Luis Simões

2017 CONSOLIDATED ANNUAL REPORT

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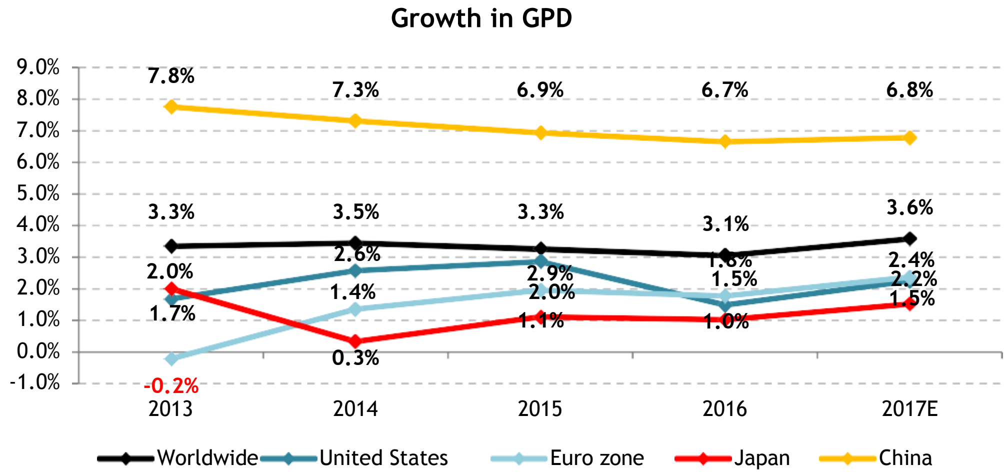
1. MACROECONOMIC CONTEXT

1.1. WORLDWIDE FRAMEWORK

According to estimates by the OCDE, the world economy has recorded a growth of 3.6%, which, if confirmed, will prove to be the most significant growth since 2012. The positive indicators were widespread, with the growth estimates being consecutively revised upward throughout the year. The data from the Deutsche Bank Asset Management has determined that 72% of the world economies have ended the year with growths above 2.0% and that only 6% of the economies ended the year in recession.

The USA presented a GPD growth of 2.2%, and the rate is predicted to keep up or to accelerate in 2018. The domestic demand, private consumption and corporate investment were the factors that fuelled north-American growth. Stability was a key element in China, in spite of some doubts which arose regarding the recent change to an economy more exposed to the tertiary sector and regarding the robustness of the Chinese financial system, namely in light of the high level of indebtedness of companies and families. The growth of the country was of 6.8%, according to data from the OCDE.



Source: OCDE

Also according to OCDE, the growth in 2017 kept on being influenced by the money policy measures implemented by the central banks in recent years with the issuing of currency through the purchase of assets, particularly of public debt, which enabled to increase liquidity and, as a result, boost the world economies which were in need of aid in the years post-financial crisis of 2008. Other relevant factor behind the evolution of world economy was the growth of world trade in 3.6%, according to data from the World Trade Organisation. This growth turned the tendency of the last 3 years on its head and was due to the dynamism of the activity in the main world economies and to the recovery of the emerging economies, large exports of raw materials and importers of consumer goods.

The USA current account deficit was at 2.4%, according to data from the OCDE, in large part due to the import of consumer goods and cars / car parts. It must be noted, however, that the minimum recording of 2006 has been improving on an annual basis, which constitutes a sign that the USA exports are growing. The current account of China kept the tendency of *surplus* decrease, down to 1.1%, while, in the opposite direction, the current account of Japan kept the tendency of *surplus* increase, reaching 3.9%.

The economic growth is inseparable from the labour market and, despite the fact that the global unemployment rate has slightly increased to 5.6%, in part due to the rise in unemployment in China, it is also true that the USA registered the lowest rate since 2000 (4.4% according to the International Labour Organisation). The situation in Japan should also be noted, since we need to go back to 1994 to see a similar rate to the 2.8% registered in the year.

On a political level, the investors showed some uncertainty which, however, started to dispel with the results of the elections in various countries where the alternative politic forces were expected to gain positions of control. In some emerging economies such as Brazil and South Africa, there were some indications of geopolitical risks, and the situation of tension between North Korea and South Korea raised concerns about a conflict in the region. In the United Kingdom, the negotiations continued for the definitive implementation of *Brexit* in 2019, a process which has left traces in the country's economy due to the uncertainty in the outcome and potential consequences that, during the year, caused some financial institutions to change their head offices to other countries. It is known, however, that the main banks of the country are prepared for any scenario, in light of the positive results generated by the stress *tests* of the Bank of England.

The central banks reduced their intervention in the economy, making 2017 a year of inflection in the composition of economic growth, now less dependent on the aid of central financial institutions and more supported by the optimism of business investment (also visible in the increase in merger and acquisition operations), by the increase in domestic demand and by the consolidation of the labour market.

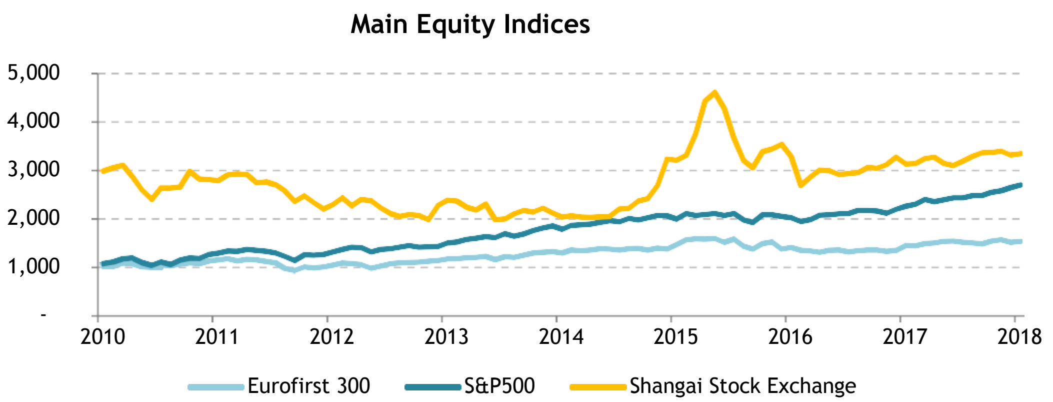
With regards to reference interest rates, 2017 may also very well have been a year of inflection in the era of "cheap money". The main reference goes to the USA Federal Reserve, which progressively increased the rate from 0.5% to 1.5% throughout the year. In the United Kingdom, the Bank of England increased the reference interest rate for the first time in more than 10 years, recovering it to 0.5% following an emergency reduction to 0.25% in August 2016 in light of the potential impacts of *Brexit* on the economy.

The growth of the main world economies brought about a recovery of the global inflation rate from 3.1% to 3.6%, the highest since 2012. The evolution of the inflation rates in the USA (from 1.5% to 2.2%) and in Japan (from 1.0% to 1.5%) stands out. Attention should also be drawn to China, which managed to reverse the decrease in inflation rate registered in recent years.

Regarding exchange rates, Euro appreciated during 2017 against some of the main world currencies, namely 14.6% against the United States Dollar (1.05 at the beginning of the year vs 1.20 at the end of the year), 4.2% against Pound Sterling (0.85 vs 0.89), 9.3% against Swiss Franc (1.07 vs 1.17) and 7.4% against the Chinese Yuan (7.27 vs 7.80).

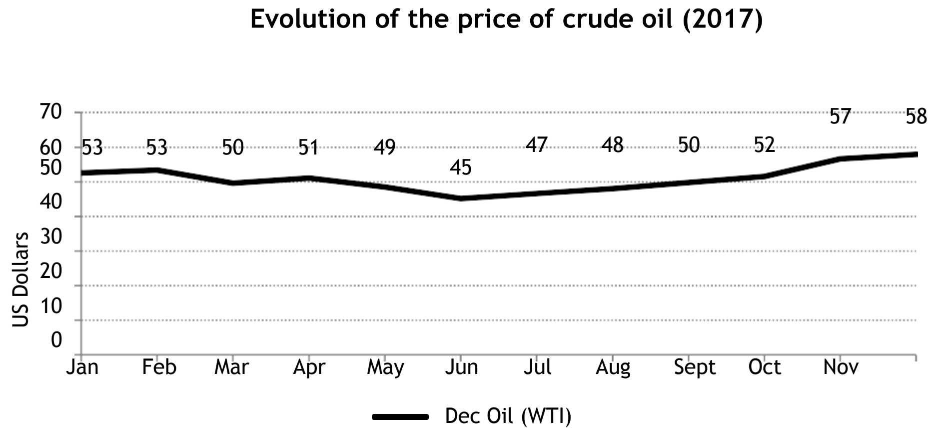
The index of government deficit in the USA registered, according to data from the OCDE, a decrease to 4.6% of GDP, despite the fact that historical peaks have been reached on the expenditure side, due to Social Security charges, military expenditure and measures of economic stimulus. In the main Asian economies, the tendency for growing deficits that was registered in the last 3 years remained. In the United Kingdom, the government deficit at 2.3% was the lowest since 2002, in part due to the increase in fiscal revenues, according to the analysis carried out by Bloomberg.

With regards to public debt, the case of Japan stands out, with its public debt reaching 221.0% of GDO, according to data from the OCDE. On the other hand, the USA public debt declined to 105.2% of GDP. The United Kingdom maintained its level of public indebtedness above the 120.0% of GDP.



Source: Investing.com

The equity indices, particularly the US index, registered volatility levels which, according to some financial analysts, were surprisingly low despite factors such as the geopolitical instability between the USA and North Korea, the progression of *Brexit*, the consolidation of alternate political movements and the growth of crypto currencies. The low volatility was, in 2017, a sign of the ongoing growth of the US indices in light of the economic dynamism boosted by tax measures of economic stimulus which lead to good results on part of national companies. The historical peaks of market capitalisation were consecutively renewed in 2017 in indexes such as Dow Jones and Nasdaq, with the S&P500 index, which reached the historical mark of 2,500 points at the end of the year, being worth of mention.



Source: Indexmundl (World Bank)

The year of 2017 saw a recovery of the price of oil which, at the current moment, already surpasses the 60 US Dollars, a value which had not been reached since mid-2015. This price change was due to the growth of the economic activity, namely in emerging economies such as China, which triggered an increase in the demand for fuel for the operation of industry. On the other hand, the coordinated initiatives of the Organization of the Petroleum Exporting Countries and of large producers such as Russia limited the production of barrels with the purpose of maintaining a stable growth of prices.

1.2. EURO ZONE

The GDP of the Euro zone registered an acceleration of growth to 2.4%, the most significant change of the period post-economic crisis of 2008, according to data of the OCDE that confirm the robustness of the economy recovery in the sustained region concerning the creation of employment, the accommodative money policy and in the reduction, albeit subtle, of political uncertainty. The drivers of the Euro zone economy, Germany and France, grew with rates of 2.5% and 1.8%, respectively. The growths of the Netherlands and Greece, at 3.3% and 1.4% respectively, also deserve attention, with Greece managing to exhibit a GDP positive evolution for the first time since 2007.

According to the OCDE, the inflation rate of the Euro zone was of 1.5%, thus returning to the levels of 2012/2013 and maintaining the tendency of the last 2 years, which also reflects the recovery of the oil prices. This evolution of the inflation rate occurred in the main economies, with Germany standing out with a1.7% inflation. In this context, the European Central Bank (ECB) considered that the Euro zone exhibited sustained signs of increase in inflation to the expected levels of 2.0% and decided, although maintaining until September 2018 the *quantitative easing* measures adopted in the last years, to reduce the purchase of assets from 60 billion Euros to 30 billion Euros per month. It should also be noted that the ECB opted for postponing the decision on a possible increase in the interest rates, something that had not happened since 2011. By reference, the US Federal Reserve increased the interest rates one year after the end of the *quantitative easing* measures. The end of these measures and the possible increase in the interest rates shall result in the increase in the funding costs of companies and families.

The evolution of the unemployment rate in the Euro zone in 2017 will have been similar to that of the previous year, with an expected decrease in almost one percentage point to 9.1%, according to data of the OCDE, which means that the rate is at the lowest level of the last 9 years. The reduction was widespread in the main European economies, and Germany still has the lowest unemployment rate (approximately 3.7%), while Greece leads the economies with the highest unemployment rates, although it registered a decrease for the fourth year in a row, to 21.7%. The evolution of this indicator in 2017 naturally brought about an increase in the families' average income, which translated into the reinforcement of consumption in the European internal market, drawing near to the levels previous to the economic crisis of 2008.

With regards to reference interest rates, the tendency for the reduction of Euribor rates to more negative values than those occurred in the last 3 years remained, accounting for around -0.3%. On the other hand, there was an increase in the Treasury Bonds (TB) at 10 years to 1.1%, according to the values presented by the OCDE. The increase was visible in all main economies, with the case of the TB of Italy, the *yield* of which increased from 1.5% to 2.2%, deserving mention. In reverse direction, the TB of Greece registered a new reduction to 6.1%, drawing near the levels post-economic crisis of 2008.

The Current Account in the Euro zone achieved once more a surplus, which, however, was inferior to that of 2016, standing at 3.4%, according to data from the OCDE. This reduction is in most likelihood not unrelated to the already referred to appreciation of Euro against the main world currencies, which probably limited the European exports. The Netherlands exhibited the account with the greatest surplus (9.4%), however, the emphasis is given to the main responsible for the European external trade, Germany, the current account of which remained at 7.9%, also slightly below the value of 2016. In France, the balance remained deficit, having even worsened to -1.5€; meanwhile, in Italy, the historical peak of 2016 was renewed, with the national current account reaching 2.8%. Attention should also be drawn to the 0.4% surplus registered by Greece, which was the first one in the last decades.

In terms of public finances, the scenario is more homogeneous. With the exception of Germany and the Netherlands, the main countries in the Euro zone exhibit budget deficits, although with growing tendencies carried over from previous years. In this context, the budget deficit of Euro zone was 1.1% in 2017, according to data from the OCDE. As mentioned, Germany and the Netherlands registered surpluses of 1.1% and 0.6%, respectively, with France and Italy registering deficits of 2.9% and 2.1%, respectively.

The Euro zone government debt went down to 89.4% of GDP, the lowest level since 2011. Some of the main economies in the region registered excessive values, a tendency that remains growing. On the other hand, the Netherlands and Germany registered more balanced debts, at 59.6% and 64.3% of GDP, respectively.

Main Indicators EUROZONE	2011	2012	2013	2014	2015	2016	2017F	2018F
Real GPD growth(1)	1.6%	-0.8%	-0.2%	1.4%	2.0%	1.8%	2.4%	2.2%
Inflation Rate(2)	2.7%	2.5%	1.3%	0.4%	0.0%	0.2%	1.5%	1.5%
Interest Rate of TB at 3 months(3)	1.4%	0.6%	0.2%	0.2%	0.0%	-0.3%	-0.3%	0.0%
Interest Rate of TB at 3 months(3)	4.2%	3.7%	2.9%	2.0%	1.1%	0.8%	1.1%	1.2%
Unemployment Rate(4)	10.2%	11.3%	12.0%	11.6%	10.9%	10.0%	9.1%	8.5%
Current Account(5)	0.8%	2.2%	2.8%	3.0%	3.7%	3.6%	3.4%	3.4%
Budget Deficit(6)	-4.2%	-3.6%	-3.0%	-2.6%	-2.1%	-1.6%	-1.1%	-0.7%
Public Debt(6)	87.1%	91.6%	93.8%	94.3%	92.3%	91.3%	89.4%	87.5%
Exchange Rate EUR / USD(3)	1.32	1.32	1.38	1.21	1.09	1.05	1.18	n.d.

Sources: OCDE, emmi-benchmarks, Bank of Portugal
Notes: (1) Annual growth rate; (2) Annual rate of change; (3) *Spot* rate at the end of the year; (4) Average rate of the quarters of each year; (5) Average rate of the quarters of each year in % of GDP; (6) Accrued at the end of each year in % of GDP.

1.3. PORTUGAL

Economically, the year of 2017 in Portugal was marked by the increase in investment made in real estate, namely by foreign companies and individuals the interest of which in the main urban areas of the country has boosted, as never before, the Portuguese market, which saw housing prices going up to the levels previous to the economic crisis of 2008.

The increase in interest in the national real estate sector was the result of a set of economic and tax conditions that favoured external investment; however, tourism also played a relevant role, bringing Portugal to the top of the worldwide favourite destinations in 2017. Emphasis should also be placed on the repetition of the organisation of one of the largest worldwide conferences on entrepreneurship, which strengthened Portugal's position as an increasingly relevant *hub* of innovation and creativity.

The creditworthiness of the country was reinforced in 2017, with the national economy giving clear signs regarding its growth capacity. This evolution brought benefits with the removal of the country from the excessive deficit procedure after eight years of supervision by the European Commission and with the beginning of the removal from the "trash" level by the international *rating* agencies.

In the banking sector, various processes were drawn to a close, namely the sale of Novo Banco to the US fund Lone Star, the control of BPI by the Spanish bank CaixaBank and the recapitalisation of Caixa Geral de Depósitos started in 2016.

In 2017, the Portuguese economy registered the greatest growth since 2000, according to statistics from the INE, which point to an increase in GDP of 2.7%. This growth was the result of a cyclical recovery of the economy and the fact that the external context was efficiently made the most of, in particular at the level of attracting investment and contribution to exports. By analysing the components of the GDP made available by INE, it is possible to understand the relevant role the exports had in the positive evolution of the economy in 2017, with a growth rarely seen in the last years which, according to the Government, might mean that the exports will have the greatest weight ever in the national GDP. To a great extent, the increase in exports benefited from the tourism dynamics and the industrial and transport material supplies. On a regional level, emphasis should be placed on the significant increase in exports to the USA, Angola, Brazil and China, according to the analysis of the BPI. On the other hand, the private consumption was also one of the main drivers of the economic development, with homologue quarterly growths close to 4.0%.

The good behaviour of Portuguese economy projected an image of trustworthiness on the international markets, which was reflected in the reduction of the interest rate of Portuguese Treasure Bonds (TB) maturing at 10 years. In fact, the rate of the TB at 10 years at the end of the end of the year was 1.9%, which represents the lowest *yield* since the first quarter of 2015. Making the most of the low interest rates, Portugal increased the issuing of government debt securities in 9.4 billion Euro and in Treasury Bonds in 3.8 billion Euro, reimbursing approximately 10 billion Euro of IFM loans, which have higher costs.

As referred to above, the consumption had a significant relevance in the annual economic evolution. This fact is associated with the evolution of the labour market, which registered a downward trend of the unemployment rate, remaining, according to INE, below 8.0% towards the end of the year, something that had not happened since 2004.

According to data from the OCDE, the average inflation rate in 2017 was 1.4%, following the healthy performance of the economy, the expansion of tourism and the increases in energy prices, particularly the prices of oil.

Portugal registered a budget surplus in the third quarter of 2017. According to the Portuguese Public Finance Council, the budgetary deficit of 2017 will remain below the 1.4% predicted in the State Budget.

Public debt has gone up to 1.6 billion Euros in 2017 to 242.6 billion Euro, according to data from the Bank of Portugal. The Government advanced that public debt remained at 126.2% of GDP.

In terms of current account, the healthy performance of 2016 in the international trade was not continued. There are still no data regarding the last quarter, but the data of the first quarters reveal a progressive improvement throughout the year, indicating a surplus between 0.2% and 0.4%, at the level of the values registered in 2014 and 2015. According to BPI, the balance of goods and primary income has been the main reason for this change. In the case of the latter, the deficit was worsened by the reduction in transfers from the European Union and by the increase in payments remitted abroad by income resulting from capital shares and investment funds.

Macroeconomic Indicators Portugal	2013	2014	2015	2016	2017 Mar	2017 Jun	2017 Sept	2017 Dec	2017F	2018F
Real GPD growth(1)	-1.4%	1.0%	1.5%	1.4%	2.8%	3.0%	2.5%	2.4%	2.7%	2.2%
Inflation Rate(2)	0.3%	-0.3%	0.5%	0.6%	1.4%	1.4%	1.1%	1.5%	1.4%	1.4%
Interest Rate (10 years)(3)	6.0%	2.7%	2.5%	3.7%	3.6%	3.0%	2.4%	1.9%	1.9%	n.d.
Unemployment Rate(1)	16.5%	14.1%	12.7%	11.2%	10.1%	8.8%	8.5%	8.1%	8.9%	8.6%
Current Account(1)	1.6%	0.1%	0.1%	0.8%	0.2%	0.2%	0.4%	n.d.	n.d.	0.1%
Budget Deficit(4)	-4.8%	-7.2%	-4.4%	-2.0%	-0.8%	-1.1%	-0.2%	n.d.	n.d.	-1.0%
Public Debt(4)	129.0%	130.6%	128.8%	130.1%	130.4%	132.1%	130.9%	126.2%	126.2%	123.5%

Sources: OCDE, Bank of Portugal, INE, WSJ
Notes: (1) Quarterly values correspond to the monthly average of the quarter and annual values correspond to the average of the quarters; (2) Quarterly rate of change; (3) *Spot* rate of the last day of each quarter; (4) Accrued at the end of each quarter in % of GDP.

