CONSOLIDATED REPORT AND ACCOUNTS OF THE CP GROUP

2018

COMBOIOS DE PORTUGAL

TECHNICAL INFORMATION

CP – Comboios de Portugal, E. P. E.
Calçada do Duque, nº 20
1249–109 Lisbon
Corporate Taxpayer number: 500 498 601
Registered in the Commercial Registry Office of Lisbon under no. 109
Statutory Capital € 3 931 000 000.00 (as at the 31st December, 2018)

Design and Coordination:
Department of Planning and Activity Control
Financial Management

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The content herein is in accordance with the Portuguese Language Orthographic Agreement.

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SUMMARY OF THE YEAR

Operating Indicators of the Group	2018	2017	Change	
			Amount	%
Demand				
Passengers (10^3)	126 275	122 028	4 247	3,5%
Passengers Kilometre (10^3)	4 104 131	4 032 713	71 418	1,8%
Supply				
Train-km (10^3)	28 531	29 129	-598	-2,1%
Human Resources				
CP	2 658	2 681	-23	-0,9%
EMEF	1 031	1 036	-5	-0,5%
Fernave	9	18	-9	-50,0%
Ecosaúde	27	27	0	0,0%
Saros	1	1	0	0,0%
Final Effective Staff	3 726	3 763	-37	-1,0%
Fleet - Active Fleet				
Railcars	237	239	-2	-0,8%
Locomotives	32	31	1	3,2%
Carriages	104	104	0	0,0%

Financial Indicators of the Group (Amounts in 10^3 €)	2018	2017	Change	
			Amount	%
Trading Account				
Operating Result (1)	-36 805	-33 905	-2 901	-8,6%
Net Result	-106 249	-111 067	4 818	4,3%
EBITDA (2)	17 823	21 776	-3 953	-18,2%
Balance Sheet				
Asset	589 807	629 186	-39 379	-6,3%
Equity	-2 271 614	-2 246 273	-25 341	-1,1%
Liability	2 861 422	2 875 460	-14 038	-0,5%
Loans Obtained	2 587 478	2 615 920	-28 443	-1,1%

(1) A reclassification of the unfavorable exchange differences of 2017 from the heading "Payable Interest and Similar Eexpenses" to "Other Expenses" was carried out, in the amount of 278 thousand euros compared to the data disclosed in 2017.

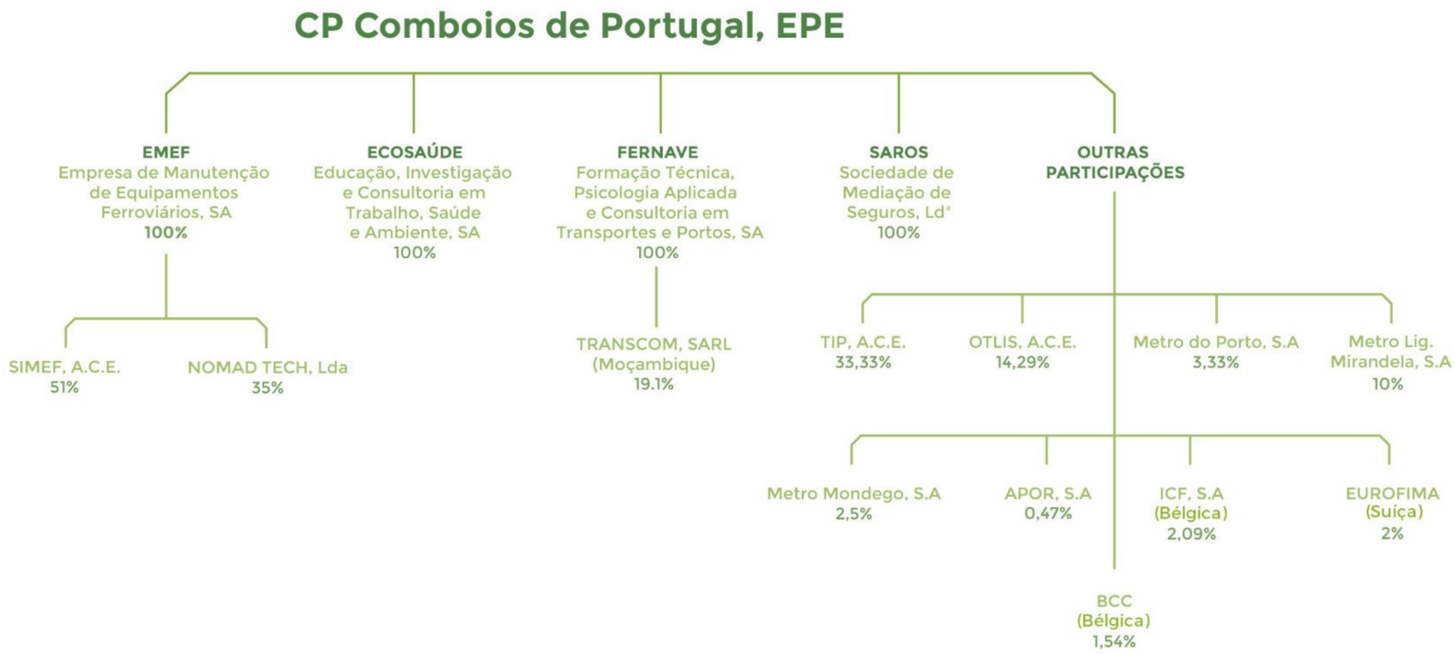
(2) Before compensation for termination of employment, fair value, impairments, provisions, depreciations, financing expenses and taxes and other transactions, particularly exchange differences, unrelated to the CP Group's core activity.

