directorate (FID) Customers Directorate (CUD) Operations Directorate (OPD)
2017-2019	Board Member	Eng.ª Maria Helena Arranhado Carrasco Campos	- PhD Degree - Universidade do Minho, Engineering School, Civil Engineering Dep., Guimarães; - Master's Degree - Universidade do Minho, Engineering School, Civil Engineering Dep., Guimarães; - Post-graduation Degree - Universidade do Minho, Engineering School, Civil Engineering Dep., Guimarães - Licentiate Degree in Civil Engineering - Universidade de Coimbra, Faculty of Sciences and Technology, Coimbra	Network Expansion Group (NEG) Security and Surveillance Directorate (SSD) Environment and Quality Directorate (EQD) Ventures Directorate (VND) Maintenance Directorate (MTD)
2017-2019	Board Member	Dr. Rui Nelson Ferreira Dinis	PhD candidate in Business Administration - ISCTE-IUL, Business School (since 2007); Master's Degree in Commercial and Business Law - Universidade de Coimbra (Faculty of Law) (1995); Licentiate Degree in Law - Universidade de Coimbra (Faculty of Law) (1990); Post-graduation Degrees: Public Regulation - CEDIPRE-FD Coimbra; Industrial Law - APDI-FD Lisbon; Corporate Finances - AESE, Management and Business School; Public Procurement - CEDIPRE-FD, Coimbra; Higher education study programs: "Business Law", at Institut des Droit des Affaires - Université d'Aix-Marseille; "Economic Regulation" - P.A.I. and Bath School of Management; "EMI", Kennedy School of Government - Harvard University.MBA	Legal and Litigation Office (LLO) Logistics Directorate (LOD) Human Capital Directorate (HCD)

Table 5 – Identification of Metropolitano de Lisboa's Supervisory Board

Term (Start - End)	Position	Name	Appointment	
			Form (1)	Date
2017-2019	Chairman	Dr. José Carlos Pereira Nunes	DC SETF and SEAMB	11/01/2017
2017-2019	Effective Board Member	Dra. Cristina Maria Pereira Freire	DC SETF and SEAMB	11/01/2017
2017-2019	Effective Board Member	Dra. Margarida Carla Campos Freitas Taborda	DC SETF and SEOPTC	11/01/2017
2017-2019	Substitute Board Member	Dra. Maria Teresa Vasconcelos Abreu Flor de Morais	DC SETF and SEOPTC	11/01/2017

(1) In light of the Joint Order, of the 11th of January 2017, issued by the Assistant Secretary of State for Treasury and Finances and the Assistant Secretary of State for the Environment.

[2] The appointment of an executive commission is a Board of Directors' prerogative, as its incorporation is not mandatory in light of paragraph 2 of article 4 of the ML's Statutes. The current administration has not nominated an executive commission.

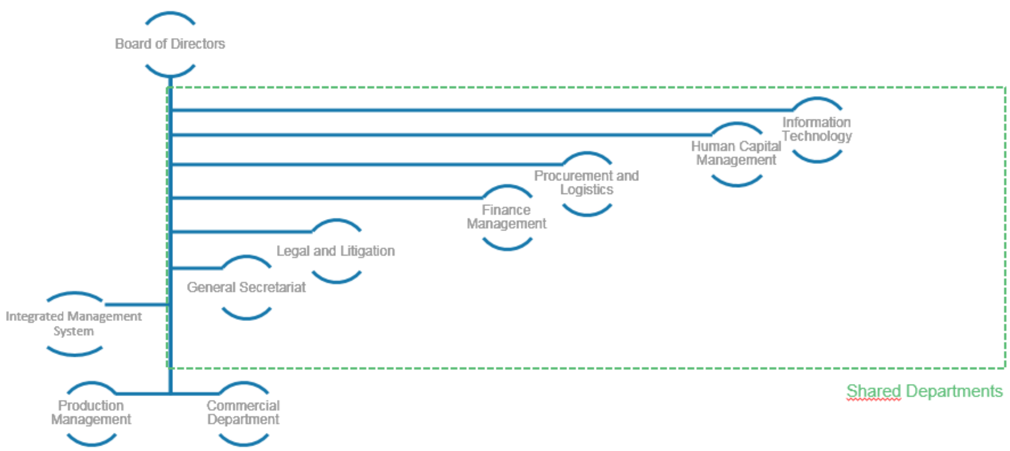
Table 6 – Identification of Metropolitano de Lisboa's Chartered Accountant (Auditor)

Term (Start - End)	Position	SROC/ROC Identification			Appointment	
		Name	OROC Registry No.	CMVM Registry No.	Form	Date
2015-2017	SROC	Alves da Cunha, A. Dias & Associados, SROC, Lda. represented by:	74	20161409	Order	18/03/2015
	Effective ROC	Dr. José Luís Areal Alves da Cunha	585	20160240		
	Substitute ROC	Dr. Abílio Ançã Henriques	413	20160121		

1.2. Ferconsult, S.A.

Ferconsult's organizational structure is as shown in the following organization chart:

Figure 4 – Ferconsult Organization Chart



The company's corporate bodies are the **General Assembly**, the **Board of Directors** and the **Statutory Auditor**.

Table 7 - Identification of the members of Ferconsult's Board of Directors

Term (Start - End)	Position	Name	Academic Degree
2015-2017	Chairman	Eng.º Vitor Manuel Jacinto Domingues dos Santos	- PADE – AESE Business School - MBA Degree in International Management - Universidade Católica Portuguesa Licentiate Degree in Civil Engineering - Universidade do Porto (Faculty of Engineering)
2015-2017	Board Member	Eng.ª Maria Helena Arranhado Carrasco Campos	- PhD Degree - Universidade do Minho, Engineering School, Civil Engineering Dep., Guimarães; - Master's Degree - Universidade do Minho, Engineering School, Civil Engineering Dep., Guimarães; - Post-graduation Degree - Universidade do Minho, Engineering School, Civil Engineering Dep., Guimarães - Licentiate Degree in Civil Engineering - Universidade de Coimbra, Faculty of Sciences and Technology, Coimbra
2017-2019	Board Member	Eng.º João Mário Simões Viana	- Licentiate Degree in Civil Engineering, by Instituto Superior Técnico of Lisbon

Table 8 - Identification of the members of Ferconsult's Board of the General Assembly

Term (Start - End)	Position	Name	Election
2015-2017	Chairman	Dra. Filipa Alexandra Queirós Cardoso Aires Bandeira de Melo	28/09/2012
2015-2017	Secretary	Dr. Luís Miguel Vale do Couto	08/01/2016

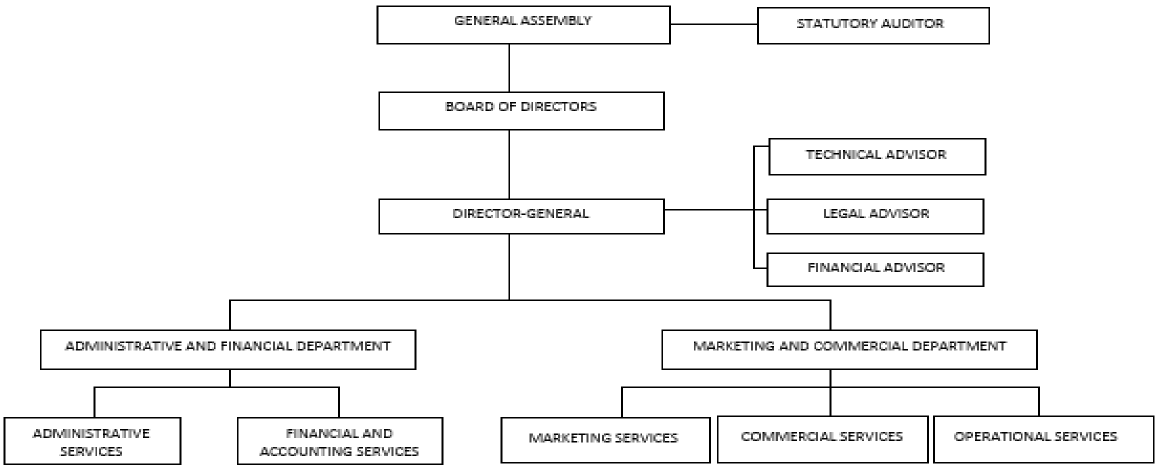
Table 9 – Identification of Ferconsult's Statutory Auditor

Term (Start - End)	Position	SROC/ROC Identification		Election	
		Name	OROC Registry No.	Form	Date
2017-2019	SROC	BDO & Associados, SROC	29	eral Assen	31/10/2017
	Effective Statutory Auditor	Dr. João Paulo Torres Cunha Ferreira	956		
	Substitute Statutory Auditor	Dr. Emanuel Mota Gonçalves Pereira	1025		

1.3. Metrocom, S.A.

Metrocom's organizational structure is as shown in the following organization chart:

Figure 5 - Metrocom Organization Chart



The company's corporate bodies are the **General Assembly**, the **Board of Directors** and the **Statutory Auditor**.

Table 10 - Identification of the members of Metrocom's Board of Directors

Term (Start - End)	Position	Name	Academic Degree
2015-2017	Chairman	Eng.º Vitor Manuel Jacinto Domingues dos Santos	- PADE – AESE Business School - MBA Degree in International Management - Universidade Católica Portuguesa Licentiate Degree in Civil Engineering - Universidade do Porto (Faculty of Engineering)
2015-2017	Board Member	Dr. Luís Carlos Antunes Barroso	- Master's Degree in Management - Universidade Lusíada de Lisboa - Licentiate Degree in Management - Universidade Lusíada de Lisboa
2015-2017	Board Member	Dr. Rui Nelson Ferreira Dinis	PhD candidate in Business Administration - ISCTE-IUL, Business School (since 2007); Master's Degree in Commercial and Business Law - Universidade de Coimbra (Faculty of Law) (1995); Licentiate Degree in Law - Universidade de Coimbra (Faculty of Law) (1990); Post-graduation Degrees: Public Regulation - CEDIPRE-FD Coimbra; Industrial Law - APDI-FD Lisbon; Corporate Finances - AESE, Management and Business School; Public Procurement - CEDIPRE-FD, Coimbra; Higher education study programs: "Business Law", at Institut des Droit des Affaires - Université d'Aix-Marseille; "Economic Regulation" - P.A.I. and Bath School of Management; "EMI", Kennedy School of Government - Harvard University.MBA

Table 11 – Identification of the members of Metrocom's Board of the General Assembly

Term (Start - End)	Position	Name	Election
2015-2017	Chairman	Dra. Filipa Alexandra Queirós Cardoso Aires Bandeira de Melo	30/01/2017
2015-2017	Secretary	Dr. Luís Miguel Vale do Couto	30/01/2017

Table 12 – Identification of Metrocom's Statutory Auditor

Term (Start - End)	Position	SROC/ROC Identification		Election	
		Name	OROC Registry No.	Form	Date
	SROC	BDO & Associados, SROC	29		
2015-2017	Effective Statutory Auditor	António Pina Fonseca	949	eral Assen	30/01/2017
	Substitute Statutory Auditor	Mário Silvestre Neto	1192		

2. Management policies and mechanisms

2.1. Metropolitano de Lisboa, E.P.E.

Governance Model

Pursuant to the Company's Statutes, Metropolitano de Lisboa, E.P.E.'s corporate bodies are the Board of Directors, the Supervisory Board, the Statutory Auditor or an audit firm and the Advisory Board.

1. Board of Directors

The members of the Board of Directors of Metropolitano de Lisboa are appointed by Council of Ministers resolutions, on a proposal by the members of the Government responsible for finances and transport (in light of paragraph 1 of article 4 of the company's Statutes).

The Board of Directors of Metropolitano de Lisboa, for the term 2017-2019, was appointed by the Council of Ministers Resolution no. 16/2017 (Official Gazette, 1st series – no. 11, of the 16th of January 2017). The current members of the Board of Directors have taken office on the 1st of January 2017.

2. Supervisory Board

Pursuant to paragraph 1 of article 13 of the Metropolitano de Lisboa's Statutes, supervision is performed by a Supervisory Board and by Chartered Accountant (Auditor) (ROC) or by an Audit Firm (SROC), provided these do not participate in the said corporate body. The Supervisory Board is composed of three full members and a substitute member, and one of them shall serve as Chairman (in light of paragraph 2 of article 13).

The Supervisory Board members are appointed by means of a joint order issued by the members of the Government responsible for finances and transport, for a three-year term which may be renewable up to a maximum of three times (in light of paragraph 3 of article 13).

The Metropolitano de Lisboa's Supervisory Board in office for the 2017-2019 term was appointed by the Joint Order issued by the Assistant Secretary of State for Treasury and Finances (SETF) and the Assistant Secretary of State for the Environment (SEAMB), of the 11th of January 2017.

3. Chartered Accountant (Auditor)

Pursuant to paragraph 3 or article 14 of the Metropolitano de Lisboa's Statutes, the chartered accountant (auditor) shall carry out all examinations and verifications required for statutory auditing and certification, as well as to perform the following tasks:

a) Verifying that bookkeeping, accounting records and supporting documents are in order;

b) Verifying, if it is deemed appropriate and by whichever means considered fit, the cash flaw extension and inventories of any kind of goods or amounts pertaining to Metropolitano de Lisboa, E.P.E., or received as security, deposit or otherwise by the company;

c) Verifying the financial documents' accuracy;

d) Verifying if the accounting policies and the valuation criteria adopted by Metropolitano de Lisboa, E.P.E., are consistent with a correct asset and result valuation;

e) Participating Supervisory Board's meetings, when summoned by its Chairman.

4. Advisory Board[3]

Pursuant to article 16 of the Metropolitano de Lisboa's Statutes, the Advisory Board is responsible for assessing the annual and multiannual activity plans, as well as the activity report; for giving its views on the existing metro network expansion and on the installation and operation of new metro lines; for making recommendations regarding the improvement of the provision of the public transport service by metro and for giving its views on other matters relevant to the Metropolitano de Lisboa's activity which may be presented by its Chairman, by a majority of its members or whose appreciation may be requested by the Board of Directors.

Article 15 of the Statutes states that the Advisory Board is composed of:

a) Two representatives appointed by the members of the Government responsible for finances and transport;

b) One representative appointed by the Instituto da Mobilidade e dos Transportes Terrestres, I.P.;

c) One representative appointed by the Metropolitan Area of Lisbon;

d) One representative appointed by the Metropolitan Transport Authority of Lisbon;

e) One representative appointed by each municipality covered by the ML, E.P.E.'s public transport network;

f) One representative elected by the ML, E.P.E.'s employees;

g) Metropolitano de Lisboa's Ombudsman;

h) One representative of the Laboratório Nacional de Engenharia Civil, I.P.;

i) One representative of the National Civil Protection Authority.

[3] The appointment of an executive commission is a Board of Directors' prerogative, as its incorporation is not mandatory in light of paragraph 2 of article 4 of the ML's Statutes. In the event no executive commission is appointed, all members of the Board of Directors are executive. The current administration did not appoint an executive committee, wherefore all its members are executive.

The Advisory Board is presided by the representative of the members of the Government responsible for finances and transport who is appointed for such position, in the corresponding joint order of appointment, and shall be in office for a three-year term.

Members of the Advisory Board shall not be remunerated for performing their office, notwithstanding the payment of daily allowances, if due, which shall be borne by the public entities responsible for appointing their representatives and by ML, E.P.E., in all other cases.

Remuneration Statute

The remuneration of Metropolitano de Lisboa's Directors derives from the classification set out in the Council of Ministers Resolution no. 16/2012, of the 9th of February, whose effects have been extended to 2017 by means of paragraph o) of article 134 of the Decree-Law no. 25/2017, of the 3rd of March.

As established in paragraph 1 of article 28 of the Decree-Law no. 8/2012, of the 18th of January, "*Public managers' remuneration consists of a monthly salary which cannot exceed the Prime Minister's monthly salary*", as well as a monthly allowance for representation expenses, which corresponds to 40% of said salary and shall be paid in 12 instalments throughout the year. Due to the accumulation of duties, Directors receive only their remuneration and do not benefit from any additional allowances.

In addition, the Board of Directors' executive members receive the following compensation privileges or benefits:

a. Social benefits generally applicable to all company employees;

b. A monthly fuel and tolling allowance regarding the company's official vehicles corresponding to one-fourth of the monthly allowance for fixed representation expenses, as established in paragraph 3 of article 33 the Public Manager Statute (Decree-Law no. 71/2007, of the 27th of March, as amended by Decree-Law no. 8/2012, of the 18th of January);

c. Communications expenses allowance, which includes mobile phone, home telephone and Internet, and the maximum monthly amount of which may not exceed €80.00.

The remuneration statute of the Supervisory Board members, appointed for the 2017-2019 term, was determined by the Joint Order of 11-01-2017, issued by the Ministry of Finances and by the Ministry of the Environment.

The Chartered Accountant (Auditor) gross annual remuneration corresponds to that stipulated in the services provision agreement entered into between METRO and the company Alves da Cunha, A. Dias & Associados, Sociedade de Revisores Oficiais de Contas, of the 18th of March 2015, which complies with the maximum limit equal to 22.5% of the 12-month gross remuneration attributed by law to the Chairman of the Company's Board of Directors, pursuant to articles 59 and 60 of the Statutes of the Chartered Accountants' Association.

2.2. Ferconsult, S.A.

Governance Model

The company's corporate bodies are the General Assembly, the Board of Directors and the Statutory Auditor.

The members of Ferconsult's Board of Directors are elected for three-year terms by the General Assembly and may be re-elected for one or more terms, as set out in paragraph 1 of article 13 of the company's Articles of Association.

As prescribed in Ferconsult's Articles of Association, the company's Board of Directors is composed of an odd number of full members (three or five), and their three-year term is unlimitedly renewable. On the 9th of January 2017, the General Assembly elected the new Ferconsult's Board of Directors to conclude the current term (the three-year period 2015/2017).

In light of article 9 of the Articles of Association, "*The Board of the General Assembly shall be composed of a Chairman and a Secretary, who do not need to be shareholders, and shall be elected by the Assembly for a three-year term, unlimitedly renewable.*"

Pursuant to Ferconsult's Statutes, the company's supervision is performed by a Full Statutory Auditor and a Substitute Statutory Auditor, elected bt law for three-year terms, unlimitedly renewable (in light of article 20 of the company's Statutes).

Remuneration Statute

The remuneration of FERCONSULT's Directors derives from the classification set out in the Council of Ministers Resolution no. 16/2012, of the 14th of February. Such remuneration corresponds to the classification C, as attributed to FERCONSULT, pursuant to the Council of Ministers Resolution no. 36/2012, of the 26th of March.

The remuneration of the corporate body members is approved by the General Assembly. The remuneration of executives is approved by the Board of Directors.

Ferconsult's management bodies are remunerated according to the terms established in the Public Manager Statute and in the Council of Ministers Resolution no. 16/2012, of the 14th of February and in the Council of Ministers Resolution no. 36/2012, of the 26th of March.

Until the 12th of May 2016 election, all Directors were simultaneously the sole shareholder's Directors of Metropolitano de Lisboa, E.P.E. and thus did not receive any remuneration for performing such company functions.

Subsequent to the General Assembly session of the 12th of May 2016, only the member Eng.º João Mário Simões Viana was not a shareholder's Director at the same time, being the only member entitled to receive the remuneration for performing his functions as a Ferconsult's Director.

2.3. Metrocom, S.A.

Governance Model

According to the company's Statutes, the management and supervisory structure is based on a system comprising a Board of Directors and a Statutory Auditor. The corporate bodies' members, including the Board of the General Assembly, shall be appointed by election by the General Assembly, for a three-year renewable term. In the current governance model, the Board of Directors is composed of three members: the Chairman and other two members of the Board.

Remuneration Statute

The corporate bodies - General Assembly, Board of Directors and Statutory Auditor - perform the roles for which they were appointed for, by election, without being entitled to any remuneration, privileges, compensations or credit card benefits.
The members of the Board of Directors are, at the same time, members of the management body of parent company, Metropolitano de Lisboa, E.P.E., and they accumulate management functions without corresponding remuneration or social benefits, not enjoying the payment of any kind of privileges and compensation by Metrocom.
The Statutory Auditor is simultaneously the Company's ROC and, as such, receives an effective annual remuneration of 5,700.00 EUR.

2.4. TREM A.C.E.

Governance Model

The company's corporate bodies are the General Assembly and the Board of Directors.

Pursuant to article 12, the grouping's General Assembly is composed of the grouped entities or of a representative of each, and shall meet whenever summoned by any of them, by means of registered letter with acknowledgment of receipt, which shall be sent with a 30-day minimum notice period.

The Board of Directors is composed of 3 (three) members, elected by the General Assembly pursuant to the Complementary Grouping of Companies' Statutes and in line with the provision set out in paragraph 1 of article 13.

Remuneration Statute

Members of the Board of Directors of the General Assembly do not earn any remuneration.

2.5. TREM II A.C.E.

Governance Model

The company's corporate bodies are the General Assembly and the Board of Directors.

Pursuant to article 12, the grouping's General Assembly is composed of the grouped entities or of a representative of each, and shall meet whenever summoned by any of them, by means of registered letter with acknowledgment of receipt, which shall be sent with a 30-day minimum notice period.

The Board of Directors is composed of 3 (three) members, elected by the General Assembly pursuant to the Complementary Grouping of Companies' Statutes.

Remuneration Statute

Members of the Board of Directors of the General Assembly do not earn any remuneration.

C. Strategy

1. Strategic Objectives

1.1. Metropolitano de Lisboa, E.P.E.

Metropolitano de Lisboa has defined three strategic action pillars which give substance to the Group's macro objectives.

The company's strategic objectives consist of promoting sustainable mobility, reinforcing the general use of public transport and of the Metropolitano de Lisboa as a mobility solution, recovering maintenance interventions in rolling stock and infrastructure in order to minimize damage risks, expanding the network through the creation of a circular line in the urban centre and improving environmental performance, notably regarding natural resource's management.

The following measures were defined as the most suitable to achieve the objectives, which are allocated to the established action pillars:

Pillar I – Quality

- Reinforcement of supply in all network lines, in light of the need to respond to the demand increase, added to the increasing number of tourists seeking metro transport;
- We are currently studying the implementation of measures designed to maintain a more frequent service, namely the possibility of traveling at 60 km/h when necessary;
- Development of accessibility expansion, rehabilitation and improvement projects for Metro's infrastructure and facilities;
- Development of expansion and refurbishment projects for the Metro network, notably regarding the Rato-Cais do Sodré extension (with its operation opening projected for 2022/2023);
- Increase of staff in 2018, with particular emphasis on the areas of maintenance and stations;
- Replenishment of stocks vital to the execution of the preventive/scheduled and corrective interventions in Rolling Stock, thus guaranteeing the recovery of the stationary rolling stock.

Pillar II – Safety

- Recovery of scheduled interventions in Rolling Stock and Infrastructure;
- Modernization of the signalling system, with its first phase focusing on the Blue line and on the connection to DW II and III;
- Replacement of the ML 90 series pneumatic door system by an electric door system;
- Revision of the electric door system of the remaining series;
- Investment in a new traffic control and command system;
- Renovation of the centralized video surveillance system and implementation of a station track-access detection system;
- Increase of the surveillance teams' visibility when serving in the ML network.

Pillar III – Responsibility

1. **At an economic level**
    - Reinforcement of the supply of additional services / exploration of Stations' potential and commercial spaces;

- Development of payment systems for universal transport tickets, namely by making it possible to use ATM cards in the network's access points;
- Increase in fare revenue by demand growth, both in terms of occasional and current passengers, resulting from the improvement of service provision and its consistency with current customer needs.

2. **At a social level**
   - Restitution of working and employment conditions, within the scope of the company's social responsibility;
   - Reinforcement and standardization of transport tickets' discounts for certain customer segments.
3. **At an environmental level**
   - Development of energy efficiency measures aligned with the sustainable mobility commitment;
   - Refurbishment of the administrative buildings' air conditioning system, replacing obsolete equipment with more energy-efficient ones;
   - Replacement of the administrative buildings and stations' lighting system with LED bulbs;
   - Replacement of combustion vehicles by electric vehicles.

We would highlight the objective of recovering the scheduled interventions in Rolling Stock and Infrastructure as a necessary condition to re-establish quality and fulfilment levels regarding the currently committed public service supply.

Additionally, changing Ferconsult's activity focus to the parent company's projects, as mentioned in item A.4.2 (*Highlights of the year / Relevant Facts*), corresponds to another ML Group's strategic objective.

1.2. Ferconsult, S.A.

In line with the growth of the Portuguese economy and the resumption of ML's expansion plans, as the company's current resources are insufficient to meet the needs regarding projects on the most diverse specialities, and bearing in mind its subsidiary Ferconsult's know-how and the amendments to the Public Procurement Code, which took effect on the 1st of January 2018, in-house relations can now be re-established, thus allowing to pursue a reorganization plan for the company. Such reorganization plan is also based on the following suppositions:

- Reduction of headcount number;
- Reduction of subcontracting;
- Reduction of travel and accommodation costs due to a shift in market focus.

In light of the above, Ferconsult's development strategy, to be implemented during the three-year period 2018-2020, is as follows:

1. **Focusing on Providing Services to ML**

Given the high work volume expected for Metro de Lisboa, notably arising from the expansion project for the period 2017-2022, Ferconsult will focus on providing direct services to its shareholder.

2. **Maintaining the Ferconsult brand**

Ferconsult will honour the commitments assumed in currently ongoing projects, seeking the best model to ensure compliance with the contractual obligations set out for both customers and partners.

1.3. Metrocom, S.A.

Metrocom's strategy is based on three key objectives:

1. **Capitalizing commercial areas of the metro network**

Known indicators evidence a clear and unequivocal improvement of the country's economic activity. This reality, along with a more positive environment felt by people, families and companies, is reflected in the activity of the shopkeepers installed in the metro network spaces and, consequently, in Metrocom's activity as the concessionaire in the leasing of such spaces. An increased purchasing power certainly leads to a growth in consumption.

In what concerns capitalizing commercial spaces, Metrocom assumes the course outlined in previous years, thus ensuring greater and better occupation for the available spaces. Only this way will it be possible to update the monthly payments in more recent agreements, to totally or gradually reverse the reduced amounts granted in older agreements, and to assess, on a case-by-case basis, the fixed amounts in agreements regarding spaces with little commercial attractiveness.

Simultaneously, Metrocom should maintain and expand a more proactive attitude in seeking "anchor" businesses which stimulate station activity and mobilize the pursuit for spaces with little commercial attractiveness, such as the ones in Jardim Zoológico/N, Santa Apolónia and Picoas, or others which have never been occupied before, like the Red line stations of Olaias, Chelas and Olivais.

2. **Improving the image of spaces**

If the country's economic environment envisages a rise in demand for commercial spaces, in turn, it is anticipated this may correspond to shopkeepers' greater stability, who witness the improvement of their business as a result of its customers' increased purchasing power. The increased number of passengers using the metro on a daily basis will contribute to the spaces' commercial promotion.

With this in mind, the focus should be on the shops' image by introducing improvements and diversifying supply. In this context, it is important to continue the search for "anchor" shops which have high public notoriety, and this factor, if it does realize, will have an enormous impact on improving stations' atmosphere, increasing the quality of supply and the satisfaction of metro customers.

In this regard, the "shop window competition" plays an important part in valuing and rewarding the shops' image, with its first award being granted in 2018.

3. **Contributing to a better atmosphere in metro stations**

The idea of improving station and "shop" environment has always been part of management intentions. Some steps have been taken and the results can be largely attributed to the shopkeepers' initiative.

Appreciation and approval of projects of commercial spaces' modifications or improvements must be optimized. Delays may sometimes demobilize investors. Outside the shop's space, small but quick interventions to preserve and maintain the areas which improve stations' atmosphere. In order to perform such conservation works, we have entered into an agreement with a service provider company.

In light of the available spaces' good commercial occupation level and of the will to improve stations' atmosphere, it is now time to consider refreshing Campo Grande's commercial area, which is long overdue for maintenance works, namely the ceiling and lighting.

2. ML's SDG

Metropolitano de Lisboa, as a socially responsible company suited for promoting Sustainability, is committed to the following Sustainable Development Goals (SDG) and corresponding goals:

Metropolitano de Lisboa publicly assumes its commitment to Sustainable Development, integrating 3 (three) of the UN 2030 Sustainable Development Agenda SDG in its strategy.

Sustainable Development Goals (SDG)

- To achieve gender equality and empower all women and girls;
- To build resilient infrastructure, to promote inclusive and sustainable industrialization and to boost innovation;
- To take urgent measures to fight climate change and the impacts deriving thereof.

The UN (United Nations) 2030 Sustainable Development Agenda established a set of 17 Sustainable Development Goals (*see image*) reflected into 169 goals, to be achieved by all countries until the year 2030, all contributing for a common objective of global sustainability, focused on five key pillars:

People – Prosperity – Planet – Peace – Partnerships

Given these facts, in July 2017, at the United Nations Policy Forum, the Portuguese Government set out the following SDG as strategic priorities:

- Quality Education (SDG4);
- Gender Equality (SDG5);
- Industry, Innovation e Infrastructure (SDG9);
- Inequality Reduction (SDG10);
- Climate Action (SDG13) and
- Marine Life Protection (SDG14).

Figure 6 - Sustainable Development Goals

D. Risks and Opportunities

1. Risk Management

The 4th edition (2014) of the Plan for Preventing Risks of Corruption and Related Offenses (PPRCRO)[4] is currently in force, and it has maintained the presentation structure and risk types adopted in the previous edition, complying with the Recommendation of the Corruption Prevention Board (CPB) dated of the 1st of July 2009.

The PPRCRO identifies the vulnerable areas to acts of corruption, the main risks arising therefrom, the implemented internal controls which intend to mitigate and prevent such risks, the corresponding impacts and the likelihood of occurrence.

The methodology followed in the process of identifying the risks listed in the PPRCRO (encompassing corruption, conflicts of interest, information manipulation and property misappropriation) corresponds to the one recommended by the Association of Certified Fraud Examiners (ACFE) in its Fraud Risk Manual, adapted to ML's reality.

In 2017, the PPRCRO Implementation Report for the year 2016 was prepared and adequately publicized.[5]

2. Risk Identification

By including the risks related to corruption and related offenses identified in the PPRCRO and mentioned above, the processes posing a high risk were listed in the Annual Audit Plan for 2017, notably the following:

1. People Safety, Infrastructure, Systems and other Assets (terrorist threat, accidents, hacking and undue network and infrastructure access, property misappropriation), with particular emphasis on the security of information systems (cyber-security);
2. Maintenance of Infrastructure and Rolling Stock (availability and reliability);
3. Commercial (customer relations, revenue and ticketing system);
4. Operations (compliance with transport plans, reliability, transport punctuality and inter-modal connectivity);
5. Economic and Financial (resources availability, expenditure control and information reliability);
6. Acquisitions (purchases of goods/services, stock and warehouse management and suppliers and service providers' relations management);
7. Ventures (costs and deadlines' slippage);
8. Human resources (wage processing, absence, training, knowledge loss);
9. Environmental and natural or unforeseeable phenomena (contingency plans);
10. Management, corruption and fraud (transversal);
11. Compliance (transversal).

3. Response to the identified risks

During the first quarter of 2017, the Internal Audit Office (IAO) continued to perform auditing and advisory functions for the four companies (ML, Carris, Transtejo and Soflusa) as well as for their affiliated entities (if determined by the BD), and it was therefore necessary to split the Office's initiatives, specifically, the audits (planned and *ad hoc*)

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[4] Available at the Company's website: http://www.metrolisboa.pt/wp-content/uploads/Planodeprevencaoderiscosdecorrupcaoeinfracoesconexas_2014.pdf.

[5] Available at the website: http://www.metrolisboa.pt/wp-content/uploads/RelatorioExecucaodoPlanoPrevencaoRiscosCorrupcaoInfracoesConexas2016.pdf.

performed by these companies in light of the available resources. In the other quarters, because of the new organization structure, the IAO started to perform its functions exclusively for ML.

In 2017, we highlight the following ML's audit work:

- Audit of human resources (approval of final report);
- Audit of the agreement entered into with Publimetro – Publicidade em Meios de Transporte e Outros, S.A. (approval of final report);
- Audit of single suppliers in the maintenance context (in progress);
- Audit of fixed cash flow funds (in progress).

Moreover, follow-up actions were also performed on the implementation of audit reports' recommendations approved by the BD, namely: Audit of customer balances; Audit of the Areeiro station expansion/refurbishment work management; Audit of the Sultangali-Arnavutkuy Metro Line tender, for the Istanbul Metro System[6]; Audit of object loss in Bus 754[7]; Audit of human resources and Audit of the agreement entered into with Publimetro – Publicidade em Meios de Transporte e Outros, S.A..

Bearing in mind all audit and follow-up actions performed, 12 Company Areas (75% of its total) were subject to a corruption risk analysis.

Table 13 - Corruption risks assessment

GRI Code	Description	Results / Comments	2017
205-1	Percentage and total number of business units subjected to corruption risk assessment	Percentage and total number of business units subjected to assessment	75% 12

[6] Audit performed to Ferconsult - Consultoria, Estudos e Projetos de Engenharia de Transportes, S.A., a company held by ML at 100%.

[7] Audit performed to Carris, but including a recommendation to ML, concerning its lost and found procedures.

E. Performance

1. Operating Performance

1.1. Metropolitano de Lisboa, E.P.E.

COMMERCIAL ACTIVITY

FRAMEWORK

The company's commercial activity focused essentially on consolidating the demand growth trend which has been evidenced in the last years, with Metropolitano de Lisboa's involvement deriving thereof in what regards tourism development as an economic leverage engine for the city and for the country, as well as customer service.

Simultaneously, partnerships with strategic players were strengthened by means of new project's implementation generating additional revenue, enhancing a more sustained mobility, adjusted to our customers' wishes.

DEVELOPED ACTIVITY

In the context of the activity developed in 2017, due to the value added to the service provided to the customer, we may highlight the following:

- Increase in the 24h Metro/Carris combined tickets, in response to the growing tourist affluence in the city of Lisbon;
- Participation in the event Web Summit 2017, adapting the supply, the information provided to participants and the station manning model, in line with the event's requirements. Two exclusive selling points for the Web Summit Pass ticket were created, one at the Airport and the other at FIL. It should be noted that this sales operation created for the event, although generating a major revenue influx, involved the back office loading of 21,850 travel cards;
- Participation in the organization of the 2017 Annual European Congress of the European Association for the Study of Diabetes, namely by scheduled production of 16,000 transport tickets for participants;
- Continuity of the commercial partnership with the Portuguese Marathon Club, aimed at transporting the participants of the Lisbon Half Marathon, the EDP Lisbon Women and Life, Santander Totta RTP Rock 'n' Roll Half Marathon and EDP Great Christmas Prize.

From an organizational perspective, 2017 was characterized by the implementation of a set of measures envisaging the commercial management support models' sustainability, specifically:

- Implementation of the External Automatic Defibrillation (EAD) Program in Metropolitano de Lisboa, providing ML stations with EAD equipment, as well as training for approximately 300 employees;
- Purchase of a new ticket inspection system;
- Purchase of access platforms to ML trains for customers with reduced mobility, improving the accessibility to the Company's transport service;
- Employment of 30 new Station Agents and internal competition for the reclassification of 20 Station Agents as Commercial Operators and 20 Commercial Operators as Train Drivers;

- Creation of an organization unit in the Customer Management Department, intended to perform station operation control, namely monitoring the execution of both the cleaning and maintenance services regarding the repairs requested by the management. In this context, 969 situations were remedied, in particular the Restauradores station's thorough cleaning;
- Implementation of a strengthening plan for the Lisboa Viva card production during the months of September and October, thus meeting the demand increase in these months;
- Provision of graphic design services to perform an exhibition within the scope of the Territorial Enhancement Operational Program (TEOP) in the Lisbon and Porto metro systems, on the topic TEOP co-financed Projects.

DEMAND

During the financial year 2017, some events influencing demand behaviour occurred, in terms of both its structure and its growth. These are:

- The Navegante Urbano and the Rede Criança monthly passes transition to non-chargeable, from February onwards;
- The attribution, also from February onwards, of a 60% discount on the Navegante Urbano 3.ª Idade and the Reformado/Pensionista monthly passes, which gave rise to an increase in the use of these tickets;
- The sharp increase of the 4-18/Sub23 monthly passes from September onwards due to extension of the 25% discount to all students;
- The abolition of the combined Carris/Metro/Rodoviária de Lisboa monthly passes, in March, and the subsequent passenger relocation to Inter-modal Tickets and to the combined Metro/Rodoviária de Lisboa monthly passes.

The first three mentioned items, along with greater mobility in the Metropolitan Area of Lisbon, gave rise to new passengers in the system, resulting in a +5.4% growth in demand regarding the total number of passengers carried.

The increase in MAL mobility referred above can be mostly justified by the following factors:

- A decrease, in 2017, in the unemployment rate to 8.9%, 2.2 p.p. less regarding 2016[1];
- A tourism increase in the city of Lisbon, reflected in a 9.4% growth regarding the number of guests in hotels and similar establishments and a 18.9% growth regarding passengers landing at Lisbon Airport.[8].

[8] Source: INE.

Table 14 – Evolution of the number of passengers carried[9]

Passengers		2017	2016	2015	Var. 2017/16 Abs.	Var. 2017/16 %
Occasional tickets	10^3	**43 582**	**41 809**	**37 190**	**1 773**	**4,24**
Single Ticket Carris | Metro	10^3	21 843	20 867	18 932	976	4,68
Zapping	10^3	14 633	14 256	12 500	376	2,64
Other occasional tickets	10^3	7 107	6 687	5 758	421	6,29
Monthly passes	10^3	**103 238**	**98 197**	**91 674**	**5 041**	**5,13**
Navegante urbano	10^3	45 836	43 538	40 169	2 298	5,28
Navegante rede	10^3	9 418	8 296	7 472	1 122	13,52
Inter-modal	10^3	20 246	17 088	15 973	3 158	18,48
Combined	10^3	27 738	29 275	28 059	(1 538)	(5,25)
Total with paid tickets	10^3	**146 820**	**140 007**	**128 863**	**6 814**	**4,87**
Free transportation and fraud	10^3	14 670	13 184	13 841	1 486	11,27
Total carried	10^3	**161 490**	**153 191**	**142 704**	**8 300**	**5,42**
Average route per passenger	km	4,816	4,799	4,805	0,017	0,35
Carried Passengers x km	10^3	777 684	735 161	685 636	42 523	5,78

Note: Due to the process of migration of inspection equipment that occurred during 2017, data and information regarding fraud, from February to December, were estimated based on the fraud data and information identified in the same period in 2016.

FARE REVENUE

In the year 2017, the main factors impacting fare revenue were the following:

- A 1.5% fare increase in January 2017;
- The abolition of the combined CA/ML/RL monthly pass, benefiting Metro due to passenger migration to tickets with more favourable quotas;
- The non-chargeable character of children's Navegante Urbano and Rede monthly passes.

As a result of these factors and of the increase in sold tickets due to the welcoming of new customers into the system, fare revenue stood 6.6% higher than the previous year. Occasional Tickets have contributed with a 9.7% positive variation for such an increase, while the Monthly Passes revenue stood 3.3% higher than the one recorded in 2016.

Regarding demand, although the number of monthly pass passengers show a higher increase than occasional title passengers, the large increase in the latter's revenue results from the fact their remuneration is higher than the one evidenced in the majority of Monthly Passes.

The high increase in 4-18/Sub23 and Social+ monthly passes' contributions is explained, on the one hand, by the increase in sold Sub23 monthly passes quantities evidenced from September onwards, resulting from the said 25% discount extension to this student group, and on the other hand, by the balance carried over regarding 2016 and rectified in 2017.

[9] The fraud figures for 2015 were reformulated enabling their comparison with the figures for 2016.

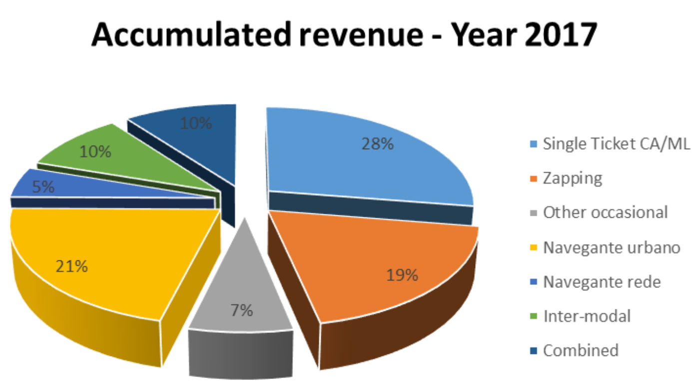
Table 15 - Evolution of the transport revenue[10]

Revenues from transportation tickets (excluded from VAT)		2017	2016	2015	Var. 2017/16 Abs.	Var. 2017/16 %
Occasional tickets	**10^3€**	**53 178**	**48 470**	**42 907**	**4 708**	**9,7**
Single Ticket Carris | Metro	10^3€	27 198	24 785	22 492	2 412	9,7
Zapping	10^3€	18 990	17 529	14 972	1 461	8,3
Other occasional tickets *	10^3€	6 990	6 155	5 443	835	13,6
Monthly passes	**10^3€**	**45 664**	**44 224**	**43 090**	**1 441**	**3,3**
Navegante urbano	10^3€	21 101	21 203	20 719	(102)	(0,5)
Navegante rede	10^3€	4 979	4 469	4 208	510	11,4
Inter-modal	10^3€	9 467	8 199	8 097	1 268	15,5
Combined	10^3€	10 117	10 353	10 067	(235)	(2,3)
Total revenue	**10^3€**	**98 842**	**92 693**	**85 997**	**6 149**	**6,6**
Co-payments 4-18 / sub23 / social + **	10^3€	2 408	2 116	1 998	292	13,8
Total co-payments revenue	**10^3€**	**101 250**	**94 809**	**87 995**	**6 441**	**6,8**

* The Bank Card relative to December 2017 corresponds to an estimate.

** Co-payments of Social + monthly pass, relative to the 4th quarter of 2017, correspond to an estimate.

Chart 1 - Revenue percentage distribution by transport ticket



NON-FARE REVENUE

As a result of business managed by the commercial area, non-fare revenue recorded in 2017, including permanent agreements, stood at approximately 7.2 million EUR.

Businesses regarding the capitalization of assets, fleet/stations and commercial spaces and advertising media sub-licensing contributed with approximately 3.5 million EUR. Revenue arising from the sale of cards, associated services and sale commissions amounted to 3.7 million EUR.

[10] Ticket revenue corresponds to that related to commercial area indicators, thus excluding revenue recorded by the financial area. In 2013, revenue regarding tickets sold in back office were entered under the item "Other".

In 2017, commercial spaces (Metrocom) and advertising media (MOP) sub-licensing generated together approximately 3.0 million EUR.

The lease of temporary spaces and optical fibre amounted to an amount close to 455 thousand EUR, including the agreement entered into with the three major telecommunications operators for the coverage of mobile network, as well as the agreement for the lease of optical fibre, entered into with GoWi-Fi, currently ensuring Wi-Fi signal on the stations' platforms.

Presenting a less significant revenue impact, although benefiting Metropolitano de Lisboa's image and its stations' revitalization, we continued our efforts to attract events and filming to its infrastructure, as well as to provide logistical support for the city's main events.

In 2017, it is possible to highlight the organization of Porto's photo exhibition, of the main projects financed by the Territorial Enhancement Operational Program (TEOP) in Continental Portugal, Azores and Madeira, the film shooting in Depot and Workshop II and in the Alvalade station, as well as the usual Special Service contracted by the Portuguese Marathon Club.

FIGHTING AGAINST FRAUD

The publication of Ordinance no. 241-A/2013, of the 31st of July, and Order no. 8946-A/2015, of the 11th of August, which set out the general rules for calculating financial compensations and distributing revenue of inter-modal monthly passes among collective passenger transport operators in the Metropolitan Area of Lisbon, according to the validations recorded by the ticketing system, increases significantly the importance of fighting against fraud, bearing in mind the negative impact it poses to the company's revenue.

Therefore, recovering revenue by restraint and subsequent fraud reduction is of utmost importance.

For 2017, a 6.73% fraud rate was estimated.

Such rate, similar to the one recorded in 2016, was obtained by an estimation, as during 2017 such information could not be assessed due to the inspection terminals' operational hampering, which was observed from the beginning of the year until November, when those were replaced by new equipment.

However, regardless of the inspection teams' reduced headcount number, an 11.1% increase in the number of fines was recorded in 2017, when compared to 2016.

In September 2017, the Decree-Law no. 117/2017 became effective, introducing a number of significant amendments to Law No. 28/2006, of the 4th of July, of which we can highlight the following:

- Restoration of the possibility of fines' voluntary payment at the operators, with a 50% reduction on their minimum amount;
- Modification and setting of fine amounts;
- Differentiation between serious and simple offenses, with a consequent difference between the applicable fine amounts;
- Redefinition of the proceeds of fines' distribution criteria among the several involved entities (the State, the Transport Operators, the Portuguese Tax Authorities, the IMT and the Public Transport Service Fund);
- Provision of an exceptional payment regime with a significant reduction of amount regarding non-expired fines applied before the diploma's entry into force, by means of a process of offenders' notifications.

COMPLAINTS

6,313 complaint procedures were initiated during 2017.

The number of complaints increased by 2.7% in 2017, compared to 2016, which is closely related to growing dissatisfaction with train frequency and intervals, a situation which the company is committed to remedy during 2018.

CUSTOMER CARE

In 2017, the Customer Care network was strengthened with the inauguration of the new Aeroporto station's Information Desk, in July.

This network recorded 70,219 customers, with an equivalent distribution between the Marquês de Pombal (32,908) and the Campo Grande (30,075) Customer Care Spaces. In the period between July and December, the Information Desk was responsible for 10% of the face-to-face service in 2017 (7,236).

Compared to the same period in 2016, an approximately 8% increase in service was again recorded in 2017, confirming the appropriateness for customers concerning this service to remedy any after-sales issues and to obtain reliable information as to means of transport and the best travel solutions within the city of Lisbon.

LISBOA VIVA CARDS

In 2017, ML customized 167,292 Lisboa Viva cards, 4,023 for the Transtejo group, 40,491 for Carris and 122,778 for its own network. There was an increase in Sub23 (higher education students) card requests, as 19,147 more cards were recorded compared to the previous year. Such an increase is related to the measures prescribed in the SB for 2017.

The requests for cards ordered through the Viva Web Portal also presented a greater importance, reflected in a 392% increase compared to 2016.

Table 16 – Cards issued by ML - 2017

Card production LV		Transtejo	Carris	Metro	TOTAL
10 days	Normal	1.947	13.880	39.647	**55.474**
	4_18	35	548	1.131	**1.714**
	Sub23	80	1.388	3.846	**5.314**
	Total	**2.062**	**15.816**	**44.624**	**62.502**
Urgent	Normal	1.866	19.022	61.832	**82.720**
	4_18	47	1.185	2.207	**3.439**
	Sub23	40	3.224	13.022	**16.286**
	Total	**1.953**	**23.431**	**77.061**	**102.445**
Viva Web Portal		**8**	**110**	**180**	**298**
Employees		**0**	**1.134**	**913**	**2.047**
TOTAL		**4.023**	**40.491**	**122.778**	**167.292**

COMMUNICATION AND MARKETING

Within the scope of the activities performed throughout the year, we may highlight the following initiatives:

EXTERNAL COMMUNICATION

- **"Traveling all Lisbon" and "Traveling Cacilhas"** – Campaign for promoting the new transport tickets, allowing to travel for 24 hours with Carris, Metro and CP (Traveling all Lisbon) and with Carris, Metro and Transtejo/Cacilhas (Traveling Cacilhas);
- **Free Carris and Metro Transport for children** – Campaign for promoting free Metro and Carris transport of children from 4 up to 12 years of age;
- **60% discount on the Navegante Urbano 3.ª idade and the Reformado/Pensionista Monthly Passes** – Campaign for promoting the 60% discount on the Navegante Urbano 3.ª idade and the Reformado/Pensionista Monthly Passes;
- **Travel by metro, the environment thanks you** – A World Environment Day campaign which provided environmental trivia positioning the Metro as a transport mode with reduced environmental impact;
- **The Green line welcomes 6-car trains** – Campaign for informing customers as to the closure of the Arroios station for refurbishment works and the beginning of operation of 6-car trains on the Green line;
- **New Welcome Centre space** – Inauguration of the new customer service space, totally dedicated to tourist support at the Aeroporto station, one of the main tourist arrival points;
- **Good Practice Campaign** – In the context of the European Mobility Week, the "Remember, the Metro belongs to everyone" campaign was launched, addressing a set of behaviours and attitudes which promote the correct use of Metro services and equipment.
- **I went by Metro | The environment thanks me** – Under the slogan "Sharing we'll go further", an initiative was carried out to distribute sun-screen car flaps for drivers parking in the Cidade Universitária and Estádio Universitário parking lots (in the context of the European Mobility Week);
- **Your University mobility begins with the sub23** – Metro was present at the beginning of the academic year for university students, issuing Lisboa VIVA Sub23 cards and carrying out a brand activation initiative at Universidade Nova de Lisboa (in the lobby of the old Cafeteria of Universidade de Lisboa);
- **Web Summit 2017** – Participation at the event with its special space, in the Lisbon Airport's accreditation area. This participation enabled to provide useful travel information, as well as to sell the "Web Summit Pass", a ticket allowing event participants to use Metro, Carris and CP and adapted to their travel needs. Throughout the entire event, Metro's transport service was reinforced;
- **"Christmas in Metro 2017"** – Christmas Concerts performance in metro stations. "Christmas Train", an initiative aimed at 320 children of the Lisbon area's Primary Schools, in partnership with Disney and the Pavilion of Knowledge. This initiative was attended by Santa Claus and was conducted at the São Sebastião II station, including a trip in the ML7 historical train. During the Christmas season, points of sales and Customer Care Spaces were adorned with Christmas decorations. In the initiative named "Solidarity Christmas Tree", aimed at collecting goods for Banco do Bebé, a Christmas tree was installed;

- **Shop Window Competition** – Aiming at strengthening the relations between shopkeepers, stations' commercial spaces and customers, a shop window competition was held, under the theme "Christmas", with the creation of the campaign's image, published in posters (inside trains and in shops windows), as well as the creation of a micro website for customer voting.

STRATEGIC PARTNERSHIPS

- **International Women's Day** – Children and elderly people visited the Alameda and Marquês de Pombal stations to wish a Happy Day to all women present, offering them some gifts. This initiative was conducted in partnership with the Public Security Police;

- **World Theatre Day** – Metro and Carnide Theatre commemorated the World Theatre Day by means of a brief statue performance inside trains and at the Carnide and Marquês de Pombal stations;

- **Mickael Carreira showcase** – Mickael Carreira's surprise concert at the Cais do Sodré station, presenting the song «Ya Ya Ya»;

- **LisbonWeek** – The "Touch Me" project turned the Quinta das Conchas and Telheiras metro stations in the city's most melodic ones. Two pianos were placed in these locations;

- **International Dance Day** – Dancer and choreographer Cifrão carried the dancing rhythms from Restauradores to Santa Apolónia;

- **World Book Day** – Partnership with MBOOKS, in which customers were offered a 10% discount at book fairs installed in Metro stations;

- **May, Youth Month in Metro** – The initiative "Youth Dynamics in the Metro", promoted by the Municipality of Odivelas, brought music and dancing to the Pontinha and Sr. Roubado metro stations;

- **Sofia Yu's Photographic Exhibition Ni'ei** – Exhibition with photo essay documenting the lives of the Penan, a nomadic collectors' tribe from Southeast Asia, occurred in May at the Baixa-Chiado station;

- **TEOP Photographic Exhibition** – Metro created and hosted a photo exhibition named "Learn how 4,342,544,223 EUR in European Union funds changed your life", at the Baixa Chiado station;

- **Lisbon Festivities 2017** – In partnership with EGEAC, the Sardines initiative was carried out in the Marquês de Pombal, Cais do Sodré and Saldanha stations. Metro decorated some of its stations and customer service offices according to the theme of "Popular Saints";

- **World Thrombosis Day** – The #VTE (Venous Thromboembolism) mascots, were in the Marquês de Pombal metro station at an information stand, distributing leaflets regarding the causes, symptoms and ways of prevention Venous Thromboembolism. This initiative was conducted by Grupo de Estudos de Cancro e Trombose (GESCAT);

- Several partnerships were carried out to promote events in the fields of Cinema, Theatre, Shows, Events and Festivals, by providing spaces in Metro's communication channels. In turn, double invitations for customer participation in recreational hobbies were made available.

REPRESENTATION AT EVENTS

- **Metro at Green Business Week** – Participation at the national knowledge transfer and innovation event, at the Lisbon Congress Centre, organized by the AIP Foundation in partnership with the Portuguese Government, and under the high patronage of His Excellency, the President of the Republic of Portugal.

SERVICE EXTENSION/REINFORCEMENT

- **St. Anthony Evening** | For the celebrations of Lisbon's Patron Saint, both Metro's Green and Blue lines remained in operation all night, and some stations were kept open (7 on the Green line and 8 on the Blue line), with 6-car trains operation;
- **Super Bock Super Rock** | As in previous SBSR editions, the Metro was the ideal mobility choice for traveling to the Festival venue. During the festival days, the Metro reinforced the Red line service, making 6-car trains available until the end of the operation day;

- **New Year's Eve** | In this evening, the Metro remained in operation all night on the Blue, Green and Red lines, and some stations were kept open (Blue - 6, Green - 6 and Red - 5), with 6-car trains operation.

STATION'S SPACE PROVISION

- During 2017, station space was provided to several institutions, notably: CRINABEL, CERCILISBOA, Pirilampo Mágico Campaign, European Day of Periodontal Health and Amnesty International's face to face initiative.

OPERATIVE USE

The year 2017 was marked by a general supply increase in what regards Cars x km and passenger seat x km, although the total number of trains runs decreased. Such an evolution may be justified, on the one hand, by the fact that from July 2017 onwards, the Green line started to operate 6-car trains, following the closure of the Arroios station for refurbishment works and, on the other hand, due to rolling stock's unavailability, by ML operating according to a contingency plan since the 27th of November 2017, thus allowing for supply daily adjustments as regards to the rolling stock's availability, depending on each line's demand.

The company has always seeked to respond to increased supply specific needs resulting from the occurrence of extraordinary sporting events, concerts or conventions in Lisbon, being WebSummit a notable example of the latter.

Table 17 – Evolution of supply in 2015-2017

Evolution of Supply (public service)		2017	2016*	2015	Var. 2017/16	
					Abs.	%
Carriages x km						
Blue Line	10^3	8 485	8 331	7 466	154	1,85
Yellow Line	10^3	5 939	6 124	6 008	(185)	(3,02)
Green Line	10^3	4 285	3 451	3 410	834	24,17
Red Line	10^3	6 116	5 813	5 501	303	5,21
Total	**10^3**	**24 825**	**23 719**	**22 385**	**1 106**	**4,66**
Passenger Spaces x km						
Blue Line	10^3	1 086 061	1 066 419	955 641	19 642	1,84
Yellow Line	10^3	760 229	783 808	769 087	(23 579)	(3,01)
Green Line	10^3	548 525	441 777	436 452	106 748	24,16
Red Line	10^3	782 808	744 104	704 156	38 704	5,20
Total	**10^3**	**3 177 623**	**3 036 108**	**2 865 336**	**141 515**	**4,66**
Circulation						
Blue Line	no.	111 222	111 761	106 442	(539)	(0,48)
Yellow Line	no.	112 819	114 794	114 458	(1 975)	(1,72)
Green Line	no.	121 234	127 629	127 278	(6 395)	(5,01)
Red Line	no.	107 186	107 576	107 153	(390)	(0,36)
Total	**no.**	**452 461**	**461 760**	**455 331**	**(9 299)**	**(2,01)**

* The values for 2016 include a small adjustment in light of the 2016 Annual Report and Accounts.

During 2017, the company was able to generally fulfil the Activity and Budget Plan (ABP), both in terms of passenger seats x km implementation and of estimated circulation implementation. The low implementation rate for passenger seats x km observed in 2016 has been recovered in 2017, due to the aforementioned 6-car train operation measure.

Table 18 – Exploration efficiency

		2017	2016	2015	Var. 2017/16
Passenger spaces x km realization rate					
Blue Line	%	94,58	106,73	106,76	(12,16) p.p.
Yellow Line	%	102,85	99,72	100,09	3,14 p.p.
Green Line	%	90,84	62,55	97,01	28,30 p.p.
Red Line	%	88,09	106,84	101,09	(18,75) p.p.
Within the network	**%**	**94,31**	**95,25**	**101,97**	**(0,93) p.p.**
Circulation realization rate					
Blue Line	%	104,75	97,53	96,01	7,22 p.p.
Yellow Line	%	105,03	96,45	96,16	8,58 p.p.
Green Line	%	105,16	103,86	97,01	1,29 p.p.
Red Line	%	102,56	97,44	97,26	5,12 p.p.
Within the network	**%**	**104,41**	**98,90**	**96,62**	**5,51 p.p.**

NETWORK EXPANSION, MODERNIZATION AND REHABILITATION

CURRENT NETWORK

The metro network was not subject to modifications in 2017, as it remains with 4 lines, a 44.5 km extension and 56 stations. From these stations, six correspond to double stations, *i.e.*, they are inter-connected and have the same name, but are integrated in different lines.

In what concerns their extension and station number, the current network's lines are characterized as follows:

Table 19 – ML's current network

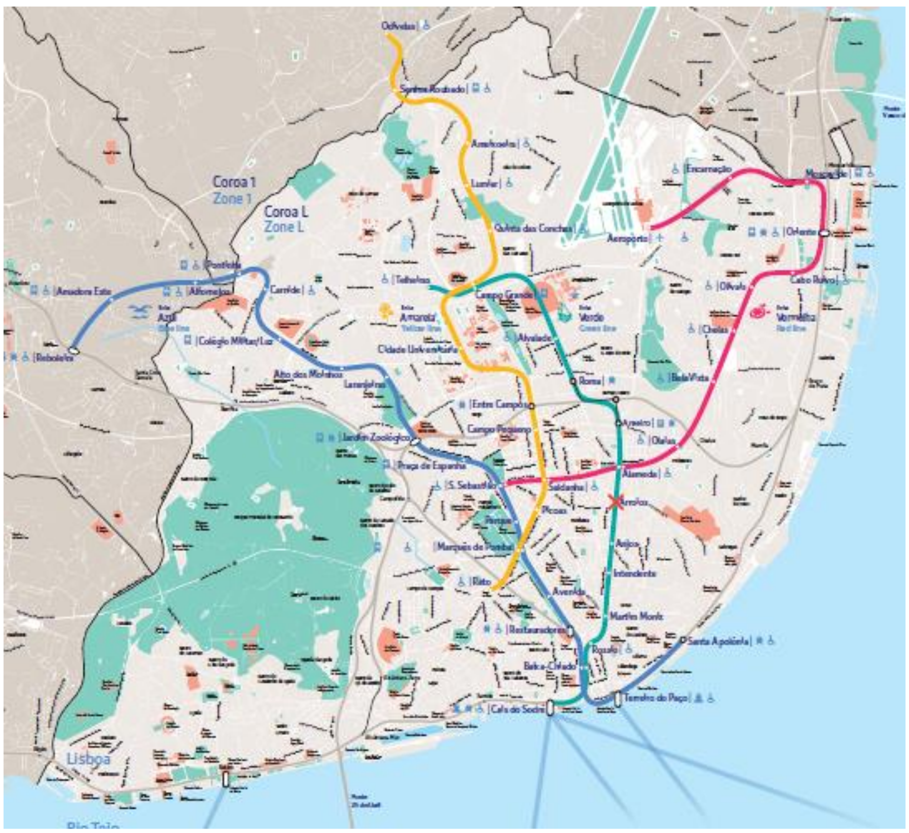
Line	No. of stations	Network km
Blue	18	13.8
Yellow	13	11.1
Green	13	9.0
Red	12	10.6
Current network	**56**	**44.5**

The Metro's network is integrated with other public transport modes and it has the following heavy mode (airplane, train and ship) interfaces:

Table 20 – ML stations with other heavy mode interfaces

ML Station	Airway	Railway	Waterway
Aeroporto	x		
Cais do Sodré		x	x
Terreiro do Paço			x
Reboleira		x	
Oriente		x	
Jardim Zoológico		x	
Rossio		x	
Santa Apolónia		x	
Entre Campos		x	
Current network	**1**	**7**	**2**

Figure 7 – Map of ML's current network



Refurbishment of the Green line stations – Areeiro and Arroios stations

The Areeiro station's north side is closed for refurbishment works and installation of mechanical equipment which ensure the station's increased accessibility, still under completion due to the previous work contractor's non-compliance. During 2017, a new tender bid was launched for the refurbishment work on the station's northern hall.

The Arroios station was closed to the public on 19-07-2017, as it is intended to expand the station's boarding platform from 70 to 105 metres. During the year, the track's concreting works corresponding to the extended area were executed, and the station's refurbishment/expansion work was also initiated.

The public closure of the Arroios station enabled the operation, from that date, of 6-car trains in the Green Line.

ACCESSIBILITY PROMOTION PLAN

In February 2017, an exhaustive accessibility conditions survey was conducted, including an assessment of its consistency with the applicable legislation, namely the DL 163/20016. Such DL sets out the access conditions for reduced mobility passengers by means of lifts or lifting platforms, access control lines, one-direction access gates and orientation guides for the visually impaired, adaptation of automatic ticket- vending machines, rolling stock and corresponding adjustment to station platforms and dimensions of the equipment available on the network.

There are currently 37 stations accessible for reduced mobility passengers from a total of 56 stations. Of these stations, Baixa-Chiado has accesses through lifting platforms, from the atrium to the surface, while all the other stations have lifts.

From the moment of the aforementioned Decree-Law's publication, eight stations from the then existing network have already been adapted: S. Sebastião I, Marquês de Pombal I, Restauradores, Saldanha I, Marquês de Pombal II, Alvalade, Alameda I and Rossio. During 2017, works at two Green Line stations (Roma and Arroios) were in progress, which include the installation of lifts. Two other stations (Colégio Militar/Luz and Areeiro) to be refurbished are currently in the project phase and also include installation of lifts.

After the conclusion of the above-mentioned interventions, fifteen other ML stations (six on the Blue Line, five on the Yellow Line and four on the Green Line) still do not have proper accessibility for reduced mobility passengers, due to the lack of funds for such works. However, it is expected that this situation will be reversed in the short to medium term.

In addition, the Roma station's works for the installation of a lift have been initiated.

INFRASTRUCTURE MANAGEMENT AND SUPERSTRUCTURE REHABILITATION

At the level of the existing Infrastructure Management, 2017 was characterized by the execution of some internal projects, as well as by the call for tenders intended to introduce equipment improvements, from which we can highlight the refurbishment of the Customer Care Space at Aeroporto station and the execution of the Olivais station rehabilitation project, specifically the repair of pathologies, lighting and mechanical access points.

The work was launched and executed to strengthen the Odivelas station's slab; and the works for the rehabilitation of the Olaias, Calçada de Carriche and Odivelas viaducts, which include the station's terminus, were launched and awarded. The Terreiro do Paço tunnel monitoring system's installation by IP communication and the follow-up of the interferences of third parties' works (Municipality of Lisbon and private developers) in the Metro network's infrastructure were carried out, and the call for tenders for the Baixa Chiado's modernization of escalators 7 and 8 was concluded.

ENVIRONMENTAL ASSESSMENT PROCEDURES

In terms of the network's expansion, in 2017 the Environmental Impact Study for the Yellow Line's Rato/Cais do Sodré Extension was initiated.

Regarding the Environmental Assessment procedures, continuation was given to the already existing ones within the scope of ML's developing projects.

In 2017, there was no significant changes as to the Post-Assessment phase (within the scope of the corresponding Environmental Assessment procedures), concerning the following projects:

- Red Line extension between Alameda and São Sebastião;
- Red Line extension between Oriente and Aeroporto;
- Blue Line extension between Amadora-Este and Reboleira.

As to the Construction Phase, the Environmental Monitoring on construction works agreements was carried out, ensuring the implementation of minimization measures, as required in the respective Tender Specifications.

In this context, in 2017, the Environmental Monitoring was conducted for the following works:

Blue Line

- Work ML671/07 - Design/Construction of the Structures of the Amadora-Este and Reboleira stations Extension - Blue Line - WORK GUARANTEE.

Green Line

Station refurbishment

- Work regarding Agreement No. 31/2017-ML - Execution of the intervention work for the surface lift installation at Roma station (work closure).
- Work regarding Agreement No. 39/2017-ML - Proc. 182/2016 - Anjos Station / Northern Hall.
- Work regarding Agreement No. 56/2017-ML - Renewal work for the Northern Top of the Areeiro Station's Platform.

• Work regarding Agreement No. 64/2017-ML - Expansion and Refurbishment Work of Arroios Station. During the second half of 2017, this work was initiated, and its execution period extends until March 2019. This work has been environmentally monitored by Metropolitano de Lisboa and by the Inspection hired for such purpose. The works include, *inter alia*, Noise, Soil and Water Monitoring as well as Archaeological Supervision.

Red Line

Alameda II/S. Sebastião II

• Work ML673/08 and 675/08 - Finishes in Stations - Red Line - Alameda/S. Sebastião – WORK GUARANTEE.

Oriente/Aeroporto

• Work ML685/09 – Executing the Finishes and Special Installations in the Red Line – WORK GUARANTEE (conclusion).

• Work regarding the Agreement 38/2017 - New Customer Care Space and Ticket Office - Aeroporto Station (work closure).

• Work regarding Process 40/2017 - SIGNS SUPPLY AND INSTALLATION - New Customer Care Space and Ticket Office - Aeroporto Station (work closure).

Other projects

• Work regarding Proc. 29/2017-DLO/ML - Opening of spans and internal division in DW III's office buildings and workshops (work closure).

NETWORK PLANNING STUDIES

Within the scope of the network expansion studies, the Office of the Assistant Secretary of State for the Environment requested technical elements regarding the feasibility study conducted on the extension from the Rato (Yellow Line) to the Cais do Sodré station (Green Line), from a perspective of a Circular Line network, which shall include the construction of new viaducts in the Campo Grande area allowing for the disconnection of the existing connections.

The elements presented by ML in March 2017 were grounded on the results obtained in the study named "Traffic Predictions for two alternatives of the Metropolitano de Lisboa's Network Extension", performed by the company VTM, and its final report was completed at the end of the 1st quarter of 2017, notably in what regards the estimated demand and the expected social and environmental benefits with the implementation of the Circular Line Rato – Cais do Sodré project, to be considered in the project's cost-benefit assessment.

