

# CONSOLIDATED **ANNUAL REPORT**

2017 first semester



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# PART I

## Management Report

CONSOLIDATED **ANNUAL REPORT**  
first half 2017

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# 1 FOREWORD FROM THE BOARD OF DIRECTORS

## 1. FOREWORD FROM THE BOARD OF DIRECTORS

The results achieved in the first half of 2017 confirm the favourable economic performance of the IP Group, in line with the growth trend started a couple of years ago.

The Group posted **net profit of €46.4 million**, which compares with the positive results of €5.1 million recorded in the first half of 2016, showing a remarkable improvement of €41.3 million; This performance results from further increase in the Group's core revenues, specifically **Toll Revenues**, which rose by €18.7 million (+15%) against the same period of the previous year, and the **Road Service Contribution**, which increased by €12.1 million (+4%).

These figures reflect the positive evolution of the Portuguese economy in the first half of 2017, which was already noticeable in the second semester of 2016.

The close link of Group IP's core revenues with the country's economic activity is something that we are pleased to note, since it stresses the importance of the National Road and Railway Networks to the economic and social development of our country.

**Operating Expenses** remain stable, **falling by €1.1 million** (-0.2%) over the first half of 2016. We highlight the **improvement in financial results by €35.1 million**, stemming from a decrease i) by €20 million in interest expenses with debt managed directly by IP, and ii) by €15 million following the financial revision of liabilities to sub-concessionaires for works/services rendered, which is also falling thanks to availability payments.

The outlook for the second half of 2017 points to a favourable economic performance, in line with that recorded in the first six months of the year, notwithstanding the expected rise in staff costs - around €2.3 million, due to the 50% reinstatement as from 1 July 2017 of acquired rights covered by collective labour instruments, as provided in article 21 of Law 42/2006 - State Budget Law.

The "**Ferrovias 2020**" programme is the major challenge mobilizing the whole IP Group over the next few years, and is certainly an opportunity to modernise and expand the railway infrastructure with the help of the 2014-2020 Community support framework.

As far as the road network is concerned, we must highlight the programme launched by the Government on the 7th of February, called **Business Areas Valuation Programme ("PVAE")**, which will involve investment in 12 road links aimed at improving links between already consolidated business areas and the existing road network.

We take this opportunity to thank all our employees for their work and dedication, and we thank the Shareholder, Supervisory Bodies and remaining stakeholders for their continued support and trust.

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# 2 IP GROUP

## 2. IP GROUP



The IP Group possesses the technical knowledge required for the good performance of the road and rail infrastructure, namely in the areas of design, planning, construction, financing, maintenance, exploration, renovation, widening and modernisation of the national road and rail networks, including rail traffic command and control. The company privileges innovation and technological development in the equipment, systems and materials in use.



## 2.1 PARENT COMPANY

**Infraestruturas de Portugal, S.A.** is a state-owned company resulting from the merger of Rede Ferroviária Nacional – REFER, E.P.E. (REFER) and EP - Estradas de Portugal, S.A. (EP, S.A.) through which REFER was merged into EP, becoming a public limited company called Infraestruturas de Portugal, S.A. (IP). The merger became effective as from the 1st of June 2015, upon publication of [Decree-Law no. 91/2015, of 29 May](#).

### Mission

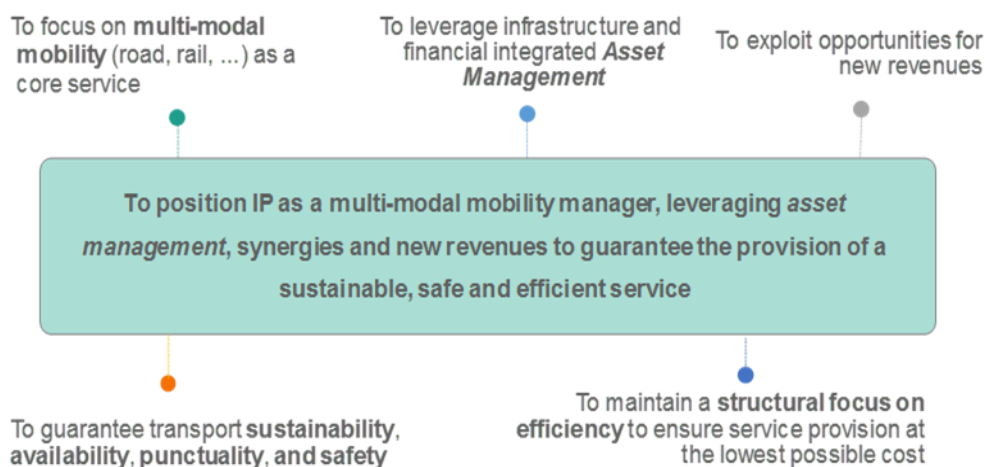
The corporate object of IP is the design, planning, construction, financing, maintenance, exploration, rehabilitation, enlargement and modernisation of the national road and rail networks, including within the latter traffic command and control.

IP is responsible for managing road and rail infrastructures, under the terms of the general road concession contract entered with the State including any future concession contract, and all remaining infrastructure entrusted to its administration.”

The company's corporate object further includes the management of public railway and road domain assets, namely of fuel stations, car parks, traffic information and management systems, railway and road safety systems, the technical channel and communication networks between infrastructures or between the latter and vehicles, stations, terminals and other railway facilities.

### Vision

#### IP VISION



## Shareholder Powers, Supervision and Control

Shares representing the whole share capital of IP belong to the State and are held by the Directorate-General for the Treasury and Finance. **The company's share capital is currently of €4,745,375,000.**

IP is subject to the authority of the Ministry of Planning and Infrastructure, and to the jurisdiction and control of the Court of Auditors, , under the terms of the law governing the public corporate sector, and the control of the Inspectorate General of Finance, under the terms of the law.

### ▪ Road Concession Contract

The State entered with EP, S.A. (now integrated in IP) a concession contract whose bases were approved through Decree-Law no. 380/2007, of 13 November, as amended by Law no. 13/2008 of 29 February, Decree-Law no. 110/2009, of 18 May, and Decree-Law no. 44-A/2010, of 5 May.

One of the more important changes concerned the introduction of the concept of availability, which consists in assessing the quality of the service provided to users and measuring road accident levels and the levels of externalities produced by them, as translated in performance indicators.

The National Road Network gets its financing from tolls charged in tolled roads and other income stemming from the operation of the concession, plus the road service contribution (RSC) created by Law no. 55/2007, of 31 August.

### ▪ Railway Framework Contract

On 11 March 2016 the State and IP signed a 5-year Framework Contract for the National Railway Network, in compliance with Decree-Law no. 217/2015, of 7 October.

Under this contract, the State's main obligation is to finance the management of the infrastructures while IP is obliged to meet user-oriented performance targets, specifically quality indicators and criteria covering aspects such as train performance (line speed and reliability, and customer satisfaction), network capacity, asset management, activity volumes, safety levels, and environmental protection.

The National Railway Network is financed through the tariff revenues charged to railway operators, surpluses resulting from ancillary activities associated with the operation of the railway infrastructure and the compensatory allowances permitting to cover the costs of fulfilling public service obligations that are not covered by such revenues.

## Governance Model: Corporate Bodies

IP is a state-owned company under the form of a public limited company. It is governed by Decree-Law no. 91/2015, of 29 May, which created it; its by-laws, approved as an attachment to said decree-law; the legislation applicable to the public business sector enshrined in Decree-Law no. 133/2013, of 3 October; the corporate governance practices applicable to the sector; the provisions of the Portuguese Company Code; its internal regulations and also the national and European legal rules applying to its activity.

As far as corporate governance is concerned, IP follows a dual governance model, which allows for an effective separation of supervision and management functions in the pursuit of the goals and interests of the company, its shareholder, employees and other stakeholders, thereby contributing to achieve the level of trust and transparency required for its adequate functioning and optimisation.

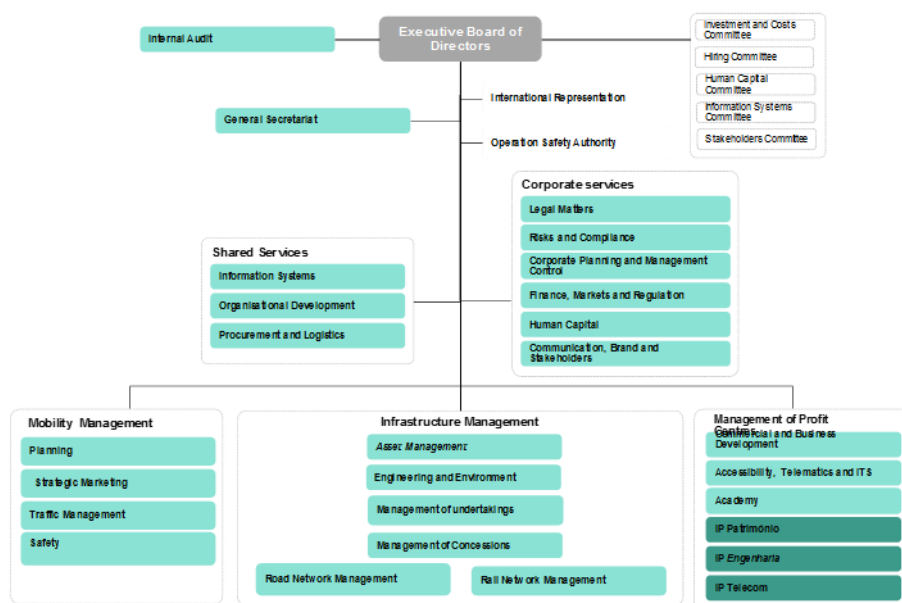
Within this framework, IP's corporate bodies are the General Meeting, the Executive Board of Directors, the General and Supervisory Board, which comprises a Financial Matters Committee, and the Statutory Auditor, as follows

GENERAL MEETING	
<b>Chairman</b>	Paulo Manuel Marques Fernandes
<b>Vice-chairman</b>	Paulo Miguel Garcês Ventura
<b>Secretary</b>	Maria Isabel Louro Caria Alcobia
GENERAL AND SUPERVISORY BOARD	
FINANCIAL MATTERS COMMITTEE	
<b>Chairman</b>	José Castel-Branco
<b>Member</b>	Duarte Pitta Ferraz
<b>Member</b>	Issuf Ahmad
EXECUTIVE BOARD OF DIRECTORS	
<b>Chairman</b>	António Carlos Laranjo da Silva
<b>Vice-chairman</b>	José Saturnino Sul Serrano Gordo
<b>Vice-chairman</b>	Carlos Alberto João Fernandes
<b>Member</b>	Alberto Manuel de Almeida Diogo
<b>Member</b>	Vanda Cristina Loureiro Soares Nogueira
STATUTORY AUDITOR	
<b>Vitor Almeida e Associados, SROC, Lda</b> <i>SROC no. 191 – Registered with CMVM under nr. 20161491</i>	Represented by partner Vitor Manuel Batista de Almeida <i>(ROC no. 691 – Registered with CMVM under nr. 20160331)</i>



## 2.2 STRUCTURE OF THE IP GROUP: ORGANISATIONAL MODEL

Broadly speaking, the organisation is divided into two major areas, one comprising the divisions that provide (shared and corporate) support services of internal added value, and the another consisting of the business that generates products and services provided by the IP Group.



### Core areas:

- units dedicated to **mobility management**, which ensure the implementation of the integrated planning of the networks and the management of road and rail mobility, in accordance with safety, sustainability and core revenue optimisation principles;
- units dedicated to **infrastructure management**, with efficiency gains expected to materialise through the application of asset management principles;
- **profit centre** units geared to expanding non-core revenues.

**Support areas:** these include the shared and the corporate services, both providing support to the entire structure.

In addition, the organisational model comprises the Information Systems Committee, which works as as interface-management and decision-sharing mechanism.

## 2.3 SUBSIDIARIES

The purpose of the subsidiaries is to act as profit centres capable of optimising IP Group's non-core revenues, making profit from assets not used in the core activities.



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

The corporate object of IP TELECOM is the deployment, management and operation of telecommunication infrastructures and systems, the provision of telecommunication services, and any related, subsidiary or accessory activities, either directly or through equity holdings in other companies.

Its mission consists in ensuring an efficient management of the telecommunications concession granted by the Shareholder, by supplying and providing high quality services to the market in the field of Information Technology and Communications, supported by innovative solutions focused on Cloud and Security technologies and the main national telecommunications infrastructure, based on fibre optics and the road technical channel.



**IP PATRIMÓNIO, S.A.** is a public limited liability company with share capital of €5,500,000; its shareholders are IP, S.A. with 99.9968% of the share capital corresponding to 1,099,965 shares with the nominal value of €5.00 per share and IP Engenharia, S.A. corresponding to a 0.0032% stake and 35 shares with the said nominal value.

The mission of IP PATRIMÓNIO comprises 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 operation of stations and associated equipment, including their operational management.



**IP ENGENHARIA, S.A** is a public limited liability company with a share capital of €1,500,000.00, held by IP, S.A., with 295,286 shares at the nominal value of €5.00 per share, corresponding to 98.43% stake and by IP Património, S.A., which holds 4,714 shares with the nominal value of €5.00 per share, corresponding to 1.57% stake in the share capital.

The mission of IP ENGENHARIA is to carry out transport engineering studies and projects, provide inspection services and develop the international business of the IP Group.

## GIL

Gare Intermodal de Lisboa

The mission of **GIL – Gare Intermodal de Lisboa, S.A.** is to operate and manage the Intermodal Complex known as Estação do Oriente. The share capital of GIL is Euro 1,952,160, fully subscribed and paid up by its single shareholder IP, S.A., and represented by 392 000 shares with the nominal value of €4.98 per share.

In addition, IP also participates in two economic interest groupings:

### a) **AVEP – Alta Velocidade Espanha - Portugal**

AVEP's corporate object is to make preliminary studies for the Porto-Vigo and Madrid-Lisbon-Porto corridors.

### b) **Atlântico Corridor**

Its mission is to make a profitable use of the existing railway infrastructure, with no additional investment, through centralised management of capacity allocation, traffic management and customer relations.

In addition, Atlântico Corridor also acts as a privileged platform for the coordination of investments in rail infrastructure in Portugal, Spain, France and Germany, permitting to overcome technical and operational barriers, promoting interoperability, and consequently increasing the competitiveness of railway freight transport.

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# 3

PERFORMANCE IN THE  
FIRST HALF OF 2017

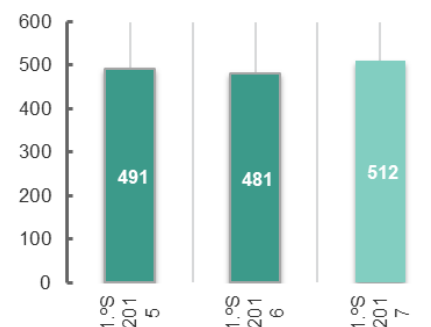
### 3. PERFORMANCE IN THE 1ST HALF OF 2017

#### 3.1 KEY ECONOMIC AND FINANCIAL INDICATORS

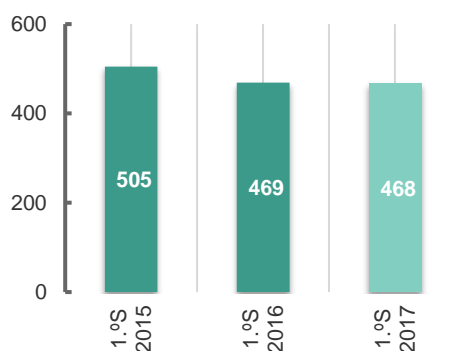
**Turnover**  
[€ million]



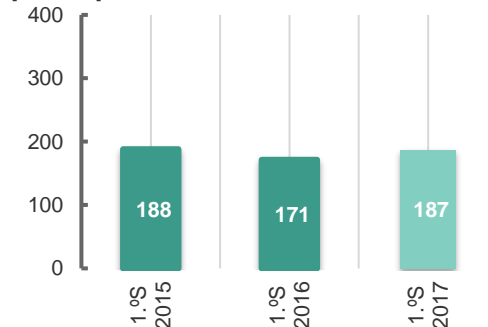
**Core Income**  
[€ million]



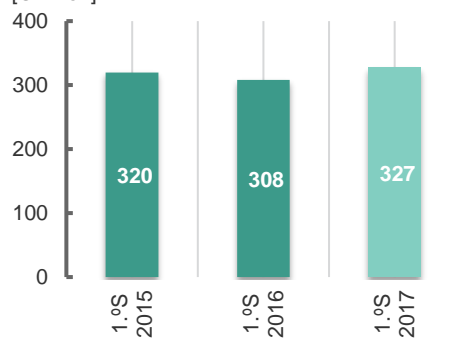
**Operating Expenses**  
[€ million]



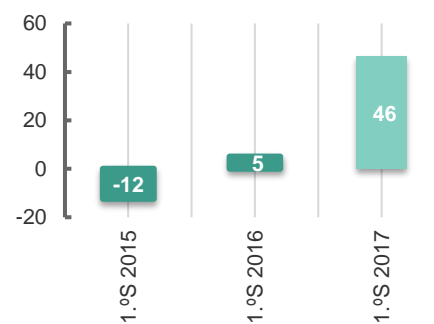
**Operating Results**  
[€ million]

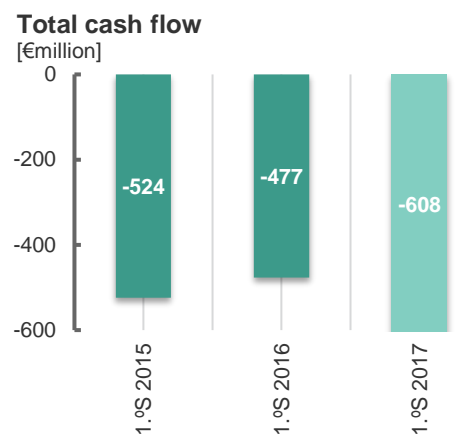
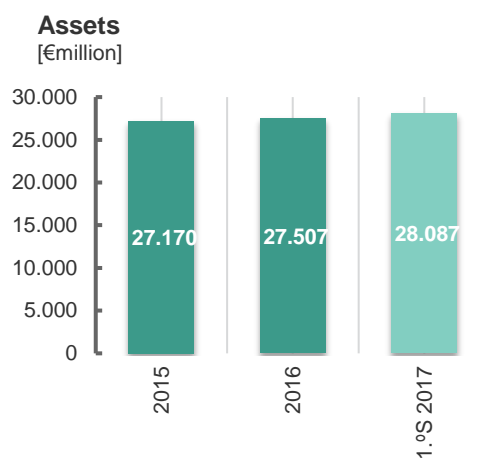


**EBITDA**  
[€million]

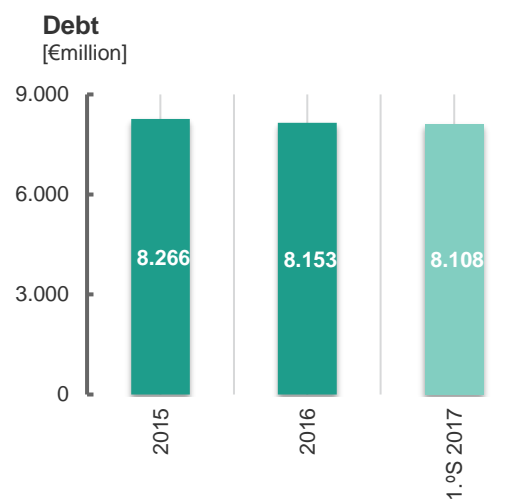
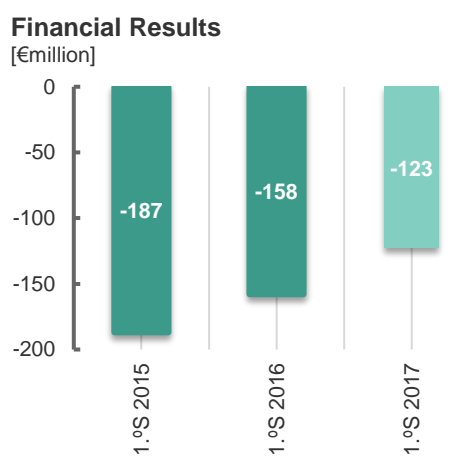


**Net Result**  
[€ million]



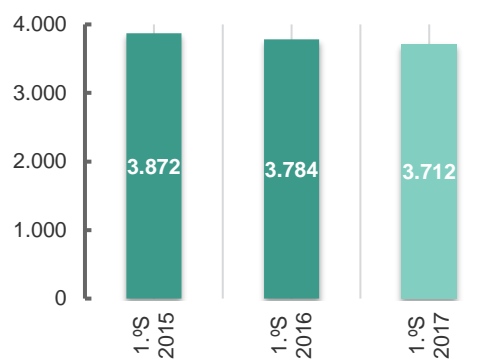


*Note: figures do not comprise capital injections and loans from funding activities*

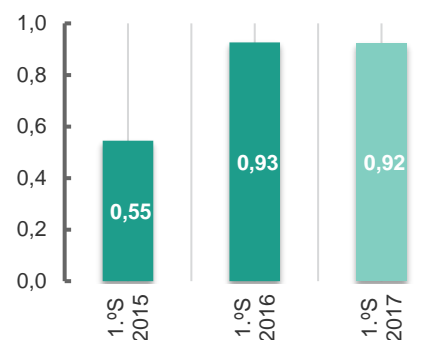


## 3.2 – KEY OPERATIONAL INDICATORS

**Average Staff (no.)**

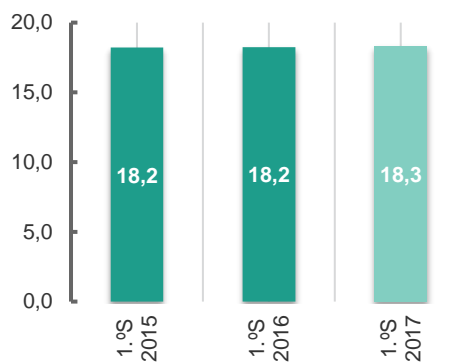


**Level of railway safety**  
[Significant accidents per mtK]

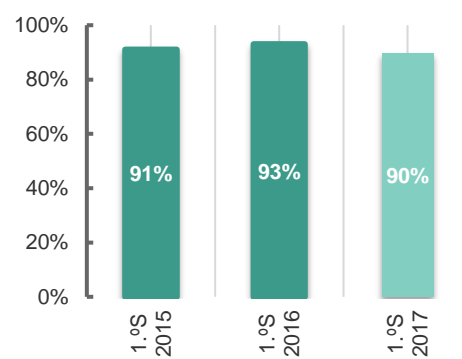


*Note: The Road Safety Index can only be determined following the end of the year.*

**Train / Km**  
[million]



**Punctuality Index**  
[%]



## 3.2 MACROECONOMIC BACKGROUND

The favourable economic background that emerged during the second half of 2016 continued in the first six months of this year, leading the European Commission to recommend Portugal's withdrawing from the excessive deficit procedure, as the country outperformed the public deficit targets established with its European partners.

According to data disclosed by the National Statistics Institute (INE), Gross Domestic Product (GDP) grew by 2.9% year-on-year, in terms of volume in the second quarter of 2017 (vs. 2.8% in the previous quarter). Net external demand continued to contribute to the year-on-year change in GDP, whilst the volume of exports of goods and services slowed down in line with the trend experienced by imports of goods and services. Internal demand kept a dynamic pace driven by an acceleration of investment. Comparatively with the 1st quarter of 2017 GDP grew by 0.3% in real terms (chain rate of change of 1.0% in the previous quarter). In the last quarters, economic growth pace in Portugal has out stepped that of the Euro area, both in terms of chain rate of change as year-on-year.

Banco de Portugal 2017-2019 projections for the Portuguese Economy published in its June 2017 Economic Bulletin point to a sustained economic recovery, and at a faster pace than that experienced over the past few years. Following a 1.4% growth in 2016 the Portugal central bank estimates GDP growth rates of 2.5% in 2017, 2.0% in 2018 and 1.8% in 2019. These projections, which revise upwards those made in March, are quite encouraging since they reveal a higher growth pace than that of the Euro area according to the ECB, bringing the country back on track.

As far as the labour market is concerned, monthly figures for the second quarter of 2017 suggest a sharp rise in employment, including self-employment. This evolution supported the decrease in the unemployment rate, which stood at 9.1% in June 2017, i.e. 0.1 p.p. less than in the previous month and 0.6 p.p. less compared to three months earlier, hitting the lowest level since November 2008 (8.9%).

CPI year-on-year change went from 1.5% in May to 0.9% in June 2017. Consumer confidence hit a 31-year historic record in June.





### 3.3 HIGHLIGHTS OF THE PERIOD

#### JANUARY



#### **25 de Abril Bridge - Full Post Card, Commemorative Stamp and inauguration of exhibition**

2017.01.19

Ceremony to mark the presentation of the Commemorative Post Card and Stamp of the 25 de Abril Bridge - "Connecting Destinations for 50 years" and inauguration of art exhibition on the 17th of January 2017. Points of view.



#### **Renovation of Algarve road-railway infrastructures**

2017.01.20

Public presentation of the modernisation projects of the Algarve Railway Line and EN125 road held in several towns across the Algarve on the 20th of January.



#### **Improvement of safety on the Beira Alta Railway Line**

2017.01.24

Completion of various works started in 2016 viewing improving the safety and reliability of the Beira Alta Line.



#### **Beginning of modernisation works on the Minho Line**

2017.01.30

Work Contract for the electrification of the Nine - Viana do Castelo stretch on the Minho Railway Line involving an investment of €16 million was signed on the 30th of January.



#### **EN15 - Renovation of road stretch between Paredes and EN 106**

2017.01.31

Completion of renovation works of road stretch on EN15 between Paredes (km 26+944) and EN106 (km 29+444)", municipality of (parishes of Guilhufe, Penafiel and Marecos), corresponding to an investment of €2,900 million.

**FEBRUARY****Replacement of metallic deck of bridge over ER261, on the Sines Railway Line**

2017.02.06

Completion of works for the replacement of metallic deck of lower crossing on km 160.432, of the Sines Line, municipality of Santiago do Cacém.

**Replacement of pedestrian crossover on EN6-7 and IC19**

2017.02.06

Completion of contract works - "EN6-7 km 3+150; IC19 km 1+850 – Pedestrian Crossovers – Replacement of Engineering Works" and respective opening on the 20th of January.

**Major Quality Inspections to the NRN**

2017.02.08

Completion of 2016 inspection to road pavement with Laser Profilometer carried out from August to December 2016 covering 6945 km of the National Road Network.

**Launching of Valuation Programme for Business Areas**

2017.02.08

On the 7th of February the Government presented the Valuation Programme of Business Areas, which views to enhance competitiveness, promote job creation and increase exports.

## MARCH



### Investments in Alto Minho, Cávado and Ave

2017.03.17

Visit on the 16th and 17th of March to municipalities in sub-regions of Alto Minho, Cávado and Ave, to present the road and railway investments in progress and planned for the region.



### New Baixo Alentejo Sub-concession Contract

2017.03.17

A new sub-concession contract for Baixo Alentejo was concluded on 31.01.2017, effective as of 17 March 2017, which did not require the prior approval of the Audit Court.



### Replacement of Pedestrian Crossovers on IP3, EN234 and EN229

2017.03.25

Completion of works "IP3, km 79+730; IP3, km 81+960; IP3, km 82+200; EN234, km 52+500; EN229, km 22+130; km 229, km 26+920 - Replacement/Dismantling of Pedestrian Crossovers".



### Completion of works "2015 Vertical Signing - Lote VI - COS"

2017.03.30

Completion of works "2015 Vertical Signing - Lote VI - COS" on 30th March. The works were carried out in the districts of Évora, Beja and Faro, and involved investment of €870 thousand.



### Modernisation of stretch of the Eastern Line, between Elvas and the Spanish border

2017.03.30

Launching of modernisation works on the Eastern Line 11km-stretch between Elvas and the Spanish border, which will form part of the future International South Corridor.