CP GROUP

SCOPE OF THE GROUP

CP is a public railway transport company held 100% by the State. CP controls companies in the field of supplies in the sector, e.g. in the areas of maintenance of rolling stock, training, healthcare and insurance mediation, with minority case-by-case holdings, on a cooperation-based approach with other operators.

The following diagram presents the holdings from CP and its affiliate companies as at 2018:



The CP holding in the company APOR – Agência para a Modernização do Porto, S.A. was liquidated as at 2018.

ACTIVITY SECTORS

CP – COMBOIOS DE PORTUGAL, E.P.E.

The main purpose of CP – Comboios de Portugal, E.P.E. is the provision of passenger railway transport services.

EMEF – EMPRESA DE MANUTENÇÃO DE EQUIPAMENTO FERROVIÁRIO, S.A.

EMEF has a vast involvement in railway engineering. EMEF carries out the manufacture, reconditioning, large repair and maintenance of equipment, railway vehicles, as well as the study of workshop facilities for maintenance purposes.

SIMEF, A.C.E

SIMEF carries out the maintenance of “LE 5600” and "LE 4700" locomotives.

ECOSAÚDE – EDUCAÇÃO, INVESTIGAÇÃO E CONSULTORIA EM TRABALHO, SAÚDE E AMBIENTE, S.A.

ECOSAÚDE provides services regarding healthcare, teaching, training and technical/professional development within the sectors of working conditions, health and environment. ECOSAÚDE also performs services related to recruitment, selection and assessment of staff, as well as technical assistance, consultancy and auditing, specifically regarding health, occupational health and safety, environment and environmental management. ECOSAÚDE performs drug and alcohol tests and ensures proper referral for the treatment of such addictions.

FERNAVE – FORMAÇÃO TÉCNICA, PSICOLOGIA APLICADA E CONSULTORIA EM TRANSPORTES E PORTOS, S.A.

FERNAVE carries out training and professional technical development, as well as studies and projects within the scope of the creation, organisation and management of companies. FERNAVE also provides services related to applied psychology, as well as medical and psychological assessment, higher education and scientific research regarding transportation, communications or technological areas within the technological scope of the aforementioned companies.

SAROS – SOCIEDADE DE MEDIAÇÃO DE SEGUROS, LDA.

SAROS provides mediation services within the category of insurance agents in the fields of LIFE and NON-LIFE. SAROS's activity is focused on managing the insurance portfolio of the companies in the CP Group.

TIP, A.C.E.

TIP is responsible for the implementation and management of a common and exclusive ticketing system of the Grouping (CP, STCP and Metro do Porto) in the Greater Oporto area, as well as for establishing the common and exclusive intermodal tariff for the public means of transportation of passengers that are operated either directly or indirectly by the Grouping entities.

OTLIS, A.C.E.

OTLIS is responsible for the development of the tele-ticketing project in the Greater Lisbon area in association with other international partners, in accordance with the commitments assumed by the companies comprising the grouping within the scope of the overall proposal of the aforementioned project (OTLIS, A.C.E.).

INTRA-GROUP RELATIONS

The following table shows the services the companies in the Group provide to each other:

Provider	Service	Receiving Entity				
		CP	EMEF	Fernave	Ecosaúde	SAROS
CP	Leasing of Buildings		☑			
	Service Provision (Accounting, IT, Etc.)		☑	☑	☑	☑
	Re-invoicing (housekeeping of premises, surveillance, utilities, etc.)		☑	☑	☑	
EMEF	Rolling Stock Maintenance and Repair Services	☑				
Fernave	Training	☑	☑			☑
EcoSaúde	Medical, occupational health and safety services as well as blood alcohol and drugs tests	☑	☑	☑		☑
SAROS	Insurance Mediation	☑	☑	☑	☑	

FRAMEWORK

CONTEXT

Pursuant to article 4 of Regulation no. 1606/2002 of the European Parliament and the European Council, of the 19th of July, the entities whose securities are admitted to trading in a regulated market shall draw up their consolidated accounts in accordance with the international financial reporting standards.