1.4. SPAIN

The year of 2017 in Spain was marked by the political situation in Catalonia, namely from the second quarter onwards, when an independence movement of the region was triggered by some local political leaders, which resulted in a suspension of the autonomy of Catalonia through article 155 of the Spanish Constitution. Notwithstanding, this situation tends to return to normality, and the economic climate in the country is not expected to be too much affected by the effects of the political context in Catalonia.

The Spanish GDP grew at a slightly inferior rate than that of the two last years; however, it was still the second best performance within the main economies of Euro zone, with a growth of 3.1% according to data from the Bank of Spain. According to this institution, the growth was the result of a power play of opposite directions that affected the GDP components: on the one hand, the adverse effects of the uncertainty related to the situation in Catalonia that affected private consumption and tourism and, on the other hand, the strengthening of the exports sustained in the healthy behaviour of the Spanish industry.

After two years of a deflation scenario in Spain, 2017 was characterised by the return of the increase in prices, with the OCDE estimating that the inflation annual rate has remained at 2.0%, the highest of the main economies of Euro zone. This change means that Spanish workers and pensioners lost purchasing power, which explains the loss of relevance, in relation to the previous years, of the internal consumption component in the GDP growth.

If, on the one hand, inflation might have limited the dynamism of the internal market, on the other hand, the labour market gave once more confidence to the most optimistic people as it registered a new decrease in the unemployment rate down to 16.6% at the end of the year (average rate of 17.2%), according to data from the OCDE. This is the lowest rate since 2009.

The Spanish Treasury Bonds maturing at 10 years slightly increased, in comparison with 2016, to 1.5% at the end of 2017. It should be mentioned that these bonds have been considerably sought after, particularly following the recent increase in *rating* by one of the main international agencies, which is a sign of trust from the markets in the robustness of growth that the Spanish economy has been showing.

According to the estimates by the OCDE, Spain has occupied once again the last place of the budget deficits among the main economies of Euro zone, registered a deficit of 3.2% in 2017. It should be noted however that the data from the last quarter are not yet available. Nevertheless, it must be said that this indicator has been improving year after year after having been close to 10.0% in the 2009-2012 period. The Spanish Government is even more optimistic, expecting a 3.0% budget deficit, which would place the country about to exit the excessive deficit procedure. The deficit reduction benefited from the reduction in expenditure with unemployment (in light of the decrease in the unemployment rate) and financial costs (in light of the low interest rates in force) and the increase in fiscal revenues, particularly with VAT.

The public debt of the Spanish Government was progressively reduced from the 100.0% of the first quarter to 98.7% in the third quarter, even though it is still above the 98.1% agreed upon with the European institutions. The data covering the period until the end of the year is not yet available; however, the Spanish public debt is still increasing in value, having reached a historical peak of 1.142 million Euros in November and going on more than 3 years above the 1,000 million Euros, according to data from the Bank of Spain.

With regards to international trade, Spain presented a surplus which shall be slightly inferior to that of 2016. In fact, although the data covering the period until the end of the year is not yet available, the indicators of the first quarter registered surpluses between 1.6% and 1.8%, below the 2.0% of the previous year.

Macroeconomic Indicators Spain	2013	2014	2015	2016	2017				2017F	2018F
					Mar	Jun	Sept	Dec		
Real GPD growth(1)	-1.2%	1.4%	3.2%	3.2%	3.0%	3.1%	3.1%	3.1%	3.1%	2.3%
Inflation Rate(2)	1.4%	-0.2%	-0.5%	-0.2%	2.7%	2.0%	1.7%	1.4%	2.0%	1.6%
Interest Rate (10 years)(3)	4.2%	1.7%	1.8%	1.4%	1.6%	1.5%	1.6%	1.5%	1.5%	n.d.
Unemployment Rate(1)	26.1%	24.5%	22.1%	19.6%	18.2%	17.3%	16.8%	16.6%	17.2%	15.5%
Current Account(1)	1.5%	1.1%	1.4%	2.0%	1.8%	1.6%	1.6%	n.d.	n.d.	n.d.
Budget Deficit(4)	-6.9%	-5.9%	-5.1%	-4.5%	-0.4%	-2.2%	-1.5%	n.d.	n.d.	-2.3%
Public Debt(4)	93.7%	99.3%	99.4%	99.0%	100.0%	99.8%	98.7%	n.d.	n.d.	96.8%

Sources: OCDE, Bank of Spain, WSJ

Notes: (1) Quarterly values correspond to the monthly average of the quarter and annual values correspond to the average of the quarters; (2) Quarterly rate of change; (3) *Spot* rate of the last day of each quarter; (4) Accrued at the end of each quarter in % of GDP.

2. SECTORIAL ANALYSIS

2.1. THE ROAD TRANSPORT OF GOODS AND LOGISTICS SECTOR

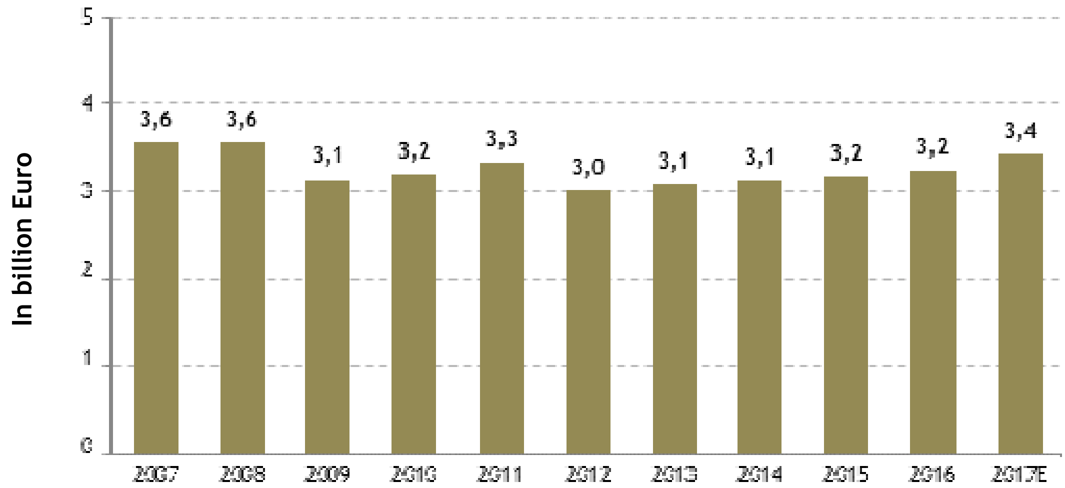
2.1.1. PORTUGAL

The market for the provision of Road Transport of Goods and Logistics services in Portugal has grown 5.3% in 2017, according to data from the DBK, reaching 3,411 million Euro, which represents the largest growth ever recorded since 2007 and a considerable acceleration in relation to the period from 2013 to 2016, in which the average growth amount to 1.9%. By surpassing the mark of 3,400 million Euros, this market has thus drawn near to the size it had before 2009.

The Road Transport of Goods is the predominant sector, with approximately 85% of this market. This sector has grown 5.7% in 2017 to 2.886 million Euro, benefiting from the recovery of national economy, namely by way of the dynamism created by international trade, particularly by exports but also by the increase in the price of petrol throughout the year. The recorded growth equates to more than three times the average of 1.7% for the period between 2013 and 2016 and brought the sector to a size that had not been reached since 2011.

Logistics represents about 15% of the market and has grown 2.9% in 2017 to 525 million Euro, slightly above the growth registered in 2016. This is the sector with the largest potential for growth, since it constitutes a service of greater added value, with superior indices of innovation and with better prospects for increasing the penetration rate with producers which still have *in-house* logistics operations.

Road Transport of Goods and Logistics



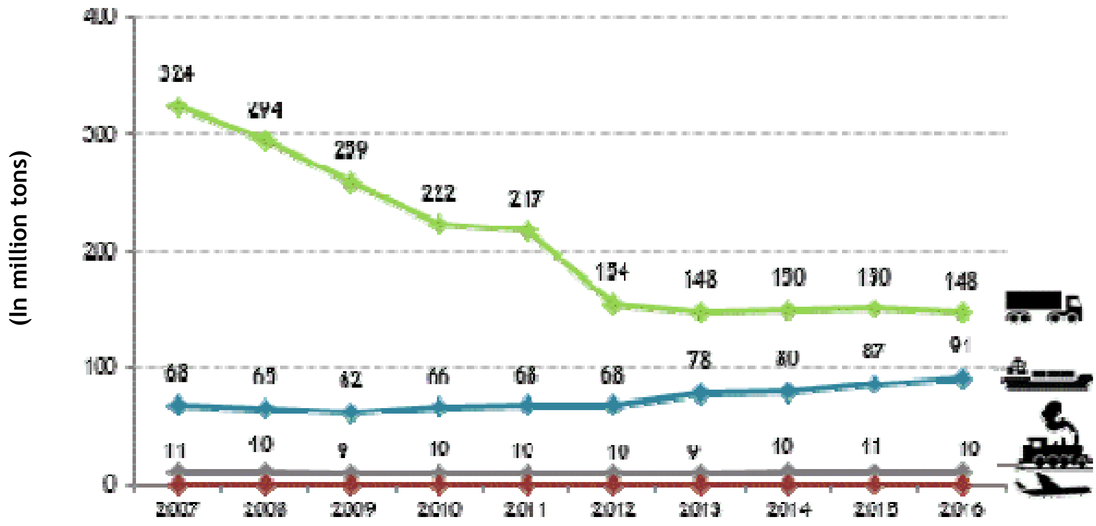
Source: DBK

Although they are different services, it makes sense to jointly analyse the Road Transport of Goods and Logistics since many operators provide both services. There are, however, companies which exclusively specialise in Transport, with specialisations in specific segments, and other specialised only in Logistics.

The volume of goods moved in Portugal in all types of transport grew 0.5% in 2016 to 249.5 million tons. The year of 2016, the most recent year when it comes to public information made available by Eurostat, this way registered the lowest growth of the last 4 years.

Road transport remains the most common form of transport of goods in the country (59% of transported tons), although there is a long term downward trend which has accentuated with the decrease of 1.7% registered in 2016 to 147.8 million tons. The sea transport is becoming increasingly important and moved more 5.3% of tons than in 2015 to a total amount of 91.3 million, now representing 37% of total traffic in Portugal. The railway transport registered a decrease of 7.6% to 10.3 million tons transported in 2016, thus offsetting the growth of the previous year. This form of transport solely represents 4% of total.

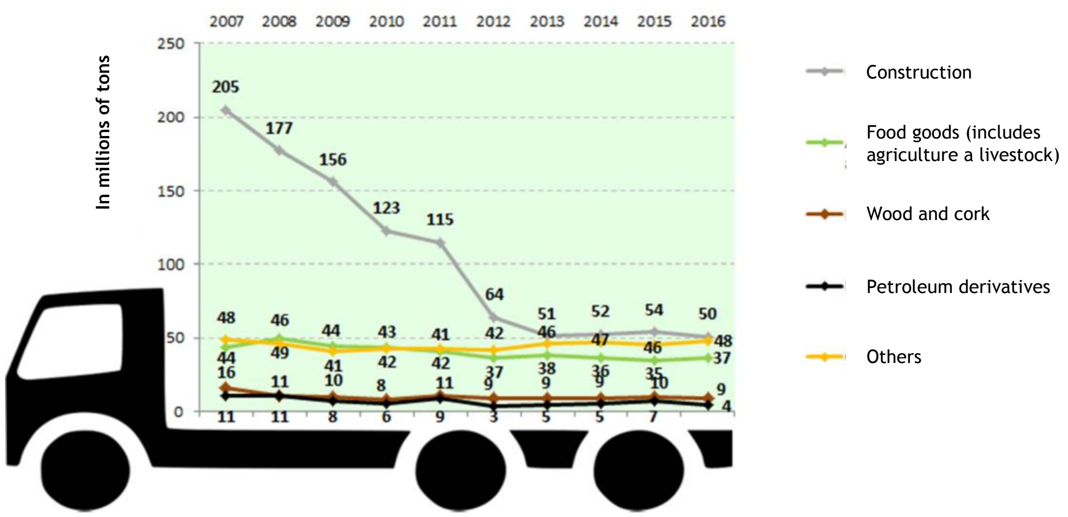
Transport of goods by modality



Source: Eurostat

With regards to the type of goods transported by road, construction still represents the largest weight, with 34.2% of total, despite the recorded reduction in 6.0% which has interrupted the recovery that had been being witnessed in the last two years. The food segment (which now includes agriculture and cattle breeding) is the second most relevant one, with a weight of 24.8% and a 6.0% growth. In the remaining sectors, emphasis should be placed on the derivatives of petroleum, which registered a decrease of 35.7% in relation to 2015, and on transport equipment, which registered a 25.3% growth. It should also be noted that the wood and cork sector suffered a decrease of 9.7%.

Road Transport by Type of Cargo



Source: Eurostat

The Portuguese corporate landscape of the Road Transport of Goods pursues the consolidation movement, similarly to other European markets. In 2015, last year with data made available from the DBK, it was composed of approximately 7,700 companies, minus about 250 companies or 3% of the total in 2014. In terms of corporate concentration, the 10 largest companies of the sector in Portugal maintained, in 2015 a weight of just 26% of the total market, which demonstrates the high dispersion of the sector.

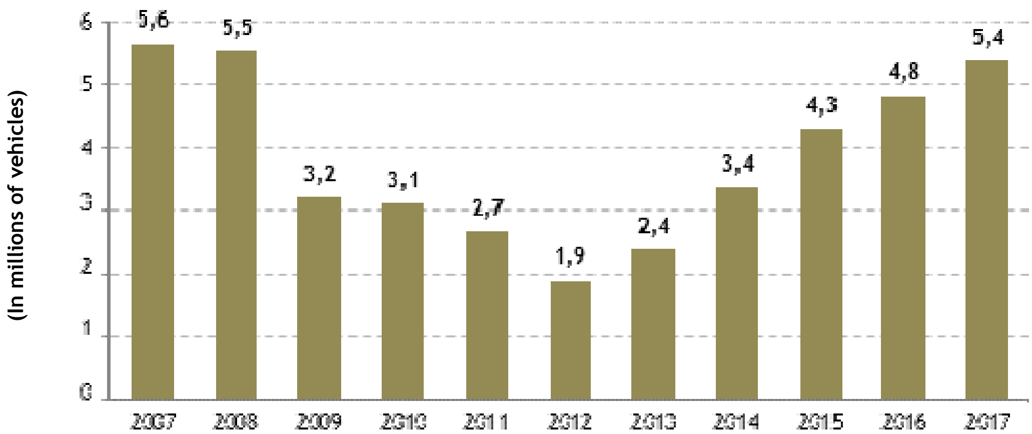
When focusing on the 60 largest companies of the Road Transport of Goods sector, it can be seen that, in 2016 (last data available) these companies registered a growth of 2.8% below the 3.4% registered in 2015.

The margins of the sector keep showing a slightly upward tendency, with the 60 largest companies having increased its average operational profitability (EBIT) to 3.4% of the turnover in 2016. The sector encompasses companies with good financial performances. Despite the fact that they have different specialisations, these companies exhibit some common features, namely the fact that they are national companies and are more focused on the transport business.

There were 3 multinational companies in the Top10 of the sector in 2016, two of each were integrated into groups of companies controlled by the Governments of the respective countries. These companies generally exhibit profitability levels lower than national companies.

The sales of heavy goods vehicle in 2017 surpassed, for the first time since 2008, the threshold of 5,000 units, benefiting from an 11.4% growth which, despite being very positive, was the lowest of the last 5 years, which is an indicator that the market has recovered from the falls recorded between 2008 and 2012 and is entering a stabilisation period.

Sale of Heavy Goods Vehicles



Source: ACAP

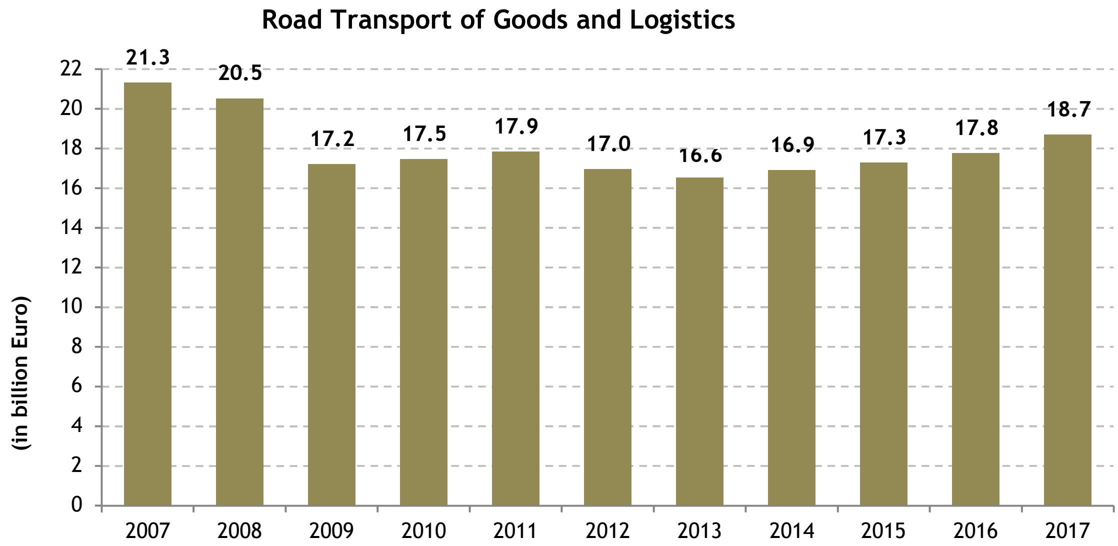
With regards to events with an impact on the sector in 2017, the entry into force of Decree-Law no. 132/2017 stands out, having enlarged the scope of circulation of mega-lorries in Portuguese roads, also approving a new regulation determining the maximum authorised weights and sizes for vehicles travelling and the Government's announcement for an investment of 100 million Euro in 12 interventions in road accesses between industrial areas relevant to the country and the closest major roads.

2.1.2. SPAIN

According to data from the DBK, the market for the provision of Road Transport of Goods and Logistics services in Spain has registered, in 2017, an acceleration in relation to 2016, having grown 5.2% to 18.705 million Euros, the highest value since 2008.

The Road Transport of Goods represents 78% of the market and its growth is estimated to have been of 5.7% in 2017. This growth, the greatest of the last 10 years, took the Transport business to a size corresponding to 14.565 million Euros.

Logistics, whose weight in the market stabilised at 23% in the last years, registered a 3.5% growth in 2017 to 4.140 million Euro. This is the sector with the largest potential for growth, since it constitutes a service of greater added value, with superior indicators of innovation and with better prospects for increasing the penetration rate with producers which still have *in-house* logistics operations.

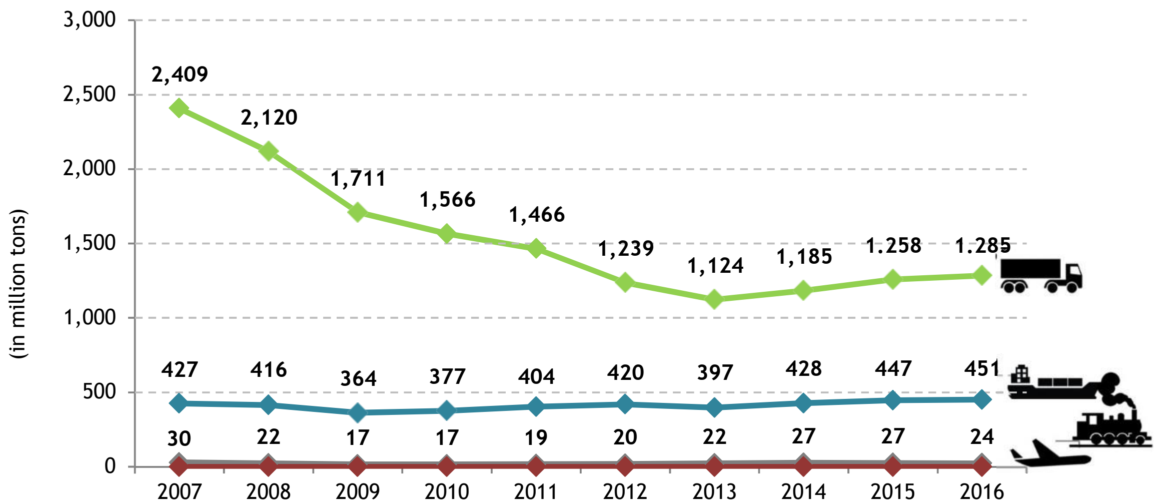


Source: DBK

Although they are different services, the Road Transport of Goods and Logistics are often jointly analysed since many operators provide both services. There are, however, companies which exclusively specialise in Transport, with specialisations in specific segments, and other specialised only in Logistics.