## APRIL



### Meeting of EU EIP at IP

2017.04.10

Meeting of EU EIP Project for Sub-activity 4.6 was held on the 13th and 14th of February at Gare do Oriente facilities in Lisbon.



### Improvement works on IC1 road between Alcácer do Sal and Grândola

2017.04.18

Announcement of Public Tender for the renovation of a 15.7km stretch of the IC1, between Alcácer do Sal (junction with EM120) and Grândola Norte (junction with IC33), with an estimated investment of €6.4 million.



### Improvement works on Olhão and Albufeira-Ferreiras railway stations

2017.04.18

Completion of improvement and maintenance works in railway stations of Olhão and Albufeira-Ferreiras, on the Algarve Line.



### PENSE 2020 - National Strategic Plan for Road Safety

2017.04.20

The Council of Ministers approved on April 20 the National Strategic Plan for Road Safety - PENSE 2020, viewing to make road safety a national priority for all.



### 2017-2020 Current Maintenance Contracts

2017.04.20

Presentation on the 20th of April of Revision of Specifications of the 2017/2020 Current Maintenance Contracts, held at Pragal Campus.

## MAY

**Completion of renovation of engineering works on the EN13**

2017.05.17

Completion of renovation works on "EN13, Bridges over River Âncora km 81+932, PI - km 82+890, PI km 83+210 – Renovation of Engineering works", in Viana do Castelo District, corresponding to an investment of €660 thousand.

**IPE signs cooperation protocol for the development of infrastructure projects**

2017.01.20

On the 10th of May IPE, Águas de Portugal Internacional, LNEC and ISQ signed a Cooperation Protocol for the "Development of Infrastructures Projects in East Timor and Portuguese Speaking Countries".

**IP awarded 'SOS Azulejo 2016' Prize**

2017.05.19

IP received "Good Practice" award, within the scope of 'SOS Azulejo 2016' Prizes.

**IP- ADIF Meeting in Madrid**

2017.05.24

First meeting between IP and ADIF viewing the coordination of technical interfaces relating to works on the Minho Line held on the 24th of May at ADIF offices in Madrid Chamartín.

**Increase in traffic safety - North Line**

2017.05.31

Award of slope stabilisation contract on the North Line (between Pk 180.240 and Pk 180.550 (right edge) of the North Line (Soure).

## JUNE



### IP's 2nd Anniversary - Career Tribute Session

2017.06.02

Commemoration of IP's second anniversary, including tribute to employees with 25 or 40 years of service and to former road men and level crossing guards.



### Renovation of International Bridge over the Guadiana River

2017.06.05

Presentation on the 5th of June of the Tender for the Renovation Works of International Bridge over the Guadiana River, linking the Algarve region to the Spanish region of Andalucía.



### Drill at Grilo Tunnel

2017.06.05

Pursuant to the 2017 Drill Plan, IP and Lisbon Command of Security Operations held a real scale drill (LIVEX) in Túnel do Grilo.



### Atlântico Corridor General Meeting

2017.06.21

The General Meeting of Atlântico Corridor was held on the 21st of June





### Workshop - Best Value for Public Money

2017.06.21

IP took part in a workshop on public procurement for RTE-T cross border projects, at the invitation of DG MOVE, having then presented the new Évora-Elvas/Caia (Spanish border) railway line.



### Tender for the Electrification of the Douro Line - Marco de Canaveses – Régua

2017.06.27

IP launched tender for Preliminary Study, Environmental Impact Assessment, Development Project for the Electrification of the Douro Line - Marco de Canaveses to Régua stretch.



### Ministry for Transport and Communications of Mozambique visit to IP

2017.06.29

A Mozambican delegation led by the Ministry for Transport and Communications of Mozambique visited IP, viewing to meet the company and leverage the development of joint activities in their fields.

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# 4

## MAIN AREAS OF ACTIVITY

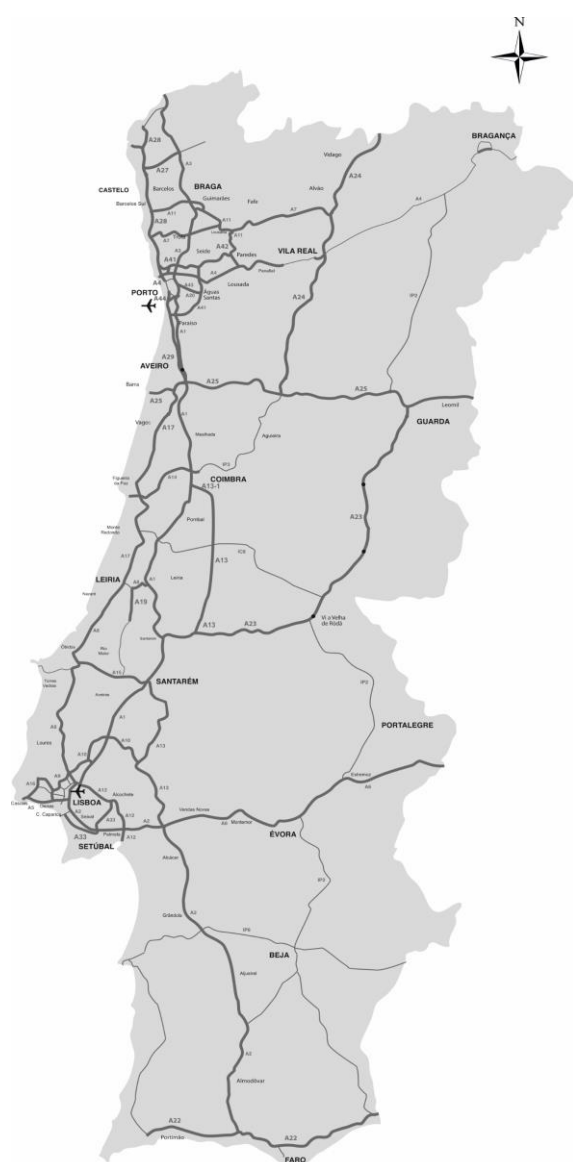


## 4. MAIN AREAS OF ACTIVITY

### 4.1 - MANAGEMENT OF THE ROAD INFRASTRUCTURE

The Management of Road Infrastructure activity comprises both the activities of building and renovating roads and engineering structures and the activities of managing, maintaining and improving the safety of the national road network.

#### Characterisation of the National Road Network (NRN)



The National Road Network (NRN) is governed by the National Road Plan (Decree-Law no. 222/98 of 17 July, Law no. 98/99 of 26 July and Decree-Law no. 182/2003 of 16 August) and comprises three levels of roads: “*Itinerários Principais*” (trunk roads), “*Itinerários Complementares*” (secondary roads), and National Roads.

The National Road Network in operation currently comprises 17,708 km.

IP is the concessionaire of 15,109 km, of which 13,509 km under direct management (including 3,727 km of declassified roads not yet handed over to municipalities) and 1,600 km of network under sub-concession contracts (pursuant to seven different contracts).

The network under IP’s direct management is stable, though a further 12km stretch is to be built until the end of 2017, included in the Baixo Alentejo Concession.

Mainland Portugal Motorway Network stretches across 3119 km, of which 540 km are under direct or indirect management of IP.

The remaining 2,599 km are State Concessions (including 2,184 km of tolled network).

## Traffic

Annual Average Daily Traffic (AADT) in the first half of 2017 recorded a slight decrease (-0.6%) over the same period of 2016<sup>1</sup>.

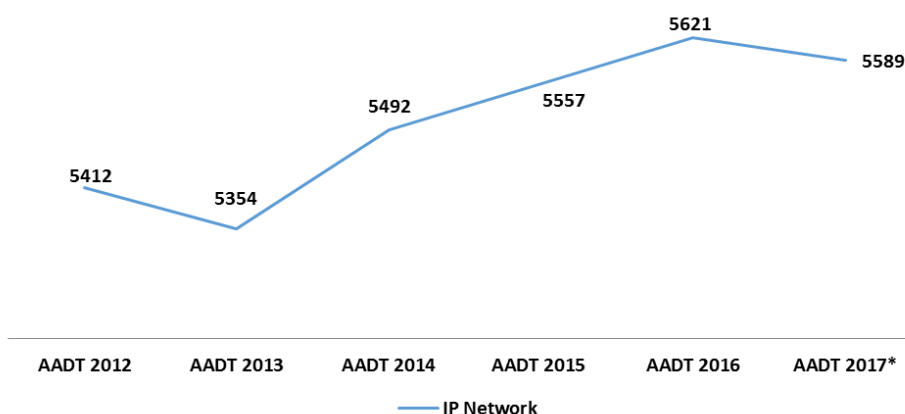
IP Network	Half-Yearly Average Daily Traffic (AADT)		Change 2016/2017
	1st half 2017	1st half 2016	
National Road Network (IP and Sub-concessions)	4 017	4 679	-14.1%
National Motorway Network (IP and Sub-concessions)	22 121	20 729	6.7%
<b>Weighted Total</b>	<b>9 371</b>	<b>9 425</b>	<b>-0.6%</b>

However, in the National Motorway Network under IP's jurisdiction alone there was a significant rise in traffic in both the network under sub-concession and the network under direct management.

National Motorway Network	Half-Yearly Average Daily Traffic (AADT)		Change 2016/2017
	1st half 2017	1st half 2016	
National Motorway Network - Sub-concessions	9 151	8 375	9.3%
National Motorway Network - IP	46 711	44 152	5.8%
<b>Weighted Total</b>	<b>22 121</b>	<b>20 729</b>	<b>6.7%</b>

We thus conclude that although overall traffic volumes were quite similar in those two years, there was an effective transfer of road traffic to the motorway network, most of which is tolled, reflecting the economic upturn occurred over the past year.

The evolution of AADT in IP's network since 2012 including projections for 2017 assuming the same change rate recorded in the 1<sup>st</sup> semester is as follows:



<sup>1</sup> Traffic figures concern sub-stretches with metering and full information in both periods under review.

## 4.2 - MANAGEMENT OF THE RAILWAY INFRASTRUCTURE

### Characterisation of the National Railway Network (NRwN)

Lines and branch lines forming the national railway network (whether in operation or not, including franchised sections) have a **total length of 3,621 km**.

Seventy percent of the total railway network is operating, i.e. tracks suitable for train running cover 2,546 km.

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

The Convel system, which is shared by the Operators and REFER, ensures high traffic safety levels, complying with signalling and authorised train running speeds. This system is deployed across approximately 1,695 km of the network (67% of the network under operation).

The Ground-Train Radio system (shared by the Operators and REFER) is used for voice and data communication between train drivers and IP personnel in charge of traffic control. This system is deployed in approximately 1,510 km of the network (59% of the network under operation).



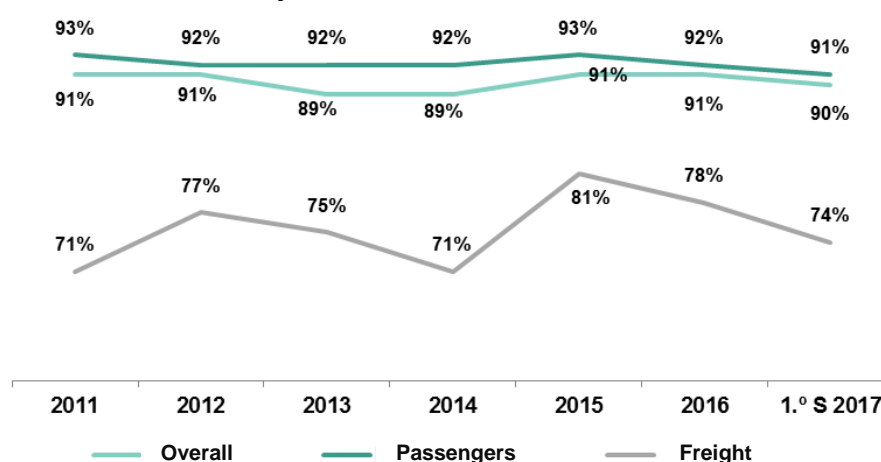
### Service Level

The reliability and safety of the infrastructure provided to end users reflects the maintenance strategy followed by the company. Traffic data analysis permits to monitor the direct performance of the network but also the management of railway assets. In addition to safe conditions on the railway infrastructure, IP must also ensure high on-time performance levels (PR).

On-time performance is measured as the ratio between the number of trains with a delay of up or below 5 minutes for passenger trains and 30 minutes for freight trains and the number of trains run.

In the first half of 2017 on-time performance was of 90%.

**Evolution of the Punctuality Index**



## Network Directory

Pursuant to provisions in Decree-Law no. 217/2015 and Decree-Law no. 270/2003, as amended by Decree-Law no. 151/2014 (the part maintained in force by Decree-Law no. 217/2015) IP annually publishes its Network Directory, which is intended to provide railway transport companies the information they need to access and use the national railway infrastructure.

The Network Directory contains the general rules, terms, procedures and criteria relating to tariffs, distribution of capacity, and other information allowing operators to apply for the use of the railway infrastructure.

## Network Utilisation (tk)

USE OF NETWORK	EFFECTIVE (1stH)		Deviation	Δ%
	2017	2016		
Passenger	14 952	14 897	54	0%
Freight	2 916	2 890	26	1%
Unladen	464	451	13	3%
<b>TOTAL</b>	<b>18 331</b>	<b>18 238</b>	<b>93</b>	<b>0.5%</b>

Unit:  
million  
of tk

Traffic volume in the railway network in the first half of 2017 totalled 18.3 million train km (tk), increasing by 0.5% over the same period of the previous year.

In line with the trend, in the period from January to June 2017, income from user fees rose by 1% (€348 thousand) in relation to the same period of the previous year.

(Amounts in € thousand)

USER FEE	EFFECTIVE (1stH)		Deviation	Δ%
	2017	2016		
Passenger	29 196	28 862	334	1%
Freight	3 880	3 815	65	2%
Unladen	826	809	17	2%
<b>TOTAL USAGE CHARGE</b>	<b>33 901</b>	<b>33 486</b>	<b>416</b>	<b>1.2%</b>
Capacity requested and not used	317	386	-68	-18%
<b>TOTAL</b>	<b>34 219</b>	<b>33 871</b>	<b>348</b>	<b>1.0%</b>

## 4.3 - INVESTMENT IN THE ROAD AND RAILWAY INFRASTRUCTURE

### INVESTMENT IN THE RAILWAY NETWORK

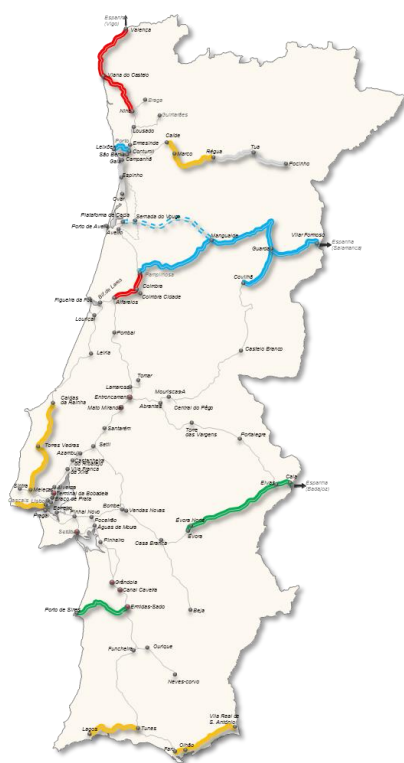
Investments in the rail infrastructure comprise the construction, installation and modernisation of the infrastructure made on behalf of the State (assets belonging to the public railway domain), which are treated as Long-Duration Investments (LDIs).

#### FERROVIA 2020

The **Ferrovia 2020 Investment Plan (Ferrovia 2020)** based on the PETI3+ Plan, envisages the modernisation of approximately 1200 km of railway lines. This modernisation plan covers the main links to Spain and Europe: Aveiro-Salamanca and Sines/Lisbon-Madrid - modernisation of part of the North Line and electrification of over 400 km of existing lines. These investments will include the

beginning of the installation of the European Railway Traffic Management System (ERTMS/ETCS), extension of train crossing length to 750m and preparation of migration to the standard rail gauge. The objective is to ensure an increase in rail transport efficiency, namely freight transport, in terms of:

- (i) Increase in capacity, both in terms of load and train number;
- (ii) Decrease in transport costs;
- (iii) Decrease in travel time and length; and
- (iv) Improvement of safety and reliability conditions.



On the other hand, in addition to improving international connections, these investments will benefit the links between the coastline and inland, and links of the inland to the Spanish market.

The **Ferrovia 2020 Plan** is structured in the following corridors:

- **International North Corridor:** Leixões Lines, Aveiro-Vilar Formoso Corridor and Beira-Baixa Line
- **International South Corridor:** Sines/Setúbal/Lisboa-Caia Corridor
- **North-South Corridor:** Minho Line and North Line
- **Additional Corridors:** Oeste Line, Douro Line and Algarve Line

To achieve these goals, IP benefits from a package of community funds - “Connecting Europe Facility (CEF)” (general component - contribution of 30% to 50% and cohesion component - 85% contribution) and Portugal 2020 Programme (85% contribution), plus the Juncker Plan and the contribution of Infraestruturas de Portugal.

**The “Ferrovia 2020” Plan** - deemed as the company's major challenge over the next few years, is clearly focused on the modernisation of the National Railway Network, foreseeing an overall investment of €2,000 million.

The plan's implementation in the first semester of the year totalled **€17.2 million**, namely:

- **Atlantic Front Corridor (North-South Corridor)**, with an implementation of €10.4 million, comprising: Sub-stretch 2.3 – Alfarelos - Pampilhosa in the North, (€7.2 million); Electrification of the Nine-Valença stretch on the Minho Line (€2.1 million) and works on Sub-stretch 3.3-Ovar-Gaia on the North Line (€903 thousand);
- On the **International North Corridor** the works carried out in the first semester totalled €1.5 million, specifically in the Beira Alta Line, Pampilhosa – Mangualde Stretch;
- **Additional Corridors:** electrification of Caíde / Marco stretch on the Douro Line in the amount of €1.1 million.

### Other railway investments

Taking into account the company's strategic goals, which comprise and prioritise investments according to a pre-established set of criteria, a number of interventions have been decided, which are part of the Railway Proximity Plan.

Interventions in the rail infrastructure aim to reinforce safety conditions and improve the reliability and quality of the service provided to the clients. These interventions also aim to improve the integration of the rail infrastructure in the surrounding territory, enhancing the positive externalities and mitigating the negative ones, and mobility conditions by creating new connections or reducing travel times.

In the first half of 2017 investment in renovation and modernisation, adequacy to standards and regulations and improvement of service levels in the railway infrastructure totalled **€3.2 million**. Amongst these, we highlight the improvement of the track superstructure in the Cascais Line, corrosion protection works in railway bridges and track renovation on the Beira Alta Line.

## INVESTMENT IN THE RAILWAY NETWORK

### BUSINESS AREAS VALUATION PROGRAMME



In February the Government presented the **Business Areas Valuation Programme**, which aims at increasing business competitiveness, promote job creation and increase exports.

The programme comprises an overall investment of €180 million, developed along two axes in three convergence regions: North, Centre and the Alentejo.

- A total amount of €78 million will be used to create and expand business areas; public tenders are to be launched for Operational Programmes of Portugal 2020, open to municipalities wanting to attract businesses to their regions.
- The remaining €112 million will be invested in 12 road links, viewing to improve links of existing business areas to the road network.

#### ROAD LINKS contemplated by the Programme:

- Link to Escariz - Arouca à A32 | Sta. Maria da Feira business park - €29.6 million
- Link to the Industrial Area of Fontiscos | Santo Tirso - €0.7 million
- Link connecting the Industrial Area of Cabeça de Porca | Felgueiras to the A11 – €6.8 million
- Link to the Business Area of Formariz | Paredes de Coura to the A3 – €8.1 million
- Link connecting the Business Park of Lanheses to ER305 - €0.2 million
- Access road to Avepark in Guimarães - Taipas Science and Technology Park | Gandra Industrial Area – €14.9 million
- Improvement of road accesses to business areas of Famalicão Sul | Ribeirão and Lousado - €5.1 million
- Improvement of road accesses to Business Area of Lavagueiras | Castelo de Paiva – €17.7 million
- Road accesses to Industrial Park of Mundão | Sátão - €6.7 million
- Road accesses to Industrial Area of Riachos | Entroncamento, Golegã, Torres Novas - €8.3 million
- Link connecting the Industrial Area of Rio Maior to EN114 - €2.2 million
- Improvement of accesses to the Industrial Area of Campo Maior - €2.3 million

The works described above are scheduled to start in 2018, forming an integral part of IP's business plan for the next few years.



### Other road investments

In the period under review IP carried out the following works in its own network: EN234 - CRIZ I and CRIZ II bridges; EN234-6 - São João das Areias Bridge (€1.6 million); EN256 - Link to Ponte do Albardão (€1.1 million).

#### EN234 CRIZ I and CRIZ II bridges; EN234-6 - São João das Areias Bridge – Structural reinforcement of pillars and foundations

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

Reinforcement works carried out in these bridges were required due to internal reactions, which caused a deterioration in concrete resistance to compression and corrosion in rebars.

The purpose of these intervention works was to improve structural safety, in line with standards and durability requirements.



CRIZ I



CRIZ II



São João das Areias

### EN256 Link to Albardão Bridge, including new bridge over Degébe river

This new stretch starts at km 6+100 of EN256 and ends at km 9+205 of the said road. This new link, with a 2,775 metre length will shorten existing access by 330 metres.

The new road will help reducing the number of accidents in the area, thanks to significant improvement in the layout and longitudinal profile, including correction of a sharp curve.



Additionally, a new engineering work built in the uneven area of the junction will permit local connections to EN256.

The construction works were carried out in close articulation with entities involved, as they had impact on several services, namely telecommunications, low/medium voltage grids and water supply to the town of Reguengos de Monsaraz.



## 4.4 ROAD PARTNERSHIPS

### Renegotiation of the Concession and Sub-Concession Contracts

During 2017 IP continued the renegotiation process of PPP road contracts, as agreed by the Portuguese State within the framework of the Economic and Financial Assistance Programme, viewing to significantly reduce government expenses.

The negotiation process concerning all **State concession contracts** was concluded during 2015, leading to the signature of nine contracts corresponding to the Norte, Costa de Prata, Beira Litoral/Beira Alta, Grande Porto, Grande Lisboa, Interior Norte, Beira Interior, Algarve and Norte Litoral concessions.

These nine contracts were submitted to the Court of Auditors for appreciation, this Court having returned them with the indication that they were not subject to prior supervision and therefore were already in full effect.

As far as the **sub-concessions** of Baixo Alentejo and Algarve Litoral are concerned, the stock of the situation of the negotiation process is as follows:

- The new contract for the Baixo Alentejo sub-concession was concluded and submitted to the Audit Court in February 2017, which waived any prior approval, the contract being therefore in force;
- With regard to the Algarve Litoral sub-concession, on 27 June 2017 a final agreement was entered by IP's Negotiation Committee and Rotas do Algarve Litoral, S.A. (RAL) concerning changes to respective contract documents, and the process is now pending banking approval, following which the final draft and report will be prepared and submitted to the approval of all relevant entities. Following such approvals, the sub-concession contract will be signed and submitted to the approval of the Audit Court, which should happen in the 3rd quarter of 2017.

As far as remaining sub-concessions are concerned, the stock of the situation of the negotiation process is as follows:

- With regard to the Transmontana sub-concession, renegotiation processes are completed and changes to the sub-concession contracts were already agreed. The approval of financing entities was already obtained and the negotiation committee is now preparing the final documentation to be signed. The next steps for the formalisation of the proposed changes will be (i) preparation, submittal and approval of the final report on the negotiation process and, (ii) respective submittal to the approval of relevant entities. Following such approvals, the Amended Sub-concession Contract will be signed and submitted to the approval of the Audit Court - which is likely to occur in the second half of 2017;
- In relation to the Pinhal Interior sub-concession, following the approval of the financing banking syndicate at the end of May, on the 2nd of June 2017 the negotiation process was deemed completed following signature of the final minutes. The next steps for the formalisation of the proposed changes will be (i) preparation, submittal and approval of the

final report on the negotiation process and, (ii) respective submittal to the approval of relevant entities.

- In the Baixo Tejo and Litoral Oeste sub-concessions, following the respective initial Memorandum of Understanding, the Negotiation Committee and the Sub-Concessionaires have already agreed on the financial models, and the last amendments to contract clauses are now being agreed, so that negotiation processes may finally be closed.
- As to the Douro Interior sub-concession, on 5 July 2017 the Negotiation Committee and ASCENDI Douro agreed on Financial Model of the Sub-concession; due diligence is now in progress viewing the signature of the contractual documents.

The negotiation process for all sub-concession contracts is expected to be concluded during the 2nd half of 2017.

### Completion of the network under sub-concession

Seven sub-concession contracts are now under implementation, covering a total length of 1,654 km.

Approximately 1,460 km are operating, including Douro Interior, Autoestrada Transmontana, Litoral Oeste, Baixo Tejo and Pinhal Interior sub-concessions, covering 1088 km, which are in full operation; the private-public partnerships entered for these sub-concessions involve adequate quality control of contracted services.

Unit: km

Sub-concessions	In operation (*)	Under construction		Not to be constructed	TOTAL
		New Construction	Renovation		
Douro Interior	241				241
AE Transmontana	191				191
Baixo Alentejo	207	12	43		262
Baixo Tejo	60			9	69
Algarve Litoral	165		82	26	273
Litoral Oeste	103				103
Pinhal Interior	493			22	515
<b>Total</b>	<b>1 460</b>	<b>12</b>	<b>125</b>	<b>57</b>	<b>1 654</b>

(\*) Includes stretches which are under operation though they were still not renovated

However, according to the renegotiation processes under way, the construction/repair of 57 km is currently on hold, and 137 km of new roads and renovation works are still pending completion on the Algarve Litoral and Baixo Alentejo sub-concessions.

In line with the physical progress of each of the sub-concessions, ongoing works on Baixo Alentejo and Algarve Litoral sub-concessions are expected to be completed in October 2017.

## Expenses in the 1<sup>st</sup> Semester 2017

Payments made during the first semester of 2017 relating to road concessions and sub-concessions totalled €688.9 million (excluding VAT), corresponding to a budget implementation of nearly 98%.

Amounts in €  
thousand,  
excluding VAT

Road Partnerships	Implemented 2016 1st Half	2017 State Budget 1st Half	Implemented 2017 1st Half	Change 2017/2016	Deviation to Budget
<b>Concessions (Availability)</b>	<b>83 154</b>	<b>79 423</b>	<b>79 525</b>	<b>-3 629</b>	<b>102</b>
Norte	65 453	64 851	64 988	-465	138
Grande Lisboa	17 702	14 573	14 537	-3 165	-36
<b>Former SCUTS (Availability)</b>	<b>302 206</b>	<b>300 626</b>	<b>303 520</b>	<b>1 314</b>	<b>2 894</b>
Beira Interior	51 400	62 113	62 113	10 713	0
Algarve	24 949	24 241	26 133	1 184	1 892
Interior Norte	48 964	50 078	50 015	1 051	-63
Norte Litoral	29 276	28 671	30 089	813	1 419
Costa da Prata	32 477	28 685	28 717	-3 760	32
Beiras Litoral e Alta	68 358	62 607	62 244	-6 114	-363
Greater Porto Region	46 782	44 231	44 208	-2 574	-23
<b>Sub-concessions (Availability+Service)</b>	<b>222 899</b>	<b>301 292</b>	<b>292 957</b>	<b>70 058</b>	<b>-8 335</b>
Transmontana	23 108	25 968	22 630	-478	-3 338
Baixo Tejo	29 539	43 254	42 270	12 731	-985
Baixo Alentejo	9 179	30 608	30 042	20 863	-566
Litoral Oeste	53 920	71 538	72 372	18 452	834
Algarve Litoral	0	9 365	7 800	7 800	-1 565
Douro Interior	36 705	48 953	48 900	12 194	-53
Pinhal Interior	70 448	71 606	68 944	-1 504	-2 662
<b>Subtotal</b>	<b>608 259</b>	<b>681 341</b>	<b>676 002</b>	<b>67 743</b>	<b>-5 339</b>
Rebalancings and Compensations	6 036	4 057	3 991	-2 045	-66
Availability B Payments	6 505	8 552	8 713	2 208	161
Major Repairs	0	10 785	168	168	-10 617
<b>TOTAL</b>	<b>620 800</b>	<b>704 735</b>	<b>688 874</b>	<b>68 074</b>	<b>-15 861</b>

The deviation (-€15.9 million) in relation to the budget is explained by low implementation of Major Repairs.