For this reason, CP presents its consolidated financial statements, which express the financial position and results of the Group's operations as if it were a single entity, aiming to highlight the results of the operations that the companies in the Group have carried out with third parties.

This consolidation shall not have an impact at a fiscal level, namely regarding Income Tax, given that there are no expectations for the group to obtain future taxable profits which allow using the accumulated tax losses.

NON-FINANCIAL REPORTING

As to the 2018 Non-Financial Reporting, CP draws up its Sustainability Report since 2008 and publishes it on its website on a date following the publication of the Report & Accounts or Annual Management Report. For the financial year under review, CP will act accordingly, pursuant to Article 3 of Decree-Law no. 89/2017, of the 28th of July.

MACROECONOMIC FRAMEWORK

In 2018, according to the estimates available during the preparation of this Report[1], the Gross Domestic Product (GDP) returned to pre-crisis levels and the unemployment rate decreased 10 percentage points, to 6.7% at the end of the year, representing one of the highest reductions in any OECD Country over the last decade.

After the economic activity was increased by the exports in the period following the crisis – driven by the rapid growth in tourism – the recovery extended to domestic demand. The investment in equipment, as in real estate, has registered a strong growth due to price increase in this sector.

1 OECD ECONOMIC SURVEYS: PORTUGAL 2019 © OECD 2019, Banco de Portugal – Statistical Bulletin - Feb 2019 and www.INE.pte.

The private consumption has positively contributed to the change in GDP following the household income growth.

The Harmonised Index of Consumer Prices (HICP) accounted for an annual average rate of change of 1.2% in 2018, lower than the 1.6% of the previous year.

GOVERNANCE MODEL

The CP's Board of Directors is composed as follows:

- / Dr. Carlos Gomes Nogueira – President
- / Dr. Ana Maria dos Santos Malhó – Voting Member
- / Eng. Sérgio Abrantes Machado – Voting Member

The Members of CP's Board of Directors hold the following Management positions:

Member of the Administration Board	Accumulation of Tasks - 2018		
	Entity	**Function**	**Scheme (Public/Private)**
Carlos Gomes Nogueira	EMEF	President of the B.D. (from 20-08-2018)	Public
	FMNF	Acting President of B.D. (from 28-02-2018)	Public
Ana Maria dos Santos Malhó	EMEF	Voting Member of the B.D.	Public
	SIMEF	President of the B.D.	Public
Sérgio Abrantes Machado	EMEF	President of the B.D. (until 18-07-2018)	Public
		Voting Member of the B.D. (from 20-08-2018)	
	Nomad Tech	Manager	Private

Caption:

EMEF - Empresa de Manutenção de Equipamento Ferroviário, S.A.

Nomad Tech, Lda

SIMEF A.C.E.- Serviços Integrados de Manutenção e Engenharia Ferroviária, A.C.E.

FMNF - Fundação do Museu Nacional Ferroviário Armando Ginestal Machado

B.D. - Board of Directors

The Affiliates Fernave, Ecosaúde and Saros have a Sole Director appointed by CP.

GROUP’S PERFORMANCE

CP – COMBOIOS DE PORTUGAL, E.P.E.

EXECUTIVE SUMMARY

CP closed the year 2018 with a total of more than 126 million transported passengers and approximately 259 million euros in traffic income, continuing the growth trend observed since 2013.

There was an increase of 4.2 million passengers travelling in CP’s trains, in comparison with the previous year, and a traffic income increase of 9.1 million euros, corresponding to an improvement of 3.5% and 3.7% respectively.

CP maintained a positive recurrent EBITDA of 9.5 million euros and the Net Result had an improvement of 5.6% compared with the previous year (+6.3 million euros), going from -112 million euros, in 2017, to -105.6 million euros in 2018.

Among the actions carried out during the year under review, it is worth stressing the preparation and submission for assessment by the Sector and Financial Ministries of a proposal for a public service agreement and the preparation of an international tender – already launched in early 2019 – for the purchase of rolling stock for the regional service.

ACTIVITY IN 2018

LAYING THE FOUNDATIONS FOR THE FUTURE

Tender for the Purchase of Railcars

Throughout 2018, a tender for the purchase of 22 Railcars for the Regional Service has been prepared. On the 7th of January 2019 such tender was launched, contemplating the purchase of 12 Bi-Mode Railcars – which run on both electrified and non-electrified lines – and 10 Electric Railcars.

