Infraestruturas de Portugal

CONSOLIDATED REPORT AND ACCOUNTS

INDEX

PART I

Management Report

1 STATEMENT OF THE BOARD OF DIRECTORS

1. CHAIRMAN'S STATEMENT

2017, a Year of Unusual Events

2017 was effectively a year of unusual events that had a significant impact on the Company's activity and the effort required of its employees. It is necessary to highlight, from among the various events, our intervention in the fires that devastated the country this year and which required a huge effort from our teams to repair the damage to telecommunications, safety rails, fences, signage, pavements, clean ups and so many other areas.

It is, therefore, not too much to recall the professionalism, commitment and dedication of our employees who have worked tirelessly, frequently exceeding their normal working hours, to ensure the safety and mobility of people and goods. I want to publicly acknowledge and thank all those who have dignified the name of IP, both at the operational level, closer to the locations and the action, as well as those of the technical assistance and support component, who responded promptly to the necessities that we had to tackle.

Human Capital

Since we are talking about people, 2017 was also notable, as far as human capital is concerned, for the strengthening of the Company's staff through the admission of 37 new employees, most of whom are for the traffic, maintenance and engineering areas. This is a relevant fact that should be highlighted, for this renewal of staff will ensure the passing on of knowledge between generations, thus maintaining within the Company a unique know-how of road infrastructure management that it is essential to maintain.

Also in the area of Human Capital we established the principles for collective bargaining that we intend to develop in a sustained manner, based on a progressive harmonisation of regimes and based on a policy of enhancing our employees, which promotes equality and balance in the teams.

It should also be mentioned that it has already been possible in 2017 to begin reinstating career progressions, to resume the management and performance system, to improve conditions in the workplace and to work on the main suggestions of the employees collected in the "100 small ideas" challenge.

Maintenance and Operation of Networks

2017 was also a challenging year. While the modernisation of the network, particularly railways, is a strategic objective of IP and of the country itself, a daily concern of the Company is to maintain in adequate travel and safety conditions more than 13,000 km of roads and 2,500 km of railways, as well as the command and control of 37 million train-kilometres per year. This task is developed with a high degree of responsibility, effort and dedication, and consolidated in the accumulated know-how of decades of management of the road and rail networks.

It is known by all that financial and contractual constraints have led, in the past, to a decrease in investment in the modernisation of infrastructure and, consequently, to the need to intervene in certain sections of the network and in assets that have reached the end of their useful lives. Despite that, it is absolutely unquestionable that, through constant monitoring of the state of the infrastructure, everything has been done to ensure that safety is never jeopardised.

Expenditure on the maintenance and repair of the road and rail networks reached EUR 154 million this year, remaining in line with that of 2016. The need for investment in maintenance will continue to be a priority for the company in the coming years. This will be ensured, inter alia, by the new multi-annual maintenance contracts signed in 2017, which amount to approximately EUR 125 million for roads over a period of three years and about EUR 127 million for railways over a period of five years and only for the track and catenary segments.

The Investment Plan

We are going through a period of strong European Community investment in railways, a focus that Portugal cannot miss out on and which it has to respond to with strong determination. As a result, we saw significant investment in the network in 2017 totalling EUR 84 million, representing growth of 24% from 2016. That investment will increase significantly over the next few years, with a very significant impact already in 2018, especially through the expansion and modernisation of the National Railway Network under the 2020 Ferrovia [Railway] Investments Programme.

Of note in this regard is the award of contracts for the modernisation and electrification of the Covilhã-Guarda section of the Beira Baixa Line, the Elvas-Fronteira section of the East Line and Nine-Valença of the Minho Line. More than EUR 200 million in railway works are currently awarded. Contracts are also being implemented for the development of railway projects, totalling more than EUR 36 million, an unparalleled amount in the history of the railway in Portugal. Works in an amount of more than EUR 1,000 million are expected to be in progress or at the tendering stage by the end of 2018.

In short, the Ferrovia 2020 plan is now an inescapable reality that will allow the modernisation of the National Railway Network in the near future, and which will contribute, among other impacts, to the promotion of freight transport and exports in particular, by connecting the national ports with the main land borders with Spain.

As far as investments are concerned, 2017 was also marked by the launch of the Business Areas Enhancement Programme, which plans to invest in 12 road connections to improve links between already consolidated business areas and the existing road network, in a total investment of around EUR 100 million.

The Results

Finally, a word about the results of the year 2017. The results achieved in 2017 maintain the growth trend recorded in 2015 and 2016, reflected in a positive net result of EUR 106 million.

Decisive in achieving this result was the increase in operating income of approximately EUR 31 million, especially toll revenues which increased by EUR 15 million, and the Compensatory Allowances which increased by EUR 28 million, in line with the provisions of the Framework Contract established with the Portuguese State for the management of railway infrastructure.

Another determining factor was the reduction of financial expenses by EUR 39 million, due to the reduction of financial debt and the share capital increase promoted by the Shareholder, which are decisive for the Company's financial sustainability.

The expenses in 2017 with Road Partnerships were EUR 1,177 million, which represents a significant reduction of EUR 64 million compared to 2016, the year in which the "peak" of annual costs of Road Partnerships was reached.

2018

We thus look forward to 2018 with Stability and Pride, certain of the Competence that places us in the leadership of the state business sector and aware of our mission as a company with, perhaps, the greatest capacity for intervention on society, from the north to the south of the country, decisively contributing to the good results noted in the country’s economy.

2 THE IP GROUP

2. THE IP GROUP

The IP group has the technical know-how necessary for the good performance of the road and railway infrastructure vis-à-vis the planning, design, construction, financing, maintenance, operation, rehabilitation, extension and modernisation of national road and rail networks, including the command and control of train movements, favouring innovation and technological development applied to the various installed structures, systems and materials.

2.1 MISSION, VISION AND VALUES

Infraestruturas de Portugal, S.A. results from the merger between Rede Ferroviária Nacional - REFER, E.P.E. (REFER) and EP - Estradas de Portugal, S.A. (EP) through which REFER merged into EP, becoming a public limited company named Infraestruturas de Portugal, S.A. (IP). The merger entered into force on 1 June 2015, as provided for in Decree-Law 91/2015 of 29 May.

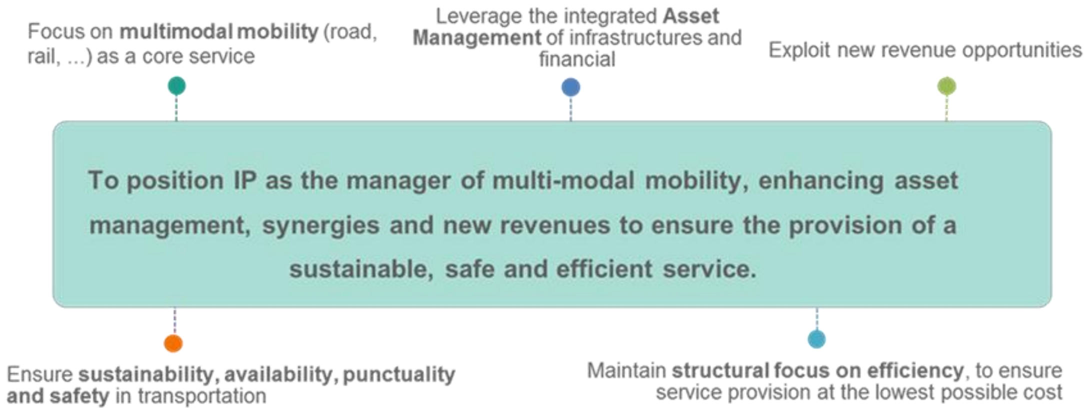
Mission

The purpose of IP, S.A. is to plan, design, construct, finance, maintain, operate, rehabilitate, extend and modernise the national road and railway networks, including the command and control of train movements in the railway domain.

IP is responsible for the management of infrastructures, in accordance with the general concession agreement of the national road network concluded with the State and the concession contracts that will be concluded with it, as well as the management of other infrastructures under its administration.

Also included in the object of the company are the operational activities of the public railway and road domain of the State and its autonomous assets, namely the commercial operation of service areas, car parks, traffic information and management systems, rail and road safety systems, the technical channel and the communications networks between infrastructures or between infrastructures and vehicles, stations, terminals and other rail facilities.

Vision



Values

Reflect our commitment to society and the desire and will for continuous improvement: Precision, Transparency and Efficiency.

2.2 ROAD-RAILWAY NETWORK MANAGEMENT CONTRACTS

Road Concession Contract

In 2007, the Portuguese State and former Estradas de Portugal, S.A. signed a concession contract for the financing, planning, design, construction, operation, renovation, widening and modernisation of the national road network, the bases of which had been approved and published in the Diário da Republica Gazette through Decree-Law no. 380/2007 of 13 November.

This concession contract, which lasts for 75 years, resulted from a paradigm shift in the management of road infrastructure, on the one hand regulation was separated from operations (and the latter was no longer mandatorily placed in the State sphere), while on the other hand the Company was given the responsibility for making roads available to users according to previously defined service levels for each type of road, to be environmentally sustainable and to pursue ambitious accident reduction objectives.

After signing the concession contract, IP’s main sources of income were the Road Service Contribution (RSC) and the tolls charged on the roads under its management.

Railway Programme Contract

In 2016, the State signed a Programme Contract with IP for the National Railway Network valid for 5 years, in compliance with Decree-Law no. 217/2015 7 October.

To be highlighted are the State's obligations to finance infrastructure management and IP's obligations to meet performance targets directed at users, in the form of indicators and quality criteria covering elements such as train services, network capacity, asset management, activity volumes, safety levels and environmental protection. The contract also establishes financial efficiency objectives for IP in the form of revenue and expenditure indicators.

The financing of the National Railway Network is made through the tariff revenue collected from railway operators, surpluses resulting from supplementary activities associated with the operation of railway infrastructure and compensatory allowances to cover expenses incurred in complying with public service obligations which cannot be covered by the referred revenues.

2.3 SUBSIDIARIES

The subsidiaries aim to set up profit centres with the objective of optimising the IP group's non-core revenues, making the excess capacity of assets not used in the main activities profitable.

IP Telecom

IP TELECOM, S.A. is a public limited company with a share capital of EUR 10,000,000 that is fully subscribed and paid up by the sole shareholder IP, S.A. and represented by 200,000 shares with a nominal value of EUR 50.00 each.

The purpose of IP TELECOM is the establishment, management and operation of telecommunications infrastructures and systems, the provision of telecommunication services as well as the exercise of any activities that are complementary, alternative or ancillary activities, either directly or by establishing or acquiring shareholdings in other companies.

Its mission is to ensure the effective management of the telecommunications infrastructure concessioned by the Shareholder, comprising the supply and delivery of information technology and communication systems and services, based on innovative solutions focused on cloud technologies and security and the main national telecommunications infrastructure, based on optical fibre and the roadway technical channel, for the corporate market and State organisations.

IP Património

IP PATRIMÓNIO, S.A. is a public limited company with a share capital of EUR 5,500,000. Its shareholders are IP, S.A. with a 99.9968% stake, represented by 1,099,965 shares with a nominal value of EUR 5.00, and IP Engenharia, S.A. with a shareholding of 0.0032%, represented by 35 shares of the same nominal value.

The mission of IP PATRIMÓNIO encompasses the acquisition, expropriation, register updating and disposal of real estate assets or creation of liens thereon, the profitable use of the assets allocated to the concession or the autonomous estate of the IP Group, and also the management and exploration of stations and associated assets, including their operational management.

IP Engenharia

IP ENGENHARIA, S.A. is a public limited company with a share capital of EUR 1,500,000. The shareholders are IP, S.A., which holds 295,286 shares with a nominal value of EUR 5.00 each, corresponding to a shareholding of 98.43% of the total capital, and IP Património, S.A., which holds 4,714 shares with a nominal value of EUR 5.00 each, corresponding to a 1.57% stake in the total capital.

IP ENGENHARIA's mission is to carry out transport engineering studies and projects, provide supervision and inspection services and boost the international business of the IP Group.

The mission of GIL - Gare Intermodal de Lisboa, S.A. is to operate/manage the Intermodal Complex called Oriente Station. The share capital of GIL, in the amount of EUR 1,952,160 is represented by 392,000 shares at the nominal value of EUR 4.98, fully subscribed and paid up by the sole shareholder IP, S.A..

IP is also a member of two economic interest groupings (EIGs):

AVEP - High Speed Spain - Portugal

Its purpose is to carry out preliminary studies of the Porto-Vigo and Madrid-Lisbon-Porto corridors.

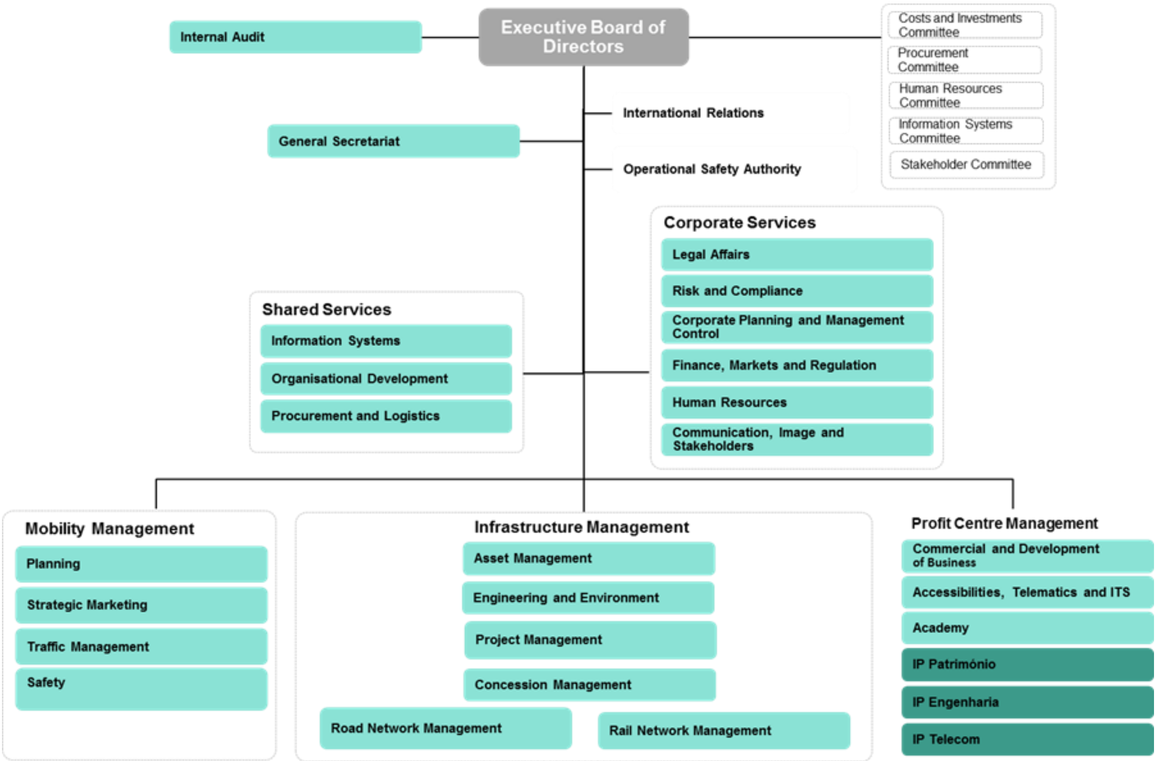
Atlantic Corridor

Its mission is to earn revenue from the existing railway infrastructure, without additional investment, through centralised management of capacity allocation, traffic management and customer relations.

In addition, the Atlantic Corridor is also a privileged platform for the coordination of investments in rail infrastructure in Portugal, Spain, France and Germany, in order to overcome technical and operational barriers, promoting interoperability and, consequently, driving the greater competitiveness of freight transport by railway.

2.4 IP GROUP STRUCTURE: ORGANISATIONAL MODEL

The organisational model of the IP Group is divided into two main areas, one consisting of the directorates that provide support services (shared and corporate), internal added value, and the other is the business area, from where the products and services are made available to the exterior and the service provided by the IP Group is implemented.



Business Areas

- Units dedicated to mobility management which ensure the implementation of integrated network planning and the management of road-rail mobility, in accordance with principles of safety, sustainability and core revenue optimisation;
- Units dedicated to infrastructure management anticipating efficiency gains derived from the application of Asset Management principles, and
- Units corresponding to **profit centres**, geared to increasing non-core revenues.

Support Services

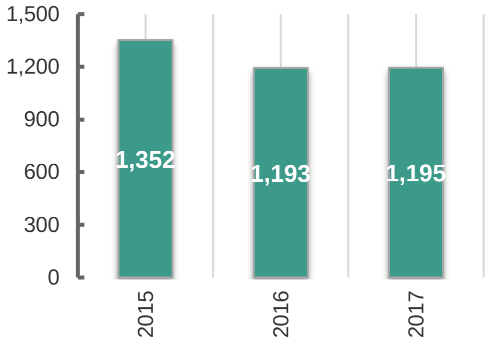
Shared services and corporate services, both of which have duties related to the support activities for the entire structure. Moreover, the Information Systems Committee forms part of the organisational model, as an interface management and decision-sharing mechanism.

3 PERFORMANCE IN 2017

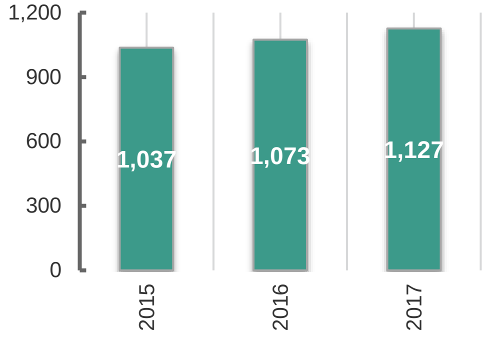
3. PERFORMANCE IN 2017

3.1 ECONOMIC AND FINANCIAL INDICATORS

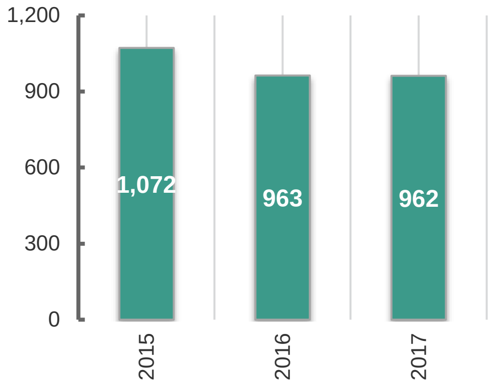
Turnover
[EUR million]



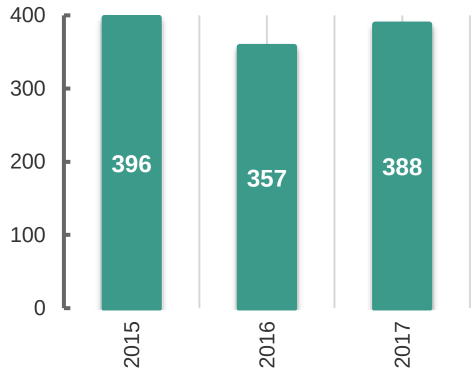
Core Income
[EUR million]



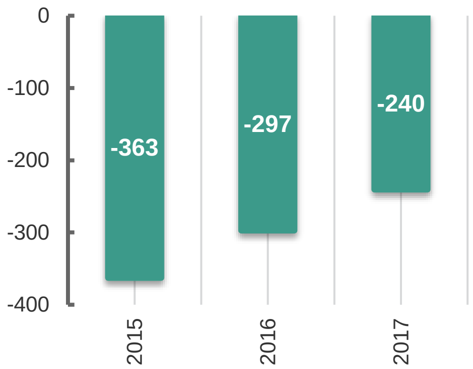
Operating expenses
[EUR million]



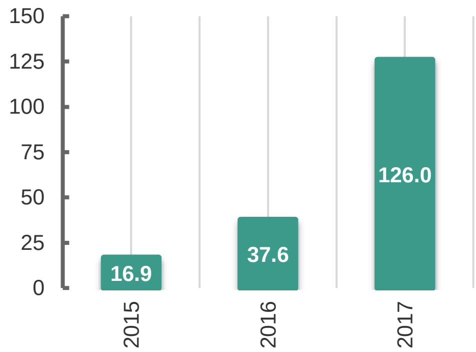
Operating Profit
[EUR million]



Financial results
[EUR million]

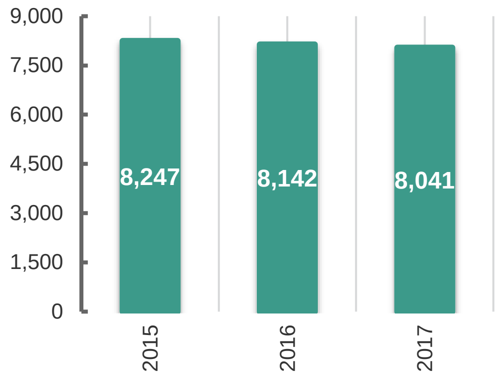


Net Profit
[EUR million]



Assets
[EUR billions]

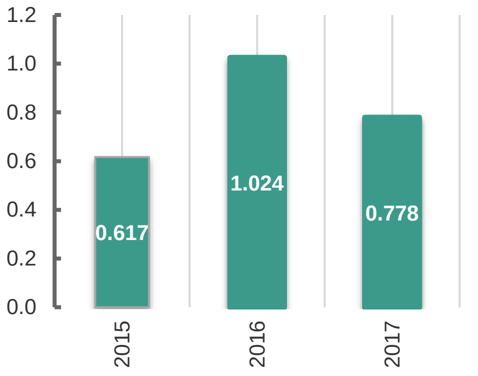
Debt
[EUR million]

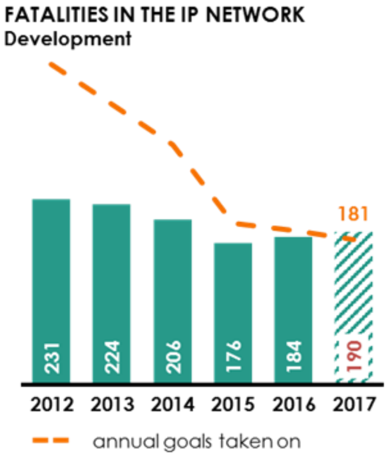


Amounts relating to Capital outstanding, not including interest incurred

3.2 OPERATIONAL INDICATORS

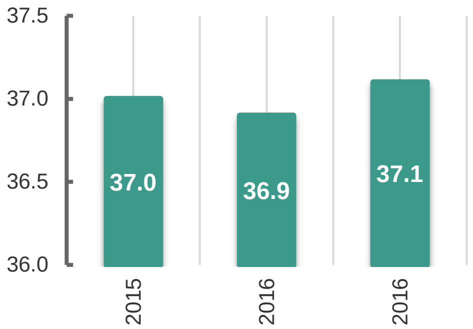
Railway safety level
[Major Accidents by MCK]



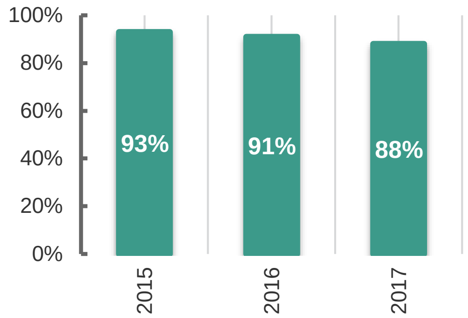


Values related to the road network. These data should be considered as provisional, since the ANSR has not yet validated the road accident data for 2017

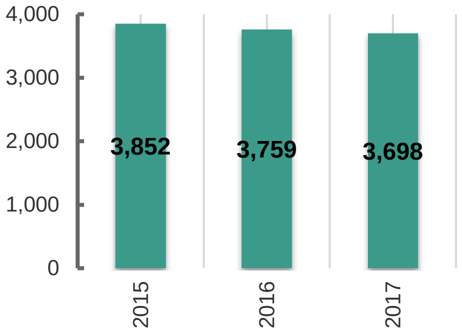
Train-Km
[millions]



Punctuality Index
[%]



Average workforce (no.)
(not including pensioners and loaned/assigned personnel)



4 THE YEAR IN REVIEW

4. THE YEAR IN REVIEW

JANUARY

25 de Abril Bridge - Postal Envelope, Commemorative Stamp and opening of Exhibition

On 17 January, the presentation ceremony of the postal stationery and the 25 de Abril Bridge Commemorative Stamp - 50 Years Connecting Destinations was held at IP.

Start of the Minho Line modernisation works

IP contracts the Electrification work on the Nine - Viana do Castelo section of the Minho Line, which represents an investment of EUR 16 million.

EN15 - Renovation between Paredes and EN 106

Completion of the EN15 - Renovation contract between Paredes and EN106, which took place in the municipality of Penafiel, and represented an investment of EUR 2.9.

FEBRUARY

Main Inspections and Development of Quality of the NRN

Completion of the 2016 pavement inspection campaign with the Laser Profiler, which took place between August and December, covering approximately 6945 km of the National Road Network.

Launch of the Business Areas Enhancement Programme

On 7 February, the Government presented the Business Areas Enhancement Programme, which aims to strengthen the competitiveness of companies, boost job creation and increase exports.

MARCH

Business Areas Enhancement Programme Contract Signing Ceremonies

Variant to EN210 and Connection to Mondim de Basto
Access Road to Avepark, in Guimarães.
Formariz Zona Industrial, Paredes de Coura.
Industrial Zone of Lanheses, in Viana do Castelo.

Launch of the modernisation contract for the East Line section

Eleven kilometres long, between Elvas and the Border, and which integrates the future South International Corridor.

Presentation of the interventions to be carried out under the scope of the Modernisation of the Minho Line - Nine / Viana do Castelo section

At Viana do Castelo Station, with a visit to the ongoing works.

APRIL

Improvement of IC1 between Alcácer do Sal and Grândola

Announcement of the public call for tenders for the redevelopment of the 15.7 kilometres of the IC1 between Alcácer do Sal (junction with EM120) and Grândola Norte (junction with IC33), with a planned investment of EUR 6.4 million.

Signing of the Consignment for the EN117 - Pendão-Belas Contract.

Launch of the First Contract for the Modernisation of the Ovar / Gaia Section of the North Line

At General Torres Station in Vila Nova de Gaia.

PENSE 2020 - National Strategic Road Safety Plan

Council of Ministers approved the National Strategic Road Safety Plan - PENSE 2020 on 20 April, with the aim of making road safety a priority for all the Portuguese.

MAY

Signing of the Protocol for the Enhancement of the EN2 as a Tourist Route

IP-ADIF meeting in Madrid

On 24 May, at the ADIF offices in Madrid Chamartín, the 1st meeting between IP and ADIF to coordinate the technical interfaces related to the Minho Line works.

JUNE

2nd Anniversary of IP - Career homage session

Commemoration of the 2nd anniversary of IP focusing on paying homage to employees working 25 or 40 years for the company, as well as the former road builders and level crossing guards.

Drill in Grilo Tunnel

The conducting of a full-scale LIVEX drill in the Grilo Tunnel, in conjunction with the Lisbon District Relief Operations Command One, following up on the 2017 Drill Plan.

ATLANTIC
CORRIDOR

General Meeting of the Atlantic Corridor

Holding of the General Meeting of the Atlantic Corridor, which took place at King's Hall on 21 June.

Minister of Transport and Communications of Mozambique visits IP

Minister of Transport and Communications of Mozambique leads a delegation that visited IP with the purpose of getting to know the company and leveraging the development of joint activities with the institutions that it oversees.

Business Areas Enhancement Programme

Ceremony for the presentation and signing of the management agreement for the Improvement of Accessibilities to the Lavagueiras Business Location Area, developed within the scope of the Business Areas Enhancement Programme in Castelo de Paiva municipal council.

JULY

Construction of the roundabout connecting to Frádegas Bridge

Signing of the Management Agreement with Santo Tirso municipal council for the construction of the roundabout connecting to Frádegas Bridge through the reformulation of the existing junction on the EN105 road.

EN14 - Maia (Jumbo Node) / Trofa Road-Rail Interface - 1st Phase - Jumbo / Via Diagonal",

Ceremony for the launch of the "EN14 - Maia (Jumbo Node) / Trofa road-rail Interface - 1st Phase - Jumbo / Via Diagonal" contract, attended by the Minister of Planning and Infrastructures.

Business Areas Enhancement Programme

Presentation of the Works to Improve Accessibility to Famalicão Sul Business Localization Areas (Ribeirão and Lousado) and launch of the public call for tenders for the performance of the EN1 4 redevelopment project, between Santana and the Famalicão South Variant.

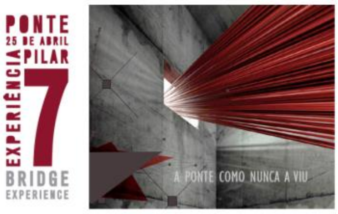
Opening to the traffic of the "Albardão variant of the EN 256", in Reguengos de Monsaraz

Work located in the district of Evora, with an investment of EUR 2.6 million.

AUGUST

Consignation of the contract for redevelopment of the EN 4 section between Montijo and Pegões

SEPTEMBER



Project P50.BRIDGE EXPERIENCE.50 YEARS OF THE 25 DE ABRIL BRIDGE.LISBON.

Interpretation Centre and Panoramic Elevator of the 25 de Abril Bridge

OCTOBER

Reinforcement of control-command and signalling systems on the Esmoriz - Vila Nova de Gaia section,

An investment of EUR 6.9 million on the North Line

Launch of the contract for the Connection of Mondim de Basto to the EN210.

NOVEMBER

Award of the contract for redevelopment of the Covilhã - Guarda section

DECEMBER

Delivery of new snow-clearing vehicle to the Snow Clearing Centre.

EN 14 between Santana and Vila Nova de Famalicão

Signing ceremony of the contract for redevelopment of the section of the EN 14 between Santana and Vila Nova de Famalicão with an investment of EUR 3 million to improve road accessibility to the Lousado Industrial Zon.

Bridges over the Criz River (I and II), on the EN234, in the municipalities of Santa Comba Dão and Mortágua and the Bridge of S. João das Areias on the EN234-6, in the municipality of Tábua

Completion of the work, with a total investment of about EUR 7 million, to reinforce the safety and traffic conditions on the road network around Agueira reservoir.

5 MAIN AREAS OF ACTIVITY

5 MAIN AREAS OF ACTIVITY

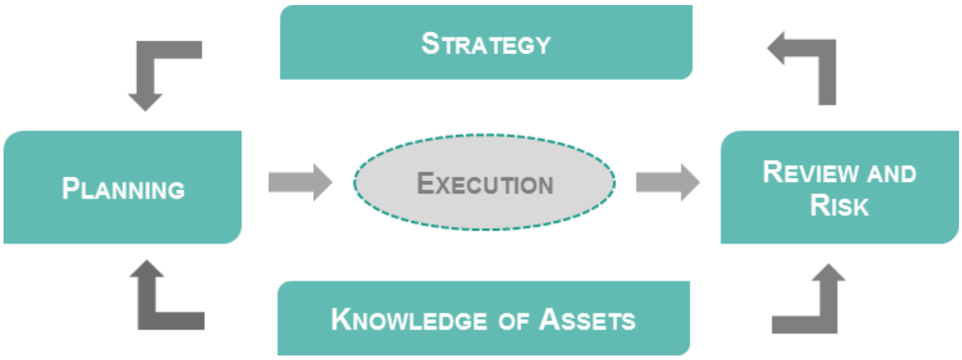
As already mentioned IP has as its Mission the design, construction, financing, maintenance, operation, redevelopment, widening and modernisation of national road and rail networks.

In this context, some of the most relevant aspects of the activity of the IP Group in 2017 are presented in the following points.

5.1 ASSET MANAGEMENT STRATEGY

The management of the assets that integrate the rail and road networks is guided by the optimisation of the life cycle of the assets and driven by sustainability criteria, permanently aiming at the provision of an infrastructure with high levels of reliability, quality and safety.

The core processes that characterise the Asset Management of the IP group are as follows:



The asset management strategy determines the need to develop a set of skills and tools that allow, in a systematic way, to ensure that:

- There is knowledge about the assets, both at the level of their condition and moment of the life cycle in which they are, as well as the level of use to which they are subject and expected performance;
- Data and asset information are treated in a clear, transparent manner and ensuring the reproducibility of results in alignment with the dedicated management systems implemented;
- Asset intervention needs are identified and planned in a timely manner by determining whether each investment option is at any given time the most economically advantageous and valuing the long-term vision (20 years) arising from short-term decisions;
- The risks of non-execution of the most economically advantageous scenario are identified by determining the respective mitigation actions;
- The principles of continuous improvement are applied based on information of the performance of assets and the management system itself.

With the aim of knowledge about the assets, it is essential that all actions of infrastructure inspection and diagnosis are carried out in accordance with the technical manuals of the infrastructures and the best asset management practices. IP is committed to this end, both in the assignment of human resources, in terms of quantity and skills, and also in relation to the technologically advanced equipment, which allow the company to have a thorough knowledge of the state of the infrastructure and diagnostic capacity, while seeking autonomy and capacity of action. In this area, the development of a pavement inspection strategy is notable in 2017, which is currently undergoing implementation.

Continuous Inspection with Portable Equipment

Mechanical Inspection Road Network

Underwater Inspection

Structural Tunnel Monitoring

Of strategic importance in the treatment of information is the development of asset management systems and tools that support the Business Intelligence (BI) models, regarding the technical and financial aspects of the assets. In 2017, and in this alignment, there was a standardisation of the Engineering Structure Works Management System for the road and rail network.

Integral management of the asset is sought gradually, which aims to ensure that all maintenance, exploration, financial and management operations are effectively associated with the same element, enhancing the quality of information and decision-making.

With regard to the planning of infrastructure interventions, this is enshrined in the Asset Management Plan, which is an instrument to promote the alignment between the Enterprise

Strategy and Asset Needs, presenting an operational approach in the short term horizon, assessing cost, risk and performance associated with implementation and a strategic approach to managing the long-term consequences resulting from the implementation of the short-term plan.

The risk management aspect very significantly integrates the management of assets in IP, not only in the construction of the Asset Management Plan but also taking on particular relevance in the identification of mitigation actions and special monitoring to be developed.

Finally, and on the basis of continuous improvement, it is essential to build monitoring platforms of the condition of the assets (State of the Infrastructure Report) and for the monitoring of systems (KPI - Dashboard) and processes (PPI of the Asset Management System), which enhance benchmarking and the resulting opportunities.

5.2 MANAGEMENT OF ROAD INFRASTRUCTURE

The ‘Road Infrastructure Management Activity’ segment comprises both the activities of building and redeveloping the routes and engineering structures and the activities of management, maintenance and improvement of safety of the national road network.

5.2.1 Characterisation of the National Road Network (NRN)

In 2017, the National Road Network (NRN) regulated by the National Road Plan (DL No. 222/98 of 17 July, Law No. 98/99 of 26 July and DL 182/2003 of 16 of August) remained stable, hierarchized in three levels: Trunk Roads, Secondary Roads and National Roads.

Thus, except for a reduced activity of transferring disqualified roads to municipalities, the characteristics of the network under direct jurisdiction of the IP or sub-concessioned remained stable.

IP is a concessionary company of 15,109 km, of which 13,636 km are under direct management (including 3,716 km of disqualified and not yet municipalized roads) and 1453 km of sub-concessioned network (distributed over seven different contracts).

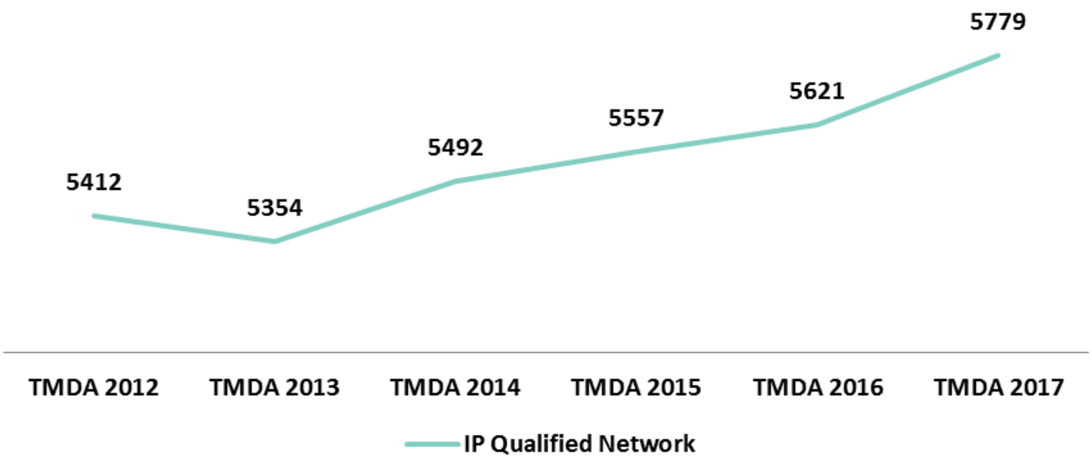
The Mainland Portugal motorway network covers 3119 km, of which 540 km is under the direct or indirect management of IP.

The remaining 2599 km relate to State Concessions (of which 2,184 have tolls).

5.2.2 Development of Traffic

The analysis and comparison of the traffic data for the years 2016 and 2017 shows an increase of about 2.8% for the network classified under IP jurisdiction (includes sub-concessions).

The following chart shows the development of Average Annual Daily Traffic of the network under IP Jurisdiction:



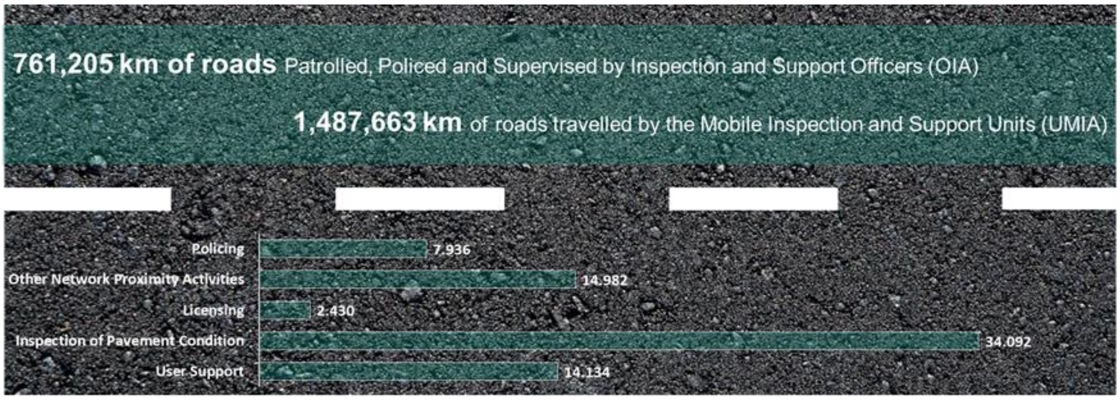
5.2.3 Network Monitoring

Operational Activity where IP, as the Road Administration, in a patrolling action, ensures compliance with the legal obligations determined by the Concession Agreement with the Portuguese State, by complying with the duty of surveillance, in defence of the State's public highway domain, policing, through the exercise of the authority of public authority of the highway administration, the monitoring action foreseen in the Statute of Roads of the National Road Network, and support to the Organisational Units of the company and support to users of the roads.

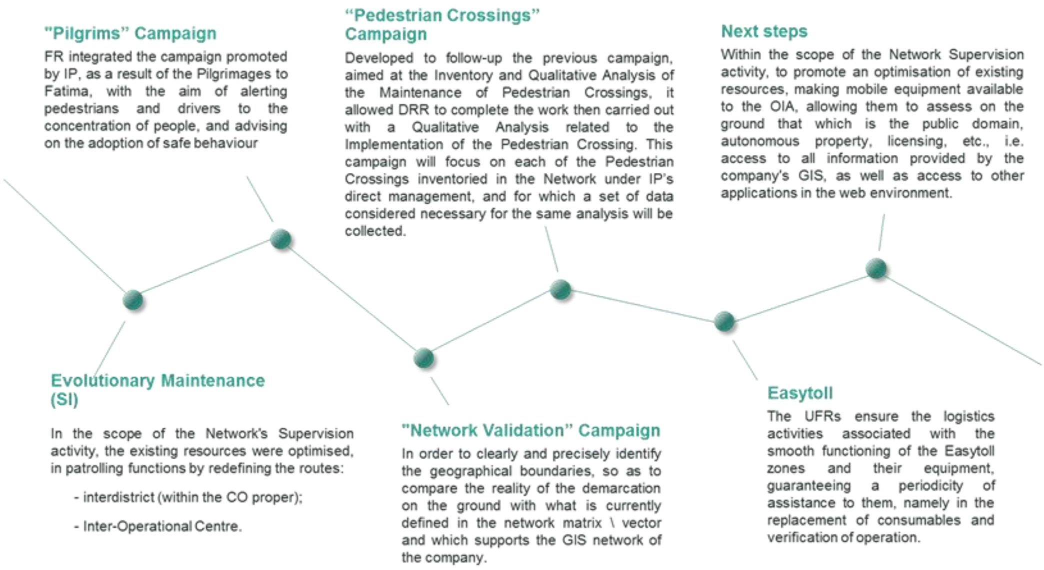
The Operation results in the patrolling of the network, through the UMIA (Mobile Inspection and Support Units), using routes covering the itineraries, consisting of sections of the road to be monitored and others as connecting routes, indicating the direction and situations to be evaluated. The UMIA covered about 1,500,000 km of road throughout the country (18 districts), corresponding to more than 760,000 km of monitored network.

The main function of UMIA is to systematically and continuously monitor the road network by promoting the collection and recording of information relating to deficiencies or notable events arising from unexpected events and not resulting from the normal wear and tear of the road and its components, which need urgent intervention or signalling as they endanger the travel conditions and immediate safety of users.

The following is a summary of the activity carried out in 2017.

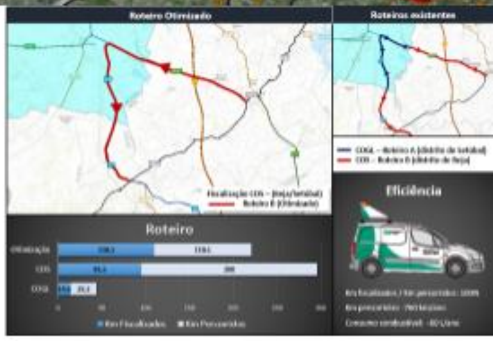


In addition to the Network's Monitoring, it carries out network activities within the Company associated with the development of road maintenance and operation management. The following campaigns were developed in 2017:



In 2017, the Network Monitoring activity underwent some adjustments, with the introduction of more efficient processes, to which the development of the IT tool supporting the activity contributed.

In the monitoring activity of the Network, it was possible to create synergies that led to the improvement of the process efficiency. Innovating the system of activity support and adopting new methodologies of work allowed IP to optimise the existing resources for patrolling roles, operating on a district, inter-district (within the Operational Centre) and Inter-Operational Centre basis.



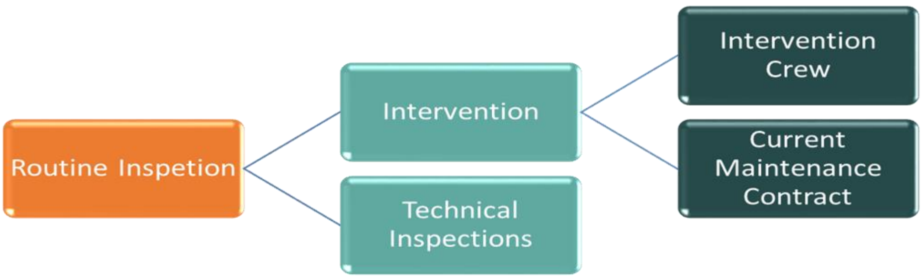
5.2.4 Current Maintenance

Current Conservation Management is a systematic process of inspection and intervention, preventive and reactive, in order to ensure the maintenance, repair and replacement, in appropriate conditions of functionality, of all components of the road. The aim is to ensure conditions of comfort and traffic safety to users, thereby avoiding degradation of the infrastructure and its conditions of service.

The operational activity is anchored in current maintenance contracts of a multi-year nature, and its intervention is complemented by the Intervention Brigades.

Current Maintenance Contracts

The management of current maintenance contracts comprises a series of phases that culminate in intervention on the road network. Thus, each work performed goes through the identification of needs, technical validation, prioritization, planning and finally the Order of Execution, under the current maintenance contracts or, alternatively, through the Intervention Brigades.



2017 was marked by the conclusion of the 18 contracts corresponding to the 2013-2017 cycle. The new contracts for the period 2017-2021 are expected to start only in the second quarter of 2018, due to delays in obtaining the necessary authorisations for this purpose.

In order to cope with this time gap, it was necessary to launch 18 Contracts to operate the network at operational minima, in order to ensure that IP maintains the capacity to intervene in the network with a view to promoting minimum activities for maintaining safe operating conditions and, consequently, safeguarding the physical integrity and assets of all those who use the road network under IP's responsibility.

2017 was marked by the occurrence of extremely serious fires that took place in the central and northern areas of the country in July and October. These fires damaged, in a first instance, the tree assets surrounding the roads, and they also destroyed fencing networks, signalling and barrier equipment. Additionally, due to the fall of burning material on the roads, and the high temperatures verified, there was also the destruction of pavements and the loss of painted road markings.

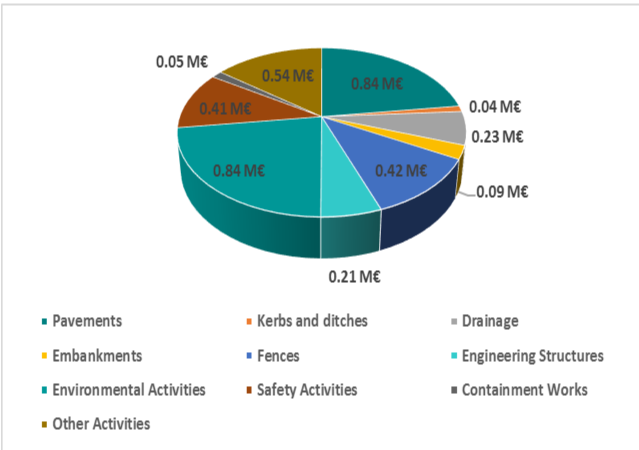
In general, a network extension of more than 550 km was affected, with damages amounting to a total of EUR 5.5 million.



Exceptional contracting mechanisms were cited for its repair, defined by Decree-Law 135-A/2017, and the most urgent situations were resolved using the current maintenance contracts still in progress, totalling EUR 1.3 million.

In terms of financial execution, the accumulated value of EUR 35.5 million was achieved in the year 2017, resulting in a deviation of +5.6% compared to that scheduled for the same period (EUR 33.6 million), as a result of the reinforcement necessary to recover from the damage caused by the summer fires.

Of the total amount spent in 2017, the amount allocated to the maintenance of pavements was EUR 10.6 million and to environmental activities of EUR 7.5 million. These two segments have the greatest weight in current maintenance, followed by Safety Activities with EUR 3.3 million.



The average investment per district was EUR 1.97 million in 2017, with an average investment per kilometre of EUR 2,570.

Intervention Brigades

The intervention brigades perform a set of activities in a sporadic operating model, in situations of "Emergency", of a "Preventive or Corrective" and "non-core" nature, which does not fit into systematic and preventive current maintenance.

Urgent Interventions + **Preventive or Corrective Interventions** + **Interventions non-core**

Urgent Interventions

- Cleaning of drainage systems
- Signage of damaged safety rails
- Road cleaning after adverse weather conditions
- Cleaning oil on surface
- Snow cleaning and ice removal
- Removal of obstacles
- Route clearing
- Filling in holes
- Replacement of vertical signalling and placement of temporary danger signalling

Preventive or Corrective Interventions

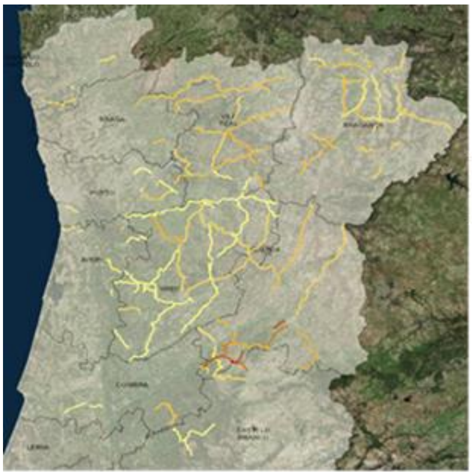
- Advertising removal
- Pavement cleaning
- Maintenance and cleaning of drainage elements and water lines in the zone of the road
- Maintenance of vertical signalling
- Cutting plant cover, deforestation and sporadic vegetation control
- Preventive treatment of snow and ice

Interventions non-core

- Repair and assembly of signals
- Stockage of materials
- Support for Routine Inspections
- Cleaning leftover plots
- Support to the DAMB for noise monitoring at night
- Support for pilgrims
- Support for interventions in the Technical Channel
- Maintenance work on machinery and other company facilities
- Support in signalling large jobs (IP or third parties)

Winter Activities

Winter activities are an important component of road safety interventions during the winter period. In accordance with the country's orography and climate conditions, these activities mainly affect the districts of Bragança, Coimbra, Guarda, Castelo Branco, Viana do Castelo, Vila Real and Viseu, but may also occur in Aveiro, Braga and Porto.



Application of Salt (Kg/Km)

- 0 - 100
- 100 - 250
- 250 - 500
- 500 - 1 000
- 1 000 - 3 000
- 3 000 - 10 000
- 10 000 - 15 000
- 15 000 - 30 000
- 30 000 - 80 000

Serra da Estrela Snow Clearing Centre

The Serra da Estrela Snow Clearing Centre (CLN) was created in 1971, located at an altitude of 1650 m, along the road EN339, more specifically at Piornos. It is an operational post where resources are available to ensure the conditions of traffic and safety of the national road network of the Guarda and Castelo Branco districts in a network totalling about 290 km, of which about 128 km is located on the central massif of the Serra da Estrela mountains.

The Piornos facility is the main centre of operations where the equipment and human resources are currently located, which operate mainly in the central part of the Serra da Estrela.

Piornos Facility

In order to resolve the need to intervene in a timely manner on the northern side of the Serra de Estrela mountains, the Sabugueiro Snow Clearing Centre (CLNS) was built in 2005.

Sabugueiro Facility

In 2017, there was an investment both in facilities and in the acquisition of equipment, in order to ensure a better capacity to respond to the needs of the network users.

In this context the facilities were subject, in 2017, to an in-depth renovation, as regards social facilities, housing and workshops. In addition to the silo of rock salt installed at Sabugueiro, which has been in operation since 2015 and with a capacity of 60 tons, a new silo was installed in Guarda in 2017, with identical capacity.

As for the equipment for snow clearing interventions, the fleet was renewed in 2017, with the acquisition of 1 rotary spreader and 2 snow plough vehicles, in a total investment of EUR 800,000.

Currently, the snow clearing centre is equipped with 5 snow ploughs, 2 rotary spreaders, 1 giratory spreader, 1 loader with backhoe, 3 support vehicles.

The installation of a radio communications network in the Serra da Estrela, with repeaters in the Snow Clearing Centres of Piornos, Sabugueiro and Torre, was also completed. Thirteen vehicles with cabin radios were also installed and radio terminals were provided to the operational teams. The new system provides a set of features that increase the safety of the operation, namely group calls and emergency call (priority call overriding conventional calls).

5.2.5 Regular Maintenance

Regular maintenance consists of the execution of interventions of high technical complexity, promoted according to a prioritisation based on technical criteria emanating from Management Systems. It also takes into account economic rationality and the optimisation of human, operational and opportunity resources, considering the rehabilitation of road components without exceeding their initial characteristics, restoring a satisfactory level of service and extending the service life of an existing structure.

Regular maintenance is organised into a series of roadside intervention programs, including pavements, geotechnical aspects, engineering structures and road safety.

The pavement intervention program is based on the assessment of rehabilitation needs, according to the prioritisation strategy based on technical urgency, based on the Quality Index (IQ) of the roads and verified traffic levels, in accordance with that provided for in the Proximity Plan.

IC1 (EN120), KM 3 + 400 to KM 19 + 100 - Correction of problems

This methodology allows IP to plan and prioritise road rehabilitation interventions, in addition to the needs of intervention in the specific geotechnical field that result from an evaluation and prioritisation through surveys after detection of occurrences by the inspection units.

Before **After**

EN17, KM7 + 200 (LE) - Excavation Slope

The interventions on engineering structures are based on the evaluation of their State of Repair (EC) in the scope of Major Inspections, allowing situations of EC4 and EC5 to be repaired (most sever states of repair), as well as to respond to situations of potentially evolutionary EC3, thus allowing the adequate solution of situations that could compromise the safety of road infrastructure.

Before **After**

EN234 CRIZ I AND CRIZ II BRIDGES, EN234-6 SÃO JOÃO DE AREIAS BRIDGE - STRUCTURAL STRENGTHENING INTERVENTION ON PILLARS AND FOUNDATIONS"

Lastly, the programme with the object of the road safety component contemplates two types of activities:

- Spot Interventions, aiming at the elimination of black spots, treatment of urban crossings and geometric reformulation of intersections;
- Interventions aimed at ensuring the renewal of equipment: through targeted contracts of vertical signage, road marking, safety rails, traffic lights and public lighting.

Main Works in 2017

During the course of 2017, there were 48 works of regular maintenance, corresponding to 32 interventions in engineering structures, 13 interventions on slopes and 3 interventions on pavements, in addition to 34 interventions in road safety, in a total investment of EUR 18.2 million.

5.2.6 Management and Operation of the Motorway Network of Metropolitan Areas of Greater Lisbon and Greater Porto

IP, due to its contractual obligations, ensures the management and operation of the motorway network of the metropolitan areas of Greater Lisbon and Greater Porto, which consists of a set of actions aimed at proximity to the client, guaranteeing the surveillance of traffic conditions with regard to monitoring and the prevention of accidents and customer assistance concerning health and mechanical aid.

The operation and maintenance of the Greater Lisbon Motorway Network (RAEGL), incorporates the roads with a motorway profile located in the Greater Lisbon area, namely the A16 - Pontinha junction/Belas; A30 - Lisbon/Santa Iria da Azoia; IC17 - CRIL Algés/Sacavém; IC19 Buraca/Sintra; A40 - Olival de Basto/À-da-Beja; Eixo Norte-Sul; EN117 - A5/IC19; IC15 - Duarte Pacheco Viaduct and also the A21 - Ericeira/A8, which total 100 km in double lane roads, to which about 70 km of branch and access roads can be added.