The volume of goods moved in Spain in all types of transport grew 1.7% in 2016, according to the most recent data from Eurostat. This was the most modest growth of the last three years. The road transport remains the main form of circulation of goods, amounting to 73% of the transported total cargo and being the main driver of growth with an increase of 2.1% to 1,285 million tons. The transport by sea only increased 0.9% in 2016, even so maintaining a weight above 25% in the total of goods transported in the year. The railway transport however should be negatively highlighted for the second year in a row, since it decreased 8.9%.

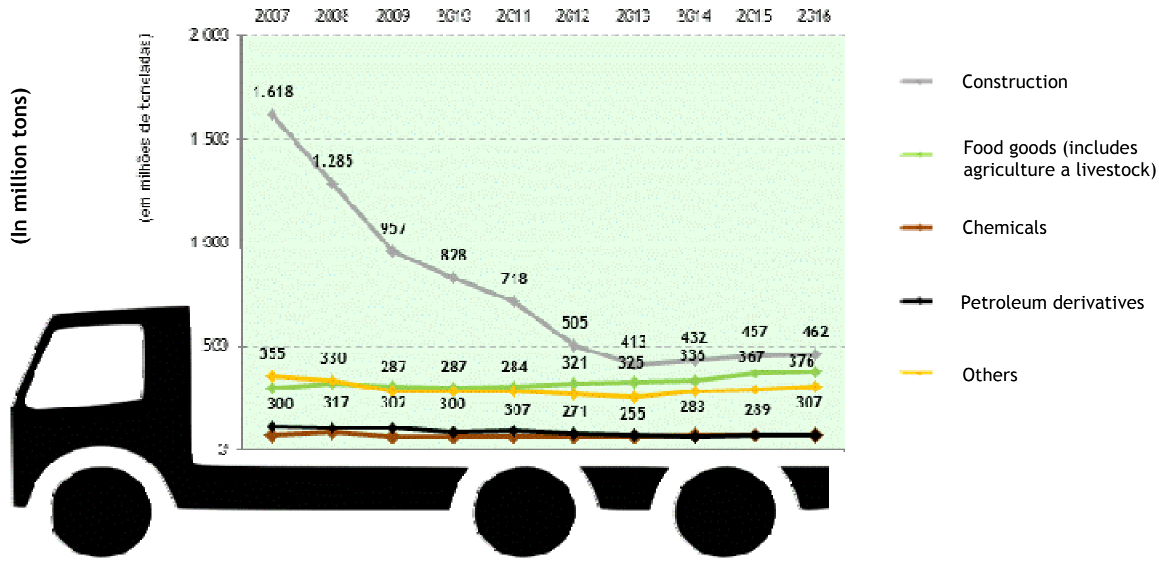
Transport of goods by modality



Source: Eurostat

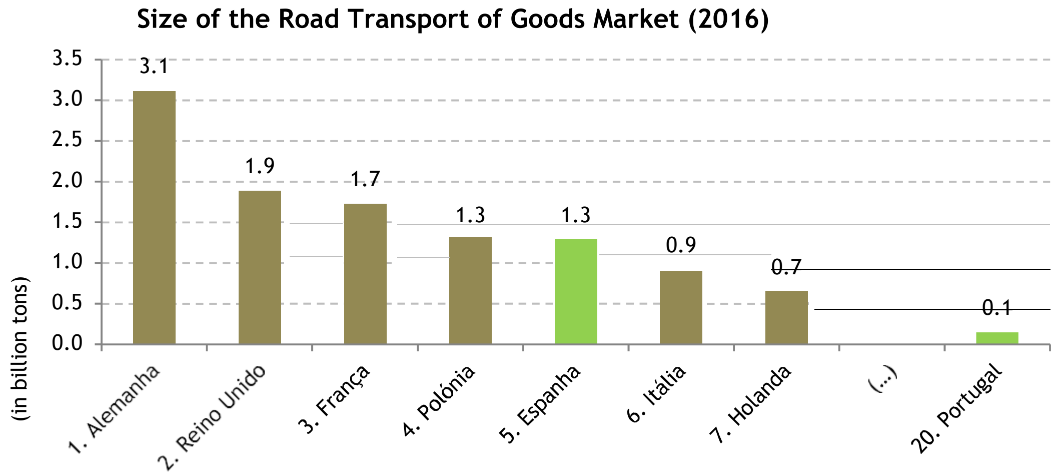
With regards to the type of goods transported, construction still occupies a prominent position, with 36.3% of the transported tons, maintaining a modest but stable tendency for growth in 2016. The food segment, the second most relevant one when it comes to transported cargo, registered a 2.4% growth in relation to the previous year. On a negative note, the chemical and derivatives of petroleum segments showed decreases in 3.1% and 3.3% respectively, which have offset the strong growths of the previous year.

Road Transport by type of cargo



Source: Eurostat

Spain remained the fifth main market in the Euro zone in terms of Road Transport of Goods with 1.3 billion tons transported on an annual basis.



Source: Eurostat

According to the most recent data, the 10 largest companies of the sector in Spain may only represent approximately 17.2% of the total market, which shows the high dispersion of the Road Transport of Goods. In 2015, the year with the most recent data available from the DBK, there were in Spain about 104,000 companies classified as being dedicated to the Road Transport of Goods.

By focusing the analysis on the 60 largest companies of the sector, it can be seen that there was a considerable growth in 2016 (the year with the most recent information from the data base Sabi) of 9.6%, albeit inferior to that of the previous year. In this growth, the effected created by the dynamism of the mergers and acquisitions in Spain, with multinational leading grand operations of corporate concentration in 2016 (such as the acquisition of Logiters by ID Logistics and of Wallenius Wilhelmsen and Sintax by Grupo CAT), was not isolated.

The margins of the sector showed a slight reduction in relation to the previous year, with the 60 largest companies in Spain having reduced its average operational profitability (EBIT) to 3.8% of the turnover in 2016.

In Spain, there is an even more relevant presence of multinational companies in these sectors than in Portugal. In fact, of the first ten companies, seven are held by international groups, and of those seven, two are integrated into groups of public companies controlled by the Governments of the respective countries.

In 2016, the registration of heavy goods vehicles decreased 0.1% to 24,675 units, according to the data presented by the Asociación Española de Fabricantes de Automóviles y Camiones. It should be mentioned that the number of heavy goods vehicles operating in Spain with GNC (compressed natural gas) increased 50.8% in relation to 2015 to 2,132 and the number of vehicles operating with GNL (liquefied natural gas) increased 23.5% to 347.

With regards to events relevant for the sector in 2017, the effects of the independence process of Catalonia stand out, having caused the relocation of some Transport and Logistics companies and the conclusion, without the agreement between carriers and shippers, of the negotiations for the increase in 44 tons for transport by lorry in Spain.

3. DESCRIPTION OF BUSINESS

3.1. LUÍS SIMÕES GROUP

The activity of LS - Luís Simões, SGPS, S.A. (henceforth referred to as “LS SGPS” and, jointly with its subsidiaries, “Luís Simões”) was created in 1948, initially with the provision of services of transport of mainly agricultural products and construction materials. In 1968, the company Transportes Luís Simões, Lda. was created in Loures.

In the 1970s, the company further specialised in the segment of the transport of construction materials business and expanded its scope of action to Porto.

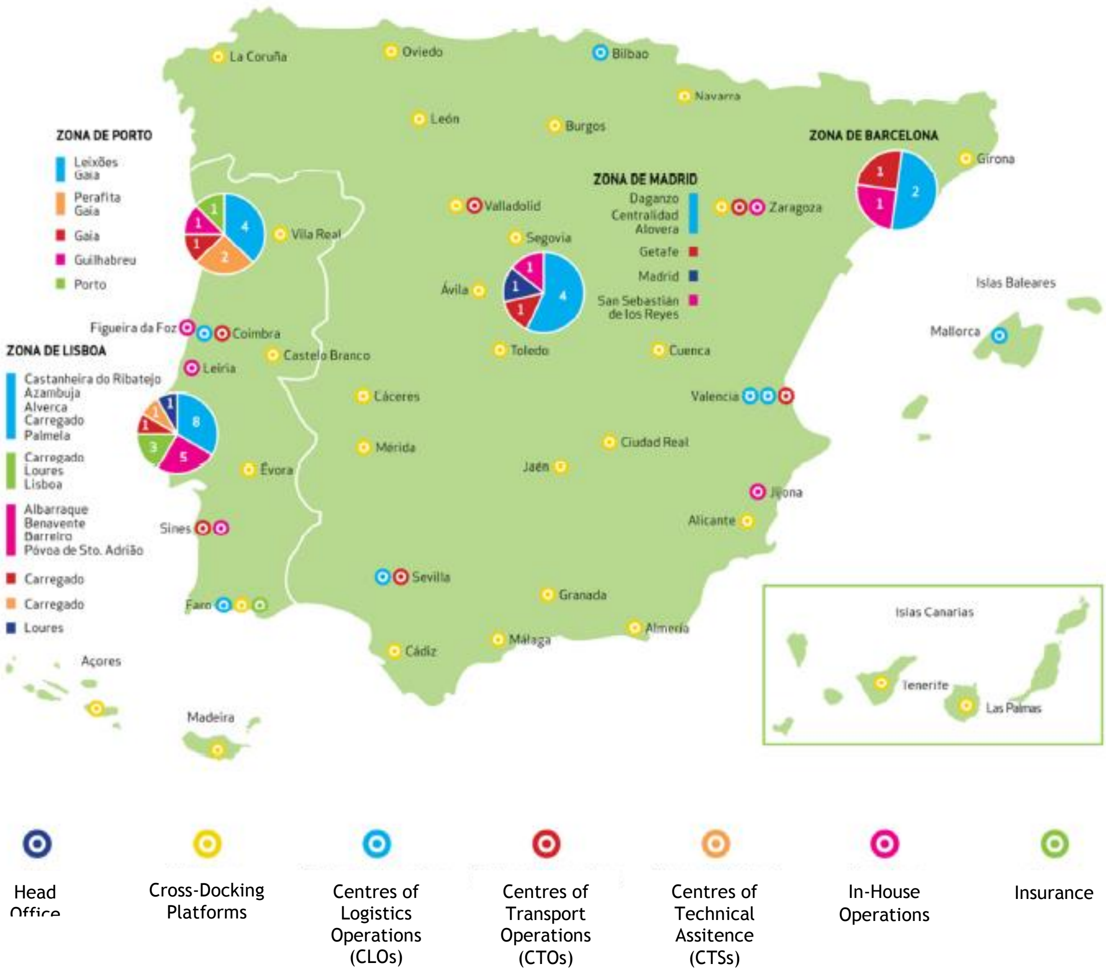
The 1980s brought the commitment to the training of the management team and the diversification for the road transport of goods from other industry sectors, especially consumer products, thus significantly diminishing its presence in the transport of agricultural products and construction materials. In 1986, Luís Simões expands its services to Spain and in 1989 further diversifies its businesses, creating a company of maintenance of heavy vehicles and an insurance brokerage company.

In 1990, Luís Simões created the company Distribuição Luís Simões, S.A., a company for the provision of logistics services, and a company in Spain, starting with a delegation in Madrid. In 1991, it sets up RETA – Serviços Técnicos e Rent-a-Cargo S.A. (henceforth referred to as “RETA”), a company of sale and rental of heavy vehicles which currently also includes the activity of maintenance and repair of heavy vehicles, and LS – Gestão Empresarial e Imobiliária, S.A. (henceforth referred to as "LSG"), which originally pursued the purpose of carrying out the management of the real estate assets of Luís Simões, but that was gradually comprising the services of support to the operational businesses. In 1993, Luís Simões expands its activity in Spain with the opening of a delegation in Barcelona, and in 1994 in Seville. In 1995, the facilities of Luís Simões are inaugurated in Vila Nova de Gaia, and 1997 saws the inauguration of the first of two warehouses in Carregado, with an area of more than 30,000 square meters.

In 2000, Luís Simões initiated a process for the partial subcontracting of the fleet of lorries managed by its road transport of goods business, and in 2001 Luís Simões acquired a logistics company in Spain. In 2002 it entered into the positive cold logistics business in Portugal. The year of 2004 saw the merger of the 2 companies Luís Simões held in Spain, which generated Luís Simões Logística Integrada S.A. (Henceforth referred to as “LSLI Espanha”). In 2008, the automated warehouse of Carregado is inaugurated, with an area of more than 20,000 square meters and a storing capacity of more than 50,000 pallets, a reference in the logistics business in the Iberian Peninsula due to the innovative approach to automatisms and processes.

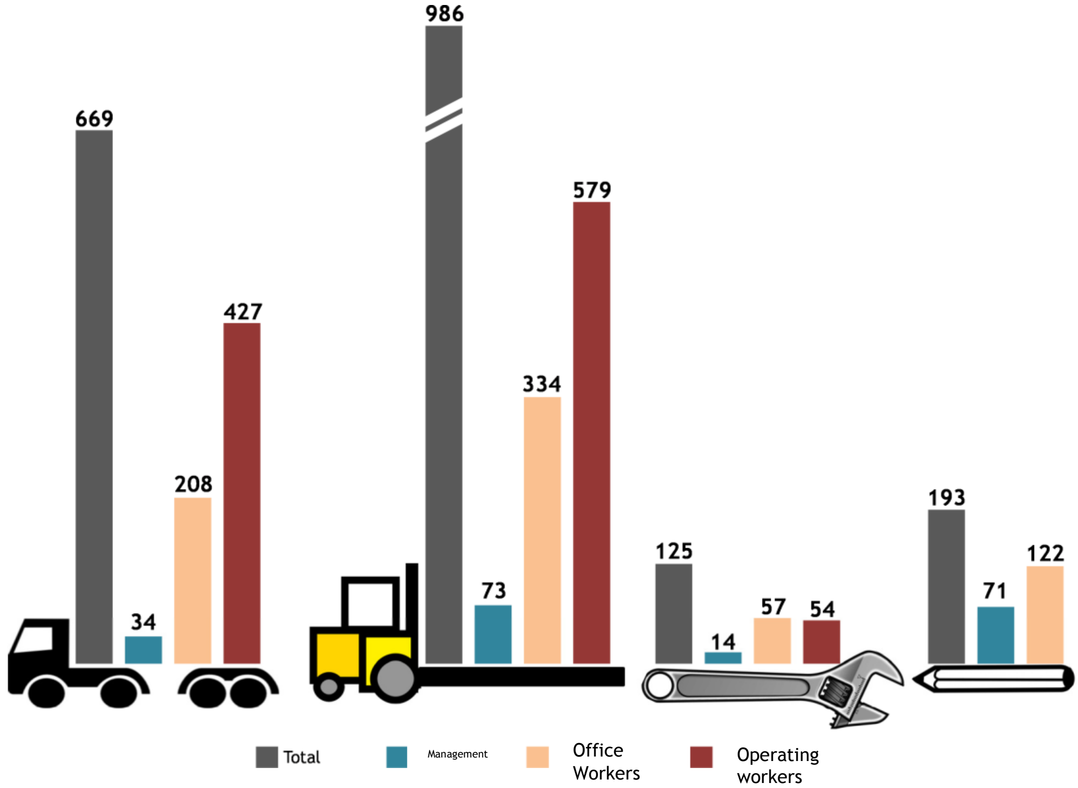
In 2010, the companies of road transport of goods and logistics were integrated, giving rise to Luís Simões Logística Integrada S.A. In Portugal (henceforth referred to as “LSLI Portugal”). The year of 2012 saw Luís Simões Espanha changing its head office to a new office in San Fernando, Madrid. In 2013 and 2014, Luís Simões realised, respectively, the acquisition of the business of Diagonal - Corretores de Seguros S.A. (henceforth referred to as “Diagonal”) and Espaçotrans – Gestão de Entrepostos Aduaneiros Lda. (Henceforth referred to as “Espaçotrans”), whose main activity is the customs logistics through the management of customs warehouses and export warehouses. In 2015, the new Centre of Logistics Operations of Leixões was inaugurated, which, due to its proximity to the Port of Leixões, helps to demonstrate the commitment made by Luís Simões to the import and export activity, vital to Portuguese economy. That same year saw the rehabilitation of the Centre of Logistics Operations in Vila Nova de Gaia.

Luís Simões currently manages a fleet of approximately 2,100 lorries, and a storage area of approximately 350,000 square meters, which makes it an integrated logistics operator with a full coverage of the Iberian Peninsula with more than 200 million kilometres travelled per year and 840 distribution routes per day. It is present in Portugal, with own resources in Loures, Carregado, Azambuja, Lisbon, Vila Nova de Gaia, Leixões, Perafita, Porto, Coimbra, Sines, Guarda and Faro, and also in Spain, in Madrid, Barcelona, Seville, Valencia, Zaragoza, Bilbao and Mérida (apart from other locations where Luís Simões operates through regional agents).

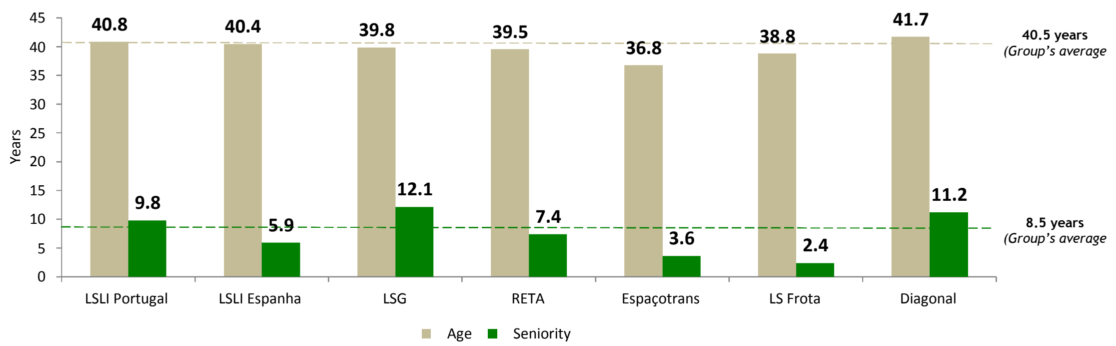


3.2. HUMAN RESOURCES

Luís Simões, by 31 December 2017, employed a total of 1,973 workers, of which 669 performed duties in the road transport of goods business, 986 in logistics, 125 in the diversification businesses (RETA and Diagonal) and 193 in Shared Services.



The average age of the Group's workers in 2017 was 40.5 years, Espaçotrans being the company with the youngest team, with an average age of 36,8 years, and Diagonal having the team in the other extreme, with an average age of 41,7 years. This indicator is considerably homogeneous within the Group and its evolution in 2017 showed a slight reduction in the average age of the teams. The companies of smaller size, LSLI Portugal and LSLI Espanha, are an example of that, exhibiting average ages of 40,8 and 40,4, respectively. With regards to seniority, the Group's average remains at 8.5 years, with some heterogeneity between the companies. The most recent companies, such as Espaçotrans and the LS Frota, and the companies which have registered a larger organic growth, such as LSLI Espanha and Reta, naturally exhibit a lower average seniority in relation to the remaining companies.



Regarding accidents at work and, and in absolute terms, there were 5 accidents fewer than in 2016 and the number of days of work lost as a result of accidents at work decreased 27%. In the Transports business, there were 8 accidents fewer, which equates to a reduction of 13% in relation to 2016. It must be noted that the number of lost days was reduced 43%. By geographies, Spain made the main contribution to this good performance at Transports, with a reduction of 74% in all accidents at work. In the Logistics business, there were 10 accidents at work more than in 2016, which means an increase of 24% that the Group shall address with a view to achieve the same positive results that were achieved at Transports.

The analysis of the distribution by gender within the Group in 2017 shows that 29% of the workers are female and 71% are male. The tendency towards a balance that had been existing thus continued.

4. ECONOMIC AND FINANCIAL ANALYSIS

In 2017 Luís Simões Group presented a Profit and Loss lower that the two previous years. This variation was driven by the transformation that the organisation has been undergoing in terms of growth and modernisation, with attention being drawn to the implementation of a new business management *software* and the beginning of operations in the new Madrid centrality, which equipped LS with a highly relevant sized unit in the region, with such unit contributing with significant synergies resulting from the consolidation of various operations in a single platform.

Indeed, the activity of 2017 was marked by the largest transfer of facilities to be carried out by Luís Simões. The operation was implemented at the Regional Board of Madrid, with the transfer of the operations of clients from 4 centres of logistics to the so-called logistics centrality of Madrid. This operation entailed the transfer of more than 80,000 pallets and the reorganisation of *layout* of various operations of clients, with a non-recurring cost of 2.5 million Euros.

The logistics centrality of Madrid has 65.000 square meters and is 14 meters high, including 20,000 square meters of bonded warehouses, an area of controlled temperature and specialised zones for *co-packing*. It constitutes a last-generation logistics platform with storage and *picking* automatism with a capacity for 2,400 pallet places which will lead to significant efficiency gains. The platform obtained the LEED Gold certification, recognising its reduced environmental impacts.

