Annual Report and Accounts 2019

Metropolitano de Lisboa

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1. Message from the Chairman

To all stakeholders,

In this document we provide the Annual Report and Accounts of Metropolitano de Lisboa for the year 2019.

This document refers in detail and thoroughness of Metropolitano de Lisboa's activity, as well as the profits generated during the year 2019.

The most relevant fact of 2019 has been the introduction of the PART (*Programa de Apoio à Redução Tarifária*, Fare Reduction Support Program), which posed new challenges to the company and to all public transport operators, due to the impact it had on the mobility of the entire MAL and which caused a considerable and immediate increase in demand for the use of public transport.

In 2019, Metropolitano de Lisboa transported 173 million passengers, considering transport ticket validations, as this number shows a tendency to continue to grow in the upcoming years. This indicator corresponds to an addition of 15 million passengers, in comparison with 2018, reflecting a growth of 9%, as 158 million passengers have been carried.

With regard to the network modernization project, and following the tender launched in September 2018 to replace the current railway signalling system with a CBTC - Communications-Based Train Control system and to purchase 14 new triple units (42 cars), its procurement was carried out in January 2020, thus materializing an important step for the future of Metropolitano de Lisboa. The installation of the CBTC system will also enable the adaptation of 70 existing triple units to this new signalling system.

It should be highlighted that this bold project changes a system which is over 40 years old, technically out-of-date, obsolete and the manufacture of which has been discontinued, and it will be replaced by a system with the most up-to-date technological developments suitable to the company's demands, a fundamental condition for the current and future needs for purposes of quality, reliability and safety of the service provided.

Regarding the Network Expansion project, Metropolitano de Lisboa continued its work on the Rato/Cais do Sodré extension project, which culminated with the launch, in January 2019, of the tender for the Construction of the Structures for the Batches Rato/Santos and Santos/Cais do Sodré, as part of Metropolitano de Lisboa's Expansion Plan.

During the year under analysis, the proposals related to said tender were received, with a view to signing the contracts related to the execution of the batches 1 (construction between the end of the Rato Station and the Santos Station) and 2 (construction between the Santos Station and the end of the Cais do Sodré Station).

Bearing in mind that the proposals for Batch 2 presented values above the defined base price, pursuant to the applicable legislation of the Public Procurement Code, Metropolitano de Lisboa proceeded to exclude the proposals, and the launch of a new tender for awarding the execution of the structures between the Santos Station and the terminus of the Cais do Sodré Station is expected to occur during the year 2020.

Metropolitano de Lisboa continued to develop an intense activity in terms of investment in infrastructure, continuing to increase the recovery of rolling stock and the improvement of the service provided to its customers.

Furthermore, with regard to rolling stock, the renewal of the ML90 door systems and the deep revision of the ML95, ML97 and ML99 series doors should allow for a significant increase in rolling stock reliability. The corresponding contracts are already under execution. In February, Metropolitano de Lisboa signed the agreement 27/2019 to fully replace the ML90 door mechanism by an electric drive system. In July, we signed the agreement 70/2019 to review the mechanisms of the ML95, ML97 and ML99 series, after obtaining prior approval from the Court of Auditors in October. These changes entail a deadline for the conclusion of the projected work, respectively, for the end of 2020 and 2022, representing an overall investment of 7.4 million euro over three years.

In financial terms, in 2019, Metropolitano de Lisboa's long-term rating was raised to BBB, investment grade, with a positive outlook, as it took into account the levelling of Metropolitano de Lisboa's rating in relation to the that of the Portuguese Republic's.

In the context of the projects for the introduction of accessibility, we continued the contract to refurbish the Arroios station, aiming at expanding the platform to accommodate six car-trains. It should be remembered that the refurbishing and extension work in the Arroios station of Metropolitano de Lisboa's Green line began in July 2017, with its conclusion scheduled for the first half of 2019.

Due to the contractor's non-compliances and also considering the public interest underlying the execution of this contract, in January 2019, Metropolitano de Lisboa terminated the corresponding contract and launched a new tender, in February of said year, and proceeded to award and sign the contract in September of that same year. The opening of the station to the public is expected to occur in 2021.

During 2019, the refurbishment and modernization works of some stations were also initiated, namely regarding lighting, cleaning, refreshment and equipment improvement, signalling and accessibility, having intervened in the Anjos, Intendente and Olivais stations. Moreover, we should highlight, inter alia, the substitution of two flights of escalators in the Baixa Chiado station, the launching of the procedure for the Colégio Militar station, the revision of the project for the Areeiro station and the substitution of the surface lift of the Rato station.

For 2020, it is planned to conclude the interventions at the Olivais, Colégio Militar and Areeiro stations. The replacement of the lift at the Rato station was also carried out at the end of 2019, and it was reopened to the public in February 2020.

In 2020, we also project to start the works to ensure full accessibility to the Entre Campos and Cidade Universitária stations. We will also continue the interventions to replace the escalators of Baixa Chiado (intervening in 3 more sets of escalators), as well as the escalators of the Rato and Avenida stations, and we will continue to develop projects for the implementation of full accessibility in the Campo Grande, Campo Pequeno and Intendente stations.

On the other hand, Metropolitano de Lisboa continued its investment, initiated in 2018, in systems which will secure, in the short term, an increase of customer information, as well as the investment in developing the bases for a very significant future change in the ticketing system, which shall impact in a relevant manner the improvement and facility of customer access to our network.

In this regard, we would also highlight the completion of the project for the awarding of the renovation of the Technical Installations Supervision System (TISS), launched in 2018 and scheduled for completion in the last quarter of 2020, as well as the contract for the procurement and installation of equipment for the CITV video surveillance system for the Blue, Yellow, Green and Red Lines and Track Intrusion Detection Systems, concluded in July 2019 and scheduled for completion by the end of 2020.

In parallel, at an internal level, it was aimed at following up on the implementation of actions to consolidate the management's solidity, in particular through the creation of internal control systems, from which we highlight the support tools for Procurement, Compliance, the implementation of the General Data Protection Regulation and the SAP IT database update.

Metropolitano de Lisboa also subscribed the letter in response to the United Nations Anti-corruption Call to Action, which now bears the anti-corruption seal, which represents the strengthening of its public commitment and the adoption of measures to fight corruption in compliance with the ODS 16.

Regarding the management of human capital, one should also highlight the company's developed continuity, throughout the year 2019, for the appreciation of collective bargaining as an indispensable instrument for promoting social harmony. Responding to the need to reinforce its staff in 2019, Metropolitano de Lisboa also reinforced its staff through the admission of 41 Station agents, 3 Electromechanical Workers, 6 Electronics Technicians, 2 Track Workers, 2 Electricians and 1 Senior Official.

In the context of the public transport service provided by Metropolitano de Lisboa to its customers, the company has been implementing a set of measures and projects aiming at the progressive reduction of water and energy consumption, as well as CO2 emissions (indirectly, through energy consumption), as well as a rational management of these resources, being publicly recognized as an agent promoting environmental sustainability. In this context, in 2019, Metropolitano de Lisboa carried out measures to increase energy efficiency, aligned with a commitment for sustainable mobility, and it developed a set of technological changes for more efficient systems, namely regarding lighting and the ventilation system.

Still in the area of environmental sustainability, in 2019, Metropolitano de Lisboa signed the Business Mobility Pact for the City of Lisbon, joining the World Business Council for Sustainable Development (WBCSD), the Lisbon Municipality (CML), the BCSD Portugal and 53 other companies, in order to create more environmental and efficient solutions to meet the mobility needs and challenges and, at the same time, preserving and protecting the planet.

It also subscribed to the Commitment "Lisbon European Green Capital 2020 - Climate Action for 2030", commiting to the implementation of a set of actions aligned with the achievement of the environmental targets for the city of Lisbon.

Regarding the assets not allocated to the operations, significant steps to capitalize the ML's wide assets were also taken, namely regarding the land for the Depot and Workshop of Sete Rios (DW I), and said steps are expected to have significant developments next year.

In 2020 we will keep committed to reinforcing the role of Metropolitano de Lisboa as an operator and structural mobility agent in the city, contributing without a doubt for the building of a better future for Lisbon.

2020 will be a year of greater challenges which we will surely know how to face and overcome. It will be the year of the beginning of the ground works of the network Expansion project between Rato and Cais do Sodré, as well as the project for the Replacement of the Railway Signalling and the purchase of new Rolling Stock, as mentioned above.

These are the projects which, after so many years, will promote a better physical coverage of Metropolitano de Lisboa's network, strengthening this company's role as a structuring transport operator regarding mobility in the Metropolitan Area of Lisbon.

In parallel, we continue our policy of strengthening our teams by reinforcing our staff, with special emphasis on station management and maintenance.

All the above mentioned measures will have a special impact on the company's activity and on the public service provided daily by Metropolitano de Lisboa to its customers.

This is evidenced by our customers' level of satisfaction, which had a significant increase in 2019, according to the Customer Satisfaction Survey conducted during the month of October, presenting the best index of the last decade.

Appreciation should also be shown to all those who, while serving the company or collaborating therewith on a daily basis, contribute to make Metropolitano de Lisboa a reference company, essential to the public transport service to allow a more sustainable mobility in the Metropolitan Area of Lisbon.

Finally, appreciation should also be shown to the members of the corporate bodies for their continued commitment and availability, within their corresponding duties, to support the Board of Directors in achieving the objectives mentioned in this report, thus ensuring the company's normal operations.

On the days I am writing this note, the Country, Europe and all Humanity are enduring moments of great distress, despair and some fear for our common future.

I truly hope that All of us, I repeat All of us, may have the knowledge to adopt the fundamental behaviours to overcome this uncertain and doubtful moment.

Lisbon, the 28th of July 2020
The Chairman of the Board of Directors

Eng.º Vítor Manuel Jacinto Domingues dos Santos

2. Nature of the Report

This report is intended to be a faithful and clear presentation of the evolution and performance of the activity of Metropolitano de Lisboa (ML) during the year 2019. Therefore, this is an annual document which describes the company's financial statements for the year under analysis, as well as the main activities related to the strategy adopted, management and performance of the company's main business vectors.

In addition, the Annual Report and Accounts aims at responding to the "Instructions on the provision of accounts process for 2019", issued in Circular No. 771, of the 11th of March 2020, of the Treasury and Finances Directorate-General , as well as to improve the stakeholders' perception regarding the activity developed by ML, framing it with the strategic objectives set out in the Activity and Budget Plan (ABP) for the period under analysis, and justifying the main deviations observed in said period.

The information presented herein is intended to reflect the company's determination, dedication and ongoing efforts in the continuous implementation of measures which enhance the creation of value, which is reflected in a better provision of public service, and the promotion of sustainable mobility.

The financial statements 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.

3. Indicator Summary

Table 1 – Main Activity and Financial Indicators

ACTIVITY INDICATORS		2019	2018	2017	Var. 2019/2018 Abs	Var. 2019/2018 %	ABP 2019	Realization Rate
DEMAND indicators								
PC (Passengers Carried)	10^3	183 074	169 150	161 490	13 924	8,2	175 415	104,4%
PKT (Passengers x km)	10^3	877 513	823 308	777 684	54 206	6,6	851 696	103,0%
SUPPLY indicators								
Rkm (Railcars x km)	10^3	27 623	25 953	24 825	1 670	6,4	27 499	100,5%
PSK (Passenger Spaces x km)	10^6	3 536	3 322	3 178	214	6,4	3 520	100,5%
Service quality								
Frequency	%	98,7	98,3	104,4	-	0,4 p.p.	n.a.	-
Occupation Rate	%	24,8	24,8	24,5	-	0,0 p.p.	24,2%	-
HR INDICATORS								
Headcount no. on the 31st of Dec	Un.	1 452	1 416	1 408	36	2,5	1 512	96,0%
Average headcount number	Un.	1 435	1 414	1 397	21	1,5	1 442	99,5%
Wage Bill	m€	55 926	55 156	49 812	770	1,4	55 623	100,5%
Indemnities due to Resignations	m€	0	180	62	(180)	(100,0)	250	0,0%
SHAREHOLDER STRUCTURE								
Total Shareholder's Equity	M€	3 093,6	2 543,8	2 368,6	549,8	21,6	3 121	99,1%
Shareholder's Equity held by the State	%	100	100	100	0	0,0 p.p.	100	-
FINANCIAL POSITION								
Non-current assets	M€	5 437,9	5 309,6	5 235,5	128,2	2,4	4 763,6	114,2%
Current assets	M€	79,2	68,0	77,2	11,2	16,5	80,0	98,9%
Total Assets	M€	**5 517,1**	**5 377,6**	**5 312,8**	**139,4**	**2,6**	**4 843,7**	**113,9%**
Equity	M€	1 251,0	741,8	603,3	509,2	68,6	1 339,3	93,4%
Liabilities	M€	4 266,1	4 635,8	4 709,5	(369,7)	(8,0)	3 504,4	121,7%
Total Equity and Liabilities	M€	**5 517,1**	**5 377,6**	**5 312,8**	**139,4**	**2,6**	**4 843,7**	**113,9%**
INVESTMENTS	M€							
Long-term Infrastructure	M€	9,7	10,8	2,2	-1,1	(10,1)	48,6	19,9%
Other Investments	M€	4,3	2,2	2,8	2,0	91,4	21,0	20,3%
INVESTMENT EXPENDITURE	M€	**13,9**	**13,0**	**5,0**	**0,9**	**7,3**	**69,6**	**20,0%**
STRUCTURE INDICATORS	M€							
Remunerated Liabilities	M€	3 440,0	3 779,7	3 441	-339,6	(9,0)	2 785,3	123,5%
Financial Autonomy %	%	22,67	13,79	11,36	-	8,9 p.p.	27,65	-
Solvency %	%	29,32	16,00	12,81	-	13,3 p.p.	38,22	-
FINANCIAL INDICATORS	M€							
Average period for payments (APP)	Days	47	12	19	35	291,7	35,0	-
Turnover	M€	118,8	114,5	109,4	4,3	3,7	119,8	99,1%
EBITDA *(corrected)* [1]	M€	(0,23)	(5,21)	0,38	4,99	(95,7)	1,80	-
EBITDA margin (corrected)	%	(0,19)	(4,55)	0,35	-	4,4 p.p.	1,50	-
Operating Income (corrected) [2]	M€	122,94	115,58	114,16	7,36	6,4	120,3	102,2%
Operating Expenses (corrected) [3]	M€	123,17	120,79	118,39	2,37	2,0	118,5	103,9%
Operating Expenses (corrected) per Passenger Carried	€	0,67	0,71	0,73	(0,04)	(5,8)	0,68	99,6%
Operating Expenses Coverage Rate (corrected)	%	99,82	95,69	96,43	-	4,1 p.p.	101,52	-

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

2) Excluding Reversals, Adjustments and Investment subsidies

3) Excluding Provisions + Adjustments + Amortizations

4. Organization

4.1 Mission, Vision, Values and Customer Charter

Metropolitano de Lisboa, E.P.E. is an 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.

Mission

To provide a customer-oriented Public Passenger Transport Services in metro mode, 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

Innovation and Development

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

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 the persons 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.

Quality

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

Accuracy and Integrity

- Promoting demanding practices from an ethical and behavioural 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.

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.

Customer Charter

Metro de Lisboa assumes its mission with its customers according to the "**Customer Charter**" in which the company undertakes the following commitments:

Transport service supply:

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

Safety:

- To promote and implement all necessary actions which guarantee the transport 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.

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.

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.

Equipment availability:

- To ensure the existing equipment in stations – namely lifts, escalators and travelators, 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.

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.

Human resources:

- To ensure the initial and continuous training of the human resources employed by ML, 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.

Accessibilities:

- To ensure, in cooperation with the competent authorities, that the service provided is easily used by all passengers, through the implementation of the necessary measures to enable accessibility to customers with reduced mobility; for these passengers, a progressive accessibility program is being developed in stations which are not yet equipped for such purpose.

Suggestions and claims:

- To make available to customers the necessary means for making suggestions and claims;
- To ensure careful examination of claims, 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 is an offense punishable by law;
- Respect all existing rules for transporting animals, bicycles and other special objects which, due to their size or content, may cause discomfort or constitute danger;
- Carefully pass through access gates, 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 access gates to stations and train seats for passengers with reduced mobility to be used only by those for whom they are intended;
- Help maintaining stations and trains clean by using the existing waste bins;
- Behave in a responsible and compliant manner, in relation both to other customers and to agents employed by ML, always abiding by the indications transmitted by the latter.

4.2 Governance Structure

As the structural transport operator for the metropolitan area of Lisbon, 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. Metropolitano de Lisboa's governance structure is developed in an integrated manner.

The company enjoys a Management System by applying 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.

4.3 Corporate Bodies

Pursuant to the Company's Statutes, 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.

The members of the Board of Directors are appointed by means of a Council of Ministers Resolution, on a proposal by the members of the Government responsible for finances and transport (in light of article 4(1) of the company's Statutes). The term of office of the members of the Board of Directors has a duration of three years and is renewable, up to a maximum of three renewal periods and all are executive members.

Supervision is performed by a Supervisory Board and by Chartered Accountant (Auditor) or by an Audit Firm, 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.

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.

The Chartered Accountant (Auditor) has a three-year term of office, renewable only once. After the minimum period of two years has elapsed after the end of the term, the same Chartered accountant may be reappointed.

The existence of the Advisory Board is set out in Metropolitano de Lisboa's Statutes as optional, but its appointment has not occurred.

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, as amended by the Decree-Law no. 18/2016, of the 13th of April.

As established in article 28(1) of the Decree-Law no. 8/2012, of the 18th of January, "*Public managers' remuneration is consists of a monthly wage which cannot exceed the Prime Minister's monthly wage*", as well as a monthly allowance for representation expenses, which corresponds to 40% of the corresponding wage and shall be paid in 12 instalments throughout the year. Due to the accumulation of responsibilities, 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's employees;

b. The monthly fuel and tolling amount regarding the company's official vehicles corresponds to one-fourth of the monthly allowance for fixed representation expenses, as established in article 33(3) 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 appointment of the Supervisory Board for the 2017-2019 term, as well as the remuneration statute of its members, have been determined by the Joint Order of the 11th of January 2017, issued by the Ministry of Finances and by the Ministry of the Environment, taking effect on the 1st of January 2017.

The Chartered Accountant (Auditor) gross annual remuneration corresponds to that stipulated in the services provision agreement entered into between Metropolitano de Lisboa and the Company Alves da Cunha, A. Dias & Associados, SROC, 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 58 and 59 of the Statutes of the Chartered Accountants' Association.

The current Audit Firm has been appointed as the result of a proposal submitted by the Supervisory Board to the member of the Government responsible for the area of Finances, and it has been appointed for the three-year period 2019-2021 by the Joint Order of the Secretary of State for the Treasury and the Assistant Secretary of State for Mobility on the 15th of October 2019.

The current Board of Directors was appointed for the term 2019-2021 by CMR no. 56/2019, of the 28th of February (Official Gazette, 1st series – no. 53, of the 15th of March 2019), starting its office on the 1st of March 2019.

Table 2 – Identification of the Members of the Board of Directors of Metropolitano de Lisboa, E.P.E. (01-01-2019 to 28-02-2019)

Term (Start - End)	Position	Name	Academic Degree	Areas of Responsibility
2017-2019	Chairman	Eng. Vitor Manuel Jacinto Domingues dos Santos	PADE – AESE Business SchoolMBA Degree in International Management - Universidade Católica Portuguesa - Licentiate Degree in Civil Engineering - Universidade do Porto (Faculty of Engineering)	Information Technologies Directorate (ITD) Human Capital Directorate (HCD) General Secretariat Office (GSO) Internal Audit Office (IAO) Heritage Development Office (HDO) Innovation Group (ING)
2017-2019	Board Member	Mr. 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) Legal and Litigation Office (LLO)
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	Safety and Surveillance Directorate (SSD) Environment and Quality Directorate (EQD) Ventures Directorate (VND) Maintenance Directorate (MTD) Logistics Directorate (LOD) Network Expansion Group (NEG)

Table 3 – Identification of the Members of the Board of Directors of Metropolitano de Lisboa, E.P.E. (01-03-2019 to 31-12-2019)

Term (Start - End)	Position	Name	Academic Degree	Areas of Responsibility
2019-2021	Chairman	Eng. Vitor Manuel Jacinto Domingues dos Santos	PADE – AESE Business SchoolMBA Degree in International Management - Universidade Católica Portuguesa - Licentiate Degree in Civil Engineering - Universidade do Porto (Faculty of Engineering)	Information Technologies Directorate (ITD) Human Capital Directorate (HCD) General Secretariat Office (GSO) Internal Audit Office (IAO) Heritage Development Office (HDO) Innovation Group (ING) Legal and Litigation Office (LLO)
2019-2021	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	Safety and Surveillance Directorate (SSD) Environment and Quality Directorate (EQD) Ventures Directorate (VND) Maintenance Directorate (MTD) Logistics Directorate (LOD) Network Expansion Directorate (NED) Coordination Directorate (CD)
2019-2021	Board Member	Mr. Pedro Miguel de Bastos Veiga da Costa	Degree in Business Management from Instituto Superior de Economia e Gestão, Universidade Técnica de Lisboa. Post-Graduation in Financial Analysis from Instituto Superior de Economia e Gestão, Universidade Técnica de Lisboa. Specialized in Corporate Finance by Cass Business School. Specialized in Leadership (essentials and transitions) by Harvard Business School.	Financial Directorate (FID) Customers Directorate (CUD) Operations Directorate (OPD)

Table 4 – Identification of the members of the Supervisory Board – Term 2017-2019

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

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

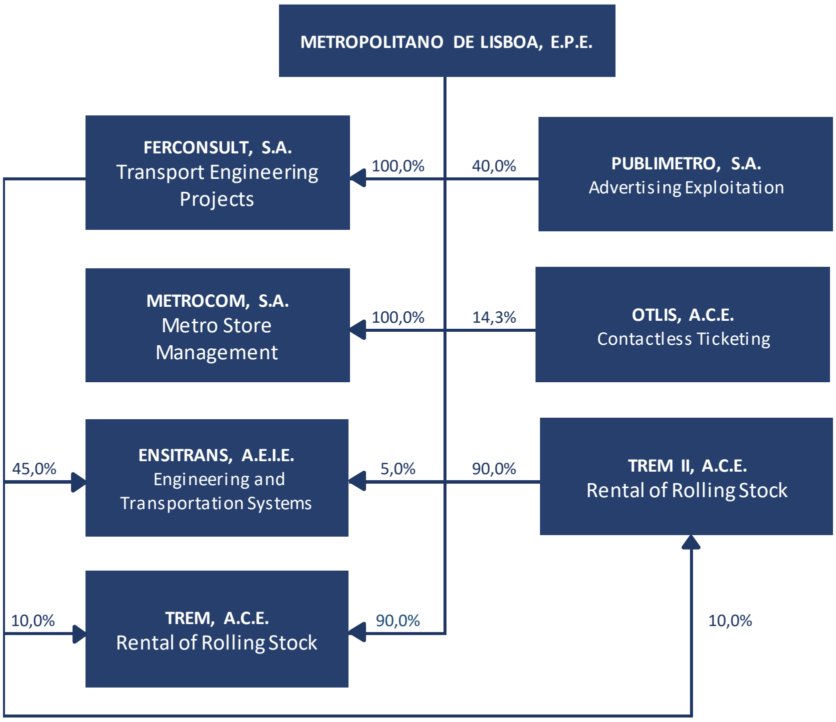
Table 5 – Members of the Audit Firm – Term 2019-2021

Term (Start - End)	Position	Audit Firm / Chartered Accountant (Auditor) Identification: Name	OROC Registry no.	CMVM Registry no.	Appointment: Form	Appointment: Date
2019-2021	Effective Chartered Accountant (Auditor)	Alves da Cunha, A. Dias & Associados, SROC, represented by:	74	20161408	Joint Order of the SE of the Treasury and Assistant Secretary of State for Mobility	15/10/2019
		Mr. José Luís Areal Alves da Cunha	585	20160240		
	Substitute Chartered Accountant (Auditor)	Sociedade Oliveira, Reis & Associados, SROC, represented by:	23	20161381		
		Mr. Joaquim Oliveira de Jesus	1056	20160668		

4.4 Metropolitano de Lisboa's financial interests

Diagram of Metropolitano de Lisboa's interests on the 31st of December 2019:

Figure 1 – ML Group Companies



The METRO Group consists of Metropolitano de Lisboa, E.P.E. and its subsidiaries, *i.e.*, entities over which Metropolitano de Lisboa 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, Metropolitano de Lisboa holds the entire equity of the subsidiary FERCONSULT, S.A. - Engineering and Transport 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, Metropolitano de Lisboa holds directly and indirectly a 50% share in ENSITRANS, A.E.I.E., the corporate purpose of which consists in the development of studies and projects

Metropolitano de Lisboa holds, directly and indirectly, an equity share in TREM, ACE (equity share of 100%) and TREM II, ACE (equity share of 100%), the main purpose of which is to purchase and lease railway equipment for ML.

The company METROCOM, S.A. - Exploração de Espaços Comerciais also belongs to the METRO Group, the corporate purpose of which consists in promoting and trade adequate spaces existing in the metro's network, managing contracts, particularly with regard to shops, offices, showcases, programming and organizing new ways of trading products in the stations and other spaces of the network as occasional events (book fairs and others) and promotional actions.

Metropolitano de Lisboa also holds equity shares 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 is responsible for the VIVA System, providing services to more than twenty companies in the areas of mobility and transport. OTLIS is also owned, in equal shares, 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..

5. Context Analysis

5.1 Macroeconomic framework

The annual analysis to the external context, prepared in this report, is made based on the PESTAL methodology (Political, Economic, Social, Technology, Environmental and Legal) and focused on the survey of macro environmental factors for the business activity.

A. Political

Following the approval of the Resolution A/RES/70/1 - "Transforming our world: 2030 Sustainable Development Agenda" at the United Nations Summit held in September 2015, countries and organizations have been adopting some of the 169 targets of the 17 Sustainable Development Goals.

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

Figure 2 – Diagram of the Metro's current network

At the Marrakesh's COP24, the Portuguese Prime Minister committed to the objective of reducing greenhouse gas emissions, thus enabling that the balance between the emitted gases and those which are removed or captured from the atmosphere (for instance, by virtue of carbon fixation in trees' growing stage) reaches zero by 2050. This objective was titled "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.

On the 4th of December 2018, the Carbon Neutrality Road Map was publicly presented by the Minister for the Environment and Energy Transition, which was then submitted to a phase of public consultation.

In 2019, at the European Council of the 12th and 13th of December, the commitment to carbon neutrality has been made by 26 of the 27 Member States, only Poland excluded.

At a global scale, we are therefore witnessing a moment when environmental issues are more on the agenda than ever, when it is necessary to adopt a global policy promoting the progressive use of public transport, mainly electricity-propelled transport.

B. Economic

The year 2019 showed a continuity of the unemployment rate's falling trend, as it stood at 6.5% (7% in 2018), the smallest level since 2002.

The national economy continued to record some growth, which led to an increase in the employment rate, which grew by 1.3% (2.3% in 2018), reaching 76.1% (75.4% in 2018). The working population increased for the third consecutive year, evidencing an increase of 0.4% when compared to 2018.

In 2019, GDP increased by 2.2% in real terms, 0.4 percentage points less than the growth observed in 2018, standing at 212.3 billion euro.

In Portugal, and especially in Lisbon, the growth trend in the tourism sector continued, and this sector also contributed to an increase in demand for public transport in 2019, registering an increase of 8.2% (against 5% in 2018).

In addition to a growth in demand, the impact of tourism reflected the fact that tourist customers mitigate the demand disparity between peak and off-peak hours, and between working days and weekends, as their mobility needs differ from home-work or home-school commuting.

Regarding the total revenue in 2019, Metropolitano de Lisboa recorded a very slight decrease of 0.2% in comparison with 2018; however, we highlight the increase of 10.5% in revenue from monthly passes, as a result of the entry into force of the PART and the new Navegante monthly passes, in comparison with 2018.

C. Social

The consequences arising from climate change, as well as the option for healthier lifestyles, coupled with new economic trends such as the sharing economy, may be positive factors for a greater impact in Metropolitano de Lisboa's activity.

On the one hand, it emerges as an opportunity to the extent of the increasing social pressure for the use of sustainable mobility and more environmentally friendly solutions. On the other hand, the social trend particularly evidenced by new generations for concepts such as the sharing of community resources, may lead to an increase in the use of public transport, while also enhancing the use of other technology-based mobility forms, such as car sharing or bike sharing and also walking solutions.

Similarly, non-motorized modes, such as scooters and bicycles, have been gaining supporters and are an option for a given segment of customers in short trips or the so-called last mile.

The strong fare reduction, due to the implementation of the PART in April 2019, changed the habits of the MAL's population, inducing a strong increase in demand, as well as inter-modal transfers.

In the Annual Customer Satisfaction Survey, carried out in November 2019, the high assessment awarded by Metropolitano de Lisboa's customers to the Metro service (7.35, on a scale of 0 to 10) is clearly noticeable, evidencing that the projects implemented and the actions developed by this company have been perceived by its customers.

D. 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. In this context, new mobility-promoting platforms were introduced in the market, such as UBER, Cabify or TeleTaxi, which have been gaining market share captured by traditional taxis only.

Smartphone APPs have become widespread and act not just as supporting tools for shared mobility models, but also support real-time information for traditional and heavy modes, such as ML.

Also with regard to ticketing, solutions for the acquisition of transport tickets by ATM, cell phone or online will be increasingly frequent, making it more necessary for the ML to integrate such new technologies in the provision of its services to the customer.

Technological evolution has been also enabling a significant progress with regard to energy efficiency, allowing for the optimization of natural resources' management.

E. Environmental

Climate change arising from the global temperature increase has already started to be felt, increasing the frequency of extreme events, such as droughts, torrential rainfall, cyclonic winds, tsunami, earthquakes, among others.

Metropolitano de Lisboa has a resilient structure for the direct impacts of these phenomena, having foreseen the adoption of additional procedures which avoid potential risks of flood, due to the features of its stations' location in the city's underground.

Metropolitano de Lisboa's Climate Change Metropolitan Adaptation Plan (PMMAC), summarizes the current and future climate risks for the MAL, identifying important critical areas and effective measures to mitigate such risks.

In addition to the direct impact that these phenomena may have on Metropolitano de Lisboa, their indirect influence must also be considered, given that these climatic phenomena may make essential resources more scarce, both in terms of electricity and water, requiring an increasingly efficient management of natural resources.

Moreover, the concern with the reduction in the use of disposable materials and the increase in the use of recyclable materials has become a mandatory measure applied in Metropolitano de Lisboa. The substitution of plastic water bottles with glass ones, the substitution of plastic cups for paper ones or the reduction of paper printing consumption, among other actions, have become obligations to be thoroughly complied with by this company.

F. Legal

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

In what regards data protection, the legislation which came into force in 2018 has posed challenges and compelled companies to adapt to new legal requirements. Metropolitano de Lisboa now has a DPO (Data Protection Officer) and has adopted all necessary amendments to ensure full compliance with the legislation in force.

In turn, the currently ongoing review of the concession agreement will most likely require Metropolitano de Lisboa to comply, with even greater thoroughness, not only with respect to reporting but, most of all, to the control of the quality demands of the public service provided. Moreover, the existence of an adequate concession agreement, even if demanding, may assist the company in focusing more effectively on its goals, thus ensuring organizational alignment.

On the 3rd of January, the Decree-Law no. 1-A/2020 continues the Fare Reduction Support Program in Public transport, establishing its legal framework.

5.2 Strategic Guidelines

Metropolitano de Lisboa's most relevant project for the upcoming years consists in extending the current Metro network from the Rato station to the Cais do Sodré station, reflecting about 2 km in tunnel, as well as to build two new viaducts in Campo Grande, of approximately 500 m, securing the new connections of the Yellow and Green Lines.

Moreover, two new metro stations will be built in consolidated areas of the city – Estrela and Santos - and the Cais do Sodré station will be subject to a refurbishment, which corresponds to one of the most important Lisbon interfaces, thus broadening its area of influence with the construction of a new atrium and new access to the surface and connections with the train. All stations will be fully accessible, ensured by lifts which shall connect the platforms to the surface.

The disconnection of the current Yellow and Green lines will allow a more balanced supply and distribution of customers in Metropolitano de Lisboa's network.

The acquisition of new rolling stock and the implementation of the new signalling system CBTC (Communications-Based Train Control type in ATO) in ATO (Automatic Train Operation) are related to the project, with already secured national financing.

The installation of a new signalling system will increase the operation's safety levels due to the speed continuous control and the more accurate location of the train, bringing efficiency to the system, reducing traction energy consumption by means of optimizing drifting management, regenerative braking energy and frequency management, thus also allowing for an increase in commercial speed.

The network expansion project's main objectives are:

- To promote modal transfers to less polluting means of transport, contributing to the decarbonisation of the transport sector;
- To improve the integration of metropolitan and urban public transport networks, impacting the mobility in the city centre and of those accessing Lisbon, with a particular emphasis on the Cascais line and the south bank of the Tagus river, thus promoting multi-modality and enabling a swift distribution in Lisbon;
- To broaden the territorial coverage of the metro network and to improve the current service by means of increasing the metro's capacity/supply and demand and enabling a more convenient and swift circulation, by eliminating the need for transhipment within the network in a significant section of the travels;
- To restructure the network, merging the axes which record the highest demand in the ML's network and evidence similar features, consolidating the service in the city's central core and making future network expansions possible without compromising a sustainable service in the centre;
- To reduce air pollution and traffic congestion and to improve public health and the quality of life of the people living and working in Lisbon;
- To make the Metropolitan Area of Lisbon more competitive by means of providing a better mobility for all citizens, including reduced mobility persons - the drive for accessing different fundamental rights and possibilities.

The transport infrastructure projects pose a potential for socio-economic development with many multiplier effects, which largely reach beyond the financial profits directly attributable to such effects. The accessibility guarantee combines issues of regional fairness but also of the municipality's positioning in what concerns the attractiveness for private investment and employment creation.

The impact of this project to expand Metropolitano de Lisboa's network and infrastructure is not limited to the urban areas which will be served by new Estrela and Santos stations. This is a project that will bring great advantages and which also extends throughout the entire Metropolitan Area of Lisbon.

In fact, the direct beneficiaries of the project is the population living, working or studying in the area of influence of the Estrela and Santos future stations, of all the current network's stations which will be comprised in the future circle line (19 stations) and also the people who access the ML's network, notably through such line's main interfaces (Cais do Sodré, Entrecampos and Campo Grande). Therefore, the people from the Oeiras, Cascais, Cacilhas, Seixal and Montijo municipalities commuting to Cais do Sodré, as well as from the Sintra/Azambuja and South/Setúbal lines commuting to Entrecampos, will also benefit therefrom.

This Expansion Plan will strategically contribute for the socio-economic development to the extent the whole transport system will experience improvements, by means of developing strong connectivity based on an effective multi-modality, with a better quality and more capable service in the central area of the city.

Moreover, given it is a public service, it bolsters social inclusion, the use of the network by reduced mobility persons and the consequent improvement of the system's sustainability.

With the increase in demand witnessed in the beginning of 2019, enhanced with the entry into force of the PART - Fare Reduction Support Program in Public Transport, Metropolitano de Lisboa has increased the speed of circulation at peak hours in order to increase the supply of transport, thus responding to the increase in demand. In 2019, Metropolitano de Lisboa carried 173 million passengers, considering the validations of transport tickets made. This indicator corresponds to an addition of 15 million passengers, a growth of 9% in comparison with the same period of the previous year, as 158 million passengers have been carried.

After the implementation of PART, Metropolitano de Lisboa introduced new train schedules on the Yellow, Red and Blue lines, at morning and afternoon peak hours, a situation which made it possible to increase the speed to 60 km/h, with the consequent increase in train frequency and the inherent reduction in waiting times.