Based on the presented information, an Order was issued by the Supervisory Authority for Metropolitano de Lisboa, notifying of its assent to "*further continue the studies and other necessary procedures aimed at preparing the Metropolitano de Lisboa's expansion process, reflected in the Rato – Cais do Sodré expansion, achieved by means of a Circular Line in Lisbon's central area*".

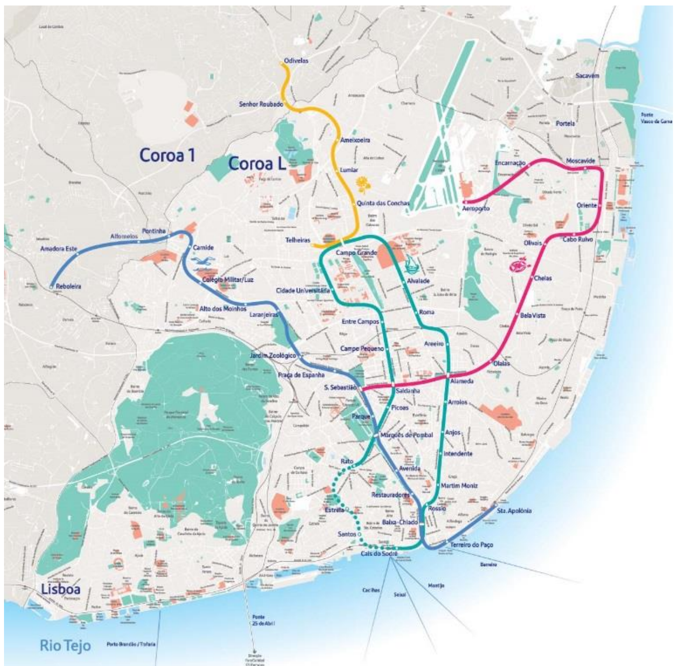
Subsequently to such Order, the company prepared the necessary elements for initiating the following procedures:

- "Procurement of services for the Environmental Impact Study preparation, regarding the Metropolitano de Lisboa, E.P.E.'s extension from the Rato station (Yellow Line) to the Cais do Sodré station (Green Line), including the new connections in the Campo Grande viaducts - Proc. 045/2017 – DLO/ML", launched in June and awarded in September 2017 to the company Matos, Fonseca e Associados – Estudos e Projetos Lda.;

- “Provision of mapping and surveying services regarding the Metropolitano de Lisboa, E.P.E.’s network expansion, connecting the Green and the Yellow lines, Rato – Cais do Sodré – Circular Line – Proc. 046/2017 – DLO/ML”, launched in July and awarded in November 2017 to the company Aero-Topográfica, Lda.;

- “Work to perform the Geological – Geotechnical Reconnaissance Campaign regarding the Metropolitano de Lisboa, E.P.E.’s Rato – Cais Do Sodré Extension - Proc. No. 47/2017-DLO/ML”, equally launched in July and awarded in December 2017 to the company Geocontrole, Geotecnia e Estruturas de Fundação, S.A..

Figure 8 - Map of ML’s network after the conclusion of the Rato – Cais do Sodré extension (Circular Line)



In 2017, the study for the Red Line’s extension from S. Sebastião had new developments, responding to a Municipality of Lisbon’s request in what concerns the location of future stations. In this regard, apart from consolidating the route hypothesis reflected in the construction of approximately a 2.36 km tunnel and three stations (Campolide, Amoreiras and Campo de Ourique), a new route hypothesis was developed, now with 1.95 km and only two stations (Amoreiras and Campo de Ourique). As to the first hypothesis, the Campolide station shall be located at R. Marquês de Fronteira, the Amoreiras station shall be located near the main entrance of the Amoreiras Shopping Centre and the Campo de Ourique station shall be located at R. Saraiva de Carvalho, close to the Santo Condestável Church, whereas to the second hypothesis, the Amoreiras station shall be located near the D. Pedro hotel and the Campo de Ourique station shall be located approximately in the middle of R. Ferreira Borges.

Given that this new route is very different from the previous one, regarding the number and location of stations, a supplement was made to VTM’s study of the VTM “Traffic Predictions for two alternatives of the Metropolitano de Lisboa’s Network Extension”, enabling to assess the best extension alternative, both in terms of the estimated passenger increase and of socio-economic benefits. This study's final report, the results of which allow for preparing the corresponding cost-benefit assessment, was delivered in December 2017.

To further respond to the Municipality of Lisbon's requests, the company has analysed the possibility of executing new connections / outdoor accesses at the Rato station (Yellow Line), thus broadening its area of influence, while the Red Line extension to Campo de Ourique is not constructed.

WORK ACCIDENTS IN ML'S UNDERTAKINGS

The table below reflects the work accident indexes, regarding the Contractors' workers, in ML Undertakings from 2015 to 2017. During 2017, no work accidents occurred.

Table 21 - ML's Ventures - Accident indexes in 2015-2017

ML's Undertakings (Employees Contractor)	Unit	2017	2016	2015
Men-Hour worked	hours	21 247	95 560	113 153
Accidents	no.	0	2	4
Lost days	no.	0	87	133
Duration index	days	0.0	43.5	33.3
Incidence index	10^3	0.0	3.1	3.8
Frequency index	10^6	0.0	20.9	24.1
Severity index	10^3	0	910	801

SAFETY

OPERATIONS SAFETY

During the financial year 2017, the Operation Safety Authority integrated in the Security and Surveillance Department (SSD), executed the obligations on safety resulting from the application of Order no. 1094/98 (2nd series), of the 19th of January, issued by the Ministry of Infrastructure, Planning and Territorial Administration.

These initiatives, developed in the context of performing its role, focused on three main fields, from which we can highlight the following:

1. Compliance with the reporting previously established with the Instituto da Mobilidade e dos Transportes (IMT, I.P.):
    a. Annual Operation Safety Plan for 2018;
    b. Biannual and annual follow-up report regarding the 2017 Operation Safety Plan;
2. Compliance with reports previously established by the Cabinet for the Prevention and Investigation of Aircraft and Rail Accidents (CIARA).
    a. Level 1: Serious railway accidents (fatalities, injuries in over 5 people or damage greater than 2 million EUR) - 0 Events;

b. Level 2: Serious accidents which did not cause the consequences mentioned in level 1, albeit they could have been caused. – 0 Events;

c. Level 3: Various situations of lesser seriousness (70 Events).

3. Continuous train movement monitoring by means of checking for possible incidents or accidents, assessing such movement in order to identify improvement measures, thus seeking to issue recommendations and alerts for the promotion of an incrementally safer system as well as compliance with the applicable standards and regulations.

4. Preparation of the annual safety plan for 2018, pursuant to the requirements established by the IMT and to the corresponding control indicators. In this context, the company has identified the activity-related risks, their possible causes, their potential consequences and the way of mitigating them.

5. Participation in the study on several solutions regarding Cais do Sodré - Rato connection expansion project.

SAFETY AGAINST FIRES

1. The Security and Surveillance Department has complied with the legal obligations on maintenance of the network's fire extinguishers and wall type fire hydrants (WTFH).

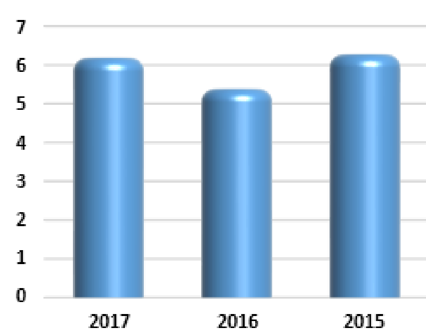
2. The exercises/drills and network visits annual plan were developed in conjunction with the civil protection authorities.

3. Regarding internal training, we can highlight the continuation of the emergency management training plan, directed at ML network's safety team (*i.e.*, staff from the Operations Control Centre, train drivers and station personnel).

SECURITY

In 2017, an increase in the number of recorded incidents in the ML network was observed, with a final average value of 6.19 incidents per million passengers carried, representing, compared with the previous year, a 14.8% incident increase, mainly explained by the growth of approximately 7.7 million passengers in ML's network.

Graph 2 - No. of passenger incidents per million passengers carried



It should be mentioned that the figures evidenced as to this kind of incidents reflect the large number of tourists circulating in ML's network which, due to the Metro's facilities safety impression, result in most tourists neglecting their belongings and consequent theft and robbery incidents.

The situations which have impacted this indicator the most occur on board of trains and in interface stations, where security action is of utmost concern. In this sense, the importance of carrying out and intensifying awareness campaigns, in collaboration with the Public Security Police (PSP), along with increasing the efforts to minimize incident numbers, both by security forces and the company's personnel.

Such continuous work includes the SSD's strong involvement in Public Transport Security training courses conducted by the PSP's Transport Division, as well as the knowledge internally and externally passed on and lectured to employees, providers and security forces, thus improving their response capacity in Metropolitano de Lisboa.

Another safety-related aspect has been the carrying out of practices and drills closely with the operational areas, thus enabling to detect improvement opportunities, both by means of coordination between all participants and by adjusting current procedures and means in case of emergency operations.

INFORMATION SYSTEMS AND TECHNOLOGY

In the context of the organization's restructuring implemented in 2017, the Information Technology area faced new challenges, underlining the implementation of some key projects which contributed towards greater business processes streamlining.

Thus, additionally to the continuous and permanent maintenance of the Metro's explored systems, both at preventive and corrective levels, throughout 2017, improvements / upgrades were developed in the following three specific fields:

IMPLEMENTATION OF FUNCTIONAL IMPROVEMENTS

- Image make-over of ML's Intranet Portal - Refreshing the Homepage's image;
- Implementation of a drawings request tool, directed at the Project Development Management Department;
- Implementation of a management tool for meeting room bookings;
- Improvements in the "Quality and Environment" application;
- Creation of micro-website for the shop window competition's management;
- Development of a Book Fair management application;
- Updating the SAP system's human resources module, in compliance with the amendments arising from applying the State Budget Law to ML.

PROJECT IMPLEMENTATION

- A new alternative Datacentre's construction and placing in service (Saldanha II), allowing to continue enjoying a technological recovery plan to deal with incidents which could result in the main Datacentre's unavailability (the previously existing alternative Datacentre was disabled);
- Unbundling of the IT structures belonging to the entities which integrated TL (Carris and Transtejo) - Exporting of DMS documents to Carris and Transtejo, importing of Carris' DMS documents into that company's SAP system, IT infrastructure reconfiguration aiming at guaranteeing its corresponding independence;
- De-materialization of BD meetings - Implementation of a BD meetings' agenda automated preparation tool, implementation of a BD meetings digital support tool and implementation of digital signatures in BD deliberations;
- Renovation of the centralized storage infrastructure, thus allowing for:

    - Increasing available storage capacity;
    - Enhancing information access performance;
    - Reducing exploration costs significantly.
- Workplace renovation
    - Assignment of laptops to 1st line managers;
    - Replacement of 270 computers presenting a higher obsolescence level;
    - Renovation of 50% of the ML drawing rooms' workstation parks.
- Implementation of a SAP tool which assists the Maintenance Department in identifying the cars requiring maintenance;
- Development and implementation of a SAP system's compliance application - development of a company obligations' management and registration tool, in a compliance context and implementation of an alert system.

STUDY/ANALYSIS FOR FUTURE PROJECT IMPLEMENTATION

- Functional specifications and beginning of a SAP system's procurement platform implementation;
- Functional specifications for implementing the SAP system at Ferconsult - financial processes, procurement and document management;
- Functional specifications for implementing a SAP system's invoicing module;
- Functional specifications and beginning of a new Institutional Website implementation;
- Study for the implementation of a training and performance platform.

INSTITUTIONAL COMMUNICATION

In 2017, ML strengthened its strategic and operational planning concerning the field of institutional communication, envisaging to ensure, foresee, adjust and remedy the communication focuses and moments occurred during the previous year in a more effective manner.

The Plan developed in 2017 gave support to top management decision-making, assisting in developing the communication strategy for the media, stakeholders and the rest of the community, involving the former in communication initiatives and projects intended to achieve, consolidate and strengthen the company's positive image.

This Plan also enabled to identify and promote the most relevant positive adopted measures, making it possible for the company to tackle threats and seize the transport sector's opportunities, regarding urban mobility and society in general. The challenges and threats which were dealt with by Metro on a daily basis in 2017 represented opportunities for developing solutions and new business perspectives.

The Communication Plan also sought to set out an institutional communication policy, reflected in a set of consistent and coordinated actions, developed by means of communication strategies' implementation which helped the organization to achieve better performance and efficiency levels, with more sustainable results, foreseeing and identifying a set of actions, measures and projects for the media, in a segmented or general fashion.

In a strategic and planned way, ML has achieved to provide its brand with a greater visibility, guaranteeing the reinforcement of the company's external image, progressively boosting the relations maintained with the press and its stakeholders.

In this context, Metropolitano de Lisboa organized a presentation session directed at the media regarding its Network Expansion Plan, which was attended by the Minister of the Environment, the Assistant Secretary of State for the Environment, the Mayor of the Municipality of Lisbon, among other especially significant guests in the transport and mobility fields. This session was held at the São Sebastião station on the 8th of May 2017 and enjoyed great media coverage.

In July 2017, a press conference was equally held by ML for the inauguration of the Aeroporto station's Welcome Centre. This press conference was attended by Metropolitano de Lisboa's Board of Directors, the Chairman of Carris' Board of Directors, as the company which will coordinate with Metro in the context of the transport service provision.

Additionally, we would highlight the releases regarding the Arroios station's expansion, the refurbishment of the Areeiro station and the investments made with some stations' equipment and accessibility refurbishment and modernization.

Throughout the reporting period, ML disclosed its relevant initiatives which were developed and implemented, aiming at improving the quality of the provided service to its Customers by addressing press releases, establishing segmented contacts with the media for the promotion of information and several campaigns.

Regarding press contacts, we can highlight the Metro's participation in several information and entertainment television shows, which brought positive coverage to the company.

It should also be mentioned that Metropolitano de Lisboa enjoyed a media coverage reflected in its inclusion in 4,125 news articles, in 216 media outlets, resulting in an AVE (Advertising Value Equivalent) amounting to €24,589,542.

From all news, 68% were published in online media, 16% in the press and 16% in audio-visual media, while the general information media reported 84% of all news.

During the reporting the period, the number of positive or neutral articles accounted for 81% of all news. As to contact opportunities, Metro de Lisboa reached out to 7,044,230,766 people. In 2017, ROI (Return On Investment) amounted to €16,289,658.00.

In 2017, in the context of Internal Institutional Communication initiative development, we would highlight the Book Fair's 4th Edition, addressed to the entire working community and aimed at promoting reading and intellectual and/or cultural activities with employees, for which all major publishers were invited to participate.

Moreover, several Management and Staff meetings were organized, aimed at updating and sharing information in the context of the company's strategy.

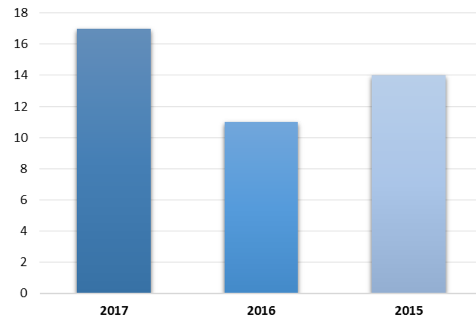
INTERNATIONAL RELATIONS

In 2017, Metropolitano de Lisboa gave a new momentum to its external relations' institutional representation, in a context of rigour and economic rationality, aimed at consolidating ML and its affiliated companies' international position, image and visibility.

For this purpose, it was possible to observe a gradual resuming of ML's participation in the sector's relevant international organizations' activities, namely in UITP, ALAMYS and CEEP Portugal, as well as closer relations with its counterparts, both at the Nova Benchmarking Group of Metros and through bilateral contacts with other metro systems, especially in Europe.

Envisaging to draw the maximum return possible from this participation for the company, new proposal and international mission reporting templates were implemented, and a slight increase was registered compared to the previous year, with a total of 17 missions abroad, as per the following chart:

Chart 3 – Evolution of international traveling



MISSIONS BY ENTITY:

UITP – International Association of Public Transport

- UITP | Field trip on safety, New York and Washington (May);
- UITP | UITP World Congress, Montreal (May);
- UITP | Safety Commission meeting, Montreal (May);
- UITP | Transport Economics Commission meeting, Montreal (May);
- UITP | European Union Committee meeting, Brussels (September);
- UITP | Transport Economics Commission meeting, Budapest (September);
- UITP | Metro Assembly, Vienna (September);
- UITP | Operation Subcommittee meeting, Madrid (October);
- UITP | Safety Commission meeting, Prague (October);
- UITP | Rolling Stock Subcommittee meeting, Tokyo (November);
- UITP | Management and Human Resources Commission meeting, Vienna (November).

Asociación Latino-Americana de Metros y Subterráneos

The year 2017 saw the return of ML as a Full Member of ALAMYS, an association of Latin American and Iberian Peninsula countries' authorities, operators and companies, which perform their activity in the context of metro railway systems.

In this regard, we should highlight the success of ML's application presented at ALAMYS' 31st General Assembly, which took place in Barcelona in November and culminated in the election of Eng.ª Maria Helena Campos to the Boarding Committee, representing ML.

Nova Benchmarking Group of Metros

The company developed a high participation level in the Nova Group's activities and was represented at the annual management meeting which took place during September in Oslo.

ML was also involved in other Nova's activities, notably by means of a more active participation in its online Forum, a Key Performance Indicators (KPI) annual collection and its participation in studies and other initiatives promoted by the group.

CEEP Portugal – Serviços de Interesse Geral

At the CEEP Portugal, the national branch of the European Centre of Employers and Enterprises providing Public Services and Services of General Interest, based in Brussels and recognized as a social partner by the European Union, ML resumed its participation represented by its Human Capital Department, bearing in mind its focus on social cohesion topics.

Other international missions:

- Smartrail | CBTC World Congress, Paris (November);
- EMA/COSIDER | Technical visit, Algiers (November);
- INDRA | Technical visit, Madrid (November);
- POSEUR | Exhibition, Brussels (December).

O ML has hosted visits from foreign delegations from Brazil, Bulgaria, Croatia, China, Spain, France and the United Kingdom, which mobilized 90 visitors, and several appreciation testimonies were registered regarding ML's capacities and the manner those delegations were received.

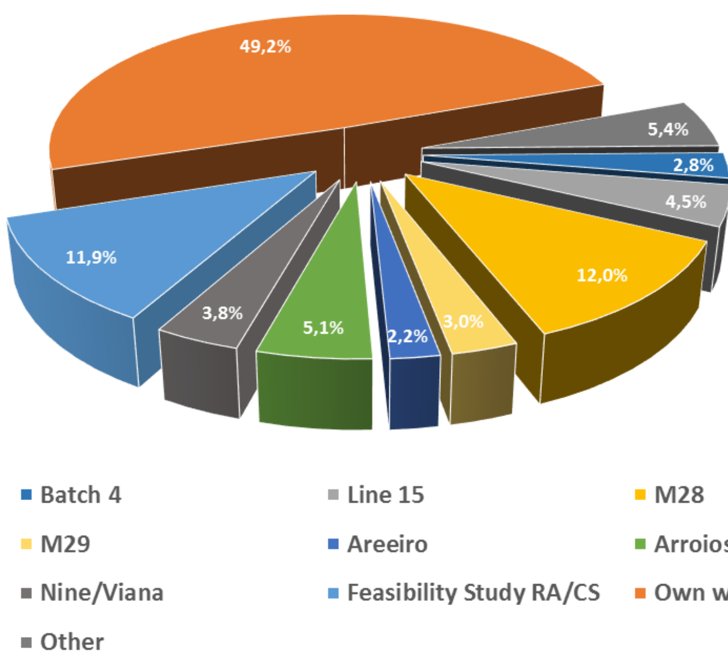
1.2. Ferconsult, S.A.

In 2017, Ferconsult's operational activity experienced a sharp drop, deriving from the closure and significant reduction of the major projects contributing in a higher percentage to its productive activity.

Simultaneously, complying with the shareholder's new guidelines, only the Nine Viana Provision of Services of Supervision and Management Support Project, awarded by IP-Infraestruturas de Portugal, was observed during 2017.

In 2017, the company's domestic production capacity amounted approximately to 72,042 project hours, which were distributed as follows:

Chart 4 – Distribution of Hours by Project

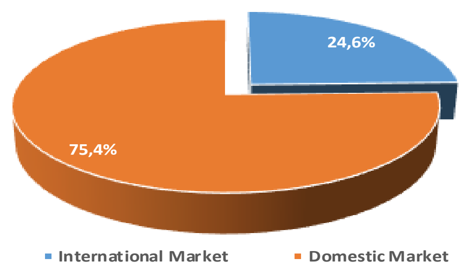


In light of the chart above, the following projects may be highlighted:

- M28 (Batch 1) - Algiers Metro – *Extension E" – El Harrach / Airport section – Execution project for the Tunnel and Stations* (12%);
- Feasibility study for Metropolitano de Lisboa's Rato / Cais do Sodré expansion (11.9%);
- Arroios station's Refurbishment project (5.1%).

It should be mentioned that, in 2017, Ferconsult's largest project hours volume focused essentially on own capitalized work (49.2%), *i.e.*, given that the year 2017 was one of great structural and strategic changes in the company, its management team focused on preparing preliminary studies on ML's future needs, both in terms of expansion and refurbishment.

Chart 5 – Distribution of Hours by Targeted Market



In 2017, Ferconsult continued to analyse several opportunities emerging in the domestic market which are interesting from a business perspective and may prospectively correspond to the company’s competences and to the resources available at each occasion, but without jeopardizing the shareholder’s clear orientation in considering the support of the latter’s most pressing needs its absolute priority.

1.3. Metrocom, S.A.

Included in the “non-transport” segment, Metrocom is a company aiming at capitalizing Metropolitano de Lisboa network’s available commercial spaces, thus contributing to a revenue increase and providing a service to passengers.

The company’s main purposes consist in commercializing these spaces, managing the agreements resulting therefrom regarding shops, kiosks, offices and showcases, programing and organizing commercializing methods for products in stations and other spaces within the network in the form of occasional events (book fairs, wagons and other), promotional initiatives, vending machines and photo booths.

In addition, Metrocom ensures the management of a commercial lease agreement entered into between ML and Bingo do SLB, which operates in a space located at the Colégio Militar station.

Metrocom’s commercial exploration is based on business activities installed in “en route” shops which recommend a kind of establishment set for quick, impulse purchases. Such a feature, related to its closeness to metro customers, recommends the existence of a diverse product supply aimed at different customer segments.

Towards the end of 2017, it was possible to conclude agreements with shopkeepers on rents/monthly amounts, thus correcting distortions and simplifying procedures which will provide and guarantee greater stability among them.

AGREEMENTS

At the end of 2017, Metrocom ensured the management of the following:

- 172 license agreements for the exploration of shops/kiosks in stations located in the Blue Line (68), Yellow Line (62), Green Line (13) and Red Line (29).
- 8 exploration agreements with positions distributed by several stations, concluded with the following companies:
    - APL (62 - vending machines);
    - Animate (45 - photography booths);
    - BCP-Millennium (47 - ATM);

- Condição Tempo (5 - popcorn wagons);
- Sistema J (book fair).

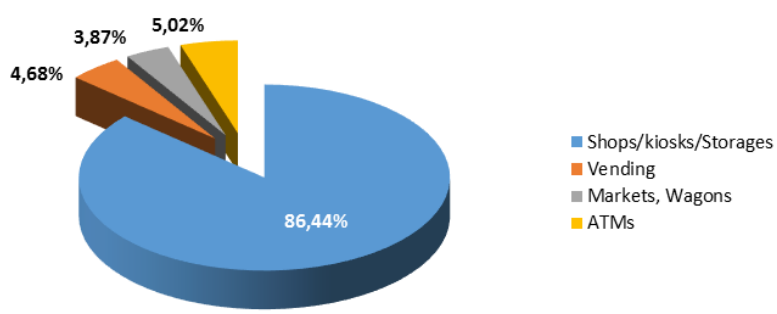
In addition to the exploration agreements, Metrocom also manages the so-called "space provisions" for occasional events of a temporary nature (wagons, stands, stalls, displays and equivalent), governed by the so-called "space transfer agreements".

The income arising from "entrance fees" are added to the income arising from the said exploration agreements regarding shops/kiosks and from the occupation of areas for occasional events.

OPERATIONAL ACTIVITY ANALYSIS

Metrocom's main source of revenue, according to the chart below, corresponds to the lease of shops, kiosks and storage facilities. Compared to 2016, a slight increase in this business segment's significance was observed (86.44% versus 85.55%).

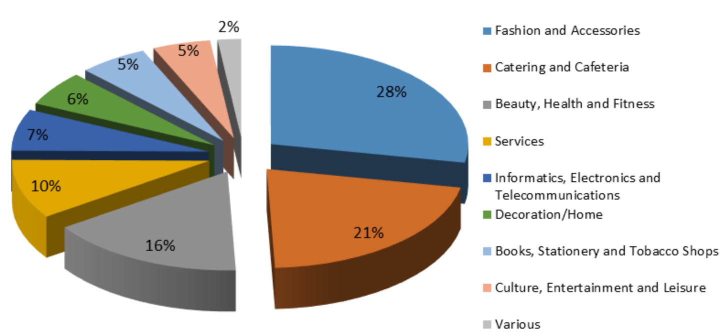
Chart 6 – Distribution of revenue by business segments (2017)



As it has been observed in previous years, from all leased commercial space, the business area which has contributed the most for the company's turnover was "Fashion and Accessories" (28%) followed by "Catering and Cafeteria" (21%) and "Beauty, Health and Fitness" (16%).

The following graph evidences the turnover's percentage contribution regarding the most relevant activities, rounded down to the nearest whole unit:

Chart 7 – Distribution of revenue by business areas (2017)

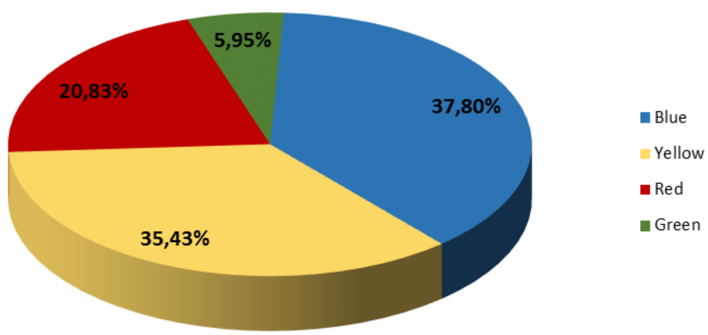


The leased spaces are distributed through the network's four lines.

The Blue Line, from which the Colégio Militar, Jardim Zoológico/South and Amadora stations stand out, contributed with 37.80% for the total revenue, followed by the Yellow Line, with 35.43%, from which the Campo Grande, Marquês Pombal and Entre Campos stations are of significance, then the Red Line, with 20.83%, with Alameda as its most expressive station, and finally the Green Line, with a 5.95% contribution.

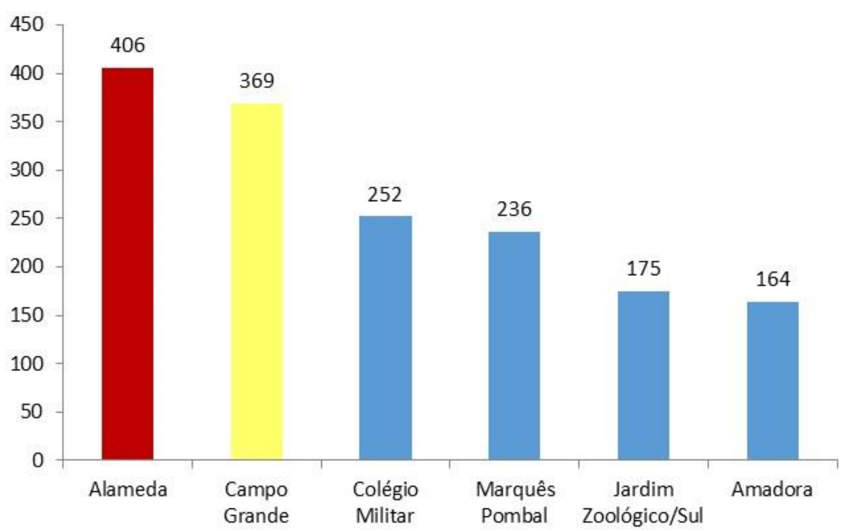
The following chart evidences each Line's relative contribution:

Chart 8 – Distribution of revenue by Line (2017)



The following chart evidences the main stations' contribution to commercial revenue, in thousands of EUR:

Graph 9 – Stations with the greatest revenues – thousands of EUR (2017)



2. Environmental Performance

The Management System existing until April 2017 included all the companies Metropolitano de Lisboa, Carris, Transtejo and Soflusa, with separate operational processes and common management and support processes for all four companies. Metropolitano de Lisboa's total autonomy resulted in the need to reassess the then existing Management System, adapting it to the new company's operation reality.

Therefore, the year 2017 saw the various steps regarding the creation and the implementation of a Quality and Environment Management System which responds to the company's current organic structure as well as the requirements set out by the ISO 9001 and ISO 14001 standards.

Metropolitano de Lisboa remains committed to fully complying with the applicable legal requirements applicable to the company, as to the environment and quality.

The main objective for 2018 consists in amending the Quality and Environment Management System's certification in light of the ISO 9001 and ISO 14001 standards' new wording, as well as to resume, in a consolidated manner, all good practices previously conducted in the context of the Quality and Environment Management System by Metropolitano de Lisboa.

In the environmental field, with a view to minimizing the negative impacts resulting from its activity, a set of measures was defined at the level of METROPOLITANO's Environmental Management System, now focusing on natural resource efficient management. In 2017, it was possible to witness an increase in energy efficiency as well as in the rate of waste recovery, reflecting the wastes' percentage sent for recovery compared to the total produced wastes.

Chart 10 – Energy efficiency (Pass.km/kWh)

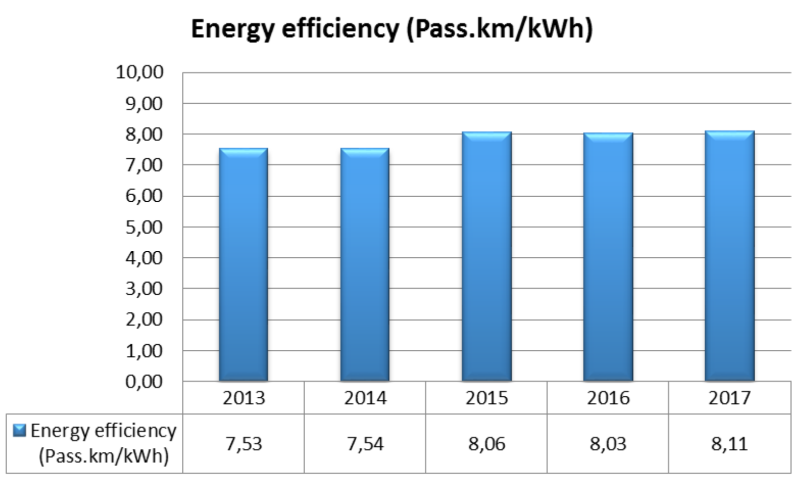
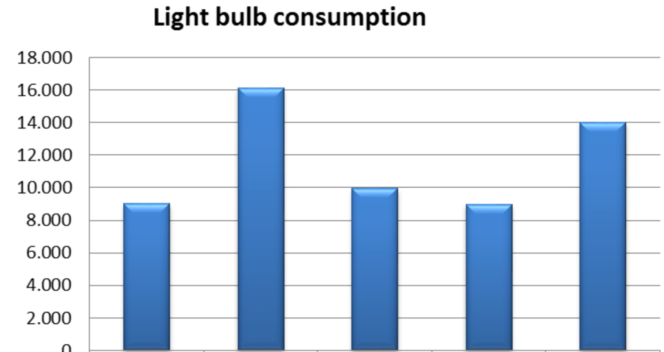
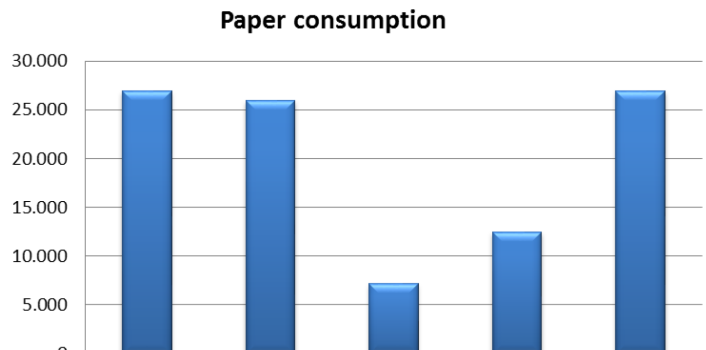


Chart 11 – Light bulb consumption



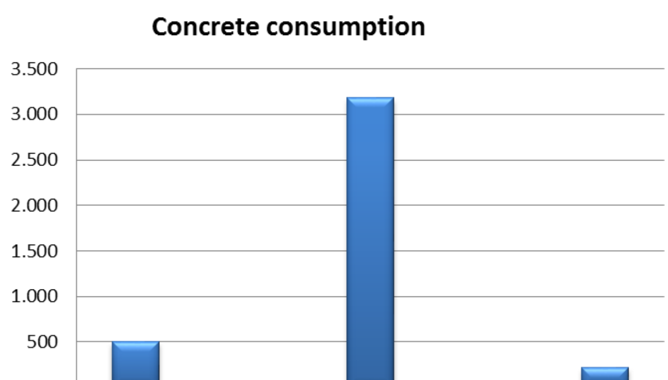
	2013	2014	2015	2016	2017
Light bulbs (un.)	9.002	16.143	9.941	8.973	14.018

Chart 12 – Paper consumption



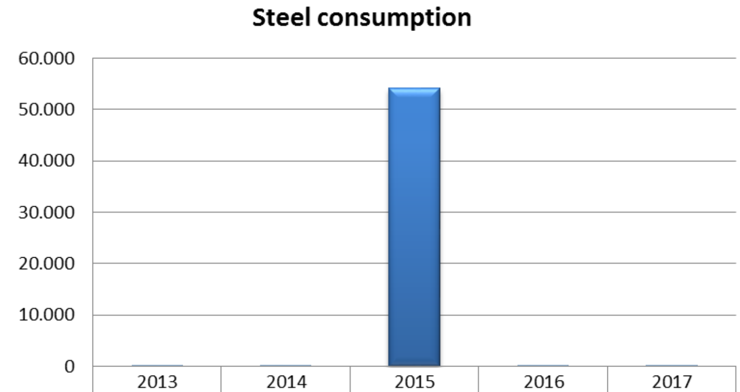
	2013	2014	2015	2016	2017
Paper (kg)	26.962	25.992	7.185	12.476	26.961

Chart 13 – Concrete consumption



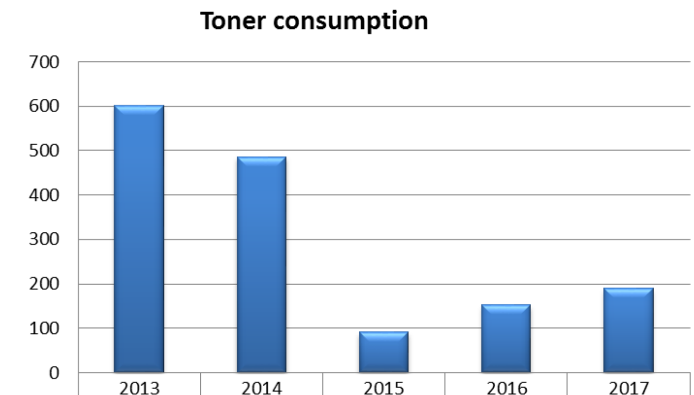
	2013	2014	2015	2016	2017
Concrete (m3)	501	56	3.179	69	219

Chart 14 – Steel consumption



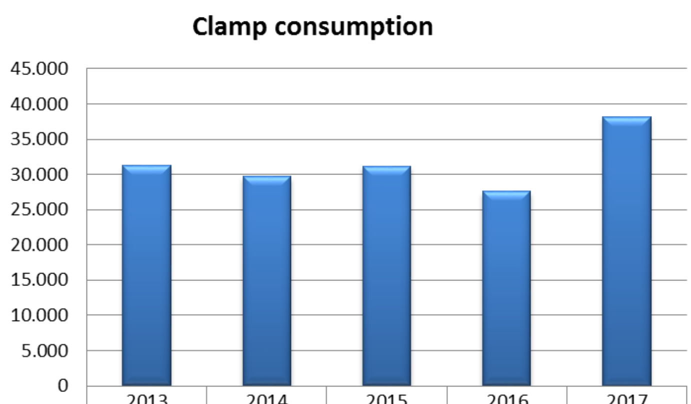
	2013	2014	2015	2016	2017
Steel (t)	21	0,6	54.148	6	2

Chart 15 – Toner consumption



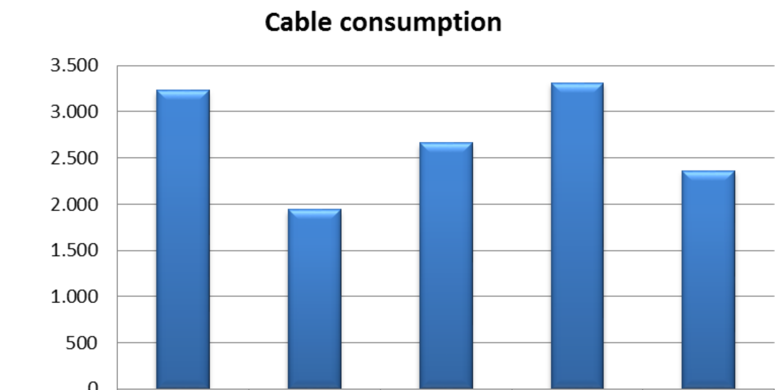
	2013	2014	2015	2016	2017
Toners (un.)	602	486	91	152	190

Chart 16 – Clamp consumption



	2013	2014	2015	2016	2017
Clamps (un.)	31.280	29.714	31.210	27.628	38.163

Chart 17 – Cable consumption



	2013	2014	2015	2016	2017
Cable (m)	3.231	1.942	2.661	3.313	2.360

QUALITY AND ENVIRONMENT MANAGEMENT SYSTEM

The Quality and Environment Management System's main objective consists in the company's continuous performance improvement, by means of stakeholders' satisfaction, a sound environmental management and cost rationalization, and it aims at setting out the necessary activities to pursue the quality and environment management Policy and the objectives established.

The Management System is rooted on the following principles:

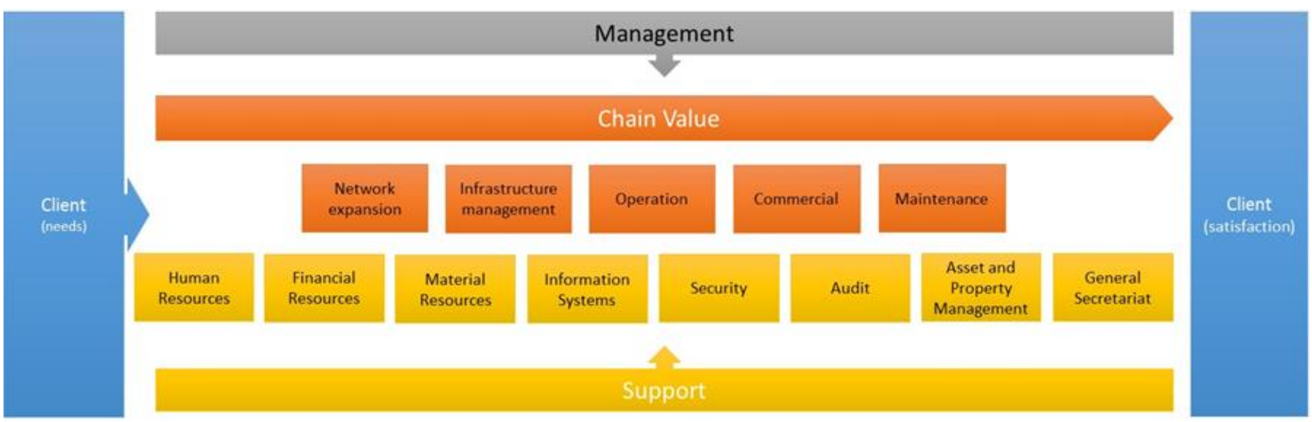
- Top management leadership and commitment;
- Quality-oriented culture directed towards customer satisfaction;
- Continuous environmental performance improvement;
- Staff's personal involvement and clearly defined roles at the organization;
- Processes and means which ensure the intended quality and the environmental management;
- Human resources capable of pursuing continuous improvement through innovation.

Metropolitano de Lisboa has adopted the NP EN ISO 9001:2008 standard, implementing an approach based on process management. For such purpose, it has identified the many processes representing the company's value chain as well as the relations established between them. This process matrix is periodically reassessed, resulting in the implementation of a new matrix in the beginning of 2017.

Each process is monitored by means of performance indicators, as annual goals are defined, and periodic follow-up is performed throughout the year. This approach enables, in an effective and timely manner, to identify deviations in the proposed objectives' attainment, allowing for decisions adequate their remedy.

The Management System is rooted on a process strata approach, in accordance with the following matrix:

Figure 9 – System's Process Matrix



ENVIRONMENTAL ASPECTS AND IMPACTS' IDENTIFICATION AND ASSESSMENT

The identification of environmental aspects is based on the analysis of the activities developed in each process and location, *i.e.*, for each activity, the associated environmental aspects are analysed.

In analysing environmental aspects, consideration is given to their current conditions, in normal, occasional or emergency situations, as well as the ML's potential direct or indirect responsibility.

Subsequently, the environmental impacts resulting from these aspects are assessed, which may present a positive or a negative nature. This constitutes a quantitative assessment and is achieved through the following formula:

Significance = (Duration + Area + Intensity) / 3

The determination of the most significant environmental impacts and aspects associated therewith allows for making decisions aimed at mitigating the significant negative impacts and potentiating the positive ones.

Based on the established assessment methodology, in 2017, it was observed that the company's activity had significant environmental aspects (*i.e.*, aspects which present or may present significant impacts on the environment, either positive or negative), which were:

Positive:

- Socio-economic aspects related to the public transport supply, travel time reduction and ease of public road congestion.

Negative:

- Electric energy consumption, regarding the entirety of ML's activities;
- Indirect atmospheric emissions deriving from electric energy consumption.

ASSUMED COMMITMENTS

UITP Sustainability Charter

Since 2003, ML has been a signatory party of the UITP Sustainability Charter, at the time when the latter's sustainable development social, environmental and economic principles were incorporated into the company's strategic objectives.

In 2013, ML nominated its Environment and Quality Director as the company's spokesperson regarding all issues related to the Sustainability Charter, while reaffirming, as a Full Signatory, its commitment with the fundamental principles provided therein.

WORKING GROUPS IN WHICH ML PARTICIPATES

ML enhances its participation in several international bodies, such as the Nova Benchmarking Group of Metros, to get in touch with the world's best practices in the sector as well as to adopt those practices applicable to the ML's reality, thus increasing its continuous improvement process.

At the national level, ML stills chairs the Technical Committee for Standardization TC 148 - Transport, logistics and services. Technical Committees for Standardization integrate the Portuguese Quality System and correspond to the technical bodies competent for producing Portuguese Standards and for issuing normative opinions, notably to their European counterparts.

BUSINESS ETHICS AND LEGAL PRINCIPLES

Through its Management System, Metropolitano de Lisboa establishes and adopts a set of measures reflected in a program, aiming at minimizing the negative environmental impacts deriving from its activities, and therefore improve the company's environmental performance. Such measures are related to the main environmental aspects associated with the company's activities, such as energy consumption, water consumption, waste and noise generation, chemicals management and wastewater generation.

With regard to legal and business ethics principles, ML is governed by a code of ethics and behaviour, taking the following commitments as its activity's structuring principles:

- ✓ Respecting and protecting human rights;
- ✓ Respecting workers' rights;
- ✓ Abolishing all forms of exploitation (forced labour and child labour);
- ✓ Abolishing all discriminatory practices;
- ✓ Fighting against all forms of corruption;
- ✓ Responsibility in defending and protecting the environment;
- ✓ Contributing to sustainable development.

3. Social Performance

3.1. Metropolitano de Lisboa, E.P.E.

In 2017, Metropolitano de Lisboa's Human Resources Management proceeded to adopt a new organization model, the structure based on the principles of business sustainability, differentiating and emphasizing its social responsibility aspect and upholding the appreciation of our workers' knowledge and capabilities as Human Capital.

Accordingly, during the reporting year, Metropolitano de Lisboa sought to make a greater commitment to stakeholders, notably with employees and the local community, both internally, by reinforcing measures which enable better Work-family life balance and maternity protection, whilst maintaining a wide variety of employee benefits, and externally, as an organization committed "to contributing to a better society and a cleaner environment", by assuming a socially responsible attitude and pursuing a Social Responsibility policy, in both external and internal dimension.

During the financial year 2017, the following initiatives in the context of Metropolitano de Lisboa's Human Capital Management can be highlighted:

- Execution of the measures set out in the SB Law for 2017, completing the wage restitution and applying, in a timely manner, the career development effects according to the provisions set out in the Budget Implementation Law;
- Remedy of precarious situations, by means of the existing positions' dissolution and assignment of the corresponding employees to different areas and specific functions;
- Revitalization of social dialog and collective bargaining with workers' representative associations, as well as revival the Work Safety and Health Commission, strengthening the workers' commitment and participation, as stakeholders, in the activity's development;
- Preparation of the Social Responsibility Charter, acknowledging Metropolitano de Lisboa's appreciation for a social dimension, taking it as a value to be shared and partaken by all company's individuals, thus developing a socially responsible culture, adopting clear routines and practices which guide the company's intervention,

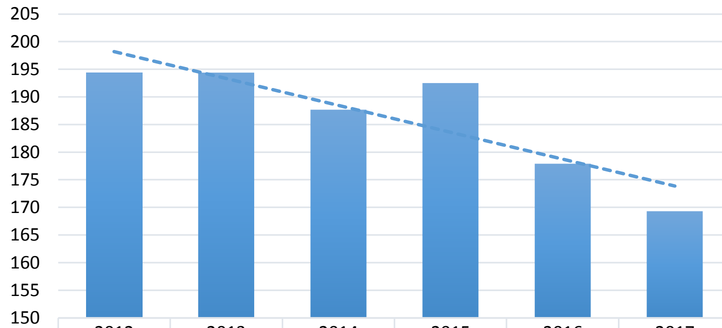
in partnership with several institutions, by supporting charitable causes in the Metro network's surrounding environment, such as the following:

- "COMPANHEIRO" – IPSS, which supports prisoners, ex-prisoners and their families' psychosocial inclusion, by means of personal and professional skills development;
- C.A.S.A. – Centro de Apoio ao Sem-Abrigo, IPSS, which provides assistance to Lisbon's poorest populations;
- ASE - Associação Assistência Social Evangélica, IPSS, as a reference entity in care provision to the elderly population in Lisbon's eastern area;
- Banco Alimentar Contra a Fome, IPSS, which fights against food products waste, directing it to be freely distributed to people in need;
- ENTRAJUDA's Banco de Bens Doados, an innovative project promoting the practice of sustainability, delivering non-food products donated by companies and individuals to charity institutions;
- APOIARTE - Casa do Artista, Associação de Apoio aos Artistas, IPSS, of public interest, the mission of which consists in supporting and dignifying people who perform or have performed functions related to entertainment activities;
- REDE project – An initiative led by Metro and participated by other operators, aiming at assisting areas, affected by the dramatic forest fire experiences which devastated Portugal in 2017, in Reviving and Pulling them up through Dedication and Community Involvement.

- Furthermore, within the context of its Social Responsibility policy, the company promoted the conduction of flu and tetanus vaccination campaigns, as well as several screenings aimed at preventing the most prevalent chronic diseases in the Portuguese population, namely for Breast Cancer, Prostate Cancer, Melanoma Prevention, as well as a Nutrition Screening on the National Obesity Prevention Day. In addition, awareness-raising initiatives were conducted, namely on the World Thrombosis Day (Venous Thromboembolism initiative) and on the Osteopathy Day (establishment of a protocol making such therapy available).
- The Patients' Rights Charter preparation and promotion, which was formalized and assumed, on the World Day of the Sick, as a Company's commitment to its employees.
- Renewal of the accession agreement for the Business Forum for Gender Equality – Our commitment and endorsement to the Declaration on Equal Opportunities for Women and Men in the Public Transport Sector, thus recognizing gender equality's significance in social sustainability.
- Revival of the Less Absence Project, as an initiative to tackle work absence, mainly directed at reducing it in illness events.

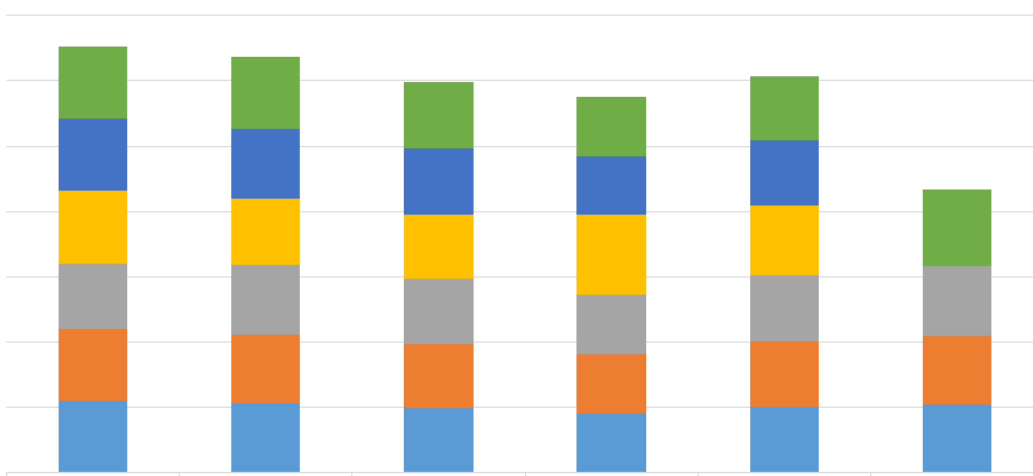
Complying with the provision set forth in article 21 of the SBL for 2017, all employees were subject to a performance evaluation which resulted in their carrier progression, and 50% of the acquired rights granted as a result of such evaluation have been timely processed, pursuant to the exact terms of the said article.

Chart 18 - Ratio between the ML lowest wage and the national minimum wage (%)



	2012	2013	2014	2015	2016	2017
Ratio	194,4	194,4	187,7	192,5	177,9	169,3

Chart 19 - Ratio of base wage between men and women (%)

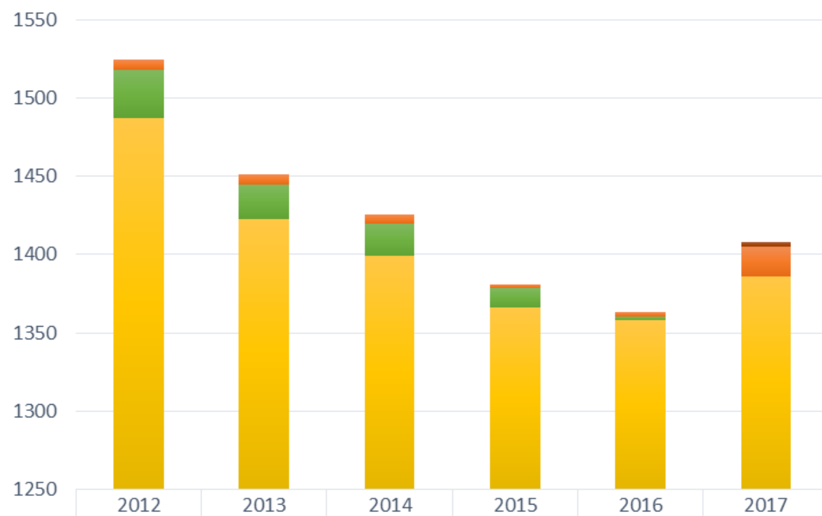


	Higher Management	Middle Management	Intermediate Management	Highly qualified professionals	Qualified professionals	Non-qualified professionals
2017	110,8	108,8	100,8	91,9	98,6	118,0
2016	110,3	108,1	100,8	89,8	99,5	0,0
2015	111,2	100,5	99,0	122,3	106,7	0,0
2014	100,1	106,7	99,5	90,7	100,9	106,9
2013	110,2	106,0	98,2	90,0	100,6	104,5
2012	109,8	105,9	99,1	91,4	100,6	104,5

HEADCOUNT CHARACTERIZATION

The year 2017 was marked by the continuity of the human resources optimization measure, as determined by the Shareholder, consistently with the Company's strategy for rehabilitating operation and maintenance conditions and refocusing on customers, reverting the employee reduction trend which distinguished the period 2012-2016, by recruiting 30 new employees to strengthen the stations' sales and customer service teams. By means of such recruitment, it was also possible to strengthen Train Drivers' headcount by increasing the impact of the quality of the provided service to our customers.

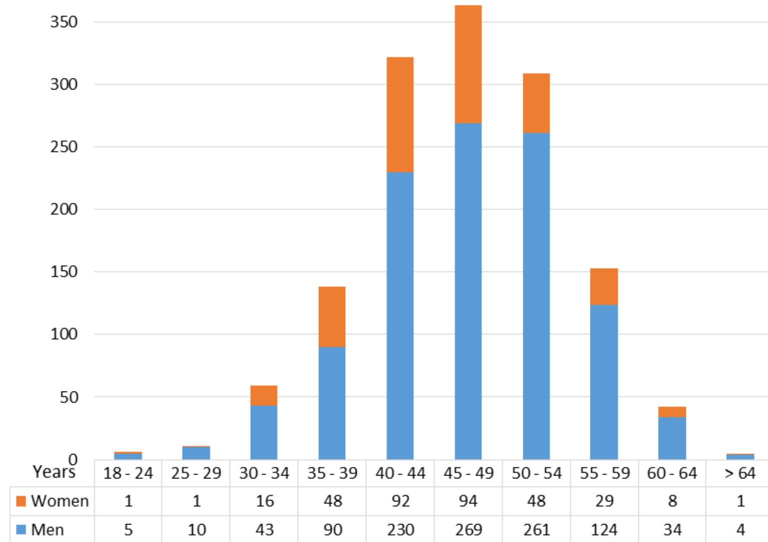
Chart 20 - Headcount number on the 31st of December



	2012	2013	2014	2015	2016	2017
External Service Commission	0	0	0	0	0	3
Secondment agreements	7	6	6	2	3	19
Fixed-term agreements	31	22	21	13	2	0
Open-ended agreements	1487	1423	1399	1366	1358	1386

Notwithstanding the recruitment of 30 new employees for stations, the global headcount average age remains high (at 47.3 years of age), as 36% of employees are over 50 years of age. In core areas such as Operation and Maintenance, these numbers are even more worrying, as employee average age corresponds to 49 years of age, and 42% and 45% of employees, correspondingly, are over 50 years of age. It should also be noted that average ages exceed 50 years in several business areas. Such a situation is a clear indication of the pressing need for a headcount renewal, in a programmed and timely fashion, thus allowing for knowledge transmission in Company core areas.

Chart 21 - Headcount age

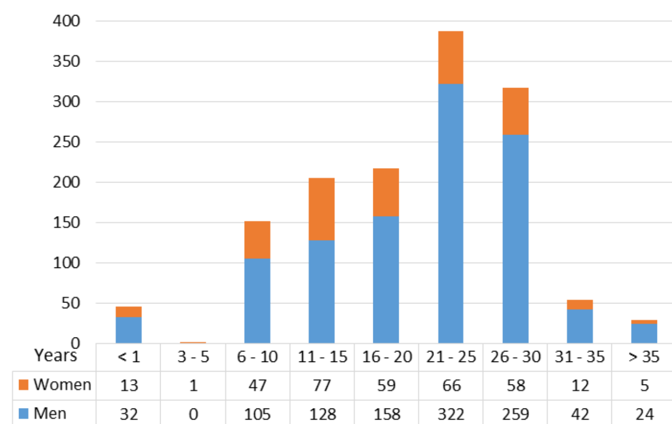


Years	18 - 24	25 - 29	30 - 34	35 - 39	40 - 44	45 - 49	50 - 54	55 - 59	60 - 64	> 64
Women	1	1	16	48	92	94	48	29	8	1
Men	5	10	43	90	230	269	261	124	34	4

Headcount seniority in the Company

Regarding seniority, it evidences an insufficient human resources adjustment policy, with an employee gap with a seniority between 3 and 5 years, deriving from the lack of recruitment between 2010 and 2017 and interrupted during this year. It should also be noted, as it happens with the average age, that the average service seniority is relatively high (at 20.9 years), as 56% of employees have over 20 years seniority, and 28% have over 25 years of service.

Chart 22 - Headcount seniority



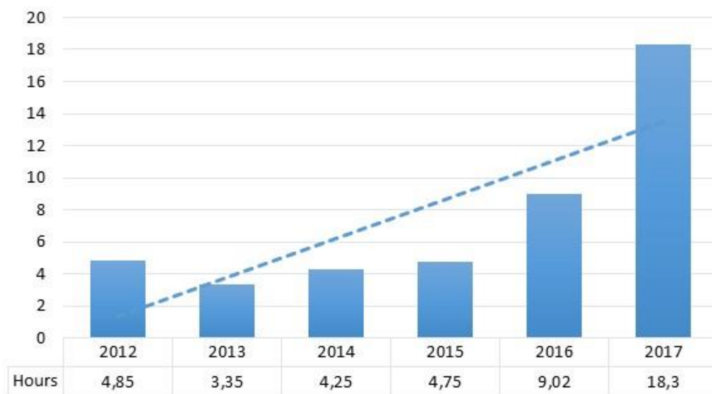
Years	< 1	3 - 5	6 - 10	11 - 15	16 - 20	21 - 25	26 - 30	31 - 35	> 35
Women	13	1	47	77	59	66	58	12	5
Men	32	0	105	128	158	322	259	42	24

- ### Training

The year 2017 saw a significant investment increase in training, as an expression of a sharp growth in training hours (+106%), albeit small reductions in the number of conducted initiatives and in the number of participants (-5%) in such initiatives have been recorded. Such an effort has been combined with an increase regarding training-allocated financial resources, as a 124% growth in training expenditure has been recorded compared to the previous year.

Notwithstanding such a cost increase, a significant in-house training increase has also been recorded, transitioning from 33% to 69% of the total volume of training.

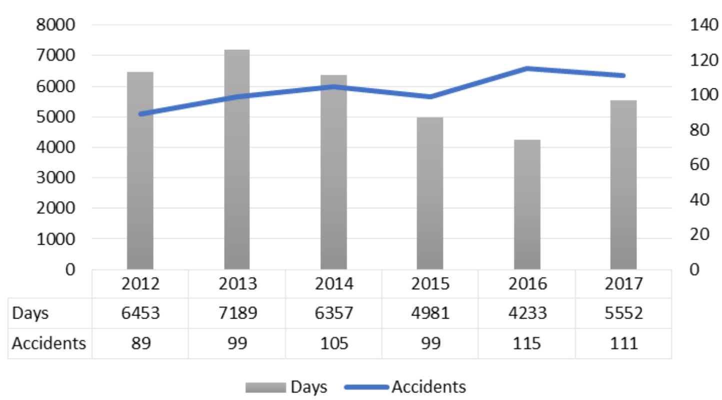
Chart 23 - Average training hours per worker



- **Accidents at Work**

In 2017, in what regards accidents at work, it is possible to highlight a significant increase in lost days figures (+31%), notwithstanding the decrease observed in work-related accident figures, thus resulting in an increase in their duration index, compared to the previous year. In the opposite direction to this indicator's evolution, the absence rate's reduction trend was maintained, reducing to 8.98% from 9.11% recorded in 2016, and from 10.57% recorded in 2015.

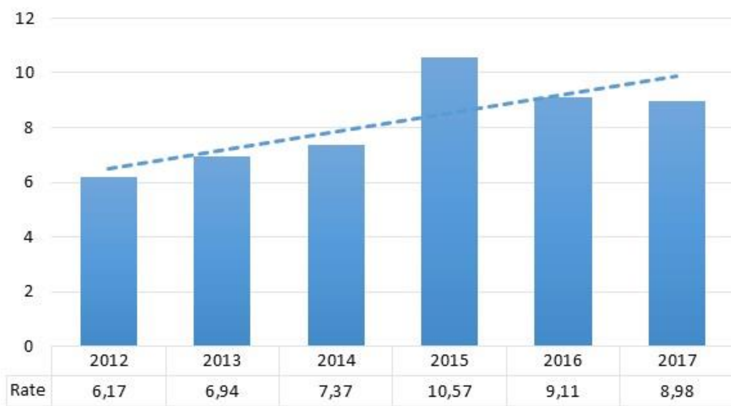
Chart 24 – Accidents at Work



- **Absence**

During the reporting year, the absence rate stabilized at about 9%, after the previous year's reversal of the growth trend initiated in 2012, as evidenced in the chart below. As in previous years, absences arising from illness continue to be the most emphatic vector as to this indicator (85,522 hours in 2017), followed by absences arising from work accidents (36,784 hours).

Chart 25 - Absence rate (%)



3.2. Ferconsult, S.A.

Again, the year 2017 has been a year of profound internal changes in Ferconsult.

The Corporate Department (Human Resources and Finances) was extinguished by the Board of Directors' decision and its services were delivered by Metropolitano de Lisboa's corresponding Departments.

HEADCOUNT CHARACTERIZATION

- **Total Headcount**

During the year 2017, Ferconsult S.A had an average of 70 employees, 36 of which were male and 34 were female (51% and 49%, respectively).

On the 31st of December 2017, Ferconsult's headcount amounted to 64 employees, as it was reduced by 19 employees:

- Termination of employment agreement – 1 employee;
- Expiration of employment agreement – 1 employee;
- Secondment Agreement entered with ML – 16 employees;
- Return to ML of an employee seconded to Ferconsult – 1 employee.

The table below shows the last 6 years' employee number history:

Table 22 – Ferconsult's Headcount on the 31st of December - 2012-2017

Contractual Relationship	2017	2016	2015	2014	2013	2012
Open-ended agreements	59	75	75	74	76	77
Fixed-term agreements	2	2	13	44	44	52
ML secondment agreements	3	6	6	2	2	2
Total Women	33	37	40	47	48	51
Total Men	31	46	54	73	74	80
Total	**64**	**83**	**94**	**120**	**122**	**131**

Note: the values from 2012 to 2016 have been restated, bearing in mind that in the Annual Reports of previous years did not reflect employees placed outside the national territory.

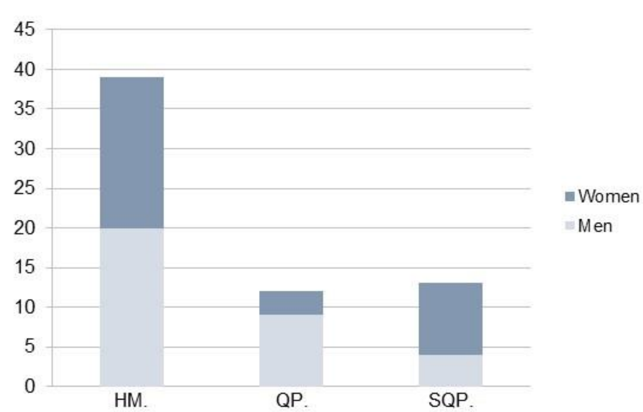
- **Qualification Levels**

It is observed that the highest qualification level percentage is represented by the company's Higher Management, at a total of 39 employees.

Table 23 – Distribution of Headcount by Qualification Levels

Workers	Higher Management	Qualified Professionals	Semi-qualified Professionals	TOTAL	%
Men	20	9	4	33	52
Women	19	3	9	31	48
Total	**39**	**12**	**13**	**64**	**100**

Chart 26 - Qualification levels



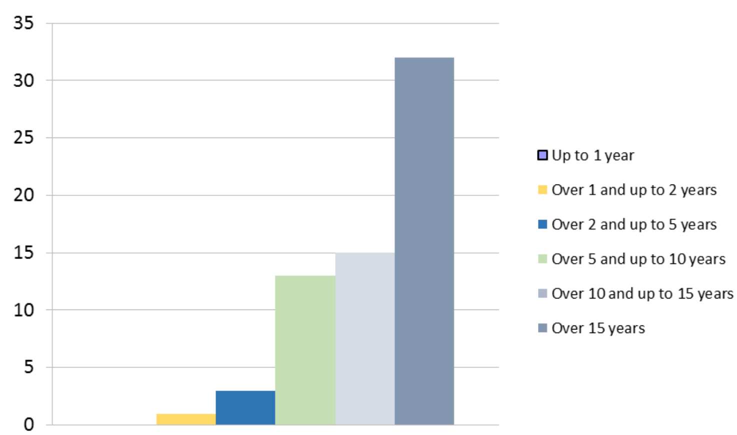
- **Headcount seniority in the Company**

The company's highest seniority percentage is focused on the over 15 years category, which includes a total of 32 employees, amounting to 50% of the total employee number.

Table 24 – Headcount Seniority

SENIORITY	No.	%
Up to 1 year	0	0
Over 1 and up to 2 years	1	2
Over 2 and up to 5 years	3	5
Over 5 and up to 10 years	13	20
Over 10 and up to 15 years	15	23
Over 15 years	32	50
Total	**64**	**100**

Chart 27 - Headcount Seniority



PROVISION OF WORK

- **Absence**

During the year 2017, the average absence rate stood at 4%. Medical leaves were the largest contributor to Ferconsult's work absence.

Table 25 - Absence rate (%)

Absence - Reasons		2017	2016	2015
ANNUAL	Medical leave	56,4%	33,3%	59,5%
	Work accident leave	23,3%	7,2%	18,2%
	ETE - Exams	0,8%	5,1%	1,3%
	Parenthood leave	15,6%	51,4%	14,7%
	Family assistance	0,0%	0,5%	0,8%
	Grief	2,1%	1,1%	0,7%
	Other	1,8%	1,4%	4,8%

HUMAN RESOURCE DEVELOPMENT

- **Training**

Although Ferconsult endeavoured to fulfil the training plan in the last years, this was not always possible, as some trainings could not be carried out due to date incompatibility among trainees and training entities.