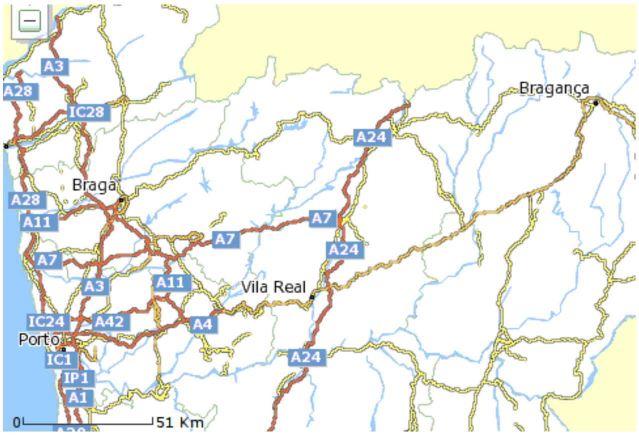
They also include a high-performance network in the Lisbon and Tagus Valley regions, namely A23 - Torres Nocas (A1) / Abrantes, IC10 - Santarém (A1) / Almeirim (IC13) - includes Salgueiro Maia Bridge, IP6 Peniche / A8 and A26 (IP8) - Sines / Relvas Verdes, sections where the operation and maintenance are ensured by the regional IP structures in a shared resource management model.

The level of demand on these routes is the highest at national level - in some sections the TMDA exceeds 100,000 vehicles, and for this purpose a direct administration model (Greater Lisboa) is implemented, which ensures the operation of the motorway-like roads 24h per day, 365 days per year.

The patrolling of this network is ensured through the Mobile Inspection and Support Units (UMIA), especially directed at customer support, for monitoring traffic conditions and to inspect the state of the road. These vehicles are permanently on call (24 hours per day, 365 days per year). About 820,000 km was travelled during the year 2017.

The UMIA are supported remotely by a Traffic Centre which controls the telematic information of the network, as well as the control and management equipment of the existing tunnels.

In the course of 2017, 17,032 occurrences were registered corresponding to an annual average of 170 incidents/km.



The Operation and Maintenance of the Greater Porto Motorway Network (RAEGP) covers a road network with characteristics of motorway located in the districts of Porto, Vila Real, Braga and Viana do Castelo. This road network covers the motorways of Greater Porto (previously integrated in the Douro Litoral Concession), the alternative links to the EN14 and EN101 in Braga, the alternative links to the N14 in Vila Nova de Famalicão, the section of the IP1 between Valença Sul junction (at S. Pedro da Torre) and the border of Spain and the section of the A4 between Geraldes junction and Parada de Cunhos junction, which includes the Marão Tunnel.

RAEGP's regular maintenance/repair activities as well as operating activities, including network monitoring and customer assistance, are ensured by external service provision, entitled “Regular Maintenance and Operation of the High Performance Network - North 2015/2018".

5.2.7 25 de Abril Bridge

As part of the management of the 25 de Abril Bridge, regulated by a specific law, IP develops its activity in close coordination with LUSOPONTE, which has management competences related specifically to the road.

A set of actions is developed regularly on the 25 de Abril Bridge for the inspection, study and maintenance, preservation and improvement works of the bridge, and in the field of operational safety, following a philosophy of integrated management.

For matters relating to operational safety, the work carried out by the 25 Abril Bridge Safety Board is particularly important. This Board is presided over by IP and includes, in addition to the aforementioned entities, the road and transport infrastructure regulator Instituto da Mobilidade e dos Transportes (IMT), security forces through the Security Coordinating Office (GCS), and emergency services, represented by the National Civil Protection Authority (ANPC).

In 2017, as part of the management model adopted and the objectives outlined in the Annual Safety Program, sent to the member of the Government responsible for the area of road infrastructure at the beginning of the year, the following activities should be highlighted:

- Monitoring and observation of infrastructure, management of structural monitoring services, with observation of the overall behaviour of the bridge, development of the instrumentation plan and equipment acquisition;
- Quality Manual, Development of the burden-sharing model of the structure;
- Beginning of the process of contracting underwater inspection of pillars 3 and 4 of the suspension bridge;
- Contracting of structural monitoring for the triennium 2018-2020;
- Contracting the inspection of the structure, operation and maintenance of mobile platforms and maintenance of elevators;
- Integrated Management of Operational Safety, with two ordinary meetings of the Safety Council held;
- Development of the project "P50. Bridge Experience. 50 Years of the 25 de Abril Bridge Lisbon", which promotes the communication of the historical, technical and cultural knowledge of the infrastructure.

In addition to all these activities, the following events were held:

- The "EDP Half Marathon of Lisbon and Vodafone Mini Marathon", a sporting event of public interest, which was in its 27th edition in 2017 and, as usual, had a significant number of participants;
- The initiative "Earth Hour 2017", turning off the lights of the 25 de Abril Bridge for 60 minutes, a symbolic act of environmental concern that occurred on 19 March and which was celebrated in more than 172 countries and territories on all continents.

5.3 RAILWAY INFRASTRUCTURE MANAGEMENT

5.3.1 Characterisation of the National Railway Network (RFN)

The lines and branches of the national railway network (in operation and not operational, including concessioned sections) have a total length of 3,621 km.

70% of the total network is in operation, i.e. the part of the network that meets the conditions for the movement of trains covers a distance of 2,562 km.

The network that is electrified (1,639 km) corresponds to 64% of the total network in operation.

Convel is a system shared between the Operators and IP that guarantees high levels of traffic safety, ensuring the compliance of signalling and the authorised travel speed of trains. This system is installed in about 1,695 km of network (67% of the network in operation).

The Solo-Train Radio system (system shared by Operators and IP) is designed to allow voice and data communication between operators' drivers and those responsible for IP traffic regulation. This safety system is implemented in 1,510 km of rail network (59% of the network in operation).

5.3.2 Use of the Network (Train-Km)

In compliance with the provisions of Decree-Law no. 217/2015 and Decree-Law no. 270/2003, republished by Decree-Law no. 151/2014 (in the part maintained in effect by Decree-Law no. 217/2015), the Network Directory is published each year to provide railway undertakings and other applicants with the essential information they need to access and use the national railway infrastructure, managed by IP and open to rail transport.

The Network Directory is a document listing the characteristics of the national rail network (RFN), the general conditions of access, and other services related to the railway activity provided by IP to railway operators. This document also discloses the principles of tariff charging and respective tariffs, presenting the methodology applied.

The Network Directory contains the detailed list of general rules, deadlines, procedures and criteria for charging and capacity allocation schemes, including all information necessary to enable requests for infrastructure capacity.

Demand increased by 0.6% between 2016 and 2017 (approximately 217,000 train-kilometres).

unit: million train-km

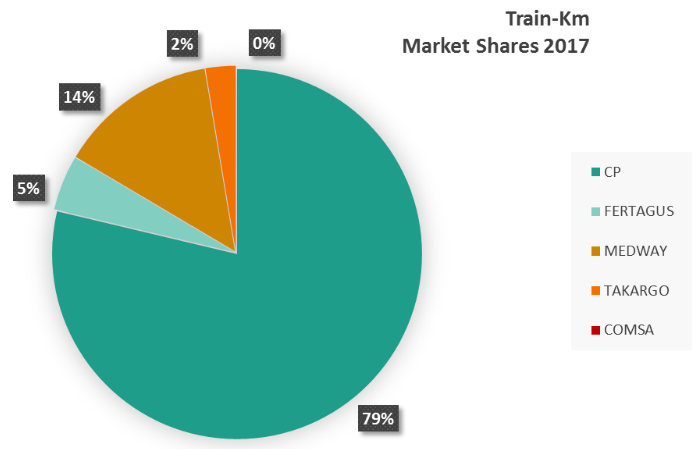
Infrastructure Use	2015	2016	2017	Variation 17/16	Δ% 17/16
Passengers	30.6	31.0	31.0	0.0	-0.1%
Freight	6.4	5.9	6.1	0.2	3.6%
TOTAL	**37.0**	**36.9**	**37.1**	**0.2**	**0.6%**

This increase in the use of rail infrastructure is due to the goods segment (+ 3.6%), while the passenger service remained stable.

As for accumulated figures, in 2017 a total of 37.1 million train-km occurred in the network, exclusively by railway operators, 84% of which are passenger traffic and 16% in the freight segment.

The rail operators operating in the RFN are CP and Fertagus in the transport of passengers and Medway, Takargo and Comsa for the transport of freight.

CP continues to be the operator with the most impact on IP activity, accounting for 79% of market share:



5.3.3 Service Levels of the Programme Contract

The Programme Contract defines and regulates the terms and conditions of public service for the management of the infrastructure that is part of the National Railway Network. The evaluation of the performance of the IP is carried out based on indicators directed at the users and that allow monitoring of the fulfilment of the central objectives established by the State. It also includes indicators related to compliance with financial projections.

The structure of the indicators of the level of service provided, including indicators of a financial nature, is indicated below:

1. **Additional Margins** correspond to the travel times added to timetables planning to reflect the speed limitations imposed on the infrastructure by scheduled works.
2. **Railway Punctuality** corresponds to the aggregate indicator representative of annual punctuality verified in the entire railway network in operation, as measured by the delay of trains on arrival;
3. **Railway Customers Satisfaction** is the level of satisfaction obtained in the satisfaction surveys sent to the Railway Operators and other users of the rail network in operation;
4. **Network Availability** reflects the percentage of time the infrastructure was available for operations;
5. **Railway Assets Management** aims to assess the state of conservation of the railway infrastructure;
6. **Activity Volumes** corresponds to the sum of the train-km on the national rail network in the year;
7. **Safety Level** is determined by the ratio of the number of significant accidents to the total train-km (in millions), which seeks to assess railway safety according to actual train traffic.
8. **Environmental Protection** is the percentage reduction of the number of people exposed to ambient noise levels higher than the limits imposed in the General Noise Regulation, in relation to the total number of people exposed to those noise levels;
9. **Railway Income** evaluates the success of IP in obtaining core revenue;
10. **Other Income** evaluates the development of non-core revenue from supplementary activities associated with the operation of the railway infrastructure;
11. **Maintenance Expenses** evaluates the development of expenses on maintenance;
12. **Expenditure with other ESS** assesses the development of expenditure on external supplies and services;
13. **Staff Expenses** evaluates the development of expenditure on staff.

Calculation formulas and performance targets have been defined for each of these performance indicators. The following results were obtained in 2017:

	Indicator	Annual Target 2017	Result 2017	Deviation 2017
1	Additional Margins	***32***	32	*0.00%*
2	Railway Punctuality	***≥ 89.60%***	87.78%	***-1.82%***
3	Railway Customers' Satisfaction	***≥ 53.00%***	*55.70%*	***2.70%***
4	Network Availability	***≥ 88.60%***	89.26%	***0.66%***
5	Railway Asset Management	***≥ 83.00%***	82.02%	***-0.99%***
6	Activity Volume	***≥ 37,254,473***	37,073,779	***-0.49%***
7	Safety Levels	***≤ 1.001***	0.782 *	***21.87%***
8	Environmental Protection	***2.00%***	1.63%	***-0.37%***
9	Rail Revenues	***100.00%***	97.00%	***-3.00%***
10	Other Revenue	***-1.40%***	7.52%	***8.92%***
11	Maintenance Expenses	***-3.60%***	-1.74%	***-1.86%***
12	Expenses with other ESS	***-6.90%***	-5.69%	***-1.21%***
13	Personnel expenses	***-5.50%***	-2.05%	***-3.45%***

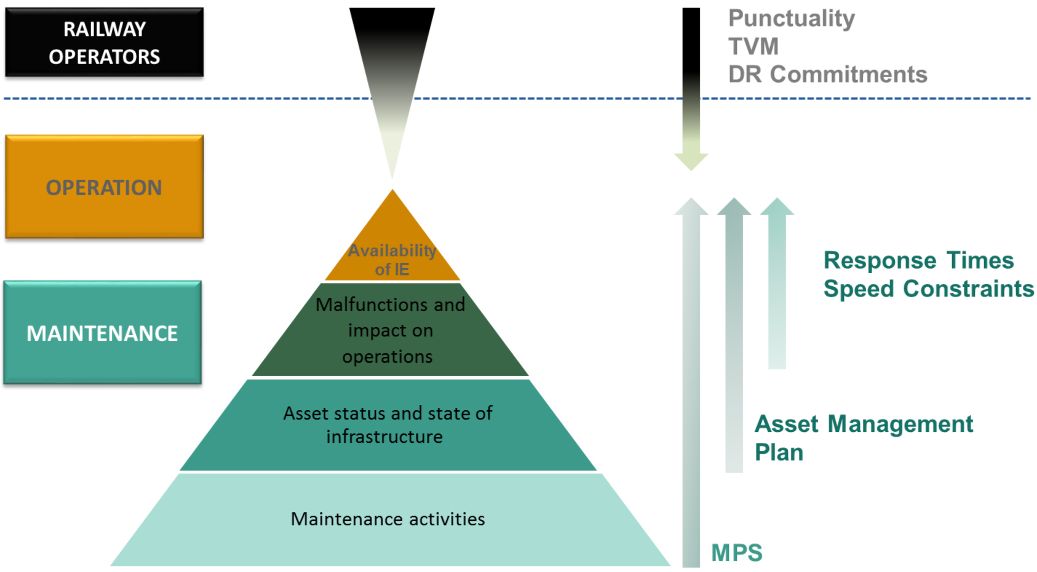
* The value of the Safety Level indicator in the Programme Contract is not similar to the indicator published in the Annual Report on the Application of the Safety Management System (RASGS) of IP, since the calculation formula of the indicator determined under the Programme Contract considers the commercial train-km and in the RASGS indicator the total train-km

5.3.4 Maintenance of the National Railway Network

The management of the railway network, guided by the optimisation of the life cycle of the assets and driven by sustainability criteria, is permanently aimed at providing an infrastructure with high levels of reliability, availability and safety.

In order to carry out this strategy, infrastructure inspection and diagnosis actions have a predominant role, providing IP with technologically advanced human resources and equipment, which allow the company to have a thorough knowledge of the state of the infrastructure, prioritise its investments in an informed manner and support, in a capable way, the different maintenance and rehabilitation actions imposed on the 2,562 km network in operation under its management.

SEGMENTATION AND NETWORK SERVICE LEVELS



Since the monitoring and inspection functions are internally managed, performance is outsourced in some specialised fields. Other fields remain internally managed, because the specificity of the systems means the market does not cover them or it has been concluded, based on experience and the studies developed, that such is the solution that best safeguards the interests of IP.

RFN maintenance interventions are ensured by the IP operating budget through multi-year contracts in the various specialised fields, comprising three components:

- Systematic Preventive Maintenance (SPM), performed according to a previously defined route;
- Conditioned Preventive Maintenance (CPM), performed upon express request of IP, as a result of the inspection and diagnosis of the infrastructure;
- Corrective Maintenance (CM), for the repair of anomalies.

The amount associated with these interventions in 2017 was EUR 56 million.

5.4 INVESTMENT IN ROAD-RAILWAY INFRASTRUCTURE

5.4.1 Investments in the Railway Network

Investments in railway infrastructure comprise the construction, installation and renewal of infrastructure, an activity developed on behalf of the State (assets that are part of the public railway domain) and considered as Long Duration Investments (LDI).

FERROVIA 2020

The **Ferrovia 2020 Investment Plan** has a set of priorities duly identified by a broad set of stakeholders that should be highlighted:

- International commitments, including bilateral agreements with Spain and those resulting from the Atlantic Corridor;
- Promotion of freight transport and in particular of exports;
- Articulation between the national ports and the main land borders with Spain.

Under this plan, the main links to Spain and Europe, the moderniation of 1,200 km of existing network, the renovation of part of the northern line and the electrification of more than 400 km of existing lines will be realized. These investments will include the start of the installation of the European Rail Traffic Management System (ERTMS /ETCS), the increase of the crossing length of trains to 750m and the preparation of the migration to the standard gauge. The aim is to ensure an increase in the efficiency of rail transport, in particular the freight transport component, in terms of:

- Increase of the capacity of the network, in terms of loads and number of trains;
- Reduced transport costs;
- Reduction of travel times and distances; and

- Improved safety and reliability.

The "Ferrovia2020" Plan contemplates a global investment of more than 2,000 million euros. It is the major challenge of IP over the forthcoming years.

The implementation of the Ferrovia 2020 Investment Plan totalled EUR 56.3 million in 2017.

North International Corridor

In 2017, the contracts for the construction of the North International Corridor on the Beira Alta Line were awarded in 2016 and are expected to be completed in 2018.

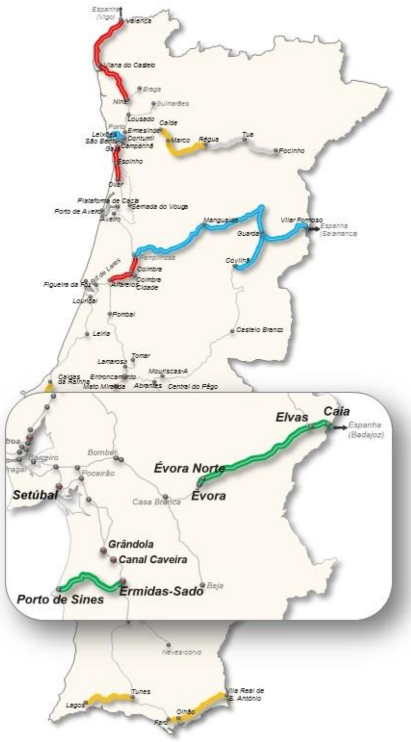
The construction project to modernise the Covilhã-Guarda section and the Beira Baixa line concordance link with the Beira Alta line was completed in 2016.

The general call for tenders of the Beira Baixa Line for the modernisation of the Covilhã-Guarda line - Civil Construction Works, Track and Catenary, Bridges and RCT + TP, launched in December 2016, was awarded in November 2017 for a price of EUR 51.9 million and with a contractual deadline of 540 days. The respective consignment occurred in March 2018.

Approximately 85% of the referred value may be the subject of European Community co-financing. The contract is expected to be completed in the first quarter of 2019.

The overall investment in 2017 in the Northern International Corridor was EUR 10.8 million.

South International Corridor



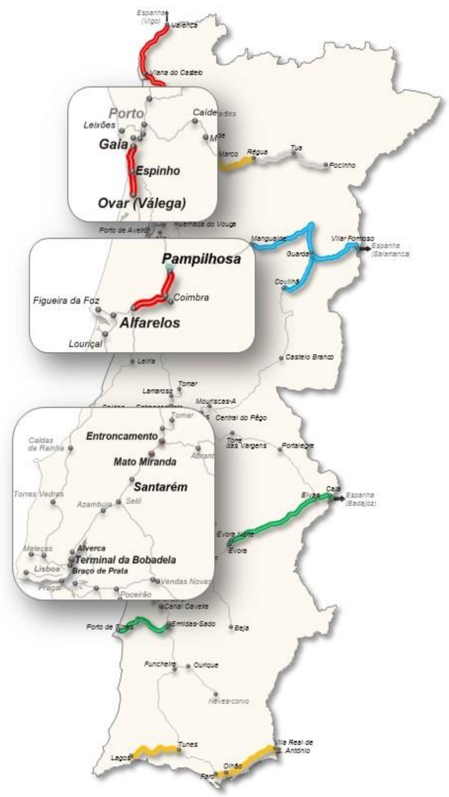
In the South International Corridor, the Feasibility Study, Preliminary Study and Environmental Impact Study of the Railway Link between Évora and Évora Norte, awarded in April 2017 was approved in November 2017. The studies and projects related to the Évora Norte-Bifurcação Leste and Modernisation project between Sines and the South Line including the suppression of PN and RCT + TP, awarded in 2015 and early 2016, have a final approval date scheduled for May 2018. For the Elvas-Border project, the final approval of the Studies and Projects was made in March 2017 (1st version). The Studies and Projects for the Elimination of Constraints at the Sado Beach Station were awarded in August 2017.

The general contract for the modernisation of the East Line on the Elvas / Border section was awarded in December 2017 for a total of EUR 14.9 million and a deadline of 365 days, with consignment verified in March 2018.

This contract will allow the complete renovation of the railway superstructure and treatment of the railway platform, the extension and adaptation of the layout of the Elvas station to allow the crossing of trains 750m in length, the construction of road under or overpasses and road rearrangements to remove existing level crossings, and the replacement of the decks and reinforcement of the bridge pillars.

The overall investment in 2017 in the South International Corridor was EUR 5.9 million.

North-South Corridor



In 2017, as planned, the Project for Complete Track Renewal on the North Line in the Espinho-Gaia Sub-Section was awarded in March, with approval date scheduled for May 2018. In August 2017, on the Alfarelos-Pampilhosa project, the Project for the construction of Passenger Platforms at Adémia Stop was awarded and approval was given to studies and projects to stabilise the slopes between PK 195.060 and PK 230.800 of the North Line at the beginning of 2017. The Project for the Modernisation of the Entroncamento Triage Receiving / Dispatching Depot was awarded in July 2017, as planned.

The Alfarelos-Pampilhosa Development had the highest implementation rate in 2017, with EUR 24.3 million implemented.

In the Nine-Viana section, implementation in 2017 was EUR 6.7 million. The implementation on the Minho Line Electrification Contract between Nine and Viana do Castelo, including technical stations, and consigned in January 2017, was EUR 5.4 million.

In 2017, the implementation of the Contract for the Design and Construction of the Vila Fria Traction Substation, self-transforming and neutral zones, under the Electrification and Rehabilitation of the Nine-Valencia section, was EUR 0.88 million.

In the Vale de Santarém-Entroncamento project, the construction works, catenary, telecommunications and RCT + TP for electrification of the main branch line and access to the Vale do Tejo Terminal on the side of the North Line, between Entroncamento Substation and the Riachos station, were awarded in October 2017.

In the Nine-Valença, Ovar-Gaia and Vale de Santarém-Entroncamento sections, implementation was carried out under the contract for Supply / Assembly and Maintenance of Control-Command and Signalling Systems of several sections of the National Railway Network, which are analysed below.

The overall investment in 2017 in the North / South Corridor was EUR 35.7 million.

Supplementary Corridors

As planned, the Studies and Projects related to the Electrification of the Marco-Régua Section were awarded in the last quarter of 2017. The Preliminary Study, Environmental Impact Study and Construction Design for the Electrification of the Algarve Line on the Tunes-Lagos and Faro-Vila Real de Santo António sections were awarded in May 2017. In 2017, the Modernisation Project for the Meleças-Caldas section was awarded and the Studies and Projects for the Suppression of the level crossings of the West Line were awarded.

With regard to the contract for the Electrification of the Caíde-Marco section on the Douro Line, a new strategy was decided for completion of the works on 27 July 2017, with a redesign of the Electrification project, now including Full Track Renewal (RIV). In October 2017 it was decided to suppress the works deemed impossible to perform and the electrification contract was consequently terminated. The new tendering procedure for the contract for completion of the electrification and RIV in the referred section is underway. In this project, there was contract implementation of EUR 2.2 million.

In the Meleças-Caldas project, in October 2016, the Project for the modernization of the Meleças-Caldas da Rainha section started at km 20.320 and 107.470 of the West Line, with an approval date scheduled for August 2018.

In January 2017, the contracting process for the Electrification of the Algarve Line was started, on the Tunes-Lagos and Faro-Vila Real de Santo António sections. The calls for tenders were launched in March and contracts awarded at the end of May. The contract and start-up of the referred project occurred during the month of August. Feasibility studies for the suppression of level crossings were delivered in September and October 2017, and the projects are expected to be completed by May 2018.

The overall investment in 2017 in the Supplementary Corridors was EUR 3.9 million.

OTHER RAILWAY INVESTMENTS

Taking into account the strategic objectives of the company, integrating and prioritizing investments according to a predefined series of criteria, a set of interventions listed in the Rail Proximity Plan was stabilised.

Interventions in railway infrastructure aim at improving safety conditions and improving the levels of reliability and quality of service provided to customers. It is also intended that these interventions contribute to improving the integration of railway infrastructure in the surrounding territory, enhancing positive externalities and mitigating negative ones and improving mobility conditions, creating new links or reducing travel times of existing ones.

In 2017, investment in infrastructure renovation and rehabilitation interventions, compliance with existing rules and regulations and reinforcement of rail infrastructure service levels **totalled EUR 16.1 million** (EUR 10.9 million in track and catenary rehabilitation, EUR 2.0 million in rehabilitation of engineering structures and EUR 1.7 million in the improvement of signalling and telecommunications systems, among other interventions).

The investments implemented in 2017 include:

Contract for corrosion protection of metallic bridges on the Minho Line

Painting of four metal bridges on the Minho Line, located in the municipalities of Vila Nova de Famalicão, Barcelos and Viana do Castelo, aiming to restore adequate corrosion protection and to ensure compliance with the reliability, performance and safety indexes of the engineering structures, reducing the effects of exposure to various agents such as humidity, salinity or pollution.

Slope stabilisation contract between km 180.240 and km 180550 (right side) of the North Line

This intervention had the objective of improving the stability conditions of the excavation slope in the municipality of Soure, where there were several scars of landslides and ravines caused by erosion and water infiltration, guaranteeing the conditions of railway traffic in this section of track on which the maximum speed is 220 km/h.

Improvement work on the track superstructure, section between km 9.600 and km 11.973, on the Cascais Line

This contract was aimed at achieving strategic objectives such as reducing maintenance costs, improving safety levels and track quality; the improvement of the levels of comfort and convenience for the passengers and the improvement of the indicators of availability and reliability of the infrastructure.

Stabilisation works of the track platform on the Algarve Line and the South Line

Actions developed with a view to stability, extension of the useful life and guaranteeing the safety of railway operation, under which the railway platform retaining wall was rehabilitated and reinforced, between km 388.395 and 388.560 of the Algarve Line, and an embankment stabilised with the extension of a gabion wall, between km 225.372 and 225.403 of the South Line.

GSM-R on the Algarve Line (EUR 1.2 million)

After 2017, the installation of the support infrastructures and active radio transmission equipment of the GSM-R system in the Algarve line, an investment of around EUR 1,200,000, system certification was initiated in order to obtain authorisation from IMT for it to be put into use.

The GSM-R radio system is expected to be operational in the second half of 2018.

Investments in Video Monitoring

Video monitoring is an important tool to support the safety of people and goods in the railways, acting as a deterrent and instrument for the analysis of occurrences and for the activation of emergency interventions, also allowing information to be obtained in real time about situations that could cause risks to traffic circulation.

In this sense, a set of investments in this area was carried out in 2017, the most notable of which is the **Amplification of the video monitoring system of the 25 de Abril Bridge and the Pragal Tunnel**, with entry and intruder control for these infrastructures of great importance to rail traffic, comprising an investment of 100 thousand euros.

5.4.2 Investments in the Road Network

BUSINESS AREAS ENHANCEMENT PROGRAMME

In February, the Government presented the **Business Areas Enhancement Programme**, which aims to strengthen Business Competitiveness, Foster Job Creation and Increase Exports.

The Programme represents a total investment of EUR 180 million and is developed in two Axes, in the three regions of convergence - North, Centre and Alentejo.

78 EUR million euros are earmarked for the creation and expansion of business areas, through the opening of calls for tenders for the Operational Programs of Portugal 2020, for which municipalities wishing to improve the conditions for the installation of companies may apply.

Another EUR 102 million is earmarked to invest in 12 road links to improve connections between already established business areas and the existing road network.

ROAD CONNECTIONS that integrate the Programme:

- Connecting the Escariz Business Park - Arouca to the A32 | Sta. Maria da Feira: EUR 29.6 million
- Connecting Fontiscos Industrial Area | Santo Tirso: EUR 0.7 million
- Connecting the Cabeça de Porca Industrial Zone | Felgueiras to the A11: EUR 6.8 million
- Connecting Formariz Business Park | Paredes de Coura to the A3: EUR 8.1 million
- Connecting Lanheses Business Park to the ER305: EUR 0.2 million
- Access road to Avepark in Guimarães - Taipa Science and Technology Park / Gandra Industrial Area: EUR 14.9 million
- Improvement of Accesses to the Business Parks of Famalicão Sul / Ribeirão and Lousado: EUR 5.1 million
- Improvement of Accesses to the Business Park of Lavagueiras / Castelo de Paiva: EUR 17.7 million
- Accesses to Mundão Industrial Park | Sátão: EUR 6.7 million
- Accesses to Riachos Industrial Zone | Entroncamento, Golegã, Torres Novas: EUR 8.3 million
- Connecting the Rio Maior Industrial Area to the EN114: EUR 2.2 million
- Improvement of Access to the Campo Maior Industrial Zone: EUR 2.3 million

The start-up of the interventions mentioned above will begin in 2018 and is an integral part of the Company's Activity Plan for the coming years.

OTHER ROAD INVESTMENTS

Investments in road infrastructure in 2017 was **EUR 9.7 million**. The stand out contracts were as follows: EN234 - CRIZ I and CRIZ II Bridges; EN234-6 - São João das Areias Bridge (EUR 1.6 million); EN256 - Variant to the Albardão Bridge (EUR 1.1 million).

EN234 CRIZ I and CRIZ II Bridges, EN234-6 São João das Areias Bridge - Structural Reinforcement of Pillars and Foundations

The Criz I and Criz II bridges, located on the EN234, and the São João das Areias bridge, on the EN234-6, are part of the so-called Aguieira Road Network.

The need for work on these bridges, as well as on other bridges of the Aguieira Road Network, whose interventions have already been completed, was due to an internal expansive reaction which resulted in a decrease in compressive strength of the concrete and progressive corrosion of the reinforcement.

The purpose of this intervention was to restore the bridges to a level of structural safety, as required by current regulations, and to provide them with adequate durability.

EN256 Variant to Albardão Bridge, including a new bridge over the River Degébe

The new section begins at km 6+100 of the current EN256 and ends near km 9+205 of that road. The new variant, with a total length of 2,775 metres, will shorten the current route by about 330 metres.

The new road will contribute to the reduction of accident rates in this area, with substantial improvements in the layout and longitudinal profile, including also the correction of a curve that currently has a small radius.

A new engineering structure was also built located in the area of the split-level node that will ensure local connections to the current EN256.

Also noteworthy is the interference of the contract with several affected services, including telecommunications, low / medium voltage networks and also a water supply pipeline that supplies the city of Reguengos de Monsaraz. The diversion of these infrastructures always took place in articulation with the various entities involved.

Recovery and development of the Vehicle Counting and Classification system

A set of equipment (28) of the automatic vehicle counting and classification system, distributed along the national road infrastructure under IP's responsibility and considered as a priority by the Road-Railway Planning Department (DPL), was repaired.

In order to progressively provide the road infrastructure with vehicle counting and classification sensors, promoting a better network coverage, allowing the collection and availability of real-time traffic information from the road network for operations and increasing the medium-term planning capacity/long-term development of the network, the existing network of vehicle counting and classification systems was expanded by installing a set of new equipment, totalling 100 devices.

The solutions adopted in the detection and classification are mainly based on spirals, small-sized hardware (with a view to reducing vandalism), energy autonomy and mobile communications. Radar-based detection and classification systems were also introduced, thus allowing non-intrusive solutions in relation to the pavement, which are also autonomous in terms of energy and mobile communications, while also providing some environmental parameters.

5.5 ROAD PARTNERSHIPS

The IP activity related to the High Performance Roads includes all routes currently managed under Public-Private Partnerships (PPP), namely State Concessions and Sub-concessions.

5.5.1 Renegotiation of Concession and Sub-concession Contracts

During 2017, the process of renegotiating the road PPP contracts was started, in order to comply with the commitment made by the Portuguese Government under the scope of the PAEF, in order to achieve a substantial reduction of expenditure from the public coffers.

The negotiation process for all the State Concession contracts was concluded during 2015 with the signing of nine contracts corresponding to the Norte, Costa de Prata, Beira Litoral/Beira Alta, Greater Porto, Greater Lisbon, Interior Norte, Beira Interior, Algarve and Norte Litoral.

These nine contracts were submitted for examination to the Court of Auditors and have been returned with an indication that they are not subject to prior review and so are already in full effect.

Regarding the negotiation process of the sub-concessions contracts, it should be referred that the Amended Sub-concession Contracts of Baixo Alentejo (since 21 April 2017) and Pinhal Interior (since 21 December 2017) are already in force since they have been approved by the Court of Auditors.

The Amended Sub-concession Contract of Algarve Litoral, signed on 23 October 2017, was submitted to the prior scrutiny of the Court of Auditors, but due to vicissitudes associated with the renegotiation and decision of the Court of Auditors, IP informed the Sub-concessionary that it would again have to be subject to prior review by the Court of Auditors.

With regard to the Transmontana sub-concession on 26 February 2018, the respective Amended Sub-concession Contract (CSA) was signed, followed by the process of Prior Review of the Court of Auditors. The entry into force of the CSA should occur in the first half of 2018.

In the Douro Interior sub-concession, the renegotiations are finished and the final negotiation minutes were signed on 15 February 2018, followed by the final negotiation report for the respective government approval process. It is estimated that the CSA will be signed in the first half of 2018, followed by its submission to prior review by the Court of Auditors.

In the Baixo Tejo and Litoral Oeste Sub-concessions, following the initial Memoranda of Understanding, agreements have already been reached between the Negotiation Commission and the Sub-concessionaries on the Financial Models, and the discussion and consensus on the clauses of the contractual changes are now proceeding to close the negotiation processes;

The conclusion of the negotiation process of all sub-concession contracts is envisaged to occur during 2018.

5.5.2 Conclusion of the Sub-concessioned Network

The seven sub-concession contracts are in force, the object of which, according to the existing sub-concession contracts, covers a total distance of approximately 1096 km.

About 966 km are operational, as summarised in the following table, and the sub-concessions of Douro Interior, Transmontana Motorway, Litoral Oeste, Baixo Tejo and Pinhal Interior, of about 688 km, are already in full operation. Therefore, a large percentage of control activities and supervision/monitoring of contractually established obligations are underway, taking into account that the designed public-private partnerships model focuses on the need for adequate and precise control of the contracted service quality.

However, according to the renegotiation processes, about 35 km of new construction/redevelopment are suspended and, at the moment, about 95 km of new works/redevelopment regarding the sub-concessions of the Algarve Litoral and Baixo Alentejo are still to be completed.

Of the total extension of operational sections, the sections of the Baixo Alentejo sub-concession that have passed into IP jurisdiction, with the conclusion of the new contract, are no longer considered.

unit: km

Sub-concessions	In service (*)	Being built		Do not build	TOTAL
		Newly Built	Redevelopment		
Douro Interior SC	241				241
Transmontana Motorway SC	191				191
Baixo Alentejo SC	113	13			126
Baixo Tejo SC	60			9	69
Algarve Litoral SC	165		82	26	273
Litoral Oeste SC	102				102
Pinhal Interior SC	93				93
Total	**965**	**13**	**82**	**35**	**1,095**

(*) Includes sections that are in service although they have not been improved

According to the physical progress of each of the sub-concessions, the works are planned to be completed in the Baixo Alentejo sub-concession and in the Algarve Litoral sub-concession in the first half of 2018.

5.5.3 2017 Expenses

Payments made during 2017, relating to road concessions and sub-concessions, amounted to EUR 1,177.4 million (excluding VAT), which represents an implementation of approximately 98% of the estimated amount budgeted for the period. Compared with 2016, when the "peak" of payments relating to Road Partnerships was reached, there was a decrease of EUR 63.9 million (-5.1%).

unit: millions of euros (excluding VAT)

Concessions and Sub-concessions	Real 2016	2017		
		Real	Budget	% Implementation
Availability + Availability B	**679.9**	**665.7**	**668.2**	**100%**
Algarve	40.5	41.1	41.7	99%
Beira Interior	121.5	124.9	124.2	101%
Beira Litoral e Alta	119.1	103.9	104.3	100%
Costa de Prata	55.8	49.4	49.5	100%
Greater Lisbon	29.4	23.2	23.3	99%
Greater Porto	80.5	76.0	76.4	100%
Interior Norte	75.7	90.1	90.9	99%
Norte	107.8	108.4	108.6	100%
Norte Litoral	49.6	48.8	49.2	99%
Contributions and re-equilibrium	**37.9**	**6.6**	**8.5**	**78%**
Major Repairs	**0.0**	**0.5**	**21.6**	**2%**
Concessions	**717.8**	**672.8**	**698.2**	**96%**
Availability + Service	**523.5**	**504.6**	**508.4**	**99%**
Transmontana Motorway	64.1	44.9	42.6	105%
Algarve Litoral	14.5	7.8	17.6	44%
Baixo Alentejo	59.3	47.6	47.8	100%
Baixo Tejo	69.3	69.2	70.4	98%
Douro Interior	80.9	81.3	81.3	100%
Litoral Oeste	116.2	121.1	119.7	101%
Pinhal Interior	119.1	132.8	128.9	103%
Sub-concessions	**523.5**	**504.6**	**508.4**	**99%**
Total	**1,241.30**	**1,177.4**	**1,206.7**	**98%**

The deviation from the budget of EUR -29.3 million was mainly due to the item of major repairs. Total payments related to sub-concessions was in line with the budgeted amount (-0.7%).

5.6 TELECOMMUNICATIONS and BUSINESS CLOUD

IP Telecom ensures the effective and efficient management of the telecommunications infrastructure to the market, within the IP Group. It is recognised for its excellence in the provision and delivery of Communications services, based on optical fibre and the technical road channel, as well as service infrastructures for Business Cloud environments.

Its aim is to develop, manage and operate telecommunications network infrastructure solutions and their hosting and information systems, as well as the exercise of any activities that are complementary, subsidiary or ancillary thereto, directly or by establishing companies or investing in other companies.

During 2017, IP Telecom increased its activity as a wholesale optical fibre communications operator and it significantly grew the availability of access to the technical road channel, as well as in the area of Business Cloud Services, in particular in the area of Infrastructures as a Service (IaaS).

IP Telecom, maintaining an image of competence and neutrality in relation to its main market, has been able to implement and strengthen its high-speed infrastructure throughout the country. That infrastructure is largely installed along the national rail network, with the beginning of the extension to the technical road channel network, installed in the public road domain.

The focus on technological renewal of the data centres capable of cutting-edge innovations has also been one of the concerns to ensure that the excess capacity of those assets in the market is strengthened. This focus has allowed a strategic repositioning of the organisation more oriented to a competitive market and forcing greater efficiency in terms of the internal processes. This is an area that has doubled turnover and the number of customers in just over 2 years of development.

IP Telecom is a company certified according to ISO 27001. It is a member of several cybersecurity organisations, demonstrating the importance it places on the information security of its customers, in particular its operational and application processes supporting the cloud solutions, hosting and housing services, as well as at the Lisbon, Viseu and Porto data centres. Additionally, in 2017 it has prepared its ISO 9001 certification process and the NATO Secret clearance, which it expects to obtain next year.

5.7 ENGINEERING SERVICES

In the current organisational macro-structure of the IP Group, the mission of IP Engenharia (IPE) is to "*Draw up studies and projects in transport engineering, managing, coordinating and supervising works in this field and streamlining the IP Group's international business*".

IPE is thus an instrumental company in specialised railway engineering services, dedicated to the preparation of studies, projects and supervision of works, in the context of investments under the responsibility of Infraestruturas de Portugal. In this new phase, the company's activity results from the planning of investments and respective orders by IP, with which it always closely articulates, in order to maximise the production capacity of the available resources.

In 2017, IPE externally recognised the certification of its activity, as it transitioned from the Business Management System (SGE) to the version of the NP EN ISO 9001:2015 - Quality Management Systems standard, extending the scope of certification to activities related to the Group's International Business Revitalisation.

International Business Development

The implementation of the new strategy for the international market began in 2017, favouring the provision of organisational consulting services, technical assistance and training. The emphasis was reduced on engineering services to be provided to public authorities managing road and rail infrastructure in the Portuguese-speaking countries, focusing on a strictly institutional and proactive approach, outside the competitive market.

The IP Group's new international positioning was supported by the Secretary of State for Internationalisation, AICEP - Portuguese Agency for Investment and Foreign Trade, AEP - Business Association of Portugal, CE-CPLP - Business Confederation of the Community of Portuguese-Speaking Countries, and the Forum for Economic and Trade Cooperation between China and Portuguese-Speaking Countries.

The new line of action required the implementation of institutional approaches to potential clients in order to present to them the new positioning of the IP Group and, if possible, to foster new business approaches aimed at improving the infrastructure management processes they are responsible for, through the provision of technical assistance and advanced training services, as was the case with Guinea-Bissau and Mozambique.

IPE participated on several panels of relevant international fora, stating the advantages of triangular cooperation in the infrastructure sector - between Portuguese, Chinese and Portuguese-speaking entities in Africa - in the development of sustainable projects, which was the basis of the partnership signed in 2017 between IPE and the Chinese multinational China Tiesiju Civil Engineering. As a corollary of these initiatives, and at the invitation of the Ministry of Foreign Affairs, the Working Group was formed to develop the "Memorandum of Understanding between Portugal and China for the Expansion of Cooperation in Third Countries".

Also in the field of contribution of the IP Group to the development of the Portuguese economy through the impetus given to internationalisation of the infrastructures sector, 2017 was marked by the setting up of the "Engenharia Portugal" Group by IP Engenharia, Águas de Portugal Internacional, Laboratório Nacional de Engenharia Civil and Instituto de Soldadura e Qualidade, for the joint development of initiatives in Portuguese-speaking countries, which will seek to leverage the activity of the sector.

5.8 REAL ESTATE AND COMMERCIAL REAL ESTATE MANAGEMENT

In the IP Group, IP Património (IPP) and GIL are responsible for the management of real estate assets, with experience in the commercial operation of the network of stations and transport interfaces, guaranteeing their efficient use, enhancement, redevelopment and maintenance.

It is important to highlight some facts that occurred in 2017:

- Increase of areas with commercial operation in stations and buildings;
- Improvement of knowledge about the general state of the building with potential for earning revenue, and geo-referencing of buildings;
- Sale of goods not necessary for road and railway operations, allowing the increase of revenues for the IP Group;
- Intervention in the areas of accessibility, comfort and safety at railway stations;
- Generate revenue from commercial spaces, car parks and the public areas of Oriente Station;
- Maintenance of the Protocol with the SOS Azulejo organisation and implementation of asset rehabilitation actions;
- Conducting numerous events with dissemination of the historical and cultural heritage of the IP Group.

2017 was the year of consolidation of the restructuring of IPP's organisation, which had been implemented at the end of 2016, and priority was given to the updating and recovery of processes. In this context, and in particular with regard to real estate management and commercial premises, there was a growth that is noteworthy - an increase of 7% in turnover compared to 2016, obtained in a context in which contractual adjustments were made with negative impact in the financial year. In addition, new business with some financial impact will materialise in 2017, but the greatest impact will occur in 2018 and beyond.

The commercial strategy continued the revitalisation of the stations, reorienting the activities, not only with the conventional transport network, but extending it to the smooth mobility networks with clear potential for the dynamic enhancement of the network. This contributed to a global solution, generating flows around the commercial areas, increasing the demand and greater profitability of these areas inside and outside the stations.

The set of real estate assets is distributed throughout the mainland territory, along the active rail network and the network not being operated. Although not all of these assets are easy to commercially operate, there are around 750 (seven hundred and fifty) commercial sub-concessions in total, with the following to be highlighted at the end of 2017:

- 698 Commercial spaces, of which 130 land and 66 warehouses / roofed docks;
- Contracts with 9 financial institutions, which translate into approximately 200 installations (ATMs and automatic machines);
- Advertising spaces: network of 1,265 poster display cases and network of 71 billboards;

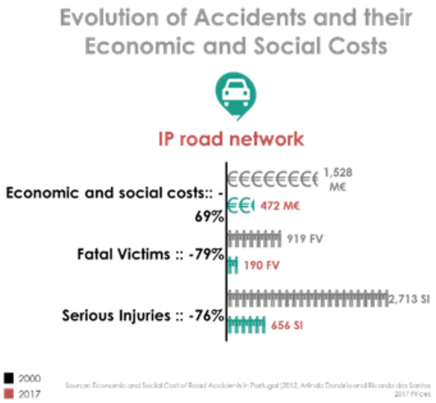
- 19 car parks corresponding to approximately 16,000 parking places;
- Close to 500 km of contracted greenways (cycle and walking paths).
- In essence, in 2017, the commercial approach of shops and other spaces assigned to railway operation, adequate to the tenant mix of each season, was maintained.

6 ROAD-RAILWAY SAFETY

6. ROAD-RAILWAY SAFETY

The vision of IP is based on three structuring pillars: **Sustainability, Efficiency and Safety.**

The work carried out by all, in IP and in its predecessor companies, contributed unequivocally to the high progress achieved in reducing road and rail accidents in Portugal in recent decades.

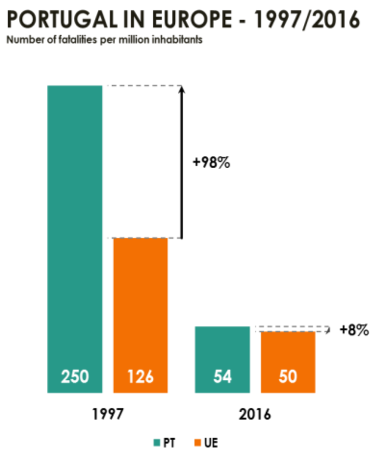


Moreover, from a road point of view these results were obtained in the context of a strong increase in road traffic.

From the railway point of view, there is a very significant/positive evolution in the number of fatalities, when compared with the other members of the EU28. It is also worth noting that the vast majority of significant accidents are due to external factors namely the intrusion of third parties into the railway space.

6.1 ROAD SAFETY

Portugal has recorded very significant developments in reducing road accidents in recent decades. In 1997, there were more than twice the number of deaths per inhabitant compared to the average for the European Union, and now, after about 20 years, that indicator has been reduced by 78%, although it is still 8% above the European Union average.

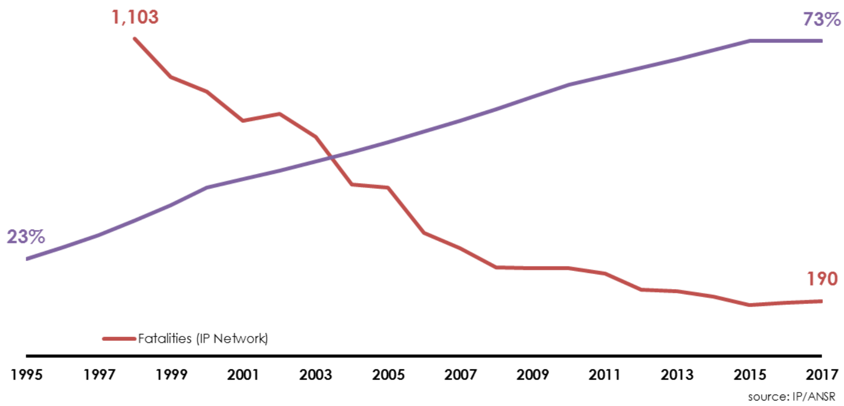


One of the factors that contributed most to these results was the strong investment made in the last 20 years in transportation infrastructures, especially in routes of higher quality and safer, such as motorways, which have allowed the increase in the execution of the National Road Plan - in 1995 it was around 23% and currently it almost achieves 75%.

Twenty years ago, with a quarter of the road traffic, the NRN under IP jurisdiction registered more than 1100 fatalities, representing nearly 60% of overall accident rates. Currently, the 190 fatalities registered in the NRN represent only 37%

With more 3200 km of roads of higher quality and safety, the accident rate in the IP network has reduced by more than 80%.

These investments have had a significant economic and social benefit on society - saving over 13,000 lives and more than 18 billion euros in economic and social costs.



The indicators for recent years show a great slowdown in the number of fatalities, while in the last two years there has been an increase of 12 and 6 fatalities respectively.

As already mentioned, the National Road Network (NRN) under the management of IP and its predecessors has contributed decisively to this reduction, particularly in the last 20 years: while Portugal has reduced the number of fatalities by 73%, the NRN under IP management has reduced this figure by 83%.

6.1.1 Road Safety Contracts

Road safety is one of the company's priority areas, with its own individualized plan and budget - **Road Safety Plan (RSP)** - which, together with other interventions in the network for the construction, redevelopment and maintenance of the road network, has contributed to a good performance that Portugal, and in particular the network under IP management, has achieved in terms of road accident reduction.

Among others, the National Road Plan (NRP) establishes the annual preparation of the Road Safety Plan (RSP), with special emphasis on the correction of the areas accumulating accidents with the highest severity index.

In the national context, the national road safety plan **PENSE2020 - NATIONAL STRATEGIC PLAN FOR ROAD SAFETY 2020**, which has succeeded the National Road Safety Strategy (ENSR), is in progress and aims by 2020 to reduce by 56% in number fatalities compared to the value obtained in 2010 (6% more than the European Commission's target for the same period), resulting in a target of 41 deaths per million inhabitants. According to the European Commission, Portugal recorded 54 deaths per million inhabitants in 2016.

Similarly, PENSE2020 sets another target for 2020 for the indicator "Serious Injury (MAIS ≥ 3[1]) / Million inhabitants", namely a reduction of 22% compared to 2010.

IP has adopted for the road network under its management the goals established in PENSE 2020, in order to contribute to its achievement. In addition to these instruments of public policies to combat road accidents, the Concession Agreement established with the State determines that IP should pursue the objectives of reducing accidents, specifying three indicators: number of black spots, severity of accidents in built-up areas and number of fatalities, which give rise to penalties in the case of non-compliance.

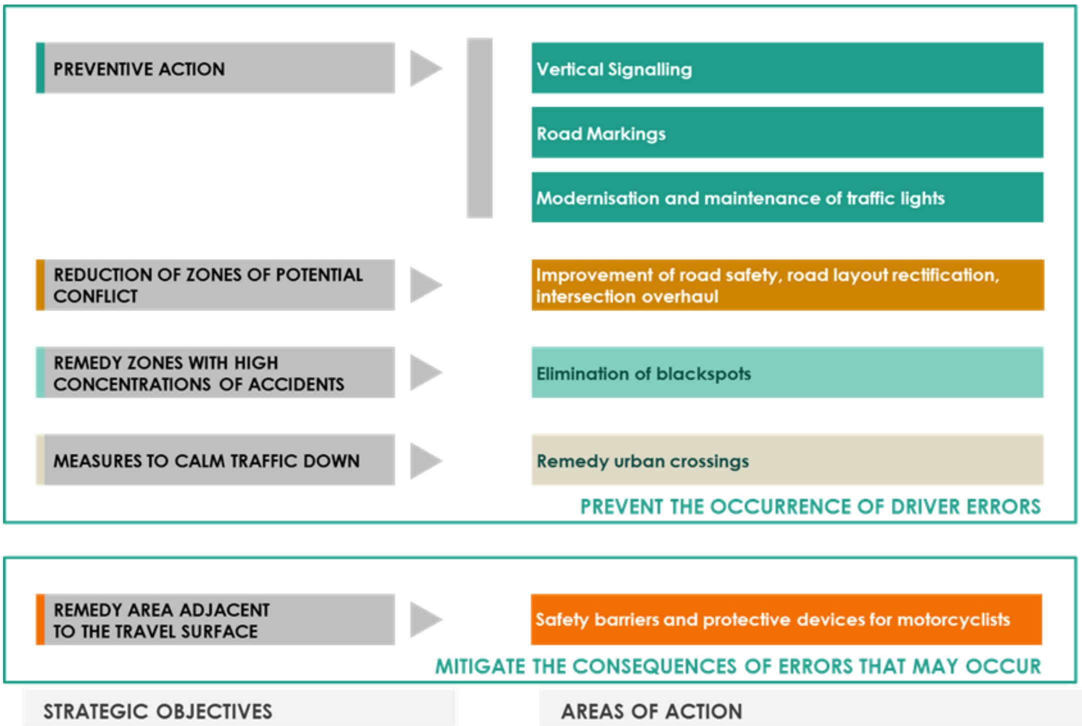
IP, in pursuit of the national plan to combat road accidents, and based on the guidelines of these legal documents, the targets of the road accident indicators, the objectives established in the concession contract, the deficiencies detected in the road safety network, and the available funds, annually prepares the Road Safety Plan (RSP), which incorporates preventive and corrective measures aimed at reducing accident rates and improving safety and traffic conditions in the road network under its management.

IP's road safety strategy is in line with the PENSE2020 proposal, as well as with those of the most developed countries in terms of road safety, as is the case in Sweden, and it has as an ethical imperative that “no-one should die or stay permanently incapacitated following a road accident in Portugal".

This approach is based on the tolerant road concept. Since it is known that users of the road transport system will always make mistakes and that these could lead to road accidents, the infrastructure must, on the one hand, prevent and anticipate drivers' mistakes and, on the other, minimise the error and consequences that may arise.

In line with this approach, IP’s Road Safety Plan (RSP) aims to prevent the occurrence of driver errors and mitigate the occurrence of these errors, assuming 5 strategic objectives, as follows:

[1]Person with injuries equal to 3 on the Maximum Abbreviated Injury Scale (MAIS)



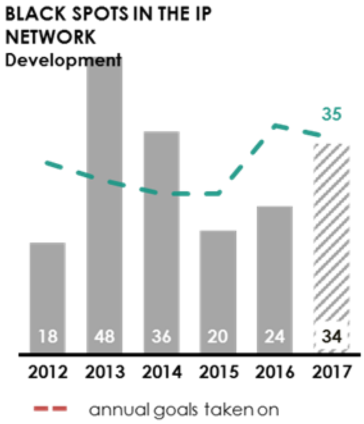
34 specific road safety interventions were implemented in 2016, amounting to **EUR 6.5 million**, a very significant part of that budget being consumed by preventive actions.

6.1.2 Road Safety Indicators

The Concession Agreement (CC) established with the State defines accident reduction objectives specifying three indicators: number of black spots, severity of accidents in built-up areas and number of fatalities.

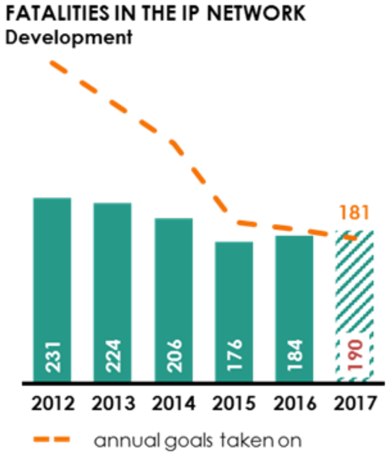
IP has consistently met the targets defined in its CC, with the exception of the indicator of the number of black spots in the years 2013 and 2014. This situation is due to the fact that in 2013 IP increased its network by transfer of the sections of the Greater Lisbon and Douro Litoral concessions, which resulted in a substantial increase in the number of black spots, corresponding to an average annual increase of 37% in the number of black spots recorded per year.