The Logistics business kept its upward trend and the Group, on account that it is a business demanding significant critical masses, the Group kept the growth based on the opening of new platforms that allow for a position of leadership to be reached and, simultaneously, the necessary size to introduce the innovation that will be required by clients in the upcoming years. Besides the Madrid centrality, this expansion also encompasses the enlargement of 7,500 square meters of the leased area in Azambuja and the inauguration of the new Espaçotrans facilities of Leixões, which feature 8,860 square meters to boost the company's activity in the North.

Apart from the significant growth of Logistics, Transport is also involved in a modernisation process through the implementation of a new *Transportation Management System* that is predicted to bring significant productivity improvements as well as to equip the Group with a differentiating level of service that can meet the expected increase in the degree of demand on part of the clients in the upcoming years.

Also with regards to the equipment, a highly relevant investment was made with the purchase of 300 new semi-trailers for the various Group companies, including canvas semi-trailers, vans, reefers and special canvas that are equipped with various possible settings in order to meet the needs of the clients of the Group. The year of 2017 saw the renewal of 95% of the fleet of cargo handling electric vehicles in Portugal and of 100 new electric stackers for the centres of logistics operations in Spain. These means are expected to bring about an increase in productivity and safety, as well as a reduction in the logistics operations' costs. This renewal was driven by the entry of new clients and by the increase of activity in the current clients.

Therefore, we believe that these investment projects will enable Luís Simões to keep on asserting itself as one of the reference logistics operators in the Iberian Peninsula, regarding the quality of the services rendered and in the segment in which it carries out its activities.

A table summarising the main financial consolidated indicators of the Luís Simões Group is shown below:

CONSOLIDATED			
(amounts in million Euro)	2015	2016	2017
Turnover	220,3	222,1	239,2
Sale of Goods (1)	-	-	4,6
Provision of Services	220,3	222,1	234,6
% Growth		0,8%	5,6%
EBITDA	16,4	14,6	13,2
% Turnover	7,4%	6,6%	5,5%
EBIT	4,3	3,0	1,7
% Turnover	2,0%	1,3%	0,7%
Net Profit and Loss for the Period (2)	1,8	1,7	0,6
% Turnover	0,8%	0,8%	0,2%
Total Assets	156,0	157,5	171,4
Equity	42,0	42,8	42,2
Net Financial Debt (3)	43,8	43,9	40,9
Net Debt / EBITDA	2,7 x	3,0 x	3,1 x
Net Financial Debt (with bond issues	56,9	56,1	54,0
Net Debt / EBITDA	3,5 x	3,9 x	4,1 x

(1) The gains from assignment of fuel have been since 2017 accounted for as sale of goods.
(2) It excludes minority interests.
(3) It includes bank loans and fixed assets suppliers, deducted from cash and equivalent (the balance sheet on 31-Dec-2017 is still adjusted by an outstanding receivable of financial nature in the sum of € 10,0M).

In 2017 Luís Simões reached a record consolidated turnover of 239.2 Million Euro. In 2017, the turnover, due to a change in accounting, also included the assignment of fuel, wherefore, excluding this effect, the growth of the provision of services amounted to 5.6%, the most significant increase of the last few years.

Although Luís Simões started its activity in the Road Transport of Goods, the logistics activity currently represents 47.4% of the consolidated turnover, keeping the growth tendency of the last years, and already corresponding to the most representative activity of Luís Simões when it comes to turnover. At Logistics, the turnover of Espaçotrans is included, Espaçotrans being a company which complements the Logistics area of business of Luís Simões with the customs logistics activity that has been positively contributing to the increase in turnover and profitability of the Group. The companies RETA and Diagonal are classified as other businesses.

LSLI Portugal and LSLI Spain, which encompass the Transport and Logistics businesses (except Espaçotrans), represent approximately 94% of the consolidated turnover of the Group and registered considerable growths in 2014, 2.6% in the case of LSLI Spain and 4.2% in the case of the provisions of services of LSLI Portugal (thus discounting the effect of the change of accounting record of the assignment of fuel). These were the most significant growths of both companies in the last 4 years, which justifies the investments that have been made in innovation for anticipating future challenges.

In the Road Transport of Goods business, Luís Simões provides a wide scope of services, with an emphasis on full-wagon load and break bulk cargo transport, rental of vehicle with driver, integrated management of flows, transport of industrial production, plant management and dedicated transport, managing a fleet of approximately 2,000 vehicles. Regarding the Logistics business, Luís Simões also provides a encompassing portfolio of services, including transport, storage, movement *in* e *out*, *picking*, distribution, other services of added value such as packaging, labelling, creation of promotional *packs* (*co-packing*) and customisation of products. Luís Simões manages a storage area that has been significantly growing throughout the last few years and has got closer, in 2017, of the 350,000 square meters with the entry into service of the new centrality in the Madrid region.

The year of 2017 has seen the reinforcement of the involvement of some of the largest clients, which proves the good performance and the level of quality of service that Luís Simões has been demonstrating in the Iberian market, which was furthermore a crucial factor in the incorporation of new clients of relevant size during the year.

The Profit and Loss of LSLI Portugal and LSLI Spain is a reflex of the transformation that the organisation has been carrying out in terms of growth and modernisation. The logistics operation business demands significant critical masses and in that regard the priority in recent years has been given to growth and the opening of new platforms which might make it possible to reach a position of leadership and, at the same time, achieve the necessary size so that Luís Simões may generate the innovation required by its clients.

The already referred to largest operation of transfer of facilities carried out by Luís Simões in Madrid, with the transfer of the operations of clients from 4 centres of logistics to the so-called logistics centrality of Madrid that has 65,000 square meters in one single location entailed a non-recurring cost of 2.5 Million Euros, which will not be repeated in 2018. This operation of transfer of more than 80,000 pallets required the need to have 4 active warehouses at the same time as the centrality itself, thus entailing a duplication of costs, the transfer of shelves and equipment, costs of disassembly and installation of shelves and costs of exit from warehouses provided for in contracts entered into with the respective landlords, and also the reorganisation of the *layout* of the various operations of clients. We believe that, due to its size and differentiation, the investment made with this operation will have a very positive return in terms of profitability of Luís Simões.

Apart from the Madrid centrality, LSLI Portugal also registered the entry of two new operations, one in the South and the other up North, with different characteristics from the operations hitherto managed, and which have registered some unproductivity in the first months. The changes brought about throughout 2017, the effects of which have started to be felt in the second quarter of 2017, shall be reflected in full force in the profitability of 2018. Additionally, in 2017 LS ceased to provide Logistics services to a multinational client which worked at European level with another logistics operator and that, on account of a central decision, decided in 2017 to also transfer the operation in Portugal to the referred to operator.

In 2017, RETA, despite the fact that it registered a reduction in the turnover of 7.3%, managed to maintain the results, having generated an EBIT of 1.0 Million Euro. The smaller performance of the workshop services was offset by the good performance of the vehicle sale and rental business. When performing an analysis to a longer period, it can be seen that RETA registered a growth of approximately 50% in the last 4 years, with a gradual increase in profitability, and maintains its prospects for growth for the upcoming years, constituting a strategic commitment no part of Luís Simões.

LSG kept in 2017 its structures of shared services relatively stable, investing in the occasional reinforcement of its Board of Compliance and creating the Board of Safety, two boards that Luís Simões perceives as strategic, bearing in mind the regulatory changes that are being implemented with the acceleration of the technological innovation and taking into consideration the high standards of demand on part of its clients. From the perspective of the real estate business, Luís Simões divested in 2017 two logistics platforms located in Vila Nova de Gaia, making the most of the positive market climate, with the purpose of re-allocate resources to its *core business*.

In the remaining companies, attention should be drawn to the very significant new growth of 51.7% of Espaçotrans, which this way reaches, for the second year in a row, growths close to 50%. The growth of Espaçotrans is partially explained by the growth of international commerce, by the expansion of the type of sea transport and also by the *know-how* of the team involved in the activity, thus justifying the investment made by Luís Simões in this business. It should be mentioned that, in 2017, the facilities in Leixões were inaugurated, featuring 8,600 square meters to boost the company's activity up North, being the only unit in the complex of the Logistics Platform of the Port of Leixões fitted to move parts with a maximum weight of 30 tons, with the help of two overhead cranes.

Attention should also be drawn to the growth in 5.2% of Diagonal which, although more modest than that of 2016, helped boost the company to a record billing level, entering a phase of operational stability following some years of a successful adaptation of the business to the acquisition carried out in 2013.

The year 2017 was a year of considerable investments in fixed assets, with emphasis on the acquisition by LSLI Portugal and LSLI Spain of shelves and automatisms for the new Madrid centrality and the renewal of the fleet of tractors, as well as the implementation of innovative information systems and the acquisition of systems of safety and surveillance of the facilities. At RETA, the high levels of investment were maintained according to the activity of purchase, sale and rental of vehicles.

With regards to operating fund, there were no significant changes, with the effort and commitment of Luís Simões to try and reduce the average collection periods (which tend to be slightly high in the sector in which it carries out its activities) remaining unchanged.

The levels of indebtedness were reduced to 40.9 Million Euro, the relevant investments made by LSLI Spain, LSLI Portugal and RETA having been more than offset with the disposal of properties by LSG.

5. MAIN EVENTS OF 2017

Some of the main events of 2017 are summarised as follows:

- Growth of 4.2% of the provisions of services at LSLI Portugal and of 2.6% of turnover at LSLI Espanha.

- Opening of the Madrid Centrality, the largest warehouse of the LS Group, which took up the operations which were at La Quinta, Cabanillas, Alovera 1, Alovera 3, as well as growth recorded in new relevant accounts. This logistics platform, with a capacity for more than 90,000 pallets, comprises an automatic process of shipment of pallets to the pier, with a capacity to mass store 2,500 pallets.

- Launching of new operations, such as operations of new relevant clients in Madrid, growth in the southern bank of the river Tagus, with a relevant positioning in Palmela, which is one of the cornerstones of the offer in the Lisbon region for the future, actual growth in Azambuja, surpassing in more than 10% the area of 40,000 square meters acquired in 2016.

- Consolidation of the RETA business as a national operator, with the expansion to new business segments in the maintenance and repair of heavy vehicles area.

- Inauguration of the Espaçotrans facilities in Leixões with 8,600 square meters, which will boost the activity of the company up North. Espaçotrans became the single operator with depots in the two main customs houses in northern Portugal.

- Investment in solutions which enable the automation of processes in Internal Operations, thus increasing productivity and the quality of the service provided. Greater focus on the *e- commerce* operations. Centralisation of the *Customer Service* area in Carregado, with a new dynamism, in terms of process, management and Client and Result orientation.

- Extension of the use of mega-lorries, thus improving the efficiency and productivity of operations.

- Consolidation of new market segments orientated towards the sea-road intermodality, (*Short Sea Shipping* - short-haul sea operations), and waste management.

- Consolidation in all centres of the Kaizen philosophy.

6. OUTLOOK FOR 2018

Some of the main initiatives for 2018 are summarised as follows:

- To consolidate the logistics centrality in the Madrid region, which shall become the Luís Simões reference in Spain and on an Iberian level.

- Entry of new clients and consolidation of levels of service to clients, especially the entry of a multinational client of a very relevant size in the area of general consumption products.

- To keep the focus on technological innovation with the entry into operation of the new TMS Management system at Transports, the implementation of “Astrata” Mobility Systems and GPS devices in the semi-trailers and the full replacement of the dedicated fleet with a high level of innovation and technology.

- Conclusion of the cycle of the renewal of the fleet and enlargement of the utilisation of mega-lorries.

- Consolidation of the RETA business through the increase in national coverage and expansion to other business segments.

- Opening of new Espaçotrans facilities in Póvoa de Santa Iria, with 9,000 square meters, inserted into a logistics park strategically located near the port and freight terminal of Bobadela.

- To ensure the increase in the occupancy rate in the regions of Barcelona, Valencia and Seville, as well as the growth of the traffic flows coming from these areas that enable to balance flows with the volume of Madrid.

- Consolidation of the growth achieved in the last years, with an immediate focus on the improvement of quality of the service and increase in business profitability, by way of the optimisation of processes.

7. RISK MANAGEMENT POLICY

Within the scope of the strategic planning of the Luís Simões Group companies, and considering the good national and international practices, the LS Compliance and Risk Management area is responsible for implementation and complying with the Risk Management Policy, which establishes a methodology that ensures the knowledge and assessment of the risks that LS faces, as well as determines the need to give an effective response to said risks.

Whenever we mention Compliance, we mean acting according to the legislation and regulations applicable to LS, as well as internal policies that LS decides to follow, such as: Code of Ethics and Conduct; Policy of Offers; Risk Management Policy; among others.

The origin of Compliance at LS was not characterised by a regulatory imposition, since its adherence was voluntary. Its scope is to pursue educational purposes, including aspects related to ethics and conduct, and disseminating knowledge and "good practices" which aim at minimising risks to the business continuity.

Innovation is a reality at LS, which permits a greater speed of adaptation to the market trends, but entailing the existence of a swift methodology that ensures the constant identification and mitigation of potential operational risks.

The Compliance and Risk Management Department is responsible for centralising the existing risks, respective categorising (Strategic, Environment; Legal; Technological; Fraud; Personal; Operational; and Financial) and assessment regarding the Seriousness and Likelihood of occurrence.

The identification of risks may take place in two manners:

- Corporate risks integrated into structural initiatives of the Compliance Program, identified by the Compliance and Risk Management Department; and

- Risks arising from the various activities and businesses of LS, identified by any LS area.

A "*Risk Owner*" is allocated to each risk, thus ensuring the necessary accountability for the assessment processes, definition of initiatives based on the impact of the risk and subsequent control of said risk.

The management of financial risks, including credit, interest rate and treasury risks is the responsibility of the Group's Financial Board.

In 2017 special attention was given to the risks related to the new Data Protection General Regulation, so as to ensure the legal fulfilment of the right to the protection of data of natural persons and to "*Cybersecurity*", with a view to implement measures which mitigate the possibility of intrusion into the computer systems of the group companies. The risk inherent to the constant legislation changes was also mitigated, through the hiring of an external service which provides warnings of legislation changes with an impact on the activities of the support and business areas of the LS Group companies, in the various geographic locations where such areas operate.

The year of 2017 also saw the creation of a new Internal Audit area. It consists of a central an independent area, aimed at contributing to the reduction of exposure of the LS group to risk, by way of the assessment of the existing controls.

The Compliance and Risk Management Department also monitors the fulfilment of the implemented actions, and proceeds to follow up the risks at the Compliance Committees, Executive Commissions and Business Committees/area. It is also responsible for preparing and regularly submitting the *report* to the Board of Directors on the evolution of risks and respective measures of mitigation.

Moninhos, 28 March 2018

The Board:	Signature
José Luís Soares Simões – Chairman	
Leonel Fernando Soares Simões – Member	
Jorge Manuel Soares Simões – Member	
Fernanda Maria Oliveira Simões – Member	
Daniela Alexandra Lopes Simões – Member	
Rui Miguel Marcos Simões – Member	
Maria Celeste Morgado Venâncio Santos – Member	

FINANCIAL STATEMENTS

BALANCE SHEETS

LS-LUÍS SIMÕES, SGPS, S.A. (CONSOLIDATED)

CONSOLIDATED BALANCE SHEETS ON 31 DECEMBER 2017 AND 2016

HEADINGS	NOTES	D AINUTES 31/12/2017	31/12/2016
NON-CURRENT ASSET			
Fixed tangible assets Investment	8	67,515,961.33	76,917,951.46
properties Intangible assets	10	1,194,064.21	1,159,862.67
Other financial assets Credits	7	4,061,359.31	1,860,106.18
receivable	18.1	87,265.38	57,583.48
Deferred tax assets	18.1	1,169,217.70	1,343,970.97
	17	1,361,052.42	642,937.60
CURRENT ASSET		75,388,920.35	81,982,412.36
Inventories Clients			
State and other public entities	11	1,469,765.91	1,470,910.12
Other credits receivable Deferrals	18.1	72,097,858.48	64,770,981.31
Cash and bank deposits	21.4	1,369,818.13	1,734,141.74
	18.1	19,103,271.52	6,582,569.97
Total assets	21.1	817,260.94	730,312.32
EQUITY AND LIABILITIES	4 | 18.1	1,179,975.10	274,792.23
EQUITY		96,037,950.08	75,563,707.69
Paid-up capital		171,426,870.43	157,546,120.05
Legal reserve			
Other reserves			
Retained earnings	18.4	30,000,000.00	30,000,000.00
Adjustments / other changes in equity	21.2	297,882.92	213,343.60
	21.2	4,095,288.11	4,562,969.49
Net profit or loss for the period	21.2	6,891,463.17	5,770,842.50
Interests that are not controlled	21.2	268,414.41	268,414.41
Total Equity		41,553,048.61	40,815,570.00
LIABILITIES:		566,772.00	1,690,786.49
NON-CURRENT LIABILITIES	21.3	116,545.60	340,610.73
Supplies Funding		42,236,366.21	42,846,967.22
obtained			
Deferred tax liabilities Other			
debts payable	13	202,865.47	614,267.77
	18.2	36,593,178.33	32,642,783.45
CURRENT LIABILITIES	17	1,537,538.50	2,426,424.67
Suppliers	18.2	75,000.00	90,000.00
State and other public entities		38,408,582.30	35,773,475.89
Funding's obtained Other debts			
payable Deferrals	18.2	36,554,594.21	36,507,171.63
	21.4	8,236,546.65	2,417,851.05
Total liabilities	18.2	26,993,981.97	22,183,636.82
Total equity and liabilities	18.2	18,319,444.32	17,040,913.17
	21.1	677,354.77	776,104.27
		90,781,921.92	78,925,676.94
		129,190,504.22	114,699,152.83
		171,426,870.43	157,546,120.05

The Notes to the consolidated financial statements are an integral part of these financial statements.

The Certified Accountant:	Signature
Vítor José Caetano de Sousa	
The Board:	
José Luís Soares Simões - Chairman	
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PROFIT AND LOSS

LS-LUÍS SIMÕES, SGPS, S.A. (CONSOLIDATED)

CONSOLIDATED STATEMENTS OF PROFIT AND LOSS BY NATURES

PERIODS ENDING ON 31 DECEMBER 2017 AND 2016

HEADINGS	NOTES	PERIODS 2017	PERIODS 2016
Sales and services provided	12	239,231,555.09	222,076,686.78
Operating subsidies	14	93,460.41	61,182.95
Own work capitalised	21.5	789,293.56	477,816.96
Cost of goods sold and materials consumed	11	(10,168,921.28)	(13,016,272.13)
Supplies and external services	21.6	(171,899,045.84)	(161,319,160.52)
Staff costs	19	(51,555,691.37)	(46,775,953.28)
Impairment of inventories (losses / reversals)	11	(36,286.02)	(274,991.21)
Impairment of debts receivable (losses / reversals	18.1	(170,631.50)	(299,124.77)
Provisions (increases / reductions)	13	(41,869.84)	(429,169.53)
Other income	21.7	9,407,659.13	16,091,218.86
Other expenses	21.8	(2,375,585.94)	(2,031,406.87)
Earnings before depreciation, funding costs and taxes		13,273,936.40	14,560,827.24
Depreciation and amortisation costs/reversals	21.9	(11,577,512.14)	(11,402,030.47)
Impairment of depreciable/amortisable investments (losses/reversals)	10	-	(206,448.31)
Operating income (earnings before funding costs and taxes)		1,696,424.26	2,952,348.46
Interest and similar income obtained	21.10	24.08	8.33
Interest and similar expenses incurred	21.11	(1,151,162.93)	(1,056,773.50)
Income before taxes		545,285.41	1,895,583.29
Income tax for the period	17	64,296.01	(565,739.32)
Net income for the period		609,581.42	1,329,843.97

Net profit and loss for the period attributable to:			
Holders of the parent company's capital		566,772.00	1,690,786.49
Non-controlling interests	21.3	42,809.42	(360,942.52)
Earnings per basic share	21.13	0.09	0.28

The Notes to the consolidated financial statements are an integral part of these financial statements.

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CASH FLOW STATEMENT

LS-LUIS SIMÕES, SGPS, S.A.

CONSOLIDATED STATEMENT OF CASH FLOWS PERIODS

ENDING ON 31 DECEMBER 2017 AND 2016

HEADINGS	NOTES	Periods	
		2017	2016
Cash flows of operational activities			
Receipts from clients		286,126,429.54	271,829,835.14
Payments to suppliers		(223,225,362.98)	(209,068,542.86)
Payments to staff		(32,583,921.46)	(29,835,717.63)
Cash generated by operations		30,317,145.10	32,925,574.65
Payment/receipt of income tax		(248,086.02)	(153,717.77)
Other receipts/payments		(27,821,667.75)	(24,440,523.49)
Cash flows of operational activities (1)		2,247,391.33	8,331,333.39
Cash Flows of investment activities			
Payments regarding:			
Fixed tangible assets		(16,873,422.95)	(11,870,280.84)
Intangible assets		(2,511,542.72)	(100,660.23)
Financial investments		(727,589.37)	-
Cash receipts from:			
Fixed tangible assets		11,919,401.44	7,329,883.17
Financial investments		12,483.33	54,093.25
Other assets		-	499.37
Interest and similar income		20.15	762.70
Cash flows of investment activities (2)		(8,180,650.12)	(4,585,702.58)
Cash flows of Funding activities			
Receipts from:			
Funding obtained		27,699,247.06	21,006,271.32
Payments regarding:			
Funding obtained		(17,522,658.17)	(21,303,102.77)
Interest and similar expenses		(1,068,258.65)	(1,132,956.38)
Dividends	21.2	(485,626.50)	(429,566.79)
Other funding operations		(1,784,262.08)	(1,854,908.03)
Cash flows of funding activities (3)		6,838,441.66	(3,714,262.65)
Cash variations and their equivalents (1)+(2)+(3)		905,182.87	31,368.16
Cash and its equivalents at the beginning of the period	4	274,792.23	243,424.07
Cash and its equivalents at the end of the period	4	1,179,975.10	274,792.23

The Notes to the consolidated financial statements are an integral part of these financial statements.