With such measures, Metropolitano de Lisboa has witnessed the recognition of the effort it has been making since 2017, to provide an adequate response to the demands and expectations of its customers, strengthening its position as a structuring transporter in the Metropolitan Area of Lisbon, which reflects an improvement in its overall performance, namely in the quality of the service it provides on a daily basis, contributing to the consolidation of more sustainable forms of urban mobility, with positive effects on decarbonisation, the reduction of congestion and accidents.

Regarding the outbreak of the Covid-19, classified as a Pandemic by the World Health Organization on the 11th of March 2020 and which also spread to our Country, the Company has been updating its contingency plans and implementing measures to respond, notably, to the recommendations and appropriate practices in the prevention and control of infection by Covid-19, corresponding to the guidelines of the General Directorate of Health, in order to reduce its social and economic effects. On the present date, given the available information, it is not possible to estimate, with a minimum degree of accuracy, the impacts of the Covid-19 pandemic in the scope of the Company's activity. However, we can foresee a general shrinkage in economic activity, which will be all the more intense the longer the restrictions on the mobility of people and the normal development of the different activities. On the other hand, taking into account a survey of the corresponding financial and operational impacts is being currently performed, which at this stage cannot yet be estimated in view of the recent evolution of this outbreak, the Company has an ongoing response plan regarding its activities in order to ensure its going concern basis of operations.

6. Performance

6.1 Business Model

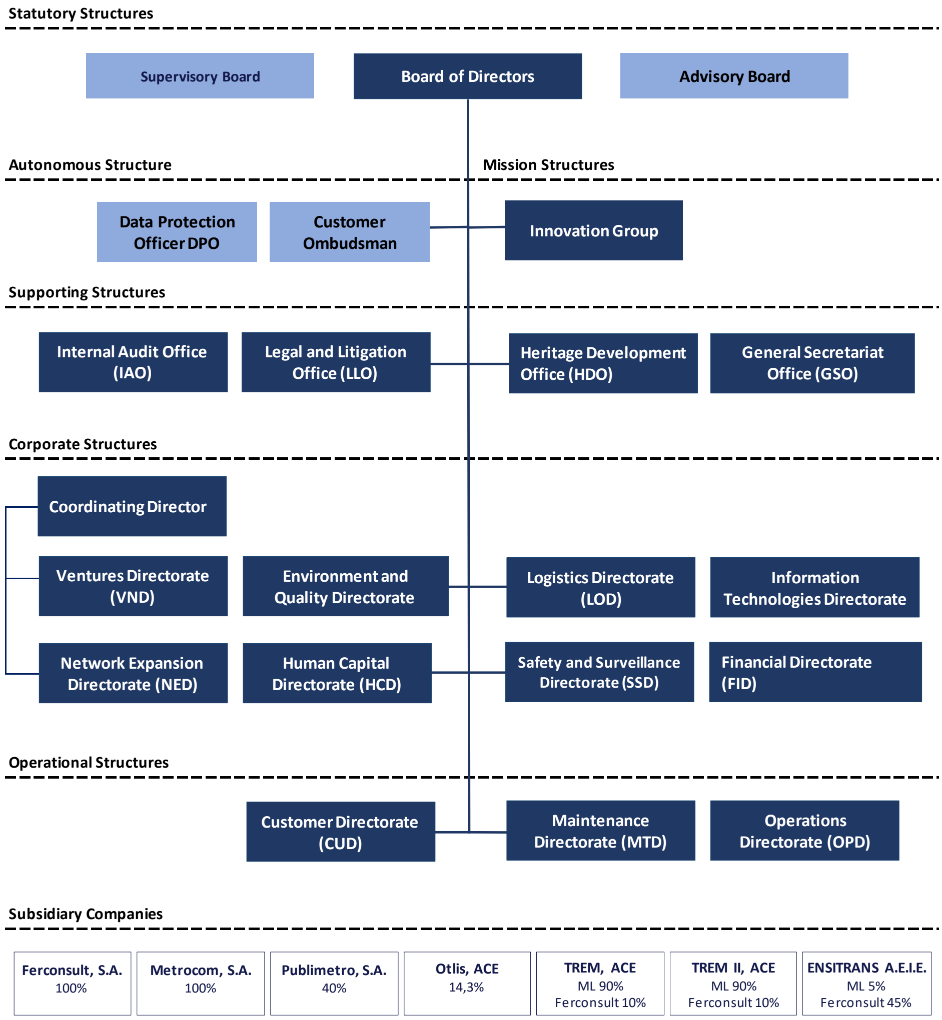
Metropolitano de Lisboa provides public transport services by metro in the city of Lisbon and neighbouring municipalities under concession. For such purpose, it develops related activities such as infrastructure construction and maintenance.

It also commercially exploits the existing spaces in the network, by means of the provision of spaces for shops, vending machines and others, through Metrocom, S.A. and the sale of products and advertising services, through Publimetro, S.A..

It owns Ferconsult, S.A., with a 100% interest holding. This company provides consulting and technical support services, namely in the form of project drafting or preparation of tender pieces.

By means of the appointment of the Board of Directors for the term 2019-2021, by CMR no. 56/2019, of the 28th of February (Official Gazette, 1st series – no. 53, of the 15th of March 2019), the current Board of Directors took office on the 1st of March 2019.

Figure 3 – Organization Chart



6.2 Risk management

Following the analysis to the external and internal contexts, an analysis of strategic risks and opportunities is made, which are reflected into the following SWOT analysis:

Figure 4 – SWOT Analysis

S

Processes (know-how)

Financial resources (the ML is included in the State Budget perimeter)

Infrastructure (low CO_2 emission electric mobility; technological upgrading – *ongoing* – at the level of railway signaling and computer platforms)

W

Human resources (high average age of Employees; lack of know-how retention; high absence rate)

Infrastructure (aged signaling system, in service)

O

Policy (national and international commitments to increase the use of public transport and carbon neutrality)

Economy (increase in tourism; decrease in unemployment)

Social (greater environmental awareness and willingness for the use of public transport; increased customer satisfaction)

Technology (existence of new solutions at the level of ticketing)

Legal (increase in demand through PART; amendment to the Concession Agreement)

T

Policy (opposition to the Circle line)

Social (increased use of new mobility platforms)

Environment (climate change)

Legal (uncertainty in revenue through PART; lack of agility in the purchase process through the PPC and the Expenditure Extension Ordinances)

With regard to the risks of corruption and related offenses, the 5th edition of Metropolitano de Lisboa's Plan for Preventing Risks of Corruption and Related Offenses (PPRCRO) is in force.

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 Metropolitano de Lisboa's reality.

In 2019, the PPRCRO Implementation Report for the year 2018 was prepared and adequately publicized. In addition to the risks related to corruption and related offenses identified in the PPRCRO and referred to above, the 16 most relevant risks for Metropolitano de Lisboa have also been identified during the year 2019, as follows:

- Work relations management;
- Absence;
- Talent management;
- Passenger fraud;
- Fraud and corruption;
- Competition;
- Knowledge management;
- Information security;
- Safety of people and assets;
- Physical safety of facilities, network and equipment;
- Ticketing system;
- Technological capacity;
- Technical and human capacity;
- Frequency and punctuality of transport;
- Network expansion and refurbishment management;
- Suppliers.

Within the expansion project of Metropolitano de Lisboa, a risk management system has also been developed for the extension project between the Rato station (Yellow line) and the Cais do Sodré station (Green line), including the new connections in the Campo Grande viaducts.

In the financial year 2019, we highlight the following Metropolitano de Lisboa's audit work:

- Audit of the access control at workplaces: DW II and III and buildings in Av. Sidónio Pais and in Av. Fontes Pereira de Melo;
- Audit of the execution of the agreement for the supply of meal services: control of the number of meals consumed and effectively paid;
- Audit of the Automatic Ticket Vending Machines – ATVM (in progress).

Follow-up actions were also carried out to the implementation of audit report recommendations, as approved by the Board of Directors, namely the audit of Human Resources, the audit of the agreement entered into with Publimetro – Publicidade em Meios de Transporte e Outros, S.A., the audit of single suppliers in the maintenance context, the audit of fixed funds (operating, fixed cash and return funds) and the audit of the access control at workplaces: DW II and III and buildings in Av. Sidónio Pais and in Av. Fontes Pereira de Melo and the audit of the execution of the agreement for the supply of meal services: control of the number of meals consumed and effectively paid.

In this context, 14 corporate departments were subject to the audit and/or follow-up actions indicated above, in a universe of 17, reflecting a total of 82% of directions targeted for corruption risk analysis.

Table 6 – Corruption risks assessment

GRI 205-1	Operations assessed for corruption risk purposes		
	2017	2018	2019
Percentage and total number of business units subjected to corruption risk assessment	75% 12	71% 12	82% 14
No. of identified corruption cases	0	0	0
Structure directorates (no.)	16	17	17

Metropolitano de Lisboa has complied with the following legal obligations:

A. Annual Report on corruption prevention, management of conflicts of interest, whistleblowing and Compliance

As previously mentioned, since 2009, Metropolitano de Lisboa has a Plan for Preventing Risks of Corruption and Related Offenses (PPRCRO), and currently the 5th edition is in place (2018), complying with the Recommendation of the Corruption Prevention Board (CPB) dated of the 1st of July 2009. The 2019 PPRCRO is available on the company's website.[1]

On a yearly basis, a PPRCRO Execution Report is prepared and duly published, pursuant to the provisions of article 46(1) of the RJSPE, indicating the degree of implementation of the measures listed in the said Plan in the preceding year. In 2019, as previously mentioned, the PPRCRO Execution Report for 2018 has been prepared and approved, and was sent to the CPB, as well as to the supervisory, superintendent and control bodies, pursuant to the provisions of the law. Said Report is available on Metropolitano de Lisboa's website.

In addition, with regard to the CPB, the Recommendation no. 4/2019, of 02.10.2019, on the prevention of risks of corruption in public procurement has been released internally.

With a view to reinforce Metropolitano de Lisboa's organizational culture for the prevention and management of conflict of interest, the project on the voluntary subscription of declarations of absence of conflict of interest (DICI, *declarações de inexistência de conflito de interesses*), and the DICIs subscribed between 2017 and 2019, including new service commissions, have been monitored.

[1] https://www.metrolisboa.pt/institucional/wp-content/uploads/sites/2/2019/01/MetropolitanodeLisboa_PPRCIC2018.pdf

On the other hand, the Company has a whistleblowing mechanism (Ethics Line), which aims at promoting transparency in the organization. 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). It thus conforms with the recent Directive (EU) 2019/1937 of the European Parliament and the Council, of the 23rd of October 2019, on the protection of persons who report violations of Union law. In this regard, no communications have been received in 2019.

Lastly, with regard to Compliance, we should highlight the existence of an internally developed IT tool (optimized in 2019), allowing for monitoring legal compliance, and a high rate of compliance has been observed in 2019.

B. General Data Protection Regulation (GDPR)

The Regulation on the Protection of Individuals 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), hereinafter referred to as GDPR, has deserved special attention from Metropolitano de Lisboa since its entry into force. In fact, an internal Working Group has been appointed, composed of representatives from the Areas with the greatest impact on data protection (in particular, Customers and Workers), as well as an outsourced Data Protection Officer (DPO).

In 2019, the GDPR implementation plan was duly followed up, with the adaptations resulting from its execution Law (the Law no. 58/2019, of the 8th of August). In this context, networking has been promoted with other companies of the Public Business Sector for an assessment of the developed works and to search for the best practices.

C. Global Reporting Initiative (GRI)

With regard to the Global Reporting Initiative (GRI), in its risk and corruption prevention perspective, Metropolitano de Lisboa has developed actions for the following indicators:

Table 7 – Operations assessed for corruption risk purposes

GRI 205-1	2017	2018	2019
Percentage and total number of business units subjected to corruption risk assessment	75% 12	71% 12	82% 14
No. of identified corruption cases	0	0	0
Structure directorates (no.)	16	17	17

Table 8 – Communication and training on anti-corruption policies and procedures

GRI 205-2	2017		2018		2019	
	No.	%	No.	%	No.	%
Governance body members who have been trained in fighting against corruption.	11	45.8%	0	0.0%	1	4.55%
Employees who have been trained in fighting against corruption.	78	5.6%	16	1.1%	0	0%
Members of the governance bodies (no.)	24		23		22	
Average headcount (no.)	1397		1414		1435	

Table 9 – Confirmed incidents and measures taken

GRI 205-3	2017	2018	2019
Corruption incidents	0	0	0

6.3 Activity Performance

A. Network Expansion

The ongoing network expansion consists in the project to connect Metropolitano de Lisboa's Yellow and Green lines Rato/Cais do Sodré and the Campo Grande viaducts. From the developments which took place in 2019, we highlight the following:

- POSEUR application: The application was approved for EU funding by the POSEUR on 20/12/2019.
- Geological / Geotechnical studies: The studies of archaeological potential and the contaminated soils assessment has been completed.
- Procurement of services for the execution and conduction of the process of expropriation and administrative easement on the grounds of public interest:
- The PID for the private lands to be occupied (public interest declaration), which has been published in the State Gazette on 13/8/2019, was obtained,
- The inspections *ad perpetuam rei memoriam* were conducted between 2 and 6/12/2019, along with the experts appointed by the Court of Auditors,
- For the public land to be occupied, negotiations have continued with the entities involved - CML, IP, CP, ISEG, DGRDN, APL, Parque Escolar.
- Contract for the Design and Construction of the Structures regarding the realization of Metropolitano de Lisboa's Expansion Plan - Extension of the Yellow and Green Lines (Rato - Cais do Sodré) - Batches 1 and 2:
    - The organization of the tender process was concluded and launched on the 9th of January 2009;
    - The pre-qualification process was completed on 09/19/2019;

- Proposals were submitted on 18/1/2020;
- Signature of the Batch 1 agreement on the 6th of May 2020;
- Project and Construction Contract regarding the Batch 2, in the phase of proposals' analysis.

- Contract for the Design and Construction of the Structures, Finishes and Systems regarding the realization of Metropolitano de Lisboa's Expansion Plan – Extension of the Yellow and Green Lines – Campo Grande viaducts – Batch 3:
- The project and tender process were concluded and launched on 2/1/2020, submission of applications on 8/02/2020 – deadline for receiving proposals: the 21st of August 2020. Acquisition of project review services:
  - The tender process has been completed, which had been launched on 6/11/2019, the submission of proposals took place on 13/01/2020, and these are currently under analysis and assessment.

B. CBTC and New Rolling Stock

With regard to the network modernization project, the candidates for the supply of the new rolling stock and the new automatic train system have been selected. In March 2019, Metropolitano de Lisboa could publicly announce it had qualified four candidates, in the context of the tender limited by prior qualification for the "Acquisition of rolling stock and an automatic train system for the network of Metropolitano de Lisboa, E.P.E. (1st Stage)", a procedure which foresees the acquisition of rolling stock and the supply of a system aimed at Metropolitano de Lisboa's modernization.

The tender limited by prior qualification was launched by the end of September 2018, in a ceremony headed by the Prime Minister, and the deadline for the submission of applications elapsed until the 14th of November that year. On the 8th of February 2020, Metropolitano de Lisboa signed the agreement for the acquisition of a new railway signalling system and the acquisition of new triple units from the Grouping Stadler Rail Valencia, S.A.U./ Siemens Mobility Unipessoal, Lda., for the amount 114.5 million euro.

This project foresees the acquisition of 14 new triple units (42 cars) and the contracting of an international system named CBTC - Communications-Based Based Train Control. Such new acquisitions reflect a significant qualitative leap in the operation, programming and management of the Metro's network. The acquisition of the new rolling stock will provide:

- Improvement of the ML's train and services supply;
- Technical supervision of the train in line with the technology of the 21st century.
- More modern security and video surveillance systems;
- More comfort for the customers and more ergonomics for the driver;
- Improvement of accessibility for reduced mobility customers;
- Customer communication system with variable and flexible information;

The CBTC system projected in this investment will enable:

- Continuous control of train movement, ensuring that stopping points and speed limits are not exceeded at each point of the network;
- Replacement of the prohibitive signal passing control system, installed in the 70s and already obsolete and without manufacturing;
- Technical and operational records which facilitate malfunction diagnosis and incident analysis.

This system, associated with the new trains, will also enable an increase in the frequency and regularity of the public transport service provided by Metropolitano de Lisboa, guaranteeing, in a more effective way, the supply of trains, in number and frequencies which are more adapted to the needs of the public service, as well as with increased safety.

Metropolitano de Lisboa foresees that the deadline for the new equipment to come into operation is 2024.

C. Inspection, diagnosis and maintenance of the superstructure

In the context of the superstructure maintenance, in 2019, the following works have been executed:

- Diagnostic verifications of the state of conservation of the metal structure of the Odivelas viaduct's guardrails, as well as of the polycarbonate roofs;
- Diagnostic verifications of the state of conservation of the concrete guardrails of the Campo Grande viaduct, as well as of the metallic structure of the trench roof accessing Telheiras;
- Diagnostic verifications of the state of conservation of the structure and preparation of the projects of the railway and canteen buildings of the DWII, of the stabilization wall of the slope of the DWII, the slab of Ferconsult, S.A.'s archive, in the Laranjeiras Station and Metropolitano de Lisboa's headquarters building, located at Avenida Fontes Pereira de Melo, in Lisbon;
- Following-up of the contract for the rehabilitation of the Olivais station;
- Following-up of the interference of third-party works with the infrastructures of Metropolitano de Lisboa;
- Management of the monitoring process regarding the automatic monitoring system of section 61st in Terreiro do Paço;
- Preparation of the procedural pieces for the execution projects of the Odivelas and Campo Grande viaduct guardrails;
- Refreshing of the Intendente station.

D. Systems and equipment

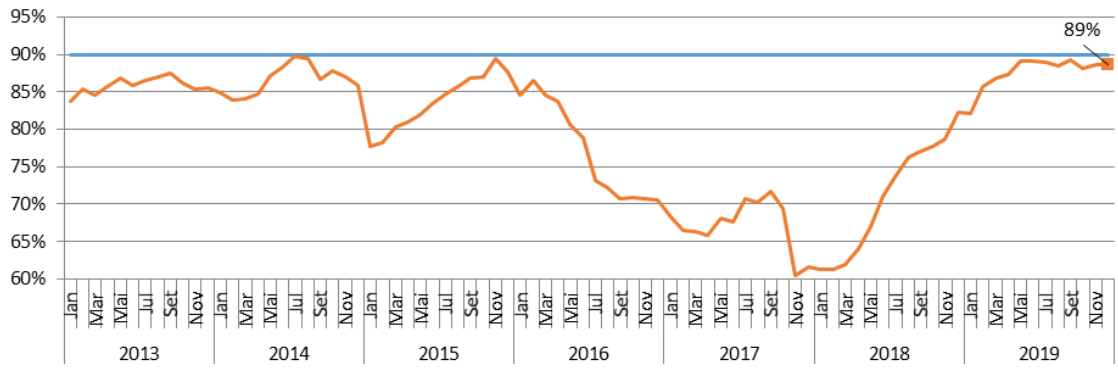
Regarding the company's systems and equipment, in 2019, the following projects were developed and the corresponding public tenders were launched:

- Automatic Fire Detection System (AFDS) for nine stations of Metropolitano de Lisboa's network;
- Replacement of the Rato station's lift no. 3;
- Modernization of the escalators no. 1, 3 and 6 of the Baixa-Chiado station;
- Refurbishment of the HVAC System of Metropolitano de Lisboa's Auditorium at the Alto dos Moinhos station;
- Replacement of the escalators no. 1 and 2 of the Avenida station;
- Provision of the waiting time of the subsequent 3 trains in an infrastructure external to the signalling system. Implementation and provision of information on the company's website;
- Implementation of an Work Safety and Health Management system: The project included the system's implementation, data migration and interfaces with other systems, namely with SAP and with the application of prescriptions;
- Implementation of the SAP BW/4HANA platform: The project included the implementation of some of the previous system's indicators which were deemed relevant for the organization, as well as the implementation of new indicators in the ticketing area (passenger and sales indicators);
- Implementation of the second stage of the PLAGO system: The renewal of this platform's entire technological infrastructure has been performed and, at the same time, new features have been introduced to meet the Operations Directorate's business requirements;
- Replacement of the ATVM's ATM terminals (already prepared for contactless payments);
- Implementation of two proofs of concept at the Reboleira and Cais do Sodré stations, on the subject of fraud control.

E. Rolling stock operational performance

The year 2019 has been characterized by a steady recovery in the values of rolling stock availability. By the 31st of December of that year, availability hit values close to the quality objective (90%), and such operating condition did not occur since November 2015.

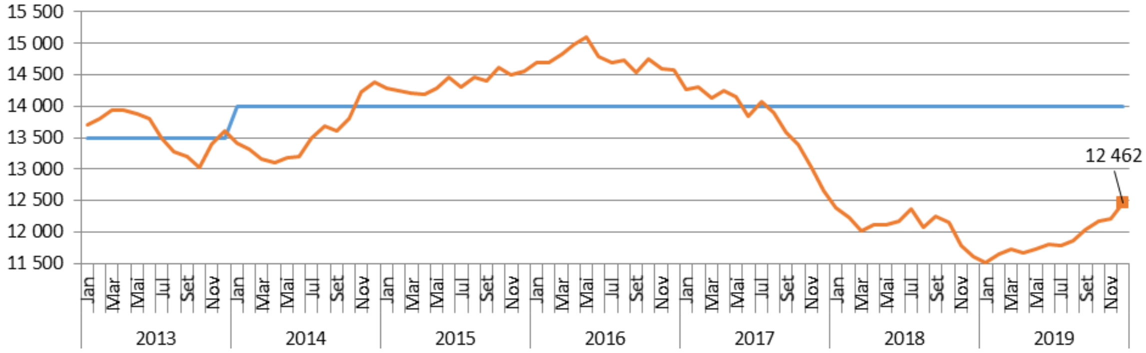
Chart 1 – Average monthly availability of the rolling stock



The reliability of the rolling stock reflects the inflection of the diminishing trend, which had occurred since May 2016, a clear demonstration of the effort made throughout 2019 to recover the rolling stock's maintenance and operating conditions.

The following chart reflects the reliability's evolution (MKBF – Mean Kilometres Between Failures) measured in kilometres traversed between any failures in the composition, regardless of arising from its commercial service.

Chart 2 – Reliability of the rolling stock, bearing in mind all the incidents (average for 12 months)



Being more significant of the impact of the reliability on daily operations, the average interval between failures due to the cancellation of trains evidenced, throughout 2019, the stabilization of such operational indicator, strongly dependent of the technical behaviour of the door equipment. By the end of the reporting period, the average reliability (with the cancellation of trains) has stood at 40,352 km.

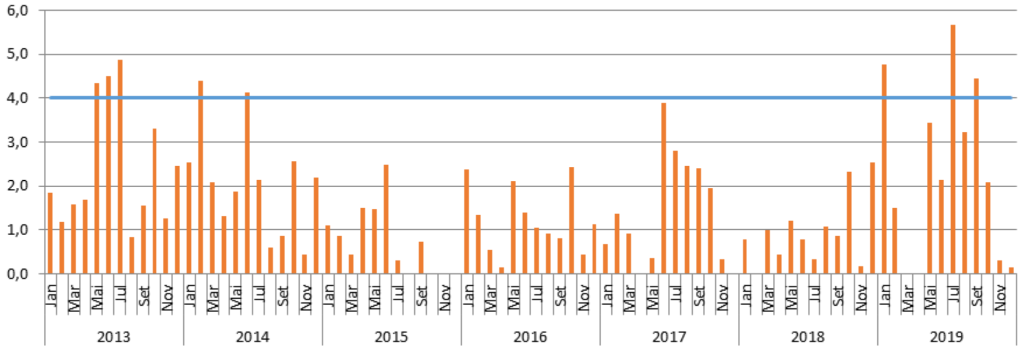
F. Operating performance of the main infrastructure

The year 2019 was characterized by the recording of abnormal values of operating disturbances, mainly due to the signalling and railway systems.

Three of the main factors which motivated the disturbance in operation are highlighted below: **i)** the accumulation of swarf in isolated joints and failures to detect the position of needle motors in January; **ii)** the instability in the positioning of the Blue line at São Sebastião railway device which occurred between May and August; **iii)** the occurrence of an intermittent communications problem in the Odivelas signalling interlocking which occurred in September.

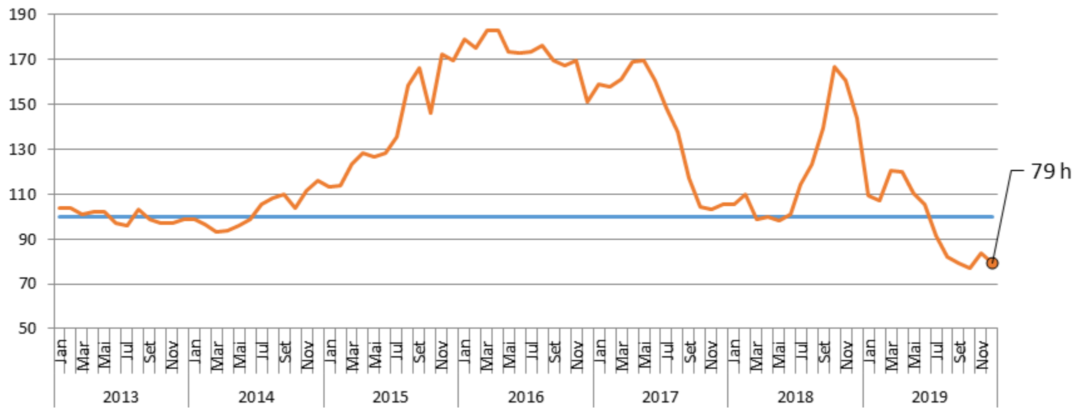
The infrastructure's unavailability, in July and September, surpassed the objective value set out for the quality management system.

Chart 3 – Average monthly unavailability of the main infrastructure (values in hours)



Reflecting the three main causes listed above, the main infrastructure's reliability evidenced a decreasing trend throughout 2019, which, at the end of the year, resulted in a lower value than the goal set for the quality management system. The following illustration represents the evolution of the reliability (MTBF – Mean Time Between Failures), measured in hours of use of the main infrastructure between any failures due to the disruption of train circulation.

Chart 4 – Reliability of the main infrastructure (average for 12 months)



G. **Customers**

In the context of the implementation of the PART- Fare Reduction Support Program and bearing in mind the consequent increase in demand, it was necessary to guarantee a set of measures in the Customer and Employee Support component, aiming at strengthening the service, while maintaining the levels of service quality usually provided the company to its customers.

Thus, for the Customer Care Centre, Customer Service Spaces, Internal Support Centre and the Complaints area, training actions were given to employees, with a special focus on the new fare model and the post-sale procedures to be applied to the new tickets which have been implemented with PART.

It was also necessary to secure a reinforcement of the Customer Service Spaces' team in order to guarantee the quality service of a greater number of customers for each one of these spaces.

With a view to implement the "Family Monthly Pass" component of the referred PART, it was necessary to create new service stations, called "Navegante Spaces". Such stations guarantee the sales functions with after-sales components, ensuring the reception of the "Navegante Família" monthly pass ordering procedures, the purchase and topping up of such monthly passes, and also offering after-sales support for all matters related to the Navegante monthly passes (except for Social+ procedures).

This strategy, taking into account the time constraints, allowed Metropolitano de Lisboa to overcome the challenges in integrating the "Family Monthly Pass" into the company's ticketing system, having, in addition, extended the offer in the sales and after-sales service component.

With a lesser significant impact on revenue, albeit contributing to the notoriety of the Metro brand, in 2019, the effort was maintained to implement actions which benefit the Company's image, namely through its stations' revitalization, the attraction of events and film shootings for its infrastructure, as well as the logistical support to the main events in the city, of which we highlight the participation in the Popular Saints and in the Web Summit 2019 events. Specific actions were also developed during 2019 in the stations, aiming at informing, creating a relationship with the customer, revitalizing the spaces and generating a close relationship with the customers, of which we highlight:

- Brand campaigns (Remember, the Metro belongs to everyone; be alert);
- Brand activation actions and revitalization of the stations (the 71st Anniversary of the incorporation of Metropolitano de Lisboa; International Year of the Periodic Table; Next Stop Festival; Universities Campaign "Your University mobility begins with the sub23"; Music competition "A handful of bands"; Christmas in the Metro; the 60th Anniversary of the operation of Metropolitano de Lisboa);
- Website and social networks (the launching of the Instagram official page, redesign of the Facebook page, the launching of the API "Next trains");
- Special events (extension of the service Lisbon Festivities in the evening of Santo António; WebSummit; New Year's Eve);
- New services (opening of the Baby Space at the Alameda station).

Of the organizational activities developed in the year 2019, we should also highlight the customer satisfaction survey (ISC 2019), which was carried out according to the quality criteria set out in EN 13816 and NP 4415. The Global Satisfaction, obtained through the various service components was scored with 7.35 points, on a scale of 1 to 10), reflecting an improvement in customer satisfaction, as this has been the best result recorded in the last decade.

Other activities of special relevance, from the customer service's perspective, also deserve to be highlighted, of which:

- The opening, in June, of three new spaces "Navegante Spaces", at the Alameda, Entre Campos and Jardim Zoológico stations, in order to support the customer, following the implementation of the new "Navegante Monthly Passes";
- Implementation of the new fares, with the tickets Navegante 30/40, as well as the "Family Navegante", in the context of the PART, in ATVM and SATVM (Semi-Automatic Ticket Vending Machines);
- Making the topping up of the "Family Navegante" available in the ATVM;
- Replacement of the ATVM's ATM terminals (already prepared for contactless payments);
- Implementation of two proofs of concept at the Reboleira and Cais do Sodré stations, on the subject of fraud control, as aforementioned;
- Strengthening of the stations' staff, with the admission of 41 new Traffic Officers, thus allowing greater visibility and effective customer support in the metro stations;
- Reconditioning of 20 Automatic Ticket Vending Machines (*ATVM*) for exclusive payment with bank cards;
- Operationalization of a working group intended for the digitation of information made available to the customer;
- Rehabilitation of station furniture;
- Change of the contracting approach regarding the stations' cleaning services, through the strengthening of the night cleaning services per station and streamlining of picketing services.

In the context of the Active Automatic Defibrillation Program (AADP), in 2019, Metropolitano de Lisboa had 32 stations equipped with External Automatic Defibrillation (EAD) devices which can be handled by 300 DAE operators trained from the company, available seven days a week in ten stations on the Blue line, eight stations on each of the Green and Yellow lines, all of which are stations with over 10,000 daily passengers. The acquisition of this equipment occurred within the scope of a certification process with INEM. All certified stations are appropriately identified with specific signalling.

H. Innovation and Information Systems

With regard to innovation, Metropolitano de Lisboa has developed an activity and studies conducive to the subsequent implementation of some of the measures deemed of special importance for the company, of which we highlight:

- Completion of the Upgrade of the Command and energy control system with regard to the areas of Communications from telephone pair to data network, replacement of obsolete equipment and placement of equipment for telemetry;
- Preparation of specifications regarding the new cork benches for the rolling stock with materials resistant to vandalism, with incorporation of cork in the areas of the seat and the backrest;
- Project for the creation of an infrastructure for making information and contents available in strategic places for the customers;
- Monitoring and participation in the works of RedeMOV (Interdisciplinary Theme Network of Intelligent Urban Mobility).

With regard to the IT component and following some studies made by the innovation, the main activities developed in 2019 were related to the following actions:

- Completion of the project aimed at making the waiting time for the subsequent three trains available on the company's site. This project was integrated in the SIMPLEX projects, which enabled the implementation and availability of information regarding the waiting time of the subsequent three trains on the platform of Metropolitano de Lisboa's website (an infrastructure external to the signalling system);
- Implementation of an Work Safety and Health Management system, through data migration and interfaces with other systems, namely with SAP and with the application of medical prescriptions;
- Project for the development and transition of the central Ticketing system for the new technological platform, made available by INDRA and named "Core2", including the refurbishment of semi-automatic machines for the sale of tickets;
- Implementation of the SAP BW/4HANA platform, which project included the implementation of some of the previous system's indicators which were deemed relevant for the organization, as well as the implementation of new indicators in the ticketing area (passenger and sales indicators);
- Implementation of the PLAGO system (stage 2), through the renewal of this platform's entire technological infrastructure and, at the same time, the introduction of new features to meet the Operations Directorate's business requirements.

In 2019, Metropolitano de Lisboa was awarded with the Innovation Prize, handed out by SAP Portugal, as a result of the important digital transformation program developed by Metropolitano de Lisboa to improve the level of service provided to its customers. Projected and built in close partnership with SAP and in the context of a strong commitment to business innovation, this program materialized the vision of Metropolitano de Lisboa, by improving operational efficiency and increasing the profitability of its services supply.

I. Safety of people and assets

Also in the financial year 2019, Metropolitano de Lisboa complied with a joint action plan with the Fire Brigade, through the execution of drills (4 big exercises and 2 evacuations) and weekly exercises taking place at 35 stations, aiming at training the Network's Emergency structure in issuing alarms, alerts and in receiving the means of assistance at the stations.

The Station Normative Program has also been prepared for presentation to the Portuguese National Emergency and Civil Protection Authority (*Autoridade Nacional de Emergência e Proteção Civil*, ANEPC), as well as an thorough procedure regarding ventilation and evacuation, in emergency situations, for all stations of Metropolitano de Lisboa.

With regard to surveillance, a new type of rounds have been implemented in the stations and inside the trains, in order to maintain the security levels of our customers.

Metropolitano de Lisboa and PSP deemed a priority the launching of a security and alert campaign aimed at users of public transport, a behavioural campaign which took place throughout 2019.

Through the implementation of the referenced methodologies, Metropolitano de Lisboa complied with 100% of the SCIE legal requirement regarding the annual maintenance of Fire Extinguishers and Hydrants, as well as the annual drills agreed with the ANEPC.

J. Heritage

In the activity developed in 2019, one of the central goals of the Appreciation of Metropolitano de Lisboa's Heritage has been the appreciation of the Sete-Rios land, the former installations of the Depot and Workshop, named DW I.

In fact, the year 2019 was marked by the progress of the Sete-Rios Land Execution Unit procedure, aiming at its approval. Thus, both the traffic and the noise studies were carried out and completed, essential parts in the completion of the referred Execution Unit, to be submitted for the Lisbon Municipality's approval.

Simultaneously, in the procedure of upgrading the facilities of the old headquarters, located at Avenida Fontes Pereira de Melo, the Volumetric Study for the change in use and the increase of the construction area was completed, and this procedure is being carried out with the General Directorate of Heritage and Culture and the Lisbon Municipality.

Moreover, with regard to the Appreciation of the Real Estate Heritage, the lease agreement was signed with the Instituto da Mobilidade e dos Transportes, I.P., regarding the building units which were still to be leased in the Barbosa du Bocage building.

It should be noted that, throughout the year 2019, important steps were taken in the goal of achieving the land consolidation of the several matrix items of the Pontinha Depot and Workshop (DW III) and, for the this purpose, the registry survey of all the lands which make up the said Depot and Workshop has been completed.

K. Communications

In a strategic and planned way, Metropolitano de Lisboa has achieved to provide its brand a greater visibility, guaranteeing the company's external image reinforcement, progressively boosting the relations maintained with the press and its institutional stakeholders, regarding general matters and in relation to the network's modernization and expansion, including, *inter alia*, the Supervision Authority, Parishes, Municipalities, Associations of retailers from the areas of influence of certain stations, the Public Transport User Commission.

Several institutional ceremonies were also organized, with the presence of the Supervision Authority, of which the commemorations of the 60th anniversary of the ML's commissioning, which was marked in December 2019, can be highlighted, as well as periodic meetings of Directors and Management, with a view to updating and sharing information, within the scope of the company's strategy.

L. International Relations

We highlight the effort to progressively deepen, without an increase in investment, the company's participation in the activities developed by international entities of which Metropolitano de Lisboa is an associate member, namely the integration in the governing bodies of the main international associations of the sector, deriving from a systematic analysis of the opportunities for sharing experiences, good practices and relevant information.