Bearing in mind the projected Training Plan, during the reporting year, the following training sessions were carried out:

- **ISO 14001:2015 transition (planned for 2 employees)**
  - The Integrated Management System Officer and the Legal and Environmental Compliance Officer participated in this training session;
  - The objective consisted in developing the necessary competences to ensure an efficient transition for the standard's new wording.
- **European First Aid Course (planned for 6 employees)**
  - 9 employees participated in this employee training session, accommodating employees from the various company building's floors and some employees integrating 1st Intervention Teams;
  - This training session's objective consisted in acquiring first aid knowledge in the context of WSH.
- **Revit MEP (planned for 2 employees)**
  - 2 employees participated in this session, one from the Architecture area and another one from the Courses and Networks area;
  - This training session's objective consisted in creating virtual representation models of the specialties' projects (HVAC, Electricity, Safety, Waters and Sewage) for a building (BIM - Building Information Modelling) based on the REVIT's parametric technology, as well as in how to organize and print its drawn parts, thus reducing the project cycle and allowing for each solution's more thorough analysis.

From the training sessions carried out which were not scheduled, we may highlight the following:

- French – Module 1 and 2 (planned for 1 employee)
  - 2 employees participated;
  - The objective consisted in deepening the knowledge of the French language and learn technical French which allows to better communicate with the Algiers work Developer.
- Training in BIM - BIM Manager Field; 1 employee participated in this training session, the objective of which consisted in:
  - Identifying the BIM methodology's key concepts and elements throughout all steps of a building's life cycle;
  - Recognizing the vital aspects which must be considered in the BIM's implementation and use process on companies and projects;
  - Recognizing BIM's main usage tendencies and barriers in the construction industry context.

In addition to these more relevant initiatives, employees also participated in several free conferences/workshops/fora, but of relevance for knowledge acquisition/update, as to the company's areas of intervention.

3.3. Metrocom, S.A.

In 2017, in light of Metrocom's limited employee number, no evolution as to headcount, training and other relevant HR indicators for the purposes of this report was observed.

3.4. ML Group

In a context in which the ML Group's organizational setting is characterized by changes to its structure and strategy, people management is crucial to successfully achieve the established objectives.

Based on each company's mission and the pursuit of ML Group's objectives, the year 2017 saw an adjustment of the headcount number and its qualification levels to each company's corresponding business requirements. Throughout 2017, the Group's volume of employment stood at 1,502 employees, distributed as follows:

Table 26 – Volume of Employment (CMR no. 16/2012) – ML Group

Volume of Employment (CMR no. 16/2012)	2017	2016	2015
Metro	1.424	1.401	1.407
Ferconsult	71	102	130
Metrocom*	7	8	8
ML Group	**1.502**	**1.511**	**1.545**

* The amounts for 2016 and 2015 have been restated due to the fact that 2 employees, who have entered into a service agreement with the entity, have not been considered.

4. Economic and Financial Performance

4.1. Metropolitano de Lisboa, E.P.E.

OVERALL COMPANY RESULTS

The year 2017 was characterized by a favourable evolution of Metro de Lisboa's results. The Operating Profit increased by 8.44 million EUR compared to the previous year, while the Financial Result improved by 10.17 million EUR, due to the progress observed in Other Financial Earnings and the decrease observed in Exploration Financial Expenses. As a result, Profit before Taxes recorded an 18.61 million EUR growth compared to the previous year.

Nonetheless, the corrected EBITDA concerning a set of non-cash items[11] (accrual of investment subsidies, adjustments and impairments, fair value increases/reductions and equity method/subsidiaries) decreased by 5.49 million EUR, with a highlight on Fair Value increasing effects and Equity Method/Subsidiaries.

Table 27 - Results

Profits (amounts in thousands of euro)	2017	2016	2015	Var. 2017/2016	
				Abs.	%
Public Service Income	105 275	97 823	90 486	7 451	7,6
Other income	50 023	38 310	41 541	11 713	30,6
Total Operating Income	155 297	136 133	132 026	19 164	14,1
Total Operating Expenses	145 913	135 189	145 596	10 725	7,9
Operating Profit	9 384	945	(13 569)	8 439	893,4
Corrected EBITDA*	(4 228)	1 264	(7 212)	(5 491)	(434,5)
Financial Result	(33 124)	(43 295)	(51 536)	10 170	(23,5)
Profit before Taxes	(23 740)	(42 350)	(65 105)	18 610	(43,9)

* Corrected EBITDA (excluding provisions, adjustments, impairments and fair value increases/reductions, investment subsidies and equity method / subsidiaries)

Operating Income increased by 19.16 million EUR (a 14.1% growth compared to 2016), due the increase in Fare Revenue, the positive variation of which stood at 6.6 million EUR (a 6.9% growth) and is justified by a demand increase, as a 4.87% growth was observed regarding the number of fare-paying passengers carried compared to the same period in 2016. Regarding 2016, Ticket sales increased by 4.4 million EUR (a 9.2% growth) and Monthly Passes increased by 1.7 million EUR (a 3.7% growth).

The item Other Income also added to the Operating Income's positive evolution, with an 11.71 million EUR increase deriving from the Fair Value increase regarding in risk-covering Financial Instruments, with a 11.64 million EUR positive variation compared to 2016 (a 43.6% growth).

[11] By application of the SNC accounting framework, such items affect EBITDA, distorting the operational cash-flow concept, reflected by this indicator.

Table 28 - Operating Income

Operating Income (amounts in thousands of euro)	2017	2016	2015	Var. 2017/2016	
				Abs.	%
Monthly pass and ticket sales	102 457	95 876	88 644	6 582	6,9
Co-payments 4_18/sub_23/Social +	2 817	1 947	1 842	870	44,7
Public Service Revenue	**105 275**	**97 823**	**90 486**	**7 451**	**7,6**
Compensatory allowance	-	-	6	-	-
Non-fare revenue	4 126	3 366	3 337	760	22,6
Own Work Capitalized	2 310	2 449	3 224	(139)	(5,7)
Impairments	-	-	-	-	-
Fair value increases	38 333	26 690	23 091	11 642	43,6
Other income and profits	5 032	5 357	11 564	(326)	(6,1)
Asset impairments (Reversals)	223	448	318	(224)	(50,1)
Other income	**50 023**	**38 310**	**41 541**	**11 713**	**30,6**

Operating Expenses also saw a 10.73 million EUR increase, thus growing 7.9% compared to 2016:

Table 29 - Operating Expenses

Operating Expenses (amounts in thousands of euro)	2017	2016	2015	Var. 2017/2016	
				Abs.	%
Personnel expenses	71 667	66 082	66 123	5 585	8,5
External supplies and services	32 164	30 513	31 909	1 651	5,4
Costs of goods sold and materials consumed	4 409	2 180	2 439	2 229	102,2
Losses attributed to subsidiaries	3 957	5 149	4 545	(1 192)	(23,1)
Impairments	123	187	1 460	(64)	(34,2)
Other expenses and losses	10 151	6 265	12 451	3 886	62,0
Provisions	30	1 328	2 283	(1 298)	(97,7)
Amortizations	23 411	23 484	24 385	(72)	(0,3)
Total	**145 913**	**135 189**	**145 596**	**10 725**	**7,9**

We can highlight the following increases:

- A 5.58 million EUR increase in Personnel Expenses compared to the same period in 2016, in light of careers' unfreezing, which had a direct effect on employees' received remunerations, annuity payments and performance bonuses restitution, and of the headcount increase.
- External Supplies and Services, which stood at 32.16 million EUR, a 1.65 million EUR increase compared to 2016. The aspects contributing the most to these figures, albeit all evidenced variations under 750 thousand EUR, consist in the conservation of buildings, specialist works and energy.
- A 2.23 million EUR increase in Cost of Materials Sold and Consumed compared to 2016, with a greater significance regarding rolling stock's repair/maintenance materials.
- A 3.89 million EUR increase (equivalent to 62%) in Other Expenses and Losses, compared to the previous year, standing at 10.2 million EUR, which derived from exchange losses related to the company's collaterals for guaranteeing American obligations and evidenced a 7.12 million EUR unfavourable evolution. These

expenses increase effects were eased by cost variations related to previous financial years (a 1.43 million EUR reduction) and to estimated income tax expenses (a 2.52 million EUR reduction).

TOTAL EXPENDITURE BY NATURE

Personnel Expenses increased by 5.6 million EUR compared to the same period in 2016, reflecting an 8.5% growth.

Table 30 - Personnel Expenses

Personnel Expenses (amounts in thousands of euro)	2017	2016	2015	Var. 2017/2016	
				Abs.	%
Remunerations	50 253	44 999	44 953	5 254	11,7
Pension Supplement	12 522	9 861	259	2 661	27,0
Liabilities with Pensions	7 365	7 629	7 669	(264)	(3,5)
Other expenses	1 527	3 594	13 242	(2 066)	(57,5)
Total	**71 667**	**66 082**	**66 123**	**5 585**	**8,5**
Wage bill	49 812	44 741	44 742	5 071	11,3

The main causes for this variation are the following:

- Remunerations, by means of an increase in figures regarding career development, performance bonuses payments and annuity payments restitution;
- Recruitment of 30 Station Agents;
- Increase in the number of secondment agreements, thus meeting the headcount needs arising from the separation process regarding the four companies representing the *Transportes de Lisboa* "brand" (as determined by application of the Law no. 22/2016, of the 4th of August, establishing full legal autonomy of Metropolitano de Lisboa, E.P.E., Companhia de Carris de Ferro de Lisboa, S.A., Transtejo – Transportes do Tejo, S.A., and Soflusa – Sociedade Fluvial de Transportes, S.A.) and the integration of the affiliated entity Ferconsult's corporate services at the level of ML.

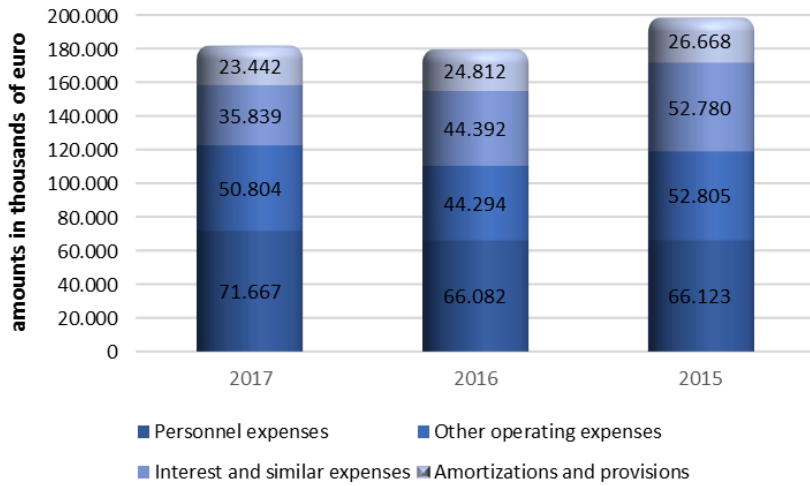
The Financial Results evidenced an approximately 10 million EUR positive variation, justified by the accounting adjustment on interest incurred regarding medium and long-term shareholder financing (a 55.3% decrease compared to 2016) which have been subjected to consecutive moratoria.

Table 31 - Financial Results

Financial Results (amounts in thousands of euro)	2017	2016	2015	Var. 2017/2016	
				Abs.	%
Financial applications	-	36	0	(36)	(100,0)
Other financial earnings	2 715	1 061	1 244	1 654	155,8
Exploration financial expenses	(35 839)	(44 392)	(52 321)	8 553	(19,3)
Interest incurred with bank financing/TFDG	(8 615)	(19 288)	(19 139)	10 673	(55,3)
Interest payable	(27 224)	(25 103)	(33 181)	(2 120)	8,4
Leasing expenses	-	-	(459)	-	-
	(33 124)	**(43 295)**	**(51 536)**	**10 170**	**(23,5)**

Total Expenditure increased by 2.17 million EUR, a 1.21% growth compared to the previous year. Notwithstanding the 8.55 million EUR in Interest and Similar Expenses and the 1.37 million EUR decrease in Amortizations and Provisions, it was not possible to compensate for the increase in Other Operating Expenses, exceeding by 6.51 million EUR, and in Personnel Expenses, exceeding by 5.59 million EUR.

Chart 28 - Evolution of Total Expenditure



The Plan for Reducing Expenses evidenced an increase in Consumption, compared to 2010, by 1.8 million EUR, due to the purchase of components and parts involved in rolling stock maintenance interventions. It should also be noted that "transport tickets" expenses deriving from the purchase of card rolls, aimed at responding to the demand increase in occasional tickets.

Compared to 2010, External Supplies and Services evidenced a 6.51 million EUR (16.8%) decrease, and Personnel Expenses evidenced a 15.99 million EUR (18.2%) decrease, thus complying with the Plan for Reducing Expenses.

Table 32 - Plan for Reducing Expenses

ITEMS (amounts in thousands of euro)	2017	2016	2015	2010	Var. 2017/2010	
					Abs.	%
Consumption	4 409	2 180	2 439	2 607	1 802	69,1
External supplies and services	32 164	30 513	31 909	38 674	(6 510)	(16,8)
Personnel expenses	71 667	66 082	66 123	87 657	(15 990)	(18,2)
Total	**108 240**	**98 776**	**100 471**	**128 938**	**(20 698)**	**(16,1)**

FINANCIAL FLOWS

In 2017, cash flows generated by the public service provision activity kept on improving, standing at 692 thousand EUR, deriving from the increase in fare revenue and without resorting to compensatory allowances.

Such flow, added of the 1.14 million EUR receipt related to PIDDAC (Investment Subsidy), was insufficient for liberating the necessary treasury to cover investment expenses, which is why the cash balance was used to cover the investment treasury deficit.

Table 33 - Variation of cash and its equivalents

CASH FLOW STATEMENT (amounts in thousands of euro)	2017	2016	2015	Var. 2017/2016	
				Abs.	%
Flow of Operating Activities	692	20 978	10 745	(20 285)	(96,7)
Flow of Investment Activities	(5 524)	(9 509)	(9 365)	3 985	(41,9)
Flow of Financing Activities	1 891	(1 944)	(9 746)	3 835	(197,2)
Variation of cash and its equivalents	**(2 941)**	**9 525**	**(8 366)**	**17 891**	**(213,8)**
Cash and its equivalents at the beginning of the period	**24 965**	**15 440**	**23 806**	**(8 366)**	**(35,1)**
Cash and its equivalents at the end of the period	**22 024**	**24 965**	**15 440**	**9 525**	**61,7**

Since 2011, ML is part of the reclassified entity list in the General Government perimeter, RCE – Reclassified Public Entities, equivalent to Autonomous Funds and Services, and this entails significant impacts on the company's budget framework, on information reporting and specific legislation compliance, namely the Law on Commitments and Payments in Arrears[12], the Budget Implementation Law[13] and mandatory preparation of Budgetary Proposals to be sent to the Budget Directorate-General (BDG) for direct inclusion in the State Budget (SB).

During the reporting year, the State maintained its financing policy regarding Reclassified Public Entities, replacing loan granting by equity contributions, by means of money injections, whenever the funds are aimed for debt service or investment.

Metropolitano's loans obtained amounted to 252.44 million EUR (32.58 million EUR in loans obtained, 192.05 million EUR in capital contributions and 27.81 million EUR in coverage of losses), while amortizing 71.59 million EUR in bank loans, as well as paying 15.31 million EUR in leasing operations and 163.65 million EUR in loan expenses and losses. Thus, financing activities gave rise to a 1.89 million EUR positive cash flow.

[12] Law no. 8/2012, of the 21st of February, and Decree-Law no. 127/2012, of the 21st of June.

[13] Law no. 91/2001, of the 20th of August, as republished by Law no. 52/2011, of the 13th of October, and amended by Law no. 37/2013, of the 14th of June, and, more recently, by Law no. 151/2015, of the 11th of September, carrying obligations on reporting to the Budget Directorate-General / Ministry of Finances.

Table 34 - Financing Activity

FINANCING ACTIVITIES (amounts in thousands of euro)	2017	2016	2015	Var. 2017/2016 Abs.	%
Cash receipts arising from:					
Equity Increases	192 051	358 410	189 272	(166 359)	(46,4)
Financing	192 051	358 410	189 272	(166 359)	(46,4)
Bank Loans - IGCP/TFDG	32 584	0	0	32 584	-
Coverage of losses	27 809	0	0	27 809	-
Account Overdraft	0	84	0	(84)	(100,0)
Financing	**252 444**	**358 494**	**189 272**	**(106 050)**	**(29,6)**
Cash payments regarding to:					
Bank Loans	71 587	225 368	71 503	(153 782)	(68,2)
Leasing operations	15 314	14 932	28 247	382	2,6
Debenture loans	0	3 866	7 731	(3 866)	(100,0)
Interest and similar expenses	163 652	116 272	91 462	47 380	40,7
Fixed Deposit (guarantee)	0	0	76	0	-
Payments	**250 553**	**360 438**	**199 018**	**(109 885)**	**(30,5)**
Financing activities cash flow	**1 891**	**(1 944)**	**(9 746)**	**3 835**	**(197,2)**

INVESTMENTS MADE

In 2017, Gross Fixed Capital Formation, amounting to 4.95 million EUR, includes the investments amounts which were capitalized in the Company's Fixed Assets accounts. These were reduced by 8.6% compared to 2016, and brakes down as follows:

Long-term Infrastructure (LTI)

- Green line Refurbishment, notably the Arroios and Areeiro stations, contributing with 11.9%;
- Rato/Cais do Sodré extension, in terms of technical assistance - Geotechnical Structure Studies' Follow-up, representing 8.8%;
- Yellow line Refurbishment, with a special focus on the Odivelas station, for its structure repair, with a proportion of 6.7%;
- Global Network Refurbishment, contracting LNEC's studies and purchasing Basic Equipment, contributing with 6.5%.
- Red line Refurbishment, with the contribution of several specialties, representing 6.4%.

ML

- Basic equipment, with a special focus on IT Equipment (hardware and software), contributing with 48.5%;
- Buildings and other constructions, regarding the improvement works in Av. Barbosa du Bocage and other interventions in the Depot and Workshop III, with approximately 4.3%.

Table 35 - Investment expenditure

Investment Expenditure (amounts in euro)	GFCF Gross Fixed Capital Formation	ITC Investment at Technical Costs	IE Investment Expenditure
LTI	**2 169 703**	**4 364 740**	**4 640 258**
Alameda/S. Sebastião Extension	(5 953)	(5 953)	(5 953)
National Action Plan on Accessibilities	39 133	39 133	39 173
Amadora-Este/Reboleira Extension (includes L)*	68 909	68 909	155 484
Oriente/Aeroporto Extension (includes L)*	2 677	2 677	2 677
Rato/Cais do Sodré Extension	436 219	436 219	436 219
Blue Line Refurbishment	69 807	69 807	69 807
Yellow Line Refurbishment	329 432	329 432	329 432
Green Line Refurbishment	589 255	589 255	778 158
Red Line Refurbishment	317 660	317 660	317 660
Global Network Refurbishment	322 565	322 565	322 565
Self-investment	**0**	**2 195 037**	**2 195 037**
ML	**2 778 641**	**2 778 641**	**2 778 641**
Buildings and other Constructions	212 016	212 016	212 016
Basic Equipment	2 403 133	2 403 133	2 403 133
Tools and Utensils	82 102	82 102	82 102
Administrative Equipment	81 390	81 390	81 390
Self-investment	**0**	**0**	**0**
Investment on Behalf of Third Parties	**3 648**	**3 648**	**3 648**
Investment on Behalf of Third Parties	3 648	3 648	3 648
Total investment	**4 951 992**	**7 147 029**	**7 422 547**

* Investments on behalf of ML and integrated in Ventures.

Table 36 - Evolution of Investment

Investment (amounts in euro)	2017	2016	2015	Var. 2017/2016 Abs.	Var. 2017/2016 %
Gross Fixed Capital Formation (GFCF)	4 951 992	5 418 459	14 008 513	(466 467)	-8,61
Investments at Technical Costs (ITC)	7 147 029	8 235 868	17 083 124	(1 088 839)	-13,22
Investment Expenditure (IE) - includes financial expenses	7 422 547	8 887 060	17 734 597	(1 464 513)	-16,48

ASSET STRUCTURE

BALANCE SHEET FOR THE FINANCIAL YEAR

Assets

Regarding its Balance Sheet's preparation, ML maintained the criterion, established by the Supervision Authority, to report the figures relating to the construction activity of long-term infrastructure (LTI), evidencing the effects of the infrastructure investment made on the State's behalf and the corresponding responsibilities.

Assets amounted to 5,313 million EUR, distributed as follows:

Table 37 - Total Assets

Assets (amounts in millions of euro)	2017	2016	2015	Var. 2017/2016	
				Abs.	%
Non-current	5 020	4 986	4 827	34	0,7
Current	0	0	0	0	-
LTI	**5 020**	**4 986**	**4 827**	**34**	**0,7**
Non-current	215	243	265	(27)	(11,3)
Current	77	78	78	(1)	(0,8)
ML	**293**	**321**	**343**	**(28)**	**(8,8)**
Total Assets	**5 313**	**5 307**	**5 170**	**6**	**0,1**

In essence, the LTI Assets 34 million EUR increase is justified by the incurred expenses arising from the loans obtained and the financial instruments' variation regarding the Infrastructure Investment activity, which was recorded in a State's receivables account.

Liabilities and Equity

Table 38 - Liabilities and Equity

Liabilities and Equity (amounts in millions of euro)	2017	2016	2015	Var. 2017/2016	
				Abs.	%
Non-current	2 707	3 071	3 200	(364)	(11,9)
Current	900	702	594	198	28,2
LTI	**3 607**	**3 773**	**3 794**	**(166)**	**(4,4)**
Non-current	482	642	759	(160)	(24,9)
Current	621	480	510	141	29,3
ML	**1 103**	**1 122**	**1 269**	**(19)**	**(1,7)**
Total liabilities	**4 709**	**4 894**	**5 063**	**(185)**	**(3,8)**
Equity	603	413	107	191	46,2
Total liabilities and equity	**5 313**	**5 307**	**5 170**	**6**	**0,1**

Total Liabilities was reduced by 3.8%, a 185 million EUR decrease, with a greater significance as to loans' amortization and to market-to-market recognition regarding potentially unfavourable financial instruments.

Equity maintains its upward trend, due to the State's support through equity reinforcement, amounting to 603 million EUR.

It should be mentioned that, in 2017, ML continued to recover its structure indicators, reflected in a 3.6 percentage point's growth in its Financial Autonomy ratio and a 4.4 percentage point's growth in its Solvency ratio, by means of Equity increasing, as previously mentioned, with the shareholder's support.

FINANCIAL RISK MANAGEMENT

ML has been consolidating its equity structure through the permanent reinforcements promoted by the shareholder, with the resulting company indebtedness reduction.

Metropolitano de Lisboa's Rating

Table 39 - ML's Rating

Metro Rating	Standard & Poor's	
	Rating	Outlook
27th of February 2015	BB	Stable
23rd of March 2015	BB	Positive
16th of February 2016	BB+	Stable
14th of February 2017	BB+	Stable
19th of February 2018	BBB-	Stable

ML's classification as a Reclassified Public Entity, occurred in the end of 2011, led Standard & Poor's to review its risk analysis criteria for the Company for 2012 onwards. Consequently, ML's Rating began to follow the Portuguese Republic's Rating evolution.

The rationale behind this assessment was the following:

1. Continuation of the State's financial support added to the fact most of the debt held by ML is secured by the Portuguese Republic.

2. Support and engagement in meeting debt service commitments, as demonstrated by the State, with funds allocated in the budget for 2017 for such purposes.

Evolution of Remunerated Liabilities

Metropolitano de Lisboa had amortized 79 million EUR in debt, and entered into new loans totalling 32.6 million EUR, which resulted in a 1.3% reduction in its remunerated liabilities

Table 40 - Structure Remunerated Liabilities

Remunerated liabilities (amounts in thousands of euro)	2017	2016	2015	Var. 2017/2016	
				Abs.	%
Debenture loans	1.310.000	1.310.000	1.310.000	0	0,0
EIB	508.844	580.346	651.849	(71 503)	(12,3)
Other long-term loans / Treasury	170.204	206.430	437.385	(36 226)	(17,5)
Shuldschein	300.000	300.000	300.000	0	0,0
Financial leasing	0	18.998	26.332	(18 998)	(100,0)
Medium and long-term debt	**2.289.048**	**2.415.775**	**2.725.566**	**(126.727)**	**(5,2)**
Debenture loans	0	0	7.731	0	-
EIB	71.503	71.503	71.503	0	0,0
Other long-term loans / Treasury	1.068.642	999.832	918.877	68 810	6,9
Financial leasing	11.470	0	0	11 470	-
Overdrafts	0	84	0	(84)	(100,0)
Short-term debt	**1.151.615**	**1.071.419**	**998.111**	**80.196**	**7,5**
Total	**3.440.663**	**3.487.194**	**3.723.677**	**(46.531)**	**(1,3)**

Regarding the company's debt structure, debenture loans represent 38.1% of the total borrowed funds amount, followed by Treasury bond debts, representing 36.0%.

Chart 29 - Indebtedness distribution

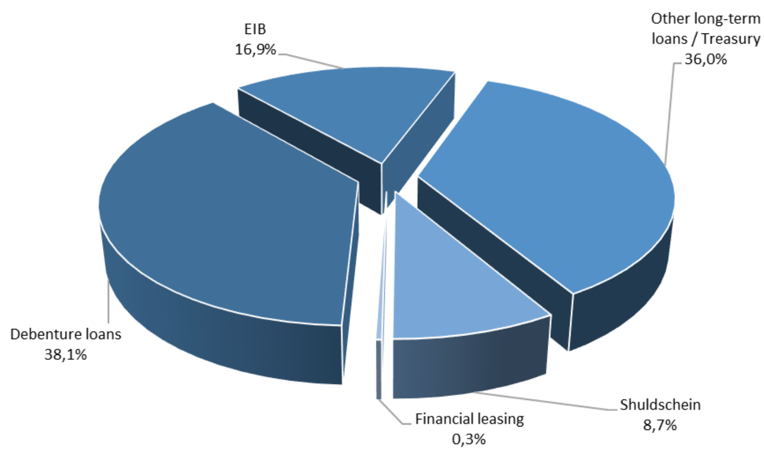
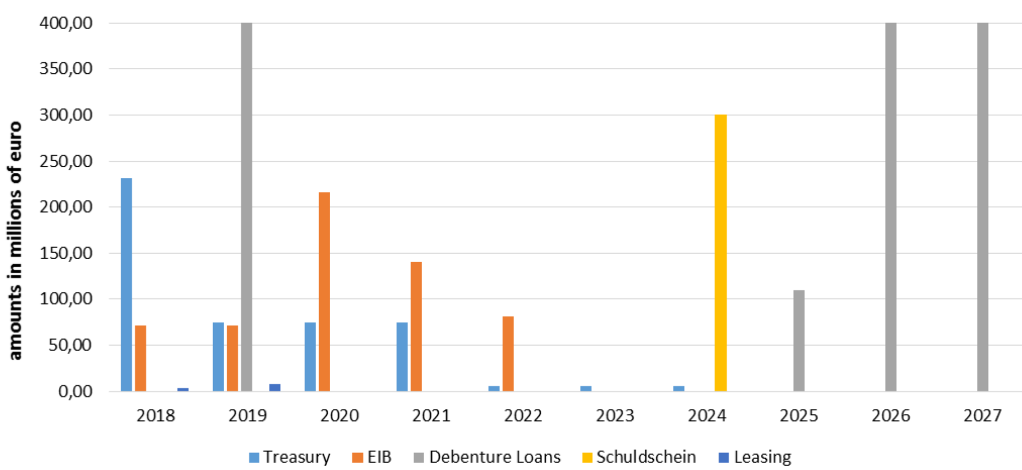


Chart 30 - Loan Maturity



Evolution of the implicit interest rate

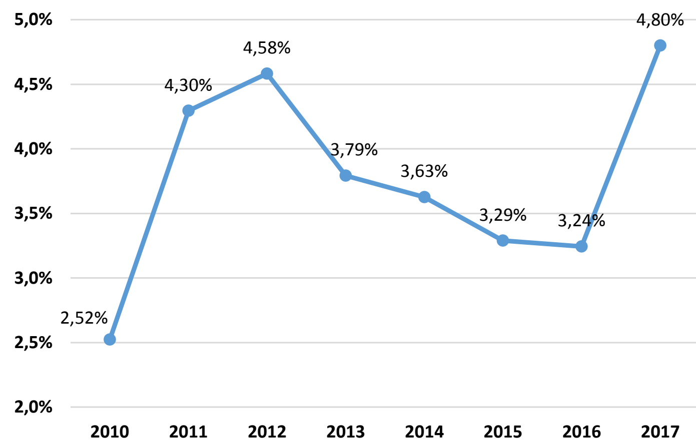
Chart 31 evidences the evolution of the implicit interest rate since 2010, regarding indebtedness.

Interest rates presented an unfavourable evolution between 2010 and 2012. With the decline in reference interest rates, the cash flows generated by risk-covering instruments initiated a fast-paced loss trajectory, increasing the implicit interest rate significantly.

This trend's reversal resulted, as of 2012, from fewer Treasury loans' costs, coupled with the effects arising from the cancellation of high loss risk derivatives and, as of 2013, from non-payment of derivatives related to the legal proceedings brought in London by Banco Santander Totta, S.A. against Public Transport Companies.

In 2017, subsequent to the settlement agreement concluded between Banco Santander Totta, S.A. and the Portuguese Republic, the Santander swaps' payment, previously under litigation, was resumed, contributing to a 1.56 percentage points increase in the implicit interest rate.

Chart 31 - Implicit interest rate



PRODUCTIVITY

From analysing Table 41, notwithstanding the difficulties related to rolling stock availability, ML keeps its supply growth trend, thus responding to the number of passengers carried increase, pursuing its objective of service levels' improvement.

Table 41 - Productivity Indicators

PRODUCTIVITY INDICATORS	2017	2016	2015	Var. 2017/2016	
				Abs.	%
Average Ckm (Carriages x km)/Effective	17.770	17.326	15.910	444	2,6
Average PSK (Passenger Spaces x km)/Ef 10^3	2.275	2.218	2.036	57	2,6

It should also be mentioned that basic indicators' variation on calculating the productivity indicators identified above was as follows:

- Ckm (Cars x km) and Skm (Seats x km): +4,7%;
- Average Headcount: +2.0%

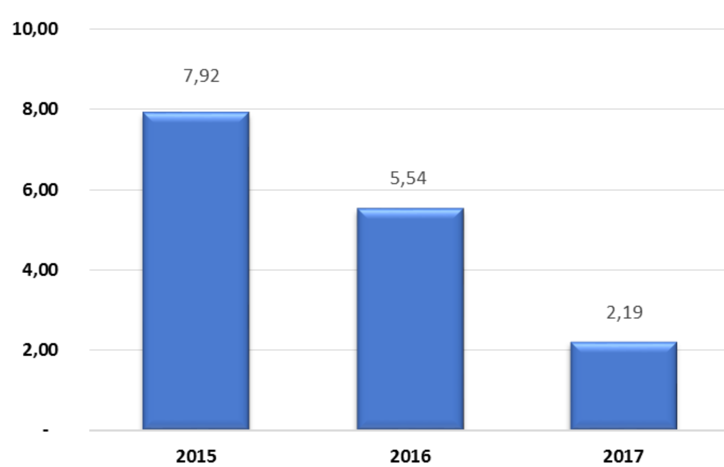
4.2. Ferconsult, S.A.

Table 42 - Operating Income and Expenses

ITEMS	2017	2016	2015	Var. 2017/2016	
				Abs	%
Services Provision	2.190.706 €	5.536.697 €	7.923.405 €	-3.345.991 €	-60,4%
Profits/losses attributed to subsidiaries, associates and joint ventures	-463.028 €	-15.454 €	49.450 €	-447.574 €	2896,1%
Own work capitalized	670.651 €			670.651 €	-
Other Income	275.189 €	77.096 €	239.321 €	198.093 €	256,9%
Total Operating Income	**2.673.518 €**	**5.598.339 €**	**8.212.176 €**	**-2.924.820 €**	**-52,2%**
External supplies and services	1.575.115 €	3.027.880 €	4.060.594 €	-1.452.765 €	-48,0%
Personnel expenses	2.805.560 €	3.702.055 €	5.077.163 €	-896.495 €	-24,2%
Receivable debts impairments (losses / reversals)	65.201 €			65.201 €	-
Depreciation and amortization expenses / reversals	33.454 €	66.068 €	146.309 €	-32.614 €	-49,4%
Provisions (increases/reductions)	-326.137 €	680.593 €	272.164 €	-1.006.731 €	-147,9%
Other expenses and losses	80.236 €	330.244 €	243.175 €	-250.008 €	-75,7%
Total Operating Expenses	**4.233.429 €**	**7.806.841 €**	**9.799.405 €**	**-3.573.412 €**	**-45,8%**
Operating Profit	**-1.559.910 €**	**-2.208.502 €**	**-1.587.229 €**	**648.592 €**	**29,4%**

In 2017, Ferconsult's total turnover stood at approximately 2.2 million EUR, reflecting a sharp 3.3 million EUR (60.4%) drop compared to the previous year, as evidenced in the following chart:

Chart 32 - Evolution of Turnover in 2015-2017 (M€)



The sharp drop in services provision is due, on one hand, by the company's activity reduction and, on the other hand, by the lack of new awarded tenders. Additionally, this result was also influenced by the need to readjust income amounts which were incorrectly recorded in previous years, in the context of São Paulo Metro System's Line 15 project (see Chart 31).

Chart 33 - Chart - Turnover by Customer

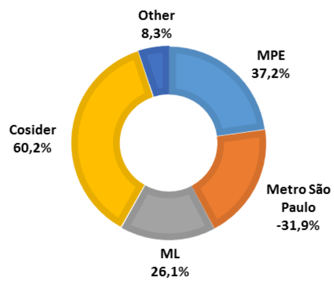
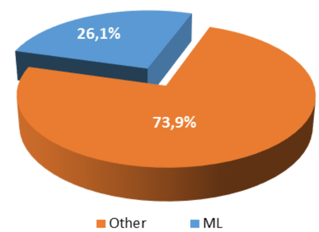
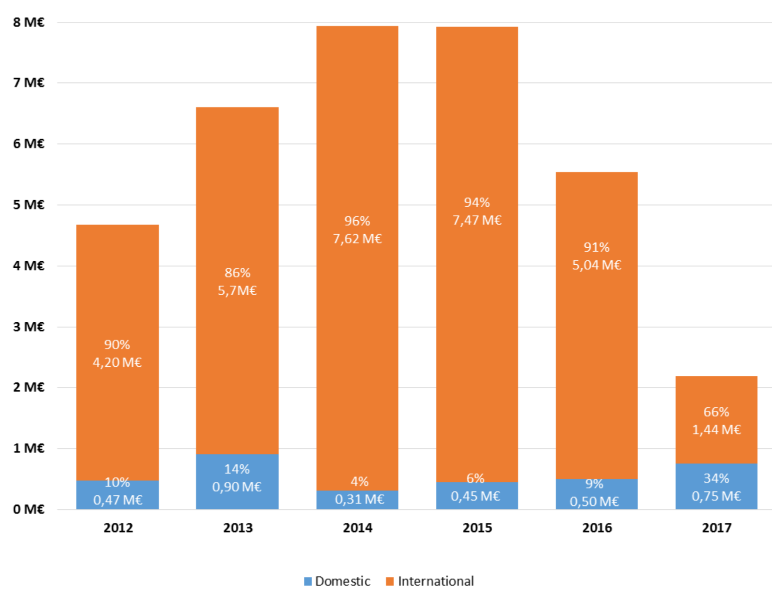


Chart 34 - Turnover for ML and Others



In view of the last years, Ferconsult's market of operation trend shifted, now focusing on its parent company's projects, as per the mentioned shareholder's strategic decision. Although the company's turnover is mainly international in nature, 2017 saw a significant decrease in this segment.

Chart 35 – Evolution of Turnover by Markets



In turn, 2017 saw an EBITDA improvement deriving from the company's efforts to reduce its operating expenses by means of adjusting its resources to the activity's reality. The following aspects contributed to the decrease of operating expenses:

- An approximately 1.5 million EUR reduction in ESF expenses, mainly justified by a decrease in service providers;

- A 1 million EUR decrease in provisions, since the reductions amount has been significantly higher than increases, which is essentially explained by the provisions reversal related to project losses, evidencing a greater impact on the M28 project (Algiers Metro - E Extension);
- An approximately 900 thousand EUR decrease in Personnel Expenses, resulting from the reduction of headcount number plan, initiated in 2017.

Chart 36 - Evolution of EBITDA in 2015-2017 (M€)

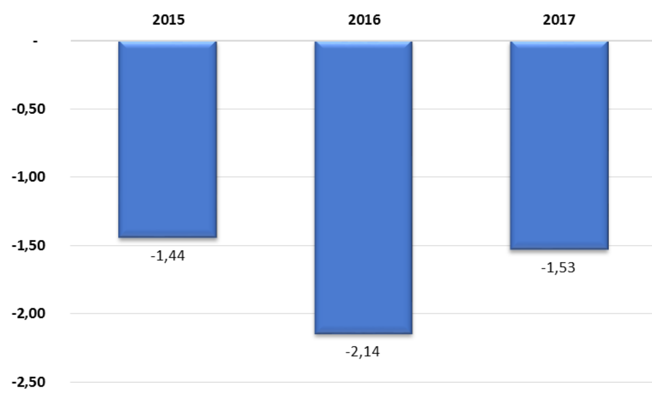


Table 43 – Personnel Expenses

TITLE	2017	2016	2015	Δ 2017/2016	
				Abs	%
Total personnel expenses = (a)+(b)+(c)	**2.805.559 €**	**3.702.056 €**	**5.077.164 €**	**-896.497 €**	**-24,2%**
(a) Corporate Bodies Expenses	68.972 €	48.985 €	13.255 €	19.987 €	40,8%
(b) Headcount Expenses = (i)+(ii)+(iii)	2.734.477 €	3.628.795 €	4.555.909 €	-894.318 €	-24,6%
(i) Remunerations	2.211.627 €	2.870.428 €	3.637.009 €	-658.801 €	-23,0%
(ii) Remuneration Costs	457.797 €	664.627 €	834.754 €	-206.830 €	-31,1%
(iii) Other Expenses	65.053 €	93.740 €	84.146 €	-28.687 €	-30,6%
(c) Terminations / Indemnities	2.110 €	24.276 €	508.000 €	-22.166 €	-91,3%

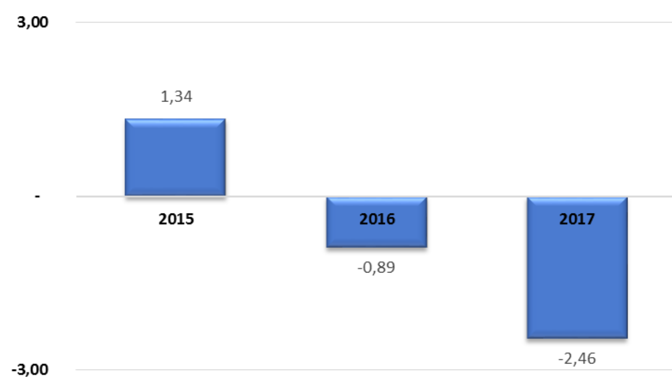
Overall, Ferconsult complied with the objectives established in the plan for reducing expenses, as according to the shareholder’s guidelines. Therefore, compared to 2016, the company recorded a 48% reduction regarding External Supplies and Services. Considering the items “Travel and Accommodation Expenses” and “Daily Allowance Expenses”, a substantial reduction of about 50% was observed.

Chart 44 – Plan for Reducing Expenses

ITEMS (amounts in euro)	2017	2016	2015	2017/2016 Δ Absol.	Var. %
External Supplies and Services	1.575.115	3.027.880	4.060.594	-1.452.765	-48,0
(i) Communication Expenses (ESF)	30.107	29.023	45.784	1.084	3,7
(ii) Travel and Accommodation Expenses (ESF)	30.596	63.663	129.351	-33.067	-51,9
(iii) Daily allowance Expenses (Personnel expenses)	5.512	11.136	27.714	-5.624	-50,5
(iv) Vehicle Expenses (ESF)	38.999	38.552	33.837	446	1,2
Personnel expenses	2.805.560	3.702.056	5.077.164	-896.496	-24,2
Total	**4.380.675**	**6.729.936**	**9.137.758**	**-2.349.261**	**-34,9**

At the end of the financial year, albeit it was possible to observe an improvement in Net Profit compared to previous years, there was a significant worsening in equity, due to last years' consecutive recorded negative results. Such situation prompted the shareholder to take measures, enabling to convert Ferconsult into a viable company, which led to the proposal sent to the Supervision Authority, in October 2017, for the company's reorganization plan including the strategic modifications indicated in section C.1.2. (*Strategy - Strategic Objectives*), as well as an equity increase as a charge to accounts receivable, thus complying with article 35 of the Portuguese Companies Code.

Chart 37 - Evolution of Equity



It should also be mentioned that the GAV amount has been progressively deteriorating subsequently to the sharp drop in the company's turnover.

Table 45 – Main Financial Indicators

Un: M €

Financial Indicators	2017	2016	2015	Var. 2017/2016 Abs	%
Turnover	2,19	5,54	7,92	(3)	(60,4)
Operating Profit	-1,56	-2,21	-1,59	1	(29,4)
Net Profit	-1,57	-2,22	-1,60	1	(29,3)
Equity	-2,46	-0,89	1,34	(2)	177,4
Gross Added Value (GAV)	1,32	2,53	3,87	(1)	(47,9)
EBITDA	-1,53	-2,14	-1,44	1	(28,8)

4.3. Metrocom, S.A.

RESULTS ANALYSIS

Revenues obtained from the shops, kiosks, vending machines and ATMs commercial exploration, as well as space provision (book fairs, wagons, stands and small displays or occasional events), amounted to 2,688,497 EUR, exceeding budget estimates and representing an increase, compared to 2016 (of 6.6%). Such amount includes 60,470 EUR regarding "entrance fees".

From all revenue streams, compared to 2016, we should highlight a growth in the following segments: "shops/kiosks" (9.4%), vending machines (5.6%) and ATMs (5.9%). On the contrary, "space provision" recorded a 7.5% decrease and the so-called corresponding rights saw a 35.6% fall compared to the previous year.

The amount recorded in the item "other income" includes the compensation amounts paid by shopkeepers concerning energy consumed, which equally saw a 20% increase compared to the previous year.

Table 46 – Income in 2015-2017 | Metrocom

Un: thousand €

Income	2017	2016	2015	Var. 2017/2016	
				Abs.	%
Service Income	2 688	2 522	2 434	167	6,6
Other income	114	94	103	20	20,7
TOTAL	**2 802**	**2 616**	**2 538**	**186**	**7,1**

* Shops' rents, vending, ATMs, Transfers and D.I.

Operating expenses evidenced a 10.2% increase compared to 2017, amounting to 2,479,348 EUR. These figures resulted, *inter alia*, from:

- A 10.7% increase in expenses on "external supplies and services", a variation justified by a 6.7% growth in offsets paid to ML at the activity's invoicing basis;
- A significant growth in maintenance and conservation services in stations;
- A 7.6% increase in energy consumption expenses, in particular at the Campo Grande station's commercial area.

Due to wage restitution, the personnel expenses area recorded a 9.8% increase.

In the period 2015-2017, the expense structure regarding External Supplies and Services, Personnel and Other Expenses has evolved as follows:

Table 47 - Expenses in 2015-2017 | Metrocom

Un: thousand €

Expenses	2017	2016	2015	Var. 2017/2016	
				Abs.	%
External Supplies and Services	2 218	2 005	1 933	214	10,7
Personnel Expenses	216	197	225	19	9,8
Other expenses*	44	48	63	(4)	(7,6)
TOTAL	**2 479**	**2 249**	**2 220**	**230**	**10,2**

*Includes Other expenses and losses, amortizations/depreciations and impairments

The company's expenditure corresponds essentially to operating expenses, with relevance to the "external supplies and services" area, by means of the sub-agreement framing the offsets paid to ML in light of the concession agreement, representing 86.8% of all such area and 77.7% of total operating expenditure. Energy expenses, standing at 151 thousand EUR, represent 6.83% of all expenses with external supplies and services.

It should also be highlighted that the 225.2% growth observed in specialized services expenses drives from the responsibilities incurred by Metrocom related to stations' repair and maintenance set out in the service provision agreement entered into with the ISS, which came into effect on the second half of 2017.

Personnel expenses represent 8.73% of all operating expenses. On the other hand, depreciation and amortization expenses present equivalent figures compared to 2016, reflecting a residual amount of approximately 1,635 EUR.

Notwithstanding Metrocom's results drop, compared to 2016, due to the aforementioned reasons, it should be mentioned that the company's accounts evidenced a positive and solid evolution, and this factor has substantially consolidated from 2011 onwards, following ML's purchase of Setepcom's shareholding position and the simultaneous termination of the service provision agreement which bound both companies.

Table 48 – Evolution of Results in 2015-2017

Un: thousand €

Profits	2017	2016	2015	Var. 2017/2016	
				Abs.	%
EBITDA	325	368	329	(43)	(11,7)
Operating profit	323	367	317	(44)	(11,9)
Net profit	252	285	245	(33)	(11,7)

BALANCE SHEET ANALYSIS

The evolution of the items of the company's Balance Sheet for the period 2015-2017 is reflected in the following table:

Table 49 – Evolution of the Balance Sheet in 2015-2017

Un: €

Balance sheet	2017	2016	2015	Var. 2017/2016	
				Abs.	%
Non-Current Assets	8 661	10 296	11 932	(1 635)	(15,9)
Current Assets	3 546 390	3 660 528	3 150 313	(114 138)	(3,1)
ASSETS	3 555 051	3 670 824	3 162 245	(115 774)	(3,2)
EQUITY	2 871 757	2 620 127	2 334 904	251 630	9,6
Non-current Liabilities	2 838	2 838	2 838	0	0,0
Current Liabilities	680 456	1 047 859	824 503	(367 404)	(35,1)
LIABILITIES	683 294	1 050 698	827 341	(367 404)	(35,0)
LIABILITIES AND EQUITY	3 555 051	3 670 824	3 162 245	(115 774)	(3,2)

The Balance Sheet reflects the company's financial structure's soundness, which on the 31st of December 2017 evidenced an equity total amount of 2,871,757 EUR, reflecting a 9.6% reinforcement compared to the previous year. Liabilities, on the other hand, amounting to 683,294 EUR, reflects an approximately 35% decrease compared to 2016.

Thus, each share's book value on the 31st of December 2017 stood at 19.14 EUR, representing a 282.8% increase over its face value.

In 2017, earnings per share stood at 1.68 EUR, versus 1.90 EUR and 1.64 EUR, respectively, in 2016 and 2015.

It should also be mentioned that the company has performed all its obligations assumed with the State, the Social Security system and third parties, and it does not have any liabilities pertaining to borrowed funds nor any assumed financial liabilities.

4.4. ML Group

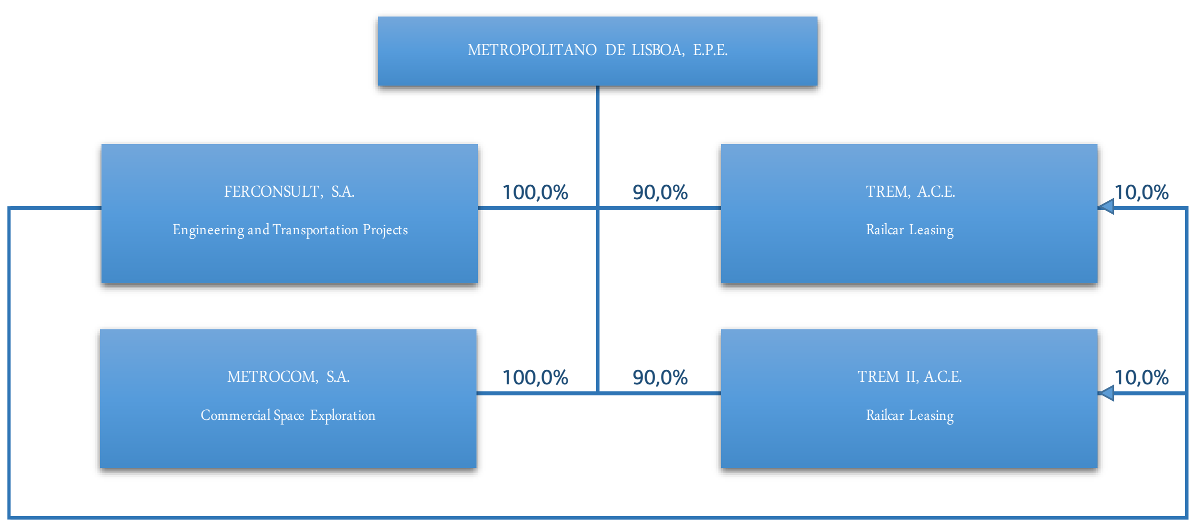
Article 6 of Decree-Law no. 158/2009, the 13th of July, provides that all parent companies subject to Portuguese law shall prepare consolidated financial statements for the Group which includes itself and all subsidiaries over which the former may have a dominant influence or control. In this sense, Metropolitano de Lisboa, E.P.E. ("Metropolitano" or "ML") (trade name set out on the 26th of June 2009), in the capacity of parent company of the Metropolitano Group ("Group" or "ML Group"), has prepared the Company Group's consolidated financial statements in compliance with the International Financial Reporting Standards ("IFRS"), as adopted within the European Union and with effects from the 1st of January 2016 onwards. These correspond to the International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB"), as well as the interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") or by the former Standing Interpretations Committee ("SIC"), which may have been adopted within the European Union.

The Group's consolidated financial statements were prepared based on the assumption of companies' business continuity and according to the accrual basis of accounting, bearing in mind the accounting books and records of the companies included in the consolidated group, kept pursuant to the generally accepted Portuguese accounting principles, adjusted in the process of consolidation in such a way that the consolidated financial statements comply with the International Financial Reporting Standards, as adopted within the European Union.

This consolidation shall be tax neutral, particularly in what concerns income taxes, as it no expectations were assumed according to which the Group will obtain future taxable profits which allow using its accumulated tax losses.

The ML Group's scope of consolidation is composed of the following companies:

Figure 10 – ML Group's Consolidation Perimeter



The accounts of the companies identified in the table below have been included in the consolidated financial statements for 2017 as participating interests.

Table 50 – ML Group's Minority Interests

Company	leadquarter	centage of shareholder's equity h		
		Directly	Indirectly	Total
Publimetro - Publicidade em Meios de Transporte e Outros, S.A.	Lisbon	40%	-	40%
Ensitrans - Engenharia e Sistemas de Transporte, A.E.I.E.	Lisbon	5%	45%	50%
Otlis, A.C.E.	Lisbon	14,29%	-	14,29%

RESULTS ANALYSIS

2017 saw a turnover growth of 4.4% (a 4.65 million EUR increase) compared to 2016, mainly resulting from a demand increase (a 5.4% growth), which reflected in an addition of 7.5 million EUR in Public Service Income. To a lesser extent, the turnover's increase also derives from the capitalization of commercial spaces in metro stations (a 6.6% growth). In turn, Ferconsult's turnover was reduced by the lack of new engineering projects, in about 3.35 million EUR (a 60% decrease).

In 2017, the Group's Operating Income stood at 159 million EUR, representing a 17.06 million EUR increase compared to the previous year.

Operating Expenses stood at 149.57 million EUR, representing expenses by and large directly related to the transport service production (Personnel, External Supplies and Services and Costs of Materials Consumed) and, to a lesser extent, expenses related to the development of projects in Algeria, Brazil and Portugal.

Table 51 – Evolution in 2017-2016

Un.: M€

Indicators	Consolidated Accounts		Variation	
	2017	2016	Abs.	%
Turnover	111,17	106,52	4,65	4,36
Operating Income	159,07	142,00	17,06	12,02
Operating Expenses	149,57	140,87	8,70	6,18
EBITDA	43,09	34,61	8,48	24,51
Corrected EBITDA *	2,46	7,37	-4,91	-66,65
Operating Profit	9,50	1,13	8,36	737,66
Net Profit	-24,50	-44,14	19,64	44,49

* Excluding the effects deriving from provisions, impairments and fair value increases/reductions, investment subsidies and equity method / subsidiaries

In 2017, the ML Group's economic performance evidenced major improvements, which may be observed in the operating profit's 737% increase. Although still negative, the Net Profit for the financial year evidenced an improvement of about 44%.

Table 52 – Consolidated Accounts for 2017

Indicators	Consolidated Accounts	Individual Accounts				
		ML	Ferconsult	Metrocom	TREM	TREM II
Turnover	111,17	109,40	2,19	2,69	2,55	4,88
Operating Income	159,07	155,30	3,46	2,80	2,62	5,11
Operating Expenses	149,57	145,91	5,02	-2,48	0,03	0,00
EBITDA	43,09	32,57	-1,53	0,33	2,58	5,10
Corrected EBITDA *	2,46	-4,23	-1,32	0,33	2,58	4,69
Operating Profit	9,50	9,38	-1,56	0,32	2,58	4,69
Net Profit	-24,50	-24,50	-1,57	0,25	2,57	5,08

* Excluding the effects deriving from provisions, impairments and fair value increases/reductions, investment subsidies and equity method / subsidiaries

Table 53 – Consolidated Accounts for 2016

Indicators	Consolidated Accounts	Individual Accounts				
		ML	Ferconsult	Metrocom	TREM	TREM II
Turnover	106,52	101,19	5,54	2,52	2,44	4,49
Operating Income	142,00	136,13	5,60	2,62	2,53	4,70
Operating Expenses	140,87	135,19	7,81	2,25	0,03	0,01
EBITDA	34,61	23,98	-2,14	0,37	2,50	4,69
Corrected EBITDA *	7,37	1,26	-1,45	0,37	-	-
Operating Profit	1,13	0,94	-2,21	0,37	2,50	4,69
Net Profit	-44,14	-44,14	-2,22	0,29	2,47	4,62

* Excluding the effects deriving from provisions, impairments and fair value increases/reductions, investment subsidies and equity method / subsidiaries

F. Compliance with Legal Guidelines (ML)

In compliance with Circular no. 587 issued by the Treasury and Finances Directorate-General - "Instructions about the 2017 provision of accounts process", of the 7th of February 2018, the details of the required information are as follows:

a) Management Objectives and Activity and Budget Plan

Within the scope of Corporate Governance principles, article 38 of Decree-Law no. 133/2013, of the 3rd of October, establishes the substance and the ways of exercising Shareholder's functions, including setting out guidelines to be applied in business activity performance as well as the management's key objectives and the results to be obtained by Management Body members, appointed for each three-year period.

Throughout this financial year, no Management Agreement was adopted for the term for which the members of the Board of Directors were appointed. However, it is important to highlight that the Supervision Authority was presented with an objectives proposal to be incorporated in the Management Agreement, by means of the letter 1258695 of the 11th of April 2017, yet to be approved.

The following tables reflect the implementation of the ABP 2017 (financial reference principles, investment, staff and indebtedness), as well as the status of implementation of the budget uploaded on SIGO/SOE.

Table 54 – Implementation of the ABP 2017

	YEAR 2017		Status of Implementation	Notes/Justification for deviations
	REAL	ABP		
Financial Reference Principles				
EBITDA increase compared to the previous year.	-434,5%	199,9%		The corrected EBITDA has been considered. The real EBITDA's deviation regarding the projection is justified by the exchange losses not considered in the projected statements.
PRC (1) - reducing operat. expenses in 15%, compared to 2010	-19,1%	-17,7%		
PRC (2) - reducing communication expenses in 5%, compared to 2016	2,5%	-13,3%		As of 2017, communication expenses are no longer shared with Carris and Transtejo.
PRC (3) - reducing travel/accommodation expenses in 5%, compared to 2016	262,4%	176,6%		As of 2017, travel/accommodation expenses are no longer shared with Carris and Transtejo. In addition, the Rato-Cais do Sodré expansion required greater expenses of such nature.
PRC (4) - maintaining daily allowances, compared to 2016	496,4%	0,0%		Inadvertently, no amount has been included in the ABP 2017 for daily allowances.
PRC (5) - maintaining car fleet expenses, compared to 2016	63,1%	-6,5%		In 2016, the amount incurred with the fleet has benefited from the synergies resulting from the sharing of expenses with Carris and Transtejo. In 2017, it was necessary to renovate ML's car fleet, which justifies the increase in expenditure. In 2017, ML has obtained authorization to waive the ESPAP's preliminary opinion (Order of 17-05-2017, Ruling no. 855), relative to the substitution of ML's operating light vehicle fleet, throughout the year 2017, as per paragraph 8 or article 37 of Budget Implementation Decree-Law.
Investment				
Long-term Infrastructure	2.169.703 €	7.857.692 €	27,6%	Due to delays/problems in the public procurement procedure, namely delays in multi-annual expenditure authorizations, it has not been possible to carry out all projected investments.
Fleet Renewal and Upgrade	- €	- €	-	
Other Investments	2.782.289 €	2.788.857 €	99,8%	
TOTAL	**4.951.993 €**	**10.646.549 €**	**46,5%**	
Human Resources Indicators				
Headcount number on the 31st of Dec.	1.408	1.418	99,3%	
Average headcount number on the 31st of Dec.	1.397	1.391	100,5%	
Indebtedness				
Indebtedness variation	2,88%	2,35%		

Table 55 – Status of Implementation of the Budget uploaded on SIGO/SOE (Revenue)

Item		Budget	Realization	Status of implementation	Justification
R05.07	07-Rem. Capitais Estat-Rec. Gerais	0 €	68.323 €		Dividends of the subsidiary OTLIS, not projected in the budget.
R06.03	03-ADMINISTRAÇÃO CENTRAL	2.090.902 €	29.881.157 €	1429,1%	Integration of 27.8 M€ of the Portuguese Environment Agency's balance carried forward used to pay the coupons of the Santander swaps under litigation, following the agreement achieved in May between the Bank and the Republic.
R07.02	02-SERVIÇOS	105.133.910 €	113.573.018 €	108,0%	The accumulated tariff revenue exceeds the estimated due to the tariff increase which took place in Jan/2017 which had not been budgeted, as well as to a higher increase in demand from the one projected.
R08.01	01-OUTRAS	2.533.701 €	2.774.468 €	109,5%	Amount received exceeding the estimated due to the profits of affiliated entities, namely the ACE.
R09.03	03-EDIFÍCIOS	553.000 €	0 €	0,0%	Notwithstanding the property sale expectations during budget preparation, no sale occurred in 2017.
R09.04	04-OUTROS BENS DE INVESTIMENTO	0 €	46.216 €		This amount regards to the sale of some ML's vehicles.
R10.03	03-ADMINISTRAÇÃO CENTRAL	1.300.000 €	1.137.500 €	87,5%	The implementation was not complete due to a 12.5% blockage on the PIDDAC budget allocation
R12.06	06-APOIO FINANCEIRO	24.089.961 €	32.584.270 €	135,3%	The deviation in this item is essentially related to the € 6M transferred, at the end of 2017, by the TFDG to cover the Cash Flow needs at the beginning of 2018 and guarantee the development of public service duties.
R12.07	07-OUTROS PASSIVOS FINANCEIROS	204.422.370 €	192.050.802 €	93,9%	Reduction in funding needs due to weak implementation of certain items
R15.01	01-REPOSIÇÕES NÃO ABATIDAS NOS PAGAMENTOS		92.627 €		These amounts refer to the regularization of water and insurance agreements, as well as to the closing of accounts for the Red Line Expansion construction work, from Oriente to Aeroporto.
R16.01	01- SALDO GERÊNCIA		24.964.664 €		Order 339/2017/SEO - Authorization for using the Cash Balance
R17.02	00 - OUTRAS OPERAÇÕES DE TESOURARIA		248.257 €		Extra-budgetary revenue

Table 56 – Status of Implementation of the Budget uploaded on SIGO/SOE (Expenditure)

Item		Budget	Realization	Status of implementation	Justification
D01.01	01-REMUNERAÇÕES CERTAS E PERMANENTES	42.065.523 €	45.408.371 €	107,9%	Recruitment effects (as approved by the Supervisory Authority) together with the remuneration valuations impact and the assessment procedure effects.
D01.02	02-ABONOS VARIÁVEIS OU EVENTUAIS	1.742.782 €	3.379.118 €	193,9%	The budget proposal initially submitted by ML was subject to a cut of 3.5 million euro. Along with the impact of the remuneration valuations and the assessment procedure effects, this fact has resulted in an increase of the expenditure level.
D01.03	03-SEGURANÇA SOCIAL	22.814.207 €	24.089.941 €	105,6%	Recruitment effects (as approved by the Supervisory Authority) together with the remuneration valuations impact and the assessment procedure effects.
D02.01	01-AQUISIÇÃO DE BENS	4.781.093 €	7.749.390 €	162,1%	Additional effort to restore the stock levels of the warehouse materials, envisaging to improve the maintenance of the rolling stock.
D02.02	02-AQUISIÇÃO DE SERVIÇOS	52.367.804 €	40.204.366 €	76,8%	Delays in public procurement procedures have led to a level of execution lower than projected.
D03.05	05-OUTROS JUROS	84.029.276 €	164.675.809 €	196,0%	The deviation refers to the payment of the Santander Swaps, previously under litigation. After the agreement, the payment commenced in June and was not included in the Budget preparation.
D03.06	06-OUTROS ENCARGOS FINANCEIROS	23.448 €	117.328 €	500,4%	The deviation is due to an increase in costs related to the Swaps payment
D06.02	02-DIVERSAS	1.260.890 €	4.331.341 €	343,5%	The low status of implementation for investment did not keep up with the budgeted tax payment calculation. *I.e.* the amounts to be paid to the State arising from the revenue had no counter entry in receivables. ML has made a budgetary change of the investment budget allocation (07) for payment of taxes.
D07.01	01-INVESTIMENTOS	6.564.599 €	3.247.030 €	49,5%	Delays in public procurement procedures resulted in an extremely low status of implementation.
D07.02	02-LOCAÇÃO FINANCEIRA	6.229.797 €	7.528.631 €	120,8%	The amount approved by the BDG fell behind the amount proposed by the company. The low implementation of the remaining investment sub-groups has enabled an adjustment of the implementation needs.
D07.03	03-BENS DE DOMÍNIO PUBLICO	31.916.047 €	3.023.771 €	9,5%	Delays in public procurement procedures regarding Areeiro and Arroios stations' refurbishment works resulted in an extremely low status of implementation. ML has requested authorization from the Supervisory Authority to use the investment budget allocation, thus increasing funds for the purchase of goods and services and for the amortization of financial liabilities. Additionally, investment amounts were transferred, thus allowing the payment of taxes.
D10.06	06-EMPRÉSTIMOS A MEDIO E LONGO PRAZOS	69.715.012 €	71.502.576 €	102,6%	An inaccuracy has been found in the budget preparation, resulting in an additional financial need for ML of 1.8 million euro. The Supervisory Authority has authorized the use of the investment budget allocation for amortization of financial liabilities.
D12.02	00-OUTRAS OPERAÇÕES DE TESOURARIA		139.784 €		Extra-budgetary expense

b) Financial Risk Management and Indebtedness growth limits

In this report's "Evolution of the implicit interest rate" section, the evolution of the last 5 years' expenses arising from loans and their annual average interest rate is disclosed, as established in Order no. 101/09-SETF, of the 30th of January.

Table 57 - Financing

Years	2017	2016	2015	2014	2013
Financial Expenses (€)	163.652.365	116.271.878	91.461.531	95.459.528	582.068.223
Average Financing Rate (%)	4,80	3,24	3,29	3,63	3,79

c) Indebtedness growth limits

In light of the terms set out in paragraph 1 of article 45 of Law no. 42/2016, of the 28th of December, the maximum indebtedness growth limits for public companies were set at 3%, taking into account the remunerated financing corrected for the paid-up equity.

Table 58 - Indebtedness variation

(amounts in euro)	2017	2016	2015	2014	2013
Remunerated Financing	3.440.662.560	3.487.193.585	3.723.677.187	3.823.438.755	4.280.827.560
Equity Budget Allocation	192.050.802	358.409.543	189.272.225	549.683.716	475.429.039
Indebtedness variation			**2,88%**		

As evidenced in the table above, Metropolitano de Lisboa met the objective established in the SB law consisting in not increasing the public business sector indebtedness levels in more than 3%.

Table 59 - Remunerated Liabilities

Un: euro

Remunerated liabilities (amounts in euro)	2017	2016	2015	2014	2013	Variation 2017/2016 Amount	%
Loans obtained (Current and Non-current)	3.440.662.560	3.487.193.585	3.723.677.187	3.823.438.755	4.280.827.560	-236.483.602	-1,3
- of which, granted by the TFDG	1.238.846.655	1.206.262.385	1.206.262.385	1.206.262.385	1.571.890.846	0	2,7
Equity Increases by budget allocation	192.050.802	358.409.543	189.272.225	211.326.846	475.429.039	169.137.318	-46,4
Equity Increase by credit conversion	0	0	0	338.356.870	0	0	-
Adjusted Indebtedness	3.632.713.363	3.845.603.128	3.912.949.412	4.373.122.471	4.756.256.599	-67.346.284	-5,5

Metropolitano de Lisboa's indebtedness decreased by 1.3%, as its remunerated liabilities stood at 3,441 million EUR.

d) Average period for payments (APP) payments in arrears

In light of the Council of Ministers Resolution no. 34/2008, of the 22nd of February, as amended by Order no. 9870/2009, of the 13th of April, the evolution of the Average Period for Payments to Suppliers is as evidenced in the following table.

Table 60 - Average period for payments to suppliers

APP	2017	2016	Variation 2017/2016	
			Amount	%
Period (days)	19	22	-3	-13,6

The position on the 31st of December 2017 regarding payables is demonstrated in the table below, evidencing overdue debts and payments in arrears, as established in Decree-Law no. 65-A/2011, of the 17th of May.

Table 61 - Payments in Arrears

Overdue Debts (amounts in euro)	0-90 days	Overdue debts amount pursuant to article 1 of DL 65-A/2011			
		90-120 days	120-240 days	240-360 days	> 360 days
Purchase of Goods and Services	15.012	4.064	20.868	0	0
Purchase of Equity	0	0	0	0	36.044
Total	**15.012**	**4.064**	**20.868**	**0**	**36.044**

Controlling Payments in Arrears is one of the critical application requirements regarding the Law on Commitments and Payments in Arrears (LCPA), which is applicable to Metropolitano de Lisboa as of January 2012 subsequent to the company's reclassification as Autonomous Funds and Services, in the perimeter of consolidation of public accounts.