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STATEMENT OF CHANGES IN EQUITY

LS-LUIS SIMÕES SGPS, S.A.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
IN THE PERIOD 2016

Euro

	Notes	Paid-up capital	Legal reserve	Other reserves	Results carried over	Adjustments to financial assets	Net profit and loss of period	Total	Interests that are not controlled	Total equity
Position at the beginning of the period 2016		30,000,000.00	124,681.38	4,562,969.49	4,515,827.14	268,414.41	1,773,244.37	41,245,136.79	725,882.48	41,971,019.27
Changes in the period:										
Application of the equity method Grants										
Application of results		-	88,662.22	-	1,684,582.15	-	(1,773,244.37)	-	-	-
	18.4 | 21.2	30,000,000.00	213,343.60	4,562,969.49	6,200,409.29	268,414.41	-	41,245,136.79	725,882.48	41,971,019.27
Net profit or loss for the period							1,690,786.49	1,690,786.49	(360,942.52)	1,32,843.97
Comprehensive profit or loss							1,690,786.49	1,690,786.49	(360,942.52)	1,329,843.97
Transactions with shareholders in the period										
Other operations										
Distribution Dividends	21.2	-	-	-	(429,566.79)	-	-	(429,566.79)	(24,329.23)	(453,896.02)
		-	-	-	(429,566.79)	-	-	(429,566.79)	(24,329.23)	(453,896.02)
Position at the end of 2016	18.4 | 21.2	30,000,000.00	213,343.60	4,562,969.49	5,770,842.50	268,414.41	1,690,786.49	42,506,356.49	340,610.73	42,846,967.22

LS-LUIS SIMÕES SGPS, S.A.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
IN THE PERIOD 2017

Euro

	Notes	Paid-up capital	Legal reserve	Other reserves	Results carried over	Adjustments to financial assets	Net profit and loss of period	Total	Interests that are not controlled	Total equity
Positions at the beginning of the period 2017		30,000,000.00	213,343.60	4,562,969.49	5,770,842.50	268,414.41	1,690,786.49	42,506,356.49	340,610.73	42,846,967.22
Changes in the period:										
Other changes recognised in equity										
Application of results		-	84,539.32	-	1,606,247.17	-	(1,690,786.49)	-	-	-
Effect of acquisition / disposal of subsidiaries		-	-	(467,681.38)		-	-	(467,681.38)	(259,907.99)	(727,589.37)
	18.4 | 21.2	30,000,000.00	297,882.92	4,095,288.11	7,377,089.67	268,414.41	-	42,038,675.11	80,702.74	42,119,377.85
Net income for the period							566,772.00	566,772.00	42,809.42	609,581.42
Comprehensive profit or loss							566,772.00	566,772.00	42,809.42	609,581.42
Transactions with shareholders in the period										
Other transactions										
Distribution Dividends	21.2	-	-	-	(485,626.50)	-	-	(485,626.50)	(6,966.56)	(492,593.06)
		-	-	-	(485,626.50)	-	-	(485,626.50)	(6,966.56)	(492,593.06)
Position at the end of 2017	18.4 | 21.2	30,000,000.00	297,882.92	4,095,288.11	6,891,463.17	268,414.41	566,772.00	42,119,820.61	116,545.60	42,236,366.21

The Notes to the consolidated financial statements are an integral part of these financial statements.

The Certified Accountant:	**Signature**
Vítor José Caetano de Sousa	
The Board:	
José Luís Soares Simões - Chairman	
Leonel Fernando Soares Simões - Member	
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Rui Miguel Marco Simões - Member	
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Euro)

1. IDENTIFICATION OF ENTITY

The Luís Simões Group (henceforth referred to as “Group”) is composed of LS – Luís Simões, SGPS, S.A., and of its subsidiaries.

LS – Luis Simões, SGPS, S.A. (henceforth referred to as “company”), public limited company, was set up on 5 August 1996 and its object is the management of social shares of other companies, as an indirect form of exercise of economic activities.

The entity has its head office at Rua Fernando Namora, in Moninhos, Loures municipality.

The Group operates in the following areas of business:

1- The road transport of goods activity, which represents about 44% of the business volume of the Group, leads the national transport market and the road traffic flows market in the Iberian Peninsula.

2- The logistics activity, which represents about 48% of the business volume of the Group, leads in Logistics and Distribution of general consumption products in Portugal, providing integrated services of transport, storage, preparation of orders, control of inventories and distribution, apart from other services of added value. In Spain, this activity is also specialised in Logistics and Distribution of general consumption products.

3- The other activities that represent about 7% of the global billing of the Group pursue two crucial goals: to support the main activities of the Group and to develop autonomous businesses in their specific markets.

The parent company is named LS – Luís Simões, SGPS, S.A..

The company is held by the companies described in the following table:

Shareholders	Number of shares held	% Voting Rights	% Shares
Leonel Simões & Filhas, SGPS,S.A.	1,999,700	33.33%	33.33%
Varanda do Vale, SGPS, S.A.	1,999,700	33.33%	33.33%
Mira Serra, SGPS, S.A.	1,999,700	33.33%	33.33%
José Luís Simões	300	0.01%	0.01%
Leonel Fernando Simões	300	0.01%	0.01%
Jorge Manuel Simões	300	0.01%	0.01%
	6,000,000	100.00%	100.00%

These financial statements were approved by the Board of Directors, at the meeting of 28 March 2017. The opinion of the Board of Directors is that these financial statements reflect, in a true and appropriate manner, the operations of the Group as well as its position, financial situation and cash flows.

These consolidated financial statements shall be approved at the General Meeting of shareholders.

2. ACCOUNTING STANDARDS FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

2.1. BASIS OF PREPARATION

These financial statements were prepared according to the Accounting and Financial Report Standards (AFRS) in force at the present date.

The preparation of the financial statements in accordance with the Accounting Normalisation System requires the use of estimates, assumptions and critical judgments in the process for the determination of the accounting policies to be adopted by the Group, with a significant impact on the accounting value of the assets and liabilities as well as on income and expenses of the reporting period.

Despite the fact that these estimates are based on the best experience of the Board of Directors and on their best expectations regarding the events and current and future actions, the current and future results may differ from these estimates. The areas involving a greater degree of judgment or complexity or areas in which the assumptions and estimates are significant to the financial statements are presented in Note 3.22.

The Management proceeded to assess the Group's capacity to continuously operate, based on all the relevant information, facts and circumstances, of financial, commercial or any other nature, including events subsequent to the reference date of the financial statements, available on the future.

3. MAIN ACCOUNTING POLICIES

The main accounting policies adopted at the preparation of the financial statements attached are described below. These policies were consistently applied to all the periods presented, unless otherwise indicated.

3.1. BASIS OF CONSOLIDATION

The Group's business universe is composed of the subsidiaries described in Note 6.

In compliance with the provisions of article 6 of Decree-Law no. 158/2009 of 15 July, republished by the Decree-Law no. 98/2015 of 2 July, which approved the Accounting Standardisation System, the entity produces consolidated accounts of the Group comprising the entity itself and all the subsidiaries regarding which:

- Regardless of the ownership of the capital, one of the following circumstances takes place:

- It can exercise, or it actually exercises, dominant influence of control;

- It carries out management duties as if the two formed one single entity;

- When it holds capital:

- It has the majority of the voting right, except if it can be demonstrated that those rights do not grant control;

- It has the right to appoint or to remove the majority of the management body members of an entity with powers to manage the financial and operational policies of said entity;

- It exercises a dominant influence over an entity by way of a contract entered into with the latter or of another clause of the latter's articles of incorporation.

- It holds at least 20% of the voting rights and the majority of the members of the management body of an entity with powers to manage the financial and operational policies of said entity, who have been in office during the period to which the consolidated financial statements relate as well as in the preceding period and up to the moment in which these statements are drawn up, were exclusively appointed as a result of the exercise of the voting rights;

- It controls, on its own or by way of an agreement with other owners of the capital of that entity, the majority of the voting rights of the owners of said entity's capital.

The existence and the effects of the potential voting rights which are currently exercisable or convertible are taken into consideration in the assessment of whether there is control or not.

The subsidiaries are controlled by the integral method from the date in which the control is transferred to the Group, being excluded from the consolidation from the date in which the control ceases.

The purchase method is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured by the fair value of the goods delivered, the capital instruments issued and the liabilities incurred, or assumed at the date of acquisition, plus costs directly attributable to the acquisition.

The excess of the acquisition cost over the fair value of the parcel of the Group of the identifiable Assets and Liabilities acquired is recognised as Goodwill.

If the acquisition cost is lower than the fair value of the liquid assets of the subsidiary acquired, the difference is directly recognised in the consolidated Profit and Loss in the period in which said difference is ascertained.

In the consolidation process, the transactions, balance sheets and unrealised gains in intragroup transactions and dividends distributed among group companies are eliminated. The unrealised losses are also eliminated, unless the transaction reveals evidence of the existence of impairment in the transferred and not yet disposed assets.

The accounting policies used by the Subsidiaries in the preparation of their individual financial statements are now changed, whenever necessary, so as to ensure that they are in line with the policies adopted by the Group.

The provisions of NCRF (Normas Contabilísticas e de Relato Financeiro - Accounting and Financial Reporting Standards) 25 — Income Tax was applied to the temporary differences that arose from the elimination of the results coming from the intragroup transactions.

The Equity and the Net Profit of the Subsidiaries which are held by third parties unconnected with the Group are presented under the heading Interests that are not controlled in the consolidated Balance Sheet (autonomously within Equity) and in the Income Consolidated Statement, respectively.

3.2. CURRENCY CONVERSION

The financial statements of the Group and respective notes to the consolidated financial statements are presented in Euro, unless expressly stated otherwise, the functional currency of the Group.

3.3. FIXED TANGIBLE ASSETS

The tangible assets are valued at the cost or at the considered cost (for assets acquired prior to the date of transition to the NCRFs), deducted from the accrued depreciations and possible impairment losses.

The acquisition cost includes the price of purchase of the asset, the expenses directly attributable to its acquisition and the charges incurred with the preparation of the asset so it be in conditions of use.

The costs with replacements and major repairs are capitalised whenever they increase the useful life of the fixed asset to which they concern and are amortised in the remaining useful life period of said fixed asset or in their own useful life period, if inferior.

The expenditure with maintenance and repair (subsequent expenses) that is not liable to generate future economic benefits is recorded as expenses in the period in which it is incurred.

The costs to be incurred with the decommissioning or removal of assets installed in property belonging to third parties are considered as part of the initial cost of the respective assets when they translate into significant amounts.

The depreciation rates resulting from the determination of the useful lives estimated for the fixed tangible assets are as follows:

Asset	2017
Buildings and other constructions	2.00 - 33.33
Basic equipment	5.00 - 33.33
Transport equipment	10.00 - 33.00
Administrative equipment	8.33 - 33.33
Other fixed tangible assets	10.00 - 33.00

The depreciations are ascertained on a duodecimal basis, following the moment in which the asset is in conditions for being used, in compliance with the useful life period estimated for each group of assets.

The expenses with depreciations are recognised in Profit and Loss under the “Expenses/Reversals of Depreciation and Amortisation” heading.

Whenever there are indications of the loss in value of the fixed tangible assets, impairment tests are carried out in order to estimate the recoverable value of the assets and, whenever necessary, register an impairment loss. The recoverable value is determined as being the highest value from the net price of sale and the asset’s value in use, with the latter being ascertained based on the current value of the estimated future cash flows resulting from the ongoing use and the disposal of the asset at the end of its useful life.

The useful lives of the assets are reviewed at each financial report period, so that the depreciations practiced are in compliance with the consumption patterns expected from the assets. Changes to useful lives are treated as a change of accounting estimate and are applied prospectively, affecting the results of the period.

The gain (or loss) resulting from the disposal or write off of a fixed tangible asset is determined as the difference between the amount received in the transaction and the carrying sum of the asset, with the gain (or loss) being recognised in results in the period in which the disposal takes place.

The fixed tangible assets in force relate to goods which are still at a construction or development stage and are measured at the acquisition cost, only being depreciated when they are available for use.

3.4. LEASES

The financial leases are capitalised at the beginning of the lease by the lowest of the fair value of the leased asset and the present value of the minimum payments of lease, each one being determined at the date of beginning of contract. The debt resulting from a financial lease contract is recorded net from financial charges, under the “Funding obtained” heading. The financial charges included in the rent and the depreciation of leased assets are recognised in the Profit and Loss of the period they concern, under the “interest and similar expenses incurred” heading.

The fixed tangible assets acquired through financial leases are depreciated by the lowest of the asset’s useful life period and the lease period or when the Group has not the option to purchase at the end of the contract, or by the estimated useful life period in case the Group intends to acquire the assets at the end of the contract.

In the leases regarded as operational, the rents to be paid are recognised on a linear basis as a cost in Profit and Loss during the lease period.

3.5. INVESTMENT PROPERTIES

The investment properties constitute real estate properties (terrains, buildings or parts of buildings) held with the purpose of capital valuation, obtaining rents or both. The tangible assets are valued at the cost or at the considered cost (for assets acquired prior to the date of transition to the NCRFs), deducted from the accrued depreciations and possible impairment losses.

According to the accounting standards adopted and, regarding the valuation criterion, according to the depreciated cost model, the disclosure of the fair value of the investment properties in the complete financial statements is requested.

The fair value of other terrains and periods are determined based on assessments carried out by external evaluators considering the conditions of their utilisation or the best use, according to whether or not they were leased, respectively

3.6. INTANGIBLE ASSETS

Initial recognition

The cost of the separately acquired intangible assets reflects, on the whole, the expected future e economic benefits and encompasses:

- The purchase price, including costs with intellectual rights and non-refundable purchase tax, after deducting trade discounts and rebates; and
- Any cost directly attributable to the preparation of the asset, for its intended use.

The Group values its intangible assets, following the initial recognition, by the Cost Model, as defined by NCRF 6 - Intangible Assets, which states that an intangible asset must be carried by it cost deducted from the accrued amortisation and any losses for accrued impairment.

The Group determines the useful life and the method of amortisation of the intangible assets based on the estimate of consumption of future economic benefits associated with the asset

The intangible assets are systematically amortised from the date in which they are available for use, during the estimated useful life.

The expenses with depreciations are recognised in Profit and Loss under the “Expenses/Reversals of Depreciation and Amortisation” heading.

The useful lives and the amortisation method of the various intangible assets are reviewed on an annual basis.

The effect of any change to these estimates is prospectively recognised in the income consolidated statement.

The amortisation rates resulting from the determination of the useful lives estimated for the intangible assets are as follows:

Asset	2017
Computer software	16.66 - 33.33
Other intangible assets	10.00 - 20.00

3.7. IMPAIRMENT OF ASSETS

In each date of reporting a review of the carried sums of the Group’s assets is carried out with the purpose of determining whether there is any indication that they might be impaired.

Whenever the carried sum of the asset or the unit generating cash is superior to its recoverable sum, an impairment loss is recognised. The impairment loss is promptly recorded in the income consolidated statement under "Impairment losses” heading, unless such loss offsets a revaluation surplus recorded in equity. In this case, such loss shall be treated as a revaluation decrease.

The recoverable value is the highest of the fair value of the asset deducted from the costs of sale and its value of use. For determining the existence of impairment, the assets are allocated to the lowest level for which there are separate identifiable cash flows (cash generating units).

The non-financial assets, other than goodwill, for which impairment losses have been recognised, are assessed at each date of reporting on the possible reversal of impairment losses.

The reversal of impairment losses recognised in previous periods is recorded when there is evidence that the recognised impairment losses no longer exist or diminished. The reversal of impairment losses is recognised in Profit and Loss under the heading “Reversal of impairment losses”. The reversal of impairment loss is carried out to the limit of the amount that would be recognised (net from depreciations) in case the loss had not been recorded.

When the recording or reversal of impairment must be made, the amortisation and depreciation of the assets are prospectively recalculated according to the recoverable value.

3.8. FINANCIAL HOLDINGS - OTHER METHODS

The Group uses the cost model for the initial recognition of financial holdings in entities in which the use of the equity method is not mandatory and in which there are no conditions for the use of fair value, namely financial holdings in unlisted companies.

According to the cost model, the financial holdings are initially recognised by their acquisition cost, which comprehends transaction costs, with its value being subsequently decreased on account of impairment losses, whenever they occur.

3.9. Income tax

Income tax corresponds to the sum of current taxes and deferred taxes. The current tax and the deferred tax are recorded in results, except when they relate to items directly recorded in equity. In those situations, the current tax and the deferred tax are also recorded in equity.

Current tax: the current tax to be paid is based on the taxable profit of the exercise of the various entities included in the consolidation perimeter. The taxable profit differs from the accounting result since it excludes various costs and earnings which will only be deductible or taxable in other periods. The taxable profit also excludes costs and earnings which will never be deductible or taxable.

Deferred tax: the deferred tax refers to the temporary differences between the amounts of the assets and liabilities for financial reporting purposes and the respective amounts for taxation purposes.

The assets and liabilities by deferred taxes are measured using the taxation rates which are expected to be in force at the date of the reversal of the temporary differences, based on the taxation rates (and tax legislation) which has been formally or materially issued by the date of reporting.

The deferred tax assets are recognised in as much as it is probable that there are future taxable profits available for using the temporary difference. The deferred tax liabilities are recognised on all the taxable temporary differences.

The deferred tax assets are reviewed on an annual basis and reduced whenever their utilisation is no longer probable.

3.10. INVENTORIES

The inventories are recorded at the acquisition cost, with the weighted average cost being adopted as the costing method of inventory exists.

Whenever the net realisable value is lower than the acquisition or production cost, the value of inventories is reduced through the recognition of an impairment loss, which is reverted when the reasons its origin no longer apply.

To that effect, the net realisable value is the price of sale estimated in the regular course of the business activity minus the estimated costs of completion and the costs necessary for conducting the sale. The estimates take into consideration the changes related to the events taking place following the end of the period insomuch as those events confirm existing conditions at the end of the period.

3.11. FINANCIAL ASSETS AND LIABILITIES

The Board of Directors determines the classification of the financial assets and liabilities, at the date of the initial recognition, according to NCRF 27 - Financial instruments.

The financial assets and liabilities may be classified/measured as:

(a) At the amortised cost minus any impairment loss; or

(b) At fair value with the fair value changes to be recognised in Profit and Loss.

The Group classifies and measures at amortised cost the financial assets and liabilities:

i) which, regarding time limit, are on sight or have a defined maturity;

ii) the return of which is of fixed amount, of fixed interest rate or of variable rate corresponding to a market index; and

iii) which have no contractual clause from which the loss of nominal value and of accrued interest (in the case of assets) or change to the responsibility for the reimbursement of the nominal value and accrued interest to be paid (in the case of liabilities) may result.

For assets and liabilities recorded at the amortised cost, the interest to be recognised in each period are determined according to the effective interest rate method, which corresponds to the rate that strictly discounts the estimated future cash receipts and payments during the expected life of the financial instruments.

The following assets and liabilities are recorded at the amortised cost:

i) the financial assets which constitute granted loans, accounts receivable (clients, other debtors, etc.) and equity instruments as well as any associated derivative contracts which are not traded in the active market or whose fair value may not be reliably ascertained and

ii) the financial assets which constitute granted loans, accounts receivable (clients, other debtors, etc.) and equity instruments as well as any associated derivative contracts which are not traded in the active market or whose fair value may not be reliably ascertained and

The Group classifies and measures at fair value the financial assets which do not meet the requirements for being measured at the amortised cost, as described above. The financial assets which constitute equity instruments listed in an active market, derivative contracts and financial assets held for negotiation are recorded at fair value. The fair value negotiations are recorded in the results of the period, except with regards to the derivative financial instruments which qualify as cash flow hedging relationships.

The Group checks, at each financial date of reporting, the existence of indicators of loss in value for the financial assets which are not measured at fair value through results. In case of objective evidence of impairment, the Group recognises an impairment loss in Profit and Loss.

The financial assets are derecognised when the rights to the receipt of the money flows generated by those investments expire or are transferred, the same applying to all the risks and benefits associated with their possession. An entity may only derecognise a financial liability (or part of a financial liability) when such liability ceases to exist, i.e., when the obligation laid down in contract is settled, cancelled or expires.