In this context, in 2019, Metropolitano de Lisboa joined the Policy Board of the International Association of Public Transport (UITP), the highest body of said association, being represented by the Chairman of the Company's Board of Directors, Mr. Vitor Domingues dos Santos, occupying the position to which Portugal is entitled, according to the amount of contributions currently paid by the Portuguese members of the UITP.

It is also worth highlighting the decision taken in 2019, between UITP and Metropolitano de Lisboa, to hold the meeting of the governing bodies of UITP - the Executive Board, the PresCom (committee chairmen) and the aforementioned Policy Board - in Lisbon, in April 2021, in order to coincide with the Portuguese Presidency of the Council of the European Union.

Also in 2019, ML was integrated in the European Union Committee, a UITP body which represents the interests of European operators and exerts influence on the legislative and decision-making process at the EU institutions, as an effective member, currently secured by the Member of the Board of Directors, Mr. Pedro Miguel de Bastos Veiga Costa

Furthermore, it is important to note, in 2019, the election of Mr. António Valente, Director of Security and Surveillance of Metropolitano de Lisboa, as Chairman of the UITP Security Committee, for a two-year renewable term of office, with representation in the main UITP management bodies. Throughout the year 2019, the ML also took part in 14 meetings of the UITP's governing and working bodies, with a special emphasis on the representation of Metropolitano de Lisboa at the World Congress (Stockholm), the Metro Assembly (Madrid), the Policy Board (Brussels) and the PresCom meetings (Barcelona and Brussels).

We also highlight the organization, by Metropolitano de Lisboa, of a module of the UITP Training Program for Managers in Public Transport, which took place in June at the Alto dos Moinhos facilities and with the participation of 28 transport company management staff from all over the world, including four representatives of the company. As part of this initiative, Metropolitano de Lisboa had the opportunity to register one participant, without any costs, in the other two modules of this course.

In 2019, Metropolitano de Lisboa also participated in the 34th meeting of the Technical Committees of the Asociación Latino-Americana de Metros y Subterráneos (ALAMYS), held from the 30th June to the 2nd of July, in Oporto, in which it was represented by the Chairman of the Board of Directors, Mr. Vítor Domingues dos Santos, who participated in the event's opening ceremony, accompanied by the Member of the Board of Directors, Mrs. Maria Helena Campos, who holds the position of the 5th Member of the Boarding Committee of the aforementioned association, in representation of the company, as well as by the Directors of Maintenance and Network Expansion, who addressed communications regarding Metropolitano de Lisboa.

During the year 2019, Metropolitano de Lisboa also maintained high levels of participation in the metro benchmarking activities, being represented at the annual meeting of the NOVA Benchmarking Group of Metros by the Member of the Board of Directors, Mr. Pedro Costa, and in the management meeting of the said group, as well as in the annual meeting of the CoMET group for benchmarking of the largest metros, following an invitation addressed to the ML by the RATP.

Metropolitano de Lisboa also continued its participation in social cohesion topics, within the scope of CEEP Portugal – Serviços de Interesse Geral, the national section of the European Centre of Employers and Enterprises providing Public Services, based in Brussels and recognized by the European Union as a social partner.

In 2019, Metropolitano de Lisboa hosted visits from foreign delegations from Chile, Finland, France, Japan, Norway, Prague and Russia, which mobilized around one hundred visitors.

M. Internal Organization

The company has also developed a set of projects with the aim of progressively increasing efficiency levels in the field of document management and the preservation of the company's document and information archive, of which we highlight the following projects:

- **Document Management Project:** A working group was established in order to prepare the proposal to launch the project, which will be responsible for its development and subsequent implementation, involving all of the company's areas;
- **Digitization of the Board of Director's minutes books:** All the minutes books between the years 1948 and 2019 and the books of the General Assembly, between the years 1948 to 1975, of the Supervisory Board, from 1948 to 1974, and the books of instruments of investiture of Metropolitano de Lisboa's corporate bodies, from 1948/1949, have been have been digitized, with indexation of the files and the creation of a backup.
- **Digitization of the supporting documents for the Board of Directors' meetings:** Works have been initiated on the preparation of the process of digitizing the documents supporting the Board of Directors' meetings, from 1948 to 2019, with indexation of the files and the creation of a backup, preceding the procedure of transferring the Board of Directors' archive from the Corporate Headquarters to the Carnide Complex (DW III).
- **Digitization of the ML's annual reports and accounts:** Moreover, in 2019, the company surveyed the historical reports, with a view to preparing the process of digitizing the annual reports and accounts, from 1948 to 2003, with indexation of the files and the creation of a backup, in order to complement the official documents currently published on the company's website.

  With regard to the museum dimension of Metropolitano de Lisboa, taking into consideration the existing artistic and architectural interventions in the stations, the company is developing a project to create a virtual museum which can be publicly accessed online, with indication of all the architects and visual artists who intervened in the stations, themes and naming of the existing works. Thus, we highlight the launching, during the year under analysis, of a pilot project for a prototype of a virtual guide explaining the works of art existing in Metropolitano de Lisboa's stations.

N. Environment and Mobility

With regard to the environmental sustainability dimension, 2019 has been a year in which Metropolitano de Lisboa consolidated its position as an environmentally responsible company, assuming several commitments with institutions in the field and other partnerships of special relevance. Thus, Metropolitano de Lisboa has joined the declaration "ONE PLANET, ONE PLAN", issued by the UITP, of which Metropolitano de Lisboa has been an associate member for 61 years, even before it began operating its public service.

The company assumes the commitment to face the challenges of urban mobility, securing green, healthy and sustainable cities. Such declaration was signed in Barcelona, at the Leaders' Forum, and was attended by officials of 40 public transport organizations from 23 countries, for a debate on topics related to sustainable urban mobility, which resulted in a joint declaration on combating climate change and the commitment of these transport operators to provide sustainable urban mobility solutions to millions of passengers worldwide, with the urgent goal of reducing greenhouse gases by 45% in the next decade and to compensate zero emissions by 2050.

Metropolitano de Lisboa's concern for environmental causes is not of today. The company has implemented a Quality and Environment Management System, which is governed by a set of assumptions, and commits for several years to identify and assess environmental aspects and impacts and to take action in order to minimize significant negative environmental aspects and maximize positive environmental impacts.

Metropolitano de Lisboa is also certified in Quality and Environment by the standards NP EN ISO 9001:2015 and NP EN ISO 14001:2015, adopting all sustainable practices to which it has committed, implementing other actions which contribute to its sustainable performance.

Also in 2019, Metropolitano de Lisboa has also signed the Business Mobility Pact for the City of Lisbon, joining the World Business Council for Sustainable Development (WBCSD), the Municipality (CML), the BCSD Portugal and 53 other companies, in order to create more environmental and efficient solutions to meet the mobility needs and challenges and, at the same time, conserving and protecting the planet.

The Business Mobility Pact for the City of Lisbon aims at contributing to a more sustainable mobility in Lisbon, through the promotion, dissemination and implementation of a set of internal and external actions, intended for its employees, but also for customers, the general public and suppliers.

The 54 companies adhering to this Pact, led by WBCSD, BCSD Portugal and CML, are committed to implement over 200 actions to transform Lisbon into a greener, safer, more efficient and more sustainable mobility city.

Within the strategy adopted by Metropolitano de Lisboa to strengthen the promotion of environmental sustainability, it is also improving the energy efficiency of station lighting. In order to rationalize and reduce energy consumption in the network, a plan is in progress aimed at changing and replacing the existing lighting in the stations with LED technology, the low consumption, durability and useful life period of which allow energy costs to be reduced by up to 60%, as approximately 22% of the energy consumed in Metropolitano de Lisboa network derives from the station lighting system.

Likewise, the company has been implementing a set of measures and projects aiming at the progressive reduction of water and energy consumption, as well as CO2 emissions (indirect, through energy consumption), as well as a rational management of these resources, being publicly recognized as an agent promoting environmental sustainability.

Therefore, Metropolitano de Lisboa assumes the Sustainable Development Goals (SDGs) as an integral part of its sustainability strategy. As a socially responsible company dedicated to promoting sustainability, it publicly assumes its commitment to Sustainable Development, integrating three of the Goals (SDGs) of the 2030 UN Agenda for Sustainable Development – Gender Equality, Industry, Innovation and Infrastructure and Climate Action – in its strategy, also committing itself to the achievement of targets for each goal.

In this manner, Metropolitano de Lisboa effectively contributes to the sustainability of the metropolitan area in which it operates, providing appropriate levels and quality public transport service which it daily provides to its customers, with a reduced environmental impact, optimizing, in an appropriate manner, the available resources and contributing to the maintenance of a greener planet.

O. Human Capital

Metropolitano de Lisboa's policy on human capital has been developed in five main actions:

1. **Maintenance of external recruitment**, especially dedicated to the commercial and maintenance areas, aiming at, respectively, replacing progressively the headcount necessary to comply with the model of station furbishing and compliance with the Maintenance Plans, in terms of both rolling stock and infrastructure. Launching of the Plan for the rejuvenation of Senior Officials in various areas, most especially those which allow the monitoring of the Modernization Process. On the 31st of December 2019, Metropolitano de Lisboa's headcount totalled 1,452 workers.
2. **Strengthening of the training aspect**, aiming at adjusting the technical skills identified as the most relevant to the company's activity, as well as the development of behavioural skills vital in team management. Liaison with universities by means of the granting of several curricular internships, allowing students a first approach to the labour market and companies. Preparation of the process for the creation of the ML Academy, with a view to creating special projects and passing on know-how in the company's key areas.
3. **Reduction of absence**, by means of the development of a dedicated project which involved the entire structure of the company (directing staff and middle management positions) in training actions aimed at training the trainees with the best tools suited to fight absence which, with reference to the 31st of December 2019, reached an average rate of 8.13%.
4. **Betting on digitization**, consolidating the computerization of attendance, digitizing all the integral documentation in the workers' individual processes, launching the basis for the processing of the performance assessment corresponding to the year 2019 and the training via the SAP Success Factors platform.
5. **Development of several projects with regard to social responsibility**, extending the Build-up project to operational areas, renewing the company's commitment with the IGEN Forum in topics of gender equality, integrating the CEOs' Guide on Human Rights, participating in international projects such as Girl Move and Giving Tuesday, among many others.

6.4 Business performance

A. Demand

The financial year 2019 was characterized by deep changes in the fare model of the various MAL transport operators, which influenced the behaviour of demand in Metropolitano de Lisboa, both in its structure and in its growth. There were also a number of events in the company's internal and external environment which had an impact on the behaviour of demand. Below we highlight the main events with an impact on passenger demand in 2019:

- Implementation of the Fare Reduction Support Program in Public Transport (PART) on the 1st of April 2019;
- The International Congress of Jehovah's Witnesses on June 28-30;
- On the evening of the 12th-13th June (Festivity of Sto. António) and on New Year's Eve the service was extended on some lines;
- The Web Summit was held in 2019, from the 4th to the 7th of November;
- Continuation of the growing trend of mobility in MAL.

The Order no. 1234-A/2019 established the Fare Reduction Support Program in Public Transport (PART). Such program, with the implementation of a new fare system, meant that Metropolitano de Lisboa had to discontinue over eight hundred monthly passes, in which the company participated, replacing them with the following travel passes:

- Navegante Metropolitano (normal, 4-18 A, 4-18 B, Social+ A, Social+ B);
- Navegante Lisbon Municipality (normal, 4-18 A, 4-18 B, Social+ A, Social+ B);
- Navegante Amadora Municipality (normal, 4-18 A, 4-18 B, Social+ A, Social+ B);
- Navegante Odivelas Municipality (normal, 4-18 A, 4-18 B, Social+ A, Social+ B);
- Navegante 12 (free);
- Navegante +65;
- Navegantes Family (since August 2019).

These new monthly passes, by offering significantly lower prices to the public in comparison with the previous fare, have led to an increase in demand and resulted in an increase of customers. In the demand structure, it was also possible to observe a clear transfer of occasional tickets to the new monthly passes, which have lower costs than the fare and previous modalities.

As observed in the last years, mobility in MAL has increased, and such increase may be explained by the following factors:

- A decrease in the unemployment rate, accumulated in the 4th quarter of 2019, stood at 6.5%, 0.5 p.p. less regarding the same period in 2018;

- A tourism increase in the city of Lisbon, reflected in a 5.3% growth regarding the number of guests in hotels and similar establishments1 and a 7.1% growth regarding passengers landing at Lisbon Airport (source: INE – *Instituto Nacional de Estatística* (National Statistics Institute)). Portugal won the 'Oscar' of the best destination in the world, for the third consecutive year, at the World Travel Awards (WTA) ceremony.

The conjunction of the many aforementioned elements contributed to the entry of new passengers into the system, and the impact on demand was reflected in a 8.2% increase in the total number of passengers carried, *i.e.*, Metropolitano de Lisboa carried over 13.9 million more passengers in comparison with the same period in 2018.

We highlight the reduction of validations with regard to occasional tickets, by 11.9%, and validations of monthly passes increased by 17.9% when compared to 2018.

Table 10 – Evolution of demand

Passengers		2019	2018	2017	Var. 2019/18 Abs.	%
Occasional tickets	10^3	**39 698**	**45 077**	**43 582**	**(5 379)**	**(11,93)**
Single Ticket Carris | Metro	10^3	18 754	22 178	21 843	(3 425)	(15,44)
Zapping	10^3	13 816	15 746	14 633	(1 930)	(12,26)
Other occasional tickets	10^3	7 129	7 154	7 107	(24)	(0,34)
Monthly passes	10^3	**127 173**	**107 907**	**103 238**	**19 266**	**17,85**
Navegante Metropolitano	10^3	65 815	-	-	-	-
Navegante Lisboa	10^3	20 826	-	-	-	-
Other Navegante	10^3	6 561	-	-	-	-
Navegante urban and network	10^3	19 121	57 684	55 254	(38 563)	(66,85)
Inter-modal	10^3	5 793	22 159	20 246	(16 366)	(73,86)
Combined	10^3	9 057	28 064	27 738	(19 007)	(67,73)
Total with paid tickets	10^3	**166 872**	**152 984**	**146 820**	**13 887**	**9,08**
Free transportation and fraud	10^3	16 202	16 166	14 670	36	0,23
Total carried	10^3	**183 074**	**169 150**	**161 490**	**13 924**	**8,23**
Average route per passenger	km	4,793	4,867	4,816	(0,074)	(1,52)
Carried passengers x km	10^3	877 513	823 308	777 684	54 206	6,58

B. Supply

In the year under analysis, the Metropolitano strengthened and increased its supply, either by increasing the commercial circulation speed of trains, or by introducing more trains, through the new operation plans which have been outlined:

- In April 2019 with the entry into force of the PART – Fare Reduction Support Plan, a new operation plan was prepared in order to come into force on the same date. The new operation plan foresaw an increase in supply during the morning and afternoon peak hours on the Blue, Yellow and Red lines, which essentially effected in the increase in the maximum train circulation speed to 60km/h;

- In September 2019, already considering objective data of the demand originated by the PART, in April and May 2019 (months of the "winter" period), a new operation plan came into force, which foresaw a new increase in supply. Such an increase in supply was materialized in the circulation of more trains, during the morning and afternoon peak hours, on the Blue and Yellow lines;

- In 2019, the supply was punctually reinforced in the evening of Santo António, WebSummit, New Year's Eve, as well as in other sports and cultural events in the City of Lisbon.

The average value of the increase in cars x km and corresponding passenger spaces x km produced in the network in this period stood at 6.38%.

Table 11 – Evolution of supply

Evolution of Supply(public service)		2019	2018	2017	Var. 2019/18	
					Abs.	%
Railcars x km						
Blue Line	10^3	9 139	8 599	8 485	540	6,3
Yellow Line	10^3	6 415	5 961	5 939	454	7,6
Green Line	10^3	5 687	5 269	4 285	418	7,9
Red Line	10^3	6 383	6 124	6 116	259	4,2
Total	10^3	**27 623**	**25 953**	**24 825**	**1 670**	**6,4**
Passenger Spaces x km						
Blue Line	10^3	1 169 848	1 100 706	1 086 061	69 142	6,3
Yellow Line	10^3	821 060	762 982	760 229	58 078	7,6
Green Line	10^3	727 874	674 480	548 525	53 394	7,9
Red Line	10^3	817 005	783 892	782 808	33 113	4,2
Total	10^3	**3 535 787**	**3 322 060**	**3 177 623**	**213 727**	**6,4**
Circulation						
Blue Line	no.	118 463	114 347	111 222	4 116	3,6
Yellow Line	no.	122 583	115 020	112 819	7 563	6,6
Green Line	no.	116 340	115 924	121 234	416	0,4
Red Line	no.	111 176	110 064	107 186	1 112	1,0
Total	**no.**	**468 562**	**455 355**	**452 461**	**13 207**	**2,9**

The number of circulations produced in the same period, considering the whole network, increased on average by 2.9%. The increase in the number of circulations produced was more expressive in the Blue and Yellow lines, with values of 3.6% and 6.6%, correspondingly. Such an increase was specifically due to the increase in the number of trains circulating during the morning and afternoon peak hours on the said two lines, in order to respond to the demand observed.

Table 12 – Supply realization rate

		2019	2018	2017	Var. 2019/18
Passenger spaces x km realization rate					
Blue Line	%	100,65	105,46	94,58	(4,81) p.p.
Yellow Line	%	102,66	100,30	102,85	2,36 p.p.
Green Line	%	112,11	102,73	90,84	9,38 p.p.
Red Line	%	101,98	106,62	88,09	(4,64) p.p.
Network	**%**	**103,61**	**103,94**	**94,31**	**(0,33) p.p.**
Circulation realization rate					
Blue Line	%	98,44	98,04	104,75	0,40 p.p.
Yellow Line	%	98,40	98,20	105,03	0,20 p.p.
Green Line	%	98,82	98,09	105,16	0,73 p.p.
Red Line	%	99,27	98,93	102,56	0,34 p.p.
Within the network	**%**	**98,67**	**98,31**	**104,41**	**0,36 p.p.**

C. Fare and additional revenues

The main factors which have influenced fare revenues in 2019 were:

- Fare increase of the occasional tickets on the 1st of January;
- In the context of the PART, a new fare system was implemented on the 1st of April;
- Decrease of the quantities of occasional tickets sold, in Metropolitano de Lisboa's sales network, by -8.4%;
- Reduction in revenue from occasional tickets by -8.1%;
- Increase in the quantities of monthly passes sold in Metropolitano de Lisboa's network, by 16.3%, with revenue from these tickets increasing by 10.5%;
- Allocation of payments on account, under the PART.

The implementation of the PART led to significant changes in the previously existing dynamics of the revenue sharing model. After the 1st of April, Metropolitano de Lisboa started to withhold the value of its sales of the new tickets. In this new distribution, only the occasional tickets and a reduced number of monthly passes which transitioned from the previous fare model became subject to distribution.

With regard to occasional tickets, strong decreases in revenue (-8.1%) were observed caused, in their majority, by the transfer of their use to the monthly passes in view of the more attractive prices for customers. Given that occasional tickets are those conferring a higher average revenue per passenger, a decrease in demand for these tickets has a significant and direct impact on the expected revenue. At the same time, the high increase in demand for Monthly Passes led to an increase in operating expenses, which are not offset by the slight increase evidenced in fare revenues (+0.5%).

In order to prevent a decrease in revenue, the MAL secured a sum to be made available to Metropolitano de Lisboa as a payment on account, which in December totalled 4 million euro. Bearing in mind the said amount, the variation in fare revenue for 2019 was +4.3% when compared to the previous year.

With a view to implement the "Family Monthly Pass" component of the referred PART, it was necessary to create new service stations, called "Navegante Spaces". Such stations guarantee the sales functions with after-sales components, ensuring the reception of the "Navegante Family" monthly pass ordering procedures, the purchase and topping up of such monthly passes, and also offering after-sales support for all matters related to the Navegante monthly passes (except for Social+ procedures).

This strategy, taking into account the time constraints, allowed Metropolitano de Lisboa to overcome the challenges in integrating the "Family Monthly Pass" into the company's ticketing system, extending in addition the offer in the sales and after-sales service component.

With a lesser significant impact on revenues, but equally contributing to the notoriety of the Metro brand, the effort was maintained regarding the implementation of actions which benefit the company's image, notably, by means of the revitalization of its stations, the attraction of events and film shootings for its infrastructure, as well as the logistical support for the city's main events, of which we highlight the participation in the Popular Saints and WebSummit 2019 events.

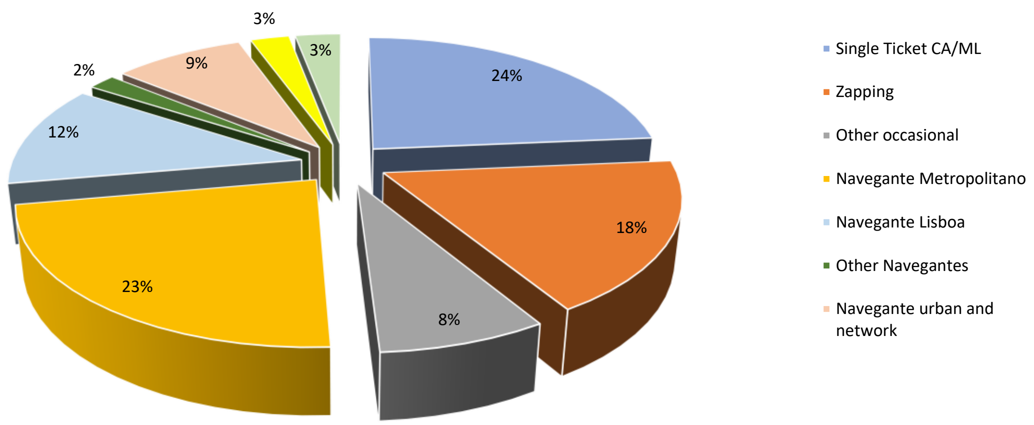
Table 13 – Evolution of the transport revenue

Revenues from transport tickets(excluded from VAT)		2019	2018	2017	Var. 2019/18	
					Abs.	%
Occasional tickets	**10^3€**	**51 167**	**55 651**	**53 178**	**(4 484)**	**(8,1)**
Single Ticket Carris | Metro	10^3€	24 591	27 622	27 198	(3 032)	(11,0)
Zapping	10^3€	18 448	20 558	18 990	(2 109)	(10,3)
Other occasional tickets	10^3€	8 127	7 471	6 990	656	8,8
Monthly passes	**10^3€**	**53 026**	**47 977**	**45 664**	**5 049**	**10,5**
Navegante Metropolitano	10^3€	24 072	-	-	-	-
Navegante Lisboa	10^3€	12 423	-	-	-	-
Other Navegantes	10^3€	1 870	-	-	-	-
Navegante urban and network	10^3€	8 916	27 337	26 080	(18 421)	(67,4)
Inter-modal	10^3€	2 648	10 220	9 467	(7 572)	(74,1)
Combined	10^3€	3 096	10 420	10 117	(7 324)	(70,3)
Total revenue	**10^3€**	**104 193**	**103 629**	**98 842**	**565**	**0,5**
Co-payments 4-18 / sub23 / social + *	10^3€	3 121	3 159	2 444	(38)	(1,2)
Total co-payments revenue	**10^3€**	**107 314**	**106 788**	**101 285**	**526**	**0,5**
Payments per account (AML)**	10^3€	4 014	-	-	-	-
Total co-payments revenue	**10^3€**	**111 329**	**106 788**	**101 285**	**4 541**	**4,3**

* In accounting terms, a lower value of approximately 620 thousand euros was considered in tariff reimbursements, due to the regularization of excess amounts in previous years.

** Of the total revenue related to the compensation of the PART of the period under analysis, the ML only received a partial amount of 2.93 M € in 2019, with the remaining balance having already been received in 2020.

Chart 5 – Accumulated revenue – Year 2019



Non-fare revenue computed in 2019, deriving from businesses managed by the commercial area, including permanent contracts, totalled about 8 million euro, an increase of 5% when compared to the financial year 2018, as evidenced in the table below:

Table 14 – Evolution of additional revenue

Complementary revenue (excluded from VAT)	2019	2018	Var. 2019/18	
			Abs.	%
Complementary fare revenues	**4 010 814**	**3 875 529**	**135 285**	**3,5**
Urgency fee	**509 375**	**384 429**	**124 946**	**32,5**
Monthly Pass Viva Viagem	**2 971 454**	**3 069 447**	**(97 993)**	**(3,2)**
Delivery fee (prod. Backoffice)	**557**	**n.a.**	**-**	**-**
Customization Fee	**383 159**	**274 839**	**108 320**	**39,4**
Commissions	**146 270**	**146 814**	**(544)**	**(0,4)**
- Ticket Sale Commission	77 741	83 971	(6 230)	(7,4)
- Commission sale Zapping	67 871	60 571	7 300	12,1
- Ticket Sale Commission without ML share	658	2 272	(1 614)	(71,0)
Additional non-tariff revenues	**3 974 540**	**3 732 323**	**242 217**	**6,5**
Heritage	**420 288**	**406 047**	**14 241**	**3,5**
Space rental	74 278	60 697	13 581	22,4
Rental of optic fibre and telecommunication	346 010	345 350	660	0,2
Fleet - Stations - Various means	**88 951**	**38 971**	**49 980**	**128,3**
Video Shootings	54 100	3 700	50 400	1362,2
Miscellaneous (Insertion PUB, Merchandising / Public	15 351	13 771	1 580	11,5
Special service	19 500	21 500	- 2 000	(9,3)
Sub-concessions	**3 465 301**	**3 287 305**	**177 996**	**5,4**
Metrocom	2 060 546	2 037 305	23 241	1,1
Publimetro - MOP	1 404 755	1 250 000	154 755	12,4
Total co-payments revenue *	**7 985 354**	**7 607 851**	**377 503**	**5,0**

* The present analysis of complementary revenues does not correspond to the total of non-tariff revenues expressed in table 18, point 6.5 Economic-Financial Analysis, since they consider values from the SNC 71 * accounts (Sales) and other income, which are not managed by the Customer Department (DCL).

Businesses regarding the capitalization of spaces, and stations infrastructure, as well as commercial spaces and advertising media sub-licensing contributed with a revenue of approximately 4 million euro. Moreover, there was an increase in revenues from card sales, associated services and sales commissions, which amounted to a further 4 million euro.

We also highlight the commercial spaces (Metrocom) and advertising media (MOP) sub-licensing contracts, which together generated a commercial revenue of approximately 3.5 million euro in 2019.

The lease of temporary spaces and optical fiber amounted to an amount exceeding 420 thousand euro, including the agreement entered into with the three major telecommunications operators which secure the coverage of mobile network, as well as the agreement for the lease of optical fiber, entered into with GoWi-Fi, a company which guarantees the Wi-Fi signal on the stations' platforms.

With a positive impact on revenue, benefiting Metropolitano de Lisboa's image, its brand and its stations' revitalization, we continued our prospection plan for attracting events and filming in its infrastructure, as well as to provide logistical support to the city's main events.

In 2019, we also highlight the holding of several national and international productions/activations, in the company's facilities, as well as the film shooting of advertisements for multinational brands and musical productions.

With regard to the Lisboa Viva Cards, in the year under analysis, Metropolitano de Lisboa customized around 217 thousand cards, of which 63% were Lisboa Viva urgent.

Table 15 – Lisboa Viva card production

LV card production		Transtejo	Carris	Metro	TOTAL
10 days	Normal	3 029	13 759	43 741	**60 529**
	4_18	176	1 627	4 335	**6 138**
	Sub23	29	762	2 962	**3 753**
	CML	0	0	7 263	**7 263**
Total		**3 234**	**16 148**	**58 301**	**77 683**
Urgent	Normal	0	17 039	92 507	**109 546**
	4_18	0	3 245	7 544	**10 789**
	Sub23	0	2 852	12 383	**15 235**
Total		**0**	**23 136**	**112 434**	**135 570**
Viva Web Portal		34	276	427	**737**
Employees		0	1 593	1 147	**2 740**
TOTAL		**3 268**	**41 153**	**172 309**	**216 730**

We also highlight, with reference to the financial year 2019, the following activity indicators related to customer service:

Table 16 – Activity indicators – stations

Activity Indicators		2019
Customer satisfaction index		7,35
Operational absenteeism (monthly average)	%	8,18
Compliance Rate stations' staffing plan	%	74,84
Call Centre service level	%	80,50
Number of calls answered	un.	5 889
Number of calls received	un.	7 315
Site ML - no. visits (pages visited)	un.	4 169 715
Site ML - no. views (monthly average)	un.	3 395
Complaints	un.	4 813
Answer within 30 days (monthly average)	%	86,90
Monitoring - no. approaches	un.	132 747
Monitoring - fines	un.	8 064

6.5 Economic and Financial Performance

Overall Company Profits

The year 2019 was characterized by a favourable evolution regarding the overall company's profits in comparison with 2018:

- The **Operating Profit** has shown an increase by 6.8 million euro in comparison with the previous year;
- The **corrected EBITDA** of a number of non-cash items (*inter alia*, accrual of investment subsidies, adjustments and impairments, fair value increases/reductions, equity method/subsidiaries, provisions, own capitalized work) evidenced an improvement of approximately 5 million euro in comparison with 2018, mainly as a result of the increase in income of sales and provisions of services (4.3 million euro) and the reduction of materials consumption (-2.5 million euro).
- The Financial Profit recorded a favourable development of 4.2 million euro, due to the reduction in the payment of swap coupons whose underlying financial leasing reached maturity (-3.5 million euro);
- Consequently, **Profit before Taxes** improved by approximately 11 million euro.

Table 17 – Profits

Profits (amounts in thousands of euro)	2019	2018	2017	Var. 2019/2018	
				Abs.	%
Public Service Income*	110 708	106 919	101 692	3 789	3,5
Other income	44 289	45 576	53 605	(1 287)	(2,8)
Total Operating Income	154 997	152 495	155 297	2 502	1,6
Total Operating Expenses	144 903	149 224	145 913	(4 321)	(2,9)
Operating Profit	**10 094**	**3 271**	**9 384**	**6 823**	**208,6**
Corrected EBITDA **	(225)	(5 211)	379	4 986	95,7
Financial Profit	**(26 926)**	**(31 122)**	**(33 124)**	**4 196**	**13,5**
Profit before Taxes	**(16 833)**	**(27 852)**	**(23 740)**	**11 019**	**39,6**

* Includes revenue from ticket sales, passes and compensation fees. Values from previous years restated in order to be comparable.
** Corrected EBITDA (excluding provisions, adjustments, impairments and fair value increases/reductions, investment subsidies and equity method / subsidiaries, as well as other non-cash items).

With regard to **Operating Income**, there was an overall increase of 1.6%, essentially due to the increase in public service revenues (+3.8 million euro), non-fare revenues (+475 thousand euro) and asset impairment reversions (1.3 million euro). The increase in public service revenues results from the growth in demand mainly due to fare compensations obtained following the implementation of the PART (approximately 4 million euro).

Table 18 – Operating Income

Operating Income (amounts in thousands of euro)	2019	2018	2017	Var. 2019/2018	
				Abs.	%
Monthly pass and ticket sales*	104 192	103 766	98 875	426	0,4
Compensation 4_18/sub_23/Social + e Compensation PART (AML)	6 515	3 152	2 817	3 363	106,7
Public Service Revenue	**110 708**	**106 919**	**101 692**	**3 789**	**3,5**
Non-tariff revenue	8 087	7 612	7 708	475	6,2
Own Work Capitalized	3 102	3 214	2 310	(112)	(3,5)
Fair value increases	24 536	27 726	38 333	(3 190)	(11,5)
Other income and gains	6 784	6 592	5 032	192	2,9
Asset impairments (Reversals)	1 780	433	223	1 347	311,5
Other income	**44 289**	**45 576**	**53 605**	**(1 287)**	**(2,8)**

* Revenue from ticket sales. Values from previous years restated in order to be comparable.

The **Operating Expenses** reversed their growing trend evidenced in the last years, with a reduction of approximately 4.3 million euro in comparison with 2018. The reduction in material consumption (-2.5 million euro) should be highlighted, following the resumption of the regular maintenance plan for cars (periodic and preventive maintenance plan for rolling stock), subsequently to the effort to recover the delay in complying with the maintenance plan in recent years, which evidenced its greatest impact in 2018.

The reduction in amortization (-4.2 million euro) due to the end of the Buildings and Constructions asset depreciation period is also worth highlighting, as the investment activity in recent years has not been sufficient to reverse the downward trend in this type of amortization, and the reduction in losses with subsidiaries (-2.6 million euro), mainly due to the decrease in impairment recorded in TREM and Ferconsult.

Table 19 – Operating Expenses

Operating Expenses (amounts in thousands of euro)	2019	2018	2017	Var. 2019/2018	
				Abs.	%
Personnel expenses	80 057	78 806	71 667	1 251	1,6
External supplies and services	36 879	34 799	32 164	2 080	6,0
Costs of goods sold and materials consumed	3 596	6 068	4 409	(2 472)	(40,7)
Losses attributed to subsidiaries	2 412	5 008	3 957	(2 597)	(51,8)
Impairments	-	54	123	(54)	(100,0)
Other expenses and losses	2 908	1 277	10 151	1 631	127,7
Provisions	-	-	30	0	-
Amortization	19 052	23 212	23 411	(4 160)	(17,9)
TOTAL	**144 903**	**149 224**	**145 913**	**(4 321)**	**(2,9)**

The Personnel Expenses evidence a 1.6% increase in comparison with the same period in the preceding year, which represented approximately 1.3 million euro.

Table 20 – Personnel Expenses

Personnel Expenses (amounts in thousands of euro)	2019	2018	2017	Var. 2019/2018	
				Abs.	%
Remunerations	56 232	55 556	50 253	676	1,2
Pension Supplement	12 523	12 704	12 522	(180)	(1,4)
Liabilities with Pensions	7 770	7 484	7 365	286	3,8
Other expenses	3 531	3 062	1 527	469	15,3
TOTAL	**80 057**	**78 806**	**71 667**	**1 251**	**1,6**
Wage bill	55 926	55 156	49 812	770	1,4

The main cause for this movement is related to new recruiting (+36 headcount) and the impact of the replacement of the rights established in collective employment regulatory instruments (CA I and CA II), pursuant to art. 145(1) of the DL 33/2018 and the application of the State Budget Laws from 2017 to 2019, which reflected an increase in remunerations resulting from the assessment process and the corresponding career developments, as well as the restitution of the payment of annuities.

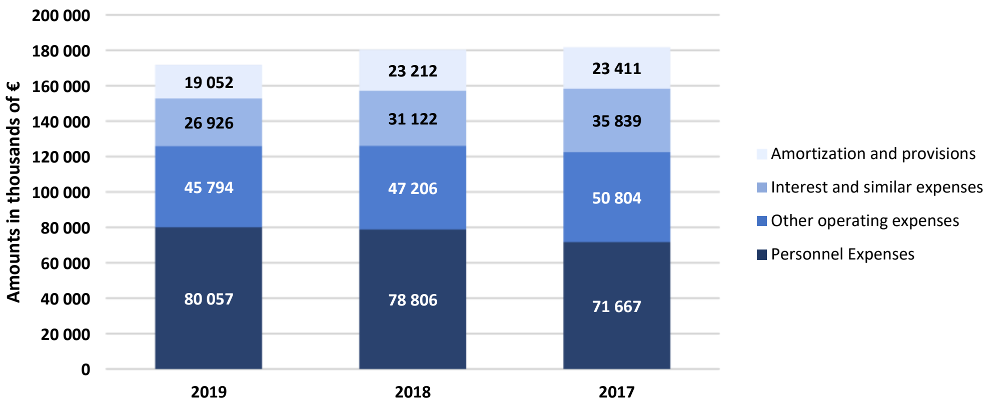
The Financial Profits registered a positive variation of about 4.2 million euro, according to the justification already provided at the beginning of the present item of the Report.