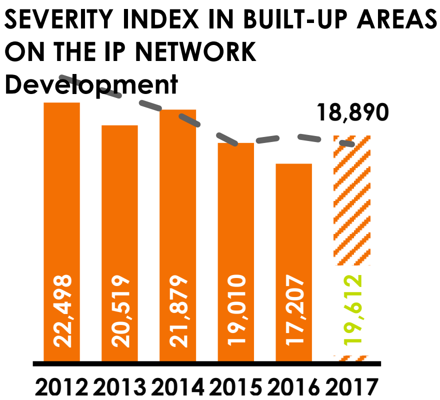
The 2017 data should be considered as provisional, since the ANSR has not yet validated the road accident data for that year. It should be noted that the targets for 2016 and 2017 were reviewed and approved by the Instituto da Mobilidade e dos Transportes (IMT).



According to the provisional ANSR data, the IP network registered 34 Black Spots in 2017, about 41.7% more than the number recorded the previous year, although meeting the target established in the Concession Contract. The severity of the casualties occurring at the Black Spots recorded in 2017 and for the first time since there are records of these sections, zero fatalities.

In relation to more severe accidents, the number of fatalities (+6) increased from 184 to 190 victims (+ 3.3%), as well as the number of severely injured persons (+35), from 621 to 656 injured persons. The goal set for fatalities in 2017 is not expected to be met by IP.





In 2017, the Severity Indicator in Built-up Areas registered a 14.0% increase compared to 2016. It should be noted that the value registered in 2017 will not meet the assumed target, and the provisional figures already show an increase of 3.8% over the value of the target for 2017.

6.1.3 Road Safety Inspections

One of IP's fundamental activities in terms of road safety are the Road Safety Inspections carried out by teams of safety inspectors with a national scope, which allow the identification of non-conformities and road safety problems related to the infrastructure and they propose corrective measures with better a cost benefit ratio.

Since 2015, the Accident Prevention Centre has become more robust. 106 major accidents in the IP network (with deaths and/or serious injuries) were inspected and analysed, which allowed the possible causes of the accidents to be analysed and thus to act more effectively on the network.

ROAD SAFETY INSPECTIONS - development

Type of inspections	2011	2012	2013	2014	2015	2016	2017
Scheduled on the network (km)	320	250	450	345	122	61	106
Black Spots (No.)	30	20	18	44	34	15	22
Accident Accumulation Zones (No.)	43	42		23	14	0	1
Works monitoring (No.)				21	9	0	0
Insp. of accident site (No.)				10	66	40	41

6.2 RAILWAY SAFETY

6.2.1 Railway Safety Plan

The activity carried out by IP in the field of Railway Operation Safety is supported by the approval of the Safety Management System (Declaration of Approval of the Safety Management System No. 01/2012), in accordance with Decree-Law no. 270/2003 of 28 October, amended by Decree-Law no. 231/2007 of 14 June, republished by Decree-Law no. 151/2014 of 13 October, embodied:

- In the application of Directive 2004/49/EC of the European Parliament and of the Council of 29 April 2004 on safety on the Community's railways;
- In accordance with Regulation (EU) No 1169/2010 of 10 December establishing a common safety method for assessing compliance with the requirements for obtaining a railway safety authorisation;

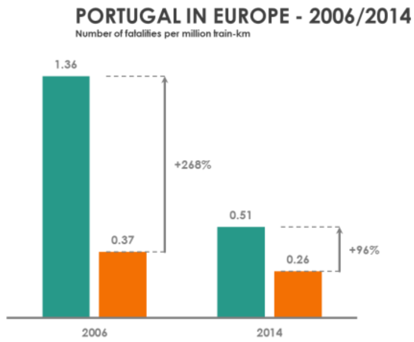
- In the application of Commission Regulation (EU) No. 1078/2012 of 16 November 2012 establishing a common safety method for the monitoring activity to be implemented by IP.

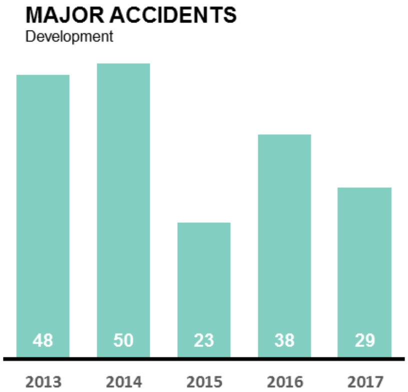
In the area of railway safety, and in keeping with IP's mission as the manager of a reliable and secure railway infrastructure, the following activities are to be noted:

- Boosting and developing railway safety policies as a tool to improve the performance of infrastructure management activities, promoting a close relationship with the internal customers of the Group and with entities external to IP;
- Creation and dissemination of indicators for railway safety, promoting the analysis and monitoring of deviations, with the purpose of acting on the causes and thus keeping adequate levels of safety of the infrastructures and the railway operations under control;
- Streamlining, coordination and monitoring processes inherent to investigations of rail accidents and incidents;
- Drawing up procedures and norms to support and contextualise critical functions from the point of view of railway safety;
- Production of expert opinions of a regulatory and technical nature and related to railway safety (third-party interventions in the vicinity of the railways and technical conditions for contracting procedure documents);
- Support to the activities developed by the Operational Safety Authority, among others, in the scope of the processes of Special Travel Authorisation;
- Application of the common safety method for determining and assessment of risks and the carrying out of inspections (on foot, on board trains and maintenance-related vehicles, verification of the execution of work on tracks and monitoring of movement command and control) and audits of processes inherent to railway safety, in order to identify risk situations and their mitigating measures, taking into account the objective of minimizing occurrences (incidents/accidents) with a safety impact;
- Management and monitoring of the Wagon Maintenance Management System (certification valid until 2019, subject to annual supervision);
- Streamling processes for the Authorization of Entry into Service, safeguarding the technical and procedural conditions inherent to the design, construction, entry into service, re-adaptation, renovation, operation and maintenance of the elements that constitute the railway system;
- Streamlining and coordination of safety certification for rolling stock (movement on track open to traffic, movement on track prohibited to traffic and verification of machines on the track in a working context) and production of technical and regulatory conditions for the circulation of vehicles, ensuring the coherence in processes and compatibility with the various components of the railway infrastructure.

6.2.2 Railway Safety Indicators

Following the successful development of railway safety activities by IP, with the contribution of the rail operators, Portugal showed very significant development when compared to the other members of the EU-28. In 2006, the railway accident rate, measured in fatalities per million train kilometres, was almost four times higher than the average of the EU-28. In 2014 (latest data available from ERA) Portugal improved its performance in terms of accidents.

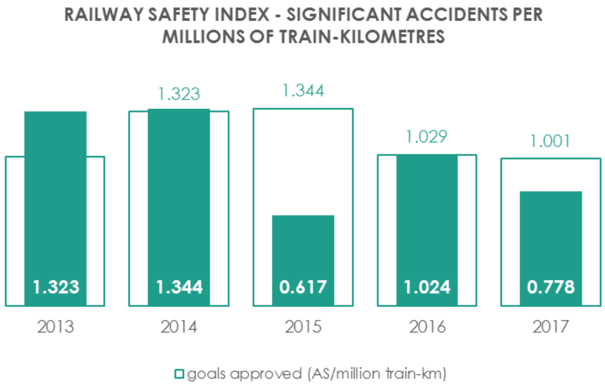


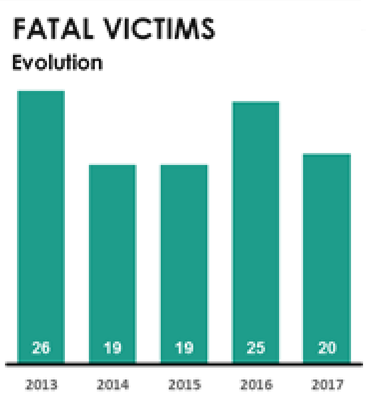


There was a reduction in 2017 in the number of Significant Accidents, relative to 2016, in the region of 24%. The value recorded is lower than the average of the previous five years: 39 accidents. In the interval of the most recent five years, 2017 was, after 2015, the year in which the lowest number of Significant Accidents was recorded.

With regard to causes, it should be noted that the vast majority of Significant Accidents, about 66%, are due to factors external to the railway system, due to the intrusion of third parties in the railways.

The Railway Safety Index (number of significant accidents per million train kilometres) is in line with the target for 2017, set in the Programme Contract signed by IP with the State.





With regard to the consequences of Significant Accidents, it should be noted that the 20 registered fatalities do not result from infrastructure-related causes, with 68% of victims being unauthorised persons invading the railway domain and 32% were persons not complying with the rules of crossing at a level crossing.

6.2.3 Railway Safety Inspections

One of the fundamental activities of IP in terms of railway safety are Safety Inspections, which allow non-conformities and situations of risk to be identified, in order to propose the respective mitigating measures.

In recent years the railway network covered by Railway Safety Inspections was as follows.

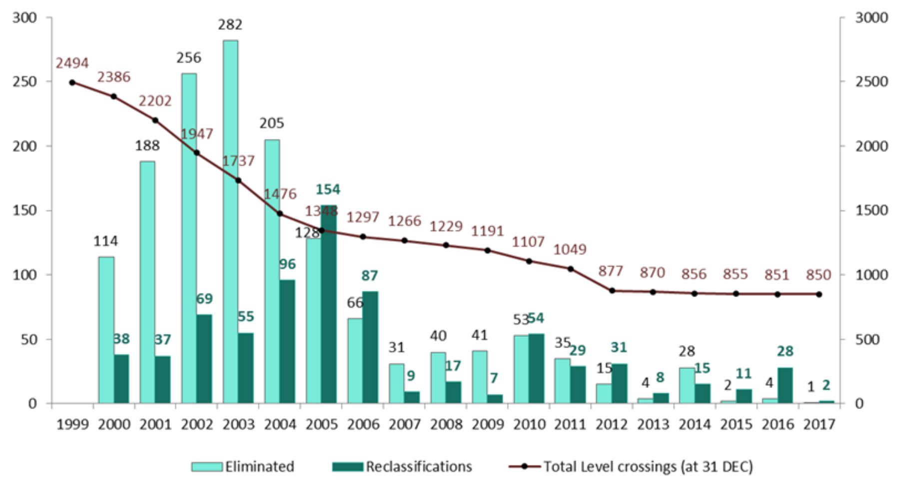
RAILWAY SAFETY INSPECTIONS - development

Type of inspections	2014	2015	2016	2017
On foot (No./Km)	25 / 119	19 / 104	12 / 65	15 / 74
Train (No. / km)	6 / 877	12 / 1195	3 / 406	1 / 146
Regulatory (No./km)	3 / 7	1 / 2	1 / 2	3 / 6

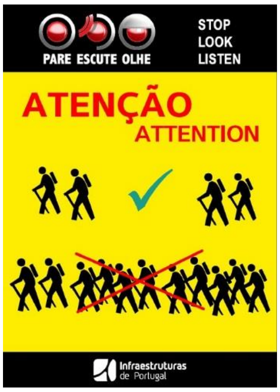
6.2.4 Level Crossing Removal Campaign

In order to implement the Plan for the Elimination and Reclassification of Level Crossings (PN) for 2017 - an obligation of road and rail network managers pursuant to article 2 of Decree-Law 568/99 of 23 December - 3 actions were carried out (1 eliminations and 2 reclassifications), with an associated investment of EUR 243,000.

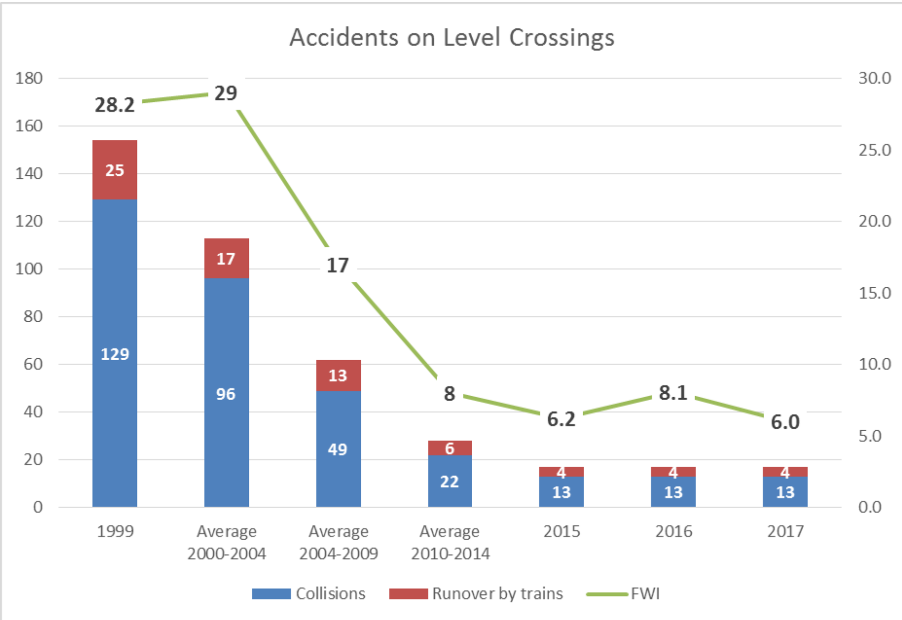
At the end of 2017 there were 850 level crossings in the universe of railway lines (IET50), 460 of which (54%) have active protection, achieved through human guards or the existence of automatic signalling. The consequent mean density of level crossings was, at the end of 2017, 0.334 level crossings/km. The following graph reflects the development of the number of level crossings and the actions taken in recent years:



The "Stop, Listen, Look" awareness and safety campaign was continued during 2017, marking the "International Day for Level Crossing Safety" and the initiatives continued to raise pedestrian awareness of the risks of crossing the line. In the latter, the bilingual posters "Do not ruin your holidays" were kept in 2017 in 19 level crossings providing access to beaches or other locations visited in the summer. The posting of bilingual signage was also carried out for pilgrims at the level crossings on the "paths to Fatima". In 2017, there were no accidents at the level crossings where these two actions were implemented.



In recent years, accidents at level crossings have developed as follows:



It can be seen that the policy of elimination and improvement of the safety conditions at level crossings has contributed to the continuous reduction of accidents, resulting in a decrease of 89% in accidents and 77% in fatalities when compared to the 1999 figures. In spite of this global decrease, the values of the last three years show a stabilisation of the number of accidents, a direct result of the non-accomplishment of actions that have a direct impact on the reduction of the risk of crossing - elimination and/or reclassification of level crossings.

7 ENVIRONMENTAL SUSTAINABILITY

7. ENVIRONMENTAL SUSTAINABILITY

ENVIRONMENT

As part of the promotion of environmental protection and sustainable development in IP, 2017 was marked by the continuation of the consolidation of processes related to environmental management in the company, in the road and railway fields.

These processes are geared to the entire life cycle of the infrastructure, from planning, design, construction, to operation and maintenance.

It also sought to reflect “eco-design" principles in the projects developed, by introducing, whenever possible, solutions of raw materials’ reuse and recycling that might reconcile environmental protection options with other intervention needs in the network, in line with the principles of the EU-promoted Circular Economy.

We continue to contribute to the preservation of the environment and biodiversity, guiding the Company's growth towards environmentally sustainable results.

In this context, we highlight the environmental management activities in design, construction and maintenance carried out in 2017, in which the best environmental practices were applied.

In the scope of interactions with external stakeholders, activities were developed at various levels, highlighted by the increasing number of requests and responses to customers on environmental matters, with emphasis on the area of forest and noise management. In addition, participation in processes related to Land Management Instruments and procedures promoted by the authorities of Environmental Impact Assessments (EIAs), within the legal framework of the EIA, were also identified.

In 2017, the **Wildlife Mortality Monitoring Programme** for roads continued to be implemented, as it has been since 2010, which is based on the regular procedure for registering animal carcass sightings during road inspections in a geo-referenced database. These data are managed and analysed in order to identify critical situations of fauna mortality and to propose measures for their minimisation. That data is included in annual reports that are subsequently published on IP’s corporate website.

The implementation of these guidelines allows IP to pursue its biodiversity conservation objectives as proposed in its environmental responsibility, with a special focus on the road component, since this problem is not significant in the railway component, due to the characteristics and modus operandi of that infrastructure.

In the context of the management of the environmental activities of networks in operation, attention should be paid to the landscape integration of roads, in conciliation with road and railway safety and the owners of the bordering land, as well as performance in the field of natural fuel management for the prevention and protection of the forests against fire, in the areas adjacent to the road and rail network - 2017 was especially demanding in that field. The company also pursued a wide range of inspection actions by its technicians, which resulted in the pruning and felling of plants and trees and planting of new trees.

2017 was also marked by the promotion of energy sustainability in the IP Group, by boosting the energy strategy for 2017-2020. This strategy is guided by 7 main axes that translate the vision, a focused set of priorities and a statement of measures that allow the implementation of the established guidelines.

The **Energy Sustainability Programme** - SEE Programme was created as an instrument for ensuring the operation of the energy strategy. This comprises the implementation of several actions ranging from the analysis and diagnosis of energy consumption of the IP Group, to the performance of energy audits of facilities and/or equipment, the Energy Certification of Buildings and the implementation of energy efficiency measures.

In July 2017, a protocol was signed with ADENE in matters related to the promotion of energy efficiency and renewable energy for self-consumption in buildings and public facilities located in the Lisbon region and in the West region. Entrecampos Station, the Benfica Tunnel and the buildings that make up the Pragal Campus were all inspected and a diagnostic drawn up.

In December 2017, the energy assessment and evaluation process of the top-30 most energy consuming facilities of the IP Group was completed, which allowed energy efficiency solutions to be identified, namely the thermal performance of buildings, the renovation and/or modernisation of installed technical systems, the renovation of lighting systems, and the implementation of renewable energy generation systems.

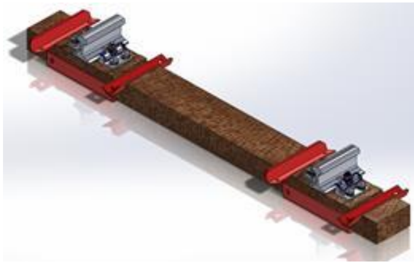
We will continue to promote the improvement of the energy sustainability of the IP Group by contributing to results aligned with the national energy policy on climate change.

As regards innovation, the Eco Sustainable Rail (Portugal 2020) project, which started in July 2016 and will end in June 2019, is aimed at the reuse of plastic waste with great potential for transformation, which is still excessively underused due to the volumes produced and the environmental problems it entails, meaning that plastic needs a transformation chain that will give it a new life cycle. The project responds at the same time to the need to find an alternative to the wooden sleeper, with the ban on the use of biocides (creosote), as determined in the European Commission Directive.

The project, which includes the participation of PIEP, CVR, Extruplás and IP, intends, through the expertise know-how that each of the entities provides, to develop a sleeper that, on the one hand, meets the specific technical requirements of the railway, and on the other hand, develops a productive process adapted to the recycling and reutilization of plastic waste industry.

ECO SUSTAINABLE RAIL
TRAVESSAS DE CAMINHO DE FERRO ECO SUSTENTÁVEIS

The project is at an advanced stage of development, where, on the one hand, it is working on the optimisation of the sleeper design and accessory elements, and on the other it is improving not only the raw materials and the manufacturing process, but also the mechanical and chemical performance of that which may already be the final product, which is expected to be applied in early 2019, although still restricted to a test section.



Also in the innovation field, but already in the Climate Change theme, the participation of IP multidisciplinary teams in several consortia of H2020 applications, under the theme "Resilience to Extreme events", is to be noted, which aim to develop intelligent systems for the management of road and railway infrastructures, enabling better management and subsequent mitigation of the effects of climate change on mobility. One of these applications has already been approved, namely the application for the project "SAFEWAY - Predictive tools for reliable and safer linear infrastructures", a consortium led by the University of Vigo.

8 ECONOMIC AND FINANCIAL PERFORMANCE

8. ECONOMIC AND FINANCIAL PERFORMANCE

The results achieved in 2017 attest to the continuity of the positive financial performance of the IP Group, already verified in the years 2015 and 2016, and summarised in the following values:

- **Net Profit of EUR 106.0 million**, compared to a positive profit of EUR 37.6 million in 2016;
- **EBITDA growth of EUR 33.0 million** compared to the same period of the previous year, amounting to EUR 663.6 million;
- **Increase in Operating Income**, reaching EUR 1.35 billion, or EUR 29.9 million more than in 2016;
- **Operating Expenses** of EUR 964.5 million, EUR 1.3 million up from 2016.
- **Reduction of financial charges** (net) by EUR 39.2 million, by reducing financial debt and capital increases;

8.1 OPERATING INCOME

amounts in thousand euros - EUR thousand

Operating Income	2016	2017	Change 17/16	Δ% 17/16
Sales and services	**1 192 767**	**1 195 489**	**2 722**	**0%**
Road Service Contribution (RSC)	673 967	684 959	10 993	2%
Tolls	281 054	296 493	15 440	5%
Railw ay Services	77 680	76 762	- 918	-1%
Grantor State - LDI Revenue	27 903	32 616	4 713	17%
Construction Contracts	97 841	70 160	- 27 681	-28%
Other sales and services	34 323	34 499	176	1%
Compensatory Allowances	**40 650**	**68 416**	**27 766**	**68%**
Other income and gains	**86 401**	**85 770**	**- 631**	**-1%**
Total Operating Income	**1 319 819**	**1 349 676**	**29 857**	**2%**

8.1.1 Sales and Services Rendered

Total revenues from **Sales and Services** were EUR 1.195 billion in 2017, in line with the 2016 amount (+EUR 2.7 million).

Road Service Contribution (RSC)

The Road Service Contribution (RSC), created by Law 55/2007 of 31 August, is the consideration paid by users for the use of the road network and is levied on petrol, road diesel and LPG subject to product tax petroleum and energy (ISP) and not exempt from it.

RSC is the main source of income of IP, accounting for about 65% of the company's core revenue. Of note is the increase of around EUR 11 million compared to 2016, driven by the increase in diesel consumption by 3.3%, as opposed to the decrease in petrol consumption (1.7%), which has less weight in the overall calculation.

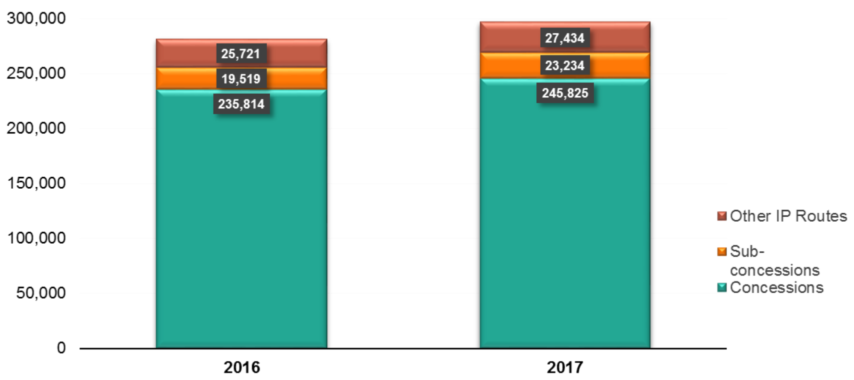
Tolls

Toll revenues increased by EUR 15.4 million compared to the previous year (+ 5.5%), reaching a total of EUR 296.5 million.

The largest share of toll revenues results from the use of the State Concessions network, where IP is the owner of the revenue from toll charges, achieving around EUR 245.8 million, 4% more than in 2016.

On the other hand, toll revenues in the sub-concessions of IP generated approximately EUR 23.2 million, which, although still representing only 8% of total toll revenues, shows a very positive growth trend, equivalent to over 19% of the income achieved in 2016.

Lastly, direct operations in the IP network (A21, A23 and Marão Tunnel) made it possible to earn EUR 27.4 million in 2017.



The generalised growth in revenue is associated with the progressive recovery of traffic in the motorway network coupled with the increase in the efficiency of toll collection. To this end, the revenue collected in Multi-Lane-Free-Flow (MLFF) tolling systems is particularly important, which accounts for about 75% of total toll revenue and 90% of which has been charged through the use of electronic devices.

Also worth highlighting for its varied impact on this year's performance is:

- The operation of the toll gate installed at the Marão Tunnel, with about 327,000 tickets on average per month, generated revenues of around EUR 7 million. Also visible, through increased revenue compared to 2016, with an average of 7.4% per month, is the impact on demand for the Transmontana Motorway sub-concession, with daily average transactions of around 3,500 until May 2016, rising to 10,500 after the opening of the tunnel.
- The exercise of the right to share toll revenue benefits related to the previous year, in the total amount of EUR 1.7 million, for the Norte Litoral, Algarve and Interior Norte concessions. That right was granted to concessionaires under their respective Contracts after the last process of renegotiation of PPP contracts in the road sector.
- The effect of the supplementary scheme to reduce toll rates by 15% under Ordinance No. 196/2016 of 20 July, applying to the A22, A23, A24 and A25 motorways, integrated in the concessions of the Algarve, IP/Beira Interior, Interior North and Beira Litoral and Alta concessions, respectively, and in the A4, integrated in the Transmontana Motorway concession. This can be considered a demand-inducing measure, and the particularly significant increase in the A22 is to be noted, with a 21% increase in travel compared to 2017. The benefit of the application of this measure was that the users of the motorways encompassed saved around EUR 20.3 million, an effect that is considered relevant for the purposes of territorial cohesion and the policy of affirmation of the inland regions.
- The 9% growth from 2016 of the Easytoll payment system, operated by IP, which registered around 458,000 thousand sign-ups in 2017, mostly (71%) generated at the Algarve and Guarda offices. It earned approximately EUR 8.8 million, making it the leading product in the collection of tolls for foreign registered vehicles in MLFF systems, only surpassed by the use of Spanish electronic devices, guaranteed by the interoperability of the toll systems installed throughout the national network of motorways. Sign-ups at the A25 office generated more than half of the revenue achieved.

Railway Services

Income from Rail Services, which includes the use of channels (tariffs), requested and unused capacity, and additional and auxiliary services, totalled EUR 76.8 million in 2017, down 1 pp from the value recorded the previous year (EUR 77.7 million). Most of the revenue originate from services that comprise all the services necessary to effectively exercise the right of access the railway infrastructure - Minimum package for access to service facilities.

Note the following:

- The increase in the use of the railway infrastructure by 0.6% is reflected in the increase in revenue from the Infrastructure Usage Tariff (IUT), which accounts for about 89.3% of the total value achieved.
- Revenue from passenger trains increased by 0.7% compared to 2016, with the share of this segment being broadly similar to that previously observed, i.e. 88% of total revenue of use of the infrastructure.
- In particular, passenger traffic shows that around 50% of the revenue comes from urban and suburban trains, approximately 50% from CP Lisbon, representing approximately 43% of the IUT total revenue.

- On the other hand, income from the movement of freight trains increased by 4.7% compared to 2016, but the market share of this segment did not change, accounting for only 12% of total revenue from the use of the infrastructure.
- In this segment of the market the revenue is generated mainly by the Medway operator, which holds a share of approximately 86%.
- It should also be noted that the freight operator Comsa was responsible, for the first time in five years, for traffic on the National Railway Network in October 2017, but no activity was repeated after that until the end of the year.

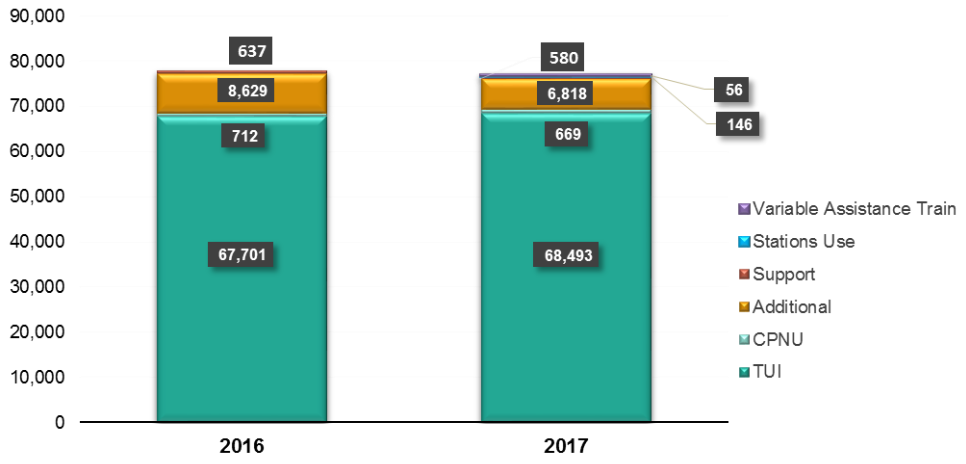
In addition to providing travel channels, IP provides additional and auxiliary services to railway activity, among which the most important are traction power, parking of rolling stock, manoeuvring, making units available and the provision of water and energy.

Total revenue from these services in 2017 was around EUR 7.5 million, which represents a negative result compared to 2016 of 23%, reflecting the following factors:

- The restructuring of Medway's activity and, consequently, the parking needs of its rolling stock;
- The application of the temporary exemption period to CP for the enhancement of the immobilization of old rolling stock for eventual incorporation into the collection of the National Railway Museum;
- The reduction of the requests for labour made to IP for manoeuvers.

Also, with the entry into force of the 1st Addendum to the 2018 Network Directory, on 10 December 2017, the Stations and Stops Use Service, which corresponds to the availability of areas at the station for passenger support, the display of travel information and the guarantee of passenger access to the platforms and facilities installed there, all appeared broken down in detail.

Stations and Stops Use is enhanced by commercial stoppage made by the passenger train in a certain dependency, and it corresponded from 10 to 31 December 2017 to a revenue of approximately EUR 0.15 million.



Grantor State

The amounts recorded in the Grantor - State (LDI Revenue) account correspond to the internal work charged to the investment activity of long duration infrastructure, namely, materials and labour for investment and the respective structure charges, under the terms of IFRIC12. In 2017 there was an increase of 17% compared to 2016.

Construction Contracts

The values corresponding to the construction of New Infrastructures are under the direct management of IP and are calculated on the basis of the process of monitoring the monthly works and reflecting the physical evolution of the works in progress, plus costs directly attributable to the preparation of the asset for its intended use.

The construction of the Sub-concessioned network is calculated based on the construction values contracted for each sub-concession and the percentage of completion reported to IP for each sub-concession. It reflects the physical evolution of the works and is therefore independent of the billing flow.

The variation reflects the final phase of construction of the A26 - Baixo Alentejo Motorway and the renovation of the EN 125 – Algarve Litoral.

The capitalised financial charges correspond to IP's financial costs during the road construction phase and are composed either of financial costs used to finance the acquisition of the State's concessioned network, or the accounting remuneration of the debt of the sub-concessions corresponding to the sections still under construction and to which the implicit rate of the baseline case of each contract is applied, which is the result of the fact that the financial flows have not accompanied the physical evolution of the work. These theoretical rates vary between 5% and 9%.

Other Sales and Services

unit: thousands of euros

Other Sales and Services	2016	2017	Change 17/16	Δ% 17/16
Real Estate and Commercial Real Estate Management	14,423	15,400	976	7%
Telecommunications	8,595	8,541	-54	-1%
Engineering and Transport Services	1,243	144	-1,099	-88%
Railw ay Freight Terminals	2,601	2,634	33	1%
Licensing	1,996	493	-1,503	-75%
Operating Rights Service Areas	1,982	2,018	36	2%
Technical road channel	2,010	3,553	1,543	77%
Other Services	1,471	1,715	244	17%
Total	**34,323**	**34,499**	**176**	**1%**

A. Real Estate and Commercial Real Estate Management

This income, in the amount of EUR 14.4 million comprises the amounts resulting from the lease of Commercial areas, Sub-concessions, Rental of Parking, Management of Enterprises and Advertising, registering in 2017 an increase of 7% mainly due to the positive evolution of the commercial areas and sub-concession business segments.

B. Telecommunications

This component encompasses the provision of telecommunications services to the market, rental, maintenance and other services associated with optical fibre; as well as technological solutions in application areas such as ERP, CRM, Service Management, Cyber defence, Cybersecurity, among others. The turnover of this segment reached EUR 8.5 million in 2017, in line with the value verified in 2016.

C. Engineering and Transport Services

This segment encompasses activities related to transportation engineering services in multidisciplinary road and/or rail projects, and respective mobility solutions, at national and international level.

The turnover of this segment in 2017 was only EUR 144,000, which reflects the strategic orientation of the focus of the resources of IP Engenharia on the Ferrovia 2020 Investments Programme, that is, the provision of intra-group services.

D. Railway Terminals

The operation of the Railway Terminals translated into revenue in 2017 of EUR 2.6 million, in line with that verified in 2016.

E. Licensing

The changes introduced by the new legal scheme of the Public Road Domain, in particular with regard to the private use of the same and the procedure for regularisation of access, had some impact on citizens and companies, which meant that the Portuguese Parliament decided, through the State Budget Law for 2017, to suspend the access regularisation procedure in accordance with article 4 of Law 34/2015, as well as to suspend the procedures for application and collection of the fees provided for in Ordinance 57/2015. As a result of this fact, almost all the revenue from road licensing has been lost until the suspension of said ordinance is revoked.

In this framework, revenue from licenses in 2017 was EUR 493,000, representing a reduction of 75% compared to 2016.

F. Service Areas

Revenues from the Service Areas in 2017 were EUR 2.0 million, 2% more than in 2016.

G. Technical road channel

Turnover from the Road Technical Channel was EUR 3.6 million in 2017, an increase of 77% over the amount obtained in 2016. This very significant increase is due to two factors:

- The application of deferrals for the period of one year after invoicing, from May 2016, the date on which the RTC moved to the IP Telecom business sphere;
- Increase in invoicing by EUR 455,000.

8.1.2 Compensatory Allowances

unit: thousands of euros

Core Income	2016	2017	Change 17/16	Δ% 17/16
Compensatory Allowances	40,650	68,416	27,766	68%

The income corresponding to the compensatory allowances for 2017 was EUR 68.4 million, 68% higher than the value obtained the previous year.

This amount is stipulated in Resolution of the Council of Ministers no. 10-A/2016, in accordance with the provisions of the Programme Contract entered into between IP and the Portuguese State in March 2016 for provision of the public railway service.

8.1.3 Other Income and Gains

The total of Other Income and Gains in 2017 was EUR 85.8 million, down 1 pp compared to the value recorded in 2016 unit: thousands of euros

Other Income and Gains	2016	2017	Change 17/16	Δ% 17/16
Operating Grants	842	496	-346	-41%
Investment Grants	64,317	62,819	-1,498	-2%
Asset Sales	1,409	1,492	83	6%
Sale of waste	2,099	3,022	924	44%
Other Revenue	17,734	17,940	206	1%
Total Other Income and Gains	**86,401**	**85,770**	**-631**	**-1%**

Of note was the increase of EUR 924,000 in the sale of waste, through the sale of ferrous waste from disused branch lines.

8.2 OPERATING EXPENSES

In 2017, the operating expenses of the IP Group amounted to EUR 964.4 million, which remained in line with the value recorded in 2016.

unit: thousands of euros

Operating expenses	2016	2017	Change 17/16	Δ% 17/16
Cost of goods sold and materials consumed	259,810	273,704	13,894	5%
External supplies and services	260,777	258,777	-2,000	-1%
Maintenance, repair and safety of road network	100,618	97,578	-3,040	-3%
Maintenance, repair and safety of railway network	51,341	54,872	3,531	7%
Other ESS	108,818	106,327	-2,491	-2%
Personnel expenses	136,984	134,402	-2,582	-2%
Impairment (losses / reversals)	-2,931	-1,107	1,824	-62%
Depreciation and amortisation expenses / reversals	273,926	278,294	4,367	2%
Provisions (increases / reductions)	19,895	8,686	-11,209	-56%
Other costs and losses	14,720	11,734	-2,986	-20%
Total	**963,181**	**964,489**	**1,308**	**0%**

8.2.1 Cost of Goods Sold and Materials Consumed (CMVMC)

unit: thousands of euros

Cost of goods sold and materials consumed	2016	2017	Change 17/16	Δ% 17/16
Sub-concessionary Network	30,034	21,549	-8,485	-28%
New Road infrastructure	3,577	9,659	6,082	170%
Tolls Concessions State	214,086	226,595	12,509	6%
Consumption of Materials for Railway Maintenance	4,969	3,377	-1,592	-32%
Consumption of Materials for Railway Investment	7,146	12,525	5,379	75%
Total	**259,810**	**273,704**	**13,894**	**5%**

In the period under review, overall expenses with CMVMC increased by 5% compared to 2016, which is due to the following factors:

- Increased spending by EUR 12.5 million of the "State Concession Tolls" item, in line with the increase in toll revenues (net of collection costs);
- Increase in the consumption of materials for Investment in Railway Infrastructures (+EUR 5.5 million), with a reduction of EUR 1.7 million in the consumption of material for railway maintenance;
- Decrease in the construction activity of the sub-concessioned network and, conversely, an increase in the activity of construction of new road infrastructure (IP's own network).

8.2.2 Road Maintenance, Repair and Safety

Total costs for road maintenance, repair and road safety were EUR 97.6 million in 2017, EUR 3.0 million less (3%) than in 2016.

unit: thousands of euros

Maintenance, repair and safety of road network	2016	2017	Change 17/16	Δ% 17/16
Regular Road Maintenance	53,000	53,000		0%
Road Safety	9,304	6,472	-2,831	-30%
Current Maintenance of Infrastructures	38,314	38,105	-209	-1%
Total	**100,618**	**97,578**	**-3,040**	**-3%**

Regular Road Maintenance corresponds to the recognition of the increase in IP's responsibility for the expenses necessary to maintain the level of service of roads and engineering structures imposed by its Concession Contract. An annualised cost of EUR 53 million is calculated for the scheduled maintenance works required to maintain the network's average quality index at the same level as when the network was received, based on technical assessments of repair needs and an average quality index of the roads and engineering structures.

The new **Road Safety** activities are supported by the Road Safety Plan, which includes interventions in the field of vertical and horizontal signalling, traffic lights and the installation of new safety barriers, among others, with an expenditure of EUR 6.5 million in 2017, which is EUR 2.8 million (-30%) less than in 2016.

Current Maintenance corresponds to the expenses in the year for interventions of current maintenance of roads and engineering structures with the objective of maintaining the conditions of circulation comfort, avoiding the degradation of the infrastructures and the quality of the service. The cost in 2017 was EUR 38.1 million (-1% compared to 2016).

8.2.3 Railway Maintenance, Repair and Safety

In order to ensure the maintenance and rehabilitation of the National Railway Network (RFN), complying with the expected levels of service, IP has several Maintenance Service contracts.

Most of these contracts are multi-annual and include interventions in the areas of Systematic Preventive Maintenance (MPS), Conditioned Preventive Maintenance (MPC) and Corrective Maintenance (MC), in the specialties of track, signalling, catenary, low voltage, substations, civil construction, level crossings, and elevators and escalators.

These Maintenance Service Contracts are characterised by:

- Contracts of national geographical coverage, in a single batch or in batches covering more than one regional organisational unit;
- Contracts of national geographical coverage, developed centrally and divided into several batches, limited to the regional organisational units;
- Regional/local contracts.

In 2017, the total costs of railway maintenance, repair and safety were EUR 54.9 million, i.e. 7% more than in 2016, as can be seen in the table below, broken down by specialised field.

unit: thousands of euros

Maintenance, repair and safety of railway network	2016	2017	Change 17/16	Δ% 17/16
Track	21,159	21,168	9	**0%**
Signalling	14,311	14,520	209	**1%**
Telecommunications	2,359	4,006	1,647	**70%**
Catenary	5,058	4,793	-265	**-5%**
Civil Construction	2,602	2,760	158	**6%**
Low Voltage	1,232	1,756	524	**43%**
Assistance Train	741	1,024	284	**38%**
Material Recovery	383	426	44	**11%**
Substations	604	753	149	**25%**
Lifts and Escalators	763	745	-19	**-2%**
Level Crossings	413	689	276	**67%**
Engineering Structures	36		-36	**-100%**
Others	1,680	2,230	550	**33%**
Total	**51,341**	**54,872**	**3,531**	**7%**

8.2.4 Other External Supplies and Services

Other external supplies and services totalled EUR 106.3 million in 2017, which is 2% less that the value recorded in 2016, despite the EUR 1.6 million increase in O&M Sub-concessions, which represents a calculation in accounts related to the road sub-concession contracts.

unit: thousands of euros

Other External Supplies and Services	2016	2017	Change 17/16	Δ% 17/16
O & M Sub-concessions EP	25,653.7	27,213.4	1,559.7	6%
Toll Collection Expenses	21,838.2	21,574.7	-263.5	-1%
RSC Collection Charges	13,479.3	13,699.2	219.9	2%
Electric Power	9,733.7	9,426.9	-306.9	-3%
Fees, Consulting and Other Specialised Work	3,148.3	2,744.3	-404.1	-13%
Electrical power for traction;	6,466.0	5,719.7	-746.2	-12%
Car fleet	5,568.7	5,799.8	231.0	4%
Surveillance	5,571.1	5,237.8	-333.2	-6%
IT	2,552.4	2,619.5	67.1	3%
Cleaning	2,571.9	2,453.8	-118.1	-5%
Travel and Accommodation	435.7	378.9	-56.9	-13%
Transport of Personnel	552.6	652.9	100.3	18%
Communications	435.2	472.4	37.2	9%
Other ESS	10,811.1	8,333.5	-2,477.5	-23%
Total	**108,818**	**106,327**	**-2,491**	**-2%**

8.2.5 Personnel expenses

amounts in thousand euros - EUR thousand

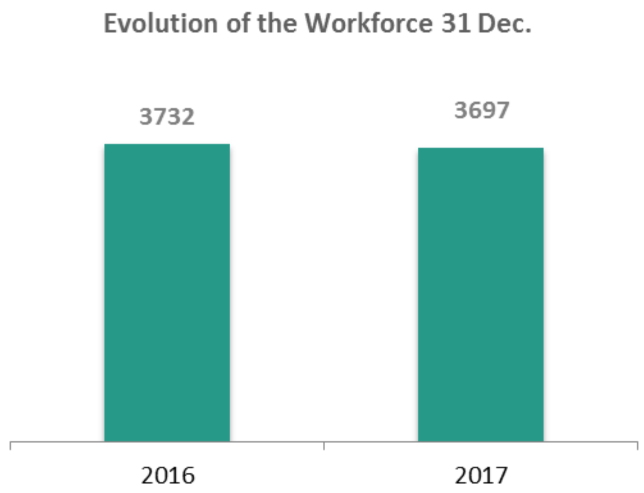
Personnel expenses	2016	2017	Change 17/16	Δ% 17/16
Personnel expenses	133,467	132,677	-790	-1%
Employment Termination	3,517	1,726	-1,791	-51%
Total	**136,984**	**134,402**	**-2,582**	**-2%**

Personnel expenses were EUR 134.4 million in 2017, down EUR 2.6 million from 2016, despite the budgetary pressure in 2017 due to the following factors

- Impact of the reversal of remuneration reductions;
- Impact of the restoration of entitlements (2017 State Budget Law);
- Extension of health insurance to the entire IP universe;
- Occupational Accident Insurance, the value of which is directly dependent on the wage bill.

This budget pressure in 2017 was offset against 2016 by the fact that in this year the extra costs had been accrued regarding the settlement of the history of the holiday and 13th month subsidies, and the respective employer's expenses.

Still in a period of consolidation of the merger process, with some adjustments in the allocation of employees to the companies of the IP Group, there was a reduction of 35 in the number of employees compared to 2016, as shown in the following figure.



8.2.6 Impairments (Losses / Reversals)

In 2017, impairment movements were, overall, EUR 1.1 million, which represents a reduction of 62% over the previous year.

8.2.7 Depreciation and Amortisation Expenses / Reversals

The recorded value of depreciation and amortisation expenses increased by EUR 4.4 million in 2017 compared to 2016 (+2%), which is mainly due to the update of the projections of total investment, already realised or to be made in the Concession between IP and the State, amortised based on the best estimate of the revenues to be generated during the concession period.

8.2.8 Provisions (Increases / Reductions)

The total amount of provisions increases / reductions in 2017 was EUR 8.7 million, a decrease of EUR 11.2 million (56%) compared to 2016, which is justified by the reversal of judicial proceedings in progress, the amount of which was very high in 2017.

8.2.9 Other Costs and Losses

Other Costs and Losses registered a value of EUR 11.7 million in 2017, a decrease of EUR 3.0 million compared to the same period in 2016, which is due mainly to the decrease in the Bad Debts caption, which increased from EUR 4.0 million in 2016 to EUR 451,000 in 2017.

8.3 INVESTMENT

The investment in the railway and road networks up to 31 December 2017 amounted to EUR 84.0 million, an increase of 24% over the previous year, with the breakdown shown in the following table.

unit: thousands of euros

Investments	2016	2017	Δ%
2020 Railway Investments	25,494	56,319	121%
PETI3 + Road Investments	11,086	1,256	-89%
PETI3 + Investments	**36,581**	**57,575**	**57%**
Other Railway Investments	13,917	16,096	16%
Other Road Investments	13,282	8,402	-37%
Other Investments	**27,199**	**24,499**	**-10%**
Management Support Investments	3,843	1,899	-51%
Total	**67,623**	**83,973**	**24.2%**

We should highlight the significant increase in investments made under the Ferrovia 2020 Investment Plan (+ 121%), a trend that will continue in 2018 and following years.

Of the activities carried out, the start of interventions in the Northn Line - Alfarelos-Pampilhosa, with an implementation of EUR 24.3 million in 2017, stands out.

Road investments under the PETI3 + Programme fell significantly, due to the completion of the Marão Tunnel in 2016.

Other investments, rail and road, amounted to EUR 24.5 million, EUR 2.7 million less than in 2016.

8.4 FINANCING OF THE FERROVIA 2020 INVESTMENT PLAN

A financial package is established to implement the Ferrovia 2020 Investment Plan, composed of Community funds from the Connecting Europe Facility (CEF) programme, both the General component (30 to 50% contribution) and the Cohesion component (85% contribution) and the Portugal 2020 programme (85% contribution), to which the Juncker Plan can be added as well as the direct contribution from Infraestruturas de Portugal.

During 2017, as regards Community Financing associated with investment projects, the most relevant events that occurred during the 2014-2020 programming period were as follows.

The European Commission approved the following applications to the Connecting Europe Facility (CEF):

- Sines-Elvas (Spain) Rail Link: Évora-Caia section (2nd Phase);
- Sines-Elvas (Spain) Rail Link: Sines-Ermidas-Grândola section (Works);

Regarding COMPETE 2020, in the scope of notices 04 / RAIT / 2016 and 04 / RAIT / 2016, the following applications were approved:

- Minho Line - Modernisation of the Nine-Valença Border section (2nd Phase)
- North Line - Modernisation of the Alfarelos-Pampilhosa section (2nd phase)
- Douro Line - Modernisation of the Caíde-Marco de Canaveses-Régua section

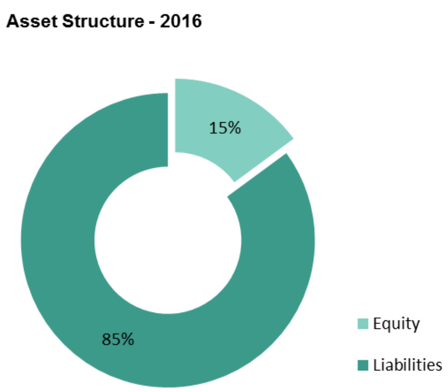
The overall amount of EUR 50.9 million was received in 2017 from the **Community funds** allocated to IP for the development of road infrastructures.

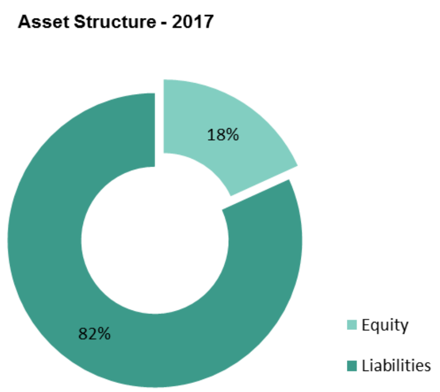
Lastly, the table shows the number of pending applications in 2017.

Planning Period	Programme	Modality	Application	Total Investment Cost	Contribution EU
2007-2013	TEN-T	Railway	Studies and work related to the high-speed rail link of South-West Europe (PP3) - Lisbon-Madrid Link: Évora-Mérida cross-border section[1]	1,076,971	538,486
2014-2020	CEF-GENERAL	Railway	Sines-Elvas (Spain) Rail Link: Évora-Caia section and Technical Station at km 118 of the South Line	315,446,963	127,716,151
2014-2020	CEF-GENERAL	Railway	Studies of the Aveiro-Vilar Formoso Railway Link in the Atlantic Corridor	4,433,056	2,216,528
2014-2020	CEF-GENERAL	Railway	Multimodal Logistics Platform of the Port of Leixões (2nd Phase) - (Studies of the Road-Railway Terminal)[2]	1,050,000	525,000
2014-2020	CEF-GENERAL	Railway	Port of Leixões Road-Railway Access Studies	1,400,000	700,000
2014-2020	CEF-COHESION	Railway	Aveiro-Vilar Formoso Railway Link in the Atlantic Corridor: Beira Alta Line (Pampilhosa-Vilar Formoso) - Construction Design and Works	547,741,250	375,860,046
2014-2020	CEF-COHESION	Railway	Studies for the South International Corridor (Sines / Setúbal / Lisboa-Caia) inserted in the Atlantic Corridor	2,935,000	2,494,750
2014-2020	CEF-COHESION	Railway	Sines-Elvas (Spain) Rail Link: Évora-Caia section (2nd Phase)	73,059,035	55,839,020
2014-2020	CEF-COHESION	Railway	Sines-Elvas (Spain) Rail Link: Sines-Ermidas-Grândola Section (Work)	44,139,899	33,736,125
2014-2020	COMPETE 2020	Railway	Minho Line - Modernisation of the Nine-Valença Border section (2nd Phase)	86,408,383	67,858,668
2014-2020	COMPETE 2020	Railway	North Line - Modernisation of the Alfarelos-Pampilhosa section (2nd phase)	61,170,396	45,446,516
2014-2020	COMPETE 2020	Railway	Douro Line - Modernisation of the Caíde-Marco de Canaveses-Régua section	72,382,140	49,179,171
2014-2020	CEF-GENERAL	Road-Railway	Reordering of the Multimodal Platform of the Port of Lisbon - Accessibility Studies to the Barreiro Container Terminal	1,670,000	835,000
2014-2020	CEF-GENERAL	Road	Cross-border Road Connection in the Atlantic Corridor: A25-IP5 Vilar Formoso - A-62 Fuentes de Oñoro	15,225,000	1,522,500
				1,228,138,094	764,467,961

8.5 ASSET STRUCTURE

Total assets amounted to EUR 28,132 million at the end of 2017, mainly made up of the intangible assets related to the road infrastructures network and the Grantor - State - Account receivable related to the value of the Long Duration Infrastructure Investment Activity (LDI) on the railway.





Total equity as at 31 December 2017 amounted to EUR 5.150 billion (18% of assets) and total liabilities amounted to EUR 22.982 billion (82% of assets).

unit: thousands of euros

Equity Structure	2016	2017	Δ 16/17	Δ%
Assets	**27,506.7**	**28,131.5**	**624.8**	**2%**
Non-current	20,126.1	20,444.3	318.2	2%
Current	7,380.6	7,687.2	306.6	4%
Equity	**4,163.6**	**5,149.6**	**986.0**	**24%**
Liabilities	**23,343.1**	**22,982.0**	**-361.2**	**-2%**
Non-current	18,139.7	17,476.0	-663.7	-4%
Current	5,203.4	5,506.0	302.5	6%

As regards Assets, there was an increase of EUR 625 million compared to 31/12/2016 (+2%).

In Non-current Assets, we highlight the increase of EUR 245 million in intangible assets (essentially the right resulting from the Road Concession Contract).

In current assets, the caption Grantor - State - Account Receivable stands out, which increased by EUR 131 million and the Government and other public entities caption, related to the balance receivable of VAT, which increased by EUR 186 million,

In terms of Liabilities, a decrease of EUR 361 million was recorded (2%), with a decrease of EUR 65 million in financing.

In 2017 a capital increase amounting to EUR 880 million was made through cash inflows, ranging from EUR 646.4 million to cover the investment and EUR 233.6 million to service debt.

It should be noted that in 2017, despite the fact that the conversion of credits into capital related to the debt service of the loans contracted with the Portuguese State, in the amount of Euro 4,129 million, was planned, this did not occur because, as has been the case in last two years, a new moratorium was granted through Notice 1368 of 6 March 2018 on the payment of debt service for loans maturing on 30 November 2017, up to 31 May 2018, with effect from 30 November 2017. Deferrals granted are not subject to interest payments.

9 FINANCIAL MANAGEMENT

9. FINANCIAL MANAGEMENT AND DEBT

9.1 FINANCIAL MANAGEMENT

IP Group

In 2017 the centralisation of the financial management of the IP Group companies was maintained in the sphere of the Finance, Markets and Regulation Department of IP.

The main objective of this framework is the integrated management of the Group's financial resources in order to optimise the flows between the subsidiary companies and the parent company. It is a sufficient condition that each subsidiary company spends the financial resources guaranteeing its activity, but it is a necessary condition that they be maximised in order to contribute to the economic and financial sustainability of the parent company.

The centralisation of financial management is also intended to standardise practices and procedures both in terms of cash management and in terms of the production of management information to support the decision.

It is the concern of the IP Group that the processes associated with financial management are designed within the legal framework in force for companies in the State-owned enterprises sector (Decree-Law 133/2013), which imposes the obligation to apply the principle of the State Treasury Unit (Article 28) and restrictions on the contracting of financing operations (Article 29).

The IP Group ended the year with a total cash position of EUR 349.9 million.

unit: EUR million

Cash	
IP	322.6
IPE	4.2
IPP	2.1
IPT	12.8
GIL	8.2
Total	**349.9**

IP

The financial management activity of IP, in addition to being developed in light of the legal framework in force for companies of the state-owned enterprises sector (Decree-Law 133 / 2013) since 2012, it also takes into account the legislation applicable to reclassified public entities (EPR) with indirect impacts on the management of financial resources.