Preparation of a Public Service Agreement Proposal

CP has developed and submitted a proposal for contracting with the State the traffic subject to public service obligations, in accordance with the community regulations. The Agreement aims to establish the rights and obligations of each party and the features of the public rail transport service to be provided.

SUPPLY

Change to the Service in the Beira Baixa Line

Replacement of the electric railcars running on the Intercidades trains of the Beira Baixa Line, composed of a locomotive and 1st and 2nd class carriages. Such replacement allowed to shorten the total travel time up to 22 minutes.

Bike Racks

The project for the installation of specific racks for transporting bikes on the Intercidades trains of the Beira Alta (Lisbon-Guarda), Alentejo (Lisbon-Évora) and South (Lisbon-Faro) Lines has been concluded. The service was already available on the Intercidades trains of the Northern (Lisbon-Oporto-Guimarães-Braga) and Beira Baixa (Lisbon-Covilhã) Lines.

Temporary Suspension of the Train Services between Caíde and Marco de Canaveses

Within the scope of the electrification works carried out in the Douro Line, IP decreed the temporary suspension of train services between Caíde and Marco de Canaveses, for an expected period of 3 months, starting by the end of November 2018. A replacement bus service at the closed stretch was provided.

Change to the Northern Line Timetables

Due to infrastructure works conducted by IP, a slight increase – of around 6 minutes – in the travel time of trains running in the Northern Line (in the stretch between Entroncamento and Oporto Campanhã) has been imposed, resulting in a more reliable schedule. The aforementioned works also led to the reformulation of the Oporto Urban Services, in the Aveiro Line, with the withdrawal of the Granja set.

TARIFF

Annual Tariff Update

The Lisbon, Oporto and Coimbra urban services have been updated by an average of 1.7%[2] on the 1st of January 2018, as per decision of the Ministry. On the same date, the Long-Distance services have been updated by 1.5% and the Regional service by 2% - in routes up to 50km - and by 1.5% in the remaining routes.

Yield Management – 3rd Phase

A special tariff has been made available, granting discounts of around 80% in the Intercidades and Alfa Pendular Service within a limited number of seats in the low demand periods.

New Combined Passes

CP and Barraqueiro Group have created a new combined pass granting access to the CP trains and to the Boa Viagem, Mafrense and Ribatejana buses. It represents a new integrated option for Customers who use the stations of Carregado, Vila Franca de Xira, Alhandra, Alverca and Portela de Sintra. In the summer period, CP and Scotturb launched a new combined product – Wave Bus – aimed at young audiences.

REVENUE CONTROL / DISTRIBUTION

Reinforcement of Validating Machines

With the purpose of improving fraud control, 58 additional vending machines have been installed at the stations without access control equipment (gates) of the Lisbon Urban Transports.

New Ticket Office in Rossio

Given the significant increase in demand, mainly of the leisure segment, a new personalised sales point opened at the Rossio Station.

[2] Increase of 1.4% for its own passes and 2% for the combined passes.

New "ANDA” APP

A new mobile application was launched, allowing passengers to travel in a simple, fast and comfortable way on the public transports – those included in the Intermodal Andante system – of the Oporto Metropolitan Area.

New Portable Sales and Control Equipment

The replacement of the fleet of portable sales and control equipment (which checks and sells on-board transport tickets) has been started with a pilot test in the Sado Line. The new solution includes two devices: an Android smartphone and a Point of Sale (POS).

COMMUNICATION

“Slowness Radar” in Lisbon and Oporto

As a way of highlighting the advantages of train travelling in both metropolitan areas, CP measured the slowness of car drivers, with the Media follow-up. By being “caught” by the speed radar, many drivers were "fined for driving too slow". Consequently, they were "notified" with the offer of Monthly Passes for the network of the Intercidades, Regionais and Lisbon, Oporto and Coimbra Urban services, upon the payment of the first monthly fee.

Paypal

Under the slogan “Seguro e Rápido de Viajar Combina com Seguro e Rápido de Pagar" [*Safe and Fast Journeys Go Hand in Hand with Safe and Fast Payments*], the campaign aimed at promoting Paypal payments in the “Online Ticket Office" and "CP App" channels.

“Passe a Passe” [*Pass by Pass*]

As part of the European Mobility Week, the “Passe a Passe” [*Pass by Pass*] initiative – led by the Lisbon Metropolitan Area (AML) – was organised in collaboration with the Transport Operators, aiming at promoting the regular use of public transports. This Campaign offered the second month of pass to new users of the Lisboa Viva card.

“Sempre à Distância de um Desconto” [*Always One Discount Away*]

A new campaign was launched focusing on the Promo and Youth Ticket, with the claim “Sempre à Distância de um Desconto” [*Always One Discount Away*], with the purpose of promoting the discounts of the Long-distance service. Such campaign was advertised on TV, radio, digital media, social media and digital purchase platforms.