Compared to the same period of 2016, there was an increase in payments by €68.1 million, which is mainly due to two factors:

- Availability and service payments foreseen for June 2016 relating to Transmontana, Douro Interior, Baixo Tejo and Litoral Oeste sub-concession were made in July 2016;
- Adjustment in work plans concerning completion works of Baixo Alentejo and Algarve Litoral sub-concession, with impact on payments made up to 30 June;

## 4.5 TELECOMMUNICATIONS

**IP Telecom** has a wide network of optical fibre infrastructure deployed throughout the country, complemented with the Technical Road Channel, providing a unique national wide grid.

The optical fibre market is a mature market, though it still has the potential to grow further; hence, the company seeks to attract major international clients with still reduced activity in Portugal and it is working actively to develop opportunities with the State sector. In terms of the road technical channel, efforts have been made to improve the value proposal addressed to operators; the new ORIP (IP Reference Offer) should be published soon, and will definitely contribute to the competitiveness of IP's offer.

Likewise, IP Telecom has state-of-the-art technological infrastructures and datacentres, which the company is strategically committed to develop further, taking into account the market trends and growth potential. On par with a strategic repositioning to achieve better efficiency in internal processes, these assets should pay off more than the remuneration obtained until now.

IP Telecom is ISO 27001 certified and a member of various cyber-security entities, which attests to the importance it gives to the information security of its clients, particularly with regard to the Cloudsolutions, Hosting and Housing services it provides in its data centres of Lisbon, Viseu and Porto. IP Telecom Cloud offer was complemented with business solutions provided by partners, particularly at SaaS – Software as a Service level.

In the first half of 2017 turnover generated by this segment of the IP Group totalled €5.6 million.

## 4.6 ENGINEERING SERVICES

The mission of **IP Engenharia** is to carry out transport engineering studies and projects, provide inspection services and boost the international business of the Group.

In the first half of 2017 the company developed various studies and projects in the road and rail areas for Group IP, provided technical advice and support to IP's different organic units, including advisory, technical opinions, viability studies, preliminary programmes, analysis and approval of road concession projects, development and updating of IP standards, representation in technical committees and international working groups, training actions technical specifications, etc.

Highlights of the company's international activity are as follows:

- **Algeria:**

Continuation of project "Doubling of track and increase in speed to 160Km/h of Beni Mansour - Bejaia railway line)" for client COSIDER/ANESRIF – this project, which was interrupted by the client due to different problems in the development of preparatory works, was resumed in February 2017;

- **Europe:**

Continuation of the work developed by "*Observatoire de Traffic Terrestre du Corridor Atlantique*" for GEIE-Atlantic Corridor, in joint-venture with Systra, Ineco e Mfive.

In the first half of 2017 turnover generated by this segment of the IP Group totalled €1.9 million.



## 4.7 MANAGEMENT OF REAL ESTATE PROPERTY AND COMMERCIAL AREAS

IP Património and GIL are responsible for managing the real estate property of the IP Group, including the commercial operation of the network of stations and transport interfaces, ensuring its efficient use, renovation and conservation.

In this area, highlights for the 1st half of 2017 were the following:

- Increase in the number of areas for commercial purposes in stations, buildings and car parks;
- Better knowledge about the general conditions of existing real estate property with return potential, and georeferencing of buildings;
- Disposal of assets not needed for rail and road operation, thus increasing the Group's revenues;
- Intervention works carried out in railway stations to improve accessibility, cleaning, comfort and safety;
- Control and processing of customer claims in order to improve rendered services;
- Profit exploitation of the commercial areas, car park and public areas of the Oriente Station;
- Renovation works, including the recovery/renovation/Inventorying of "azulejo" tiles, pursuant to a protocol entered with SOS Azulejo;
- Organisation of events to disclose the historic and cultural heritage of the IP Group.

Continuing the work started in 2016, in the first six months of 2017 IP Património continued to consolidate its wide asset portfolio and develop strategies to get value out of such assets, making the most of their unique characteristics, promoting their marketing and valuation potential, through projects of strategic importance for IP Group.

This marketing strategy includes continuing the refurbishment/renovation of train stations, re-directing respective uses. This allowed to contribute to a global solution that would generate flows around such areas, increasing demand for and the return of the areas inside and outside the stations.

A number of procedures was set in motion viewing the operational management of car parks, according to a new strategy, which involves the form of remuneration of sub-concessionaires and views increasing IPP's net profit and turnover.

The Group's real estate assets are spread throughout the country, along the whole railway network, whether or not operating. Though not all assets can be commercially exploited, the number of commercial sub-concessions total nearly 700 hundred, comprising:

- 683 commercial areas, 96 plots of land and 34 warehouses;
- 247 automatic equipment (81 ATMs, 166 automatic machines);
- Advertising surfaces: network of 1.265 "Mupis" and 71 outdoors;
- 29 car parks (including those managed by Fertagus) corresponding to approximately 16,100 spaces; GIL has 1,620 spaces.
- 548.9 Km of eco-tracks under contract.

GIL leased its last space available in December 2016, registering a 100% occupancy rate since then.

In overall terms, during the first half of 2017 the company maintained the same commercial approach as before, i.e the tenant mix adjusted to each station. Turnover from this segment of the Group totalled €7.2 million in the period under review.

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# 5 ECONOMIC AND FINANCIAL PERFORMANCE

## 5. ECONOMIC AND FINANCIAL PERFORMANCE

Results achieved in the first half of 2017 confirm the favourable financial evolution of IP Group started in 2016, amongst which we highlight the following:

- **Net profit of €46.4 million**, which compares to positive results of €5.1 million in the first half of 2016, corresponding to an improvement by €41.3 million;
- **Increase in EBITDA by 6%** over the same period of the previous year, reaching €326.9 million;
- **Increase in Operating Income by €15.1 million (+2%)**, mainly as result of an increase in Compensatory Allowances, in line with the Programme Contract entered by the Portuguese State and IP for the management of the National Railway Network;
- Slight **decrease in Operating Expenses by €1.1 million**, which is due to a reduction in Personnel Expenses (-2.5% year-on-year), thanks to a reduction in personnel, which further allowed to offset the impact of the reversal of remuneration reductions;
- **Decrease in (net) Financial Expenses by €35.1 million**, following reduction in debt made possible through capital increases carried out by the shareholder over the past few years.

(Amounts in € thousand)

Key Indicators	IP Group	IP Group	Δ% 17/16
	1st half 2017	1st half 2016	
Operating Income	655 300	640 236	<b>2%</b>
Operating expenses	- 467 883	- 469 007	<b>0%</b>
<b>Operating Results</b>	<b>187 418</b>	<b>171 229</b>	<b>9%</b>
<b>EBITDA</b>	<b>326 904</b>	<b>308 166</b>	<b>6%</b>
Financial Results	- 122 792	- 157 885	<b>22%</b>
Results before income tax	64 626	13 345	<b>384%</b>
<b>Net Income</b>	<b>46 351</b>	<b>5 101</b>	<b>809%</b>

## 5.1 OPERATING INCOME

In the first half of 2017 IP Group's operating income increased by 2% over the same period of the previous year (by nearly €15 million).

(Amounts in € thousand)

Operating Income	IP Group	IP Group	Δ% 17/16
	1st half 2017	1st half 2016	
<b>Sales and services</b>	<b>579 687</b>	<b>577 677</b>	<b>0%</b>
Road Service Contribution (RSC)	333 220	321 085	4%
Tolls	140 809	122 129	15%
Rail Services	37 608	37 507	0%
State Grantor - Revenue LDI	7 763	8 845	-12%
Construction contracts	42 652	70 705	-40%
Other rendered services	17 636	17 406	1%
<b>Compensatory Allowances</b>	<b>34 208</b>	<b>20 325</b>	<b>68%</b>
<b>Other Income and gains</b>	<b>41 405</b>	<b>42 234</b>	<b>-2%</b>
<b>Total Operating Income</b>	<b>655 300</b>	<b>640 236</b>	<b>2%</b>

### Sales and services

#### Road Service Contribution (RSC)

The Road Service Contribution (RSC) is the consideration paid by users for using the national road network. It is levied on gasoline, auto diesel and LPG subject to tax on oil and energy products (ISP) that are not exempt from such tax.

The RSC remains the main source of income of IP, totalling €333.2 million in the first semester of 2017, i.e. +4% over the same period of the previous year.

According to information published by the Tax Authority (AT), gasoline consumption grew by 9% over 2016, whilst diesel consumption is stable in relation to the previous year.

#### Tolls

Income from tolls reached €140.8 million in the 1st six months of 2017, increasing by 15% over the same period of the previous year, mainly as a result of an overall rise in car traffic. In year-on-year terms, toll revenues on State concessions (real toll and Multi Line Free Flow (MLFF)) increased by 14%, whilst in sub-concessions they rose by 22%, although they still account for only 8% of overall toll revenues.

Toll revenues recorded in Marão Tunnel in particular, rose significantly since this motorway only opened to traffic at the end of the 1st semester of 2016 (May).

Tolls	IP Group	IP Group	Δ% 17/16
	1st half 2016	1st half 2017	
<b>Concessions</b>	<b>103 540</b>	<b>118 338</b>	<b>14%</b>
Norte	21 365	26 206	23%
Beiras Litoral e Alta	19 022	19 401	2%
Costa de Prata	14 434	17 186	19%
Greater Porto	11 201	14 560	30%
Norte Litoral	13 027	14 553	12%
Algarve	12 757	13 293	4%
Interior Norte	7 089	7 242	2%
Grande Lisboa	4 285	5 446	27%
Brisa	359	407	13%
Beira Interior		44	
<b>Sub-concessions</b>	<b>8 625</b>	<b>10 566</b>	<b>22%</b>
Pinhal Interior	4 557	5 680	25%
Baixo Tejo	2 091	2 689	29%
Litoral Oeste	1 216	1 286	6%
Transmontana	761	911	20%
<b>Other IP roads</b>	<b>9 964</b>	<b>11 906</b>	<b>19%</b>
A23	5 881	5 079	-14%
A21	3 338	3 494	5%
Marão Tunnel	648	3 333	414%
<b>Total</b>	<b>122 129</b>	<b>140 809</b>	<b>15%</b>

## Rail Services

The volume of railway traffic in the network in the first half of 2017 totalled 18.3 million trains-km (tk), increasing slightly in relation to the same period of 2016 (+0.5%).

Accordingly, income from **User Fees** also increased (by 1.2% year-on-year, i.e. €415 thousand) totalling €33.9 million.

Besides path availability to run trains, IP provides **Additional and Auxiliary Services**, such as traction power, parking of rolling stock, shunting and supply of water and power. Overall income from

these services in the semester under review was €3.450 million, falling by €0.2 million over the same period of 2016.

Income from **Capacity requested and not used** totalled €0.3 million.

### State Grantor - (LDI Revenues)

Amounts recorded under State Grantor (LDI Revenue) correspond to internal works debited to the long duration infrastructure investment activity, namely materials and labour for investment and respective overheads, under the terms of IFRIC12.

The sum recorded in the first semester of 2017 was €7.8 million, falling by 12% over the same period of the previous year, as a result of a decrease in consumption of railway material and operational expenses associated with investment activities.

### Construction contracts

This caption includes income from the construction of the National Road Network (NRN) as provided in the Concession Contract, including all road construction activities carried out directly or via sub-concessions.

The amounts corresponding to the construction of new infrastructures concern construction activities under IP's direct management, and they are calculated based on monthly monitoring reports on the progress of the works, and the expenses directly attributable to preparing the assets for their intended use.

Capitalized financial expenses correspond to IP's financial expenses during construction phase and consist of banking expenses with loans to finance the acquisition of the State's Concession Network and the accounting of sub-concessionaires' debt remuneration, corresponding to stretches under construction.

Overall income recorded in this caption during the 1st semester of 2017 was €42.7 million, falling by 40% year-on-year as a result of the following factors:

- Lower road construction activity following the completion of the Marão Tunnel in the first half of 2016;
- Decrease in construction activity on the network under sub-concession, scheduled to be completed in the second semester of 2017.

### Other services rendered

Total revenues from these services in the first half of 2017 totalled €17.6 million, increasing by 1% over the same period of 2016:

(Amounts in € thousand)

Other rendered services	IP Group	IP Group	Δ% 17/16
	1st half 2017	1st half 2016	
Management of property and commercial areas	7 187	7 392	-3%
Telecommunications	5 617	4 255	32%
Engineering and transportation services	1 879	1 245	51%
Transport of goods	1 408	1 231	14%
Technical road channel	39	1 328	-97%
Other services	1 505	1 955	-23%
<b>Total</b>	<b>17 636</b>	<b>17 406</b>	<b>1%</b>

### Management of property and commercial areas

This income in the amount of approximately €7.2 million corresponds to lease rents (shops, car parking, management of undertakings and advertising), having decreased by 3% over the same period of the previous year, due to a decrease in turnover associated with the sub-concession segment.

### Telecommunications

This segment comprises the provision of telecommunication services to the market, including the lease, maintenance and other services associated with optical fibre and the technical road channel; it also comprises the development of technological solutions in application areas such as ERP, CRM, Service Management, Cyber Defence, Cyber Security and other. Turnover in this segment totalled €5.6 million, increasing by 32% over the same period of the previous year, as a result of the integration of the technical road channel in the scope of IPT functions in the 1st half of the current year.

### Engineering and transportation services

In the first half of 2017 this caption recorded an increase of 51% face over June 2016, reaching €1.9 million, as a result of a rise in turnover in this segment.

### Transport of goods

In the first half of 2017 this caption recorded an increase of 14% face over June 2016, reaching €1.4 million. This development was due to an increase in activity and the distribution/breakdown of the activity, i.e. the relative weight of each client. The change in the relative weight mentioned above resulted in an increase in the average unit value of Handling as against existing prices, which have different levels.



### Technical road channel

The Technical Road Channel is a business area stemming from IP's road business that was included in IPT's income structure as from 2017.

### Compensatory Allowances

Income from compensatory allowances in the first half of 2017 totalled €34.2 million, i.e. 68% over the same period of the previous year. This performance results from Council of Ministers Resolution 10-A/2016, and the Programme Contract entered into by IP and the Portuguese State in March 2016, concerning the rendering of public railway services.

### Other Income and Gains

(Amounts in € thousand)

Other Income and Gains	IP Group	IP Group	Δ% 17/16
	1st half 2017	1st half 2016	
Operating subsidies	457	579	-21%
Investment subsidies	31 595	33 311	-5%
Disposal of Property	2	35	-95%
Sale of waste	1 200	290	313%
Other income	8 151	8 019	2%
<b>Total</b>	<b>41 405</b>	<b>42 234</b>	<b>-2%</b>

This caption comprises income recognised for the depreciation of non-repayable subsidies recorded in Liabilities, as deferrals, as well as income from fees resulting from the recognition in the period of the sum received upon the signature of the Grande Lisboa and Douro Litoral concession contracts.

It further comprises income from the use, licences and sale of waste and used material.

Total income recorded in this caption in the first half of 2017 totalled €41.4 million, decreasing by 2% over the same period of 2016.

## 5.2 OPERATING EXPENSES

In the first half of 2017 Group IP's operating expenses improved slightly (by €1.1 million) over the same period of 2016.

(Amounts in € thousand)

Operating expenses	IP Group	IP Group	Δ% 17/16
	1st half 2017	1st half 2016	
Cost of goods sold	133 926	133 480	0%
External supplies and services	117 231	117 938	-1%
Personnel expenses	66 169	67 841	-2%
Impairments (losses/reversals)	- 599	860	-170%
Expenses/reversals of depreciation and amortisation	139 486	136 937	2%
Provisions (Increase/Decrease)	8 283	8 377	-1%
Other expenses and losses	3 386	3 574	-5%
<b>Total Operating Expenses</b>	<b>467 883</b>	<b>469 007</b>	<b>-0.2%</b>

### Cost of goods sold

During the period under review costs of goods sold totalled € 133.9 million, in line with the same period of 2016.

### Supplies and Services

External supplies and services decreased slightly by €707 thousand (-1%) over the same period of 2016, totalling €117.2 million.

The breakdown of External Supplies and Services associated with Maintenance, Repair and Safety is as follows:

### Maintenance, Repair and Safety of the Road Network

(Amounts in € thousand)

Maintenance, Repair and Safety of the Road Network	IP Group	IP Group	Δ% 17/16
	1st half 2017	1st half 2016	
Regular road maintenance	26 500	26 500	0%
Road safety	1 384	3 753	-63%
Current road maintenance	14 404	15 619	-8%
<b>Total</b>	<b>42 288</b>	<b>45 872</b>	<b>-8%</b>

**Regular Road Maintenance** corresponds to the recognition of the increase in IP's responsibility for the expenditure required to maintain road and engineering structures under the terms of the Concession Contract. The annualised cost of the programmed maintenance works required to maintain the average quality index of the network at the same level as when the network was received, which is determined based on technical assessments of repair needs, according to an average quality index of roads and engineering structures, was estimated at €53 million, i.e. €26.5 million per semester.

**Road Safety** activities are as included in the Road Safety Plan, and consist of vertical and horizontal signing, safety barriers, and any other works associated with road safety and the prevention of accidents.

The Road Safety Plan establishes priority goals, assesses all accident indicators (black spots, number of accidents with injuries, serious injuries and fatal casualties), Annual Average Daily Traffic (AADT), pedestrian traffic in urban crossings and the type and function of roads.

This caption recorded expenses of €1.4 million in the first semester of this year, falling by €2.4 million (-63%) over the same period of the previous year, mainly as a result of delays in contract procedures for road signalling works and other similar works.

**Current Maintenance** corresponds to expenses for the year with current maintenance in roads and road related structures to maintain traffic comfort conditions and prevent deterioration in roads and rendered services.

The present management model of current maintenance of the national road network under direct administration of IP is essentially based on 18 Multi-annual District Contracts. Maintenance is carried out in roads and adjacent areas, with the purpose of maintaining conditions for comfortable and safe driving, preventing the deterioration of infrastructures and service quality.

These contracts involve the performance of works such as pavement repair and improvement, improvement of drainage systems, maintenance of bridges and viaducts, replacement of road signs and marking and other road safety and protection equipment, stabilisation of slopes, cleaning of ditches and adjacent land.

Current maintenance under contract covers the Greater Lisbon motorway network and assistance to road users. Current maintenance of the motorway network of the Greater Porto Region is ensured subject to an outsourcing contract.

Total expenses for the 1st half-year in this segment amounted to €14.4 million, which is -€1.2 million (-8%) less than the amount recorded in the same period of the previous year.

This deviation was mainly due to delays in contract processes for the current maintenance of the Greater Lisbon motorway network and current maintenance and operation of A23, IC10 and IP6.

## Maintenance, Repair and Safety of the Railway Network

IP has several service contracts in force to ensure the maintenance and repair of the National Railway Network.

Most of these contracts are multi-annual and cover intervention works in the fields of systematic preventive maintenance (SPM), Condition-based Preventive Maintenance (CPM) and Corrective Maintenance (CM), of tracks, signing, overhead lines, low voltage, substations, civil works, level crossings, lifts and escalators.

These contracts for maintenance services comprise:

- Contracts for maintenance services at national level, covering more than one regional organisational unit;
- Contracts for maintenance services, developed centrally and divided into several batches, circumscribed to the regional organisational units;
- Contracts of regional/local scope.

The following table describes expenses incurred in the first half of 2017 according to area. This caption overall expenses totalled €25.7 million, increasing by €2.7 million (+12%) over the same period of 2016:

(Amounts in € thousand)

Maintenance, Repair and Safety of the Railway Network	IP Group	IP Group	Δ% 17/16
	1st half 2017	1st half 2016	
Tracks	9 043	10 136	-11%
Signalling	7 874	7 032	12%
Telecommunications	2 128	225	846%
Overhead line	2 229	2 577	-14%
Low tension	741	431	72%
Sub-stations	326	328	-1%
Civil works	1 115	983	13%
Engineering works		36	-100%
Level Crossings	274	147	87%
Recovery of materials	173	84	106%
Emergency train	448	683	-34%
Lifts and escalators	368	318	16%
Other	971		
<b>Total</b>	<b>25 692</b>	<b>22 981</b>	<b>12%</b>

Caption Telecommunications explains this overall increase by €2.7 million, specifically the increase in maintenance services associated with railway accessibility and telematics that had not been accounted for in the first half of 2016.

## Other Supplies and Services

Expenses with Other Supplies and Services totalled €49.2 million in the period under review, remaining practically flat in relation to the 1st half of 2016 (+0.3%).

(Amounts in € thousand)

Other Supplies and Services	IP Group 1st half 2017	IP Group 1st half 2016	Δ% 17/16
O&M EP Sub-concessions	13 607	12 827	6%
Toll collection costs	9 253	8 301	11%
RSC Collection costs	6 664	6 488	3%
Energy Solutions	5 918	7 763	-24%
Surveillance	2 587	2 975	-13%
Car fleet	3 001	1 688	78%
Fees and related expenses Special. works	996	1 411	-29%
IT services	1 228	839	46%
Cleaning	1 185	869	36%
Travelling and accommodation	148	178	-17%
Other supplies and services	4 664	5 747	-19%
<b>Other Supplies and Services</b>	<b>49 252</b>	<b>49 085</b>	<b>0.3%</b>

## O&M - Sub-concessions

Expenses with the operation and maintenance of sub-concessions translate the recognition in the accounts of expenses with the operation and maintenance carried out by the sub-concessionaires within the scope of the sub-concession contracts in force.

Increase in these expenses in the period under review in relation to 2016, reflects the evolution of O&M expenses foreseen in the financial models of sub-concession contracts, and are in line with estimates for the period.

## Toll collection costs

This caption includes the payment of a variable fee and the monthly adjustment of accounts (cost offsetting) of the tolled network.

In the first half of 2017 this caption recorded an increase of 14% over June 2016, in line with the rise in toll revenues.

**Expenses relating to the collection of the Road Service Contribution (RSC)**

RSC collection costs correspond to 2% of the RSC which is withheld by the Tax Authorities for providing the service of calculating and collecting this contribution. Collection expenses are a share of the amount charged, hence they evolve in line with respective revenues.

**Energy Solutions**

This caption comprises electric power and traction electricity of the rolling stock, to be supplied to railway operators. Power consumption in the period under review totalled €5.9 million, showing a deviation of -24% over the same period of the previous year, a situation that should be corrected in the 2nd half of 2017.

**Surveillance and Safety**

Surveillance costs comprise mainly expenses with surveillance services contracted for IP' administrative facilities and operating centres, and other related expenses such as access controls, maintenance of fire extinguishers and other equipment and services.

As a result of the ongoing resources optimisation policy, expenses recorded in this caption totalled €2.6 million, falling by 13% over the previous year.

**Car fleet**

In overall terms, expenses with the car fleet rose by €1.3 million (+78%) over the same period of the previous year.

This significant change over 2016 resulted from the fact that a relevant part of operational lease rents and maintenance and insurance expenses were only accounted for in the second half of 2016, which was not the case this year.

**Fees, Consultancy Services and Other Specialised Works**

In the first half of 2017 this caption totalled €1.0 million, falling by 29% over the same period of the previous year. This deviation is explained by the fact of a number of actions foreseen in the budget not having been carried out.

**IT services**

In the first half of 2017 expenses with IT services totalled €1.2 million, increasing by €388 thousand over the same period of the previous year; this evolution is mainly due to the recognition of deferrals associated with licensing, in the amount of €439 thousand, which in 2016 were only recognised in the second semester.

**Cleaning**

Caption comprising hygiene and cleaning services reveal an increase by 36% over the same period of the previous year.

This deviation over the same period of the previous year is explained by the fact that in 2016 not all expenses with these services were accounted for in the first semester, due to divergences between the service provider's invoices and those contracted.

### Travelling and accommodation

This caption comprises travelling and lodging expenses at home and abroad.

In the 1st semester of 2017 this caption totalled €148 thousand, falling by 17% over the same period of the previous year, translating the efforts made to contain these type of costs.

### Staff costs

As compared to the same period of 2016, personnel expenses (excluding rescissions) dropped by 1%, as a result of staff reduction by 2% (corresponding to 63 employees), which also permitted to offset the reinstatement of wages occurred in the current year.

In the first half of 2017 Group IP staff totalled 3,696 employees, 95% of which are allocated to IP.

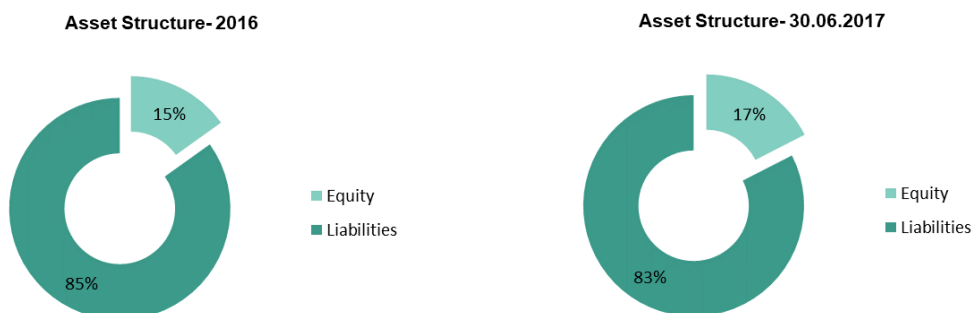
(Amounts in € thousand)

Personnel Expenses	IP Group	IP Group	Δ% 17/16
	1st half 2017	1st half 2016	
Personnel Expenses	65 613	66 151	-1%
Redundancy payments	556	1 690	-67%
<b>Total</b>	<b>66 169</b>	<b>67 841</b>	<b>-2.5%</b>

### 5.3 EQUITY STRUCTURE

At the end of the first half of 2017 Total Assets amounted to €28,087 million (increasing by €580.1 million over 31.12.2016), consisting mainly of intangible assets, i.e. road network and “Grantor - State - Account Receivable” relating to the value of the Long Duration Infrastructure Investments (LDI) in the railway network.

Equity amounted to €4,910 million (17% of assets), benefiting from the capital increase by €700 million carried out by the shareholder in the first semester of 2017, whilst Total Liabilities amounted to €23,177 million (83% of assets).





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# 6 FINANCIAL MANAGEMENT AND DEBT

## 6. FINANCIAL MANAGEMENT AND DEBT

### 6.1 FINANCIAL MANAGEMENT

#### IP Group

A key concern of Group IP is that its financial management processes comply with the legal framework applicable to the corporate state sector (Decree-law no. 133/2013), namely the obligation to apply the principle of Unity of the State Treasury (article 28) and restrictions in financing operations (article 29).

Group IP closed the first semester of the year with a cash balance of €356.9 million, of which €10 million were invested in special public debt 194-day certificates (CEDICs) with the IGCP, in line with provisions in the State's Treasury Unity Principle.

#### IP

IP's financial management activity is developed pursuant to the regulatory framework in force applicable to public-sector companies (Decree law 133/2013), but it also takes into account the law applicable to Reclassified State-owned Company (RSC) in force since 2012, with indirect impacts on the management of financial resources.