For purposes of calculating the Available Funds, it is of vital importance to assess the entity's condition in light of the existence of payments in arrears, pursuant to the LCPA provisions.

e) Shareholder's Recommendations

In order to comply with its special information duties and the periodically addressed shareholder's recommendations, Metropolitano de Lisboa aims to report all requested information and clarifications in due time.

Bearing in mind that the Shareholder has not yet approved the company's accounts for 2014, 2015 and 2016, for the purposes of this section, no relevant specific recommendations were transmitted to the company.

f) Remuneration of the corporate bodies

Table 62 - Identification of the members of the Board of Directors

Term (Start - End)	Position	Name	Appointment		OPRLO			No. of terms
			Form	Date	Yes/No	Origin Entity	Paying Entity (O/D)	
2017-2019	Chairman	Eng.º Vítor Manuel Jacinto Domingues dos Santos	CMR no. 16/2017	16/01/2017	No	n.a.	D	1
2017-2019	Board Member 1	Dr. Luís Carlos Antunes Barroso	CMR no. 16/2017	16/01/2017	No	n.a.	D	1
2017-2019	Board Member 2	Eng.ª Maria Helena Arranhado Carrasco Campos	CMR no. 16/2017	16/01/2017	No	n.a.	D	1
2017-2019	Board Member 3	Dr. Rui Nelson Ferreira Dinis	CMR no. 16/2017	16/01/2017	No	n.a.	D	1

OFSLR – Option for Source Location Remuneration; S/T: Source/Target

Table 63 - Accumulation of Roles

Member of the BD	Accumulation of Roles		
	Entity	Role	Regime
Eng.º Vítor Manuel Jacinto Domingues dos Santos	FERCONSULT – Consultoria, Estudos e Projetos de Engenharia de Transportes, S.A.	Chairman	Public
	METROCOM – Exploração de Espaços Comerciais, S.A.	Chairman	Public
Dr. Luís Carlos Antunes Barroso	METROCOM – Exploração de Espaços Comerciais, S.A.	Board Meml	Public
	TREM – Aluguer de Material Circulante, A.C.E.	Chairman	Public
	TREM II – Aluguer de Material Circulante, A.C.E.	Chairman	Public
Eng.ª Maria Helena Arranhado Carrasco Campos	FERCONSULT – Consultoria, Estudos e Projetos de Engenharia de Transportes, S.A.	Board Member	Public
Dr. Rui Nelson Ferreira Dinis	METROCOM – Exploração de Espaços Comerciais, S.A.	Board Member	Public

Table 64 - Public Manager Statute

Member of the BD	PMS			
	Fixed	Classification	Monthly Gross Remuneration (€)	
	(Y/N)	[A/B/C]	Monthly wage	Representation expenses
Eng.º Vítor Manuel Jacinto Domingues dos Santos	Y	A	5.722,75	2.289,10
Dr. Luís Carlos Antunes Barroso	Y	A	4.578,20	1.831,28
Eng.ª Maria Helena Arranhado Carrasco Campos	Y	A	4.578,20	1.831,28
Dr. Rui Nelson Ferreira Dinis	Y	A	4.578,20	1.831,28

Table 65 - Annual remuneration of the members of the Board of Directors

Member of the BD	Annual Remuneration - 2017 (€)				
	Fixed	Variable	Gross Amount	Remuneration Reductions	Final Gross Amount
	(1)	(2)	(3)=(1)+(2)	(4)	(5)=(3)-(4)
Eng.º Vítor Manuel Jacinto Domingues dos Santos	110.092,40	0,00	110.092,40	5.775,28	104.317,12
Dr. Luís Carlos Antunes Barroso	88.574,86	0,00	88.574,86	4.620,14	83.954,72
Eng.ª Maria Helena Arranhado Carrasco Campos	88.574,86	0,00	88.574,86	4.753,70	83.821,16
Dr. Rui Nelson Ferreira Dinis	88.574,86	0,00	88.574,86	4.620,14	83.954,72
			375.816,98	**19.769,26**	**356.047,72**

Table 66 - Social benefits

Member of the BD	Social Benefits (€)							
	Meal Allowance		Social Protection Scheme		Annual Cost Health Insurance	Annual Cost Life Insurance	Other	
	Amount / Day	Paid Amount Year	Identify	Annual Cost			Identify	Amount
Eng.º Vítor Manuel Jacinto Domingues dos Santos	10,35	2.504,70	SNS	25.887,16	598,20	-	Work Accidents Insurance	1.466,10
Dr. Luís Carlos Antunes Barroso	10,35	2.504,70	SAMS	6.167,10	598,20	-	Work Accidents Insurance	1.172,88
Eng.ª Maria Helena Arranhado Carrasco Campos	10,35	2.504,70	ADSE	0,00	598,20	-	Work Accidents Insurance	1.170,96
Dr. Rui Nelson Ferreira Dinis	10,35	2.504,70	SNS	20.776,74	598,20	-	Work Accidents Insurance	1.172,88
		10.018,80		**52.831,00**	**2.392,80**	**0,00**		**4.982,82**

Table 67 – Costs with Vehicles

Member of the BD	Costs with Vehicles - 2017								
	Attributed vehicle [Y/N]	Conclusion of agreement	Vehicle reference amount (€)	Type	Year Start	Year End	Monthly Rental Amount (€)	Annual Rental Expenditure (€)	Remaining Agreement Instalments (no.)
Eng.º Vítor Manuel Domingues dos Santos	Y	Y	45.353,00 €	AOV	2017	2021	617,63 €	7.411,56 €	39
Dr. Luís Carlos Antunes Barroso	Y	Y	41.401,00 €	AOV	2017	2021	554,91 €	6.658,92 €	39
Eng.ª Maria Helena Arranhado Carrasco Campos	Y	Y	42.072,00 €	AOV	2017	2021	558,23 €	6.698,76 €	39
Dr. Rui Nelson Ferreira Dinis	Y	Y	40.692,07 €	AOV	2017	2021	544,26 €	6.531,12 €	39

Table 68 - Annual mission traveling expenses

Member of the BD	Annual Mission Traveling Expenses (amounts in euro)					
	Mission Traveling	Accommodation Costs	Daily Allowances	Other		Total costs with traveling (Σ)
				Identify	Amount	
Eng.º Vítor Manuel Domingues dos Santos	9.883,74	2.121,55	688,05			12.693,34
Dr. Luís Carlos Antunes Barroso	6.537,37	2.033,19	625,50			9.196,06
Eng.ª Maria Helena Arranhado Carrasco Campos	276,51	330,00	250,20			856,71
Dr. Rui Nelson Ferreira Dinis	940,54	889,00	312,75			2.142,29
						24.888,40

Supervisory Board

Table 69 - Identification of the members of the Supervisory Board

Term (Start - End)	Position	Name	Appointment		Fixed Monthly Remuneration Statute (€)	No. of terms
			Form (1)	Date		
2017-2019	Chairman	Dr. José Carlos Pereira Nunes	DC SETF and SEAMB	11/01/2017	1.362,01	2 (2)
2017-2019	Effective Board Member	Dra. Cristina Maria Pereira Freire	DC SETF and SEAMB	11/01/2017	1.021,51	1
2017-2019	Effective Board Member	Dra. Margarida Carla Campos Freitas Taborda	DC SETF and SEOPTC	11/01/2017	1.021,51	1
2017-2019	Substitute Board Member	Dra. Maria Teresa Vasconcelos Abreu Flor de Morais	DC SETF and SEOPTC	11/01/2017	-	2

(1) In light of the Joint Order, of the 11th of January 2017, issued by the Assistant Secretary of State for Treasury and Finances and the Assistant Secretary of State for the Environment.

(2) Dr. José Carlos Pereira Nunes's 1st term was completed as effective Board Member.

Table 70 - Annual remuneration

Name	Annual Remuneration (€) Gross (1)	Remuneration Reductions (2)	Final Amount (3)=(1)-(2)
Dr. José Carlos Pereira Nunes	19.068,13	0,00	19.068,13
Dra. Cristina Maria Pereira Freire	14.301,19	0,00	14.301,19
Dra. Margarida Carla Campos Freitas Taborda	14.301,19	0,00	14.301,19
Dra. Maria Teresa Vasconcelos Abreu Flor de Morais	0,00	0,00	0,00
			47.670,51

Chartered Accountant (Auditor) (ROC)

Table 71 - Identification of the SROC/ROC

Term (Start - End)	Position	SROC/ROC Identification: Name	OROC Registry No.	CMVM Registry No.	Appointment: Form	Date	Agreement date	No. of years performing services at the group	No. of years performing services at the company
2015-2017	SROC	Alves da Cunha, A. Dias & Associados, SROC, Lda. represented by:	74	20161409	Order	18/03/2015	18/03/2015	2	2
	Effective ROC	Dr. José Luís Areal Alves da Cunha	585	20160240					
	Substitute ROC	Dr. Abílio Ançã Henriques	413	20160121					

Table 72 - Annual remuneration

Name (ROC/Statutory Auditor)	Annual Amount of the Services Provision Agreement - 2017 (€): Amount (1)	Reductions (2)	Final Amount (3)=(1)-(2)	Annual Amount of Additional Services - 2017 (€): Service Identification	Amount (1)	Reductions (2)	Final Amount (3)=(1)-(2)
Alves da Cunha, A. Dias & Associados, SROC	20.550,36	0,00	**20.550,36**				**0,00**

g) Remuneration of the External Auditor

Table 73 - Identification and remuneration of the external auditor

External Auditor Identification: Name of External Auditor	OROC no.	CMVM no.	Contracting Date	Agreement Duration	No. of years performing services at the group	No. of years performing services at the company
BDO & ASSOCIADOS, SROC, LDA., represented by:	29	20161384	01/01/2017			
Dr. João Paulo Torres Cunha Ferreira	956	20160573				

Name of External Auditor	Annual Amount of the Services Provision: Amount (1)	Reductions (2)	Final Amount (3)=(1)-(2)	Annual Amount of Additional Services - 2017 (€): Service Identification	Amount (1)	Reductions (2)	Final Amount (3)=(1)-(2)
BDO & ASSOCIADOS, SROC, LDA.	29.780,00		**29.780,00**				**0,00**

h) Remuneration of remaining employees

Complying with the provisions set forth in article 21 (amendment to Decree-Law no. 133/2013, of the 3rd of October, which established the applicable regime for the public business sector), of Section I of Chapter III of Law no. 42/2016, of the 28th of December (State Budget Law for 2017), the company has reapplied collective employment regulatory instruments in the public business sector, involving the restitution of 50% of the acquired rights as of July 2017 (as the restitution of the remaining 50% shall occur on the 1st of January 2018), without any retroactive effects.

The application of said article made the company to take the effects of the performance assessment process (halted since 2011) and professional career development into consideration, as well as the payment of performance bonuses. Such 50% restitution of rights was recorded, as estimated, in July 2017.

i) Public Manager Statute

In 2017, in light of articles 32 and 33 of the Public Manager Statute, no credit cards or other payment instruments were used by the members of the Board of Directors, for incurring in business expenses, just as no reimbursement of expenses made for personal representation took place.

Table 74 - Mobile communications expenses

Member of the BD	Communication Expenses (€)		
	Monthly Defined Limit	Annual Amount	Notes
Eng.º Vitor Manuel Domingues dos Santos	80,00	237,39	
Dr. Luís Carlos Antunes Barroso	80,00	210,26	
Eng.ª Maria Helena Arranhado Carrasco Campos	80,00	142,03	
Dr. Rui Nelson Ferreira Dinis	80,00	391,02	
		980,70	

Table 75 - Annual vehicle expenses

Member of the BD	Monthly Limit for Fuel and Tolls	Annual Vehicle Expenses (€)			
		Fuel	Tolls	Total	Notes
Eng.º Vitor Manuel Domingues dos Santos	543,66 €	2.285,27 €	1.131,26 €	3.416,53 €	
Dr. Luís Carlos Antunes Barroso	434,93 €	2.177,49 €	356,43 €	2.533,92 €	
Eng.ª Maria Helena Arranhado Carrasco Campos	434,93 €	3.312,30 €	2.115,10 €	5.427,40 €	The amount of € 208.24 has been debited.
Dr. Rui Nelson Ferreira Dinis	434,93 €	4.074,48 €	891,66 €	4.966,14 €	

j) Non-documented expenses

Metropolitano de Lisboa complied with the provisions set out in paragraph 2 of article 16 of Decree-Law no. 133/2013, of the 3rd of October, and no non-documented expenses were incurred.

k) Principle of Gender Equality

Metropolitano de Lisboa renewed the Accession Agreement with the Business Forum for Gender Equality and endorsed the Declaration on Equal Opportunities for Women and Men in the Public Transport Sector, thus recognizing the significance of gender equality in social sustainability.

With the renewal of the commitment established in the Accession Agreement for the Business Forum for Gender Equality (GENE), first signed in 2015, Metropolitano de Lisboa pledges to develop initiatives promoting gender equality within its organization, committing to improve in several dimensions that integrate the principles of equality and non-discrimination between men and women in the workplace, as well as the balance between work, personal and family life.

By committing to promote equality, Metropolitano de Lisboa aims to achieve improvements in terms of sustainability, organizational justice and employee satisfaction, as the use of inclusive language also proves to be vital.

The Declaration on Equal Opportunities for Women and Men in the Public Transport Sector is deemed to possess a particular significance for Gender Equality purposes, and it binds Metropolitano de Lisboa to commit itself to and implement a set of measures which promote equal opportunities.

Furthermore, with regards to sustainability, Metropolitano has also signed the Social Responsibility Charter, agreeing, as State's sector Public Business Entity, to always take into consideration its appreciation for a social dimension, in the context of its internal and external relations towards stakeholders, committing to several business principles of social responsibility and sustainability which are listed in the Social Responsibility Charter.

l) Annual Report on Corruption Prevention, Management of Conflicts of Interest and Compliance

Regarding the Plan for Preventing Risks of Corruption and Related Offenses (PPRCRO), its 4th edition (2014) is currently in force and maintains the presentation structure and risk types adopted in the previous edition, complying with the Recommendation of the Corruption Prevention Board (CPB) dated of the 1st of July 2009. The PPRCRO identifies the areas vulnerable to acts of corruption, the main risks arising therefrom, the implemented internal controls which intend to mitigate and prevent such risks, the corresponding impacts and the likelihood of occurrence. The methodology followed in the process of identifying the risks listed in the PPRCRO (encompassing corruption, conflicts of interest, information manipulation and property misappropriation) corresponds to the one recommended by the Association of Certified Fraud Examiners (ACFE) in its Fraud Risk Manual, adapted to Metropolitano de Lisboa's reality. In 2017, the PPRCRO Implementation Report for the year 2016 was prepared and adequately publicized.

With the purpose of strengthening Metropolitano de Lisboa's organizational culture of prevention and management of conflicts of interest, an educational visit was carried out by the CPB, the latter's recommendation of the 4th of May 2017, on "Permeability of the Law on Risks of Fraud, Corruption and Related Offenses", was adapted to the content of the proposals submitted to the collegiate body's approvals and its resolutions, an internal communication project on the concepts regarding conflicts of interest was implemented, and, lastly, a project on the voluntary subscription of conflicts of interest absence declarations was implemented, regarding the company areas posing greater risks.

There is also an Ethics Line in the organization aimed at promoting transparency. It is a direct channel of communication for any suspicion of fraud, conflicts of interest and/or corruption practices, in light of the good practices at GRC (Governance, Risk Management & Compliance).

Metropolitano de Lisboa's implementation of a compliance program (with the creation of an internal IT application) is another significant measure which ensures legal compliance.

General Data Protection Regulation

Subsequent to the approval of the Regulation on the Protection of Natural Persons with regard to the Processing of Personal Data and the Free Movement of such Data (Regulation (EU) 2016/679 of the European Parliament and of the Council of 27.04.2016), the company created an internal Working Group in 2017 that includes representatives from the areas with a greater impact on data protection (notably, customers and employees) and, for such purpose, it has collected all personal data processed at ML. By the end of the year, the WG submitted a report with the study on the GDPR and its impact on the company.

m) Public Procurement

In 2017, Metropolitano de Lisboa applied the Public Procurement Code (PPC), approved by Decree-Law no. 18/2008, of the 29th of January, in its current wording, to the public procurement subject to such legal framework.

Metropolitano de Lisboa has also observed the guidelines established in Recommendation no. 1/2015, of the 7th of January, issued by the Corruption Prevention Board (Court of Auditors), supplied by means of the Circular no. 4766, of the 10th of August, as well as the ones established in Order no. 438/10-SETF, of the 10th of May, supplied by means of the Circular no. 6132, of the 6th of August 2010. Moreover, the company complied with all applicable rules regarding procurement, notably the ones relative to the sounding of the Agency for Administrative Modernization regarding the purchase of goods and services, under Decree-Law no. 107/2012, of the 18th of May, as amended by Law no. 83-C/2014, of the 31st of December, as well as under Decree-Law no. 151/2015, of the 6th of August, and complied also with the authorization requests regarding multi-annual commitments, pursuant to article 6 of Law no. 8/2012, of the 21st of February, as amended by Law no. 22/2015, of the 17th of March, and to article 11 of Decree-Law no. 127/2012, of the 21st of June, as amended by Decree-Law no. 99/2015, of the 2nd of June, and the company has also submitted to Parpública the prior requests foreseen in paragraph 4 of article 43 of Decree-Law no. 25/2017, of the 3rd of March.

At an internal level, Metropolitano de Lisboa complied with the Purchase Process Manual provisions, and small purchases followed the procedural protocol, thus promoting greater transparency by means of a specially developed web application that ensures the confidentiality of proposals until the conclusion of their submission term.

In 2017, Metropolitano de Lisboa only concluded one contract amounting to over five million EUR, namely for the "Electric Energy Purchase in AT, MT, BTE and BTN for the Carris, Transtejo and Metropolitano de Lisboa facilities" – Proc. no. 173/2016-DLO/C-M-TT".

In this regard, Contract no. 052/2017, amounting to 5,233,176.85 EUR (five million, two hundred and thirty-three thousand, one hundred and seventy-six euros and eighty-five cent) was entered into with EDP Comercial – Comercialização de Energia, S.A..

The effectiveness of this contract was dependent on the fulfilment of a conditional provision of the Court of Auditors' ex ante visa, in light of the provisions set out in article 45 of Law no. 98/97, of the 26th of August, as amended and republished by Law no. 20/2015, of the 9th of March, as amended by Laws no. 48/2006, of the 29th of August, no.

35/2007, of the 13th of August, no. 3-B/2010, of the 28th of April, no. 61/2011, of the 7th of December, and no. 2/2012, of the 6th of January.

n) National Public Procurement System (NPPS)

In regards to this topic, from 2010 Metropolitano de Lisboa has been implementing the measures established in the Stability and Growth Pact (SGP) 2010-2013 and has voluntarily adhered to the National Public Procurement System (NPPS).

It should be mentioned that, in the context of the new organization model, the Corporate Management area responsible for Logistics began to centralize procurement procedures, seeking, where possible, to obtain the best purchase conditions regarding goods and services, entering into agreements by resorting to the method of aggregating contracting entities.

o) Plan for Reducing Operating Expenses

Article 124 of Decree-Law 25/2017, establishing the standards for the implementation of the State Budget for 2017, sets out the objectives for Public Companies regarding operating expenses. We should highlight the following:

- Reducing the significance of operating expenses turnover, corrected for costs deriving from the wage restitution and termination indemnities, compared to the 31st of December 2016. Public companies with a corporate purpose corresponding to the provision of collective public passenger transport services may further increase their operational expenses by up to two percentage points higher than their turnover's growth, by means of an authorization order issued by the member of the Government responsible for the corresponding activity sector, in duly justified occasions, as long as a turnover increase has been observed on the 31st of December 2016, compared to the one recorded on the 31st of December 2015, the turnover is expected to increase in 2017, compared to the one recorded on the 31st of December 2016, and it is accommodated within the available budget.
- Public companies which have recorded a negative or null amount of profit before interest, taxes, depreciation and amortization (EBITDA) in 2016 shall also ensure their EBITDA's increase compared to the 31st of December 2016.
- The following recorded amounts shall also be equal to or less than the ones recorded on the 31st of December 2016:
  - Personnel expenses, corrected for costs deriving from the wage restitution and termination indemnities and the effects arising from the application of the provisions set out in articles 20 and 21 of the State Budget Law;
  - All joint expenses related to communications, travel, daily allowances and accommodation, as well as to the car fleet.

Given the estimated operating expenses increase compared to 2016, an exception request was made as to paragraph a) of article 124 of Decree-Law no. 25/2017.[14] This request was approved by the Assistant Secretary of State for the Environment on 25-10-2017.[15]

In 2017, Metropolitano de Lisboa's performance was as follows:

[14] Letter with ref. 1288040, of 26-09-2017 and e-mail of 13-10-2017.

[15] Letter 1806 of the SEEAMB.

Table 76 - Plan for Reducing Expenses

PRC	2017 Exec.	2016 Exec.	2015 Exec.	Var. 2017/2016 Abs.	Var. 2017/2016 %
(0) EBITDA (corrected) [a)]	(4.227.669 €)	1.263.736 €	(7.211.657 €)	(5.491.405 €)	-434,5
(1) CMVMC	4.408.604 €	2.180.092 €	2.439.098 €	2.228.512 €	102,2
(2) ESF	32.163.996 €	30.513.040 €	31.909.157 €	1.650.956 €	5,4
(3) Personnel Expenses, corrected from costs i), ii) e iii)	67.788.241 €	64.576.559 €	64.768.643 €	3.211.682 €	5,0
(3.i) Indemnities paid due to termination	62.244 €	371.709 €	1.354.241 €	(309.464 €)	(83,3)
(3.ii) Impact of remuneration reductions reversal	2.598.091 €	1.134.131 €		1.463.960 €	129,1
(3.iii) Impact of compliance with articles 20 and 21 of the SBI	1.218.661 €			1.218.661 €	-
(4) Operating Expenses = (1)+(2)+(3)	104.360.841 €	97.269.692 €	99.116.898 €	7.091.149 €	7,3
(5) Turnover (TO) [b)]	106.583.034 €	99.241.786 €	91.981.280 €	7.341.248 €	7,4
(6) Contribution of Costs / TO (4)/(5)	97,9%	98,0%	107,8%	0%	(0,1)
(i) Communication expenses (ESF)	70.166 €	68.430 €	61.375 €	1.736 €	2,5
(ii) Travel and Accommodation Expenses (ESF)	45.300 €	12.498 €	16.613 €	32.802 €	262,4
(iii) Daily Allowance Expenses (Personnel Expenses)	5.448 €	913 €	6.294 €	4.534 €	496,4
(iv) Vehicle Expenses	191.416 €	117.369 €	127.020 €	74.048 €	63,1
Total = (i) + (ii) + (iii) + (iv)	312.330 €	199.210 €	211.302 €	113.120 €	56,8
HR Total Number (CB+MR+Employees)	1.415	1.371	1.389	44	3,2
Number of Corporate Bodies (CB)	7	8	8	-1	(12,5)
No. of Management Roles (MR)	16	11	10	5	45,5
Number of Employees (excluding CB and MR)	1.392	1.352	1.371	40	3,0
No. of Employees / No. of MR	87	123	137	-36	(29,2)
No. of Vehicles	47	47	48	0	-

a) Excluding provisions, adjustments, impairments and fair value increases/reductions, investment subsidies and equity method / subsidiaries. The amounts for 2016 and 2015 have been restated in order to be comparable with 2017. This readjustment arises from the need to standardize the financial indicators set out in the reports prepared by ML, including the ABP implementation report.

b) Excluding operating subsidies and compensatory allowances

p) Principle of the State's Treasury Unity

From the 2nd of January 2007 onwards, Metropolitano de Lisboa maintains an open account with the IGCP, and it has applied its temporary treasury surpluses with this entity, as established in article 111 of Law no. 42/2016, of the 28th of December. However, taking into account the applicability of the principle of the STU may be exempted in duly justified occasions, as long as it is authorized by the entity acting as Shareholder, in 2017 Metropolitano de Lisboa requested an exemption from the principle of treasury unit, invoking operational arguments concerned with the securities sale logistics, and such exemption was granted for the year 2016, subject to extension for 2017.[16]

Table 77 – State's Treasury Unity

STU	2017
Resources on 31-12-2017	**22.013.373,83**
Deposited at IGCP	17.517.064,26
Other	4.496.309,57
Resources at IGCP (%)	79,6%

Table 78 – Availabilities at the Commercial Banks

Commercial Banks	1st Quarter €	2nd Quarter €	3rd Quarter €	4th Quarter €
Banco Português de Investimento	7.841.438,19	2.187.335,25	1.469.196,63	2.581.245,12
Banco Santander Totta	3.146,87	2.120.276,95	1.356.349,13	1.865.082,33
Banco Bilbao Vizcaya Argentaria	9.809,02	11.839,22	9.174,59	16.988,77
Caixa Banco Investimento	2.468,41	2.468,41	2.468,41	1.284,41
Millennium BCP	271.694,56	497.826,24	519.294,53	21.039,74
Caixa Geral de Depósitos	1.005.216,06	3.711.470,41	407.470,23	8.736,33
Montepio Geral	0,00	0,00	0,00	0,00
Deutsche Bank	3.251,94	3.251,94	0,00	0,00
Haitong Bank (former BES Investimento)	1.932,87	1.932,87	1.932,87	1.932,87
Total	**9.138.957,92**	**8.536.401,29**	**3.765.886,39**	**4.496.309,57**
Interest earned	0,00	0,00	0,00	0,00

q) Audits carried out by the Court of Auditors

In the last three years (2015-2017), no audit was carried out by the Court of Auditors to Metropolitano de Lisboa, E.P.E..

[16] Order no. 731/16 - SEATF

r) Information disclosed in the SEE

Table 79 - Information in the SEE website (TFDG's web portal)

Information placed in the SEE website	Disclosure				Notes
	Y	N	N.A.	Revision date	
Statutes	X			jun/2018	
Company Presentation	X			aug/2017	
Supervising and shareholding roles	X			aug/2017	
Governance Model / Corporate Bodies Members:					
- Identification of Corporate Bodies	X			sep/2017	
- Fixed Remuneration Statute	X			sep/2017	
- Disclosure of the remuneration earned by the Corporate Bodies	X			sep/2017	
- Identification of the roles and responsibilities attributed to the members of the Board of Directors	X			sep/2017	
- Presentation of curricula summaries of the members of the Corporate Bodies	X			sep/2017	
Public Financial Effort	X			aug/2017	
Summary Sheet	X			sep/2017	
Historical and current Financial Information	X			aug/2017	
Good Governance Principles:					
- Internal and external Regulations binding the company	X			aug/2017	
- Relevant transactions with related entities	X			aug/2017	
- Other transactions	X			aug/2017	
- Sustainability analysis of the company for the following areas:	X				
Economic	X			aug/2017	
Social	X			aug/2017	
Environmental	X			aug/2017	
- Compliance assessment regarding the Principles of Good Governance	X			aug/2017	
- Code of ethicals	X			aug/2017	

Legend:

Y - Yes

N - No

N.A. - Not Applicable

s) SUMMARY TABLE – Compliance with Legal Guidelines

Table 80 - Compliance with legal guidelines I

Compliance with Legal Guidelines - 2017	Compliance			Quantification/ Identification	Justification/Reference to the Report's item
	Y	N	N.A.		
Management objectives					
Management objectives defined for 2017			X	-	See item F. a) "Management Objectives and Activity and Budget Plan"
Targets to be achieved included in the ABP 2017					
Financial Reference Principles		X		Evolution of EBITDA: -435%	See item F. a) "Management Objectives and Activity and Budget Plan"
	X			Reduction of Operating Expenses: -18%	See item F. a) "Management Objectives and Activity and Budget Plan"
		X		Communications: +3% Traveling: +262% Fleet: +63%	See item F. a) "Management Objectives and Activity and Budget Plan"
Investment			X	46,5%	See item F. a) "Management Objectives and Activity and Budget Plan"
Indebtedness	X			Indebtedness Variation 2.9%	See item F. a) "Management Objectives and Activity and Budget Plan"
Status of implementation of the budget uploaded on SIGO/SOE	X			-	See item F. a) "Management Objectives and Activity and Budget Plan"
Financial Risk Management			X	4,80%	See item F. b) "Compliance with Legal Guidelines - Management Objectives"
Indebtedness Growth Limits	X			#REF!	See item F. c) "Compliance with Legal Guidelines - Management Objectives"
Evolution of APP to suppliers	X			- 3 days	See item F. d) "Average period for payments (APP)"
Disclosure of Payments in Arrears	X			60.976 €	See item F. d) "Payments in arrears"
Shareholder's recommendations from the last legal accounts reporting			X		See item F. e) "Shareholder's Recommendations"
Remunerations					
No attribution of management bonus	X				See item F. f) "Remuneration of corporate bodies"
CA - Remuneration reductions and reversals enforced in 2017	X			19.769 €	See item F. f) "Remuneration of corporate bodies"
Inspection (SB/ROC/SA) - remuneration reductions and reversals enforced in 2017 (if applicable)			X		See item F. f) "Remuneration of corporate bodies"
External Auditor - remuneration reductions and reversals enforced in 2017 (if applicable)			X		See item F. g) "Remuneration of External Auditor"
Remaining employees - remuneration reductions and reversals enforced in 2017	X				See item F. o) "Plan for Reducing Operating Expenses"
Remaining employees - prohibition of remuneration valuations, pursuant to article 38 of Law 82-B/2014, extended to 2017 by means of article 19 of Law 114/2017, of the 29th of December	X				See item F. g) "Remuneration of remaining employees"
Public Manager Statute (PMS) - articles 32 and 33 of PMS					
No use of credit cards.	X				See item F. i) "Public Manager Statute"
No reimbursement for personal representation expenses	X				See item F. i) "Public Manager Statute"
Maximum amount for communication expenses	X			Maximum monthly amount: €80	See item F. i) "Public Manager Statute"
Maximum monthly amount for fuel and tolls allocated to the service vehicles	X			Maximum monthly amount: €543,66 (Chairman of BD) and €434,93 (Members of BD)	See item F. i) "Public Manager Statute" The maximum amounts have been calculated in accordance with paragraph 3 of article 33: 1/4 of the representation expenses amount (40% of wage, in accordance with paragraph 2 of article 28 of the PMS)

Table 81 - Compliance with legal guidelines II

Compliance with Legal Guidelines - 2017	Compliance			Quantification/ Identification	Justification/Reference to the Report's item
	Y	N	N.A.		
Non-documented or confidential expenses - paragraph 2 of article 16 of RJSPE and article 11 of the PMS					
Prohibition incurring in non-documented or confidential expenses	X				See item F. j) "Non-documented expenses"
Promoting equality between women and men - paragraph 2 of CMR no. 18/2014					
Preparation and disclosure of the report on remunerations paid to women and men			X		See item F. k) "Principle of Gender Equality"
Preparation of the annual report on corruption prevention	X			http://www.metrolisboa.pt/institucional/wp-content/uploads/sites/2/2018/01/MetropolitanodeLisboa_Relat_PPRCIC2017.pdf	See item F. l) "Annual Report on Corruption Prevention"
Public Procurement					
Enforcement of public procurement rules by the Company	X			Application of the PPC, of the Law no. 8/2012, of AMA's preliminary opinion regime, as set out in DL no. 107/2012	See item F. m) "Public Procurement"
Enforcement of public procurement rules by the Affiliated Entities			X		The affiliated entities are not bind by the Public Procurement Code
Agreements are subject to prior approval of the Court of Auditors	X				See item F. m) "Public Procurement"
Audits by the Court of Auditors			X		See item F. q) "Audits performed by the Court of Auditors"
Car parking					
No. of vehicles	X			47	See item F. o) "Plan for Reducing Operating Expenses"
Public Companies' Operating Expenses	X				See item F. o) "Plan for Reducing Operating Expenses"
Principle of Treasury Unity (article 28 of the DL 133/2013)					
Availabilities and applications of funds centralized at the IGCP			X	79,6%	See item F. p) "Principle of the State's Treasury Unity"
Availabilities and applications of funds at the Commercial Banks			X	4.496.310 €	See item F. p) "Principle of the State's Treasury Unity"
Interest earned in non-compliance with STU and paid to the State	X			0,00 €	See item F. p) "Principle of the State's Treasury Unity"

G. Perspectives

1. External Context Analysis

On an annual basis, within the scope of the Integrated Report's preparation, Top Management conducts an analysis of the company's external context. Such an analysis is conducted in accordance to the PESTEL method, *i.e.*, the analysis is carried out on the following parameters:

- Political
- Economic
- Social
- Technological
- Environmental
- Legal

1.1. Political

"Transforming our world: 2030 Sustainable Development Agenda"

In September 2015, at the United Nations Conference, the Resolution A/RES/70/1 with the title above was adopted and it has been in force since 2016. This Agenda is founded on 17 Sustainable Development Goals (SDG) and 169 targets to be achieved by 2030 (see Attachment) by all 193 countries, including Portugal.

Notwithstanding all contributing for a common objective, the Agenda 2030 and SDG initiatives are based on five key pillars, also known as 5 P's:

- **People** - promoting a world in which all individuals enjoy healthy environments and live with dignity and equality;
- **Prosperity** - boosting individuals and nature's prosperity;
- **Planet** - protecting the planet by means of sustainable production and consumption, using resources in a responsible manner;
- **Peace** - building peaceful, fair and inclusive societies;
- **Partnerships** - achieving objectives by means of a spirit of solidarity, the participation of several entities, together enabling to abolish poverty and to achieve sustainable development through health, education, environmental protection, peace and justice.

Each country has been responsible for prioritizing and incorporating SDG into policies and initiatives, to be developed at national and regional levels.

The figure below explains all 17 SDG:

<u>COP21 - Paris Agreement</u>

In December 2015, the Paris Agreement was signed at the Paris' COP 21[17], in line with **SDG 13 – Climate Action**, aiming at establishing an action plan to limit global warming starting from 2020.

<u>Portugal and the 2030 Agenda</u>

As strategic priorities in the implementation of the 2030 Agenda[18], the Portuguese Government has defined the following SDG:

- **SDG4** – **Quality Education** – To ensure access to inclusive, quality and equitable education and to promote life-long learning opportunities for all.
- **SDG5 – Gender Equality** – To achieve gender equality and empower all women and girls.
- **SDG9 – Industry, Innovation and Infrastructure** – To build resilient infrastructure, to promote inclusive and sustainable industrialization and to boost innovation.
- **SDG10** – **Inequality Reduction** – To reduce inequalities within and between countries.
- **SDG13** – **Climate Action** – To take urgent measures to fight climate change and its impacts.
- **SDG14** – Marine Life Protection – Conserve and use in a sustainable manner oceans, seas and marine resources, envisaging sustainable development.

<u>Carbon Neutrality Road Map - RNC2050</u>

[17] 2015 (21st) United Nations Climate Change Conference, held in Paris.

[18] The "National Report on the Implementation of the 2030 Sustainable Development Agenda" was presented at the United Nations Policy Forum, which was held at the UN headquarters on the 18th of July 2017.

In November 2016, at the Marrakesh's COP22[19], the Portuguese Prime Minister committed to the objective of reducing greenhouse gas emissions, thus enabling the balance between the emitted gases and those removed or captured from the atmosphere (for instance, by virtue of carbon fixation in the growing stage of trees) to reach zero by 2050. This objective was named "carbon neutrality" as carbon dioxide constitutes the reference gas for determining global warming potential. Such an objective is inherently connected to the **SDG13 Climate Action**.

In January 2018, the "2050 Carbon Neutrality Road Map" was launched, an event which was attended by EQD in representation of ML, and featured the presentation of the following five sectoral Groups:

- Group 1 – Energy
- Group 2 – Transport and mobility
- Group 3 – Wastes
- Group 4 – Agriculture and forests
- Group 5 – Circular economy

Group 2 - Transport and mobility is headed by Mr. Francisco Ferreira, PhD (FCT – NOVA). Within the foreseeable future, stakeholders will be heard in the context of this topic, in which ML is naturally included.

<u>In conclusion</u>

At a global scale, we are witnessing a moment when environmental issues are more on the agenda than ever, as a global policy promoting public transport, mainly electric, has emerged.

1.2. Economic

After a crisis situation, the national economy is growing, thus fostering an increase in employment and in the population's need for mobility.

At the same time, in Portugal and notably in Lisbon, tourism is experiencing a magnificent moment, which increases demand for public transport.

In addition to such a demand increase, the impact of tourism also encompasses two other positive aspects. In this regard, tourist customers mitigate the demand disparity between peak and off-peak hours, as well as between working days and weekends, as their mobility needs differ from home-work or home-school commuting.

In addition, at the level of revenue, there is an additional increment, which increases the average revenue per passenger.km, in light of the type of tickets used.

[19] 2016 (22nd) United Nations Climate Change Conference, held in Marrakesh.

1.3. Social

The consequences arising from climate change, as well as the pursuit for healthier lifestyles, coupled with new economic trends such as the sharing economy, may have a strong effect on Metropolitano de Lisboa.

On one hand, it is an opportunity due to increasing social pressure to use more environmentally friendly mobility solutions and, on the other, the social trend for non-possession, *i.e.*, the sharing of community resources, evidenced by new generations may result in increased use of public transport, while also diverting existing customers to other technology-based mobility modes, such as car-sharing or bike-sharing.

1.4. Technological

New technologies, mainly at the digital level, have caused a true disruption in the various business models, to which the transport sector is not immune.

Accordingly, new mobility-promoting platforms have emerged, such as “UBER” and “Cabify”, which have been gaining market share and not only to the taxi business. Smartphone Apps have become widespread and act not just as supporting tools for shared mobility models, such as car-sharing or bike-sharing, but support also real-time information for traditional models, such as the metro.

In different areas, technological evolution has allowed significant progress in energy efficiency, enabling the optimization of the management of natural resources.

1.5. Environmental

Climate change arising from the global temperature increase has already started to be felt, increasing the rate of extreme events, such as droughts, torrential rainfall or cyclones.

Metropolitano de Lisboa possesses a resilient structure for the direct effects of these phenomena, albeit a permanent concern of flooding risks is expressed. Nonetheless, in addition to direct influence, these phenomena may increase the scarcity of key resources, such as electric power and water, demanding an increasingly efficient management of natural resources.

1.6. Legal

The evolution of legal requirements applicable to ML in both domestic and European law, is becoming increasingly demanding regarding obligations, notably as to the environment and to reporting demands.

In turn, the currently ongoing review of the concession agreement will most likely require a greater thoroughness from ML, not only regarding reporting but, most of all, the quality of the provided public service.

Nevertheless, the existence of an appropriate concession agreement, albeit demanding, may assist the company in focusing on its objectives, guaranteeing its organizational orientation and allowing it to differentiate more easily the accessory from the essential.

2. Internal Context Analysis

In addition to the external context analysis, an analysis is also conducted on the organization's internal context. Such analysis is made for the following parameters:

- Organization
- Procedures
- Human Resources
- Material Resources
- Financial Resources
- Infrastructure

2.1. Organization

Metropolitano de Lisboa has a stable organization, in effect as of the 1st of April 2017, which is the date on which the company's organizational independence was restored.

Ever since then, notwithstanding small detail adjustments, this organization structure has remained stable and has evidenced adequacy for the purpose and objectives established for the current term by ML.

2.2. Processes

Work processes and the manner according to which Metropolitano de Lisboa's activities are performed are set out and documented in the Process Manuals.

Given Metro's stable activity, the accumulated experience and the benchmarking practices in international organizations, such as UITP or NOVA, the majority of work processes is effective and efficient. This is not to say that seeking for continuous improvement as an organization's aspiration should not be maintained and does not bring results.

Process changes occur essentially in two ways:

- Legislative or regulatory changes which require adjustments to existing work methods;
- Technological changes which allow efficiency improvements by adopting new technologies.

2.3. Human Resources

At the present time, there are company areas, with highlight for operational ones, and in particular the commercial and maintenance areas, where the headcount is not suited for the activity's actual needs. Moreover, it is possible to identify a lack of qualified technicians, forcing the company to resort to service providers to perform such functions, namely in the Information Technology area.

2.4. Material Resources

The purchasing process of material resources, notably spare parts, is a weak point in the Company's current performance.

Another current risk pertains to the existence of single suppliers for certain materials.

2.5. Financial Resources

In 2017, the company achieved a breakeven, *i.e.*, operating income sustained operating expenses, but the significance of the historical debt does not allow for balanced results.

As sole shareholder, the State has been balancing the company's balance sheet by means of equity increases.

Currently, as ML is included in the State's budget perimeter, even if this may be a focus for some independence loss for the company's management, namely the subordination to extended expenditure Ordinances or budget implementation blockages, it ensures the existence of financial resources for operation without the need or possibility of resorting to bank financing.

2.6. Infrastructure

Infrastructure is essential for the performance of ML's mission, and its availability is a key factor for the provided service quality.

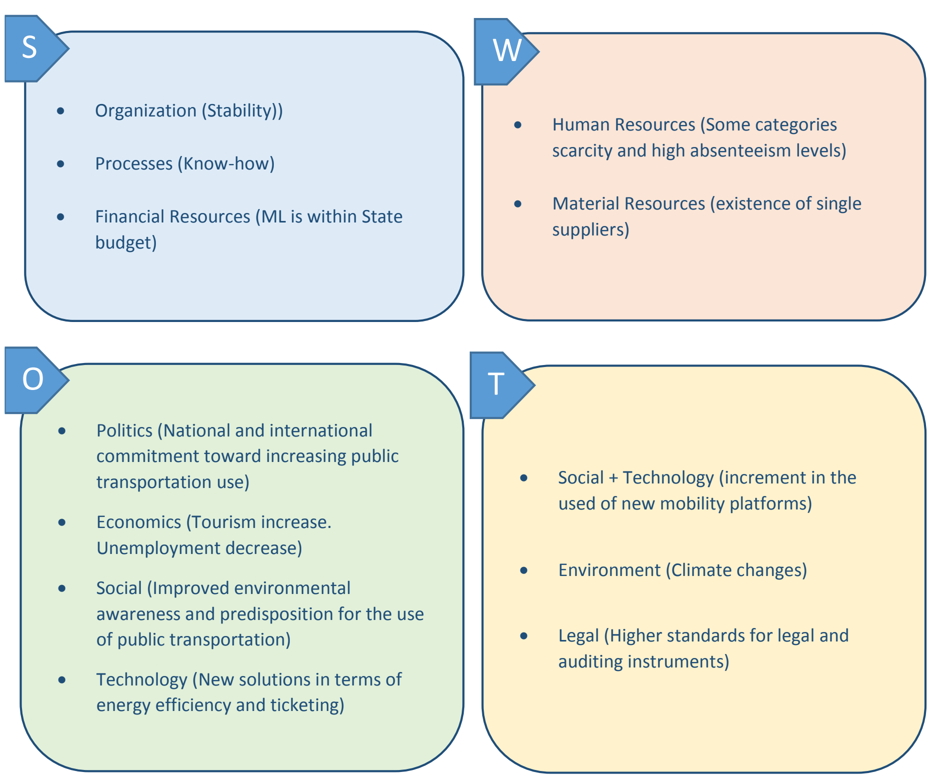
"Infrastructure Management" and "Maintenance" processes ensure the operation of such infrastructure, the former by extending its lifespan by means of careful interventions, and the latter by assuring current maintenance.

Currently, tunnel and viaduct pathologies are one of the issues which merit the company's focus.

2.7. SWOT Analysis

This analysis is based on the organization's opportunities (O) and threats (T) deriving from the external context analysis, and on the strengths (S) and weaknesses (W) deriving from the internal context analysis.

Figure 11 – ML SWOT Analysis



H. Proposal for Application of Profits

For purposes of complying with subparagraph e) of paragraph 2 of article 7 of Metropolitano de Lisboa, E.P.E.'s Statutes, the Board of Directors proposes that the loss recorded for the financial year ended on the 31st of December 2017, amounting to -24,500,915.77 EUR, is fully transferred to the profits carried over account.

The Board of Directors

Vítor Manuel Jacinto Domingues dos Santos, Engineer

Dr. Luís Carlos Antunes Barroso

Maria Helena Arranhado Carrasco Campos, Engineer

GRI Table and Indicators

ECONOMIC PERFORMANCE

GRI 201-1 **Direct economic value generated and distributed**

	2015	2016	2017
Generated economic value (€)	103 629 654	103 003 740	111 751 421
Distributed economic value (€)	208 244 775	221 779 968	283 569 734
Accumulated economic value (€)	-104 615 121	-118 776 227	-171 818 313

GRI 201-2 **Financial implications and other risks and opportunities related to climate change**

Metropolitano de Lisboa has a resilient structure against climate change effects, namely the risk of sea level rise, ensuring that all entrances are at least 4 metres above the sea level.

Greater community awareness towards climate change and the need for the economy's decarbonisation may lead to an increase in demand for energy-efficient public transport, such as the metro mode, as well as measures of positive discrimination.

In financial terms, climate change may increase electricity cost, thus posing severe implications for ML due to the high cost of electricity reflected in its accounts.

GRI 201-3 **Coverage of obligations set out in the Company's benefit plan**

In 2017, the plan's estimated liability amount stood at 252,627,865 EUR.

Not applicable to the existence of a separate fund to pay liabilities arising from the Pension Scheme.

GRI 201-4 **Significant financial benefits granted by the Government**

	2015	2016	2017
Equity budget allocations (€)	189 272 225	358 409 543	192 050 802
Financial Compensations / Ministry of Environment (€)	1 847 805	1 947 310	2 817 177
Investment Subsidy / PIDDAC (€)	2 187 500	1 186 881	1 137 500
TFDG Loans (€)	0	0	32 584 270

GRI 202-1 **Ratio of the Organization's lowest wage, itemizing it by gender and the minimum wage allowed at a local level**

	2015	2016	2017
Ratio between the lowest wage and the local minimum wage at the major operating units	192.5%	177.9%	169.3

GRI 202-2 **Percentage of operational units' top management members who have been recruited in the local community**

	2015	2016	2017
% of top management performed by persons from the local community	100.0%	94.0%	90.0%

GRI 203-1 **Development and impact of infrastructure investments and offered services**

Extension of the development of Long-term Infrastructure incurred investments, amounting to 1,966,994 EUR.

Identification of impacts at the local communities:

- Investment in the collective public transport network is key to ensure access to the constitutional rights to work, knowledge and health, regarding the population dependent on such network;
- The improvement of the public transport network promotes employment dispersion, benefiting areas more remote from city centres, thus contributing for economic stimulation and the improvement of the population's quality of life;
- The improvement of the metro network's supply also benefits the actual capacity of all other transport modes – light and heavy rail, inland shipping transport, road traffic and non-motorized modes. The "grid effect" is shared by all means of transport, but the metro evidences a greater advantage in contributing to reduce local air pollution and to ease road congestion.

The above investments and services correspond to commercial commitments.

GRI 203-2 **Significant indirect economic impacts, including their corresponding extension**

In 2017, Metropolitano de Lisboa carried approximately 162 million passengers. The service provided by Metropolitano contributes to the daily lives of thousands of people, facilitating their mobility, reducing travel time, decongesting roads and valuing the metropolitan area it serves.

In 2017, it was observed that certain activities performed by ML pose significant environmental effects, positive or negative, such as:

Positive:

- Reduction of atmospheric emissions by using metro as a means of transport;
- Socio-economic aspects associated with the provision of public transport, reduction of travel times and decongestion of public roads.

Negative:

- Electric energy consumption considering the entirety of ML's activities;

- Indirect atmospheric emissions deriving from electric energy consumption;
- Liquid fuels consumption related to the car fleet.

GRI 204-1 **Expenditure percentage related to local suppliers in important operating units**

	2015	2016	2017
Expenditure with local suppliers (%)	78.8	98.7	98.0

GRI 205-1 **Assessed operations regarding corruption-related risks**

	2015	2016	2017
Percentage and total number of business units subjected to corruption risk assessment	44%	44%	75%
	8	8	12
No. of identified corruption cases	0	0	0

GRI 205-2 **Communication and training on anti-corruption policies and procedures**

	2015		2016		2017	
	No.	%	No.	%	No.	%
Governance body members who were informed of the anti-corruption policies and procedures adopted in the organization						
Employees who were informed of the anti-corruption policies and procedures adopted in the organization						
Business partners who were informed of the anti-corruption policies and procedures adopted in the organization						
Governance body members who have been trained in fighting against corruption.	n.a.	n.a.	1	4.8%	11	45.8%
Employees who have been trained in fighting against corruption.	n.a.	n.a.	3	0.2%	78	5.6%

n.a. - not available

GRI 205-3 **Confirmed corruption incidents and actions taken**

	2015	2016	2017
Corruption incidents	0	0	0

GRI 206-1 **Legal proceedings for anti-competitive, anti-trust and monopoly practices**

No legal proceedings have been taken regarding these issues.

ENVIRONMENTAL PERFORMANCE

GRI 301-1 **Used materials, itemized by weight or volume**

Year	Light bulbs (un.)	Paper (kg)	Concrete (m^3)	Steel (t)	Toners (un.)	Clamps (un.)	Cable (m)
2015	9 941	7 185	3 179	54 148	91	31 210	2 661
2016	8 973	12 476	69	6	152	27 628	3 313
2017	14 018	[1] 26 961	219	2	190	38 163	2 360

(1) The paper from MAVT and MSAVT rolls is now considered.

GRI 301-2 **Percentage of used materials deriving from recycling**

No data available.

GRI 301-3 **Recovered products and their packaging materials**

Not applicable.

GRI 302-1 **Energy consumption within the Organization**

GRI 302-2 **Energy consumption outside the Organization**

	2015	2016	2017
Petrol (MWh)	258	73	491
Diesel (MWh)	163	164	171
Natural gas (MWh)	2 397	1 985	1 707
Electricity (MWh)	85 095	91 798	95 945
Total (MWh)	**90 310**	**96 005**	**100 021**

GRI 302-3 **Energy intensity (Energy efficiency)**

	2015	2016	2017
Energy efficiency (Pass.km/kWh)	8.06	8.03	8.11

GRI 302-4 **Reduction of energy consumption**

GRI 302-5 **Reduction of energy requirements related to products and services**

During 2017, a project was initiated to change station lighting technology for more energy-efficient solutions based on LED technology. However, the gains resulting from this initiative were not recorded.

GRI 303-1 **Water removal by source**

	2015	2016	2017
Total waste water discharged by ML with an industrial nature potential (m^3)	68 499	64 598	65 649

GRI 303-2 **Water sources significantly affected by water removal**

All water consumed by ML is publicly supplied and originates in the Castelo de Bode dam, and ML's consumption does not significantly impact the water stored in this reservoir.

GRI 303-3 **Percentage and total volume of recycled and reused water**

0 (zero).

GRI 304-1 **Operating units owned, rented or administered within or adjacent to protected areas and areas of major importance for biodiversity located outside protected areas**

GRI 304-2 **Description of significant impacts of activities, products and services on protected areas and areas of major importance for biodiversity located outside protected areas**

GRI 304-3 **Protected or restored habitats**

GRI 304-4 **Total number of species included in IUCN Red List and in national conservation lists regarding habitats located in areas affected by any operations of the organization, itemized by level of extinction risk**

According to the Institute for Nature Conservation and Forests (INCF), the city of Lisbon and the bordering municipalities (Amadora and Odivelas) fall outside the scope of the Protected and Classified Areas of INCF's Nature Conservation and Forests Department for Lisbon and Tagus Valley.

GRI 305-1 **Direct greenhouse gas emissions (GHG) (scope 1)**

	2015	2016	2017
Direct greenhouse gas emissions (t CO_2 e)	601	505	536

GRI 305-2 **Indirect greenhouse gas emissions (GHG) deriving from the purchase of energy (scope 2)**

	2015	2016	2017
Indirect greenhouse gas emissions (t CO_2 e)	37 357	28 310	36 421

GRI 305-3 **Other indirect greenhouse gas emissions (GHG) (scope 3)**

	2015	2016	2017
Other indirect GHG emissions (t CO_2 e)	2.15	5.20	7.50

GRI 305-4 **Intensity of greenhouse gas emissions (GHG)**

	2015	2016	2017
Intensity of GHG (g CO_2 e/Pkm)	55	39	48

GRI 305-5 **Reduction of greenhouse gas emissions (GHG)**

	2015	2016	2017
Total avoided emissions (t CO_2 e)	0.0	0.0	NR

NR - Not calculated

GRI 305-6 **Emissions of ozone-depleting substances (SDG)**

0 (zero).

GRI 305-7 **Emissions of nitrogen oxides (NOX), Sulphur oxides (SOX) and other significant atmosphere emissions**

	2015	2016	2017
SO_2 emissions (t)	NR	NR	NR
NO_x emissions (t)	NR	NR	NR

NR - Not calculated.

GRI 306-1 **Water discharge, itemized by quality and destination**

<table>
<tr><th>Source</th><th>Quality</th><th colspan="2">Destination</th><th>Applied treatment</th><th>Annual estimate for 2017 (m^3)</th></tr>
<tr><td>PMO II (Lisbon)</td><td>Industrial wastewater from workshops</td><td>Wastewater is discharged into Lisbon's municipal collectors</td><td rowspan="6">Wastewater discharged into these collectors are forwarded to the following wastewater treatment plants:
WWTP of Alcântara
WWTP of Chelas
WWTP of Beirolas
WWTP of Bucelas
WWTP of Frielas
WWTP of São João da Talha</td><td rowspan="6">WWTP of Alcântara – advanced primary treatment with installed treatment capacity for peak discharges of 3.3 m^3/s in dry weather (with final effluent disinfection) and 6.6 m^3/s in rainy weather (with physical-chemical treatment).
WWTP of Chelas – tertiary treatment via activated sludge, including filtration and final effluent disinfection with installed treatment capacity for discharges of 52.500 m^3/day.
WWTP of Beirolas – tertiary treatment via activated sludge including filtration and final effluent disinfection with installed treatment capacity of 54.500 m^3/day.
WWTP of Bucelas – secondary treatment via oxidation ditch, sand filtration and UV disinfection with installed treatment capacity for peak discharges of 36,3 l/s and average daily discharges of 1.575 m^3/day.
WWTP of Frielas – secondary treatment via activated sludge, including purification with biofiltration and UV disinfection with installed treatment capacity of 70.000 m^3/day.
WWTP of São João da Talha – secondary treatment via activated sludge with installed treatment capacity of 16.000 m^3/day.</td><td>3.150</td></tr>
<tr><td>PMO III (Lisbon)</td><td>Industrial wastewater from workshops</td><td>Wastewater is discharged into Lisbon's municipal collectors</td><td>19.842</td></tr>
<tr><td>ML Stations integrated in the municipality of Lisbon</td><td>Potential industrial wastewater from commercial establishments (restaurants)</td><td>Wastewater is discharged into Lisbon's municipal collectors</td><td rowspan="4">42.657</td></tr>
<tr><td>ML Stations integrated in the municipality of Loures</td><td>Potential industrial wastewater from commercial establishments (restaurants)</td><td>Wastewater is discharged into Loures's municipal collectors</td></tr>
<tr><td>Estações ML integradas no município de Odivelas</td><td>Potential industrial wastewater from commercial establishments (restaurants)</td><td>Wastewater is discharged into Odivelas's municipal collectors</td></tr>
<tr><td>ML Stations integrated in the municipality of Amadora</td><td>ML Stations integrated in the municipality of Amadora Potential industrial wastewater from commercial establishments (restaurants) Wastewater is discharged into Amadora's municipal collectors</td><td>Wastewater is discharged into Amadora's municipal collectors</td></tr>
<tr><td colspan="4" rowspan="2">Summary:
ML sites with industrial wastewater or potential industrial wastewater production are:
• Material Storage and Workshops Area (PMO I and II) – industrial wastewater production (that go through wastewater treatment systems like oil-water separators inside the ML facilities);
• ML stations – potential industrial wastewater production, depending on the activities operated in such areas, like for instance, restaurants.
ML wastewater is monitored periodically, pursuant to a plan defined according to its features.</td><td>Overall estimate wastewater discharged at PMO II and PMO III (industrial)</td><td>22.992</td></tr>
<tr><td>Overall estimate of wastewater discharged at ML stations (potentially industrial)</td><td>42.657</td></tr>
</table>

GRI 306-2 **Total weight of Wastes, itemized by type and disposal method**

	2015	2016	2017
Total weight of harmful wastes	35.1%	6.3%	5.6%
Total weight of non-harmful wastes	64.9%	93.7%	94.4%
Total weight of wastes for disposal	55.8%	66.7%	66.6%
Total weight of wastes for recovery	44.2%	33.3%	33.4%

	2015	2016	2017
Harmful wastes (t)	805	117	114
Non-harmful wastes (t)	1 490	1 734	1 906
Wastes for disposal (t)	1 281	1 233	1 344
Wastes for recovery (t)	1 014	617	675

GRI 306-3 **Total number and volume of significant spills**

In 2017, no significant spills were observed.

GRI 306-4 **Weight of transported, imported, exported or treated waste deemed hazardous and percentage of transported waste shipped internationally**

NR (Not calculated).

GRI 306-5 **Identification, size, protection status and biodiversity value of bodies of water affected by the organization's water disposal and drainage and / or runoff.**

Not applicable to the extent all water drainage is channelled to WWTP through municipal collection points.

GRI 307-1 **Non-compliance with environmental laws and regulations**

Metropolitano de Lisboa has an established methodology aiming at ensuring full compliance with environmental laws and regulations. Such methodology is rooted on the existence of a constantly updated database including all legal requirements applicable to ML, on the identification company's procedures or equipment changes requirements deriving from legislative changes and on the performance of annual legal compliance audits carried out by a specialized services provider.

GRI 308-1 **Percentage of new suppliers selected based on environmental criteria**

Where applicable, environmental requirements are set out for ML's procurement processes. Compliance with such requirements is mandatory, which means non-compliant suppliers are immediately excluded from the process.

GRI 308-2 **Real and potential negative environmental impacts in the suppliers' chain and measures taken in this respect**

ML has developed a methodology for identifying and assessing environmental aspects and impacts which comprise not only ML's activities but also all activities included in the suppliers' chain potentially influenced by ML. From applying such methodology, no significant negative environmental impacts are identified in the value chain, except for the atmospheric emissions deriving from electric energy production.

To minimize such impact, ML has been implementing energy efficiency measures, especially regarding lighting and ventilation systems.

SOCIAL PERFORMANCE

GRI 401-1 **Total number and rates of new recruited employees and turnover by age group, gender and region**

	2015	2016	2017
Headcount (women)	329	326	335
Headcount (men)	1 052	1 037	1 073
Total headcount number	**1 381**	**1 363**	**1 408**
Recruiting	4	2	52
Departures	49	20	7
Turnover rate	**3.8%**	**1.6%**	**4.2%**

GRI 401-2 **Benefits granted to full-time employees who are not offered to temporary or part-time employees, itemized by the organization's major operating units**

There is no differentiation in benefit attribution between full-time and part-time employees.

GRI 401-3 **Work reabsorption and retention rate subsequent to maternity/paternity leave, itemized by gender**

WOMEN	2015	2016	2017
No. of employees with right to parental leave	n.a.	n.a.	n.a.
No. of employees who benefited from parental leave	n.a.	n.a.	n.a.
No. of employees who were reabsorbed at work subsequent to benefiting from parental leave	n.a.	n.a.	n.a.
No. of employees who were reabsorbed at work and continued to be employed within the 12 months subsequent to reabsorption due to parental leave	n.a.	n.a.	n.a.
Work reabsorption rate	n.a.	n.a.	n.a.
Retention rate of employees who benefited from parental leave	n.a.	n.a.	n.a.

n.a. - not available

MEN	2015	2016	2017
No. of employees with right to parental leave	n.a.	n.a.	n.a.
No. of employees who benefited from parental leave	n.a.	n.a.	n.a.
No. of employees who were reabsorbed at work subsequent to benefiting from parental leave	n.a.	n.a.	n.a.
No. of employees who were reabsorbed at work and continued to be employed within the 12 months subsequent to reabsorption due to parental leave	n.a.	n.a.	n.a.
Work reabsorption rate	n.a.	n.a.	n.a.
Retention rate of employees who benefited from parental leave	n.a.	n.a.	n.a.

n.a. - not available

GRI 402-1 **Minimum notice period for operational changes and whether these are specified in collective bargaining agreements**

The notice period corresponds to the one set forth in the Labour Code.

GRI 403-1 **Percentage of employees represented in formal management Committees - workers' Safety and Health Committees, which assist in the monitoring of and advising on Health and Safety Programs**

	2015	2016	2017
Total workforce represented at formal commissions for safety and health (%)	100.0	100.0	100.0

GRI 403-2 **Types and rates of injuries, occupational diseases, lost days, absence and number of work-related fatalities, itemized by region and gender**

	2015	2016	2017
Incidence index	59.66	59.17	62.99
Frequency index	39.38	37.10	39.69
Severity index	2.33	1.92	2.52
Number of fatalities	3	4	0
Absence rate (%)	10.57	9.11	8.98

GRI 403-3 **Workers with high incidence or high risk of diseases related to their occupation**

There are no workers in such conditions.

GRI 403-4 **Health and safety topics covered in formal agreements entered with trade unions**

Not available.

GRI 404-1 **Average hours of training per year, per employee, itemized by gender and employee category.**

	2015	2016	2017
Executives	55.90	44.54	10.45
Higher management	11.20	28.92	41.82
Middle management	4.50	12.48	7.96
Intermediate management	7.40	6.52	7.56
Qualified / highly qualified professionals	2.60	5.51	18.93
Non-qualified professionals	0.00	0.00	3.63
Average	**4.75**	**9.02**	**18.18**

GRI 404-2 **Skills management and continuous learning programs which contribute to continued employability of employees in time for preparing their retirement**

	2017
Executive MBA (Directors)	2
Licentiate Degree	9
Master's Degree	1
PhD Degree	2

Where applicable, as a policy of assistance, the Company grants the Worker-Student Status, pursuant to the Labour Code and the legislation regulating and amending such Code.

GRI 404-3 **Percentage of employees who receive regular performance and career development analyses, itemized by gender and employee category**

In 2017, all employees (100%), women and men, have received both performance and career development analyses.

GRI 405-1 **Composition of groups responsible for governance and itemization of employees by category, according to their gender, age group, association with minority groups and other diversity indicators**

	2015		2016		2017	
GOVERNANCE BODIES	M	W	M	W	M	W
Board of Directors	4	1	4	1	3	1
Advisory to the BD	0	1	0	1	0	1
Supervision Commission	2	1	2	1	1	2
Directors	7	4	8	4	12	4
Total	**13**	**7**	**14**	**7**	**16**	**8**

GRI 405-2 **Ratio of base wage and remuneration of women and men, by employee category and business units**

	2015	2016	2017
Higher management	111.2%	110.3%	110.8%
Middle management	100.5%	108.1%	108.8%
Intermediate management	99.0%	100.8%	100.8%
Highly qualified professionals	122.3%	89.8%	91.9%
Qualified professionals	106.7%	99.5%	98.6%
Non-qualified professionals	0.0%	0.0%	118.0%

GRI 406-1 **Discrimination incidents and corrective measures taken**

	2015	2016	2017
Number of discrimination cases	0	0	0
Number of complaints and claims relative to human rights	0	0	0

GRI 407-1 **Operations and suppliers identified, whose right to exercise freedom of association and collective bargaining may be under violation or threat, and measures taken to assist such right**

GRI 408-1 **Operations and suppliers identified as being exposed to the risk of events of child labour and measures taken to contribute to the effective abolition of child labour**

GRI 409-1 **Operations and suppliers exposed to a significant risk of events of forced labour or equivalent to slavery and measures taken to contribute to the elimination of all forms of forced labour or equivalent to slavery**

GRI 410-1 **Percentage of security personnel who has been trained in light of the organization's policies or procedures related to human rights**

	2015	2016	2017
Security personnel who has been trained in light of the organization's policies or procedures related to human rights which are relevant to the operations.	n.a.	n.a.	19%

n.a. - not available

In this context, the Company does not carry out training to third party organizations which supply security personnel.

GRI 411-1 **Incidents of violations involving indigenous peoples' rights**

No incident has been registered.

GRI 412-1 **Operations subject to human rights reviews or impact assessments**

Metropolitano de Lisboa operates solely within the Portuguese market, and therefore it is guaranteed that any and all issues related to human rights are complied with, which is ensured by the laws of the Republic.

GRI 412-2 **Total number of training hours of employees regarding policies or procedures related to human rights which are relevant to the organization's operations, including the percentage of trained employees**

	2015	2016	2017
Total training hours in policies or procedures related to human rights	n.a.	n.a.	437
Employees trained in human rights policies during the reporting period	n.a.	n.a.	9.31%

n.a. - not available

GRI 412-3 **Total number and percentage of significant investment conventions and agreements which include human rights clauses, or which have been subjected to human rights assessments**

Metropolitano de Lisboa operates solely within the Portuguese market, and therefore it is guaranteed that any and all issues related to human rights are complied with, which is ensured by the laws of the Republic.

GRI 413-1 **Operations with involvement by the local community, impact assessments and development programs**

In the context of network expansion phases or refurbishment/conservation works which require interventions at street-level, Metropolitano de Lisboa fosters the local community's involvement, namely of parishes, residents and local business.

GRI 413-2 **Operations with significant negative real and potential impacts on local communities**

Currently, the situations with negative impacts derive from the construction site at the Arroios station expansion project where, in order to minimize access and visibility difficulties felt by local commerce, panels were placed on the site's fence to warn that trade is open.

GRI 414-1 **Percentage of new suppliers who have been selected based on employment practice criteria**

NR (Not calculated).

GRI 414-2 **Main real and potential impacts for employment practices in the suppliers' chain and measures taken in this respect**

No major impacts for employment practices have been identified in the suppliers' chain.

GRI 415-1 **Political contributions**

As a public business entity, Metropolitano de Lisboa is unable to accept any and all contributions of such nature.

GRI 416-1 **Assessment of products and services categories' impacts on health and safety**

In projecting the provided service, Metropolitano de Lisboa always prioritizes ensuring its customers' safety. Such an assessment is also carried out through an environmental impact study, as the Health Directorate-General participates in its Evaluation Committee and is subject to the Security and Surveillance Department's permanent supervision.

GRI 416-2 **Non-compliance incidents regarding impacts of products and services on health and safety**

No incidents arising from non-compliances on this issue have been registered.

GRI 417-1 **Information requirements for labelling of products and services**

	2015	2016	2017
Percentage of the assessed main product and service categories	87.5%	87.5%	87.5%
Customer Satisfaction Index	7.26	NR	NR
Total number of registered claims relative to customer privacy violation	0	0	0

NR - Not calculated.