Until the date of the legal merger (1 June 2015), both REFER and EP enjoyed the status of Reclassified Public Entity (EPR), a circumstance that the merger did not change for IP.

The State Budget for 2017 (OE 2017), approved through Law 42/2016 of 28 December, included global IP borrowing needs of EUR 1.789 billion.

IP implemented its budget through the application of Law 8/2012 (Law on Commitments and Payments in arrears) and related legislation, fulfilling the obligation to commit any and all expenses prior to their realisation, having the appropriations assigned to the various budget lines entered in the 2017 State Budget as the limits.

It should be noted that the application of bound appropriations to certain expenditure items in accordance with the provisions of article 4 of the 2017 State Budget Law and additional bound appropriations as set forth in article 5 of Decree-Law 25/2017 of 3 March 2017 restricted IP's activity. In fact, the amount of bound appropriations applying to IP amounted to EUR 360.8 million.

To mitigate this situation and, as stipulated in article 16 of Decree-Law 25/2017 of 3 March, IP requested:

- Authorisation for the transition of the 2016 management balance, amounting to EUR 304 million, which was granted in May;
- Full unblocking of the amounts related to Concessions and Sub-concessions and collection charges, and part of the bound appropriations imposed by said State Budget Law, in a total of EUR 270.8 million. In August, authorisation was granted for unblocking of the items associated with the payment of PPPs in the total amount of EUR 184.8 million;
- In September a request for additional unblocking of the amount of EUR 19.7 million from specific lines of the activity budget. At the beginning of December, authorisation was granted for the unblocking of only EUR 5.2 million and for the staff costs item.

At the end of December, for reasons unknown and unrelated to IP, the total unblocking (EUR 170.8 million) was communicated by order of the Secretary of State, of which only the amount of EUR 10.5 million was used to pay taxes (in lieu of the use of the management balance). It should be noted that a significant part of the unblocked amount (EUR 155 million) came with an explicit indication of application for personnel expenses, a need that was not manifested by IP.

This was the framework in which IP managed its activity in order to minimise the risks of budget implementation, with the following events having a determining impact on both the revenue side and the expenditure side:

- Capital increase in the amount of EUR 880 million, of which EUR 646.4 million to cover investments (including PPPs), the remainder to cover debt service;
- Income of Road Service Contribution (RSC) deducted from collection costs in the net amount of EUR 680.5 million;
- Income from tolls deducted from the respective collection costs in the net amount of EUR 339 million;
- Income from Compensatory Allowances in the amount of EUR 83.3 million
- Payments of investment in PPP which amounted to EUR 1.449 billion;
- Payments of investments resulting from Ferrovia 2020, PETI Road and Proximity Plans (road and railway) in the amount of EUR 66 million;
- Income from Community Funds amounting to EUR 50.4 million;

- Financial charges totalled EUR 132.1 million;
- Loan repayments amounted to EUR 101.5 million;

Through Notice 1368 of 6 March 2018 of the General Directorate of the Treasury and Finance (DGTF), a new moratorium was granted for the payment of the debt service of the State loans due on 30 November 2017, until 31 May 2018, effective as of 30 November 2017.

Deferrals granted are not subject to interest payments.

9.2 IP GROUP'S FINANCIAL DEBT STRUCTURE

In December 2017, the Group's financial debt in nominal terms amounted to EUR 8.041 billion, a decrease of EUR 113 million from EUR 8.153 billion in December 2016, as shown in the table below

millions of euros

Type of Loans	2016	2017
EIB + Bank Loans	1,213	1,100
State Loans	4,716	4,716
Eurobond	2,225	2,225
Total	**8,153**	**8,041**

The reduction of the debt was due to the repayment of EIB loans (IP and GIL) amounting to EUR 103.7 million and GIL's bank loan of EUR 9.3 million from CBI, which allowed GIL to pay off the totality of its debt portfolio, in the amount of EUR 11.5 million.

The capital increase operations in 2017 in the IP totalled EUR 880 million and occurred as shown below:

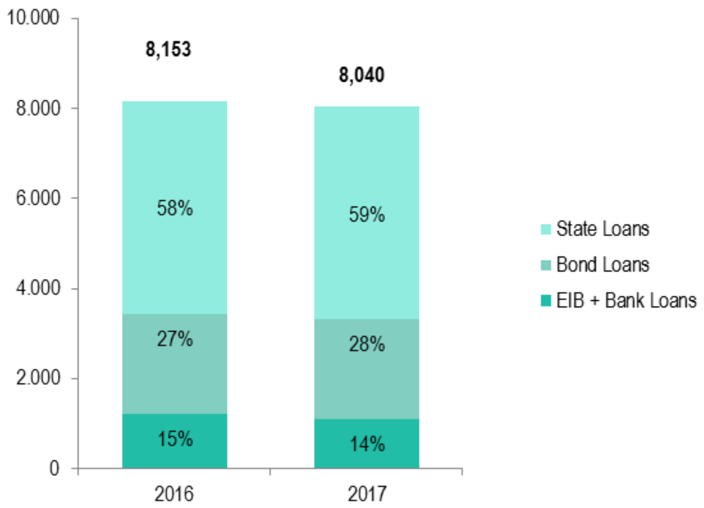
	Date	IP
Share Capital (DL91/2015)	01-jun-15	**2,555,835,000**
Increases:		
	2015	539,540,000
	2016	950,000,000
	fev-17	460,000,000
	abr-17	140,000,000
	jun-17	100,000,000
	nov-17	180,000,000
Share Capital	**31-12-2017**	**4,925,375,000**

These operations were aimed at covering the following borrowing needs of IP:

- Debt service, excluding the loans from the Portuguese State, in the amount of EUR 233.6 million;
- Investment in the amount of EUR 646.4 million.

In terms of the relative weight by loan type, the IP Group presented the following breakdown:

Relative weight by type of financing
(millions of euros)



The weight of financial debt of the IP Group that benefits from the guarantee of the Portuguese State is 34% of total debt. This universe includes all the EIB loans and three bond issues totalling EUR 1.6 billion.

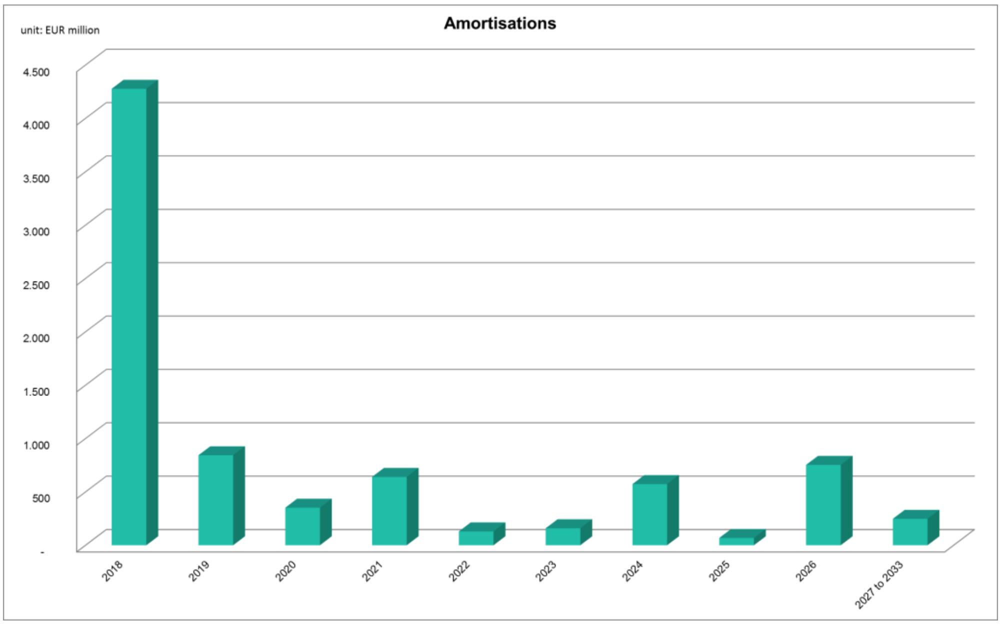
The loans granted by the State since 2011 with maturity in 2016, 2017, 2020 and 2021, have a grace period of about 12 months and a repayment plan ranging from 8 to 12 equal and successive principal instalments. The interest rate scheme is flat rate.

EIB loans, which are contracted over longer maturities, have a repayment plan with equal or different but successive principal instalments, permitting the smoothening of the debt repayment profile.

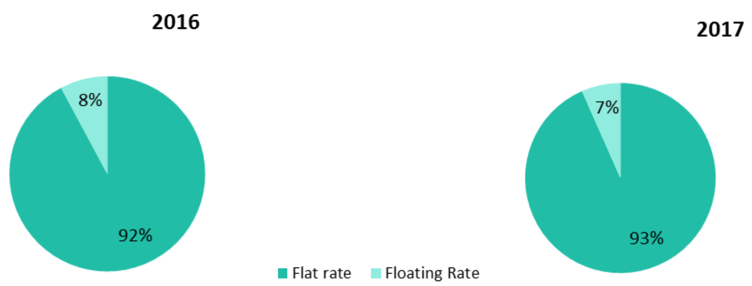
The bond loans were contracted by IP, at a flat rate, and are repaid in a single capital payment on maturity (bullet).

The repayment of bond loans will take place in 2019, 2021, 2024, 2026 and 2030, raising the risk of refinancing in those years.

As can be seen in the following chart, the amortisation expected for 2018 is much higher than the following years, reflecting the period until which the moratorium on debt service of the aforementioned loans was granted.



The current debt portfolio, by interest rate scheme, at the end of December 2017 and at the end of 2016 was as follows:



As at 31 December 2017, the IP Group did not hold any financial risk management instruments.

9.3 ANALYSIS OF FINANCIAL RESULTS

The perspective of Global Financial Result is considered for the analysis of the financial results, starting from financial results in the Consolidated Statement of Comprehensive Income and ignoring accounting movements (revenues) with impact on the Consolidated Statement of Financial Position relating to i) debit of interest to the Grantor (in the railway business case), and ii) capitalisation of interest relating to PPPs (in the road business case). This perspective gives the real performance of the Group’s debt and risk management activity.

The table below details the financial performance of IP on 31 December 2017 and 31 December 2016.

amounts in millions of euros

Financial results			Variation
	dez-16	dez-17	2017/2016
Financial Result of the Investment Activity	**-114.7**	**-114.7**	**0.0**
Financial gains			
Financial losses *	-114.7	-114.7	0.0
Financial Result of the Infrastructure Management Activity	**-34.9**	**-16.7**	**18.2**
Financial gains	0.9	0.0	-0.9
Financial losses	-35.8	-16.7	19.2
High Performance Financial Result	**-259.4**	**-217.6**	**41.7**
Financial gains			
Financial losses - Sub-concessions	-215.5	-191.5	24.0
Financial losses - State concessions	-43.8	-26.2	17.7
Financial Result Road Network Management	**-3.1**	**-3.8**	**-0.7**
Financial gains			
Financial losses	-3.1	-3.8	-0.7
Global Financial Result	**-412.0**	**-352.8**	**59.2**
Amount imputed - Grantor State *	114.7	114.7	0.0
Financial Income (Statement of Comprehensive Income)	**-297.3**	**-238.1**	**59.2**
RF Global direct management	**-196.5**	**-161.3**	**35.2**

As at 31 December 2017, the Overall Financial Result of the IP Group amounted to EUR -352.8 million, which is a reduction of EUR 59.2 million compared to the previous year.

Excluding the amount associated with sub-concessions, since it concerns expenses with the financial revision of the amounts owed to the sub-concessionaries for works/services (which will be invoiced in the future, in accordance with terms agreed in the respective sub-concession contracts), therefore not forming part of financing contracts concluded by the former EP, the overall financial results would amount to EUR -161.3 million as against the EUR -196.5 million in 2016, translating into an recovery of EUR 35.2 million.

This positive development stems from the reduction in the average balance of the EIB and CBI loans and non-maturing of interest during the grace periods granted for debt servicing on loans contracted from the Portuguese State, which is virtually like a decrease of the average balance of those loans.

The decrease in the value attributed to the State Grantor between 2016 and 2017 derives from the reduction of the financial charges charged (debited) to the investment activity. The method of calculation of that interest is based on the same conditions of the financing obtained to finance this activity directly, thus reflecting the effect of the moratorium granted by the DGTF on the payment of the debt service of the State loans.

The table below shows the evolution of the average annual interest rate for the period 2013-2017:

millions of euros

Years	2017	2016	2015	2014	2013
Financial Charges	157.5	194.4	245.5	307.0	335.9
Average Financing Rate (%)	1.9%	2.4%	2.3%	2.3%	2.3%

The average annual interest rate for financing in 2017 was 1.9%, a decrease from 2.3% in 2016, as a result of the decrease in financial charges due to the reduction of the underlying debt stock.

On 4 September 2017, following the improvement in Portugal's rating outlook, the international rating agency Moody's Investors Service also changed its IP rating from Stable to Positive, maintaining the Ba2 risk rating as a consequence of 4 factors:

- critical role that IP plays in the management of Portugal's railway and road networks;
- the effective supervision by the Government, taking as a corollary, the inclusion of IP in the fiscal consolidation perimeter of the State;
- the expectation that the State will continue to ensure timely financial support as it sees fit;
- the continued high level of indebtedness and insufficient cash flow generation capacity.

In 2017, the increase in indebtedness was higher than the limit defined in paragraph 1 of article 45 of Law 42/2016 of 28 December (3%). However, the increase was already foreseen in the IP budget, which is considered tacitly approved through the State Budget Law.

In the table below, the evolution of adjusted indebtedness for the period 2013-2017 is presented for IP:

Interest-earning Liabilities	2017	2016	2015	2014	2013	Change 17/16	
	Values (€)					Value	%
Financing obtained (Current and Non-Current)	8,040,443,322	8,141,970,903	8,247,423,865	8,952,456,826	10,334,791,888	-101,527,582	-1.23%
- of which granted by DGTF	4,715,750,145	4,715,750,145	4,715,750,145	4,715,750,145	6,013,924,549	0	0.00%
Share Capital increases by appropriation	4,489,326,411	3,609,326,411	2,659,326,411	1,042,071,411	29,990,000	880,000,000	33.09%
Share Capital Increases by Credit conversion	1,535,420,102	1,535,420,102	1,535,420,102	1,535,420,102	0	0	0.00%
Adjusted Indebtedness	14,065,189,835	13,286,717,416	12,442,170,378	11,529,948,339	10,364,781,888	778,472,418	6.26%

In the table below, the evolution of adjusted indebtedness for the period 2013-2017 is presented for GIL:

Interest-earning Liabilities	2017	2016	2015	2014	2013	Change 17/16	
	Amounts in millions of euros					Value	%
Financing obtained (Current and Non-Current)	0.0	11.0	19.0	29.0	39.0	-10.0	-35.50%
- of which granted by DGTF	0.0	0.0	0.0	0.0	0.0	0.0	0.00%
Share Capital increases by appropriation	0.0	0.0	0.0	0.0	0.0	0.0	0.00%
Share Capital Increases by Credit conversion	0.0	0.0	0.0	0.0	0.0	0.0	0.00%
Adjusted Indebtedness	0.0	11.0	19.0	29.0	39.0	-10.0	-35.50%

10 STRATEGY AND BUSINESS

10. STRATEGY AND BUSINESS MANAGEMENT SYSTEM

10.1 STRATEGIC PLAN

The Strategic Plan of the IP Group was developed based on the strategy and the major objectives of the merger, which include the integrated development of the road and rail network, the increase in revenues (core and non-core), the capture of internal and external synergies (economies of scale and know-how), the articulation of the regional presence, always with a view to ensuring the sustainable management of national road and railway infrastructures.

The Strategic Plan establishes, in this context, the path to position IP as the manager of multi-modal mobility, enhancing asset management, synergies and new revenues to ensure the provision of a sustainable, safe and efficient service. To this end, four priority strategic objectives have been defined:

1	Sustainable Mobility	Enhance the **management of multimodal mobility**, focusing on the development of railways (Ferrovia 2020)
2	*Asset Management*	Develop **Asset Management** as an optimisation lever for OPEX and CAPEX associated to road and railway infrastructures
3	Integration	**Take advantage of integration to promote** synergy-based efficiency
4	Profit centres	Develop **supplementary profit centres**, making existing assets more profitable

Action plans are defined for the development of these strategic objectives, the objectives of which are summarised below:

- **Sustainable Mobility**
  - Promotion of a sustainable remuneration model, adequate to the mobility services provided by the Company and which allows the road and railway investment plan to be consolidated;
  - Integrated and rational network planning;
  - Optimisation of the implementation of Ferrovia 2020;
  - Development of multimodal mobility management.

- **Asset Management**
  - Optimisation of the life cycle cost of assets;
  - Redefining the maintenance strategy of the road and rail network.

- **Integration**
  - Stabilisation of the new organisation and human capital;
  - Development of the procurement model and smart sourcing;

- Integration of management systems, processes and information systems.

- **Profit Centres**
  - Reinforcement of the commercial approach;
  - Empowerment of Accessibility, Telematics and IT services;
  - Enhance the value of the fibre optic assets and services, road technical channel and data centres;
  - Enhancement and commercial exploitation of real estate assets.

10.2 BUSINESS MANAGEMENT SYSTEM

The IP Group Management System is developed around the strategy and purpose of the organisation, the identification of stakeholders and the analysis of the internal and external contexts that may affect the ability to achieve the desired objectives.

During 2017, the Business Management System progressed significantly in the company's activities with the involvement of critical areas for the business, namely in the modeling/integration of the IP Group value chain processes and the internal standards that clarify how to act and the responsibilities of the various actors involved in the processes.

The monitoring phase of the already consolidated processes in the organisation will begin with the aim of: a) identifying possible deviations (positive or negative) from the intended results and b) identifying and implementing performance improvement actions and, consequently, greater organisational efficiency.

10.3 RISK MANAGEMENT POLICY

In this sense, the risk management process was defined in line with the Group's business objectives and based on the sharing of specialised services and a corporate risk management strategy integrated across the Group and supported on the NP ISO 31000:2013.

The risk management model is an important management support tool that allows the identification of the main risks to IP Group companies2[3], their analysis and determination of the treatment to be applied based on the assumptions defined in the following table:

[2] Including corruption, collusion, fraud and information leakage, as well as the necessary and respective preventive and mitigation measures.

[3] By determining the probability of a risk occurring as well as its impact measured in four strands (financial, legal, reputational and human life).

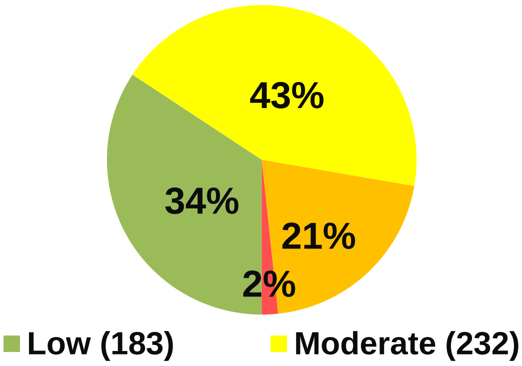
<table>
<tr><th colspan="2">RISK LEVEL</th><th colspan="2" rowspan="2">Risk Response</th></tr>
<tr><th>INTERVALS</th><th>SCALE</th></tr>
<tr><td>[1 ; 4]</td><td>Low</td><td>Accept</td><td>No action is identified to change the likelihood or impact of the risk. The consequences of the risk are accepted, if it occurs, on the basis of an informed decision. (1)</td></tr>
<tr><td>[5 ; 9]</td><td>Moderate</td><td rowspan="3">Mitigate / Share</td><td rowspan="3">Mitigate - Actions are defined to reduce the probability of the risk, its impact or both.

Share - Actions are taken to reduce the likelihood or impact of the risk by transferring or sharing the same or part of it with third party(s).</td></tr>
<tr><td>[10 ; 16]</td><td>High</td></tr>
<tr><td>[17 ; 25]</td><td>Very high</td></tr>
<tr><td>Any interval</td><td>Any level of risk</td><td>Avoid</td><td>The activities that give rise to the risk are eliminated (decision not to start or not to continue the activity that carries the risk)</td></tr>
</table>

(1) Except in cases where the risk has an impact of level 5 on any of the four strands considered.

In addition to the risk assessment activities and determination of the respective treatment measures, the IP Group risk management model also includes mechanisms for monitoring, communication / disclosure and review of the process itself.

For information purposes, and based on data reported to 31/12/2017, it is noted that the overall risk chart of the IP Group comprises a total of 534 risks, with the following distribution:



It is also worth noting the existence of 478 risks related specifically to the IP activity.

Finally, the definition of a total of 560 risk management measures for implementation and monitoring is also highlighted.

Corporate risk management is, by definition, a cross-cutting activity encompassing the organisation as a whole. In this sense, the IP Group's own risk management procedure4 already includes an allocation of responsibilities of the main players in the risk management process:

MATRIX OF RESPONSIBILITIES	
ENTITY / PLAYER	**RESPONSIBILITY**
Executive Board of Directors	• Approves the documentation produced within the scope or risk management (process implementation plan; risk management procedure; global chart of the Group's risks; risk matrix, etc.); • Approves proposals for risk treatment; • Approves the Management Risk Prevention Plan, including corruption and related offences, of the IP Group companies, their respective reviews and follow-up reports.
Risk and Compliance Department	• Coordinates the risk management in the IP Group, ensuring that it is carried out in line with the strategic objectives; • Defines and promotes the methodology and specific instruments to implement, monitor and review the IP Group risk management process; • Supports the Risk Owner in the process of risk assessment, identification and monitoring of treatment proposals and monitoring their effectiveness; • Report / Disclose the risks (build and communicate the Risk Charts of IP Group companies); • Monitor the process of risk management; • Prepares an annual report on the prevention of management risks, including the risks associated with corruption and related infringements in Group companies, as well as respective updates and monitoring reports. • It encourages the promotion of a risk management culture throughout the IP Group.

[4] Procedure GR.PR.006 - Risk Management, approved by the Executive Board of IP on 24/09/2015 and revised on 01/09/2016 and 22/12/2016, applicable transversally to all Organisational Units/Companies of the IP Group.

MATRIX OF RESPONSIBILITIES	
ENTITY / PLAYER	**RESPONSIBILITY**
“Risk Owner"	• Identifies, analyses and evaluates the risks and proposes the respective treatment measures (primary risk management); • Implements treatment measures; • Monitors the effectiveness of treatment measures and reports results to the RCD.

In the pursuit of its mission, IP and other companies within the IP Group are exposed to a multiplicity of risks and, as recommended in the IP Group Risk Management Procedure, the risks are grouped into 6 relevant categories, distributed in 2017 as follows:

RISK CATEGORIES	DEFINITIONS	DISTRIBUTION BY CATEGORY
Financial Risk	Risks associated with liquidity, interest rate and credit	2.6%
Business Risk	Risks associated with planning, design, performance, monitoring and control, in the areas that contribute to the business of the Group Companies	9.2%
Operational Risk	Risks associated with internal processes, infrastructures, human resources and outsourcing	53.8%
Regulatory and Compliance Risk	Risks associated with laws, regulations, standards, contracts, codes of conduct, established practices or ethical principles	26.8%
Reputational Risk	Risks associated with the perception of the public image of the institution by shareholders, customers, suppliers, employees, press agencies, public opinion in general and other stakeholders	0.7%
Technological Risk	Risks associated with critical technology infrastructures, information security, system integrity and flexibility	6.9%

Financial Risks

The activity of the IP Group is exposed to financial risk factors, such as credit risk, liquidity risk and interest rate risk associated with cash flows arising from financing obtained.

Decree-Law 133/2013 of 3 October changed the autonomy of reclassified public entities (EPR) with regard to access to finance from the financial system and risk management through derivative financial instruments.

In Article 29 therein, the access of the EPR to financing from the credit institutions is established as not possible, except for those of a multilateral nature (e.g. the European Investment Bank), while article 72 established the transfer of these companies' derivatives portfolios to the Public Debt and Treasury Management Agency (Agência de Gestão da Tesouraria e da Dívida Pública – IGCP, EPE) (IGCP).

These risks are managed by the Finance, Markets and Regulation Department according to the risk mitigation policies defined by the Executive Board of Directors.

Credit Risk

Credit risk is associated with the risk of another party failing to comply with its contractual obligations resulting in a financial loss for the Group. This type of risk is incurred by the IP Group in the course of its operational and financial activities.

At the operational level, IP revenues are derived from the two business segments developed, i.e. the road and railway domains.

As regards the road domain, the revenues are mainly derived from the Road Service Contribution, collected and delivered to IP by the Tax and Customs Authority and from the tolls collected, low value transactions in a diversified customer universe. In this way, the road segment of IP does not present significant credit risk.

In the railway business domain, revenues are derived from the compensatory allowances provided for in the Programme Contract and are allocated as consideration for the public service developed by the Company and the commercial relationship with the main customers, railway operators, CP, Fertagus, Takargo and Medway. Thus, the credit risk resulting from this segment of operational activity is essentially related to the non-payment of the liabilities taken on by the railway operators with IP.

CP is the main counterparty as it is the exclusive passenger operator across the entire network, with the exception of the crossings of the River Tagus by the 25 de Abril Bridge, which is operated by Fertagus.

Thus, although the credit risk is strongly concentrated in CP, it is mitigated by the legal nature of that entity, since it is also a company belonging to the State-owned business sector with 100% capital held by the Portuguese State and, from 2015, due to its circumstance as an EPR.

Regarding the credit risk associated with the financial activity, the IP Group holds almost all of its cash and cash equivalents and financial investments with IGCP, therefore its deposits are not considered to have a significant credit risk.

Impairment adjustments on other accounts receivable are calculated considering the counterparty risk profile and its financial condition.

Exchange Rate Risk

The IP Group has no currency risk that is significant arising from its business activity.

Liquidity Risk

This type of risk is measured by the ability to maintain the financial resources necessary to meet the liabilities with the different economic agents that interact with the company, such as suppliers, banks and other similar entities.

A prudent management of liquidity risk implies maintaining an adequate level of cash and cash equivalents to cope with the maturity of the liabilities assumed, which has been ensured by the IP Group through careful and planned monitoring of cash flows resulting from its activity, complemented by share capital increase operations carried out by the shareholder. In this way, it has been possible to maintain a low level of liquidity risk.

Interest Rate Risk

The primary objective of interest rate risk management is to protect from interest rate rises in so far as the IP Group's revenues are immune to that variable and, thereby, make a natural hedge not feasible.

No interest rate risk hedging instruments are currently used.

At present, the objective of the policy for managing interest rate risk is essentially the monitoring of interest rates that influence financial liabilities contracted on the basis of Euribor.

Capital Risk Management

Capital risk management is deemed by the IP Group as indispensable for the maintenance of adequate solvency rates for the development of its activity.

Thus, constant analysis and monitoring is carried out of the expected level of the various sources of revenue - Road Service Contribution, tolls, compensatory allowances, operational activity with railway operators and community subsidies - and their adequacy to meet the borrowing needs of the operational activity and part of the investment activity. The debt servicing needs are met by share capital increases.

The basic instrument of this policy is the IP financing plan through which the capital structure of the company has been strengthened, either by cash reinforcement operations or through capital conversion operations.

Throughout 2017, the share capital of IP was increased by EUR 880 million.

It should be noted that in 2017, although there was provision for conversion of loans for the servicing of the debt of the loans contracted from the Portuguese State in the amount of EUR 4.129 billion, this was not done, as had been the case the previous two years.

Through Notice 1368 of 6 March 2018 of the General Directorate of the Treasury and Finance (DGTF), a new moratorium was granted for the payment of the debt service of the State loans due on 30 November 2017, until 31 May 2018, effective as of 30 November 2017.

Deferrals granted are not subject to interest payments.

11 SUBSEQUENT EVENTS

11. SUBSEQUENT EVENTS

Attachment of Bank Balance

According to the terms of the concession, approved in an annex to Decree-Law 380/2007 of 13 November, in the current version, it is the responsibility of IP - Infraestruturas de Portugal, SA to make the payments it is liable for to the State, in the capacity of Grantor, under the so-called Concession Agreements of the State (see paragraphs 7 and 8 of Base 2).

Among these contracts - which are managed by the IMT - Instituto da Mobilidade e dos Transportes, I.P for and on behalf of the State, as the Grantor (see sub-paragraph r) of paragraph 4 and paragraph 1, both of article 3 of Decree-Law 236/2012 of 31 October, in the current version), is the Douro Litoral Concession Contract. Under this Douro Litoral Concession Contract, the Concessionaire, following a request to restore the financial equilibrium declined by IMT, filed an arbitration proceeding that culminated in the conviction of the Grantor (the State, represented by IMT). Pursuant to law, IP must make the payments that are incumbent on the State but should only do so if and when instructed by IMT, which did not happen in a timely manner, despite the various requests for guidance sent by IP to IMT.

In this context, and since the Arbitration Tribunal's conviction decision was not complied with, the Concessionaire filed proceedings to enforce payment of a defined amount, based on which the attachment of a bank balance of EUR 56 million was ordered in January 2018. If payment is decided, the registration will be made under Intangible Assets.

Share capital increase

By Unanimous corporate decision, dated 22 February 2018, the share capital of IP was increased by EUR 450 million through the issue of 90,000 shares with a nominal value of EUR 5,000 each subscribed and paid or to be paid by the shareholder, the Portuguese State.

By Unanimous corporate decision, dated 24 April 2018, it was decided to increase the share capital of IP by EUR 290 million, through the issue of 58,000 shares with a nominal value of EUR 5,000 each, to be subscribed and paid in by the Portuguese State, under the following conditions: the amount of EUR 145 million by 24 April 2018, the amount of EUR 145 million by 22 June 2018.

The increase in share capital planned for April 2018 was made on 26 April 2018.

Election of New Members of the Corporate Bodies

On 29 March 2018, new members of the corporate bodies were proposed and elected for the 2018-2020 term of office, with the Executive Board of Directors as follows:

Chairman: António Carlos Laranjo da Silva
Vice-Chairman: José Saturnino Sul Serrano Gordo
Vice-Chairman: Carlos Alberto João Fernandes
Executive Member: Alberto Manuel de Almeida Diogo
Executive Member: Vanda Cristina Loureiro Soares Nogueira
Executive Member: Alexandra Sofia Vieira Nogueira Barbosa

Almada, 27 April 2018

The Executive Board of Directors

Chairman	António Carlos Laranjo da Silva
Vice-Chairman	José Saturnino Sul Serrano Gordo
Vice-Chairman	Carlos Alberto João Fernandes
Member	Alberto Manuel de Almeida Diogo
Member	Vanda Cristina Loureiro Soares Nogueira
Member	Alexandra Sofia Vieira Nogueira Barbosa

PART II

Financial Statements and Notes

CONSOLIDATED IP GROUP

PART II – FINANCIAL STATEMENTS AND NOTES

INDEX - PART II

CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

(amount in thousand euros - EUR thousand)

STATEMENT OF COMPLIANCE

Pursuant to and for the purposes of Article 245 (1) (c) of the Portuguese Securities Code, each member of the Executive Board of Directors of Infraestruturas de Portugal, S.A., identified below, signed the following Statement:

“I hereby declare, pursuant to and for the purposes set forth in Article 245 (1)(c) of the Portuguese Securities Code, that, to the best of my knowledge, acting in the capacity and scope of the functions assigned to me and on the basis of the information provided through the Executive Board of Directors, the consolidated financial Statements have been prepared in accordance with the applicable accounting standards. I further declare that they provide a true and fair view of the assets and liabilities, the cash flows, the financial situation and the profit or loss of Infraestruturas de Portugal, S.A and the companies included in the consolidation perimeter, and that the management report for 2017 faithfully details the important events that occurred in that period and the impact on the respective financial Statements, which also describes the main risks and uncertainties for the forthcoming financial year.”

THE EXECUTIVE BOARD OF DIRECTORS

Chairman	António Carlos Laranjo da Silva
Vice-Chairman	José Saturnino Sul Serrano Gordo
Vice-Chairman	Carlos Alberto João Fernandes
Member	Alberto Manuel de Almeida Diogo
Member	Vanda Cristina Loureiro Soares Nogueira
Member	Alexandra Sofia Vieira Nogueira Barbosa

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017 AND 2016

	Notes	31-12-2017	31-12-2016
Assets			
Non-current			
Tangible fixed assets	7	124 666	128 241
Investment properties	20	3 843	4 377
Intangible assets	8	20 071 928	19 826 876
Goodwill	5	21 687	21 687
Clients	11.2	-	12 219
Deferred tax assets	9	221 949	132 026
Deferrals	10	187	666
Available-for-sale financial assets		32	32
		20 444 292	**20 126 121**
Current			
Inventories	19	46 538	51 414
Clients	11.2	76 213	89 267
Grantor - State - Account receivable	12	5 625 542	5 494 532
Current tax assets	13	16	208
Government and other public bodies	13	1 424 813	1 238 598
Other accounts receivable	11.1	163 056	195 165
Deferrals	10	715	366
Non-current assets held for sale		3	3
Cash and cash equivalents	14	350 322	311 033
		7 687 218	**7 380 585**
Total Assets		**28 131 510**	**27 506 707**

To be read jointly with the notes to the consolidated financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017 AND 31 DECEMBER 2016 (CONTINUATION)

	Notes	31-12-2017	31-12-2016
Equity			
Capital and reserves attributable to equity holders:			
Paid-up capital	15	4 925 375	4 045 375
Reserves	15	1 909	531
Cumulative results		116 277	80 010
		5 043 561	**4 125 917**
Net profit or loss for period		105 993	37 645
Total equity		**5 149 554**	**4 163 561**
Liabilities			
Non-current			
Provisions	16	869 437	858 728
Borrowings	17.1	3 221 317	3 315 673
Shareholder funding / Shareholder loans	17.2	534 390	796 252
Other accounts payable	18.2	2 370 818	2 616 557
Deferrals	10	10 480 011	10 552 475
Deferred tax liabilities	9	25	33
		17 475 997	**18 139 718**
Current			
Suppliers	18.1.	19 249	20 642
Cash receipts from clients		8 049	8 119
Government and other public bodies	13	9 421	9 139
Current tax liabilities	13	47 797	25 816
Borrowings	17.1	141 629	173 474
Shareholder funding / Shareholder loans	17.2	4 392 482	4 070 120
Other accounts payable	18.2	874 699	883 721
Deferrals	10	12 633	12 397
		5 505 959	**5 203 428**
Total Liabilities		**22 981 957**	**23 343 145**
Total Equity and Liabilities		**28 131 510**	**27 506 707**

To be read jointly with the notes to the consolidated financial Statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2017 AND 2016

	Notes	2017	2016
Sales and services	21	1 195 489	1 192 767
Compensatory allowances	22	68 416	40 650
Cost of goods sold and materials consumed	23	- 273 704	- 259 810
Variation in production inventories		117	-
External supplies and services	24	- 258 777	- 260 777
Maintenance, repair and safety road network	24	- 97 578	- 100 618
Maintenance, repair and safety railway network	24	- 54 872	- 51 341
Other external supplies and services	24	- 106 327	- 108 818
Personnel expenses	25	- 134 402	- 136 984
Impairment (losses/ reversals)	26	1 107	2 931
Provisions (increases/decreases)	16	- 8 686	- 19 895
Other income and gains	27	85 770	86 401
Other costs and losses	28	- 11 734	- 14 720
Earnings before depreciation, financing expenses and taxes		**663 598**	**630 564**
Depreciation and amortisation expenses/ reversals	7, 8, 20	- 278 294	- 273 926
Operating profit (before financing and tax expenses)		**385 304**	**356 638**
Interest and similar income	29	94 728	115 652
Interest and similar costs	29	- 352 805	- 412 967
Profit before tax		**127 227**	**59 323**
Income tax for the period	30	- 21 234	- 21 679
Net profit or loss for the year		**105 993**	**37 645**
Comprehensive income		**105 993**	**37 645**

To be read jointly with the notes to the consolidated financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2017 AND 2016

	Share Capital	Reserves	Cumulative results	Profit or loss for the year	Total
Balance as at 31-12-2016	**4 045 375**	**531**	**80 010**	**37 645**	**4 163 561**
Appropriation of profits of 2016	-	1 378	36 267	- 37 645	0
Share capital increases (note 15)	880 000				880 000
2017 Comprehensive results	-	-	-	105 993	105 993
Balance as at 31-12-2017	**4 925 375**	**1 909**	**116 277**	**105 993**	**5 149 553**

	Share Capital	Reserves	Cumulative results	Profit or loss for the year	Total
Balance as at 31-12-2015	**3 095 375**	**- 95**	**63 775**	**16 862**	**3 175 917**
Appropriation of profits of 2015	-	627	16 235	- 16 862	-
Share capital increases (note 15)	950 000	-	-	-	950 000
2016 Comprehensive results	-	-	-	37 645	37 645
Balance as at 31-12-2016	**4 045 375**	**531**	**80 010**	**37 645**	**4 163 561**

To be read jointly with the notes to the consolidated financial Statements.

CONSOLIDATED CASH FLOW STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2017 AND 2016

	Notes	2017	2016
Operating Activities			
Cash receipts from clients		1,208,658	1,145,530
Cash paid to suppliers		-844,634	-1,096,005
Cash paid to personnel		-128,107	-127,603
Flow generated by operations		**235,917**	**-78,079**
Income tax (paid)/received		-90,444	14,511
Other receipts/(payments) relating to operating activity		89,276	56,713
Net cash from operating activities (1)		**234,749**	**-6,854**
Investing Activities			
Cash receipts relating to:			
Investment subsidies		50,992	95,767
Tangible assets		3,060	2,094
		54,052	**97,861**
Cash payments relating to:			
Investment subsidies		-460	-
Tangible assets		-55,922	-36,227
Intangible assets		-827,744	-877,400
		-884,126	**-913,627**
Net cash from investing activities (2)		**-830,074**	**-815,766**
Financing Activities			
Capital contribution		880,000	950,000
Interest		1	-
		880,001	**950,000**
Cash payments relating to:			
Borrowings		-113,027	-112,787
Interest and similar costs		-132,168	-133,082
		-245,195	**-245,869**
Net cash from financing activities (3)		**634,806**	**704,131**
Change in cash and cash equivalents (4)=(1)-(2)+(3)		**39,481**	**-118,491**
Cash and cash equivalents at end of period	**14**	**350,070**	**310,588**
Cash and cash equivalents at start of period	**14**	**310,588**	**429,079**
Change in cash and cash equivalents		**39,481**	**-118,491**

To be read jointly with the notes to the consolidated financial Statements.

Almada, 27 April 2018

THE EXECUTIVE BOARD OF DIRECTORS

Financial Director

Maria do Carmo Duarte Ferreira

Official Auditor

Diogo Mendonça Lopes Monteiro

Chairman	António Carlos Laranjo da Silva
Vice-Chairman	José Saturnino Sul Serrano Gordo
Vice-Chairman	Carlos Alberto João Fernandes
Member	Alberto Manuel de Almeida Diogo
Member	Vanda Cristina Loureiro Soares Nogueira
Member	Alexandra Sofia Vieira Nogueira Barbosa

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2017 AND 2016

1. INTRODUCTORY NOTE

Infraestruturas de Portugal, S.A. is the State-owned company resulting from the merger of Rede Ferroviária Nacional – REFER, E.P.E. (REFER) and EP - Estradas de Portugal, S.A. (EP) through which REFER merged into EP, becoming a public limited company named Infraestruturas de Portugal, S.A. (IP). The merger entered into force on 1 June 2015, as provided for in Decree-Law 91/2015 of 29 May.

The immediate consequence of the merger determines that the road and rail infrastructure are to be managed by a single company, in accordance with a joint, integrated and complementary strategy.

The Infraestruturas de Portugal Group, hereinafter referred to as IP or the Group, includes the following subsidiaries: IP Telecom – Serviços de Telecomunicações, S.A. (IP Telecom), which is a telecommunications operator and provider of specialised information technology systems and services; IP Património – Administração e Gestão Imobiliária, S.A. (IP Património), which manages and improves the real eState property and public road and rail property of the Group; IP Engenharia, S.A. (IP Engenharia), with the activity of the provision of engineering and transport services and GIL – Gare Intermodal de Lisboa, S.A. (GIL), connected to the management of the Oriente rail station.

Additionally, the IP Group holds stakes in two joint undertakings, AVEP – Alta Velocidade de Espanha e Portugal A.E.I.E., in partnership with ADIF – Administrador de Infraestruturas Ferroviárias (Spanish company), to study the Madrid-Lisbon-Porto and Porto-Vigo railway links and CORREDOR FERROVÁRIO DE MERCADORIAS N.º4 (A.E.I.E, CFM4), in partnership with ADIF - Administrador de Infraestruturas Ferroviárias and RFF – Réseau Ferré de France (French entity) and DB Netz AG (German entity); the object of this joint venture is to promote measures, among its members, to improve freight transport competitiveness in the railway corridor. The corridor is composed of sections of existing railway infrastructure and planned between: Sines-Setúbal-Lisbon-Aveiro-Leixões / Algeciras – Madrid – Bilbao – Zaragoza / Bordeaux-La Rochelle–Nantes-Paris – Le Havre – Metz-Strasbourg and Mannheim, crossing the borders at Vilar Formoso/Fuentes de Oñoro, Elvas/Badajoz, Irun/Hendaye and Forbach/Saarbrücken.

1.1 ACTIVITY OF THE PARENT COMPANY

According to Decree-Law 91/2015, the main business activity is “the design, construction, financing, maintenance, operation, restoration, widening and modernisation of national road and rail networks, including the command and control of traffic movements.”

In order to carry out its activity, IP takes the position of infrastructure manager under the terms of the overall concession contract for the national road network and the national rail network programme, both concluded with the Portuguese State.

In the development of its business and in order to ensure a high level of efficiency and effectiveness, IP employs additional services in business areas that are not included in its core business, but are carried out by its subsidiaries.

1.2 ACTIVITIES OF THE COMPANIES OF THE IP GROUP

The activities of the IP Group companies are presented below.

1.2.1 Telecommunications operations

IP Telecom, with registered office in Lisbon, was set up on 9 November 2000. Its business activity is the establishment, management and operation of telecommunications infrastructures and systems, as well as the performance of any complementary, alternative or ancillary activities, directly or by establishing or shareholdings in other companies.

The operation of the telecommunications infrastructure, pursuant to the “Contract for the Operation of the Telecommunications Infrastructure”, entered into on 28 February 2001, and subject to subsequent addenda and amendments was revised on 29 February 2016.

The current “Sub-concession Contract for the Operation and Management of the Telecommunications Infrastructure and Information Technology of Infraestruturas de Portugal, S.A.” maintains, reviewing its terms, the current sub-concession for the operation of the telecommunications infrastructure, and it sub-concessions the operation of Roads’ technical channel already built or to be built, under the administration and management of IP.

The activity of IP Telecom is to ensure the supply and provision of information and communications systems and technology, based on innovative solutions with a focus on cloud and security technology and the main national telecommunications infrastructure, based on optical fibre and the road technical channel, for the business market and public entities.

1.2.2 Integrated management and improvement of the Group's and public railway property (commercial spaces)

The mission of IP Património encompasses the acquisition, expropriation, register updating and disposal of real eState assets or creation of liens thereon, the profitable use of the assets allocated to the concession or the autonomous eState of the IP Group, and also the management and exploration of stations and associated assets, including their operational management.

1.2.3 Provision of engineering and transport services

IP Engenharia provides transport engineering services to support the activity of IP and in road and/or rail multidisciplinary projects, providing mobility solutions with a high level of integration at both national and international levels. It carries out mapping and topography activities, and provides integrated management services of undertakings and supervision, as well as in the quality, environment and safety management field.

1.2.4 Management of Oriente Railway Station

GIL's activity is the management, maintenance, upkeep and cleaning of the Intermodal Transport Complex, designated Oriente Station, providing maintenance, cleaning and surveillance services to IP and Metropolitano de Lisboa, in the respective components, leasing commercial units, operation of the car park, supply of goods and services to the tenants of the commercial units and leasing of spaces and provision of services for the organisation of events.

1.3 OTHER EQUITY HOLDINGS

1.3.1 Improvement of the Atlantic Corridor – CFM 4

In November 2013, the infrastructure managers of Portugal (REFER), Spain (Administrador de Infraestruturas Ferroviárias - ADIF) and France (Réseau Ferré de France – RFF, currently SNCF Réseau) set up CFM4, with the goal of developing an internal rail market, in particular with regard to the transport of goods, through the creation of dedicated corridors.

The CFM4 then covered the existing and planned railway lines on the routes of Sines/Setúbal/Lisbon/Aveiro/Leixões – Algeciras/Madrid/Bilbao – Bordeaux/Paris/Le Havre/Metz/Strasburgo - Mannheim, crossing the borders at Vilar Formoso/Fuentes de Oñoro, Elvas/Badajoz and Irún/Hendaya and Forbach/Saarbrucken.

On 1 January 2016, with the extension of the rail freight corridor to Mannheim, crossing the France/Germany border at Forbach/Saarbrucken, Germany joined Portugal, Spain and France as a partner of AEIE – the Atlantic Corridor. The new Atlantic-corridor configuration also encompasses another link to the river port of Strasbourg.

The role of CFM4 is, firstly, the management and revenue generation from existing infrastructure, without additional investments, through the centralised management of capacity allocation and customer relations.

Subsequently, through CFM4, these neighbouring countries will be able to articulate investment in railway infrastructures, overcoming operational, technical and interoperability barriers to improve the competitiveness of rail freight transport.

1.3.2 High-Speed Spain – Portugal Link - AVEP

In January 2001, a partnership was set up by Portugal and Spain to carry out preliminary studies of the Porto-Vigo and Madrid-Lisbon-Porto corridors in the form of an Economic Grouping of Economic Interests (AEIE).

The mission of the referred AEIE is to:

- Conduct a number of economic and financial technical studies, undertake surveys and other work needed to define and implement the Porto-Vigo and Madrid – Lisbon – Porto.
- Ensure coherence and coordination of the technical studies carried out for each of the corridors.
- On the basis of these technical studies, to carry out the economic, financial and legal studies required by government bodies, which are necessary to define the appropriate financing, construction and operating structures of both the corridors.
- Study the safety specifications and materials capable for use in the corridors.
- Proceed with the construction and operation of the corridors, if this mission is entrusted to it by the infrastructure managers of both members of the Grouping.
- Carry out any other mission entrusted to it by the actors of the Grouping or by the respective governments.

2. BASES OF PRESENTATION AND ACCOUNTING POLICIES

2.1. BASES OF PRESENTATION

The financial Statements presented herein reflect the financial position, the results of the operations and the cash flows of the IP Group, for the periods ending on 31 December 2017 and 2016, forming the consolidated financial Statements of the IP Group.

Decree-Law 158/2009, in paragraph 1 of article 4, introduced in 2010 the requirement to present consolidated accounts in accordance with international accounting standards for companies with securities admitted to trading on a regulated market. Paragraph 1 of article 6 extends the consolidation obligation to any parent company subject to Portuguese law. In this way, IP has been obliged to submit consolidated accounts since the 2010 financial year.

These financial Statements were approved by the Executive Board of Directors at its meeting on 27 April 2018, which decided to submit them to the ministry's approval. It is the opinion of the Executive Board of Directors that these provide a true and appropriate reflection of the IP Group operations as well as its consolidated financial position, performance and cash flows.

All figures are expressed in thousands of euros (EUR thousand) unless otherwise Stated. EUR million is also used to signify millions of euros, when necessary.

The financial Statements of the IP Group were prepared on the basis of ongoing operations in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), issued and in force on 31 December 2017.

IFRS includes the accounting policies issued by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC), and the respective bodies that preceded them.

The financial Statements presented were prepared in accordance with the principle of historical cost, with the exception of financial assets and liabilities recorded at fair value.

The preparation of financial Statements in accordance with IFRS requires the Group to exercise judgments, estimates and assumptions that affect the application of accounting policies and the amounts of income, expenses, assets and liabilities. The estimates and associated assumptions are based on historical experience and other factors considered applicable and form the basis for judgements about the values of assets and liabilities whose valuation would not be possible from other sources. Issues requiring a higher degree of judgment or complexity, or for which the assumptions and estimates are considered significant, are presented in notes 2.3 and 2.4. (Key estimates and judgements used in preparing the financial Statements).

2.2 BASES OF CONSOLIDATION AND ACCOUNTING POLICIES

The consolidated financial Statements include, with reference to 31 December 2017 and 31 December 2016, the assets, liabilities, results and cash flows of the Group companies, which are presented in Note 4.

The main accounting policies used in preparing these financial Statements are described in the following paragraphs. These policies were consistently applied by all the IP Group companies in 2016, unless otherwise specified.

The accounting standards and interpretations recently issued but which have not yet entered into force and that the Group has not yet applied in preparing its consolidated financial Statements can be analysed in note 34.

a) Methods of consolidation adopted by the Group

The consolidation methods adopted by the Group are presented below.

Equity holdings in subsidiaries

Equity holdings in companies in which the Group directly or indirectly holds more than 50% of the voting rights at the General Meeting and/or has the power to control its financial and operational policies (definition of control adopted by the Group), were included in these consolidated financial Statements by the full consolidation method. The companies consolidated by the full consolidation method are detailed in note 4.

Equity and net profit corresponding to the participation of third parties in subsidiaries are disclosed separately in the consolidated financial position and in the consolidated income Statement, in the respective non-controlling interests item. Gains and losses attributable to non-controlling interests, if any, are charged to such interests accordingly. The assets and liabilities of each Group company are measured at fair value at the acquisition date as set out in IFRS 3, and may be reviewed for a period of 12 months after that date. Any excess of the acquisition cost over the fair value of the net assets and liabilities acquired is recognised as goodwill (note 5). If the difference between the acquisition cost and the fair value of the net assets and liabilities is negative, the difference is recognised as a gain for the period.

When the Group already has a shareholding on the date it acquires control, the fair value of that shareholding contributes to ascertaining the goodwill or negative goodwill.

Transaction costs directly attributable to business combinations are recognised in the income Statement.

Non-controlling interests include the proportion of third parties in the fair value of the assets and liabilities identifiable at the date of acquisition of the subsidiaries.

The profit or loss of subsidiaries acquired or sold during the financial year are included in the consolidated income Statement from the date of their acquisition or date of exercising control until the date of disposal.

Subsequent transactions of sale or purchase of the holdings of non-controlling interests, which do not imply a change in control, do not result in the recognition of gains, losses or goodwill. Any difference between the transaction value and the book value of the traded shareholding is recognised in Equity.

Adjustments to the financial Statements of subsidiaries shall be made whenever necessary to adjust their accounting policies to those adopted by the Group.

Transactions (including possible gains and losses deriving from disposals between Group companies), the balances and dividends distributed between Group companies are eliminated in the consolidation process.

Equity holdings in joint arrangements

Joint arrangements are defined as an agreement whereby two or more parties have joint control. The joint arrangements have the following characteristics:

i) The parties are bound by a contractual agreement; and
ii) The contractual arrangement gives two or more of those parties joint control of the agreement.

According to that standard, a joint arrangement is a joint operation or joint venture.

A joint operation is a joint arrangement whereby the parties holding joint control of the arrangement have rights to the assets and obligations on the liabilities related to that arrangement. These parties are designated as joint operators.

A joint operator recognises, in relation to its interest in a joint operation:

i) their assets, including its share of any assets held jointly;
ii) its liabilities, including its share for any liabilities incurred jointly;
iii) its income from the sale of its share of the output of the joint operation;
iv) its share of the income from the sale of the output by the joint operation; and
v) its expenses, including its share of any expenses incurred jointly.

A joint venture is a joint arrangement whereby the parties holding joint control of the arrangement have rights over the net assets of the arrangement. These parties are designated as joint ventures.

Goodwill

Differences between the cost of acquisition of financial holdings in subsidiaries, jointly controlled companies and associated companies, and the fair value of the identifiable assets and liabilities of those companies at the date of their acquisition (or for a period of 12 months thereafter), if positive, are recorded under Goodwill (if applicable to subsidiary companies).

Except in the case of an increase in shareholdings, where control already existed, in that case, said difference will be reflected directly in shareholders' equity, in the reserves heading against the adjustment of uncontrolled interests, when applicable.

When recognised separately as an asset, any impairment loss on goodwill is recorded immediately in the Statement of financial position as a deduction to the asset's value and in the Statement of comprehensive income under other gains and losses, and is not subsequently reversed.

If the initial accounting of a business combination can be determined only provisionally at the end of the period in which the combination is carried out because the fair values to be attributed to the identifiable assets, liabilities and contingent liabilities of the acquired company or the cost of the combination can only be determined provisionally, the Group accounts for the combination using the available information.

The values determined provisionally will be adjusted when the fair values of assets, liabilities and contingent liabilities are determined, over a maximum period of twelve months after the acquisition date. Goodwill or any other recognised gain shall be adjusted from the date of acquisition by an amount equal to the adjustment at fair value on the date of acquisition of the identifiable assets, liabilities and contingent liabilities to be recognised or adjusted and the comparative information presented for periods prior to completion of the initial accounting for the combination. This includes any depreciation, amortisation or other effect of profit or loss recognised as a result of completing the initial accounting.

When a controlled company, a joint venture or associated company is sold, the corresponding goodwill is included in the calculation of the capital gain or loss.

b) State Grantor – Account Receivable – Service Concession Arrangements – IFRIC 12

Following the spin-off of the railway activity in Portugal in 1997, IP (former REFER) was assigned the responsibility of building and renovating long-duration railway infrastructures This activity is carried out according to the Government directives; its financing is guaranteed through the share capital, by State and European subsidies and loans; the majority of the loans are secured by the State, and IP plays the role of “agent”.

Applying this understanding, the effects of this activity are recognised and measured in accordance with IFRIC 12 - Concession Arrangements.

Therefore, for the purposes of IFRIC 12, the Investment Activity in Long-Duration Infrastructure (LDI) is considered to constitute the existence of a concession between the State (Public Entity) and the IP (equivalent to Private Entity despite the only shareholder being the State), with IP taking the role of "concessionaire" in this activity.

IFRIC 12 applies to public service concession contracts in which the grantor (State) controls (regulates):

- The services to be provided by the concession holder (through the use of infrastructure), to whom and at what price; and
- Any residual interests over the infrastructure at the end of the contract.

IFRIC 12 applies to infrastructure:

- Built or acquired by the operator from third parties; and
- Already existing and to which access by the operator is given.