The 2017 State Budget (OE2017), approved by Law 42/2016, of 28 December, comprises IP's overall funding requirements, totalling €1,789 million.

During the first half of 2017 IP implemented its budget pursuant to Law 8/2012 (Law on Commitments and Overdue Payments), which requires that any expense must be recognised in advance, based on allocations in respective budget captions in the 2017 State Budget.

Note that some items of expenditure were frozen pursuant to article 4 of the 2017 State Budget Law, and article 5 of Decree law 25/2017, of 3 March 2017, thus restricting IP's activity.

To mitigate this situation, under the terms of article 16 of Decree law 25/2017 of 3 March, IP requested authorisation to bring forward the management balance of 2016 in the amount of €304 million, and further requested the unfreezing of all sums relating to concessions and sub-concessions and collection expenses, and part of sums blocked pursuant to the said law, in the amount of €270.8 million.

At the beginning of August IP was authorised to unfreeze only items associated with the payment of PPP, in the total amount of €184.8 million.

Against this backdrop IP managed its activity seeking to minimise the risks of fiscal implementation. The following events had a relevant impact on both expenses and revenues:

- Capital increase in the amount of €700 million, including €620.3 million to cover capital expenditure (including PPPs) and the remaining to face the debt service;
- Recognition of Road Service Contribution (RSC) revenues, minus collection costs, in the net amount of €233.6 million;

- Recognition of toll revenues, minus collection costs, in the net amount of €153.5 million;
- Other operating payments in the amount of €159 million;
- Payments of investment in PPP, totalling €847 million;
- Payments of investment associated with Ferrovias 2020, Road PETI and Proximity Plans (roads and railway) in the amount of €23.4 million;
- Financial expenses totalled €42.4 million;
- Repayment of loans amounted to €37.4 million.
- At the end of 1st semester 2017 IP had total cash and liquid assets of €337.3 million.

Under the terms of office 493 of 18 January 2017 of the Directorate-General of the Treasury (DGTF) payment of the debt service of loans due on 30 November 2016 and 31 May 2017, was postponed to 30 November 2017, effective as from 30 November 2016. This deferred repayment will not accrue interest.

## 6.2 FINANCIAL DEBT STRUCTURE

Group IP's debt stock in June 2017 improved by €45.8 million, decreasing in nominal terms from €8,153 million as of December 2016 (of which €11.5 million concern GIL) to €8,108 million (of which €3.1 million concern GIL) as of June 2017, as shown in the following table:

Type of loans	Euro million	
	2017	2016
EIB + Bank loans	1 164	1 213
State Loans	4 716	4 716
Eurobonds	2 225	2 225
<b>Total</b>	<b>8 105</b>	<b>8 153</b>

Capital increase operations carried out by the shareholder contributed to this improvement.

Capital increase performed in the first half of 2017 totalled €700 million, as shown in the following table:

	Date	IP
Share capital (DL91/2015)	01/jun/15	2 555 835 000
Increases:		
	2015	539 540 000
	2016	950 000 000
	Feb17	460 000 000
	Apr17	140 000 000
	Jun17	100 000 000
<b>Share capital</b>	<b>30/06/2017</b>	<b>4 745 375 000</b>

These operations were meant to cover the following borrowing requirements of IP:

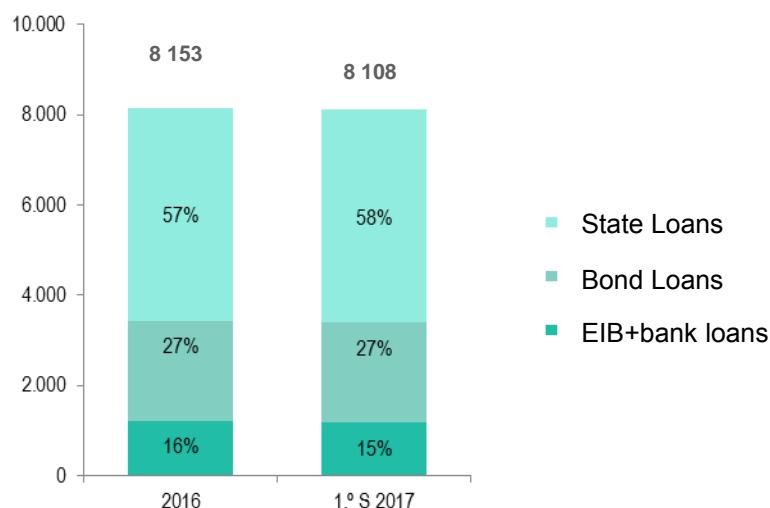
- Debt service in 2016 (not including loans with the Portuguese State): €79.7 million;
- Capital expenditure: €620.3 million.

The capital increase operations foreseen for 2017 viewed to meet overall funding requirements for the year, totalling €1,076.4 million in cash to cover capital expenditure and the debt service (excluding State loans) and €712.4 million through conversion of the debt service relating to State loans.

The capital increase via conversion of the debt service associated with State loans was revised upwards to €4,129 million, under the terms of DGTF notice 493 dated 18 January.

In terms of relative weight per type of loan, the breakdown was as follows:

**Relative weight per type of loan  
(€million)**



Thirty four percent of the total financial debt of the IP Group is guaranteed by the Portuguese State. This universe comprises all EIB loans, the loan contracted by GIL with a Portuguese banking syndicate and three bond issues, totalling €1.6 billion.

Loans entered with the State since 2011 will become due in 2016, 2017, 2020 and 2021; they are subject to an interest grace period of 12 months and have a repayment plan consisting of 8 to 12 equal and consecutive principal instalments. These loans are subject to fixed interest rate.

EIB loans entered for longer terms are subject to a repayment plan made up of equal or different but consecutive instalments, ensuring a smoother debt repayment profile.

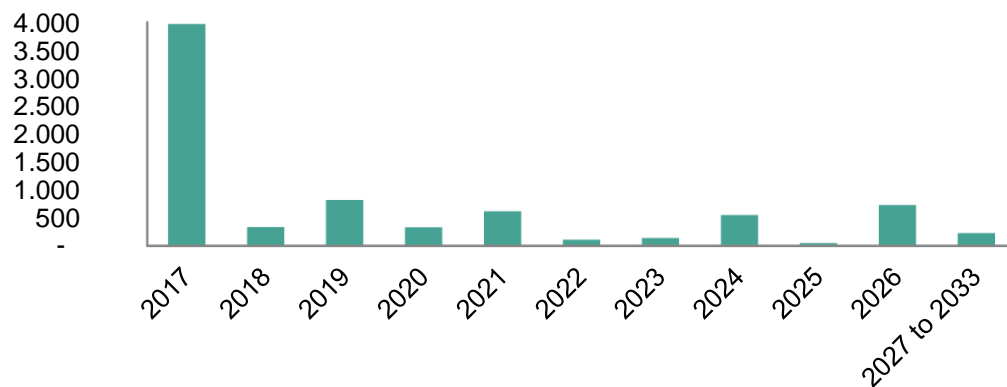
GIL repaid all EIB loans in June. The remaining bank loan was contracted with a Portuguese banking syndicate. The loan is due in December 2017, and it is subject to variable interest rate.

Bond loans entered by IP are subject to fixed rate and their repayment will be made in one principal instalment at due date (bullet).

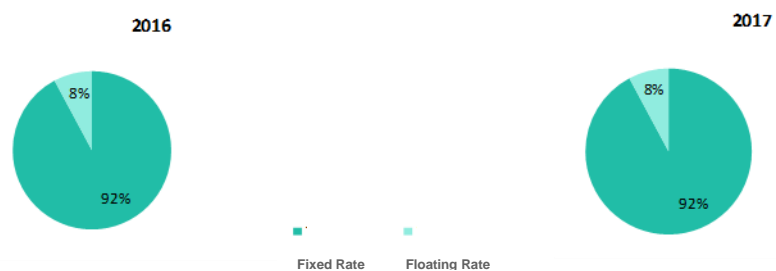
The repayment of bond loans will occur in 2019, 2021, 2024, 2026 and 2030, increasing refinancing risk in those years.

As shown in the following graph, repayments due in the second half of 2017 are much higher than in previous years, reflecting the term of the moratorium on the debt service of State loans mentioned above.

## Debt Repayment



At end of June 2017 and end 2016 the debt portfolio according to type of interest rate was as follows:



At 30 June 2017 Group IP had no risk hedging instrument.

### 6.3 ANALYSIS OF FINANCIAL RESULTS

Our analysis of financial results is made from the Global Financial Results standpoint, which starts from financial results in the Consolidated Statement of Comprehensive Income and ignores 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) capitalization of interest relating to PPPs (in the road business case). This approach gives a true view of the Group's performance in terms of debt and risk management.

Table below shows the financial performance of the IP Group at 30 June 2017 and 2016:

Financial Results	Jun16	Jun17	Amounts in million
			Change 2017/2016
<b>Financial Results from Investment Activity</b>	<b>-57.3</b>	<b>-57.3</b>	<b>0.1</b>
Financial gains			
Financial losses*	-57.3	-57.3	0.1
<b>Financial Results from Infrastructure Management Activity</b>	<b>-20.0</b>	<b>-9.4</b>	<b>10.6</b>
Financial gains	0.7	0.1	-0.6
Financial losses	-20.7	-9.5	11.2
<b>High Performance Financial Results</b>	<b>-136.3</b>	<b>-111.9</b>	<b>24.4</b>
Financial gains			
Financial losses - sub-concessions	-111.8	-97.6	14.2
Financial losses - State concessions	-24.5	-14.3	10.3
<b>Financial results - Management of Road Network</b>	<b>-1.5</b>	<b>-1.5</b>	
Financial gains			
Financial losses	-1.5	-1.5	
<b>Overall Financial Result</b>	<b>-215.2</b>	<b>-180.1</b>	<b>35.2</b>
Allocated amount - State Grantor*	57.3	57.3	-0.1
<b>Financial result (Comprehensive Income Statement)</b>	<b>-157.9</b>	<b>-122.8</b>	<b>35.1</b>
<b>Global direct management</b>	<b>-103.4</b>	<b>-82.5</b>	<b>21.0</b>

At 30 June 2017 IP's overall Financial Results amounted to -€180,1 million, improving by €35,1 million over the same period of the previous year.

Excluding from the said result the part associated with sub-concessions as it concerns amounts due to these companies for works / services (which will be invoiced in the future, in accordance with terms agreed in respective sub-concession contracts) not included therefore, in the financing contracts

entered by former EP, overall financial results would amount to -€82,5 million as against the -€103,4 million at the end of June 2016, translating an improvement by €21 million.

This favourable performance was driven by the financial results obtained by the railway infrastructure management and high performance segments.

The decrease in financial losses resulted from a reduction in interest figures recorded in both segments, since the moratorium granted to the payment of State loans does not accrue interest.

Railway investment and road management segments did not record any deviation in relation to June 2016.

In GIL's case, the debt service relating to EIB loans and one other loan, in total amount of € 5.3 million was covered by own funds, i.e. without any shareholder's loan, attesting to the recovery in the company's capital adequacy. As a result, in 2018 GIL will no longer have to be included in the fiscal consolidation perimeter.

The following table shows the evolution of the annual average interest rate of IP and GIL for the 2014-2017 period:

Years	Euro million			
	2017	2016	2015	2014
Financial Expenses	81.0	194.4	245.5	307.0
Average financing rate (%)	2.0%	2.3%	2.9%	3.2%

On September 4, 2017, following the upward revision of the Portuguese Republic credit rating by Moody's, this rating agency also altered IP's rating from Stable to Positive, keeping the risk rating at Ba2, as a result of four factors:

- key role performed by IP in the management of Portugal's road and rail networks;
- effective Government supervision, as IP is included in the State's budget consolidation scope;
- expectations that the State will continue to timely ensure the financial support deemed necessary;
- maintenance of high indebtedness level and insufficient cash flow generating capacity.



The following table shows the evolution of IP's indebtedness adjusted for the 2014-2017 period:

Interest bearing liabilities	2017	2016	2015	2014	Change 17/16	
	Amounts in million				Value	%
Borrowings (current and non current)	8 105	8 142	8 247	8 952	-37	-0.46%
- from DGTF	4 716	4 716	4 716	4 716	0	0.00%
Capital increases through allocation	4 309	3 609	2 659	1 042	700	19.39%
Capital increase through conversion of credit	1 535	1 535	1 535	1 535	0	0.00%
Adjusted indebtedness	13 949	13 287	12 442	11 530	663	4.99%

At the end of the 1st semester of 2017, the increase in indebtedness exceeded the threshold laid down in Article 45 no. 1 of Law 42/2016, of 8 December (3%). However, such increase was already foreseen in IP's budget, which is considered tacitly approved by the Government's Budget Law.

The following table shows the evolution of GIL's indebtedness adjusted for the 2014-2017 period:

Interest bearing liabilities	2017	2016	2015	2014	Change 17/16	
	Amounts in million				Value	%
Borrowings (current and non current)	3	11	19	29	-8	-72.9%
- from DGTF	0	0	0	0	0	0.0%
Capital increases through allocation	0	0	0	0	0	0.0%
Capital increase through conversion of credit	0	0	0	0	0	0.0%
Adjusted indebtedness	3	11	19	29	-8	-72.9%

In GIL's case, indebtedness was reduced by 72.9%, in line with established limits.

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# 7

OUTLOOK

## 7. OUTLOOK

The outlook for the second half of 2017 points to a favourable economic performance of the IP Group, in line with that recorded in the first six months of the year, notwithstanding the expected rise in staff costs - around €2.3 million, due to the 50% reinstatement as from 1 July 2017 of acquired rights covered by collective labour instruments, as provided in article 21 of Law 42/2006 - State Budget Law.

In the medium term, prospects identified in 2016's management report did not change, pointing to the consolidation of the path laid down in the post-merger period, which views to ensure ***sustainable mobility, based on an integrated and interrelated management of road and railway transport.***

In order to achieve this strategic goal which guides the Group's activity, there are two major short/medium term challenges the success of which is absolutely crucial:

- The implementation of the ambitious **Investment Programme known as Ferrovia 2020**, which encompasses a clear bet on the renovation and modernisation of the National Railway Network, involving an overall investment of €2,000 million, strongly supported by Community funds;
- The **financing of investment cash flows** foreseen for the next few years, resulting from the part of Ferrovia 2020 programme which is the responsibility of the Portuguese Government, and commitments undertaken pursuant to Road Partnerships, which although having reached their peak in 2016, will continue until 2020 with annual payments of over €1,400 million (including VAT).

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8

SUBSEQUENT  
EVENTS

## 8. SUBSEQUENT EVENTS

- According to provisions in article 21 of Law 42/2016, of 28 November – 2017 State Budget Law - acquired rights covered by collective labour instruments are to be 50% reinstated as from 1 July 2017 and in 100% as from 1 January 2018, with an expected impact of €2.3 million in 2017.
- On September 4, 2017, following improvement in the Portuguese Republic rating by Moody's, this rating agency also altered IP's rating from Stable to Positive, keeping the risk rating at Ba2.
- On the 26th of September 2017 IP received the Draft Tax Inspection Report relating to 2013 concerning former EP, which was carried out by the "Large Taxpayers Unit". In addition to correction to the missing VAT amount of €171.2 million mentioned in Note 12, the said report includes a correction to the corporate income tax base in the amount of €165.5 million for not accepting the basis and method of depreciation followed by the Company in relation to the Road Concession Right and corresponding allocation of subsidies. Since the report was received only recently, the company is reviewing the grounds of such correction.

Almada, 28 September 2017

### The Executive Board of Directors

<b>Chairman</b>	António Carlos Laranjo da Silva
<b>Vice-chairman</b>	José Saturnino Sul Serrano Gordo
<b>Vice-chairman</b>	Carlos Alberto João Fernandes
<b>Member</b>	Alberto Manuel de Almeida Diogo
<b>Member</b>	Vanda Cristina Loureiro Soares Nogueira



# **PART II**

## Financial Statements and Notes

CONSOLIDATED **ANNUAL REPORT**  
first half 2017

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# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

(Amounts in € thousand - €th)

# STATEMENT OF COMPLIANCE

Under the terms and for the purposes of provisions in Article 246, no. 1, sub paragraph c) of the Securities Code, each member of the Executive Board of Directors of Infraestruturas de Portugal, S.A., as identified below, underwrote the following statement:

“I hereby declare, under the terms and for the purposes of provisions in Article 246, no. 1, sub paragraph c) of the Securities Code, that to the best of my knowledge, within the scope of the duties assigned to me and based on the information supplied to the Executive Board of Directors, the financial statements were prepared in compliance with the applicable accounting standards and give a true and appropriate view of the assets and liabilities, the cash flows, the financial situation and the results of Infraestruturas de Portugal, S.A., and the companies included in its consolidation scope, and that the management report relating to the first semester of 2017 faithfully describes the material events that occurred during this period and the impact on respective financial statements, and describes the main risks and uncertainties for the forthcoming year.”

## THE EXECUTIVE BOARD OF DIRECTORS

<b>Chairman</b>	António Carlos Laranjo da Silva
<b>Vice-chairman</b>	José Saturnino Sul Serrano Gordo
<b>Vice-chairman</b>	Carlos Alberto João Fernandes
<b>Member</b>	Alberto Manuel de Almeida Diogo
<b>Member</b>	Vanda Cristina Loureiro Soares Nogueira

# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2017 AND 31 DECEMBER 2016

	Notes	30-06-2017	31-12-2016
<b>Assets</b>			
<b>Non current</b>			
Tangible fixed assets	6	125 165	128 241
Investment properties		4 082	4 377
Intangible assets	7	20 010 348	19 826 876
Goodwill		21 687	21 687
Clients	10	10 183	12 219
Deferred tax assets	8	142 779	132 026
Deferrals	9	193	666
Available-for-sale financial assets		32	32
		<b>20 314 468</b>	<b>20 126 121</b>
<b>Current</b>			
Inventories		52 535	51 414
Clients	10	112 589	89 267
Grantor - State - Account Receivable	11	5 579 471	5 494 532
Current tax assets	12	1 219	208
Government and other public bodies	12	1 356 969	1 238 598
Other accounts receivable	10	312 202	195 165
Deferrals	9	416	366
Non current assets held for sale		3	3
Cash and cash equivalents	13	356 909	311 033
		<b>7 772 314</b>	<b>7 380 585</b>
<b>Total assets</b>		<b>28 086 782</b>	<b>27 506 707</b>

To be read jointly with the notes to the condensed consolidated financial statements

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2017 AND 31 DECEMBER 2016 (CONTINUED):

	Notes	30-06-2017	31-12-2016
<b>Equity</b>			
<b>Capital and reserves attributable to equity holders:</b>			
Paid-up capital	14	4 745 375	4 045 375
Reserves	14	1 909	531
Cumulative results		116 277	80 010
		<b>4 863 561</b>	<b>4 125 917</b>
Net income/(loss) for the period		46 351	37 645
<b>Total equity</b>		<b>4 909 912</b>	<b>4 163 561</b>
<b>Liabilities</b>			
<b>Non current</b>			
Provisions	15	871 601	858 728
Borrowings	16.1	3 285 442	3 315 673
Shareholder funding / Shareholder's loans	16.2	665 321	796 252
Other accounts payable	17.2	2 448 387	2 616 557
Deferrals	9	10 516 197	10 552 475
Deferred tax liabilities	8	75	33
		<b>17 787 023</b>	<b>18 139 718</b>
<b>Current</b>			
Trade payables	17.1.	28 450	20 642
Cash receipts from clients		8 026	8 119
Government and other public bodies	12	9 792	9 139
Current tax liabilities	12	29 406	25 816
Borrowings	16.1	168 159	173 474
Shareholder funding / Shareholder's loans	16.2	4 249 116	4 070 120
Other accounts payable	17.2	882 663	883 721
Deferrals	9	14 233	12 397
		<b>5 389 846</b>	<b>5 203 428</b>
<b>Total Liabilities</b>		<b>23 176 870</b>	<b>23 343 145</b>
<b>Total equity and liabilities</b>		<b>28 086 782</b>	<b>27 506 707</b>

To be read jointly with the notes to the condensed consolidated financial statements

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AS OF 30 JUNE 2017 AND 2016

	Notes	30-06-2017	30/06/2016
Sales and services	18	579 687	577 677
Compensatory Allowances	19	34 208	20 325
Cost of goods sold	20	- 133 926	- 133 480
External supplies and services	21	- 117 231	- 117 938
Maintenance, Repair and Safety of the Road Network	21	- 42 288	- 45 872
Maintenance, Repair and Safety of the Railway Network	21	- 25 692	- 22 981
Other supplies and services	21	- 49 252	- 49 085
Personnel expenses	22	- 66 169	- 67 841
Impairments (losses/reversals)	23	599	- 860
Provisions (Increase/Decrease)		- 8 283	- 8 377
Other Income and gains	24	41 405	42 234
Other expenses and losses	25	- 3 386	- 3 574
<b>Results before Depreciation, Financial Expenses and Tax</b>		<b>326 904</b>	<b>308 166</b>
Expenses/reversals of depreciation and amortisation	6.7	- 139 486	- 136 937
<b>Operating Result (before Financial Expenses and Tax)</b>		<b>187 418</b>	<b>171 229</b>
Interest and similar income	26	57 393	58 056
Interest and similar expenses	26	- 180 185	- 215 941
<b>Results before tax</b>		<b>64 626</b>	<b>13 345</b>
Income tax for the year	27	- 18 275	- 8 244
<b>Net profit for the year</b>		<b>46 351</b>	<b>5 101</b>
<b>Comprehensive income</b>		<b>46 351</b>	<b>5,101</b>

To be read jointly with the notes to the condensed consolidated financial statements

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 30 JUNE 2017 AND 2016

	Share capital	Reserves	Cumulative results	Profit/(Loss) for the period/year	Total
<b>Balance at 31-12-2016</b>	<b>4 045 375</b>	<b>531</b>	<b>80 010</b>	<b>37 645</b>	<b>4 163 561</b>
Appropriation of results for 2016:	-	1 378	36 267	- 37 645	0
Capital increases in the semester ended at 30 June 2017	700 000	-	-	-	700 000
Comprehensive result for the semester ended at 30 June 2017	-	-	-	46 351	46 351
<b>Balance at 30 June 2017</b>	<b>4 745 375</b>	<b>1 909</b>	<b>116 277</b>	<b>46 351</b>	<b>4 909 912</b>

	Share capital	Reserves	Cumulative results	Profit/(Loss) for the period/year	Total
<b>Balance at 31-12-2015</b>	<b>3 095 375</b>	<b>- 95</b>	<b>63 775</b>	<b>16 862</b>	<b>3 175 917</b>
Appropriation of results for 2015:	-	-	16 862	- 16 862	0
Capital increases in the semester ended at 30 June 2016	400 000	-	-	-	400 000
Comprehensive result for the semester ended at 30 June 2016	-	-	-	5 101	5 101
<b>Balance at 30 June 2016</b>	<b>3 495 375</b>	<b>- 95</b>	<b>80 637</b>	<b>5 101</b>	<b>3 581 017</b>

To be read jointly with the notes to the condensed consolidated financial statements

## CONSOLIDATED CASH FLOW STATEMENTS FOR THE YEARS ENDED 30 JUNE 2017 AND 2016

	Notes	30-06-2017	30/06/2016
<b>Operating Activities</b>			
Cash receipts from clients		462 741	485 859
Cash paid to suppliers		- 441 077	- 375 516
Cash paid to personnel		- 60 313	- 62 275
<b>Flows generated by operations</b>		<b>- 38 649</b>	<b>48 068</b>
CIT (paid)/received		- 25 406	3
Other receipts/payments relating to operating activities		2 242	4 303
<b>Net cash from operating activities (1)</b>		<b>- 61 812</b>	<b>52 374</b>
<b>Investing activities</b>			
<b>Cash receipts relating to:</b>			
Investment subsidies		453	16 128
Tangible assets		596	-
Interest and similar income		-	-
		<b>1 049</b>	<b>16 128</b>
<b>Cash payments relating to:</b>			
Tangible assets		- 18 521	- 16 185
Intangible assets		- 486 414	- 487 156
		<b>- 504 934</b>	<b>- 503 342</b>
<b>Net cash from investing activities (2)</b>		<b>- 503 886</b>	<b>- 487 214</b>
<b>Financing activities</b>			
<b>Cash receipts relating to:</b>			
Capital contribution	14	700 000	400 000
		<b>700 000</b>	<b>400 000</b>
<b>Cash payments relating to:</b>			
Borrowings		- 45 777	- 37 609
Interest and similar costs		- 42 392	- 42 170
		<b>- 88 169</b>	<b>- 79 779</b>
<b>Net cash from financing activities (3)</b>		<b>611 831</b>	<b>320 221</b>
<b>Variation in cash and cash equivalents (4) = (1) + (2) + (3)</b>		<b>46 132</b>	<b>- 114 619</b>
Cash and cash equivalents at the end of the period	13	<b>356 721</b>	<b>314 460</b>
Cash and cash equivalents at the beginning of the year	13	<b>310 588</b>	<b>429 079</b>
<b>Variation in cash and cash equivalents</b>		<b>46 132</b>	<b>- 114 619</b>

To be read jointly with the notes to the condensed consolidated financial statements

Almada, 28 September 2017

## THE EXECUTIVE BOARD OF DIRECTORS

**Financial Manager**

Maria do Carmo Duarte Ferreira

**Chairman**

António Carlos Laranjo da Silva

**Vice-chairman**

José Saturnino Sul Serrano Gordo

**Vice-chairman**

Carlos Alberto João Fernandes

**The Certified Accountant**

Diogo Mendonça Lopes Monteiro

**Member**

Alberto Manuel de Almeida Diogo

**Member**

Vanda Cristina Loureiro Soares Nogueira



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 1<sup>ST</sup> HALF OF 2017

# 1. INTRODUCTION

Infraestruturas de Portugal, S.A. is the publicly owned company resulting from the merger of Rede Ferroviária Nacional – REFER, E.P.E. (REFER) and EP - Estradas de Portugal, S.A. (EP, S.A.) whereby 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 in Decree-law 91/2015 of 29 May.

The immediate consequence of the merger determined that road and railway infrastructures became managed by one company, subject to joint, integrated and complementary strategy.

Group Infraestruturas de Portugal, hereinafter referred to as Group IP or Group, includes the following subsidiaries: IP Telecom – Serviços de Telecomunicações, S.A. (IP Telecom), active as telecommunications operator and provider of specialised information technology systems and services; IP Património – Administração e Gestão Imobiliária, S.A. (IP Património), which manages the real estate property of the Group; IP Engenharia, S.A. (IP Engenharia), provider of transport engineering services and GIL – Gare Intermodal de Lisboa, S.A. (GIL), manager of the Oriente Station.

Additionally, Group IP 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-Lisboa-Porto and Porto-Vigo railway links and CORREDOR FERROVIÁRIO 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 to improve freight transport competitiveness in the railway corridor. The corridor consists of existing and planned stretches of the railway infrastructure linking: Sines-Setúbal-Lisboa-Aveiro-Leixões / Algeciras – Madrid – Bilbao – Saragoça / Bordéus-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 No. 91/2015, the corporate object of IP “... shall be the design, construction, financing, maintenance, operation, restoration, widening and modernisation of the national road and rail networks, including command and control of movements of trains.”

For the purposes of pursuing its activity IP assumes the position of manager of infrastructures, under the terms of the general concession contract for the National Road Network and the programme contract for the National Railway Network both entered into with the Portuguese State.

In order to provide a highly efficient and effective service while pursuing its activity, IP relies on complementary services in business areas not covered by its main object, but which are performed by its subsidiaries.

## 1.2 ACTIVITY OF COMPANIES OF THE IP GROUP

We present hereinbelow the activities developed by the companies included in Group IP.

### 1.2.1 Telecommunications operations

IP Telecom was set up on 9 November 2000; its corporate object is the management and operation of telecommunications infrastructures and systems and complementary, accessory or subsidiary activities thereof, directly or via holdings in other companies.