3.12. CASH AND CASH EQUIVALENTS

The amounts included under the cash and bank deposits heading correspond to the amounts of banking deposits due in less than three months and which may immediately be mobilised with a meaningless risk of change in value. These assets are valued at cost.

For cash flow statement purposes, the “Cash and cash equivalents” heading comprehends cash and banking deposits due in less than three months and current bank overdrafts included under the “Funding obtained” heading of the Balance Sheet, when such overdrafts result from occasional situations.

3.13. FUNDING OBTAINED

The funding obtained is initially recognised at fair value, net from transaction and assembly costs incurred. The funding is subsequently presented at amortised cost, with the difference between the nominal value and the initial fair value being recognised in the income consolidated statement throughout the loan period, by using the effective interest rate method.

The funding obtained is classified in the current liabilities, except if the Group has the unconditional right to defer the payment of the liabilities for, at least 12 months after the date of the balance sheet, in which case it is classified in the non-current liabilities.

The expenses with interest regarding the obtained funding are recorded under the expenses heading and funding losses in Profit and Loss.

3.14. GOVERNMENT GRANTS

Government grants are only recognised when there is a reasonable certainty that the Group will meet the conditions for attributing them and that such grants will be received.

The Government grants associated with the acquisition or production of non-current assets (Investment Grants) are initially recognised in equity, being subsequently attributed on a systematic basis (in proportion to the amortisations of the underlying assets) as period income during the useful lives of the assets with which they are associated.

Other Government grants (Operating Grants) are generally recognised as income, in a systematic manner, during the periods necessary for balancing them with the expenses which they are supposed to offset. Government Grants which are aimed at offsetting losses already incurred or which have no future costs associated are recognised as income of the period in which they have become receivable.

The Government Grants under the form of attribution of repayable funding at a subsidised rate must be discounted at the date of the initial recognition, the discount value constituting the grant value to be amortised by the funding period.

3.15. PROVISIONS

Provisions are only recognised when the Company has a present (legal or constructive) obligation resulting from a past event, and it is more probable than not that the settlement of that obligation results in an outflow of resources and the amount of the obligation may be reasonably estimated.

The recognised amount of the provisions consists in the present value of the best estimate by the date of the reporting of the resources necessary for settling the obligation. Such estimate is determined taking into account the risks and uncertainties associated with the obligation and known of and assessed by the Management at the date of the reporting.

3.16. ACCRUAL-BASED ACCOUNTING

The expenses and income are recorded in the period to which they refer, regardless of their payment or receipt, according to the accrual based accounting system. The differences between the amounts received and paid and the corresponding revenues and expenses are recognised as assets or liabilities, providing they are qualified as such, under the “Other credits receivable”, “Other debts payable” and “Deferrals” Balance headings.

3.17. REVENUE

The revenue is measured by the fair value of the consideration received or receivable. The revenue to be recognised is deducted from the estimated amount of returns, discounts and other write offs. The recognised revenue does not include VAT and other taxes paid related to the sale.

The revenue originating from the sale of goods is recognised when the following conditions are met:

- All significant risks and advantages associated with the ownership of the goods were transferred to the buyer;
- The Group has no control over the goods sold;
- The amount of the revenue can be measured reliably;
- It is likely that the Group will receive future economic benefits associated to the transaction;
- The costs incurred or to be incurred with the transaction may be reliably measured.

The revenue originating from the provision of services is recognised with reference to the stage of completion of the transaction at the date of the reporting, providing that all the following conditions are met:

- The amount of the revenue can be measured reliably;
- It is likely that the Group will receive future economic benefits associated to the transaction;
- The costs incurred or to be incurred with a transaction can be measured reliably;
- The completion stage of the transaction as at the date of reporting can be measured reliably;

3.18. FINANCIAL CHARGES WITH FUNDING OBTAINED

The financial charges related to funding obtained are generally recognised as expenses as they are incurred under the "Interest and similar expenses incurred" heading of Profit and Loss.

3.19. CONTINGENT ASSETS AND LIABILITIES

A contingent asset is a possible asset originating from past events and the existence of which shall only be confirmed by the occurrence or not of one or more future uncertain events which are not totally under the control of the entity.

The contingent assets are not recognised in the financial statements in order to prevent that they result in the recognition of income which may never be realised. However, they are disclosed when the existence of a future inflow is probable.

A contingent asset is:

- A possible obligation originating from past events and the existence of which shall only be confirmed by the occurrence or not of one or more future uncertain events which are not totally under the control of the entity.

or

- A present obligation resulting from past events but which is not recognised on account of:
    - The fact that it is not probable that an outflow of resources is required to settle the obligation;
    - The fact that the obligation amount cannot be measured with enough reliability.

The contingent assets are not recognised in the financial statements in order to prevent that they result in the recognition of income which may never be realised. However, they are disclosed whenever there is a likelihood of future outflows which is not remote.

3.20. EQUITY

Common shares are classified in equity. The costs directly attributable to the issuing of new shares or options are presented in equity as a deduction, net of tax, from the issued amount.

Own shares acquired through contract are recognised in equity, under a heading of their own. According to the Portuguese Commercial Company Code, the Company must ensure at any given moment the existence of reserves in equity for hedging of the value of own shares, thus limiting the value of the reserves available for distribution.

Own shares are recorded at the acquisition cost, if the purchase is made on sight, or at the estimated fair value, if the purchase is deferred.

The distribution of dividends among shareholders is recognised as a liability on the date in which it is approved by said shareholders.

3.21. ENVIRONMENTAL MATTERS

Provisions for environmental matters are recognised whenever the Group is subject to a legal or constructive obligation, as a result of past events, regarding which it is probable that an outflow of resources becomes necessary to settle such obligation and a reliable estimate of the amount of that obligation may be made.

The Group incurs in expenses of environmental nature which, depending on their characteristics, are being capitalised or recognised as a cost in the operating results for the period.

Therefore, the expenses with equipment and operating techniques that ensure the compliance with the applicable legislation and regulations, as well as the reduction of the environmental impact to levels which do not exceed the levels corresponding to a viable application of the best technologies available from those referring to the minimisation of energy consumption to atmospheric emissions, waste production and noise output are capitalised when they are destined to serve, in the long term, the activity of the Group and are related to future economic benefits, which make it possible to extend the useful life, increase the capacity or improve the safety or efficiency of other assets held by the Group.

3.22. MAIN ESTIMATES AND JUDGMENTS PRESENTED

The estimates and judgments with an impact on the financial consolidated statement of the Luís Simões Group are assessed on an ongoing basis, representing at the date of each reporting the best estimate of the Administration, taking into consideration the historic performance, the accumulated experience and the expectations regarding future events which, under the circumstances in question, are believed to be reasonable.

The intrinsic nature of the estimates may lead the real reflection of the situations which were subject to an estimate to differ from the estimated amounts, for financial reporting purposes. The estimates and judgement which pose a significant risk of generating a material adjustment in the accounting value of assets and liabilities during the course of the following period are as follows:

3.22.1. FIXED TANGIBLE AND INTANGIBLE ASSETS

The determination of the useful lives of assets, as well as the method of depreciation/amortisation to be applied is essential for determining the amount of the depreciations/amortisations to be recognised in the statement of the consolidated income of each period.

These two parameters are defined according to the best judgment on part of the Administration for the assets in question, considering, whenever possible, the practices adopted by companies of that sector.

3.22.2. IMPAIRMENT LOSSES

The determination of a possible impairment loss may be triggered by the occurrence of various events, many of which outside the sphere of influence of the Group, such as: the future funding availability, the cost of capital or of any other changes, both internal and external to the Company.

The identification of impairment indicators, the estimate of future cash flows and the determination of the fair value of assets entail a high degree of judgment on part of the Board of Directors with regards to the identification and assessment of the different impairment indicators, expected cash flows, applicable discount rate, useful lives and residual values.

Particularly, from the analysis made to accounts receivable may result the need to record impairment losses, these being determined based on the information available and on estimates made by the Group regarding the cash flows that it expects to receive.

3.22.3. PROVISIONS

The Group analyses, on a periodic basis, possible obligations that result from past events and which should be subject to recognition or disclosure.

The subjectivity inherent to the determination of probability and the amount of necessary resources for payment of the obligations may lead to adjustments of the recognised values, namely with regards to the ongoing processes and contingencies.

3.22.4. DEFERRED TAX

Deferred tax assets are recognised only when there is a strong belief that there will be future attributable profit available for using the temporary differences or when there are deferred tax liabilities the reversal of which is expectable in the same period in which the deferred tax assets are reverted. The assessment of the deferred tax assets is carried out by the Administration at the end of each period, considering the expected future performance.

3.23. SUBSEQUENT EVENTS

The events following the date of the balance that provide additional information on conditions that existed at the date of the balance, "*adjusting events*", are reflected in the financial statements. The events following the date of the balance that provide additional information on conditions that existed at the date of the balance, "*non adjusting events*", are reflected in the financial statements.

4. CASH AND ITS EQUIVALENTS

On 31 December of 2017 and 2016, the Cash and its Equivalents heading is detailed in the following manner:

	2017	2016
Cash in hand	18,142.01	16,006.05
Demand deposits	1,161,833.09	258,786.18
Total cash and bank deposits	1,179,975.10	274,792.23

5. ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS

In the periods of 2017 and 2016, there were no changes to the accounting policies used nor were any material errors identified

6. RELATED PARTIES

For purposes of the presentation of these financial statements, all subsidiaries of LS - Luís Simões, SGPS, S.A. and key elements in their management are considered as related parties.

6.1. GROUP ENTITIES

The Group Companies included in the consolidation by 31 December of 2017 and 2016 are as follows:

Subsidiaries	Head Office	Activity	% Holding 2017	% Holding 2016	Effective Control 2017	Effective Control 2016	RETGS (*)
Ls - Luís Simões, SGPS, SA (Holding)	Moninhos - Loures	Management of share holdings					Yes
Luís Simões Logística Integrada, SA (Portugal)	Moninhos - Loures	Logistics and transports	100%	100%	100%	100%	Yes
Luís Simões Logística Integrada, SA (Espanha)	Madrid - Espanha	Logistics and transports	100%	100%	100%	100%	No
LS Frota, Lda.	Carregado - Alenquer	Transports	100%	100%	100%	100%	Yes
Reta - Serviços Técnicos e Rent-a-Cargo, SA	Moninhos - Loures	Rental, sale and maintenance of vehicles	100%	100%	100%	100%	Yes
Diagonal - Corretores de Seguros, SA	Moninhos - Loures	Insurance brokers	100%	100%	100%	100%	Yes
LS - Gestão Empresarial e Imobiliária, SA	Moninhos - Loures	Services of support to the Group	100%	100%	100%	100%	Yes
Patrimundus - Investimentos Imobiliários, SA	Carregado - Alenquer	Real estate company	100%	100%	100%	100%	Yes
Solominhos - Consultoria, Gestão e Execução Imobiliária, S.A.	Moninhos - Loures	Real estate company	100%	11.51%	100%	100%	No
Espaçotrans - Gestão Entrepostos Aduaneiros, Lda.	Quebradas de Cima - Póvoa de	Customs warehouse management	70.00%	70.00%	70%	70%	No

(*) RETGS - Regime Especial de Tributação de Grupos de Sociedades (Special Scheme of Taxation to Company Groups)

There are no subsidiaries excluded from the process of consolidation by the integral consolidation method.

6.2. REMUNERATION OF MANAGEMENT KEY STAFF

During the periods ending on 31 December of 2016 and of 2016, the following remuneration was granted to the key staff in charge of management::

Remuneration	2017	2016
Short term benefits to employees	978,347.89	955,511.09
	978,347.89	955,511.09

The Board of Directors of the Group was considered, according to NCRF 5, as the single "key" element in the management.

6.3. TRANSACTIONS WITH RELATED PARTIES

a) Nature of the relationship with related parties

	Nature of the relationship (Services provided)	Nature of the relationship (Services received)
Other related parties:		
Leonel Simões & Filhas, SGPS, S.A.	Supplies	Dividends
Varanda do Vale, SGPS, S.A.	Supplies	Dividends
Mira Serra, SGPS, S.A.	Supplies	Dividends
Other shareholders	Supplies	Dividends

b) Amounts of transactions and pending accounts with related parties

	Year	Supplies Obtained (Note 18.2)	Interest Incurred (Note 21.11)
Other related parties:			
Leonel Simões & Filhas, SGPS,S.A.	2016	195,800.00	6,970.44
	2017	195,800.00	6,852.96
Varanda do Vale, SGPS, S.A.	2016	202,800.00	7,219.68
	2017	202,800.00	7,098.00
Mira Serra, SGPS, S.A.	2016	203,800.00	7,255.32
	2017	203,800.00	7,133.04
Individual shareholders	2016	11,683,737.67	436,199.70
	2017	12,411,327.04	412,821.31
Total	2016	12,286,137.67	457,645.14
	2017	13,013,727.04	433,905.31

7. INTANGIBLE ASSETS

During the periods ending on 31 December of 2017 and of 2016, the movement occurred in the carried amount of the intangible assets, as well as in the respective accrued amortisations and impairment losses, was as follows:

	Computer software	Other intangible assets	Intangible assets in force	Total
Amounts on 01.01.2016				
Carried gross amounts	5,384,867.73	690,476.12	197,338.70	6,272,682.55
Amortisations and accrued impairment losses	(4,766,959.30)	(184,127.02)	-	(4,951,086.32)
Carried net amounts	617,908.43	506,349.10	197,338.70	1,321,596.23
Supplements	152,014.18	-	768,507.66	920,521.84
Transfers	177,208.70	-	(197,338.70)	(20,130.00)
Disposals, claims and write offs				
Carried gross amounts	(1,499.00)	-	-	(1,499.00)
Amortisations and accrued impairment losses	441.00	-	-	441,00
Amortisations (Note 21.9)	(291,776.25)	(69,047.64)	-	(360,823.89)
Amounts on 31.12.2016				
Carried gross amounts	5,712,591.61	690,476.12	768,507.66	7,171,575.39
Amortisations and accrued impairment losses	(5,058,294.55)	(253,174.66)	-	(5,311,469.21)
Carried net amounts	654,297.06	437,301.46	768,507.66	1,860,106.18
Supplements	129,570.24	1,997,745.88	802,372.27	2,929,688.39
Transfers	39,970.00	-	(39,970.00)	-
Amortisations (Note 21.9)	(259,856.61)	(468,596.76)	-	(728,453.37)
Regularizations	18.11	-	-	18.11
Amounts on 31.12.2017				
Carried gross amounts	5,882,131.85	2,688,222.00	1,530,909.93	10,101,263.78
Amortisations and accrued impairment losses	(5,318,133.05)	(721,771.42)	-	(6,039,904.47)
Carried net amounts	563,998.80	1,966,450.58	1,530,909.93	4,061,359.31

The main supplements to the intangible assets in force which took place in 2017 and in 2016 concern licensing and other expenses of a new software of management of transport operations (“TMS”), which is expected to enter into production in 2018. The acquisitions taken place in 2017 under the “Other intangible assets" headings refer to costs with the attainment of a contract for the provision of logistics and transport services with a duration of 5 years.

The “Other intangible assets” heading also includes an insurance portfolio, which was acquired in the period of 2013. This intangible asset is being amortised over a 10 year period, corresponding to the useful life estimated by the Board of Directors.

The computer software is not owned by the Group, which is limited to the respective rights of use under the terms of the contract entered into with the supplier.

There are no intangible assets pledged as security of liabilities.

There are no future commitments to the acquisition of intangible assets.

8. FIXED TANGIBLE ASSETS

During the periods ending on 31 December of 2017 and of 2016, the movement occurred in the carried amount of the intangible assets, as well as in the respective accrued amortisations and impairment losses, was as follows

	Terrains and natural resources	Buildings and other constructions	Basic equipment	Transport equipment	Administrative equipment	Other fixed tangible assets	Fixed tangible assets in force	Totals
Amounts on 01.01.2016								
Carried gross amounts	12,239,216.51	64,871,048.41	66,424,207.58	836,292.31	8,793,050.73	2,266,034.28	9,389,404.05	164,819,253.87
Depreciations and accrued impairment losses	-	(35,220,619.03)	(39,259,684.58)	(826,872.98)	(7,878,469.99)	(1,525,455.91)	-	(84,711,102.49)
Carried net amounts	12,239,216.51	29,650,429.38	27,164,523.00	9,419.33	914,580.74	740,578.38	9,389,404.05	80,108,151.38
Supplements	-	469,443.14	7,474,131.91	3,796.00	528,338.07	141,032.26	2,578,443.30	11,195,184.68
Transfers	-	6,207,238.42	529,683.25	-	4,864.26	1,848.85	(6,761,476.56)	(17,841.78)
Disposals, claims and write offs Carried gross amounts	-	(1,497,589.92)	(14,297,910.51)	(13,500.00)	(27,625.89)	(103,273.33)	(14,191.64)	- (15,954,091.29)
Depreciations and accrued impairment losses	-	1,451,892.95	11,027,931.03	11,604.16	19,234.76	102,314.99	-	12,612,977.89
Depreciations (Note 21.9)	-	(2,827,562.83)	(7,597,993.75)	(5,461.73)	(462,624.73)	(132,786.38)	-	(11,026,429.42)
Amounts on 31.12.2016								
Carried gross amounts	12,239,216.51	70,050,140.05	60,130,112.23	826,588.31	9,298,627.17	2,305,642.06	5,192,179.15	160,042,505.48
Depreciations and accrued impairment losses	-	(36,596,288.91)	(35,829,747.31)	(820,730.55)	(8,321,859.96)	(1,555,927.30)	-	(83,124,554.02)
Carried net amounts	12,239,216.51	33,453,851.14	24,300,364.92	5,857.76	976,767.21	749,714.77	5,192,179.15	76,917,951.46
Supplements	-	276,989.07	12,662,137.05	-	682,933.99	722,520.52	1,957,067.50	16,301,648.13
Transfers	-	3,510.00	1,168,852.87	-	79,054.43	(2,610.43)	(1,248,806.87)	-
Disposals, claims and write offs Carried gross amounts	-	(24,016,766.92)	(11,882,463.97)	(378,825.00)	(103,134.39)	(125,865.36)	-	- (36,507,055.64)
Depreciations and accrued impairment losses	-	11,934,274.42	9,136,761.84	378,825.00	82,754.49	119,855.35	-	21,652,471.10
Depreciations (Nota 21.9)	-	(2,704,896.76)	(7,435,315.30)	(2,376.04)	(474,274.87)	(217,408.05)	-	(10,834,271.02)
Other regularisations	-	-	-	-	-	-	(14,782.70)	(14,782.70)
Amounts on 31.12.2017								
Carried gross amounts	12,239,216.51	46,313,872.20	62,078,638.18	447,763.31	9,957,481.20	2,899,686.79	5,885,657.08	139,822,315.27
Depreciations and accrued impairment losses	-	(27,366,911.25)	(34,128,300.77)	(444,281.59)	(8,713,380.34)	(1,653,480.00)	-	(72,306,353.94)
Carried net amounts	12,239,216.51	18,946,960.95	27,950,337.41	3,481.72	1,244,100.86	1,246,206.80	5,885,657.08	67,515,961.33

The main supplements taken place in 2017 concern the acquisition of shelves, hardware, radio frequency equipment and video surveillance equipment.

The main transfer of the year of 2017 concern the preparation of the new logistics centre of Madrid, which started being used at the beginning of 2017.

The disposals taken place in 2017 essentially concern the disposal of two properties and the disposal of vehicles.

There are no fixed tangible assets pledged as security of liabilities or mortgages that burden Terrains and the Buildings which are owned by the Group in the periods ending on 31 December of 2017 and of 2016, with the exception of the assets acquired in leasing (Note 9).

The amount of expenditures recognised in the fixed tangible asset in force is composed as indicated in the following table:

	31-12-2017	31-12-2016
Vehicles in Preparation	298,244.00	781,852.87
Terminal of Azambuja	2,603,385.98	2,602,405.98
New Logistics Centre Madrid	2,530,629.59	1,683,443.96
Others	453,397.51	124,476.34
	5,885,657.08	5,192,179.15

The fixed tangible asset referring to the terminal of Azambuja concerns two terrains, which will be used by the company in the near future, within the scope of its activity.

The amount referring to the new logistics centre of Madrid concerns the installation of an automatic warehouse, which is predicted to be concluded in the first quarter of 2018.

During the period of 2017, amounts regarding compensations to be received from insurance companies for total loss of vehicle claims. In the period of 2016, the recognised amount rose to 23,543.94 Euro.