In this way, and given the above described, it is IP's understanding that the existing railway concession is included within the scope of this IFRIC for the following reasons:

- IP is a profit-making entity and subject to the application of the Companies Code, despite its shareholder being the State, it is set up according to the regime established in the legislation applicable to the corporate public sector (Decree Law 133/2013 of 3 October) having equity and financial independence vis-à-vis its shareholder, thereby excluding the exclusion of application of IFRIC 12 in accordance with its §4;
- The decree-law that establishes that IP in substance can be considered a concession agreement, since the State in the capacity of grantor, controls and regulates the public services provided by IP, in the capacity of concessionaire, with the infrastructure forming part of or that may form part of the public national rail domain, also defining to whom the services are provided and at what price; and
- The State, through ownership, controls the infrastructure, as this belong to the public domain of the State, leasing to IP the right to access the same in order to provide the public service by charging a tariff to passenger and freight transport operators.

This interpretation establishes the generic principles for the recognition and measurement of rights and obligations under the concession contracts with the above-mentioned characteristics and sets out the following models:

- Intangible asset model – When the operator receives from the grantor the right to charge a tariff based on the use of the Infrastructure;
- Financial asset model – When the operator has an unconditional contractual right to receive cash or another financial asset from the grantor, corresponding to specific or determinable amounts, the operator must recognise a financial asset (receivable). In this model, the grantor has a few or no discretionary powers to avoid payment, due to the agreement being generally legally binding; and
- "Mixed" model – This model, provided for in §18 of IFRIC 12, applies when the concession includes commitments of guaranteed remuneration by the grantor and remuneration commitments dependent on the level of use of the concession infrastructures.

Taking into accounting the types of existing models, the model which best translates IP's activity is the Financial Asset model, since according to the law in force, the State (public entity) will fully bear the costs of the investments in national railway infrastructures, whereas IP has an unconditional right to receive cash from the State for its investments in LDIs. This right is granted either by Article 11 of the General Land Transportation Law for rail transport (IARC), by Decree-Law 141/2008 of 22 July, or by the 2011-2015 Strategic Transport Plan (PET) and finally, by the Strategic Plan for Transport and Infrastructures (2014-2020 horizon) (PETI3+).

As regards the Financial Assets, resulting from the application of this standard, it was defined in accordance with IAS 32, IAS 39 and IFRS 7.

As there is no formal concession agreement for the Investment Activity in Long-Duration Infrastructures, IP takes on the following premises to determine the value of the concession, based on the principle of substance over form and the existing legislation, namely:

- The General Land Transportation Law Infrastructure Maintenance and Supervision – Law 10/90 - which establishes in number 3 of article 11 the compensation due by the State for shouldering in full the infrastructure construction, maintenance and supervision costs, in accordance with rules to be approved by the Government.

- In the Strategic Transport Plan (RCM 45/2011):

  The investment necessary for the construction of transport infrastructure, as goods and assets in the public domain, is the responsibility of the State as set out in the General Land Transportation Law. Nevertheless, over the past decades, State-owned enterprises operating in the land transport and railway sectors have carried the burden of having to register in their financial Statements - via the issuing of debt - the costs of this investment made on behalf of the State."

  "The historic debt of State-owned enterprises operating in the public railway transport and infrastructures sector, results in part from the development of investment projects which are the State's responsibility, (…)".

- PETI3+ – Strategic Plan for Transport and Infrastructure (2014-2020 horizon).

  PETI3+ "…is a revision of PET 2011-2015, including a second phase of structural reforms to be made in this sector, as well as a set of investments in transport to be carried out until the end of this decade. It is estimated that 61% of priority railway projects can be financed through community funds and 39% through public funds. Where any assets are withdrawn from the public railway domain, the profit or loss will be allocated to this activity, as established in each withdrawal order."

Therefore, the costs borne with LDIs assume the form of "accounts receivable" (financial assets) charged to the "State grantor", being initially recognised at fair value.

Financial assets are made up of the assets under concession, which include public railway domain property, to which IP only has access to provide "Infrastructure Management Services", added of the return on assets, following disposal or improvements, deducted of any subsidies received plus interest on loans allocated to the concession. As there is no defined maturity, as a result of the absence of a formalised concession contract, the amounts receivable are assumed to become due on the debit date. Consequently, from that date, the interest on the outstanding amount is deemed to be payable to the concessionaire (IP). The form of calculating that interest is based on the same terms of financing obtained to directly fund this activity. Interest and other financial expenses incurred with borrowings for financing the concession are therefore debited.

Long-Duration Infrastructure (LDI)

Tangible fixed assets classified as long-duration infrastructures belong to the public railway domain, and IP only has access to them so as to provide the services associated with the Railway Infrastructure Management. Accordingly, they are recorded in the Statement of financial position in caption “Grantor - State - Account receivable”, since they do not qualify as assets controlled by the company. These assets, in addition to acquisitions and buildings after the spin-off of the CP assets, include the assets of the former divisions, freight terminals and property transferred from that company, which form the nature of "public domain goods".

c) Tangible Fixed Assets

Tangible fixed assets are valued at cost less accumulated depreciation and any impairment losses. The acquisition cost includes the asset’s purchase price, expenses directly chargeable to its acquisition and costs incurred in preparing the asset to start its operations. Costs incurred with loans for the construction of tangible assets are recognised as part of the asset’s construction cost.

Subsequent costs incurred with renovation and major repairs that increase the useful life or productive capacity of the assets are recognised at the cost of the asset or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated to it will flow to the entity and when the cost can be reliably measured. Consequently, the carrying amount of the replaced part is derecognised on the Statement of Financial Position.

Costs of current repairs and maintenance are recognised as an expense in the period in which they are incurred.

The expenses to be incurred with the disassembling, dismantling or removal of assets, whichever are significant, are considered part of the initial cost of their assets.

Land is not depreciated. Depreciation of the other assets is calculated using the straight-line method. The estimated useful lives for the most significant tangible fixed assets are as follows:

	% Average
Buildings and other constructions	2
Basic equipment	3.3
Transport Equipment	25
Tools	12.5
Administrative Equipment	12.5
Other Fixed Assets	12.5

The useful lives of assets are reviewed at the end of each financial year so that depreciation is in line with the assets' consumption patterns.

Gains or losses on the sale of assets are determined by the difference between the exit value and the net book value of depreciation of the asset and is recognised in profit or loss for the period.

Leasing

The classification of leasing operations as financial or operational leasing depends on their substance, not their legal form. Operations in which the risks and benefits of holding the leased asset are substantially transferred to the lessee are classified as financial leasing.

Assets for which the use arises from lease contracts for which the risks and benefits inherent to ownership of the leased asset are not incurred, are classified as operating leases in accordance with IAS 17 - Leases and therefore not recorded under tangible fixed assets.

Rents are recorded as expenses within the respective periods during the lease term (note 24).

d) Intangible Assets

Intangible assets are recognised and measured according to the transactions that gave rise to them, as described in the following paragraphs:

INITIAL RECOGNITION

Intangible assets are recorded at acquisition cost, minus any accumulated depreciation and any impairment losses.

Through the application of IFRIC 12, the asset resulting from the Road Concession Right which has been assigned by the Road Concession Contract with the State is considered to be an intangible asset.

The Road Concession Right was recognised by virtue of a business combination at the time the merging company's corporate object was changed (EP).

The remaining intangible assets result from separate acquisition transactions and their cost reflects:

- The purchase price, including costs of intellectual rights and taxes on non-refundable purchases, after deduction of trade discounts and write-offs;
- Any cost directly attributable to the preparation of the asset for its intended use.

SUBSEQUENT RECOGNITION

The Group values its intangible assets, after initial recognition, by the Cost Model, as defined in IAS 38 - Intangible Assets.

The Road Concession Right is increased by the development of the management activity of the national road infrastructure network which includes, in particular, the construction, financing and operation of the National Road Network (which includes the concession network) and the Future National Road Network, which may happen by:

(i) Provision of construction services

It is increased on completion of each significant component of the Future National Road Network, by its execution value. Construction can occur through direct construction of the company or by sub-concession.

Until the completion of each component, the proportion of the amount of the expected execution of the works is recognised as an intangible asset in progress, using the completed percentage method calculated based on the actual physical evolution of each works.

Expenditure incurred by the company for the launch of sub-concession calls for tenders is recognised as intangible assets until the nature of the expenditure made is billed to the sub-concessionaire.

(ii) Acquisition of future rights on the concessioned network

It is increased by payments relative to the Concessions, accumulated up to the initial term of each concession, after which the company is entitled to the underlying economic benefits of the corresponding section.

Until the initial term, they are recorded in intangible assets in progress when spending occurs.

The Concession Contract presents the following definitions for the 3 key components of the Concession Undertaking:

“Concessioned Network —*designates the routes that integrate the National Road Network and which are, on the date of signing the concession contract, subject to a State concession contract or those that the State included in a public call for tenders still pending on the same date, with a view to the respective concessioning;”*

“National Road Network *—designates the "Itinerários Principais" (trunk roads), "Itinerários Complementares" (secondary roads), National Roads and Regional Roads included in the PRN 2000 (National Road Plan) in operation or with construction started on the signature date of the Concession Contract. The construction of the Trunk Roads, Secondary Roads, National Roads and Regional Roads as set out in the PRN 2000, is deemed to have started upon award by the State, or by EP — Estradas de Portugal, S. A., of the contract for their construction;”*

“Future National Road Network —*designates the Trunk Roads, Secondary Roads, National Roads and Regional Roads foreseen in the PRN 2000 or any bill that modifies or replaces it and comes into force up to 5 (five) years prior to the term of the Concession Contract, that are not built on the signature date of the Concession Contract. The Trunk Roads, Secondary Roads, National Roads and Regional Roads envisaged in the PRN 2000 are considered as not having been built if on the signature date of the Concession Contract their construction has not been awarded by the State or by EP - Estradas de Portugal, S.A.”*

AMORTISATION

The IP Group amortises the Concession Right based on its best estimate of the consumption pattern of the economic benefits associated to the asset, i.e., in accordance with the production unit method as defined by IFRIC 12.

The production unit corresponds to the best estimate of revenue inherent to revenue directly associated with the rights already acquired by the company, which excludes income from the toll collection activity before the initial term of the underlying concessions.

Any changes in estimates are corrected prospectively, impacting on the value of amortisation of future periods.

The amortisable value of the Road Concession Right, revised annually in accordance with the best expectations of the company, corresponds to the overall total amount of costs incurred and responsibilities incurred in the general concession for national road infrastructure.

The remaining intangible assets are amortised on a systematic basis from the date they are available for use, during the estimated useful life.

CAPITALISATION OF BORROWING COSTS

The company capitalises the financial charges associated with the acquisition, construction or production of qualifying assets.

The IP Group considers as qualifying assets all those which take a period of more than 12 months to be completed for their intended use. The most significant qualifying asset in the road infrastructure network is the Concession Right. Any component of the National Road Network or the Future National Road Network is considered a component of that same qualifying asset, provided that the estimated duration of its construction is greater than twelve months.

The components of the Concession Right qualifying for capitalisation of loan expenses are essentially the result of:

(i) Provision of construction services

The provision of construction services usually lasts more than 1 year, so the costs associated with funding obtained for the implementation are considered eligible, irrespective of whether the services are directly provided by IP or by sub-concession.

(ii) Acquisition of future rights on the Concessioned Network

Payments made on account of the acquisition of future rights on the Concessioned Network up to the initial end of each section of the current Concessioned Network.

Direct financial charges are considered as a cost of the component specifically financed. Whenever there is no funding directly attributable to each component of the current network, a weighted average rate of funding is used during the period, which is applied to the expenditure incurred in the development of the aforementioned network.

The components that were built using subsidies or which are in a position to become operational, regardless of the completion of the contract they belong to, are not considered for the purpose of calculating the basis for the capitalisation of funding costs obtained.

e) Investment properties

Investment properties are made up of land and buildings whose purpose is to rent and not for use in the production or supply of goods, services, or for administrative purposes or for sale in the current activities of the Group's businesses.

Investment properties are recorded at acquisition and production cost less accumulated depreciation and accumulated impairment losses when applicable.

The Group conducts internal assessments in order to: i) meet the disclosure requirements of IAS 40, and ii) verify any impairments arising from the fall in asset recovery value against book values.

Costs incurred with investment properties, such as management and maintenance costs, insurance and property tax (municipal tax on real estate tax) are recognised in the Statement of comprehensive income for the financial year to which they relate. Improvements for which future economic benefits are estimated are capitalised under the investment properties caption.

Depreciation

Depreciation is made in accordance with the straight-line method, at rates corresponding to the expected useful life for each type of asset. Land is not depreciated. In the specific case, buildings are being depreciated in 50 years (2% / year).

Impairment

The impairments are reflected in the income statement of the period to which they relate and are calculated on the basis of the update of the estimated rents receivable, corrected for any maintenance expenses, adjusted in accordance with the expected risk rate.

f) Financial assets

The IP Group classifies its investments on the date of their trade date, in accordance with the objective that triggered their acquisition, into the following categories: financial assets at fair value through profit or loss; loans and receivables; assets held to maturity; and financial assets available for sale, in accordance with IAS 39 – Financial Instruments.

Financial assets at fair value through profit or loss

This category includes: (i) financial assets held for trading, which are acquired with the primary objective of being sold in the short term, and (ii) the financial assets designated at fair value at the time of their initial recognition, with changes recognised in profit or loss. After initial recognition, financial assets at fair value through profit or loss are valued at fair value, with their changes recognised in profit or loss.

This category includes the derivative financial instruments that do not qualify for hedge accounting purposes. Changes to their fair value are recognised directly in profit or loss for the year.

Financial assets held to maturity

These investments are non-derivative financial assets with fixed or determinable payments and defined maturities for which there is the intention and ability to hold to maturity.

These investments are measured at amortised cost using the effective interest rate method and net of any impairment losses.

Impairment losses are recorded based on the estimate and assessment of losses associated with doubtful debts on the date of the financial statements.

Impairment losses correspond to the difference between the book value of the asset and the present value of estimated future cash flows (considering the recovery period) discounted at the financial asset's original effective interest rate.

These assets are presented in the Statement of Financial Position net of recognised impairment.

Loans and accounts receivables

They correspond to non-derivative financial assets with fixed or determined payments, for which there is no active securities market. They are generated through the normal course of operating activities, in the supply of goods or services, and in relation to which there is no intention to trade.

Loans and receivables are initially recognised at fair value and are subsequently valued at amortised cost using the effective interest rate method.

Impairment losses are recorded when there are indicators that the Group will not collect all the amounts it was entitled to under the original terms of the contracts established. A number of indicators are used to identify impairment situations, such as: i) default analysis; ii) default for more than 6 months; iii) financial difficulties of the debtor; iv) likelihood of insolvency or bankruptcy of the debtor.

When amounts receivable from clients or other debtors which are overdue are subject to renegotiation of their terms, they are no longer considered overdue and they are treated as new credits.

Impairment losses correspond to the difference between the book value of the asset and the present value of estimated future cash flows (considering the recovery period) discounted at the financial asset's original effective interest rate.

These assets are presented in the Statement of Financial Position net of recognised impairment.

Available-for-sale financial assets

Financial assets available for sale are non-derivative financial assets that:

- The IP Group does not intend to keep them for an indefinite period of time;
- Are designated as available for sale at the time of initial recognition; or
- They do not fall into the above categories.

Available-for-sale financial assets are recorded at fair value and the changes in fair value are recognised directly in equity under Fair value reserves. When investments are derecognised or an impairment loss is identified at that time, the cumulative value of potential gains and losses recorded in reserves is transferred to profit or loss.

If there is no market value, assets are held at acquisition cost, though impairment tests are conducted.

Accrued interest on fixed income instruments, when classified as available-for-sale assets, and the differences between their acquisition cost and the nominal value (premium or discount) are recorded in profit or loss according to the effective interest rate method.

The equity holdings that are not holdings in subsidiaries, joint ventures or associates are classified as available-for-sale financial assets.

g) Fair value of financial assets and liabilities

In determining the fair value of a financial asset or liability, if there is an active market, the market price is applied. This is level 1 of the fair value hierarchy as defined in IFRS 7 and used by the IP Group.

Where there is no active market, which is the case for some financial assets and liabilities, market valuation techniques generally used in the market are accepted, based on market assumptions. This is level 2 of the fair value hierarchy as defined in IFRS 7 and used by the IP Group.

In level 2 of the fair value hierarchy, the IP Group includes unlisted financial instruments such as derivative financial instruments as financial instruments at fair value through profit or loss. The valuation models often used are discounted cash flow models and options valuation models that incorporate, for example, interest rate curves and market volatility.

For some types of more complex derivative financial instruments, more advanced valuation models with assumptions and inputs that are not directly observable in the market are used. This is level 3 of the fair value hierarchy as defined in IFRS 7.

h) Impairment of Assets

In accordance with IAS 36 – Impairment of assets whenever the book value of an asset exceeds its recoverable amount, its value is reduced to the recoverable amount. The impairment loss is recognised in the income Statement for the period. The recoverable value is the lower between the value of use and the fair value less cost to sell, and is determined whenever there are value loss indicators.

The asset's value is calculated based on the present value of future cash flows estimated by management, arising from the continued use and sale of the asset at the end of its useful life. For the determination of future cash flows, the assets are allocated to the lowest level for which there are separate identifiable cash flows (cash-generating units).

Non-financial assets for which impairment losses have been recognised are assessed on each reporting date for the possible reversal of impairment losses.

The amortisation and depreciation of assets are recalculated prospectively in accordance with the recoverable value when the impairment is recorded or reversed.

i) Inventories

Goods and materials are measured at the lower of the acquisition or production cost and net realisable value.

The acquisition or production cost includes all purchase costs, conversion costs and other costs incurred to place the inventories in their location and in a condition for use or sale. The net realisable value is the estimated selling price in the normal course of business minus the respective selling costs, as provided for in IAS 2 - Inventories.

The outflows from warehouses (consumption) are measured at the weighted average cost.

The IP Group has materials in its warehouses purchased for the specific and unique purpose of application in the long-duration infrastructures.

The products and works in progress correspond to production costs incurred with the construction and promotion of real estate developments and incorporate the cost of purchasing the land, raw materials, capitalised financial costs and subcontracting and labour costs.

The products and works in progress also include spending on projects concerning contracts to be entered into in the future. Such expenses are recognised under this item provided their future recovery will be probable, and the same represent the amount owed by clients.

j) Cash and cash equivalents

For the purposes of the consolidated Cash Flow Statement, cash and cash equivalents cover the amounts recorded in the Statement of Financial Position, including the cash and cash equivalents in other credit institutions and in the Treasury and Public Debt Management Agency – IGCP, E.P.E. (IGCP).

Cash and cash equivalents include cash, bank deposits and short-term, high liquidity deposits with original maturity of up to 3 months.

Overdrafts are recorded in the Consolidated Statement of Financial Position in current liabilities, under the “Borrowings” caption.

k) Financial liabilities

Financial liabilities represent contractual obligations to pay, through the delivery of cash or other financial assets, regardless of their legal form. They are initially recorded at fair value less transaction costs incurred, and subsequently at amortised cost, based on the effective interest rate method.

l) Non-current borrowings

The IP Group recognises non-current loans as a financial liability in accordance with IAS 39 – Financial Instruments. These financial liabilities are recorded: (i) initially at fair value less transaction costs incurred, and (ii) subsequently at amortised cost, based on the effective rate method.

The IP Group has non-current loans in the form of bilateral loans and bond loans to fund the construction of long-duration railway infrastructure (LDI), the railway infrastructure management activity and the management of the road network.

m) Suppliers and other accounts payable

The balances of suppliers and other accounts payable are recorded at amortised cost.

n) Provisions

Provisions are set up whenever there is an actual obligation (legal or constructive) resulting from a past event and whenever it is probable that a reasonably estimated decrease in resources embodying economic benefits will be required to pay the obligation.

Provisions are reviewed at the date of each reporting period and adjusted in accordance with the best estimate at that date.

Provisions are measured at the present value of the estimated expenditures to settle the obligation using a pre-tax rate that reflects the market assessment for the discount period and the risk of the liability in question.

o) Employee benefits

The former EP granted temporary early retirement pensions and supplements to retirement pensions and survivors' benefits to a restricted and closed group of employees.

These post-employment supplements are paid by Caixa Geral de Aposentações to employees, which then charges them to the IP Group, until those employees are in a position to retire according to General Law.

The liabilities for the payment of these instalments are reviewed annually. The present value of the obligation is determined using the immediate lifetime rent method, by deducting future payments of the benefits that are perfectly identifiable, using the interest rate of high-rated bonds in the same currency in which the benefits will be paid and with a maturity close to the liability taken on.

Liabilities recognised in the consolidated Statement of financial position correspond to the present value of the benefit obligation determined on the date of the consolidated Statement of financial position.

p) Recognition of revenue

Revenue is recorded in the period to which it refers regardless of when it was received, according to the accruals assumption. Differences between amounts received and corresponding revenue are recorded in the other accounts receivable captions.

The revenue from the IP Group comprises:

- Railway infrastructure management: tariffs for infrastructure use, power supply, manoeuvres, capacity claimed not used, and other services according to the network directory available on the IP site, in compliance with the provisions of Decree-Law 270/2003, as amended by Decree-Law 231/2007, and in particular Section III of Chapter IV and Regulation 630/2011. The Directory aims to provide railway transport companies with the essential information they need for access to and use of national railway infrastructure managed by IP;
- Telecommunications: telecommunication services, the hire of optical fibre and data networks;
- Provision of transport engineering services;
- Real estate area: sub-concession revenue for the use of commercial and services spaces, sales of apartments and commercial spaces and the provision of asset valuation services, technical assistance and other related services;

In contracts for the provision of services in the telecommunications and engineering services areas, revenue is recognised by reference to the completion phase.

In the sale of apartments and commercial spaces, revenue is recognised on the date of the deed or when the risks and benefits have been transferred to the buyer (taking “possession” of the asset).

Road revenue is derived from the road concession contract (hereinafter “Contract”) which the State entered into with the former EP on 23 November 2007. The bases were approved in an annex to Decree-Law 380/2007 of 13 November, amended by Law 13/2008 of 29 February, Decree-Law 110/2009 of 18 May, and Decree-Law 44-A/2010 of 5 May.

This contract terminates at midnight of 31 December 2082, and its object is the concession by the Portuguese State to the former EP of the:

- Design, construction, financing, maintenance, operation, regeneration and widening of the routes that integrate the National Road Network;
- Design, construction, financing, maintenance, operation, regeneration and widening of the routes that integrate the Future National Road Network;
- Financing, operation, maintenance, regeneration and widening of the roads of the national road network or future national Road Network, but also integrating the concessioned network, though these liabilities are subject to the initial term of the concession agreements currently in force between the State and third parties. The initial term also marks the end of the company’s taking-up of all the payments to be made by the State and the receipts to be obtained by the State under the aforementioned contracts.

The IP Group’s own revenues, among others, resulting from the 75-year concession agreement, which has been in force since 2008, are:

i. Road Service Contribution (RSC)

The RSC created by Law 55/2007 of 31 August, represents the consideration paid by users for the use of the national road network. It is levied on gasoline and car diesel subject to tax on petroleum and energy products (ISP) and not exempted. In 2014, the RSC was extended to LPG for vehicles, which had been exempted before then.

The cash inflow is made with a mismatch of around two months relative to the collection date, therefore the revenue is recognised on an accruals basis.

ii. Other revenue from the Concession Agreement

The company has to provide construction services for the development of the national road infrastructure network, in pursuit of its business object.

The result of the construction of each new component of the national road infrastructure network is registered in accordance with the completion percentage method.

The amount of revenue to be recognised results from the product between the percentage of completion and total value of the works. The total value of the work is the amount agreed with the grantor (State) or, if not agreed, it is the result of the sum of the specific expenses components of the works, both internal and external.

The amount receivable from the provision of construction services under the concession is swapped for the Concession Right.

In the case where the total value of the work is agreed with the grantor, whenever the sum of the specific costs incurred and to be incurred exceeds the agreed revenue, the estimated loss is immediately recognised in profit or loss.

iii. The value of toll fees - Roads under the Group's management or sub-concessioned

Toll collection on roads included in the network managed by the company or the sub-concessioned network is recognised in the year's profit or loss according to the real tolls in the period, in so far as these tolls are charged in roads over which IP already has full rights to operate the Concession.

iv. The value of toll fees - Roads under concessioned management

Toll collection on roads included in the Concessioned Network is recognised according to the real tolls in the period, with the resulting amount being deducted from the IP Group's investment in the acquisition of rights over said Concessioned Network, as stipulated in the Concession Contract signed with the Portuguese State.

q) Income tax

Income tax for the period includes current and deferred taxes. Income tax is recorded in the income Statement, unless these are related to items that are recognised directly in equity. The amount of current tax payable is determined based on pre-tax profit, adjusted in accordance with tax rules.

Deferred taxes are recognised when there are differences between the book value of assets and liabilities at a certain time and their value for tax purposes using the expected tax rates in effect on the date of reversal of temporary differences.

Deferred tax liabilities are recognised for all temporary tax differences, while deferred tax assets are only recognised in relation to:

i. the deductible temporary differences for which they are expected to be revertible in future; or
ii. when deferred tax liabilities exist, the reversal of which is estimated to occur at the same time as deferred tax assets.

The temporary differences underlying the assets and liabilities are reviewed periodically in order to recognise or adjust them according to their expectation of future recovery.

TAX GROUP

In March 2014, the IP Group adopted the special tax system for groups of companies (RETGS).

This tax group includes all companies resident in Portugal, 75% or more owned by IP (parent company of the IP Group), and which meet the conditions of article 69 and subsequent of the Corporate Income Tax Code, and which are presented below:

Infraestruturas de Portugal, S.A.

IP Património – Administração e Gestão Imobiliária, S.A.

IP Telecom – Serviços de Telecomunicações, S.A.

IP Engenharia, S.A.

GIL – Gare Intermodal de Lisboa, S.A.

r) Grants

Grants received from the Portuguese State and the European Union are recognised at fair value when there is reasonable certainty that the conditions for receiving the grant will be met, except those relating to the ILD that are recognised only in the event of actual receipt.

Non-refundable grants obtained to fund investment in tangible and intangible fixed assets are recognised as deferred income.

Grants are subsequently attributed to profits on a pro-rata basis of depreciation/amortisation of the assets to which they are associated, and are recorded under “Other income and gains”.

Grants obtained for financing assets acquired/built into long-duration infrastructure are recognised in the statement of financial position under the ”Grantor-State-Account receivable” caption since, as they are allocated within the scope of the concessioned railway activity, they represent a repayment of part of the expenses incurred and are deducted from the amount receivable from the Grantor.

Non-refundable operating grants are recognised in the income Statement in the same period in which the associated expenses are incurred.

s) Segment reporting

Business segments

A business segment is a component of an entity that conducts a business activity: i) from which it can obtain revenue and incur expenses; ii) the operating results of which are regularly reviewed by the chief decision maker of the entity; and iii) for which financial information is available.

The IP Group identified the Executive Board of Directors as the body responsible for decision-making, as it is the body revising the internal information prepared in order to assess the company's performance and resource allocation. The determination of the business segments was based on information that is analysed by the Executive Board of Directors.

An entity must separately report the information on each identified segment, resulting from the aggregation of two or more segments with similar economic characteristics, or exceeding the quantitative levels set out in IFRS 8 – Business Segments.

t) Related parties

The revision of IAS 24 – Disclosures of related parties, established the obligation to disclose existing transactions with the State and with entities that are considered to be related, because they are also owned by the State.

After internal review the Executive Board of Directors did not deem relevant, considering its activity as a whole, the disclosure of balances and transactions with other entities, except those indicated below.

Related entities are those which have control over (Portuguese State) or are controlled by the IP Group (subsidiaries), or which are under common control (joint ventures) and other entities (railway operators).

The IP Group announces the balances and transactions with related entities in note 33.

u) Subsequent events

Events between the date of the Statement of Financial Position and the date on which the Financial Statements are authorised for publication that provide evidence of conditions that existed on the date of the Statement of Financial Position are reflected in the Financial Statements.

Events between the date of the Statement of Financial Position and the date of authorisation to publish the Financial Statements of conditions that arose after the date of the Statement of Financial Position, if material, are disclosed in note 40.

2.3. MAIN ESTIMATES USED IN THE FINANCIAL STATEMENTS

In preparing the consolidated financial statements in accordance with IFRS, the IP Executive Board of Directors uses estimates and assumptions that impact on the application of accounting policies and the amounts reported. Estimates and judgments are assessed continuously and are based on past events and other factors, including expectations for future events likely to be probable given the circumstances on which the estimates are based or as a result of information or experience acquired.

The estimates were determined based on the best information available at the date of preparation of the consolidated financial statements. However situations may occur in subsequent periods that are not foreseeable at the time and were not considered in these estimates. In accordance with IAS 8, changes to these estimates, which occur after the consolidated financial statements date, are corrected in profit or loss in a prospective manner.

The Executive Board of Directors considers that the estimates made are appropriate and that the consolidated financial statements adequately present the financial position of the IP Group, the result of its operations and its cash flows in all materially relevant aspects.

The most significant accounting estimates reflected in the consolidated financial Statements are:

INTANGIBLE ASSETS

The IP Group amortises its Road Concession Right by the equivalent units method, as described in note 2.2. This amortisation is based on the estimate of total income generated by the concession until its end and in the recovery of total investments to be made by the IP Group.

These two parameters are defined in accordance with the best judgement of the Executive Board of Directors for the assets and businesses in question, also considering practices adopted by companies of the sector at international level.

ESTIMATED REVENUE PATTERN

The amount and timing of future earnings are essential to determine the equivalent units method on which the calculation of the amortisation of the Road Concession Right is based.

This pattern is estimated based on performance in the recent past on and on IP's Executive Board of Directors' best outlook for the future, having the same calculation base of the revenues introduced in the multi-annual financial model, with the changes considered in the following paragraphs.

A sensitivity analysis was also carried out on the development of the IP Group's revenues throughout the life of the contract and its impact on amortisation for the year. The analyses were based on the following scenarios:

a) Real growth in toll revenues after the initial end of the concession contracts would be 0% and the real growth of RSC would be in accordance with the plan of activities and budget for 2017 and 2018 and after 2019 it would be 0%, with growth remaining in line with the CPI.

b) Real growth in toll revenues after the initial end of the concession agreements would be 1% up to 2039 and 0% after 2040 and the real growth of RSC would be in accordance with the plan of activities and budget for 2017 and 2018, and after 2019 it would be 0.5%, with growth remaining in line with the CPI.

c) Real growth in toll revenues after the initial end of the concession agreements would be 1% and the real growth of RSC would be in accordance with the plan of activities and budget for 2017 and 2018, and after 2019 it would be 1%, keeping growth in line with the CPI.

The result of the different scenarios in 2017 is shown in the following table:

(EUR thousand)

Sensitivity analysis of growth of RSC and toll revenue	Scenario a)	Scenario b)	Scenario c)
Amortisation of the Year	271	245	196
Amortisation of Grants	-63	-58	-49
	208	**187**	**148**
Difference		**-22**	**-61**

REGULAR MAINTENANCE OF ROADS AND ROAD ENGINEERING STRUCTURES

The annualised cost of the programmed maintenance works required to maintain the network's average quality index at the same level as when the network was received (a stipulation of the IP Group's Concession Contract) is calculated based on technical assessments of repair needs and an index of the average quality of road and engineering structures.

PROVISIONS

The IP Group regularly reviews any obligations arising from past events and which must be recognised or disclosed.

The subjectivity inherent in determining the likelihood and amount of internal resources required for the payment of the obligations may lead to significant adjustments, either due to changes in the assumptions used or the future recognition of provisions previously disclosed as contingent liabilities.

Provisions resulting from ongoing legal proceedings are periodically assessed by the internal and external lawyers of the IP Group responsible for the cases in question.

With regard to the provision for disqualified roads, the IP Group makes a comprehensive survey of the disqualified roads still under its responsibility and checks, on the basis of technical analyses of the cost of preparing them for hand over to the municipalities, if the recorded value of this provision is appropriate.

As a result of the evolution of the VAT proceeding described in note 13, a provision was set up for the VAT proceeding, which is estimated to be the impact of a possible negative decision against the former EP, which corresponds to the total VAT deducted by the IP Group in activities financed by the RSC (note 16).

CONSTRUCTION BY MEANS OF SUB-CONCESSIONS

Construction through Sub-Concessions is recognised to reflect the effective evolution of the works, based on the percentage of completion data obtained from the sub-concessionaires and validated by the IP Group.

IMPAIRMENT LOSSES ON DEBTORS

Impairment losses relating to debtors are based on the assessment made by the Executive Board of Directors of the probability of recovering the balances of receivables, the age in years, cancellation of debts and other factors. Other circumstances and events that may change the estimate of impairment losses on the balances receivable against the assumptions considered, including changes in the economic climate, sector trends, the determination of the credit situation of major clients and significant defaults, are also considered.

All this evaluation process is subject to various estimates and judgements. Changes in these estimates can involve the determination of different impairment levels and consequently different impacts on profit or loss.

RECOGNITION OF INCOME/EXPENSES

Expenses and income are recorded in the financial year to which they relate, regardless of whether they are paid or received, in accordance with the accounting principle of accruals.

INCOME TAX

Deferred tax assets are recognised only when there is strong certainty that there will be profit and future taxable income available for the use of temporary differences, or when there are deferred tax liabilities, the reversal of which is expected in the same period in which deferred tax assets are reversed. The assessment of deferred tax assets is assessed by the Executive Board of Directors at the end of each reporting period, taking into account the expected future performance of the IP Group. Deferred taxes are determined based on current tax legislation or legislation published for future application. Changes in tax legislation can influence the value of deferred taxes and these are analysed carefully by management.

TANGIBLE AND INTANGIBLE ASSETS, AND INVESTMENT PROPERTIES

The determination of assets' useful lives and the depreciation/amortisation method to be applied is essential to determine the amount of depreciation/amortisation to be recognised in the income statement for each financial year.

These two parameters are defined in accordance with the best estimate of the Executive Board of Directors for the assets and businesses in question, while also considering the practices adopted by the companies of the sector.

IMPAIRMENT OF INVESTMENT PROPERTIES AND INVENTORIES

Impairment analyses relating to investment properties and inventories of the commercial real estate management activity are periodically carried out and whenever there are signs of any loss of value. The fair value measurement of these assets is carried out through assessments referring to the reporting date by independent specialised entities.

GOODWILL

Goodwill is subject to annual impairment tests or whenever there are signs of any loss of value. The recoverable amounts from the cash-generating units to which goodwill is allocated are determined based on the calculation of values in use. These calculations require the use of estimates by management, both in terms of future flows and expected rates of return.

2.4. MAIN JUDGEMENTS IN THE APPLICATION OF SIGNIFICANT ACCOUNTING POLICIES

DEPRECIABLE VALUE OF THE CONCESSION RIGHT

The value taken as the amortisable value of the Concession Right must take into account the value of works and maintenance scheduled up to the term of the concession.

Changes in planned, contracted and executed amounts may vary due to factors outside the company's control with an impact on the amortisable value recorded in the future.

3. FINANCIAL RISK MANAGEMENT POLICIES

FINANCIAL RISKS

The activity of the IP Group is exposed to financial risk factors such as exchange rate risk, currency risk, credit risk, liquidity risk, interest rate risk associated with cash flows arising from borrowings and capital risk.

Decree-Law 133/2013 of 3 October changed the autonomy of reclassified public entities (EPR) with regard to access to finance from the financial system and risk management through derivative financial instruments.

In Article 29 therein, the access of the EPR to financing from the credit institutions is established as not possible, except for those of a multilateral nature (e.g. the European Investment Bank), while article 72 established the transfer of these companies' derivatives portfolios to the Public Debt and Treasury Management Agency (Agência de Gestão da Tesouraria e da Dívida Pública – IGCP, EPE) (IGCP).

These risks are managed by the Finance, Markets and Regulation Department according to the risk mitigation policies defined by the Executive Board of Directors.

EXCHANGE RATE RISK MANAGEMENT

The IP Group has no currency risk that is significant arising from its business activity.

CREDIT RISK MANAGEMENT

The IP Group is exposed to credit risk.

Credit risk is associated with the risk of another party failing to comply with its contractual obligations resulting in a financial loss for the Group.

The revenue from the road activity is mainly the result of the RSC which is collected and handed over to the company by the Tax Administration (TA) and the toll revenues, which has a diversified customer base and comprises low-value operations so that it does not have significant associated credit risk.

The credit risk arising from the railway activity is essentially related to the non-compliance by railway operators with their responsibilities. CP – Comboios de Portugal, EPE is the main counterparty as the exclusive passenger operator across the entire network, with the exception of the crossings of the 25 de Abril bridge, which is operated by Fertagus. Thus, despite the credit risk being heavily concentrated on CP, it is mitigated by the legal nature of that entity with 100% owned by the Portuguese State and, as of 2015, by the fact it is an EPR.

Impairment adjustments on other accounts receivable are calculated considering the risk profile of the counterparty and its financial condition.

Regarding credit risk associated with the financial activity, the IP Group is exposed to the national banking sector through the balances in current account deposits. This exposure is reduced due to the application of the legal regime of the Treasury Unit of the State to State-owned enterprises, which provides for the concentration of cash assets and investments in IGCP. The Group currently has 99% of its cash assets deposited with IGCP.

To date, the IP Group has not incurred any impairment resulting from non-compliance with contractual obligations entered into with financial entities.

The following table presents a summary as at 31 December 2017 and 31 December 2016 of the credit quality of deposits:

Rating	31-12-2017	31-12-2016
< =BBB+	348 389	251
< =BB+	963	310 459
No rating	371	106
	349 724	**310 817**

Note: It does not include the cash item.

The ratings used are those awarded by Standard and Poor's on the reporting date.

LIQUIDITY RISK MANAGEMENT

The IP Group is exposed to liquidity risk.

This type of risk is measured by the ability to raise financial resources to meet the liabilities with the different economic agents that interact with the company, such as suppliers, banks, the capital market, etc. This risk is measured by liquidity at the disposal of the company to meet those liabilities as well as the ability to generate cash flow arising from its business activity.

The IP Group seeks to minimise the probability of default of its commitments through meticulous and planned management of its business activity. Prudent management of liquidity risk requires the maintenance of an appropriate level of cash and cash equivalents to meet the liabilities assumed. With the inclusion of REFER and EP in the budget consolidation perimeter of the State, these companies are now funded directly by the Portuguese State from 2011, so the liquidity risk has fallen considerably.

The table below shows the IP group's liabilities by intervals of contracted residual maturity.

	Less than 1 year	1 to 5 years	+ 5 years
Borrowings			
- interest and amortisation of loans obtained	216 861	2 022 740	1 824 972
- interest and amortisation of shareholder funding / shareholder loans	4 376 656	549 434	-
Suppliers and accounts payable	850 228	1 958 635	412 184
Surety	5 384	18 948	6 036
	5 449 129	**4 549 757**	**2 243 192**

The amounts presented in the table are the non-discounted contractual cash flows for 31 December 2017.

INTEREST RATE RISK MANAGEMENT

The IP Group is exposed to interest rate risk while it maintains in portfolio loans from the financial system (domestic and international) and from the State and which aim to finance its activity.

The primary objective of interest rate risk management is to protect from interest rate rises in so far as the Group's revenues are immune to that variable and, thereby, make a natural hedge not feasible.

No interest rate risk hedging instruments are currently used.

At present, the objective of the policy for managing interest rate risk is essentially the monitoring of interest rates that influence financial liabilities contracted on the basis of Euribor.

Sensitivity test to change in interest rate

The IP Group uses periodic sensitivity analyses to measure the impact on profit or loss of changes in interest rates on the fair value of loans. These analyses have been one of the auxiliary means to manage interest rate risk decisions. Sensitivity analysis is based on the following assumptions:

i. As at 31 December 2017, the IP Group had not recognised any loan at fair value;
ii. Changes in the fair value of financial loans and liabilities are estimated discounting future cash flows using market rates at the time of reporting;
iii. On the basis of these assumptions, as at 31 December 2017, a 0.5% increase or decrease in the euro interest rate curves would result in the following changes in the fair value of loans with a consequent direct impact on profits:

Change in fair value of loans		
Change in the interest rate curve		
	-0.50%	**0.50%**
EUR	- 112 433	- 213 802
Net effect on results		
	-0.50%	**0.50%**
EUR	112 433	213 802

CAPITAL RISK MANAGEMENT

The IP Group's goal of managing capital risk, which is a broader concept than the capital disclosed in the condensed statement of consolidated financial position, is to safeguard the ongoing nature of the company's operations.

The key instrument to manage this risk is the funding plan (or financial plan) of the Group whereby funding sources are identified and monitored. Of note since 2014 is the policy of strengthening the capital structure by the shareholder, achieved by capital increases in cash or by the conversion into capital of the funding/loans granted by the shareholder.

IP was set up with a share capital of EUR 2,555,835,000 represented by 511,167 shares, with a nominal value of EUR 5,000 each. As at 31 December 2017, the share capital amounted to EUR 4,925,375,000 represented by 985,075 shares, each with a nominal value of EUR 5,000.

In 2017, capital increases were made in cash amounting to EUR 880,000,000 (note 15), as shown in the table below:

	31-12-2017	31-12-2016
Share Capital increases	**880 000**	**950 000**
Investment	646 351	711 656
Debt service	233 649	238 344
Loan conversion	-	-

It should be noted that in 2017, although there was provision for conversion of loans for the servicing of the debt of the loans contracted from the Portuguese State in the amount of EUR 4.129 billion, this was not done, as had been the case the previous two years.

By Official Letter 493 of 18 January 2018 of the Directorate-General for Treasury and Finance (DGTF), a further grace period was granted on the debt servicing of the loans maturing on 30 November 2017, until 31 May 2018, with effect from 30 November 2017.

The deferrals granted are not subject to interest payments.

4. COMPANIES INCLUDED IN THE CONSOLIDATION

The companies included in the consolidation, their registered offices, shareholdings in the same and core activities as at 31 December 2017 and 31 December 2016 are as follows:

Company	Registered Office	Percentage of capital held		Main activity
		31-12-2017	31-12-2016	
PARENT COMPANY				
IP Infraestruturas de Portugal, S.A.	Almada	-	-	Design, construction, financing, maintenance and operation, renovation, widening and modernisation of the national road and rail networks, including in the latter the command and control of traffic.
SUBSIDIARIES				
IP Telecom, Serviços de Telecomunicações, S.A.	Lisbon	100.0000%	100.0000%	Ensure the supply and provision of information and communications systems and technology, based on innovative solutions with a focus on cloud and security technology and the main national telecommunications infrastructure, based on optical fibre and the road technical channel, for the business market and public entities.
IP Património - Administração e Gestão imobiliária, S.A.	Lisbon	100.0000%	100.0000%	Carry out the acquisition, expropriation, registration update and sale of real estate or the constitution of rights over the same, as well as the profitability of the assets assigned to the concession or the autonomous assets of the IP Group and the management and operation of stations and associated facilities, including their operational management.
IP Engenharia, S.A.	Lisbon	100.0000%	100.0000%	Provide transport engineering services for the activity of the IP and in road and/or rail multidisciplinary projects, providing mobility solutions with a high level of integration at both national and international levels.
GIL - Gare Intermodal de Lisboa, S.A.	Lisbon	100.0000%	100.0000%	Construction and operation of a multi-mode transport platform, serving rail, road and underground transports and other transport services, the lease or disposal of property held by the company and associated activities.
JOINT VENTURES				
AVEP - Alta Velocidade de Espanha e Portugal, A.E.I.E. **(a)**	Madrid	50.0000%	50.0000%	Conducting studies necessary for the Madrid-Lisbon-Porto and Porto-Vigo connection.
AEIE - CMF4 **(b)**	Paris	25.0000%	25.0000%	Promotion of measures aimed at improving the competitiveness of the rail transport of freight in the rail corridor Sines - Lisbon/ Leixões | Sines - Elvas/Algeciras - Madrid - Medina del Campo - Bilbao - Irun/ Bordeaux - Paris-Le Havre - Metz| Vilar Formoso/Fuentes Onõro, Elvas/ Badajoz, Irun/Hendaye and Fornack/Saarbrucken.

a) Jointly controlled entity by IP with ADIF in the form of a European Economic Interest Grouping (EEIG).
b) Entity jointly controlled by IP, ADIF and SNCF - Réseau, and DB NETZ (since 1 January 2016) in the form of a European Economic Interest Grouping (EEIG) incorporated in 2013 without share capital.

5. GOODWILL

The goodwill is the result of the acquisition of the remaining capital of GIL in 2014. The evolution was as follows:

	Goodwill
1 January 2017	
Book value	21 687
Impairment	-
31 December 2017	**21 687**

	Goodwill
1 January 2016	
Book value	21 687
Impairment	-
31 December 2016	**21 687**

Estimates used to measure recoverable amounts from cash-generating units containing goodwill

Cash-generating unit

It is the business of operating the commercial spaces developed by GIL which is integrated into the reportable segment "Real Estate and Commercial Real Estate Management". It does not include the net railway assets directly financed (subsidies) that are allocated to the railway infrastructure investment activity, which are paid under the provisions of both Article 11 of the General Land Transportation Law for rail transport, and Decree-Law 141/2008 of 22 July, and also by PET (note 2.2.b). Following the concentration in the IP Group of the entire share capital of GIL in 2014, the commercial real estate management business of is expected to be integrated into IP Património and the assets and liabilities of railway infrastructure investment into IP, at the book value not involving significant asset alterations, as set out in the Business and Budget Plans of the respective companies. This separation of activities allows it to generate an isolated cash-generating unit, thus keeping the necessary conditions for future assessments of impairment to goodwill. The recoverable amount for this cash-generating unit was calculated on the basis of its value in use, taking into account the provisions of IAS 36.

The main assumptions deemed important by the Executive Board of Directors for the determination of value in use are presented below:

	31-12-2017	31-12-2016
Discount rate (WACC)	5.17%	6.04%
Growth rate	0.00%	0.00%
Perpetuity discount rate	5.17%	6.04%
EBIT growth rate	2.00%	0.00%
Shareholders' return rate	7.96%	7.50%
No. periods with projected cash flow	5 years	3 years

The discount rate presented is net of the tax effect, considering a return on equity of 7.96% (2016: 7.50%) and a debt level of 50% (2016:22%). The projected level of debt corresponds to the company's goal of its future capital structure.

In 2017, regarding the projection of cash flow, an average of 2 percent of EBIT was estimated for 5 years according to the historical average for the last 4 financial years.

The estimate of cash flow in 2016 used the budgeted data, with only the first year running from GIL's budget, and the other years are forecast based on the first year.

On the basis of previous assumptions, no impairment on goodwill was deemed to exist.

With regard to the model's sensitivity analysis, it is also verified that with the data contained in the model, goodwill would be impaired if the model's WACC rate was more than 14.50% or alternatively, the projected cash flows had a decrease of around 45% compared to the currently projected cash flows.

6. SEGMENT REPORTING

According to the accounting policy described in note 2.2, the IP Group is organised in seven business segments, with the following units:

- High Performance;

- Road Infrastructure Management Activity;

- Railway Infrastructure Investment Activity;

- Railway Infrastructure Management Activity

- Telecommunications

- Commercial Real Estate Management, and

- Engineering and Transport Services.

The 'High Performance' segment corresponds to the entire activity of the IP Group related to Road High Performance and includes all currently managed Public-Private Partnerships (PPP), including concessions of the State and sub-concessions, and the other high performance routes currently directly managed by the IP Group.

The 'Road Infrastructure Management Activity' segment includes management of the whole National Road Network (NRN) not included in the previous segment. It comprises both the activities of building and upgrading the routes and engineering structures and the activities of management, maintenance and improvement of network safety.

The 'Railway Infrastructure Investment Activity' segment includes the set of investments associated with new infrastructure and/or expansion of the network; the modernisation and rehabilitation, with the introduction of new technologies in the mode of operation; and replacement, which comprises interventions that introduce improvements of a lasting nature or which can increase the value and/or useful life of the asset without changing operating conditions;

The contracting of the funding needed for the investments described above is made by the IP Group and is in the form of credit from financial and capital market institutions, shareholder loans and obtaining grants.

The 'Railway Infrastructure Management Activity' segment corresponds to the provision of a public service, including functions such as maintenance and repair of infrastructures, capacity management, management of regulatory and safety control, command and control of traffic, and including other activities supplementary to the infrastructure management.

The Telecommunications segment refers to the provision of information and communication technology systems and technology.

The 'Commercial Real Estate Management' segment covers the management and operation of its own and others' property and real estate developments, acquisition, expropriation, registry office updating and sale of real estate or the establishment of rights on these assets.

The 'Engineering and Transport Services' segment includes the provision of transport engineering services in road and/or rail multidisciplinary projects and the respective mobility solutions both nationally and internationally.

The revenues and expenses of the Telecommunications, Real estate management, and Engineering and transport services segments were calculated from the perspective of generating revenue from the Group's excess capacity, arising from the mandatory public service of management of the integrated infrastructure of the national rail network (provided for in the Framework Contract signed with the Portuguese State) and the national road network that promotes efficiency in the Group.

Information on the profit and loss of the periods ending on 31 December 2017 and 2016 of the identified segments is as follows:

31-12-2017	Telecommunications	Commercial Real Estate Management	Engineering and Transport Services	Railway Infrastructure Investment Activity	Railway Infrastructure Investment Activity	High Performance	Road Infrastructure Investment Activity	Total
Revenue from sales and services rendered	12 080	15 400	144	25 137	87 948	357 466	697 315	1 195 489
Impairment	16	1 225		-	- 475	-	341	1 107
Provisions	-	-	-	-	4 251	-	- 12 937	- 8 686
Other revenue	185	408	-	-	73 133	8 987	71 591	154 304
Other expenses	- 4 053	- 5 940	- 237	- 23 918	- 180 314	- 305 043	- 159 113	- 678 617
EBITDA	**8 228**	**11 093**	**- 93**	**1 219**	**- 15 457**	**61 410**	**597 197**	**663 598**
Amortisation and depreciation	-	- 79	-	- 1 219	- 4 545	- 272 451		- 278 294
EBIT	**8 228**	**11 014**	**- 93**	**0**	**- 20 002**	**386 156**		**385 304**
Financial expenses	-	- 2	-	- 94 727	- 36 631	- 221 446		- 352 805
Financial income	-	-	-	94 727	1	-		94 728
EBT	**8 228**	**11 013**	**- 93**	**0**	**- 56 631**	**164 711**		**127 227**
Income tax	- 21 234							- 21 234
Net Profit or Loss	**105 993**							**105 993**

Other information 31-12-2017	Telecommunications	Real Estate and Commercial Real Estate Management	Engineering and Transport Services	Railway Infrastructure Investment Activity	Railway Infrastructure Management Activity	High Performance	Road Infrastructure Investment Activity	Total
Assets								
Intangible	-	-	4	-	2 703	20 069 220		20 071 928
Grantor	-	-	-	5 625 542	-	-	-	5 625 542
Other assets	20 481	29 673	8 330	17 674	189 130	44 129	2 124 623	2 434 040
Total Assets	**20 481**	**29 673**	**8 334**	**5 643 216**	**191 833**	**22 237 973**		**28 131 510**
Liabilities								
Borrowings	-	-	-	2 874 493	2 817 414	2 597 911	-	8 289 818
Grants	-	-	-	24 594	-	10 158 468		10 183 062
Other liabilities	6 100	4 105	1 312	2 222	82 959	3 192 666	1 219 712	4 509 077
Total Liabilities	**6 100**	**4 105**	**1 312**	**2 901 309**	**2 900 373**	**17 168 757**		**22 981 957**

31-12-2016	Telecommunications	Real Estate and Commercial Real Estate Management	Engineering and Transport Services	Railway Infrastructure Investment Activity	Railway Infrastructure Management Activity	High Performance	Road Infrastructure Management Activity	Total
Revenue from sales and services rendered	9 319	14 423	1 243	27 903	80 545	375 979	683 355	1 192 767
Impairment	- 10	1 281	-	-	- 1 663	-	3 323	2 931
Provisions	-	-	-	-	- 4 277	-	- 15 715	- 19 895
Other revenue	0	1 708	-	-	46 707	9 010	69 608	127 052
Other expenses	- 4 189	- 6 655	- 273	- 26 760	- 179 883	- 300 933	- 153 597	- 672 290
EBITDA	**5 120**	**10 758**	**1 085**	**1 143**	**- 58 572**	**84 056**	**586 975**	**630 564**
Amortisation and depreciation	--	- 122	--	- 1 143	- 4 459	- 267 419		- 273 926
EBIT	**4 419**	**10 635**	**1 003**	**0**	**- 63 031**	**403 612**		**356 638**
Financial expenses	-	- 156	--	- 114 707	- 35 677	- 262 427		- 412 967
Financial income	-	-	-	114 707	363	-		115 652
EBT	**4 419**	**10 480**	**1 002**	**0**	**- 98 345**	**141 768**		**59 323**
Income tax	- 21 679							- 21 679
Net Profit or Loss	**37 645**							**37 645**

Other information 31-12-2016	Telecommunications	Real Estate and Commercial Real Estate Management	Engineering and Transport Services	Railway Infrastructure Investment Activity	Railway Infrastructure Management Activity	High Performance	Road Infrastructure Management Activity	Total
Assets								
Intangible	-	-	9	-	1 911	19 824 956		19 826 876
Grantor	-	-	-	5 494 532	-	-	-	5 494 532
Other assets	21 654	31 044	10 370	89 835	173 510	56 469	1 802 416	2 185 299
Total Assets	**21 654**	**31 045**	**10 379**	**5 584 367**	**175 421**	**21 683 841**		**27 506 707**
Liabilities								
Borrowings	-	-	-	3 124 886	2 691 284	2 539 349	-	8 355 519
Grants	-	-	-	24 965	-	10 221 365		10 246 330
Other liabilities	8 067	3 574	2 722	26 185	85 435	3 465 601	1 149 712	4 741 297
Total Liabilities	**8 067**	**3 574**	**2 722**	**3 176 036**	**2 776 719**	**17 376 027**		**23 343 145**

Segment operations (reconciliations)	31-12-2017	31-12-2016
Reportable segments' revenue	1 201 041	1 199 905
Internal revenue	- 5 631	- 8 970
Other adjustments	79	1 833
Consolidated revenue	**1 195 489**	**1 192 767**
Aggregate profit	128 271	30 289
Internal Expenses / Income	- 3 000	- 4 000
Other adjustments	- 19 279	11 355
Consolidated results	**105 992**	**37 645**
Segment assets	28 166 409	27 517 480
Internal balances	- 104 290	- 99 574
Other adjustments	69 391	88 800
Consolidated assets	**28 131 510**	**27 506 707**
Segment liabilities	23 061 556	23 417 898
Internal balances	- 79 490	- 74 774
Other adjustments	- 109	21
Consolidated liabilities	**22 981 957**	**23 343 145**

7. TANGIBLEFIXED ASSETS

The summary of movements in the various items of tangible fixed assets as at 31 December 2017 and 2016 is as follows:

	Land and Natural Resources	Buildings and Other Constructions	Basic Equipment	Transport Equipment	Administrative Equipment	Other Tangible Fixed Assets	Work in progress	Total
1 January 2017								
Acquisition cost	7 042	165 598	55 641	11 531	23 428	7 455	2 712	273 407
Accumulated depreciation	-	- 58 842	- 45 452	- 11 318	- 22 597	- 6 958	-	- 145 167
Net value	**7 042**	**106 756**	**10 190**	**213**	**831**	**497**	**2 712**	**128 241**
Increases	-	66	2 113	188	123	154	464	3 108
Transfers	-	301	616	-	-	28	- 1 348	- 403
Write-offs/Corrections	-	-	- 3	- 32	- 543	-	60	- 518
Depreciation – Financial year	-	- 2 841	- 2 772	- 96	- 509	- 139	-	- 6 355
Depreciation - Transfers	-	-	-	-	29	-	-	29
Depreciation - Write-offs/Corrections	-	-	19	32	514	-	-	565
Net value	**7 042**	**104 282**	**10 164**	**306**	**445**	**540**	**1 888**	**124 666**
31 December 2017								
Acquisition cost	7 042	165 964	58 368	11 687	23 007	7 637	1 888	275 594
Accumulated depreciation	-	- 61 683	- 48 204	- 11 381	- 22 563	- 7 097	-	- 150 928
Net value	**7 042**	**104 282**	**10 164**	**306**	**445**	**540**	**1 888**	**124 666**

	Land and Natural Resources	Buildings and Other Constructions	Basic Equipment	Transport Equipment	Administrative Equipment	Other Tangible Fixed Assets	Work in progress	Total
1 January 2016								
Acquisition cost	7 042	165 673	53 692	11 719	23 504	7 294	1 642	270 567
Accumulated depreciation	-	- 55 928	- 43 045	- 11 392	- 22 141	- 6 864	-	- 139 370
Net value	**7 042**	**109 745**	**10 647**	**327**	**1 364**	**430**	**1 642**	**131 197**
Increases	-	-	1 175	2	121	171	2 756	4 224
Transfers	-	76	1 320	-	-	-	- 1 686	- 290
Write-offs/Corrections	-	- 151	- 546	- 190	- 198	- 9	-	- 1 093
Depreciation – Financial year	-	- 2 975	- 2 699	- 116	- 633	- 99	-	- 6 521
Depreciation - Transfers	-	-	-	-	-	-	-	-
Depreciation - Write-offs/Corrections	-	61	292	190	176	4	-	724
Net value	**7 042**	**106 756**	**10 190**	**213**	**831**	**497**	**2 712**	**128 241**
31 December 2016								
Acquisition cost	7 042	165 598	55 641	11 531	23 428	7 455	2 712	273 407
Accumulated depreciation	-	- 58 842	- 45 452	- 11 318	- 22 597	- 6 958	-	- 145 167
Net value	**7 042**	**106 756**	**10 190**	**213**	**831**	**497**	**2 712**	**128 241**

The IP Group holds a number of surplus plots of land resulting from its expropriation processes due to the construction of the National Road Network. Since the possibility of using or selling them depends on several legal and/or commercial contingencies, the IP Group considers these surplus assets to represent contingent assets and they are not recorded or disclosed until they are likely to generate an inflow of economic benefits to the company, at which time they are recorded as assets Held for Sale or Investment Properties, depending on the destination given them.