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

The new “Contract for the Sub-concession of the Operation of Telecommunications Infrastructures integrated in the Public Railway Domain” maintains, under revised terms, the sub-concession for the operation of the telecommunications infrastructure and sub-contracts the operation of the Road Technical Channel (RCC) constructed or to be constructed, under the direction and management of IP.

IP Telecom's is active in ensuring the supply and provision of Information Information Technology and Communications services, supported by innovative solutions focused on Cloud and Security technologies and backed by its nation-wide telecommunications optical fibre infrastructure and road technical channel, to the corporate market and to state entities.

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

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 Group IP, and also the management and exploration of stations and associated equipment, including their operational management.

### 1.2.3 Provision of engineering and transportation services

The mission of IP Engenharia is to provide transport engineering services to support IP's activity or for road and/or railway multidisciplinary projects, providing highly integrated mobility solutions at national and international level. Its activities further include cartography, topography, rendering of integrated management services and supervision of undertakings, including in the areas of quality, environment and safety.

### 1.2.4 Management of Estação do Oriente

The corporate object of **GIL** is the management, maintenance, upkeep and cleaning of Complexo Intermodal de Transportes, known as Estação do Oriente (Station of Oriente), the rendering of maintenance, cleaning and surveillance services to IP and the Lisbon Underground, the lease of commercial areas, operation of the car park, supply of goods and services to users and assignment of areas for events.

## OTHER EQUITY HOLDINGS

### 1.3.1 Improvement of the Atlantic Corridor Front - CFM 4

In November 2013, Portugal's, Spain's and France's railway infrastructures managers, respectively REFER, E.P.E, ADIF and RFF set up the European Economic Interest Grouping "Rail Freight Corridor n.º4" (A.E.I.E., CFM4), with the purpose of developing an internal railway freight market, by setting up dedicated corridors.

CFM4 covers existing and planned railway lines, specifically the Sines/Setúbal/Lisboa/Aveiro/Leixões – Algeciras/Madrid/Bilbao – Bordeaux/Paris/Le Havre/Metz lines crossing the Portuguese border at Vilar Formoso/Fuentes de Oñoro, Elvas/Badajoz and the Spanish border at Irún/Hendaya.

As a first step, CFM4's mission views the management and profit-generating use of existing infrastructures via the centralised management of allocated capacity and customer relationship, with no additional investments.

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

## 2. BASES OF PRESENTATION AND ACCOUNTING POLICIES

### 2.1. BASES OF PRESENTATION

The financial statements presented herein reflect the results of the operations and financial position of the IP Group for the periods ending at 30 June 2017, 31 December 2016 and 30 June 2016, forming IP Group's condensed consolidated financial statements.

These condensed consolidated financial statements were prepared according to IAS 34 - Interim Financial Reporting. (IAS 34) Therefore, they do not include all the information required by IFRS and should be read jointly with the consolidated financial statements for the period ended 31 December 2016.

These financial statements were approved by the Executive Board of Directors in meeting held on 28 September 2017. The Executive Board of Directors is of the opinion that these financial statements give a true and fair view of Group IP's operations, as well as its condensed consolidated financial position, results and cash flows.

All amounts are expressed in thousand Euro (€th), unless otherwise stated. Additionally, initials €m are used for Euro million, where necessary.

Group IP's financial statements were prepared according to the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), in force on 30 June 2017.

IFRS comprise accounting standards issued by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and respective predecessors.

The financial statements presented herein were prepared according to the principle of historic cost, except for financial assets and liabilities recorded at fair value.

The preparation of financial statements in conformity with IFRS requires the application of judgement and the use by the Group of estimates and assumptions that affects the process of applying the accounting policies and the reported amounts of income, expenses, assets and liabilities. Estimates and related assumptions are based on historic experience and on other factors deemed applicable and form the basis for the judgements on the values of the assets and liabilities, the valuation of which could not be obtained through other sources. The issues that involve a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements are disclosed in Notes 2.3 and 2.4. (Main estimates and judgements used for preparing the financial statements).

## 2.2 BASES OF CONSOLIDATION AND ACCOUNTING POLICIES

Condensed consolidated financial statements reflect the assets, liabilities, comprehensive income, results and cash flows of the Group's companies, which are presented in Note 4.

Accounting policies followed in the consolidated financial statements are consistent with those used in the consolidated financial statements for the period ended as of 31 December and were consistently applied in all companies of IP Group.

Recently issued standards and interpretations that are not yet effective and which were yet applied in the Group's consolidated financial statements are described in Note 30.

## 2.3. MAIN ESTIMATES USED FOR PREPARING THE FINANCIAL STATEMENTS

In the preparation of the condensed consolidated financial statements according to IFRS, the Executive Board of Directors of IP uses judgements, estimates and assumptions which affect the application of policies and reported amounts. Estimates and judgements are continually evaluated based on the historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Estimates used are based on the best information available during the preparation of condensed consolidated financial statements, however, events may occur in subsequent periods that were not expectable as of the date of this statements and therefore, were not considered in such estimates. Changes to estimations after these financial statements date will be prospectively corrected through profit or loss in accordance with IAS 8.

The Executive Board of Directors believes that its estimates are appropriate and that the condensed consolidated interim financial statements adequately present the financial position of Group IP and the results of its consolidated operations and cash flows in all material respects.

The most significant accounting estimates reflected in the condensed consolidated financial statements are as follows:

### INTANGIBLE ASSETS

Group IP amortises its Road Concession Right by the equivalent units method. This amortisation is based on the estimated total revenue to be generated by the Concession up to its term and the valuation of all the investments to be made by Group IP.

These two parameters are defined based on the Board of Directors' best judgement concerning the assets and businesses in question, also taking into account the practices adopted by international peer companies.

### ESTIMATED REVENUE PATTERN

Establishing the amount and timing of future revenues is 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 do 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.

Likewise, the Group carried out a sensitivity analysis of the evolution of revenues over the Contract's life and their impact on amortisation for the year. These analyses were based on the following assumptions:

- a) Real increase in toll revenue after the initial term of the concession contracts of 0%, real increase in the RCS according to the Business Plan and Budget for 2017 and 2018 and 0% after 2019, with growth remaining in line with the CPI;
- b) Real increase in toll revenue after the initial term of the concession contracts of 1% up to 2039 and 0% as from 2040, real increase in the RCS according to the Business Plan and Budget from 2017 to 2018 and 0.5% after 2019, with growth remaining in line with the CPI;
- a) Real increase in toll revenue after the initial term of the Concession Contracts of 1%, real increase in the RCS according to the Business Plan and Budget for 2017 and 2018 and 1% after 2019, with growth remaining in line with the CPI;

The results of these different analyses in 2017 are shown in the table below:

(€m)

Sensitivity analysis to RSC and Toll revenue growth	Scenario a)	Scenario b)	Scenario c)
Amortisation and depreciation for the year	136	122	98
Amortisation of subsidies	- 31	- 29	- 24
	104	93	74
Difference		- 11	- 30

For the purposes of preparing its condensed consolidated financial statements the Group adopted scenario a).

## 2.4. MAIN JUDGEMENTS IN THE APPLICATION OF RELEVANT 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 programmed maintenance up to the term of the concession.

Changes in planned, contracted and executed values may vary due to factors outside the company's control, impacting the amortisable value to be recorded in the future.



## 3. FINANCIAL RISK MANAGEMENT POLICIES

### FINANCIAL RISKS

IP Group's activities are subject to risk factors of financial nature, such as credit risk, liquidity risk and interest rate risk associated with cash flows from its loans.

Decree-law 133/2013 of 3 October introduced changes to the autonomy of reclassified public companies (EPR) in what concerns access to funding with the financial system, and the use of derivative financial instruments for risk management purposes.

In fact, Article 29 of the said Decree-law determines that an EPR cannot access funding with financial institutions, unless it is a multilateral financial institution (e.g., 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)).

### MANAGEMENT OF EXCHANGE RISK

IP Group is not subject to significant exchange rate risk in its activities.

### CREDIT RISKMANAGEMENT

Group IP is subject to credit risk.

Credit risk is associated with the risk of another party defaulting on its contractual obligations, resulting in a financial loss for one of the companies of the IP Group.

Revenues from road activity stem mainly from the Road Service Contribution (RSC), which is charged by the Tax and Customs Authority ("AT"), and tolls, which have a diversified customer base and where transactions are of small amounts, thus not involving significant credit risk.

Credit risk resulting from railway activity is basically related with any failure by railway operators to fulfil their obligations. CP– Comboios de Portugal, EPE is the main counterparty, since it is the exclusive passenger transport operator for the entire network, except for the 25 de Abril Bridge crossing, which is operated by Fertagus. Therefore, although the credit risk is strongly concentrated in CP, it is mitigated by the legal nature of this entity which is 100% publicly owned, and an EPR since 2015.

Impairment adjustments for accounts receivable are calculated on the basis of the counterparty's risk profile and financial condition.

As for credit risk associated with financial activity, Group IP is exposed to the national banking sector through its demand deposits balances. This exposure is decreasing since 2010 due to the implementation of the legal regime of the State Treasury to public companies, which established the concentration of cash and liquid assets and financial applications at IGCP. To date, IP Group did not incur into any impairment resulting from non-compliance of contractual obligations by banks.

The following table provides a summary as of 30 June 2017 and 31 December 2016 of the credit quality of deposits:

Rating	30-06-2017	31-12-2016
< =BBB+	202	251
< =BB+	355 665	310 459
No rating	846	106
	<b>356 713</b>	<b>310 817</b>

Note: Caption "Cash" is not included

Ratings above were provided by Standard and Poor's at reporting date.

## LIQUIDITY RISK MANAGEMENT

Group IP is subject to liquidity risk.

This type of risk is measured by the capacity to obtain financial resources to face liabilities undertaken with different stakeholders, namely suppliers, banks, the capital market, and others. This risk is measured by the company's available liquidity to face the said liabilities as well as its capacity to generate cash flow from its business activity.

Group IP sets out to minimise the probability of a breach of commitment by means of a stringent and thoroughly planned business management. A conservative management of liquidity risk implies the maintenance of an adequate level of cash and cash equivalent to face existing liabilities.

Table below shows the liabilities of IP Group by residual and contractual maturity levels.

	Less than 1 year	1 to 5 years	+ than 5 years
<b>Loans obtained</b>			
- interest and repayment of loans	226 532	2 018 653	1 937 489
- interest and repayment of shareholder funding / Shareholder's loans	4 376 656	549 434	-
<b>Suppliers and other accounts payable</b>	864 871	2 448 387	-
<b>Guarantee</b>	5 476	20 110	7 566
	<b>5 473 535</b>	<b>5 036 584</b>	<b>1 945 055</b>

## INTEREST RATE RISK MANAGEMENT

IP Group is subject to interest rate risk as long as it holds loans contracted with the (national and international) financial system and the State to finance its activity.

The main objective of interest rate risk management is to provide protection against interest rate rises, insofar as the companies' revenues are immune to this variable and, thus, prevent any natural hedging.

The Group does not use interest rate hedging instruments.

Presently, the purpose of the interest rate risk management is basically to monitor interest rates affecting Euribor-based financial liabilities.

### Interest rate sensitivity test

IP Group uses sensitivity analysis on a regular basis to measure the extent to which results would be influenced by the impact of interest rate variations on the fair value of its loans. The sensitivity test is based on the following assumptions:

- At 30 June 2017 Group IP had not recognised any loan obtained at a fair value;
- Changes to the fair value of loans and financial liabilities are estimated by discounting future cash flows, using market rates at the time of reporting;
- Based on these assumptions, at 30 June 2017 an increase or decrease by 0.5% in Euro interest rate curves would result in the following variations in the fair value of the loans, with consequent direct impact on results:

Increase/(decrease) in the fair value of loans			
Change in the Interest rate curve		-0.50%	0.50%
	EUR	- 82 184	29 929
Net effect on results		-0.50%	0.50%
	EUR	82 184	- 29 929

## CAPITAL RISK MANAGEMENT

As for capital management, which is a broader concept than the capital shown on the Condensed Consolidated Statement of Financial Position, Group IP views to ensure its ongoing operations.

IP was set up with a share capital of €2,555,835 thousand represented by 511,167 shares, with the nominal value of €5 thousand per share. As of 30 June 2017 the share capital was €th4,745,375 represented by 949,075 shares with a nominal value of €th5 per share.

Up to June 2017 the following capital increases, in cash, in the amount of €th700,000 (Note 14) were carried out:

	30-06-2017
Share capital increases	700 000 000
Investment	620 254 625
Debt Service	79,745,375

Under the terms of office 493 of 18 January 2017 of the Directorate-General of the Treasury (DGTF) payment of the debt service of State loans due on 31 May 2017 and 30 November 2017 was postponed to 30 November 2017, effective as from 30 November 2016. As in previous moratoriums, this deferred repayment will not accrue interest.

The initial assumption for the financing of this significant component of IP's expenses was the conversion of these credits into share capital, as occurred in 2014.

A gradual reduction in these financial liabilities is projected to occur during the first half of 2018.

## 4. COMPANIES INCLUDED IN THE CONSOLIDATION

The companies included in the consolidation, their head offices, main activity and the proportion of capital held in them at 30 June 2017 and 31 December 2016 are as follows:

Company	Registered office	% capital held		Object
		30-06-2017	31-12-2016	
PARENT COMPANY				
IP Infraestruturas de Portugal, S.A.	Almada	-	-	Design, construction, financing, maintenance, operation, restoration, widening and modernisation of the national road and rail networks, including command and control of movements of trains.
SUBSIDIARIES				
IP Telecom, Serviços de Telecomunicações, S.A.	Lisbon	100.0000%	100.0000%	Ensuring the supply and provision of Information Technology and Communications services, supported by innovative solutions focused on Cloud and Security technologies and backed by its nation-wide telecommunications optical fibre infrastructure and road technical channel, to the corporate market and to state entities.
IP Património - Administração e Gestão imobiliária, S.A.	Lisbon	100.0000%	100.0000%	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 equipment, including their operational management.
IP Engenharia, S.A.	Lisbon	100.0000%	100.0000%	Provision of transport engineering services to support IP's activity or for road and/or railway multidisciplinary projects, providing highly integrated mobility solutions at national and international level.
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, lease and disposal of property and accessory activities.
JOINT OPERATIONS				
AVEP - Alta Velocidade de Espanha e Portugal, A.E.I.E. (a)	Madrid	50.0000%	50.0000%	Development of the projects required for the Madrid-Lisbon - Porto-Vigo railway connections
AEIE - CFM4 (b)	Paris	25.0000%	33.3333%	Promotion of measures viewing to improve competitiveness in rail freight transport on the Sines - Lisboa/ Leixões   Sines - Elvas/Algeciras - Madrid - Medina del Campo - Bilbao - Irun/ Bordeaux - Paris-Le Havre - Metz  Vlar Formoso/Fuentes Onõro, Elvas/ Badajoz, Irun/Hendaye and Fornack/Saarbrucken corridor.

a) Entity jointly controlled by IP and ADIF, in the form of European Economic Interest Grouping (E.E.I.G.).

b) Entity jointly controlled by IP, ADIF, SNCF - Réseau and DB NETZ (the latter since the 1st of January 2016), in the form of European Economic Interest Grouping (E.E.I.G.), established in 2013, with no share capital.

## 5. SEGMENT REPORTING

Group IP is organised in seven business segments, as follows:

- **High Performance;**
- **Road Infrastructure Management Activity**
- **Railway Infrastructure Investment Activity**
- **Railway Infrastructure Management Activity;**
- **Telecommunications;**
- **Real estate/commercial areas**
- **Engineering and transportation services**

Segment 'High Performance' corresponds to the entire activity of Group IP relating to "High Performance Roads" and includes all motorways managed pursuant to public-private partnership (PPPs), namely State concessions and sub-concessions, and remaining high performance roads currently directly managed by Group IP.

Segment 'Road Infrastructure Management Activity' includes the whole National Road Network not included in the previous segment, and covers road and road related structures' construction and repair, maintenance and improvement of the safety of the network.

Segment ‘Railway infrastructure Investment Activity’ includes the different investments associated to new infrastructures and/or expansion of the network; modernisation and renovation, deployment of new technologies; and, replacement, which includes long term improvements or improvements likely to increase the value and/or useful life of the asset though not altering its operating conditions;

As described hereinabove, the financing required for the investments made is ensured through loans with financial institutions and the financial market, subsidies and shareholder contributions .

Segment “Railway Infrastructure Management Activity” corresponds to the rendering of a public service, covering tasks such as conservation and maintenance of infrastructures, management of capacity, management of the regulation system, and traffic safety, command and control, including other complementary activities to infrastructure management.

Segment ‘Telecommunications’ concerns the provision of IT and telecommunications systems services

Segment ‘Real estate management of commercial areas’ comprises the management and operation of real estate assets and undertakings, including acquisition, expropriation, registering, disposal and liens.

Segment “Engineering and Transport Services” includes the provision of engineering services, including multidisciplinary road and/or rail projects and mobility solutions at national and international levels.

Revenues and expenses relating to Telecommunications, Real Estate Management and Engineering and Transport Services was determined from a point of view of profitability of the Group’s surplus capacity, deriving from the obligation of public service of managing the National Railway Network (NRwN) infrastructure, as provided in the Framework Contract entered with the Portuguese State.

Financial information relating to the assets and liabilities of the segments above as of 30 June 2017 and 31 December 2016 is as follows:

30-06-2017	Telecommunications	Management of property and commercial areas	Engineering and transportation services	Rail Infrast. Investment Activit.	Rail Infrast. Manag. Activit.	High Performance	Rail Infrast. Investment Road	Total
Revenue from sales and services	5 605	7 217	1 879	6 774	39 944	176 730	341 539	579 687
Impairments	-	206	-	-	51	-	341	599
Provisions	-	-	-	-	- 1 505	-	- 6 778	- 8 283
Other income	5	856	-	-	35 438	4 497	34 818	75 613
Other expenses	- 2 058	- 3 268	- 2 792	- 6 169	- 80 709	- 151 029	- 74 687	- 320 712
<b>EBITDA</b>	<b>3 552</b>	<b>5 011</b>	<b>- 913</b>	<b>604</b>	<b>- 6 781</b>	<b>30 198</b>	<b>295 232</b>	<b>326 904</b>
Amortisation and depreciation	- 409	- 56	- 42	- 604	- 2 097	- 136 277	-	- 139 486
<b>EBIT</b>	<b>3 143</b>	<b>4 954</b>	<b>- 955</b>	<b>0</b>	<b>- 8 877</b>	<b>189 153</b>	-	<b>187 418</b>
Financial expenses	-	- 27	- 3	- 57 253	- 9 493	- 113 410	-	- 180 185
Financial income	-	-	-	57 253	140	-	-	57 393
<b>EBT</b>	<b>3 143</b>	<b>4 928</b>	<b>- 958</b>	<b>0</b>	<b>- 18 230</b>	<b>75 743</b>	-	<b>64 626</b>
Income tax	-	-	-	- 18 275	-	-	-	- 18 275
<b>Net Income</b>	-	-	-	<b>46 351</b>	-	-	-	<b>46 351</b>



30-06-2016	Telecommunications	Management of property and commercial areas	Engineering and transportation services	Rail Infrast. Investment Activit.	Rail Infrast. Manag. Activit.	High Performance	Rail Infrast. Investment Road	Total
Revenue from sales and services	4 176	7 392	1 686	7 260	40 207	178 939	338 017	577 677
Impairments	-	419	-	-	- 1 279	-	-	- 860
Provisions	-	-	-	-	44	-	- 8 421	- 8 377
Other income	-	893	-	-	22 768	4 491	34 408	62 559
Other expenses	- 1 715	- 5 659	- 2 490	- 6 686	- 83 283	- 140 635	- 82 365	- 322 833
<b>EBITDA</b>	<b>2 462</b>	<b>3 045</b>	<b>- 804</b>	<b>573</b>	<b>- 21 544</b>	<b>42 795</b>	<b>281 639</b>	<b>308 166</b>
Amortisation and depreciation	- 323	- 46	- 41	- 573	- 2 281	- 133 673	-	- 136 937
<b>EBIT</b>	<b>2 138</b>	<b>2 999</b>	<b>- 844</b>	<b>-</b>	<b>- 23 825</b>	<b>190 761</b>	<b>-</b>	<b>171 229</b>
Financial expenses	-	-	- 5	- 57 338	- 20 497	- 138 100	-	- 215 941
Financial income	-	-	-	57 338	136	582	-	58 056
<b>EBT</b>	<b>2 138</b>	<b>2 999</b>	<b>- 849</b>	<b>-</b>	<b>- 44 187</b>	<b>53 243</b>	<b>-</b>	<b>13 345</b>
Income tax	-	-	-	- 8 244	-	-	-	- 8 244
<b>Net Income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5 101</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5 101</b>

Additional information - 30-06-2017	Telecommunications	Management of property and commercial areas	Engineering and transportation services	Rail Infrast. Investment Activit.	Rail Infrast. Manag. Activit.	High Performance	Rail Infrast. Investment Road	Total
<b>Assets</b>								
intangible	-	-	6	-	2 076	20 008 265		20 010 348
Grantor	-	-	-	5 579 471	-	-	-	5 579 471
Other assets	22 445	24 763	7 249	88 616	144 349	64 797	2 144 744	2 496 963
<b>Total assets</b>	<b>22 445</b>	<b>24 763</b>	<b>7 256</b>	<b>5 668 087</b>	<b>146 425</b>	<b>22 217 806</b>		<b>28 086 782</b>
<b>Liabilities</b>								
Borrowings	-	-	-	3 202 410	2 620 843	2 544 784	-	8 368 038
Subsidies	-	-	-	24 779	-	10 189 878		10 214 657
Other liabilities	11 004	3 767	1 344	9 003	90 188	3 292 389	1 186 479	4 594 175
<b>Total Liabilities</b>	<b>11 004</b>	<b>3 767</b>	<b>1 344</b>	<b>3 236 193</b>	<b>2 711 032</b>	<b>17 213 530</b>		<b>23 176 870</b>

Additional information - 30-12-2016	Telecommunications	Management of property and commercial areas	Engineering and transportation services	Rail Infrast. Investment Activit.	Rail Infrast. Manag. Activit.	High Performance	Rail Infrast. Investment Road	Total
<b>Assets</b>								
intangible	-	1	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
<b>Total assets</b>	<b>21 654</b>	<b>31 045</b>	<b>10 379</b>	<b>5 584 367</b>	<b>175 421</b>	<b>21 683 841</b>		<b>27 506 707</b>
<b>Liabilities</b>								
Borrowings	-	-	-	3 124 886	2 691 284	2 539 349	-	8 355 519
Subsidies	-	-	-	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
<b>Total Liabilities</b>	<b>8 067</b>	<b>3 574</b>	<b>2 722</b>	<b>3 176 036</b>	<b>2 776 719</b>	<b>17 376 027</b>		<b>23 343 145</b>

## 6. TANGIBLE FIXED ASSETS

Movements in tangible fixed assets occurred in the semester ended 30 June 2017 and the year ended 31 December 2016 are as follows:

	Land and natural resources	Buildings and other constructions	Basic equipment	Transport equipment	Administrative equipment	Other tangible fixed assets	Work in progress	Total
<b>01 January 2017</b>								
Acquisition cost	7 042	165 598	55 641	11 531	23 428	7 455	2 712	273 407
Cumulative Depreciation	-	- 58 842	- 45 452	- 11 318	- 22 597	- 6 958	-	- 145 167
<b>Net value</b>	<b>7 042</b>	<b>106 756</b>	<b>10 190</b>	<b>213</b>	<b>831</b>	<b>497</b>	<b>2 712</b>	<b>128 241</b>
Increases	-	469	50	-	35	34	71	658
Transfers	-	9	444	-	-	28	- 809	- 328
Depreciation for the year	-	- 1 510	- 1 487	- 53	- 288	- 68	-	- 3 406
<b>Net value</b>	<b>7 042</b>	<b>105 724</b>	<b>9 196</b>	<b>160</b>	<b>578</b>	<b>491</b>	<b>1 974</b>	<b>125 165</b>
<b>30 June 2017</b>								
Acquisition cost	7 042	166 076	56 135	11 531	23 462	7 517	1 974	273 737
Cumulative Depreciation	-	- 60 352	- 46 939	- 11 371	- 22 884	- 7 026	-	- 148 573
<b>Net value</b>	<b>7 042</b>	<b>105 724</b>	<b>9 196</b>	<b>160</b>	<b>578</b>	<b>491</b>	<b>1 974</b>	<b>125 165</b>

	Land and natural resources	Buildings and other constructions	Basic equipment	Transport equipment	Administrative equipment	Other tangible fixed assets	Work in progress	Total
<b>01 January 2016</b>								
Acquisition cost	7 042	165 673	53 692	11 719	23 504	7 294	1 642	270 567
Cumulative Depreciation	-	- 55 928	- 43 045	- 11 392	- 22 141	- 6 864	-	- 139 370
<b>Net value</b>	<b>7 042</b>	<b>109 745</b>	<b>10 647</b>	<b>327</b>	<b>1 364</b>	<b>430</b>	<b>1 642</b>	<b>131 197</b>
Increases	-	-	1 175	2	121	171	2 756	4 224
Transfers	-	76	1 320	-	-	-	- 1 686	- 290
Disposals /Corrections	-	- 151	- 546	- 190	- 198	- 9	-	- 1 093
Depreciation for the year	-	- 2 975	- 2 699	- 116	- 633	- 99	-	- 6 521
Depreciation - Write-downs/Corrections	-	61	292	190	176	4	-	724
<b>Net value</b>	<b>7 042</b>	<b>106 756</b>	<b>10 190</b>	<b>213</b>	<b>831</b>	<b>497</b>	<b>2 712</b>	<b>128 241</b>
<b>31 December 2016</b>								
Acquisition cost	7 042	165 598	55 641	11 531	23 428	7 455	2 712	273 407
Cumulative Depreciation	-	- 58 842	- 45 452	- 11 318	- 22 597	- 6 958	-	- 145 167
<b>Net value</b>	<b>7 042</b>	<b>106 756</b>	<b>10 190</b>	<b>213</b>	<b>831</b>	<b>497</b>	<b>2 712</b>	<b>128 241</b>

## 7. INTANGIBLE ASSETS

Changes occurred in intangible assets during the semester ended 30 June 2017 and the year ended 31 December 2016 were as follows:

	Concession right	Software	Other	Total
<b>01 January 2017</b>	<b>19 824 205</b>	<b>1 847</b>	<b>823</b>	<b>19 826 876</b>
Acquisition cost	21 866 422	28 687	2 156	21 897 265
Cumulative Amortisation	- 2 042 217	- 26 839	- 1 333	- 2 070 389
<b>Net value</b>	<b>19 824 205</b>	<b>1 847</b>	<b>823</b>	<b>19 826 876</b>
<b>30 June 2017</b>				
Increases	318 957	230	-	319 187
Transfers	-	328	-	328
Write-off/Disposals/Impairment losses	-	-	-	-
Depreciation and amortisation for the year	- 135 648	- 396	-	- 136 044
<b>Net value</b>	<b>20 007 514</b>	<b>2 010</b>	<b>823</b>	<b>183 472</b>
Acquisition cost	22 185 380	29 245	2 156	22 216 781
Cumulative Depreciation	- 2 177 866	- 27 235	- 1 333	- 2 206 433
<b>Net value</b>	<b>20 007 514</b>	<b>2 010</b>	<b>823</b>	<b>20 010 348</b>

	Concession right	Software	Other	Total
<b>01 January 2016</b>	<b>19 623 874</b>	<b>1 904</b>	<b>572</b>	<b>19 626 350</b>
Acquisition cost	21 399 876	27 983	1 886	21 429 744
Cumulative Amortisation	- 1 776 002	- 26 079	- 1 314	- 1 803 395
<b>Net value</b>	<b>19 623 874</b>	<b>1 904</b>	<b>572</b>	<b>19 626 349</b>
<b>31 December 2016</b>				
Increases	630 949	414	270	631 633
Transfers	-	290	-	290
Write-off/Disposals/Impairment losses	- 164 402	-	-	- 164 402
Amortisation for the year	- 266 215	- 760	- 19	- 266 994
<b>Net value</b>	<b>19 824 205</b>	<b>1 847</b>	<b>823</b>	<b>19 826 876</b>
Acquisition cost	21 866 422	28 687	2 156	21 897 265
Cumulative Depreciation	- 2 042 217	- 26 839	- 1 333	- 2 070 389
<b>Net value</b>	<b>19 824 205</b>	<b>1 847</b>	<b>823</b>	<b>19 826 876</b>

The amount of intangible assets relates mainly to the right deriving from the Road Concession Contract. The value of this right is increased following the investments made within the scope of the Contract.