GRI 417-2 **Non-compliance incidents relative to information and labelling on products and services**

Not applicable.

GRI 417-3 **Non-compliance incidents relative to marketing communications**

0 (zero).

GRI418-1 **Substantive complaints regarding customer privacy violations and data loss**

In 2017, no complaints relative to customer privacy and data violation have been recorded. It should be noted that the Company is currently creating adaptation and compliance conditions regarding the new General Data Protection Regulation (Regulation (EU) 2016/679 of the European Parliament and of the Council of the 27th of April 2016), which will enter into force on the 25th of May 2018.

GRI 419-1 **Non-compliance with socio-economic laws and regulations**

0 (zero).

Table 82 – GRI Table Index

GRI Rule	Disclosure	Page(s) number(s) and/or URL(s)	Omission
GRI 101: Foundation 2017			
General disclosures			
GRI 102: General Disclosures	102-1 Name of the organization	Page 8	
	102-2 Main activities, brands, products and/or services	Page 8-10	
	102-3 Location of the organization's headquarters	Page 6	
	102-4 Location of operations	Page 6	
	102-5 Nature of property and legal form	Page 8	
	102-6 Markets covered	Page 8-9	
	102-7 Dimension of the organization	Page 20	
	102-8 Information concerning the workers and other employees	Page 73-76	
	102-9 Supplies' chain		
	102-10 Material changes in organization and its supply chain		
	102-11 Precaution principle or approach		
	102-12 External initiatives	Page 36, 73, 113 https://www.metrolisboa.pt/institucional/wp-content/uploads/sites/2/2018/02/MetropolitanodeLisboaDeclara%C3%A7%C3%A3oIgualdadeOportunidadesUITP.docx.pdf	
	102-13 Participation in associations and/or organizations		
	102-14 Declaration of senior decision-maker	Page 4-5	
	102-15 Main impacts, risks and opportunities	Page 126	
	102-16 Behavioural values, principles, standards and rules		
	102-17 Counsel mechanisms and ethical concerns		
	102-18 Governance structure	Page 23-25	
	102-19 Delegation authority	Delegations of the Board of Directors' powers are made by means of resolutions approved in the Board of Directors' meetings	
	102-20 Executive level responsibility for economic, environmental and social issues	Page 24	
	102-21 Consulting stakeholders on economic, environmental and social issues		
	102-22 Composition of the highest governance body and its committees	Page 24-25	
	102-23 Chairman of the highest governance body	Page 24	
	102-24 Nomination and selection of the highest governance body	Page 23	
	102-25 Conflicts of interest		
	102-26 Role of the highest governance body in defining purposes, values and strategies		
	102-27 Collective recognition of the highest governance body	Page 24	
	102-28 Assessment of the highest governance body's performance	Page 104	
	102-29 Identifying and managing economic, environmental and social impacts		
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GRI Rule	Disclosure	Page(s) number(s) and/or URL(s)	Omission
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	405-2 Ratio of base wage and remuneration of women and men, by employee category and business units	Page 138	
GRI 406: Anti-discrimination	406-1 Discrimination incidents and corrective measures taken	Page 138	
GRI 407: Freedom of association and collective bargaining	407-1 Operations and suppliers identified, whose right to exercise freedom of association and collective bargaining may be under violation or threat, and measures taken to assist such right	Page 138	
GRI 408: Child labour	408-1 Operations and suppliers identified as being exposed to the risk of events of child labour and measures taken to contribute to the effective abolition of child labour	Page 138	
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	417-3 Non-compliance incidents relative to marketing communications	Page 140	
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Glossary

Absence

Results from the recorded time classified as absence. This concept derives from the Employee's absence as opposed to effective work performed.

Accident

Abnormal occurrence which involves a harmful event. It entails the occurrence of damages and losses, regardless of their significance.

Work Accident

An accident occurring in the place and time of work that generates direct or indirect physical injury, functional disturbance or illness resulting in death or in a reduction of work capacity or gain. These include accidents during the work schedule and accidents occurring on the way to and from the work place.

Benchmarking

Systematic and continuous evaluation process of the organizations' products, services and work processes, deemed as representative of the best practices, aiming at introducing improvements in the Organization.

Workers

All workers who have entered into an employment agreement (open-ended, fixed-term and unspecified term) with the company, excluding trainees.

Sustainable Development

Concept developed by the Brundtland Commission as part of the United Nations World Commission on Environment and Sustainable Development Report, "Our Common Future", published in 1987, in which sustainable development is defined as "a development which meets existing needs without compromising the ability of future generations in meeting their own needs". The definition of sustainable development implies a "solidarity commitment with future generations" thus ensuring "heritage" transferal which can meet their needs. This implies a balanced integration of economic, sociocultural and environmental systems, as well as of institutional aspects regarding the very present concept of "good governance".

Effectiveness

Extent to which estimated activities are carried out and achieve the projected results.

Efficiency

Relation between obtained results and invested resources.

Direct Emissions

Emissions which derive from sources owned or controlled by the company.

Indirect Emissions

Emissions which are a consequence of the company's activities, although derive from sources which are neither owned nor controlled by the latter.

Service Supply

Corresponds to the set of resources made available by the service provider, which may entail, wholly or partially, personnel, facilities, support services, equipment or means necessary to provide the service.

Greenhouse Gas

Existing natural and anthropogenic gases in the terrestrial atmosphere which absorb and re-emit infrared radiation. The six major GHG foreseen in the Kyoto Protocol are: carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_20), hydrofluorocarbon gases (HFC), perfluorocarbon gases (PFC) and sulphur hexafluoride (SF_6).

Global Reporting Initiative

A global and independent institution which develops a world reporting guideline framework, enabling companies to prepare reports on their economic, environmental and social performance.

Environmental Impact

Any adverse or beneficial environmental change which results, wholly or partially, from an organization's environmental aspects.

Indicator

Calculation or measurement formula which reflects a particular relation or situation point regarding a certain predetermined goal or objective.

Monitoring

Set of actions aiming at controlling an organization's full operation performance or its goals, processes, indicators or other regarding its economic, environmental and social performance.

ISO 9001 Standard

International Organization for Standardization's International Standard on quality management systems.

ISO 14001 Standard

ISO 14000 series' Standard on the Requirements of an Environmental Management System. Specifications and guidelines for its operation.

Organization

Set of people and facilities embodied in a chain of responsibility, authority and relations.

Stakeholders

Entities affected or affecting the company.

Passenger x km

Measurement unit corresponding to a passenger's traveling inside a vehicle, within a one-kilometre distance, when such vehicle is providing the service for which it was projected.

Recycling

Waste reprocessing, through its biological, physical or chemical transformation in a production process, for its initial purpose or for other purposes, namely as raw material, but excluding energy recovery.

Complaints

Formalization of third party dissatisfaction to ML, verbally or in writing. Any customer complaints addressed to the services, personally (verbally or in writing), by telephone, fax, mail, e-mail or any other written form.

Wastes

Any substance or object that the holder discards or has the intention or obligation to dispose of.

Service

Result of a process established between the provider and the customer under an agreement, including the features which allow for its evaluation.

Management System

System for establishing policies and objectives and for achieving such objectives.

Quality Management System

Management system aimed at directing and controlling an organization concerning its quality.

Environmental Management System

Part of an organization's management system used to develop and implement its environmental policy and to manage its environmental aspects.

Sustainability

Ability to meet present needs without compromising future generations' possibilities to meet their needs.

Procedural Protocol

Set of legal requirements required for the formation of a process.

Recovery

Any operations aimed at reusing waste (including reutilization, recycling, regeneration, energy recovery and other).

Abbreviations and Acronyms

Meaning
Complementary Grouping of Companies
European Economic Interest Grouping
Company Agreement
Portuguese Tax Authorities
Heating, Ventilating and Air Conditioning
Board of Directors
Companhia Carris de Ferro de Lisboa
Carriages x km
Carbon dioxide
Equivalent carbon dioxide
Community of Metros
Comboios de Portugal, E.P.E.
Public Procurement
Technical Committee
Public Business Entity
Operating profit before amortization and provisions (and adjustments, if applicable)
Wastewater Treatment Plant
United States of America
gram
Sustainability Reporting Guidelines (4th update)
Greenhouse Gas
Global Reporting Initiative
Men / Women
Public Institute
Customer Satisfaction Index
Value Added Tax
kilogram
kilometre
Key Performance Indicators
Kilowatt per hour
litre
Limited
Passenger Spaces x km
State Budget Law
Meter
Million euro
Cubic meter
Mean kilometre Between Failures
Metropolitano de Lisboa, E.P.E.

Meaning
Mean Time Between Failures
Megawatt per hour
Not recorded
Urban Railway Benchmarking Group
Nitrogen Oxides
Portuguese Standard
State Budget
Activity and Budget Plan
Passenger x km
Passengers x km
Depot and Workshop
Average period for payments
Passengers carried
Human Resources
Non-harmful industrial waste
Harmful industrial waste
Chartered Accountant (Auditor)
Second
Public Limited Company
Automatic Fire Detection System
Secretariat of State of Public Works, Transportation and Communications
Secretary of State for Treasury and Finances
Management System
Secretariat-General and Directorate of Legal Affairs
Quality and Environment Management System
Sulphur Dioxide
Sociedade Fluvial de Transportes, S.A.
Audit Firm
Strengths, Weaknesses, Opportunities and Threats
ton
Transportes Tejo, S.A.
União Internacional dos Transportes Públicos
Units

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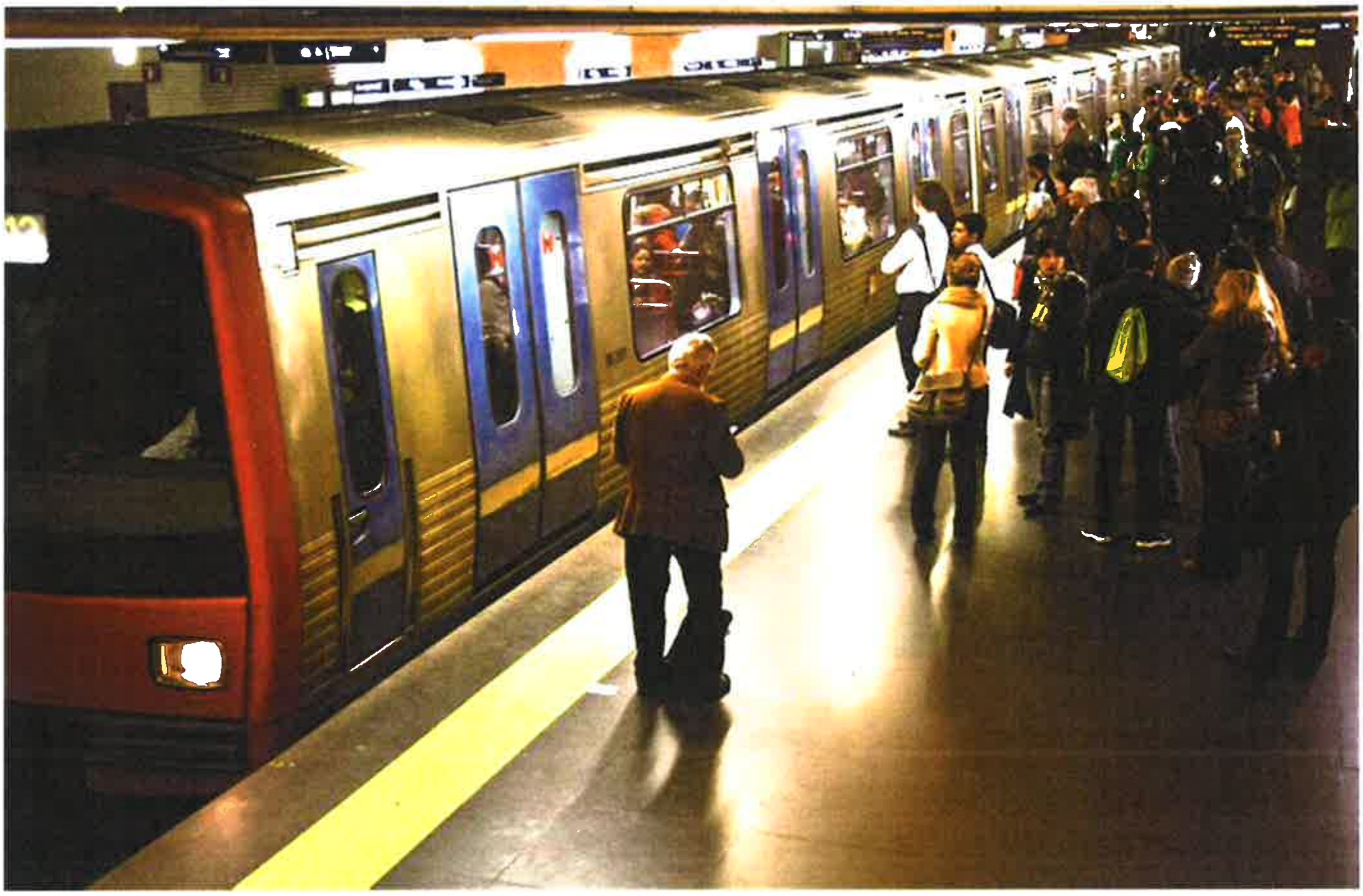

Metropolitano de Lisboa, E.P.E.

Financial Statements and Annex

Individual and Consolidated Accounts

2017

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I. Individual Accounts

Individual balance on December 31, 2017

Un:€

Assets	Notes	31-12-2017	31-12-2016
Non-current assets			
Durable infrastructure investments	7	5.020.086.976	4.986.145.104
Tangible fixed assets	8	151.269.820	179.535.513
Investment properties	10	8.534.641	676.591
Financial holdings - equity method	11	3.122.902	2.814.343
Derivatives	12	330.000	1.114.000
Other financial assets	13	52.188.819	58.787.571
Total of non-current assents		**5.235.533.158**	**5.229.073.122**
Current assets			
Inventories	14	4.076.539	2.173.269
Clients	15	4.999.392	6.467.880
State and other public entities	23	3.053.159	3.259.927
Other accounts receivable	15	11.213.598	9.635.758
Deferrals	16	31.881.775	31.395.581
Cash and bank deposits	5	22.023.844	24.964.665
Total of current assets		**77.248.306**	**77.897.079**
Total assets of durable infrastructure investments		**5.020.086.976**	**4.986.145.104**
Total assets linked to the operation (ML)		**292.694.489**	**320.825.097**
Total assets		**5.312.781.465**	**5.306.970.201**

The annex is an integral part of the Individual balance on December 31, 2017

Un:€

EQUITY AND LIABILITIES		31-12-2017	31-12-2016
Equity			
Paid-up capital	17	2.368.595.326	2.176.544.524
Legal reserve		21.597	21.597
Other reserves		1.501.878	1.501.878
Results carried forward		(1.744.292.684)	(1.727.960.807)
Adjustments/Other variations in equity	18,21	1.976.909	6.606.344
		627.803.026	**456.713.537**
Net result of the period		**(24.500.916)**	**(44.140.386)**
Total equity		**603.302.111**	**412.573.151**
Liabilities			
Non-current liabilities			
Durable infrastructure investments	7	2.706.575.594	3.070.524.077
Provisions	19	54.251.294	158.408.464
Financing obtained	20	66.402.003	80.201.560
Derivatives	12	108.844.147	147.442.569
Commitments for post-employment benefits	21	252.627.865	255.738.256
Total of non-current liabilities		**3.188.700.902**	**3.712.314.925**
Current liabilities			
Durable infrastructure investments	7	900.000.200	702.149.898
Suppliers	22	4.631.433	4.045.701
State and other public entities	23	1.637.406	1.912.636
Financing obtained	20	451.492.197	429.879.292
Other debts payable	25	162.604.700	43.516.421
Deferrals	26	412.516	578.177
Total of current liabilities		**1.520.778.452**	**1.182.082.126**
Total liabilities in durable infrastructure investments		**3.606.575.794**	**3.772.673.975**
Total liabilities linked to the operation (ML)		**1.102.903.561**	**1.121.723.076**
Total liabilities		**4.709.479.354**	**4.894.397.050**
Total equity and liabilities		**5.312.781.465**	**5.306.970.201**

THE BOARD OF DIRECTORS

Engineer Vítor Manuel Jacinto Domingues dos Santos

Dr. Luis Carlos Antunes Barroso

Engineer Maria Helena Arranhado Carrasco Campos

THE OFFICIAL ACCOUNTANT

Dr. Carlos Emério Ferreira da Mota

Individual statement of results by nature of the financial year ended December 31, 2017

Un:€

INCOME AND COSTS	Notes	2017	2016
Sales and services provided	27	109.400.211	101.189.096
Gains/losses imputed to subsidiaries, associates and joint ventures	11,19	(3.957.329)	(5.149.393)
Works for the entity itself		2.309.612	2.448.842
Cost of goods sold and materials consumed	14	(4.408.604)	(2.180.092)
Supplies and external services	28	(32.163.996)	(30.513.040)
Staff costs	29	(71.667.238)	(66.082.399)
Impairment of debts receivable (losses / reversals)	15,16	(122.858)	(186.846)
Provisions (increases / decreases)	19,33	(30.498)	(1.328.157)
Increases / decreases in fair value	12,13	38.332.888	26.690.393
Other income	30	5.031.619	5.357.429
Other expenses	31	(10.151.345)	(6.264.920)
Results before depreciations, financing expenses and taxes		**32.572.461**	**23.980.911**
Expenses / reversals of depreciation and amortisation	8,10	(23.411.484)	(23.483.834)
Impairment of depreciable and amortisable assets (losses/reversals)	8,10	223.155	447.586
Operating results (before financing expenses and taxes)		**9.384.132**	**944.663**
Interest and similar income received	32	2.714.695	1.097.219
Interests and similar expenses borne	19,32	(35.839.186)	(44.391.928)
Results before taxes		**(23.740.359)**	**(42.350.046)**
Income tax of the period	24	(760.557)	(1.790.340)
Net results of the period		**(24.500.916)**	**(44.140.386)**

The annex is an integral part of the Individual statement of results by nature for the year ended December 31, 2017

THE BOARD OF DIRECTORS

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Dr. Luís Carlos Antunes Barroso

Engineer Maria Helena Arranhado Carrasco Campos

THE OFFICIAL ACCOUNTANT

Dr. Carlos Emério Ferreira da Mota

Cash Flow Individual Statements on December 31, 2017

Un:€

HEADINGS	Notes	2017	2016
Cash flows of operating activities			
Clients receivables		121.576.498	110.504.013
Payments to suppliers		(39.386.354)	(29.729.970)
Staff payments		(63.549.931)	(58.994.627)
Cash generated by operations		18.640.212	21.779.416
Tax payments and receivables		(5.934.791)	1.217.954
Other receivables/payments		(12.013.175)	(2.019.666)
Cash flows of operating activities (1)		692.246	20.977.704
Cash flows of investment activities			
Receivables from:			
Investment subsidies		1.137.500	1.670.125
Interest and similar income		71.975	33.502
Payments relating to:			
Tangible fixed assets		(6.733.354)	(11.212.469)
Cash flows of investment activities (2)		(5.523.879)	(9.508.842)
Cash flows of financing activities			
Receivables from:			
Financing obtained		32.584.270	84.087
Capital increases and other equity instruments	17	192.050.802	358.409.543
Loss Coverage	17	27.808.509	-
Payments relating to:			
Financing obtained		(71.586.662)	(229.233.943)
Interest and similar expenses		(178.966.107)	(131.204.006)
Total payments		(250.552.769)	(360.437.949)
Cash flows of financing activities (3)		1.890.812	(1.944.319)
Cash variations and cash equivalents (4)=(1)+(2)+(3)		(2.940.820)	9.524.543
Cash and cash equivalents at the beginning of the period	5	24.964.665	15.440.123
Cash and cash equivalents in the end of the period	5	22.023.844	24.964.665

The annex is an integral part of the cash flow statement of the period ended December 31, 2017

THE BOARD OF DIRECTORS

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THE OFFICIAL ACCOUNTANT

Dr. Carlos Emério Ferreira da Mota

Individual statement of alterations in equity for the periods of 2016 and 2017

Un:€

	Notes	Paid-up capital	Legal reserve	Other reserves	Results carried forward	Adjustments / Other variations in equity	Net result of the period	Total equity
Position on January 1, 2016		1.818.134.981	21.597	1.501.878	(1.662.816.925)	15.538.893	(65.143.882)	107.236.542
Alterations within the period:								
Application of net results for the period ended December 31, 2015	17	-	-	-	(65.143.882)	-	65.143.882	-
Investment subsidies	18	-	-	-	-	(2.691.179)	-	(2.691.179)
Defined benefits plan- actuarial gains and losses	21	-	-	-	-	(6.241.370)	-	(6.241.370)
Net result for the period							(44.140.386)	(44.140.386)
Overall result							(53.072.935)	(53.072.935)
Operations with shareholders within the period								
Capital increases	17	358.409.543	-	-	-	-	-	358.409.543
Position on December 31, 2016		2.176.544.524	21.597	1.501.878	(1.727.960.807)	6.606.343	(44.140.386)	412.573.151
Position on January 1, 2017		2.176.544.524	21.597	1.501.878	(1.727.960.807)	6.606.343	(44.140.386)	412.573.151
Alterations within the period:								
Application of net results for the period ended December 31, 2016	17	-	-	-	(44.140.386)	-	44.140.386	-
Investment subsidies	18	-	-	-	-	(2.577.927)	-	(2.577.927)
Defined benefits plan- actuarial gains and losses	21	-	-	-	-	(2.051.508)	-	(2.051.508)
Net result for the period							(24.500.916)	(24.500.916)
Overall result							(29.130.351)	(29.130.351)
Operations with shareholders within the period								
Capital increases	17	192.050.802	-	-	-	-	-	192.050.802
Loss coverage	17	-	-	-	27.808.509	-	-	27.808.509
Position on December 31, 2017		2.368.595.326	21.597	1.501.878	(1.744.292.684)	1.976.908	(24.500.916)	603.302.111

The annex is an integral part of the individual statement of the alterations in equity for the periods of 2016 and 2017

THE BOARD OF DIRECTORS

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Dr. Luís Carlos Antunes Barroso

Engineer Maria Helena Arranhado Carrasco Campos

THE OFFICIAL ACCOUNTANT

Dr. Carlos Emério Ferreira da Mota

Annex to the Financial Statements

on December 31, 2017

(Amounts in Euros)

1 IDENTIFICATION OF THE ENTITY

The Metropolitano de Lisboa, E.P.E. (hereinafter referred to as "ML" or "Company") is a public corporation, incorporated in 1949, with registered head office at Av. Fontes Pereira de Melo, nº 28, in Lisbon, whose current legal regime and By-laws were approved by Decree-Law no. 148-A/2009, of June 26. Its main purpose is the provision of activities and services related to the public transport of passengers by metro (underground network) in the city of Lisbon and neighbouring municipalities of Lisbon Metropolitan Area, *"Grande Lisboa"* (Greater Lisbon in English), in accordance with the concession contract entered with the Portuguese State on March 23, 2015.

The Board of Directors approved the financial statements on July 20, 2018, which include the balance sheet, the statement of results by nature, the statement of variations in equity, the cash flows statement and this annex. However, they are still subject to approval by the sector and financial supervisory authorities in accordance with the legal regime in force for the corporate public sector.

The Supervisory Entity still hasn't formally approved the financial statements for the financial years ended December 31, 2014 up to 2016. By considering that such financial statements and proposed application of results will be approved without significant changes, the Board of Directors carried out the accounting records of the application of results for those financial years, in accordance with the proposals included in the corresponding Management Reports.

The Board of Directors considers that these financial statements accurately reflect the Company's financial position, its operation results, variations in equity and cash flows.

Under the provisions of Decree-Law no. 158/2009, of July 13, in addition to these individual financial statements, the Company is subject to preparation of consolidated financial statements, which will be presented separately.

2 ACCOUNTING STANDARDS FOR PREPARATION OF THE FINANCIAL STATEMENTS

2.1 Basis of preparation

These financial statements were prepared in accordance with the Accounting Standardization System (SNC) (*Sistema de Normalização Contabilística* in Portuguese), approved by Decree-Law no. 158/2009, of July 13, with the subsequent amendments and republishing provided by Decree-Law no. 98/2015, of June 2.

The financial statements are expressed in euros, having been prepared with the underlying assumption of continuity and using the accrual basis of accounting system (economic periodization).

2.2 Comparability of the financial statements

The elements in these financial statements are, in their entirety, comparable to those of the previous financial year.

3 ADOPTION FOR THE FIRST TIME OF THE NCRF - TRANSITIONAL DISCLOSURE

Non-applicable.

4 MAIN ACCOUNTING POLICIES

The main accounting policies used to prepare these financial statements are as follows:

4.1 Durable Infrastructure (DI) investment activities

Over the years, the Company assumed the responsibility for building, renovating and managing of the durable infrastructures for the regular operation of the public passenger collective transport service based on the use of Lisbon's underground and that of its neighbouring surroundings. This activity abides by State directives and it is primarily funded by subsidies and loans, mainly endorsed by the State.

Until the financial year of 2009, the Company recognised in its balance sheet the assets and liabilities related to DI according to the provisions of Decree-Law 196/1980, of June 20, whereby the Portuguese State undertook the commitment to restructure the Company financially and economically, namely bearing the costs of DI investments carried out until December 31, 1978. Said Decree-Law also states that for investments made after January 1, 1979, the State would set the outstanding amounts that it would assume, a provision that was never issued. In the financial years of 2010 and 2011, the Board decided it was appropriate to cancel the assets and liabilities related to DI, and consequently, the Company's total balance in those years decreased significantly. In the financial year of 2012, following Order No. 1491/12 of the *"Secretaria de Estado do Tesouro e Finanças"* (Treasury and Finance State Department), the Board decided to resume the recording of DI related assets and liabilities in the Company's balance sheet.

Therefore, all resulting flows from this activity are recorded in the balance sheet under the heading "Durable infrastructure investments", which include the following items:

In assets:

- The durable infrastructures ("DI") under public domain built by the Company and over which it has the right of access in order to provide "Passenger Transport" and "Infrastructure management" services, including the free revaluations made in previous years;
- The materials purchased for the construction/repair of DI, recorded under inventories;
- The subsidies received to co-finance DI construction, to be deducted from investments in DI;
- The financial expenses directly incurred with loans to fund the DI construction and repair activity, corresponding to interest, endorsement fees and stamp duty arising from the activity carried out on behalf of the State which have not been capitalised in DI cost during the construction phase;
- The derivative financial instruments contracted by the Company to face variations in interest rates on loans obtained to finance the DI activity, which are recognised at fair value under assets in the cases where their fair value is positive.

It should be noted that the fixed tangible and intangible assets, net of subsidies and impairments, presented under the heading DI are not being depreciated/amortised (Notes 4.2 and 4.3).

In liabilities

- The amounts payable to suppliers of DI construction services;
- The loans undertaken to finance DI construction and repair activities, particularly those endorsed by the State;
- The derivative financial instruments contracted by the Company to cover the risk of variations in interest rates on loans obtained to finance the DI activity, which are recognised at fair value under liabilities, in the cases where their fair value is negative.

Expenses with maintenance and repairs that do not extend the useful life of these assets are recorded in the statement of results of the period in which they occur, as these arise from the infrastructure management activity carried out by the Company.

Pursuant to Decree-Law 196/80, of June 20, the Government assumed the principle that it was the Portuguese State's responsibility to finance the construction of durable infrastructures constructed by the Company, outlining the following types of investments:

- Studies related to the network development;
- Galleries, stations and other ancillary or complementary constructions;
- Railway track;
- High and low voltage networks;
- Telecommunications and control systems;
- Ventilation and pumping equipment;
- Mechanical accesses.

This commitment was fulfilled by non-refundable subsidies granted by the Portuguese State for investments carried out until December 31, 1980 and for the corresponding financial expenses incurred with such investments. At that date, the amount of investments made and the value of the subsidies granted coincided and were recorded in assets financed by the State and investment reserves, respectively.

The aforementioned Decree-Law contained a clause imposing its revision until its expiration on December 31, 1980. However, this never occurred. Hence, as of that date, funds have been allocated based on specific legislation included in the Investment Plans of the State Business Sector and in the form of statutory capital provisions and generic subsidies for investments and financial restructuring and, in result, there is no correspondence between the investments made and the subsidies granted.

Due to the change in the recording policy during the transition to the Accounting Standardisation System, the Company proceeded to quantify the financial expenses regarding interest, stamp duty, endorsement fees and financing set-up expenses incurred in previous years, not borne by the State, recording them under the heading "Durable infrastructure investments".

4.2 Tangible fixed assets

Related to infrastructure management (non-durable infrastructure assets)

Tangible fixed assets are recorded at acquisition or production cost, which includes the purchase cost, finance expenses and any costs directly attributable to the activities required to place assets at the location and the necessary conditions to operate as intended and, when applicable, the initial cost estimate for dismantling and removing the assets and restoring the their installation/operation areas, which the Company expects to incur, minus the accumulated depreciations and the accumulated impairment losses (when applicable).

Depreciations are calculated after the assets become available for use and according to the straight-line method on a twelfths basis, in line with the estimated period of useful live for each class of assets:

Class of assets	Years
Buildings and other constructions	10 - 50
Basic equipment:	
Operation rolling stock	14 - 28
Service rolling stock	10 - 30
Control systems and telecommunications	12 - 16
Transport equipment	4 - 5
Tools and utensils	4 - 10
Office equipment	7 - 10
Other tangible fixed assets	4 - 10

The Board of Directors considers that, at any given time, the book value of the assets will be realisable either through its sale or through use, assuming the continuity of operations.

The useful life and depreciation method of the various assets are reviewed annually. The effect of any variations to these estimates is recognised prospectively in the statement of results.

Maintenance and repair costs (subsequent expenditures) that are unlikely to generate additional future economic benefits are recorded as expenses in the period in which they are incurred.

Major repairs are recorded under the corresponding heading "Tangible fixed assets" and depreciated in the same period of years of the investment to which they relate.

The main spare parts are recorded as tangible fixed assets when expected to be used for more than one period.

The gain (or loss) resulting from the disposal or write-off of a tangible fixed asset is determined as the difference between the fair value of the amount received or receivable in the transaction and the net amount of the recorded accumulated depreciations of the asset, being recognised in the results of the period in which the write-off or disposal occurs.

Related to Durable Infrastructures ("DI"):

Tangible fixed assets related to DI are recorded under the heading "Durable infrastructure investments" at acquisition or production cost, which includes the purchase cost, finance expenses and any costs directly attributable to the activities required to place the asset at the location and necessary conditions to be operated as intended and, when applicable, the initial cost estimate in which the Company expects to incur for dismantling and removing the asset and restoring the corresponding installation/operation areas.

Grants obtained for financing DI activities are deducted from the value of the tangible fixed assets allocated to durable infrastructures.

These assets are not being depreciated.

4.3 Intangible assets

Intangible assets linked to DI are recorded under the heading "Durable Infrastructure investments" mainly including studies for network development, and are not currently being depreciated.

4.4 Leases

Leases are classified as finance leases whenever their terms substantially transfer all risks and rewards of ownership to the lessee. All other leases are classified as operating leases. The classification of leases is based on substance rather than on the form of the contract.

Leases in which the Company acts as lessor:

The situations in which the Company acts as lessor concern contracts with tenants of buildings and building floors owned by the Company.

Under the "*Lei do Arrendamento*" (Law on Urban Leases), these lease contracts have no defined term and were entered following the relocation process carried out by the Company in result of the works performed.

According to the conditions therein, these contracts are classified as operating leases and the payable remunerations recognised as income in the statement of results of the financial year to which they relate.

Assets acquired by finance lease contracts, and the corresponding responsibilities, are recorded at the beginning of the lease at the lowest fair value of assets and the current value of the minimum lease payments. Payments of finance leases are divided between the financial expenses and the reduction of responsibility in order to obtain a constant interest rate on the pending balance of the responsibility and the asset depreciation, which is calculated as set out in Note 4.2 and recognised in the statement of results of the financial year to which it refers.

Operating lease payments are recognised as expenses on a straight-line basis during the lease period.

Contingent rents are recognised as expenses for the period in which they are incurred.

4.5 Investment properties

Investment properties comprise mainly real estate owned to obtain rents or capital appreciation (or both), and are not intended for use in the production or supply of goods or services, for administrative purposes or for sale in the ordinary course of business.

Investment properties are measured at cost minus the corresponding accumulated depreciations and possible impairment losses.

Depreciations are calculated after the good has become available for use, according to the straight-line method on a twelfths basis and according to the period of estimated useful live for each class of assets.

The depreciation rates used correspond to the following estimated useful live periods:

Class of assets	Years
Buildings and other constructions	10 - 50

Costs incurred related to investment property such as maintenance, repairs, insurance and taxes are recognised as an expense in the period to which they relate. Improvements or enhancements in investment properties expected to generate additional future economic benefits are capitalized under the heading "Investment properties".

If, at the balance sheet date, the recoverable amount of the investment property is lower than its book amount, the corresponding impairment loss is recognised in the statement of results of the corresponding period.

The recoverable amount of the asset (or cash-generating unit) is the greater of: (i) the fair value minus the selling costs; and (ii) the value of use. In determining the value of use, the estimated future cash flows are discounted using a discount rate that reflects the market expectations on the time value of money (which was considered non-existent in the Company's case) and the assets' specific risks (or the cash-generating unit) for which the estimates of future cash flows have not been adjusted.

The reversal of impairment losses recognised in prior financial years is recorded when there is evidence that previously recognised impairment losses no longer exist or have decreased. The reversal of the impairment loss is completed up to the limit of the amount that would be recognised (net of depreciations) if the loss had not been recorded.

The gain (or loss) from the disposal or write-off of any component of the investment property is determined as the difference between the amount received in the transaction and the book value of the asset, being recorded for its net amount in the statement of results.

4.6 Impairment of tangible fixed assets (non-durable infrastructure assets)

At each reporting date, a review of the book amounts of the Company's tangible fixed assets is carried out to determine whether there is any indication that they may be impaired. If there is any indicator, the recoverable amount of the respective assets (or cash-generating unit) is estimated in order to determine the extent of the impairment loss (if applicable).

The recoverable amount of the asset (or cash-generating unit) is the greater of: (i) the fair value minus the selling costs; and (ii) the value of use. In determining the value of use, the estimated future cash flows are discounted using a discount rate that reflects the market expectations on the time value of money (which was considered non-existent in the Company's case) and the assets' specific risks (or the cash-generating unit) for which the estimates of future cash flows have not been adjusted.

Whenever the book amount of the asset (or cash-generating unit) exceeds its recoverable amount, it is recognised as an impairment loss. The impairment loss is recognised immediately in the statement of results, unless such loss offsets a revaluation surplus recorded in equity. In the latter case, such loss will be treated as a decrease of that revaluation

The reversal of impairment losses recognised in prior financial years is recorded when there is evidence that previously recognised impairment losses no longer exist or have decreased. The reversal of the impairment loss is made up to the limit of the amount that would be recognised (net of depreciation) if the prior impairment loss had not been recorded.

4.7 Financial holdings in subsidiaries, associates and affiliates

Holdings in subsidiaries, associated companies and joint ventures are recorded using the equity method. Under the equity method, financial holdings are initially recorded at their acquisition cost and subsequently adjusted according to the variations (after the acquisition) of the Company's share in the net assets of the corresponding entities.

The results of the Company include the share in the results of these entities.

When there are indications that the asset may be impaired, an evaluation of the financial investment is carried out. The existing impairment losses are recorded as expenses in the statement of results.

When the Company's proportion in the accumulated losses of the subsidiary, associated company or joint venture, exceeds the recorded value of the investment, then the investment is reported at nil value, except when the Company has undertaken the commitment to cover the losses of the subsidiary, associated company or joint venture, in which case, additional losses determine the recognition of liability. If the subsidiary, associated company or joint venture subsequently reports profits, the Company resumes recognising its share of those profits only after its share of profits equals the share of losses not recognised.

Unrealised gains on transactions with subsidiaries, associated companies or joint ventures are eliminated in proportion to the Company's interest thereof, against the relevant investment heading. Unrealised losses are similarly eliminated but only to the extent where the loss does not result in a situation in which the transferred asset is impaired.

4.8 Inventories

Inventories are measured at the lower of cost or net realisable value. Raw materials, subsidiary and consumables are valued at acquisition cost, which does not exceed the respective market value.

The net realisable value represents the estimated selling price minus all estimated costs necessary to complete the inventories and to carry out the sale. In situations where the cost value is higher than the net realisable value, an impairment loss is recorded for the respective difference.

Variations of the year in impairment losses of inventories are recorded under the statement of results "Impairment of inventories (losses/reversals)".

The inventory costing method adopted by the Company is the weighted average cost.

4.9 Financial assets and liabilities

Financial assets and liabilities are recognised in the balance sheet when the Company becomes party to the corresponding contractual terms, using for this purpose the provisions of the NCRF 27 - Financial instruments.

Thus, the financial assets and liabilities are measured according to the following criteria: (i) at amortised cost minus impairment losses and (ii) at fair value with the variations recognised in the statement of results.

(i) At amortised cost minus impairment losses

Financial assets and liabilities with the following features are measured "at amortised cost minus impairment losses":

- They are on demand or have a defined maturity;
- They have an associated fixed or determinable return; and
- They do not include any contractual clause that could result in loss of nominal value for the holder.

With the exception of financial liabilities classified as held for trading, all financial liabilities should be measured at amortized cost.

The amortised cost is determined using the effective interest method. The effective interest is calculated using the rate that discounts exactly the estimated future payments or receivables during the expected life of the financial instrument in the net book value of the financial asset or liability (effective interest rate).

Consequently, this category includes the following financial assets and liabilities:

a) Clients and other receivables

The balances of clients and other receivables are recorded at amortised cost minus any impairment losses. Usually, the amortised cost of these financial assets does not differ from its nominal value.

b) Cash and bank deposits

The amounts included under the heading "Cash and bank deposits" correspond to cash, bank deposits, term deposits and other treasury applications that mature within twelve months. Usually, the amortised cost of these financial assets does not differ from their nominal value.

c) Suppliers and other debts payable

The balance for suppliers and other debts payable are recorded at amortised cost. Usually, the amortised cost of these financial liabilities does not differ from their nominal value.

d) Financing obtained

Financing obtained is recorded as liabilities at amortised cost.

Any costs incurred in obtaining such financing, namely bank commissions and stamp duty as well as interest expenses and similar, are recognised using the effective interest method in the statement of results throughout the financing period. Until those incurred costs are not recognised, they are recorded to be deducted in the heading "Financing obtained". Interests accrued and not yet paid are shown under the heading "Other debts payable".

Financial assets included in the category "at amortised cost" are tested for impairment at each reporting date. These financial assets are impaired when there is objective evidence that their estimated future cash flows are affected in result of one or more events occurred after their initial recognition.

For financial assets measured at cost, the impairment loss recognised is the difference between the asset's book value and the best estimate of the asset's fair value.

Impairment losses are recorded in results in the period in which they are determined.

Subsequently, if the amount of the impairment loss decreases and such decrease can be related objectively to an event occurring after the impairment was recognised, it must be reversed for results. The reversal should be made up to the amount that would be recognised (amortised cost) if the loss had not been initially registered.

The Company derecognises financial assets only when the contractual rights to the cash flows expire after collection, or when the control of these financial assets is transferred to another entity as well as all significant risks and rewards associated with their ownership.

The Company derecognises financial liabilities only when the underlying obligation is settled, cancelled or expired.

(ii) At fair value with the alterations recognized in the statement of results

All financial assets and liabilities not classified in the heading "at amortized cost" are included in the heading "at fair value with the alterations recognized in the statement of results".

These financial assets and liabilities are measured at fair value and the changes in their fair value are recorded in the statement of results.

In the Company's specific case, this heading includes the derivative financial instruments that do not qualify for hedge accounting in accordance with the provisions of the NCRF 27 - Financial Instruments and the collateral given as financing guarantee.

According to the above-described, financial assets and liabilities were classified as follows:

		2017		2016	
Financial Assets	**Notes**	**Fair value**	**Amortised cost**	**Fair value**	**Amortised cost**
Non-current:					
Derivatives	12	330.000	-	1.114.000	-
Other financial assets	13	52.188.590	-	58.787.571	-
		52.518.590	**-**	**59.901.571**	**-**
Current:					
Clients	15	-	4.999.392	-	6.467.880
State and other public entities	23	-	3.053.159	-	3.259.927
Other accounts receivable	15	-	11.213.598	-	9.635.758
Cash and bank deposits	5	-	22.023.844	-	24.964.665
		-	**41.289.992**	**-**	**44.328.230**
		52.518.590	**41.289.992**	**59.901.571**	**44.328.230**

		2017		2016	
Financial Liabilities	**Notes**	**Fair value**	**Amortised cost**	**Fair value**	**Amortised cost**
Non-current					
Financing obtained	20	-	66.402.003	-	80.201.560
Derivatives	12	108.844.147	-	147.442.569	-
		108.844.147	**66.402.003**	**147.442.569**	**80.201.560**
Current:					
Suppliers	22	-	4.631.433	-	4.045.701
State and other public entities	23	-	1.637.406	-	1.912.636
Financing obtained	20	-	451.492.197	-	429.879.292
Other debts payable	25	-	162.604.700	-	43.516.421
		-	**620.365.736**	**-**	**479.354.050**
		108.844.147	**686.767.739**	**147.442.569**	**559.555.610**

4.10 Financial expenses on financing obtained

Financial expenses related to financing obtained are recognised as costs as they are incurred.

Financial expenses on financing obtained directly related to the acquisition and construction of assets are capitalised, being part of the asset's cost. The capitalisation of these costs begins after the start of the preparation of the asset's construction activities and is interrupted at the beginning of its use, at the completion of the construction of the asset or when the asset is suspended. Any income generated by financing obtained in advance and related to a specific investment is deducted from the financing expenses eligible for capitalisation.

Pursuant to Decree-Law No. 196/80, of June 20, the Government undertook the principle that it was the Portuguese State's responsibility to fund the Metro's DI. This commitment was carried out through non-refundable grants awarded by the Portuguese State for investments made until December 31, 1980 and all financial expenses incurred with these investments until that date. In result of this principle, the Company records the financial expenses related to DI under the heading "Durable infrastructure investments".

4.11 Income tax

The Company is subject to pay Corporate Income Tax at the rate of 21%.

The calculation of the current payable tax is based on the taxable profit. Taxable profit differs from the accounting result as it excludes several expenses and income that are only taxable or deductible in other financial years, as well as expenses and income that will never be taxable or deductible.

The Company has not recorded deferred taxes, remaining not fully quantified as at this date. The deferred tax assets would correspond to tax losses and non-tax deductible provisions, and the deferred tax liabilities would correspond to non-tax deductible depreciations of revalued assets and tax capital gains with deferred taxation.

a. Government grants (subsidies) (not DI)

Government grants are recognised only when there is reasonable certainty that the Company will comply with the conditions for such subsidies to be granted and that they will be received.

Government grants concerning the acquisition or production of non-current assets are initially recognised in equity and subsequently allocated on a systematic basis (proportionally to the depreciation of the underlying assets) as income of the financial year during the useful lives of the assets to which they relate.

Generally, other Government grants are recognised as income on a systematic basis along the periods necessary to balance with the expenses they are supposed to compensate. Government grants intended to compensate for losses already incurred or with no associated future costs are recognised as income in the period in which they become receivable.

4.13 Provisions, contingent assets and liabilities

Provisions are recognised when the Company has a current obligation (legal or implicit) arising from a past event and it is probable that the settlement of such obligation results in an outflow of resources and the amount of the obligation can be reasonably estimated. Provisions are reviewed on each balance sheet date and adjusted to reflect the best estimate at that date.

Contingent liabilities are not recognised in the financial statements, being disclosed whenever the possibility of an outflow of resources embodying economic benefits is not remote. Contingent assets are not recognised in the financial statements, being disclosed when there is a probable future inflow of economic resources.

4.14 Post-employment benefits

Benefits plan

The Company has a benefits plan for a retirement supplement (old age, disability and survival) which is additional to that paid by the Social Security. The Company's responsibilities concerning this plan are determined by the projected unit credit method, the corresponding actuarial valuations being carried out at each reporting date according to internationally accepted actuarial methods and assumptions, in order to meet the value of the responsibilities at the balance sheet date and the expenses with pensions to be recorded during the financial year.

The liability of the guaranteed benefits recognised in the balance sheet represents the current value of the corresponding obligation, adjusted for actuarial gains and losses and the cost of unrecognised past services minus the fair value of the plan's assets.

Actuarial gains and losses are recognised annually in equity.

The provided benefit plans identified by the Company to calculate these liabilities are:

a) Supplement for retirement, disability and survival pensions;
b) Pre-retirement benefits.

Health Care

The Company has also undertaken the responsibility to pay employees, health care benefits up to their retirement age, which are not recorded in the balance sheet on December 31, 2017. To meet these responsibilities, the Company guaranteed a health insurance to its active staff allowing access to medical care subsidised by the Company. These costs are recorded in the statement of results of the financial year in which they are paid.

4.15 Derivative financial instruments

The Company uses derivative financial instruments for financing entered to fund activities regarding management of infrastructures and those related to DI.

These derivative financial instruments are recorded initially at their fair value, being measured at fair value at each reporting date with the variations in fair value recorded in the statement of results, unless such instruments are designated as effective hedging instruments.

Derivative financial instruments that do not meet all the requirements of the NCRF 27-Financial Instruments used for hedge accounting are considered speculative.

The valuation of these derivative financial instruments at the end of each financial year is carried out in line with the valuation of the banks with which they were contracted.

On December 31, 2017 and 2016, the Company did not classify any financial derivative instruments as hedge instruments, as it does not comply with the NCRF 27 requirements.

In the case of derivative financial instruments contracted by the Company for financing the infrastructure management activity, if the fair value is positive, it is recognised as a financial asset under the heading "Derivatives"; if the fair value is negative, it is recognised as a financial liability under the heading

"Derivatives". Variations in fair value of these derivative financial instruments are recognised in the statement of results in the financial year in which they occur.

The financial instruments contracted by the Company regarding loans to finance the DI activity are recognised under "Durable infrastructure investments" in the heading assets or liabilities, depending on whether their aggregated fair value at the reporting date is negative or positive, respectively, against a receivable/payable account within the DI heading. Hence, the effect of variations in fair value of the Company's equity in this case is nil.

4.16 Balance sheet classification

The assets realisable and liabilities payable that are required more than one year from the balance sheet date are classified as non-current assets and liabilities, respectively.

4.17 Revenue

Revenue is measured at the fair value of the consideration received or receivable. Recognised revenue is net of returns, discounts and other write-offs and does not include VAT and other taxes paid related to the sale.

Revenue from the provision of services is recognised based on the percentage of completion of the transaction/service, provided that the following conditions have been met:

- The amount of revenue can be reliably measured;
- It is probable that future economic benefits associated with the transaction will flow to the Company;
- The expenses incurred or to be incurred on the transaction can be reliably measured;
- The stage of completion of the transaction/service can be reliably measured.

Revenue from the provision of services comprises revenue from sales of tickets on ML's own network and the share of the revenue from sales of multimodal passes valid for the ML's own network and other urban and suburban transport services provided by other operators whose fares are set by the State.

The Company records revenue related to the provision of services as follows:

- Multimodal passes - The revenue from multimodal passes sold by the Company and other transport operators is allocated to each operator based on a monthly distribution determined by the *"Instituto da Mobilidade e dos Transportes"* (Institute for Mobility and Transport) ("IMT, I.P.").

  This distribution is calculated according to statistical indexes that take into account the level of use of the Company's services and that of each of the other operators.

- Pre-paid tickets – revenue from these tickets are distributed according to the number of uses, except for the *Carris/ML 24 horas* ticket, which has a defined quota.

Interest revenue is recognised using the effective interest method, provided it is probable that the economic benefits will flow to the Company and the amount can be reliably measured.

Non-refundable compensatory fare allowances are allocated by the State to the Company to partially compensate its operations, in compliance with public service obligations, which are recorded in the financial year in which they are granted.

4.18 Departmental expenses included in DI

The internal operating expenses of the various management services not working exclusively for investment are recorded at 10% of the value of the investments in progress.

These expenses are attributed to durable infrastructure investments - DI, equipment and studies for operation rolling stock and warehouses and workshops (assets financed by the Company) (Notes 7 and 8) as these have the longest execution term, are more technically complex, and hence require more intensive workforce management.

4.19 Transactions and balances in foreign currency

Transactions in foreign currency (other than the functional currency of the Company) are recorded at the exchange rates prevailing at the date of the transactions. At each reporting date, the book value of monetary items in foreign currency are restated at the exchange rate of that date.

Exchange rate differences calculated at the date of receipt or payment of foreign currency transactions, and the resulting updates previously mentioned, are recorded in the statement of results of the period in which they are generated.

4.20 Accrual basis of accounting (economic periodization)

The Company records its income and expenses according to the accrual basis of accounting (economic periodization) by which income and expenses are recognised as they are generated, regardless of the time they were received or paid. The difference between the amounts received and paid and the corresponding income and expenses are recorded as assets or liabilities.

4.21 Critical value judgements and main sources of uncertainty associated with estimates

In the preparation of the attached financial statements, critical value judgments and estimates were made, and various assumptions used, which have an effect on the reported amounts of assets and liabilities and on the reported amounts of income and expenses for the period.

The underlying estimates and assumptions were determined by reference to the reporting date based on the best information available at the date of approval of the financial statements of events and transactions in progress, as well as on the experience of past and/or current events. However, situations may occur in subsequent periods that are not foreseeable at the date of approval of the financial statements and, therefore, were not considered in those estimates. Variations to the estimates that occur after the date of the financial statements shall be corrected in a prospective basis. For this reason and given the degree of uncertainty associated, the actual results of such transactions may differ from the corresponding estimates.

The main value judgements and estimates made in the preparation of the attached financial statements were as follows:

a) Useful lives of the tangible fixed assets;

b) Impairment analysis of tangible fixed assets;

c) Loss on impairment of receivables - calculated taking into account the overall risk for the collection of the accounts receivable;

d) Determination of the fair value of the derivative financial instruments - which is determined at the end of each financial year by the bank with which they were contracted;

e) Determination of responsibilities for retirement benefits - at the end of each financial year, an actuarial valuation of the responsibilities with retirement complements prepared by the actuary is carried out.

4.22 Subsequent events

Events taking place after the balance sheet date that provide additional information on the existing conditions at the balance date ("adjusting events") are reflected in the financial statements. Events after the balance sheet date that provide information on conditions that occurred after the balance sheet date ("non-adjusting events") are disclosed in the financial statements if considered relevant.

5 CASH AND CASH EQUIVALENTS

For cash flow statement purposes, "cash and cash equivalents" includes cash, immediately available bank deposits (maturity of three months or less) and cash investments in the money market, net of bank overdrafts and other equivalent short-term financing. Cash and cash equivalents on December 31, 2017 and 2016 were as follows:

Cash flows	2017	2016
Cash	10.470	6.525
Bank deposits available on demand	22.013.374	24.958.140
	22.023.844	24.964.665

6 ACCOUNTING POLICIES, VARIATIONS IN ACCOUNTING ESTIMATES AND ERRORS

On December 31, 2017, the Company changed the classification of a building located at Avenida Barbosa du Bocage from the heading Tangible Fixed Assets to the heading Investment Properties

	Gross amount	Accumulated depreciations	Impairment losses	Accounting value
Barbosa *du* Bocage	20.443.353	7.406.952	5.043.401	7.993.000

7 DURABLE STRUCTURE INVESTMENTS

The balance under the heading "Durable infrastructure investments" results from the Company´s activity in infrastructure investments, and its breakdown by the headings assets and liabilities is as follows:

	Notes	2017	2016
Investment activities in DI			
Non-current assets			
Tangible fixed assets	7.1	3.111.500.240	3.106.959.933
Intangible assets	7.2	6.955.344	6.938.284
Subsidies	7.3	(993.493.360)	(992.355.860)
Accounts receivable from the State	7.4	2.871.311.908	2.837.772.507
Derivatives	7.8	23.812.843	26.830.239
		5.020.086.976	**4.986.145.104**
Current assets			
Other accounts receivable	7.6	-	-
		-	-
Total assets		**5.020.086.976**	**4.986.145.104**
Non-current liabilities			
Provisions	7.5	20.816.971	155.596.149
Financing obtained	7.7	2.230.326.599	2.331.833.345
Derivatives	7.8	455.432.023	583.094.583
		2.706.575.594	**3.070.524.077**
Current liabilities			
Suppliers	7.9	1.671.865	1.466.104
Financing obtained	7.7	692.441.762	645.279.388
Other debts payable	7.10	205.886.573	55.404.405
		900.000.200	**702.149.898**
Total liabilities		**3.606.575.794**	**3.772.673.974**
Total net DI		**1.413.511.182**	**1.213.471.129**

The variation in net balance of the heading DI compared to December 31, 2017 is mainly due to the following factors:

- Interest incurred in the financial year of 2017 on financing obtained the amount of EUR 142,902,924 (Note 7.4.1.);
- Fair value of the financial instruments in the amount of EUR (124,645,163) (Note 7.8);
- Provisions for legal proceedings in progress in the amount of EUR 15,317,618 (Note 7.5).

7.1 Tangible fixed assets

During the years ended December 31, 2017 and 2016, variations in the book value of tangible fixed assets were as follows:

	December 31, 2017					
Gross assets	Opening balance	Revaluations	Opening balance (historic cost)	Increases	Transfers/ write-offs	Closing balance
Tangible fixed assets - DIs	**3.261.886.622**	**(199.793.426)**	**3.062.824.614**	**2.247.793**	39.220.380	**3.104.292.787**
Land and natural resources	15.867.385	(2.388.442)	13.478.943	-	32.111	13.511.055
Buildings and other constructions	2.791.933.843	(177.041.447)	2.615.623.814	768.417	26.093.983	2.642.486.214
Basic equipment	454.085.394	(20.363.537)	433.721.857	1.479.376	13.094.286	448.295.519
Tangible fixed assets in progress	**43.267.328**	-	**43.267.328**	**2.232.628**	**(39.204.411)**	**6.295.544**
Land and natural resources	32.112	-	32.112	-	(32.111)	-
Buildings and other constructions	29.238.899	-	29.238.899	2.015.692	(26.060.058)	5.194.534
Basic equipment	13.996.318	-	13.996.318	216.935	(13.112.242)	1.101.010
Advanced payments for tangible fixed assets			**1.595.855**	-	7.938	**1.603.793**
Impairment losses - Buildings and other constructions			**(727.865)**	**35.980**	-	**(691.885)**
Total of gross tangible fixed assets - DIs	**3.305.153.951**	**(199.793.426)**	**3.106.959.933**	**4.516.400**	**23.907**	**3.111.500.240**

	December 31, 2016					
Gross assets	Opening balance	Revaluations	Opening balance (historic cost)	Increases	Transfers/ write-offs	Closing balance
Tangible fixed assets - DIs	**3.261.886.622**	**(199.793.426)**	**3.010.991.506**	**1.249.462**	**50.583.647**	**3.062.824.614**
Land and natural resources	15.867.385	(2.388.442)	13.478.943	-	-	13.478.943
Buildings and other constructions	2.741.062.764	(177.041.447)	2.564.752.735	1.011.083	49.859.996	2.615.623.814
Basic equipment	453.123.365	(20.363.537)	432.759.828	238.378	723.651	433.721.857
Tangible fixed assets in progress	**85.171.373**	-	**85.171.373**	**8.663.272**	**(50.567.317)**	**43.267.328**
Land and natural resources	32.112	-	32.112	-	-	32.112
Buildings and other constructions	74.974.249	-	74.974.249	4.124.646	(49.859.996)	29.238.899
Basic equipment	10.165.012	-	10.165.012	4.538.626	(707.321)	13.996.318
Advanced payments for tangible fixed assets			**3.172.769**	-	**(1.576.914)**	**1.595.855**
Impairment losses - Buildings and other constructions			**(731.418)**	**4.178**	**(625)**	**(727.865)**
Total of gross tangible fixed assets - DIs	**3.295.224.887**	**(199.793.426)**	**3.098.604.230**	**9.916.912**	**(1.559.959)**	**3.106.959.933**

Additions in the financial year ended December 31, 2017 under the heading "Tangible fixed assets - Buildings and other constructions", in the amount of EUR 802,342 refer mainly to network remodelling works for EUR 612,319, and to the loan Amadora /Reboleira in the amount of EUR 184,535.

Additions in the financial year ended December 31, 2017 under the heading "Tangible fixed assets in progress", in (a) Buildings and other constructions in the amount of EUR 2,015,692, refer essentially to the venture Rato/Cais do Sodré and network remodelling, for the amounts of EUR 784,931 and EUR 1,155,304, and (b) Basic equipment, for an amount of EUR 216,935, mainly for network remodelling.

The following departmental expenses are included in the cost value of the tangible fixed assets (including those in progress) on December 31, 2017 and 2016:

Capitalised expenses	2017			2016		
	Tangible	Tangible in progress	Total	Tangible	Tangible in progress	Total
Departmental expenses	71.552.906	11.335.358	82.888.264	70.412.835	10.286.945	80.699.779
	71.552.906	11.335.358	82.888.264	70.412.835	10.286.945	80.699.779

7.2 Intangible assets

During the financial years ended 2017 and 2016 the movement in the book value of intangible assets was as follows:

Gross assets	December 31, 2017 Opening balance	Increases	Transfers / write-offs	Closing balance
Intangible assets - DIs:				
Research and development expenses	4.574.690	43.790	194.100	4.812.580
Set up expenses	2.019.827	-	-	2.019.827
Intangible assets in progress	343.767	7.195	(228.025)	122.937
Total of gross intangible assets - DIs	**6.938.284**	**50.986**	**(33.925)**	**6.955.344**

Gross assets	December 31, 2016 Opening balance	Increases	Transfers / write-offs	Closing balance
Intangible assets - DIs:				
Research and development expenses	3.907.846	-	666.844	4.574.690
Set up expenses	2.019.827	-	-	2.019.827
Intangible assets in progress	1.008.903	1.708	(666.844)	343.767
Total of gross intangible assets - DIs	**6.936.576**	**1.708**	**-**	**6.938.284**

7.3 Subsidies

The amounts under the heading subsidies for the financial year ended December 31, 2017 were:

	December 31, 2017			
Description	Opening balance	Increases	Decreases	Closing balance
Feder	229.464.397	-	-	229.464.397
Piddac	181.734.005	1.137.500	-	182.871.505
Fundo Coesão	376.640.062	-	-	376.640.062
Miscellaneous subsidies	204.517.396	-	-	204.517.396
Total subsidies	992.355.860	1.137.500	-	993.493.360

The increase in the financial year ended December 31, 2017 in the amount of EUR 1,137,500 relates to subsidies attributed under the PIDDAC for network remodelling.

7.4 Receivables from the State

This heading refers to the receivables from the Portuguese State concerning durable infrastructure investment activities:

Description	Notes	2017	2016
Derivatives	7.8	431.619.181	556.264.343
Provisions	7.5	170.913.768	155.596.149
Interest, endorsement fees and stamp duty	7.4.1	1.957.191.295	1.814.288.370
Issue expenses	7.4.1	20.230.150	20.230.150
Opening balance corrected on transition to the NCRF	7.4.1	289.555.301	289.555.301
Impairment losses in tangible fixed assets	7.4.2	691.885	727.865
Capitalised financial expenses	7.4.3	(3.495.216)	(3.495.216)
Specialized work	7.4.4	2.563.836	2.563.836
Impairment losses in debts receivables	7.6	2.041.708	2.041.708
		2.871.311.908	2.837.772.507

7.4.1 Expenses on loans

This heading relates to expenses incurred by the Company with loans to finance the durable infrastructure investment activity that were not possible to capitalise in the built DI.

Until 2009, the financial expenses borne with DI that could not be capitalised in this heading were recorded in the statement of results. With effects in the financial year of 2010 (restated), during the transition to the NCRF, the Company decided to recapture the value of these financial expenses in order to add them to the heading "Durable infrastructure investments - Expenses on loans", following the principle described in Note 4.10 regarding the financial expenses of approximately EUR 1,017,000,000 incurred until 1995, the Company made the quantification based on the available accounting records.

However, with regard to financial expenses incurred prior to 1995, and due to the difficulty in quantifying the amount, the Board of Directors opted to record the amount of EUR 285,555,301, which allowed to settle the asset and liability headings of DI on December 31, 2009, as the possible estimate at that date of the interest and other expenses incurred and previously recognised in the statement of results until 1995.

7.4.2 Impairment losses on tangible fixed assets

During the financial year of 2017, the Company obtained a valuation on properties carried out by a specialised and independent entity, which resulted in recording a reversal of an impairment loss of EUR 35,980.

7.4.3 Capitalized financial expenses

On December 31, 2017 and 2016, the financial expenses capitalized under the heading "Intangible Assets", "Tangible Fixed Assets" and "Tangible Assets in Progress" are detailed as follows:

	December 31, 2017				December 31, 2016			
Description	Intangible	Tangible	In progress	Total	Intangible	Tangible	In progress	Total
Expenses with loans	152.981	298.092.776	11.774.179	310.019.936	155.989	297.841.263	11.753.181	309.750.433

7.4.4 Specialized work

Following the legal proceedings in progress in a London court, filed by a financial institution and the Portuguese State, Attorneys' fees were recognized in the financial year of 2016 regarding derivative financial instruments related to the DI activity.

7.5 Provisions

On December 31, 2017, the amount of EUR 20,816,971 (EUR 155,596,149 on December 31, 2016) refers to the provision constituted to face legal proceedings filed that were pending resolution due to the investments made.

7.6 Other receivables

On December 31, 2017, the heading "Clients" includes an amount of EUR 2,041,708 relating to a contractual fine corresponding to the debit made to the contractor arising from delays in the delivery of the Areeiro station's expansion and remodelling works, which was recorded as an impairment loss against the DI heading.

7.7 Financing obtained

The breakdown of the financing obtained for DI activities on December 31, 2017 and 2016 is as follows:

		2017				2016			
	Financing entity	Limit	Current	Non-current	Total	Limit	Current	Non-current	Total
Debenture loans									
Metro 2019 issue	Barclays	400.000.000	-	400.000.000	400.000.000	400.000.000	-	400.000.000	400.000.000
Metro 2025 issue	DBI, AG	110.000.000	-	110.000.000	110.000.000	110.000.000	-	110.000.000	110.000.000
Metro 2026 issue	JP Morgan	400.000.000		400.000.000	400.000.000	400.000.000	-	400.000.000	400.000.000
Metro 2027 issue	BNPP	400.000.000	-	400.000.000	400.000.000	400.000.000	-	400.000.000	400.000.000
			-	1.310.000.000	1.310.000.000		-	1.310.000.000	1.310.000.000
Bank loans									
ML A	BEI	-	-	-	-	57.193.405	3.183.611	-	3.183.611
ML I/2	BEI	234.435.012	15.600.000	15.679.594	31.279.594	234.435.012	16.300.000	31.279.594	47.579.594
ML II	BEI	74.819.685	4.987.979	4.987.979	9.975.958	74.819.685	4.987.979	9.975.958	14.963.937
ML III	BEI	54.867.769	5.358.000	8.593.084	13.951.084	54.867.769	5.584.000	13.951.084	19.535.084
ML II/B	BEI	99.759.579	6.650.639	13.301.278	19.951.916	99.759.579	6.650.639	19.951.916	26.602.555
ML II/C	BEI	54.867.769	3.657.851	12.802.479	16.460.331	54.867.769	3.657.851	16.460.331	20.118.182
ML IV	BEI	169.591.285	17.904.090	-	17.904.090	169.591.285	22.400.000	17.904.090	40.304.090
ML I/3	BEI	124.699.474	14.579.180	71.424.386	86.003.566	124.699.474	8.738.497	86.003.566	94.742.062
ML I/3B	BEI	74.819.685	2.764.838	72.054.847	74.819.685	74.819.685	-	74.819.685	74.819.685
ML V/A	BEI	150.000.000	-	150.000.000	150.000.000	150.000.000	-	150.000.000	150.000.000
ML V/B	BEI	80.000.000	-	80.000.000	80.000.000	80.000.000	-	80.000.000	80.000.000
ML V/C	BEI	80.000.000	-	80.000.000	80.000.000	80.000.000	-	80.000.000	80.000.000
Loan LP 613,9 M EUR	DGTF (part)	507.957.564	253.978.782	-	253.978.782	507.957.564	253.978.782	-	253.978.782
Loan LP 648,6 M EUR	DGTF (part)	237.747.877	178.310.908	-	178.310.908	237.747.877	178.310.908	-	178.310.908
Loan LP 412,9 M EUR	DGTF (part)	282.974.244	188.649.496	94.324.748	282.974.244	282.974.244	141.487.122	141.487.122	282.974.244
Loan LP 32,6 M EUR	DGTF (part)	17.158.204	-	17.158.204	17.158.204	-	-	-	-
			692.441.762	620.326.599	1.312.768.361		645.279.388	721.833.345	1.367.112.733
Other loans obtained									
Schuldschein	ABN AMRO	300.000.000	-	300.000.000	300.000.000	300.000.000	-	300.000.000	300.000.000
				300.000.000	300.000.000			300.000.000	300.000.000
Total loans obtained			692.441.762	2.230.326.599	2.922.768.361		645.279.388	2.331.833.345	2.977.112.733

The debenture loan "Metro 2019" was entered on February 4, 2009, for a period of ten years at a fixed rate, being guaranteed by the Portuguese State. The applicable law is the Portuguese Law.

The debenture loan "Metro 2025" was entered on December 23, 2010, for a period of fifteen "bullet" years at a fixed rate, being guaranteed by the Portuguese State. The applicable law is the Portuguese Law.

In the year ended December 31, 2010, the Company entered into a debenture loan guaranteed by the Portuguese State in the amount of EUR 85,000,000, for a period of 15 years, which was increased by EUR 25,000,000 during the financial year ended December 31, 2011. The applicable law is the Portuguese Law.

The debenture loan "Metro 2026" was entered on December 4, 2007, for a period of twenty "bullet" years at a fixed rate, being guaranteed by the State. The applicable law is the English Law.

The debenture loan "Metro 2027" was entered on December 7, 2007, for a period of twenty "bullet" years at a fixed rate, being guaranteed by the State. The applicable law is the Portuguese Law, except for the subscription agreement, in which English is the applicable Law. The issue was admitted to quotation on Euronext Lisbon.