8. INTANGIBLE ASSETS

Intangible assets show the following movements as at 31 December 2017 and 31 December 2016:

	Concession Right	Software	Others	Total
1 January 2017				
Acquisition cost	21 866 422	28 687	2 156	21 897 265
Accumulated amortisation	- 2 042 217	- 26 839	- 1 333	- 2 070 389
Net value	**19 824 205**	**1 847**	**823**	**19 826 876**
31 December 2017				
Increases	515 430	1 150	15	516 595
Transfers	-	403	-	403
Amortisation - Financial year	- 271 296	- 649	-	- 271 946
Net value	**20 068 339**	**2 751**	**838**	**20 071 928**
Acquisition cost	22 381 852	30 240	2 170	22 414 263
Accumulated amortisation	- 2 313 514	- 27 489	- 1 333	- 2 342 335
Net value	**20 068 339**	**2 751**	**838**	**20 071 928**

	Concession Right	Software	Others	Total
1 January 2016	**19 623 874**	**1 904**	**572**	**19 626 350**
Acquisition cost	21 399 876	27 983	1 886	21 429 744
Accumulated amortisation	- 1 776 002	- 26 079	- 1 314	- 1 803 395
Net value	**19 623 874**	**1 904**	**572**	**19 626 349**
31 December 2016				
Increases	630 949	414	270	631 633
Transfers	-	290	-	290
Write-offs/Disposals/Impairments	- 164 402	-	-	- 164 402
Amortisation - Financial year	- 266 215	- 760	- 19	- 266 994
Net value	**19 824 205**	**1 847**	**823**	**19 826 876**
Acquisition cost	21 866 422	28 687	2 156	21 897 265
Accumulated amortisation	- 2 042 217	- 26 839	- 1 333	- 2 070 389
Net value	**19 824 205**	**1 847**	**823**	**19 826 876**

The value of the intangible assets refers essentially to the right resulting from the Road Concession Contract. The value of this right is increased through investments made under the contract.

Assets are calculated according to the percentage of completion of each works, regardless of whether this construction is directly carried out by the Group or under Public-Private Partnerships (PPP).

Of the EUR 515 million invested in 2017, around EUR 33.2 million corresponded to the construction of sub-concessions, EUR 470.9 million for payments net of receivables from State concessions and EUR 11.3 million for IP's own works.

These included capitalised financial charges amounting to EUR 39 million in 2017.

Amortisation for the year is calculated under IFRIC 12 by the equivalent unit method and refers to the value of the total investment that has already been made or will be made in the future, in the context of the concession between the IP Group and the State, based on the economic and financial flows for the concession period. These figures have the same basis as the multi-annual financial model of IP with the changes mentioned in note 2.3.

The estimated total investment of the concession was based on the following main assumptions:

- The annual costs with the formerly toll-free motorways (former SCUT) are effective until 2032 and represent the best estimate based on the renegotiated contracts by the Negotiation Committee and the Concessionaires;

- The costs of construction under the Sub-Concession Contracts, valued at the cost of each base case, including the changes resulting from the Memoranda of Understanding;

- The costs of modernising and maintaining IP's own network;

- The remaining investments consist of installation and improvement of equipment and studies, projects, supervision and assistance;

- The regular maintenance costs reflect the guidelines defined in 2014 by the former EP, resulting from the implementation of the strategic plan;

- The National Road Plan 2000 is implemented by 2040.

The total investment is amortised in accordance with the best estimate of the revenue to be generated during the concession period.

The estimated annual revenue was based on the following main assumptions:

-Road Service Contribution (RSC), until 2018, takes the best management estimate for these years. From 2019, the RSC has evolved on the basis of an assumption of annual growth in fuel and diesel consumption of 0% and the evolution of unit values per litre consumed, according to the CPI (2%/year);

- Receipts from the tolls of sub-concessions are based on the baseline cases or on more recent traffic studies conducted by specialised consultants, available on the date of the review and approval of the economic and financial flows for the concession period. Following the reverting of the sub-concessions to IP, growth is considered according to the CPI, based on the latest year of these studies and baseline cases;

- After the formerly toll-free motorways revert to IP, growth is considered according to the CPI, based on traffic studies carried out by specialised technicians of the Group;

- In the State Concessions under the actual toll scheme, after the concessions revert to IP, growth is considered according to the CPI, based on the latest year of the respective base cases or traffic studies by specialised technicians of the Group;

- Overall, the remaining operating income (revenue from service areas, telematics and others) was estimated in 2017, as part of the revision of the economic and financial model for the concession period.

On the basis of these assumptions, the amortisation recorded in 2017 amounted to EUR 271 million.

9. DEFERRED TAX ASSETS AND LIABILITIES

The balances recognised on deferred taxes are presented in the Consolidated Statement of Financial Position at their gross value, as at 31 December 2017 and 31 December 2016.

The Executive Board of Directors is convinced that the tax results generated in the future will enable the reversal of all deferred tax assets recorded.

The impact on the results of movements in deferred tax items in the financial years was as follows:

	31-12-2017	31-12-2016
Impact on Income Statement		
Deferred tax assets	89 924	12 918
Deferred tax liabilities	9	36
Net Expense / Income	**89 932**	**12 954**

The movements in the deferred tax assets and liabilities for the financial years are as follows:

DEFERRED TAX ASSETS

Movement in the year ended 31 December 2017:

	Adjustment clients	Financing expenses	Employment benefits	Provision for disqualified roads	Tax losses	VAT provision	Regular maintenance	Pensions	Inventory	Investment properties	Amortisation of concession right	Other adjustments	TOTAL
Balance as at 31-12-2016	**18**	**0**	**76**	**1 839**	**806**	**57 486**	**69 550**	**339**	**868**	**278**	**0**	**766**	**132 026**
Set up / (reversals)	- 9	4 572	13	-	- 473	4 116	13 123	- 63	- 154	- 32	61 366	- 22	82 438
Alteration of tax rate	-	-	1	112	-	3 514	4 041	17	-	-	-	45	7 730
Review of estimate	-	-	-	-	- 244	-	-	-	-	-	-	-	- 244
Balance as at 31-12-2017	**9**	**4 572**	**90**	**1 951**	**89**	**65 116**	**86 714**	**293**	**713**	**246**	**61 366**	**790**	**221 949**

Movement in the year ended 31 December 2016:

	Adjustment clients	Financing expenses	Employment benefits	Provision for disqualified roads	Tax losses	VAT provision	Regular maintenance	Pensions	Inventory	Investment properties	Amortisation of concession right	Other adjustments	TOTAL
Balance as at 31-12-2015	**86**	**0**	**271**	**1 842**	**2 004**	**53 565**	**57 817**	**383**	**1 035**	**339**	**0**	**1 765**	**119 108**
Set up / (reversals)	- 45	-	- 195	-	- 803	4 019	11 851	- 44	- 167	- 55	-	- 998	13 563
Change of tax rate	-	-	-	- 3	-	- 98	- 118	- 1	-	-	-	- 1	- 221
Review of estimate	- 23	-	-	-	- 395	-	-	-	-	- 6	-	-	- 425
Balance as at 31-12-2016	**18**	**0**	**76**	**1 839**	**806**	**57 486**	**69 550**	**339**	**868**	**278**	**0**	**766**	**132 026**

DEFERRED TAX LIABILITIES

Movements in the year ended 31 December 2017

	Others
Balance as at 31-12-2016	**33**
Set up / (reversals)	- 9
Balance as at 31-12-2017	**25**

Movements in the year ended 31 December 2016

	Others
Balance as at 31-12-2015	**69**
Set up / (reversals)	-36
Balance as at 31-12-2016	**33**

OTHER DIFFERENCES THAT DID NOT GENERATE DEFERRED TAX

As at 31 December 2017 there are other temporary differences for which reversals are not expected in future years, therefore not resulting in deferred tax assets. There were impairments on other receivables and inventories.

The tax losses that can be deducted from taxable profits of future years, in accordance with current tax legislation, are as follows:

Financial years	Reporting deadline	Amount	Deferred tax base	No expectation of recovery
2013	**2018**	7 254	425	6 828
		7 254	**425**	**6 828**

10. DEFERRALS

As at 31 December 2017 and 2016 the IP Group has registered the following balances under deferrals:

Deferrals	Notes	31-12-2017	31-12-2016
Non-current expenses to be recognised			
Other services		187	666
		187	**666**
Current expenses to be recognised			
Other services		715	366
		715	**366**
Non-current income to be recognised			
Investment grants - Road Concession Right	10.1	10 158 468	10 221 365
Long-term Concession Brisa		152 300	152 300
Douro Litoral concession fee		122 999	130 687
Investment grants - Community Funding		24 223	24 594
Greater Lisbon concession fee		21 000	22 166
Optical fibre contracts		1 021	1 359
Technical road channel		-	4
		10 480 011	**10 552 475**
Current income to be recognised			
Douro Litoral concession fee		7 687	7 687
Technical road channel		1 716	1 373
Greater Lisbon concession fee		1 167	1 167
Optical fibre contracts		858	925
Other revenue		833	874
Investment grants - Community Funding		371	371
		12 633	**12 397**

The expenses to be recognised relate to payments of services contracted and not yet provided. The income to be recognised essentially resulted from investment grants of EUR 10,158 million (see note 10.1) and prepayments of concessions amounting to EUR 305 million to be recognised in profit or loss over the period of the respective concession.

10.1 INVESTMENT GRANTS - ROAD CONCESSION RIGHT

This item incorporates the investment grants received by the IP Group to finance the intangible assets relative to the Concession Right and not yet recognised through profit or loss.

The movements occurred during the period ending on 31 December 2017 are as follows:

	Investment Grants
1 January 2017	**10 221 365**
Increases	-
Write-offs	- 78
Allocation to income (note 2.3)	- 62 819
31 December 2017	**10 158 468**

11. CLIENTS AND OTHER ACCOUNTS RECEIVABLE

As at 31 December 2017 and 31 December 2016 this item is broken down as follows:

CAPTIONS	31-12-2017	31-12-2016
Non-current		
Clients	-	12 219
	0	**12 219**
Current		
Other accounts receivable	163 056	195 165
Clients	76 213	89 267
	239 268	**284 432**

Clients and other accounts receivable are current balances and are therefore approaching their fair value.

11.1 OTHER ACCOUNTS RECEIVABLE

The balance of other accounts receivable as at 31 December 2017 and 31 December 2016 is broken down as follows:

Other Accounts Receivable	Notes	31-12-2017	31-12-2016
Increased Income - RSC		83 555	92 983
Railway Operators	32	4 758	19
Sundry		80 704	108 115
Accumulated impairment		- 5 961	- 5 952
		163 056	**195 165**

The Increased Income – Road Service Contribution caption refers to the recognition of the revenue collected by the Tax Administration and not yet delivered to IP.

The Other accounts receivable caption – Miscellaneous refers to the following situations:

- Provision of guarantee (cash collateral) in the amount of EUR 28,126,000 relating to proceedings brought by the Tax Authority concerning 2012 VAT.
- Protocols with various municipalities relating to the construction and upgrading of various infrastructures, including Aveiro, Viana do Castelo, Cascais, Fundão, Lisbon and Coimbra in the amount of EUR 19,326,000 (EUR 25.104 million in 2016), of which EUR 8,007,000 relate to the protocol for the construction of the New Aveiro Railway Station – Road and Rail Interface, urban redevelopment of the surrounding area, dating back to 2011, and for which a payment agreement exists between IP and the municipal council, which is being complied with and the remaining amount is expected to be received in 2018.

Also of note in relation to municipalities are the amounts received from Aveiro (EUR 5.718 million) and Viana do Castelo (EUR 60,000) during the financial year 2017.

11.2 CLIENTS

As at 31 December 2017 and 31 December 2016 clients can be broken down as follows:

Clients	Notes	31-12-2017	31-12-2016
Non-current			
Sundry - Medway	32	-	12 219
		0	**12 219**
Current			
Other related entities	32	5 344	17 289
Sundry		47 047	48 738
Tolls		28 095	28 418
Accumulated impairment		- 4 273	- 5 178
		76 213	**89 267**
		76 213	**101 486**

The debits charged to other related entities (CP) and Sundry – (the railway operators Fertagus, Takargo and Medway), essentially include the tariff for the use of the infrastructure charged to operators and also the debits paid to operators for other services rendered related to the rail operations: manoeuvres, capacity demanded and not used, parking of rolling stock and other services.

The non-current value of clients was referring to the settlement of loans between IP and Medway in the amount of EUR 24.487 million, for a period of 60 months, with fixed instalments plus interest never less than 1.5%, plus the 6-month Euribor that was settled in advance in the current year.

The age of client balances as at 31 December 2017 and 31 December 2016 were as follows:

Age of balances at 31-12-2017	Total debt	Up to 30 days	30 to 180 days	181 to 360 days	Over 361 days
Clients	71 940	31 890	7 900	3 720	28 431
Doubtful debtors	4 273				4 273
Total	**76 213**	**31 890**	**7 900**	**3 720**	**32 704**

Age of balances at 31-12-2016	Total debt	Up to 30 days	30 to 180 days	181 to 360 days	Over 361 days
Clients	96 308	13 893	35 508	3 195	48 889
Doubtful debtors	5 178	-	-	-	5 178
Total	**101 486**	**13 893**	**35 508**	**3 195**	**54 068**

In relation to the probability of collection, it is noted that the amounts due from municipalities, local authorities and other public entities or with a direct or indirect shareholding by the State are likely to be recovered in full despite their arrears, since they are debts duly recognised by those entities.

12. GRANTOR - STATE - ACCOUNT RECEIVABLE

The breakdown of the financial asset underlying the rail concession as at 31 December 2017 and 31 December 2016 is as follows:

Description	31-12-2017	31-12-2016
Concessioned assets (LDI)	8 852 883	8 767 152
Grants	- 4 458 553	- 4 409 117
Return on assets	- 6 593	- 6 581
Interest charged	1 543 005	1 448 278
Impairment	- 305 200	- 305 200
	5 625 542	**5 494 532**

Assets under concession, known as Long-Duration Infrastructure (LDI) form part of the Public Railway Domain, with the IP Group having access to them to provide the public service of Infrastructure Management. Accordingly, they are recorded in the statement of financial position under the caption “Grantor”, since they do not qualify as assets controlled by the company

In addition to the acquisitions and construction made subsequently to the merger of CP – Comboios de Portugal, E.P.E., as provided for in Decree-Law 104/97, of 29 April, these assets include the property belonging to extinct offices (Gabinete do Nó Ferroviário de Lisboa, Gabinete do Nó Ferroviário do Porto and Gabinete de Gestão das Obras de Instalação do Caminho-de-Ferro na Ponte sobre o Tejo) and property transferred from the said company, deemed as assets of the public railway domain.

The increase resulting from grants directly allocated to the Group for the development of the railway infrastructure is included in the net increase of EUR 49.550 million from European Structural and Investment Funds (EUR 10.696 million from ERDF and EUR 38.855 million from the Cohesion Fund), which corresponds to advances and repayments of applications approved in the 2014-2020 planning period (COMPETE programme 2020).

The Return on assets caption is the result of the obligation, expressed in the joint Orders of the Ministries of Finance and Economy, to authorise the public railway domain separation and that the results of the sales are deducted from the amounts receivable from the grantor. This caption has registered, therefore:

- profitability of the public railway domain relating to the concession contract for a plot of land in the Railway Station of Viana do Castelo granted for a period of 75 years, started on 19 March 2004 (in the amount of EUR 3.089 million),
- the compensatory agreement between the Group and EDP Produção – Gestão da Produção de Energia, S.A., as part of the National Programme for High Potential Hydroelectric Dams, which involves the creation of part of the rail channel for the Tua line, and which integrates the Public Water Domain (in the amount of EUR 3.041 million).

In the current year, interest was charged to the grantor amounting to EUR 94.727 million (2016: EUR 114.707 million) and the respective counterpart is reflected in the financial earnings - interest earned – State caption (note 29).

When REFER was set up, the paid-in capital was carried out in kind with the delivery of the railway infrastructure then valued at EUR 62.350 million. From 1998 to 2001, the Portuguese State increased the statutory capital of REFER in the total of EUR 242.850 million. These increases were intended, as set out in each joint approval package, to finance investments in long-duration infrastructure forming the public railway domain.

On the date of incorporation, the public domain assets were registered as fixed assets (tangible fixed assets in the then accounting standards – POC) of REFER and so the consideration of the capital injection was recognition of those same assets. With the adoption of IFRIC 12, these figures take the form of repayment in due time for investments in the long-duration infrastructure by the concessionaire, totalling EUR 305.200 million (initial contribution in kind, plus the capital increases that occurred between 1998 and 2001).

Consequently, this value will no longer be reimbursed by the State/Grantor, and the amount of EUR 305.200 million is impaired.

13. GOVERNMENT AND OTHER PUBLIC BODIES

As at 31 December 2017 and 31 December 2016 this item is detailed as follows:

	31-12-2017		31-12-2016	
	Payable	Receivable	Payable	Receivable
CORPORATE INCOME TAX	16	47 797	208	25 816
Total current tax assets and liabilities	**16**	**47 797**	**208**	**25 816**
Personal income tax - Withholding tax	-	1 694	-	1 641
VAT	1 424 709	669	1 238 498	1 919
Contributions to Social Security, CGA pension and ADSE health systems	-	7 044	-	5 570
Other taxes and charges	104	14	100	10
Total State and other public entities	**1 424 813**	**9 421**	**1 238 598**	**9 139**

The corporate income tax payable/receivable balance for the indicated periods is as follows:

Description	31-12-2017		31-12-2016	
	Payable	Receivable	Payable	Receivable
Withholding tax	-	- 30	192	- 6
Special Payment on account	16	-	16	- 38
Payments on account and additional payments on account	-	- 28 391	-	- 6 979
Tax estimate	-	76 316	-	33 626
RETGS corporate group taxation impact	-	- 98	-	- 787
Total current tax assets and liabilities	**16**	**47,797**	**208**	**25,816**

The balances of personal income tax - Withholding tax and social security and CGA contributions are those for the processing of December 2017 salaries, which were paid in January 2018.

In the Government and other public bodies caption, the VAT receivable corresponds to the amount of EUR 1,423,448,000, of which repayment requests of EUR 227,562,000 have already been made in 2009 and for the period from January 2008 to October 2009. This balance is essentially the result of the VAT deducted by former EP in its activity. The company considers it is entitled to this deduction since the State collected VAT on a revenue of the former EP - the Road Service Contribution -, which in accordance with the legally established mechanisms for its settlement and collection, was paid to the company by the fuel distributors.

IP has two ongoing legal proceedings. The first is relative to the application for repayment of VAT up to June 2009 and the second relative to the request for the refund of VAT from July to September and deduction of October 2009.

The first case, concerning the request for reimbursement of VAT up to June 2009, was refused by the Tax and Customs Authority which issued notifications of additional VAT payments and interest in the amount of EUR 277.124 million and EUR 11.697 million, respectively.

Not agreeing with these demands for payment due to the fact that it considered them unfounded, on 30 November 2010 the former EP filed a challenge in Almada Administrative and Tax Court to the ruling out of a hierarchical appeal. The challenge by the former EP was considered inadmissible in the court of first instance, in January 2013. The former EP did not agree with the decision, and filed its appeal on 6 March 2013.

The second case, with respect to the request for the refund of VAT for July to September and deduction of October 2009, which was also rejected by the Tax Authority, also resulted in the issue of additional demands for VAT and interest payments of EUR 64.506 million and EUR 763,000, respectively. On 29 July 2011, the former EP filed a challenge in Almada Administrative and Tax Court to the ruling out of a hierarchical appeal. The challenge by the former EP was considered inadmissible in the court of first instance, in January 2013. The former EP did not agree with the decision, and filed its appeal on 11 March 2013.

In this second case, the appeal was filed and IP was notified on 17 October 2017 of the Judgment repealing the appealed decision and considered the legal challenge of the EP to be wholly valid and annuls in full all additional demands for VAT issued by the Tax Authority. The Treasury appealed, claiming various errors in that ruling. These were considered wholly inadmissible on 26 January 2018. An appeal was filed by the Tax Authority on 1 March 2018, to the Supreme Administrative Court, and the appeal was accepted for consideration. This is a review appeal of an exceptional nature, which envisages that the decision taken by the court may be reviewed whenever the analysis of an issue which, due to its legal or social importance, is of fundamental importance or when the review is necessary for better application of the law.

An appeal filed by the Treasury was also admitted by the Supreme Administrative Court. We are currently waiting for the decision.

As a result of the described evolution of the VAT case, IP increased the provision in 2017 by EUR 14.798 million, taking its cumulative value as at 31 December 2017 to EUR 348.766 million, which corresponds to the VAT that the former EP estimates it will cease to receive from the Tax Authority if it is considered that the RSC is not income liable for VAT (note 16).

During the usual tax inspection process, which was completed in 2015 and relating to the 2011 financial year of the former EP, the Tax Authority issued a report and it also issued notifications of additional VAT payments and interest in the amount of EUR 195.514 million and EUR 29.412 million, respectively. With regard to the settlement of compensatory interest, since the value of the correction was deducted from the existing reported value, there was consequently no payment of the tax in question, and the corrections in question may not give rise to the payment of compensatory interest. The cancellation of such interest has therefore been requested.

Not agreeing with these demands for payment, IP submitted complaints and hierarchical appeal requesting that the demands for payment are cancelled.

On the date of publication of the accounts, the company is aware that its hierarchical appeal for 2011 was rejected. The time limit for judicial challenge to the Tax Court is now running.

During the usual tax inspection process of the 2012 financial year of the former EP, the Tax Authority issued notifications of additional VAT payments and interest in the amount of EUR 188.756 million and EUR 2.867 million, respectively.

Not agreeing with these demands for payment, IP submitted complaints and hierarchical appeal requesting that the demands for payment are cancelled.

On the date of publication of the accounts, the company is aware that its hierarchical appeal for 2012 was rejected. The time limit for judicial challenge to the Tax Court is now running.

As part of the usual tax inspection process of the 2013 financial year of the former EP, the Tax Authority issued notifications of additional VAT payments and interest in the amount of EUR 171.213 million and EUR 13.300 million, respectively.

Not agreeing with these demands for payment, IP submitted complaints and hierarchical appeal requesting that the demands for payment are cancelled.

In addition, it should be noted that the corrected values of the Tax Authority and not provisioned for by IP mainly result from the value of VAT deducted from the State concessioned network, so that, if the Tax Authority's interpretation is backed by the Court, the consideration of the additional expense for IP will always be an increase of its intangible assets, without a direct impact on the profit or loss of the year, only impacting on future years by an increase in the amortisation of that asset.

14. CASH AND CASH EQUIVALENTS

The cash and cash equivalents shown in the consolidated statement of cash flows for the financial years ending on 31 December 2017 and 31 December 2016 are reconciled with the amounts shown in the statement of financial position, as follows:

Description	31-12-2017	31-12-2016
Bank deposits	350 195	310 817
Cash	127	216
Cash and Cash equivalents in the Statement of Financial Position	**350 322**	**311 033**
Accounting overdrafts	- 252	- 444
Cash and Cash equivalents in the Cash Flow Statement	**350 070**	**310 588**

Accounting overdrafts in the statement of financial position are shown in the current liabilities under the borrowings caption.

As at 31 December 2017, there were no restrictions on the movement of these amounts (note 41).

15. SHARE CAPITAL AND RESERVES

i) SHARE CAPITAL

The share capital is represented by nominative shares in book-entered form, owned by the Portuguese State and held by the Directorate-General for Treasury and Finance.

As at 31 December 2016, the share capital was EUR 4,045,375,000 fully subscribed and paid up by its shareholder, corresponding to 809,075 shares with a nominal value of EUR 5,000 each.

During the 2017 financial year, the share capital was increased in February, June and November in the amount of EUR 600,000,000, EUR 100,000,000 and EUR 180,000,000, by issuing 120,000, 20,000 and 36,000 new shares respectively, to make up the amount of EUR 4,925,375,000 corresponding to 985,075 fully subscribed and paid-up shares.

The basic/diluted earnings per share is as follows:

	31-12-2017
Profits allocated to shareholders (in euros)	122 919 182
Average number of shares during the period	936 742
Average number of diluted shares during the period	936 742
Basic earnings per share (in euros)	131.22
Diluted earnings per share (in euros)	131.22

The basic and diluted earnings per share is 152.56 euros as there are no dilution factors.

The IP Group calculates its basic and diluted earnings per share by using the weighted average of the shares in circulation during the reporting period, as follows:

	(No. of shares)
January 2017 to February 2017	809 075
March 2017	929 075
July 2017	949 075
December 2017	985 075
Weighted average of shares in circulation	936 742

ii) RESERVES

Reserves can be broken down as follows:

	31-12-2017	31-12-2016
Legal reserve	2 005	627
Merger reserve	-95	-95
	1,909	**531**

With regard to legal reserves, commercial legislation establishes that at least 5% of the annual net profit must be allocated to the legal reserve until it represents at least 20% of the share capital. This reserve is not distributed unless the company is liquidated, but it can be used to absorb losses after the other reserves are exhausted, or incorporated into capital.

16. PROVISIONS

The evolution of provisions for other risks and charges in 2017 and 2016 is as follows:

	General Risks	Expropriations	Contracts	Employee benefits	Disqualified Roads	Works at Negotiation Phase	VAT proceeding	Total
As at 1 January 2017	**44 250**	**36 301**	**33 216**	**1 151**	**409 280**	**561**	**333 968**	**858 728**
Allocation	4 354	3 022	17 017	-	185	-	14 798	39 376
Reduction/Use	- 8 839	- 14 236	- 4 794	- 215	- 584	-	-	- 28 667
As at 31 December 2017	**39 766**	**25 088**	**45 438**	**936**	**408 882**	**561**	**348 766**	**869 437**
Non-current balance	39 766	25 088	45 438	936	408 882	561	348 766	869 437

	General Risks	Expropriations	Contracts	Employee benefits	Disqualified Roads	Works at Negotiation Phase	VAT proceeding	Total
As at 1 January 2016	**37 978**	**49 110**	**41 199**	**1 299**	**409 535**	**561**	**318 030**	**857 712**
Allocation	9 364	2 114	746	-	-	-	15 938	28 162
Reduction/Use	- 3 092	- 14 923	- 8 729	- 148	- 255	-	-	- 27 146
As at 31 December 2016	**44 250**	**36 301**	**33 216**	**1 151**	**409 280**	**561**	**333 968**	**858 728**
Non-current balance	44 250	36 301	33 216	1 151	409 280	561	333 968	858 728

PROVISIONS FOR ONGOING LEGAL PROCEEDINGS

GENERAL RISKS:

A risk of EUR 39.766 million was accepted by the Legal Affairs Department at 31 December 2017 inherent to the potential liabilities of general litigation proceedings unconnected to works.

EXPROPRIATIONS:

This provision was set up to deal with the risk of IP to make additional payments relating to the road expropriation processes that are in litigation. This is the result of the consultations conducted by the Legal Department of the external and internal lawyers of the cases.

Of the total of EUR 14.236 million reduced to this provision, EUR 11.857 million relates to cases ended during the year.

It should be noted that, by its nature, the total increases and reductions in this provision are offset by the intangible assets in progress.

CONTRACTS:

In the case of general disputes connected with road contract works, the analysis by external and internal lawyers of the cases produced an estimate of EUR 45.438 million. This is influenced by the strengthening of the provision in 2017 by around €17.017 million corresponding to the risk associated with new open and not closed cases during the year. It should be noted that, by its nature, the total increases and reductions of this provision are offset by intangible assets in progress.

VAT PROCEEDING:

It was decided in 2010 for prudence and as a result of the evolution of the VAT proceeding described in note 13, to set-up a provision for the VAT proceeding for the estimated impact of an unfavourable decision to IP

Since the issue giving rise to the dispute between the former EP and the Tax Authority was the acceptance or not of the RSC as income liable for VAT, a provision was set up which is equivalent to the amount of VAT deducted by the former EP and by IP in activities financed by the RSC. It should also be noted that the consideration of this provision was based on the accounting classification of the expenditure that resulted in the deductible VAT, i.e. VAT deducted from the financial year's expenses was provisioned against costs (EUR 13.170 million) and VAT deducted from the acquisition or construction of assets was provisioned by being offset against intangible assets (EUR 1.628 million).

PROVISIONS FOR OTHER NON-LITIGATION SITUATIONS

PROVISION FOR DISQUALIFIED ROADS:

The IP Group is required to transfer disqualified roads within the National Road Plan to the responsibility of municipalities, having set up a provision which reflects the best estimate to fulfil the obligations of renovating disqualified roads still under the company's responsibility. The entering of the transfer protocols with the Municipalities led to the utilisation of this provision in the amount of EUR 584,000 in 2017.

PROVISION FOR CONTRACTS AT NEGOTIATION PHASE:

This provision corresponds to payments foreseen to settle claims relating to road contracts, which are still being negotiated.

EMPLOYEE BENEFITS:

The IP Group grants temporary early retirement benefits and retirement and survival pension benefits to its employees, which as at 31 December 2017 totalled EUR 936,000.

The complementary retirement and survival pension benefits attributed to the employees constitute a defined benefit plan under which the IP Group pays early retirement pensions to a closed group of employees covered by the plan until such time as they retire under the Caixa Geral de Aposentações system.

The provision covers the responsibilities for benefits attributed to an already quite small group of employees (19), for a limited period of time. It was therefore the Executive Board of Directors' opinion that it was not necessary to have the annual liabilities assessed by a specialised firm, as this could be done internally.

17. BORROWINGS

17.1 BORROWINGS

The following breakdown of current and non-current loans as at 31 December 2017 and 31 December 2016 is presented below:

Description	31-12-2017	31-12-2016
Non-current loans		
Borrowings	3 221 317	3 315 673
Current loans		
Borrowings	141 629	173 474
	3 362 946	**3 489 147**

The terms and timing of repayment are as follows:

thousands of euro

Name	Date of signature	Amount	Outstanding Capital	Amortisation Start date	Amortisation End date	Freq-uency	Interest rate scheme	Interest Rate	Freq-uency
CP III North Line-B	14-07-1997	49,880	16,627	15-06-2008	15-06-2022	Annual	EIB variable, may not exceed 3M Euribor+0.15%	0.000%	15-mar 15-jun 15-set 15-dez
Rail Crossing of the River Tagus-B	14-11-1997	99,760	0	15-09-2003	15-09-2017	Annual	EIB variable, may not exceed 3M Euribor+0.15%	0.000%	15-mar 15-jun 15-set 15-dez
Rail Crossing of the River Tagus-	26-11-1998	25,000	2,250	15-09-2004	15-09-2018	Annual	1st flat payment	4.670%	15-set
Rail Crossing of the River Tagus-	26-11-1998	25,000	2,398	15-09-2004	15-09-2018	Annual	2nd flat payment	5.800%	15-set
Rail Crossing of the River Tagus-	26-11-1998	49,760	3,317	15-09-2004	15-09-2018	Annual	3rd variable payment EIB variable, may not exceed 3M Euribor+0.15%	0.000%	15-mar 15-jun 15-set 15-dez
Minho Line -A1	26-11-1998	25,000	2,250	15-09-2004	15-09-2018	Annual	1st flat payment	4.670%	15-set
Minho Line-A2	26-11-1998	25,000	2,398	15-09-2004	15-09-2018	Annual	2nd flat payment	5.800%	15-set
Minho Line-A3	26-11-1998	24,820	1,655	15-09-2004	15-09-2018	Annual	EIB variable, may not exceed 3M Euribor+0.15%	0.000%	15-mar 15-jun 15-set 15-dez
CP III North Line-D	10-11-2000	25,937	13,833	15-09-2011	15-09-2020	Annual	EIB variable, may not exceed 3M Euribor+0.15%	0.000%	15-mar 15-jun 15-set 15-dez
Connection to Algarve-A	08-10-2001	90,000	54,000	15-09-2012	15-09-2021	Annual	EIB variable, may not exceed 3M Euribor+0.12%	0.000%	15-mar 15-jun 15-set 15-dez
Minho Line-B	08-10-2001	59,856	35,913	15-09-2012	15-09-2021	Annual	EIB variable, may not exceed 3M Euribor+0.12%	0.000%	15-mar 15-jun 15-set 15-dez
CPIII/2 North Line-A	02-10-2002	100,000	75,000	15-03-2013	15-03-2022	Annual	EIB variable, may not exceed 3M Euribor+0.12%	0.000%	15-mar 15-jun 15-set 15-dez
CPIII/2 North Line-B	02-06-2004	200,000	160,000	15-12-2014	15-12-2023	Annual	EIB variable, may not exceed 3M Euribor+0.15%	0.000%	15-mar 15-jun 15-set 15-dez
Railways	28-10-2004	100,000	57,143	15-06-2009	15-06-2024	Annual	EIB variable, may not exceed 3M Euribor+0.15%	0.000%	15-mar 15-jun 15-set 15-dez
Railways B	14-12-2005	100,000	61,905	15-09-2010	15-09-2025	Annual	Fixed adjustable	3.615%	15-set
to carry forward		**1,000,012**	**488,688**						

Name	Date of signature	Amount	Outstanding Capital	Amortisation Start date	Amortisation End date	Amortisation Freq-uency	Interest rate scheme	Interest Rate	Freq-uency
to carry forward		**1,000,012**	**488,688**						
Railways C	12-10-2006	55,000	36,667	15-03-2011	15-03-2026	Annual	Fixed adjustable	4.247%	15-mar
Connection to Algarve-B	02-10-2002	30,000	20,000	15-03-2013	15-03-2022	Annual	EIB variable, may not exceed 3M Euribor+0.12%	0.000%	15-mar 15-jun 15-set 15-dez
CP III 2 North Line-C	11-12-2009	100,000	95,000	15-06-2017	15-06-2026	Annual	Fixed adjustable	1.887%	15-jun
CP III 2 North Line-D	12-07-2007	100,000	95,000	15-12-2017	15-12-2026	Annual	3M Euribor+0.435%	0.172%	15-mar 15-jun 15-set 15-dez
EIB- Roads 2009-2019	17-12-2009	200,659	153,839	15-06-2014	15-06-2029	Half-yearly	Fixed	2.189%	15-jun 15-dez
Refer V	04-08-2008	160,000	128,000	15-03-2014	15-03-2033	Annual	Fixed adjustable	2.653%	15-mar
Refer VI	10-09-2009	110,000	82,500	15-09-2013	15-09-2032	Annual	Fixed adjustable	2.271%	15-set
Eurobonds 06/26	10-11-2006	600,000	599,328		16-11-2026	Bullet	Fixed	4.047%	16-nov
Eurobonds 09/19	13-02-2009	500,000	499,631		18-02-2019	Bullet	Fixed	5.875%	18-fev
Eurobonds 09/24	16-10-2009	500,000	498,782		16-10-2024	Bullet	Fixed	4.675%	18-out
Eurobonds 06/21	11-12-2006	500,000	498,410		13-12-2021	Bullet	Fixed	4.25%	13-dez
Eurobonds 10/30	09-07-2010	125,000	120,804		13-07-2030	Bullet	Fixed	6.450%	13-jul
External Financing	**TOTAL**	**3,980,671**	**3,316,649**						
Accrued interest			**46,045**						
Accounting overdrafts			**252**						
TOTAL			**3,362,946**						

Interest on these loans is quarterly, half-yearly or annually and paid in arrears.

In EIB loans, the principal amount of capital is reimbursed periodically after the grace period. The remaining Eurobonds will be fully amortised at maturity (bullet).

As at 31 December 2017, loans that benefited from the State's guarantee totalled EUR 2,700 million (2016: EUR 2,801 million).

17.2 SHAREHOLDER FUNDING / LOANS

As at 31 December 2017 and 31 December 2016, the shareholder funding/loan caption is broken down as follows:

Description	31-12-2017	31-12-2016
Non-current loans		
State Loan	534 390	796 252
Current loans		
State Loan	4 392 482	4 070 120
Total	**4 926 872**	**4 866 371**

Loan agreements with the State/loans were aimed at meeting the financing needs of the companies (REFER and EP) since 2011.

No new bank loans/shareholder loans were raised during 2017, as the shareholder assured the financing needs through capital increases (note 15).

These loans bear interest at different flat rates, agreed with the DGTF, in accordance with the respective deadlines and amounts. Details are given below:

thousands of euros

Name	Date of signature	Amount	Outstanding Capital	Amortisation Start date	End date	Frequency	Interest rate scheme	Interest Rate	Freq -uency
Portuguese State	30-12-2011	2 062 772	1 031 386	31-05-2013	30-11-2016	Half-yearly	Fixed	2.770%	31-mai 30-nov
Portuguese State	14-02-2012	75 000	56 250	31-05-2014	30-11-2017	Half-yearly	Fixed	3.420%	31-mai 30-nov
Portuguese State	14-02-2012	198 400	148 800	31-05-2014	30-11-2017	Half-yearly	Fixed	3.250%	31-mai 30-nov
Portuguese State	26-06-2012	118 284	88 713	31-05-2014	30-11-2017	Half-yearly	Fixed	2.740%	31-mai 30-nov
Portuguese State	26-06-2012	152 436	114 327	31-05-2014	30-11-2017	Half-yearly	Fixed	1.830%	31-mai 30-nov
Portuguese State	03-10-2012	206 246	154 684	31-05-2014	30-11-2017	Half-yearly	Fixed	1.760%	31-mai 30-nov
Portuguese State	03-10-2012	49 960	37 470	31-05-2014	30-11-2017	Half-yearly	Fixed	1.590%	31-mai 30-nov
Portuguese State	24-05-2013	282 937	282 937	31-05-2015	30-11-2020	Half-yearly	Fixed	2.100%	31-mai 30-nov
Portuguese State	24-05-2013	21 723	21 723	31-05-2015	30-11-2020	Half-yearly	Fixed	2.270%	31-mai 30-nov
Portuguese State	24-05-2013	23 394	23 394	31-05-2015	30-11-2020	Half-yearly	Fixed	2.350%	31-mai 30-nov
Portuguese State	24-05-2013	102 488	102 488	31-05-2015	30-11-2020	Half-yearly	Fixed	2.440%	31-mai 30-nov
Portuguese State	24-05-2013	20 000	20 000	31-05-2015	30-11-2020	Half-yearly	Fixed	2.150%	31-mai 30-nov
Portuguese State	13-11-2013	37 000	37 000	31-05-2015	30-11-2020	Half-yearly	Fixed	1.860%	31-mai 30-nov
Portuguese State	13-11-2013	293 000	293 000	31-05-2015	30-11-2020	Half-yearly	Fixed	1.880%	31-mai 30-nov
Portuguese State	13-11-2013	24 000	24 000	31-05-2015	30-11-2020	Half-yearly	Fixed	1.960%	31-mai 30-nov
Portuguese State	27-05-2014	15 000	15 000	31-05-2016	30-11-2021	Half-yearly	Fixed	2.430%	31-mai 30-nov
Portuguese State	27-05-2014	15 000	15 000	31-05-2016	30-11-2021	Half-yearly	Fixed	2.330%	31-mai 30-nov
Portuguese State	27-05-2014	20 000	20 000	31-05-2016	30-11-2021	Half-yearly	Fixed	2.220%	31-mai 30-nov
Portuguese State	27-05-2014	14 000	14 000	31-05-2016	30-11-2021	Half-yearly	Fixed	2.010%	31-mai 30-nov
Portuguese State	30-12-2011	1 705 000	852 500	31-05-2013	30-11-2016	Half-yearly	Fixed	2.770%	31-mai 30-nov
To carry forward		**5,436,639**	**3,352,672**						

Name	Date of signature	Amount	Outstanding Capital	Amortisation Start date	Amortisation End date	Frequency	Interest rate scheme	Interest Rate	Freq -uency
Carried forward:		**5,436,639**	**3,352,672**						
Portuguese State Loan	27-01-2012	204 000	153 000	31-05-2014	30-11-2017	Half-yearly	Fixed	3.690%	31-mai 30-nov
Portuguese State Loan	27-01-2012	230 000	172 500	31-05-2014	30-11-2017	Half-yearly	Fixed	3.440%	31-mai 30-nov
Portuguese State Loan	27-01-2012	75 000	56 250	31-05-2014	30-11-2017	Half-yearly	Fixed	2.930%	31-mai 30-nov
Portuguese State Loan	27-01-2012	28 000	21 000	31-05-2014	30-11-2017	Half-yearly	Fixed	2.690%	31-mai 30-nov
Portuguese State Loan	30-05-2012	44 000	33 000	31-05-2014	30-11-2017	Half-yearly	Fixed	2.690%	31-mai 30-nov
Portuguese State Loan	30-05-2012	80 000	60 000	31-05-2014	30-11-2017	Half-yearly	Fixed	2.700%	31-mai 30-nov
Portuguese State Loan	30-05-2012	33 500	25 125	31-05-2014	30-11-2017	Half-yearly	Fixed	1.980%	31-mai 30-nov
Portuguese State Loan	26-09-2012	156 800	117 600	31-05-2014	30-11-2017	Half-yearly	Fixed	1.810%	31-mai 30-nov
Portuguese State Loan	29-10-2012	16 000	12 000	31-05-2014	30-11-2017	Half-yearly	Fixed	1.710%	31-mai 30-nov
Portuguese State Loan	29-10-2012	13 300	9 975	31-05-2014	30-11-2017	Half-yearly	Fixed	1.590%	31-mai 30-nov
Portuguese State Loan	29-01-2013	85 000	85 000	31-05-2015	30-11-2020	Half-yearly	Fixed	2.750%	31-mai 30-nov
Portuguese State Loan	29-01-2013	135 600	135 600	31-05-2015	30-11-2020	Half-yearly	Fixed	2.420%	31-mai 30-nov
Portuguese State Loan	29-01-2013	17 400	17 400	31-05-2015	30-11-2020	Half-yearly	Fixed	2.150%	31-mai 30-nov
Portuguese State Loan	08-03-2013	25 654	25 654	31-05-2015	30-11-2020	Half-yearly	Fixed	2.150%	31-mai 30-nov
Portuguese State Loan	08-03-2013	266 405	266 405	31-05-2015	30-11-2020	Half-yearly	Fixed	2.180%	31-mai 30-nov
Portuguese State Loan	08-03-2013	28 042	28 042	31-05-2015	30-11-2020	Half-yearly	Fixed	2.610%	31-mai 30-nov
Portuguese State Loan	04-09-2013	26 202	26 202	31-05-2015	30-11-2020	Half-yearly	Fixed	2.190%	31-mai 30-nov
Portuguese State Loan	04-09-2013	25 000	25 000	31-05-2015	30-11-2020	Half-yearly	Fixed	2.180%	31-mai 30-nov
Portuguese State Loan	04-09-2013	17 943	17 943	31-05-2015	30-11-2020	Half-yearly	Fixed	2.070%	31-mai 30-nov
Portuguese State Loan	09-10-2013	3 688	3 688	31-05-2015	30-11-2020	Half-yearly	Fixed	2.100%	31-mai 30-nov
Portuguese State Loan	09-10-2013	21 805	21 805	31-05-2015	30-11-2020	Half-yearly	Fixed	1.870%	31-mai 30-nov
Portuguese State Loan	09-10-2013	49 891	49 891	31-05-2015	30-11-2020	Half-yearly	Fixed	1.970%	31-mai 30-nov
Total shareholder funding		**7,019,867**	**4,715,750**						
Accrued interest			**211,122**						
	TOTAL		**4,926,872**						

FLAT-RATE FINANCING

The fair value of the flat-rate financing as at 31 December 2017 is presented below:

Name	Nominal value	Outstanding Capital	Fair Value	Interest rate
EIB - Minho A 1	25 000	2 250	2 117	4.670%
EIB - Minho A 2	25 000	2 398	2 325	5.800%
EIB - Tagus C 1	25 000	2 250	2 117	4.670%
EIB - Tagus C 2	25 000	2 398	2 325	5.800%
EIB - Suburban B	100 000	61 905	66 206	3.615%
EIB - Suburban C	55 000	36 667	43 908	4.247%
EIB - REFER V	160 000	128 000	145 249	2.653%
EIB - REFER VI	110 000	82 500	91 455	2.271%
EIB - CPIII2 North Line C	100 000	95 000	97 118	1.887%
EIB- Roads 2009-2019	200 659	153 839	167 873	2.189%
Eurobonds 06/26	600 000	600 000	702 598	4.047%
Eurobonds 09/19	500 000	500 000	533 019	5.875%
Eurobonds 09/24	500 000	500 000	608 852	4.675%
Eurobonds 06/21	500 000	500 000	566 536	4.250%
Eurobonds 10/30	125 000	125 000	145 269	6.750%
Portuguese State Loan	2 062 772	1 031 386	1 069 572	2.770%
Portuguese State Loan	75 000	56 250	59 775	3.420%
Portuguese State Loan	198 400	148 800	162 592	3.250%
Portuguese State Loan	118 284	88 713	93 199	2.740%
Portuguese State Loan	152 436	114 327	118 259	1.830%
Portuguese State Loan	206 246	154 684	159 811	1.760%
Portuguese State Loan	49 960	37 470	38 598	1.590%
Portuguese State Loan	282 937	282 937	302 883	2.100%
Portuguese State Loan	21 723	21 723	23 376	2.270%
Portuguese State Loan	23 394	23 394	25 236	2.350%
Portuguese State Loan	102 488	102 488	110 864	2.440%
Portuguese State Loan	20 000	20 000	21 443	2.150%
Portuguese State Loan	37 000	37 000	39 315	1.860%
Portuguese State Loan	293 000	293 000	311 527	1.880%
Portuguese State Loan	24 000	24 000	25 581	1.960%
Portuguese State Loan	15 000	15 000	16 800	2.430%
Portuguese State Loan	15 000	15 000	16 704	2.330%
Portuguese State Loan	20 000	20 000	22 124	2.220%
Portuguese State Loan	14 000	14 000	15 299	2.010%
Portuguese State Loan	1 705 000	852 500	884 063	2.770%
Portuguese State Loan	204 000	153 000	163 323	3.690%
To carry forward:	**8 691 298**	**6 297 877**	**6 857 313**	

Name	Nominal value	Outstanding Capital	Fair Value	Interest rate
Transport:	**8 691 298**	**6 297 877**	**6 857 313**	
Portuguese State Loan	230 000	172 500	183 371	3.440%
Portuguese State Loan	75 000	56 250	59 285	2.930%
Portuguese State Loan	28 000	21 000	21 899	2.690%
Portuguese State Loan	44 000	33 000	34 640	2.690%
Portuguese State Loan	80 000	60 000	62 992	2.700%
Portuguese State Loan	33 500	25 125	26 056	1.980%
Portuguese State Loan	156 800	117 600	121 602	1.810%
Portuguese State Loan	16 000	12 000	12 387	1.710%
Portuguese State Loan	13 300	9 975	10 275	1.590%
Portuguese State Loan	85 000	85 000	92 816	2.750%
Portuguese State Loan	135 600	135 600	146 592	2.420%
Portuguese State Loan	17 400	17 400	18 655	2.150%
Portuguese State Loan	25 654	25 654	27 504	2.150%
Portuguese State Loan	266 405	266 405	285 889	2.180%
Portuguese State Loan	28 042	28 042	30 491	2.610%
Portuguese State Loan	26 202	26 202	28 126	2.190%
Portuguese State Loan	25 000	25 000	26 828	2.180%
Portuguese State Loan	17 943	17 943	19 190	2.070%
Portuguese State Loan	3 688	3 688	3 948	2.100%
Portuguese State Loan	21 805	21 805	23 177	1.870%
Portuguese State Loan	49 891	49 891	53 194	1.970%
TOTAL	**10 070 526**	**7 507 955**	**8 146 229**	

18. SUPPLIERS AND OTHER ACCOUNTS PAYABLE

18.1 SUPPLIERS

As at 31 December 2017 and 2016 this caption is broken down as follows:

Description	Notes	31-12-2017	31-12-2016
General suppliers		18 998	17 941
Suppliers - other related parties	32	251	2 701
Total Suppliers - current		**19 249**	**20 642**

18.2 OTHER ACCOUNTS PAYABLE

As at 31 December 2017 and 2016 this caption is broken down as follows:

Description	31-12-2017	31-12-2016
Non-current		
Sub-concessions	2 370 818	2 616 557
	2 370 818	**2 616 557**
Current		
Sub-concessions	496 086	508 425
Regular road maintenance	277 484	236 163
Increased Expenses	38 957	55 155
Investment Suppliers	13 265	36 259
Remuneration to be paid	18 672	19 231
Advances on Sales Account	17 615	18 434
Sundry creditors	12 620	10 053
	874 699	**883 721**
	3 245 517	**3 500 278**

This caption includes the liability of the IP Group to sub-concessionaires for construction, operation and maintenance services carried out by these companies and not yet invoiced, in the amount of EUR 2,866,904,000, remunerated in accounting at rates between 5% and 9%, of which EUR 496,086,000 is payable within 12 months.

The caption Regular Road Maintenance includes the IP Group's responsibility for maintaining or restoring certain service levels in the infrastructure, and it is set up throughout the period up to the scheduled start of the works.

The Accruals heading basically includes amounts payable by the IP Group relating to its concession contract with the State, amounting to EUR 24 million.

The Investment Suppliers heading refers mainly to the amounts billed for the execution of own works and the amount payable for the State Concessions and Sub-concessions.

19. INVENTORIES

As at 31 December 2017 and 31 December 2016 this item is detailed as follows:

Description	Notes	31-12-2017	31-12-2016
Raw materials, subsidiary materials and consumables	19.1	43 644	48 866
Finished products (real estate)	19.2	7 282	7 282
Freight		260	251
Impairments accumulated in inventories		- 4 765	- 4 985
Construction contracts		117	-
Inventories		**46 538**	**51 414**

19.1 RAW MATERIALS, SUBSIDIARY MATERIALS AND CONSUMABLES

The raw materials, subsidiary materials and consumables caption refers to the different types of materials which are incorporated into the maintenance of the railway infrastructure and the construction of railway infrastructure.

On the date of reporting of accounts, a physical inventory was taken with the aim of quantifying the adjustment of inventory losses. Thus, impairment refers to:

i. materials that are obsolete or technically depreciated and which cannot be used for the activity of the IP Group and may be sold if an interested buyer is found; and
ii. a comparison between the market price of materials and the value at which they are recorded.

Consumption costs of rail materials amounted to EUR 15.840 million (EUR 12.032 million in 2016).

The analysis carried out at the end of 2017 was reinforced by impairment adjustment for Raw materials, subsidiary materials and consumables of EUR 466,000 (note 26).

19.2 FINISHED PRODUCTS

The finished product caption refers to land and the units for housing and trade in Sines.