9. LEASES

LEASING

The carried net amount of the goods in leasing by the date of the balance, for each asset category, is shown in the following table:

	31/12/2017	31/12/2016
Tangible fixed assets		
Terrains and natural resources	2,196,421.11	2,196,421.11
Buildings and other constructions	9,052,898.32	9,483,099.76
	11,249,319.43	11,679,520.87

The minimum payments of leasing on 31 December of 2017 and of 2016 are detailed as follows:

	31-12-2017		31-12-2016	
	Minimum payments	Present amount of payments	Minimum payments	Present amount of payments
Up to 1 year	1,489,287.31	1,489,126.45	1,477,561.91	1,461,980.54
Between 1 year and 5 years	1,780,654.46	1,776,718.21	3,255,799.81	3,241,877.67
Total of minimum payments	3,269,941.77	3,265,844.66	4,733,361.72	4,703,858.21
Financial burden	(14,097.11)	n/a (*)	(29,503.52)	n/a (*)
Present amount of minimum payments	3,255,844.66	3,265,844.66	4,703,858.21	4,703,858.21

(*) - not applicable

The Group has lease contracts for terrains and buildings.

The referred to contracts do not provide for contingent rents and include an option to purchase.

OPERATING LEASES

The non-cancellable future minimum payments of operating leases on 31 December of 2017 and of 2016 are detailed as follows:

	31.12.2017			
	Expenditure of period	Future minimum payments		
		Up to 1 year	1 year and 5 years	More than 5 years
Leased properties	9,708,029.86	8,237,644.61	20,922,101.26	9,224,214.30
Lease of light vehicles	591,795.08	516,648.70	612,441.84	-
Lease of heavy vehicles	3,298,970.53	3,488,447.32	4,013,979.43	-
Lease of stackers	2,779,215.54	2,171,736.96	6,852,536.66	45,939.30
	16,378,011.01	14,414,477.59	32,401,059.19	9,270,153.60

	31.12.2016			
	Expenditure of period	Future minimum payments		
		Up to 1 year	1 year and 5 years	At more than 5 years
Leased properties	7,279,239.41	5,457,406.69	8,568,776.00	-
Lease of light vehicles	530,360.95	491,956.97	762,356.71	-
Lease of heavy vehicles	2,837,891.61	3,179,117.28	5,313,831.72	-
Lease of stackers	2,286,233.00	919,551.71	882,248.32	-
	12,933,724.97	10,048,032.65	15,527,212.75	-

10. INVESTMENT PROPERTIES

Investment properties are composed of terrains and buildings not allocated to the activity of the Group and present the evolution shown below:

	31/12/2017	31/12/2016
On 1 January		
Gross amount	1,440,293.88	1,440,293.88
Depreciations and accrued impairment losses	(280,431.21)	(59,205.74)
Net amount	1,159,862.67	1,381,088.14
Depreciations (Nota 21.9)	(14,787.75)	(14,777.16)
Impairment Losses	-	(206,448.31)
Other changes	48,989.29	-
On 31 December		
Gross amount	1,489,283.17	1,440,293.88
Depreciations and accrued impairment losses	(295,218.96)	(280,431.21)
Net amount	1,194,064.21	1,159,862.67

The purpose of investment properties is to transfer a holding to external entities.

During the course of the period of 2016, the Group obtained a market assessment related to part of the investment properties which revealed that their fair value was lower than their accounting value by 206,448.31 Euros, having recorded the respective impairment loss.

The fair value of the assets at the date of the balance is higher than the values presented in the Group's financial statements by that date.

On 31 December 2017, no investment properties were put forward as security to third parties.

On 31 December 2017, there were no significant contractual obligations of purchase, construction or development of investment properties.

The Group recognised in Consolidated Profit and Loss, under the "other income and gains" heading, the amount of 40,348.31 Euro (47,239.05 Euro in 2016) concerning rents of Investment Properties (Note 21.7).

11. INVENTORIES

On 31 December of 2017 and of 2016, the Group's inventories was detailed as follows:

	2017	2016
Merchandise		
Gross amount	1,368,756.81	1,351,965.69
Impairment losses	(303,309.28)	(267,023.26)
	1,065,447.53	1,084,942.43
Raw Materials, subsidiary materials and consumable materials		
Gross amount	412,286.33	393,935.64
Impairment losses	(7,967.95)	(7,967.95)
	404,318.38	385,967.69
	1,469,765.91	1,470,910.12

The inventories contained in the table above correspond to terrains, parts purchased for repairs and maintenance of vehicles and fuel for use in own vehicles and assignment to subcontractors.

During the periods ending on 31 December of 2017 and of 2016, the amounts of inventories recognised as expenditure were the following ones:

Cost of Sold Goods and Consumed Materials:

	Goods	RM, Subsid. Consum.	Total
Inventories on 1 January 2016	1,350,739.76	404,966.85	1,755,706.61
Purchases	4,958,025.47	8,116,375.26	13,074,400.73
Impairment losses	(267,023.26)	(7,967.95)	(274,991.21)
Regularisations of inventories	-	(67,933.88)	(67,933.88)
Existences on 31 December 2016	1,084,942.43	385,967.69	1,470,910.12
Cost of goods sold and materials consumed	4,956,799.54	8,059,472.59	13,016,272.13
Inventories on 01 January 2017	1,084,942.43	385,967.69	1,470,910.12
Purchases	3,819,349.17	6,474,421.62	10,293,770.79
Impairment losses	(36,286.02)	-	(36,286.02)
Regularisations of inventories	-	(89,707.70)	(89,707.70)
Existences on 31 December 2017	1,065,447.53	404,318.38	1,469,765.91
Cost of goods sold and materials consumed	3,802,558.05	6,366,363.23	10,168,921.28

The amounts above presented as costs include 4,503,920.75 Euro (6,574,766.46 Euro in 2016) referring to the consumption of the fuel sold to subcontractors. The revenue concerning the sale of fuel of the period of 2017 is recorded under the “Sale of Goods” heading (Note 12), while in previous periods it was recorded under the “Other income” heading (Note 21.7).

Adjustments recognised as expenditure of the period:

	2017	2016
Impairment Losses		
Merchandise	36,286.02	267,023.26
Raw materials, subsidiary materials and consumable materials	-	7,967.95
	32,286.02	274,991.21

During the period ending on 31 December 2017, an impairment loss was recorded in the sum of 36,286.02 Euro, in the context of a critical analysis to the obsolescence and rotation of the goods.

During the course of the period of 2016, the Group obtained market assessments regarding the terrains recognised as inventories, which revealed that their fair value was lower than their accounting value by 274,991.21 Euros, having recorded the respective impairment loss.

12. REVENUE

The revenue recognised by the Group in 2017 and in 2016 is detailed as follows:

	2017	2016
Sale of goods		
Merchandise	8,245,731.68	4,458,357.58
Return of sales	-	(15,341.78)
Discounts and write offs	(41,788.15)	(24,192.07)
	8,203,943.53	4,418,823.73
Provision of services		
Services	231,052,984.95	217,676,295.21
Discounts and write offs	(25,373.39)	(18,432.16)
	231,027,611.56	217,657,863.05
	239,231,555.09	222,076,686.78

The distribution of revenue by business and by geographic markets is as follows:

	2017	2016
Logistics	114,268,195.21	100,455,764.34
Transports	106,441,077.59	106,907,419.40
Fuel	4,640,229.78	-
Others	13,882,052.50	14,713,503.04
	239,231,555.09	222,076,686.78

	2017	2016
Internal market	227,000,786.09	209,368,576.93
External market	12,230,769.00	12,708,109.85
	239,231,555.09	222,076,686.78

In previous periods, the revenue regarding the sale of fuel was recorded under “Other income” (Note 21.7).

13. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

13.1. PROVISIONS

The values recorded under the provisions heading refer to the best estimate of the administration to respond to the losses that were estimated as probable regarding the ongoing court proceedings.

The movement taken place under the provisions heading during the periods ending on 31 December of 2017 and of 2016 is reflected in the following table:

	Provisions for ongoing court proceedings
On 1 January 2016	547,435.87
Uses in the year	(362,337.63)
Reversals of the year	(79,705.83)
Increases in the year	508,875.36
On 31 December 2016	614,267.77
On 01 January 2017	614,267.77
Uses in the year	(453,272.14)
Reversals of the year	(141,834.63)
Increases in the year	183,704.47
On 31 December 2017	202,865.47

During the periods ending on 31 December of 2017 and of 2016, the Group recorded expenses in the sum of 41,869.84 Euro and 429,169.53 Euros, respectively.

13.2. CONTINGENT LIABILITIES

There is an ongoing court proceeding against the Group in which a compensation on account of an accident occurred inside the facilities of the Group is claimed, for which it was not possible to estimate the amount of the possible expense to incur. The maximum contingency of this process amounts to 150,000 Euro, which corresponds to the amount of the claimed compensation.

Additionally, there is another court proceeding against the Company and an Insurance company filed by relatives of a former worker who received a compensation from the Insurance company due to an accident at work. The maximum contingency of this process amounts to 1,823,425 Euro, which corresponds to the amount of the claimed compensation, which is regarded as if the compensation is not covered by the insurance.

The Board of Directors, based on the opinion of its legal consultants, considers that the risk of losing is reduced, not having recorded any provision to that effect.

13.3. CONTINGENT ASSETS

The Luís Simões Logística Integrada, S.A. (Portugal) and Luís Simões Logística Integrada, S.A. (Espanha) subsidiaries proceeded to claim the “Impuesto sobre las Ventas Minoristas de Determinados Hidrocarburos” (IVMDH) tax referring to the tax periods from 2002 to 2012 both to the Autonomous Communities and the State Agency of Tax Administration (AEAT).

The IVMDH infringes the Community regulation that standardises the Special Taxes, particularly article 3, paragraph 2, of the Directive 92/12/EEC of the Council, of 25 February 1992, concerning the general scheme, term, circulation and control of the products subject to Special Taxes. Dated 27 February 2014, the Court of Justice of the European Union declared that the IVMDH infringes the Directive on Special Taxes that permits companies to claim the value to the respective public administrations.

The total claimed sum on 31 December 2017 was 4,531,858.09 Euro, plus interest on arrears. During the period of 2017, the sum of 73,132.54 Euro plus interest on arrears in the sum of 532.64 Euro was returned, exhibited in the Cash Flows Statement as “Other receipts” Therefore, the amounts claimed are not recorded in the accounts by the cut-off date, those amounts rising to 1,558,399.52 Euro plus the respective interest on arrears, which will be recorded as soon as the Spanish Tax Administration confirms they will be returned.

The amount indicated in the previous paragraph includes a sum of 690,545 Euro, claimed by way of “Responsabilidad Patrimonial del Estado (español)” (financial liability of the Spanish State), in February 2015, regarding the periods which were already prescribed (first quarter of 2002 to the third quarter of 2004 and first to third quarters of 2009).

13.4. OTHER INFORMATION

In February 2013 and March 2014, the Group was notified by the Monitoring Department of the Social Security Institution to produce various documents, which were delivered within the time limits defined. By the date of the drawing up of the present financial statements, no information on part of the Social Security Institute regarding the outcome of the referred to monitoring process was received. We are convinced that no infringements that might significantly influence these financial statements will result from the monitoring process.

14. GOVERNMENT GRANTS AND ASSISTANCE

The nature and scope of the government grants recognised in the consolidated financial statements are broken down in the following table:

	2017	2016
Government grants		
Internships	22,860.00	27,721.58
Employment incentives	36,743.71	28,016.61
Optimum incentive	19,322.95	-
Vehicle operating on gas incentive	14,533.75	-
Others	-	5,444.76
	93,460.41	61,182.95

The Group in 2017 and in 2016 did not directly benefit from any other forms of Government aid.

15. CHANGES TO EXCHANGE RATES

During the course of the periods ending on 31 December of 2017 and of 2016 no income and expenditure related to favourable and unfavourable exchange rate differences were recognised.

16. EVENTS AFTER THE DATE OF BALANCE

No events subsequent to 31 December 2017 that, due to their relevance and materiality, require adjustment or disclosure, as described in note 3.23, were recognised.

17. INCOME TAX

In Portugal the Group is subject to Corporation Tax ("IRC" - Imposto sobre os Rendimentos das Pessoas Coletivas), at the rate of 21% applicable to the taxable amount. Derrama (local tax proportionally divided amongst the taxpayers) is added to the taxation up to the limit of 1.5% on the taxable income, resulting in an aggregated tax rate of no more than 22.5%.

Additionally, during the course of the period ending on 31 December 2017, the taxable income that exceeds 1,500,00 Euro are subject to national "derrama", as per article 87-A of the Corporate Income Tax Code, at the following rates:

- 3% for taxable income between 1,500,000 and 7,500,000 Euro;

- 5% for taxable income between 7,500,000 and 35,000,000 Euro;

- 7% for taxable income over 35,000,000 (9% for the periods starting on 1 January 2018).

As per article 88 of the Corporate Income Tax Code, the Company is subject to an autonomous taxation on a group of charges at the rates provided for in the referred to article.

Some companies of the Group led by shareholder LS - Luís Simões, SGPS, subsidiaries in Portugal, are encompassed by the Special Scheme for Taxation of Company Groups ("RETGS"), as laid down in article 69 and following articles of the Corporate Income Tax Code, wherefore the tax ascertained individually is reflected in the balance of the shareholder included under the Shareholders/Partners heading. The foreign subsidiary is taxed according to the tax rules in force in the respective country of origin.

The companies included in "RETGS" are presented in the following table:

Company	Starting date
LS - Luís Simões, SGPS, S.A.	01/01/2007
Luís Simões Logística Integrada, S.A. - Portugal	01/01/2007
Reta - Serviços Técnicos e Rent-a-Cargo, S.A.	01/01/2007
Diagonal - Corretores de Seguros, S.A.	01/01/2007
LS - Gestão Empresarial e Imobiliária, S.A.	01/01/2011
LS Frota, Lda.	01/01/2016
Patrimundus - Investimentos Imobiliários, S.A.	01/01/2017

LS – Luís Simões, SGPS, S.A., as a controlling company, is responsible for calculating the taxable income of the group, by way of an algebraic sum of the taxable income and tax losses ascertained in Profit and Loss of each of the companies controlled belonging to "RETGS".

The year's tax charge to be paid is accounted for in each of the companies which comprise the Group according to the respective taxable income. The possible gain or loss resulting from "RETG" is recognised in each of the companies belonging to the Tax Group.

According to the existing legislation, tax returns are subject to be revised and corrected on part of the tax authorities over a four year period (five years for Social Security), except if there are tax losses or ongoing tax audits, complaints or challenges, in which case the time limits are extended or suspended, depending on the circumstances. This way, the tax returns of the Company concerning the periods from 2014 to 2017 may still be subject to revision and correction. The Board of Directors considers that possible corrections resulting from revisions/audits on part of the tax authorities to those tax returns will have no limiting effect on the tax returns under analysis.

The time limit for reporting the "PFR" reportable tax losses in Portugal is indicated in the following table:

Reporting time limit	Taxation periods
4 years	2010 and 2011
5 years	2012, 2013 and 2017
12 years	2014 to 2016

In Spain, the deduction of "PFR" is not limited by time.

The deduction of the "PFR" reportable tax losses is limited to 70% of the taxable income, this rule being applicable to the deductions made in the taxation periods starting on or after 1 January 2014, regardless of the taxation periods in which they were ascertained.

17.1. SEPARATE DISCLOSURE OF THE FOLLOWING MAIN TAX EXPENDITURE COMPONENTS (INCOME):

The Expenditure (income) by tax is as indicated in the following table:

	2017	2016
Current tax		
Corporate Tax Income of the year	1,542,704.97	433,944.98
	1,542,704.97	433,944.98
Deferred tax		
Originated and subject to reversal by temporary differences	(1,607,000.98)	131,794.34
	(1,607,000.98)	131,794.34
	(64,296.01)	565,739.32

In the period ending on 31 December of 2017 and of 2016, no recognised adjustments in the period of current taxes from previous periods were made.

The expenditure amount (income) by deferred tax related to the origin and reversal of temporary differences is exhibited in the following table:

Deferred tax assets

	Basis				
	31-12-2016	Increases	Decreases	Consol. Adjust.	31/12/2017
Impairment of assets:					
Impairment losses in debts receivable	622,709.75	804,564.17	(622,709.75)	-	804,564.17
Limitation deduction of depreciations and amortisations 2013 and 2014	899,190.85	-	(112,398.86)	-	786,791.99
Impairment losses in Investment Properties	206,448.31	-	-	-	206,448.31
Tax losses	10,405.15	2,366,940.07	-		2,377,345.22
	1,738,754.06	3,171,504.24	(735,108.61)	-	4,175,149.69
Consolidation adjustments	519,019.78	-	-	(176,612.89)	342,406.89
Total basis	2,257,773.84	3,171,504.24	(735,108.61)	(176,612.89)	4,517,556.58
Tax benefits	66,936.40	152,223.35	-	-	219,159.75
Deferred tax assets	642,937.60	973,742.03	(215,810.62)	(39,816.59)	1,361,052.42

Deferred tax liabilities

	Basis			
	31-12-2016	Increases	Decreases	31-12-2017
Differences between the basis of accounting and the tax basis of fixed tangible assets:				
Leaseback	299,895.35	-	(299,895.35)	-
Revaluation of assets	10,544,593.86	-	(3,654,132.74)	6,890,461.12
	10,844,489.21	-	(3,954,028.09)	6,890,461.12
Deferred tax liabilities	2,426,424.67	-	(888,886.17)	1,537,538.50

In the period of 2017 no change to the taxation rate took place, wherefore no amount related to said fact was recorded

17.2. RELATIONSHIP BETWEEN TAX EXPENDITURE (INCOME) AND ACCOUNTING PROFIT:

The numerical reconciliation between the effective average tax rate and the applicable tax rate is shown in the following table:

	Tax base		Tax rate	
	2017	2016	2017	2016
Income before taxes	545,285.41	1,895,583.29		
Nominal tax rate	22.50%	22.50%	22.50%	22.50%
Expected tax	122,689.22	426,506.24		
Non-taxable income				
Reversal of impairment losses taxed in previous years	829,158.67	378,922.00		
Refund of non-deductible tax and excess of estimate for tax	-	106.35		
Accounting gains	4,377,757.43	2,989,042.11		
Differences Amortisations/Results ascertained in Consolidation	288,753.19	112,398.86		
Tax benefits	44,316.78	567,273.31		
	5,539,986.07	4,047,742.63		
Non-deductible expenditure for tax purposes				
Depreciations and amortisations not accepted as costs	1,260,485.52	1,045,668.42		
Donations	14,139.08	4,666.50		
Corporate Income Tax and other income tax	24,777.44	48,516.34		
Fines, penalties and compensatory interest	97,780.64	47,893.12		
Charges that are not duly documented	779.13	8.50		
Charges with rental of vehicles without driver	19,807.78	-		
More tax gains	5,560,147.08	1,597,129.67		
Recording of impairment losses	1,011,012.48	829,551.26		
Non-deductible social benefit realisations	80,755.05	69,349.22		
Limit to the deductibility of expenditure with funding	-	44,058.01		
Corrections concerning previous periods	43,345.08	220.80		
Others	16,466.06	32,922.23		
	8,129,495.33	3,719,984.07		
Tax losses of the period not offset in the Group	(2,366,940.07)	-		
Taxable income	5,501,734.74	1,567,824.72		
Taxable income rate	21.00%	21.00%		
Municipal “derrama” rate	1.50%	1.50%		
Ascertained corporate income tax	1,155,364.29	329,243.19	211.88%	17.37%
Municipal “derrama”	102,183.57	36,575.67		
State “derrama”	140,031.08	-		
Autonomous taxations	148,120.03	125,210.31		
Effect of the existence of tax rates different from those in force in Portugal	-	1,861.98		
Use of tax losses	(2,994.00)	(58,946.17)		
Tax of the period	1,542,704.97	433,944.98	282.92%	22.89%
Deferred tax (Note 18.1)	(1,607,000.98)	131,794.34		
	(1,607,000.98)	131,794.34	(294.71%)	6.95%
Income tax for the period	(64,296.01)	565,739.32	(11.79%)	29.85%

By 31 December 2017, the amount of the tax sums to be deducted rose to 2,366,940.07 Euro, referring to the Luís Simões Logística Integrada, S.A. company. (Spain), which have no limit to their use.

17.3. EXPLANATION OF CHANGES TO THE APPLICABLE TAX RATE COMPARED WITH THE PREVIOUS ACCOUNTING PERIOD;

Between the periods of 2017 and of 2016, no change to the corporate income tax took place, having remained at 21%.

18. FINANCIAL INSTRUMENTS

18.1. FINANCIAL ASSETS

The financial assets measured at the amortised cost are indicated in the following table:

	31/12/2017	31/12/2016
Non-Current		
Other financial investments		
Equity shareholdings in unlisted companies	3,794.86	3,794.86
Labour Compensation Fund (FCT - Fundo de Compensação do Trabalho)	83,470.52	43,788.62
Others	-	10,000.00
	87,265.38	57,583.48
Credits receivable		
Pledges	1,169,217.70	1,343,970.97
Current		
Clients c/c	72,097,858.48	64,770,981.31
Other credits receivable		
Debtors by increase in income	2,936,705.84	1,880,414.99
Advances to suppliers	391,094.15	241,829.38
Staff	11,769.39	8,485.48
Other debtors - insurance brokerage activity	219,444.21	138,540.84
Other debtors - disposal of fixed tangible assets (a)	12,834,668.30	3,194,010.96
Other debtors	2,709,589.63	1,119,288.32
	19,103,271.52	6,582,569.97
Cash and bank deposits (Note 4)		
Cash in hand	18,142.01	16,006.05
Other bank deposits	1,161,833.09	258,786.18
	1,179,975.10	274,792.23
	93,637,588.18	73,029,897.96

(a) The heading includes, by 31 December 2017, the amount of 10,396,379.13 Euro, referring to the sale of the Gaia1 and Gaia2 buildings, which, as agreed upon in contract, shall be settled in 2018.