Given the conditions of the financial markets, specifically the stock market, during the year ended December 31, 2011, it was not possible to issue long-term bonds. Hence, the Company contracted a funding with the *"Direção Geral do Tesouro e Finanças"* (DGTF) (Directorate General of Treasury and Finance) in the amount of EUR 613.932,000, of which EUR 507,957,564 are associated with Durable Infrastructure (DI) liabilities, for a period of 5 years, repayable semi-annually in 8 equal instalments, the first of which expires in May 2013.

Given the conditions of the financial markets, specifically the stock market, during the year ended December 31, 2012, it was not possible to issue any long-term bonds. Hence, the Company contracted a funding with the *"Direção Geral do Tesouro e Finanças"* (DGTF) (Directorate General of Treasury and Finance) in the amount of EUR 648.581,846, of which EUR 237,747,877 are associated with Durable Infrastructure (DI) liabilities, for a period of 5 years, repayable semi-annually in 8 equal instalments, the first of which expires in May 2014.

Given the conditions of the financial markets, specifically the stock market, during the year ended December 31, 2013, it was not possible to issue any long-term bonds. Hence, the Company contracted a funding with the *"Direção Geral do Tesouro e Finanças"* (DGTF) (Directorate General of Treasury and

Finance) in the amount of EUR 412.860,000, of which EUR 282,974,244 are associated with Durable Infrastructure (DI) liabilities, for a period of 6 years, repayable semi-annually in 12 equal instalments, the first of which expires in May 2015.

Following Order No. 45/18-SEATF, of February 1, of the State Secretary of the Ministry of Treasury and Finance, a moratorium was granted on the payment of the debt service for the loans previously mentioned. Under this moratorium, debt service is not subject to interest payment.

Given the conditions of the financial markets, specifically the stock market, during the year ended December 31, 2017, it was not possible to issue any long-term bonds. Hence, the Company contracted a funding with the "*Direção Geral do Tesouro e Finanças*" (DGTF) (Directorate General of Treasury and Finance) in the amount of EUR 32.584,270, of which EUR 17,158,204 are associated with Durable Infrastructure (DI) liabilities, for a period of 7 years, repayable semi-annually in 12 equal successive instalments, the first of which expires in May 2019.

On December 31, 2017, debenture loans classified as non-current have the following amortization scheduling:

Years	Amount
2019	400.000.000
2025 and following	910.000.000
	1.310.000.000

The share of bank loans and other loans classified as non-current have the following repayment scheduling:

Years	Amount
2019	121.524.651
2020	266.536.672
2021	142.723.659
2022	83.822.216
2023 and following	305.719.401
	920.326.599

On December 31, 2017, financing obtained with associated covenants, namely those associated with the Portuguese Republic rating or including custody clauses, are detailed as follows:

CONTRACT	Outstanding amount on 31-12-2017 (€)	TERM	NEGATIVE PLEDGE (YES/NO)	PARI PASSU (YES/NO)	OWNERSHIP CLAUSE (YES/NO)	RATING DOWNGRADE (YES/NO)	GROSS UP (YES/NO)	CROSS DEFAULT	EXPENSES/STAMP DUTY (YES/NO)	OTHER RELEVANT CLAUSES / COMMENTS
Financing Contract signed with the European Investment Bank, on October 28, 1994, subject to the Portuguese law and the jurisdiction of Lisbon District (" **ML I/2**"), amended on March 10, 2006	31 279 594,03	September 15, 2019	NO	NO	NO	NO	NO	YES	Expenses and Taxes borne by ML	Guarantee of the Portuguese Republic
Financing Contract signed with the European Investment Bank, on December 16, 1994, subject to the Portuguese law and the jurisdiction of Lisbon District (" **ML II**")	9.975.957,81	December 15, 2019	NO	NO	NO	NO	NO	YES	Expenses and Taxes borne by ML	Guarantee of the Portuguese Republic
Financing Contract signed with the European Investment Bank, on September 7, 1995, subject to the Portuguese law and the jurisdiction of Lisbon District (" **ML III**"), amended on March 10, 2006	13.951.084,02	June 15, 2020	NO	NO	NO	NO	NO	YES	Expenses and Taxes borne by ML	Guarantee of the Portuguese Republic
Financing Contract signed with the European Investment Bank, on December 18, 1995, subject to the Portuguese law and the jurisdiction of Lisbon District (" **ML II/B**")	19.951.916,20	December 15, 2020	NO	NO	NO	NO	NO	YES	Expenses and Taxes borne by ML	Guarantee of the Portuguese Republic
Financing Contract signed with the European Investment Bank, on October 28, 1996, subject to the Portuguese law and the jurisdiction of Lisbon District (" **ML I/3**"), amended on March 10, 2006	86.003.565,91	September 15, 2021	NO	NO	NO	NO	NO	YES	Expenses and Taxes borne by ML	Guarantee of the Portuguese Republic
Financing Contract signed with the European Investment Bank, in 1997, subject to the Portuguese law and the jurisdiction of Lisbon District (" **ML I/3 B**"), amended on March 10, 2006	74.819.684,56	September 15, 2022	NO	NO	NO	NO	NO	YES	Expenses and Taxes borne by ML	Guarantee of the Portuguese Republic
Financing Contract signed with the European Investment Bank, on July 14, 1997, subject to the Portuguese law and the jurisdiction of Lisbon District (" **ML II/C**")	16.460.330,61	June 15, 2022	NO	NO	NO	NO	NO	YES	Expenses and Taxes borne by ML	Guarantee of the Portuguese Republic
Financing Contract signed with the European Investment Bank, on November 26, 1998, subject to the Portuguese law and the jurisdiction of Lisbon District (" **ML IV**"), amended on March 10, 2006	17.904.089,68	September 15, 2018	NO	NO	NO	NO	NO	YES	Expenses and Taxes borne by ML	Guarantee of the Portuguese Republic
Financing Contract signed with the European Investment Bank, on February 23, 2001, subject to the Portuguese law and the jurisdiction of Lisbon District (" **ML V/A**"), amended on March 10, 2006	150.000.000,00	December 15, 2020	NO	NO	NO	NO	NO	YES	Expenses and Taxes borne by ML	Guarantee of the Portuguese Republic
Financing Contract signed with the European Investment Bank, on December 19, 2001, subject to the Portuguese law and the jurisdiction of Lisbon District (" **ML V/B**"), amended on March 10, 2006	80.000.000,00	June 15, 2021	NO	NO	NO	NO	NO	YES	Expenses and Taxes borne by ML	Guarantee of the Portuguese Republic
Financing Contract signed with the European Investment Bank, on May 9, 2003, subject to the Portuguese law and the jurisdiction of Lisbon District (" **ML V/C**"), amended on March 10, 2006	80.000.000,00	June 15, 2022	NO	NO	NO	NO	NO	YES	Guarantee of the Portuguese Republic / Non substantial change of nature or object of the company	Guarantee of the Portuguese Republic
Schuldschein Loan Agreement signed with the **ABN Amro Bank, NV** on July 20, 2004, subject to the German law and to the courts of Frankfurt am Main	300.000.000,00	July 20, 2024	YES (See Annex D)	YES	NO	NO	YES	YES	Expenses and Taxes borne by ML	Guarantee of the Portuguese Republic / Non substantial change of nature or object of the company
EUR 400.000.000,00 4,061% Guaranteed Notes due 2026. JP Morgan Securities Ltd / December 2006, subject to the Portuguese law and the jurisdiction of the Portuguese courts, except for the Subscription Agreement, governed by the English law and subject to the jurisdiction of the English courts	400.000.000,00	2026	NO	YES	YES - Loss of state owned company status. State participation less than 51%)	NO	YES	YES	Expenses and Taxes borne by ML	Guarantee of the Portuguese Republic / Non substantial change of nature or object of the company
EUR 400.000.000,00 4,799% Guaranteed Notes due 2027. BNP Paribas / December 2007, subject to the Portuguese law and the jurisdiction of the Portuguese courts, except for the Subscription Agreement, governed by the English law and subject to the jurisdiction of the English courts	400.000.000,00	2027	NO	YES	YES - Loss of state owned company status. State participation less than 51%)	NO	YES	YES	Expenses and Taxes borne by ML	Guarantee of the Portuguese Republic / Non substantial change of nature or object of the company
EUR 400.000.000,00 5,75% Guaranteed Notes due 2019. Barclays Capital, BNP Paribas, Caixa - Banco de Investimento, S.A., Santander Global Banking & Markets/February 2009, subject to the Portuguese law and the jurisdiction of the Portuguese courts, except for the Subscription Agreement, governed by the English law and subject to the jurisdiction of the English courts	400.000.000,00	2019	NO	YES	YES - Loss of state owned company status. State participation less than 51%)	NO	YES	YES	Expenses and Taxes borne by ML	Guarantee of the Portuguese Republic / Non substantial change of nature or object of the company
TOTAL	**2.080.346.222,82**									

7.8 Derivatives

As mentioned in Note 4.15, the Company contracted interest rate Swaps with several banks concerning loans allocated to DI. According to the Company's Board of Directors, although these have not been endorsed by the Portuguese State, they were contracted under the scope of the durable infrastructure management policy, hence, they are recorded under the heading "Durable infrastructure investments".

On December 31, 2017 and 2016 the fair value of Swap contracts allocated to DI was determined as described in Note 4.15 and is detailed as follows:

Derivative bank financing			Date			Capital covered on 31.12.2017			Fair Value		
									Fair Value ("N") (counterpart)		
Name		Entity	Swap	Initial	Final	Capital	Inc. Capital (BEI)	Total financing associated	31.12.2017	31.12.2016	Variation
B E I (ML A)		BBVA	02/02/2006	05/12/2005	15/12/2017					(58.955)	126.681
	Total financing										
B E I (ML I/2)	2nd, 3rd AND 6th DISBURSEMENTS	BST	30/03/2006	15/03/2006	15/09/2019			11.638.618	(5.312.519)	(10.741.324)	4.196.184
	Total financing					31.258.001	21.593	31.279.594			
B E I (ML III)	1st AND 4th DISBURSEMENTS	BBVA	02/02/2006	15/12/2005	15/06/2020			5.819.309	(218.228)	(410.391)	188.751
	Total financing					9.144.628	4.806.456	13.951.084			
B E I (ML IV)	1st, 2nd, 3rd, 4th AND 5th DISBURSEMENTS	BES INV	11/02/2010	15/12/2009	15/09/2018			16.959.129	(353.760)	(1.403.159)	1.382.170
	Total financing					16.959.129	944.961	17.904.090			
B E I (ML V/C)	1st DISBURSEMENT	BST	26/05/2003	16/06/2003	15/06/2022			25.333.333	(3.737.816)	(5.058.276)	716.403
	Total financing					50.666.667	29.333.333	80.000.000			
BEI (REEST-INC CAPITAL)	TRANCHE B	BST	31/05/2007	15/03/2007	15/06/2022				(338.528.822)	(403.997.485)	20.546.501
	Total financing					244.897.161	(244.897.161)				
A B N (SCHULDSCHEIN)	TRANCHE C	DST	25/02/2005	22/07/2005	22/07/2024			100.000.000	(26.863.771)	(31.648.303)	(002.490)
	Total financing					300.000.000		300.000.000			
OBRIGAÇÕES 2026 (BONDS 2026)		BBVA	15/12/2006	04/12/2006	04/12/2026			70.000.000	(22.514.178)	(24.548.092)	318.431
OBRIGAÇÕES 2026 (BONDS 2026)		M LYNCH	16/07/2010	04/12/2009	04/12/2026			30.000.000	(24.626.318)	(45.657.182)	(12.937.291)
OBRIGAÇÕES 2026 (BONDS 2026)		CGD	16/07/2010	04/12/2009	04/12/2026			30.000.000	(24.278.042)	(44.768.457)	(12.529.987)
	Total financing					400.000.000		400.000.000			
OBRIGAÇÕES 2019 (BONDS 2019)		CITIBANK	15/01/2010	04/02/2010	04/02/2019			100.000.000	(8.998.569)	(14.802.958)	5.077.442
	Total financing					400.000.000		400.000.000			
						1.452.925.586	(209.790.819)	1.032.885.156	(455.432.023)	(583.094.585)	6.282.794

Derivative bank financing			Date			Capital covered on 31.12.2017			Fair Value		
									Fair value ("N") (counterpart)		
Name		Entity	Swap	Initial	Final	Capital	Inc. Capital (BEI)	Total financing associated	31.12.2017	31.12.2016	Variation
B E I (ML II)	2nd AND 3rd DISBURSEMENTS	RBS	16/01/2009	15/12/2008	15/12/2019			3.990.383	12.503	23.750	(11.248)
BEI (REEST-INC CAPITAL)	TRANCHE B	CAIXA BI	16/07/2009	15/03/2010	15/06/2022				2.378.000	3.410.000	(1.032.000)
OBRIGAÇÕES 2026 (BONDS 2026)		CAIXA BI	28/04/2010	04/12/2009	04/12/2026			100.000.000	21.422.340	23.396.489	(1.974.149)
								103.990.383	23.812.843	26.830.239	(3.017.396)

The fair value of the derivative financial instruments has nil impact on the Company's equity, as liabilities/assets are made against an account receivable from the State under the DI heading.

7.9 Suppliers

The heading "Suppliers" comprises mainly current liabilities arising in connection with works carried out by continuing the policy for the network's expansion and modernisation/remodelling.

7.10 Other debts payable

The heading "Other debts payable" comprises mainly expenses with loan interests, derivative financial instruments interests and sureties payable during the course of the succeeding financial year.

8 TANGIBLE FIXED ASSETS

During the years ended December 31, 2017 and 2016, the movement in the book value of the Company's tangible fixed assets, as well as the corresponding accumulated depreciations and impairment losses, were as follows:

2017

	Land and natural resources	Buildings and other constructions	Basic equipment	Transport equipment	Office equipment	Other tangible fixed assets	Tangible fixed assets in progress	Total
Assets								
Opening balance	24.287.679	253.615.585	494.195.974	560.863	22.893.359	24.250.919	1.280.148	821.084.527
Acquisitions	-	182.602	1.499.266	-	1.029.025	61.795	-	2.772.688
Disposals	-	-	(2.735)	(355.619)	(658.508)	-	-	(1.016.862)
Transfers	-	(20.443.353)	945.019	-	76.098	-	(1.009.820)	(20.432.055)
Write-offs	-	-	(179.325)	(47.871)	(727.024)	(782)	-	(955.001)
	24.287.679	233.354.835	496.458.200	157.373	22.612.951	24.311.931	270.328	801.453.297
Accumulated depreciations and impairment losses								
Opening balance	-	216.504.925	388.409.744	558.450	22.566.214	13.509.680	-	641.549.014
Depreciations of the financial year	-	9.463.598	12.884.884	2.413	214.249	813.889	-	23.379.032
Disposals	-	-	(182.059)	(355.619)	(630.256)	(777)	-	(1.168.711)
Transfers	-	(7.406.952)	-	-	-	-	-	(7.406.952)
Write-offs	-	-	-	(47.871)	(751.982)	-	-	(799.853)
	-	218.561.571	401.112.569	157.373	21.398.225	14.322.792	-	655.552.530
Impairments	-	(23.418)	-	-	-	-	-	(23.418)
Impairments - Transfers	-	(5.345.636)	-	-	-	-	-	(5.345.636)
	24.287.679	14.816.681	95.345.631	-	1.214.726	9.989.139	270.328	151.269.820

2016

	Land and natural resources	Buildings and other constructions	Basic equipment	Transport equipment	Office equipment	Other tangible fixed assets	Tangible fixed assets in progress	Total
Assets								
Opening balance	24.287.679	253.605.508	494.157.342	560.863	22.813.658	24.219.697	1.205.777	820.850.524
Acquisitions	-	10.077	38.632	-	87.140	31.222	90.700	257.771
Disposals	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	(16.330)	(16.330)
Write-offs	-	-	-	-	(7.439)	-	-	(7.439)
	24.287.679	253.615.585	494.195.974	560.862,93	22.893.359	24.250.919	1.280.148	821.084.527
Accumulated depreciations and impairment losses								
Opening balance	-	207.402.102	375.449.568	551.218	22.418.572	12.698.143	-	618.519.603
Depreciations of the financial year	-	9.517.355	12.960.177	7.232	155.081	811.537	-	23.451.382
Disposals	-	-	-	-	-	-	-	-
Write-offs	-	-	-	-	(7.439)	-	-	(7.439)
	-	216.919.457	388.409.744	558.450	22.566.214	13.509.680,28	-	641.963.546
Impairments	-	(414.532)	-	-	-	-	-	(414.532)
	24.287.679	37.110.660	105.786.229	2.413	327.145	10.741.238	1.280.148	179.535.513

During the financial year of 2017, the Company had several properties evaluated, resulting in an impairment reversal on these in the amount of EUR 23,418.

9 LEASES

Financial leases

As mentioned in Note 4.4, the Company records in its tangible fixed assets (Note 8) the assets acquired under a financial lease regime. On December 31, 2017 and 2016, the Company is the lessee in finance lease contracts related mainly to the purchase of 55 triple traction units, recorded under the heading "Tangible fixed assets - basic equipment".

Assets held under finance leases in the year ended December 31, 2017 and 2016 are detailed as follows:

	2017			2016		
Financial leases - Goods	Gross amount	Accumulated amortisation	Net amount	Gross amount	Accumulated amortisation	Net amount
Basic equipment	299.632.078	214.245.161	85.386.917	299.632.078	206.716.530	92.915.548
	299.632.078	214.245.161	85.386.917	299.632.078	206.716.530	92.915.548

Rents from the finance lease of the triple traction units paid annual interest at an average rate of 35.6209%.

The outstanding amount regarding finance leases on December 31, 2017 and 2016 is detailed as follows:

	Outstanding capital	
Finance leases	2017	2016
Up to 1 year	3.788.999	3.739.632
Between 1 and 5 years	7.680.685	15.258.682
	11.469.683	18.998.314

Operating leases

On December 31, 2017, the Company holds responsibilities with ten operating lease contracts entered with TREM, A.C.E. and TREM II, A.C.E., not recognised in the balance sheet (Note 4.4) in the amount of EUR 192,628,706.

The minimum lease payments of operating leases in 2017 and 2016 are detailed as follows:

	Minimum payments	
Operating leases	2017	2016
Up to 1 year	7.531.329	7.117.038
Between 1 and 5 years	185.097.378	194.569.409
	192.628.706	201.686.447

10 INVESTMENT PROPERTIES

The movement in the heading "Investment properties" on December 31, 2017 and 2016 was as follows:

	December 31, 2017					December 31, 2016				
	Gross amount	Accumulated depreciations	Accumulated impairment losses	Net amount	Fair value	Gross amount	Accumulated depreciations	Accumulated impairment losses	Net amount	Fair value
Property rented to third parties	22.064.892	8.220.122	5.310.129	8.534.641	8.892.671	1.621.540	780.719	164.230	676.591	714.965
	22.064.892	8.220.122	5.310.129	8.534.641	8.892.671	1.621.540	780.719	164.230	676.591	714.965

As mentioned in Note 6, the Company changed the classification of the building located at Avenida Barbosa du Bocage from the heading Tangible Fixed Assets to the heading Investment Properties.

The investment properties held by the Company consist of 34 buildings in the Lisbon metropolitan area for the relocation of low-income families affected by the network expansion programme and office buildings in Lisbon, which are being depreciated over a period of 50 years.

The fair value of the investment properties was determined by a specialized and independent entity. On December 31, 2017 and 2016, the following income and expenses related to investment properties were recognised in the results:

	December 31, 2017				December 31, 2016			
	Income from rents (Note 27)	Direct expenses	Depreciations of the financial year	Result	Income from rents (Note 27)	Direct expenses	Depreciations of the financial year	Result
Property rented to third parties	204.662	22.364	66.532	115.765	107.755	16.776	32.452	58.527
	204.662	22.364	66.532	115.765	107.755	16.776	32.452	58.527

During the year ended December 31, 2017, the Company derecognised the previously recognised impairment losses in the amount of EUR 199,737. The impairment loss transferred from Tangible Fixed Assets was in the amount of EUR 5,345,636.

11 FINANCIAL HOLDINGS

On December 31, 2017 and 2016, the Company held the following investments in subsidiaries, associated companies and joint ventures:

2017	Head Office	% held	Assets	Liabilities	Equity	Total income	Net result	Proportion in the result	Recorded amount	Share held
Subsidiaries:										
Ferconsult, S.A.	Lisbon	100,00%	5.837.552	8.741.102	(2.903.550)	3.077.447	(1.570.795)	(1.629.992)	(1.629.992)	- a)
Metrocom, S.A.	Lisbon	100,00%	3.555.051	683.294	2.871.757	2.802.483	251.630	251.630	251.630	2.871.757 a)
TREM, A.C.E.	Lisbon	90,00%	2.385.681	58.155.174	(55.769.494)	2.618.259	2.574.102	2.316.692	2.316.692	- a)
TREM II, A.C.E.	Lisbon	90,00%	6.422.326	134.496.808	(128.074.481)	5.105.017	5.078.904	4.571.014	4.571.014	- a)
Associated Companies										
Publimetro - Publicidade em Meios de Transporte e Outros, S.A.	Lisbon	40,00%	1.912.938	1.882.244	30.694,00	1.768.485	30.236	12.094	12.094	12.278
Total investment in subsidiaries and associated companies									**5.521.438**	**2.884.034**
Joint ventures										
Otlis, A.C.E.	Lisbon	14,29%	5.950.266	4.278.188	1.672.078	6.593.052	492.246	70.321	70.321	238.868
Ensitrans - Engenharia e Sistemas de Transporte, A.E.I.E.	Lisbon	5,00%	2.610.350	2.708.595	(98.245)	1.521.356	(98.245)	(4.912)	(4.912)	-
Total joint ventures										**238.868**
Total										**3.122.902**

a) Entities to consolidate by comprehensive method in the Company's consolidated financial statements.

2016	Head Office	% held	Assets	Liabilities	Equity	Total income	Net result	Proportion in the result	Recorded amount	Share held
Subsidiaries:										
Ferconsult, S.A.	Lisbon	100,00%	8.547.414	9.432.749	(885.335)	5.613.793	(2.220.590)	(2.220.590)	(2.220.590)	- a)
Metrocom, S.A.	Lisbon	100,00%	3.670.824	1.050.698	2.620.127	2.615.877	285.223	285.223	285.361	2.520.127 a)
TREM, A.C.E.	Lisbon	90,00%	2.892.718	61.236.314	(58.343.596)	2.531.266	2.467.147	2.220.433	2.220.433	- a)
TREM II, A.C.E.	Lisbon	90,00%	7.521.939	140.675.325	(133.153.386)	4.695.680	4.622.426	4.160.183	4.160.183	- a)
Associated Companies										
Publimetro - Publicidade em Meios de Transporte e Outros, S.A.	Lisbon	40,00%	1.646.569	1.646.110	458,40	1.727.152	407	163	183	183
Total investment in subsidiaries and associated companies									**4.445.571**	**2.620.310**
Joint ventures										
Otlis, A.C.E.	Lisbon	14,29%	5.960.607	4.602.517	1.358.090	5.111.951	478.258	68.323	68.323	194.033
Ensitrans - Engenharia e Sistemas de Transporte, A.E.I.E.	Lisbon	5,00%	3.872.038	3.906.381	(34.343)	2.881.818	(34.343)	(1.717)	(1.717)	-
Total joint ventures										**194.033**
Total										**2.814.343**

a) Entities to consolidate by comprehensive method in the Company's consolidated financial statements.

The financial holding held by the Company in the subsidiary Ferconsult, S.A. is recorded on December 31, 2017 by the equity method, having the latter reported losses in 2017 of EUR 1,570,795, recognising a provision of EUR 1,570,795, corresponding to the value of the negative equity of this subsidiary.

The financial holding held by the Company in the joint venture Ensitrans, A.E.I.E. is recorded on December 31, 2017 by the equity method, having the latter reported losses in 2017 of EUR 98,245, recognising a provision of EUR 4,912.

The movement in financial holdings held by the Company in 2017 was as follows:

2017	Equity method	Cost	Total
Financial holdings			
Opening balance	3.877.027	-	3.877.027
Application of the equity method	(1.062.684)	308.559	(754.125)
Closing balance	2.814.343	308.559	3.122.902
Net assets	**2.814.343**	**308.559**	**3.122.902**

12 DERIVATIVES

The balance of the item "Derivatives" on December 31, 2017 and 2016 corresponds to the fair value of the SWAP contracts, as determined by the contracted banks, and is detailed as follows:

						Fair value ("JV") (counterpart) 31.12.2017		Variation	Fair value ("JV") (counterpart) 31.12.2016	
Name	Entity	Swap	Initial	Final	Capital	Assets	Liabilities		Assets	Liabilities
BSN-CGD (US LEASE)	BST	22/09/2005	01/07/2005	01/01/2019	43.846.560		(5.609.855)	7.586.284		(13.196.139)
BSN-CGD (US LEASE)	CAIXA BI	16/07/2009	01/07/2009	01/01/2019	21.923.280	330.000		(784.000)	1.114.000	
TREM II (2nd TRANCHE)	BST	06/06/2005	23/09/2005	23/09/2022	79.850.569		(103.234.292)	31.012.138		(134.246.430)
					145.620.409	330.000	(108.844.147)	37.814.422	1.114.000	(147.442.569)

According to the sensitivity analysis reported on December 31, 2017 carried out by the IGCP and based on certain estimates and assumptions, the impact of 1% variation in interest rates on the fair value of the financial holdings portfolio of the Company, as detail above and in those allocated to DI (Note 7.8), would be as follows:

2017	1%	-1%
Fair value	99.847.153	(165.017.078)
	99.847.153	(165.017.078)

13 OTHER FINANCIAL ASSETS

On December 31, 2017, the heading "Other financial assets - non-current" includes: (i) the amount of EUR 28,313,020 regarding a collateral provided by the Company in April 2009 to Bank of America Leasing & Capital, LLC and endorsed by the Portuguese State in result of the downgrade of the Company's rating, wherein the effect arising from the fair value variation in the amount of EUR 211,641 is recorded under the heading "Increases/decreases in fair value"; and (ii) the amount of EUR 23,875,570 regarding a collateral provided by the Company in 2013 in American bonds to Wilmington Trust in result of the downgrade of the Company's rating, wherein the effect arising from the fair value variation in the amount of EUR 306,825 is recorded under the heading "Increases/decreases in fair value".

Name	Variation of the JV 2017	Variation of the JV 2016
Bank of America Leasing & Capital, LCC	211.641	149.280
Wilmington Trust	306.825	434.668
	518.466	583.948

On December 31, 2017 the Company held EUR 280 in a Worker's Compensation Fund.

14 INVENTORIES

On December 31, 2017 e 2016, the Company inventories were as follows:

	2017			2016		
Inventories	Gross amount	Impairment losses	Net amount	Gross amount	Impairment losses	Net amount
Raw, subsidiary and consumable materials						
Materials	3.441.117	(299.936)	3.141.181	2.062.371	(299.936)	1.762.435
Tools	20.001	-	20.001	21.159	-	21.159
Cleaning products	26.405	-	26.405	40.120	-	40.120
Fuel	22.354	-	22.354	23.805	-	23.805
Transport tickets	676.484	-	676.484	-	-	-
Other materials	173.663	-	173.663	307.223	-	307.223
Promotional items/publications	16.451	-	16.451	18.527	-	18.527
	4.376.475	(299.936)	4.076.539	2.473.205	(299.936)	2.173.269

On December 31, 2017 and 2016, the Company had no inventory in the custody of third parties, nor in transit or consignment.

Cost of goods sold and materials consumed

The cost of goods sold and materials consumed recognised in the years ended December 31, 2017 and 2016 is detailed as follows:

	Raw, subsidiary and consumable materials	
Cost of goods sold	2017	2016
Opening balance	2.473.205	2.516.331
Purchases	6.265.897	2.205.823
Adjustments	45.977	(68.856)
Closing balance	4.376.475	2.473.205
	4.408.604	2.180.092

Impairment losses

The evolution of the accumulated impairment losses on inventories for the years ended December 31, 2017 and 2016 is detailed as follows:

	2017			
Impairment losses - Inventories	Opening balance	Increases	Reversals	Closing balance
Goods	299.936	-	-	299.936
	299.936	-	-	299.936

	2016			
Impairment losses - Inventories	Opening balance	Increases	Reversals	Closing balance
Goods	299.936	-	-	299.936
	299.936	-	-	299.936

15 CLIENTS AND OTHER ACCOUNTS RECEIVABLE

On December 31, 2017 and 2016 the Company's accounts receivable were as follows:

	2017			2016		
Clients and Other accounts receivable	Gross amount	Accumulated impairment	Net amount	Gross amount	Accumulated impairment	Net amount
Clients	5.925.501	(926.109)	4.999.392	7.403.104	(935.224)	6.467.880
Other accounts receivable	14.674.481	(3.460.883)	11.213.598	12.964.668	(3.328.910)	9.635.758
	20.599.982	(4.386.992)	16.212.989	20.367.771	(4.264.134)	16.103.637
	20.599.982	(4.386.992)	16.212.989	20.367.771	(4.264.134)	16.103.637

The detail of clients and other accounts receivable is as follows:

	2017	2016
Clients	Current	Current
Ar Telecom	463.383	463.383
Subsidiaries, associated companies and joint ventures	928.438	2.010.660
Fines to be charged	3.763.745	4.050.124
Others	769.935	878.936
	5.925.501	7.403.104
Impairment of accounts receivable	(926.109)	(935.224)
	4.999.392	6.467.880

The balance of the heading "Fines receivable" relates to fines that are due for lack of a valid transportation ticket, this amount being offset at the same amount under the heading "Other debts payable" in liabilities.

	2017	2016
Other accounts receivable	**Current**	**Current**
C.P. - Caminhos de Ferro Portugueses, E.P.E.	495.211	1.174.062
Serviços Municipais Transportes Coletivos Barreiro	3.257.361	3.065.305
Fertagus - Travessia do Tejo, S.A.	149.670	156.134
Secretaria Geral Presidência Conselho de Ministros	121.881	87.992
Fare revenue	4.414.113	3.452.645
Financial compensation 4_18, Sub23, Social +	913.560	-
Staff	384.456	588.267
Subsidiaries, associated companies and joint ventures	4.593.816	3.595.151
Others	344.413	845.113
	14.674.481	**12.964.669**
Impairment of other accounts receivable	(3.460.883)	(3.328.910)
	11.213.598	**9.635.759**
	16.212.989	**16.103.639**

The movement in impairment losses in the financial years of 2017 and 2016 was as follows:

	2017				
Impairments	**Opening balance**	**Increase**	**Reversal**	**Use**	**Closing balance**
Clients	935.224	24.304	(33.419)	-	926.109
Other accounts receivable	3.328.910	132.295	(322)	-	3.460.883
	4.264.134	**156.599**	**(33.741)**	**-**	**4.386.992**

	2016				
Impairments	**Opening balance**	**Increase**	**Reversal**	**Use**	**Closing balance**
Clients	933.535	50.792	(49.102)	-	935.224
Other accounts receivable	3.143.753	185.355	(198)	-	3.328.910
	4.077.288	**236.147**	**(49.300)**	**-**	**4.264.134**

16 DEFERRED ASSETS

On December 31, 2017 and 2016, the heading of current assets "Deferrals" was as follows:

Deferred assets	2017	2016
Expenses with leasing contracts	689.664	924.477
Work for third parties	30.442.102	30.438.455
Other	1.384.593	667.233
Impairment - Other expenses to be Recorde	(634.584)	(634.584)
	31.881.775	31.395.581

The heading "Deferred assets - expenses with lease contracts" in the amount of EUR 689,664 relates to expenses incurred with operating lease contracts signed in 1995, 1997, 1999, 2000, 2001 and 2002, which are recorded in the statements of results during the term of the corresponding contracts.

The heading "Deferred assets - work for third parties" includes the amounts of works carried out by the Company on behalf of State Business Sector entities, which the Board of Directors considers should be subject to a protocol to remedy the situation.

17 EQUITY INSTRUMENTS

On December 31, 2017, the Company's subscribed and paid equity is totally held by the Portuguese State, which value is not fixed but amounted to EUR 2,368,595,326 at that date.

During the year ended December 31, 2017, a capital increase was made of EUR 192,050,802, totally subscribed and paid in cash.

The negative net results of the years ended December 31, 2016, 2015 and 2014 were transferred to the heading "Results carried forward" in subsequent financial years, despite the fact that the Line Ministry has not yet formally approved the financial statements for those years.

The Company received the amount of EUR 27,808,509 by applying the balance of management of the *"Agência Portuguesa do Ambiente, I.P."* (Portuguese Environment Agency) by Order No. 344/2017/SEO, of May 18 from the Secretary of State for Budget, under paragraph 1 of article 17 of Decree-Law no. 25/2017, of March 3. By joint order of the Ministry of Finance and the Ministry of the Environment, the amount was granted for loss coverage and recorded in results carried forward.

Legal Reserve

According to the commercial legislation in force, at least 5% of annual net profit (if positive) should be allocated to reinforce the legal reserve until this reserve corresponds to 20% of the capital. This reserve is not available for distribution except in case of liquidation of the Company, however, it can be used to absorb losses after other reserves are exhausted, or incorporated in the capital.

18 GOVERNMENT GRANTS (SUBSIDIES)

During the financial years ended December 31, 2017 and 2016 the Company received the following subsidies not related to DI:

	2017				
Subsidies	Total amount	Amount received	Revenue of the period	Accumulated revenue	Other variations in equity
Asset related subsidies					
FEDER-PRODAC	10.942.882	10.942.882	166.534	10.419.821	523.061
FEDER-QCA	57.126.530	57.126.530	2.411.393	48.812.805	8.313.725
	68.069.412	68.069.412	2.577.927	59.232.626	8.836.785

	2016				
Subsidies	Total amount	Amount received	Revenue of the period	Accumulated revenue	Other variations in equity
Asset related subsidies					
FEDER-PRODAC	10.942.882	10.942.882	279.786	10.253.287	689.595
FEDER-QCA	57.126.530	57.126.530	2.411.393	46.401.412	10.725.117
	68.069.412	68.069.412	2.691.178	56.654.699	11.414.712

The subsidies received by the Company under the FEDER - PRODAC 1993 and the QCA 1995 and 1997 were intended to finance investments made by the Company in the prototypes PMO II, PMO III and the intermediate series of 17 traction units, supplementary series 95 of 20 traction units and PMO III.

19 PROVISIONS

The evolution of provisions in the financial years ended December 31, 2017 and 2016 is detailed as follows:

	2017			
Provisions	Opening balance	Increases	Reversals	Closing balance
Legal proceedings in progress	610.002	40.498	10.000	640.500
Interest owed (note 32)	108.479.022	10.915.898	119.394.920	-
Taxes	2.305.777	-	-	2.305.777
Loss coverage	47.013.663	4.291.354	-	51.305.017
	158.408.464	15.247.750	119.404.920	54.251.294

	2016			
Provisions	Opening balance	Increases	Reversals	Closing balance
Legal proceedings in progress	1.587.622	610.000	1.587.620	610.002
Interest owed (note 32)	74.313.700	34.165.321	-	108.479.022
Default interest (note 32)	1.895.538	-	1.895.538	-
Expenses with staff	-	2.305.777	-	2.305.777
Loss coverage	42.845.814	4.167.849	-	47.013.663
	120.642.674	41.248.947	3.483.158	158.408.464

On December 31, 2017 the company recognised provisions in the amount of EUR 10,915,898 related to interest due and unpaid until April 2017, following the legal proceedings in the London Court.

In May 2017, an agreement was entered between the Company and the Bank Santander Totta, also with the agreement of the Portuguese State, to terminate the legal proceedings in the London Court.

In 2016, the Company was notified by the Tax Authority (TA) to present tax-related elements regarding the financial year of 2014. Following the proceeding, the TA made a correction to the Corporate Income Tax of 2014 in the amount of EUR 2,305,777, of which the ML filed an administrative complaint. On December 31, 2016, a provision in the amount of EUR 2,305,777 was constituted, which is recorded in the sub-heading "Taxes".

The sub-heading "Loss coverage" has an accumulated amount of EUR 51,305,017, arising from the value of the negative equity of the subsidiaries Trem ACE, Trem II ACE and Ferconsult and the Ensitrans AEIE joint venture. The Trem ACE and Trem II ACE are considered adjusted equity, not those included in the accounts of these ACEs (as per Note 11), comprising the depreciation of the rolling stock held by these

ACEs in constant shares. When compared to 2016, this sub-heading increased by EUR 4,291,354 in 2017, following:

(i) the losses calculated in 2017 in Trem ACE (EUR 759,231) and Trem II ACE (EUR 1,958,133), including both the 90% held directly by the ML and the 10% held indirectly through Ferconsult;

(ii) the losses calculated in 2017 in Ferconsult, in the amount of EUR 1,570,795;

(iii) the proportional value of EUR 4,912 (EUR 1,717 in 2016) in the net negative result of 2017 of Ensitrans AEIE.

20 FINANCING OBTAINED

The financing related to operational activity on December 31, 2017 and 2016 is as follows:

		2017			2016		
			Amount used			Amount used	
Financing	Financing entity	Limit	Current	Non-current	Limit	Current	Non-current
Financial institutions:							
Bank loans							
Emp. LP 613,9 M EUR	D G T F 2011 (part)	105.974.436	52.987.218	-	105.974.436	52.987.218	-
Emp. LP 648,6 M EUR	D G T F 2012 (part)	410.833.969	308.125.476	-	410.833.969	308.125.476	-
Emp. LP 412,9 M EUR	D G T F 2013 (part)	129.885.756	86.590.504	43.295.252	129.885.756	64.942.878	64.942.878
Emp. LP 32,6 M EUR	D G T F 2017 (part)	15.426.066	-	15.426.066	-	-	
Outstanding	-	-	-	-	-	84.087	-
Total bank loans			**447.703.198**	**58.721.318**		**426.139.660**	**64.942.878**
Finance leases							
Emp. CP/LP M EUR	Santander Totta	11.469.683	3.788.999	7.680.685	18.998.314	3.739.632	15.258.682
Total finance leases			**3.788.999**	**7.680.685**		**3.739.632**	**15.258.682**
Financial expenses			-	-		-	-
Total financial institutions			**451.492.197**	**66.402.003**		**429.879.292**	**80.201.560**

The portion of bank loans classified as non-current has the following repayment scheduling:

Year	Amount
2018	21.647.626
2019	24.218.636
2020 and following	12.855.056
	58.721.318

On December 31, 1998, the Company signed a lease contract for 24 traction units of the ML 95 rolling stock series in the amount of EUR 124,699,474 and with a residual value of 3% of the equipment's value, for the partial funding of the Metro Network Expansion and Modernisation Plan over 20 years, with interest indexed to EURIBOR 6 months minus 0.71%, for which the Portuguese State provided endorsement as owner of 100% of the capital. The financing contract was signed on January 6, 1999. On December 31, 2017, the amount payable for this lease contract amounts to EUR 15,308,696.

On December 31, 2017, the Company has 55 triple traction units under finance lease, and the commitments undertaken to pay the rents on the finance lease contracts are as follows:

2017	Current	Non-current	Total
55 Traction units (note 7)	3.788.999	7.680.685	11.469.683
	3.788.999	7.680.685	11.469.683

The portion classified as non-current has the following repayment scheduling:

Years	Amount
2019 and following	7.680.685
	7.680.685

In constant communication and coordination with its shareholder, the Company has obtained in recent months additional lines of credit to meet short-term liabilities and, to this date, there have not been any cases of overdue and unpaid bank debts.

The Board of Directors considers that the settlement of its liabilities, particularly regarding short-term repayable financings, will continue to be met mainly by additional financing lines in coordination with the shareholder.

In line with the Company's budget for 2018, approved by the Assembly of the Portuguese Republic and reflected in the State Budget for 2018, the following was anticipated: (i) a DGTF loan of EUR 151,881,702 to pay interest that will expire during the financial year of 2018 and to repay bank loans. It is expected that this amount will be converted into a capital increase which, at the date of these financial statements, is not yet implemented.

The downgrade of the Company's rating and that of an international bank issuing a letter of credit, made the Metropolitano default on the contractual guarantees of the "US Cross Border Lease" operations regarding rolling stock financing. Due to this situation, during the 2017 financial year, the Company issued collateral in the amount of EUR 23,875,570 (Note 13).

21 POST-EMPLOYMENT BENEFITS – ESTABLISHED BENEFITS PLAN

As mentioned in Note 4.14, the Company undertook the commitment to pay its employees supplements for retirement, disability and survival pensions. On December 31, 2017, the number of active employees and retirees/pensioners totalled 1,012 and 1,344, respectively (1,014 and 1,367 on December 31, 2016).

The abovementioned benefits correspond to supplements to the pension plan provided by the Social Security and its definition is based on the number of years of service to the Company, the contributions to the Social Security and the value of the last salary at the retirement date.

During the financial year of 2004, the Company, in agreement with the Unions, decided that all employees admitted post December 31, 2003 would no longer benefit from these pension plan.

In the year ended December 31, 2017, an independent entity carried out an actuarial assessment of the plan's assets and of the current value of the established liability and benefits.

According to actuarial studies reported on December 31, 2017 and 2016, the current value of the Company's liabilities to active and retired employees for past services was calculated as follows:

	2017	2016
Active employees	78.860.745	71.682.164
Retired	173.767.120	184.056.093
	252.627.865	255.738.256

The increase in the Current Value of Liabilities for Past Services is due in part to the fact that there was an overall actual salary increase in 2017 that was higher than expected.

The actuarial study reported on December 31, 2017 was carried out using the "Projected Unit Credit" method and considered the following assumptions as well as technical and actuarial techniques:

Projected Unit Credit	2017	2016
Mortality tables		
Male mortality table	TV73/77-1	TV73/77-1
Female mortality table	TV88/90	TV88/90
Disability tables	EKV80	EKV80
Rates		
Technical pension rate	1,75%	1,75%
Wage growth rate	1,50%	1,50%
PRT Provision Update Rate	1,50%	1,50%
Discount rate	1,75%	1,75%

The evolution of the Company's pension liabilities in the financial years of 2017 and 2016 was as follows:

	2017	2016
Total liabilities at the beginning of the period	255.738.256	251.727.101
Costs of current services	2.889.482	2.594.771
Cost of interest	4.475.419	5.034.542
Benefits paid during the financial year	(12.526.801)	(9.859.529)
Actuarial gains (losses) of the financial year	2.051.508	6.241.371
Total liabilities at the end of the period	**252.627.865**	**255.738.256**

The cost of current services and the cost of interest for 2017, in the amounts of EUR 2, 889,256 and EUR 7,594,550, respectively, were recorded in the statement of results under the heading " Expenses with staff"

On December 31, 2017 and 2016, the Company recognised in its financial statements the amounts of EUR 2,051,509 and (EUR 6,241,371), respectively, regarding actuarial gains/losses for the financial year, against the heading "Adjustments/Other variations in equity", as described in the accounting policy (Note 4.14).

The evolution of actuarial gains/losses in the financial years ended on December 31, 2017 e 2016 is detailed as follows:

	2017			
Other variations in equity	Opening balance	Increases	Decreases	Closing balance
Actuarial gains losses)	(4.808.369)	-	2.051.508	(6.859.878)

	2016			
Other variations in equity	Opening balance	Increases	Decreases	Closing balance
Actuarial gains losses)	1.433.001	-	6.241.371	(4.808.369)

On December 31, 2017, the actuarial losses arise mainly from the fact that the actual salary increase in 2017 was higher than expected.

On December 31, 2017 the Company has not provided any funds to meet those responsibilities, which are recorded in the balance sheet.

22 SUPPLIERS

The balance of the heading "Suppliers" on December 31, 2017 and 2016 is as follows:

Suppliers	2017	2016
Companhia Carris de Ferro	2.341.765	1.954.931
Edp Comercial	841.514	818.048
VILLAS-BOAS ACP - Corretores Associados de Seguros, Lda	767.439	46.992
Otlis - Operadores de Transportes da Região de Lisboa, A.C.E.	89.203	376.398
GRUPO 8- Vigilância e Prevenção Electrónica, Lda	67.285	67.285
ISS - Facility Services - Gestão e Manutenção de Edifícios	83.212	100.007
LIMPERSADO - Limpeza,máquinas e transportes	77.299	-
Iberlim - Sociedade Técnica de Limpezas, S.A.	21.711	75.358
Other	342.005	606.683
	4.631.433	4.045.701

23 STATE AND OTHER PUBLIC ENTITIES

Pursuant to the applicable legislation, tax returns are subject to review and correction by the tax authorities for a period of four years (five years for Social Security), except when there are tax losses, tax benefit grants or ongoing inspections, claims and appeals, in which case, depending on the circumstances, the deadlines are extended or suspended. Therefore, tax returns for the years 2014 to 2017 may still be subject to review.

Pursuant to Article 88 of the Corporate Income Tax Code (*Código do IRC*), the Company is also subject to autonomous taxation on a set of expenses subject to the reference rates provided in that article.

The Board of Directors considers that any adjustments resulting from reviews/inspections by the tax authorities to those tax returns will not have a significant effect on the financial statements ended December 31, 2017 and 2016, except for the financial year of 2014, for which a provision was constituted (note 19)

On December 31, 2017 and 2016 the headings "State and other public entities" had the following structure:

	2017		2016	
	Assets	Liabilities	Assets	Liabilities
Corporate income tax	1.661.578	-	1.132.158	-
Personal income tax	12.262	1.084.838	-	1.003.772
Added value tax	1.299.643	-	60.109	471.844
Contributions for Social Security	-	53.236	-	48.590
Other taxes	79.675	499.331	2.067.660	388.431
	3.053.159	1.637.406	3.259.927	1.912.637

On December 31, 2017, the amounts regarding Personal Income Tax correspond to the withholdings in the wages processed in December 2017, to be paid in January 2018. Contributions to Social Security of the wages processed in 2017 were paid in December 2017.

24 INCOME TAX

Expenses with income taxes on December 31, 2017 and 2016 were as follows:

Income tax	2017	2016
Current tax	760.557	1.790.340
	760.557	1.790.340

On December 31, 2017 and 2016 reportable tax losses amounted to EUR 37,386,360 and EUR 125,636,266, respectively. The expiry date to use the existing tax losses on those dates is as follows:

Fiscal losses	2017 Amount	2017 Expiry date for use	2016 Amount	2016 Expiry date for use
Generated in 2012	-	-	88.249.906	2017
Generated in 2013	33.889.639	2018	33.889.639	2018
Generated in 2014	3.496.721	2026	3.496.721	2026
	37.386.360		**125.636.266**	

The tax rate used to determine the tax amount for the financial year in the financial statements is as follows:

Income tax	2017	2016
Nominal tax rate	21,00%	21,00%
Surcharge	1,50%	1,50%
State Surcharge *	7,00%	7,00%
Current income tax	**29,50%**	**29,50%**

* 3% on taxable income between € 1.5M and € 7.5M, 5% on taxable income between € 7.5M and € 35M, 7% on taxable income in excess of € 35M

The reconciliation of the effective tax rate for the periods under analysis is as shown:

Reconciliation of the effective tax rate	2017	2016
Results before taxes	(23.801.492)	(42.350.046)
Nominal tax rate	21,00%	21,00%
	(4.998.313)	(8.893.510)
Non-tax deductible accounting expenses in the year	(23.209.084)	(30.284.284)
Non-taxable accounting income	16.097.796	14.908.145
Tax losses deducted in the year	4.977.901	10.763.297
Excess / Insufficient estimate	(1.447.694)	2.812.674
State surcharge	286.669	573.807
Autonomous taxations	25.876	17.194
Current tax	(8.266.848)	(10.102.676)
Tax expense (income)	291.761	1.790.340
Effective tax rate	**n.a.**	**n.a.**

25 OTHER DEBTS PAYABLE

On December 31, 2017 and 2016, the heading “Other debts payable” had the following structure:

Other debts payable	2017	2016
Staff	483.326	575.188
Vacation, vacation allowances and associated social expenses	9.448.549	7.918.991
Payable interests	142.186.436	22.017.977
Accrued expenses creditors	363.059	256.540
Investment suppliers	3.425.687	3.651.877
Fines receivable (Note 15)	4.639.932	4.050.124
Others	2.057.711	5.045.723
	162.604.700	43.516.421

The balance of the heading "Accrued expenses creditors" on December 31, 2017 and 2016 refers mainly to expenses incurred by the Company with investments made which at the date of this balance sheet had not yet been invoiced.

The amount of EUR 3,425,687 (EUR 3,651,877 on December 31, 2016) related to the heading "Investment Suppliers"" refers to the balance payable to suppliers regarding the purchase of tangible fixed assets, of which: (i) EUR 565,181 are payable to the Lisbon Municipality; (ii) EUR 1,315,421 are payable to *CJC – Engenharia e Projetos*.

26 DEFERRED LIABILITIES

On December 31, 2017 and 2016, the heading of the current liabilities "Deferrals" had the following composition:

Deferred liabilities	2017	2016
Financial leases - deferred capital gains	293.561	489.267
Income from property	29.703	15.872
Other income accruals	89.252	73.038
	412.516	578.177

Capital gains arising from finance lease contracts linked to the 14 and 24 traction units are deferred to their respective terms (Note 30).

27 REVENUE

The revenue recognised by the Company on December 31, 2017 and 2016 is as follows:

Revenue	2017	2016
Sales:		
Scrap	37.699	65.449
Provision of services:		
Tickets	52.022.168	47.622.383
Passes	49.669.835	47.114.732
Cards	3.582.587	3.086.083
Secondary services	4.087.921	3.300.448
	109.400.211	101.189.096

The increase in revenues in 2017 is mainly due to the increase in the number of passengers carried.

In the financial year ended December 31, 2017, the State granted a financial compensation for the travel pass 4_18@escola.tp, sub23@superior.tp and *social+* in the amount of EUR 2,986,208 (EUR 2,817,177 recognised as revenue after VAT deduction).

In the financial year ended December 31, 2016, the State granted a financial compensation for the travel pass 4_18@escola.tp, sub23@superior.tp and *social+* in the amount of EUR 2,064,149 (EUR 1,947,310 recognised as revenue after VAT deduction).

28 SUPPLIES AND EXTERNAL SERVICES

For the financial years ended December 31, 2017 and 2016, the heading "Supplies and external services" is as follows:

Supplies and external services	2017	2016
Electricity	8.368.838	7.978.818
Rents and leases	7.564.214	8.042.617
Conservation and repair	4.548.186	3.461.604
Cleaning, hygiene and comfort	2.752.699	2.583.458
Surveillance and security	5.035.691	5.071.427
Specialised work	1.133.607	683.050
Other	2.760.761	2.692.067
	32.163.996	30.513.040

The heading "Rents and leases" mainly includes the amount of EUR 6,010,026 related to operating lease rents (EUR 7,920,879 on December 31, 2016).

29 EXPENSES WITH STAFF

The heading "Expenses with staff" for the financial years ended December 31, 2017 and 2016 is as follows:

Staff expenses	2017	2016
Wages of the executive bodies	401.851	222.462
Staff wages	50.277.320	45.133.691
Post-employment benefits (Note 21)	7.359.821	7.629.314
Expenses on wages	11.355.077	10.901.766
Insurance for work related accidents and occupational diseases	668.658	688.175
Health insurance	842.075	818.725
Welfare expenses	483.787	214.151
Dismissal compensations	62.244	371.709
Other	216.406	83.407
	71.667.238	66.063.399

In the year ended December 31, 2017, the Company recognised pension liabilities in this heading, with liabilities for current services amounting to EUR 2,889,482 and interest costs amounting to EUR 4,475,419.

In the years ended December 31, 2017 and 2016, the average number of employees was 1,397 and 1,369, respectively. At the end of the financial year permanent employees were in total 1,408 and 1,363, respectively.

30 OTHER INCOME

The heading "Other income" for the financial years ended December 31, 2017 and 2016 is as follows:

Other income	2017	2016
Investment subsidies (Note 18)	2.577.927	2.691.178
Recognition of capital gains - leasing	195.707	195.707
Energy sales	188.530	176.319
Exchange rate differences	3.379	1.880.244
Property rents (Note 10)	204.662	107.755
Disposal - Gains on fixed assets	68.426	-
Corrections regarding previous periods	109.894	59.635
Tax excess estimate	1.447.694	-
Other	235.401	246.590
	5.031.619	5.357.429

The balance of the heading "Excess of tax estimate" refers to the Corporate Income Tax of 2015.

The balance of the item "Recognition of capital gains" relates to the amortisation of capital gains of the 24 traction units, which on December 31, 2017 amounted to EUR 195,707 (Note 26).

The balance in the item "Exchange rate differences" concerns the update of two collaterals the Company undertook in US bonds (Note 13).

31 OTHER EXPENSES

The breakdown of the heading "Other expenses" for the financial years ended December 31, 2017 and 2016 is as follows:

Other expenses	2017	2016
Municipal property tax	281.762	208.070
Donations	59.680	74.510
Inventory losses	86.256	147.205
Tax insufficient estimate	291.761	2.812.674
Corrections regarding previous periods	1.373.746	2.795.234
Exchange rate differences	7.117.448	-
Disposal - Losses in fixed assets	9.658	-
Other	931.034	227.226
	10.151.345	6.264.920

The balance of the heading "Corrections regarding previous periods" includes mainly the amount of EUR 1,244,939.88 relating to two leasing contracts with Deutsche Bank (DB) for the acquisition of rolling stock, in respect of which an application for VAT refund was made with the Portuguese Tax Administration (TA), which was sent to the German Tax Administration after a formal analysis. This application was not accepted by the TA and the asset was derecognised.

32 FINANCIAL RESULTS

On December 31, 2017 and 2016, o the balance of this heading has the following breakdown:

Financial results	2017	2016
Expenses:		
Interest borne on bank financing	24.923.288	12.122.145
Interest payable (Note 19)	10.915.898	32.269.783
	35.839.186	44.391.928
Income from interest:		
Interest from financial investments	2.714.695	36.028
Other	-	1.061.192
	2.714.695	1.097.219
Financial results	(33.124.491)	(43.294.709)

33 RELATED PARTIES

On December 31, 2017 and 2016 the Company had the following balances with related parties:

	2017					
	Accounts receivable			Accounts payable		
Related parties	Clients (Note 15)	IRC - Tax withheld at source	Other accounts receivable	Suppliers (Note 22)	Other debts payable	Net effect
Subsidiaries:						
Ferconsult, S.A.	-	79.675	4.546.759	-	113.195	4.513.239
Metrocom, S.A.	211.138	565.118	-	-	-	776.256
Associated companies:						
Publimento	639.312	-	-	-	-	639.312
Joint ventures						
Otlis, A.C.E.	77.988	-	-	89.203	-	(11.215)
Ensitrans A.E.I.E.						-
	928.438	644.793	4.546.759	89.203	113.195	5.917.592

2016						
	Accounts receivable			Accounts payable		
Related parties	Clients (Note 15)	IRC - Tax withheld at source	Other accounts receivable	Suppliers (Note 22)	Other debts payable	Net effect
Subsidiaries:						
Ferconsult, S.A.	-	79.675	3.465.838	-	627.665	2.917.848
Metrocom, S.A.	628.150	440.803	-	-	-	1.068.953
Associated companies:						
Publimento	954.112	-	-	-	-	954.112
Joint ventures:						
Otlis, A.C.E.	428.399	59	-	376.398	-	52.060
Ensitrans A.E.I.E.	-	-	134.807	-	136.839	(2.032)
	2.010.660	520.537	3.600.645	376.398	764.505	4.990.940

On December 31, 2017 and 2016, the heading "Other debts payable" regarding Ferconsult includes the amount of EUR 113,195, which is recorded under the heading "Durable infrastructure investment activities".

In the financial years ended December 31, 2017 and 2016 the following transactions were carried out with related parties:

2017				
Related parties	Inventory purchase	Fixed assets purchase	Services received	Services rendered
Subsidiaries:				
Ferconsult, S.A.	-	650.408	340.653	91.147
Metrocom, S.A.	-		4.000	2.027.960
Associated companies:				
Publimetro	-	-	-	1.026.187
Joint ventures:				
Otlis, A.C.E.	2.482.874	-	-	7.225.426
Ensitrans A.E.I.E.	-	-	-	-
	2.482.874	650.408	344.653	10.370.720

Related parties	2016 Inventory purchase	Fixed assets purchase	Services received	Services rendered
Subsidiaries:				
Ferconsult, S.A.	-	317.840	37.989	23.734
Metrocom, S.A.	-	-	2.027	2.345.981
Associated companies:				
Publimetro	-	-	-	1.026.187
Joint ventures:				
Otlis, A.C.E.	1.585.030	-	325.414	5.798.015
Ensitrans A.E.I.E.	-	-	-	-
	1.585.030	**317.840**	**365.430**	**9.193.917**

34 GUARANTEES

On December 31, 2017, the Company guarantees amounted to EUR 4,242,952, of which EUR 2,909,668 relates to the guarantee assumed before the Tax Authority (Note 19).

The breakdown of the Company's liabilities related to guarantees on December 31, 2017 is as follows:

Entity	2017 Amount	Start date	Beneficiary
BPI Bank	7.494	10-03-2006	TRIB.ADM.F.LX-2ºJUÍZO
BPI Bank	95.482	11-05-2006	FINANÇAS 4ºBAIRRO FISCAL
BPI Bank	13.087	30-03-2010	EDP - SERV.UNIVERSAL, S.A
BPI Bank	1.583	30-06-2010	TRIB.TRIBUT.2ª.INST.LIS
BPI Bank	7.661	17-08-2011	LISBON MUNICIPALITY
BPI Bank	7.500	17-06-2014	PETROGAL
BPI Bank	1.820	01-06-2015	SMAS SINTRA
BPI Bank	438.047	03-07-2015	Comarca de Lisboa Inst. Central 1 Trab
BPI Bank	760.610	28-04-2016	Comarca de Lisboa Inst. Central 1 Trab
BPI Bank	2.909.668	21-12-2016	Tax Authority
	4.242.952		

35 CONTINGENT LIABILITIES

On December 31, 2017 there are compensation claims against the Company in the amount of EUR 22.049 which mainly refer to legal proceedings regarding expropriation processes and damages caused by the network expansion works. On December 31, 2017, the Company is in the process of assessing the total amount of expropriations, having been recorded a provision for those legal proceedings whose outcome is unknown at the date of approval of the financial statements. For the remaining legal proceedings, no provision was recorded on December 31, 2017, because, if such claims are to be paid, they will be recorded as expropriation expenses under the heading "Durable infrastructure investments".

36 DISCLOSURES REQUIRED BY LAW

Fees billed by the Statutory Auditor

Total fees billed in the financial year ended December 31, 2017 by the Statutory Auditor related to the statutory audit of the annual accounts amounted to EUR 20,550.

THE BOARD OF DIRECTORS

Engineer Vitor Manuel Jacinto Domingues dos Santos

Dr. Luís Carlos Antunes Barroso

Engineer Maria Helena Arranhado Carrasco Campos

THE OFFICIAL ACCOUNTANT

Dr. Carlos Emério Ferreira da Mota

II. Consolidated accounts

Metropolitano de Lisboa, E.P.E. and Subsidiaries

CONSOLIDATED STATEMENT OF THE FINANCIAL POSITION

ON DECEMBER 31, 2017

(Amounts in euros)

	Notes	December 31, 2017	December 31, 2016
ASSETS			
NON-CURRENT ASSETS:			
Durable infrastructure investments	6	5.020.086.976	4.986.145.104
Tangible fixed assets	7	286.281.402	324.932.418
Investment properties	9	8.534.641	676.591
Intangible assets		3.251	22.460
Financial holdings - equity method	10	251.145	194.216
Clients	14	303.660	643.754
Derivatives	11	330.000	1.114.000
Other financial assets	12	52.188.819	58.787.571
Total of non-current assets		5.367.979.894	5.372.516.114
CURRENT ASSETS:			
Durable infrastructure investments	5	-	-
Inventories	13	4.076.539	2.173.269
Clients	14	7.004.674	9.478.124
State and other public entities	21	3.906.321	4.429.774
Other accounts receivable	14	39.500.633	41.197.087
Deferrals	15	2.386.721	1.855.667
Cash and bank deposits	4	32.990.146	35.564.238
Total of current assets		89.865.034	94.698.159
Total assets of durable infrastructure investments		5.020.086.976	4.986.145.104
Total assets linked to the operation (MI)		437.757.952	481.069.169
Total assets		5.457.844.928	5.467.214.273
EQUITY AND LIABILITIES			
EQUITY AND RESERVES ATTRIBUTABLE TO SHAREHOLDERS:			
Paid up capital	16	2.368.595.326	2.176.544.524
Legal reserve		21.597	21.597
Other reserves		1.501.878	1.501.878
Results carried forward		(1.751.571.377)	(1.733.187.993)
		618.547.424	444.880.006
Net result of the period		(24.500.916)	(44.140.386)
Total equity		594.046.508	400.739.620
LIABILITIES			
NON-CURRENT LIABILITIES:			
Durable infrastructure investments	6	2.706.575.594	3.070.524.077
Provisions	17	3.899.528	112.752.432
Financing obtained	18	249.707.299	272.830.266
Other debts payable	23	6.294.628	8.816.555
Derivatives	11	108.844.147	147.442.569
Commitments for post-employment benefits	19	252.627.865	255.738.256
Total non-current liabilities		3.327.949.060	3.868.104.155
CURRENT LIABILITIES:			
Durable infrastructure investments	6	900.000.200	702.149.898
Suppliers	20	6.621.108	7.883.787
State and other public entities	21	1.968.833	2.049.307
Financing obtained	18	460.816.436	438.937.032
Other debts payable	23	166.442.784	47.350.474
		-	-
Total current liabilities		1.535.849.360	1.198.370.498
Total liabilities in durable infrastructure investments (DI)		3.606.575.794	3.772.673.975
Total liabilities related to operation (ML)		1.257.222.628	1.293.800.678
Total liabilities		4.863.798.420	5.066.474.653
Total equity and liabilities		5.457.844.928	5.467.214.273

The annex is an integral part of the consolidated statement of the financial position in the financial year ended December 31, 2017.

THE BOARD OF DIRECTORS

Engineer Vitor Manuel Jacinto Domingues dos Santos

Dr. Luis Carlos Antunes Barroso

Engineer Maria Helena Arranhado Carrasco Campos

THE OFFICIAL ACCOUNTANT

Dr. Carlos Emério Ferreira da Mota

Metropolitano de Lisboa, E.P.E. and Subsidiaries

CONSOLIDATED STATEMENT OF RESULTS

OF THE FINANCIAL YEAR ENDED DECEMBER 31, 2017

(Amounts in euros)

INCOME AND EXPENSES	Notes	2017	2016
Sales and services provided	24	111.165.245	106.520.121
Gains/losses imputed to subsidiaries, associates and joint ventures	25	-	-
Works for the entity itself	10	(383.828)	51.317
Cost of goods sold and materials consumed	3.20	3.630.671	2.766.682
Supplies and external services	13	(4.408.604)	(2.180.092)
Staff costs	25	(25.778.468)	(25.916.855)
Impairment of debts receivable (losses / reversals)	26	(74.689.257)	(69.981.611)
Increases / decreases in fair value	14	(188.570)	(186.596)
Other income	17 e 29	295.639	(2.008.750)
Other expenses	11 e 12	38.332.888	26.690.393
Other income	27	5.420.794	5.528.603
Other expenses	28	(10.304.640)	(6.675.014)
Results before depreciations, financing expenses and taxes		**43.091.871**	**34.608.198**
Expenses / reversals of depreciation and amortisation	7 e 9	(33.816.944)	(33.921.908)
Impairment of depreciable and amortisable assets (losses/reversals)	7 e 9	223.155	447.586
Operating results (before financing expenses and taxes)		**9.498.082**	**1.133.876**
Interest and similar income received	29	2.714.695	1.097.521
Interests and similar expenses borne	29	(35.870.393)	(44.487.537)
Result before taxes		**(23.657.616)**	**(42.256.140)**
Income tax of the period	22	(843.300)	(1.884.245)
Consolidated net result of the period		**(24.500.916)**	**(44.140.385)**
Consolidated net result of the financial year attributable to the shareholders of the moth		(24.500.916)	(44.140.385)
		-	-
		(24.500.916)	**(44.140.385)**

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Metropolitano de Lisboa, E.P.E. and Subsidiaries

CONSOLIDATED STATEMENT OF THE ALTERATIONS IN EQUITY

IN THE FINANCIAL YEARS ENDED ON DECEMBER 31, 2017 AND 2016

(Amounts in euros)

	Notes	Paid up Capital	Legal reserve	Other reserves	Results carried forward	Net result of the period	Total	Total equity
Position on January 1, 2016		1.618.134.981	21.597	1.501.878	(1.661.383.923)	(65.143.882)	93.130.651	93.130.651
Alterations within the period:								-
Application of the consolidated net result of the financial year ended December 31, 2015		-	-	-	(65.143.882)	65.143.882	-	-
Defined benefits plan - Actuarial gains and losses	19	-	-	-	(6.241.370)	-	(6.241.370)	(6.241.370)
Capital increase	16	358.409.544	-	-	-	-	358.409.544	358.409.544
Recording of accumulated losses in subsidiaries and joint ventures	3.2 a)	-	-	-	(418.818)	-	(418.818)	(418.818)
		2.176.544.525	21.597	1.501.878	(1.733.187.993)	-	444.880.007	444.880.007
Consolidated net result of the financial year ended December 31, 2016		-	-	-	-	(44.140.386)	(44.140.386)	(44.140.386)
Position on December 31, 2016		2.176.544.525	21.597	1.501.878	(1.733.187.993)	(44.140.386)	400.739.621	400.739.620
Position on January 1, 2017		2.176.544.525	21.597	1.501.878	(1.733.187.993)	(44.140.386)	400.739.621	400.739.621
Alterations within the period:								-
Application of the consolidated net results for the period ended on December 31, 2016		-	-	-	(44.140.386)	44.140.386	-	-
Defined benefits plan - Actuarial gains and losses	19	-	-	-	(2.051.508)	-	(2.051.508)	(2.051.508)
Capital increase	16	192.050.802	-	-	-	-	192.050.802	192.050.802
Loss coverage	16				27.808.509	-	27.808.509	27.808.509
		2.368.595.327	21.597	1.501.878	(1.751.571.378)	-	618.547.424	618.547.424
Consolidated net result of the financial year ended on December 31, 2017		-	-	-	-	(24.500.916)	(24.500.916)	(24.500.916)
Position on December 31, 2017		2.368.595.327	21.597	1.501.878	(1.751.571.377)	(24.500.916)	594.046.508	594.046.508

The annex is an integral part of this consolidated statements related to alterations on equity in the financial year ended December 31, 2017.