Table 21 – Financial Profits

Financial Profits (amounts in thousands of euro)	2019	2018	2017	Var. 2019/2018	
				Abs.	%
Other financial gains	-	-	2 715	0	-
Operating financial expenses	(26 926)	(31 122)	(35 839)	4 196	(13,5)
Interest incurred with bank financing/TFD(	(8 132)	(9 722)	(8 615)	1 590	(16,4)
Interest payable	(18 795)	(21 401)	(27 224)	2 606	(12,2)
TOTAL	**(26 926)**	**(31 122)**	**(33 124)**	**4 196**	**(13,5)**

Total Expenditure saw a decrease by 8.5 million euro, an evolution of -4.7% compared to the previous year.

Chart 6 – Evolution of Total Expenditure



Financial Flows

In 2019, the cash-flows generated by the operating activity maintained their positive trend, recording an amount of 17.3 million euro, as a result of the growth in fare revenue, with a special emphasis on the PART's subsidizing, and the reduction in payments to suppliers. In fact, such reduction was due to the volume of invoices related to investment expenses of 2019 only settled in January 2020.

The flow from the operating activity, along with the receipt of 27.3 million in investment subsidies (Environmental Fund and PIDDAC), released enough cash to cover investment expenses, and this activity recorded a surplus of 15.5 million euro. In addition, the operating cash surplus also made it possible to finance a small portion of expenses related to the amortization of financing and interest payments, also covered by capital increases and DGTF loans.

Table 22 – Variation of cash and its equivalents

STATEMENT OF CASH FLOWS (amounts in thousands of euro)	2019	2018	2017	Var. 2019/2018	
				Abs.	%
Flow of Operating Activities	17 324	3 666	692	13 658	372,6
Flow of Investment Activities	15 510	(12 114)	(5 524)	27 624	228,0
Flow of Financing Activities	(19 342)	2 662	1 891	(22 004)	(826,6)
Variation of cash and its equivalents	**13 492**	**(5 786)**	**(2 941)**	**19 278**	**333,2**
Cash and its equivalents at the beginning of the financial year	**16 238**	**22 024**	**24 965**	**(5 786)**	**(26,3)**
Cash and its equivalents at the end of the financial year	**29 730**	**16 238**	**22 024**	**13 492**	**83,1**

Since 2011, the 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[2], the Budget Implementation Law[3] 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, through the granting of loans and equity contributions, by means of money injections, whenever the funds are aimed for debt service or investment.

Metropolitano obtained loans amounting to 681.7 million euro (131.9 million euro through borrowings and 550 million euro in capital realization), while amortizing 471.5 million euro in bank loans as well as 229.5 million euro in loan expenses and losses. Thus, financing activities gave rise to a 19.3 million euro negative cash flow.

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

[3] 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 23 – Financing Activity

FINANCING ACTIVITIES (amounts in thousands of euro)	2019	2018	2017	Var. 2019/2018 Abs.	Var. 2019/2018 %
Cash receipts arising from:					
Equity Increases	549 784	175 196	192 051	374 589	213,8
Bank Loans - IGCP/TFDG	131 885	421 974	32 584	(290 089)	(68,7)
Hedging of losses	0	0	27 809	0	-
Financing	**681 669**	**597 170**	**252 444**	**84 499**	**14,1**
Cash payments regarding to:					
Bank Loans	71 503	71 503	71 587	(0)	(0,0)
Leasing operations	0	24 954	15 314	(24 954)	(100,0)
Bond loan	400 000	0	0	400 000	-
Interest and similar expenses	229 508	498 051	163 652	(268 543)	(53,9)
Payments	**701 011**	**594 508**	**250 553**	**106 503**	**17,9**
Cash flows from financing activities	**(19 342)**	**2 662**	**1 891**	**(22 004)**	**(826,6)**

Investments made

In 2019, Gross Fixed Capital Formation has recorded an amount of approximately 13.9 million euro, which includes the investments amounts which were capitalized in the Company's Fixed Assets accounts. In comparison with 2018, a 7.3% increase in the amount of investments made was observed, which may be broken down according to the following details:

Long-term Infrastructure (LTI)

- **Rato/Cais do Sodré Extension:** 1.5 million euro, related to technical assistance – preliminary study and draft project, monitoring of geotechnical structure and expropriations studies;
- **Blue Line Refurbishment:** 1.3 million euro, with intervention in several stations, with emphasis on the Colégio Militar (428 thousand euro) and Terreiro do Paço (185 thousand euro) stations;
- **Green line refurbishment:** 1.2 million euro, mainly in Areeiro (507 thousand euro) and Arroios (371 thousand euro) stations;
- **Red line refurbishment:** 4 million euro, mostly in the Olivais station (3.5 million euro);

Metropolitano de Lisboa

- **Basic Equipment:** 1.9 million euro, of which 950 thousand euro allocated to the ticketing and telematics project and 778 thousand euro to the project of car rehabilitation with reference to the various ML series;
- **Administrative Equipment:** 1.4 million euro, and we should highlight the amount allocated to software and hardware (1.2 million euro);
- **Buildings and Other Constructions**: relative to interventions in the Depot and Workshop II and III.

Table 24 – Investment expenditure

Investment Expenditure (amounts in euro)	GFCF Gross Fixed Capital Formation	ITC Investment at Technical Costs	IE Investment Expenditure
LTI	**9 666 676**	**12 694 162**	**12 694 162**
National Action Plan on Accessibilities	775 315	1 013 643	1 013 643
Rato/Cais do Sodré Extension	1 495 452	1 955 144	1 955 144
Blue Line Refurbishment	1 286 053	1 681 378	1 681 378
Yellow Line Refurbishment	18 436	133 408	133 408
Green Line Refurbishment	1 180 254	1 486 580	1 486 580
Red Line Refurbishment	4 043 615	5 289 781	5 289 781
Global Network Refurbishment	867 550	1 134 230	1 134 230
Self-investment	**0**	**0**	**0**
ML	**4 118 421**	**4 118 421**	**4 118 421**
Buildings and other Constructions	639 267	639 267	639 267
Basic Equipment	1 934 859	1 934 859	1 934 859
Tools and Utensils	158 494	158 494	158 494
Transport Equipment		0	0
Administrative Equipment	1 385 802	1 385 802	1 385 802
Self-investment	**0**	**0**	**0**
Investment on Behalf of Third Parties	**143 622**	**187 771**	**187 771**
Investment on Behalf of Third Parties	143 622	187 771	187 771
Total investments	**13 928 719**	**17 000 354**	**17 000 354**

Table 25 – Evolution of Investment

Investments (amounts in euro)	2019	2018	2017	Var. 2019/2018	
				Abs.	%
Gross Fixed Capital Formation (GFCF)	13 928 719	12 982 703	4 951 992	946 016	7,3
Investment at Technical Costs (ITC)	17 000 354	16 109 060	7 147 029	891 294	5,5
Investment Expenditure (IE) - includes financial costs	17 000 354	16 681 656	7 422 547	318 698	1,9

Asset Structure

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 5,517 million euro, distributed as follows:

Table 26 – Total Assets

Assets (amounts in thousands of euro)	2019	2018	2017	Var. 2019/2018	
				Abs.	%
Non-Current	5 250	5 112	5 020	138	2,7
Current	0	0	0	0	-
LTI	**5 250**	**5 112**	**5 020**	**138**	**2,7**
Non-Current	188	198	215	(10)	(5,1)
Current	79	68	77	11	16,5
ML	**267**	**266**	**293**	**1**	**0,4**
Total Assets	**5 517**	**5 378**	**5 313**	**139**	**2,6**

The increase in Assets in LTI derive mainly from financial expenses related to LTI (+133.8 million euro), and new LTI investments (+12.8 million euro, of which 9.9 M€ are related to fixed assets in progress). It also contributed to the variation in LTI Assets, the recognition of a loss relative to the fair value of derivatives associated with the LTI (-5.3 million euro), and the reduction in State subsidies (-2.8 million euro).

Liabilities and Equity

Table 27 – Liabilities and Equity

Liabilities and Equity (amounts in thousands of euro)	2019	2018	2017	Var. 2019/2018	
				Abs.	%
Non-Current	2 079	2 326	2 707	(247)	(10,6)
Current	1 041	1 206	900	(165)	(13,6)
LTI	**3 120**	**3 532**	**3 607**	**(412)**	**(11,7)**
Non-Current	553	582	482	(30)	(5,1)
Current	593	521	621	72	13,7
ML	**1 146**	**1 104**	**1 103**	**42**	**3,8**
Total liabilities	**4 266**	**4 636**	**4 709**	**(370)**	**(8,0)**
Equity	1 251	742	603	509	68,6
Total liabilities and equity	**5 517**	**5 378**	**5 313**	**139**	**2,6**

The 8% reduction (-370 million euro) in total Liabilities is mainly due to the amortization of a bond loan of 400 million euro which took place in 2019. We also highlight the reduction of the amount recorded in liabilities related to derivative financial instruments (-67 million euro). Moreover, there was an increase in new financing (131.9 million euro). We should also mention the increase of the suppliers balance in comparison with the previous year, which recorded a 8.4 million euro variation, due, on the one hand, to the increase in investment, whose average payment terms are between 60 and 90 days, and, on the other, to the reduction in cash resources, in the light of the use of 15 million euro of the management balance for the payment of financial derivatives, as authorized by the Supervisory Authority, by means of the Order SEO/322/2019.

Equity, amounting to 1,251 million euro, maintain its growing trend, as a result of the support from the State by means of equity reinforcements.

It should be mentioned that, in 2019, ML continued to recover its structure indicators, reflected in a 8.9 percentage points growth in its Financial Autonomy ratio and a 13.3 percentage points 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 28 – ML's Rating

Metro's Rating	Standard & Poor's	
	Rating	Outlook
19th of February 2018	BBB-	Stable
18th of March 2019	BBB	Stable
16th of September 2019	BBB	Positive
26th of February 2020	BBB	Positive

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:

- Continuation of the State's financial support added to the fact most of the debt held by ML is secured by the Portuguese Republic;
- Support and engagement in meeting debt service commitments, as demonstrated by the State, with funds allocated in the budget for 2019 for such purposes.

Evolution of Remunerated Liabilities

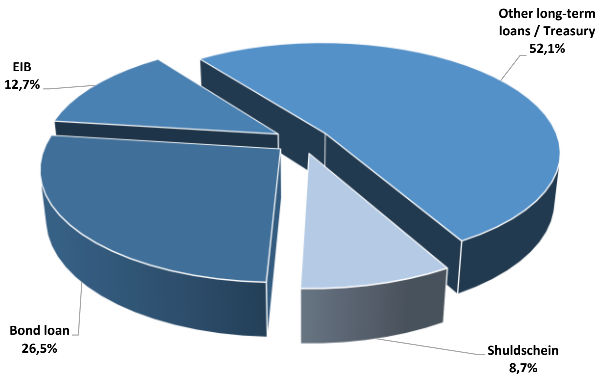
Metropolitano de Lisboa had amortized 471.5 million euro in debt, and entered into new loans totalling 131.9 million euro, which resulted in an approximately 9% decrease in its remunerated liabilities.

Table 29 – Structure Remunerated Liabilities

Remunerated Liabilities (amounts in thousands of euro)	2019	2018	2017	Var. 2019/2018	
				Abs.	%
Bond loan	910 000	910 000	1 310 000	0	0,0
EIB	220 826	437 341	508 844	(216 515)	(49,5)
Other long-term loans / Treasury	505 253	517 937	170 204	(12 685)	(2,4)
Shuldschein	300 000	300 000	300 000	0	0,0
Medium and long-term debt	**1 936 079**	**2 165 279**	**2 289 048**	**(229 200)**	**(10,6)**
Debenture loans	0	400 000	0	(400 000)	(100,0)
EIB	216 515	71 503	71 503	145 012	202,8
Other short-term loans / Treasury	1 287 453	1 142 883	1 068 642	144 570	12,6
Financial leasing	0	0	11 470	0	-
Short-term debt	**1 503 967**	**1 614 386**	**1 151 615**	**(110 418)**	**(6,8)**
Total	**3 440 046**	**3 779 664**	**3 440 663**	**(339 618)**	**(9,0)**

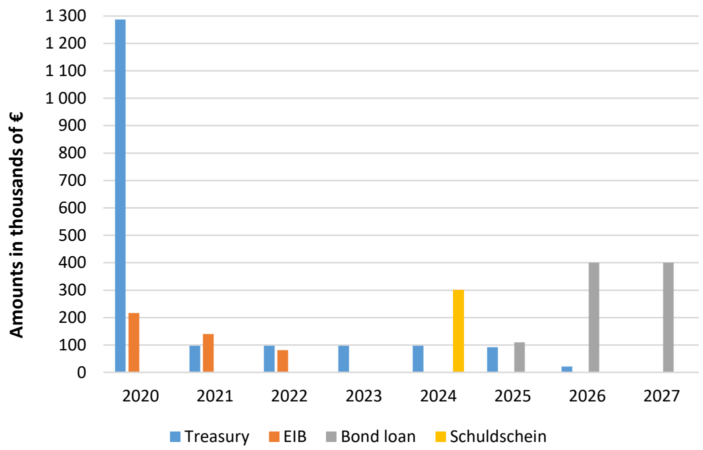
Regarding the company's debt structure, Treasury bond debts (52.1%) and debenture loans (26.5%) correspond to the financing with a greater proportion, in relation to the total ML's debt.

Chart 7 – Indebtedness distribution



The amortization of a considerable part of the Treasury bond debts is expected to for 2020, following the foreseen operation of converting the current debt (LTI and ML) by means of incorporation into the State's assets – Receivables.

Chart 8 – Loan Maturity



Evolution of the implicit interest rate

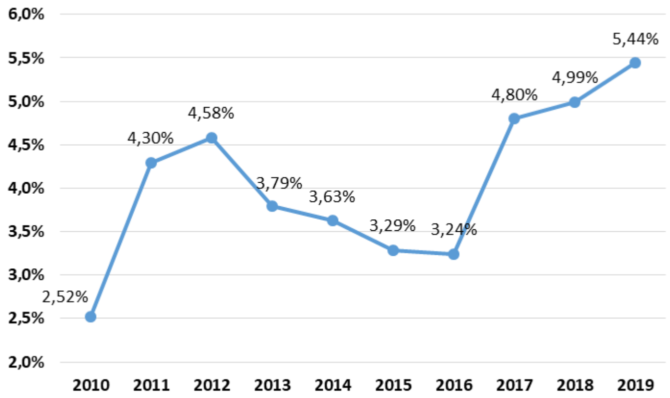
Chart 9 evidences the evolution of the implicit interest rate since 2010, regarding indebtedness.

Interest rates presented an unfavourable evolution between 2010 and 2012. With the decline in reference interest rates, the cash flows generated by risk hedging 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.

Since 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, a fact which has contributed for recording an upward trajectory in the implicit interest rate since that period.

Chart 9 – Implicit interest rate



Productivity

From analysing the table below, it is evidenced that the ML keeps its supply growth trend, thus responding to the number of passengers carried increase, pursuing its objective of service levels' improvement.

Table 30 – Productivity Indicators

PRODUCTIVITY INDICATORS	2019	2018	2017	Var. 2019/2018	
				Abs.	%
Average Rkm (Railcars x km)/Headcount	19 251	18 360	17 770	891	4,9
Average PSK (Passenger Spaces x km)/Headcount 10^3	2 464	2 350	2 275	114	4,9

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

- Ckm (cars x km) and Psk (Passenger Seats x km): +6.4%;
- Average Headcount: +1.5%

7. Proposal for the Application of Profits

For purposes of complying with article 7(2)(e) of Metropolitano de Lisboa, E.P.E.'s Statutes, the Board of Directors proposes that the loss computed for the financial year ended on the 31st of December 2019, amounting to 16,873,276.72 euro, is fully transferred to the profits carried over account.

The financial statements attached to the present report evidence the loss of half of the share capital, according to the provisions set out in article 35 of the Portuguese Companies Code.

The Board of Directors will submit the adoption of measures intended to replenish the Company's share capital to a shareholder's resolution, namely through a capital increase.

The Board of Directors

Eng.º Vítor Manuel Jacinto Domingues dos Santos

Eng.ª Maria Helena Arranhado Carrasco Campos

Dr. Pedro Miguel de Bastos Veiga da Costa

Lisbon, the 28th of July 2020

8. Attachments

8.1 Compliance with Legal Guidelines

1. Management Objectives and Activity and Budget Plan

Table 31 – Management Objectives

	YEAR 2019 REAL	YEAR 2019 ABP	Status of Implementation	Notes/ Justification for deviations
Financial Principles of Reference				
Operational Efficiency (ratio of operating expenses related to business volume equal or minor than the estimated for 2018)	100,5%	97,4%		The business volume contemplated on the ABP 2019 for the calculation of this ratio doesn't include the loss of receipts, due to the application of PART. If, on one way we got,-1 M€ of BN, in the other, the operating expenses were bigger in 2,6 M€.
PRC (1) - maintenance or reduction of personnel expenses related to the value projected for 2018	9,2%	1,0%		The increase in personnel expenses, related to 2018 was bigger than expected due to the overvaluation of these expenses on the total estimated for 2018, contemplated on the ABP 2019.
PRC (2) - maintenance or reduction of expenses related to travel, daily allowances and accommodation comparing to the value projected for 2018	-51,9%	-36,2%		The reduction of expenses related to travel, daily allowances and accommodation was bigger than the contemplated on ABP 2019.
PRC (3) - maintenance or reduction of expenses related to car fleet, comparing to the value projected for 2018	1,6%	-7,2%		Despite the expected reduction on car fleet expenses on ABP 2019, that was not possible due to the renewal of the fleet and to the undervaluation of the expected leasing operational costs.
PRC (4) - maintenance or reduction of expenses related to procurement of studies, opinions, projects and consulting	37,9%	-0,9%		Growth justified by studies, opinions, projects and consulting, within the scope of the expansion of the Metro's network.
Investment				
Long Term Infrastructure	9 666 676 €	48 645 765 €	19,9%	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	777 610 €	2 066 667 €	37,6%	
Other Investments	3 484 433 €	18 904 870 €	18,4%	
TOTAL	**13 928 719 €**	**69 617 302 €**	**20,0%**	
Human Resources Indicators				
Headcount number on the 31st of December	1 452	1 512	96,0%	Only was approved by the Shareholder, the increase of the headcount in 36 workers, according to the information contemplated on point 13 -Structure optimization measures of operating expenses.
Indebtedness				
Indebtedness variation	3,30%	-7,33%		It wasn't accomplished the operation of current debt conversion TGDF related to LTI, by incorporation in State assets, as suggested in ABP 2019. Read point 3 of the present chapter.

Table 32 – Status of Implementation of the budget uploaded on SIGO/SOE

Item		Budget	Realization	Status of implementation	Justification
R05.07	07-CAPITAL EARN - GENERAL REVENUES	131 220 €	131 220 €	100,0%	
R06.03	03-CENTRAL ADMINISTRATION	43 394 200 €	30 275 463 €	69,8%	Despite being estimated for the attribution of fare compensation the amount of 17,1 M€, only was received 4 M€ - RCM 156/2019
R07.02	02-SERVICES	143 071 565 €	126 915 426 €	88,7%	This item contains 15 M€ as payment for the concession contract: This type of payment was only to be applied when and if the revision of the contract is approved, which not occurred until the end of 2019, so we have to consider that the budget was overestimated.
R08.01	01-OTHERS	5 730 987 €	5 730 987 €	100,0%	
R09.03	03-BUILDINGS	500 000 €	0 €	0,0%	This budget is referred to income regarding rents from some properties, whose financial realization item was R07.02.
R09.04	04-OTHER CAPITAL GOODS	2 800 €	2 800 €	100,0%	
R10.03	CENTRAL ADMINISTRATION	1 300 000 €	968 212 €	74,5%	Despite the expected allocation of 1,3 M€ by PIDACC, it wasn't transferred the total amount of these budget.
R10.09	09-EUROPEAN UNION	14 035 800 €	0 €		If, by one side, there was a delay in the adjudication of the works contract regarding RA/CS, by the other side, there wasn't any FINANCIAL transfer from POSEUR, given the fact that the application process for this project only concluded on the final part of 2019..
R12.06	06-FINANCIAL SUPPORT	148 941 847 €	131 884 780 €	88,5%	Readjustment of the budget allocation and financing amounts initially provided and approved in the State Budget for 2019, for the authorization granted by the order n.º 322/2019/SEO, regarding the partial spending of the management balance 2019 (15 M€).
R12.07	07-OTHER FINANCIAL LIABILITIES	568 654 706 €	549 784 212 €	96,7%	
R15.01	01-REFUNDS NOT DEDUCTED IN PAYMENTS	717 066 €	717 065 €	100,0%	
R16.01	01- MANAGEMENT BALANCE	16 237 585 €	16 237 585 €	100,0%	
R17.02	00 - OTHER TREASURY OPERATIONS	0 €	172 143 €	-	Extra - budgetary revenue

Item		Budget	Realization	Status of implementation	Justification
D01.01	01-CERTAIN AND PERMANENT EARNINGS	51 548 879 €	51 099 873 €	99,1%	The item D.01 was object of a captivation in the amount of 0,4 M€.
D01.02	02-VARIABLE OR POTENTIAL ALLOWANCES	4 313 499 €	4 170 964 €	96,7%	
D01.03	03-SOCIAL SECURITY	25 952 023 €	25 855 946 €	99,6%	
D02.01	01-ACQUISITION OF GOODS	5 657 436 €	4 704 836 €	83,2%	The budget deviation lies primarily in the reduction of the sales of occasional tickets , which gave us the chance to reduce the need for the acquisitions of this type of good.
D02.02	02-ACQUISITION OF SERVICES	54 442 564 €	40 758 564 €	74,9%	Despite there was a budget reinforcement in counterpart of investment(1,4 M€), the captivation was kept at the amount of 11,2 M€.
D03.05	05-OTHER INTEREST	236 422 713 €	218 173 380 €	92,3%	In this budget are included 16,2 M€ of the management balance of 2018.
D03.06	06-OTHER FINANCIAL COSTS	1 062 795 €	198 625 €	18,7%	It's essentially due to the delay in some work contracts which are in litigation, which resulted in low payments in late-payment interest.
D06.02	02-MISCELLANEOUS	14 534 039 €	3 983 152 €	27,4%	The low execution , regarding the investment, didn't' go by the budget allocation of the calculus of tax payment. In the budget there are still 9,2 M € for Reserve
D07.01	01-INVESTMENTS	23 780 790 €	3 412 915 €	14,4%	If, by one side, the ABP 2019 approval in the 28th of Juin, restricted investiment expenditure to 45 Millions of euros, by the other, this diference is essentially related to the lack of realization of the Modernization project (CBTC), by the delay in the adjudication which occured already in 2020. More so, contributed to this diference, the delay in the works contract of the remodelation of the administrative building (PMO III) ,the lack of realization in the project of replacement of carriage's doors, and the delay in the procurement for the acquisition of the up-grade for the scale management system (PLAGO).
D07.02	02-FINANCIAL LEASES	25 000 €	0 €	0,0%	
D07.03	03-PUBLIC DOMAIN ASSETS	53 440 462 €	9 057 169 €	16,9%	If, by one side, the ABP 2019 approval in the 28th of Juin, restricted investiment expenditure to 45 Millions of euros, by the other, this diference reflects mainly the lack of realization of the project RA/CS (-27,5 M€), by the delay in the procurement of the works contract , which adjudication of Lote 1 was made on the second quarter of 2020. By the other way, there were delays in the execution of the main works contract regarding the improvement of conditions on the ML network: Olivais, Areeiro e Arroios.
D10.06	06-MEDIUM AND LONG TERM LOANS	471 537 576 €	471 502 576 €	100,0%	
D12.02	00-OTHER TREASURY OPERATIONS	0 €	172 143 €	-	Extra - budgetary expenses

2. Financial Risk Management

Table 33 – Evolution of the annual average rate of financing and incurred interest

Years	2019	2018	2017	2016	2015
Financial costs (€)	218 372 006	498 051 303	163 652 365	116 271 878	91 461 531
Average Financing Rate (%)	5,44	4,99	4,80	3,24	3,29

3. Indebtedness growth limit

Table 34 – Remunerated liabilities and indebtedness variation

Un: €

Remunerated Liabilities	2019	2018	Variation 2019/2018	
	Amount(s€)		Amount	%
Remunerated Loans obtained (Current and non-current	3 440 046 437	3 779 664 233	-339 617 796	-9,0
- of which granted by the TFDG	1 792 705 367	1 660 820 587	131 884 780	7,9
Equity increases by budget allocation	549 784 212	175 195 680	374 588 532	213,8
Equity increase by credit conversion	0	0	0	-
Share Capital	3 093 575 218	2 543 791 006		
New Investments	1 498 032	2 687 953		
Indebtedness variation	**3,30%**			

It was not possible for the ML to comply with the limit of the indebtedness variation (2.0%), essentially due to the failure to convert LTI liabilities (DGTF current debt), by incorporation into State assets (operation provided for in the ABP 2019), the amount of which provided for a reduction of interest-bearing financing of 671.8 M€.

4. Average Period for Payment

Table 35 – Average Period for Payments

APP	2019	2018	Variation 2019/2018	
			Amount	%
Period (days)	47	12	35	291,7

Table 36 – Overdue Debts

Overdue Debts (amount in Euros)	Amount (€)	Overdue debts amount pursuant to article 1 of the DL 65-A/2011 (€)			
	0-90 days	90-120 days	120-240 days	240-360 days	> 360 days
Purchase of Goods and Servic	3 712 140	1 102 242	4 581	0	4 898
Purchase of Equity	90 084	0	0	0	36 044
Total	**3 802 224**	**1 102 242**	**4 581**	**0**	**40 942**

The amounts indicated as overdue for over 90 days refer to the offsetting procedure regarding other operators.

5. Shareholder's Recommendations

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

Bearing in mind the Shareholder has not yet approved the company's accounts for 2014, 2015, 2016, 2017 and 2018, for the purposes of this section, no relevant specific recommendations were transmitted to the Company.

6. Remunerations

a) Corporate Bodies

Board of Directors – 01-01-2019 to 28-02-2019

Table 37 – Identification of the members of Board of Directors (01-01-2019 to 28-02-2019)

Term (Start - End)	Position	Name	Appointment		OPRLO			No. of terms
			Form	Date	Yes/No	Entity of Origin	Paying Entity(O/D)	
2017-2019	Chairman	Eng. Vitor Manuel Jacinto Domingues dos Santos	RCM no. 16/2017	16/01/2017	No	n.a.	D	1
2017-2019	Board Men	Mr. Luís Carlos Antunes Barroso	RCM no. 16/2017	16/01/2017	No	n.a.	D	1
2017-2019	Board Men	Eng. Maria Helena Arranhado Carrasco Campos	RCM no. 16/2017	16/01/2017	No	n.a.	D	1

Table 38 – Accumulation of Roles (01-01-2019 to 28-02-2019)

Member of the BD	Accumulation of Roles		
	Entity	Role	Regime
Eng. Vitor Manuel Jacinto Domingues dos Santos	FERCONSULT	Chairman	Public
	METROCOM	Chairman	Public
Mr. Luís Carlos Antunes Barroso	METROCOM	Director	Public
	FERCONSULT (since 21/11/2018)	Director	Public
	TREM A.C.E. (since 30/03/2018)	Chairman	Public
	TREM II A.C.E. (since 30/03/2018)	Chairman	Public
	OTLIS A.C.E. (since 02/04/2018)	Director	Public
Eng. Maria Helena Arranhado Carrasco Campos	FERCONSULT	Director	Public
	METROCOM (since 14/05/2018)	Director	Public

Table 39 – Public Manager Statute (01-01-2019 to 28-02-2019)

Member of the BD (Name)	PMS			
	Fixed	Classification	Monthly gross remuneration	
	[Y/N]	[A/B/C]	Monthly wage	Representation expenses
Eng. Vitor Manuel Jacinto Domingues dos Santos	S	B	4 864,34	1 945,74
Mr. Luís Carlos Antunes Barroso	S	B	3 891,47	1 556,59
Eng. Maria Helena Arranhado Carrasco Campos	S	B	3 891,47	1 556,59

Table 40 – Annual Remuneration (01-01-2019 to 28-02-2019)

Member of the BD (Name)	Annual Remuneration - 2019 (€)				
	Fixed	Variable	Gross Amount	Remuneration Reductions	Final Gross Amount
	(1)	(2)	(3)=(1)+(2)	(4)	(5)=(3)-(4)
Eng. Vitor Manuel Jacinto Domingues dos Santos	13 620,16	0,00	13 620,16	681,02	12 939,14
Mr. Luís Carlos Antunes Barroso	10 896,12	0,00	10 896,12	540,80	10 355,32
Eng. Maria Helena Arranhado Carrasco Campos	10 896,12	0,00	10 896,12	540,80	10 355,32
			35 412,40	**1 762,62**	**33 649,78**

(1) The Fixed remuneration amount corresponds to the wage + representation expenses (without reductions)
(4) Reduction provided in article 12 of the Law 12-A/2010, of the 30th of June

Table 41 – Social Benefits (01-01-2019 to 28-02-2019)

Member of the BD (Name)	Social Benefits (€)							
	Meal Allowance		Social Protection Scheme		Annual Cost Health Insurance	Annual Cost Life Insurance	Other	
	Amount / Day	Paid amount Year	Identity	Annual Cost			Identity	Amount
Eng. Vitor Manuel Jacinto Domingues dos Santos	10,35	372,60	SNS	3 120,75	93,72		Work accidents insurance	191,69
Mr. Luís Carlos Antunes Barroso	10,35	403,65	CGA SAMS CGD	2 458,44 723,04 90,96	93,72		Work accidents insurance	154,87
Eng. Maria Helena Arranhado Carrasco Campos	10,35	382,95	CGA	2 458,44	93,72		Work accidents insurance	154,58
		1 159,20		**8 851,63**	**281,16**	**0,00**		**501,14**

Table 42 – Costs with Vehicles (01-01-2019 to 28-02-2019)

Member of the BD	Costs with vehicles - 2019								
	Attributed Vehicle [Y/N]	Conclusion of agreement	Vehicle reference amount	Type	Year Start	Year End	Monthly rental amount(€)	Annual rental expenditure	Remaining Agreement Instalments (n.º)
Eng. Vitor Manuel Domingues dos Santos	S	S	45 353,00 €	AOV	2017	2021	617,95 €	1 853,85 €	24
Mr. Luís Carlos Antunes Barroso	S	S	41 401,00 €	AOV	2017	2021	555,23 €	1 665,69 €	24
Eng. Maria Helena Arranhado Carrasco Campos	S	S	42 072,00 €	AOV	2017	2021	558,55 €	1 675,65 €	24

Table 43 – Annual Mission Traveling Expenses (01-01-2019 to 28-02-2019)

Member of the BD	Annual Mission Traveling Expenses (€)					
	Mission Traveling	Accommodation Costs	Daily Allowances	Other		Total Costs with traveling
				Identity	Amount	
Eng. Vitor Manuel Domingues dos Santos	189,00	444,17	187,65	-	0,00	820,82
Mr. Luís Carlos Antunes Barroso	0,00	0,00	0,00	-	0,00	0,00
Eng. Maria Helena Arranhado Carrasco Campos	0,00	0,00	0,00	-	0,00	0,00
						820,82

Board of Directors – 01-03-2019 to 31-12-2019

Table 44 – Identification of the members of Board of Directors (01-03-2019 to 31-12-2019)

Term (Start - End)	Position	Name	Appointment		OPRLO			No. of terms
			Form	Date	Yes/No	Entity of Origin	Paying Entity(O/D)	
2019-2021	Chairman	Eng. Vítor Manuel Jacinto Domingues dos Santos	RCM no. 56/2019	15/03/2019	No	n.a.	D	1
2019-2021	Board Member	Eng. Maria Helena Arranhado Carrasco Campos	RCM no. 56/2019	15/03/2019	No	n.a.	D	1
2019-2021	Board Member	Mr. Pedro Miguel de Bastos Veiga da Costa	RCM no. 56/2019	15/03/2019	No	n.a.	D	1

Table 45 – Accumulation of Roles (01-03-2019 to 31-12-2019)

Member of the BD	Accumulation of Roles	
	Entity	Role
Eng. Vítor Manuel Jacinto Domingues dos Santos	FERCONSULT	Chairman
	METROCOM	Chairman
Eng. Maria Helena Arranhado Carrasco Campos	FERCONSULT	Director
	METROCOM (since 14/05/2018)	Director
Mr. Pedro Miguel de Bastos Veiga da Costa	METROCOM (since 01/03/2019)	Director
	TREM A.C.E. (since 01/03/2019)	Chairman
	TREM II A.C.E. (since 01/03/2019)	Chairman

Table 46 – Public Manager Statute (01-03-2019 to 31-12-2019)

Member of the BD (Name)	PMS			
	Fixed	Classification	Monthly gross remuneration	
	[Y/N]	[A/B/C]	Monthly wage	Representation expenses
Eng. Vítor Manuel Jacinto Domingues dos Santos	S	B	4 864,34	1 945,74
Eng. Maria Helena Arranhado Carrasco Campos	S	B	3 891,47	1 556,59
Mr. Pedro Miguel de Bastos Veiga da Costa	S	B	3 891,47	1 556,59

Table 47 – Annual Remuneration (01-03-2019 to 31-12-2019)

Member of the BD (Name)	Annual Remuneration - 2019 (€)				
	Fixed	Variable	Gross Amount	Remuneration Reductions	Final Gross Amount
	(1)	(2)	(3)=(1)+(2)	(4)	(5)=(3)-(4)
Eng. Vítor Manuel Jacinto Domingues dos Santos	77 829,48	0,00	77 829,48	3 907,75	73 921,73
Eng. Maria Helena Arranhado Carrasco Campos	62 263,54	0,00	62 263,54	3 113,14	59 150,40
Mr. Pedro Miguel de Bastos Veiga da Costa	60 966,38	0,00	60 966,38	3 048,28	57 918,10
			201 059,40	**10 069,17**	**190 990,23**

(1) The Fixed remuneration amount corresponds to the wage + representation expenses (wi thout reductions)

(4) Reduction provided in article 12 of the Law 12-A/2010, of the 30th of June

Table 48 – Social Benefits (01-03-2019 to 31-12-2019)

Member of the BD (Name)	Social Benefits (€)						
	Meal Allowance		Social Protection Scheme		Annual Cost Health Insurance	Other	
	Amount / Day	Paid amount Year	Identity	Annual Cost		Identity	Amount
Eng. Vitor Manuel Jacinto Domingues dos Santos	10,35	1 728,45	SNS	17 854,75	468,60	Works accidents insurance	956,50
Eng. Maria Helena Arranhado Carrasco Campos	10,35	2 101,05	CGA	14 048,22	468,60	Works accidents insurance	775,55
Mr. Pedro Miguel de Bastos Veiga da Costa	10,35	1 852,65	SNS	13 992,77	468,60	Works accidents insurance	771,98
		5 682,15		**45 895,74**	**1 405,80**		**2 504,03**

Table 49 – Costs with Vehicles (01-03-2019 to 31-12-2019)

Member of the BD	Costs with vehicles - 2019							
	Attributed Vehicle [Y/N]	Vehicle reference amount	Type	Year Start	Year End	Monthly rental amount(€)	Annual rental expenditure	Remaining Agreement Instalments (n.º)
Eng. Vitor Manuel Domingues dos Santos	S	45 353,00 €	AOV	2017	2021	618,20 €	5 563,80 €	15
Eng. Maria Helena Arranhado Carrasco Campos	S	42 072,00 €	AOV	2017	2021	558,80 €	5 029,20 €	15
Mr. Pedro Miguel de Bastos Veiga da Costa	S	41 401,00 €	AOV	2017	2021	555,48 €	4 999,32 €	15

Table 50 – Annual Mission Traveling Expenses (01-03-2019 to 31-12-2019)

Member of the BD	Annual Mission Traveling Expenses (€)				
	Mission Traveling	Daily Allowances	Other		Total Costs with traveling
			Identity	Amount	
Eng. Vitor Manuel Domingues dos Santos	2 628,01	1 414,35	-	0,00	6 404,36
Eng. Maria Helena Arranhado Carrasco Campos		225,90	-	0,00	225,90
Mr. Pedro Miguel de Bastos Veiga da Costa	5 378,22	650,60	-	0,00	8 371,82
					15 002,08

Supervisory Board

Table 51 – Identification of the Supervisory Board

Term (Start - End)	Position	Name	Appointment		Monthly Fixed Remuneration(€)	No. of terms
			Form	Date		
2017-2019	Chairman	Mr. José Carlos Pereira Nunes	DC SETF and SEAMB	11/01/2017	1 362,01	2 (2)
2017-2019	Effective Board	Mrs. Cristina Maria Pereira Freire	DC SETF and SEAMB	11/01/2017	1 021,51	1
2017-2019	Effective Board	Mrs. Margarida Carla Campos Freitas Taborda	DC SETF and SEOPTC	11/01/2017	1 021,51	1
2017-2019	Substitute Boarc	Mrs. 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 the Treasury and Finances and the Assistant Secretary of State for the Environment.

