

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

1. ENTITY IDENTIFICATION

Fundação Millennium bcp (hereinafter referred to as Foundation), with head office at Rua Augusta, nº 62-64 in Lisbon, is a private non-profit legal person, incorporated on 27 December 1991 exclusively for social purposes, in the areas of culture, science and charity. The Foundation aims to develop activities that contribute to enhance and spread the Portuguese language and culture, develop scientific research, promote charitable actions in Portuguese speaking countries and financially support entities that promote activities targeting cultural training, scientific research, health care, charitable activities in general or humanitarian purposes.

The Foundation was recognised by the Minister for Internal Administration as a legal person, as published in the Portuguese Official Gazette no. 195, 2nd Series, of 24 August 1994, and was recognised as an entity that serves the public interest (utilidade pública) by a declaration published in the Portuguese Official Gazette no. 15, 2nd Series, of 18 January 1995.

Under the terms of Article 62-B (1.c) of the Tax Benefits Statute “foundations and associations that carry out activities of cultural nature or of cultural interest, namely in the defence of the material and immaterial historical and cultural heritage are classified as entities beneficiary of cultural sponsorship” and the activity pursued by the Foundation falls into that classification.

2. ACCOUNTING REFERENCES FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

2.1 THE FINANCIAL STATEMENTS OF THE FOUNDATION WERE DRAWN UP IN ACCORDANCE WITH THE ACCOUNTING STANDARDIZATION SYSTEM (SNC) AS DEFINED IN DECREE LAW 158/2009, OF 13 JULY, REPUBLISHED BY DECREE-LAW NR. 98/2015 OF 2 JUNE AND PARTICULARLY WITH THE PROVISOS OF NOTICE 8259/2015 OF 29 JULY, WHICH APPROVES THE ACCOUNTING STANDARD AND THE FINANCIAL REPORTING FOR NON-PROFIT ENTITIES (ESNL). THE ACCOUNTING STANDARDISATION SYSTEM FOR NON-PROFIT ENTITIES (SNC-ESNL) IS COMPOSED OF THE BASIS FOR THE PRESENTATION OF FINANCIAL STATEMENTS (BADF), FINANCIAL STATEMENTS MODELS (MDF), ACCOUNTS CODE (CC), AND FINANCIAL REPORTING AND ACCOUNTING STANDARD FOR NON-PROFIT ENTITIES (NCRF-ESNL).

The financial statements, which include the balance sheet, the income statement by nature, the statement on changes to own funds, the cash flow statement and the annex, were approved by the Executive Committee of the Foundation, on 28 March 2018, were made in Euros and were based on the premises of continuity and of an accrual basis whereby items are recognised as assets, liabilities, equity, income and expenditure when they meet the definitions and criteria for recognising those elements in the conceptual structure, in accordance with the qualitative features of being understandable, relevant, material, reliable, true, substance over form, neutral, prudent, complete and comparable.

The accounting policies, presented in note 3, were used in the financial statements for the financial year ended on 31 December 2017 and in the comparative financial information presented in these statements for the financial year ended on 31 December 2016.

2.2. NO DEROGATIONS WERE MADE TO THE PROVISIONS OF THE NCRF-ESNL.**2.3. THERE ARE NO ACCOUNTS IN THE BALANCE SHEET OR INCOME STATEMENTS WHOSE CONTENTS ARE NOT COMPARABLE WITH THOSE OF THE PREVIOUS FINANCIAL YEAR.****3. MAIN ACCOUNTING POLICIES**

The main accounting policies used to draw up the financial statements are the following:

3.1. MEASUREMENT BASIS USED TO PREPARE THE FINANCIAL STATEMENTS

The financial statements were prepared in accordance with the assumption of the continuance of operations from the Foundation's accounting records.

The preparation of the financial statements in compliance with NCRF-ESNL requires the Executive Committee to make judgments, estimates and assumptions that affect the application of the accounting policies and valuations of assets, liabilities, income and expenditure. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which are the basis for making the judgments about carrying values of assets and liabilities that are not readily apparent through other sources. Actual results may differ from these estimates. The issues involving a higher degree of judgement or complexity, or where assumptions and estimates are considered to be significant are presented in note 3.3 - Accounting estimates and judgements when applying accounting policies.

3.2. OTHER RELEVANT ACCOUNTING POLICIES**a) Financial investments**

Financial investments are measured initially in the balance sheet at fair value and all subsequent changes to the fair values are recognised directly in the income statements, in item "Fair value increases/reductions".

b) Recognition of income and expenditure

Income and expenditure items are recorded in the period to which they pertain, regardless of being payable or receivable, according an accrual basis. The differences between the amounts received and paid and the corresponding income and expenditure are recorded under "Other accounts receivable or payable", depending on such amounts being receivable or payable and deferments.

c) Cash and cash equivalents

Cash and equivalents include money in cash and in bank current deposits and short term financial investments, with high liquidity that are readily convertible into known amounts in cash and that have an insignificant price volatility risk.

The cash flow statements are prepared using the direct approach, through which are disclosed the gross cash receivables and payables for operating, investment and funding activities.