Special Offer of the CP online channels

Under the slogan "Tenha todas as viagens no seu bolso" [*Carry all your journeys in your pocket*], a campaign was launched aiming at promoting the use of the CP digital channels – CP website and CP App.

RESOURCE MANAGEMENT

HUMAN RESOURCES

The company closed 2018 with 2 683 effective staff members, i.e. 26 employees less than at the end of the previous year.

During 2018, 29 employees joined the company's effective staff and 55 employees left the company, mainly due to termination of employment agreements by mutual consent or for retirement reasons.

In 2018, the absenteeism rate remained stable at 6.9% and the supplementary work rate slightly decreased to 12.8%, compared with the previous year.

In 2018, the Company maintained its policy on human capital development through the ongoing training and qualification of its employees, particularly in the scope of traffic safety and technical and regulatory improvements.

There were 285 training programmes, most of them conducted by the Affiliate Fernave.

FLEET

At the end of 2018, CP held 373 rolling stock units for the active fleet in commercial service with the following typology:

Type of material	2018	2017	∆ 18-17
Electric railcar	189	189	0
Diesel railcar	48	50	-2
Electric locomotive	24	24	0
Diesel locomotive	8	7	1
Carriages	104	104	0
Total	373	374	-1

The active fleet had 20 *diesel* railcars, series 592 and 592.2, which are rented to RENFE.

The maintenance of most of the rolling stock is carried out by EMEF, an affiliate company of CP. The maintenance of the series of locomotives 5600 is provided by SIMEF, ACE – a railway company held by EMEF in 51% – and by Siemens, in 49%.

DEMAND AND SUPPLY

In 2018, more than 126 million passengers were transported by CP, corresponding to a 3.5% increase regarding 2017 and representing, in absolute terms, an increase of approximately 4.2 million transported passengers.

The Lisbon Urban Service and the Oporto Urban Service – with an increase of 5.1% and 1.8% respectively – were the main contributors to this growth.

Such growth is justified by several marketing initiatives and measures to fight fraud, as well as by the increase in tourism and the recovery of the Country's economic indicators.

Passengers ($*10^3$)	2018	2017	2016	2018-2017	2018 /2017
Urban Service Lisbon	87 235	83 005	77 375	4 230	5,1%
Urban Service Oporto	21 979	21 591	20 794	389	1,8%
Long-distance Service	6 386	6 388	6 025	-2	0,0%
Regional Service	10 674	11 044	10 647	-370	-3,4%
TOTAL	126 275	122 028	114 841	4 247	3,5%

In 2018, CP's supply, assessed in Trains*Kilometre, was of 28,531 thousand Trains*Km, which is 2% lower than the value registered in the previous year.

This variation was essentially due to several events affecting the regularity of the service provided in 2018, particularly:

- Strikes – called by IP and CP – responsible for around 71% of the total withdrawals registered during the period;
- High unavailability rate of rolling stock of diesel traction, resulting in withdrawals, particularly in the Oeste, Alentejo and Algarve Lines;
- Derailments in the Beira Alta, Northern and Douro Lines.

In 2018, a temporary reformulation of the schedules of the Oeste, Cascais and Sintra Lines was carried out during the summer season.

Motivated by the IP interventions in the infrastructure, some adjustments to supply were also introduced, specified in the chapter 'CP's activity in 2018'.

Trains Kilometre (*10^3)	2018	2017	2016	2018-2017	2018 /2017
Urban Service Lisbon	6 471	6 651	6 670	-180	-2,7%
Urban Service Oporto	4 463	4 601	4 604	-137	-3,0%
Long-distance Service	8 687	8 592	8 593	95	1,1%
Regional Service	8 909	9 286	9 260	-376	-4,1%
TOTAL	28 531	29 129	29 128	-598	-2,1%

PROFITS

Profits from traffic exceeded 259 million euros in 2018, representing an increase of 9.1 million euros regarding the previous year (+3.7%).

Profits followed the growth trend of demand and reflected the tariff update occurring at the beginning of 2018, which averaged about 1.7%[3] for the Lisbon, Oporto and Coimbra urban services, 1.5% for the Long-distance services, 2% for the Regional service in journeys up to 50km and 1.5% in the remaining routes.

Income Traffic (*10^3 €)	2018	2017	2016	2018-2017	2018 /2017
Urban Service Lisbon	91 682	86 322	78 396	5 360	6,2%
Urban Service Oporto (*)	28 147	26 898	25 189	1 249	4,6%
Long-distance Service	110 461	107 085	98 616	3 376	3,2%
Regional Service	28 734	29 585	28 121	-851	-2,9%
TOTAL	259 025	249 890	230 322	9 135	3,7%

(*) The amount referring to 2017 is different from the one disclosed in the Annual Report and Accounts of 2017 by 26.6 thousand euros due to the regularisation of Andante.