Assets are made up of the percentage of finished works in relation to each works, regardless of such works being performed directly by the IP Group or pursuant to a PPP agreement.

The amount of €319 million of investment carried out in the first semester of 2017 includes €20.8 million relating to the construction of sub-concessions, €290.4 million relating to payments net of receivables from State concessions and €7.7 million to own works of Group IP.

These figures include capitalised financial expenses in the amount of €21.2 million in 2017.

The amortisations for the year are calculated under IFRIC 12 according to the equivalent units method, on the value of total investment already made or to be made in the future within the scope of the Concession between Group IP and the State, based on the estimated economic and financial flows during the period of the Concession. These amounts have the same base of Group IP's multi-annual financial model, with changes described in Note 2.3.

The total investment of the Concession was estimated 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;
- Expenses with the modernisation and maintenance of IP's own network;
- IP Group's other investments concern the installation and improvement of equipment, studies, projects, supervision and assistance;
- Costs with regular maintenance reflect the guidelines set forth in 2014 by former EP, resulting from implementation of the strategic plan;
- The National Road Plan 2000 will be deployed until 2040.

The total investment is amortised according to the best estimate of revenues generated during the concession period.

Annual revenues were estimated based on the following main assumptions:

- The Road Service Contribution (RSC) until 2018 is the best management estimate for those years. From 2019 onwards, the RSC will increase based on the assumption that the annual consumption of gasoline and auto diesel increases by 0% and the unit price per litre consumed increases in accordance with the CPI (2%/year).
- The sub-concessions' toll revenues are based on the base cases, or in more recent traffic surveys prepared by specialised consultants and available at the time of review and approval of the economic and financial flows for the period of the Concession. Following the reversal of sub-concessions to the IP Group, the growth rate considered is that of the CPI, based on the last year of these surveys and base cases;

- Following the reversal of the ex-SCUT motorways to the IP Group, the growth rate considered was that of the CPI, based on the more recent traffic surveys prepared by specialised consultants of the Group;
- In general, the remaining operating revenues (from service areas, telematics equipment and other) were estimated in 2017 within the scope of the revision of the economic and financial model for the period of the concession.

Based on these assumptions the estimated amortisation in the first semester of 2017 was €136 million.



## 8. DEFERRED TAX ASSETS AND LIABILITIES

The amounts of deferred tax assets and liabilities recognised in the condensed consolidated financial position as of 30 June 2017 and 31 December 2016 are stated by their gross value.

The Executive Board of Directors is confident that the tax results generated in the future will permit the full reversal of the deferred tax assets recognised.

The impact of movements in the deferred tax headings in mentioned periods was as follows (note 27):

Deferred tax liabilities	Notes	30-06-2017	30-06-2016
<b>Net impact on the income statement</b>			
Deferred tax assets		10 753	6 933
Deferred tax liabilities		- 42	-49
<b>Net (Expenses) / Income</b>	<b>27</b>	<b>10,711</b>	<b>6,884</b>

Changes occurred in deferred tax assets and liabilities in the semester ended 30 June 2017 and year ended 31 December 2016 are as follows:

## DEFERRED TAX ASSETS

Changes occurred in the first half of 2017

Deferred tax assets	Adjustments in accounts receivable	Financing costs	Employment benefits	Provision for disqualified roads	Tax losses	Provision for VAT	Regular maintenance	Pensions	Inventory	Investment properties	Other Adjustments	TOTAL
Balance at 31 December 2016	18	0	76	1 839	806	57 486	69 550	339	868	278	766	132 026
Set-up / (Reversal)	- 6	4 279	- 63	-	-	1 416	6 645	- 29	-	- 13	- 17	12 211
Changes in tax rate	0	-	0	- 12	-	- 400	- 517	- 2	-	-	- 5	- 937
Revision of estimate	-	-	-	-	- 521	-	-	-	-	-	-	- 521
Balance at 30 June 2017	11	4 279	13	1 826	285	58 502	75 677	308	868	264	744	142 779

Change occurred in the year ended as of 31 December 2016

Deferred tax assets	Adjustments in accounts receivable	Financing costs	Employment benefits	Provision for disqualified roads	Tax losses	Provision for VAT	Regular maintenance	Pensions	Inventory	Investment properties	Other Adjustments	TOTAL
Balance at 31 December 2015	86	0	271	1 842	2 004	53 565	57 817	383	1 035	339	1 765	119 108
Set-up / (Reversal)	- 45	-	- 195	-	- 803	4 019	11 851	- 44	- 167	- 55	- 998	13 563
Changes in tax rate	-	-	-	- 3	-	- 98	- 118	- 1	-	-	- 1	- 221
Revision of estimate	- 23	-	-	-	- 395	-	-	-	-	- 6	-	- 425
Balance at 31 December 2016	18	0	76	1 839	806	57 486	69 550	339	868	278	766	132 026

## DEFERRED TAX LIABILITIES

Changes occurred in the first half of 2017

	Other
Balance as at 31/12/2016	33
Set-up / (Reversal)	42
Changes in tax rate	-
Balance as at 30/06/2017	75

Change occurred in the year ended at 31 December 2016

	Other
Balance as at 31/12/2015	69
Set-up / (Reversal)	- 36
Changes in tax rate	0
Balance as at 31/12/2016	33

## 9. DEFERRALS

As of 30 June 2017 and 31 December 2016 IP Group recorded under deferrals the following balances:

Deferrals	Notes	30-06-2017	31-12-2016
<b>Non current income to recognise</b>			
Other services		193	666
		<b>193</b>	<b>666</b>
<b>Current expenses to recognise</b>			
Other services		416	366
		<b>416</b>	<b>366</b>
<b>Non current income to recognise</b>			
Investment Subsidies - Road Concession Right	9.1	10 189 878	10 221 365
Investment subsidies - Community Funding		24 408	24 594
Term Sale - Brisa Concession		152 300	152 300
Douro Litoral Concession Fee		126 843	130 687
Greater Lisbon Concession Fee		21 583	22 166
Optical Fibre contracts		1 178	1 359
Technical road channel		7	4
		<b>10 516 197</b>	<b>10 552 475</b>
<b>Current income to recognise</b>			
Douro Litoral Concession Fee		7 687	7 687
Optical Fibre contracts		2 256	925
Technical road channel		1 883	1 373
Greater Lisbon Concession Fee		1 167	1 167
Other income		870	874
Investment subsidies - Community Funding		371	371
		<b>14 233</b>	<b>12 397</b>

Expenses to recognise concern payments of services already contracted but not yet provided. Income to recognise result mainly from investment subsidies in the amount of €10,190 million (see note 9.1) and advanced payments from concessions in the amount of €310 million to be recognised as income throughout the period of respective concession.

## 9.1 INVESTMENT SUBSIDIES - ROAD CONCESSION RIGHT

This caption includes investment subsidies received by the IP Group to finance the intangible asset relating to the Concession Right and not yet recognised via results.

Changes occurred during the semester ended as of 30 June 2017 are as follows:

Investment subsidies	
01 January 2017	10 221 365
Increases	-
Write-downs	-
Assigned to income (Note 2.3)	- 31 487
30 June 2017	10 189 878

## 10. CLIENTS AND OTHER ACCOUNTS RECEIVABLE

At 30 June 2017 and 31 December 2016 this caption was made up as follows:

HEADINGS	Notes	30-06-2017	31-12-2016
<b>Non current</b>			
Clients	10.2	10 183	12 219
		<b>10 183</b>	<b>12 219</b>
<b>Current</b>			
Other accounts receivable	10.1	312 202	195 165
Clients	10.2	112 589	89 267
		<b>424 792</b>	<b>284 432</b>

Balances of Clients and Other Receivables are current balances, corresponding approximately to their fair value.

The change in “Other Accounts Receivable” is explained by an increase in the amount of Road Service Contribution (RSC) by €95 million and an increase in accrued income stemming from accrued compensatory allowances as recorded in the programme contract entered by the Portuguese State and IP in March 2016.

## 10.1 OTHER ACCOUNTS RECEIVABLE

At 30 June 2017 and 31 December 2016 the balance of other accounts receivable was made up as follows:

Other accounts receivable	Notes	30-06-2017	31-12-2016
<b>Current</b>			
Accrued expenses - RSC	29	187 799	92 983
Railway Operators	29	0	19
Sundry		130 355	108 115
Cumulative impairments		- 5 952	- 5 952
		<b>312 202</b>	<b>195 165</b>

Caption Increase in Income - Road Service contribution corresponded up to 2016 to the recognition of revenue for the last two months of the year, since the RSC was invoiced and charged with that same time lag. The increase resulted of a change in form of transfer since the entry into force of State Budget law of 2016, the impact of which was the irregular frequency of transfers made by the State.

Caption Other accounts receivable – Sundry concerns the following, but not limited to:

- Provision of guarantee (cash collateral) in the amount of €28,126 thousand relating to proceedings brought by the Tax Authorities concerning 2012 VAT.
- Protocols with various municipalities for the construction and renovation of roads, namely in Aveiro, Viana do Castelo, Cascais, Fundão, Lisboa and Coimbra, in the amount of €25,104 thousand, of which €13,725 thousand concern the protocol for the Construction of the new Aveiro Railway Station - Road/Railway Interface, dating from 2011;

## 10.2 CLIENTS

As at 30 June 2017 and 31 December 2016, caption “Clients” was made up as follows:

Clients	Notes	30-06-2017	31-12-2016
<b>Non current</b>			
Sundry - Medway		10 183	12 219
		<b>10 183</b>	<b>12 219</b>
<b>Current</b>			
Other related entities	29	29 073	17 289
Sundry		52 298	48 738
Tolls		35 850	28 418
Cumulative impairments		- 4 631	- 5 178
		<b>112 589</b>	<b>89 267</b>
		<b>122 772</b>	<b>101 486</b>

Debits to clients - other related entities (CP) and Clients - Railway Operators (Fertagus, Takargo and Medway) include, mainly, user fees charged to operators, and debits to operators for services rendered in commercial activities, shunting, capacity requested and not used, parking of rolling stock and other services.

In 2015 IP and Medway negotiated the settlement of credit in the amount of €24,487 thousand over a period of 60 months, through fixed instalments plus interest of at least 1.5%, plus the 6-month Euribor.

In relation to the likelihood of collection, it is assumed that the sums due by Municipalities, Local Councils and other public entities or entities benefiting from direct or indirect participation of the State are likely to be fully recovered, in spite of their default, as they are State entities.



## 11. GRANTOR - STATE - ACCOUNT RECEIVABLE

The breakdown of the financial asset underlying to the concession at 30 June 2017 and 31 December 2016 is as follows:

Description	30-06-2017	31-12-2016
Assets under Concession (LDI)	8 794 922	8 767 152
Subsidies	- 4 409 201	- 4 409 117
Return on assets	- 6 581	- 6 581
Charged Interest	1 505 531	1 448 278
Impairments	- 305 200	- 305 200
	<b>5 579 471</b>	<b>5 494 532</b>

## 12. GOVERNMENT AND OTHER PUBLIC BODIES

At 30 June 2017 and and 31 December 2016 this caption was made up as follows:

	30-06-2017		31-12-2016	
	Payable	Receivable	Payable	Receivable
<b>Assets and liabilities for current tax</b>				
Corporate Income Tax (CIT)	1 219	29 406	208	25 816
	<b>1 219</b>	<b>29 406</b>	<b>208</b>	<b>25 816</b>
<b>State and other public entities</b>				
IRS – Withholdings	-	2 208	-	1 641
VAT	1 356 902	521	1 238 498	1 919
Contributions to SS, CGA and ADSE	67	7 049	100	5 569
Other taxes and levies	-	14	-	10
	<b>1 356 969</b>	<b>9 792</b>	<b>1 238 598</b>	<b>9 139</b>

IRS, Social Security and CGA balances correspond to June 2017 wages processed that year already settled in July 2017.

Caption State and other public entities includes VAT receivable in the amount of €1,356,902 thousand; the company has applied for tax refund in the amount of €227,562 thousand in 2009, relating to the period from

January 2008 to October 2009. This balance to be recovered mainly concerns VAT deducted by former EP in its activity. The company considers it is entitled to make this deduction since the State collected VAT on a revenue of former EP - the Road Service Contribution -, which in accordance with the legally established mechanisms, was paid to the company by the fuel distributors.

IP has filed two lawsuits, currently pending, one claiming the reimbursement of VAT up to June 2009 and the other the reimbursement of VAT from July to September and the deduction of October 2009.

The first case, concerning the claim for the reimbursement of VAT up to June 2009, was rejected by the Tax and Customs Authority (TA), which notified the company concerning additional payments of VAT and interest in the amount of €th 277,124 and €th 11,697, respectively.

As it did not agree with these additional payments which it considered as undue, on 30 November 2010 former EP contested the hierarchical appeal with the Administrative and Tax Court of Almada. However, this request was refused in the first instance in January 2013. Former EP did not agree with this ruling and appealed against it on 6 March 2013.

The second case, concerning the reimbursement of VAT from July to September and the deduction of October 2009, was also rejected by the TA, which notified the company to pay additional VAT and interest in the amount of €th64,506 and €th763, respectively. On 29 July 2011 former EP contested the hierarchical appeal with the Administrative and Tax Court of Almada. However this request was refused in the first instance in January 2013. EP did not agree with this ruling and appealed against it on 11 March 2013. Former EP did not agree with this ruling and appealed against it on 11 March 2013.

As a result of the referred developments in the VAT proceedings, in the first semester of 2017 IP reinforced the provision by €5,523 thousand to €339,491 thousand at 30 June 2017. This corresponds to the amount of VAT which former EP estimates it would cease to receive from the TA if it were considered that the RSC is not subject to VAT (Note 18).

In the course of former EP's tax inspection process occurred in 2015 relating to 2011 the TA issued their Tax Inspection Report including notices for additional VAT payments and interest in the amounts of €195,514 thousand and €29,412 thousand, respectively. In what concerns the payment of interest, as the amount of the correction was deducted to the existing report, which results that no payment is due, the corrections concerned cannot give rise to the payment of interest; therefore, the company requested its cancellation.

IP considers these tax assessments as undue and therefore has appealed against them, requesting their cancellation. These proceedings are pending decision from the Tax Authorities (Recurso Hierárquico).

In the course of former EP's tax inspection process relating to 2012 the TA issued their Tax Inspection Report including notices for additional VAT payments and interest in the amounts of €188,756 thousand and €2,867 thousand, respectively.

IP considers these tax assessments as undue and therefore has appealed against them, requesting their cancellation. These proceedings are pending decision from the Tax Authorities (Recurso Hierárquico).

Additionally, on 26 September 2017 IP was informed of a draft report on the tax inspection relating to 2013, which points to a correction in VAT in the amount of €171,213 thousand.

In addition, it should be noted that the amounts corrected by the TA and not provisioned for by IP concern mainly deducted VAT relating to the State Concession Network, therefore, if the TA thesis should be accepted in Court, the additional consideration payable by IP will always be an increase in its Intangible Assets, with no direct impact on the results for the year, and impact only in the results of future years, via an increase in the depreciation and amortisation of such assets.

## 13. CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents shown in the cash flow statement for the periods ending 30 June 2017 and 31 December 2016 are reconciled with the amounts shown in the captions of the consolidated statement of financial position, as follows:

Description	Notes	30-06-2017	31-12-2016
Bank deposits		346 713	310 817
Other applications		10 000	-
Cash		196	216
<b>Cash and cash equivalent in the Statement of Financial Position</b>		<b>356 909</b>	<b>311 033</b>
Bank overdrafts	16.1	- 189	- 444
<b>Cash and cash equivalent in the Cash Flow Statement</b>		<b>356 721</b>	<b>310 588</b>

These cash amounts can be operated freely.

Accounting overdrafts in the Consolidated Statement of Financial Position, are recorded under in liabilities, under caption "Loans".

## 14. SHARE CAPITAL AND RESERVES

### i) SHARE CAPITAL

The share capital is represented by registered dematerialised shares belonging to the Portuguese State, and held by the Directorate-General of the Treasury.

During the first semester of 2017, the share capital was increased by €700,000 thousand, specifically in February, April and June, respectively, €460,000 thousand, €140,000 thousand and €100,000 thousand, through the issue of 92,000, 28,000 and 20,000 new shares; the share capital is presently of €4,745,375 thousand, corresponding to 949,075 shares fully subscribed and paid up.

Basic/diluted earnings per share are as follows:

	30-06-2017
Results assigned to shareholder (in Euro)	46 350 749
Average number of shares in the period	903 075
Average number of diluted shares in the period	903 075
Basic earnings per share (in Euro)	51.33
Diluted earnings per share (in Euro)	51.33

Since there are no dilution factors, basic and diluted earnings are the same.

Group IP calculates its basic and diluted earnings per share using the weighted average of the shares issued during the reporting period, as follows:

	(No. of shares)
January 2017	809 075
January 2017 to March 2017	901 075
April 2017 to May 2017	929 075
June 2017	949 075
Average number of outstanding shares	903 075

### ii) RESERVES

Reserves are made up as follows:

	30-06-2017	31-12-2016
Legal reserve	2 005	627
Merger reserve	- 95	- 95
	1 909	531

With regard to reserves (legal reserves and other), commercial legislation establishes that at least 5% of annual net profit must be appropriated to a legal reserve until the reserve equals at least 20% of the share capital. This

reserve is not available for distribution except upon liquidation of the company, but can be used to absorb losses once the other reserves have been exhausted, or to increase capital.

Note that IP's Financial Statements at 31 December 2016 are still pending the approval of the Shareholder; hence, although the Board of Directors proposed to allocate the whole net profit for the year to Legal Reserve, as of the date of this half-year report only the amount corresponding to the legal limit was considered.

## 15. PROVISIONS

The evolution of provisions for risks and charges in the semester ended at 30 June 2017 and the year ended at 31 December 2016 is as follows:

	General risks	Land Expropriations	Contract works	Employee benefits	Disqualified roads	Works under Negotiation phase	VAT proceedings	Total
<b>01 January 2017</b>	<b>44 250</b>	<b>36 301</b>	<b>33 216</b>	<b>1 151</b>	<b>409 280</b>	<b>561</b>	<b>333 968</b>	<b>858 728</b>
Allocation	5 452	0	6 790	0	0	0	5 523	17 766
Reduction/Use	- 1 977	- 2 745	0	- 100	- 71	0	0	- 4 893
<b>As of 30 June 2017</b>	<b>47 725</b>	<b>33 557</b>	<b>40 006</b>	<b>1 051</b>	<b>409 209</b>	<b>561</b>	<b>339 491</b>	<b>871 601</b>
Current balance	-	-	-	-	-	-	-	-
Non current balance	47 725	33 557	40 006	1 051	409 209	561	339 491	871 601

	General risks	Land Expropriations	Contract works	Employee benefits	Disqualified roads	Works under Negotiation phase	VAT proceedings	Total
<b>01 January 2016</b>	<b>37 978</b>	<b>49 110</b>	<b>41 199</b>	<b>1 299</b>	<b>409 535</b>	<b>561</b>	<b>318 030</b>	<b>857 712</b>
Allocation	9 364	2 114	746	-	-	-	15 938	28 162
Reduction/Use	- 3 092	- 14 923	- 8 729	- 148	- 255	-	-	- 27 146
<b>At 31 December 2016</b>	<b>44 250</b>	<b>36 301</b>	<b>33 216</b>	<b>1 151</b>	<b>409 280</b>	<b>561</b>	<b>333 968</b>	<b>858 728</b>
Current balance	-	-	-	-	-	-	-	-
Non current balance	44 250	36 301	33 216	1 151	409 280	561	333 968	858 728

## 16. BORROWINGS

### 16.1 BORROWINGS

The breakdown of current and non current borrowings as of 30 June 2017 and 31 December 2016 is as follows:

Description	30-06-2017	31-12-2016
<b>Non current loans</b>		
Borrowings	3 285 442	3 315 673
<b>Current loans</b>		
Borrowings	168 159	173 474
	<b>3 453 601</b>	<b>3 489 147</b>

Repayment terms and conditions of the loans are as follows:

Name	Date of signature	Amount	Principal due	Repayment		Periodicity	Interest rate regime	Interest rate	Periodicity
				Opening date	Closing date				
CP III Linha do Norte-B	14/07/1997	49 880	16 627	15/06/2008	15/06/2022	Annual	EIB variable, cannot exceed Euribor 3M+0.15%	0.000%	15/mar 15/Jun 15/Sep 15/Dec
Tejo-B railway crossing	14/11/1997	99 760	6 651	15/09/2003	15/09/2017	Annual	EIB variable, cannot exceed Euribor 3M+0.15%	0.000%	15/mar 15/Jun 15/Sep 15/Dec
Trav. Tejo-C1 railway crossing	26/11/1998	25 000	4 400	15/09/2004	15/09/2018	Annual	1st fixed dis.	4.670%	15/Sep
Trav. Tejo-C2 railway crossing	26/11/1998	25 000	4 668	15/09/2004	15/09/2018	Annual	2nd fixed dis.	5.800%	15/Sep
Trav. Tejo-C3 railway crossing	26/11/1998	49 760	6 635	15/09/2004	15/09/2018	Annual	3rd fixed dis. EIB variable, cannot exceed Euribor 3M+0.15%	0.000%	15/mar 15/Jun 15/Sep 15/Dec
Minho Line-A1	26/11/1998	25 000	4 400	15/09/2004	15/09/2018	Annual	1st fixed dis.	4.670%	15/Sep
Minho Line-A2	26/11/1998	25 000	4 668	15/09/2004	15/09/2018	Annual	2nd fixed dis.	5.800%	15/Sep
Minho Line-A3	26/11/1998	24 820	3 309	15/09/2004	15/09/2018	Annual	EIB variable, cannot exceed Euribor 3M+0.15%	0.000%	15/mar 15/Jun 15/Sep 15/Dec
CP III Linha do Norte-D	10/11/2000	25 937	15 562	15/09/2011	15/09/2020	Annual	EIB variable, cannot exceed Euribor 3M+0.15%	0.000%	15/mar 15/Jun 15/Sep 15/Dec
Connection to Algarve-A	08/10/2001	90 000	60 000	15/09/2012	15/09/2021	Annual	EIB variable, cannot exceed Euribor 3M+0.12%	0.000%	15/mar 15/Jun 15/Sep 15/Dec
Minho Line-B	08/10/2001	59 856	39 904	15/09/2012	15/09/2021	Annual	EIB variable, cannot exceed Euribor 3M+0.12%	0.000%	15/mar 15/Jun 15/Sep 15/Dec
CP III/2 L. Norte-A	02/10/2002	100 000	75 000	15/03/2013	15/03/2022	Annual	EIB variable, cannot exceed Euribor 3M+0.12%	0.000%	15/mar 15/Jun 15/Sep 15/Dec
CP III/2 L. Norte-B	02/06/2004	200 000	170 000	15/12/2014	15/12/2023	Annual	EIB variable, cannot exceed Euribor 3M+0.15%	0.000%	15/mar 15/Jun 15/Sep 15/Dec
Suburban	28/10/2004	100 000	57 143	15/06/2009	15/06/2024	Annual	EIB variable, cannot exceed Euribor 3M+0.15%	0.000%	15/mar 15/Jun 15/Sep 15/Dec
Suburban B	14/12/2005	100 000	66 667	15/09/2010	15/09/2025	Annual	Revisable rate	3.615%	15/Sep
<b>To be forwarded</b>		<b>1 000 012</b>	<b>535 632</b>						



Name	Date of signature	Amount	Principal due	Opening date	Repayment Closing date	Periodicity	Interest rate regime	Interest rate	Periodicity
<b>Forwarded</b>		<b>1 000 012</b>	<b>535 632</b>						
Suburban C	12/10/2006	55 000	36 667	15/03/2011	15/03/2026	Annual	Revisable rate	4.247%	15/mar
Connection to Algarve-B	02/10/2002	30 000	20 000	15/03/2013	15/03/2022	Annual	EIB variable, cannot exceed Euribor 3M+0.12%	0.000%	15/mar 15/Jun 15/Sep 15/Dec
CP III 2 Linha do Norte-C	11/12/2009	100 000	95 000	15/06/2017	15/06/2026	Annual	Revisable rate	1.887%	15/Jun
CP III 2 Linha do Norte-D	12/07/2007	100 000	100 000	15/12/2017	15/12/2026	Annual	Euribor 3M+0,435%	0.172%	15/mar 15/Jun 15/Sep 15/Dec
EIB- Estradas 2009-2019	17/12/2009	200 659	160 527	15/06/2014	15/06/2029	Half-year	Fixed	2.189%	15/Jun 15/Dec
Refer V	04/08/2008	160 000	128 000	15/03/2014	15/03/2033	Annual	Revisable rate	2.653%	15/mar
Refer VI	10/09/2009	110 000	88 000	15/09/2013	15/09/2032	Annual	Revisable rate	2.271%	15/Sep
Eurobond 06/26	10/11/2006	600 000	599 310	16/11/2026	Bullet	Eurobond 06/26	Fixed	4.047%	16/Nov
Eurobond 09/19	13/02/2009	500 000	499 483	18/02/2019	Bullet	Eurobond 09/19	Fixed	5.875%	18/Feb
Eurobond 09/24	16/10/2009	500 000	498 735	16/10/2024	Bullet	Eurobond 09/24	Fixed	4.675%	18/Oct
Eurobond 06/21	11/12/2006	500 000	498 227	13/12/2021	Bullet	Eurobond 06/21	Fixed	4.25%	13/Dec
Eurobond 10/30	09/07/2010	125 000	120 701	13/07/2030	Bullet	Eurobond 10/30	Fixed	6.450%	13/Jul
Caixa BI	14/07/1997	81 055	3 117	15/06/2005	29/12/2017	Half-year	Euribor 6M +0.1%	0.000%	15/Jun 15/Dec
<b>External Loans TOTAL</b>		<b>4 061 726</b>	<b>3 383 398</b>						
<b>Accrued interest</b>			<b>70 014</b>						
<b>Accounting overdrafts</b>			<b>189</b>						
<b>TOTAL</b>			<b>3 453 601</b>						

Interest on these loans is paid in arrears on a quarterly, half year or annual basis.

In what concerns the EIB and CaixaBI loans, the principal is repaid on a regular basis following the grace period. Remaining loans (Eurobonds) will be fully repaid at maturity (bullet).

## 16.2 SHAREHOLDER FUNDING / SHAREHOLDER LOANS

As at 30 June 2017 and 31 December 2016 the breakdown of Shareholder Loans was as follows:

Description	Notes	30-06-2017	31-12-2016
<b>Non current loans</b>			
State Loan		665 321	796 252
<b>Current loans</b>			
State Loan		4 249 116	4 070 120
	<b>29</b>	<b>4 914 437</b>	<b>4 866 371</b>

The purpose of these shareholder loans was to meet the companies' borrowing requirements from 2011 to 2014.

In 2017 the shareholder did not grant new loans to IP, having provided for its requirements through capital increases (Note 14).