(2) Mr. José Carlos Pereira Nunes 1st term has been completed as an effective board member.

Table 52 – Annual Remuneration of the Supervisory Board (2019)

Name	Annual Remuneration (€) Gross (1)	Remuneration Reductions (2)	Final amount (3)=(1)-(2)
Mr. José Carlos Pereira Nunes	19 068,14	0,00	19 068,14
Mrs. Cristina Maria Pereira Freire	14 301,14	0,00	14 301,14
Mrs. Margarida Carla Campos Freitas Taborda	14 301,14	0,00	14 301,14
Mrs. Maria Teresa Vasconcelos Abreu Flor de Morais	0,00	0,00	0,00
			47 670,42

Chartered Accountant (Auditor)

Table 53 – Identification of the Chartered Accountant (Auditor) (in term until 14-10-2019)

Term (Start - End)	Position	Audit firm/Chartered Accountant (Auditor) Identification: Name	OROC Registry no.	CMVM Registry no.	Appointment: Form	Date	Date of the Agreement	No. of years of services performed in the group	No. of years of services performed in the society
2015-2017	SROC	Alves da Cunha, A. Dias & Associados, SROC, Lda. represented by:	74	20161409	Order	18/03/2015	18/03/2015	4	4
	Effective Chartered Accountant	Mr. José Luís Areal Alves da Cunha	585	20160240					
	Substitute Chartered accountant	Mr. Abílio Ançã Henriques	413	20160121					

(1) Notwithstanding the end of the term, the Chartered Accountant (Auditor) maintained in office during the financial year under analysis until the beginning of the new term.

Table 54 – Identification of the Chartered Accountant (Auditor) (new term)

Term (Start - End)	Position	Audit firm/Chartered Accountant (Auditor) Identification: Name	OROC Registry no.	CMVM Registry no.	Appointment: Form	Date	Date of the Agreement	No. of years of services performed in the group	No. of years of services performed in the society
2019-2021	SROC	Alves da Cunha, A. Dias & Associados, SROC, Lda., represented by:	74	20161409	Order	15/10/2019	15/10/2019	5	5
	Effective Chartered Accountant	Mr. José Luís Areal Alves da Cunha	585	20160240					
	SROC	Oliveira, Reis & Associados, SROC, Lda., represented by:	23	20161381					
	Substitute Chartered accountant	Mr. Joaquim Oliveira de Jesus	1056	20160668					

Table 55 – Annual amount of the service provision agreement of the Chartered Accountant (Auditor)

(Chartered Accountant (Auditor)/Statutory Au	Annual amount of the Services Provision Agreement - 2019 (€): Amount (1)	Reductions (2)	Final Amount (3)=(1)-(2)	Annual amount of Additional Services - 2019 (€): Service Identification	Amount (1)	Reductions (2)	Final Amount (3)=(1)-(2)
Alves da Cunha, A. Dias & Associados, SROC	27 360,00	0,00	**27 360,00**		0,00	0,00	**0,00**

External Auditor

Table 56 – Identification of the External Auditor

Identification of the External Auditor: Name of External Auditor	OROC No.	CMVM No.	Contracting Date	Agreement Duration	No. of years of services performed in the	No. of years of services performed in the society
BDO & ASSOCIADOS, SROC, LDA. Represented by:	29	20161384	05/12/2019	1 year	4	4
Mr. Rui Carlos Lourenço Helena	923	20160541				

Table 57 – Annual amount of the service provision agreement of the External Auditor

Name of External Auditor	Annual amount of the Services Provision Agreement - 2019 (€)			Annual amount of Additional Services - 2019 (€)			
	Amount (1)	Reductions (2)	Final Amount (3)=(1)-(2)	Service Identification	Amount (1)	Reductions (2)	Final Amount (3)=(1)-(2)
BDO & ASSOCIADOS, SROC, LDA.	29 780,00	0,00	**29 780,00**	-	0,00	0,00	**0,00**

7. Public Manager Statute

a) In 2019, 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 on the Company's behalf;

b) There were no reimbursements of expenses made for personal representation purposes;

c) Amount for communication expenses:

Board of Directors – 01-01-2019 to 28-02-2019

Table 58 – Communication Expenses (01-01-2019 to 28-02-2019)

Member of the BD	Communication Expenses (€)		
	Monthly Defined Limit	Annual Amount	Notes
Eng. Vitor Manuel Domingues dos Santos	80,00	21,32	
Mr. Luís Carlos Antunes Barroso	80,00	31,35	
Eng. Maria Helena Arranhado Carrasco Campos	80,00	23,84	
		76,51	

Board of Directors – 01-03-2019 to 31-12-2019

Table 59 – Communication Expenses (01-03-2019 to 31-12-2019)

Member of the BD	Communication Expenses (€)		
	Monthly Defined Limit	Annual Amount	Notes
Eng. Vitor Manuel Domingues dos Santos	80,00	205,63	
Eng. Maria Helena Arranhado Carrasco Campos	80,00	170,53	
Mr. Pedro Miguel de Bastos Veiga da Costa	80,00	143,37	
		519,53	

d) Monthly amount for fuel and tolls allocated to the service vehicles:

Board of Directors – 01-01-2019 to 28-02-2019

Table 60 – Annual vehicle expenses (01-01-2019 to 28-02-2019)

Member of the BD	Monthly Limit for Fuel and Tolls	Annual Vehicle Expenses (€)			
		Fuel	Tolls	Total	Notes
Eng. Vitor Manuel Domingues dos Santos	462,11 €	527,84 €	277,45 €	805,29 €	
Mr. Luís Carlos Antunes Barroso	369,69 €	521,54 €	54,80 €	576,34 €	
Eng. Maria Helena Arranhado Carrasco Campos	369,69 €	683,92 €	507,70 €	1 191,62 €	See note (1)
				2 573,25	

Board of Directors – 01-03-2019 to 31-12-2019

Table 61 – Annual vehicle expenses (01-03-2019 to 31-12-2019)

Member of the BD	Monthly Limit for Fuel and Tolls	Annual Vehicle Expenses (€)			
		Fuel	Tolls	Total	Notes
Eng. Vitor Manuel Domingues dos Santos	462,11 €	1 785,96 €	1 011,33 €	2 797,29 €	
Eng. Maria Helena Arranhado Carrasco Campos	369,69 €	2 237,32 €	1 582,49 €	3 819,81 €	See note (1)
Mr. Pedro Miguel de Bastos Veiga da Costa	369,69 €	808,10 €	107,14 €	915,24 €	
				7 532,34	

- The Member of the BD Mrs. Maria Helena Campos settled the upper limit exceeded in 2019 (575.15€) by bank transfer on 28-02-2020.

8. Non-documented or confidential expenses

Metropolitano de Lisboa complied with the provisions set out in article 16(2) of Decree-Law no. 133/2013, of the 3rd of October, in the RJSPE and in article 11 of the PMS, and no non-documented expenses were incurred.

9. Report on remunerations paid to women and men

Metropolitano de Lisboa has prepared and disclosed internally, making it available on its website, the "Report on Remunerations per Gender 2018", as determined by the aforementioned Council of Ministers Resolution, aiming at diagnosing and preventing any unjustified difference in remuneration evidenced in the company's remuneration structure and in the remunerations paid to women and men.

This Report also emerged as another measure to promote gender equality in the company, definitively eliminating any form of discrimination and to achieving full equality of opportunities between women and men.

Metropolitano de Lisboa commits to promote a transparent remuneration policy based on the assessment of the components of the job places and established on objective criteria. At the same time, it repudiates the widespread and structural disadvantage of women in the labour market with regard to remunerations based on a broader context of gender inequality.

In this Report, Metropolitano de Lisboa concluded that there are no situations of wage discrimination on the grounds of gender. Remuneration criteria are common to women and men, and remuneration differences do not constitute discrimination given they are based on objective criteria, common to women and men, inter alia, based on career development, performance, productivity, attendance or seniority.

10. Annual report on corruption prevention

Since 2009, Metropolitano de Lisboa has a Plan for Preventing Risks of Corruption and Related Offenses (PPRCRO), and currently the 5th edition is in place (2018), complying with the Recommendation of the Corruption Prevention Board (CPB) dated of the 1st of July 2009. The 2019 PPRCRO is available on the company's website.

On a yearly basis, a PPRCRO Execution Report is prepared and duly published, pursuant to the provisions of article 46(1) of the RJSPE, indicating the degree of implementation of the measures listed in the said Plan in the preceding year. In 2019, as previously mentioned, the PPRCRO Execution Report for 2018 has been prepared and approved, and was sent to the CPB, as well as to the supervisory, superintendent and control bodies, pursuant to the provisions of the law. Said Report is available on Metropolitano de Lisboa's website.

11. Public procurement

In 2019, ML 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 regime.

ML 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 it has also complied with article 61(2) of the State Budget for 2019, read in conjunction with article 49 of the Decree-Law no. 84/2019, of the 28th of June, regarding the requests for a preceding opinion to Parpública - Participações Públicas, SGPS, S. A., and also the communications regarding the procurement of external legal services with JurisAPP and the prior requests to Parpública - Participações Públicas, SGPS, S. A..

At an internal level, the ML 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, which ensures the proposals' confidentiality until their submission term's conclusion.

A Platform for the registration and management of procurement procedures has been developed in the Company's information system. Such platform enables an effective monitoring of the status and registration of relevant information on the procurement procedures processed by the ML (excluding small acquisitions). A report was also developed allowing for the consultation and reporting of management indicators and compliance with the obligations of such procedures.

Additionally to complying with the procurement rules, statistical reports on this matter have been prepared and submitted to the relevant authorities, as well as other procurement reports in the context of audits.

In addition, in 2019, only one agreement exceeding 5,000,000€ has been concluded, regarding the acquisition of passenger door verification services for the ML95, ML97 and ML99 triple units which, in compliance with the PPC and art. 47 of the Court of Auditors' Organization and Procedural Law (*Lei de Organização e Processo do Tribunal de Contas* - LOPTC), obtained prior approval from the Court, with the reference S-DECOP-UAT.2/32589/2019, of the 22nd of October.

Lastly, it should be highlighted that, in 2019, Metropolitano de Lisboa has arranged for the procurement of electricity supply, with the conjunction of the awarding entities with CARRIS, thus resulting in a reduction of costs.

12. National Public Procurement System

In what regards 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 contracts by resorting to the method of aggregating contracting entities.

13. Measures to optimize the operating expenses structure

Table 62 – Optimization of operating expenses

Un.: €

PRC	2019 Impl.	2019 Budg.	2018 Impl	2017 Impl	2019/2018 Δ Absol.	2019/2018 Var. %
(0) EBITDA	-225 028	1 800 907	-5 210 989	378 706	4 985 961	2 215,7
(1) CMVMC	3 596 083	5 374 335	6 067 798	4 408 604	-2 471 715	-68,7
(2) FSE	36 878 739	31 220 325	34 798 822	32 163 996	2 079 917	5,6
(3) Personnel expenses, corrected from costs i), ii) e iii)	78 883 121	80 174 476	72 211 716	70 386 333	6 671 405	8,5
(3.i) Indemnities paid due to termination	0	250 000	179 830	62 244	-179 830	-
(3.ii) Remuneration valuations according to the SBL for 2019			3 977 347	0	-3 977 347	-
(3.iii) Impact of compliance with the provisions of article 21 of the Law no. 42/2016, of the 29th of December	1 173 821		2 437 322	1 218 661	-1 263 501	-107,6
(4) Operating Expenses = (1)+(2)+(3)	**119 357 944**	**116 769 136**	**113 078 336**	**106 958 933**	**6 279 608**	**5,3**
(5) Turnover (TO)[b)]	118 794 598	119 841 933	114 530 094	109 400 211	4 264 504	3,6
(6) Contribution of Costs/TO = (4)/(5)	**100%**	**97%**	**99%**	**98%**	**1,7 p.p.**	
(i) Expenses related to Mission Travelling (FSE)	40 013	55 531	84 220	45 300	-44 207	-110,5
(ii) Daily Allowance Expenses and Accommodation Expenses (Personnel expense	6 857	5 200	13 249	5 448	-6 393	-93,2
(iii) Expenses related to the vehicle fleet[c)]	292 344	275 308	287 846	191 416	4 498	1,5
Total = (i) + (ii) + (iii)	**339 213**	**336 039**	**385 316**	**242 164**	**-46 102**	**-13,6**
(7) Expenses related to the procurement of studies, opinions, projects and consulting	1 614 032	1 124 811	1 164 824	1 133 607	449 208	27,8
HR Total Number (CB+MR+Employees)	1 458	1 519	1 422	1 415	36	2,5
No. of Corporate Bodies (CB)	6	7	6	7	0	0,0
No. of Management Positions (MR)	17	17	17	16	0	0,0
No. of Employees (excluding CB and MR)	1 435	1 495	1 399	1 392	36	2,5
No. of Employees / No. of MR	84	88	82	87	2	2,5
No. of vehicles	39	42	42	47	-3	-7,7

a) In order to calculate the number level of performance of the measures to reduce the operating expenses (CMCMC + FSE + Personnel expenses), the expenses incurred with termination indemnities , those arising from the application of article 21 of the Law no. 42/2016, of the 28 th of December and those arising from remuneration valuations , pursuant to the SBL for 2019.

b) The turnover is corrected from operating subsidies and compensatory indemnities.

c) The vehicle expenses shall include: rents /amortization, inspections, insurance, tolls , fuel, maintenance, repair, tires, fees and taxes

With regard to the measures to optimize the operating expenses structure provided for in article 158 of the Budget Implementation Decree-Law for 2019:

- It was not possible for the ML to comply with the reduction in the operating expense ratio in comparison to that evidenced in 2018, as this indicator recorded an increase by 1.7 percentage points. In fact, the increase in Turnover (+4.3 M€) was not sufficient to cover the increase in operating expenses (+6.3 M€), on the one hand, due to the increase in personnel expenses explained above in item 6.4. *Economic and Financial Performance*, combined with the effect of +5.2 M€ taken in 2018 from the overall cost of this type of expenditure and, on the other hand, by the increase in expenses with external supplies and services (+2.1 M€), to which amount contributed the increase in expenses resulting from the effort the ML has been making to improve the quality of its public service, namely, expenses with conservation and repair of basic equipment (+678 thousand€: maintenance of rolling stock, communications, mechanical access, ticketing system, etc.), surveillance services and cleaning services (approximately +863 thousand€). In addition, the specialized works had an increase of approximately 450 thousand€, resulting from technical and legal support for the Rato/Cais do Sodré expansion and Modernization projects.

- The increase in headcount of 36 employees in 2019 was due, on the one hand, to the completion of the recruitment process which had begun in 2018, following the approval of the Activity and Budget Plan (ABP) for 2018, pursuant to the Order no. 343/18 – SET, and, on the other hand, in the context of the approval of the ABP for 2019, by means of the Order no. 573/19 – SET, in which it is expressed that: "*With regard to the exceptions identified in item B of the present report, I hereby authorize: A) The recruitment of up to 36 workers, of which a minimum of 6 and a maximum of 9 technicians for various technical areas*";

- The increase in fleet costs, in comparison to 2018, essentially derives from the undervaluation of the total costs with the fleet's replacement by vehicles under operational leasing.

14. Procurement of studies, assessments, projects and consulting

In 2019, ML 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 regime.

The ML 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 it has also complied with article 61(2) of the State Budget for 2019, read in conjunction with article 49 of the Decree-Law no. 84/2019, of the 28th of June, regarding the requests for a preceding opinion to Parpública – Participações Públicas, SGPS, S. A., and also the communications regarding the procurement of external legal services with JurisAPP and the prior requests to Parpública – Participações Públicas, SGPS, S. A..

15. Principle of the State's Treasury Unity

Table 63 – Resources at the IGCP

STU	2019
Resources in 31-12-2019	**87 812 434 €**
Deposits with the IGCP	28 457 831 €
Others	59 354 603 €
Resources at the IGCP [%]	**32,4%**

Table 64 – Availabilities at the Commercial Banks

Commercial Banks	1st Quarter €	2nd Quarter €	3rd Quarter €	4th Quarter €
Wilmington Trust	25 220 545	25 220 545	25 220 545	26 501 456
Wells Fargo	30 197 168	30 197 168	30 197 168	31 593 901
Banco Português de Investimento	1 064 379	1 012 974	1 231 661	1 228 451
Banco Santander Totta	263	1 581	1 158	896
Banco Bilbao Vizcaya Argentaria	82 841	7 482	1 727	16 403
Caixa Banco Investimento	20 430	20 430	20 430	4 246
Millennium BCP	111 454	54 233	29 405	7 565
Caixa Geral de Depósitos	3 109	5 899	4 794	1 685
Haitong Bank (former BES Investimento)	1 871	0	0	0
Total	**56 702 061**	**56 520 312**	**56 706 888**	**59 354 603**
Interest earned	0	0	0	0

16. Audits carried out by the Court of Auditors in the last three years

In the last three years (2017-2019), no audit was carried out by the Court of Auditors to Metropolitano de Lisboa, E.P.E..

17. Disclosure of information on the SEE website

Table 65 – Information disclosed on the SEE website

Information placed in the SEE website	Disclosure		Notes
	Y/N/N.A.	Revision date	
Statuses	S	fev/2020	
Company Presentation	S	jan/2020	
Supervising and shareholding roles	S	jan/2020	
Governance Model / Corporate Bodies Members:	S		
- Identification of Corporate Bodies	S	jan/2020	
- Fixed Remuneration Statute	S	jan/2020	
- Disclosure of the remuneration earned by the Corporate Bodies	S	jan/2020	
- Identification of the roles and responsibilities attributed to the members of the Board of Directors	S	jan/2020	
- Presentation of curricula summaries of the members of the Corporate Bodies	S	jan/2020	
Public Financial Effort	S	jan/2020	
Summary Sheet	S	jan/2020	
Historical and current Financial Information	S	ago/2017	The accounts for the FINANCIAL years 2014 to 2018 are pending the Shareholder's approval.
Good Governance Principles:	S		
- Internal and external Regulations binding the company	S	nov/2018	
- Relevant transactions with related entities	S	nov/2018	
- Other transactions	S	nov/2018	
- Sustainability analysis of the company for the following areas:	S	nov/2018	
Economic	S	nov/2018	
Social	S	nov/2018	
Environmental	S	nov/2018	
- Compliance assessment regarding the Principles of Good Gover	S	nov/2018	
- Code of ethics	S	nov/2018	

18. Summary table – Compliance with Legal Guidelines

Table 66 – Summary table – Compliance with Legal Guidelines I

Compliance with the Legal Guidelines – 2019	Compliance Y/N/N.A.	Quantification/ Identification	Justification/Reference to the report's item
Management objectives			
Management objectives set for 2019			Page 61
Targets to be achieved included in ABP 2019			
Financial Principles of Reference			
Operating Efficiency (ratio between the operating expenses and turnover equal to or smaller than projected for 2018)	N	100.5%	Management Objectives and Activity and Budget Plan – Page 61
PRC (1) – Personnel Expenses	N	9.2%	Management Objectives and Activity and Budget Plan – Page 61
PRC (2) – Travel Expenses	Y	-51.9%	Management Objectives and Activity and Budget Plan – Page 61
PRC (3) – Car fleet	N	1.6%	Management Objectives and Activity and Budget Plan – Page 61
PRC (4) – Studies/Opinions/Consultancy	N	37.9%	Management Objectives and Activity and Budget Plan – Page 61
Investment	N	20%	Management Objectives and Activity and Budget Plan – Page 61
Indebtedness	N	3.30%	Management Objectives and Activity and Budget Plan – Page 61
Status of implementation of the budget uploaded on SIGO/SOE	Y	Revenue: 91.5% Expense: 88.4%	61Management Objectives and Activity and Budget Plan – Pag. 62
Financial Risk Management	Y	Average financing rate: 5.44%	Financial Risk Management – Page 63
Indebtedness Growth Limits	N	Indebtedness variation: 3.30%	Indebtedness growth limit – Page 63
Evolution of APP to suppliers	Y	47 days	Average Period for Payment – Page 63
Disclosure of Payments in Arrears	Y	Arrears: 1,147,765€	Average Period for Payment – Page 63
Shareholder's recommendations from the last legal accounts reporting	N.A.		Shareholder's Recommendations – Page 64
Remunerations			**Compliance with Legal Guidelines – Pag. 64**
No attribution of management bonuses	Y		Corporate Bodies – Page 64
BD – remuneration reductions and reversals enforced in 2019 (if applicable)	Y		Corporate Bodies – Page 64
Inspection (SB/ROC/SA) – remuneration reductions enforced in 2019 (if applicable)	N.A.		Corporate Bodies – Page 68
External Auditor – remuneration reduction enforced in 2019 (if applicable)	N.A.		External Auditor – Page 68
Public Manager Statute (PMS) – articles 32 and 33 of PMS			
No use of credit cards.	Y		Public Manager Statute – Page 69
No reimbursement for personal representation expenses	Y		Public Manager Statute – Page 69
Maximum amount for communication expenses	Y		Public Manager Statute – Pag. 69
Maximum monthly amount for fuel and tolls allocated to the service vehicles	Y		Public Manager Statute – Page 69

19. Compliance with Legal Guidelines II

Table 67 – Compliance with Legal Guidelines II

Compliance with the Legal Guidelines – 2019	Compliance Y/N/N.A.	Quantification/ Identification	Justification/Reference to the report's item
Non-documented or confidential expenses – article 16(2) of the RJSPE and article 11 of the PMS			
Prohibition incurring in non-documented or confidential expenses	Y		Non-documented or confidential expenses – Page 70
Promoting equality between women and men – paragraph 2 of the CMR no. 18/2014			
Preparation and disclosure of the report on remunerations paid to women and men	Y	https://www.metrolisboa.pt/institucional/wp-content/uploads/sites/2/2019/02/Plano-para-a-Igualdade-entre-Mulheres-e-Homens-2018_2021_site_ML.pdf	Report on remunerations paid to women and men – Page 70
Preparation of the annual report on corruption prevention	Y	https://www.metrolisboa.pt/institucional/wp-content/uploads/sites/2/2019/01/MetropolitanodeLisboa_PPRCIC2018.pdf	Annual report on corruption prevention – Page 70
Public Procurement			
Enforcement of public procurement rules by the Company	Y		Public procurement – Page 71
Enforcement of public procurement rules by the Subsidiary Companies	N.A.		
Contracts are subject to prior approval of the Court of Auditors	Y		National Public Procurement System – Page 71
Audits by the Court of Auditors	N.A.		Audits carried out by the Court of Auditors in the last three years – Page 74
Car parking			
No. of vehicles	Y	Reduction of 3 vehicles in comparison with 2018	Measures to optimize the operating expenses structure – Page 72 Table 62 – Optimization of operating expenses
Public Companies' Operating Expenses			Measures to optimize the operating expenses structure – Page 72
Procurement of studies, opinions, projects and consulting (article 49 of the Budget Implementation Decree-Law for 2019)	N		Procurement of studies, assessments, projects and consulting – Page 73
Principle of Treasury Unity (article 28 of the DL 133/2013)			
Resources and applications of funds centralized at the IGCP	N	32.4% of total funds deposited at the IGCP	Principle of the State's Treasury Unity – Page 73
Resources and applications of funds at the Commercial Banks	N	59,354,603€	Principle of the State's Treasury Unity – Page 73
Interest earned in non-compliance with UTE and paid to the State	N.A.		Principle of the State's Treasury Unity – Page 73

8.2 Final Remarks

Pursuant to the relevant legal provisions, the Board of Directors shall declare that:

a. In addition to the aforementioned facts and those which, in greater detail, are included in the documents accompanying the Financial Statements for the financial year 2019, it is not aware of the occurrence, after the end of the said financial year, of other situations which, due to their special relevance, should be highlighted;

b. According to article 21 of the Decree-Law no. 441/91, there are no outstanding debts to Social Security;

c. In the light of the terms of article 324(2) of the Portuguese Companies Code, there was no movement of purchases and sales of own shares or others in the current financial year;

d. There were no businesses entered into between the directors and the company during the period under analysis.

The Board of Directors

Eng.º Vítor Manuel Jacinto Domingues dos Santos

Eng.ª Maria Helena Arranhado Carrasco Campos

Dr. Pedro Miguel de Bastos Veiga da Costa

Lisbon, the 28th of July 2020

8.3 Appendix to the Annual Management Report (Board of Directors, art. 447(5) of the Portuguese Companies Code)

Pursuant to the provisions of article 447(5) of the Portuguese Companies Code, we hereby inform that, as of the 31st of December 2019, the members of the Board of Directors were not holders of any shares representing the company's share capital.

The Board of Directors

Eng.º Vítor Manuel Jacinto Domingues dos Santos

Eng.ª Maria Helena Arranhado Carrasco Campos

Dr. Pedro Miguel de Bastos Veiga da Costa

Lisbon, the 28th of July 2020

8.4 Appendix to the Annual Management Report (Supervisory Board, art. 447(5) of the Portuguese Companies Code)

Pursuant to the provisions of article 447(5) of the Portuguese Companies Code, we hereby inform that, as of the 31st of December 2019, the members of the Supervisory Board were not holders of any shares representing the company's share capital.

The Supervisory Board

Mr. José Carlos Pereira Nunes

Mrs. Cristina Maria Pereira Freire

Mrs. Margarida Carla Campos Freitas Taborda

Lisbon, the 28th of July 2020

8.5 Financial Statements and corresponding Attachment for the financial year ended on 31-12-2019 and 31-12-2018

Separate balance sheet with reference to the 31st of December 2019

Un:€

ITEMS	Notes	31st of December 2019	31st of December 2018
Assets			
Non-current assets			
Long-term infrastructure investments	6	5 249 978 288	5 111 618 059
Property, plant and equipment	7	112 510 800	126 986 144
Investment property	9	13 495 310	12 176 217
Financial interests - equity method	10	3 789 301	3 350 018
Derivatives	11	-	81 966
Other financial assets	12	58 096 755	55 418 340
Total non-current assets		**5 437 870 454**	**5 309 630 743**
Current assets			
Inventories	13	7 737 745	7 134 976
Clients	14	1 298 272	1 031 813
State and other public entities	22	3 049 503	5 230 197
Other credits receivable	14	6 939 794	7 008 736
Deferrals	15	30 434 644	31 339 224
Cash and bank deposits	5	29 729 749	16 237 584
Total current assets		**79 189 707**	**67 982 531**
Total Long-term Infrastructure Investment assets		**5 249 978 288**	**5 111 618 059**
Total operation-allocated assets (ML)		**267 081 873**	**265 995 215**
Total assets		**5 517 060 161**	**5 377 613 273**
EQUITY AND LIABILITIES			
Equity			
Subscribed capital	16	3 093 575 218	2 543 791 006
Legal reserves		21 597	21 597
Other reserves		1 501 878	1 501 878
Profits carried over		(1 796 686 034)	(1 768 793 599)
Adjustments/Other changes in equity	17.20	(30 575 339)	(6 834 714)
		1 267 837 320	**769 686 168**
Net profit for the financial year		**(16 873 277)**	**(27 892 435)**
Total equity		**1 250 964 043**	**741 793 733**
Liabilities			
Non-current liabilities			
Long-term infrastructure investments	6	2 078 989 938	2 326 298 242
Provisions	18	55 807 026	52 920 819
Borrowings	19	167 145 382	194 179 525
Derivatives	11	58 618 131	81 623 896
Responsibilities with post-employment benefits	20	271 350 648	253 711 461
Total non-current liabilities		**2 631 911 125**	**2 908 733 943**
Current liabilities			
Long-term infrastructure investments	6	1 041 099 776	1 205 630 052
Suppliers	21	10 118 432	1 765 542
State and other public entities	22	3 030 076	3 017 415
Borrowings	19	522 801 395	472 210 525
Other debts payable	24	56 894 446	44 259 228
Deferrals	25	240 867	202 837
Total current liabilities		**1 634 184 993**	**1 727 085 598**
Total Long-term Infrastructure Investment liabilities		**3 120 089 714**	**3 531 928 293**
Total operation-allocated liabilities (ML)		**1 146 006 403**	**1 103 891 247**
Total liabilities		**4 266 096 118**	**4 635 819 540**
Total equity and liabilities		**5 517 060 161**	**5 377 613 273**

These notes are included in the individual balance sheet with reference to the 31st of December 2019.

THE BOARD OF DIRECTORS

Eng. Vítor Manuel Jacinto Domingues dos Santos

Eng. Maria Helena Arranhado Carrasco Campos

Mr. Pedro Miguel de Bastos Veiga da Costa

THE CERTIFIED ACCOUNTANT

Mr. Carlos Emério Ferreira da Mota

Separate statement of profits and losses by nature with reference to the 31st of December 2019

Un:€

INCOME AND EXPENSES	Notes	2019	2018
Sales and provisions of services	26	118 794 598	114 530 094
Operating subsidies	27	516 729	-
Profits / losses attributed to subsidiaries, associate companies and joint ventures	10,18	(2 411 668)	(5 008 337)
Own work capitalized		3 102 102	3 213 739
Costs of goods sold and materials consumed	13	(3 596 083)	(6 067 798)
External supplies and services	28	(36 878 739)	(34 798 822)
Personnel expenses	29	(80 056 942)	(78 806 214)
Impairments in debts receivable (losses / reversals)	14,15	128 641	(53 678)
Provisions (increases / reductions)	18	-	-
Fair value increases / reductions	11,12	24 535 909	27 726 370
Other income	30	6 138 668	6 591 834
Other expenses	31	(2 907 862)	(1 277 146)
Profit before interest, taxes, depreciation and amortization		**27 365 353**	**26 050 041**
Depreciation and amortization expenses / reversals	7.9	(19 051 536)	(23 211 671)
Impairments of investments subject to depreciation/amortization (losses/reversals)	7.9	1 779 952	432 570
Operating profit (before interest and taxes)		**10 093 768**	**3 270 940**
Interest and similar income obtained	32	-	-
Interest and similar expenses incurred	32	(26 926 463)	(31 122 480)
Profit before taxes		**(16 832 694)**	**(27 851 540)**
Income tax for the financial year	23	(40 582)	(40 895)
Net profit for the financial year		**(16 873 277)**	**(27 892 435)**

These notes are included in the individual statement of profits and losses by nature with reference to the 31st of December 2019.

THE BOARD OF DIRECTORS

Eng. Vítor Manuel Jacinto Domingues dos Santos

Eng. Maria Helena Arranhado Carrasco Campos

Mr. Pedro Miguel de Bastos Veiga da Costa

THE CERTIFIED ACCOUNTANT

Mr. Carlos Emério Ferreira da Mota

Separate statement of changes in equity for the financial years 2018 and 2019

Un:€

	Notes	Subscribed capital	Legal reserves	Other reserves	Profits carried over	Adjustments / Other changes in equity	Net profit for the financial year	Total equity
Position on the 1st of January 2018		2 368 595 326	21 597	1 501 878	(1 744 292 684)	1 976 908	(24 500 916)	**603 302 110**
Changes occurred in the financial year:								
Application of the net profit for the financial year ended on the 31st of Decemb	16	-	-	-	(24 500 916)	-	24 500 916	**-**
Investment subsidies	17	-	-	-	-	(2 542 158)	-	**(2 542 158)**
Established benefit plan - actuarial gains and losses	20	-	-	-	-	(6 269 465)	-	**(6 269 465)**
								-
Net profit for the financial year							(27 892 435)	**(27 892 435)**
Comprehensive income							**(36 704 057)**	**(36 704 057)**
Operations with shareholders in the financial year								
Capital subscriptions	16	175 195 680	-	-	-	-	-	**175 195 680**
Hedging of losses	16	-	-	-	-	-	-	**-**
Position on the 31st of December 2018		**2 543 791 006**	**21 597**	**1 501 878**	**(1 768 793 599)**	**(6 834 715)**	**(27 892 435)**	**741 793 733**
Position on the 1st of January 2019		**2 543 791 006**	**21 597**	**1 501 878**	**(1 768 793 599)**	**(6 834 715)**	**(27 892 435)**	**741 793 733**
Changes occurred in the financial year:								
Application of the net profit for the financial year ended on the 31st of Decemb	16	-	-	-	(27 892 435)	-	27 892 435	**-**
Investment subsidies	17	-	-	-	-	(1 311 783)	-	**(1 311 783)**
Established benefit plan - actuarial gains and losses	20	-	-	-	-	(22 428 842)	-	**(22 428 842)**
Net profit for the financial year							(16 873 277)	**(16 873 277)**
Comprehensive income							**(40 613 902)**	**(40 613 902)**
Operations with shareholders in the financial year								
Capital subscriptions	16	549 784 212	-	-	-	-	-	**549 784 212**
Hedging of losses	16	-	-	-	-	-	-	**-**
Position on the 31st of December 2019		**3 093 575 218**	**21 597**	**1 501 878**	**(1 796 686 034)**	**(30 575 340)**	**(16 873 277)**	**1 250 964 043**

These notes are included in the statement of changes in equity with reference to the 31st of December 2018 and 2019.

THE BOARD OF DIRECTORS

Eng. Vítor Manuel Jacinto Domingues dos Santos

Eng. Maria Helena Arranhado Carrasco Campos

Mr. Pedro Miguel de Bastos Veiga da Costa

THE CERTIFIED ACCOUNTANT

Mr. Carlos Emério Ferreira da Mota

Separate statement of cash flows with reference to the 31st of December 2019

Un:€

ITEMS	Notes	2019	2018
Cash flows from operating activities			
Receipts from Customers		131 642 096	119 054 692
Payments to Suppliers		(28 204 498)	(38 224 790)
Payments to Personnel		(67 379 748)	(66 664 794)
Cash generated from the operations		**36 057 851**	**14 165 108**
Payments and receipts from Taxes		4 340 765	(2 670 054)
Other receipts/ payments		(23 074 619)	(7 829 003)
Cash flows from operating activities (1)		**17 323 996**	**3 666 051**
Cash flows from investment activities			
Receipts arising from:			
Investment subsidies		26 763 683	2 433 400
Financial Investments		65 610	70 321
Cash payments regarding to:			
Property, plant and equipment		(11 319 107)	(14 617 905)
Cash flows from investment activities (2)		**15 510 186**	**(12 114 184)**
Cash flows from financing activities			
Receipts arising from:			
Borrowings		131 884 780	421 973 932
Realizations of capital and other equity instruments	16	549 784 212	175 195 680
Payments arising from:			
Borrowings		(471 502 576)	(71 502 576)
Interest and similar expenses		(229 508 433)	(523 005 163)
Cash flows from financing activities (3)		**(19 342 017)**	**2 661 873**
Variation of cash and cash equivalents (4)=(1)+(2)+(3)		**13 492 166**	**(5 786 260)**
Cash and its equivalents at the beginning of the financial year	**5**	**16 237 584**	**22 023 844**
Cash and its equivalents at the end of the financial year	**5**	**29 729 749**	**16 237 584**

These notes are included in the statement of cash flows with reference to the 31[st] of December 2019.