[3] Increase of 1.4% for its own passes and 2% for the combined passes.

INVESTMENTS

In 2018, CP invested a total of 15.5 million euros, 80% of which were assigned to rolling stock.

The investment decisions were, as in previous years, assessed in order to ensure essential interventions for guaranteeing safety and operability of rolling stock, systems, equipment and railway premises.

In rolling stock, the most significant investments continue to be "Large Repairs (of type R)”, amounting to 6.3 million euros, regarding programmed maintenance interventions in several series of rolling stock with the aim of restoring their operating and safety levels, and the "half-life intervention of tilting trains (CPA)", amounting to 4.6 million euros, with delivery of three intervened units.

RESULTS

(amounts in thousands of euros)

INCOME AND EXPENSES	PERIODS		Change 2018/2017	
	ACTUAL 31-12-2018	ACTUAL 31-12-2017	Amount	%
Provided sales and services	266 636	258 650	7 986	3%
Operating subsidies		21	-21	-100%
Other income	21 923	20 007	1 916	10%
	288 559	278 678	9 881	4%
Sold commodities and consumed materials costs	-5 881	-6 243	361	6%
External services and supplies	-163 429	-159 350	-4 079	-3%
Personnel expenses(w/o Compensation and agreement on variables)	-104 607	-98 514	-6 093	-6%
Other expenses	-5 153	-3 407	-1 746	-51%
	-279 071	-267 514	-11 557	-4%
Operating result from transportation activity* (EBITDA)	**9 488**	**11 164**	**-1 676**	**-15%**
Expenses/reversals of depreciation and amortisation	-53 738	-56 860	3 122	5%
Impairment of depreciable/amortisable investments(losses and reversals)	722	574	148	26%
Compensations for termination of employment	-1 006	-1 360	354	26%
Gains/losses attributed to subsidiaries, ass. comp. and joint ventures	7 509	6 960	549	8%
Inventory impairment(losses/reversals)	-239	-412	173	42%
Impairment of receivables(losses/reversals)	414	-437	851	195%
Provisions(increases/decreases)	-1 067	-144	-923	-641%
Impairment of non-deprec. and non-amort. investments (losses/reversals)	1 573		1 573	s/s
Exchange differences (increase/decreases) **	-1 364	3 183	-4 547	-143%
Other income (sale of different assets: immovable properties, basic equipment not related to operability, scrap…)	2 968	1 530	1 438	94%
Other expenses (other rolling stock decomissioning)	-2 157		-2 157	s/s
Operating result	**-36 899**	**-35 802**	**-1 097**	**-3%**
Interest and similar income gained	436	467	-31	-7%
Payable interest and similar expenses	-68 304	-76 292	7 989	10%
Financial result	**-67 867**	**-75 825**	**7 958**	**10%**
Result before taxes	**-104 766**	**-111 627**	**6 861**	**6%**
Income tax for the period	-861	-324	-537	-165%
Net result of the period	**-105 627**	**-111 952**	**6 325**	**6%**

*Before compensations for termination of employment, fair value, impairments, provisions, depreciations, financing expenses and taxes and other transactions, particularly exchange differences, unrelated to the company's core activity.
**A reclassification of unfavorable exchange rate differences of 2017 from the heading 'Payable Interest and Similar Expenses' to 'Other Expenses' was carried out, in the amount of 278 thousand euros compared to the data disclosed in 2017.

The *Net Result* of 2018 showed an improvement of 6% compared with the previous year (6.3 million euros), going from -112 million euros, in 2017, to -105.6 million euros in 2018.

This change was mainly due to the growth in *Provided Sales and Services* (+8 million euros) and to the improvement of the *Financial Result* (-8 million euros), even if partially offset by the increase in

Personnel Expenses (+6.1 million euros) and by the impact of *Exchange Differences* (-4.5 million euros).

In 2018, the *recurrent EBITDA* was positive at 9.5 million euros, despite the fact that it was inferior to the value registered in the previous year – 1.7 million euros (-15%). The *Operating Result* in 2018 amounted to -36.9 million euros, which translates into a worsening of 1.1 million euros (-3%), comparing with the previous year.

Personnel Expenses (without compensations for termination of employment) increased by 6.1 million euros as a result of the following factors:

/ restitution of career progressions, 50% in July 2017 (art. 21 of the State Budget Law of 2017) and the remaining 50% in January 2018 (art. 23 of the State Budget Law of 2018);

/ implementation of agreements with Organisations Representing Employees regarding regulation of careers;

/ increase in expenses with overtime work and other bonuses.