These loans pay interest at various fixed annual nominal rates, as agreed with the DGTF according to the amount and dates of the disbursements. The breakdown is as follows:

Euro  
thousand

Name	Date of signature	Amount	Amount	Principal due	Opening date	Repayment Closing date	Periodicity	Interest rate regime	Interest rate	Periodicity
State Loan	30/12/2011		2 062 772	1 031 386	31/05/2013	30/11/2016	Half-year	Fixed	2.770%	31/May 30/Nov
State Loan	14/02/2012		75 000	56 250	31/05/2014	30/11/2017	Half-year	Fixed	3.420%	31/May 30/Nov
State Loan	14/02/2012		198 400	148 800	31/05/2014	30/11/2017	Half-year	Fixed	3.250%	31/May 30/Nov
State Loan	26/06/2012		118 284	88 713	31/05/2014	30/11/2017	Half-year	Fixed	2.740%	31/May 30/Nov
State Loan	26/06/2012		152 436	114 327	31/05/2014	30/11/2017	Half-year	Fixed	1.830%	31/May 30/Nov
State Loan	03/10/2012		206 246	154 684	31/05/2014	30/11/2017	Half-year	Fixed	1.760%	31/May 30/Nov
State Loan	03/10/2012		49 960	37 470	31/05/2014	30/11/2017	Half-year	Fixed	1.590%	31/May 30/Nov
State Loan	24/05/2013		282 937	282 937	31/05/2015	30/11/2020	Half-year	Fixed	2.100%	31/May 30/Nov
State Loan	24/05/2013		21 723	21 723	31/05/2015	30/11/2020	Half-year	Fixed	2.270%	31/May 30/Nov
State Loan	24/05/2013		23 394	23 394	31/05/2015	30/11/2020	Half-year	Fixed	2.350%	31/May 30/Nov
State Loan	24/05/2013		102 488	102 488	31/05/2015	30/11/2020	Half-year	Fixed	2.440%	31/May 30/Nov
State Loan	24/05/2013		20 000	20 000	31/05/2015	30/11/2020	Half-year	Fixed	2.150%	31/May 30/Nov
State Loan	13/11/2013		37 000	37 000	31/05/2015	30/11/2020	Half-year	Fixed	1.860%	31/May 30/Nov
State Loan	13/11/2013		293 000	293 000	31/05/2015	30/11/2020	Half-year	Fixed	1.880%	31/May 30/Nov
State Loan	13/11/2013		24 000	24 000	31/05/2015	30/11/2020	Half-year	Fixed	1.960%	31/May 30/Nov
State Loan	27/05/2014		15 000	15 000	31/05/2016	30/11/2021	Half-year	Fixed	2.430%	31/May 30/Nov
State Loan	27/05/2014		15 000	15 000	31/05/2016	30/11/2021	Half-year	Fixed	2.330%	31/May 30/Nov
State Loan	27/05/2014		20 000	20 000	31/05/2016	30/11/2021	Half-year	Fixed	2.220%	31/May 30/Nov
State Loan	27/05/2014		14 000	14 000	31/05/2016	30/11/2021	Half-year	Fixed	2.010%	31/May 30/Nov
State Loan	30/12/2011		1 705 000	852 500	31/05/2013	30/11/2016	Half-year	Fixed	2.770%	31/May 30/Nov
State Loan	27/01/2012		204 000	153 000	31/05/2014	30/11/2017	Half-year	Fixed	3.690%	31/May 30/Nov
<b>To be forwarded</b>			<b>5 640 640</b>	<b>3 505 672</b>						

Name	Date of signature	Amount	Amount	Principal due	Opening date	Repayment Closing date	Periodicity	Interest rate regime	Interest rate	Periodicity
<b>Forwarded:</b>		<b>5 640 640</b>	<b>3 505 672</b>							
State Loan	27/01/2012		230 000	172 500	31/05/2014	30/11/2017	Half-year	Fixed	3.440%	31/May 30/Nov
State Loan	27/01/2012		75 000	56 250	31/05/2014	30/11/2017	Half-year	Fixed	2.930%	31/May 30/Nov
State Loan	27/01/2012		28 000	21 000	31/05/2014	30/11/2017	Half-year	Fixed	2.690%	31/May 30/Nov
State Loan	30/05/2012		44 000	33 000	31/05/2014	30/11/2017	Half-year	Fixed	2.690%	31/May 30/Nov
State Loan	30/05/2012		80 000	60 000	31/05/2014	30/11/2017	Half-year	Fixed	2.700%	31/May 30/Nov
State Loan	30/05/2012		33 500	25 125	31/05/2014	30/11/2017	Half-year	Fixed	1.980%	31/May 30/Nov
State Loan	26/09/2012		156 800	117 600	31/05/2014	30/11/2017	Half-year	Fixed	1.810%	31/May 30/Nov
State Loan	29/10/2012		16 000	12 000	31/05/2014	30/11/2017	Half-year	Fixed	1.710%	31/May 30/Nov
State Loan	29/10/2012		13 300	9 975	31/05/2014	30/11/2017	Half-year	Fixed	1.590%	31/May 30/Nov
State Loan	29/01/2013		85 000	85 000	31/05/2015	30/11/2020	Half-year	Fixed	2.750%	31/May 30/Nov
State Loan	29/01/2013		135 600	135 600	31/05/2015	30/11/2020	Half-year	Fixed	2.420%	31/May 30/Nov
State Loan	29/01/2013		17 400	17 400	31/05/2015	30/11/2020	Half-year	Fixed	2.150%	31/May 30/Nov
State Loan	08/03/2013		25 654	25 654	31/05/2015	30/11/2020	Half-year	Fixed	2.150%	31/May 30/Nov
State Loan	08/03/2013		266 405	266 405	31/05/2015	30/11/2020	Half-year	Fixed	2.180%	31/May 30/Nov
State Loan	08/03/2013		28 042	28 042	31/05/2015	30/11/2020	Half-year	Fixed	2.610%	31/May 30/Nov
State Loan	04/09/2013		26 202	26 202	31/05/2015	30/11/2020	Half-year	Fixed	2.190%	31/May 30/Nov
State Loan	04/09/2013		25 000	25 000	31/05/2015	30/11/2020	Half-year	Fixed	2.180%	31/May 30/Nov
State Loan	04/09/2013		17 943	17 943	31/05/2015	30/11/2020	Half-year	Fixed	2.070%	31/May 30/Nov
State Loan	09/10/2013		3 688	3 688	31/05/2015	30/11/2020	Half-year	Fixed	2.100%	31/May 30/Nov
State Loan	09/10/2013		21 805	21 805	31/05/2015	30/11/2020	Half-year	Fixed	1.870%	31/May 30/Nov
State Loan	09/10/2013		49 891	49 891	31/05/2015	30/11/2020	Half-year	Fixed	1.970%	31/May 30/Nov
<b>Total shareholder financing</b>		<b>7 019 867</b>	<b>4 715 750</b>							
Accrued interest			<b>198 687</b>							
<b>TOTAL</b>			<b>4 914 437</b>							

## FLAT-RATE FINANCING

As of 30 June 2017 the fair value of the fixed rate debt was as follows:

Name	Nominal Value	Principal due	Fair value	Interest rate
EIB - Minho A1	25 000	4 400	4 442	4.670%
EIB - Minho A2	25 000	4 668	4 776	5.800%
EIB - Tejo C1	25 000	4 400	4 442	4.670%
EIB - Tejo C2	25 000	4 668	4 776	5.800%
EIB - Suburbans B	100 000	66 667	71 822	3.615%
EIB - Suburbans C	55 000	36 667	44 527	4.247%
EIB - REFER V	160 000	128 000	145 955	2.653%
EIB - REFER VI	110 000	88 000	97 283	2.271%
EIB - CPPII2 Northern Line C	100 000	95 000	97 625	1.887%
EIB- Estradas 2009-2019	200 659	160 527	175 453	2.189%
Eurobond 06/26	600 000	600 000	647 545	4.047%
Eurobond 09/19	500 000	500 000	545 224	5.875%
Eurobond 09/24	500 000	500 000	575 421	4.675%
Eurobond 06/21	500 000	500 000	558 651	4.250%
Eurobond 10/30	125 000	125 000	132 438	6.750%
State Loan	2 062 772	1 031 386	1 068 278	2.770%
State Loan	75 000	56 250	59 703	3.420%
State Loan	198 400	148 800	162 395	3.250%
State Loan	118 284	88 713	93 087	2.740%
State Loan	152 436	114 327	118 115	1.830%
State Loan	206 246	154 684	159 617	1.760%
State Loan	49 960	37 470	38 552	1.590%
State Loan	282 937	282 937	301 967	2.100%
State Loan	21 723	21 723	23 305	2.270%
State Loan	23 394	23 394	25 160	2.350%
State Loan	102 488	102 488	110 530	2.440%
State Loan	20 000	20 000	21 378	2.150%
State Loan	37 000	37 000	39 196	1.860%
State Loan	293 000	293 000	310 583	1.880%
State Loan	24 000	24 000	25 504	1.960%
State Loan	15 000	15 000	16 653	2.430%
State Loan	15 000	15 000	16 556	2.330%
State Loan	20 000	20 000	21 929	2.220%
State Loan	14 000	14 000	15 163	2.010%
State Loan	1 705 000	852 500	882 994	2.770%
State Loan	204 000	153 000	163 125	3.690%
<b>To be forwarded:</b>	<b>8 691 298</b>	<b>6 323 668</b>	<b>6 784 167</b>	

Name	Nominal Value	Principal due	Fair value	Interest rate
<b>Transport</b>	<b>8 691 298</b>	<b>6 323 668</b>	<b>6 784 167</b>	
State Loan	230 000	172 500	183 150	3.440%
State Loan	75 000	56 250	59 213	2.930%
State Loan	28 000	21 000	21 873	2.690%
State Loan	44 000	33 000	34 598	2.690%
State Loan	80 000	60 000	62 915	2.700%
State Loan	33 500	25 125	26 024	1.980%
State Loan	156 800	117 600	121 455	1.810%
State Loan	16 000	12 000	12 372	1.710%
State Loan	13 300	9 975	10 263	1.590%
State Loan	85 000	85 000	92 538	2.750%
State Loan	135 600	135 600	146 150	2.420%
State Loan	17 400	17 400	18 599	2.150%
State Loan	25 654	25 654	27 421	2.150%
State Loan	266 405	266 405	285 025	2.180%
State Loan	28 042	28 042	30 399	2.610%
State Loan	26 202	26 202	28 042	2.190%
State Loan	25 000	25 000	26 747	2.180%
State Loan	17 943	17 943	19 132	2.070%
State Loan	3 688	3 688	3 936	2.100%
State Loan	21 805	21 805	23 106	1.870%
State Loan	49 891	49 891	53 033	1.970%
<b>TOTAL</b>	<b>10 070 526</b>	<b>7 533 746</b>	<b>8 070 159</b>	

## 17. SUPPLIERS AND OTHER ACCOUNTS PAYABLE

### 17.1 SUPPLIERS

At 30 June 2017 and 31 December 2015 this caption was made up as follows:

Description	Notes	30-06-2017	31-12-2016
General suppliers		28 167	17 941
Clients - Other related parties	29	283	2 701
<b>Total balance suppliers - current</b>		<b>28 450</b>	<b>20 642</b>

### 17.2 OTHER ACCOUNTS PAYABLE

At 30 June 2017 and and 31 December 2016 this caption was made up as follows:

Description	30-06-2017	31-12-2016
<b>Non current</b>		
Sub-concessions	2 448 387	2 616 557
	<b>2 448 387</b>	<b>2 616 557</b>
<b>Current</b>		
Sub-concessions	506 550	508 425
Regular road maintenance	258 726	236 163
Accrued expenses	42 715	55 155
Suppliers of capital goods	25 731	36 259
Remuneration payable	20 955	19 231
Advances to be forwarded to Sales	18 057	18 434
Sundry creditors	9 929	10 053
	<b>882 663</b>	<b>883 721</b>
	<b>3 331 051</b>	<b>3 500 278</b>

This caption includes the liability of IP to sub-concessionaires for construction, operation and maintenance services carried out by these companies and not yet invoiced, in the amount of €2,954,937 thousand, remunerated at rates of 5% to 9%, of which €506,550 thousand are payable within 12 months.

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 works.

The increase in this caption essentially includes mainly the amounts payable by the IP Group relating to its Concession Contract with the State, in the amount of €24 million.

Caption Suppliers of Investment refers mainly to the amounts invoiced for the execution of works in own works and the amount payable for State Concessions and Sub-concessions.



## 18. SALES AND SERVICES

At 30 June 2017 and 30 June 2016 Sales and Services were as follows:

Description	Notes	30-06-2017	30-06-2016
<b>Rendering of Services</b>			
Road Service Contribution	29	333 220	321 085
Tolls		140 809	122 129
Construction contracts and capitalised financial expenses		42 652	70 705
Utilisation of slots (fees)		34 219	33 871
State Grantor - Revenue LDI	29	7 763	8 845
Lease/Rental of Property		5 217	5 212
Optical fibre		2 855	3 169
Other		12 952	12 661
<b>Total sales and services</b>		<b>579 687</b>	<b>577 677</b>

The amount of the Road Service Contribution (consideration paid buy road users) in 2017 did not change as compared to 2016, standing at €87/1000 litres for gasoline, €111/1000 litres for diesel and €123/1000 kg for LPG. The change in the year reflects the increase in fuel consumption.

The change occurred in caption Tolls resulted from a general increase in traffic volumes.

The breakdown of construction contracts for the periods under review is as follows:

Description	30-06-2017	30-06-2016
Capitalized financial expenses	21 161	35 532
Sub-concessioned network - construction	14 491	20 888
Construction of new infrastructures	7 000	14 285
<b>Construction contracts</b>	<b>42 652</b>	<b>70 705</b>

The change in Capitalized Financial Expenses translates de decrease in interest paid (note 27).

## 19. COMPENSATORY ALLOWANCES

In compliance with Decree law 217/2015 of 7 October, transforming into national law EU Directive 2012/34/EU, of the EU Parliament and Council of 21 November 2012 and Council of Ministers Resolution 10-A/2016 of 11 March, on March 11, 2016 (with retroactive effect as of 1 January 2016) IP and the Portuguese State entered a Programme Contract 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 due at 30 June 2017 within the scope of the said Programme Contract totalled €34,208 thousand. Until this date IP did not receive this revenue which should have been transferred by IMT to IP in twelfth instalments.

## 20. COST OF GOODS SOLD

The detail of this caption is as follows:

Description	Notes	30-06-2017	30-06-2016
Tolls		110 415	95 073
Construction of new infrastructures		7 000	13 892
Sub-concessioned network - construction		14 491	20 888
Other		2 020	3 627
<b>Cost of goods sold</b>		<b>133 926</b>	<b>133 480</b>

## 21. SUPPLIES AND SERVICES

Supplies and services are made up as follows:

Description	30-06-2017	30-06-2016
Regular road maintenance	26 500	26 500
Railway maintenance	25 977	25 378
Current Maintenance and Road Safety	15 788	19 372
Operation and Maintenance Sub-concessions	13 607	12 827
Toll collection costs	9 253	8 301
Electricity	5 918	7 763
Collection costs RSC	6 664	6 488
Surveillance and Safety	2 587	2 975
Specialised works	1 119	1 555
Rents and rentals	1 943	980
Maintenance and repairs	1 584	1 145
Cleaning, Hygiene and comfort	1 185	869
Fuel	1 002	1 099
Other below €11,000	4 104	2 686
<b>External supplies and services</b>	<b>117 231</b>	<b>117 938</b>

## 22. STAFF COSTS

Staff costs for the periods ended as of 30 June 2017 and 2016 are made up as follows:

Description	30-06-2017	30-06-2016
Wages	50 844	51 858
Wage expenses	11 733	11 975
Indemnities	556	1 690
Other staff costs	1 867	1 310
Remuneration of the members of governing bodies	415	404
Occupational accidents insurance	416	367
Social security expenses	338	236
	<b>66 169</b>	<b>67 841</b>

In the first half of 2017 staff costs of IP Group (€66.2 million) decreased by approximately €1.6 million over the same period of previous year (2.5%). This performance is explained by: wages (€50.8 million in 2017, against €51.9 million in 2016) and mutually agreed terminations (€556 thousand in 2017 against €1.7 million in 2016).

Despite a decrease in the average staff of the Group from 3,784 employees in June 2016 to 3,712 employees this semester, the gradual reversal in the Wage Cut applicable to wages motivated an increase by approximately €1.3 million in the wage bill and employer's charges.

## 23. IMPAIRMENT

Impairment losses in the first semester of 2017 were reversed by approximately €599 thousand (June 2016: increase by €860 thousand), distributed as follows: clients (€547 thousand) and inventories (€52 thousand, stemming from revision in the amount of raw materials, subsidiary materials and consumables to their recoverable value, according to current market prices).

## 24. OTHER INCOME AND GAINS

External Supplies and Services as of 30 June 2017 and 2016 are as follows:

Description	Notes	30-06-2017	30-06-2016
Investment subsidies - assigned to results	i)	31 595	33 311
Income from concession fees	ii)	4 427	4 427
Concessions and licences		1 050	1 126
Sale of waste and used material		1 200	290
Financial investments - accidents		891	1 290
Other		2 242	1 790
<b>Other Income and gains</b>		<b>41 405</b>	<b>42 234</b>

- i. Income recognised on the amortisation of non-refundable subsidies to investment recognised under 'Deferrals' in liabilities (Note 9);
- ii. Income from concession fees result of the recognition in the year of the share corresponding to the amount received on the signature of the Grande Lisboa and Douro Litoral Concessions.

## 25. OTHER EXPENSES AND LOSSES

Other expenses and losses as of 30 June 2017 and 2016 are as follows:

Description	30-06-2017	30-06-2016
AMT - (TRIR and TRIF)	724	2 114
AEIE_CFM4 Contribution	-	499
Irrecoverable debt	199	384
Contributions	189	189
Contractual negotiations	25	135
Compensation for material damages	302	-
Other	1 947	253
<b>Other expenses and losses</b>	<b>3 386</b>	<b>3 574</b>

## 26. FINANCIAL LOSSES AND GAINS

Caption financial losses and gains as of 30 June 2017 and 30 June 2016 is made up as follows:

Description	Notes	30-06-2017	30-06-2016
<b>Financial losses</b>		<b>180 185</b>	<b>215 941</b>
<b>Interest paid:</b>			
Loans		77 707	99 336
Sub-concessions		97 602	111 786
Other interest paid		1 546	1
Other financial losses		3 331	4 818
<b>Financial gains</b>		<b>57 393</b>	<b>58 056</b>
<b>Interest earned</b>			
Other interest earned		-	718
Interest earned - State Grantor	29	57 253	57 338
Other operating gains		139	-
<b>Financial results</b>		<b>- 122 792</b>	<b>- 157 885</b>

Interest expense concern interest paid on the debt allocated to the segments of High Performance Roads, Railway infrastructure investment activity and railway infrastructure management activity.

Expenses with the financial revision of the debt to sub-concessionaires for works/services are recorded in Interest Paid Sub-concessions, which will be invoiced in the future, according to terms provided in respective Sub-concession Contracts. This amount results from IP's responsibility to sub-concessionaires for construction works and road operation and maintenance services already carried out but not yet paid, in the amount of €m3,409 (indirectly managed debt), remunerated, in accounting terms, at rates of 5% to 9%.

Other financial losses concern expenses with the guarantee facility of the Portuguese State and with banking fees and expenses relating to bond issues.

Caption interest earned includes interest on financial applications made with IGCP and interest charged to the Grantor.

## 27. INCOME TAX

The breakdown of the amount of income tax recognised in the condensed consolidated comprehensive income statements as of 30 June 2017 and 2016 is as follows:

Income tax	Notes	30-06-2017	30-06-2016
Tax on current income		- 28 986	- 15 128
Tax on deferred income	8	10 711	6 884
		- 18 275	- 8 244

The tax rate used to determine the amount of tax for the year in the financial statements is as follows:

Income tax	30-06-2017	30-06-2016
Nominal tax rate	21.00%	21.00%
Municipal surcharge	1.25%	1.45%
State surcharge (1)	7.00%	7.00%
<b>Tax on current income</b>		
Taxable temporary differences	29.25%	29.45%
Deductible temporary differences except tax losses	29.25%	29.45%
Tax applicable to tax losses	21.00%	21.00%

- (1) 3% on taxable income from €m1.5 to €m7.5,  
5% on taxable income from €m7.5 to €m35,  
7% on taxable income above €m35.



The reconciliation of the effective tax rate for the periods under review is as follows:

Conciliation of effective tax rate	30-06-2017	30-06-2016
<b>Profit before tax</b>	<b>64 626</b>	<b>13 345</b>
Nominal tax rate	22.25%	22.45%
	<b>- 14 379</b>	<b>- 2 995</b>
Non deductible expenses	- 9 291	- 10 260
Non distributable income	1 016	1 585
Tax losses	34	196
Excess / insufficient estimate	17	- 596
State surcharge	- 6 115	- 2 838
Autonomous taxation	- 264	- 219
Tax rate difference	- 4	-
<b>Current tax</b>	<b>- 28 986</b>	<b>- 15 128</b>
<b>Deferred taxes</b>	<b>10 711</b>	<b>6 884</b>
<b>Tax expense</b>	<b>- 18 275</b>	<b>- 8 244</b>
<b>Effective tax rate</b>	<b>28.28%</b>	<b>61.78%</b>

## 28. REMUNERATION OF CORPORATE OFFICERS

### INFRAESTRUTURAS DE PORTUGAL

#### EXECUTIVE BOARD OF DIRECTORS

Chairman: António Carlos Laranjo da Silva

Vice-chairman: 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 of the members of the Executive Board of Directors of IP was were established in General Meeting held on August 28, 2015.

The gross amount of the remuneration of the executive officers was subject to a 5% reduction under the terms of article 12 of Law no. 12-A/2010, of 30 June.

Provisions in article 24 of Law 42-C/2016 of 28 December were complied with, i.e. 50% of the Christmas bonus was paid in twelfths to the members of the Executive Board of Directors; respective amount was determined under the terms of no. 2 of the said law.

The holiday pay was paid in twelfth instalments to members of the Board of Directors opting for this form of payment, according to provisions in article 274 of Law 42-A/2016 of 28 March.

Likewise, provisions in article 41 of Law 82-B/2014, of 31 December, as amended by article 19, no. 1 of Law 42-A/2016, of 28 March were also complied, i.e no management bonus were paid.

(Figures in Euro)

		30-06-2017
Executive Board of Directors	Remuneration	Employers Deductions Social Security
António Carlos Laranjo da Silva	53 303	12 461
Carlos Alberto João Fernandes	48 066	11 215
José Saturnino Sul Serrano Gordo	48 232	11 215
Alberto Manuel de Almeida Diogo	43 161	10 055
Vanda Cristina Loureiro Soares Nogueira	41 677	9 710
	<b>234,440</b>	<b>54,655</b>

(Figures in Euro)

	30-06-2016	
Executive Board of Directors	Remuneration	Employers Deductions Social Security
António Manuel Palma Ramalho	49 881	11 660
José Luís Ribeiro dos Santos	45 452	10 610
José Saturnino Sul Serrano Gordo	45 452	10 610
Alberto Manuel de Almeida Diogo	40 441	9 413
Vanda Cristina Loureiro Soares Nogueira	40 420	9 413
José Carlos de Abreu e Couto Osório	41 509	9 664
Adriano Rafael de Sousa Moreira	41 419	9 663
	<b>304 574</b>	<b>71 034</b>

## SUPERVISORY BOARD AND STATUTORY AUDITOR

Remuneration of members of these corporate bodies were defined during General Meeting of 28 August 2015.

(Figures in Euro)

	30-06-2017	
General and Supervisory Board	Remuneration	Employers Deductions Social Security
José Emílio Coutinho Garrido Castel Branco	-	-
Issuf Ahmad	11 064	2 246
Duarte Manuel Ivens Pita Ferraz	11 064	2 246
	<b>22 128</b>	<b>4 492</b>

(Figures in Euro)

	30-06-2016	
General and Supervisory Board	Remuneration	Employers Deductions Social Security
José Emílio Coutinho Garrido Castel-Branco	10 082	-
Duarte Manuel Ivens Pita Ferraz	10 889	2 210
Issuf Ahmad	11 350	2 304
	<b>32 321</b>	<b>4 514</b>

As from June 2016 José Emílio Coutinho Garrido Castel Branco ceased to earn any remuneration from Group IP as we has appointed to another company of the corporate public sector.

## STATUTORY AUDITOR

(Figures in Euro)

Entity	30-06-2017	30-06-2016
Vitor Almeida & Associados, SROC, Lda.	4 983	-
Pedro Matos, Garcia Jr., P. Caiado & Associados, SROC	-	8 975

On 13 April 2017 the firm Vitor Almeida & Associados, SROC, Lda represented by its partner Vitor Manuel Batista de Almeida (ROC no. 691) was appointed for the purposes of auditing the e half-year and annual separate and consolidated accounts relating to 2016 and 2017.

## 29. DISCLOSURES RELATING TO RELATED PARTIES

Entities identified as related entities of Group IP as of 30 June 2017 and 31 December 2016, under the terms of IAS 24 – Related Party Disclosures are as follows:

### 30 JUNE 2017

<b>Joint Operations</b>	
AVEP	Joint operation ( IP stake equivalent to 50.00%)
AEIE CFM4	Joint operation ( IP stake equivalent to 25.00%)
<b>Other related entities</b>	
AMT	Regulatory entity
Portuguese State	Shareholder through DGTF/Grantor
CP	Control relationship - State (Railway operators)

### 31 DECEMBER 2016

<b>Joint Operations</b>	
AVEP	Joint operation ( IP stake equivalent to 50.00%)
AEIE CFM4	Joint operation ( IP stake equivalent to 25.00%)
<b>Other related entities</b>	
AMT	Regulatory entity
Portuguese State	Shareholder through DGTF/Grantor
CP	Control relationship - State (Railway operators)

## SIGNIFICANT BALANCES AND TRANSACTIONS WITH PUBLIC ENTITIES

The IP Group is fully 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 Group IP and the State in the period ended at 30 June 2017.