THE BOARD OF DIRECTORS

Eng. Vítor Manuel Jacinto Domingues dos Santos

Eng. Maria Helena Arranhado Carrasco Campos

Mr. Pedro Miguel de Bastos Veiga da Costa

THE CERTIFIED ACCOUNTANT

Mr. Carlos Emério Ferreira da Mota

Notes to the financial statements with reference to the 31st of December 2019

(Amounts expressed in euro)

1. Identification of the Entity

Metropolitano de Lisboa, E.P.E. (hereinafter referred to as "ML" or "Company") is a public business entity, incorporated in 1949, with its corporate headquarters at Av. Fontes Pereira de Melo, n.º 28, in Lisbon, the current legal regime and Statutes of which have been approved by the Decree-Law no. 148-A/2009, of the 26th of June. Its main purpose consists in the provision of activities and services focused on public transport by means of a passenger metropolitan in the city of Lisbon and the neighbouring municipalities of the Greater Lisbon, in light of the concession agreement entered into with the Portuguese State on the 23rd of March 2015.

The financial statements, which include the balance sheet, the statement of profits and losses by nature, the statement of changes in equity, the statement of cash flows and the present notes, have been approved by the Board of Directors on the 28th July 2020. Nonetheless, they are still subject to approval by the sector and financial supervision authority pursuant to the provisions set forth in the legal regime for the public business sector.

The Supervision Authority has not yet formally approved the financial statements for the years ended on the 31st of December 2014 to 2018. The Board of Directors has accounted for the application of the profits regarding the said financial years, according to the proposals included in the corresponding Annual Reports, since it considers that the present financial statements and those proposals for the application of profits will be approved without any significant modifications.

The Board of Directors considers that the present financial statements reflect, in a true and adequate manner, the Company's financial position, the profits from its operations, the changes in equity and the cash flows.

In light of the Decree-Law no. 158/2009, of the 13th of July, additionally to the present individual financial statements, the Company is subject to the preparation of consolidated financial statements, which shall be separately disclosed.

2. Accounting framework for the preparation of the financial statements

2.1 Basis of preparation

These financial statements 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.

The financial statements are expressed in euro and have been prepared on a going concern assumption and according to the accrual basis of accounting (economic historical periods).

ML is not required to apply the SNC-AP, taking into account that, in the light of the terms of art. 3(3) of the DL 192/2015:

- ML is a reclassified public entity (RPE) and issuer of securities admitted to trading;
- It is subject to the supervision of the Portuguese Securities Market Commission (CMVM), as provided for in article 359(1)(c) of the Portuguese Securities Code;
- Nonetheless, art. 3(3) of the aforementioned DL, as amended by art. 164 of the DL no. 33/2018, of the 15th of May, hereinafter referred to as the Budget Implementation Decree-Law, clarifies that the financial accounting subsystem of the SNC-AP does not apply to RPEs under supervision by the CMVM, notwithstanding the compliance with the provisions relating to the Central Chart of Accounts of the Ministry of Finance, pursuant to the provisions of art. 26 of the Budget Implementation Decree-Law, and of the budget accounting, as set forth in the Public Accounting Standard (PAS) 26 – Accounting and Budgetary Reporting.

2.2 Comparability of the financial statements

The elements included in the present financial statements are, overall, comparable with those of the preceding financial year.

3. First-time implementation of the NCRF – transitional disclosure

Not applicable.

4. Key accounting policies

The main accounting policies adopted in the preparation of the financial statements are as follows:

4.1 Long-term infrastructure (LTI) investment activities

Throughout the years, the Company has been responsible for the construction, renovation and management of long-term infrastructure associated with the regular operation of the collective public passenger transport services on the basis of the exploitation of the Lisbon underground and its neighbouring areas. This is an activity developed in compliance with State instructions, and its financing is guaranteed by means of subsidies and loans which are mostly guaranteed by the State.

Up to the financial year 2009, the Company has recognized the assets and liabilities of LTI in its balance sheet pursuant to the interpretation of the Decree-Law no. 196/1980, of the 20th of June, according to which the Portuguese State committed to restructure the Company economically and financially, notably by bearing the charges related to the investments in LTI made until the 31st of December 1978, and such Decree-Law also provided that, regarding the investments to be made subsequent to the 1st of January 1979, the State would establish the amounts overdue, which it would take up, but such provision has never been issued. In the financial years 2010 and 2011, the Directors have deemed more appropriate to cancel the assets and liabilities allocated to the LTI, and therefore the Company's total balance sheet in the said financial years has been significantly reduced. In the course of the financial year 2012, the year in which the Order no. 1491/12 has been issued by the Secretariat of State for Treasury and Finances, the Directors have determined to resume the recording in the Company's balance sheet of the assets and liabilities related to the LTI.

Therefore, all the flows deriving from this activity are recorded in the balance sheet under the items "Long-term infrastructure investments", and these include the following elements:

In assets:

- The public domain long-term infrastructure ("LTI") built by the Company and regarding which it holds the right of access for purposes of providing "Passenger transport" and "Infrastructure management" services, which include free revaluations performed in the preceding years;
- The materials acquired related to the construction/repairing of LTI, with an inventory nature;
- The grant amounts received for purposes of co-financing the construction of LTI to be deducted from the investments in LTI;
- The financial costs directly borne with the financing agreed for financing the construction and repairing activities of LTI, corresponding to interest, guarantee fee and stamp duty deriving from the activity performed on behalf of the State, which have not been capitalized in the LTI cost in the course of its construction period;
- The derivative financial instruments agreed by the Company aimed at dealing with interest rate changes as to the borrowings intended to finance the LTI activity, which are recognized in assets at their fair value, in the event their fair values is positive.

It should be mentioned that property, plant and equipment and intangible assets, deducted from subsidies and impairments, disclosed in the item LTI are not subject to depreciation/amortization (Notes 4.2 and 4.3).

In liabilities:

- The balances payable to the service providers regarding the construction of LTI;
- The agreed borrowings aimed at financing the construction and repairing of the LTI, particularly those guaranteed by the State;
- The derivative financial instruments agreed by the Company aimed at hedging interest rate changes as to the borrowings intended to finance the LTI activity, which are recognized in liabilities at their fair value, in the event their fair values is negative.

The expenses with maintenance and repairing which do not increase these assets' operating life are recorded in the statement of profits and losses with reference to the financial year in which they occur, as a consequence of the fact these arise from the Company's infrastructure management activity.

In light of the provisions of the Decree-Law no. 196/80, of the 20th of June, the Government has undertaken the principle according to which it was the Portuguese State's role to finance the long-term infrastructure built by the Company, and for this purpose it has defined the following types of investments:

- Studies for the development of the network;
- Galleries, stations and other ancillary or supplementary constructions;
- Railway tracks;

- High and low power networks;
- Telecommunication and control systems;
- Ventilation and pumping equipment;
- Mechanical accesses.

The aforementioned principle had practical implementation by means of subsidies awarded by the Portuguese State, non-repayable, regarding those investments made until the 31st of December 1980 and for the financial costs incurred up to such date with those investments. On the said date, the amount of investments made and the sum of the awarded subsidies were concordant and were reflected in the accounts, correspondingly, in the assets financed by the State and in the investment reserves.

The Decree-Law referred to above, included a clause which laid down its revision until the end of its duration, on the 31st of December 1980. However, this has not occurred. Therefore, from such date, the funds started being allocated on the basis of occasional legislation framed within the Investment Plans of the State's Business Sector and in the form of contributions for statutory equity or for generic subsidies for investments and financial restructuring and, as a result, no concordance between the investments made and the subsidies awarded has been observed ever since.

As a result of the recognition policy's modification in the moment of the transition to the Portuguese Accounting Standards System (SNC), the Company has measured the financial costs related to interest, stamp duty, guarantee fee and expenses incurred with the establishment of the financing in the preceding years, and not borne by the State, and transferred them to the item "Long-term infrastructure investments".

4.2 Property, plant and equipment

Allocated to infrastructure management (non-LTI assets):

Property, plant and equipment are initially recorded at their cost of acquisition or production, which includes the cost of acquisition, the financial costs and expenses directly attributable to the necessary activities to place the assets in the necessary location and conditions to operate as intended and, where applicable, the initial expenses estimate regarding the assets' decommissioning and removal, as well as the restoration of their corresponding installation/operation sites, expected to be incurred by the Company, deducted from accumulated depreciation and accumulated impairment losses (where applicable).

he depreciations are computed subsequently to the moment when the good is ready to be used, on a straight-line basis over 12-month periods, according to the estimated operating life of each asset group:

Class of goods	Years
Buildings and other constructions	10 - 50
Basic equipment:	
Rolling stock for exploration	14 - 28
Rolling stock for operation	10 - 30
Control and telecommunication system	12 - 16
Transport equipment	4 - 5
Tools and utensils	4 - 10
Administrative equipment	7 - 10
Other property, plant and equipment	4 - 10

The Board of Directors considers that, at any moment, the assets' accounting value shall be subject to realization both by means of their disposal or of their use, on a going concern basis.

The operating life and methods of depreciation of the several goods are reviewed on an annual basis. The effect of any changes in such estimates is prospectively recognized in the statement of profits and losses.

All maintenance and repair expenses (subsequent overheads) which are not capable of generating additional future economic benefits are recorded as expenses in the period in which they are incurred.

Major repairs are recorded under the corresponding item "Property, plant and equipment" and depreciated over the same period of years of the related investment.

The main spare parts are recognized as property, plant and equipment in the moment in which they are expected to be used for more than one financial year.

The gain (or loss) deriving from the disposal or the writing-off of property, plant and equipment is determined as the result of the difference between the fair value of the amount received or receivable with the transaction and the asset's net carrying sum of accumulated depreciation, being recognized in profits and losses in the period in which the said disposal or writing-off occurs.

Allocated to long-term infrastructure ("LTI"):

Property, plant and equipment allocated to LTI are initially recorded under the item "Long-term infrastructure investments" at their cost of acquisition or production, which includes the cost of acquisition, the financial costs and any expenses directly attributable to the necessary activities to place the assets in the necessary location and conditions to operate as intended and, where applicable, the initial expenses estimate regarding the assets' decommissioning and removal, as well as the restoration of their corresponding installation/operation sites, expected to be incurred by the Company.

The subsidies obtained for financing the LTI activities shall be deducted from the value of the property, plant and equipment allocated to the long-term infrastructure.

Such assets are not subject to depreciation.

4.3 Intangible assets

The intangible assets related to the LTI are recorded under the item "Long-term infrastructure investments" and primarily include studies for the development of the network, and they are not subject to amortization.

4.4 Leases

Leases are classified as financial where, in light of the corresponding terms, all the risks and benefits related to the asset's ownership are substantially transferred to the lessee. The remaining leases shall be classified as operating. The classification of leases is based on the substance and not by their corresponding contractual forms.

Leases in which the Company acts as a lessor:

The circumstances in which the Company acts as a lessor are related to the contracts entered with the lessees of the buildings and levels owned by the Company.

Under the Law on Leasing, these lease contracts have no term and have been entered into as a consequence of the Company's resettlement process resulting from the construction works performed.

In light of the corresponding conditions, such contracts are classified as operating leases, and the remunerations due are recognized as income in the statement of profits and losses of the financial year to which they relate.

The assets acquired by means of financial lease contracts, as well as their respective responsibilities, shall be recorded on the starting of the lease at the lower between the assets' fair value and the minimum lease payments present value. The financial lease payments are divided between financial costs and reduction of the responsibilities, thus obtaining a regular interest rate on the outstanding responsibility balance and the asset's depreciation, computed in accordance with the Note 4.2 and recognized in the statement of profits and losses of the financial year to which it relates.

The operating lease payments are recognized as expenses on a straight-line basis in the course of the lease period.

The contingent rents are recognized as expenses in the financial year in which they are incurred.

4.5 Investment property

The investment property primarily comprises immovable property owned for purposes of obtaining rents or capital appreciations (or both), and it shall not be intended for use in the production or supply of goods or services, for administrative purposes or for sale in the context of the normal course of business.

Investment property is measured at its cost deducted from the respective accumulated depreciation and any potential impairment losses.

The depreciations are computed subsequently to the moment when the good is ready to be used, on a straight-line basis over 12-month periods, according to the estimated operating life of each asset group.

The depreciation rates used reflect the following estimated operating life periods:

Class of goods	Years
Buildings and other constructions	10 - 50

The expenses incurred in relation to the investment property, notably maintenance, repairs, insurance and taxes, shall be recognized as expenses in the financial year to which they relate. The improvements or upgrades to investment property for which there are expectations of generating additional future economic benefits are capitalized under the item "Investment property".

Whenever, on the balance sheet date, the recoverable sum of the investment property is smaller than the corresponding net carrying amount, the corresponding impairment loss shall be recognized in the statement of profits and losses for the corresponding financial year.

The asset's (or the cash-generating unit) recoverable sum corresponds to the greater amount between: (i) its fair value deducted from the selling costs; and (ii) its value in use. When determining the value in use, the estimated future cash flows are discounted by using a discount rate which reflects the market's expectations in what regards the time value of money (which in the case of the Company was considered not to exist) and the asset's (or the cash-generating unit) specific risks in relation to which the estimates of future cash flows were not subject to adjustments.

The reversals of impairment losses recognized in previous financial years are recorded whenever there is evidence the previously recognized impairment losses have ceased to exist or have decreased. The reversals of the impairment loss are performed up to the sum which would be recognized (net from depreciation) if such loss had not been recorded.

The gain (or loss) arising from the disposal or write-off of any component of the investment property shall be measured as the difference between the amount received on the transaction and the asset's net carrying amount, and shall be recorded at its net value in the statement of profits and losses.

4.6 Impairment of property, plant and equipment (non-LTI)

On each reporting date, a review of the net carrying amounts of the Company's property, plant and equipment is carried out in order to determine the presence of any impairment indicator. Should there be any indicators, the corresponding assets' (or the cash-generating units') recoverable sum is estimated in order to determine the extent of the impairment loss (if applicable).

The asset's (or the cash-generating unit) recoverable sum corresponds to the greater amount between: (i) its fair value deducted from the selling costs; and (ii) its value in use. When determining the value in use, the estimated future cash flows are discounted by using a discount rate which reflects the market's expectations in what regards the time value of money (which in the case of the Company was considered not to exist) and the asset's (or the cash-generating unit) specific risks in relation to which the estimates of future cash flows were not subject to adjustments.

Whenever the asset's (or the cash-generating unit) net carrying sum is greater than its recoverable sum, an impairment loss is recognized. The impairment loss is immediately recorded in the statement of profits and losses, except if such loss compensates for a revaluation surplus recorded in equity. In case of the latter, such loss will be deemed as a decrease in the said revaluation.

The reversals of impairment losses recognized in previous financial years are recorded whenever there is evidence the previously recognized impairment losses have ceased to exist or have decreased. The reversals of the impairment loss are performed up to the amount that would be recognized (net from depreciation) if such previous impairment loss had not been recorded.

4.7 Financial interests in subsidiaries, associates companies and joint ventures

Financial interests in subsidiaries, associate companies and joint ventures are recorded pursuant to the equity method. Pursuant to the equity method, financial holdings are initially recorded at its cost of acquisition and subsequently adjusted according to the changes observed, after the acquisition, in the Company's share in the net assets of the corresponding entities.

The Company's profits include its corresponding share in these entities' profits.

When there is evidence that the asset may be impaired, an assessment of the financial investments is carried out and any impairment losses shown to exist are recorded in the statement of profits and losses as expenses.

When the Company's proportion in the accumulated losses of the subsidiary, associate company or joint venture is greater than the amount according at which the investment was recorded, the investment is reported at nil, except when the Company has agreed to commitments regarding the coverage of losses of the subsidiary, associate company or joint venture, and in such cases the additional losses give rise to the recognition of a liability. If the subsidiary, associate company or joint venture reports profits at a subsequent stage, the Company resumes the recognition of its share in the said profits only to the extent its share of profits equals the part of the unrecognized losses.

The unrealized gains on transactions with subsidiaries, associate companies and joint ventures are eliminated in proportion to the Company's interest in such entities against the corresponding item of the investment. Unrealized losses are eliminated in a similar manner, but only to the extent the loss does not derive from a situation in which the transferred asset is impaired.

4.8 Inventories

The inventories are measured at the smaller amount between their cost and their net realization amount. Raw materials, other raw materials and consumables are recorded at their cost of acquisition, which shall not exceed their corresponding market value.

The net realization amount represents the estimated selling price net from all estimated expenses necessary to complete the inventories and to sell them. In those events where the cost value exceeds the net realization amount, an impairment loss is recorded for the corresponding difference.

The inventories cost method adopted by the Company corresponds to the average weighted cost.

4.9 Financial assets and financial liabilities

The financial assets and financial liabilities are recognized in the balance sheet when the Company enters into the corresponding contractual provisions as a party, and the effect foreseen in NCRF 27 – Financial Instruments is used.

Therefore, the financial assets and the financial liabilities are measured in light of the following criteria: (i) at their amortized cost deducted from impairment losses and (ii) at their fair value, with their changes being recognized in the statement of profits and losses.

i. **At their amortized cost deducted from impairment losses**

The financial assets which meet the conditions set out below are measured "at their amortized cost deducted from impairment losses":

- They are in sight or have a defined maturity;
- They are related to a fixed or determinable yield; and
- They do not contain any agreement clause which could derive in a nominal value loss for their holder.

With the exception of the financial liabilities classified as held for trading, all financial liabilities must be measured at their amortized cost.

The amortized cost is determined by means of the effective interest method. The effective interest is computed through the rate which accurately discounts future estimated payments or receipts during the financial instrument's operating life from the financial asset or financial liability's net carrying sum (effective interest rate).

As a consequence, such category includes the following financial assets and financial liabilities:

a) Customers and other credits receivable

Those balances related to customers and to other credits receivable are recorded at their amortized cost deducted from any impairment losses. Normally, the amortized cost of such financial assets is not different from their nominal value.

b) Cash and bank deposits

The amounts included in the item "Cash and bank deposits" reflect the amounts of cash, bank deposits and savings deposits and other treasury applications which mature in less than twelve months. Normally, the amortized cost of such financial assets is not different from their nominal value.

c) Suppliers and other debts payable

The balances regarding suppliers and other debts payable are recorded at their amortized cost. Normally, the amortized cost of such financial liabilities is not different from their nominal value.

d) Borrowings

Borrowings are recorded as a liability at their amortized cost.

Any potential expenses incurred with such borrowings, in particular bank commissions and stamp duty, as well as interest and similar expenses, are recognized using the effective interest method in profits and losses for the financial year throughout the life period of such borrowings. While these are not recognized, such expenses incurred are evidenced as a deduction in the item "Borrowings". The interest incurred and not yet paid is evidenced under the item "Other debts payable".

The financial assets included in the category of "at their amortized cost" are subject to impairment tests at each reporting date. Such financial assets are deemed to be impaired when there is objective evidence that, as a consequence of one or more events occurring after their initial recognition, their estimated future cash flows are affected.

For the financial assets measured at their cost, the impairment loss to be recognized equals the difference between the asset's net carrying sum and the best estimate of the asset's fair value.

The impairment losses are recorded in profits and losses in the period in which they are assessed.

Subsequently, should the amount of the impairment loss decrease and such decrease be objectively related to an event which has occurred after the recognition of the loss, it should be reversed through profits and losses. The reversals must be performed up to the sum that would be recognized (amortized cost) if such loss had not been initially recorded.

The Company only derecognizes financial assets when the contractual rights to its cash flows expire due to collection or when it transfers to another entity the control over those financial assets and all significant risks and benefits connected to possession of such.

The Company only derecognizes financial liabilities when the corresponding obligation is settled, cancelled or expires.

ii. At their fair value, with their changes being recognized in the statement of profits and losses

All financial assets and financial liabilities which were not classified in the category "at their amortized cost" are included in the category "at their fair value, with their changes being recognized in the statement of profits and losses."

Such financial assets and financial liabilities are measured at their fair value, and changes to such fair value are recorded in profits and losses.

In what regards the specific case of the Company, this category includes the derivative financial instruments which do not meet the conditions for purposes of hedge accounting according to the provisions set forth in the NCRF 27 – Financial Instruments and the collaterals granted for purposes of guaranteeing the financing.

In accordance with the above, the financial assets and financial liabilities have been classified as follows:

Financial Assets	Notes	2019 Fair value	2019 Amortized Cost	2018 Fair value	2018 Amortized Cost
Non-Current :					
Derivatives	11	-	-	81 966	-
Other financial assets	12	58 096 755		55 418 340	-
		58 096 755	**-**	**55 500 306**	**-**
Current:					
Customers	14	-	1 298 272	-	1 031 813
State and other public entities	22	-	3 049 503	-	5 230 197
Other credits receivable	14	-	6 939 794	-	7 008 736
Cash and bank deposits	5	-	29 729 749	-	16 237 584
		-	**41 017 318**	**-**	**29 508 331**
		58 096 755	**41 017 318**	**55 500 306**	**29 508 331**

Financial Liabilities	Notes	2019 Fair value	2019 Amortized cost	2018 Fair value	2018 Amortized cost
Non-Current:					
Borrowings	19	-	167 145 382	-	194 179 525
Derivatives	11	58 618 131	-	81 623 896	-
		58 618 131	**167 145 382**	**81 623 896**	**194 179 525**
Current:					
Suppliers	21	-	10 118 432	-	1 765 542
State and other public entities	22	-	3 030 076	-	3 017 415
Borrowings	19	-	522 801 395	-	472 210 525
Other debts payable	24	-	56 894 446	-	44 259 228
		-	**592 844 349**	**-**	**521 252 709**
		58 618 131	**759 989 731**	**81 623 896**	**715 432 234**

4.10 Financial costs related to borrowings

Financial costs related to borrowings are recognized as expenses as they are incurred.

The financial costs related to borrowings directly associated with asset acquisition and construction are capitalized, and are an integral part of the asset's cost. The beginning of these costs' capitalization shall start after the beginning of the preparation of the asset's construction activities and shall be interrupted following the start of use or completion of the asset or when the relevant asset is suspended. Any income generated by borrowings obtained in advance associated with a specific investment is deducted from the financial costs the capitalization of which is permissible.

In light of the provisions of the Decree-Law no. 196/80, of the 20th of June, the Government undertook the principle according to which it was the Portuguese State's role to finance the Metro's LTI: The aforementioned principle had practical implementation by means of subsidies awarded by the Portuguese State, non-repayable, regarding those investments made until the 31st of December 1980 and for the financial costs incurred up to such date with those investments. As a consequence of the said principle, the Company records the financial costs related to LTI under the item "Long-term infrastructure investments".

4.11 Income tax

The Company is subject to the payment of the Corporate Income Tax at a rate of 21%.

The current tax payable is computed based on the taxable profit. The taxable profit differs from the accounting profit as it excludes several expenses and income which shall only be deductible or taxable in other financial years, as well as expenses and income which will never be deductible or taxable.

The Company has performed the recording of deferred taxes and, to the present date, these are not entirely measured. The deferred tax assets would correspond to tax losses carried forward and provisions not deductible for tax purposes, while the deferred tax liabilities would correspond to depreciations of revalued assets not accepted for tax purposes and capital gains and losses with deferred taxation.

4.12 Government Subsidies (non-LTI)

Government subsidies are only recognized when there is a reasonable certainty that the Company will meet the conditions of attribution and that they will be received.

Government subsidies associated with the acquisition or production of non-current assets are initially recognized through equity and are subsequently recognized on a systematic basis (in proportion to the depreciation of the underlying assets) as income for the financial year in the course of the operating lives of the assets to which they relate.

Other Government subsidies are generally recognized as income in a systematic manner in the periods necessary to balance them with the expenses they are intended to compensate. The Government subsidies which are intended to compensate losses already incurred or which do not have associated future costs are recognized as income with reference to the period in which they become receivable.

4.13 Provisions, contingent assets and contingent liabilities

Provisions are recorded when the Company has a present (legal or constructive) obligation deriving from a past event, it is probable for purposes of settlement of such obligation that an outflow of resources occurs and the amount of the obligation can be reasonably estimated. Provisions are reviewed at each balance sheet's reporting date and adjusted in order to reflect the best estimate at such date.

Contingent liabilities are not recognized in the financial statements and are disclosed whenever there is a non-remote likelihood of an outflow of resources comprising economic benefits. Contingent assets are not recognized in the financial statements and are disclosed when there is a likelihood of a future economic inflow of resources.

4.14 Post-employment benefits

Established benefit plan

The Company has an established benefit plan for purposes of supplementing the retirement (due to old age, disability and death), additionally to the amount paid by Social Security. The Company's responsibilities related to the aforementioned plan are determined by means of the projected unit credit method, and the corresponding actuarial assessments are performed on each reporting date, which is carried out according to the internationally accepted actuarial methods and assumptions, thus making it possible to learn the responsibilities' value on the balance sheet date and the expense with pensions to be recorded with reference to the financial year.

The responsibility related to the guaranteed benefits recognized in the balance sheet reflect the corresponding obligation's present value, adjusted for actuarial gains and losses and for unrecognized past service expenses, deducted from the plan assets' fair value.

The actuarial gains and losses are recognized on an annual basis in equity.

The granted benefit plans which have been identified by the Company for purposes of determining such responsibilities are:

a) Retirement, disability and death pension supplements;

b) Early-retirements.

Health care

The Company has also assumed responsibilities for the payment of health care benefits to its employees, up to their age of retirement, which are not recorded in the balance sheet with reference to the 31st of December 2019. For purposes of meeting the said responsibilities, the Company has guaranteed a collective health insurance to its active employees, which grants them access to medical services subsidized by the Company. These costs are recorded in the statement of profits and losses with reference to the financial year in which they are paid.

4.15 Derivative financial instruments

The Company establishes contracts on derivative financial instruments for borrowings in order to finance the infrastructure management activities and those related to LTI.

Derivative financial instruments are first recognized at their fair value and they are measured, on each reporting date, at their fair value, and the changes in the fair value are recognized in the statement of profits and losses, expect if such instruments are designated as established and effective hedge accounting instruments.

Regarding the derivative financial instruments which do not meet all the requirements of the NCRF 27 – Financial Instruments for the application of hedge accounting, they are deemed as speculation financial instruments.

The measurement of such derivative financial instruments is, at the end of each financial year, carried out pursuant to the measurement of the banks with which these were entered into.

With reference to the 31st of December 2019 and 2018, the Company does not classify any derivative financial instruments as hedge accounting, as a consequence of the non-compliance with the requirements of the NCRF 27.

Regarding the derivative financial instruments entered into by the Company associated with the financing for the infrastructure management activity, should their fair value be positive, they are recognized as financial assets in the item "Derivatives", and should their fair value be negative, they are recognized as financial liabilities in the item “Derivatives”. The changes in these derivative financial instruments’ fair value are recognized in the statement of profits and losses with reference to the financial year to which they relate.

Regarding the derivative financial instruments entered into by the Company, associated with the financing for the LTI activity, these are recognized in the item “Long-term infrastructure investments” in assets or liabilities, in light of the aggregate of the various financial instruments’ fair values assessed on the reporting date being positive or negative, correspondingly, and they are recorded against a receivable/payable in the item LTI, in order for the effect of the variations in the fair value in the Company’s equity to be, in this case, null.

4.16 Classification of the balance sheet

The assets subject to realization and the liabilities payable for a period exceeding one year after the balance sheet date are classified, correspondingly, as non-current assets and non-current liabilities.

4.17 Revenue

Revenue is measured at the fair value of the received or receivable consideration. The recognized revenue is deducted from the amount of returns, discounts and other reductions and does not include VAT and other taxes assessed in relation with the sale.

The revenue arising from the provision of public transport public services results from the division of the revenues deriving from the sale of tickets enabling access to the mode operated by Metropolitano de Lisboa, E.P.E.. It is recognized to the extent all the following conditions are met:

- The revenue amount can be measured in a reliable manner;
- There is a likelihood that future economic benefits connected to the transaction flow into the Company;
- The expenses incurred or to be incurred with the transaction can be measured in a reliable manner;

Until the 31st of March 2019, the fare system in force in the Metropolitan Area of Lisbon evidenced a significant diversity of transport ticket, and the following types of tickets were valid for the service provided by the ML:

1. Inter-modal monthly passes – Tickets valid for a month period, the revenues generated by the inter-modal monthly passes sold by the Company and by other transport operators are allocated to each one of the operators based on a monthly distribution established by the Metropolitan Area of Lisbon, with reference to the quotas established in the traffic survey performed in 2007.
2. Combined monthly passes – Tickets combined with other operators with quotas defined in accordance with established protocols.
3. Occasional Traveling/Zapping – Tickets combined with other operators and valid for a previously established number of travels. The revenue arising from the sale of these tickets is divided in accordance with the uses recorded with each operator, with the exception of the Carris/ML 24-hour ticket, which has a defined quota.

In the first quarter of the year, the revenue arising from the public transport service was determined as described in the items above.

At the beginning of April, the Fare Reduction Support Program (PART) came into force, according to the terms of the State Budget Law for 2019 (Law 71/2018) and pursuant to the Regulation no. 278-A/2019 for the Metropolitan Area of Lisbon, published in the State Gazette, 2nd Series, no. 61, of the 27th of March 2019.

The PART created a "single metropolitan monthly pass", common to all transport operators operating in the MAL and determined, as a result, the end of almost all inter-modal and combined monthly passes. The new "municipal" and "metropolitan" monthly passes are available at significantly lower prices to stimulate demand for public transport. The PART program also simplified the process of monthly revenue clearance, establishing that

- Revenues arising from the sale of PART monthly passes are the property of the operators effecting the sale;
- The MAL pays operators financial compensations for the fulfilment of public service obligations, according to the model defined in the Regulation 2278-A/2019, which secures the maintenance of the Operators' financial balance, ensuring they do not experience loss of revenue in comparison to a pre-established reference value;
- The value of monthly payments on account is established on a quarterly basis, corresponding to the difference between the amounts received (sales revenue and subsidies from the State) and the estimated reference value for each Operator;
- The model equally defines rules for the distribution of benefits arising from an upside in the MAL transport system's overall revenue, resulting from a sustained increase in the use of public transport, favouring the operators with the highest growth in demand;
- The computing of the final value of each Operator's compensations, bearing in mind the actual total sales amount and the validations made by all MAL operators, is performed in the first quarter of the subsequent year.

Non-refundable fare compensations are awarded to the Company by the State in order to compensate the use of the public transport by ticket-holders with low-fare transport tickets, and these revenues are recorded in the financial year during which they are attributed.

The interest revenue is recognized using the effective interest method, provided there is a likelihood that economic benefits will flow to the Company and their amount can be measured in a reliable manner.

4.18 Department expenses included in LTI

The internal operating expenses of the several management services which are not exclusively intended for investment purposes are allocated, at a percentage of 10%, to the amount of the investments in progress.

These expenses are allocated to investments in long-term infrastructure – LTI, to equipment and studies for the rolling stock for exploration and depots and workshops (assets financed by the Company) (Note 6 and 7), given that these expenses are the ones executed in a longer period and are more complex from a technical perspective, therefore requiring a more intensive management in terms of human resources.

4.19 Transactions and balances in foreign currency

Transactions in foreign currency (in a currency different from the Company's functional currency) are recorded at the exchange rates in force at the transaction dates. At each reporting date, the carrying sums of the monetary items denominated in foreign currency are updated at the exchange rates in force on such date.

The exchange differences assessed on the date of receipt or payment of the transactions in foreign currency and those deriving from the updates referred above are recorded in the statement of profits and losses with reference to the period in which they are generated.

4.20 Accrual basis (economic historical periods)

The Company records its income and expenses on an accrual basis (economic historical periods), according to which the income and expenses are recognized as they are generated, irrespective of the moment of their receipt or payment. The differences between the amounts received and paid and the corresponding generated income and expenses are recorded as assets or liabilities.

4.21 Critical judgments and key uncertainty sources related to estimates

In the context of preparing the financial statements attached hereto, judgments and estimates were carried out and several assumptions were used affecting the assets and liabilities' reported sums, as well as the reported sums of profits and losses with reference to the financial period.

The estimates and the underlying assumptions were established with reference to the reporting date on the basis of the best knowledge existing at the date of approval of the financial statements of the events and transactions in progress, as well as of the experience of past and/or current events. Nonetheless, there may be situations in subsequent periods which, due to not been expected to occur at the date of approval of the financial statements, were not taken into consideration in such estimates. The changes to estimates which occur after the date of the financial statements shall be corrected in a prospective manner. That is why, and given the associated uncertainty level, the actual profits and losses of the relevant transactions may be different from the corresponding estimates.

The key judgments and estimates carried out in the preparation of the financial statements attached hereto were the following:

a) Operating lives of the property, plant and equipment;

b) Impairment analyses of property, plant and equipment;

c) Impairment losses of receivables - computed bearing in mind the overall collection risk regarding the balances receivable;

d) Determination of the derivative financial instruments' fair value – by the end of each financial year, it is determined by the entity with which they were entered into;

e) Determination of the responsibilities with retirement benefits – by the end of each financial year, the actuarial assessment of the responsibilities with pension supplements is obtained and subsequently prepared by the actuary.

4.22 Subsequent events

The events occurred after the balance sheet date which provide additional information regarding the existing conditions on the balance sheet date (adjusting events) are reflected in the financial statements. The events occurred after the balance sheet date which provide information regarding the conditions which occur after the balance sheet date (non-adjusting events) are disclosed in the financial statements to the extent they are deemed material.

5. Cash and its equivalents

For the purposes of the statement of cash flows, cash and its equivalents shall include cash, bank deposits available on demand (with a maturity of less than or equivalent to three months) and cash market treasury applications, deducted from bank overdrafts and other short-term equivalent financing. With reference to the 31st of December 2019 and 2018, the cash and its equivalents item were the following:

Cash Flows	2019	2018
Cash	12 672	16 120
Bank deposits available on demand	29 717 077	16 221 464
	29 729 749	**16 237 584**

6. Long-term infrastructure investments

The balance evidenced in the item "Long-term infrastructure investments" derives from the Company's infrastructure investment activity, which may be broken down into asset and liability items as follows:

	Notes	2019	2018
LTI investment activities			
Non-Current assets:			
Property, plant and equipment	6.1	3 136 289 617	3 123 933 023
Intangible assets	6.2	7 174 558	6 974 803
Investment Property	6.3	1 804 209	1 804 209
Subsidies	6.4	(998 685 776)	(995 926 760)
State receivables	6.5	3 088 856 357	2 955 028 532
Derivatives	6.9	14 539 323	19 804 252
		5 249 978 288	**5 111 618 059**
Current assets:			
Other credits receivable	6.7	-	-
		-	**-**
Total assets		**5 249 978 288**	**5 111 618 059**
Non-current liabilities:			
Provisions	6.6	13 154 246	14 214 246
Borrowings	6.8	1 768 933 661	1 971 099 037
Derivatives	6.9	296 902 031	340 984 959
		2 078 989 938	**2 326 298 242**
Current liabilities:			
Suppliers	6.10	1 746 492	1 087 844
Borrowings	6.8	981 165 999	1 142 175 147
Other debts payable	6.11	58 187 285	62 367 061
		1 041 099 776	**1 205 630 052**
Total liabilities		**3 120 089 714**	**3 531 928 293**
Total net LTI		**2 129 888 574**	**1 579 689 765**

The variation evidenced in the net balance of the item regarding LTI, in comparison with the 31st of December 2018, is essentially a consequence from the facts below:

- The interest incurred in the financial year 2019 in relation to borrowings in the amount of 173,645,825 euro (Note 6.5.1.);
- The financial instruments' fair value in the amount of (38,818,000) euro (Note 6.9);
- The provisions for pending legal proceedings, in the amount of (1,060,000) euro (Note 6.6).