As to the increase in *Expenses with External Services and Supplies* (+4.1 million euros), it shall be noted the growth in expenses regarding the use of stations (+2.3 million euros) – since IP reintroduced this service's invoicing in the Network Directory of 2018 – and regarding traction energy (+1.6 million euros).

The unfavourable variation in the *Exchange Differences*, of 4.5 million euros, is mainly due to the exchange rate of the Swiss franc, as a result of shares subscribed and not paid-up in Eurofima.

The *Financial Result* in 2018 was negative at 67.9 million euros, with an improvement of 8 million euros (+10%) vis-à-vis 2017. The decrease of the company's remunerated debt largely contributed to this fact.

EMEF – EMPRESA DE MANUTENÇÃO DE EQUIPAMENTO FERROVIÁRIO, S.A.

EXECUTIVE SUMMARY

EMEF closed the 2018 financial year with a positive Net Result (6.4 million euros, 0.4 million euros higher than 2017) for the fifth year in a row. EBITDA (with compensation for termination of employment) was also positive, at 9.2 million euros (2% lower than the previous year).

In 2018, the services provided by EMEF have decreased (-4%), accompanied with a 4% decrease in the total average staff and a 3% decrease in variable operating expenses (billable consumption and sub-agreements).

2018 was marked by the following events:

/ **Preparation for the establishment of an ACE between EMEF and Medway –** EMEF and Medway, SA have conducted negotiations to establish a Complementary Grouping of Companies (ACE) specialised in the maintenance of wagons of such Operator, as a result of the company's purpose to internalise the maintenance of its wagon fleet;

/ **Preparation for the independence of the maintenance activity of Metro do Porto –** EMEF made the appropriate arrangements for the separation of its business unit dedicated to the rolling stock maintenance of Metro do Porto, SA, located in Guifões;

/ **Change in the composition of the Board of Directors –** CP has decided to change the EMEF's Statutes, as well as the composition of its Board of Directors, which is now composed of the same Members of the Board of Directors of CP – Comboios de Portugal, E.P.E. The aforementioned Members are: President – Mr. Carlos Gomes Nogueira, Voting Members – Ms. Ana Maria dos Santos Malhó and Mr. Sérgio Abrantes Machado;

/ **Government approval of 102 hirings –** In order to comply with the undertaken contractual obligations, it was possible to obtain government approval for the hiring of 102 employees in EMEF;

/ **Maintenance of the rolling stock of Metro do Porto –** As of April 2018, the fleet maintenance of Metro do Porto has been provided to the customer Via Porto, a sub-dealer for the maintenance of the rolling stock of Metro do Porto between 2018 and 2024;

/ **Maintenance of RENFE's railcar material –** a new agreement for the maintenance of RENFE's diesel railcars has been concluded, operating in Portugal;

/ **960,000 Km Inspection to 32 Eurotram vehicles of Metro do Porto – 2nd batch –** EMEF has participated in the tender launched by Metro do Porto for the provision of services to inspect the 960,000 Km of 32 vehicles of the Eurotram fleet (2nd batch), worth about 8.5 million euros and with a 36-month duration, having presented the service provision proposal which won the tender;

/ **Adjustments to the organisational structure of the Goods Unit (UMER) -** Following the analyses and proceedings carried out to the adequacy of EMEF's business model, the following adjustments in the organisational structure of UMER have been introduced: separation of the accident support and repair Workshop, which is now part of the Rotables Unit; separation of the Rail Material Workshop, which is now part of the Central Workshop Yard.

OPERATION

REPAIR AND MODERNISATION

This activity continued integrating the types of scheduled repairs in the tractive and hauled stock of passengers (repairs type R), in the hauled stock of goods (safety repairs – RS and RSP) and in equipment (general repairs – RG and intermediate repairs – RI). In addition, it integrates other repairs due to unforeseen causes or accidents on the railway vehicles (repairs due to malfunction - RAV and repairs due to accident - RAC) and changes/modernisations in rolling stock in accordance with the specific request from customers.

In 2018, the repair plan for the CP Customer sustained a decrease regarding the needs planned by such customer on account of the difficulty in hiring manpower, which remained throughout the year.

The half-life intervention – R1 – to CPA4000 continued and the delivery of three more units took place.

As to repairs to tractive and hauled passenger stock, 12 large repair interventions (R) to the fleet of the Customer, CP, have been completed (2 in carriages, 4 in electric railcars, 1 in diesel locomotives and 5 in diesel railcars), 2 Rs to railcars 592 for the Customer, RENFE, and 1 R in a diesel locomotive for the Customer, Medway.

As to the scheduled wagon repairs, only 307 RSP out of 486 that have been planned were performed to the fleet of the Customer, Medway. Additionally, 31 RSP have also been performed to wagons of other customers.