The Foundation classifies interests and dividends received as investment activities.

d) Income tax in the financial year

By a joint decision of the Ministers for Finance and Culture dated of 30 December 1997, published in the II Series of the Portuguese Official Gazette of 27 January 1998, the Foundation was exempted of Corporate Income Tax (IRC) under the terms of article 10 of the Portuguese IRC Code.

e) Fixed tangible assets

Fixed Tangible Assets are recorded at the acquisition or production price, after deducting the depreciations and impairment losses accrued. The acquisition or production cost initially recorded includes the purchase cost, any costs directly attributable to the activities required to place the items

on the location and condition required to operate as desired and, if applicable, the initial estimate of the costs involved in dismantling and removing the assets and in restoring the respective installation or operation locations that the Entity foresees.

The subsequent expenses that the Entity has with maintenance and repair of the assets are recorded as expenditure for the period in which they are made, as long as they are not susceptible of allowing current and future additional activities.

The depreciations are computed as soon as the assets can be used, using the method of the straight line in accordance with the service life estimated for each group of assets.

The depreciation rate used for administrative equipment takes into account an estimated service life of eight years.

The Entity reviews the service life of each asset every year, as well as its residual value, if any.

The losses or gains from the sale of fixed tangible assets are determined by the difference between the fully paid up value and the amount inserted in the deed on the sale date, and are recorded in the Income Statement under item "Other expenditure and services".

f) Donations received

Donations received are recorded in the period of time in which they were granted and are measured at their fair value. When the inflow of cash or cash equivalent is deferred, the fair value may be less than the nominal amount. This difference is recognised as interest income.

g) Donations granted

Donations granted are recorded in the period in the period of time in which they were granted, regardless of their payment, according to the financial year specialization principle and on an accrual basis. The amounts attributed and not yet paid, are recorded under "Other accounts payable".

h) Events after the balance sheet date

The events that took place after the balance sheet date and provide additional information on conditions that existed on the balance sheet date are considered in the financial statements. The events that took place after the balance sheet that provide information on conditions occurring after the balance sheet date are considered in the financial statements if deemed material.

3.3. ACCOUNTING ESTIMATES AND JUDGEMENTS WHEN APPLYING ACCOUNTING POLICIES

The NCRF-ESNL require that estimates and judgements be made within the scope of the decision-making regarding some accounting actions with impacts on the amounts recorded as total assets, liabilities, equity, expenditure and income. The real effects may differ from the estimates and judgements made, namely in what concerns the effect of real expenditure and income.

The main accounting policies used by the Foundation are presented in detail in note 3.2.

3.4. CONTINUITY

No situations were identified by the Executive Committee that could jeopardise the continuity of the Foundation.

4. FIXED TANGIBLE ASSETS

	(Euros)	
	2017	2016
Office Furniture	17,910	17,910
Depreciation in the current financial year	(2,245)	(2,245)
Depreciation in previous financial years	(10,703)	(8,458)
	4,962	7,207

5. FINANCIAL INVESTMENTS

	(Euros)	
	2017	2016
Other financial assets	750	750
Securities: Cost	910,000	910,000
Fair value variation	98,700	102,900
	1,009,450	1,013,650

The item Other financial assets recorded Euros 750 (2016: Euros 750) representing 0.2% of the share capital of Millennium bcp – Prestação de Serviços, A.C.E.. (note 16)

As at 31 December 2017 and 2016, the securities portfolio of the foundation consisted of 350,000 shares of EDP-Energias de Portugal, S.A., which were measured according to fair value on 31 December of each year, computed using the market value on the last trading day. During the financial year ended at 31 December 2017 these securities depreciated 4,200 Euros (2016: depreciated 149,450 Euros), which was recognised according to the policy mentioned in note 3.2 a).

In the financial year ended at 31 December 2017 this investment paid dividends amounting to Euros 66,500 (Euros 64,750 in 2016 (Note 15)).

6. STATE AND OTHER PUBLIC ENTITIES

This item breaks down as follows:

	(Euros)	
	2017	2016
Withholding at source and VAT	3,628	1,786

7. OTHER RECEIVABLES AND PAYABLES

This item breaks down as follows:

	(Euros)	
	2017	2016
ADDITIONAL INCOME		
Interests on term deposits (note 16)	2,050	2,344
ADDITIONAL COSTS		
Estimate of invoices payable	888,069	874,173
Other	2,460	1,267
	890,529	875,440

The item "Estimate of invoices payable" regards costs with activities already undertaken for which the Foundation has not yet received the invoices.

8. CASH AND DEPOSITS

This item in the amount of Euros 2,308,553 (31 December 2016: EUR 2,494,775 corresponds to the balances of current and term deposits with Banco Comercial Português S.A. (BCP) (note 16).