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Metropolitano de Lisboa, E.P.E. and Subsidiaries

CASH FLOW CONSOLIDATED STATEMENTS

OF THE FINANCIAL YEAR ENDED ON DECEMBER 31, 2017

(Amounts in euros)

	Notes	December 31, 2017	December 31, 2016
CASH FLOWS OF OPERATING ACTIVITIES			
Clients receivables		131.423.944	117.833.668
Payments to suppliers		(45.046.881)	(34.219.512)
Staff payments		(66.415.710)	(62.884.892)
Cash generated by operations		**19.961.353**	**20.729.264**
Tax payment and receipt		(6.177.825)	1.110.156
Other receipts / payments		(12.236.861)	(1.485.626)
Cash flows of operating activities[1]		1.546.667	20.353.794
CASH FLOWS OF INVESTMENT ACTIVITIES			
Receivables from:			
Tangible fixed assets		-	1.800
Investment subsidies	6.3	1.137.500	1.670.125
Interest and similar income		883.377	778.466
Payments relating to:			
Tangible fixed assets		(6.736.527)	(11.212.550)
Intangible assets		-	(2.697)
Cash flows of investment activities [2]		(4.715.650)	(8.764.856)
CASH FLOWS OF FINANCING ACTIVITIES			
Receivables from:			
Capital increases	16	192.050.802	358.409.543
Interest and similar income		-	214.007
Financing obtained		60.392.779	84.087
Payments relating to:			
Financing obtained		(80.643.574)	(238.033.653)
Interest and similar expenses		(171.213.352)	(123.786.117)
Cash flows of investment activities [3]		586.655	(3.112.133)
Cash variation and cash equivalents [4]=[1]+[2]+[3]		(2.582.328)	8.476.805
Effect of exchange rate variations		8.237	9.385
Cash and cash equivalents at the beginning of the period	4	35.564.237	27.078.049
Cash and cash equivalents in the end of the period	4	32.990.146	35.564.239

The annex is an integral part of the cash flows consolidated statement on December 31, 2017.

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Metropolitano de Lisboa, E.P.E. and Subsidiaries

CONSOLIDATED STATEMENT OF THE OVERALL INCOME

OF THE FINANCIAL YEAR ENDED DECEMBER 31, 2017

(Amounts in euros)

	Notes	2017	2016
Consolidated net result of the financial year		(24.500.916)	(44.140.385)
Defined benefits plan - actuarial losses	19	(2.051.508)	(6.241.370)
Recording of accumulated losses in subsidiaries		(47.404)	(1.718)
Other overall income of the financial year		(2.098.912)	(6.243.088)
Total of the consolidated overall income of the financial year		**(26.599.828)**	**(50.383.473)**

The annex is an integral part of the consolidated statement of the overall income of the financial year ended December 31, 2017

THE BOARD OF DIRECTORS

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Engineer Maria Helena Arranhado Carrasco Campos

THE OFFICIAL ACCOUNTANT

Dr. Carlos Emério Ferreira da Mota

Annex to the consolidated financial statements on December 31, 2017

(Amounts in euros)

1. Introduction

The Metropolitano de Lisboa, E.P.E. (hereinafter referred to as "ML" or "Company") is a public corporation, incorporated in 1949, with registered head office at Av. Fontes Pereira de Melo, nº 28, in Lisbon, whose current legal regime and By-laws were approved by Decree-Law no. 148-A/2009, of June 26. Its main purpose is the provision of activities and services related to the public transport of passengers by metro (underground network) in the city of Lisbon and neighbouring municipalities of Lisbon Metropolitan Area, "*Grande Lisboa*" (Greater Lisbon in English), in accordance with the concession contract entered with the Portuguese State on March 23, 2015.

The Board of Directors approved the consolidated financial statements on September 21, 2018, which include the consolidated statement of the financial position, the consolidated statement of results, the consolidated statement of the overall income, the consolidated statement of variations in equity, the cash flows consolidated statement and this annex. However, they are still subject to approval by the sector and financial supervisory authorities in accordance with the legal regime for the corporate public sector.

The Supervisory Entity still not formally approved the consolidated financial statements for the financial years ended December 31, 2014, 2015 and 2016. By considering that such financial statements and proposed application of results will be approved without significant changes, the Board of Directors carried out the accounting records on the application of results of those financial years, in accordance with the proposals included in the corresponding Management Reports.

The Board of Directors considers that these consolidated financial statements reflect in a true and appropriate manner the financial position of all the companies included in the consolidation, the consolidated result and the consolidated overall income of its operations, the variations in the consolidated equity and the consolidated cash flows.

The Company is the parent company of the *Grupo Metropolitano* ("Group") formed by the ML and its subsidiaries (Note 3.2).

2. Accounting standards for preparation of the financial statements

These financial statements were prepared in accordance with the IFRS (International Financial Reporting Standards), as adopted by the European Union, in force for financial years beginning on January 1, 2017. These correspond to the International Financial Reporting Standards adopted by the EU and issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") or by the former Standing Interpretations Committee ("SIC").

3. Main accounting policies

The main accounting policies adopted by the Group in the preparation of the consolidated financial statements are as described below. These policies were consistently applied to all financial years presented, unless otherwise indicated.

3.1. Basis of presentation

The Group's consolidated financial statements were prepared assuming the continuity of operations and in accordance with the accrual basis of accounting, based on the accounting books and records of the companies included in the consolidation, prepared in accordance with the accounting principles generally accepted in Portugal, adjusted in the consolidation process, so that the consolidated financial statements are in accordance with the International Financial Reporting Standards, as adopted in the European Union.

New standards, interpretations and amendments, with entry into force as of January 1, 2017

- **Recording of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12 (Regulation 2017/1989 of November 6, 2017)**
  - This amendment clarifies how to account for deferred tax assets related to debt instruments measured at fair value.

- **Disclosure Initiative - Amendments to IAS 7 (Regulation 2017/1990 of November 6, 2017)**
  - This amendment requires entities to disclose information on the variations in their financing liabilities so that investors can better understand changes in the entity's debt.

- **Annual improvements: cycle 2014-2016 (Regulation 2018/182, of February 7, 2018)**
  - These improvements include minor amendments to three international accounting standards, one of which is applicable to financial years beginning on or after January 1, 2017:
    - IFRS 12 Disclosures of Interest in other entities

New standards, interpretations and amendments, with date of entry into force in financial years beginning on or after January 1, 2018

- **IFRS 15: Revenue from Contracts with Clients (Regulation no. 2016/1905, of September 22, 2016)**
  - This new standard applies to contracts for the delivery of products or provision of services, and requires the entity to record revenue when the contractual obligation to deliver assets or to provide services is met and for the amount that reflects the consideration to which

the entity is entitled, as provided in the "5-step methodology". This rule will apply to financial years beginning on or after January 1, 2018.

- **IFRS 9: Financial Instruments (Regulation no. 2016/2067, of November 22, 2016)**
  - The IFRS 9 replaces the requirements of IAS 39 regarding: (i) the classification and measurement of financial assets and liabilities; (ii) the recording of impairment on receivables (through the expected loss model); and (iii) the requirements for the recording and classification of hedge accounting. The adoption of this standard also entails: (i) changes in the standards (IAS / IFRS) and interpretations (IFRIC/SIC): IAS 1, IAS 2, IAS 8, IAS 10, IAS 12, IAS 20, IAS 21, IAS 23, IAS 28, IAS 32, IAS 33, IAS 36, IAS 37, IAS 39, IFRS 1, IFRS 2, IFRS 3, IFRS 4 Insurance Contracts, IFRS 5, IFRS 7, IFRS 13, IFRIC 2, IFRIC 5, IFRIC 10, IFRIC 12, IFRIC 16, IFRIC 19, SIC 27; and (ii) revocation of the IFRIC 9 Reassessment of Embedded Derivatives. This standard will be applicable to financial years beginning on or after January 1, 2018.

- **IFRS 16: Leases (Regulation 2017/1986, of October 31, 2017)**
  - The IFRS 16 establishes the principles applicable to the recording, measurement, presentation and disclosure of leases. The purpose of the standard is to ensure that tenants and lessors provide relevant information in a way that faithfully represents those transactions, revoking IAS 17 - Leases, as well as a set of interpretations (SIC and IFRIC), namely: IFRIC 4 - Determining whether an Agreement Contains a Lease; SIC 15 - Operating Leases - Incentives; and SIC 27 - Assessment of the Substance of Transactions Involving the Legal Form of a Lease. This standard will apply to financial years beginning on or after January 1, 2019.

- **Revenue of Contracts with Clients - Clarifications to the IFRS 15 (Regulation 2017/1987, of October 31, 2017)**
  - These amendments to IFRS 15 have clarified certain requirements and provided to Entities an easier transition while implementing this Standard. Applicable to financial years beginning on or after January 1, 2018

- **Apply the IFRS 9 Financial Instruments with the IFRS 4 Insurance Contracts - Amendments to IFRS 4 (Regulation 2017/1988, of November 3, 2017)**
  - These amendments to IFRS 4 meet the concerns on the implementation of the new standard on financial instruments (IFRS 9) prior to the implementation of the insurance contract standard that will replace the IFRS 4, which is still in development. Applicable to financial years beginning on or after January 1, 2018.

- **Annual improvements: cycle 2014-2016 (Regulation 2018/182, of February 7, 2018)**
  - The improvements include minor amendments to three international accounting standards, two of which are applicable to financial years beginning on or after January 1, 2018:
    - IFRS 1 First time adoption of the IFRS
    - IAS 28 Investments in Associated Companies and Joint Ventures

Standards (new or revised) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC) and not yet endorsed by the European Union

- **Sale or Contribution of Assets between an Investor and its Associated Company or Joint Venture - Amendments to IFRS 10 and IAS 28**
- This amendment clarifies the accounting treatment for transactions when a parent company loses control in a subsidiary by selling all or part of its interest in that subsidiary to an associated company or joint venture, accounted for using the equity method. The date of application of these amendments has not yet been defined and the process of endorsement by the European Union will only begin after confirmation of the date of application of the amendments by the IASB.

- **Classification and measurement of share-based payment transactions - Amendments to the IFRS 2**
- These amendments to the IFRS 2 relate to classification and measurement aspects regarding a several aspects where the Standard directives were not very clear. Applicable to financial years beginning on or after January 1, 2018, being still subject to the endorsement process by the European Union.

- **Adoption of the IFRIC 22: *Foreign Currency Transactions and Advance Considerations***
- The IFRIC 22 establishes the exchange rate to be used in transactions involving a consideration paid or received in advance in foreign currency. Applicable to financial years beginning on or after January 1, 2018, being still subject to the process of endorsement by the European Union.

- **Transfers of Investment Properties - Amendments to the IAS 40**
- The amendments to the IAS 40 Investment Properties clarify the requirements related to the transfer (to and from) Investment Properties. Applicable to financial years beginning on or after January 1, 2018, being still subject to the endorsement process by the European Union.

- **IFRS 14: Accounting of Regulatory Deferrals**
- This standard allows first-time adopters of IFRS to continue to record regulatory assets and liabilities in line with the policy followed under the previous standard. However, to allow

comparability with entities that already adopt the IFRS and do not record regulatory assets/liabilities, such amounts must be disclosed separately in the financial statements. Applicable to financial years beginning on or after January 1, 2016. The European Commission has decided not to initiate the process of endorsing this transitional rule and to wait for the final rule to be issued by the IASB.

- **Adoption of the IFRIC 23:** ***Uncertainty over Income Tax Treatments***

- This interpretation clarifies how the recording and measurement requirements of the IAS 12 should be applied when there are uncertainties in accounting income taxes. Applicable to financial years beginning on or after January 1, 2019. This new interpretation is still subject to the process of endorsement by the European Union.

- **IFRS 17: Insurance Contracts**

- The IFRS 17 addresses the comparison problem created by the IFRS 4 requiring that all insurance contracts should be accounted for consistently, thereby benefiting both investors and insurance companies. Insurance liabilities are now accounted using current values instead of the historical cost. The information is now updated regularly, providing more useful information to users on the financial statements. Applicable to financial years beginning on or after January 1, 2021. This new standard is still subject to the process of endorsement by the European Union.

- **Amendment to the IFRS 9: Characteristics of advance payments with negative contribution**

- This amendment to the IFRS 9 allows certain instruments to qualify for measurement at amortized cost or at fair value through other comprehensive income (depending on the business model) even if they do not meet the SPPI test conditions. Applicable to financial years beginning on or after January 1, 2019. This amendment is still subject to the endorsement process by the European Union.

- **Amendments to the IAS 28: Long-term interest in associated companies and joint ventures**

- This amendment clarifies that an entity should apply the IFRS 9 to long-term interests in associated companies and joint ventures in which the equity method is not applied. Applicable to financial years beginning on or after January 1, 2019. This amendment is still subject to the endorsement process by the European Union.

- **Annual improvements: cycle 2015-2017**

The improvements include minor amendments to three international accounting standards, as:

- **IFRS 3 Business Groupings and IFRS 11 Joint Agreements**

- **IAS 12 Income taxes**
- **IAS 23 Costs of financing obtained**

These amendments will apply to financial years beginning on or after January 1, 2019 and are still subject to the process of endorsement by the European Union.

- **Amendments to the IAS 19: Change, cut or liquidation of the plan**
  - This amendment requires an entity to use updated assumptions for the remeasurement of the cost of current service and the interest net cost for the remaining period after modification of the plan. Applicable to financial years beginning on or after January 1, 2019, this change being still subject to the endorsement process by the European Union.

3.2 Consolidation principles

a) Financial holdings in subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by it (its subsidiaries). Control is considered existing when the Company has the power to define the financial and operating policies of an entity in order to obtain benefits derived from its activities, usually associated with the direct or indirect control of more than half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered in the assessment of the Company's control over an entity.

Subsidiaries are included in the consolidated financial statements using the full consolidation method, from the date on which the Company assumes control over their financial and operating activities and until such control ceases.

The results of subsidiaries acquired or disposed of during the financial year are included in the consolidated statement of the overall income from the date of their acquisition or up to the date of their disposal.

Interest in the net assets of non-Group subsidiaries (non-controlling interests) are presented in equity, separately from equity attributable to shareholders of the parent company, under the heading "Non-controlling interests". Non-controlling interests consist of the amount of such interests at the date of acquisition and the proportion thereof in the changes in equity of subsidiaries acquired after the date of acquisition.

The net result and each component of the overall income are attributed to the Group and to non-controlling interests in proportion to ownership (ownership interest), even if this results in a deficit balance of non-controlling interests. Transactions (including any capital gains or losses arising from disposals between Group companies), balances and dividends distributed between Group companies are eliminated in the consolidation process.

Changes in the Group's ownership interests in the subsidiary that do not result in a loss of control are recorded as equity transactions.

In situations where the Group holds, in substance, control of other entities created for a specific purpose, even though it does not hold equity interests directly in those entities, the latter are consolidated using the full consolidation method. At the reference date of these financial statements there are no entities in this situation.

On December 31, 2017 and 2016, the companies included in the consolidation are:

Company	Head Office	% of capital withheld 2017	% of capital withheld 2016
Mother company:			
Metropolitano de Lisboa, E.P.E.	Lisbon	n/a	n/a
Subsidiaries:			
Ferconsult – Consultoria, Estudos e Projectos de Engenharia de Transportes, S.A.	Lisbon	100,00%	100,00%
Metrocom, S.A.	Lisbon	100,00%	100,00%
TREM - Aluguer de Material Circulante, ACE	Lisbon	100,00%	100,00%
TREM II - Aluguer de Material Circulante, ACE	Lisbon	100,00%	100,00%

These subsidiaries were included in the consolidation by the full consolidation method by the majority of the voting rights.

b) Joint ventures and associated companies

The joint control of an entity arises from a particular form of joint venture, which results in the creation of an entity jointly controlled by the various entrepreneurs under a contract.

The classification of the financial investments in joint ventures is determined based on shareholder agreements that regulate joint control and require unanimity of decisions.

An associated company is an entity in which the Group exercises a significant influence, assumed when the voting rights exceed 20%, or when the Group has the power to participate in the entity's decisions regarding the financial and operating policy, but without exercising control, or joint control, on those policies.

Investments in joint ventures and associated companies are included in the consolidated financial statements using the equity method.

On December 31, 2017 and 2016, the joint ventures, the associated companies and corresponding proportion in equity held are as follows:

		2017				2016		
		% of capital withheld				% of capital withheld		
Company	Head Office	Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct
Publimetro - Publicidade em Meios de Transporte e Outros, S.A.	Lisbon	40,00%	0,00%	40,00%		40,00%	0,00%	40,00%
Ensitrans - Engenharia e Sistemas de Transporte, A.E.I.E.	Lisbon	5,00%	45,00%	50,00%		5,00%	45,00%	50,00%
Otlis, A.C.E.	Lisbon	14,29%	0,00%	14,29%		14,29%	0,00%	14,29%

In the specific case of Ensitrans - Engenharia e Sistemas de Transporte, A.E.I.E, although the percentage held directly by the Group is 50%, the Board of Directors considers not having its control, and therefore recorded its holding according to the equity method.

3.3. Durable Infrastructure (DI) investment activities

Over the years, the Company assumed the responsibility for building, renovating and managing of the durable infrastructures for the regular operation of the public passenger collective transport service based on the use of Lisbon's underground and that of its neighbouring surroundings. This activity abides by State directives and it is primarily funded by subsidies and loans, mainly endorsed by the State.

Until the financial year of 2009, the Company recognised in its balance sheet the assets and liabilities related to DI according to the provisions of Decree-Law 196/1980, of June 20, whereby the Portuguese State undertook the commitment to restructure the Company financially and economically, namely bearing the costs of DI investments carried out until December 31, 1978. Said Decree-Law also states that for investments made after January 1, 1979, the State would set the outstanding amounts that it would assume, a provision that was never issued. In the financial years of 2010 and 2011, the Board decided it was appropriate to cancel the assets and liabilities related to DI, and consequently, the Company's total balance in those years decreased significantly. In the financial year of 2012, following Order No. 1491/12 of the *"Secretaria de Estado do Tesouro e Finanças"* (Treasury and Finance State Department), the Board decided to resume the recording of DI related assets and liabilities in the Company's balance sheet.

Therefore, all resulting flows from this activity are recorded in the balance sheet under the heading "Durable infrastructure investments", which include the following items:

<u>In assets</u>:

- The durable infrastructures ("DI") under public domain built by the Company and over which it has the right of access in order to provide "Passenger Transport" and "Infrastructure management" services, including the free revaluations made in previous years;

- The materials purchased for the construction/repair of DI, recorded under inventories;
- The subsidies received to co-finance DI construction, to be deducted from investments in DI;
- The financial expenses directly incurred with loans to fund the DI construction and repair activity, corresponding to the interest, endorsement fees and stamp duty arising from the activity carried out on behalf of the State, which have not been capitalised in DI cost during the construction phase;
- The derivative financial instruments contracted by the Company to face variations in interest rates on loans obtained to finance the DI activity, which are recognised at fair value under assets, in the cases where their fair value is positive.

It should be noted that the fixed tangible and intangible assets, net of subsidies and impairments, presented under the heading DI are not being depreciated/amortised (Notes 3.4 and 3.5).

In liabilities:

- The amounts payable to suppliers of DI construction services;
- The loans undertaken to finance DI construction and repair activities, particularly those endorsed by the State;
- The derivative financial instruments contracted by the Company to cover the risk of variations in interest rates on loans obtained to finance the DI activity, which are recognised at fair value under liabilities, in the cases where their fair value is negative.

Expenses with maintenance and repairs that do not extend the useful life of these assets are recorded in the statement of results of the period in which they occur, as these arise from the infrastructure management activity carried out by the Company.

Pursuant to Decree-Law 196/80, of June 20, the Government assumed the principle that it was the Portuguese State's responsibility to finance the construction of durable infrastructures constructed by the Company, outlining the following types of investments:

- Studies related to the network development;
- Galleries, stations and other ancillary or complementary constructions;
- Railway track;

- High and low voltage networks;
- Telecommunications and control systems;
- Ventilation and pumping equipment;
- Mechanical accesses.

This commitment was fulfilled by non-refundable subsidies granted by the Portuguese State for investments carried out until December 31, 1980 and for the corresponding financial expenses incurred with such investments. At that date, the amount of investments made and the value of the subsidies granted coincided and were recorded in assets financed by the State and investment reserves, respectively.

The aforementioned Decree-Law contained a clause imposing its revision until its expiration on December 31, 1980. However, this never occurred. Hence, as of that date, funds have been allocated based on specific legislation included in the Investment Plans of the State Business Sector and in the form of statutory capital provisions and generic subsidies for investments and financial restructuring and, in result, there is no correspondence between the investments made and the subsidies granted.

Due to the change in the recording policy during the transition to the Accounting Standardisation System, the Company proceeded to quantify the financial expenses regarding interest, stamp duty, endorsement fees and financing set-up expenses incurred in previous years, not borne by the State, recording them under the heading "Durable infrastructure investments".

3.4. Tangible fixed assets

Related to infrastructure management (non-durable infrastructure assets):

Tangible fixed assets are recorded at acquisition or production cost, which includes the purchase cost, finance expenses and any costs directly attributable to the activities required to place assets at the location and the necessary conditions to operate as intended and, when applicable, the initial cost estimate for dismantling and removing the assets and restoring the their installation/operation areas, which the Company expects to incur, minus the accumulated depreciations and the accumulated impairment losses (when applicable).

Depreciations are calculated after the assets become available for use and according to the straight-line method on a twelfths basis, in line with the estimated period of useful live for each class of assets:

Class of assets	Years
Buildings and other constructions	10 - 50
Basic equipment:	
Operation rolling stock	14 - 28
Service rolling stock	10 - 30
Control systems and telecommunications	12 - 16
Transport equipment	4 - 5
Tools and utensils	4 - 10
Office equipment	7 - 10
Other tangible fixed assets	4 - 10

The Board of Directors considers that, at any given time, the book value of the assets will be realisable either through its sale or through use, assuming the continuity of operations.

The useful life and depreciation method of the various assets are reviewed annually. The effect of any variations to these estimates is recognised prospectively in the statement of results

Maintenance and repair costs (subsequent expenditures) that are unlikely to generate additional future economic benefits are recorded as expenses in the period in which they are incurred.

Major repairs are recorded under the corresponding heading "Tangible fixed assets" and depreciated in the same period of years of the investment to which they relate.

The main spare parts are recorded as tangible fixed assets when expected to be used for more than one period.

The gain (or loss) resulting from the disposal or write-off of a tangible fixed asset is determined as the difference between the fair value of the amount received or receivable in the transaction and the net amount of the recorded accumulated depreciations of the asset, being recognised in the results of the period in which the write-off or disposal occurs.

Related to Durable Infrastructures (DI):

Tangible fixed assets related to DI are recorded under the heading "Durable infrastructure investments" at acquisition or production cost, which includes the purchase cost, finance expenses and any costs directly attributable to the activities required to place the asset at the location and necessary conditions to be operated as intended and, when applicable, the initial cost estimate in which the Company expects to incur for dismantling and removing the asset and restoring the corresponding installation/operation areas.

Grants obtained for financing DI activities are deducted from the value of the tangible fixed assets allocated to durable infrastructures.

These assets are not being depreciated.

3.5. Intangible assets

Intangible assets linked to DI are recorded under the heading "Durable Infrastructure investments" mainly including studies for network development, and are not currently being depreciated.

3.6. Leases

Leases are classified as finance leases whenever their terms substantially transfer all risks and rewards of ownership to the lessee. All other leases are classified as operating leases. The classification of leases is based on substance rather than on the form of the contract.

Leases in which the Company acts as lessor:

The situations in which the Company acts as lessor concern contracts with tenants of buildings and building floors owned by the Company.

Under the "*Lei do Arrendamento*" (Law on Urban Leases), these lease contracts have no defined term and were entered following the relocation process carried out by the Company in result of the works performed.

According to the conditions therein, these contracts are classified as operating leases and the payable remunerations recognised as income in the statement of results of the financial year to which they relate.

Assets acquired by finance lease contracts, and the corresponding responsibilities, are recorded at the beginning of the lease at the lowest fair value of assets and the current value of the minimum lease payments. Payments of finance leases are divided between the financial expenses and the reduction of responsibility in order to obtain a constant interest rate on the pending balance of the responsibility and the asset depreciation, which is calculated as set out in Note 3.4 and recognised in the statement of results of the financial year to which it refers.

Operating lease payments are recognised as expenses on a straight-line basis during the lease period.

Contingent rents are recognised as expenses for the period in which they are incurred.

3.7. Investment properties

Investment properties comprise mainly real estate owned to obtain rents or capital appreciation (or both), and are not intended for use in the production or supply of goods or services, for administrative purposes or for sale in the ordinary course of business.

Investment properties are measured at cost minus the corresponding accumulated depreciations and possible impairment losses.

Depreciations are calculated after the good has become available for use, according to the straight-line method on a twelfths basis and according to the period of estimated useful live for each class of assets.

The depreciation rates used correspond to the following estimated useful live periods:

Class of assets	**Years**
Buildings and other constructions	10 - 50

Costs incurred related to investment property such as maintenance, repairs, insurance and taxes are recognised as an expense in the period to which they relate. Improvements or enhancements in investment properties expected to generate additional future economic benefits are capitalized under the heading "Investment properties".

If, at the date of the consolidated statement of the financial position, the recoverable amount of the investment property is lower than the respective book amount, the corresponding impairment loss is recognised in the statement of results of the corresponding period.

The recoverable amount of the asset (or cash-generating unit) is the greater of: (i) the fair value minus the selling costs; and (ii) the value of use. In determining the value of use, the estimated future cash flows are discounted using a discount rate that reflects the market expectations on the time value of money (which was considered non-existent in the Company's case) and the assets' specific risks (or the cash-generating unit) for which the estimates of future cash flows have not been adjusted.

The reversal of impairment losses recognised in prior financial years is recorded when there is evidence that previously recognised impairment losses no longer exist or have decreased. The reversal of the impairment loss is completed up to the limit of the amount that would be recognised (net of depreciations) if the loss had not been recorded.

The gain (or loss) from the disposal or write-off of any component of the investment property is determined as the difference between the amount received in the transaction and the book value of the asset, being recorded for its net amount in the statement of results.

3.8. Impairment of tangible fixed assets (non-durable infrastructure assets)

At each reporting date, a review of the book amounts of the Company's tangible fixed assets is carried out to determine whether there is any indication that they may be impaired. If there is any indicator, the recoverable amount of the respective assets (or cash-generating unit) is estimated in order to determine the extent of the impairment loss (if applicable).

The recoverable amount of the asset (or cash-generating unit) is the greater of: (i) the fair value minus the selling costs; and (ii) the value of use. In determining the value of use, the estimated future cash flows are discounted using a discount rate that reflects the market expectations on the time value of money (which was considered non-existent in the Company's case) and the assets' specific risks (or the cash-generating unit) for which the estimates of future cash flows have not been adjusted.

Whenever the book amount of the asset (or cash-generating unit) exceeds its recoverable amount, it is recognised as an impairment loss. The impairment loss is recognised immediately in the statement of results, unless such loss offsets a revaluation surplus recorded in equity. In the latter case, such loss will be treated as a decrease of that revaluation.

The reversal of impairment losses recognised in prior financial years is recorded when there is evidence that previously recognised impairment losses no longer exist or have decreased. The reversal of the impairment loss is made up to the limit of the amount that would be recognised (net of depreciations) if the prior impairment loss had not been recorded.

3.9. Financial holdings in subsidiaries, associates and affiliates

Holdings in subsidiaries, associated companies and joint ventures, where the Company has a significant influence but not the control, are recorded using the equity method.

Under the equity method, financial holdings in associated companies are recorded at their acquisition cost and adjusted (after the acquisition) by the amount corresponding to the Group's participation in the equity variation (including net profit) of the associated companies after that date. By applying the equity method, the Group's proportion in the net result of associated companies and joint ventures is recorded against the statement of results and the dividends received are deducted from the investment amount.

The Group's results include its share in the results of those entities.

When there are indications that the asset may be impaired, an evaluation of the financial investment is carried out. The existing impairment losses are recorded as expenses in the statement of results.

When the Company's proportion in the accumulated losses of the associated company exceeds the recorded value of the investment, then the investment is reported at nil value, except when the Company has undertaken the commitment to cover the losses of the associated company, in which case, additional losses determine the recognition of liability. If the associated company subsequently reports profits, the Company resumes recognising its share of those profits only after its share of profits equals the share of losses not recognised.

Unrealised gains on transactions with associated companies or joint ventures are eliminated in proportion to the Company's interest thereof, against the relevant investment heading. Unrealised losses are similarly eliminated but only to the extent where the loss does not result in a situation in which the transferred asset is impaired.

The remaining financial investments are recorded at acquisition cost, which is lower than the market value.

Investments in associated companies and joint ventures are detailed in Note 10.

3.10. Inventories

Inventories are measured at the lower of cost or net realisable value. Raw materials, subsidiary and consumables are valued at acquisition cost, which does not exceed the respective market value.

The net realisable value represents the estimated selling price minus all estimated costs necessary to complete the inventories and to carry out the sale. In situations where the cost value is higher than the net realisable value, an impairment loss is recorded for the respective difference.

Variations of the year in impairment losses of inventories are recorded under the statement of results "Impairment of inventories (losses/reversals)".

The inventory costing method adopted by the Company is the weighted average cost.

3.11. Financial assets and liabilities

Financial assets and liabilities are recognised in the balance sheet when the Company becomes party to the corresponding contractual terms, using for this purpose the provisions of the NCRF 27 - Financial instruments.

Thus, the financial assets and liabilities are measured according to the following criteria: (i) at cost or at amortised cost and (ii) at fair value with the variations recognised in the statement of results.

(iv) At amortised cost minus impairment losses

Financial assets with the following features are measured "at amortised cost minus impairment losses":

- They are on demand or have a defined maturity;
- They have an associated fixed or determinable return; and
- They do not include any contractual clause that could result in loss of nominal value for the holder. Except for financial liabilities classified as held for trading, all financial liabilities should be measured at amortized cost.

The amortised cost is determined using the effective interest method. The effective interest is calculated using the rate that discounts exactly the estimated future payments or receivables during the expected life of the financial instrument in the net book value of the financial asset or liability (effective interest rate).

Consequently, this category includes the following financial assets and liabilities:

e) Clients and other receivables

The balances of clients and other receivables are recorded at amortised cost minus any impairment losses. Usually, the amortised cost of these financial assets does not differ from its nominal value.

f) Cash and bank deposits

The amounts included under the heading "Cash and bank deposits" correspond to cash, bank deposits and term deposits and other treasury applications that mature within twelve months. Usually, the amortised cost of these financial assets does not differ from their nominal value.

g) Suppliers and other debts payable

The balance for suppliers and other debts payable are recorded at amortised cost. Usually, the amortised cost of these financial liabilities does not differ from their nominal value.

h) Financing obtained

Financing obtained is recorded as liabilities at amortised cost.

Any costs incurred in obtaining such financing, namely bank commissions and stamp duty as well as interest expenses and similar, are recognised using the effective interest method in the statement of results throughout the financing period. Until those incurred costs are not recognised, they are recorded to be deducted in the heading "Financing obtained". Interests accrued and not yet paid are shown under the heading "Other debts payable".

(v) At fair value with the alterations recognized in the statement of results

All financial assets and liabilities not classified in the heading "at amortized cost" are included in the heading "at fair value with the alterations recognized in the statement of results".

These financial assets and liabilities are measured at fair value, and the changes in their fair value are recorded in the statement of results.

In the Company's specific case, this heading includes the derivative financial instruments that do not qualify for hedge accounting in accordance with the provisions of the IAS 39 - Financial Instruments and the collateral given as financing guarantee.

According to the above-described, financial assets and liabilities were classified as follows:

		2017		2016	
Financial Assets	Notes	Fair value	Amortised cost	Fair value	Amortised cost
Non-current:					
Clients	14	-	303.660	-	643.754
Derivatives	11	330.000	-	1.114.000	-
Other financial assets	12	52.188.819	-	58.787.571	-
		52.518.819	**303.660**	**59.901.571**	**643.754**
Current:					
Clients	14	-	7.004.674	-	9.478.124
State and other public entities	21	-	3.906.321	-	4.429.774
Other accounts receivable	14	-	39.500.633	-	41.197.087
Cash and bank deposits	4	-	32.990.146	-	35.564.238
		-	**83.401.774**	**-**	**90.669.223**
		52.518.819	**83.705.434**	**59.901.571**	**91.312.977**

		2017		2016	
Financial Liabilities	Notes	Fair value	Amortised cost	Fair value	Amortised cost
Non-current:					
Financing obtained	18	-	249.707.299	-	272.830.266
Other debts payable	23	-	6.294.628	-	8.816.555
Derivatives	11	108.844.147	-	147.442.569	-
		108.844.147	**256.001.927**	**147.442.569**	**281.646.821**
Current:					
Suppliers	20	-	6.621.108	-	7.883.787
State and other public entities	21	-	1.968.833	-	2.049.307
Advance payments from Clients	-	-	280.687	-	21.188
Financing obtained	18	-	460.816.436	-	438.937.032
Other debts payable	23	-	165.730.336	-	47.114.823
		-	**635.417.400**	**-**	**496.006.137**
		108.844.147	891.419.327	147.442.569	777.652.958

3.12. Financial expenses on financing obtained

Financial expenses related to financing obtained are recognised as costs as they are incurred.

Financial expenses on financing obtained directly related to the acquisition and construction of assets are capitalised, being part of the asset's cost. The capitalisation of these costs begins after the start of the preparation of the asset's construction activities and is interrupted at the beginning of its use, at the completion of the construction of the asset or when the asset is suspended. Any income generated by financing obtained in advance and related to a specific investment is deducted from the financing expenses eligible for capitalisation.

Pursuant to Decree-Law No. 196/80, of June 20, the Government undertook the principle that it was the Portuguese State's responsibility to fund the Metro's DI. This commitment was carried out through Non-refundable rants awarded by the Portuguese State for investments made until December 31, 1980 and all financial expenses incurred with these investments until that date. In result of this principle, the Company records the financial expenses related to DI under the heading "Durable infrastructure investments".

3.13. Income tax

The Corporate Income Tax for the financial year is calculated based on the taxable results of the companies included in the consolidation.

The calculation of the current payable tax is based on the taxable profit. Taxable profit differs from the accounting result as it excludes several expenses and income that are only deductible or taxable in other financial years, as well as expenses and income that will never be deductible or taxable.

The Group has not recorded deferred taxes, remaining not fully quantified as at this date. The deferred tax assets would correspond to tax losses and non-tax deductible provisions, and the deferred tax liabilities would correspond to non-tax deductible depreciations of revalued assets and tax capital gains with deferred taxation.

3.14. Government grants (subsidies) (not DI)

Government grants are recognised only when there is reasonable certainty that the Company will comply with the conditions for such subsidies to be granted and that they will be received.

Government grants concerning the acquisition or production of non-current assets are initially recognised in equity and subsequently allocated on a systematic basis (proportionally to the depreciation of the underlying assets) as income of the financial year during the useful lives of the assets to which they relate.

Generally, other Government grants are recognised as income on a systematic basis along the periods necessary to balance with the expenses they are supposed to compensate. Government grants intended to compensate for losses already incurred or with no associated future costs are recognised as income in the period in which they become receivable.

3.15. Provisions, contingent assets and liabilities

Provisions are recognised when the Group has a current obligation (legal or implicit) arising from a past event and it is probable that the settlement of such obligation results in an outflow of resources and the amount of the obligation can be reasonably estimated. Provisions are reviewed on each balance sheet date and adjusted to reflect the best estimate at that date.

Contingent liabilities are not recognised in the consolidated financial statements, being disclosed whenever the possibility of an outflow of resources embodying economic benefits is not remote. Contingent assets are not recognised in the consolidated financial statements, being disclosed when there is a probable future inflow of economic resources.

3.16. Post-employment benefits

Benefits plan

The Company has a benefits plan for a retirement supplement (old age, disability and survival) which is additional to that paid by the Social Security. The Company's responsibilities concerning this plan are determined by the projected unit credit method, the corresponding actuarial valuations being carried out at each reporting date according to internationally accepted actuarial methods and assumptions, in order to meet the value of the responsibilities at the balance sheet date and the expenses with pensions to be recorded during the financial year.

The liability of the guaranteed benefits recognised in the balance sheet represents the current value of the corresponding obligation, adjusted for actuarial gains and losses and the cost of unrecognised past services minus the fair value of the plan's assets.

Actuarial gains and losses are recognised annually in equity.

The provided benefit plans identified by the Company to calculate these liabilities are:

a) Supplement for retirement, disability and survival pensions;

b) Pre-retirement benefits.

Health care

The Company has also undertaken the responsibility to pay employees, health care benefits up to their retirement age, which are not recorded in the balance sheet on December 31, 2017. To meet these responsibilities, the Company guaranteed a health insurance to its active staff allowing access to medical care subsidised by the Company. These costs are recorded in the statement of results of the financial year in which they are paid.

3.17. Derivative financial instruments

The Company uses derivative financial instruments for financing entered to fund activities regarding management of infrastructures and those related to DI.

These derivative financial instruments are recorded initially at their fair value, being measured at fair value at each reporting date with the variations in fair value recorded in the statement of results, unless such instruments are designated as effective hedging instruments.

Derivative financial instruments that do not meet all the requirements of the NCRF 27-Financial Instruments used for hedge accounting are considered speculative.

The valuation of these derivative financial instruments at the end of each financial year is performed in line with the valuation of the banks with which they were contracted. With exception until December 31, 2016 of the derivative financial instruments currently in litigation with the Santander Bank, which are valued according to the valuation determined by the "*Agência de Gestão da Tesouraria e da Dívida Pública*" (Treasury and Debt Management Agency) (IGCP), which is mandated to manage all the Company's derivative instruments.

On December 31, 2017 and 2016, the Company does not classify any financial derivative instruments as hedge instruments, as it does not comply with the IAS 39 requirements.

In the case of derivative financial instruments contracted by the Group for financing the infrastructure management activity, if the fair value is positive, it is recognised as a financial asset under the heading "Derivatives"; if the fair value is negative, it is recognised as a financial liability under the heading "Derivatives". Variations in fair value of these derivative financial instruments are recognised in the statement of results in the financial year in which they occur.

The financial instruments contracted by the Group regarding loans to finance the DI activity are recognised under "Durable infrastructure investments" in the heading assets or liabilities, depending on whether their aggregated fair value at the reporting date is negative or positive, respectively, against a receivable/payable account within the DI heading. Hence, the effect of variations in fair value of the Company's equity in this case is nil.

3.18. Classification of the consolidated statement of the financial position

The assets realisable and liabilities payable that are required more than one year from the balance sheet date are classified as non-current assets and liabilities, respectively.

3.19. Revenue

Revenue is measured at the fair value of the consideration received or receivable. Recognised revenue is net of returns, discounts and other write-offs and does not include VAT and other taxes paid related to the sale.

Revenue from the provision of services is recognised based on the percentage of completion of the transaction/service, provided that the following conditions have been met:

- The amount of revenue can be reliably measured;
- It is probable that future economic benefits associated with the transaction will flow to the Group;
- The expenses incurred or to be incurred on the transaction can be reliably measured;

• The stage of completion of the transaction/service can be reliably measured.

Revenue from the provision of services comprises revenue from sales of tickets on ML's own network and the share of the revenue from sales of multimodal passes valid for the ML's own network and other urban and suburban transport services provided by other operators whose fares are set by the State, and the revenue from consultancy projects.

The Group records revenue related to the provision of services as follows:

• Multimodal passes - The revenue from multimodal passes sold by the Company and other transport operators is allocated to each operator based on a monthly distribution determined by the "*Instituto da Mobilidade e dos Transportes*" (Institute for Mobility and Transport) ("IMT, LP."). This distribution is calculated according to statistical indexes that take into account the level of use of the Group's services and that of each of the other operators.

• Pre-paid tickets – revenue from these tickets are distributed according to the number of uses, except for the *Carris/ML 24 horas* ticket, which has a defined quota.

• Studies and consultancy projects - The Group records the revenue of the projects under "time and materials" regime at the date of the provision of the services (percentage of completion), usually based on the cost of the hours incurred monthly by the team affected to the project. The revenue from the remaining projects is recorded according to the execution of the contract, using the percentage of completion method based on the total expenses incurred, the estimated expenses to be incurred for the conclusion of the contract, and the total amount of invoicing agreed.

The difference between the amount of revenue determined by such method and the amount invoiced is recorded under the heading "Other receivables" or under "Other debts payable".

Interest revenue is recognised using the effective interest method, provided it is probable that the economic benefits will flow to the Group and the amount can be reliably measured.

Non-refundable compensatory fare allowances are allocated by the State to the Company to partially compensate its operations, in compliance with public service obligations, which are recorded in the financial year in which they are granted.

3.20. Departmental expenses included in DI

The internal operating expenses of the various management services not working exclusively for investment are recorded at 10% of the value of the investments in progress.

These expenses are attributed to durable infrastructure investments - DI, equipment and studies for operation rolling stock and warehouses and workshops (assets financed by the Company) (Notes 6 and 7) as these have the longest execution term, are more technically complex, and hence require more intensive workforce management.

3.21. Transactions and balances in foreign currency

Transactions in foreign currency (other than the functional currency of the Group) are recorded at the exchange rates prevailing at the date of the transactions. At each reporting date, the book value of monetary items in foreign currency are restated at the exchange rate of that date.

Exchange rate differences calculated at the date of receipt or payment of foreign currency transactions, and the resulting updates previously mentioned, are recorded in the statement of results of the period in which they are generated.

3.22. Accrual basis of accounting (economic periodization)

The Group records its income and expenses according to the accrual basis of accounting by which income and expenses are recognised as they are generated, regardless of the time they were received or paid. The difference between the amounts received and paid and the corresponding income and expenses are recorded as assets or liabilities.

3.23. Risk management policy

In the development of its activity, the Group is exposed to a variety of risks: market risk (including exchange rate risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize the adverse effects that this entails for its financial performance.

Risk management is controlled by the Company's financial department in line with the policies approved by the Board of Directors. In this sense, the Board of Directors has defined the main principles of global risk management as well as specific policies for some areas, such as exchange rate risk, interest rate risk and credit risk.

a) Exchange rate risk

The Group's operating activity is carried out in Portugal and, consequently, the vast majority of its transactions is held in Euros. The hedge policy for this specific risk is to avoid, as far as possible, the contracting of services in foreign currency.

b) Liquidity risk

Cash requirements are managed in an appropriate manner, managing the excesses and liquidity deficits. Cash requirements are covered by financing guaranteed by the Portuguese State or directly carried out by the Portuguese State through non-refundable compensatory payments and capital allocations.

c) Interest rate risk

The Group's revenues and cash flows are influenced by changes in interest rates, as the Group's cash availability and any financing granted to other Group companies are dependent on the evolution of interest rates in Euro, which historically have a low volatility.

Interest rate sensitivity analysis

The sensitivity analysis below was calculated based on the exposure to interest rates for derivative financial instruments existing at the reporting date. For variable rate assets and liabilities, the following assumptions were considered:

- Changes in market interest rates affect the amount of interest receivable or payable of financial instruments indexed at variable rates and, in the case of fixed rates contracted in the period under review, changes in the interest rate also affect this component ;
- Changes in market interest rates only influence the amount of interest receivable or payable on fixed rate financial instruments if they are recorded at fair value;
- Changes in market interest rates affect the fair value of derivatives;
- The fair value of derivative financial instruments and other financial assets and liabilities is estimated by discounting to the present the future cash flows at the current market interest rates existing at the end of each year; and,
- For the purposes of the sensitivity analysis, this analysis is carried out based on all financial instruments existing during the financial year.

Sensitivity analyses presuppose the change of one variable while keeping all other constant. In fact, this assumption is rare, and changes in some of the assumptions may be correlated.

Under these assumptions, a 1% increase or decrease in market rates for derivative financial instruments on December 31, 2017 would result in an increase of approximately EUR 99,847,153 and a decrease of approximately EUR 165,017,078 in income before tax (EUR 157,915,945 and EUR 230,143,234, respectively, on December 31, 2016).

3.24. Critical value judgements and main sources of uncertainty associated with estimates

In the preparation of the attached consolidated financial statements, critical value judgments and estimates were made, and various assumptions used, which have an effect on the reported amounts of assets and liabilities and on the reported amounts of income and expenses for the period.

The underlying estimates and assumptions were determined by reference to the reporting date based on the best information available at the date of approval of the consolidated financial statements of events and transactions in progress, as well as on the experience of past and/or current events. However, situations may occur in subsequent periods that are not foreseeable at the date of approval of the financial statements and, therefore, were not considered in those estimates. Variations to the estimates that occur after the date of the consolidated financial statements shall be corrected in a prospective basis, as per the IAS 8. For this reason and given the degree of uncertainty associated, the actual results of such transactions may differ from the corresponding estimates.

The main value judgements and estimates made in the preparation of the attached consolidated financial statements were as follows:

a) Useful lives of the tangible fixed assets;

b) Impairment analysis of tangible fixed assets;

c) Loss on impairment of receivables - calculated taking into account the overall risk for the collection of the accounts receivable;

d) Determination of the fair value of the derivative financial instruments - which is determined at the end of each financial year by the bank with which they were contracted.

e) Determination of responsibilities for retirement benefits - at the end of each financial year, an actuarial valuation of the responsibilities with retirement complements prepared by the actuary is carried out.

3.25. Operating segments

Operating segments are reported in accordance with the information used internally by the Group's management bodies.

3.26. Subsequent events

Events taking place after the balance sheet date that provide additional information on the existing conditions at the balance date ("adjusting events") are reflected in the consolidated financial statements. Events after the balance sheet date that provide information on conditions that occurred after the balance sheet date ("non-adjusting events") are disclosed in the consolidated financial statements if considered relevant.

4. Cash and cash equivalents

For cash flow consolidated statement purposes, “cash and cash equivalents” includes cash, immediately available bank deposits (maturity of three months or less) and cash investments in the money market, net of bank overdrafts and other equivalent short-term financing. Cash and cash equivalents on December 31, 2017 and 2016 were as follows:

Cash Flows	2017	2016
Cash	18.066	48.730
Bank deposits available on demand	32.972.080	35.515.508
Cash and bank deposits	32.990.146	35.564.238

5. Accounting policies, Variations in Accounting Estimates and Errors

On December 31, 2017, the Company changed the classification of a building located at Avenida Barbosa du Bocage from the heading Tangible Fixed Assets to the heading Investment Properties

	Gross amount	Accumulated depreciations	Impairment losses	Accounting value
Barbosa *du* Bocage	21.001.959	7.965.558	5.043.401	7.993.000

6. Durable Structure Investments

The balance under the heading "Durable infrastructure investments" results from the Group´s activity in infrastructure investments, and its breakdown by the headings assets and liabilities is as follows:

	Notes	2017	2016
Investment activities in DI			
Non-current assets			
Tangible fixed assets	6.1	3.111.500.240	3.106.959.933
Intangible assets	6.2	6.955.344	6.938.284
Subsidies	6.3	(993.493.360)	(992.355.860)
Accounts receivable from the State	6.4	2.871.311.908	2.837.772.507
Derivatives	6.8	23.812.843	26.830.239
		5.020.086.976	**4.986.145.104**
Current assets			
Other accounts receivable	6.6	-	-
		-	-
Total assets		5.020.086.976	4.986.145.104
Non-current liabilities			
Provisions	6.5	20.816.971	155.596.149
Financing obtained	6.7	2.230.326.599	2.331.833.345
Derivatives	6.8	455.432.023	583.094.583
		2.706.575.594	**3.070.524.077**
Current liabilities			
Suppliers	6.9	1.671.865	1.466.104
Financing obtained	6.7	692.441.762	645.279.388
Other debts payable	6.10	205.886.573	55.404.405
		900.000.200	**702.149.898**
Total liabilities		3.606.575.794	3.772.673.974
Total net DI		1.413.511.182	1.213.471.129

The variation in net balance of the heading DI compared to December 31, 2017 is mainly due to the following factors:

- Interest incurred in the financial year of 2017 on financing obtained the amount of EUR 142,902,924 (Note 6.4.1.);
- Fair value of the financial instruments in the amount of EUR (124,645,163) (Note 6.8);
- Provisions for legal proceedings in progress in the amount of EUR 15,317,618 (Note 6.5).

6.1. Tangible fixed assets

During the years ended December 31, 2017 and 2016, movements in the book value of tangible fixed assets were as follows:

	December 31, 2017					
Gross assets	Opening balance	Revaluations	Opening balance (historic cost)	Increases	Transfers/ write-offs	Closing balance
Tangible fixed assets - DIs	**3.261.886.622**	**(199.793.426)**	**3.062.824.614**	**2.247.793**	**39.220.380**	**3.104.292.787**
Land and natural resources	15.867.385	(2.388.442)	13.478.943	-	32.111	13.511.055
Buildings and other constructions	2.791.933.843	(177.041.447)	2.615.623.814	768.417	26.093.983	2.642.486.214
Basic equipment	454.085.394	(20.363.537)	433.721.857	1.479.376	13.094.286	448.295.519
Tangible fixed assets in progress	**43.267.328**	**-**	**43.267.328**	**2.232.628**	**(39.204.411)**	**6.295.544**
Land and natural resources	32.112	-	32.112	-	(32.111)	-
Buildings and other constructions	29.238.899	-	29.238.899	2.015.692	(26.060.058)	5.194.534
Basic equipment	13.996.318	-	13.996.318	216.935	(13.112.242)	1.101.010
Advanced payments for tangible fixed assets			**1.595.855**	**-**	**7.938**	**1.603.793**
Impairment losses - Buildings and other constructions			**(727.865)**	**35.980**	**-**	**(691.885)**
Total of gross tangible fixed assets - DIs	**3.305.153.951**	**(199.793.426)**	**3.106.959.933**	**4.516.400**	**23.907**	**3.111.500.240**

	December 31, 2016					
Gross assets	Opening balance	Revaluations	Opening balance (historic cost)	Increases	Transfers/ write-offs	Closing balance
Tangible fixed assets - DIs	**3.261.886.622**	**(199.793.426)**	**3.010.991.506**	**1.249.462**	**50.583.647**	**3.062.824.614**
Land and natural resources	15.867.385	(2.388.442)	13.478.943	-	-	13.478.943
Buildings and other constructions	2.741.062.764	(177.041.447)	2.564.752.735	1.011.083	49.859.996	2.615.623.814
Basic equipment	453.123.365	(20.363.537)	432.759.828	238.378	723.651	433.721.857
Tangible fixed assets in progress	**85.171.373**	**-**	**85.171.373**	**8.663.272**	**(50.567.317)**	**43.267.328**
Land and natural resources	32.112	-	32.112	-	-	32.112
Buildings and other constructions	74.974.249	-	74.974.249	4.124.646	(49.859.996)	29.238.899
Basic equipment	10.165.012	-	10.165.012	4.538.626	(707.321)	13.996.318
Advanced payments for tangible fixed assets			**3.172.769**	**-**	**(1.576.914)**	**1.595.855**
Impairment losses - Buildings and other constructions			**(731.418)**	**4.178**	**(625)**	**(727.865)**
Total of gross tangible fixed assets - DIs	**3.295.224.887**	**(199.793.426)**	**3.098.604.230**	**9.916.912**	**(1.559.959)**	**3.106.959.933**

Additions in the financial year ended December 31, 2017 under the heading "Tangible fixed assets", in the amount of EUR 802,342 refer mainly to network remodelling works for EUR 612,319, and to the venture Amadora /Reboleira in the amount of EUR 184,535.

Additions in the financial year ended December 31, 2017 under the heading "Tangible fixed assets in progress", in (a) Buildings and other constructions in the amount of EUR 2,015,692, refer essentially to the venture Rato/Cais do Sodré and network remodelling, for the amounts of EUR 784,931 and EUR 1,155,304, and (b) Basic equipment, for an amount of EUR 216,935, mainly for network remodelling.

The following departmental expenses are included in the cost value of the tangible fixed assets (including those in progress) on December 31, 2017 and 2016:

Capitalised expenses	2017			2016		
	Tangible	Tangible in progress	Total	Tangible	Tangible in progress	Total
Departmental expenses	71.090.374	11.335.358	82.888.264	70.412.835	10.286.945	80.699.779
	71.090.374	11.335.358	82.888.264	70.412.835	10.286.945	80.699.779

6.2. Intangible assets

During the financial years ended 2017 and 2016 the movement in the book value of intangible assets was as follows:

Gross assets	December 31, 2017			
	Opening balance	Increases	Transfers / write-offs	Closing balance
Intangible assets - DIs:				
Research and development expenses	4.574.690	43.790	194.100	4.812.580
Set up expenses	2.019.827	-	-	2.019.827
Intangible assets in progress	343.767	7.195	(228.025)	122.937
Total of gross intangible assets - DIs	6.938.284	50.986	(33.925)	6.955.344

Gross assets	December 31, 2016			
	Opening balance	Increases	Transfers / write-offs	Closing balance
Intangible assets - DIs:				
Research and development expenses	3.907.846	-	666.844	4.574.690
Set up expenses	2.019.827	-	-	2.019.827
Intangible assets in progress	1.008.903	1.708	(666.844)	343.767
Total of gross intangible assets - DIs	6.936.576	1.708	-	6.938.284

6.3. Subsidies

The amounts under the heading subsidies for the financial year ended December 31, 2017 were:

Description	December 31, 2017			
	Opening balance	Increases	Decreases	Closing balance
Feder	229.464.397	-	-	229.464.397
Piddac	181.734.005	1.137.500	-	182.871.505
Fundo Coesão	376.640.062	-	-	376.640.062
Miscellaneous subsidies	204.517.396	-	-	204.517.396
Total subsidies	992.355.860	1.137.500	-	993.493.360

The increase in the financial year ended December 31, 2017 in the amount of EUR 1,137,500 relates to subsidies attributed under the PIDDAC for network remodelling.

6.4. Receivables from the State

This heading refers to the receivables from the Portuguese State concerning durable infrastructure investment activities:

Description	Notes	2017	2016
Derivatives	6.8	431.619.181	556.264.343
Provisions	6.5	170.913.768	155.596.149
Interest, endorsement fees and stamp duty	6.4.1	1.957.191.295	1.814.288.370
Issue expenses	6.4.1	20.230.150	20.230.150
Opening balance corrected on transition to the NCRF	6.4.1	289.555.301	289.555.301
Impairment losses in tangible fixed assets	6.4.2	691.885	727.865
Capitalised financial expenses	6.4.3	(3.495.216)	(3.495.216)
Specialized work	6.4.4	2.563.836	2.563.836
Impairment losses in debts receivables	6.6	2.041.708	2.041.708
		2.871.311.908	2.837.772.507

6.4.1. Expenses on loans

This heading relates to expenses with loans incurred by the Company to finance the durable infrastructure investment activity and durable infrastructures that were not possible to capitalise in the built DI.

Until 2009, the financial expenses borne with DI that could not be capitalised in those headings were recorded in the statement of results. With effects in the financial year of 2010 (restated), during the transition to the NCRF, the Company decided to recapture the value of these financial expenses in order to add them to the heading "Durable infrastructure investments - Expenses on loans", following the principle described in Note 3.20 regarding the financial expenses of approximately EUR 1,017,000,000 incurred from 1995 to 2008, the Company made the quantification based on the available accounting records. However, with regard to financial expenses incurred prior to 1995, and due to the difficulty in quantifying the amount, the Board of Directors opted to record the amount of EUR 285,555,301, which allowed to settle the asset and liability headings of DI on December 31, 2009, as the possible estimate at that date of the interest and other expenses incurred and previously recognised in the statement of results until 1995.

6.4.2. Impairment losses on tangible fixed assets

During the financial year of 2017, the Company obtained a valuation on properties carried out by a specialised and independent entity, which resulted in recording a reversal of an impairment loss of EUR 35,980.

6.4.3. Capitalized financial expenses

On December 31, 2017 and 2016, the financial expenses capitalized under the headings "Intangible Assets", "Tangible Fixed Assets" and "Tangible Assets in Progress" are detailed as follows:

	December 31, 2017				December 31, 2016			
Description	Intangible	Tangible	In progress	Total	Intangible	Tangible	In progress	Total
Expenses with loans	152.981	298.092.776	11.774.179	310.019.936	155.989	297.841.263	11.753.181	309.750.433

6.4.4. Specialized work

Following the legal proceedings in progress in a London court, filed by a financial institution and the Portuguese State, Attorneys' fees were recognized in the financial year of 2016 regarding derivative financial instruments related to the DI activity.

6.5. Provisions

On December 31, 2017, the amount of EUR 20,816,971 (EUR 155,596,149 on December 31, 2016), refers to the provision constituted to face legal proceedings filed that were pending resolution due to the investments made.

6.6. Other receivables

On December 31, 2017, the heading "Clients" includes an amount of EUR 2,041,708 relating to a contractual fine corresponding to the debit made to the contractor resulting from delays in the delivery of the expansion and remodelling works of the Areeiro station, which was recorded as an impairment loss against the DI heading.

6.7. Financing obtained

The breakdown of financing obtained for DI activities on December 31, 2017 and 2016 is as follows:

	Financing entity	2017 Limit	2017 Current	2017 Non-current	2017 Total	2016 Limit	2016 Current	2016 Non-current	2016 Total
Debenture loans									
Metro 2019 issue	Barclays	400.000.000	-	400.000.000	400.000.000	400.000.000	-	400.000.000	400.000.000
Metro 2025 issue	DBI, AG	110.000.000	-	110.000.000	110.000.000	110.000.000	-	110.000.000	110.000.000
Metro 2026 issue	JP Morgan	400.000.000	-	400.000.000	400.000.000	400.000.000	-	400.000.000	400.000.000
Metro 2027 issue	BNPP	400.000.000	-	400.000.000	400.000.000	400.000.000	-	400.000.000	400.000.000
			-	**1.310.000.000**	**1.310.000.000**		-	**1.310.000.000**	**1.310.000.000**
Bank loans									
ML A	BEI	-	-	-	-	57.193.405	3.183.611	-	3.183.611
ML I/2	BEI	234.435.012	15.600.000	15.679.594	31.279.594	234.435.012	16.300.000	31.279.594	47.579.594
ML II	BEI	74.819.685	4.987.979	4.987.979	9.975.958	74.819.685	4.987.979	9.975.958	14.963.937
ML III	BEI	54.867.769	5.358.000	8.593.084	13.951.084	54.867.769	5.584.000	13.951.084	19.535.084
ML II/B	BEI	99.759.579	6.650.639	13.301.278	19.951.916	99.759.579	6.650.639	19.951.916	26.602.555
ML II/C	BEI	54.867.769	3.657.851	12.802.479	16.460.331	54.867.769	3.657.851	16.460.331	20.118.182
ML IV	BEI	169.591.285	17.904.090	-	17.904.090	169.591.285	22.400.000	17.904.090	40.304.090
ML I/3	BEI	124.699.474	14.579.180	71.424.386	86.003.566	124.699.474	8.738.497	86.003.566	94.742.062
ML I/3B	BEI	74.819.685	2.764.838	72.054.847	74.819.685	74.819.685	-	74.819.685	74.819.685
ML V/A	BEI	150.000.000	-	150.000.000	150.000.000	150.000.000	-	150.000.000	150.000.000
ML V/B	BEI	80.000.000	-	80.000.000	80.000.000	80.000.000	-	80.000.000	80.000.000
ML V/C	BEI	80.000.000	-	80.000.000	80.000.000	80.000.000	-	80.000.000	80.000.000
Loan LP 613,9 M EUR	DGTF (part)	507.957.564	253.978.782	-	253.978.782	507.957.564	253.978.782	-	253.978.782
Loan LP 648,6 M EUR	DGTF (part)	237.747.877	178.310.908	-	178.310.908	237.747.877	178.310.908	-	178.310.908
Loan LP 412,9 M EUR	DGTF (part)	282.974.244	188.649.496	94.324.748	282.974.244	282.974.244	141.487.122	141.487.122	282.974.244
Loan LP 32,6 M EUR	DGTF (part)	17.158.204	-	17.158.204	17.158.204	-	-	-	-
			692.441.762	**620.326.599**	**1.312.768.361**		**645.279.388**	**721.833.345**	**1.367.112.733**
Other loans obtained									
Schuldschein	ABN AMRO	300.000.000	-	300.000.000	300.000.000	300.000.000	-	300.000.000	300.000.000
				300.000.000	**300.000.000**			**300.000.000**	**300.000.000**
Total loans obtained			**692.441.762**	**2.230.326.599**	**2.922.768.361**		**645.279.388**	**2.331.833.345**	**2.977.112.733**

The debenture loan "Metro 2019" was entered on February 4, 2009, for a period of ten years at a fixed rate, being guaranteed by the Portuguese State. The applicable law is the Portuguese Law.

The debenture loan "Metro 2025" was entered on December 23, 2010, for a period of fifteen "bullet" years at a fixed rate, being guaranteed by the Portuguese State. The applicable law is the Portuguese Law.

In the year ended December 31, 2010, the Company entered into a debenture loan guaranteed by the Portuguese State in the amount of EUR 85,000,000, for a period of 15 years, which was increased by EUR 25,000,000 during the financial year ended December 31, 2011. The applicable law is the Portuguese Law.

The debenture loan "Metro 2026" was entered on December 4, 2007, for a period of twenty "bullet" years at a fixed rate, being guaranteed by the State. The applicable law is the English Law.

The debenture loan "Metro 2027" was entered on December 7, 2007, for a period of twenty "bullet" years at a fixed rate, being guaranteed by the State. The applicable law is the Portuguese Law, except for the subscription agreement, in which English is the applicable Law. The issue was admitted to quotation on Euronext Lisbon.

Given the conditions of the financial markets, specifically the stock market, during the year ended December 31, 2011, it was not possible to issue long-term bonds. Hence, the Company contracted a funding with the *"Direção Geral do Tesouro e Finanças"* (DGTF) (Directorate General of Treasury and Finance) in the amount of EUR 613.932,000, of which EUR 507,957,564 are associated with Durable Infrastructure (DI) liabilities, for a period of 5 years, repayable semi-annually in 8 equal instalments, the first of which expires in May 2013.

Given the conditions of the financial markets, specifically the stock market, during the year ended December 31, 2012, it was not possible to issue any long-term bonds. Hence, the Company contracted a funding with the "*Direção Geral do Tesouro e Finanças*" (DGTF) (Directorate General of Treasury and Finance) in the amount of EUR 648.581,846, of which EUR 237,747,877 are associated with Durable Infrastructure (DI) liabilities, for a period of 5 years, repayable semi-annually in 8 equal instalments, the first of which expires in May 2014.

Given the conditions of the financial markets, specifically the stock market, during the year ended December 31, 2013, it was not possible to issue any long-term bonds. Hence, the Company contracted a funding with the "*Direção Geral do Tesouro e Finanças*" (DGTF) (Directorate General of Treasury and Finance) in the amount of EUR 412.860,000, of which EUR 282,974,244 are associated with Durable Infrastructure (DI) liabilities, for a period of 6 years, repayable semi-annually in 12 equal instalments, the first of which expires in May 2015.

Following Order No. 45/18-SEATF, of February 1, of the State Secretary of the Ministry of Treasury and Finance, a moratorium was granted on the payment of the debt service for the loans previously mentioned. Under this moratorium, debt service is not subject to interest payment.

Given the conditions of the financial markets, specifically the stock market, during the year ended December 31, 2017 it was not possible to issue any long-term bonds. Hence, the Company contracted a funding with the "*Direção Geral do Tesouro e Finanças*" (DGTF) (Directorate General of Treasury and Finance) in the amount of EUR 32.584,270, of which EUR 17,158,204 are associated with Durable Infrastructure (DI) liabilities, for a period of 7 years, repayable semi-annually in 12 equal successive instalments, the first of which expires in May 2019.