The inventories were the subject of impairment tests carried out according to the income method, which is to plan the future cash flows associated with the various projects and update them at a rate that reflects their risk.

In the future cash flow projection, future returns are estimated using the market-based comparative method, which consists of determining the current value of the properties compared with similar ones, of which their price on the real estate market and their relevant characteristics are known.

With regard to the cost projection, these are designed in accordance with the constructive reality of the real estate properties and the area in question.

With regard to the discounted cash flow update rate, it is the result of the use of a risk-free return rate, based on government bonds with a maturity similar to the time horizon of projects, associated with a risk premium.

The summary of the variables considered previously is shown below:

	31-12-2017	31-12-2016
Discount rate (annual)	11%	12%
Cash flow margin - [Cash / (future income)]	19%	10%

The previous figures resulted in impairment reversal of EUR 686,000 (note 26).

The impact on impairments is essentially the result of favourable developments in the real estate market and an increase in revenues associated with projects compared to the same period of the previous year, of about 9%, while the estimated costs show a decrease of 2% compared to the same period of the previous year.

If the discount rate were to change 1% in this context, there was a variation in the value of the properties by around EUR 290,000 contrary to the rate of change in the rate.

20. INVESTMENT PROPERTIES

The movements in investment properties are as follows for the periods ending on 31 December 2017 and 31 December 2016.

Investment Properties	31-12-2017	31-12-2016
Gross assets		
Opening balance	**6 824**	**7 595**
Disposals	- 696	- 771
Closing balance	**6 127**	**6 824**
Accumulated depreciation		
Opening balance	**668**	**613**
Increases	70	79
Disposals	- 27	- 24
Closing balance	**711**	**668**
Accumulated impairment	**1 573**	**1 780**
Net value	**3 843**	**4 377**

The investment properties are mainly made up of:

a) 26 units held for lease in Sines, of which 15 have effective lease agreements (2016: 30 units / 14 with effective lease agreements); and

b) 3 units in Viana do Castelo (2016: 3 units).

c) Other investment properties, namely:18 units located in Alfragide.

In 2017, four units located in Sines were sold and generated net profits of EUR 33,000 included in the other income and other expenses captions, respectively.

Also, with regard to Sines, as at 31 December 2017, Management assessed the possible existence of evidence that would trigger/reverse the impairments existing, as set out in the IAS 36, as well as available internal information, which is relevant to the following:

d) Sales earnings of the year and respective margins;

e) Relationship between the type of units sold, compared to those in portfolio;

f) Firm purchase and sale contracts in 2018;

g) Rents existing in the market in the lease zones;

h) Purchase and sale contracts undergoing negotiation.

Result of this analysis, impairments were reversed in the amount of EUR 28,000 associated with firm purchase and sale contracts that are expected to be amortised in 2018 due to the fact that the recoverable value of these properties exceeds their current registration value.

With regard to the other properties located in Sines, no signs were identified that would justify the preparation of new assessments, due to:

i) Existing lease agreements remained stable.
ii) The properties in the portfolio, besides being located in the same area (Sines), are of similar types to those sold in the same period and in previous years; and
iii) The result of the sales of four units in the period originated very similar results to the book value of real estate (net capital gains of EUR 33,000).

As a result, the fair value of investment properties in Sines amounts to EUR 4.015 million, which results from the study carried out by external evaluators, and supported internally by Management for the year ending on 31 December 2015.

With regard to the 3 real estate units in Viana do Castelo, the existence of any impairment was deemed convenient on the basis of:

i) The 3 real estate units and their garage are not currently leased with any entity;
ii) There were no transactions relating to these properties, and
iii) Management believes that the commercial units of these properties have specific characteristics that influence their market performance, such as their size (clearly larger than the majority of the stores in the market and on which the majority of the demand is focused), the layout and architecture of the units (polygonal areas with many pillars in the interior), which influence the occupation of the areas and the possible separation of areas, as well as the legal composition of the units, making it unfeasible that in the event of purchase/lease a buyer/leaser will only acquire the commercial space, as they are “forced” to buy/rent at least 4 parking spaces.

With regard to the fair value of investment properties located in Viana de Castelo, they were determined by an internal certified assessor and supported by management.

This assessment, with reference to 31 December 2017, resulted in fair value of about of EUR 1.210 million, causing an impairment reversal of EUR 19,000.

The value of the other investment properties amounts to approximately EUR 149,000.

The following table presents the summary of the valuation techniques used as well as the identification of non-observable variables for assets, as well as the inter-relationships between these variables and the changes in fair value:

<table>
<tr><th></th><th>Valuation techniques</th><th>Non-observable data</th><th>Inter-relationship between non-observable data and fair value</th></tr>
<tr><td>Sines</td><td rowspan="2">These investment properties were assessed according to the income method where, the potential unit rent is estimated on the basis of the local market rent. The rents are considered perpetual. The determination of the yield is essentially based on the characteristics (qualitative and quantitative) of the property and on the level of risk of real estate investment in the relevant market, which is reflected in the risk/yield ratio associated with the assets in question.</td><td>Rent/m2 [€3 - €47.50]
Yield [4.71% - 8.00%]</td><td rowspan="2">- occupancy rate of spaces, the greater these are the higher fair value is, and vice versa

- Changes in the price of the rental market, increases in value imply increases in fair value and vice versa;

- The risk premium associated with the Yield, the higher it is, lower is fair value, and vice-versa</td></tr>
<tr><td>Viana do Castelo</td><td>Rent - [€40]/car parking
Rent/m2 - Storage [€1.20]
Yield [8.00%]</td></tr>
</table>

21. SALES AND SERVICES

In 2017 and 2016, sales and services are detailed as follows:

Description	31-12-2017	31-12-2016
Road Service Contribution	684 959	673 967
Tolls	296 493	281 054
Construction contracts and capitalised financial charges	70 160	97 841
Use of channels (tariffs)	69 217	68 414
Concession grantor - LDI Revenue	32 616	27 903
Others	42 043	43 589
Total sales and services	**1 195 489**	**1 192 767**

Road Service Contribution

Unit values of the road service contribution (contribution by users for the use of the road network) for 2017 remained in line with those established for the 2016 financial year, at EUR 87/1,000 litres for gasoline, EUR 111/1,000 litres for road diesel and EUR 63/1,000 litres for LPG vehicles.

The variation recorded in 2017 compared to 2016 reflects the increase in fuel consumption.

Tolls

In 2017, tolls recorded an increase of EUR 15 million resulting from a general increase in traffic volume.

With the entry into force, on 1 August 2016, of the new supplementary toll scheme for motorways located in disadvantaged territory (Ordinance 196/2016, 20 June), the volume of traffic was induced, particularly significant on the A22 motorway (Algarve), where 21% more journeys were registered than in 2016.

The revenue at the collection point installed in the Marão Tunnel increased by 7.4% compared to 2016, reflecting the demand for the Transmontana Motorway sub-concession.

Construction contracts

Construction contracts represent the income of the IP Group from its NRN construction activity as defined in the Concession Contract. This includes all the Group's construction activities by direct contracting or sub-concession.

The details of construction contracts for the periods reported are as follows:

Description	31-12-2017	31-12-2016
Capitalised financial charges	9 659	63 876
Sub-concessioned Network - Construction	38 953	30 388
Construction of New Infrastructure	21 549	3 577
Construction contracts	**70 160**	**97 841**

The values corresponding to the construction of New Infrastructures are the direct management of the Group and are calculated on the basis of the process of monitoring the monthly works and reflecting the physical evolution of the works in progress, plus costs directly attributable to the preparation of the asset for its intended use.

The construction of the Sub-concessioned network is calculated based on the construction values contracted for each sub-concession and the percentage of completion reported to the Group for each sub-concession. It reflects the physical evolution of the works and is therefore independent of the billing flow.

The variation reflects the final phase of construction of the A26 - Baixo Alentejo Motorway and the renovation of the EN 125 – Algarve Litoral.

The capitalised financial charges correspond to the Group's financial costs during the road construction phase and are composed either of financial costs used to finance the acquisition of the State's concessioned network, or the accounting remuneration of the debt of the sub-concessions corresponding to the sections still under construction and to which the implicit rate of the baseline case of each contract is applied, which is the result of the fact that the financial flows have not accompanied the physical evolution of the work. These theoretical rates vary between 5% and 9%.

Use of Channels

The entry into force of the 1st Addendum to the Network Directory, on 10 December 2017, meant the separation of the Stations Use Service, which totalled EUR 146,000 in 2017.

The variation recorded in 2017 is essentially reflected by the increase in the volume of train kilometres (TK) (+0.6% than in 2016). The North line was the line contributing most to this variation.

22. COMPENSATORY ALLOWANCES

In compliance with Decree-Law 217/2015 of 7 October, which transposed into Portuguese law Directive 2012/34/EU of the European Parliament and of the Council of 21 November 2012 and through Council of Ministers Resolution 10-A/2016 of 11 March, on 11 March 2016 (with retroactive effect to 1 January 2016) IP and the Portuguese State entered into a Contracting Framework which establishes the terms and conditions of the fulfilment by IP of its public service obligations concerning the management of the National Railway Network Infrastructure, including the compensatory allowances payable by the State during the 2016-2020 period.

The amount allocated in 2017 under the Programme Agreement was EUR 68.416 million. As at 31 December 2017, the payment of the amount of EUR 719,000 (with added VAT) is still outstanding.

23. COST OF GOODS SOLD AND MATERIALS CONSUMED

The details of this item are as follows:

Description	Notes	31-12-2017	31-12-2016
Capitalisation Tolls of Concessions		226 595	214 086
Sub-concessioned Network - Construction		21 549	30 034
Railway Materials		15 902	12 114
Construction of New Infrastructure		9 659	3 577
Cost of goods sold and materials consumed		**273 704**	**259 810**

As mentioned in note 2.2 p) (revenue) the amounts received by the IP Group from tolls on government concessions (net of collection costs) are deducted from the IP Group investment in the acquisition of rights over that same concessioned network. The deduction is offset in this caption.

The construction of the Sub-concessioned network is calculated based on the construction values contracted for each road sub-concession and the percentage of completion reported to the Group for each sub-concession. It reflects the physical evolution of the works and is therefore independent of the billing flow.

The Railway Materials caption essentially refers to the various types of materials which are incorporated into the maintenance of the railway infrastructure.

The values corresponding to the construction of New road infrastructures are the direct management of the IP Group and are calculated on the basis of the process of monitoring the monthly works and reflecting the physical evolution of the works in progress.

24. EXTERNAL SUPPLIES AND SERVICES

The detailed supplies and services are as follows:

Description	31-12-2017	31-12-2016
Railway Maintenance	54 872	51 341
Regular Road Maintenance	53 000	53 000
Current Maintenance and Road Safety	44 578	47 618
Sub-concessions Operation and Maintenance	27 213	25 654
Toll Collection Expenses	21 575	21 838
Electricity	15 147	16 200
RSC Collection Expenses	13 699	13 479
Surveillance and Security	5 238	5 571
Maintenance and Repairs	3 605	3 299
Rents and Leases	3 538	3 628
Specialised Work	3 034	3 642
Cleaning, Hygiene and Comfort	2 454	2 578
Fuel	2 258	2 141
Software Licences	1 986	1 675
Water Consumption	850	1 024
Rail Services	-	2 075
Others less than EUR 1 million	5 730	6 013
External supplies and services	**258 777**	**260 777**

The costs of railway maintenance relate essentially to the outsourcing of maintenance services : (i) track - the amount of EUR 21.168 million (EUR 21.159 million in 2016), (ii) signalling - the amount of EUR 14.520 million (EUR 14.311 million in 2016), iii) catenary - totalling EUR 4.793 million (EUR 5.058 million in 2016) and iv) telecommunications - amounting to EUR 4.006 million (EUR 2.359 million in 2016).

The cost recorded under the Regular Road Maintenance caption corresponds to the recognition of the increase in the liability of the IP Group with the costs needed to maintain the service level of the routes and road engineering structures which is imposed on it by the concession contract. This value does not correspond to a need for investment in conservation in the period but rather to the average annual investment needed to maintain the service level of the network.

The Current Maintenance and Road Safety caption contains the year's expenditure on current maintenance of roads and engineering structures and road safety.

Operating costs and maintenance of sub-concessions result from the accounting recognition of the operation and maintenance carried out by sub-concessionaires under the Sub-concession Contracts in force.

The expenses for collecting the RSC correspond to 2% of the RSC retained by the Tax Authority for provision of the service of calculation and collection of the RSC.

The rents and leases caption includes EUR 2.770 million (EUR 2.777 million in 2016) relating to the cost of the operational leasing of vehicles and EUR 256,000 (EUR 306,000 in 2016) with the operational leasing of administrative equipment.

The IP Group, on the date of presentation of the accounts, was using 659 vehicles (638 vehicles in 2016), through operating leasing.

The total future minimum leasing payments, non-cancellable, related to operating lease agreements that the IP Group has concluded, are:

Description	Less than 1 year	1 to 5 years
According to contracts concluded		
Vehicles	1 945	869
Equipment	59	-
	2 004	**869**

25. PERSONNEL EXPENSES

Personnel expenses in the financial years ending on 31 December 2017 and 31 December 2016 are as follows:

Description	31-12-2017	31-12-2016
Wages	101 117	105 013
Wage Expenses	24 582	22 406
Other Personnel expenses	4 434	3 760
Indemnities	1 726	3 517
Occupational Accident Insurance	951	778
Remuneration of members of Governing Bodies	807	824
Social Security Expenses	785	685
	134 402	**136 984**

In 2017, IP Group personnel expenses (EUR 134.4 million) decreased by approximately EUR 2.6 million compared to 2016 (-2%). However, it should be noted that in 2016, an expense of EUR 8.2 million was recognised in order to settle a history of variable allowances that were integrated into the holiday leave pay, holiday pay and Christmas allowance. The figure includes wages (EUR 6.6 million) and expenses with these (EUR 1.6 million) and will be settled in the period from 2017 to 2021.

Setting apart the effect of this extraordinary expense in 2016, personnel expenses in 2017 increased by EUR 5.6 million (4.4%) compared to the comparable amount of the same period (EUR 128.8 million).

This development was driven by the removal of reductions applied to wages which had an impact of EUR 1.5 million in the past year and the restoration of acquired rights in the 2017 State Budget Law (Article 21) with the respective impact on wages in terms of career structure progression and added seniority bonus, although limited to the second half of 2017 and a phased payment of 50% of the total wage increases, the impact of this legislation amounted to EUR 2.3 million.

Personnel insurance – occupational accidents and health – also contributed to the increase in spending in 2017. In the case of occupational accident insurance, since the policy premium is pegged to the Total Salaries Paid, the lack of wage reductions and the restoration of gained rights led to the premium paid increasing from EUR 0.78 million (2016) to EUR 0.95 million (2017). Health insurance showed an increase of EUR 0.5 million (growing from EUR 0.8 million to EUR 1.3 million) due to the greater number of employees covered – about 500 staff from the former EP with individual employment contracts – and that in 2016 part of the expenditure was suspended while the new contract was awaited the approval of the Court of Auditors.

26. IMPAIRMENT

The evolution of impairment on the financial years ending on 31 December 2017 and 31 December 2016 is as follows:

31 DECEMBER 2017

Description	Investment Properties (Note 20)	Available-for-sale assets	Inventories (Note 19)	Clients (Note 11.2)	Other Accounts Receivable (Note 11.1)	Goodwill (Note 5)	Grantor (Note 12)	Total
Opening balance	1 780	1	4 985	5 178	5 952	4 101	305 200	327 197
Reinforcement / (Reversal)	- 45	-	- 220	- 852	9	-	-	- 1 107
Transfers	- 162	-	-	- 54	-	-	-	- 216
Closing balance	**1 573**	**1**	**4 765**	**4 273**	**5 961**	**4 101**	**305 200**	**325 874**

31 DECEMBER 2016

Description	Investment Properties (Note 20)	Available-for-sale assets	Inventories (Note 19)	Clients (Note 11.2)	Other Accounts Receivable (Note 11.1)	Goodwill (Note 5)	Grantor (Note 12)	Total
Opening balance	2 077	1	5 650	5 477	7 996	4 101	305 200	330 502
Reinforcement / (Reversal)	- 65	-	- 665	- 157	- 2 043	-	-	- 2 931
Transfers	- 232	-	-	- 141	-	-	-	- 373
Closing balance	**1 780**	**1**	**4 985**	**5 178**	**5 952**	**4 101**	**305 200**	**327 197**

27. OTHER INCOME AND GAINS

This item is broken down into:

Description	31-12-2017	31-12-2016
Amortisation of investment subsidies	63 190	64 688
Income from Concession Fees	8 854	8 854
Gains in the sale of waste/materials	3 022	2 099
Concessions and licences	2 052	2 201
Accidents	1 609	2 067
Gains in the sale of tangible assets	1 492	1 409
Others	5 550	5 083
Other income and gains	**85 770**	**86 401**

Income recognised in Amortisation of non-refundable investment grants is recognised in Liabilities under Deferrals (note 10.1).

The income from Concession fees resulted from the recognition in the year of the corresponding share of the amount received in the signing of the Greater Lisbon and Douro Litoral concessions.

EUR 1.926 million from the sale of ferrous waste is included in gains in the sale of used waste/materials.

Included in the Concessions and Licences caption is EUR 985,000 (EUR 980,000 in 2016) relative to the concession of plots of land at the Bobadela terminal, EUR 397,000 (EUR 395,000 in 2016), relative to the transfer of the use of the Colina complex to Fertagus, about EUR 142,000 (EUR 187,000 in 2016) related to the use of commercial spaces and EUR 350,000 (EUR 403,000 in 2016) relating to the concession of land and buildings.

The Accidents caption refers to income derived from the repayment of damages caused in the National Road Network.

Gains from the sale of tangible assets are recorded as capital gains resulting from sales of real estate and surplus plots of land.

28. OTHER COSTS AND LOSSES

The details of Other expenses and losses are as follows:

Description	31-12-2017	31-12-2016
Regulation Fees for Road and Railway Activity	4 061	4 037
Compensatory Interest	2 281	-
Other Indemnities	1 724	1 850
Indirect Taxes	550	1 058
Indemnities for material damage	497	1 024
Bad Debts	451	4 030
Contributions	342	321
Others	1 828	2 401
Other costs and losses	**11 734**	**14 720**

The value recorded under Regulation Fees for Road and Railway derives from the value owed to AMT – Autoridade da Mobilidade e dos Transportes, I.P. relating to TRIF (the railway infrastructure regulation fee) and TRIR (Road infrastructure regulation fee).

The compensatory interest caption includes EUR 2.278 million as a result of the replacement of income statements of 2013, 2015 and 2016, as a result of the Tax Authority inspection of the taxable amount of 2013.

The amount of bad debts in 2016 resulted from the derecognition of a third party balance that was totally recorded as impaired in previous years.

29. FINANCIAL LOSSES AND GAINS

The breakdown of financial loss and gains in the periods December 2017 and December 2016 is as follows:

Description	31-12-2017	31-12-2016
Financial losses	**352 805**	**412 967**
Interest incurred:		
Loans	150 842	187 682
Sub-concessions	191 467	215 515
Other interest incurred	26	2
Other financial losses	10 470	9 767
Financial gains	**94 728**	**115 652**
Interest earned		
Interest earned - State grantor	94 727	114 707
Other financial gains	1	945
Financial Results	**- 258 077**	**- 297 315**

Interest paid on loans relates to interest incurred with the debt contracted for the High Performance Road, Railway Infrastructure Investment Activity and Railway Infrastructure Management Activity business segments.

The improvement from 2016 was due to a reduction in the average balance of the EIB loans and non-maturing of interest during the grace periods granted for debt servicing on loans from the Portuguese State, which is virtually like a decrease of the average balance of those loans.

The expenses of the financial update of the debt to the sub-concessionaires for the works/services provided are recorded in the Sub-concessions interests paid, which will be billed in the future, in accordance with the terms stipulated in the respective Sub-concession contract. This amount is the result of the IP Group's liability to the sub-concessionaires for the road construction and operation and maintenance services already carried out by these and not yet paid, in the amount of EUR 2.866 million (indirect management debt), which bears interest in accounts at rates between 5% and 9%.

Other financial losses relate to the charges incurred with the fees for the guarantee stood by the Portuguese government, bank commissions and the accrual of charges associated with bond issues.

Interest earned includes interest charged to the State grantor (note 12). Since the interest charged to the State concession grantor is calculated based on the same terms of financing as investing in long-duration infrastructure, the aforementioned grace periods were reflected, leading to a reduction in the amount of charges charged to the grantor compared to 2016.

30. INCOME TAX

The breakdown of the tax for the year recognised in the financial statements in 2017 and 2016 is as follows:

Income tax	31-12-2017	31-12-2016
Current income tax	- 111 167	- 34 634
Deferred income tax	89 932	12 954
	- 21 234	**- 21 679**

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

Income tax	31-12-2017	31-12-2016
Nominal tax rate	21.00%	21.0%
Municipal surcharge	1.25%	1.45%
State surcharge (1)	7.00%	7.0%
Current income tax	**29.25%**	**29.45%**
Taxable temporary differences (2)	31.25%	29.37%
Deductible temporary differences other than tax losses (2)	31.19%	29.45%
Tax applicable to tax losses	21.00%	21.00%

(1) 3% on taxable profit between EUR 1.5 million and EUR 7.5 million / 5% on taxable profit between EUR 7.5 million and EUR 35 million / 7% on taxable profit over EUR 35 million.

(2) As approved in the 2018 State Budget, the last bracket of the State surcharge increases from 7% to 9%.

The reconciliation of the effective tax rate for the periods under review is shown below:

Reconciliation of effective tax rate	%	31-12-2017	%	31-12-2016
Profit before tax		**127 227**		**59 323**
Nominal tax rate	22.25%	- 28 308	22.45%	- 13 318
Accounting expenses not deductible in the year	-27.4%	- 34 895	-50.6%	- 30 013
Non-taxable accounting income	2.3%	2 968	26.9%	15 949
Tax losses deducted in the year	0.3%	329	0.8%	488
Excess / (Insufficient estimate)	0.3%	342	0.2%	100
Tax benefits	0.5%	648	0.0%	-
State surcharge	-13.9%	- 17 641	-12.3%	- 7 308
Separate taxation	-0.5%	- 644	-0.9%	- 527
Additional tax settlements	-26.7%	- 33 970	0.0%	-
Tax rate differences	0.0%	4	0.0%	- 3
Current tax	-87.4%	- 111 167	-58.4%	- 34 634
Deferred tax	70.7%	89 932	21.8%	12 954
Tax expenses	**-16.7%**	**- 21 234**	**-36.5%**	**- 21 679**

The effective rate difference compared with the nominal tax rate is essentially the following:

i) Permanent deductible differences in the amount of EUR 2 million, including the social benefit contributions (EUR 826,000), fines and penalty interest (EUR 680,000) and insurance, contributions and other personnel expenses (EUR 377,000);

ii) Temporary differences amounting to EUR 16.8 million result from the financial costs due to undercapitalisation (- EUR 3.6 million), regular maintenance (EUR 1.1 million), amortisation of the road concession (EUR 11.5 million) and differences in the deferred tax rate to be used in future periods (EUR 7.8 million), and

iii) Additional corporate income tax payments of EUR 33.970 million resulting from the incomplete tax acceptance of the costs of amortisation of the Road Concession Right under the terms it is economically calculated. These are the result of the tax inspection for 2013 as well as the voluntary correction of the subsequent years until 2017.

31. FINANCIAL ASSETS AND LIABILITIES BY CLASS

The breakdown of assets and liabilities by class is as follows:

31 DECEMBER 2017

	Loans and accounts receivable	Available-for-sale financial assets	Assets/liabilities at fair value through profit or loss	Other financial assets and liabilities	Non-financial assets and liabilities	Total
Assets						
Available-for-sale financial assets	-	32	-	-	-	32
Clients	76 213	-	-	-	-	76 213
Grantor - State - Account receivable	5 625 542	-	-	-	-	5 625 542
Other accounts receivable	120 438	-	-	-	42 617	163 056
Cash and cash equivalents	350 322	-	-	-	-	350 322
Total assets	**6 192 508**	**32**	**-**	**-**	**42 617**	**6 215 165**
Liabilities						
Borrowings	-	-	-	3 362 946	-	3 362 946
Shareholder financing	-	-	-	4 926 872	-	4 926 872
Other accounts payable	-	-	-	3 201 798	43 719	3 245 517
Suppliers	-	-	-	19 249	-	19 249
Total Liabilities	**-**	**-**	**-**	**11 510 865**	**43 719**	**11 554 584**

31 DECEMBER 2016

	Loans and accounts receivable	Available-for-sale financial assets	Assets/liabilities at fair value through profit or loss	Other financial assets and liabilities	Non-financial assets and liabilities	Total
Assets						
Available-for-sale financial assets	-	32	-	-	-	32
Clients	101 486	-	-	-	-	101 486
Grantor - State - Account receivable	5 494 532	-	-	-	-	5 494 532
Other accounts receivable	140 944	-	-	-	54 220	195 165
Cash and cash equivalents	311 033	-	-	-	-	311 033
Total assets	**6 047 995**	**32**	**0**	**0**	**54 220**	**6 102 247**
Liabilities						
Borrowings	-	-	-	3 489 147	-	3 489 147
Shareholder financing	-	-	-	4 866 371	-	4 866 371
Other accounts payable	-	-	-	3 456 235	44 043	3 500 278
Suppliers	-	-	-	20 642	-	20 642
Total Liabilities	**0**	**0**	**0**	**11 832 396**	**44 043**	**11 876 439**

32. DISCLOSURES ABOUT RELATED PARTIES

The entities identified as related parties of the IP Group as at 31 December 2017 and 2016, under the provisions of IAS 24 - Related parties, are as follows:

31 DECEMBER 2017

Joint ventures	
AVEP	Joint operation (IP holds 50.00% of the share capital)
AEIE, CFM4	Joint operation (IP holds 25.00% of the venture)
Other related entities	
AMT	Regulator
Portuguese State	Shareholder/ Grantor
CP	Control relationship – State (Railway Operator)

31 DECEMBER 2016

Joint ventures	
AVEP	Joint operation (IP holds 50.00% of the share capital)
AEIE, CFM4	Joint operation (IP holds 25.00% of the venture)
Other related entities	
AMT	Regulator
Portuguese State	Shareholder/ Grantor
CP	Control relationship – State (Railway Operator)

SIGNIFICANT BALANCES AND TRANSACTIONS WITH PUBLIC BODIES

The IP Group is 100% owned by the Portuguese State. The shareholder functions are carried out by the Directorate-General of the Treasury; the company is under the joint authority of the Ministry of Planning and Infrastructures and the Ministry of Finance.

The following table shows the main balances and transactions between the IP Group and the State and the public bodies in the financial years ending on 31 December 2017 and 31 December 2016:

31-12-2017		Notes	Assets		Liabilities		Income	Expenses
Nature			Current	Non-current	Current	Non-current		
Fee - Rail transport operators	Clients/Suppliers	11.2/18.1	5 344	-	251	-	59 107	3 832
Fee - Rail transport operators	Other accounts receivable/payable	11.1	4 758	-	34	-	-	-
Compensatory allowance	Compensatory allowance	22	-	-	-	-	68 416	-
Grantor – Account receivable	Grantor - State - Account receivable	12	5 625 542	-	-	-	-	-
Grantor - State - LDI Revenue	Sales and provision of services	21	-	-	-	-	32,616	-
Grantor	Financial losses and gains	29	-	-	-	-	94 727	-
TRIR/F	Other expenses and losses	28	-	-	-	-	-	4 061
RSC	Services rendered	21	-	-	-	-	684 959	-
Increased RSC income	Other accounts receivable	11.1	83 555	-	-	-	-	-
RSC collection costs	External Supplies and Services	24	-	-	-	-	-	13 699
Increased RSC expenses	Other accounts payable		-	-	1,671	-	-	-
Shareholder loans	Shareholder loans	17.2	-	-	4 392 482	534 390	-	-
Financial expenses - Shareholder loans	Financial losses and gains		-	-	-	-	-	28 946
			5 719.199	**0**	**4 394 438**	**534 390**	**939 825**	**50 539**

31-12-2016 Nature		Notes	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Income	Expenses
Fee - Rail transport operators	Clients/Suppliers	11.2/18.1	17 289	-	2 701	-	63 529	4 434
Fee - Rail transport operators	Other accounts receivable/payable	11.1	11 448	-	30	-	-	-
Compensatory allowance	Compensatory allowance	22	-	-	-	-	40 650	-
Grantor – Account receivable	Grantor - State - Account receivable	12	5 494 532	-	-	-	-	-
Grantor - State - LDI Revenue	Sales and provision of services	21	-	-	-	-	27 903	-
Grantor	Financial losses and gains	29	-	-	-	-	114 707	-
TRIR/F	Other expenses and losses	28	-	-	-	-	-	4 037
RSC	Services rendered	21	-	-	-	-	673 967	-
Increased RSC income	Other accounts receivable	11.1	92 983	-	-	-	-	-
RSC collection costs	External Supplies and Services	24	-	-	-	-	-	13 479
Increased RSC expenses	Other accounts payable		-	-	1 860	-	-	-
Shareholder loans	Shareholder loans	17.2	-	-	4 070 120	796 252	-	-
Financial expenses - Shareholder loans	Financial losses and gains		-	-	-	-	-	63 968
			5 604 823	**0**	**4 074 711**	**796 252**	**880 106**	**85 918**

BALANCES AND TRANSACTIONS WITH RAILWAY OPERATORS

The details of the balances with CP on 31 December 2017 and 31 December 2016 are detailed below:

Rail Operators (balances)	Notes	31-12-2017	31-12-2016
Balances receivable			
Clients	11.2	5,344	17,289
Other accounts receivable	11.1	4,758	19
Balances payable			
Suppliers	18.1	251	2,701
Other accounts payable		34	30

The transactions in 2017 and 2016 with the railway operator (CP) are detailed as follows:

Rail Operators (transactions)	31-12-2017	31-12-2016
External supplies and services	1,417	2,364
Other expenses	524	102
Personnel expenses	1,891	1,968
Services rendered	59,021	63,490
Other revenue	86	39

JOINT VENTURES

The following are the impacts of jointly controlled ventures in the financial statements of the IP Group on 31 December 2017 and 31 December 2016:

Joint Ventures	31-12-2017	31-12-2016
Assets	145	384
Liabilities	19	19
Revenue	318	272
Profit for the year	- 94	- 514

33. REMUNERATION OF CORPORATE OFFICERS

INFRAESTRUTURAS DE PORTUGAL

EXECUTIVE BOARD OF DIRECTORS

Chairman: António Carlos Laranjo da Silva

Vice-Chairmen: José Saturnino Sul Serrano Gordo and Carlos Alberto João Fernandes

Members: Vanda Cristina Loureiro Soares Nogueira and Alberto Manuel de Almeida Diogo

The terms of the mandate and remuneration scheme associated with the exercise of positions were established at the General Meeting on 28 August 2015.

Since the remuneration is defined, the 5% reduction provided for in Article 12 of Law 12-A/2010 of 30 June was applied to the calculated gross amounts.

The provisions of Article 24 of Law 42/2016 of 28 December were complied with and the payment of 50% of the Christmas allowance or additional monthly basic salary were paid in twelfths to the members of the Executive Board of Directors. The value of this was established pursuant to paragraph 2 of the same legal provision.

The payment scheme applying for holiday pay resulting from Article 274 of Law 42/2016 of 28 December was applied to the members of the Executive Board of Directors who chose this scheme.

The provisions of Article 41 of Law 82-B/2014 of 31 December were also complied with, the effects of which were extended by Article 19(1) of Law 42/2016 of 28 December, and no management bonuses were awarded.

Pursuant to Article 20(4) of Decree-Law 91/2015 of 29 May, the three-year term of office of the members of the Executive Board of Directors is scheduled to end on 31 December 2017.

(amounts in euros)

Board of Directors	31 December 2017	
	Remuneration	Employer's Welfare Contributions
António Carlos Laranjo da Silva	103 849	24 275
Carlos Alberto João Fernandes	93 574	21 848
José Saturnino Sul Serrano Gordo	93 434	21 848
Alberto Manuel de Almeida Diogo	83 345	19 420
Vanda Cristina Loureiro Soares Nogueira	83 333	19 420
	457 534	**106 810**

(amounts in euros)

Board of Directors	31 December 2016	
	Remuneration	Employer's Welfare Contributions
António Carlos Laranjo da Silva	41 853	9 770
José Saturnino Sul Serrano Gordo	89 441	20 853
Carlos Alberto João Fernandes	32 965	7 707
Vanda Cristina Loureiro Soares Nogueira	80 694	18 774
Alberto Manuel de Almeida Diogo	80 618	18 774
Adriano Rafael de Sousa Moreira	78 451	18 164
António Manuel Palma Ramalho	74 059	17 336
José Luís Ribeiro dos Santos	56 588	13 201
José Carlos de Abreu e Couto Osório	60 971	14 171
	595 640	**138 750**

GENERAL AND SUPERVISORY BOARD AND STATUTORY AUDITOR

The remuneration of the members of these bodies was defined at the General Meeting of 28 August 2015.

After requesting such, the members of the General and Supervisory Board identified below carried out their role unpaid:

José Emílio Coutinho Garrido Castel-Branco, because he was appointed public manager of another entity in the State business sector (all of 2017);

Duarte Manuel Ivens Pita Ferraz, because he retired under Decree-Law 1-A/2011 of 3 January (from July 2017).

(amounts in euros)

General and Supervisory Board	31 December 2017	
	Remuneration	Employer's Welfare Contributions
José Emílio Coutinho Garrido Castel-Branco	-	-
Issuf Ahmad	21 365	4 337
Duarte Manuel Ivens Pita Ferraz	12 071	2 450
	33 436	**6 787**

(amounts in euros)

General and Supervisory Board	31 December 2016	
	Remuneration	Employer's Welfare Contributions
José Emílio Coutinho Garrido Castel-Branco	10 082	-
Issuf Ahmad	21 253	4 314
Duarte Manuel Ivens Pita Ferraz	20 709	4 204
	52 044	**8 518**

(amounts in euros)

Statutory auditor	31 December 2017
Vitor Almeida Associados, SROC, Lda	16 481

(amounts in euros)

Statutory auditor	31 December 2016
Pedro Matos, Garcia Jr., P. Caiado & Associados, SROC	13 463

On 13 April 2017, Vitor Almeida & Associados, SROC, Lda represented by the partner Vitor Manuel Batista de Almeida (Statutory Auditor no. 691) was appointed for the purpose of a limited review of the 2017 half-yearly accounts and statutory audits of the separate annual and consolidated accounts for 2016 and 2017.

IP TELECOM

BOARD OF DIRECTORS

Chairman: Vanda Cristina Loureiro Soares Nogueira

Members: Alberto Manuel de Almeida Diogo and Carlos Alberto João Fernandes

Vanda Cristina Loureiro Soares Nogueira, Alberto Manuel de Almeida Diogo and Carlos Alberto João Fernandes hold the positions of Chairman and Members of the Board of Directors of IP Telecom, which they accumulate with the positions of members of the Executive Board of Directors of IP, S.A.. This accumulation of roles occurs under the provisions of Article 20 (4) of Decree-Law 71/2007 of 27 March, which approves the Public Manager Statute, given the control relationship of IP, S.A. over IP Telecom.

Pursuant to Article 31 of the Public Manager Statute, the accumulation of the abovementioned duties does not entitle the officer to any additional remuneration. The remuneration status of the managers concerned was established under the scope of the management functions in IP, S.A.

Pursuant to Article 397 of the Portuguese Companies' Code, no business was conducted between the company and its directors, and also no business was conducted between the company and the directors of Infraestruturas de Portugal, S.A. who are not members of the Board of Directors of IP Telecom.

SOLE AUDITOR

Vítor Martins & Ahmad, SROC, Lda

The disclosed amounts paid to the Sole Auditor take the form of remuneration for specialised services. The fees refer in full to the 2017 and 2016 financial years.

(amounts in euros)

Sole Auditor	31-Dec-17	31-Dec-16
Vítor Martins & Ahmad, SROC, Lda	12 037	12 037

IP PATRIMÓNIO

BOARD OF DIRECTORS

Chairman: Carlos Alberto João Fernandes

Members: José Carlos de Abreu Couto Osório and Nuno José Pires das Neves

Carlos Alberto João Fernandes is the Chairman of the Board of Directors of IP Património in accumulation with the role of member of the Executive Board of Directors of IP, S.A. This accumulation of roles occurs under the provisions of Article 20 (4) of Decree-Law 71/2007 of 27 March, which approves the Public Manager Statute, given the control relationship of IP, S.A. over IP Património.

Pursuant to Article 31 of the Public Manager Statute, the accumulation of the abovementioned duties does not entitle the officer to any additional remuneration. The remuneration status of the manager concerned was established under the scope of the management functions in IP, S.A.

José Carlos de Abreu Couto Osório and Nuno José Pires das Neves were paid taking into consideration the classification in group C of the Company and their remuneration status was defined in accordance with the provisions of Council of Ministers Resolution 16/2012 of 9 February and the provisions of Article 28 (2) of the Public Manager Statute.

The 5% reduction provided for in Article 12 of Law 12-A/2010 of 30 June applied over the amounts earned for holding the positions in 2017.

In view of the provisions of Article 21 of Council of Ministers Resolution 16/2012 of 9 February, the application of the rules on the definition of remuneration did not result in an increase in the remuneration actually paid to the members of the aforementioned Board of Directors, compared to those received by the Board of Directors of IP Património to date, which took as its reference the remuneration earned on the entry into force of Council of Ministers Resolutions 16/2012 and 18/2012.

Pursuant to Article 397 of the Portuguese Companies' Code, no business was conducted between the company and its directors, and also no business was conducted between the company and the directors of Infraestruturas de Portugal, S.A. who are not members of the Board of Directors of IP Património.

(amounts in euros)

	31 December 2017	
Board of Directors	Remuneration	Employer's Welfare Contributions
José Carlos de Abreu Couto Osório	66 972	15 536
Nuno José Pires das Neves	67 000	15 536
	133 973	**31 072**

(amounts in euros)

	31 December 2016	
Board of Directors	Remuneration	Employer's Welfare Contributions
Maria Teresa Afonso Vitorino	49 179	11 397
José Carlos de Abreu Couto Osório	15 762	3 679
Nuno José Pires das Neves	14 193	3 311
	79 133	**18 386**

SOLE AUDITOR

Vítor Martins & Ahmad, S.R.O.C., Lda.

The disclosed amounts paid to the Sole Auditor take the form of remuneration for specialised services. The fees refer in full to the 2017 and 2016 financial years.

(amounts in euros)

Entity	31-Dec-17	31-Dec-16
Vítor Martins & Ahmad, S.R.O.C., Lda.	11 894	11 894

IP ENGENHARIA

BOARD OF DIRECTORS

Chairman: António Carlos Laranjo da Silva

Members: Amílcar Álvaro de Oliveira Ferreira Monteiro and José Luís Ribeiro dos Santos (tendered resignation from post on 03-11-2017)

BOARD OF THE GENERAL MEETING

Chairman: Infraestruturas de Portugal, S.A.

Secretary: IP Património, S.A.

António Carlos Laranjo da Silva holds the post of Chairman of the Board of Directors of IP Engenharia which he accumulates with the post of member of the Executive Board of Directors of IP, S.A.. This accumulation of roles occurs under the provisions of Article 20 (4) of Decree-Law 71/2007 of 27 March, which approves the Public Manager Statute, given the control relationship of IP, S.A. over IP Engenharia.

Pursuant to Article 31 of the Public Manager Statute, the accumulation of the abovementioned duties does not entitle the officer to any additional remuneration. The remuneration status of the managers concerned was established under the scope of the management functions in IP, S.A.

Amílcar Álvaro de Oliveira Ferreira Monteiro and José Luís Ribeiro dos Santos are paid taking into consideration the classification in group C of the Company and their remuneration status was defined in accordance with the provisions of Council of Ministers Resolution 16/2012 of 9 February and the provisions of Article 28 (2) of the Public Manager Statute.

The 5% reduction provided for in Article 12 of Law 12-A/2010 of 30 June applied over the amounts earned for holding the position in 2017.

In view of the provisions of Article 21 of Council of Ministers Resolution 16/2012 of 9 February, the application of the rules on the definition of remuneration did not result in an increase in the remuneration actually paid to the members of the aforementioned Board of Directors, compared to those received by the Board of Directors of IP Engenharia to date, which took as its reference the remuneration earned on the entry into force of Council of Ministers Resolutions No. 16/2012 and No. 18/2012.

The member of the Board of Directors, José Luís Ribeiro dos Santos, tendered his resignation on 3 November, which came into effect on 31 December 2017, pursuant to Article 404 of the Portuguese Companies' Code.

Pursuant to Article 397 of the Portuguese Companies' Code, no business was conducted between the company and its directors, and also no business was conducted between the company and the directors of Infraestruturas de Portugal, S.A. who are not members of the Board of Directors of IP Engenharia.

(amounts in euros)

	31 December 2017	
Board of Directors	**Remuneration**	**Employer's Welfare Contributions**
Amílcar Álvaro de Oliveira Ferreira Monteiro	69 176	15 536
José Luís Ribeiro dos Santos	49 204	11 449
	118 381	**26 985**

(amounts in euros)

	31 December 2016	
Board of Directors	**Remuneration**	**Employer's Welfare Contributions**
Amílcar Álvaro de Oliveira Ferreira Monteiro	66 818	15 068
José Luís Ribeiro dos Santos	23 313	5 169
	90 130	**20 238**

SOLE AUDITOR

The disclosed amounts paid to the Sole Auditor take the form of remuneration for specialised services. The fees refer in full to the 2017 and 2016 financial years.

(amounts in euros)

	31-Dec-17	31-Dec-16
Vitor Martins & Ahmad, SROC, Lda.	9 115	9 115

GIL

BOARD OF DIRECTORS

Chairman: Carlos Alberto João Fernandes

Members: João Paulo Coelho Bicho Duarte and Nuno José Pires das Neves

Carlos Alberto João Fernandes is the Chairman of the Board of Directors of IP Património in accumulation with the role of member of the Executive Board of Directors of GIL. This accumulation of roles falls under the provisions of Article 20 (4) of Decree-Law 71/2007 of 27 March, which approves the Public Manager Statute, given the control relationship of IP, S.A. over GIL.

Nuno José Pires das Neves holds the role of member of the Board of Directors of GIL, which he accumulates with the position of member of the Board of Directors of IP Património, S.A. This accumulation falls under the provisions of Article 20 (4) of Decree-Law 71/2007 of 27 March.

Pursuant to Article 31 of the Public Manager Statute, the accumulation of the abovementioned duties does not entitle the officer to any additional remuneration. The remuneration status of the managers concerned was established under the scope of the management functions in IP, S.A., in the case of Carlos Alberto João Fernandes, and in IP Património, S.A., relative to Nuno José Pires das Neves.

João Paulo Coelho Bicho Duarte is paid taking into consideration the classification in group C of the Company and their remuneration status was defined in accordance with the provisions of Council of Ministers Resolution 16/2012 of 9 February and the provisions of Article 28 (2) of the Public Manager Statute.

The 5% reduction provided for in Article 12 of Law 12-A/2010 of 30 June applied over the amounts earned for holding the position in 2017.

(amounts in euros)

	31 December 2017	
Board of Directors	Remuneration	Employer's Welfare Contributions
Carlos Alberto João Fernandes	-	-
Nuno José Pires das Neves	-	-
João Paulo Coelho Bicho Duarte	66 729	15 541
	66 729	**15 541**

(amounts in euros)

	31 December 2016	
Board of Directors	**Remuneration**	**Employer's Welfare Contributions**
Up to 30-09-2016		
José Luís Ribeiro dos Santos	-	-
Alberto Manuel de Almeida Diogo	-	-
José Carlos de Abreu Couto Osório	-	-
After 30-09-2016		
Carlos Alberto João Fernandes	-	-
Nuno José Pires das Neves	-	-
João Paulo Coelho Bicho Duarte	17 583	3 980
	17 583	**3 980**

SOLE AUDITOR

Pursuant to Article 397 of the Portuguese Companies' Code, no business was conducted between the company and its directors, and also no business was conducted between the company and the directors of Infraestruturas de Portugal, S.A. who are not members of the Board of Directors of GIL, S.A.

(amounts in euros)

	31-Dec-17	31-Dec-16
Vitor Martins & Ahmad, SROC, Lda.	10 128	10 128

34. RECENTLY ISSUED ACCOUNTING STANDARDS AND INTERPRETATIONS

Changes in Accounting Policies

New standards or amendments that became effective on 1 January 2017 and that the IP Group adopted in preparing its financial statements

IAS 12 - Income tax (amendments) - Recognition of deferred tax assets for unrealised losses This amendment was adopted by the European Commission Regulation 1989/2017 of 6 November and aims to clarify the requirements for recognition of such assets. The amendment date had no impact on the financial statements of the IP Group.

IAS 7- Cash flow statement: disclosure initiative (amendments) – This amendment was issued in January 2016 and was adopted by the European Commission Regulation 1990/2017. It requires companies to provide information on changes in their financial liabilities in order to provide information that helps understand their debt. The amendment date had no impact on the financial statements of the IP Group.

Improvements to IFRS (cycle 2014-2016) – These improvements were issued in December 2016 and were adopted by European Commission Regulation No. 182/2018. They introduce amendments to IFRS 12 – Disclosure of interests in other entities and aim to clarify the scope of application of the standard.

New standards, amendments and interpretations issued and adopted by the European Union, but without effective application in the financial years beginning 1 January 2017 and not applied in advance

IFRS 15 – Revenue from contracts with customers (new) - This standard was issued in May 2014 and adopted by European Commission Regulation 1905/2016, with application to financial years beginning on or after 1 January 2018. This standard introduces a structure for recognising revenue based on principles founded on a five-step model to be applied to all contracts signed with customers. The steps are as follows:

i) Identify the contract with the customer
ii) Identification of the performance obligations
iii) Determine the price of the transaction
iv) Allocate the transaction price; and
v) Recognition of revenue.

IFRS 15 replaces the following standards: IAS 8 – Revenue; IAS 11 - Construction contracts; IFRIC 13 – Loyalty programmes; IFRIC 15 – Agreements for the construction of real estate; IFRIC 18 – Transfers of assets from customers; SIC 31 – Revenue – Transactions of direct exchange involving advertising services. No significant impacts are envisaged from the future adoption of this standard by the IP Group.

IFRS 9 – Financial instruments - This standard was issued in 2009 and amended in 2010, 2013 and 2014, as part of the project to revise and replace IAS 39. It was adopted by European Commission Regulation 2067/2016 of November, defining the entry into force at the latest from the commencement date of the first financial year beginning on or after 1 January 2018.

IFRS 9, issued in 2009, introduced new requirements for the classification and measurement of financial assets. The 2010 amendment introduced additional requirements related to financial liabilities. The 2013 amendment introduced the hedging methodology. In 2014, limited changes to the classification and measurement contained in IFRS 9 and new requirements for impairment of financial assets were considered.

The standard contains three categories of measurement of financial assets: amortised cost; fair value offset in other comprehensive income; and fair value offset against profit and loss. The current categories in IAS 39 are eliminated.

No significant impacts are envisaged from the future adoption of this standard by the IP Group.

IFRS 16 – Leases (new) - This standard was issued in January 2016 and adopted by European Commission Regulation 1986/2017, with application beginning on or after 1 January 2019. The standard introduces the principles for recognition and measurement of leases, replacing IAS 17 – Leases. It defines a single model for accounting for lease contracts that results in the lessee's recognition of assets and liabilities for all lease contracts, except if they are valid for less than 12 months or relate to low value assets. Depreciation and interest related to such assets are disclosed in the income statement separately. The lessors will continue to classify leasing as operational or financial.

No significant impacts are envisaged from the future adoption of this standard by the IP Group.

IFRS 15 – Revenue from contracts with customers: clarifications - These amendments were issued in September 2016 and adopted by European Commission Regulation 1987/2017, with application for financial years beginning on or after 1 January 2018. It introduces several clarifications for the standard with a view to eliminating possible diverging interpretations in relation to several matters.

No significant impacts are envisaged from the future adoption of this standard by the IP Group.

IFRS 4 – Insurance contracts: application of IFRS 9 Financial Instruments together with IFRS 4 - Insurance Contracts (amendments) - These amendments were issued in September 2016 and adopted by Regulation No. 1988/2017, with mandatory application in financial years beginning on or after 1 January 2018. It provides guidance on the application of IFRS 4 together with IFRS 9. IFRS 4 will be replaced by IFRS 17, still in the process of adoption by the European Union.

The future adoption of this change will not impact on the financial statements of the IP Group.

New standards, amendments and interpretations issued by the IASB and IFRIC but not yet adopted by the European Union

IFRS 14 - Regulatory deferral accounts (tariff deviations) - the IASB issued in January 2014 a standard laying down provisional measures for first-time adopters of IFRS and who have regulated tariffs. The European Commission decided not to proceed with the approval process, awaiting the definitive standard.

IFRS 2 – Share-based payment: Classification and measurement of transactions (amendments) - The amendment was issued in June 2016 and introduces several clarifications to the standard, which has no impact on the IP Group.

IFRIC 22- Transactions in foreign currency including advances to purchase assets - It was issued in December 2016 with a mandatory date of application for periods beginning on or after 1 January 2018. The interpretation has defined, since there were advances in foreign currency for the purpose of acquiring assets, expenses or obtaining income, the transaction date for the purpose of determining the exchange rate to be used in the recognition of the asset, expense or income is the date on which the entity initially recognises the asset or non-monetary liability resulting from the transaction.

Significant changes are not expected to occur with the adoption of this interpretation.

IAS 40 – Investment properties: Transfers (amendments) - This amendment was issued in December 2016 with a mandatory date of application for periods beginning on or after 1 January 2018. It clarifies that the change in asset classification must only be done when there is evidence of change in use.

Significant changes are not expected to occur with the adoption of this interpretation.

IFRS 17 - Insurance contracts (new) - This standard was issued in May 2017 with mandatory application for periods beginning on or after 1 January 2021. It establishes, within its scope, the principles for recognition, measurement, presentation and disclosure and it aims to replace IRS 4 – Insurance contracts.

The future adoption of this standard has no impact on the IP Group.

IFRIC 23 – Uncertainty regarding the treatment of income tax (new) - It was issued in June 2017 with a mandatory application date for periods beginning on or after 1 January 2019. The interpretation includes guidelines on the determination of taxable profit, tax bases, tax losses to be reported, tax credits to be used and tax rates in scenarios of uncertainty.

The future adoption of this interpretation has no impact on the IP Group.

IFRS 9 – Financial instruments: Prepayment features with negative compensation (amendments) - These amendments were issued in October 2017 with a mandatory application date for periods beginning on or after 1 January 2019. The amendments made allow financial assets with contractual conditions that provide for early amortisation of considerable amounts, to, in accordance with the defined requirements, be measured at amortised cost or at fair value through reserves, depending on the business model.

The future adoption of this amendment has no impact on the IP Group.

IAS 28 – Investments in associates and jointly controlled entities: Long-term interests in investments in associates and joint ventures (amendments) - These changes were issued in October 2017 with mandatory application date for periods beginning on or after 1 January 2019. They clarify that IFRS 9 must be applied to investments in associates and joint arrangements when the method of application of equity equivalence is not applied for the measurement of such investments.

The future adoption of this amendment has no impact on the IP Group.

Improvements in the 2015-2017 cycle: Standards: IFRS 3 – Business combinations; IFRS 11- joint arrangements; IAS 12 - Income tax and IAS 23 – Borrowing costs (amendments) - These changes were issued in December 2017 with a mandatory application date beginning on or after 1 January 2019. The clarifications considered include those related to IAS 23, according to which the portion of the loan directly related to the acquisition/construction of an asset, outstanding after the corresponding asset has been ready for the intended use is, for the purpose of determining the capitalisation rate, considered an integral part of the generic financing to the entity.

No significant impacts from the future adoption of these improvements are envisaged.

Improvements in the 2014-2016 cycle - Standards: IFRS 1 – First-time adoption of international financial reporting standards (eliminates some short-term exemptions); IFRS 12 - Disclosure of interests in other entities (clarifies the scope of the standard on assets held for sale) and IAS 28 – Investments in associates and joint ventures. (clarifies measurement aspects). These improvements were issued by the IASB in December 2016.

No significant impacts from the future adoption of these improvements are envisaged.

35. GUARANTEES AND SURETIES

The liabilities for bank guarantees contracted on 31 December 2017 totalled EUR 274 million (2016: EUR 155 million). Of this amount, EUR 269 million refer to guarantees provided to the Tax Authority (note 13) and EUR 2 million are guarantees provided to courts in accordance with litigation proceedings.

36. CONTINGENCIES

In accordance with current legislation, tax returns are subject to review and correction by the tax authorities for a period of four years (five years for Social Security) except when there has been tax losses, tax benefits have been granted or inspections, complaints or challenges are in progress, in which case, depending on the circumstances, the time limits are extended or suspended. The Executive Board of Directors, supported by the information from its tax advisers, considers that any tax contingencies should not have a significant effect on the financial statements on 31 December 2017, taking into account the provisions set up and expectations that existed on that date, including the situation of the appeal in the VAT case.

PENDING LAWSUITS

As at 31 December 2017, the pending lawsuits relating to railway expropriations totalled EUR 2.833 million (2016: EUR 1.618 million), and this value is not reflected in the Statement of Financial Position. In these cases, deposits are made in the name of the court where the proceedings are being heard. The deposits are equivalent to the value of the case and are in the custody of the Caixa Geral de Depósitos bank. Their resolution does not result in an expense for the Group but the grantor of the railway infrastructures.

There are also other lawsuits related to accidents in the railway infrastructure that the Group is responsible for, and also damage caused to neighbouring property and imputable to the Group. These lawsuits are covered by the business insurance of the IP Group.

The contingencies that may arise from the cases in the Labour Court have been provisioned, as stated in note 16.

VAT PROCEEDINGS

The IP Group recorded the following proceedings at the date of disclosure of its accounts:

- The final decision was issued by the Tax Authority relative to the VAT correction of 2006, involving the amount of EUR 2,816,329 in accordance with note 12. It was partially accepted by the Tax Authority. IP Património filed a legal challenge, based on the opinion of a tax expert. Notwithstanding the rejection of the said appeal, tax experts' opinions on the subject support the company's conviction that there are grounds for the refund of this amount, since there was no tax default by IP Património in the assessment of tax and processing of the operation according to the VAT code. At the extreme, if the case is not won, the amount already deposited and payable to the Tax Authority (note 12), plus any interest on late payment and compensatory interest, must be recognised as an expense. On 25 May 2015, the Company was notified of the challenge by the Tax Authority and it is awaiting the scheduling of the hearing.