Term deposits on 31 December 2017 and 2016 were composed as follows:

(Euros)				
2017				
Deposit	Start	Maturity	Annual gross rate	Amount
2956515090	28-03-2017	28-03-2018	0.200%	1,000,000
2978357744	03-10-2017	05-10-2018	0.200%	1,000,000
				2,000,000

(Euros)				
2016				
Deposit	Start	Maturity	Annual gross rate	Amount
2904876946	01-02-2016	31-01-2017	0.550%	360,000
2939118334	11-10-2016	11-10-2017	0.200%	1,100,000
				1,460,000

As to liquidity, early withdrawals, full or partial, are allowed at any time during the contracted term, with penalty of the interest for the amount withdrawn in the period under way.

Considering the liquidity and term of these deposits, the same were considered as cash equivalent for the purposes of the cash flow statement, in accordance with the policy defined in note 3.2 c).

9. FUNDS

This item records the Social Fund of the Foundation, and corresponds to the initial amount allocated by BCP to incorporate the Foundation, worth Euros 1,496,394.

10. SUPPLIERS

On 31 December 2017, this item corresponds to unpaid invoices of which EUR 28,176 (2016: Euros 22,430) from entities of the BCP Group (note 16).

11. SUPPLIES AND OUTSOURCING

This item breaks down as follows:

	(Euros)	
	2017	2016
Specialized work	580,697	744,010
Other supplies and services	40,491	49,863
	621,188	793,873

The item "Specialized work" recorded Euros 235,681 (2016: Euros 234,944) regarding assignment of staff by BCP and services provided by Millennium bcp – Prestação de Serviços, A.C.E., amounting to Euros 36,701 (2016: Euros 34,545) (note 16).

12. STAFF RELATED COSTS

This item in the amount of Euros 12,000 (2016: Euros 14,500) corresponds to other remunerations of the corporate bodies and costs with social security.

13. SUBSIDIES, DONATIONS AND LEGACIES TO OPERATION

In the financial year ended on 31 December 2017, this item includes the donation granted by BCP, amounting to Euros 2,000,000 (2016: 2,100,000 Euros (note 16)

14. OTHER EXPENDITURE AND SERVICES

This item breaks down as follows:

	(Euros)	
	2017	2016
Donations made	1,678,183	1,597,172
Membership fees	-	2,000
Sundry	2,390	2,219
	1,680,573	1,601,391

15. INTERESTS AND SIMILAR INCOME

This item breaks down as follows:

	(Euros)	
	2017	2016
Interests	4,668	8,808
Dividends (Note 5)	66,500	64,750
	71,168	73,558

Interests were paid by financial investments with BCP (Notes 8 and 16).

16. RELATED PARTIES

Are considered related parties the subsidiary companies and associated companies of Group Banco Comercial Português, as well as the Pension Fund, the members of the Board of Directors and the key management individuals. Apart from the members of the Board of Directors and the key management individuals were equally considered as related parties the persons closely related to them (family members), the entities controlled by them or in whose management they exercise a significant influence.

On 31 December 2017 and 2016, the Foundation recorded the following assets and liabilities with related parties:

(Euros)				
2017				
Related party	Other receivables and payables (note 7)	Cash and deposits (note 8)	Suppliers (note 10)	Financial investments (note 10)
Banco Comercial Português, S.A.	2,050	2,308,553	17,198	-
Millennium bcp – Prestação de Serviços, ACE	-	-	10,978	750
	2,050	2,308,553	28,176	750

(Euros)				
2016				
Related party	Other receivables and payables (note 7)	Cash and deposits (note 8)	Suppliers (note 10)	Financial investments (note 10)
Banco Comercial Português, S.A.	2,344	2,494,775	16,369	-
Millennium bcp – Prestação de Serviços, ACE	-	-	6,061	750
	2,344	2,494,775	22,430	750

During the financial years ended on 31 December 2017 and 2016, the Foundation carried out the following transactions with related parties:

(Euros)

2017			
Related party	Supplies and outsourcing (note 11)	Interests and similar income (note 15)	Subsidies, donations and legacies to operation (note 13)
Banco Comercial Português, S.A.	235,681	4,668	2,000,000
Millennium bcp – Prestação de Serviços, ACE	36,701	-	-
	272,382	4,668	2,000,000

(Euros)

2016			
Related party	Supplies and outsourcing (note 11)	Interests and similar income (note 15)	Subsidies, donations and legacies to operation (note 13)
Banco Comercial Português, S.A.	234,944	8,808	2,100,000
Millennium bcp – Prestação de Serviços, ACE	34,545	-	-
	269,489	8,808	2,100,000

17. CONTINGENT LIABILITIES AND OTHER COMMITMENTS

Apart from the commitments mentioned in note 14, there are no contingent liabilities.

Within the scope of the activity pursued by the Foundation for its various cultural, educational and social initiatives, the Foundation made, on 31 December 2017, future commitments for donations amounting to Euros 455,143 (2016: Euros 361,000), regarding protocols signed and other firm commitments.

18. RELEVANT FACTS IN 2017

In 2017, no relevant facts were recorded.

19. EVENTS AFTER THE BALANCE SHEET DATE

After the balance sheet date and before the financial statements' disclosure was authorised, there were no relevant transactions and/or events that merited disclosure.