On December 31, 2017, debenture loans classified as non-current have the following amortization scheduling:

Years	Amount
2019	400.000.000
2025 and following	910.000.000
	1.310.000.000

The share of bank loans and other loans classified as non-current have the following repayment scheduling:

Years	Amount
2019	121.524.651
2020	266.536.672
2021	142.723.659
2022	83.822.216
2023 and following	305.719.401
	920.326.599

On December 31, 2017, financing obtained with associated covenants, namely those associated with the Portuguese Republic rating or including custody clauses, are detailed as follows:

CONTRACT	Outstanding amount on 31-12-2017 (€)	TERM	NEGATIVE PLEDGE (YES/NO)	PARI PASSU (YES/NO)	OWNERSHIP CLAUSE (YES/NO)	RATING DOWNGRADE (YES/NO)	GROSS UP (YES/NO)	CROSS DEFAULT	EXPENSES/STAMP DUTY (YES/NO)	OTHER RELEVANT CLAUSES / COMMENTS
Financing Contract signed with the European Investment Bank, on October 28, 1994, subject to the Portuguese law and the jurisdiction of Lisbon District (" ML I/2"), amended on March 10, 2006	31.279.594,03	September 15, 2019	NO	NO	NO	NO	NO	YES	Expenses and Taxes borne by ML	Guarantee of the Portuguese Republic
Financing Contract signed with the European Investment Bank, on December 16, 1994, subject to the Portuguese law and the jurisdiction of Lisbon District (" ML II")	9.975.957,81	December 15, 2019	NO	NO	NO	NO	NO	YES	Expenses and Taxes borne by ML	Guarantee of the Portuguese Republic
Financing Contract signed with the European Investment Bank, on September 7, 1995, subject to the Portuguese law and the jurisdiction of Lisbon District (" ML III"), amended on March 10, 2006	13.951.084,02	June 15, 2020	NO	NO	NO	NO	NO	YES	Expenses and Taxes borne by ML	Guarantee of the Portuguese Republic
Financing Contract signed with the European Investment Bank, on December 18, 1995, subject to the Portuguese law and the jurisdiction of Lisbon District (" ML II/B")	19.951.916,20	December 15, 2020	NO	NO	NO	NO	NO	YES	Expenses and Taxes borne by ML	Guarantee of the Portuguese Republic
Financing Contract signed with the European Investment Bank, on October 28, 1996, subject to the Portuguese law and the jurisdiction of Lisbon District (" ML I/3"), amended on March 10, 2006	86.003.565,91	September 15, 2021	NO	NO	NO	NO	NO	YES	Expenses and Taxes borne by ML	Guarantee of the Portuguese Republic
Financing Contract signed with the European Investment Bank, in 1997, subject to the Portuguese law and the jurisdiction of Lisbon District (" ML I/3 B"), amended on March 10, 2006	74.819.684,56	September 15, 2022	NO	NO	NO	NO	NO	YES	Expenses and Taxes borne by ML	Guarantee of the Portuguese Republic
Financing Contract signed with the European Investment Bank, on July 14, 1997, subject to the Portuguese law and the jurisdiction of Lisbon District (" ML II/C")	16.460.330,61	June 15, 2022	NO	NO	NO	NO	NO	YES	Expenses and Taxes borne by ML	Guarantee of the Portuguese Republic
Financing Contract signed with the European Investment Bank, on November 26, 1998, subject to the Portuguese law and the jurisdiction of Lisbon District (" ML IV"), amended on March 10, 2006	17.904.089,68	September 15, 2018	NO	NO	NO	NO	NO	YES	Expenses and Taxes borne by ML	Guarantee of the Portuguese Republic
Financing Contract signed with the European Investment Bank, on February 23, 2001, subject to the Portuguese law and the jurisdiction of Lisbon District (" ML V/A"), amended on March 10, 2006	150.000.000,00	December 15, 2020	NO	NO	NO	NO	NO	YES	Expenses and Taxes borne by ML	Guarantee of the Portuguese Republic
Financing Contract signed with the European Investment Bank, on December 19, 2001, subject to the Portuguese law and the jurisdiction of Lisbon District (" ML V/B"), amended on March 10, 2006	80.000.000,00	June 15, 2021	NO	NO	NO	NO	NO	YES	Expenses and Taxes borne by ML	Guarantee of the Portuguese Republic
Financing Contract signed with the European Investment Bank, on May 9, 2003, subject to the Portuguese law and the jurisdiction of Lisbon District (" ML V/C"), amended on March 10, 2006	80.000.000,00	June 15, 2022	NO	NO	NO	NO	NO	YES	Expenses and Taxes borne by ML	Guarantee of the Portuguese Republic
Schuldschein Loan Agreement signed with the ABN Amro Bank, NV on July 20, 2004, subject to the German law and to the courts of Frankfurt am Main	300.000.000,00	July 20, 2024	YES (see Annex D)	YES	NO	NO	YES	YES	Expenses and Taxes borne by ML	Guarantee of the Portuguese Republic / Non substantial change of nature or object of the company
EUR 400.000.000,00 4,061% Guaranteed Notes due 2026. JP Morgan Securities Ltd / December 2006, subject to the Portuguese law and the jurisdiction of the Portuguese courts, except for the Subscription Agreement, governed by the English law and subject to the jurisdiction of the English courts	400.000.000,00	2026	NO	YES	YES - Loss of state owned company status. State participation less than 51%)	NO	YES	YES	Expenses and Taxes borne by ML	Guarantee of the Portuguese Republic / Non substantial change of nature or object of the company
EUR 400.000.000,00 4,799% Guaranteed Notes due 2027. BNP Paribas / December 2007, subject to the Portuguese law and the jurisdiction of the Portuguese courts, except for the Subscription Agreement, governed by the English law and subject to the jurisdiction of the English courts	400.000.000,00	2027	NO	YES	YES - Loss of state owned company status. State participation less than 51%)	NO	YES	YES	Expenses and Taxes borne by ML	Guarantee of the Portuguese Republic / Non substantial change of nature or object of the company
EUR 400.000.000,00 5,75% Guaranteed Notes due 2019. Barclays Capital, BNP Paribas, Caixa - Banco de Investimento, S.A., Santander Global Banking & Markets/February 2009, subject to the Portuguese law and the jurisdiction of the Portuguese courts, except for the Subscription Agreement, governed by the English law and subject to the jurisdiction of the English courts	400.000.000,00	2019	NO	YES	YES - Loss of state owned company status. State participation less than 51%)	NO	YES	YES	Expenses and Taxes borne by ML	Guarantee of the Portuguese Republic / Non substantial change of nature or object of the company
TOTAL	2.080.346.222,82									

6.8. Derivatives

As mentioned in Note 3.17, the Company contracted interest rate Swaps with several banks concerning loans allocated to DI. According to the Company's Board of Directors, although these have not been endorsed by the Portuguese State, they were contracted under the scope of the durable infrastructure management policy, hence they are recorded under the heading "Durable infrastructure investments".

On December 31, 2017 and 2016 the fair value of Swap contracts allocated to DI was determined as described in Note 3.17, and is detailed as follows:

Derivative bank financing			Date			Capital covered on 31.12.2017			Fair Value		
									Fair Value ("N") (counterpart)		
Name		Entity	Swap	Initial	Final	Capital	Inc. Capital (BEI)	Total financing associated	31.12.2017	31.12.2016	Variation
B E I (ML A)		BBVA	02/02/2006	05/12/2005	15/12/2017				-	(58.955)	126.681
	Total financing										
B E I (ML I/2)	2nd, 3rd AND 6th DISBURSEMENTS	BST	30/03/2006	15/03/2006	15/09/2019			11,638,618	(5.312,519)	(10,741,324)	4.196.184
	Total financing					31.258.001	21.593	31.279.594			
B E I (ML III)	1st AND 4th DISBURSEMENTS	BBVA	02/02/2006	15/12/2005	15/06/2020			5.819.309	(218.228)	(410.391)	188.751
	Total financing					9.144.628	4.806.456	13.951.084			
B E I (ML IV)	1st, 2nd, 3rd, 4th AND 5th DISBURSEMENTS	BES INV	11/02/2010	15/12/2009	15/09/2018			16,959,129	(353.760)	(1,403,159)	1.382.170
	Total financing					16.959.129	944.961	17,904,090			
B E I (ML V/C)	1st DISBURSEMENT	BST	26/05/2003	16/06/2003	15/06/2022			25,333,333	(3.737.816)	(5.058.276)	716.403
	Total financing					50.666.667	29.333.333	80.000.000			
BEI (REEST-INC CAPITAL)	TRANCHE B	BST	31/05/2007	15/03/2007	15/06/2022				(338.528.822)	(403.997.485)	20.546.501
	Total financing					244.897.161	(244.897.161)				
A B N (SCHULDSCHEIN)	TRANCHE C	BST	25/02/2005	22/07/2005	22/07/2024			100.000.000	(26.863.771)	(31.648.303)	(802.490)
	Total financing					300.000.000		300.000.000			
OBRIGAÇÕES 2026 (BONDS 2026)		BBVA	15/12/2006	04/12/2006	04/12/2026			70,000.000	(22.514.178)	(24.548.092)	318.431
OBRIGAÇÕES 2026 (BONDS 2026)		M LYNCH	16/07/2010	04/12/2009	04/12/2026			30.000.000	(24.626.318)	(45.657.182)	(12.937.291)
OBRIGAÇÕES 2026 (BONDS 2026)		CGD	16/07/2010	04/12/2009	04/12/2026			30.000.000	(24.278.042)	(44.768.457)	(12.529.987)
	Total financing					400.000.000		400.000.000			
OBRIGAÇÕES 2019 (BONDS 2019)		CITIBANK	15/01/2010	04/02/2010	04/02/2019			100.000.000	(8.998.569)	(14.802.958)	5.077.442
	Total financing					400.000.000		400.000.000			
						1.452.925.586	(209.790.819)	1.632.885.156	(455.432.023)	(583.094.583)	6.282.794

Derivative bank financing			Date			Capital covered on 31.12.2017			Fair Value		
									Fair value ("N") (counterpart)		
Name		Entity	Swap	Initial	Final	Capital	Inc. Capital (BEI)	Total financing associated	31.12.2017	31.12.2016	Variation
B E I (ML II)	2nd AND 3rd DISBURSEMENTS	RBS	16/01/2009	15/12/2008	15/12/2019			3.990.383	12.503	23.750	(11.248)
BEI (REEST-INC CAPITAL)	TRANCHE B	CAIXA BI	16/07/2009	15/03/2010	15/06/2022				2.378.000	3.410.000	(1.032.000)
OBRIGAÇÕES 2026 (BONDS 2026)		CAIXA BI	28/04/2010	04/12/2009	04/12/2026			100.000.000	21.422.340	23.396.489	(1.974.149)
								103.990.383	23.812.843	26.830.239	(3.017.396)

The fair value of the derivative financial instruments has nil impact on the Company's equity, as liabilities/assets are made against an account receivable from the State under the DI heading.

6.9. Suppliers

The heading "Suppliers" comprises mainly current liabilities arising in connection with works carried out by continuing the policy for the network's expansion and modernisation/remodelling.

6.10. Other debts payable

The heading "Other debts payable" comprises mainly expenses with loan interests, derivative financial instruments interests and sureties payable during the course of the succeeding financial year.

7. Tangible fixed assets

During the years ended December 31, 2017 and 2016, the movement in the book value of the Group tangible fixed assets, as well as the corresponding accumulated depreciations and impairment losses, were as follows:

	2017							
	Land and natural resources	Buildings and other constructions	Basic equipment	Transport equipment	Office equipment	Other tangible fixed assets	Tangible fixed assets in progress	Total
Assets								
Opening balance	24.287.679	255.503.790	805.765.885	735.028	23.901.873	24.306.482	1.280.148	1.135.780.884
Acquisitions	-	182.602	1.499.266	-	1.029.515	61.795	-	2.773.178
Disposals	-	-	(2.735)	(328.155)	(658.508)	-	-	(989.398)
Transfers	-	(20.443.353)	945.019	-	76.098	-	(1.009.820)	(20.432.056)
Write-offs	-	-	(179.325)	(47.871)	(730.969)	(782)	-	(958.946)
Closing balance	**24.287.679**	**235.243.039**	**808.028.111**	**334.811**	**23.579.582**	**24.367.494**	**270.328**	**1.116.111.044**
Accumulated depreciations and impairment losses								
Opening balance	-	218.382.833	554.607.530	732.615	23.560.453	13.565.034	-	810.848.466
Depreciations of the financial year	-	9.465.233	26.775.567	2.413	231.011	813.889	-	37.288.113
Disposals	-	-	(182.059)	(328.155)	(630.256)	(777)	-	(1.141.247)
Transfers	-	(7.406.952)	-	-	-	-	-	(7.406.952)
Write-offs	-	-	-	(47.871)	(755.737)	-	-	(803.608)
Reclassifications	-	-	(493)	-	(4.655)	208	-	(4.940)
Closing balance	-	**220.441.115**	**577.682.027**	**334.811**	**22.362.388**	**14.378.354**	-	**835.198.695**
Impairments	-	(23.418)	-	-	-	-	-	(23.418)
Impairments - Transfers	-	(5.345.636)	-	-	-	-	-	(5.345.636)
Net assets	24.287.679	14.825.342	230.346.084	-	1.217.194	9.989.140	270.328	286.281.402

	2016							
	Land and natural resources	Buildings and other constructions	Basic equipment	Transport equipment	Office equipment	Other tangible fixed assets	Tangible fixed assets in progress	Total
ssets								
pening balance	24.287.679	255.496.014	805.727.254	780.381	23.842.409	24.282.163	1.205.778	1.135.621.677
Acquisitions	-	10.077	38.632	-	87.221	31.222	90.700	257.852
Disposals	-	-	-	(45.353)	-	-	-	(45.353)
Transfers	-	-	-	-	-	-	(16.330)	(16.331)
Write-offs	-	(2.301)	-	-	(27.757)	(6.904)	-	(36.962)
osing balance	**24.287.679**	**255.503.790**	**805.765.886**	**735.028**	**23.901.873**	**24.306.481**	**1.280.149**	**1.135.780.883**
ccumulated depreciations and impairment losses								
pening balance	-	208.056.618	527.754.025	770.736	23.401.553	12.760.401	-	772.743.333
Depreciations of the financial year	-	9.518.991	26.853.505	7.232	186.443	811.537	-	37.377.707
Disposals	-	-	-	(45.353)	-	-	-	(45.353)
Write-offs	-	(2.301)	-	-	(27.543)	(6.904)	-	(36.748)
osing balance	-	**217.573.308**	**554.607.530**	**732.615**	**23.560.453**	**13.565.034**	-	**810.038.940**
Impairments	-	809.526	-	-	-	-	-	809.526
et assets	24.287.679	37.120.956	251.158.356	2.413	341.422	10.741.447	1.280.149	324.932.418

During the financial year of 2017, the Group had several properties evaluated, resulting in an impairment reversal on these in the amount of EUR 23,418.

8. Leases

Financial leases

As mentioned in Note 3.6, the Group records in its tangible fixed assets (Note 7) the assets acquired under a financial lease regime. On December 31, 2017 and 2016, the Company is the lessee in finance lease contracts related mainly to the purchase of 55 triple traction units, recorded under the heading "Tangible fixed assets - basic equipment".

Assets held under finance leases in the year ended December 31, 2017 and 2016 are detailed as follows:

Financial leases - Goods	2017 Gross amount	2017 Accumulated amortisation	2017 Net amount	2016 Gross amount	2016 Accumulated amortisation	2016 Net amount
Basic equipment	299.632.078	214.245.161	85.386.917	299.632.078	206.716.530	92.915.548
	299.632.078	214.245.161	85.386.917	299.632.078	206.716.530	92.915.548

Rents from the finance lease of the triple traction units paid annual interest at an average rate of 35.6209%.

The outstanding amount regarding finance leases on December 31, 2017 and 2016 is detailed as follows:

	Outstanding capital	
Finance leases	2017	2016
Up to 1 year	3.788.999	3.739.632
Between 1 and 5 years	7.680.685	15.258.682
	11.469.684	18.998.314

Operating leases

On December 31, 2017, the Company holds responsibilities with ten operating lease contracts entered with TREM, A.C.E. and TREM II, A.C.E., not recognised in the balance sheet (Note 3.6) in the amount of EUR 192,628,706.

The minimum lease payments of operating leases in 2017 and 2016 are detailed as follows:

	Minimum payments	
Operating leases	2017	2016
Up to 1 year	7.531.329	7.117.038
Between 1 and 5 years	185.097.378	194.569.409
	192.628.706	201.686.447

9. Investment properties

The movement in the heading "Investment properties" on December 31, 2017 and 2016 was as follows:

	December 31, 2017					December 31, 2016				
	Gross amount	Accumulated depreciations	Accumulated impairment losses	Net amount	Fair value	Gross amount	Accumulated depreciations	Accumulated impairment losses	Net amount	Fair value
Property rented to third parties	22.064.892	8.220.122	5.310.129	8.534.641	8.892.671	1.621.540	780.719	164.230	676.591	714.965
	22.064.892	8.220.122	5.310.129	8.534.641	8.892.671	1.621.540	780.719	164.230	676.591	714.965

As mentioned in Note 7, the Group changed the classification of the building located at Avenida Barbosa du Bocage from the heading Tangible Fixed Assets to the heading Investment Properties.

The investment properties held by the Company consist of 34 buildings in the Lisbon metropolitan area for the relocation of low-income families affected by the network expansion programme and office buildings in Lisbon, which are being depreciated over a period of 50 years.

The fair value of the investment properties was determined by a specialized and independent entity. On December 31, 2017 and 2016, the following income and expenses related to investment properties were recognised in the results:

	December 31, 2017				December 31, 2016			
	Income from rents (Note 29)	Direct expenses	Depreciations of the financial year	Result	Income from rents (Note 29)	Direct expenses	Depreciations of the financial year	Result
Property rented to third parties	204.662	22.364	66.533	115.765	107.755	16.776	32.452	58.527
	204.662	22.364	66.533	115.765	107.755	16.776	32.452	58.527

During the year ended December 31, 2017, the Company derecognised the previously recognised impairment losses in the amount of EUR 199,737. The impairment loss transferred from Tangible Fixed Assets was in the amount of EUR 5,345,636.

10. Financial holdings

On December 31, 2017 and 2016, the Group held the following investments in associated companies and joint ventures:

	2016									
	Head Office	% held	Assets	Liabilities	Equity	Total Income	Net result	Proportion in the result	Recorded amount	Share held
Associated companies										
Publimetro - Publicidade em Meios de Transporte e Outros, S.A.	Lisbon	40,00%	1.646.569	1.646.110	458	1.727.152	407	163	183	183
Joint ventures										
Ensitrans - Engenharia e Sistemas de Transporte, A.E.I.E.	Lisbon	50,00%	3.872.038	3.906.381	(34.343)	2.881.818	(34.343)	(17.172)	(17.172)	-
Otlis, A.C.E.	Lisbon	14,29%	5.960.607	4.602.517	1.358.090	5.111.951	478.258	68.323	68.323	194.033
Total										194.216

	2017									
	Head Office	% held	Assets	Liabilities	Equity	Total income	Net result	Proportion in the result	Recorded amount	Share held
Associated companies										
Publimetro - Publicidade em Meios de Transporte e Outros, S.A.	Lisbon	40,00%	1.912.938	1.882.244	30.694	1.768.485	30.236	12.094	12.094	12.277
Joint ventures										
Ensitrans - Engenharia e Sistemas de Transporte, A.E.I.E.	Lisbon	50,00%	2.610.350	2.708.595	(98.245)	1.521.356	(98.245)	(49.123)	(49.123)	
Otlis, A.C.E.	Lisbon	14,29%	5.950.266	4.278.188	1.672.078	6.593.052	492.246	70.321	70.321	238.868
Total										251.145

In the specific case of Ensitrans - Engenharia e Sistemas de Transporte, A.E.I.E., although the percentage held directly and indirectly by the Group is 50%, the Board of Directors considers not having its control, and therefore recorded its holding according to the equity method.

The movement in financial holdings held by the Group in 2017 was as follows:

	2017	2016
	Equity method	Equity method
Financial holdings		
Opening balance	194.216	640.744
Application of the equity method	176.091	(369.165)
Dividends	(68.323)	(75.646)
Closing balance	301.985	195.933
Impairment losses		
Opening balance	1.717	-
Ensitrans - Engenharia e Sistemas de Transporte, A.E.I.E.	49.123	1.717
Closing balance	50.840	1.717
Net assets	251.145	194.216

11. Derivatives

The balance of the item "Derivatives" on December 31, 2017 and 2016 corresponds to the fair value of the SWAP contracts, as determined by the contracted banks (except for December 31, 2016, regarding the fair value of the contracts that were in dispute with Bank Santander, which was in accordance with the IGCP assessment), and is detailed as follows:

Bank financing		Date				Fair value			Fair value		
						Fair value ("JV") (counterpart) 31.12.2017		Variation	Fair value ("JV") (counterpart) 31.12.2016		Variation
Name	Entity	Swap	Initial	Final	Capital	Assets	Liabilities		Assets	Liabilities	
DB EXPORT/97	BST	26-02-2003	15-06-2003	30-12-2015	18.946.700			-			443.914
BSN-CGD (US LEASE) *	BST	22-09-2005	01-07-2005	01-01-2019	43.846.560		(5.609.855)	7.586.284		(13.196.139)	9.954.835 *
BSN-CGD (US LEASE)	CAIXA BI	16-07-2009	01-07-2009	01-01-2019	21.923.280	330.000		(784.000)	1.114.000		(1.729.000)
TREM II (2nd TRANCHE)	BST	06-06-2005	23-09-2005	23-09-2022	79.850.569		(103.234.292)	31.012.138		(134.246.430)	13.927.252 *
					164.567.109	330.000	(108.844.147)	37.814.422	1.114.000	(147.442.569)	22.597.001

According to the sensitivity analysis reported on December 31, 2017 carried out by the IGCP and based on certain estimates and assumptions, the impact of 1% variation in interest rates on the fair value of the financial holdings portfolio of the Company, as detail above and in those allocated to DI (Note 6.8), would be as follows:

2017	+1%	-1%
Fair Value	99.847.153	(165.017.078)
	99.847.153	(165.017.078)

12. Other financial assets - non-current

On December 31, 2017, the heading "Other financial assets - non-current" includes: (i) the amount of EUR 28,313,020 regarding a collateral provided by the Group in April 2009 to Bank of America Leasing & Capital, LLC and endorsed by the Portuguese State in result of the downgrade of the Company's rating, wherein the effect arising from the fair value variation in the amount of EUR 211,641 is recorded under the heading "Increases/decreases in fair value"; and (ii) the amount of EUR 23,875,570 regarding a collateral provided by the Company in 2013 in American bonds to Wilmington Trust in result of the downgrade of the Company's rating, wherein the effect arising from the fair value variation in the amount of EUR 306,825 is recorded under the heading "Increases/decreases in fair value".

Name	Variation of the JV 2017	Variation of the JV 2016
Bank of America Leasing & Capital, LCC	211.641	149.280
Wilmington Trust	306.825	434.668
	518.466	583.948

13. Inventories

On December 31, 2017 e 2016, inventories were as follows:

	2017			2016		
Inventories	Gross amount	Impairment losses	Net amount	Gross amount	Impairment losses	Net amount
Raw, subsidiary and consumable materials:						
Materials	3.441.117	(299.936)	3.141.181	2.062.371	(299.936)	1.762.435
Tools	20.001	-	20.001	21.159	-	21.159
Cleaning products	26.405	-	26.405	40.120	-	40.120
Fuel	22.354	-	22.354	23.805	-	23.805
Transport tickets	676.484	-	676.484	-	-	-
Other materials	173.663	-	173.663	307.223	-	307.223
Promotional items/publications	16.451	-	16.451	18.527	-	18.527
	16.451	(299.936)	4.076.539	2.473.205	(299.936)	2.173.269

On December 31, 2017 and 2016, the Group had no inventory in the custody of third parties, nor in transit or consignment.

Cost of goods sold and materials consumed

The cost of goods sold and materials consumed recognised in the years ended December 31, 2017 and 2016 is detailed as follows:

	Raw, subsidiary and consumable materials	
Cost of goods sold	**2017**	**2016**
Opening balance	2.473.205	2.516.331
Purchases	6.265.897	2.205.823
Adjustments	45.977	(68.856)
Closing balance	4.376.475	2.473.205
	4.408.604	2.180.092

Impairment losses

The evolution of the accumulated impairment losses on inventories for the years ended December 31, 2017 and 2016 is detailed as follows:

	2017			
Impairment losses - Inventories	**Opening balance**	**Increases**	**Reversals**	**Closing balance**
Goods	299.936	-	-	299.936
	299.936	-	-	299.936

	2016			
Impairment losses - Inventories	**Opening balance**	**Increases**	**Reversals**	**Closing balance**
Goods	299.936	-	-	299.936
	299.936	-	-	299.936

14. Clients and other accounts receivable

On December 31, 2017 and 2016, the headings "Clients" and "Other accounts receivable" had the following composition:

	2017				2016			
	Gross amount	Financial discount	Accumulated impairment	Net amount	Gross amount	Financial discount	Accumulated impairment	Net amount
Non-current:								
Clients	395.604	(91.944)	-	303.660	773.142	(129.388)	-	643.754
	395.604	**(91.944)**	**-**	**303.660**	**773.142**	**(129.388)**	**-**	**643.754**
Current:								
Clients	7.930.783	-	(926.109)	7.004.674	10.520.819	-	(1.042.695)	9.478.124
Other accounts receivable	42.961.516	-	(3.460.883)	39.500.633	45.236.762	-	(4.039.675)	41.197.087
	50.892.299	**-**	**(4.386.992)**	**46.505.307**	**55.757.581**	**-**	**(5.082.370)**	**50.675.211**
	51.287.903	(91.944)	(4.386.992)	46.808.967	56.530.723	(129.388)	(5.082.370)	51.318.965

The detail of the heading "Clients" and the distribution between current and no-current is as follows:

Clients	2017		2016	
	Current	Non-current	Current	Non-current
Associated companies and joint ventures (Note 30)	1.540.396	-	1.549.616	-
Ar Telecom	463.383	-	463.383	-
Simtejo		-	-	-
Associação Turismo de Lisboa	-	-	-	-
Soflusa - Soc. Fluvial Transportes		-	-	-
Direção Geral de Transportes Terrestres		-	-	-
Refer		-	-	-
Meo - Serv. Comun. Multimédia, SA	-	-	-	-
Fines to be charged	3.763.745	-	4.050.124	-
Other	2.163.259	303.660	4.457.696	643.754
	7.930.783	303.660	10.520.819	643.754
Impairment of accounts receivable from clients	(926.109)	-	(1.042.695)	-
	7.004.674	303.660	9.478.124	643.754

The balance of the sub-heading "Fines receivable" relates to fines that are due for lack of a valid transportation ticket, this amount being offset at the same amount under the heading "Other debts payable" in liabilities.

According to the information in the consolidated statement of the financial position, the balance seniority of "Clients" is as follows:

Clients		31.12.2017	31.12.2016
Not overdue		1.632.664	1.709.906
Overdue but not adjusted			
	0-90 days	63.984	146.101
	90-180 days	488.923	1.944.497
	180-360 days	414.430	1.845.247
	+360 days	4.404.673	3.832.373
	+360 days	926.109	1.042.695

The detail of the heading "Other accounts receivable" and the distribution between current and no-current is as follows:

Other accounts receivable	2017		2016	
	Current	Non-current	Current	Non-current
Works for third parties	30.442.102	-	30.438.455	-
Accrued income debtors	880.973	-	3.209.541	-
Serviços Municipais Transportes Coletivos Barreiro	3.257.361	-	3.065.305	-
Fare revenue	4.414.113	-	3.452.645	-
Associated companies and joint ventures (Note 30)	149.111	-	129.313	-
C.P. - Caminhos de Ferro Portugueses, E.P.E.	495.211	-	1.174.062	-
Staff	386.622	-	590.063	-
Transtejo		-	-	-
Rodoviária de Lisboa		-	-	-
Other	2.936.023	-	3.177.377	-
	42.961.516	-	45.236.761	-
Impairment of other assets	(3.460.883)	-	(4.039.675)	-
	39.500.633	-	41.197.086	-

According to the information in the consolidated statement of the financial position, the balance seniority of "Other accounts receivable" is as follows:

Other accounts receivable	31.12.2017	31.12.2016
Not overdue	4.444.310	11.028.265
Overdue but not adjusted		
0-90 days	241.469	188.324
90-180 days	61.904	22.294
180-360 days	394.676	71.684
+360 days	34.358.274	29.886.520
Overdue and adjusted		
+360 days	3.460.883	4.039.675

The heading "Work for third parties" includes the amounts of works carried out by the Group on behalf of State Business Sector entities, which the Board of Directors considers should be subject to a protocol to remedy the situation.

The movement in impairment losses in the financial years of 2017 and 2016 was as follows:

Impairments	2017				2016			
	Opening balance	Increases	Reversals	Closing balance	Opening balance	Increases	Reversals	Closing balance
Debts receivable from clients	1.042.695	90.016	(206.602)	926.109	1.041.256	50.792	(49.353)	1.042.695
Other accounts receivable	4.039.675	132.295	(711.087)	3.460.883	3.854.518	185.355	(198)	4.039.675
	5.082.370	222.311	(917.689)	4.386.992	4.895.774	236.147	(49.551)	5.082.370

15. Deferred assets

On December 31, 2017 and 2016, the heading of current assets "Deferrals" was as follows:

Deferred assets	2017	2016
Insurance paid in advance	2.016	6.729
Expenses with leasing contracts	689.664	924.477
Other	1.695.041	924.461
	2.386.721	1.855.667

The heading "Deferred assets - expenses with lease contracts" in the amount of EUR 689,664 relates to expenses incurred with operating lease contracts signed in 1995, 1997, 1999, 2000, 2001 and 2002, which are recorded in the statements of results during the term of the corresponding contracts.

16. Equity instruments

On December 31, 2017, the Group's subscribed and paid equity is totally held by the Portuguese State, which value is not fixed but amounted to EUR 2,368,595,326 at that date.

During the year ended December 31, 2017, a capital increase was made of EUR 192,050,802, totally subscribed and paid in cash.

Results carried forward:

The negative net results of the years ended December 31, 2016, 2015 and 2014 indicated in the financial statements of the Metropolitano de Lisboa, E.P.E. for consolidation purposes were transferred to the heading "Results carried forward" in subsequent financial years, despite the fact that the Line Ministry has not yet formally approved the financial statements for those years.

Legal reserve

According to the commercial legislation in force, at least 5% of annual net profit (if positive) should be allocated to reinforce the legal reserve until this reserve corresponds to 20% of the capital. This reserve is not available for distribution except in case of liquidation of the Company, however, it can be used to absorb losses after other reserves are exhausted, or incorporated in the capital.

17. Provisions

The evolution of provisions in the financial years ended December 31, 2017 and 2016 is detailed as follows:

	2017				
	Opening balance	Increases	Reversals	Use	Closing balance
Provisions for risks and expenses					
Legal proceedings in progress	756.915	72.072	10.000	125.648	693.339
Interest owed (Note 29)	108.479.022	10.915.898	-	119.394.920	-
Default interest	-	-	-	-	-
Taxes	2.523.471	54.424	-	-	2.577.895
Onerous contracts	963.617	50.156	462.291	-	551.482
Expenses with staff	-	-	-	-	-
	112.723.025	11.092.550	472.291	119.520.568	3.822.716
Other provisions					
Loss coverage	29.408	47.404	-	-	76.812
	29.408	47.404	-	-	76.812
	112.752.433	11.139.954	472.291	119.520.568	3.899.528

	2016				
	Opening balance	Increases	Reversals	Use	Closing balance
Provisions for risks and expenses					
Legal proceedings in progress	1.755.618	706.724	1.594.728	110.700	756.915
Interest owed (Note 29)	74.313.700	34.165.321	-	-	108.479.021
Default interest	1.895.538	-	1.895.538	-	-
Taxes	217.694	2.305.777	-	-	2.523.471
Onerous contracts	372.641	825.588	234.611	-	963.617
Expenses with staff	-	-	-	-	-
	78.555.191	38.003.410	3.724.877	110.700	112.723.024
Other provisions					
Loss coverage	27.691	1.718	-	-	29.408
	27.691	1.718	-	-	29.408
	78.582.882	38.005.128	3.724.877	110.700	112.752.432

On December 31, 2017 the Group recognised provisions in the amount of EUR 10,915,898 related to interest due and unpaid until April 2017, following the legal proceedings in the London Court.

In May 2017, an agreement was entered between the Group and the Bank Santander Totta, also with the agreement of the Portuguese State, to terminate the legal proceedings in the London Court.

In 2016, the Company was notified by the Tax Authority (TA) to present tax-related elements regarding the financial year of 2014. Following the proceeding, the TA made a correction to the Corporate Income Tax of 2014 in the amount of EUR 2,305,777, of which the ML filed an administrative complaint. On December 31, 2017, a provision in the amount of EUR 2,305,777 was constituted, which is recorded in the sub-heading "Taxes".

18. Financing obtained

The financing related to operational activity on December 31, 2017 and 2016 is as follows:

		2017			2016		
			Amount used			Amount used	
Financing	Financing entity	Limit	Current	Non-current	Limit	Current	Non-current
Financial Institutions:							
Bank loans:							
Emp. LP 613,9 M EUR	D G T F 2011 (part)	105.974.436	52.987.218	-	105.974.436	52.987.218	-
Emp. LP 648,6 M EUR	D G T F 2012 (part)	410.833.969	308.125.476	-	410.833.969	308.125.476	-
Emp. LP 412,9 M EUR	D G T F 2013 (part)	129.885.756	86.590.504	43.295.252	129.885.756	64.942.878	64.942.878
Emp. LP 32,6 M EUR	D G T F 2017 (part)	15.426.066	-	15.426.066	-	-	-
Emp. TREM I LP 2000 (50 M EUR)	Banco Santander	50.000.000	1.578.070	27.484.859	50.000.000	1.527.901	29.075.778
Emp. TREM I LP 2000 (50 M EUR)	Caixa Geral de Depósitos	50.000.000	1.603.769	27.484.859	50.000.000	1.552.783	29.075.778
Emp. TREM II LP 2001 (105 M EUR)	Banco Santander	52.777.778	1.558.630	31.380.119	52.777.778	1.525.284	32.950.080
Emp. TREM II LP 2001 (105 M EUR)	Caixa Geral de Depósitos	26.388.889	790.646	15.690.059	26.388.889	762.642	16.475.040
Emp. TREM II LP 2001 (105 M EUR)	Caixa BI	26.388.889	790.646	15.690.059	26.388.889	762.642	16.475.040
Emp. TREM II LP 2002 (105 M EUR)	Banco Santander	52.777.778	1.491.310	32.787.670	52.777.778	1.463.244	34.288.495
Emp. TREM II LP 2002 (105 M EUR)	Caixa Geral de Depósitos	26.388.889	755.170	16.393.835	26.388.889	731.622	17.144.247
Emp. TREM II LP 2002 (105 M EUR)	Caixa BI	26.388.889	755.170	16.393.835	26.388.889	731.622	17.144.247
Total bank loans			**457.026.609**	**242.026.614**		**435.113.312**	**257.571.584**
Finance leases							
Emp. CP/LP M EUR	D.B.Export - Leasing						
Emp. CP/LP M EUR	D.B.Export - Leasing				-	-	-
Emp. CP/LP M EUR	Santander Totta	11.469.683	3.788.999	7.680.685	18.998.314	3.739.632	15.258.682
Total finance leases			**3.788.999**	**7.680.685**		**3.739.632**	**15.258.682**
Bank overdrafts (Note 4)		-	828	-	-	84.087	
Total financial institutions			**460.816.436**	**249.707.299**		**438.937.032**	**272.830.266**

The portion of bank loans classified as non-current has the following repayment scheduling:

Years	Amount
2018	31.244.577
2019	82.386.413
2020 and following	128.395.624
	242.026.614

On December 31, 1998, the Company signed a lease contract for 24 traction units of the ML 95 rolling stock series in the amount of EUR 124,699,474 and with a residual value of 3% of the equipment's value, for the partial funding of the Metro Network Expansion and Modernisation Plan over 20 years, with interest indexed to EURIBOR 6 months minus 0.71%, for which the Portuguese State provided endorsement as owner of the total capital. The financing contract was signed on January 6, 1999. On December 31, 2017, the amount payable for this lease contract amounts to EUR 11,469,684.

On December 31, 2017, the Group uses 55 triple traction units under finance lease, and the commitments undertaken to pay the rents on the finance lease contracts are as follows:

2017	Current	Non-current	Total
55 Traction units (Note 8)	3.788.999	7.680.685	11.469.684
	3.788.999	7.680.685	11.469.684

The portion classified as non-current has the following repayment scheduling:

Years	Amount
2019 and following	7.680.685
	7.680.685

In constant communication and coordination with its shareholder, the Group has obtained additional lines of credit to meet short-term liabilities and, to this date, there have not been any cases of overdue and unpaid bank debts.

The Company's Board of Directors considers that the settlement of its liabilities, particularly regarding short-term repayable financings, will continue to be met mainly by additional financing lines in coordination with the shareholder.

In line with the Group's budget for 2018, approved by the Assembly of the Portuguese Republic and reflected in the State Budget for 2018, the following was anticipated: (i) a DGTF loan of EUR 151,881,702 to pay interest that will expire during the financial year of 2018 and to repay bank loans. It is expected that this amount will be converted into a capital increase which, at the date of these financial statements, is not yet implemented.

The downgrade of the Company's rating and that of an international bank issuing a letter of credit made the Metropolitano default on the contractual guarantees of the "US Cross Border Lease" operations regarding rolling stock financing. Due to this situation during the financial year of 2013, the Company issued a collateral which fair value on December 31, 2017 amounted to EUR 23,875,570 (Note 12).

19. Post-employment benefits – Established benefits plan

As mentioned in Note 3.16, the Company undertook the commitment to pay its employees supplements for retirement, disability and survival pensions. On December 31, 2017, the number of active employees and retirees/pensioners totalled 1,012 and 1,344, respectively (1,014 and 1,367 on December 31, 2016).

The abovementioned benefits correspond to supplements to pension plans provided by the Social Security system and its definition is based on the number of years of service to the Company, the contributions to the Social Security and the value of the last salary at the retirement date.

During the financial year of 2004, the Company, in agreement with the Unions, decided that all employees admitted post December 31, 2003 would no longer benefit from these pension plan.

In the year ended December 31, 2017, an independent entity carried out an actuarial assessment of the plan's assets and of the current value of the established liability and benefits.

According to actuarial studies reported on December 31, 2017 and 2016, the current value of the Company's liabilities to active and retired employees for past services was estimated as follows:

	2017	2016
Active employees	78.860.745	71.682.164
Retired	173.767.120	184.056.093
	252.627.865	255.738.256

The increase in the Current Value of Liabilities for Past Services regarding active employees is due in part to the fact that there was an overall actual salary increase in 2017 that was higher than expected.

The actuarial study reported on December 31, 2017 was carried out using the "Projected Unit Credit" method and considered the following assumptions as well as technical and actuarial techniques:

Projected Unit Credit	2017	2016
Mortality tables		
Male mortality table	TV73/77-1	TV73/77-1
Female mortality table	TV88/90	TV88/90
Disability tables	EKV80	EKV80
Rates		
Average wage growth rate		
Technical pension rate	1,75%	1,75%
Wage growth rate	1,50%	1,50%
PRT Provision Update Rate	1,50%	1,50%
Discount rate	1,75%	1,75%

The evolution of the Company's pension liabilities in the financial years of 2017 and 2016 was as follows:

	2017	2016
Total liabilities at the beginning of the period	255.738.256	251.727.101
Costs of current services	2.889.482	2.594.771
Cost of interest	4.475.419	5.034.542
Benefits paid during the financial year	(12.526.801)	(9.859.529)
Actuarial gains (losses) of the financial year	2.051.508	6.241.371
Total liabilities at the end of the period	**252.627.864**	**255.738.256**

The cost of current services and the cost of interest for 2017, in the amounts of EUR 2, 889,256 and EUR 7,594,550, respectively, were recorded in the statement of results under the heading " Expenses with staff"

On December 31, 2017 and 2016, the Company recognised in its financial statements the amounts of EUR 2,051,509 and (EUR 6,241,371), respectively, regarding actuarial gains/losses for the financial year, against the heading "Results carried forward", as described in its accounting policy (Note 3.16).

The evolution of actuarial gains (losses) in the financial years ended on December 31, 2017 e 2016 is detailed as follows:

	2017			
Other variations in equity	**Opening balance**	**Increases**	**Decreases**	**Closing balance**
Actuarial gains losses)	(4.808.369)	-	2.051.508	(6.859.877)

	2016			
Other variations in equity	**Opening balance**	**Increases**	**Decreases**	**Closing balance**
Actuarial gains losses)	1.433.001	-	6.241.371	(4.808.369)

On December 31, 2017, the actuarial losses arise mainly from the fact that the actual salary increase in 2017 was higher than expected.

On December 31, 2017 the Company has not provided any funds to meet those responsibilities, which are recorded in the consolidated statement of the financial position.

20. Suppliers

The balance of the heading "Suppliers" on December 31, 2017 and 2016 is as follow:

Suppliers	**2017**	**2016**
	TOTAL	**TOTAL**
Suppliers:		
CJC Engenharia e Projectos, Lda.	690.500	690.500
Companhia Carris de Ferro	2.341.765	1.955.244
Iberlin, S.A.	21.711	75.358
Efacec Engenharia e Sistemas, S.A.	-	25.400
Edp Comercial	841.514	818.048
Otlis	89.203	376.398
American Appraisal	-	94.710
Other	2.636.415	3.848.130
	6.621.108	**7.883.787**

According to the information included in the consolidated statement of the financial position, the balance of "Suppliers" has the following maturity periods:

Suppliers	31.12.2017	31.12.2016
Not overdue	3.870.340	4.883.342
Overdue:		
30-90 days	1.086.081	152.005
90-180 days	9.778	379.234
180-360 days	636.963	788.412
+360 days	1.017.946	1.680.794

21. State and other public entities

Pursuant to the applicable legislation, tax returns are subject to review and correction by the tax authorities for a period of four years (five years for Social Security), except when there are tax losses, tax benefit grants or ongoing inspections, claims and appeals, in which case, depending on the circumstances, the deadlines are extended or suspended. Therefore, tax returns for the years 2014 to 2016 may still be subject to review.

Pursuant to Article 88 of the Corporate Income Tax Code (*Código do IRC*), the Group is also subject to autonomous taxation on a set of expenses subject to the reference rates provided in that article.

The Board of Directors considers that any adjustments resulting from reviews/inspections by the tax authorities to those tax returns will not have a significant effect on the financial statements ended December 31, 2017 and 2016.

On December 31, 2017 and 2016 the headings "State and other public entities" had the following structure:

	2017		2016	
State and other public entities	Assets	Liabilities	Assets	Liabilities
Corporate income tax	2.472.479	10.886	2.188.538	12.088
Advanced tax payments	-	-	64.991	12.088
Tax estimate	-	-	1.050.341	-
Tax withheld at source	207.586	-	1.073.206	-
Personal income tax	12.262	1.161.425	-	1.054.884
Added value tax	1.341.905	187.063	173.576	471.844
Contributions for Social Security	-	110.128	-	122.060
Other taxes	79.675	499.331	2.067.660	388.430
	3.906.321	1.968.833	4.429.774	2.049.307

On December 31, 2017, the amounts regarding Personal Income Tax correspond to the withholdings in the wages processed in December 2017, to be paid in January 2018. Contributions to Social Security of the wages processed in 2017 were paid in December 2017.

22. Income tax

Expenses with income taxes on December 31, 2017 and 2016 were as follows:

Income tax	2017	2016
Current tax	843.300	1.884.245
	843.300	1.884.245

On December 31, 2017 and 2016 reportable tax losses amounted to EUR 40,377,873 and EUR 129,490,802, respectively. The expiry date to use the existing tax losses on those dates is as follows:

	2017		2016	
Fiscal losses	Amount	Expiry date for use	Amount	Expiry date for use
Generated in 2012	-	-	89.490.982	2017
Generated in 2013	34.026.334	2018	34.026.604	2018
Generated in 2014	5.277.942	2026	5.277.942	2026
Generated in 2015	695.274	2027	695.274	2027
Generated in 2016	378.323	2021	-	-
	40.377.873		129.490.802	

23. Other debts payable

On December 31, 2017 and 2016, the heading "Other debts payable" had the following structure:

Other debts payable	2017	2016
Non-current		
Investment subsidies to be recorded	6.294.628	8.816.555
	6.294.628	8.816.555
Current		
Other creditors:		
Staff	483.326	575.188
Other	70.843	81.972
Group companies (Note 30)	-	101.837
Investment subsidies to be recorded	2.542.158	2.577.927
Vacation, vacation allowances and associated social expe	9.813.080	8.370.151
Interest payable and unpaid	142.186.436	22.017.977
Accrued expenses creditors	610.987	763.854
Investment suppliers	3.433.468	3.657.664
Property income	-	15.872
Fines receivable (Note 13)	4.639.932	4.050.124
Other	2.662.554	5.137.908
	166.442.784	47.350.474

The balance of the heading "Accrued expenses creditors" on December 31, 2017 and 2016 refers mainly to expenses incurred by the Group with investments made which at the date of this balance sheet had not yet been invoiced.

On December 31, 2017, the amounts relating to interest due and unpaid correspond mainly to interest resulting from the agreement to terminate the court proceedings in London. These amounts were already provisioned (Note 17).

In May 2017, an agreement was entered between the Company and the Bank Santander Totta, also with the agreement of the Portuguese State, to terminate the legal proceedings in the London Court.

In the financial years ended December 31, 2017 and 2016 the Group benefited from the following subsidies not related to DI:

Subsidies	2017						
	Total amount	Amount received	Revenue of the period (Note 27)	Accumulated revenue	Amount to be recognised in the financial year of 2017	Other current liabilities	Other non-current liabilities
Subsidies related to assets							
FEDER PRODAC	10.942.880	10.942.880	166.534	10.419.821	166.534	166.534	523.061
FEDER-QCA	57.126.530	54.528.374	2.411.393	48.812.805	2.411.393	2.411.393	8.313.725
	68.069.410	65.471.254	2.577.927	59.232.626	2.577.927	2.577.927	8.836.786

Subsidies	2016						
	Total amount	Amount received	Revenue of the period (Note 27)	Accumulated revenue	Amount to be recognised in the financial year of 2016	Other current liabilities	Other non-current liabilities
Subsidies related to assets							
FEDER PRODAC	10.942.880	10.942.880	279.786	10.253.287	279.786	279.786	689.593
FEDER-QCA	57.126.530	54.528.374	2.411.393	46.401.412	2.411.393	2.411.393	8.126.962
	68.069.410	65.471.254	2.691.178	56.654.699	2.691.178	2.691.178	8.816.555

The subsidies received by the Company under the FEDER - PRODAC 1993 and the QCA 1994 were intended to finance investments made by the Company in the prototypes PMO II, PMO III and the intermediate series of 17 traction units, supplementary series of 10 traction units and PMO III.

24. Revenue

The revenue recognised by the Group on December 31, 2017 and 2016 is as follows:

Revenue	2017	2016
Sales:		
Scrap	37.699	65.449
Provision of services:		
Tickets	52.022.168	47.622.383
Passes	49.669.835	47.114.732
Cards	3.582.587	3.086.083
Secondary services	1.624.161	928.705
Technical consultancy	1.540.298	5.180.968
Lease contracts	126.150	126.150
Operation contracts	2.562.346	2.395.650
	111.165.245	106.520.121

The increase in revenues in 2017 is mainly due to the increase in the number of passengers carried.

In the financial year ended December 31, 2017, the State granted a financial compensation for the travel pass 4_18@escola.tp, sub23@superior.tp and *social+* in the amount of EUR 2,986,208 (EUR 2,817,177 recognised as revenue after VAT deduction).

In the financial year ended December 31, 2016, the State granted a financial compensation for the travel pass 4_18@escola.tp, sub23@superior.tp and *social+* in the amount of EUR 2,064,149 (EUR 1,947,310 recognised as revenue after VAT deduction).

25. Supplies and external services

For the financial years ended December 31, 2017 and 2016, the heading "Supplies and external services" is as follows:

Supplies and external services	2017	2016
Electricity	8.518.562	8.118.035
Rents and leases	223.738	1.241.534
Surveillance and security	5.035.691	5.071.427
Conservation and repair	4.694.312	3.524.653
Cleaning, hygiene and comfort	2.752.699	2.583.458
Specialised work	2.230.699	2.749.793
Fees	24.030	234.407
Travel and accommodation	30.596	63.663
Other	2.268.141	2.329.885
	25.778.468	25.916.855

26. Expenses with staff

The heading "Expenses with staff" for the financial years ended December 31, 2017 and 2016 is as follows:

Staff expenses	2017	2016
Wages of the executive bodies	470.823	271.447
Staff wages	52.661.981	48.164.219
Post-employment benefits - supplements paid (Note 19)	7.359.821	7.629.314
Expenses on wages	11.852.059	11.599.225
Insurance for occupational diseases	670.339	689.610
Health insurance (Note 33)	842.075	818.725
Welfare expenses	483.787	214.151
Other	348.371	594.919
	74.689.257	69.981.611

In the year ended December 31, 2017, the Group recognised pension liabilities in this heading, with liabilities for current services amounting to EUR 2,889,482 and interest costs amounting to EUR 4,475,419.

In the years ended December 31, 2017 and 2016, the average number of employees was 1,475 and 1,461, respectively. At the end of the financial year permanent employees were in total 1,478 and 1,455, respectively.

27. Other income

The heading "Other income and gains" for the financial years ended December 31, 2017 and 2016 is as follows:

Other income and gains	2017	2016
Investment subsidies (Note 23)	2.577.927	2.691.178
Default interest	299.054	301.454
Energy sales	288.260	270.358
Recording of capital gains - leasing	195.707	195.707
Recovery of expenses	31.620	29.649
Exchange rate differences	3.379	1.880.244
Concession of space	190.802	52.931
Disposal - Gains on fixed assets	70.526	-
Corrections regarding previous periods	128.743	68.365
Other	1.634.776	38.717
	5.420.794	5.528.603

The balance of the item "Recognition of capital gains" relates to the amortisation of capital gains of the 24 traction units, which on December 31, 2017 amounted to EUR 195,707 (Note 22).

The balance in the item "Exchange rate differences" concerns the update of two collaterals the Company undertook in US bonds (Note 12).

28. Other expenses

The breakdown of the heading "Other expenses and losses" for the financial years ended December 31, 2017 and 2016 is as follows:

Other expenses and losses	2017	2016
Municipal property tax	281.762	208.070
Donations	14.220	14.220
Inventory losses	86.256	147.205
Taxes	64.451	73.468
Contributions	69.489	85.030
Corrections regarding previous periods	1.373.746	2.795.234
Tax insufficient estimate	291.761	2.812.674
Exchange rate differences	7.117.448	-
Other	1.005.507	539.113
	10.304.640	6.675.014

The balance of the heading "Insufficient tax estimate" relates to the Corporate Income tax of 2015.

The balance of the heading "Corrections regarding previous periods" includes mainly the amount of EUR 1,244,939.88 relating to two leasing contracts with Deutsche Bank (DB) for the acquisition of rolling stock, in respect of which an application for VAT refund was made with the Portuguese Tax Administration (TA), which was sent to the German Tax Administration after a formal analysis. This application was not accepted by the TA and the asset was derecognised.

29. Financial results

On December 31, 2017 and 2016, o the balance of this heading has the following breakdown:

Financial results	2017	2016
Expenses and losses		
Interest borne on bank financing	24.923.288	12.186.596
Interest payable (Note 17)	10.915.898	32.269.783
Other financial expenses	31.207	31.158
	35.870.393	44.487.537
Income from interest:		
Interest from financial investments	2.714.695	36.329
Other financial income	-	1.061.192
	2.714.695	1.097.521
Financial results	(33.155.698)	(43.390.016)

30. Related parties

On December 31, 2017 and 2016 the Group had the following balances with related parties:

2017					
	Accounts receivable		Accounts payable		
Related parties	Clients (Note 14)	Other accounts receivable (Note 14)	Suppliers (Note 20)	Other debts payable (Note 23)	Net effect
Associated companies					
Publimetro	639.312	-	-	-	639.312
Joint ventures					
Ensitrans A.E.I.E.	823.096	149.111	-	189	972.018
Otlis, A.C.E.	77.988	-	89.203	-	(11.215)
	1.540.396	149.111	89.203	189	1.600.115

2016					
	Accounts receivable		Accounts payable		
Related parties	Clients (Note 14)	Other accounts receivable (Note 14)	Suppliers (Note 20)	Other debts payable (Note 23)	Net effect
Associated companies					
Publimetro	954.112	-	-	-	954.112
Joint ventures	-				
Ensitrans A.E.I.E.	167.105	707.637	-	238.677	636.065
Otlis, A.C.E.	428.399	-	376.398	-	52.001
	1.549.616	707.637	376.398	238.677	1.642.178

In the financial years ended December 31, 2017 and 2016 the following transactions were carried out with related parties:

2017				
lated parties	Inventory purchase	Services received	Services rendered	Other income and gains
sociated companies				
Publimetro	-	-	1.026.187	-
nt ventures				
Ensitrans A.E.I.E.	-	-	685.282	17.500
Otlis, A.C.E.	2.482.874	-	7.225.426	-
	2.482.874	-	8.936.895	17.500

lated parties	2016 Inventory purchase	Services received	Services rendered	Other income and gains
sociated companies				
Publimetro	-	-	1.026.187	-
nt ventures				
Ensitrans A.E.I.E.	-	-	1.025.585	18.019
Otlis, A.C.E.	1.585.030	325.414	5.798.015	-
	1.585.030	325.414	7.849.787	18.019

31. Guarantees provided

On December 31, 2017 and 2016 the Group guarantees amounted to EUR 5,469,725 and EUR 7,808,353, respectively, being mainly related to financing contracts and legal proceedings in progress.

The breakdown of the Group's liabilities related to guarantees for legal proceedings in progress on December 31, 2017 is as follows:

Entity	2017 Amount	Start date	Beneficiary
BPI Bank	7.494	10-03-2006	Trib.Adm.F.Lx-2ºjuízo
BPI Bank	95.482	11-05-2006	Finanças 4º Bairro Fiscal
BPI Bank	13.087	30-03-2010	Edp - Serv.Universal, S.A.
BPI Bank	1.583	30-06-2010	Trib.Tribut.2ª.Inst.Lisboa
BPI Bank	7.661	17/08/2011	Cm Lisboa
BPI Bank	7.500	17/06/2014	Petrogal
BPI Bank	1.820	03/06/2015	SMAS SINTRA
BPI Bank	438.047	31-12-2015	Comarca de Lisboa Inst. Central 1 Trab
BPI Bank	760.160	28/04/2016	Comarca de Lisboa Inst. Central 1 Trab
BPI Bank	2.909.668	21/12/2016	Tax Authority
BBVA Bank	3.990	19/02/1998	Petrogal
BBVA Bank	1.632	21/03/2007	Exchequer
BBVA Bank	272.118	06/12/2010	Exchequer
CGD Bank	463.155	02/06/2016	Entreprise Metro D'Alger
CGD Bank	106.535	02/06/2016	Entreprise Metro D'Alger
CGD Bank	222.640	02/06/2016	Entreprise Metro D'Alger
CGD Bank	34.663	02/06/2016	Entreprise Metro D'Alger
CGD Bank	86.130	02/06/2016	Entreprise Metro D'Alger
CGD Bank	36.360	02/06/2016	Entreprise Metro D'Alger
	5.469.725		

32. Contingent liabilities

On December 31, 2017 there are compensation claims against the Group in the amount of EUR 22.049 which mainly refer expropriation processes and damages caused by the network expansion works. On December 31, 2017, the Group is in the process of assessing the total amount of expropriations, having been recorded a provision for those proceedings whose outcome is unknown at the date of approval of the consolidated financial statements. For the remaining proceedings, no provision was recorded on December 31, 2017, because, if such claims are to be paid, they will be recorded as expropriation expenses under the heading "Durable infrastructure investments".

33. Operating segments

The segments used by the Group's management bodies are:

- Passenger transport and infrastructure management;
- Other.

The results per segment for the financial year ended December 31, 2017 are as follows:

	Transport of passengers and infrastructure management	Other segments	Adjustments	Eliminations	Group
Sales and services rendered	109 400 211	12 303 424	-	(10 538 390)	111 165 245
Works for the entity itself	2 300 612	670 661		660 408	3 630 671
Provisions (increases / decreases)	(30 498)	326 137	-	-	295 639
Fair value increases / decreases	38 332 888	-	-	-	38 332 888
Other income and gains	5 031 619	688 229	-	(299 054)	5 420 794
Impairment of depreciable/amortisable assets (losses/reversals)	223 155	-	-	-	223 155
Total operating income	155 266 987	13 988 441	-	(10.187.036)	159.068.392
Cost of goods sold and materials consumed	(4 408 604)	-	-	-	(4 408 604)
Supplies and external services	(32 163 996)	(3 801 508)	-	10 187 036	(25 778 468)
Staff expenses	(71 667 238)	(3 022 019)	-	-	(74 689 257)
Depreciation and amortisation expenses/reversals	(23 411 484)	(35 089)	(10 370 370) (1)	-	(33 816 944)
Impairment of debts receivable (losses/reversals)	(122 858)	(65 712)	-	-	(188 570)
Other expenses and losses	(10.151.345)	(153.295)	-	-	(10 304 640)
Total operating expenses	(141.026.626)	(7.077.623)	(10.370.370)	10 187 036	(140 186 182)
	13 341 402	6.910.819	(10.370.370)	-	9.881.910
Interest and similar income obtained	2 714 695	-	-	-	2 714 695
Interest and similar expenses borne	(35 839 186)	(31 207)	-	-	(35 870 393)
Gains / losses attributed to subsidiaries, associated companies and mixed-ownership companies	(3.957.329)	(463.028)	4 036 529 (2)	-	(383 828)
Result before taxes	(23.740.358)	6.416.564	(6.333.841)	-	(23.657.615)
Income tax of the financial year	(760.557)	(82.743)	-	-	(843.300)
Consolidated net result of the financial year	(24.500.915)	6.333.841	(6.333.841)	-	(24.500.916)

(1) Consolidation adjustment to standardize the accounting policy.
(2) Consolidation adjustment resulting from the annulment of the equity method effect.

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The results per segment for the financial year ended December 31, 2016 are as follows:

	Transport of passengers and infrastructure management	Other segments	Adjustments	Eliminations	Group
Sales and services rendered	101 189 096	14 983 988	-	(9 335 123)	106 837 961
Works for the entity itself	2 448 842	-	-	-	2 448 842
Fair value increases/decreases	26 690 393	-	-	-	26 690 393
Other income and gains	5 357 429	472 629	-	(301 455)	5 528 603
Impairment of depreciable/amortisable assets losses/reversals)	447 586	-	-	-	447 586
Total operating income	136 133 345	15 456 617	-	(9 636 578)	141 953 385
Cost of goods sold and materials consumed	(2 180 092)	-	-	-	(2 180 092)
Supplies and external services	(30 513 040)	(5 040 392)	-	9 636 577	(25 916 855)
Staff expenses	(66 082 399)	(3 899 212)	-	-	(69 981 611)
Depreciation and amortisation expenses/reversals	(23 483 834)	(67 703)	(10 370 370) (1)	-	(33 921 908)
Impairment of inventories (losses/reversals)	-	-	-	-	-
Impairment of debts receivable (losses/reversals)	(186 846)	250	-	-	(186 596)
Provisions (increases / decreases)	(1 328 157)	(680 593)	-		(2 008 750)
Other expenses and losses	(6.264.920)	(410.094)	-	-	(6 675 014)
Total operating expenses	(130 039 289)	(10.097.744)	(10.370.370)	9 636 577	(140 870 827)
	6 094 056	5 358 872	(10 370 370)	(1)	1 082 558
Interest and similar income obtained	1 097 219	302	-		1 097 521
Interest and similar expenses borne	(44 391 928)	(95 609)	-		(44 487 537)
Gains / losses attributed to subsidiaries, associated companies and mixed-ownership companies	(5.149.393)	(15.454)	5.216.164 (2)	-	51.317
Result before taxes	(42.350.046)	5.248.111	(5.154.206)	(1)	(42.256.142)
Income tax of the financial year	(1.790.340)	(93.905)	-	-	(1.884.245)
Consolidated net result of the financial year	(44.140.386)	5.154.206	(5.154.206)	(1)	(44.140.386)

(1) Consolidation adjustment to standardize the accounting policy.
(2) Consolidation adjustment resulting from the annulment of the equity method effect.

Inter-segment transactions are carried out under market terms and conditions equivalent to transactions with third entities.

The revenue included in "Other segments" refers essentially to the provision of consulting services to entities of the group and third entities.

Assets and liabilities per segment for the financial year ended December 31, 2017 are as follows:

DECEMBER 31, 2017

	Transport of passengers and infrastructure management	Other segments	Adjustments	Eliminations	Group
ASSETS					
NON-CURRENT					
Durable infrastructure investments	5 020 086 976	-	-	-	5 020 086 976
Tangible fixed assets	151 269 820	11 582	138 518 518 (1)	(3 518 519)	286 281 401
Investment properties	8 534 641	-	-	-	8 534 641
Intangible assets	-	3 251	-	-	3 251
Financial holdings - equity method	3 122 902	-	(2 871 757) (2)	-	251 145
Clients	-	303 660	-	-	303 660
Derivatives	330 000	-	-	-	330 000
Other financial assets	52 188 819	-	-		52 188 819
Total non-current assets	5 235 533 158	318 493	135 646 761	(3 518 519)	5 367 979 893
CURRENT					
Inventories	4 076 539	-	-	-	4 076 539
Clients	4 999 392	2 216 420	-	(211 138)	7 004 674
State and other public entities	3 053 159	853 162	-	-	3 906 321
Other credits receivable	11 213 598	3 441 801	24 845 234 (3)	-	39 500 633
Deferrals	31 881 775	312 465	(29 807 519) (3)	-	2 386 721
Cash and bank deposits	22 023 844	10 966 302	-	-	32 990 146
Total current assets	77 248 307	17 790 150	(4 962 285)	(211 138)	89 865 034
Total assets in durable infrastructure investments (DI)	5 020 086 976	-	-	-	5 020 086 976
Total assets related to operation (ML)	292 694 489	18 108 643	130 684 476	(3 729 657)	437 757 951
Total assets	5 312 781 465	18 108 643	130 684 476	(3 729 657)	5 457 844 927
LIABILITIES:					
NON-CURRENT					
Durable infrastructure investments	2 706 575 594	-	-	-	2 706 575 594
Provisions	54 251 294	948 339	(54 818 623) (2)	3 518 517	3 899 527
Financing obtained	66 402 003	183 305 296	-	-	249 707 299
Other debts payable	-	-	8 836 786 (3)	-	8 836 786
Derivatives	108 844 147	-	-	-	108 844 147
Commitments for post-employment benefits	252 627 865	-	-	-	252 627 865
Total non-current liabilities in durable infrastructure investments (DI)	2 706 575 594	-	-	-	2 706 575 594
Total non-current liabilities related to operation (ML)	482 125 309	184 253 635	(45 981 837)	3 518 517	623 915 624
Total non-current liabilities	3 188 700 903	184 253 635	(45 981 837)	3 518 517	3 330 491 218
CURRENT:					
Durable infrastructure investments	900 000 200	-	-		900 000 200
Suppliers	4 631 433	2 200 813		(211 138)	6 621 108
State and other public entities	1 637 406	331 427	-	-	1 968 833
Advance payments from clients	-	293 632	-	-	293 632
Financing obtained	451 492 197	9 324 239	-	-	460 816 436
Other debts payable	163 017 216	5 133 247	-	(2 420 127)	165 730 336
Total current liabilities in durable infrastructure investments (DI)	900 000 200	-	-	-	900 000 200
Total current liabilities related to operation (ML)	620 778 252	17 283 357	-	(2 631 265)	635 430 344
Total current liabilities	1 520 778 452	17 283 357	-	(2 631 265)	1 535 430 544
Total liabilities in durable infrastructure investments (DI)	3 606 575 794	-	-	-	3 606 575 794
Total liabilities related to operation (ML)	1 102 903 561	201 536 992	(45 981 837)	887 252	1 259 345 968
Total liabilities	4 709 479 355	201 536 992	(45 981 837)	887 252	4 865 921 762

(1) Consolidation adjustment to standardize the accounting policy.
(2) Consolidation adjustment resulting from the annulment of the equity method effect.
(3) Consolidation adjustment resulting from the conversion of accounts from the NCRF to the IFRS.

Assets and liabilities per segment for the financial year ended December 31, 2016 are as follows:

DECEMBER 31, 2016

	Transport of passengers and infrastructure management	Other segments	Adjustments	Eliminations	Group
ASSETS					
NON-CURRENT:					
Durable infrastructure investments	4.986.145.104	-	-	-	4.986.145.104
Tangible fixed assets	179.535.513	26.534	145.370.371 (1)	-	324.932.418
Investment properties	676.591	-	-	-	676.591
Intangible assets	-	22.460	-	-	22.460
Financial holdings - equity method	2.814.343	418.422	(3.038.549) (2)	-	194.216
Other non-current assets	-	643.754	-	-	643.754
Derivatives	1.114.000	-	-	-	1.114.000
Other financial assets	58.787.571	-	-	-	58.787.571
Total non-current assets	5.092.305.040	1.105.024	152.070.582	-	5.372.516.114
CURRENT:					
Durable infrastructure investments	-	-	-	-	-
Inventories	2.173.269	-	-	-	2.173.269
Clients	6.467.880	3.638.394	-	(628.150)	9.478.124
State and other public entities	3.259.927	1.169.847	-	-	4.429.774
Other credits receivable	9.635.758	5.850.961	29.803.871 (3)	(4.093.503)	41.197.087
Deferrals	31.395.581	263.958	(29.803.871) (3)	-	1.855.667
Cash and bank deposits	24.964.665	10.599.572	-	-	35.564.238
Total current assets	77.984.453	77.984.453	77.984.453	77.984.453	311.937.812
Total assets in durable infrastructure investments (DI)	4.986.145.104	-	-	-	4.986.145.104
Total assets related to operation (ML)	320.825.097	22.633.903	142.331.822	(4.721.653)	481.069.169
Total assets	5.306.970.201	22.633.903	142.331.822	(4.721.653)	5.467.214.273
LIABILITIES:					
NON-CURRENT:					
Durable infrastructure investments	3.070.524.077	-	-	-	3.070.524.077
Provisions	158.408.464	1.355.914	(50.609.268) (2)	3.597.322	112.752.432
Financing obtained	80.201.560	192.628.707	-	-	272.830.266
Other debts payable	-	-	8.816.555 (3)	-	8.816.555
Derivatives	147.442.569	-	-	-	147.442.569
Commitments for post-employment benefits	255.738.256	-	-	-	255.738.256
Total non-current liabilities in durable infrastructure investments (DI)	3.070.524.077	-	-	-	3.070.524.077
Total non-current liabilities related to operation (ML)	641.790.848	193.984.621	(41.792.713)	3.597.322	797.580.078
Total non-current liabilities	3.712.314.925	193.984.621	(41.792.713)	3.597.322	3.868.104.154
CURRENT:					
Durable infrastructure investments	702.149.898	-	-	-	702.149.898
Suppliers	4.045.701	4.466.236	-	(628.150)	7.883.787
State and other public entities	1.912.636	136.671	-	-	2.049.307
Advance payments from clients	-	21.188	-	-	21.188
Financing obtained	429.879.292	9.057.740	-	-	438.937.032
Other debts payable	44.094.598	4.730.034		(1.495.346)	47.329.286
Total current liabilities in durable infrastructure investments (DI)	702.149.898	-	-	-	702.149.898
Total current liabilities related to operation (ML)	479.932.228	18.411.868	-	(2.123.496)	496.220.600
Total current liabilities	1.182.082.126	18.411.868	-	(2.123.496)	1.198.370.498
Total liabilities in durable infrastructure investments (DI)	3.772.673.975	-	-	-	3.772.673.975
Total liabilities related to operation (ML)	1.121.723.076	212.396.489	(41.792.713)	1.473.826	1.293.800.677
Total liabilities	4.894.397.050	212.396.489	(41.792.713)	1.473.826	5.066.474.652

(1) Consolidation adjustment to standardize the accounting policy.
(2) Consolidation adjustment resulting from the annulment of the equity method effect.
(3) Consolidation adjustment resulting from the conversion of accounts from the NCRF to the IFRS.

The headings of the consolidated statement of financial position and the consolidated statement of results for each business segment derive from the amounts recorded directly in the individual financial statements of the companies that comprise the Group.

34. Disclosures required by Law

Total fees billed in the financial year ended December 31, 2017 by the Statutory Auditor related to the statutory audit of the annual accounts amounted to EUR 20,550.

Total fees billed in the financial year ended December 31, 2017 by the auditors related to the statutory audit of the individual and consolidated accounts amounted to EUR 29,780.

THE BOARD OF DIRECTORS

Engineer Vitor Manuel Domingues dos Santos

Dr. Luís Carlos Antunes Barroso

Engineer Maria Helena Arranhado Carrasco Campos

THE OFFICIAL ACCOUNTANT

Dr. Carlos Emério Ferreira da Mota