Nature	Accounting Caption	Notes	Assets at 30-06-2017		Liabilities at 30/06/2017		Income 30-06-2017	Expenses 30-06-2017
			Current	Non current	Current	Non current		
Fee - Rail transport	Clients/Suppliers	10.2/17.1	29 073	-	283	-	28 165	1 199
Compensatory Allowances	Compensatory Allowances	19	-	-	-	-	34 208	-
State Grantor - LDI	Grantor State Accounts receivable	11	5 579 471	-	-	-	-	-
State Grantor - LDI	Sales and services	18	-	-	-	-	7 763	-
State Grantor - LDI	Interest earned - State Grantor	26	-	-	-	-	57 253	-
TRIR / TRIF	Other expenses and losses	25	-	-	-	-	-	2 044
Collection costs RSC	Supplies and Services	21	-	-	-	-	-	6 664
Accrued expenses RSC	Other accounts payable		-	-	3 756	-	-	-
Shareholder's loans	Shareholder funding/ loans	16.2	-	-	4 249 116	665 321	-	-
Financial expenses - Shareholder's loans	Interest paid - loans		-	-	-	-	-	16 511
			5 608 544	0	4 253 155	665 321	127 389	26 418

Balances at 31 December 2016 and transactions for the period ended as of 30 June 2016 are as follows:

Nature	Accounting Caption	Notes	Assets at 31-12-2016		Liabilities at 31/12/2016		Income 30-06-2016	Expenses 30-06-2016
			Current	Non current	Current	Non current		
Fee - Rail transport	Clients/Suppliers	10.2/17.1	17 289	-	2 701	-	36 302	2 109
Fee - Rail transport	Other accounts receivable/payable	10.1	19	-	30	-	-	-
Compensatory Allowances	Compensatory Allowances	19	-	-	-	-	20 325	-
State Grantor - LDI	Grantor State Accounts receivable	11	5 494 532	-	-	-	-	-
State Grantor - LDI	Sales and services	18	-	-	-	-	8 845	-
State Grantor - LDI	Interest earned - State Grantor	26	-	-	-	-	57 338	-
TRIR / TRIF	Other expenses and losses	25	-	-	-	-	-	2 114
Collection costs RSC	Supplies and Services	21	-	-	-	-	-	6 488
Accrued expenses RSC	Other accounts payable		-	-	1 860	-	-	-
Shareholder's loans	Shareholder funding/ loans	16.2	-	-	4 070 120	796 252	-	-
Financial expenses - Shareholder's loans	Interest paid - loans		-	-	-	-	-	37 291
			5 511 840	0	4 074 711	796 252	122 810	48 001

## BALANCES AND TRANSACTIONS WITH RAILWAY OPERATORS

The breakdown of balances with railway operators at 30 June 2017 and 31 December 2016 is as follows:

Railway operators (balances)	Notes	30/06/2017	31-12-2016
<b>Balances receivable</b>			
ST	10.2	29 073	17,289
<b>Clients</b>		<b>29 073</b>	<b>17,289</b>
CP	10.1	-	19
<b>Other accounts receivable</b>		<b>0</b>	<b>19</b>
<b>Balances payable</b>			
CP	17.1	283	2,701
<b>Trade payables</b>		<b>283</b>	<b>2,701</b>
CP	10.1	-	30
<b>Other accounts payable</b>		<b>0</b>	<b>30</b>

Transactions with railway operators in the periods ended at 30 June 2017 and 30 June 2016 are as follows:

Railway operators (transactions)	30-06-2017	30-06-2016
<b>External supplies and services</b>		
CP	234	1 070
	<b>234</b>	<b>1 070</b>
<b>Other expenses</b>		
CP	23	101
	<b>23</b>	<b>101</b>
<b>Personnel expenses</b>		
CP	942	938
	<b>942</b>	<b>938</b>
<b>Rendered Services</b>		
CP	28 114	36 285
	<b>28 114</b>	<b>36 285</b>
<b>Other income</b>		
CP	50	17
	<b>50</b>	<b>17</b>

## JOINT OPERATIONS

Impacts of joint operations on the Group's condensed consolidated financial statements during the periods under review are as follows:

Joint Operations	30-06-2017	31-12-2016
Assets	560	384
Liabilities	19	19

Joint Operations	30-06-2017	30-06-2016
Revenue	1	-
Profit/(Loss) for the period/year	1	- 499



## 30. RECENTLY ISSUED ACCOUNTING STANDARDS AND INTERPRETATIONS

**New standards, interpretations and amendments effective as of 01 January 2017, but which the European Union has not yet endorsed:**

- IAS 7 (Amendment). "Employee Benefits" (effective for periods beginning after 01 January 2017). This amendment introduces an additional disclosure concerning changes in liabilities arising from financing activities, separating transactions giving rise to cash flow changes or not, and how this information conciliates with cash flows arising from financing activities in the Cash Flow Statement. Any impact should not be relevant for the Group.
- IAS 12 (amended) - Recognition of Deferred Tax Assets for Unrealised Losses (effective for periods beginning after 01 January 2017). This amendment clarifies how to account for deferred tax assets related to assets measured at fair value, how to estimate future taxable income when there are deductible temporary differences, and how to assess the recoverability of deferred tax assets, when there are restrictions in the tax law. The Group estimates that its adoption will not have a significant impact on the consolidated financial statements.
- IFRS 40 (Amendment) - Transfer of Investment Property (effective for periods beginning after 01 January 2018). This amendment clarifies that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. This change will have impact on the Group.
- IFRS 2 (amendment). "Classification and Measurement of Share-based Payment Transactions" (effective for periods beginning after 01 January 2018). This amendment clarifies the measurement base for cash-settled share-based payment and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. Additionally, it introduces an exception into IFRS 2 so that a share-based payment where the entity settles the share-based payment arrangement net is classified as equity-settled in its entirety, where the employer is required to withhold an tax amount to the employee and pay such amount to the tax authority. This amendment does not apply to the Group.
- IFRS 4 (amendment). "Insurance contracts (applicable with IFRS 9) (effective for periods beginning after 01 January 2018). This amendment gives entities negotiating insurance contracts the option of recognising as Other comprehensive income instead of in the Profit and Loss Statement, the volatility which may arise from the application of IFRS 9 before the new standard on insurance contracts is published. Additionally it provides temporary exemption of IFRS 9 until 2021 for entities whose main business is insurance. This exemption is optional and does not apply to consolidated financial statements including an insurance company. This amendment does not apply to the Group.
- Amendments to IFRS 15 "Revenue from contracts with customers" (effective for periods beginning after 01 January 2018). These amendments provide additional indications to identifying performance obligations,

determining the moment for recognising revenue from an intellectual property licence, they provide principal versus agent considerations indicators and practical expedients for transition relief. This amendment does not apply to the Group.

- IFRS 16 (new). "Leases" (effective for periods beginning after 01 January 2019). This new standard replaces IAS 17, with significant impact on the accounting by lessees that are now required to recognise a lease liability, reflecting future payments and a right-of-use asset for all leases, except for short term leases and low value leases. The definition of lease was changed, namely, a contract is, or contains, a lease if it conveys the right to control the use of an identified asset. The impact of this standard is being assessed by the Group.
- IFRS 17 (new). "Insurance Contracts" (effective for periods beginning after 01 January 2021). This new standard replaces IFRS 4 and applies to all entities issuing insurance contracts, reinsurance contracts and investment contracts with discretionary participation features. IFRS 17 is based on the current measurement of technical responsibilities, at each reporting date. Current measurement may be based on a "building block approach" or a "premium allocation approach". The recognition of the technical margin will differ whether the margin is positive or negative. IFRS 17 is to be applied retrospectively. This standard is not applicable to the Group.

#### Interpretations:

- IFRS 22 (new). "Foreign Currency Transactions and Advance Consideration" (effective for periods beginning after 01 January 2018). This is an interpretation to IAS 21 "Effects of changes in exchange rates" and it clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The date of the transaction determines the exchange rate to be used to translate transactions in foreign currency. The Group estimates that its adoption will not have a significant impact on the consolidated financial statements.
- IFRIC 23 (new). "Uncertainty over income tax treatments" (effective for periods beginning after 01 January 2019). It is an interpretation of IAS 12 – 'Income Taxes', and it is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. In case of uncertainty as to the position of the tax administration in relation to a specific transaction, the entity is required to use judgement and record the assets or liabilities for income tax in the light of IAS 12 rather than IAS 37- "Provisions, contingent liabilities and contingent assets" based on the expected amount or most likely amount. Full retrospective application is permitted, if an entity can do so without using hindsight. Any impacts from applying this standard will be reviewed by the Group.

**Improvement to 2014-2016 standards (mainly applicable for periods beginning after 01 January 2017) IFRS 1, IFRS 12 and IAS 28. The Group estimates that their adoption will not have a significant impact on the consolidated financial statements.**

- IFRS 1 - First-time adoption of IFRS - this improvement deleted the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose (which concerned some exemptions of

disclosures provided in IFRS 7, exemptions in terms of employee benefits and exemptions at investment entity level). Not applicable to the Group.

- IAS 28 - Clarification that the measurement of subsidiaries at fair value through profit or loss is a choice that is made on a case-by-base basis. The improvement clarified that:
  - An entity which is venture capital company or qualifies as one can choose, on initial recognition and on an investment to investment basis, to measure its investments in associates and/or joint ventures at fair value through profit or loss.
  - When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries. This option is taken separately for each investment on the later date between: (a) the initial recognition in such subsidiary; (b) such subsidiary becoming an investment entity; and (c) such subsidiary becoming the parent company.

Any impacts from applying this standard will be reviewed by the Group.

- IFRS 12 - Disclosures of interests in other entities - This improvement clarified that the disclosure requirements of IFRS 12, in addition to those provided in paragraphs B10 a B16, apply to interests of an entity in subsidiaries, joint ventures or associates (or part of its interest in joint ventures or associates) which are classified (or included in a group for sale which is classified) as held for sale. Any impacts from applying this standard will be reviewed by the Group.

**Published standards, the application of which is mandatory for annual periods starting on or after 1 January 2018 which the European Union has already endorsed.**

- IFRS 9 (new). "Financial instruments" (effective for periods beginning after 01 January 2018). IFRS 9 supersedes requirements of IAS 39 in relation to: (i) classification and measurement of financial assets and liabilities; (ii) recognition of impairments on receivable credits (using the model of expected loss); and requirements for the recognition and classification of hedge accounting. The impact of this standard is being assessed by the Group.
- IFRS 15 (new) "Revenue from contracts with customers" (effective for periods beginning after 01 January 2018). This new standard only applies to contracts for the delivery of goods and services, and requires that the entity recognises revenue when the obligation to deliver assets or provide services is met and for the amount reflecting the consideration to which the entity is entitled, according to the "5 steps approach". The impact of this standard is being assessed by the Group.

## 31. GUARANTEES AND SURETIES

At 30 June 2017 loans secured by State guarantee totalled €m 2,766.9. (December 2016: €m 2,812.5)

Responsibilities for bank guarantees at 30 June 2017 totalled €154.9 million (December 2016: €155 million), of which €148.6 million concern guarantees given the Tax Authority stemming from the VAT proceedings and €2.3 million are guarantees given to courts relating to lawsuits.

## 32. CONTINGENCIES

### LAWSUITS CONCERNING EXPROPRIATIONS AND ACCIDENTS

As of 30 June 2017 pending lawsuits concerning railway expropriations totalled €1,384 thousand (December 2016: €1,618 thousand). This amount has no impact on the Statement of Financial Position. In these cases, deposits in an amount equivalent to the arbitrated amount are made with Caixa Geral de Depósitos, in the name of the courts judging the lawsuits; the settlement of these lawsuits does not represent an expense of the Group but of the Grantor of the railway infrastructures.

The Company has pending lawsuits relating to railway accidents occurred on the railway infrastructures under management and for damages caused to third-party property. These lawsuits are covered by IP Group's activity insurance.

Contingencies that may arise from lawsuits ongoing at the Labour Court were duly provisioned, as described in Note 15.

### VAT PROCEEDINGS

As of the date of its financial statements the IP Group recorded the following contingent liabilities:

- IP Património appealed from the final decision issued by the Tax Administration concerning the VAT correction for 2006 involving the amount of € 2,816,329. Although the claim was not accepted by the tax authorities, legal expert opinions sustain the company's conviction that it is entitled to the refund of the said amount, since IP Património complied with the law when determining the VAT amount due. Ultimately, if the appeal is rejected, the company will have to recognise as expense the amount already deposited with the tax authority, added of default interest. On 25 May 2015 the Company was notified by the Tax Authorities of the claim and awaits the scheduling of the hearing.
- Executive proceedings pending at the Lisbon Tax Office (1st section) relating to VAT settled by the IP Telecom in 2002, regarding which the company filed a claim. The proceedings is presently suspended, since a bank guarantee was provided in the amount of €24,448 (outstanding amount, interest, expenses added of 25%).

## SUBSIDIES

Subsidies allocated to the concession were awarded according to relevant eligibility terms, however, they are subject to audits and possible correction by the relevant authorities. In what concerns applications to community funds, these corrections may occur within a period of five years following the final payment. In the case of subsidies allocated to railway investment on behalf of the grantor, the return will only affect the grantor's account - amount receivable.

## OTHER TAX AND CONTRIBUTORY CONTINGENCIES

In accordance with current legislation, tax returns are subject to review and correction by the tax authorities during a period of four years (five years for social security), except where tax losses exist or tax benefits have been granted or inspections, claims or appeals are in progress, in which case, depending on the circumstances, the period can be extended or suspended.

On the 26th of September 2017 IP received the Draft Tax Inspection Report relating to 2013 concerning former EP, which was carried out by the "Large Taxpayers Unit". In addition to correction to the missing VAT amount of €171.2 million mentioned in Note 12, the said report includes a correction to the corporate income tax base in the amount of €165.5 million for not accepting the basis and method of depreciation followed by the Company in relation to the Road Concession Right and corresponding allocation of subsidies. Since the report was received only recently, the company is reviewing the grounds of such correction.

## 33. COMMITMENTS

Group IP's commitments basically concern those assumed under the Sub-Concession Contracts and those inherent to the company replacing the State for payments and receipts from the Concessioned Network.

Group IP'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 Group IP 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 2017) are summarised in the table below:

Concessions and Sub-concessions Expenses (€m)	2018	2019	2020	2021	2022	2023	2024	2025	2026
Gross expenses	1 484	1 381	1 387	1 343	1 332	1 198	1 153	1 014	910
Revenues	- 353	- 357	- 390	- 394	- 400	- 406	- 411	- 417	- 448
<b>Net expenses</b>	<b>1 131</b>	<b>1 024</b>	<b>997</b>	<b>948</b>	<b>932</b>	<b>792</b>	<b>741</b>	<b>597</b>	<b>462</b>

Concessions and Sub-concessions Expenses (€m)	2027	2028	2029	2030	2031	2032	2033	2034	2035
Gross expenses	820	777	669	563	491	343	275	262	219
Revenues	-438	-444	-450	-323	-206	-145	-123	-127	-130
<b>Net expenses</b>	<b>382</b>	<b>333</b>	<b>219</b>	<b>240</b>	<b>285</b>	<b>198</b>	<b>151</b>	<b>135</b>	<b>89</b>

Concessions and Sub-concessions Expenses (€m)	2036	2037	2038	2039	2040	2041	2042
Gross expenses	200	189	201	37	10	1	-
Revenues	-77	-65	-66	-25	-5	-	-
<b>Net expenses</b>	<b>123</b>	<b>123</b>	<b>135</b>	<b>12</b>	<b>4</b>	<b>1</b>	<b>0</b>

## 34. INFORMATION REQUIRED BY LAW

- a) Under the terms of article 21 no. 1 of Decree- Law No 411/91, of 17 October, the Group hereby confirms that it does not have any overdue contributions to the Social Security or overdue debts to the Tax Administration.
- b) Impact of IP Group's activity on the National Accounts and Public Accounts (Basis 12, number 3, paragraph c) of Decree-Law no. 110/2009 of 18 May).

### A. NATIONAL ACCOUNTS:

After consulting with the National Statistics Institute ("INE"), it was considered that all IP Group's accounting items had a direct impact on the national accounts. All flows between the Group and units outside the General Government perimeter shall have a direct impact on general government aggregates (deficit and/or debt), such impact and the magnitude thereof depending on the operations in question. By way of example, when the IP Group earns interest from financial applications outside the public administration perimeter, it contributes positively to the balance of public administrations. When the IP Group pays for services provided by entities outside the public administration perimeter, it is increasing public expenditure, and consequently the deficit; if the IP Group borrows 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 estimated impact of a single unit must be taken as merely indicative. 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 be sometimes subject to transformations the analytic 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 Entities on an equal standing with the Autonomous Services and Funds, thus becoming integrated in the State Budget universe.



## 35. OTHER RELEVANT FACTS

Compensations, reservation of rights, requests for reinstatement of financial balance (RFB) and challenging of fines in the Sub-concessions and Service Provision Contracts.

Under the terms of the Sub-Concession Contracts, before any specific request for a reinstatement of financial balance (RFB) is made, IP's counterparty must issue a so-called 'reservation of rights', i.e., it must inform IP that it considers that a given fact is eligible for RFB purposes. Only after the reservation has been issued can requests for RFB be made. Note also that if the reservation of rights is not issued within 30 from the date of the event, the presumed right to the RFB will forfeit.

Up to 30 June 2017 the following RFB requests were submitted:

Sub-concessions	Type of request made	Fact generating request	Stock of the situation
Auto-Estrada Transmontana (AEXXI)	Reinstatement of financial balance	Delay in refusing authorisation	SC renounced the request, by agreement. Formalisation of renunciation is pending
Baixo Tejo (AEBT)	Reinstatement of financial balance	Legal changes of specific nature DL 112/2009, of 18/5; Order 314-B/2010, of 14/6 and DL 111/2009, of 18/05 and Order 1033-C/2010 of 06/10	Arbitrage pending agreement
Litoral Oeste (AELO)	Reinstatement of financial balance	Legal changes of specific nature DL 112/2009, of 18/5; Order 314-B/2010, of 14/6 and DL 111/2009, of 18/05 and Order 1033-C/2010 of 06/10	Arbitrage pending agreement
Litoral Oeste (AELO)	Reinstatement of financial balance	SC alleges various facts for the claim: changes to the project; environmental hindrances (existence of cork trees); unpredictable geological and geotechnical conditions; delays in the planning of the contract works due to insurmountable problems created by IP and Expropriations.	Arbitrage pending agreement
Pinhal Interior (Ascendi PI)	Reinstatement of financial balance	Specific change in law - Law 46/10, of 7/9; Law 55-A/2010, of 31/12, Law 64-B/2011, of 31 /12	Pending decision of Negotiation Committee
Pinhal Interior (Ascendi PI)	Reinstatement of financial balance	Archaeological remains - Sra. Da Alegria	
Pinhal Interior (Ascendi PI)	Reinstatement of financial balance	Construction of Peral, Alvaizere and Almalaguês junctions	Amount agreed with sub-concessionaire
Pinhal Interior (Ascendi PI)	Reinstatement of financial balance	Archaeological remains - Peral Junction	

SERVICE PROVIDER AGREEMENT	Type of request made	Fact generating request	Stock of the situation
ViaLivre - Norte Litoral	Reinstatement of financial balance	Specific change in the law: Amendment to Law no. 25/2006 stemming from the Law that approved the 2011 State Budget - Law 55-A/2010, of 31 December	IP accepted the expenses presented as eligible, and these will be approved or rejected on a case-by-case basis.
ViaLivre - Norte Litoral	Reinstatement of financial balance	Specific change in the law: Amendment to Law no. 25/2006 pursuant to approval of Law 64-B/2011, of 30 December	IP accepted the expenses presented as eligible, and these will be approved or rejected on a case-by-case basis.

## COMPENSATIONS, RESERVATION OF RIGHTS AND REQUESTS FOR THE REINSTATEMENT OF THE FINANCIAL BALANCE IN STATE CONCESSIONS

With regard to State Concessions, IP is unaware of any reserves of rights and/or application for the reinstatement of the concessions, as they are negotiated directly with the State.

Within the scope of its Concession Contract with the State, IP may be called to pay such RFBs, if the Grantor so deems convenient.

In the first half of 2017 IP paid approximately €3.99 million in contributions, compensations and reinstatements corresponding to payments to Lusoponte, pursuant to the agreement for the Reinstatement of the Financial Balance.

## APPROVAL OF FORMER REFER ACCOUNTS RELATING TO 2016

As of the date of approval of these financial statements the shareholder had not yet approved the separate and consolidated financial statements and corresponding management reports of the Executive Board of Directors relating to 2016.

## 36. SUBSEQUENT EVENTS

According to provisions in article 21 of Law 42/2016, of 28 November – 2017 State Budget Law - acquired rights covered by collective labour instruments are to be 50% reinstated as from 1 July 2017 and in 100% as from 1 January 2018, with an expected impact of €2.3 million in 2017.

On September 4, 2017, following improvement in the Portuguese Republic rating by Moody's, this rating agency also altered IP's rating from Stable to Positive, keeping the risk rating at Ba2.

On September 26, 2017 IP received the Draft Report issued by the Tax Inspection Authority concerning former EP, relating to 2013, as described in Note 32.

Almada, 28 September 2017

### THE EXECUTIVE BOARD OF DIRECTORS

#### Financial Manager

Maria do Carmo Duarte Ferreira

#### Chairman

António Carlos Laranjo da Silva

#### Vice-chairman

José Saturnino Sul Serrano Gordo

#### Vice-chairman

Carlos Alberto João Fernandes

#### The Certified Accountant

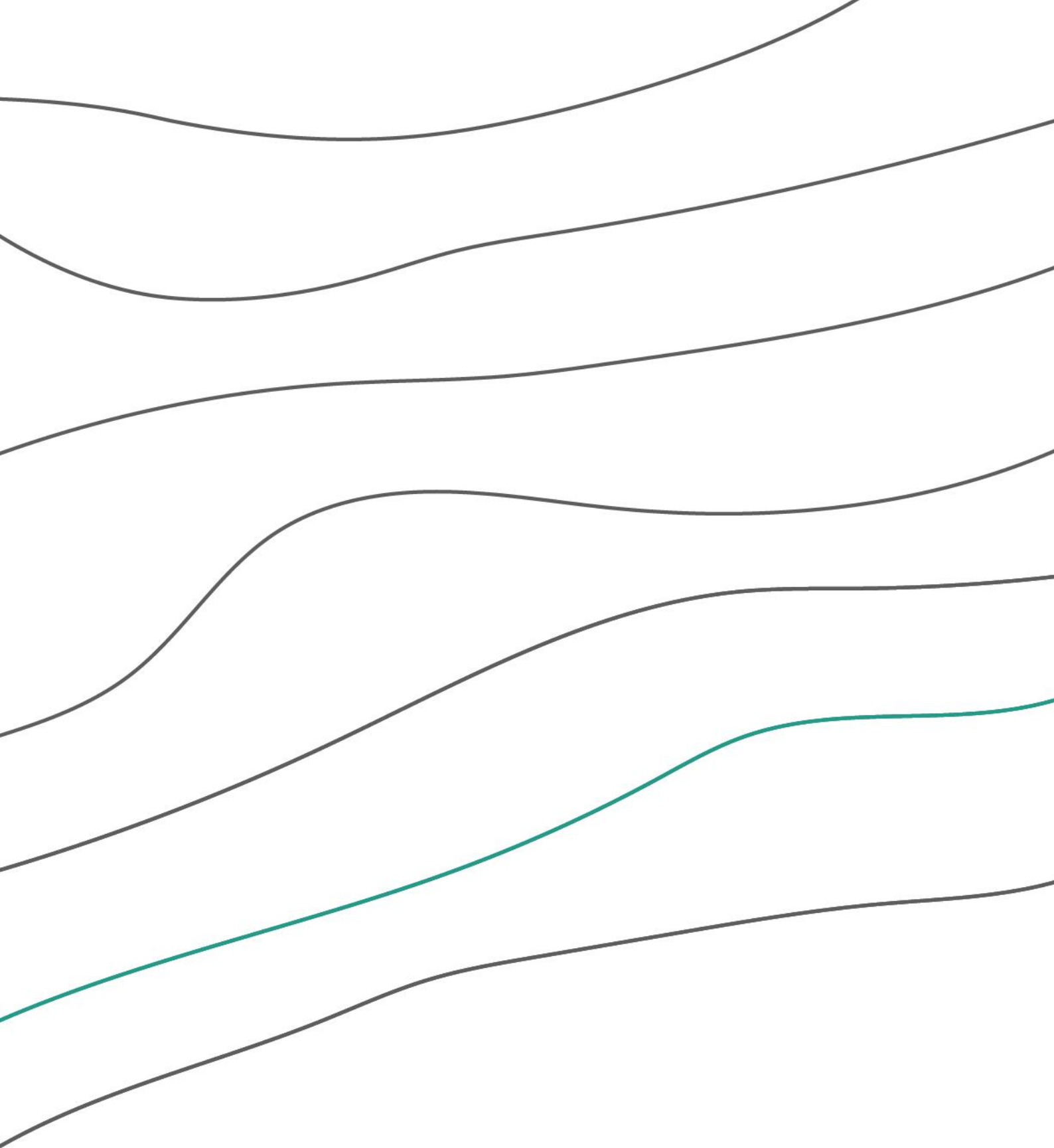
Diogo Mendonça Lopes Monteiro

#### Member

Alberto Manuel de Almeida Diogo

#### Member

Vanda Cristina Loureiro Soares Nogueira



# **ANNEXES**

## AUDIT REPORT LIMITED TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2017

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**INFRAESTRUTURAS DE PORTUGAL, S.A.**

**REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS**

**30 JUNE 2017**

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**REPORT ON REVIEW OF CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS**  
**(Free translation from a report originally issued in Portuguese language.  
In case of doubt the Portuguese version will always prevail)**

## Introduction

We have reviewed the accompanying condensed consolidated financial statements of INFRAESTRUTURAS DE PORTUGAL, S.A. (the Group), which comprise the condensed consolidated statement of financial position as of 30 June 2017 (that presents a total of 28.086.782 thousand euros and a total net equity of 4.909.912 thousand euros, including a net profit of 46.351 thousand euros), the condensed consolidated of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for six month period then ended, and the accompanying explanatory notes to these condensed consolidated financial statements.

## Executive Board of Directors' responsibilities

The Executive Board of Directors is responsible for the preparation of these condensed consolidated financial statements in accordance with International Accounting Standard 34 – Interim Financial Reporting as adopted by the European Union, and for the implementation and maintenance of an appropriate internal control system to enable the preparation of condensed consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's responsibilities

Our responsibility is to express a conclusion on the accompanying condensed consolidated financial statements. Our work was performed in accordance with ISRE 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity and further technical and ethical standards and guidelines issued by the Portuguese Institute of Statutory Auditors (“Ordem dos Revisores Oficiais de Contas”). These standards require that we conduct the review in order to conclude whether anything has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared in all material respects in accordance with the International Accounting Standard 34 – Interim Financial Reporting as adopted by the European Union.

A limited review of condensed consolidated financial statements is a limited assurance engagement. The procedures that we performed consist mainly of making inquiries and applying analytical procedures and subsequent assessment of the evidence obtained.

The procedures performed in a limited review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (ISA). Accordingly, we do not express an audit opinion on these condensed consolidated financial statements.

## Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated financial statements of INFRAESTRUTURAS DE



PORTUGAL, S.A., as at 30 June 2017, are not prepared in all material respects, in accordance with the International Accounting Standard 34 – Interim Financial Reporting as adopted by the European Union.

### **Emphases**

Without modifying our conclusion, we draw your attention for the following questions:

As disclosed in Note 12 to the condensed consolidated financial statements, the current assets recorded in 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 Entity since the merger with Refer, totaling 1.356.902 thousand euros. Due to the framework given by Tax Authority for the activity carried out by the Entity, particularly the Road Service Contribution (CSR), additional VAT assessments have been made, the amount of which for the years inspected up to 2012 amounts to 725,900 thousand euros, which were subject to judicial claim (years before 2011) and administrative complaint (years 2011 and 2012). On 26 September 2017, as disclosed in note 12, the Entity became aware of the draft report on the tax inspection for the financial year of 2013, which considers the incorrect deduction of VAT in the amount of 171.213 thousand euros. Considering the fundamentals of these assessments, as disclosed in note 15, the Group has booked annually provisions corresponding to the total VAT deducted in activities financed by CSR, amount of which as at 30 June 2017 is 339.491 thousand euros, considering that any risk associated with VAT deducted not considered under this provision has essentially an accounting impact on the cost of Intangible assets. It should also be noted that this draft report also includes a correction to corporate tax base in the amount of 165.513 thousand euros, which as disclosed in note 32 and in the consolidated management report, arises from the non-acceptance of the basis and method of amortization considered by the Company with respect to the concession rights of the national road network and of the corresponding subsidies, whose deadline for claiming is in progress.

As disclosed in notes 2.2, 2.3, 2.4 e 7 to the condensed consolidated financial statements, the financial reporting framework applicable to service concession arrangements and the model followed by the Entity 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 Entity. As often future events may not occur as expected, namely due to factors exogenous to the Entity, 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 financial statements.

As disclosed in note 14, the financial statement of the year ended 31 December 2016, are not yet approved by the State shareholder.

Lisbon, 29 September 2017

SIGNED ON THE ORIGINAL

RCA – Rosa, Correia & Associados, SROC, S.A.  
representada por Gabriel Correia Alves, ROC



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