6.1 Property, plant and equipment

In the course of the financial years ended on the 31st of December 2019 and 2018, the movements evidenced in the net carrying amount of property, plant and equipment was the following:

	31st of December 2019					
Gross Assets	**Start Balance**	**Reavaluations**	**Start balance (historic cost)**	**Additions**	**Transfers/Write-offs**	**End Balance**
LTI Property, plant and equipment	**3 313 204 581**	**(199 062 008)**	**3 114 142 573**	**1 967 198**	**855 000**	**3 116 964 771**
Land and natural resources	15 899 497	(2 388 442)	13 511 055	-	-	13 511 055
Buildings and other constructions	2 828 482 417	(176 310 029)	2 652 172 388	790 827	338 544	2 653 301 758
Basic equipment	468 822 667	(20 363 537)	448 459 130	1 176 372	516 456	450 151 959
Property, plant and equipment in progress	**8 717 934**	**-**	**8 717 934**	**10 942 596**	**(998 106)**	**18 662 425**
Land and natural resources	-	-	-	-	-	-
Buildings and other constructions	7 820 819	-	7 820 819	6 703 062	(338 544)	14 185 338
Basic equipment	897 115	-	897 115	4 239 534	(659 562)	4 477 087
Advance payments for the account of property, plant and e	**-**	**-**	**1 669 598**	**(410 094)**	**-**	**1 259 504**
Impairment losses in Buildings and other constructions	**-**	**-**	**(597 082)**	**-**	**-**	**(597 082)**
Total gross LTI property, plant and equipment	**3 321 922 515**	**(199 062 008)**	**3 123 933 023**	**12 499 700**	**(143 106)**	**3 136 289 617**

	31st of December 2018					
Gross Assets	**Start Balance**	**Reavaluations**	**Start balance (historic cost)**	**Additions**	**Transfers/Write-offs**	**End Balance**
LTI property, plant and equipment	**3 303 354 795**	**(199 062 008)**	**3 104 292 787**	**8 854 434**	**995 352**	**3 114 142 573**
Land and natural resources	15 899 497	(2 388 442)	13 511 055	-	-	13 511 055
Buildings and other constructions	2 818 796 243	(176 310 029)	2 642 486 214	7 897 621	1 788 552	2 652 172 388
Basic equipment	468 659 056	(20 363 537)	448 295 519	956 812	(793 201)	448 459 130
property, plant and equipment in progress	**6 295 544**	**-**	**6 295 544**	**5 242 115**	**(2 819 726)**	**8 717 934**
Land and natural resources	-	-	-	-	-	-
Buildings and other constructions	5 194 534	-	5 194 534	4 936 747	(2 310 462)	7 820 819
Basic equipment	1 101 010	-	1 101 010	305 368	(509 263)	897 115
Advance payments for the account of property, plant and e	**-**	**-**	**1 603 793**	**65 805**	**-**	**1 669 598**
Impairment losses in Buildings and other constructions	**-**	**-**	**(691 885)**	**94 803**	**-**	**(597 082)**
Total gross LTI property, plant and equipment	**3 309 650 340**	**(199 062 008)**	**3 111 500 240**	**14 257 157**	**(1 824 374)**	**3 123 933 023**

The additions occurred in the financial year ended on the 31st of December 2019 in the item "Property, plant and equipment – Buildings and other constructions and Basic equipment", in the amount of 790,827 euro, are primarily related to the refurbishment and expansion of the network.

The additions occurred in the financial year ended with reference to the 31st of December 2019 in the item "Property, plant and equipment in progress", in (a) Buildings and other constructions, amounting to 6,703,062 euro, are primarily related to the Rato/Cais do Sodré project and to the refurbishment of the network, amounting to 1,486,285 euro and 4,053,052 euro, and (b) Basic equipment, amounting to 4,239,534 euro, is primarily related to the execution of interventions to guarantee the accessibility for reduced mobility persons and the refurbishment of the network, amounting to 149,463 euro and 3,805,921 euro.

The cost value of property, plant and equipment (including those in progress) with reference to the 31st of December 2019 and 2018 encompasses the following department expenses:

Capitalized expenses	2019			2018		
	Property, plant and equipment	Property, plant and equipment in progress	Total	Property, plant and equipment	Property, plant and equipment in progress	Total
Department expenses	73 757 654	14 946 410	88 704 065	73 216 081	12 467 302	85 683 383
	73 757 654	**14 946 410**	**88 704 065**	**73 216 081**	**12 467 302**	**85 683 383**

6.2 Intangible assets

In the course of the financial years ended in 2019 and 2018, the movements evidenced in the net carrying amount of intangible assets was the following:

Gross assets	31st of December 2019 Start Balance	Additions	Transfers/Write-offs	End Balance
LTI intangible assets				
Research and development expenses	4 939 157	187 771	11 615	5 138 543
Installation expenses	2 019 827	-	-	2 019 827
Intangible assets in progress	15 818	11 984	(11 615)	16 188
Total gross LTI intangible assets	**6 974 803**	**199 755**	**-**	**7 174 558**

Gross assets	31st of December 2018 Start Balance	Additions	Transfers/Write-offs	End Balance
LTI intangible assets				
Research and development expenses	4 812 580	13 660	112 917	4 939 157
Installation expenses	2 019 827	-	-	2 019 827
Intangible assets in progress	122 937	5 799	(112 917)	15 818
Total gross LTI intangible assets	**6 955 344**	**19 458**	**-**	**6 974 803**

6.3 Investment Property

The movements in the item “Investment property” with reference to the 31st of December 2019 and 2018 were the following:

	31st of December 2019					31st of December 2018				
	Gross amount	Accumulated depreciation	Accumulated impairment losses	Net amount	Fair value	Gross amount	Accumulated depreciation	Accumulated impairment losses	Net amount	Fair value
Praça General Humberto Delgado	1 804 209	-	-	1 804 209	8 160 981	1 804 209	-	-	1 804 209	4 616 469
	1 804 209	**-**	**-**	**1 804 209**	**8 160 981**	**1 804 209**	**-**	**-**	**1 804 209**	**4 616 469**

6.4 Subsidies

The amount evidenced in the item subsidies with reference to the financial year ended on the 31st of December 2019 was the following:

	31st of December 2019			
Description	**Start balance**	**Additions**	**Reductions**	**End Balance**
Feder	229 464 397	-	-	229 464 397
Piddac	182 871 505	968 212	-	183 839 717
Cohesion Fund	376 640 062	-	-	376 640 062
Environmental Fund	2 433 400	1 742 805	-	4 176 205
Sundry subsidies	204 517 396	48 000	-	204 565 396
Total subsidies	**995 926 760**	**2 759 017**	**-**	**998 685 776**

The increase observed in the financial year ended on the 31st of December 2019, amounting to 1,742,805 euro, is related to the implementation of the project "Expansion Plan of Metropolitano de Lisboa – Yellow and Green Lines Extensions – Rato – Cais do Sodré", the increase in the amount of 968,212 euro regarding the subsidy attributed in the context of the PIDDAC for the refurbishment of the network.

6.5 State receivables

The said item is related to the State receivables regarding long-term infrastructure investment activities, and its break down is the following:

Description	Notes	2019	2018
Derivatives	6.9	282 362 708	321 180 708
Provisions	6.6	13 154 246	14 214 246
Interest, guarantee fee and stamp duty	6.5.1	2 481 846 542	2 308 140 717
Issuing expenses	6.5.1	20 230 150	20 230 150
Corrected start balance in the transition to the NCRF	6.5.1	289 555 301	289 555 301
Impairment losses in property, plant and equipment	6.5.2	597 082	597 082
Capitalized financial costs	6.5.3	(3 495 216)	(3 495 216)
Specialized Works	6.5.4	2 563 836	2 563 836
Impairment losses in debt receivables	6.7	2 041 708	2 041 708
		3 088 856 357	**2 955 028 532**

6.5.1 Borrowing expenses

The item borrowing expenses is related to those costs incurred by the Company with borrowings to finance long-term investment and infrastructure activities which have not been capitalized in the finished LTI.

Up to 2009, the financial costs borne regarding LTI which could not be capitalized in such infrastructure were recognized in the statement of profits and losses. With effects from the financial year 2010 (restated) onwards, in the course of the transition to the NCRF, the Company has determined to recapture the amount of such financial costs for purposes of adding them to the item "Long-term Infrastructure Investments – Borrowing expenses", and in compliance with the principle referred to in the Note 4.10 regarding the financial costs approximately amounting to 1,017,000,000 euro, incurred from 1995 to 2008, the Company has measured them based on the available accounting records. However, in what concerns the financial costs incurred before 1995, and due to an evident difficulty in their measurement, the Board of Directors has chosen to record the amount of 289,555,301 euro, thus enabling to settle the LTI asset and liability items, with reference to the 31st of December 2009, as the possible estimate on such date of interest and other costs incurred and previously recognized in the statement of profits and losses up to 1995.

6.5.2 Impairment losses in property, plant and equipment

In the course of the financial year 2019, the Company has obtained an assessment of the immovable properties, which was performed by a specialized and independent entity, and it has not resulted in any recording of impairment loss' reversal / addition.

6.5.3 Capitalized financial costs

With reference to the 31st of December 2019 and 2018, the financial costs capitalized in the item "Intangible assets", "Property, plant and equipment" and "Property, plant and equipment in progress" are the following:

Description	31st of December 2019				31st of December 2018			
	Intangible Assets	property, plant and equipment	In progress	Total	Intangible Assets	property, plant and equipment	In progress	Total
Borrowing Expenses	153 110	298 426 613	11 726 512	310 306 235	152 981	298 367 991	11 785 262	310 306 234

6.5.4 Specialized works

Following the legal proceedings pending at a Court in London, initiated by a financial institution and the Portuguese State, the Lawyers' fees relating to the derivative financial instruments which related to the LTI activity were recognized in the financial year 2016.

6.6 Provisions

With reference to the 31st of December 2019, the amount of 13,154,246 euro (14,214,246 euro with reference to the 31st of December 2018) are related to the provision established to deal with the legal proceedings which were in a resolution stage as consequence of the investments made.

6.7 Other credits receivable

With reference to the 31st of December 2019, the item "Customers" includes an amount of 2,041,708 euro related to a contractual penalty corresponding to the debit made to the works contractor subsequent to delays in delivering the construction work for the Areeiro station's extension and refurbishment, which has been recorded as an impairment loss against the item LTI.

6.8 Borrowings

The borrowings allocated to the LTI activity with reference to the 31st of December 2019 and 2018 are detailed below:

	Financing Entity	2019 Limit	2019 Current	2019 Non-Current	2019 Total	2018 Limit	2018 Current	2018 Non- Current	2018 Total
Debenture loans:									
Metro Issuing 2019	Barclays	-	-	-	-	400 000 000	400 000 000	-	400 000 000
Metro Issuing 2025	DBI, AG	110 000 000	-	110 000 000	110 000 000	110 000 000	-	110 000 000	110 000 000
Metro Issuing 2026	JP Morgan	400 000 000	-	400 000 000	400 000 000	400 000 000	-	400 000 000	400 000 000
Metro Issuing 2027	BNPP	400 000 000	-	400 000 000	400 000 000	400 000 000	-	400 000 000	400 000 000
			-	**910 000 000**	**910 000 000**		**400 000 000**	**910 000 000**	**1 310 000 000**
Bank loans:									
ML I/2	EIB	-	-	-	-	234 435 012	15 679 594	-	15 679 594
ML II	EIB	-	-	-	-	74 819 685	4 987 979	-	4 987 979
ML III	EIB	54 867 769	3 009 084	-	3 009 084	54 867 769	5 584 000	3 009 084	8 593 084
ML II/B	EIB	99 759 579	6 650 639	-	6 650 639	99 759 579	6 650 639	6 650 639	13 301 277
ML II/C	EIB	54 867 769	3 657 851	5 486 777	9 144 628	54 867 769	3 657 851	9 144 628	12 802 479
ML I/3	EIB	124 699 474	25 968 000	21 204 453	47 172 453	124 699 474	24 251 933	47 172 453	71 424 386
ML I/3B	EIB	74 819 685	27 229 023	34 135 243	61 364 266	74 819 685	10 690 580	61 364 266	72 054 847
ML V/A	EIB	150 000 000	150 000 000		150 000 000	150 000 000	-	150 000 000	150 000 000
ML V/B	EIB	80 000 000	-	80 000 000	80 000 000	80 000 000	-	80 000 000	80 000 000
ML V/C	EIB	80 000 000	-	80 000 000	80 000 000	80 000 000	-	80 000 000	80 000 000
LT Loan 613,9 M EUR	TFDG (part)	507 957 564	253 978 782	-	253 978 782	507 957 564	253 978 782	-	253 978 782
LT Loan 648,6 M EUR	DGTF (part)	237 747 877	178 310 908	-	178 310 908	237 747 877	178 310 908	-	178 310 908
LT Loan 412,9 M EUR	DGTF (part)	282 974 244	282 974 244	-	282 974 244	282 974 244	235 811 870	47 162 374	282 974 244
LT Loan 32,6 M EUR	DGTF (part)	17 158 204	5 719 401	11 438 803	17 158 204	17 158 204	2 571 011	14 587 193	17 158 204
LT Loan 421,97 M EUR	DGTF (part)	262 008 399	43 668 066	218 340 332	262 008 399	262 008 399	-	262 008 399	262 008 399
LT Loan 131,88 M EUR	DGTF (part)	108 328 053	-	108 328 053	108 328 053	-	-	-	-
			981 165 999	**558 933 661**	**1 540 099 660**		**742 175 147**	**761 099 036**	**1 503 274 183**
Other borrowings:									
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 borrowings			**981 165 999**	**1 768 933 661**	**2 750 099 660**		**1 142 175 147**	**1 971 099 037**	**3 113 274 183**

The "Metro 2025" bond loan has been entered into on the 23rd of December 2010, for a fifteen year term, bullet, at a fixed rate, and the State granted a personal guarantee. The applicable law is the Portuguese Law.

In the financial year ended on the 31st of December 2010, the Company has entered into a bond loan amounting to 85,000,000 euro, for a 15 year term, with the State granting a personal guarantee, and such loan was reinforced by 25,000,000 euro in the financial year ended on the 31st of December 2011. The applicable law is the Portuguese Law.

The "Metro 2026" bond loan has been entered into on the 4th of December 2007, for a twenty year term, at a bullet fixed rate, and the State granted a personal guarantee. The applicable law is the English Law.

The "Metro 2027" bond loan has been entered into on the 7th of December 2007, for a twenty year term, bullet, at a fixed rate, and the State granted a personal guarantee. The applicable law is the Portuguese Law, with the exception of the "subscription agreement", which is governed by the English Law. The issuing has been admitted to listing at the Euronext Lisbon.

In the course of the financial year ended on the 31st of December 2011, bearing in mind the financial markets' situation, notably the capital markets, it was not possible to carry out any issuing of long-term bonds, and the

Company has entered into a financing agreement of 613,932,000 euro with the Treasury and Finances Directorate-General ("TFDG"), of which 507,957,564 euro is related to responsibilities with Long-term Infrastructure (LTI), for a 5-year period, reimbursable in 8 equal and half-yearly instalments, and the first shall be due in May 2013.

In the course of the financial year ended on the 31st of December 2012, bearing in mind the financial markets' situation, notably the capital markets, it was not possible to carry out any issuing of long-term bonds, and the Company has entered into a financing agreement of 648,581,846 euro with the Treasury and Finances Directorate-General ("TFDG"), of which 237,747,877 euro is related to responsibilities with Long-term Infrastructure (LTI), for a 5-year period, reimbursable in 8 equal and half-yearly instalments, and the first shall be due in May 2014.

In the course of the financial year ended on the 31st of December 2013, bearing in mind the financial markets' situation, notably the capital markets, it was not possible to carry out any issuing of long-term bonds, and the Company has entered into a financing agreement of 412,860,000 euro with the Treasury and Finances Directorate-General ("TFDG"), of which 282,974,244 euro is related to responsibilities with Long-term Infrastructure (LTI), for a 6-year period, reimbursable in 12 equal and consecutive half-yearly principal instalments, and the first shall be due in May 2015.

In light of the Order no. 421/18-SEATF, of the 30th of May, issued by the Assistant Secretary of State for Treasury and Finances, a moratorium regarding the payment of the debt service of the aforementioned loans has been granted. Pursuant to the said moratorium, the debt service is not yet subject to the payment of interest.

In the course of the financial year ended on the 31st of December 2017, bearing in mind the financial markets' situation, notably the capital markets, it was not possible to carry out any issuing of long-term bonds, and the Company has entered into a financing agreement of 32,584,270 euro with the Treasury and Finances Directorate-General ("TFDG"), of which 17,158,204 euro is related to responsibilities with Long-term Infrastructure (LTI), for a 7-year period, reimbursable in 12 equal and consecutive half-yearly principal instalments, and the first shall be due in May 2019.

In the course of the financial year ended on the 31st of December 2018, bearing in mind the financial markets' situation, notably the capital markets, it was not possible to carry out any issuing of long-term bonds, and the Company has entered into a financing agreement of 421,973,931 euro with the Treasury and Finances Directorate-General ("TFDG"), of which 262,008,399 euro is related to responsibilities with Long-term Infrastructure (LTI), for a 7-year period, reimbursable in 12 equal and consecutive half-yearly principal instalments, and the first shall be due in May 2020.

Pursuant to the Order no. 1425/19-SET, of the 20th of December 2019, issued by the Secretary of State for the Treasury, a deferral regarding the payment of the debt service of the aforementioned loans has been authorized.

In the course of the financial year ended on the 31st of December 2019, bearing in mind the financial markets' situation, notably the capital markets, it was not possible to carry out any issuing of long-term bonds, and the Company has entered into a financing agreement of 131,884,780 euro with the Treasury and Finances Directorate-General ("TFDG"), of which 108,328,053 euro is related to responsibilities with Long-term Infrastructure (LTI), for a 7-year period, reimbursable in 12 equal and consecutive half-yearly principal instalments, and the first shall be due in May 2021.

With reference to the 31st of December 2019, the bond loans classified as non-current involve the following reimbursement plan:

Years	Amount
2025 and subsequent	910 000 000
	910 000 000

The portion referring to bank loans and other borrowings classified as non-current involve the following reimbursement plan:

Years	Amount
2021	204 446 401
2022	145 544 958
2023	64 582 443
2024	364 582 443
2025 and subsequent	79 777 417
	858 933 661

With reference to the 31st of December 2019, the borrowings with associated covenants, notably those associated with the Portuguese Republic's rating or those including holding clauses, are detailed below:

AGREEMENT	Amount due on 31-12-2019 (€)	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 Agreement entered into with the European Investment Bank, on the 28th of October 1994, governed by the Portuguese law and subject to the jurisdiction of the Lisbon District Court ("ML I/2"), amended on the 10th of March 2006	0,00	15th of September 2019	NO	NO	NO	NO	NO	YES	Expenses and taxes borne by the ML	Guaranteed by the Portuguese Republic
Financing Agreement entered into with the European Investment Bank, on the 16th of December 1994, governed by the Portuguese law and subject to the jurisdiction of the Lisbon District Court (" ML II")	0,00	15th of December 2019	NO	NO	NO	NO	NO	YES	Expenses and taxes borne by the ML	Guaranteed by the Portuguese Republic
Financing Agreement entered into with the European Investment Bank, on the 7th of September 1995, governed by the Portuguese law and subject to the jurisdiction of the Lisbon District Court ("ML III"), amended on the 10th of March 2006	3 009 084,02	15th of June 2020	NO	NO	NO	NO	NO	YES	Expenses and taxes borne by the ML	Guaranteed by the Portuguese Republic
Financing Agreement entered into with the European Investment Bank, on the 18th of October 1995, governed by the Portuguese law and subject to the jurisdiction of the Lisbon District Court (" ML II/B")	6 650 639,00	15th of December 2020	NO	NO	NO	NO	NO	YES	Expenses and taxes borne by the ML	Guaranteed by the Portuguese Republic
Financing Agreement entered into with the European Investment Bank, on the 28th of October 1996, governed by the Portuguese law and subject to the jurisdiction of the Lisbon District Court ("ML I/3"), amended on the 10th of March 2006	47 172 453,46	15th of September 2021	NO	NO	NO	NO	NO	YES	Expenses and taxes borne by the ML	Guaranteed by the Portuguese Republic
Financing Agreement entered into with the European Investment Bank, in 1997, governed by the Portuguese law and subject to the jurisdiction of the Lisbon District Court ("ML I/3 B"), amended on the 10th of March of 2006	61 364 266,31	15th of September 2022	NO	NO	NO	NO	NO	YES	Expenses and taxes borne by the ML	Guaranteed by the Portuguese Republic
Financing Agreement entered into with the European Investment Bank, on the 14th of July 1997, governed by the Portuguese law and subject to the jurisdiction of the Lisbon District Court ("ML II/C")	9 144 628,10	15th of June 2022	NO	NO	NO	NO	NO	YES	Expenses and taxes borne by the ML	Guaranteed by the Portuguese Republic
Financing Agreement entered into with the European Investment Bank, on the 23rd of February 2001, governed by the Portuguese law and subject to the jurisdiction of the Lisbon District Court ("ML V/A"), amended on the 10th of March 2006	150 000 000,00	15th of December 2020	NO	NO	NO	NO	NO	YES	Expenses and taxes borne by the ML	Guaranteed by the Portuguese Republic
Financing Agreement entered into with the European Investment Bank, on the 19th of December 2001, governed by the Portuguese law and subject to the jurisdiction of the Lisbon District Court ("ML V/B"), amended on the 10th of March 2006	80 000 000,00	15th of June 2021	NO	NO	NO	NO	NO	YES	Expenses and taxes borne by the ML	Guaranteed by the Portuguese Republic
Financing Agreement entered into with the European Investment Bank, on the 9th of May 2003, governed by the Portuguese law and subject to the jurisdiction of the Lisbon District Court ("ML V/C"), amended on the 10th of March 2006	80 000 000,00	15th of June 2022	NO	NO	NO	NO	NO	YES	Expenses and taxes borne by the ML	Guaranteed by the Portuguese Republic
Schuldschein Loan Agreement entered into with the ABN Amro Bank, NV on the 20th of July 2004, governed by the German law and subject to the jurisdiction of the Frankfurt am Main Courts	300 000 000,00	20th of July 2024	YES (as per Annex D)	YES	NO	NO	YES	YES	Expenses and taxes borne by the ML	Guaranteed by the Portuguese Republic / Not a substantial change of the company's nature or its corporate purpose
EUR 400,000,000.00 4.061% Guaranteed Notes due 2026 JP Morgan Securities Ltd / December 2006, governed by the Portuguese law and subject to the jurisdiction of the Portuguese Courts, except for the Subscription Agreement, which is governed by the English law and subject to the jurisdiction of the English Courts	400 000 000,00	2026	NO	YES	YES - Loss of the Public Company quality (State interest smaller than 51%)	NO	YES	YES	Expenses and taxes borne by the ML	Guaranteed by the Portuguese Republic / Not a substantial change of the company's nature or its corporate purpose
EUR 400,000,000.00 4.799% Guaranteed Notes due 2027 BNP Paribas / December 2007, governed by the Portuguese law and subject to the jurisdiction of the Portuguese Courts, except for the Subscription Agreement, which is governed by the English law and subject to the jurisdiction of the English Courts	400 000 000,00	2027	NO	YES	YES - Loss of the Public Company quality (State interest smaller than 51%)	NO	YES	YES	Expenses and taxes borne by the ML	Guaranteed by the Portuguese Republic / Not a substantial change of the company's nature or its corporate purpose
EUR 400,000,000.00 5.75% Guaranteed Notes due in 2019. Barclays Capital, BNP Paribas, Caixa - Banco de Investimento, S.A., Santander Global Banking & Markets / February 2009, governed by the Portuguese law and subject to the jurisdiction of the Portuguese Courts, except for the Subscription Agreement, which is governed by the English law and subject to the jurisdiction of the English Courts	0,00	2019	NO	YES	YES - Loss of the Public Company quality (State interest smaller than 51%)	NO	YES	YES	Expenses and taxes borne by the ML	Guaranteed by the Portuguese Republic / Not a substantial change of the company's nature or its corporate purpose
TOTAL	**1 537 341 071**									

6.9 Derivatives

As mentioned in the Note 4.15, the Company has entered into interest rate swap contracts with several banking entities, related to the bank loans for LTI. According to the opinion of the Company's Board of Directors, notwithstanding these have not been guaranteed by the Portuguese State, they have been entered into in the context of the management of long-term infrastructure and, for that reason, are reflected in the item "Long-term infrastructure investments".

With reference to the 31st of December 2019 and 2018, the LTI-related swap contracts' fair value has been determined according to the description provided in the Note 4.15, which may be detailed as follows:

Derivative bank financing				Date		Hedged principal on 31.12.2019			Fair value		
Name		Entity	Swap	Start	End	Capital	Inc. Principal (EIB)	Total associated financing	Fair Value("N") (counterpart) 31.12.2019	Fair Value("N") (counterpart) 31.12.2018	Variation
E I B (ML I/2)	2ND, 3RD AND 6TH DISBURSEMEN	BST	30/03/2006	15/03/2006	15/09/2019				-	(1 458 672)	1 458 672
	Total financing										
E I B (ML III)	1ST AND 4TH DISBURSEMENTS	BBVA	02/02/2006	15/12/2005	15/06/2020			1 163 862	(15 438)	(89 044)	73 606
	Total financing					**1 828 926**	**1 180 158**	**3 009 084**			
E I B (ML V/C)	1ST DISBURSEMENT	BST	26/05/2003	16/06/2003	15/06/2022			20 000 000	(1 998 243)	(2 846 153)	847 910
	Total financing					**40 000 000**	**40 000 000**	**80 000 000**			
E I B (REEST-INC CAPITAL)	TRANCHE B	BST	31/05/2007	15/03/2007	15/06/2022				(166 077 933)	(261 637 094)	95 559 161
	Total financing					**(255 953 667)**	**255 953 667**				
A B N (SCHULDSCHEIN)	TRANCHE C	BST	25/02/2005	22/07/2005	22/07/2024			100 000 000	(23 994 281)	(24 087 652)	93 371
	Total financing					**300 000 000**		**300 000 000**			
BONDS 2026		BBVA	15/12/2006	04/12/2006	04/12/2026					-	-
BONDS 2026		M LYNCH	16/07/2010	04/12/2009	04/12/2026			30 000 000	(52 491 443)	(23 970 205)	(28 521 238)
BONDS 2026		CGD	16/07/2010	04/12/2009	04/12/2026			30 000 000	(52 324 693)	(23 914 710)	(28 409 983)
	Total financing					**400 000 000**		**400 000 000**			
BONDS 2019		CITIBANK	15/01/2010	04/02/2010	04/02/2019				-	(2 981 429)	2 981 429
	Total financing										
						485 875 258	**297 133 826**	**964 172 946**	**(296 902 031)**	**(340 984 959)**	**44 082 928**

Derivative bank financing				Date		Hedged principal on 31.12.2018			Fair value		
Name		Entity	Swap	Start	End	Capital	Inc. Principal (EIB)	Total associated financing	Fair Value("N") (counterpart) 31.12.2019	Fair Value("N") (counterpart) 31.12.2018	Variation
E I B (ML II)	2ND AND 3RD DISBURSEMENTS	RBS	16/01/2009	15/12/2008	15/12/2019				-	3 795	(3 795)
E I B (REEST-INC CAPITAL)	TRANCHE B	CAIXA BI	16/07/2009	15/03/2010	15/06/2022				1 215 000	1 983 000	(768 000)
BONDS 2026		CAIXA BI	28/04/2010	04/12/2009	04/12/2026			100 000 000	13 324 323	17 817 456	(4 493 133)
						-	**-**	**100 000 000**	**14 539 323**	**19 804 252**	**(5 264 928)**

The derivative financial instruments' fair value does not impact the Company's equity, given that the liability/asset is recorded against a State receivable in the item LTI.

6.10 Suppliers

The item suppliers primarily consists of current debts generated from works performed regarding the continuation of the network expansion and modernization/refurbishment policy.

6.11 Other debts payable

Other debts payable primarily include expenses with interest arising from loans, from derivative financial instruments and from guarantee fees to be paid in the course of the subsequent financial year.

7. Property, plant and equipment

In the course of the financial years ended on the 31st of December 2019 and 2018, the movements occurred in the net carrying amounts of the Company's property, plant and equipment, as well as in the corresponding accumulated depreciation and accumulated impairment losses, were the following:

2019

	Land and natural resources	Buildings and other constructions	Basic Equipment	Transport Equipment	Administrative Equipment	Other property, plant and equipment	property, plant and equipment in progress	Total
Assets								
Start Balance	20 967 185	215 107 273	496 438 101	157 373	23 395 785	24 379 583	107 256	780 552 557
Acquisitions	-	222 581	585 783	-	1 491 376	90 411	1 582 329	3 972 479
Disposals	-	-	(3 281)	(28 165)	-	-	-	(31 446)
Transfers	-	-	242 831	-	(585)	585	(99 725)	143 106
Write-offs	-	-	(51 391)	-	(163 540)	(11 837)	-	(226 769)
	20 967 185	**215 329 854**	**497 212 042**	**129 208**	**24 723 036**	**24 458 741**	**1 589 860**	**784 409 927**
Accumulated depreciation and impairment losses								
Start Balance	-	203 377 994	413 624 285	157 373	21 143 334	15 132 909	-	653 435 894
Depreciation of the financial year	-	4 042 155	12 791 517	-	935 047	822 211	-	18 590 929
Disposals	-	-	(3 281)	(28 165)	-	-	-	(31 446)
Transfers	-	-	-	-	-	-	-	-
Write-offs	-	-	(51 391)	-	(163 540)	(11 837)	-	(226 769)
	-	**207 420 149**	**426 361 129**	**129 208**	**21 914 840**	**15 943 282**	**-**	**671 768 609**
Impairments	-	(130 518)	-	-	-	-	-	(130 518)
	20 967 185	**8 040 223**	**70 850 912**	**-**	**2 808 196**	**8 515 459**	**1 589 860**	**112 510 800**

2018

	Land and natural resources	Buildings and other constructions	Basic Equipment	Transport Equipment	Administrative Equipment	Other property, plant and equipment	property, plant and equipment in progress	Total
Assets								
Start Balance	24 287 679	233 354 835	496 458 200	157 373	22 612 951	24 311 931	270 328	801 453 297
Acquisitions	-	333 894	170 583	-	1 536 044	73 862	5 421	2 119 805
Disposals	-	-	-	-	(1 517)	-	-	(1 517)
Transfers	(3 320 494)	(18 581 455)	(187 757)	-	(30 965)	(45)	(168 493)	(22 289 208)
Write-offs	-	-	(2 925)	-	(720 729)	(6 166)	-	(729 820)
	20 967 185	**215 107 273**	**496 438 101**	**157 373**	**23 395 785**	**24 379 583**	**107 256**	**780 552 557**
Accumulated depreciation and impairment losses								
Start Balance	-	213 034 903	401 112 569	157 373	21 398 225	14 322 792	-	650 025 862
Depreciation of the financial year	-	8 568 326	12 891 056	-	494 637	816 327	-	22 770 346
Disposals	-	-	-	-	-	-	-	-
Transfers	-	(18 225 234)	(376 414)	-	(30 252)	(573)	-	(18 632 473)
Write-offs	-	-	(2 925)	-	(719 277)	(5 638)	-	(727 840)
	-	**203 377 994**	**413 624 285**	**157 373**	**21 143 334**	**15 132 909**	**-**	**653 435 894**
Impairments	-	(130 518)	-	-	-	-	-	(130 518)
	20 967 185	**11 859 797**	**82 813 816**	**-**	**2 252 451**	**9 246 674**	**107 256**	**126 986 144**

8. Leases

Financial leases

With reference to the 31st of December 2019 and 2018, the Company did not have any financial leasing contracts.

Operating leases

With reference to the 31st of December 2019, the Company holds responsibilities with three operating lease contracts entered into with TREM, A.C.E. and TREM II, A.C.E. which are not recognized in the balance sheet (Note 4.4), amounting to 173,708,345 euro.

The minimum payments for the operating leases in 2019 and 2018 are detailed below:

Financial Leases	Principal due	
	2019	2018
Up to 1 year	7 877 928	7 877 929
Between 1 year and 5 years	165 830 416	175 427 367
	173 708 345	**183 305 296**

9. Investment Property

With reference to the 31st of December 2019 and 2018, investment property evidenced the following breakdown:

	31st of December 2019					31st of December 2018				
	Gross Amount	Accumulated depreciation	Accumulated impairment losses	Net amount	Fair value	Gross Amount	Accumulated depreciation	Accumulated impairment losses	Net amount	Fair value
Immovable property leased to third pa	22 064 892	9 102 772	3 124 704	9 837 416	10 229 500	22 064 892	8 661 447	4 904 656	8 498 789	8 729 035
Immovable property for valuation	22 309 373	18 651 479	-	3 657 894	100 912 019	22 309 373	18 631 945	-	3 677 428	104 456 531
	44 374 266	**27 754 252**	**3 124 704**	**13 495 310**	**111 141 519**	**44 374 266**	**27 293 393**	**4 904 656**	**12 176 217**	**113 185 566**

The immovable properties leased to third parties held by the Company are related to 34 immovable properties located in the metropolitan area of Lisbon, for purposes of resettling low-income families affected by the network expansion program and for an office building in Lisbon, which are depreciated in a 50-year period.

The investment property's fair value was based on an assessment made by a specialized and independent entity. With reference to the 31st of December 2019 and 2018, the following income and expenses related to investment property were recognized in profits and losses:

	31st of December 2019				31st of December 2018			
	Rent income (Note 29)	Direct expenses	Depreciations of the financial year	Profit	Rent income (Note 29)	Direct expenses	Depreciations of the financial year	Profit
Immovable property leased to third pa	476 684	38 286	441 325	(2 926)	191 046	43 813	441 325	(294 092)
Immovable property for valuation	-	174 199	19 534	(193 733)	-	217 104	40 832	(257 936)
	476 684	**212 485**	**460 859**	**(196 660)**	**191 046**	**260 917**	**482 157**	**(552 029)**

In the course of the financial year ended on the 31st of December 2019, the Company has written-off impairment losses previously recognized, amounting to 1,779,952 euro.

10. Financial interests

With reference to the 31st of December 2019 and 2018, the Company evidenced the following investments in subsidiaries, associate companies and joint ventures:

2019	Corporate headquarters	% held	Asset	Liabilities	Equity	Total Income	Net profit	Appropriation of the profit	Effect in profits and losses	Interest held	
Subsidiary Companies:											
Ferconsult, S.A.	Lisbon	100,00%	2 731 413	4 111 201	(1 379 788)	1 762 762	(542 774)	(542 774)	(542 774)	-	a)
Metrocom, S.A.	Lisbon	100,00%	3 872 624	649 627	3 222 997	3 015 937	218 750	218 750	218 750	3 222 997	a)
TREM, A.C.E.	Lisbon	90,00%	1 337 608	51 687 005	(50 349 398)	2 786 526	2 742 355	2 468 119	2 468 119	-	a)
TREM II, A.C.E.	Lisbon	90,00%	4 337 161	122 030 883	(117 693 721)	5 311 386	5 285 307	4 756 776	4 756 776	-	a)
Associate Companies:											
Publimetro - Publicidade em Meios de Transporte e Outros, S.A.	Lisbon	40,00%	2 811 545	2 712 443	99 102	2 340 895	1 493	597	597	39 641	b)
Total investment in subsidiary and associate companies									**6 901 468**	**3 262 638**	
Joint ventures											
Otlis, A.C.E.	Lisbon	14,29%	7 700 120	4 013 477	3 686 643	7 746 652	1 801 418	257 345	257 345	526 663	c)
Ensitrans - Engenharia e Sistemas de Transporte, A.E.I.E.	Lisbon	5,00%	2 243 223	2 300 781	(57 559)	558 091	(54 901)	(2 745)	(2 745)	-	
Total Joint ventures										**526 663**	
Total										**3 789 301**	

a) Entities to be consolidated in the Company's consolidated financial statements by means of the full consolidation method.
b) The information relative to the financial year 2018 is not available.
c) Dividends were received in the amount of 65.610 euros.