- The enforcement proceedings served by the Lisbon-1 Tax Office, relative to value added tax paid by IP Telecom in the 2002 financial year, regarding which the company has challenged. The proceedings are presently suspended, since a bank guarantee was provided in the amount of EUR 24,448 (outstanding amount, interest, expenses and added 25%).

GRANTS

The subsidies assigned to the concession were granted in accordance with the eligibility conditions applicable to the respective applications. They are, however, subject to audits and any correction by the competent authorities. In the case of applications for Community grants, these corrections may occur over a period of five years from payment of the balance. In the case of subsidies assigned to the railway investment business on behalf of the grantor, the refund only has an impact on the State Grantor – Accounts receivable caption.

37. COMMITMENTS

The IP Group's commitments are primarily the responsibility of its obligation to meet the commitments made in the Road Sub-concession Contracts and the substitution of the State in its payments and receipts of the concessioned road network.

The IP Group's net costs with the State's Road Concessions and Sub-Concessions including the toll revenues after the end of the State's Concession Contracts with its private partners, which are the IP Group revenues in accordance with the Concession Contract, at constant prices and including VAT (these figures were sent to the Directorate-General for the Treasury and Finance and were used as a basis for the corresponding table in the Report on the State Budget for 2018) are summarised in the table below:

Expenses of Concessions and Sub-concessions (EUR million)	2018	2019	2020	2021	2022	2023	2024	2025	2026
Gross Expenses	1 498	1 436	1 414	1 379	1 366	1 228	1 185	1 043	945
Revenue	- 327	- 333	- 346	- 387	- 407	- 417	- 422	- 428	- 464
Net Expenses	**1 171**	**1 103**	**1 068**	**992**	**958**	**812**	**763**	**615**	**481**

Expenses of Concessions and Sub-concessions (EUR million)	2027	2028	2029	2030	2031	2032	2033	2034	2035
Gross Expenses	849	809	692	586	507	346	273	264	218
Revenue	-453	-459	-470	-337	-218	-154	-131	-136	-140
Net Expenses	**395**	**350**	**222**	**249**	**289**	**192**	**142**	**128**	**78**

Expenses of Concessions and Sub-concessions (EUR million)	2036	2037	2038	2039	2040	2041	2042
Gross Expenses	173	157	161	37	6	-	-
Revenue	-87	-74	-75	-29	-6	-	-
Net Expenses	**87**	**83**	**87**	**8**	**0**	**0**	**0**

38. INFORMATION REQUIRED BY LAW

a) Under Article 1 of Decree-Law 411/91 of 17 October, the Group confirms that it does not have any payments in arrears to the Social Security, nor does it owe any payments to the Tax Authority.

b) Impact of the Activity of the IP Group on National Accounts and Public Accounts (Base 12, paragraph 3 (c) of Decree-Law 110/2009 of 18 May):

A. NATIONAL ACCOUNTS:

After consultation with the National Statistical Institute (INE), it is considered that all the IP Group accounting items have a direct impact on the national accounts. The flows that the Group establishes with units outside the perimeter of general government will have a direct effect on the general government aggregates (deficit and/or debt), impact whose effect and magnitude will depend on the operations in question. Thus, when the IP Group receives interest from financial applications outside the general government perimeter, it positively contributes to the balance of general government. When the IP Group pays for services provided by companies outside the general government perimeter it is increasing public spending and, consequently, the deficit. If the IP Group contracts financing from the financial sector or the rest of the world, it is increasing public debt.

Due to the nature of the national accounts system, the estimate of the impact of a single unit should be taken as an indicative only. In so far as this is an integrated system, in order to evidence the underlying economic relations in a more explicit way, the national accounts methodology establishes that the operations of a unit or set of units are sometimes subject to transformations and the analytical effect of which only makes sense within the broader scope of the accounts.

B. PUBLIC ACCOUNTS:

Financial reporting on a public accounts basis uses the so-called cash basis where financial flows - payments and receipts - are registered.

The IP Group is included in the Reclassified public bodies and is deemed equivalent to the Autonomous services and funds, therefore it is integrated into the state budget.

Prospective financial information - commitments assumed and multi-annual forward-looking information for the concession period concerning the concessionaire's activity, namely in terms of results, funding needs, dividends payable to the shareholder and income tax (Base 12, paragraph 4(b) of Decree-Law 110/2009 of 18 May):

Forward-looking information

Table I refers to forward-looking information derived from the financial flows to the IP Group as at 31 December 2017 taking into consideration the commitments already made by the company. Note that compliance with the PRN 2000 requires making investments during the period of IP's Concession Contract, the financial inflows and outflows of which are not taken into account in the following table. The figures already include the estimate of the impacts of the ongoing renegotiation of the Sub-concession contracts. Annual net income, annual borrowing needs, dividends payable and income tax (IRC) were all forecast.

FORWARD-LOOKING INFORMATION

Values at current prices

EUR thousand		2018	2019	2020	.....	2025	.....	2035	.....	2045	.....	2055	.....	2065	.....	2075	.....	2082
Net Profit or Loss		83,327	159,222	109,925	…	104,398	…	817,959	…	2,063,951	…	2,879,920	…	3,853,432	…	5,084,367	…	6,124,116
Annual Borrowing Needs		912,367	1,125,051	1,251,797	…	632,125	…	--	…	--	…	--	…	--	…	--	…	--
Dividends payable	(a)	--	--	--	…	--	…	--	…	1,987,018	…	2,794,663	…	3,739,804	…	4,941,170	…	5,972,036
Income tax (IRC)	(b)	(56,534)	(52,402)	(49,879)	…	(68,751)	…	(317,505)	…	(795,884)	…	(1,108,324)	…	(1,481,164)	…	(1,952,431)	…	(2,350,427)
Financial flows with the State	(c)	627,866	645,686	662,868	…	718,180	…	403,843	…	(2,009,912)	…	(3,132,815)	…	(4,517,126)	…	(6,269,676)	…	(7,764,135)

FORWARD-LOOKING INFORMATION

Values at constant prices

EUR thousand		2018	2019	2020	.....	2025	.....	2035	.....	2045	.....	2055	.....	2065	.....	2075	.....	2082
Net Profit or Loss		83,327	156,869	106,177	…	91,333	…	587,033	…	1,215,147	…	1,390,939	…	1,526,770	…	1,652,575	…	1,732,872
Annual Borrowing Needs		912,367	1,108,424	1,209,116	…	553,014	…	--	…	--	…	--	…	--	…	--	…	--
Dividends payable	(a)	--	--	--	…	--	…	--	…	1,169,853	…	1,349,762	…	1,481,750	…	1,606,032	…	1,689,840
Income tax (IRC)	(b)	(56,534)	(51,627)	(48,178)	…	(60,147)	…	(227,867)	…	(468,575)	…	(535,297)	…	(586,853)	…	(634,600)	…	(665,074)
Financial flows with the State	(c)	627,866	636,144	640,267	…	628,299	…	289,831	…	(1,183,332)	…	(1,513,082)	…	(1,789,733)	…	(2,037,837)	…	(2,196,930)

(a) For these activities exclusively and with no equity restriction exercise, it is assumed that the cash flow available, from repayment of the debt, can be shared out since the dividend may not exceed the net profit for the year.

(b) In a cash flow perspective.

(c) From IP's perspective. Includes outflows: Corporate income tax, Revenue from the Road Concession and dividends and inflows: Reduction in ISP fuel tax (by creation of RSC), based on a cash flow perspective.

39. OTHER RELEVANT EVENTS

COMPENSATION, RIGHTS RESERVES, REQUESTS FOR REINSTATEMENT OF FINANCIAL EQUILIBRIUM (REF) AND APPEALS OF FINES IN SUB-CONCESSIONS AND SERVICE CONTRACTS.

Under the terms of the Sub-concession Contracts still prior to submission of any specific application for the reinstatement of financial equilibrium (REF), the IP Group's consideration is called the "rights reserve", i.e. it has to inform the Group that a particular fact is eligible for the purposes of REF. After this reserve, REF application requests are or can be submitted. It should also be noted that if the rights reserve is not formulated within 30 days of the occurrence of the event, any putative right to REF expires.

As at 31 December 2017, the following REF requests were submitted:

Sub-concessions	Type of Request Made	Request Generating Fact	Status
Transmontana Motorway (AEXXI)	Reinstatement of financial equilibrium	Delay in refusing authorisation	The SC waived this request by agreement.
Baixo Tejo (AEBT)	Reinstatement of financial equilibrium	Specific legislative amendments: Decree-Law 112/2009 of 18/5; Ministerial Order 314-B/2010 of 14/6; Decree-Law 111/2009 of 18/05 and Ministerial Order 1033-C/2010 of 06/10	Arbitration suspended by agreement.
Litoral Oeste (AELO)	Reinstatement of financial equilibrium	Specific legislative changes: Decree-Law 112/2009 of 18/5; Ministerial Order 314-B/2010 of 14/6; Decree-Law 111/2009 of 18/5 and Ministerial Order 1033-C/2010 of 06/10	Arbitration suspended by agreement.
Litoral Oeste (AELO)	Contesting fines	SC considers the levying of the fine to be illegal.	Arbitration suspended by agreement.
Litoral Oeste (AELO)	Reinstatement of financial equilibrium	SC argues several events generating the request: alterations to the project; environmental disturbances (cork oak stand); abnormal and unpredictable geological conditions and factors; archaeological finds; delays in planning of the contract works due to unforeseen difficulties created by the IP Group and Expropriations.	Arbitration suspended by agreement.
Pinhal Interior (Ascendi PI)	Reinstatement of financial equilibrium	Specific legislation - Law 46/10 of 7/9, Law 55-A/2010 of 31/12, Law 64-B/2011, of 31 /12	At decision-making stage on the Negotiation Committee.
Pinhal Interior (Ascendi PI)		Archaeological finds - Sra. da Alegria	Value agreed with the sub-concessionaire.
Pinhal Interior (Ascendi PI)		Construction of the Peral, Alvaiázere and Almalaguês junction	
		Archaeological finds - Peral junction	

Services Contract	Type of Request Made	Request Generating Fact	Status
ViaLivre - Norte Litoral	Reinstatement of financial equilibrium	Specific legislative amendment - Amendment of Law 25/2006, as a result of the Law approving the 2011 State Budget - Law 55-A/2010 of 31 December	The IP Group accepted the eligibility of the submitted expenses, which will or will not be approved on a case-by-case basis.
ViaLivre - Norte Litoral	Reinstatement of financial equilibrium	Specific legislative amendment - Amendment of Law 25/2006, became materially necessary when Law 64-B/2011 of 30 December was approved.	The IP Group accepted the eligibility of the submitted expenses, which will or will not be approved on a case-by-case basis.

COMPENSATION, RESERVES OF RIGHTS AND REQUESTS FOR REINSTATEMENT OF FINANCIAL EQUILIBRIUM (REF) IN STATE CONCESSIONS

These concessions are concessions of the State and have been negotiated by the State, so the IP Group does not know of any rights reserves and/or re-equilibrium request for concessions since, if these exist, they are not presented to the Group, since this is not the counterparty in those contracts. As part of its concession contract with the State, the IP Group may possibly be called upon to pay these REF if the Grantor decides.

In 2017, the IP Group recorded expenses of EUR 4.9 million in co-payments, compensation and re-equilibrium, the most important of which were:

I. Compensation payment to the Brisal - Auto-Estradas do Litoral, S.A. concessionaire - in the amount of EUR 6.85 million, resulting from the drop in traffic caused by the introduction of tolls on the Costa da Prata motorway.
II. Payment of the amount of EUR 0.497 million relative to the reimbursement of the TRIR (Road Infrastructure Regulation Charge) and SIEV, to various concessionaires.
III. Implementation of the Financial Re-equilibrium Agreement IX with Lusoponte, resulting in a balance of EUR 0.48 million for the IP Group.

APPROVAL OF THE CONSOLIDATED ACCOUNTS OF THE IP GROUP COVERING THE 2016 PERIOD

On 29 March 2018, the consolidated financial statements and the Executive Board of Directors' report for 2016 of the IP Group were approved by the shareholder.

40. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITY

The reconciliation of liabilities whose flows affect financing activities are indicated below:

	Financing	Shareholder loans	Total
Balance as at December 2016 (1)	**3,489,147**	**4,866,371**	**8,355,518**
Cash			
Interest	-122,603	-	-122,603
Amortisations (2)	-113,027	-	-113,027
Other financial charges	-9,564	-	-9,564
Non-Cash			
Effective rate (3)	981	-	981
Accrued interest (4)	-13,918	60,501	46,583
Other variations (5)	-192	-	-192
Other financial charges (6)	-45	-	-45
Balance as at December 2017 (1) + (2) + (3) + (4) + (5) + (6)	**3,362,946**	**4,926,872**	**8,289,818**

41. SUBSEQUENT EVENTS

During the usual tax inspection process of 2014 of the former EP, the Tax Administration issued an inspection report and it also issued notifications of additional VAT payments in the amount of EUR 248.308 million. IP considers these settlements to be invalid and so a hearing was granted on 23 March 2018.

According to the terms of the concession, approved in an annex to Decree-Law 380/2007 of 13 November, in the version in force, it is now the responsibility of IP – Infraestruturas de Portugal, S.A. to make payments that are the responsibility of the State as the grantor, under the State Concession Contracts (see paragraphs 7 and 8 of base 2).

These contracts – whose management, on behalf of and representing the State, as the grantor, rests with IMT – Instituto da Mobilidade e dos Transportes, I.P (see paragraphs 4(r) and 1, both of Article 3 of Decree-Law 236/2012 of 31 October, in the version in force) - include the Concession Contract for the Douro Litoral motorway. Under this concession contract of the Douro Litoral motorway, the concessionaire, following the request to reinstate financial equilibrium that was declined by IMT, filed arbitration proceedings which culminated in the grantor's conviction (the State, represented by IMT). Pursuant to legal terms, IP must make the payments that are the responsibility of the State, but only if and when instructed by IMT, which did not occur in good time, despite the various requests for guidance sent by IP to IMT.

In this context, and since the decision of the Arbitrational Court was not complied with, the concessionaire filed enforcement proceedings for payment of a certain amount, under which the bank balance of EUR 56 million was seized in January 2018. If the payment is ordered, the registration will be made in the Intangible Assets item.

By unanimous corporate decision, dated 22 February 2018, the share capital of IP was increased by EUR 450 million through the issue of 90,000 shares with a nominal value of EUR 5,000 each subscribed and paid or to be paid by the shareholder, the Portuguese State.

By unanimous corporate decision, dated 24 April 2018, it was decided to increase the share capital of IP by EUR 290 million, through the issue of 58,000 shares with a nominal value of EUR 5,000 each, to be subscribed and paid in by the Portuguese State, under the following conditions: the amount of EUR 145 million by 24 April 2018, the amount of EUR 145 million by 22 June 2018.

The share capital increase planned for April 2018 was done on 26 April 2018.

On 29 March 2018, new members of the corporate bodies were proposed and elected for the 2018-2020 term of office, with the Executive Board of Directors as follows:

Chairman: António Laranjo
Vice-Chairman: José Serrano Gordo
Vice-Chairman: Carlos Alberto João Fernandes
Executive Director: Alberto Manuel de Almeida Diogo
Executive Director: Vanda Cristina Loureiro Soares Nogueira
Executive Director: Alexandra Sofia Vieira Nogueira Barbosa

Almada, 27 April 2018

THE EXECUTIVE BOARD OF DIRECTORS

Financial Director

Maria do Carmo Duarte Ferreira

Official Auditor

Diogo Mendonça Lopes Monteiro

Chairman	António Carlos Laranjo da Silva
Vice-Chairman	José Saturnino Sul Serrano Gordo
Vice-Chairman	Carlos Alberto João Fernandes
Member	Alberto Manuel de Almeida Diogo
Member	Vanda Cristina Loureiro Soares Nogueira
Member	Alexandra Sofia Vieira Nogueira Barbosa

ANNEXES

STATUTORY AUDITOR’S REPORT

STATUTORY AUDIT REPORT

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

We have audited the accompanying consolidated financial statements of **INFRAESTRUTURAS DE PORTUGAL, SA** (the Group), which comprise the statement of financial position at 31 December 2017 (which shows a total of EUR 28,131,510,000 and total equity of EUR 5,149,554,000, including a net profit of EUR 105,993,000), the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended on that date, and the notes to the consolidated financial statements which include a summary of the main accounting policies.

In our opinion, the accompanying consolidated financial statements present truly and fairly in all material respects the consolidated financial position of **INFRAESTRUTURAS DE PORTUGAL, SA** at 31 December 2017 and its financial performance and consolidated cash flows for the year ended on that date, in accordance with the International Financial Reporting Standards (IFRS) as adopted in the European Union.

BASES FOR OPINION

Our audit was carried out in accordance with the International Standards on Auditing (ISA) and other standards and technical and ethical guidelines of the Portuguese Statutory Auditors Association. Our responsibilities under these standards are described in the section "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" below. We are independent of the entities that make up the Group under the terms of the law and we comply with the other ethical requirements under the code of ethics of the Portuguese Statutory Auditors Association.

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

EMPHASES

1. As disclosed in note 13 of the Notes to the Consolidated Financial Statements, the caption Government and Other Public Bodies, recorded in current assets, amounting to EUR 1,424,813,000 includes the amount of EUR 1,424,709,000 related to VAT - Value Added Tax to be recovered, of which a reimbursement of EUR 227,562,000 has already been requested, relative to the year 2008 and until October 2009.

As a result of inspections carried out by the Tax Authority, several additional VAT payment demands were issued, amounting to EUR 897,113,000 (of which EUR 341,630,000 refers to 2008 and 2009, EUR 384,270,000 refers to 2011 and 2012 and EUR 171,213,000 for the year 2013). In addition, the total amount of EUR 58,039,000 of interest is added, calculated at the date of the respective additional payments which are currently in dispute, either through judicial challenges or through administrative complaints, which is why they were not recognised in accounting.

These additional settlements result from the fact that the Tax Authority assumes that, contrary to the opinion of the Group, the Road Sector Contribution is not a taxable income and does not therefore confer the right to deduct the VAT with the activities financed by this revenue.

Adopting a prudential approach and as disclosed in note 16 of the Notes to the Consolidated Financial Statements, the Group includes non-current liabilities under the Provisions caption, in the amount of EUR 348,766,000 (includes a reinforcement in the period of EUR 14,798,000) which relates to VAT deducted over the years associated with the activities financed by the Road Sector Contribution, not including in this provision the effect of interest that may be calculated if the final decision is unfavourable to the Group.

In the course of 2018, in respect of one of the VAT proceedings being contested, the judicial challenge presented by the Group was considered to be fully valid and the totality of the additional assessments issued by the Tax Authority was annulled, which led to an appeal and we await the final result of this legal action.

It should be pointed out, however, that should the understanding of the Tax Authority prevail, the impact of a possible non-recovery of VAT deducted over the years would result in its recognition as a component of the acquisition cost of Intangible assets. This would not have immediate consequences on the result of the period in which such decision was published, but only in a diluted form over the remaining periods of the concession, through the amortisations to be recognised in each of the remaining years of the concession of the road network, until 2082.

2. As mentioned in the Notes to the Consolidated Financial Statements, in particular notes 2.2., sub-paragraphs b) and d), 2.3., 2.4., and 8., particularly with regard to the accounting recognition associated with Intangible Assets - Road Concession Rights, which rose to the net amount of EUR 20,068,339,000 at 31 December 2017, underpinning the same is an accounting model that allows, in addition to recognising the charges already incurred, the consideration of a set of assumptions that support the incorporation in the value of this asset of the estimated amount of future investments in the road network, until the end of the respective concession agreement. It also considers assumptions and estimates in relation to the determination of the amortisations of each period, the income forecast for this asset, until the end of the concession. These assumptions and estimates are based on the business plan produced and reviewed annually by the Management Body. They are adjusted in accounts based on a stability analysis of the activity.

We note, however, that future events often do not occur in the expected way, due in particular to factors exogenous to the Group, namely the evolution of macroeconomic variables, political orientations or socioeconomic changes, with potentially significant impacts on the economic and financial performance of the Group.

Notwithstanding this matter being reported as a relevant audit matter, which would justify, in the light of applicable auditing standards, its non-treatment as an emphasis, the fact that this asset represents 71.3% of the total, combined with the uncertainty associated with the achievement of the defined assumptions, although adequately disclosed, is grounds for additional reporting in this section, in our opinion.

3. As mentioned in Note 17.2. of the Annex, the State, as the shareholder, granted financing / loans to the Group. The amount of which, at 31 December 2017, was EUR 4,926,872,000 of which EUR 4,392,482,000 were placed in current liabilities. EUR 3,919,499,000 of that amount have already surpassed the date initially contracted for amortisation. However, this situation does not detract from the contractual compliance by the Entity, not only because the State itself granted a moratorium on these loans, having decided not to charge interest from the date initially scheduled for their amortisation, but also because there is a receivable from the State, in assets, in the net amount of EUR 5,625,542,000, recorded in current assets, as referred to in Note 12 of the Notes. This figure refers to investments made by the Group, on behalf of the State, in LDI – Long-duration Infrastructure.

Our opinion has not changed in relation to these matters.

MATTERS RELEVANT TO THE AUDIT

The matters relevant to the audit are those that, in our professional judgment, played a greater role in the audit of the consolidated financial statements of the current year. These matters were considered in the context of the audit of the consolidated financial statements as a whole and in the formation of our opinion and we do not express a separate opinion on these matters.

Description of the most significant identified material misstatement risks	Summary of the response to the most significant material misstatement risks analysed
Recognition of Intangible Assets - Road Concession Right As mentioned in the Notes to the Consolidated Financial Statements, in particular notes 2.2., sub-paragraphs b) and d), 2.3., 2.4. and 8., the Group entered into a concession agreement with the State (sole shareholder) permitting the recognition of the Concession Right of the National Road Network to the end of the year 2082. As a result of the aforementioned agreement, the Group recognises this concession right as an intangible asset, in accordance with that established by IFRIC12, which is increased both by the investment already made and by the estimated investment to be made, both in the National Road Network and in the Concessioned Network, thus corresponding to the overall total costs incurred and liabilities assumed under the general concession of the national road infrastructure. The amortisation of the intangible asset is based on the unit of production method, considering the unit of production to be the best estimate of income inherent in the revenue directly associated with the rights already acquired by the Group. In view of the high level of judgments and estimates implicit over the rather long time horizon of the road service concession, which are based on macroeconomic and management assumptions as well as on future investment policies, this set of issues is considered to be relevant to the audit.	In order to mitigate the risks of material misstatement at the level of Intangible Assets - Concession Right, an adjusted audit methodology was developed based on the understanding of the controls and procedures implemented and maintained by the Group and through the development of a set of substantive audit procedures, of which the following stand out: ▪ Analysis of the information supporting the accounting movements, validation of the underlying assumptions and replication of the calculations of increases and decreases in gross assets and its amortisation; ▪ Analysis of the business model of the Group that supports the measurement of the intangible asset and the recognition of its amortisation, with particular attention to the coherence and consistency of the assumptions inherent to the same and its evolution from the previous year; ▪ Analysis of contracts and their relevant annexes, including the validation of their consistency and conformity with the amounts recognised in the accounts; ▪ Documentary verification, on a sampling basis, of the investment amount of the year, as well as the capitalisation of financial expenses with construction; ▪ Validation of the external confirmation of Concessionaires and Subconcessionaires with the respective balances and analysis of the reconciliations made.
Recognition of Financial Assets - Accounts receivable - Grantor State (Railway) The Group, as mentioned in Note 17.2 of the Annex, ensures the construction and renewal of long-term railway infrastructure, in accordance with State guidelines, and its	In order to mitigate the risks of material misstatement at the level of Financial Assets - Accounts receivable - State Grantor (Railway), we have developed the following

Description of the most significant identified material misstatement risks	Summary of the response to the most significant material misstatement risks analysed
financing is ensured through capital, grants and loans mostly endorsed by the State, as the Group takes on the role of "agent" in this activity. Applying this understanding, the impact related to this activity are recognised and measured in accordance with IFRIC 12, considering that the investment activity in Long Duration Infrastructures (LDI) consubstantiates the existence of a concession with the State, taking the form of "receivable" (financial asset) attributed to the entity "Grantor State". It is initially recognised at fair value. The financial assets, which at the end of 2017 reached a net value of EUR 5,625,542,000 reflect the net amount receivable from the State, and are generated by the costs incurred with the investment made in the railway infrastructure, plus the interest charged on the loans which are considered as imputed to the concession and deducted from the sales values of these assets, when this occurs, and from the grants received that concern these. Given that the financial assets result from the direct allocation of expenses associated with the investment in the National Railway Network, including financial charges, unilaterally undertaken by the Group, the associated risk results from the allocation of these amounts to the State Grantor, as well as from the respective recognition by this. For this reason, it is considered to be relevant to the audit.	substantive audit procedures: ▪ Analysis of the information supporting the accounting movements associated with the assumption of this responsibility by the Entity, validation of the underlying assumptions and replication of the calculations of increases and decreases of the financial assets; ▪ Analysis of the contracts and validation of their consistency and conformity with the calculations and assumptions taken on; ▪ Documentary verification, on a sampling basis of the amount of investment made in the year in LDI; ▪ Documentary verification and analysis of the financing considered as allocated to the financing of the LDI, as well as the allocation of the respective financial expenses; ▪ Confirmation of approval of the consolidated financial statements for 2016 by the shareholder State, which also assumes the role of grantor of railway infrastructure, assuming that, by approving these financial statements, it implicitly recognises the value of the charges incurred with the LDI investment that has not yet been reimbursed to the Group by the State.
Recognition of revenue associated with relevant activities carried out by the Group Of note in relation to the road sector, as mentioned in the Notes, in particular note 2.2 sub-paragraph (p) and note 21, is the revenue recognised in 2017 amounting to EUR 1,054,781,000 mainly as a result of the Road Sector Contribution (65%) and toll revenues (28%). However, this revenue from tolls is partially recognised in expenses and,	In order to mitigate the risks of material misstatement in the recognition of the revenues from the relevant activities developed by the Group, a methodology was developed based on the understanding of the controls and procedures implemented and maintained by the Group and the development of a set of substantive procedures, of which the

Description of the most significant identified material misstatement risks	Summary of the response to the most significant material misstatement risks analysed
consequently, deducted from the cost of Intangible Assets - Concession Right which will occur until the end of the initial period of each of the concessions granted to private partners that are part of the concession of Infraestruturas de Portugal, S.A. The revenue recognised in 2017 associated with the railway sector, amounting to EUR 113,085,000 is mainly due to the management of the railway infrastructure, plus the amount of the compensatory allowance awarded in the year, amounting to EUR 68,416,000. Due to the impact of revenue on the Statement of Comprehensive Income and the specificity that not all revenue is recognised as revenue, namely that resulting from the concessioned network, this is considered to be relevant for the audit.	following stand out: ▪ Obtaining external confirmation of the revenue collected regarding the Road Sector Contribution and replication of the calculations. ▪ Validation of the external confirmation of Sub-concessionaire Entities with their accounting calculations; ▪ Documentary verification, on a sampling basis, of the recognised revenue amount for the management of the railway infrastructure and its conformity with accounting records.
Goodwill Recognition Goodwill recorded in the balance sheet in the amount of EUR 21,687,000 results from the acquisition in 2014 of the remaining capital of GIL - Gare Intermodal de Lisboa, S.A. This is a cash generating unit in accordance with IAS 36, and its recoverable amount is recognised based on its value in use. Impairment tests are carried out annually, in accordance with the assumptions set out in note 5 of the Notes to the Consolidated Financial Statements. Due to the high level of estimates and judgments associated with the determination of the recoverable amount of goodwill, it is considered to be relevant for the audit.	In order to mitigate the risks of material misstatement in the recognition of Goodwill, we have developed the following substantive audit procedures: ▪ Confirmation of the acquisition value of the shareholding and of the inherent goodwill calculation at the date of acquisition and replication of the respective calculations; ▪ Validation of the assumptions underlying the goodwill calculation; ▪ Analysis of projected cash flows and other assumptions used in calculating the recoverable amount of this cash-generating unit; ▪ Verification of impairment tests carried out on the value of goodwill;

Description of the most significant identified material misstatement risks	Summary of the response to the most significant material misstatement risks analysed
	▪ Analysis of other information supporting the accounting movements associated with this recognition and review of the calculations made and the conclusions obtained.

RESPONSIBILITIES OF THE MANAGEMENT BODY AND THE SUPERVISORY BODY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The management body is responsible for the:

- preparation of consolidated financial statements that truly and fairly present the financial position, financial performance and cash flows of the Group in accordance with the International Financial Reporting Standards (IFRS) as adopted in the European Union;

- preparation of the management report in accordance with applicable legal and regulatory provisions;

- creation and maintenance of an appropriate internal control system to enable the preparation of financial statements free from material misstatement due to fraud or error;

- adoption of appropriate accounting policies and criteria in the circumstances; and

- assessment of the Group's ability to maintain continuity, disclosing, when applicable, matters that may raise significant doubts about the continuity of the business activities.

The supervisory body is responsible for supervising the process of preparation and disclosure of the financial information of the Group.

RESPONSIBILITIES OF THE AUDITOR IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement due to fraud or error, and to issue a report stating our opinion.

Reasonable safety is a high level of safety, but it is not a guarantee that an audit performed according to ISA will always detect material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, alone or together, they can reasonably be expected to influence economic decisions of users taken on the basis of those financial statements.

As part of an ISA audit, we make professional judgments and maintain professional scepticism during the audit and also:

- we identify and assess the risks of material misstatement of the consolidated financial statements due to fraud or error, we design and perform audit procedures that respond to those risks, and we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting material misstatement due to fraud is greater than the risk of not detecting a material misstatement due to error, since fraud may involve collusion, counterfeiting, intentional omissions, false statements or overlapping of internal control;

- we obtain an understanding of the internal control relevant to the audit for the purpose of designing audit procedures that are appropriate to the circumstances, but not to express an opinion on the effectiveness of the Group's internal control;

- we evaluate the adequacy of the accounting policies used and the reasonableness of accounting estimates and respective disclosures made by the management body;

- we conclude on the appropriation of the use by the management body of the assumption of continuity and, based on the audit evidence obtained, whether there is any material uncertainty related to events or conditions that could raise significant doubts about the Group's ability to continue its business activities. If we conclude that there is material uncertainty, we should draw attention in our report to the related disclosures included in the financial statements or, if these disclosures are not appropriate, we must alter our opinion. Our findings are based on audit evidence obtained as of the date of our report. However, future events or conditions may cause the Group to discontinue its activities;

- we evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether these financial statements represent the underlying transactions and events in order to achieve an appropriate presentation;

- we obtain sufficient and appropriate audit evidence regarding the financial information of the entities or activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the guidance, supervision and performance of the Group's audit and we are ultimately responsible for our audit opinion;

- we communicate with those in charge of governance, including the supervisory body, inter alia, the scope and planned timing of the audit, and significant audit findings including any significant deficiencies in internal control identified during the audit;

- of the matters we have communicated to those in charge of governance, including the supervisory body, we determine the most important ones in auditing the consolidated financial statements for the current year and which are relevant to the audit. We describe these in our report, except when the law or regulations prohibit their public disclosure;

- we declare to the supervisory body that we comply with the relevant ethical requirements regarding independence and communicate all relationships and other matters that may be perceived as threats to our independence and, where applicable, the respective safeguards.

Our responsibility also includes checking that the information contained in the management report matches that of the consolidated financial statements, and carrying out the verifications provided for in paragraphs 4 and 5 of article 451 of the Portuguese Companies Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

MANAGEMENT REPORT

It is our opinion, in compliance with article 451, paragraph 3(e) of the Commercial Companies Code, that the management report was prepared in accordance with the applicable legal and regulatory requirements, the information contained therein agrees with the audited consolidated financial statements and, based on our knowledge and appraisal of the Group, we have not identified material misstatements.

NON-FINANCIAL INFORMATION PROVIDED FOR IN ARTICLE 508-G OF THE COMMERCIAL COMPANIES CODE

We inform, in compliance with article 451, paragraph 6 of the Commercial Companies Code, that the entity has stated in its consolidated management report that it will prepare a separate report to the consolidated management report that will include the non-financial information, as foreseen in article 508-G of the Commercial Companies Code, which should be published on its website within the legal time limit.

ADDITIONAL INFORMATION PROVIDED FOR IN ARTICLE 10 OF REGULATION (EU) 537/2014

In compliance with Article 10 of Regulation (EU) 537/2014 of the European Parliament and of the Council of 16 April 2014, and in addition to the matters relevant to the audit mentioned above, we also report the following:

- we were appointed the Statutory Auditor of **INFRAESTRUTURAS DE PORTUGAL, S.A.** for the first time on 13 April 2017, through a written unanimous corporate resolution, for the 2016 and 2017 financial years.
- the management body has confirmed to us that it is not aware of the occurrence of any fraud or suspected fraud with material impact on the financial statements. In the planning and performance of our audit according to ISA we have maintained professional scepticism and designed audit procedures to respond to the possibility of material misstatement of the consolidated financial statements due to fraud. As a result of our work, we have not identified any material misstatement in the consolidated financial statements due to fraud.
- we confirm that the audit opinion we issue is consistent with the additional report we prepared and delivered to the Group's supervisory body on the same date.
- we declare that we have not provided any services prohibited pursuant to Article 77 (8) of the Statutes of the Portuguese Statutory Auditors Association and that we have maintained our independence from the Group during the performance of the audit.
- we inform that we have not provided the Group with any services other than the audit.

Lisbon, 30 April 2018

VITOR ALMEIDA & ASSOCIADOS, SROC, LDA.

Represented by:

Vitor Manuel Batista de Almeida

(Registered in the Portuguese Statutory Auditors Association under number 691 and in the list of auditors of the CMVM under No. 20160331)

OPINION OF THE GENERAL AND SUPERVISORY BOARD

OPINION OF THE GENERAL AND SUPERVISORY BOARD

Separate and Consolidated Management Report and Accounts - 2017

1. In compliance with the legal and statutory provisions applicable to Infraestruturas de Portugal, S.A. (IP), we hereby publish our opinion on the “Separate Report and Accounts" and "Consolidated Report and Accounts" of IP, both for the year ended 31 December 2017, which include the Separate and Consolidated Financial Statements and Proposal for appropriation of net profit.

2. In the course of the financial year, we monitored the business activity of IP with the periodicity and the extension that we considered appropriate. We verified the correct nature of the accounting books and their documentation, as well as the effectiveness of the internal control system, insofar as it is relevant to the IP activity, the presentation of the separate and consolidated financial statements, the risk management and compliance system and the internal audit system. We also checked compliance with the law and articles of association.

3. Within this scope we report the following:

    - The EBD produced the quarterly budget implementation reports (first, second and third quarters), as provided for in paragraph 1(f) of Article 13 of the IP Articles of Association and paragraph 1(i) of Article 44 of the RJSPE, and the General and Supervisory Board (GSB) issued its corresponding opinions.
    - The debt growth indicator of IP was 6.26% in 2017, thus exceeding the amount established in Law 7A / 2016, regarding the growth of debt of public companies of the State-Owned Companies Sector, which is capped at 3%. The amount reached is in line with the budget proposal submitted by IP and approved in the State Budget for 2017.

- IP, in relation to the State treasury unit principle, held part of its deposits in commercial banking in general under the authorisation granted by Order 1249/16 - SEATF. At 31/12/2017 it had almost all of its funds deposited with IGCP - the Treasury and Public Debt Management Agency.

4. The adequacy of the presentation of IP's financial position was checked, as well as its results, comprehensive income, changes in shareholders' equity and cash flows on an individual basis, as expressed in the related financial statements and the Notes thereto, supplemented by the Statutory Audit Report issued by "Vitor Almeida & Associados, SROC, Lda." and the Audit Report issued by RCA - Rosa, Correia & Associados SROC, S.A. (RCA).

   The net profit of IP for 2017 is EUR 122.9 million, which corresponds to an improvement of EUR 96.6 million when compared with the net profit of 2016. This is mainly due to the reduction of net interest by approximately EUR 39 million due to the reduction of financial debt, an increase in compensatory allowances of EUR 28 million, a positive impact of EUR 25 million on the impairment in subsidiaries and a reduction in provisions for the year of EUR 11 million.

   Current liabilities amount to EUR 5.5 billion at the end of 2017, which is predominantly comprised of loans in the value of EUR 4.4 billion. The timing of this liability appears to be out of line with the company's ability to generate rapid revenue, with EBITDA in 2017 standing at EUR 677 million.

   The Executive Board of Directors proposes, pursuant to and for the purposes of article 31 of the Articles of Association, paragraph 1(b) and paragraph 2 of article 376 and article 295 of the Commercial Companies Code that this net profit is fully appropriated for the legal reserve (amount of EUR 122.9 million) without envisaging the distribution of dividends. This proposal is deemed adequate considering the company's level of debt.

5. The consolidated financial information for the year ended 31 December 2017 includes the Consolidated Management Report for 2017, the Consolidated Statement of Financial Position at 31 December 2017 (Total Assets of EUR 28.132 billion and total Equity of EUR 5.150 billion, including a net profit of EUR 106 million), and the Consolidated Statements of Comprehensive Income, Changes in Shareholders' Equity and Cash Flows for the year ended on that date, as well as the Notes thereto. This information was supplemented by the Statutory Audit Report and the Audit Report issued by "Vitor Almeida & Associados, SROC, Lda." and by RCA - Rosa, Correia & Associados SROC, S.A (RCA), respectively.

   Apart from the slight disproportion in terms of results, the consolidated accounts differ little from the separate accounts due to the consolidator (IP) being responsible for a very large share of the Group's consolidated accounts.

6. The GSB and its individual members declare that, to the best of their knowledge, the financial information analysed (separate and consolidated accounts) have been prepared in accordance with applicable accounting standards, giving a true and fair view of the assets and liabilities, financial position and results of the issuer and that both the Annual Report and Accounts adequately present the evolution of the business, the performance and the position of the IP, containing information on the main risks and uncertainties.

   The General and Supervisory Board, as a result of the work carried out and considering what was reported in the previous points, issues a favourable opinion of the Management Report and Separate Accounts of IP, as well as of the Consolidated Report and Accounts of IP, for the year ended 31 December 2017, presented by the Executive Board of Directors in the assessment of the accounts for the year.

7. The work conducted by the Statutory Auditor, Vitor Almeida & Associados, SROC, Lda., and the External Auditor, RCA - Rosa, Correia & Associados SROC, S.A. (RCA) was monitored, and the Statutory Audit Report and Audit Reports of the Separate and Consolidated Financial Information, as well as matters relevant to the audit of the individual and consolidated financial statements, were considered as part of the work performed by the GSB, and these were not subject to any separate opinion.

8. Both the Statutory Audit Report and the Audit Reports of the Separate and Consolidated Financial Information were issued without reservations. However, both expressed Emphases, which should be considered as also integrating this Opinion and with which we agree.

   Accordingly, it is our opinion, taking into account the information received from the Executive Board of Directors and other bodies and department of IP, and the opinions and emphases expressed in the Statutory Audit Reports and the Audit Reports, as well as the matters relevant to the audit of the consolidated and separate financial information, that the General Meeting of IP approve:

   a. The Separate Management Report and Accounts for the year 2017, which include the separate Financial Statements and Notes thereto;
   b. The Consolidated Management Report and Accounts for the year ended 31 December 2017, which includes the consolidated management report, the consolidated financial statements and the Notes thereto;
   c. Proposed appropriation of profit

Pursuant to paragraph 1(c) of article 376 of the Commercial Companies Code, the General Meeting is also responsible for the general appraisal of the management and supervision of the Company.

Pragal, 30 April 2018

General and Supervisory Board

José Emílio Castel-Branco	Duarte Ivens Pitta Ferraz	Issuf Ahmad

EXTERNAL AUDITOR’S REPORT

INFRAESTRUTURAS DE PORTUGAL, S.A.

AUDITOR'S REPORT

ON CONSOLIDATED FINANCIAL STATMENTS

YEAR OF 2017

RCA AUDITORES ASSESSORES CONSULTORES
ROSA, CORREIA & ASSOCIADOS, SROC, S.A.

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AUDITOR'S REPORT

(Free translation from a report originally issued in Portuguese language. In case of doubt the Portuguese version will always prevail)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of INFRAESTRUTURAS DE PORTUGAL, S.A. (the Group) which comprise the consolidated statement of financial position as at 31 December 2017 (which shows a total of 28.131.510 thousand euros and total shareholders' equity of 5.149.554 thousand euros, including a net profit of 105.993 thousand euros), the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements that include a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view in all material respects, of the consolidated financial position of INFRAESTRUTURAS DE PORTUGAL, S.A. (the Group) as at 31 December 2017 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

Basis for Opinion

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

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

Emphases

As disclosed in Note 13 to the consolidated financial statements, current assets recorded as State and other public entities correspond almost entirely to the VAT calculated under the road concession by the extinct company EP - Estradas de Portugal, S.A. and by the holding-company since the merger with Refer, totalling 1.423.448 thousand euros. Due to the framework given by Tax Authority for the activity carried out by the holding company, particularly the Road Service Contribution (CSR), additional VAT assessments have been made, the amount of which for the years inspected up to 2013 amounts to 897.113 thousand euros, to be added interest up to the date of the same, in the amount of 58.039 thousand euros, which were subject to judicial claim (years before 2011) and administrative complaint (years 2011 and 2012) or are in the process of complaint (year 2013). As disclosed in note 13, the holding company was notified in October 2017 of the Judicial Decision that revokes the sentence appealed of one of the judicial proceedings (tax of 64.506 thousand) euros, deciding entirely in favour of EP, and cancelling the additional liquidations issued by the Tax Authority, that appealed to the Supreme Administrative Court. As disclosed in note 16, the Group has booked annually provisions corresponding to the total VAT deducted in activities financed by CSR, which as at 31 December 2017 shows a total amount of 348.766 thousand euros. It should be noted that any risk associated with VAT deducted not considered under this provision has essentially an accounting impact on the cost of the concession rights of the national road network.

According to the information disclosed in note 17 to the financial statements, a significant part of the Group`s financing has been provided by the shareholder State, with a total financing, as of December 31, 2017 amounting to 4.926.872 thousand euros, including interest. The amount shown under current liabilities (4.392.482 thousand euros) includes 3.919.499 thousand euros already reached maturity in respect of which a moratorium has been granted with interest suspension. Also, and as mentioned in note 12, Group`s current assets include 5.625.542 thousand euros of investments made by the Group on behalf of the State, in long term railway infrastructures.

As disclosed in notes 2.2 d), 2.3, 2.4 and 8 to the consolidated financial statements, the financial reporting framework applicable to service concession arrangements and the model followed by the Group with respect to the concession rights of the national road network (Concession) have underlying assumptions and estimates of great relevance, such as the total amount of the investments and the expected income until the end of the concession, as of 31 December 2082, which consist of economic and financial projections annually prepared and reviewed by the Group. As often future events may not occur as expected, namely due to factors exogenous to the Group, such as the evolution of macroeconomic variables, political decisions and socioeconomic mutations, the financial and economic performance of the Concession may be significantly affected if the assumptions change, as demonstrated in the sensitivity analysis disclosed in note 2.3 to the consolidated financial statements.

Our opinion is not modified in respect to these matters.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion, and we do not provide a separate opinion on these matters.

Right of road concession	
Risk	**Audit approach summary**
As explained in notes 2.2 d), 2.3, 2.4 and 8 to the consolidated financial statements, the concession right, classified as an intangible asset under IFRIC 12 - Service Concession Arrangements, represents 71,3% of the Group's assets and is measured at cost being annually increased as a result of construction services, including financial charges, and the availability and service payments, net of tolls received, related to the concession network. The concession right is depreciated using the units of production method, which is based on estimates of costs and income to be materialized during the term of the concession agreement. Therefore, annual depreciation is determined by applying the rate resulting from the proportion of eligible income forecast for the period, on the total forecasted eligible income for the duration of the concession right, to the total estimated costs of that same right. Identical criteria are followed in relation to the recognition of investment subsidies in results. The aforementioned forecasted revenues and costs, which support the depreciation for the period, are based on assumptions and estimates, involving a high degree of judgment, which are included in economic and financial projections reviewed annually by the Board.	As a response to the risks of material distortion inherent to the right of the road concession, arising from the different variables contributing to the measurement of the related intangible asset and to the recognition of the related depreciation expense, a specific audit approach was carried out, based on the understanding of the controls and procedures implemented and maintained by the Group and the development of substantive audit procedures, namely: - Obtaining and analysing the model followed by the Group in the measurement of the intangible asset and in the recognition of its depreciation, including verification of the coherence and consistency of its assumptions and variables, in relation to the previous year: - Obtaining and analysing the attachments related with the availability payments inherent to the concession contracts (State Concessions) and sub-concession (own construction of holding-company) to validate the reasonableness of annual remunerations; - Testing of the additions for the year registered in the concession right resulting from contractually established obligations, towards State Concessions and sub-concessions;

Associated with the concession right, there is the obligation to maintain the average quality level of the road network, and an annual expense of 53 million euros is accrued (total of 277.484 thousand euros at the date of the statement of financial position) for periodic maintenance, which is based on internal estimates taking into account the typology of the network and specific intervention strategies. Considering the amounts involved and a high level of judgment, based on the assumptions used in determining the depreciation rate of the intangible asset, this subject is a key audit matter.	- Testing of reductions in the concession right resulting from tolls received; - Recalculation of the depreciation expense of the concession right and the corresponding subsidy, considering the model and policies adopted; - Reading the minutes of the Executive Board of Directors of the holding-company; - Analysis of periodic maintenance costs charged to the year and the utilization of related accruals for works carried out in the year; - Obtaining written representations from the Executive Board of Directors of holding-company confirming that the assumptions and estimates used have taken into consideration the best information available at the date of financial reporting.

Recognition of revenue from sales and services rendered

Risk	**Audit approach summary**
The Group's revenue results mainly from the road concession agreement concluded with the State on 23 November 2007, effective since 2008, and from the management of the railway infrastructure, as per contract signed with the State on 11 March 2016. Thus, according to the disclosed in notes 2.2 p) and 21, the 2017 consolidated revenue related to sales and services rendered comprises income from the Road Service Contribution (CSR), established by Law no. 55/2007, of 31 August (684.959 thousand euros; 57,3% of total), road toll revenues (296.493 thousand euros; 24,8% of total), contracts for the construction of road infrastructures and capitalized financial charges (70.160 thousand euros, 5,9% of total), use of railways, i.e. fares (69.217 thousand euros, 5,8% of total) and long-term railway investments (ILD) charged to the Grantor-State (32.616 thousand euros; 2,7% of total) and other services (42.043 thousand euros; 3,5% of total). It should be noted that total toll revenue includes the amount of 245.825 thousand euros related to the concession network, which, until the end of the initial concession period, constitutes a reduction of the cost of the intangible asset, against expenses for the period. The collection of income inherent to toll revenues is carried out by third parties, involving several operators. The relevance of the revenue in the context of the financial information and the particularity of revenue from the concession network does not contribute to the results of the Group, lead to this matter being relevant for audit purposes.	The approach taken to validate the accounting assertions inherent to revenue involved the following: - In the income from the CSR, its recognition was validated by verifying the related transfers. In addition, it was made an overall reconciliation of the revenue recognized in the period with the information available on the Tax Authority's website concerning the volume of fuels introduced into consumption; - Regarding revenue from tolls, audit procedures were developed to understand and evaluate the control processes implemented and maintained by the Group to ensure full recognition of this revenue in the period to which it relates. In addition, external confirmations were made to the different operators, aiming the confirmation of the amounts recognized in the accounting period; - The revenue inherent to the construction activities of road infrastructures was validated by analysing the costs incurred and by obtaining external confirmations; - The validation of revenue related to management of railway infrastructure was based on the combination of the analysis of integration of related billing and the inherent cut-off procedures, with external confirmations from main clients at the date of the financial position. It was also verified the accounting of the compensatory payments contracted for the fiscal year 2017.

Long-term railway infrastructure: Grantor - State – Account Receivable

Risk	Audit approach summary
As disclosed in notes 2.2 b) and 12 to the consolidated financial statements, it was assigned to the holding-company the responsibility for the construction and renewal of long-term railway infrastructure, an activity that is developed accordingly with shareholder-State guidelines and financed by capital inflows, subsidies and loans mostly endorsed by the State, assuming the Entity the role of "Agent". These infrastructures belong to Railway Public Domain and the holding-company has access to them for the provision of public infrastructure management services. Given that the holding-company has an unconditional right to receive money from the State for the investments made, this activity was framed within the scope of service concession arrangements (IFRIC 12), considering the financial asset model. The carrying amount of the consolidated financial asset (5.625.542 thousand euros at 31 December 2017 and 5.494.532 thousand euros at 31 December 2016) is essentially the value of the concession assets existing at the date of the merger plus the amount of assets subsequently acquired or constructed and of the financing interest charged to the Grantor - State (94.727 thousand euros in 2017; 114.707 thousand euros in 2016) deducted from subsidies received. This receivable amount does not have defined maturity, therefore is due when issued. The risk of material misstatement associated to this matter concerns the possibility of under allocation of the costs incurred with rail infrastructure, including financing costs.	In response to the identified risks of material misstatement, the following audit procedures were carried out: - Evaluation of existing controls on the acquisition of goods and services; - Execution of substantive procedures in relation to the main acquisitions recorded in the period as debt receivable from the Grantor; - Evaluation of the reasonableness and consistency of the criteria used to allocate financing costs to the long-term rail infrastructure and validation of the bases used and recalculation of the interest charged to the Grantor-State account; - Confirmation of the approval of the financial statements for 2016 by the State as shareholder and grantor of railway infrastructure; - Reading the minutes of the Executive Board of Directors of the holding-company; - Obtaining written representations from the Executive Board of Directors of the holding-company confirming the adequacy of the assumptions associated with this asset, namely the nature of the costs to be charged to the Grantor - State.

Goodwill measurement

Risk	Audit approach summary
As disclosed in notes 2.2 a), 2.3 and 5 to the consolidated financial statements, goodwill shown in the consolidated statement of financial position results from the acquisition in 2014 of the remaining share capital of GIL - Gare Intermodal de Lisboa, S.A., which was subject to impairment test, having its business of exploring commercial spaces been defined as a cash-generating unit. The risk of material misstatement associated with this matter arises from the determination of the recoverable amount, calculated based on its use value.	In response to the risk of material misstatement, the following audit methodology was adopted: - Obtaining information on the calculation of the goodwill at acquisition date and impairment tests carried out at the date of the consolidated statement of financial position; - Obtaining and analysing the expected cash flows and the assumptions used in calculating the recoverable amount of said cash-generating unit; - Review of the calculations made and the conclusions obtained; - Obtaining written representations from the Executive Board of Directors of the holding-

	company confirming the appropriateness of the assumptions associated with the recoverability of this asset.

Responsibilities of management and supervisory bodies for the consolidated financial statements

The management is responsible for:

- the preparation of the consolidated financial statements that that give a true and fair view of the Group`s financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union;
- the preparation of management report in accordance with the applicable laws and regulations;
- designing and maintaining an appropriate internal control system to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error;
- the adoption of accounting policies and principles appropriate in the circumstances; and
- assessing of the Group's ability to continue as a going concern, disclosing, as applicable, the matters that may cast significant doubt about the Group`s ability to continue as a going concern.

The supervisory body is responsible for overseeing the Group's financial reporting process.

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

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of those financial statements.

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

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may raise significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether those financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- obtain sufficient and appropriate audit evidence regarding the financial information of the entities or activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the guidance, supervision and performance of the Group's audit and we are ultimately responsible for our audit opinion;
- communicate with those charged with governance, including the supervisory body, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;
- determine, from the matters communicated with those charged with governance, including the supervisory board, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key auditing matters. We describe these matters in our auditor`s report, unless law or regulation precludes their public disclosure;
- provide the supervisory body with a statement that we have complied with relevant ethical requirements regarding independence and we have communicated all relationships and other matters that may reasonably be though to bear on our independence and, where applicable, related safeguards.

Our responsibility also includes the verification that the information contained in the management report is consistent with the financial statements and the verification of the requirements as provided in numbers 4 and 5 of the article 451 of the Portuguese Companies Code.

Report on other legal and regulatory requirements

On the management report

It is our opinion that the management report was prepared in accordance with the applicable legal and regulatory requirements and the information is consistent with the audited consolidated financial statements and, having regard to our knowledge and assessment over the Group, we have not identified any material misstatements.

On non-financial information provided for in Article 66-B of the Companies Code

We inform that the Group mentioned in its management report that it will prepare a separate report to the management report, that will include the non-financial information, as foreseen in article 66-B of the Companies Code, which should be published on the website at legal deadline.

On corporate governance report

In our opinion the Corporate governance report includes the information required to the Group to provide under article 245-A of the Securities Code, and we have not identified material misstatements on the information provided therein in compliance with paragraphs c), d), f), h), i) and m) of that article.

On additional information required in article 10 of the Regulation (EU) 537/2014

Pursuant to article 10 of Regulation (EU) 537/2014 of the European Parliament and of the Council, of April 16, 2014, in addition to the key audit matters mentioned to above, we also report the following information:

- we were appointed auditors of INFRAESTRUTURAS DE PORTUGAL, S.A. for the first time, in 7 December 2016 for the years 2016 and 2017.
- management has confirmed to us that they are not aware of any fraud or suspicion of fraud having occurred that has a material effect on the financial statements. In planning and executing our audit in accordance with ISA we maintained professional skepticism and we designed audit procedures to respond to the possibility of material misstatement in the financial statements due to fraud. As a result of our work, we have not identified any material misstatement on the financial statements due to fraud.
- we confirm that our audit opinion is consistent with the additional report that we prepared and delivered to the supervisory body of the Group on this same date, 30 April 2018.
- we declare that we have not provided any prohibited services as described in article 77º, number 8, of the Ordem dos Revisores Oficiais de Contas statutes, and that we have remained independent of the Group in conducting the audit.

- we inform that in addition to the audit, we carried out, in accordance with the tender procedures, the limited review of the half-yearly consolidated financial statements and review of provisional management instruments.

Lisbon, 30 April 2018

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