The Financial Assets measured at the amortised cost for which impairment was recognised are described in the following table:

	31-12-2017	31-12-2016
Clients		
Gross amount	75,060,208.68	69,360,185.19
Accrued impairment	(2,962.,50.20)	(4,589,203.88)
Carried net amount	72,097,858.48	64,770,981.31
Other debtors - insurance brokerage activity		
Gross amount	251,813.97	165,339.71
Accrued impairment	(32,369.76)	(26,798.87)
Carried net amount	219,444.21	138,540.84

The amount of impairment losses recognised in each of the categories of financial assets is indicated in the following assets:

Year of 2017	Initial balance	Reinforcement	Utilisation	Reversal	Final Balance
Financial assets measured at the amortised cost minus impairment					
Clients c/c	4,589,203.88	455,826.53	(1.783,596.94)	(299,083.27)	2,962.350.20
Other debtors	26,798.87	14,890.33	(8,317.35)	(1,002.09)	32,369.76
Other financial assets	3,606.13	-	(3,606.13)	-	(0.00)
	4,619,608.88	470,716.86	(1.795,520.42)	(300,085.36)	2,994,719.96

Year of 2016	Initial balance	Reinforcement	Utilisation	Reversal	Final Balance
Financial assets measured at the amortised cost minus impairment					
Clients c/c	5,200,906.47	509,256.15	(870,714.83)	(250,243.91)	4,589.203,88
Other debtors	32,915.97	6,704.30	(8,626.63)	(4,194.77)	26,798.87
Other financial assets	3,606.13	-	-	-	3,606.13
	5,237,428.57	515,960.45	(879,341.46)	(254,438.68)	4,619,608.88

The effect in results in the period of 2017 was of 170,631.50 Euro (299,124.77 Euro in 2016).

18.2. FINANCIAL LIABILITIES

The financial liabilities measured at the amortised cost are indicated in the following table:

	31/12/2017	31/12/2016
Non-Current		
Funding		
Bank loans	21,802,733.08	17,114,768.11
Financial leases	1,776,718.21	3,241,877.67
Capital participants (Nota 6.3)	13,013,727.04	12,286,137.49
	36,593,178.33	32,642,783.27
Other debts payable		
Investment suppliers	75,000.00	90,000.00
Current		
Suppliers	36,554,594.21	36,507,171.63
Funding obtained		
Bank loans	20,559,838.08	15,663,884.98
Bank overdrafts	4,945,017.44	5,006,271.32
Financial leases	1,489,126.45	1,461,980.54
From other entities	-	51,499.98
	26,993,981.97	22,183,636.82
Other debts payable		
Investment suppliers	3,361,901.09	3,896,816.70
Advance payment from clients	15,310.85	48,826.47
Increase for holidays and holiday allowance	4,027,619.21	3,739,696.74
Bonuses and daily allowances	332,188.64	305,320.03
Increase for subcontracting	2,108,902.05	4,987,035.11
Other increases in expenditure	7,920,418.56	3,377,161.32
Staff	28,851.16	99,023.80
Other debts payable - insurance brokerage activity	311,451.43	174,797.03
Other debts payable	212,801.33	412,235.97
	18,319,444.32	17,040,913.17
	81,868,020.50	75,731,721.62

The maturity of non-current funding is in its entirety between 1 and 5 years.

At the end of the period of 2017, the amount of the credit lines hired was of 40,450,000.00 Euro (40.600.000.00 Euro in 2016), with 4,945,017.44 Euro being used (5,006,271.32 Euro in 2016).

The credit lines with movement up to 1 year are renewed automatically according to what provided for in contract entered into with the credit entities.

The interest paid by the Group in the periods of 2017 and of 2016, referring to loans and credit lines hired and approved with credit institutions, is mainly linked to Euribor, plus market spread

18.3. RECOGNISED NET GAINS AND NET LOSSES

In the periods ending on 31 December of 2017 and of 2016, the income, expenditure, gains and losses related to financial instruments are detailed as follows

	2017		2016	
	Income	Expenditure	Income	Expenditure
Financial assets at the amortised cost:				
Interest (Note 21.10)	24.08	-	8.33	-
Impairment losses (Note 18.1)	-	470,716.86	-	515,960.45
Reversals of Impairment Losses (Note 18.1)	300,085.36	-	254,438.68	-
Monetary Correction	-	103,620.87	-	-
	300,109.44	574,337.73	254,447.01	515,960.45
Financial liabilities at the amortised cost:				
Interest incurred (Note 21.11)	-	1,047,542.06	-	1,056,773.50
Prompt payment discount obtained (Note 21.7)	839,713.57	-	830,825.69	-
	839,713.57	1,047,542.06	830,825.69	1,056,773.50
	1,139,823.01	1,621,879.79	1,085,272.70	1,572,733.95

18.4. INSTRUMENTOS DE CAPITAL PRÓPRIO

The carried amount of the share capital issued by the Group on 31 December of 2017 and of 2016 is detailed as follows:

	2017	2016
Share capital		
Nominal value	30,000,000.00	30,000,000.00
	30,000,000.00	30,000,000.00

The number of shares representing the share capital is indicated in the following table:

	Value	Quantity
Shares issued		
Common shares at 5 Euro each	30,000,000.00	6,000,000
	30,000,000.00	6,000,000

19. STAFF COSTS

The staff costs particular is indicated in the following table:

	2017	2016
Remuneration of staff	39,733,930.79	36,287,754.60
Compensations	617,404.68	822,349.24
Charges with remuneration	9,754,063.20	8,342,117.09
Insurance schemes for accidents at work and occupational diseases	359,147.61	332,968.24
Social welfare costs	61,314.54	15,181.05
Others	1,029,830.55	975,583.06
	51,555,691.37	46,775,953.28

The average number of workers in the service of the Group was 1,915 in 2017 (1,680 in 2016).

20. LEGALLY REQUIRED INFORMATION

From the information required in other legal acts, namely in articles 66, 324, 397, 447 and 448 of the Portuguese Commercial Company Code (CSC - Código das Sociedades Comerciais), and from the legal provisions contained in Decree-Law no. 328/95 of 9 December and the provisions of the Decree-Law no. 411/91 of 17 October, it is important to inform that:

I. In compliance with the provisions of article 324, paragraph 2, of the Portuguese Commercial Company Code, the Company has no own shares nor did it carry out until now any business that entailed securities of this nature;

II. In compliance with article 397, article 4, of the Commercial Company Code, during 2016, no businesses between the Company and members of its managing bodies were carried out;

III. In compliance with the provisions of article 21, paragraph 1, of the Decree-Law no. 411/91 of 17 October, the Company is not a debtor in delay to any welfare fund, the balances recorded by 31 December 2017 resulting from the application of withholding discounts and social security contributions corresponding to the month of December, the payment of which was made in January 2018, within the legal time limits.

IV. The members of the Board of Directors pointed below hold the following Company's shares:

José Luis Soares Simões:	300
Jorge Manuel Soares Simões:	300
Leonel Fernando Soares Simões:	300

As legally required, the Board of Directors declares that the Group presents no outstanding debts to the State and that the situation of the Group regarding Social Security is up to date, within the time limits legally defined.

21. OTHER INFORMATION

21.1. DEFERRALS

By 31 December of 2017 and of 2016, the current assets and current liabilities “Deferrals” headings exhibited the following composition:

	2017	2016
Deferred assets		
Deferred costs - insurance	357,206.14	290,611.86
Deferred costs - supplies and external services	460,054.80	435,233.50
Deferred costs - interest	-	4,466.96
	817,260.94	730,312.32
Deferred liabilities		
Fleet management protocol	349,125.64	544,011.38
Other deferred income	328,229.13	232,092.89
	677,354.77	776,104.27

21.2. RESERVES, RESULTS AND OTHER CHANGES IN EQUITY

The results and other changes in Equity heading breaks down as indicated in the following table:

	Legal reserve	Other reserves	Retained earnings	Net profit and loss for the period	Total
Balances on 1 January 2017	213,343.60	4,562,969.49	5,770,842.50	1,690,786.49	12,237,942.08
Dividends	-	-	(485,626.50)	-	(485,626.50)
Application of results	84,539.32	-	1,606,247.17	(1,690,786.49)	-
Profit and loss of the year	-	-	-	566,772.00	566,772.00
Acquisition / disposal of subsidiary(ies) effect (a)	-	(467,681.38)	-	-	-
Balance on 31 December 2017	297,882.92	4,095,288.11	6,891,463.17	566,772.00	12,319,087.58

	Legal reserve	Other reserves	Retained earnings	Net profit and loss for the period	Total
Balances on 01 January 2016	124,681.38	4,562,969.49	4,515,827.14	1,773,244.37	10,976,722.38
Dividends	-	-	(429,566.79)	-	(429,566.79)
Application of results	88,662.22	-	1,684,582.15	(1,773,244.37)	-
Profit and loss of the year	-	-	-	1,690,786,49	1,690,786.49
Balance as at 31 December 2016	213,343.60	4,562,969.49	5,770,842.50	1,690,786.49	12,237,942.08

a) In the period ending on 31 December 2017, the Group acquired the remaining share capital of Solmoninhos-Consultoria, Gestão e Execução Imobiliária,S.A..

Non distributable reserves:

Apart from the aforementioned, according to the existing legislation in Portugal, the income and other positive asset variations recognised as a result of the use of the equity method are only relevant for distribution amongst the shareholders when they are realised. In 2017, the Company recognised income and other positive unrealised asset variations, resulting from the application of the equity method and, consequently, non-distributable, in the sum of 546,242.86 Euro. On 31 December 2017, the total accrued amount of income and other positive non distributable asset variations of this nature recognised rose to 10.472.836.46 Euro, including the amount mentioned above included in the net profit and loss for the period.

The existing legislation in Portugal also states that the difference between the result to which the equity method was applied and the amount of dividends paid or decided upon which concern the same shareholdings be equated to legal reserves.

The particular of the non-distributable reserves, by heading, by 31 December 2017, is as follows:

	Non-distributable amount	Distributable amount	Total
Other reserves	3,034,948.43	1,528,021.06	4,562,969.49
Retained earnings	6,891,463.17	-	6,891,463.17
Adjustments to financial assets	-	268,414.41	268,414.41
Net income for the period	546,424.86	14,428.60	560,853.46
	10,472,836.46	1,810,864.07	12,283,700.53

The amount due of 14,428.60 Euro represents the net profit and loss of the Company, excluding the equity method effect, which, on account it is positive, may be distributed.

The movements occurred in the reserves and other equity heading by 31 December of 2017 and of 2016 which resulted from the application of results were as follows:

Period of 2017

By resolution of the General Meeting of 15 April 2017, the net profit and loss for the period and loss for the period ending on 31 December 2016, in the sum of 1,690,786.49 was applied as follows:

- Legal Reserve: 84,539.32
- Distribution of Dividends: 485,626.50
- Results Carried Over: 1,120,620.67

Period of 2016

By resolution of the General Meeting of 03 May 2016, the net profit and loss for the period and loss for the period ending on 31 December 2015, in the sum of 1,773,244.37 was applied as follows:

- Legal Reserve: 88,662.22
- Distribution of Dividends: 429,566.79
- Results Carried Over: 1,255,015.36

The legal reserve is not yet fully set up as per the law (20% of share capital). This reserve may only be used to hedge losses or the increase in share capital.

The legal reserve is not available for distribution, and it may only be used for increasing the share capital or compensating losses. According to the law, the legal reserve is reinforced on an annual basis in at least 5% of the net profit and loss, until at least 20% of share capital is reached. This reserve is not distributable unless in case of winding up of the company, but may be used to take up losses after the other reserves have been expended, or to be incorporated into the share capital.

21.3. INTERESTS THAT ARE NOT CONTROLLED

In the periods of 2017 and of 2016, the balance of interests that are not controlled registered the following evolution:

	2017	2016
Balances on 1 January	340,610.73	725,882.48
(Acquisitions) / Disposals	(259,907.99)	-
Period profit	42,809.42	(360,942.52)
Dividends	(6,966.56)	(24,329.23)
Balance on 31 December	116,545.60	340,610.73

The acquisition in 2017 in the sum of 259,907.99 Euro corresponds to the acquisition of 88% of the share capital of Solmoninhos – Consultoria, Gestão e Execução Imobiliária, S.A., a Company already previously consolidated by the Luis Simões Group, and which was acquired at fair value, above the value for which it was consolidated, thus generating a difference in purchase of 467,681.38 Euro recorded in Equity, as provided for in NCFR 15.25;

The interests that are not controlled heading on 31 December of 2017 and of 2016 is detailed as follows:

	2017	2016
Solmoninhos - Consultoria, Gestão e Execução Imobiliária, S.A.	-	263,283.48
Espaçotrans - Gestão Entrepostos Aduaneiros, Lda.	116,545.60	77,327.25
	116,545.60	340,610.73

21.4. STATE AND OTHER PUBLIC ENTITIES

By 31 December of 2017 and of 2016, the "State and other public entities" headings exhibited the following composition:

	31-12-2017		31-12-2016	
	Assets	Liabilities	Assets	Liabilities
Corporate income Tax				
Payments on account	39,764.85	(597,715.07)	749,772.16	(37,893.00)
Tax estimate	(2,572.13)	1,541,421.82	(371,018.87)	56,951.27
Withholding	50,418.72	(1,839.00)	53,227.82	42.28
Personal income tax	-	502,129.29	-	457,752.11
Value added tax - recoverable				
Recoverable VAT - Portugal	120,520.76	-	350,891.07	-
Recoverable VAT - Spain	385,844.57	-	438,475.60	-
Recoverable VAT - other countries	95,928.73	-	58,472.74	-
VAT Refunds Requested - Spain	646,028.20	-	382,035.63	-
VAT Refunds Requested - other countries	33,884.43	-	72,285.59	-
Value added tax - payable	-	2,343,796.70	-	1,003,115.08
Social Security Contributions	-	1,062,074.16	-	934,852.51
Excise duty	-	3,382,205.25	-	-
Other taxes	-	4,473.50	-	3,030.80
	1,369,818.13	8,236,546.65	1,734,141.74	2,417,851.05

21.5. WORKS TO OWN ENTITY

This heading is broken down as follows in the table below:

	2017	2016
Works to own entity		
Fixed tangible assets	434,282.74	477,816.96
Intangible assets	355,010.82	-
	789,293.56	477,816.96

21.6. SUPPLIES AND EXTERNAL SERVICES

The “Supplies and external services” heading in the periods ending on 31 December of 2017 and of 2016 is detailed as follows:

	2017	2016
Subcontracts	118,623,281.29	116,406,122.21
Rents and Leases	18,459,835.42	14,131,605.48
Fuel	8,559,327.24	7,879,925.89
Specialised works	7,893,165.53	4,932,791.10
Maintenance and Repair	4,865,195.26	5,433,740.27
Tolls	1,991,013.20	1,874,508.25
Insurances	1,730,654.15	1,638,751.83
Cleanliness, hygiene and comfort	1,691,564.56	1,331,626.83
Electricity	1,286,778.99	1,197,653.61
Travels and Stays	957,898.77	1,040,324.46
Surveillance and Security	904,730.44	639,272.48
Communication	686,355.68	821,608.92
Fees	530,980.28	408,800.77
Publicity and Marketing	201,777.23	320,267.56
Others	3,516,487.80	3,262,160.86
	171,899,045.84	161,319,160.52

The expenditure recognised as expenses of environmental nature are included in the cleanliness heading and amounted to 309,988.24 Euro in 2017 (301,095.15 Euro in 2016).

21.7. OTHER INCOME

The “Other income” heading in the periods ending on 31 December of 2017 and of 2016 is detailed as follows:

	2017	2016
Additional income:		
Sale of fuel	159,953.71	6,776,702.42
Transfer of staff	25,711.91	8,450.15
Rental of vehicles	98,617.41	260,524.92
Insurances	22,220.73	36,857.32
Transfer of a holding	20,234.61	2,223.20
Maintenance and repair of vehicles	341,716.26	224,116.51
Waste recovered	298,687.34	187,286.76
Other additional income	2,049,972.50	344,893.47
Prompt payment discounts obtained (Note 18.3)	839,713.57	830,825.69
Recovery of debts receivable	3,865.89	-
Compensation of claims	204,339.33	215,723.61
Gains in fixed tangible assets	4,422,445.57	3,694,141.53
Income renting contracts	229,810.74	329,175.34
Rate start of contract tyres	256,281.55	236,609.66
Rents from investment properties (Note 10)	40,348.31	47,239.05
Tax refund	70,188.93	1,893,929.88
Other obtained interest	28,529.40	599,935.26
Others	295,021.37	402,584.09
	9,407,659.13	16,091,218.86

In the period ending on 31 December 2017, the revenue associated with the sale of fuel became recorded under the "Sale of goods" heading (Note 12).

The "Other additional income" essentially refers to penalties provided for in contract regarding the delay in the delivery of the new logistics centre of Madrid and the installation of an automatic warehouse.

The "Tax refund" heading concerns the refund of a tax on motor fuels sold at petrol stations, the "Impuesto sobre las Ventas Minoristas de Determinados Hidrocarburos" (IVMDH), commonly named "Cêntimo Sanitário". The "Other obtained interest" heading essentially concerns the interest on arrears regarding the amounts refunded of the "Cêntimo Sanitário" (Note 13.3).

This tax refund originated from the claims presented by the company, as referred to in Note 13.3.

21.8. OTHER EXPENSES

The "Other expenses" heading in the periods ending on 31 December of 2017 and of 2016 is detailed as follows:

	2017	2016
Taxes and Rates	715,229.50	740,795.32
Losses in fixed tangible assets	446,083.64	137,733.58
Donations	45,687.07	37,914.27
Levies	26,065.15	25,857.80
Claims	892,703.40	838,042.05
Insufficiency of tax estimate	24,777.44	6,899.11
Fines	96,432.94	45,104.77
Others	128,606.80	199,059.97
	2,375,585.94	2,031,406.87

21.9. DEPRECIATIONS / AMORTISATIONS

The "Expenses / reversals of depreciation and amortisation" heading in the periods ending on 31 December of 2017 and of 2016 is broken down as follows:

	2017	2016
Intangible Assets (Note 7)	728,453.37	360,823.89
Fixed intangible assets (Note 8)	10,834,271.02	11,026,429.42
Investment properties (Note 10)	14,787.75	14,777.16
	11,577,512.14	11,402,030.47

21.10. INTEREST AND SIMILAR INCOME RECEIVED

The “Supplies and Similar Income Obtained” heading in the periods ending on 31 December of 2017 and of 2016 is detailed as follows:

	2017	2016
Interest received		
From deposits	24.08	8.33
	24.08	8.33

21.11. INTEREST AND SIMILAR COSTS PAID

The “Supplies and Similar Expenses Incurred” heading in the periods ending on 31 December of 2017 and of 2016 is detailed as follows:

	2017	2016
Interest losses		
From funding obtained	390,572.40	398,305.93
From funding obtained - Other Related Entities - (Note 6.3)	433,905.31	457,645.14
From overdrafts	153,075.15	176,119.24
From leasing	15,169.48	21,651.87
From factoring	-	111.02
From confirming	15.41	-
From financial updates	103,620.87	-
Others	1,399.22	2,940.30
Other expenses and losses of funding		
Others	53,405.09	-
	1,151,162.93	1,056,773.50

21.12. GUARANTEES GIVEN

Theliability for guarantees given by the companies included in the consolidation goes up to 16,496,773.59 Euro (7,386,328.10 Euro in 2016) and essentially corresponds to bank guarantees.

Additionally, the Group presents promissory notes to third parties as a guarantee with a view to ensure the payment of debts, which by 31 December 2017 amounted to 48,072,617.59 Euro (33,100,009.59 Euro by 31 December 2016).

21.13. EARNING PER SHARE

The earnings per share of the periods ending on 31 December of 2017 and of 2016 was determined as follows:

	2017	2016
Results:		
Net profit and loss for the period	566,772.00	1,690,786.49
Number of shares		
Average weighted number of shares	6,000,000.00	6,000,000.00
Basic earning per share	0.09	0.28

The Certified Accountant:	**Signature**
Vítor José Caetano de Sousa	
The Board:	
José Luís Soares Simões – Chairman	
Leonel Fernando Soares Simões – Member	
Jorge Manuel Soares Simões – Member	
Fernanda Maria Oliveira Simões – Member	
Daniela Alexandra Lopes Simples - Member	
Rui Miguel Marco Simões – Member	
Maria Celeste Morgado Venâncio Santos - Member	