2018	Corporate headquarters	% held	Asset	Liabilities	Equity	Total Income	Net profit	Proportion of the profit	Effect in profits and losses	Interest held	
Subsidiary Companies:											
Ferconsult, S.A.	Lisbon	100,00%	3 992 991	4 830 005	(837 014)	3 667 838	(3 094 616)	(837 014)	(837 014)	-	a)
Metrocom, S.A.	Lisbon	100,00%	3 678 866	674 619	3 004 247	2 958 253	132 491	132 491	132 491	3 004 247	a)
TREM, A.C.E.	Lisbon	90,00%	1 881 583	54 973 336	(53 091 753)	2 721 913	2 677 741	2 409 967	2 409 967	-	a)
TREM II, A.C.E.	Lisbon	90,00%	5 363 262	128 342 290	(122 979 028)	5 158 948	5 095 453	4 585 908	4 585 908	-	a)
Associate Companies:											
Publimetro - Publicidade em Meios de Transporte e Outros, S.A.	Lisbon	40,00%	-	-	-	-	-	-	-	10 843	b)
Total investment in subsidiary and associate companies									**6 291 351**	**3 015 090**	
Joint ventures											
Otlis, A.C.E.	Lisbon	14,29%	5 345 333	3 000 839	2 344 494	6 073 238	918 539	131 220	131 220	334 928	c)
Ensitrans - Engenharia e Sistemas de Transporte, A.E.I.E.	Lisbon	5,00%	3 138 047	3 181 125	(43 077)	672 208	(43 077)	(2 154)	(2 154)	-	
Total Joint ventures										**334 928**	
Total										**3 350 018**	

a) Entities to be consolidated in the Company's consolidated financial statements by means of the full consolidation method.
b) The information relative to the financial year 2018 is not available.
c) Dividends were received in the amount of 70.321 euros.

With reference to the 31st of December 2019, the financial interest held by the Company in the subsidiary company Ferconsult, S.A. is recorded according to the equity method, and this has recorded a loss in the course of the financial year 2019, amounting to 542,774 euro, as well as a provision amounting to 542,774 euro, which corresponds to the negative capital value of the said subsidiary company.

With reference to the 31st of December 2019, the financial interest held by the Company in the joint venture Ensitrans, A.E.I.E. is recorded according to the equity method, and this has recorded a loss in the course of the financial year 2019, amounting to 57,559 euro, as well as a provision amounting to 724 euro.

The movements occurred in the financial interests held by the Company in the course of the financial year 2019 are:

2019			
	Equity method	Amortized	Total
Financial Interests			
Start balance	3 041 459	308 559	3 350 018
Application of the equity method	439 283	-	439 283
End balance	3 480 742	308 559	3 789 301
Net assets	**3 480 742**	**308 559**	**3 789 301**

11. Derivatives

The balance in the items “Derivatives” with reference to the 31st of December 2019 and 2018, corresponds to the SWAP contracts’ fair value, assessed by the contracted banks, as detailed below:

						Fair value ("FV") (counterparty) 31.12.2019		Variation	Fair value ("FV") (counterparty) 31.12.2018	
Name	**Entity**	**Swap**	**Start**	**End**	**Capital**	**Asset**	**Liabilities**		**Asset**	**Liabilities**
BSN-CGD (US LEASE)	BST	22/09/2005	01/07/2005	01/01/2019		-	-	877 253	-	(877 253)
BSN-CGD (US LEASE)	CAIXA BI	16/07/2009	01/07/2009	01/01/2019		-	-	(81 966)	81 966	-
TREM II (2ND TRANCHE)	BST	06/06/2005	23/09/2005	23/09/2022		-	(58 618 131)	22 128 512	-	(80 746 643)
					-	**-**	**(58 618 131)**	**22 923 799**	**81 966**	**(81 623 896)**

Pursuant to a sensitivity analysis with reference to the 31st of December 2019, performed by the IGCP and bearing in mind certain assumptions and hypothesis, the impact of the 1% interest rate variation on the fair value of the Company’s financial investments portfolio, as detailed above and allocated to the LTI (Note 6.9), would be the following:

2019	**1%**	**-1%**
Fair value	147 119	(187 010)

12. Other financial assets

With reference to the 31st of December 2019, the item “Other financial assets - non-current” comprises: (i) the amount of 31,593,901 euro related to a collateral obligatorily granted by the Company in April 2009 in favour of Bank of America Leasing & Capital, LCC, which has been guaranteed by the Portuguese State, as a consequence of the Company’s rating decrease, and the effect deriving from the change in its fair value, amounting to 816,122 euro, is recorded in the item “Fair value increases/reductions”; and (ii) the amount of 26,501,456 euro related to a collateral established by the Company in 2013 in bonds from the USA with Wilmington Trust, as a consequence of the Company’s rating decrease, and the effect deriving from the change in its fair value, amounting to 795,987 euro, is recorded in the item “Fair value increases/reductions”.

Name	FV Variation 2019	FV Variation 2018
Bank of America Leasing & Capital, LCC	816 122	541 443
Wilmington Trust	795 987	212 710
	1 612 110	**754 153**

With reference to the 31st of December 2019, the company held the amount of 1,397 euro in a Work Compensation Fund.

13. Inventories

With reference to the 31st of December 2019 and 2018, the Company's inventories were detailed as shown below:

	2019			2018		
Inventories	**Gross Amount**	**Impairment losses**	**Net amount**	**Gross Amount**	**Impairment losses**	**Net amount**
Raw materials, other raw materials and consun						
Materials	6 633 772	(299 936)	6 333 836	6 187 706	(299 936)	5 887 770
Tools	24 601	-	24 601	15 092	-	15 092
Cleaning products	28 083	-	28 083	35 014	-	35 014
Fuel	29 100	-	29 100	26 039	-	26 039
Transport tickets	967 645	-	967 645	705 010	-	705 010
Other materials	323 154	-	323 154	450 522	-	450 522
Promotional Items/Publications	31 326	-	31 326	15 529	-	15 529
	8 037 681	**(299 936)**	**7 737 745**	**7 434 912**	**(299 936)**	**7 134 976**

With reference to the 31st of December 2019 and 2018, the Company had no inventories held by third parties, and on the said dates, there were no inventories in transit and on consignment.

Costs of goods sold and materials consumed

The cost of goods sold and materials consumed recognized with reference to the financial years ended on the 31st of December 2019 and 2018 is detailed below:

	Raw materials, other raw materials and consumables	
Cost of the goods sold	**2019**	**2018**
Start balance	7 434 912	4 376 475
Procurement	4 061 211	9 078 568
Normalizations	137 641	47 667
End balance	8 037 681	7 434 912
	3 596 083	**6 067 798**

Impairment losses

The evolution of the accumulated impairment losses on inventories with reference to the financial years ended on the 31st of December 2019 and 2018 is detailed below:

	2019			
Impairment losses - Inventories	**Start balance**	**Additions**	**Reversals**	**End balance**
Goods	299 936	-	-	299 936
	299 936	**-**	**-**	**299 936**

	2018			
Impairment losses - Inventories	**Start balance**	**Additions**	**Reversals**	**End balance**
Goods	299 936	-	-	299 936
	299 936	**-**	**-**	**299 936**

14. Customers and other credits receivable

With reference to the 31st of December 2019 and 2018, the Company's receivables evidenced the following breakdown:

	2019			2018		
tomers and Other credits receivabl	**Gross amount**	**Accumulated impairment**	**Net amount**	**Gross amount**	**Accumulated impairment**	**Net amount**
Customer	2 127 723	(829 451)	1 298 272	1 951 539	(919 725)	1 031 813
Other credits receivable	10 383 562	(3 443 768)	6 939 794	10 514 628	(3 505 892)	7 008 736
	12 511 286	**(4 273 219)**	**8 238 066**	**12 466 167**	**(4 425 618)**	**8 040 549**

The detail of customers and other receivables is the following:

	2019	2018
Customers	**Current**	**Current**
Ar Telecom	463 383	463 383
Subsidiary, associated companies and joint ventures	894 199	767 149
Uncharged fines	37 860	50 880
Other	732 281	670 126
	2 127 723	**1 951 539**
Impairment in receivables	(829 451)	(919 725)
	1 298 272	**1 031 813**

The balance of the item "Uncharged fines" corresponds to the fines which are still to be charged due to the absence of a valid transport ticket, and such amount is offset in the same amount in the item "Other debts payable" in liabilities.

Other credits receivable	2019 Current	2018 Current
C.P. - Caminhos de Ferro Portugueses, E.P.E.	311 311	311 311
Serviços Municipais Transportes Coletivos Barreiro	3 370 424	3 360 343
Fertagus - Travessia do Tejo, S.A.	135	319 644
Secretariat-General of the Presidency of the Council of Ministers	330 092	100 685
Traffic revenue	2 375 807	3 376 172
Financial compensation for the 4_18, Sub23, Social+	870 669	2 182 112
Personnel	354 712	331 609
Subsidiary, associated companies and joint ventures	292 502	269 524
Other	2 477 910	263 228
	10 383 562	**10 514 627**
Impairment in other credits receivable	(3 443 768)	(3 505 892)
	6 939 794	**7 008 736**

The movements in impairment losses in the course of the financial years 2019 and 2018 has been the following:

Impairments	2019 Start balance	Increases	Reversals	Use	End balance
Customers	919 725	11 804	(78 321)	(23 757)	829 451
Other credits receivable	3 505 892	3 542	(65 666)	-	3 443 768
	4 425 617	**15 346**	**(143 987)**	**(23 757)**	**4 273 219**

Impairments	2018 Start balance	Increases	Reversals	Use	End balance
Customers	926 109	33 696	(38 840)	(1 239)	919 725
Other credits receivable	3 460 883	59 427	(604)	(13 814)	3 505 892
	4 386 992	**93 123**	**(39 445)**	**(15 053)**	**4 425 617**

15. Deferred assets

On the 31st of December 2019 and 2018, the item “Deferrals” in current assets evidenced the following breakdown:

Deferred assets	2019	2018
Charges with lease agreements	237 328	437 560
Works carried out on behalf of third parties	30 445 699	30 445 699
Other	386 201	1 090 549
Impairment - Other expenses to be Recogni	(634 584)	(634 584)
	30 434 644	**31 339 224**

The item “Deferred assets – charges with lease contracts”, in the amount of 237,328 euro, is related to charges incurred in the carrying out of operating lease contracts entered into in 1995, 1997, 1999, 2000, 2001 and 2002, which are recognized in the statement of profits and losses in the course of the term of the corresponding contracts.

The item “Deferred assets – works carried out on behalf of third parties” includes the amounts related to the construction works made by the Company on behalf of entities from the State's business sector, regarding which the Board of Directors considers it shall be subject of a protocol for purposes of normalizing the situation.

16. Equity instruments

With reference to the 31st of December 2019, the Company’s subscribed and paid-up capital, whose value is not established but amounted to 3,093,575,218 euro on that date, is fully held by the Portuguese State.

In the course of the financial year ended on the 31st of December 2019, a 549,784,212 euro capital increase has been carried out, and such amount was fully subscribed and paid-up in cash.

The negative net profits for the financial years ended on the 31st of December 2018, 2017, 2016, 2015 and 2014 have been transferred to the item “Profits carried over” relative to the subsequent years, notwithstanding the financial statements for the financial years ended on the said dates have not yet been formally approved by means of the Supervision Authority’s ministry order.

Legal reserve

Pursuant to the commercial law in force, at least 5% of annual net profit, if positive, shall be allocated to the reinforcement of the legal reserve, until such reserve corresponds to 20% of the equity. This reserve shall not be distributable, except in cases of the Company’s liquidation, albeit it shall only be used to absorb losses, after the other reserves have been exhausted or integrated in capital.

17. Government Subsidies

In the course of the financial years ended on the 31st of December 2019 and 2018, the Company has benefited from the following subsidies not allocated to LTI:

	2019				
Subsidies	Total amount	Received amount	Income of the financial year	Accumulated Income	Other changes in equity
Subsidies related to assets:					
FEDER-PRODAC	10 942 882	10 942 882	130 765	10 681 351	261 531
FEDER-QCA	57 126 530	57 126 530	1 181 018	52 405 215	4 721 314
	68 069 412	**68 069 412**	**1 311 783**	**63 086 567**	**4 982 845**

	2018				
Subsidies	Total amount	Received amount	Income of the financial year	Accumulated Income	Other changes in equity
Subsidies related to assets:					
FEDER-PRODAC	10 942 882	10 942 882	130 765	10 550 586	392 296
FEDER-QCA	57 126 530	57 126 530	2 411 392	51 224 197	5 902 332
	68 069 412	**68 069 412**	**2 542 158**	**61 774 784**	**6 294 628**

The subsidies received by the Company in light of the ERDF – PRODAC 1993 and QCA 1995 and 1997, have been aimed at financing investments made by the Company regarding the DW II, the DW III and the 17 TU’s interim series, the 20 TU’s complementary 95 series and the DW III.

18. Provisions

The evolution of the provisions with reference to the financial years ended on the 31st of December 2019 and 2018 is detailed below:

2019

Provisions	Start balance	Additions	Reversals/Use	End balance
Pending legal proceedings	640 500	-	-	640 500
Taxes	-	-	-	-
Hedging of losses	52 280 320	2 888 360	2 154	55 166 527
	52 920 820	**2 888 360**	**2 154**	**55 807 026**

2018

Provisions	Start balance	Additions	Reversals/Use	End balance
Pending legal proceedings	640 500	-	-	640 500
Taxes	2 305 777	-	2 305 777	-
Hedging of losses	51 305 017	3 434 190	2 458 888	52 280 320
	54 251 294	**3 434 190**	**4 764 665**	**52 920 819**

The sub-item “Coverage of losses” evidences an accumulated amount of 55,166,527 euro, which derives from the negative equity amounts of the subsidiary companies Trem ACE, Trem II ACE and of the joint venture Ensitrans AEIE, and regarding Trem ACE and Trem II ACE, the adjusted equity are considered and not the ones in the accounts of the said CGC (as shown in the Note 11), including the depreciation of rolling stock held by the said CGC on a straight-line basis. In comparison with 2018, this sub-item has recorded an increase of 2,886,207 euro in 2019, subsequent to:

(i) the losses assessed in 2019 at the level of Trem ACE (590,978 euro) and Trem II ACE (1,751,730 euro), including both the 90% directly held by ML and the 10% indirectly held through Ferconsult;

(ii) the losses assessed in 2019 at the level of Ferconsult, amounting to 542,774 euro;

(iii) the use of the provision in proportion to Ensitrans AEIE’s negative net profit for 2018, amounting to 2,153 euro, and the recognition of the provision in proportion to the negative net profit for 2019, amounting to 2,878 euro.

19. Borrowings

The borrowings allocated to the operation activity with reference to the 31st of December 2019 and 2018 are detailed below:

		2019			2018		
			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	T F D G 2011 (part)	105 974 436	52 987 218	-	105 974 436	52 987 218	-
Emp. LP 648,6 M EUR	T F D G 2012 (part)	410 833 969	308 125 476	-	410 833 969	308 125 476	-
Emp. LP 412,9 M EUR	T F D G 2013 (part)	129 885 756	129 885 756	-	129 885 756	108 238 130	21 647 626
Emp. LP 32,6 M EUR	T F D G 2017 (part)	15 426 066	5 142 022	10 284 044	15 426 066	2 859 701	12 566 365
Emp. LP 421.97 M EUR	T F D G 2018 (part)	159 965 533	26 660 922	133 304 611	159 965 533	-	159 965 533
Emp. LP 131.88 M EUR	T F D G 2019 (part)	23 556 727	-	23 556 727	-	-	-
Total bank loans			**522 801 395**	**167 145 382**		**472 210 525**	**194 179 525**
Total financial institutions			**522 801 395**	**167 145 382**		**472 210 525**	**194 179 525**

The portion referring to bank loans classified as non-current involve the following reimbursement plan:

Year	Amount
2021	33 158 054
2022	33 158 054
2023 and subsequent	100 829 274
	167 145 382

In the past months, the Company has been borrowing, on a regular communication and coordination with its shareholder, additional amounts to deal with its short-term responsibilities, and to the present date, no outstanding and unpaid bank debt situations have occurred.

The Company's Board of Directors understands that the reimbursement of its liabilities, notably regarding borrowings with potential short-term reimbursements, will continue to be performed, notably by means of the borrowing of additional amounts in coordination with its shareholder.

In light of the Company's budget for 2019, as approved by the Portuguese Parliament and taken into consideration in the State Budget for 2020, the following events have been projected: (i) the receipt of a 146,365,314 euro loan from the TFDG intended to reimburse interest which will be borne in the course of the financial year 2020 and to repay loans entered into with banking entities, and it is projected that such amount will be converted in a capital increase which on the date of the present financial statements' approval is not yet accomplished.

20. Post-employment benefits – established benefit plans

As referred to in the note 4.14, the Company has undertaken to grant employees financial allowances for their retirement, disability and death pension supplements. With reference to the 31st of December 2019, the number of active employees and retirees/pensioners amounted to 990 and 1,367, respectively (1,000 and 1,272 with reference to the 31st of December 2018).

The allowances mentioned above correspond to pension supplements guaranteed by the Social Security scheme and are determined depending on the number of service years at the Company, of Social Security contributions and the last wage earned on the retirement date.

In the financial year 2004, the Company has decided and agreed with the trade unions that all employees who have been integrated in the staff subsequent to the 31st of December 2003 shall no longer be covered by this pension plan.

In the financial year ended on the 31st of December 2019, an actuarial assessment has been carried out by an independent entity regarding the plan's assets and of the present value of the established obligation and benefits.

Pursuant to the actuarial studies reported on the 31st of December 2019 and 2018, the current value of the Company's liabilities for its active and retired employees' past services has been estimated at:

	2019	2018
Active workers	103 817 651	88 466 080
Retired persons	167 532 997	165 245 381
	271 350 648	**253 711 461**

The increase observed in the Past Service Responsibilities' Current Value is essentially due to a decrease in the income rate and the inclusion, in the population, of pensioners without proof of life.

The actuarial study reported on the 31st of December 2019 has been carried out using a method named "Projected Unit Credit", which took into consideration the following assumptions and technical and actuarial bases:

Projected Unit Credit	**2019**	**2018**
Life table		
Male life table	TV73/77-1	TV73/77-1
Female life table	TV88/90	TV88/90
Disability table	EKV80	EKV80
Rates		
Pension Technical Rate	1,30%	1,75%
Wage Growth Rate	1,50%	1,50%
PRT Allowance Update Rate	1,50%	1,50%
Discount Rate	1,30%	1,75%

The evolution of the Company's responsibilities with pensions in the financial year 2019 and 2018 was the following:

	2019	2018
Total responsibilities at the start of the financial year	253 711 461	252 627 865
Cost with current services	3 330 421	3 063 065
Cost with interest	4 439 951	4 420 988
Benefits paid in the financial year	(12 560 028)	(12 669 921)
Actuarial gains (losses) in the financial year	22 428 842	6 269 465
Total responsibilities in the end of the financial year	**271 350 648**	**253 711 461**

The cost of current services and the cost of interest for the financial year 2019, correspondingly, amounting to 3,330,421 euro and to 4,439,951 euro, have been recognized in the statement of profits and losses in the item "Personnel expenses".

With reference to the 31st of December 2019 and 2018, the Company has recognized, correspondingly, the amounts of 22,428,842 euro and 6,269,465 euro in its financial statements, regarding actuarial gains (losses) assessed in the financial year, against the item "Adjustments/Other variations in equity", as described in its accounting policy (Note 4.14).

The evolution of the actuarial gains (losses) with reference to the financial years ended on the 31st of December 2019 and 2018 is detailed below:

	2019			
Other changes in equity	Start balance	Additions	Reductions	End balance
Actuarial gains (losses)	(13 129 342)	-	22 428 842	(35 558 185)

	2018			
Other changes in equity	Start balance	Additions	Reductions	End balance
Actuarial gains (losses)	(6 859 877)	-	6 269 465	(13 129 342)

With reference to the 31st of December 2019, actuarial losses mainly result from the decrease in the income rate and the including of pensioners without proof of life in the population considered.

With reference to the 31st of December 2019, the Company did not evidence the establishment of any funds to deal with such responsibilities, and they are recorded in the balance sheet.

21. Suppliers

The balance of the item "Suppliers" with reference to the 31st of December 2019 and 2018 is the following:

Suppliers	2019	2018
Companhia Carris de Ferro	4 707 403	850 022
Endesa Energia, S.A.	831 362	-
Graviner - Construções, S.A.	267 325	-
Montemeão - Componentes Auto, S.A.	220 847	-
2045 Empresa de Segurança, S.A.	191 117	911
IP Patrimonio, S.A.	140 553	-
Securitas Serviços e Tecnologia de Segurança, S.A.	138 057	10 369
HCI - Construções, S.A.	334 390	-
Rodoviaria de Lisboa, SA	110 138	114 895
Otlis - Operadores de Transportes da Região de Lisboa, A.C.E.	831 362	80 228
EFACEC Engenharia e Sistemas, S.A.	234 581	65 779
EPAL - Empresa Portuguesa das Águas Livres, S.A.	87 059	34 932
EFACEC - Energia, Máquinas e Equipamentos Eléctricos, S.A.	27 060	27 060
GRUPO 8- Vigilância e Prevenção Electrónica, Lda	74 415	24 028
ISS - Facility Services - Gestão e Manutenção de Edifícios	283 056	36 795
LIMPERSADO - Limpeza, máquinas e transportes	100 180	-
Other	1 539 529	520 523
	10 118 432	**1 765 542**

22. State and Other Public Entities

Under the legislation currently in force, the tax returns are subject to review and correction by the tax authorities for a period of four years (five years in case of the Social Security), unless tax losses have been assessed, tax benefits have been granted, or there are pending tax audits, complaints or appeals, in which cases, in light of the circumstances, such deadlines may be extended or suspended. Therefore, the tax returns referring to the years 2016 to 2019 are still subject to review.

According to article 88 of the CIT Code, the Company is also subject to flat-rate taxation regarding a set of charges, levied at the rates established in the said article.

The Board of Directors considers that any potential corrections arising from reviews/tax audits performed by the tax authorities on the said tax returns shall not impact significantly the financial statements with reference to the 31st of December 2019 and 2018.

On the 31st of December 2019 and 2018, the items "State and other public entities" evidenced the following breakdown:

	2019		2018	
	Asset	**Liabilities**	**Asset**	**Liabilities**
Corporate income tax	1 619 245	125	3 608 657	-
Personal income tax	478 582	1 099 593	461 995	1 125 098
Value added tax	951 675	-	1 079 866	-
Social Security contributions	-	1 428 420	-	1 392 542
Other taxes	-	501 939	79 679	499 331
	3 049 503	**3 030 076**	**5 230 197**	**3 017 415**

With reference to the 31st of December 2019, the amounts related to Personal Income Tax and to Social Security contributions correspond to withholdings made in the context of the wage processing for December 2019, which will be paid in January 2020.

23. Income tax

The expense with income tax with reference of the 31st of December 2019 and 2018 is detailed below:

Income tax	2019	2018
Current tax	40 582	40 895

With reference to the 31st of December 2019 and 2018, the tax losses carried forward stood at 60,106,101 euro. The deadlines for the use of such tax losses existing on the said dates are the following:

	2019		2018	
Tax losses	**Amount**	**Expiry date for use**	**Amount**	**Expiry date for use**
Originated in 2013	-	-	33 889 639	2018
Originated in 2014	3 496 721	2026	3 496 721	2026
Originated in 2017	39 093 592	2022	39 093 592	2022
Originated in 2018	21 012 509	2023	-	-
	63 602 822		**76 479 952**	

The tax rate adopted for determining the tax amount in the financial statements is as follows:

Income tax	2019	2018
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% levied on the taxable income between €1.5M and €7.5M, 5% levied on the taxable income between €7.5M and €35M, 7% levied on the taxable income exceeding €35M.

The reconciliation of the effective tax rate for the financial years under analysis is evidenced below:

Reconciliation of the effective tax rate	2019	2018
Profits before tax	(16 832 694)	(27 851 540)
Nominal tax rate	21,00%	21,00%
	(3 534 866)	(5 857 411)
Accounting expenses non-deductible for tax purposes in the	(2 898 916)	(4 851 705)
Accounting income not computed for tax purposes	15 862 128	16 065 213
Tax losses deducted in the year	-	147 592
Excessive / insufficient tax estimate	-	(105 667)
State surcharge	-	-
Flat-rate taxation	40 582	22 607
Current tax	9 468 928	5 420 629
Tax expense (income)	865 040	(196 759)
Effective tax rate	**n.a.**	**n.a.**

24. Other debts payable

On the 31st of December 2018 and 2017, the item "Other debts payable" evidenced the following breakdown:

Other debts payable	2019	2018
Staff	462 044	517 318
Holidays, holiday allowance and corresponding social	10 629 443	10 178 109
Interest payable	27 808 138	26 203 103
Creditors for accrued expenses	1 857 361	1 273 119
Investment suppliers	4 466 499	3 438 886
Uncharged fines (Note 14)	44 184	61 632
Other	11 626 777	2 587 061
	56 894 446	**44 259 228**

With reference to the 31st of December 2019 and 2018, the balance of the item "Creditors for accrued expenses" is primarily concerned with expenses incurred by the Company with investments made, for which the corresponding invoice had not yet been received on the balance sheet date.

The amount of 4,466,499 euro (3,438,886 euro with reference to the 31st of December 2018) regarding the item "Investment suppliers" is related to the balance payable to suppliers, concerning the acquisition of property, plant and equipment, from which we may highlight: (i) 498,798 euro payable to the Lisbon Municipality; (ii) 1,332,881 euro payable to CJC – Engenharia e Projetos.

25. Liability deferrals

On the 31st of December 2019 and 2018, the item "Deferrals" in current liabilities evidenced the following breakdown:

Liability deferrals	2019	2018
Income from immovable property	48 147	29 725
Other accrued income	192 720	173 112
	240 867	**202 837**

26. Revenue

The revenue recognized by the Company with reference of the 31st of December 2019 and 2018 is detailed below:

Revenue	2019	2018
Sales:		
Scraps	41 833	46 059
Provision of Services:		
Tickets	55 180 124	54 210 739
Monthly Passes	55 527 780	52 707 810
Cards	3 864 544	3 738 242
Secondary Services	4 180 316	3 827 245
	118 794 598	**114 530 094**

The increase observed regarding revenues in 2019 primarily results from the increase in the number of passengers carried.

In the course of the financial year ended on the 31st of December 2019, the State granted a financial compensation for the 4_18@escola.tp, sub23@superior.tp and social+ monthly passes, amounting to 3,963,263 euro (3,738,927 euro recognized as revenue after the VAT deduction), of which 3,963,263 have been received (VAT included).

In the course of the financial year ended on the 31st of December 2018, the State granted a financial compensation for the 4_18@escola.tp, sub23@superior.tp and social+ monthly passes, amounting to 3,341,201 euro (3,152,076 euro recognized as revenue after the VAT deduction), of which 3,341,201 have been received (VAT included).

27. Operating subsidies

Throughout the financial years ended the 31st of December 2019, the amount of 516,729 euro was recognized for the "Communications – Based Train Control" (CBTC) Signalling System Modernization Project, as well as the acquisition of 14 New Triple Units amounting to 72,525 euro, and the ML – Rato/Cais do Sodré Extension Plan for 444,204 euro.

28. External supplies and services

The item "External supplies and services" with reference to the financial years ended on the 31st of December 2019 and 2018 is detailed below:

External supplies and services	2019	2018
Electricity	9 439 531	9 403 879
Rents and leases	8 516 314	8 650 761
Maintenance and repair	5 026 906	4 368 818
Cleaning, hygiene and comfort	3 483 401	3 026 258
Surveillance and safety	5 608 706	5 205 275
Specialized works	1 614 032	1 164 824
Other	3 189 850	2 979 007
	36 878 739	**34 798 822**

The item "Leases and rents" essentially encompasses the amount of 8,274,497 euro related to the operating lease rents (8,430,707 euro with reference to the 31st of December 2018).

29. Personnel expenses

The item "Personnel expenses" with reference to the financial years ended on the 31st of December 2019 and 2018 is detailed below:

Personnel expenses	2019	2018
Remuneration of the corporate bodies	265 482	353 053
Remuneration of the personnel	56 484 988	55 763 628
Post-employment benefits (Note 20)	7 733 682	7 517 793
Charges on remunerations	12 894 956	12 609 609
Work accidents insurance and occupational diseases insurar	1 153 825	845 110
Health insurance	809 665	853 160
Social action expenses	452 998	367 311
Indemnities for termination	-	182 833
Other	261 345	313 718
	80 056 942	**78 806 214**

With reference to the financial year ended on the 31st of December 2019, the Company has recognized pension responsibilities in this item, and the responsibility with current services amounts to 3,330,421 euro, while the costs with interest amount to 4,439,951 euro.

In the course of the financial years ended on the 31st of December 2019 and 2018, the average employee number has stood at 1435 and 1414 people, correspondingly, and the headcount number by the end of the financial year has been 1452 and 1416, correspondingly.

30. Other income

The detail of the item “Other income” with reference to the financial years ended on the 31st of December 2019 and 2018 is detailed below:

Other Income	2019	2018
Investment subsidies (Note 17)	1 311 783	2 542 158
Recognition of lease-related capital gains	-	293 561
Sale of energy	317 599	205 009
Exchange rate differences	1 065 536	2 480 356
Rents from immovable property (Note 9)	476 684	191 046
Corrections relative to preceding financial years	83 844	57 960
Excessive tax estimate	853 718	-
Other	2 029 504	821 745
	6 138 668	**6 591 834**

The balance of the item “Exchange differences” is related to the revision of two collaterals which the Company has established in bonds from the USA (Note 12).

31. Other expenses

With reference to the financial years ended on the 31st of December 2019 and 2018, the breakdown of the item “Other expenses” is detailed below:

Other expenses	2019	2018
Municipal tax on immovable property	930 403	314 058
Membership fees	76 118	106 694
Losses in inventories	268 761	156 853
Insufficient tax estimate	-	196 759
Corrections relative to preceding financial years	30 713	59 266
Exchange rate differences	-	-
Disposals - Losses regarding immovable property	252	2 649
Other	1 601 615	440 866
	2 907 862	**1 277 146**

32. Financial profits

On the 31st of December 2019 and 2018, the balance of this item evidenced the following breakdown:

Financial profits	2019	2018
Expenses:		
Interest borne with bank loans	26 926 463	31 122 480
	26 926 463	**31 122 480**

33. Related parties

With reference to the 31st of December 2019 and 2018, the Company evidenced the following balances with related parties:

2019

Related parties	Accounts receivable			Accounts payable		
	Customers (Note 14)	CIT - Withholding tax	Other credits receivable	Suppliers (Note 21)	Other debts payable	Net effect
Subsidiary companies:						
Ferconsult, S.A.	-	79 675	246 630	14 732	3 831	307 742
Metrocom, S.A.	18 056	515 136	-	-	-	533 192
Associate companies:						
Publimetro	676 961	-	-	-	-	676 961
Joint ventures:						
Otlis, A.C.E.	199 182	-	-	831 362	3 075	(635 255)
	894 199	**594 810**	**246 630**	**846 094**	**6 906**	**882 640**

2018

Related parties	Accounts receivable			Accounts payable		
	Customers (Note 14)	CIT - Withholding tax	Other credits receivable	Suppliers (Note 21)	Other debts payable	Net effect
Subsidiary companies:						
Ferconsult, S.A.	-	79 675	216 585	-	545 721	(249 461)
Metrocom, S.A.	-	550 315	-	-	-	550 315
Associate companies:						
Publimetro	766 032	-	-	-	-	766 032
Joint ventures:						
Otlis, A.C.E.	1 118	-	-	80 228	-	(79 110)
	767 149	**629 990**	**216 585**	**80 228**	**545 721**	**987 776**

In the course of the financial years ended on the 31st of December 2019 and 2018, the following transactions were carried out with related parties:

2019

Related parties	Purchase of inventories	Purchase of property, plant and	Services acquired	Services provided
Subsidiary companies:				
Ferconsult, SA	-	1 401 985	-	113 501
Metrocom, SA	-	-	6 163	2 246 666
Associate companies:				
Publimetro	-	-	-	1 485 803
Joint ventures:				
Otlis, ACE	894 113	6 025	136 265	5 138 961
	894 113	**1 408 010**	**142 428**	**8 984 931**

Related parties	2018 Purchase of inventories	Purchase of property, plant and	Services acquired	Services provided
Subsidiary companies:				
Ferconsult, SA	-	2 051 977	14 326	85 769
Metrocom, SA	-	-	6 178	2 127 768
Associate companies:				
Publimetro	-	-	-	1 171 636
Joint ventures:				
Otlis, ACE	2 254 615	-	123 071	4 720 222
Ensitrans AEIE	-	-	-	-
	2 254 615	**2 051 977**	**143 575**	**8 105 396**

34. Guarantees granted

With reference to the 31st of December 2019, the Company's responsibilities related to guarantees granted are the following:

Entity	2019 Amount	Start date	Beneficiary
BPI Bank	7 494	10-03-2006	ADM.TCOURT.LX-2NDSECTION
BPI Bank	95 482	11-05-2006	TAX SERVICES 4THTAX DISTRICT
BPI Bank	1 583	30-06-2010	COURT.TAX.-2ND.JURISD.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	Lisbon District Court Central Juris. 1 EmplBanco
BPI Bank	760 610	28-04-2016	Lisbon District Court Central Juris. 1 EmplBanco
	1 320 197		

35. Contingent liabilities

With reference to the 31st of December 2019, there are indemnity claims for damages sent to the Company amounting to 22,049 euro, which primarily refer to expropriation legal proceedings and damages caused by construction works related to the network expansion plan. With reference to the 31st of December 2019, the Company is at a stage of assessing the total expropriation amount, and a provision for the legal proceedings the outcome of which is unknown until the financial statements' date of approval has been recorded. With respect to the remaining legal proceedings, no provisions have been recorded with reference to the 31st of December 2019, given that, in case such indemnities are paid, these shall be recorded as expropriation charges in the item "Long-term infrastructure investments".

36. Disclosures required by legal acts

Fees invoiced by the Chartered Accountant (Auditor)

The total fees invoiced by the Chartered Accountant (Auditor), with reference to the financial year ended on the 31st of December 2019, in relation to the annual accounts statutory audit amounted to 20,550 euro.

37. Events occurred after the balance sheet date

Regarding the outbreak of the Covid-19, classified as a Pandemic by the World Health Organization on the 11th of March 2020 and which also spread to our Country, the Company has been updating its contingency plans and implementing measures to respond, notably, to the recommendations and appropriate practices in the prevention and control of infection by Covid-19, corresponding to the guidelines of the General Directorate of Health, in order to reduce its social and economic effects. On the present date, given the available information, it is not possible to estimate, with a minimum degree of accuracy, the impacts of the Covid-19 pandemic in the scope of the Company's activity. However, we can foresee a general shrinkage in economic activity, which will be all the more intense the longer the restrictions on the mobility of people and the normal development of the different activities. On the other hand, taking into account a survey of the corresponding financial and operational impacts is being currently performed, which at this stage cannot yet be estimated in view of the recent evolution of this outbreak, the Company has an ongoing response plan regarding its activities in order to ensure its going concern basis of operations.

The Board of Directors

Eng.º Vitor Manuel Jacinto Domingues dos Santos

Eng.ª Maria Helena Arranhado Carrasco Campos

Dr. Pedro Miguel de Bastos Veiga da Costa

The Certified Accountant

Dr. Carlos Emério Ferreira da Mota

Lisbon, the 28th of July 2020