An agreement for the provision of services regarding the 960,000 Km general inspection to 40 Eurotram fleet vehicles of Metro do Porto has been concluded, carrying out the 19 missing interventions.

As a whole, the repair segment allowed the Company to obtain, in 2018, income amounting to 33,634 thousand euros, which is 48.6% of the amount of global income of the Company.

MAINTENANCE

The goal of this activity has been centred in the compliance with the maintenance programmes set forth in the specific agreements of the fleet/market segment of each customer: CP, Medway, Metro do Porto and RENFE.

Such programmes have generally been complied with regarding all fleets with agreed upon maintenance, even though the reached availability and reliability figures were slightly lower than those of previous years, on account of the difficulties experienced in the service provision due to the lack of manpower, as a result of the hiring difficulties identified throughout the year and the new retirement rules, leading to the withdrawal of a significant number of employees, some of them highly skilled.

The maintenance service to the seasonal Miradouro and Historical trains – of wide and narrow-gauge – continued to be provided.

As a whole, this segment generated, in 2018, income amounting to 35,578 thousand euros, which is 51.4% of the amount of global income of the Company.

RECONDITIONING

There were no relevant interventions to report in this area.

ENGINEERING, INNOVATION AND DEVELOPMENT

In 2018, the Engineering sector remained focused on the specifications for the purchase of material (nomenclature update) and on the review of documents supporting the maintenance of rolling stock, as well as on the preparation, update and availability of technical information – in a single support accessible to the whole the company – thus contributing to the procedures' optimisation and standardisation.

At the same time, studies have also been initiated/undertaken intended to support remodelling projects under preparation, particularly of adaptation of rolling stock to the current demands arising from the social and legal responsibility and market evolution inherent to the public railway transport service. Such studies are also intended to overcome technical problems affecting the reliability, availability and maintenance cost of some series.

Technical dialogue with the supervisory bodies of the railway system was further ensured, as well as the participation in several technical forums within the railway sector, particularly the implementation group of TSIs, promoted by IMT (Portuguese Institute for Mobility and Transport) and CTE9 and CT143 meetings promoted by APNCF (Portuguese Association for Railway Standardisation and Certification).

EMEF has continued to participate as a third party related to CP – which in turn is part of the EUROC consortium - in the WP6 component of the IMPACT2 project of the European Shift2rail programme called "Smart Maintenance".

As to the Metallurgy, Welding and Non-Destructive Testing sector, the qualification sessions for welders and training sessions in non-destructive testing continued to take place.

At the beginning of 2018, tests to verify the structural capacity of a carriage compartment manufactured by Colway in Cartagena – and expected to operate in Egypt - have been successfully concluded.

HUMAN RESOURCES

By the end of 2018 (31st of December), EMEF had 1,031 staff members, which represents a 0.5% decrease regarding the end of 2017 (1,036).

Absenteeism was at 9.6%, having sustained an increase of 0.7 p.p. regarding 2017. The main cause for absenteeism was disease.

Within the scope of professional expertise development, EMEF continued investing in the implementation of a transversal training plan, integrating workers from several bodies of the Company, having therefore relied on external training.

INVESTMENTS

In 2018, the investments made were limited to those deemed as strictly necessary for pursuing the company’s activity, approximately amounting to 735 thousand euros (43% higher than 2017).

PROFITS

EMEF's Turnover has registered a decrease of approximately 3.9% regarding 2018.

Activity Segment (amounts in €)	2018	2017	Change	
			Amount	%
Repair*	33 634 184	37 394 380	-3 760 196	-10%
Maintenance*	35 578 475	34 271 932	1 306 543	4%
Reconditioning*	0	371 944	-371 944	-100%
TOTAL	**69 212 659**	**72 038 257**	**-2 825 597**	**-4%**

* Sales + Provided Services + Changes in production inventories

As to turnover developments per customer, CP, Medway and Metro do Porto remain to be the company's most important customers. As a whole, such customers make up 92% of the company's sales and service provisions.

Customer	Amount in € 2018	Amount in € 2017	% of the Total Invoicing in 2018
CP	42 100 431	44 871 754	61%
MEDWAY	8 090 045	8 683 605	12%
METRO DO PORTO	12 838 449	12 002 134	19%
EMEF / SIEMENS ACE	3 214 414	3 582 254	5%
RENFE	1 270 133	1 288 257	2%
INFRAESTRUTURAS DE PORTUGAL	783 765	562 407	1%
Other	972 354	1 080 591	1%
Total	**69 269 590**	**72 071 002**	

RESULTS

INCOME AND EXPENSES (amounts in euros)	PERIODS		Change	
	31-12-2018	31-12-2017	Amount	%
Provided sales and services	69 269 590	72 071 002	-2 801 412	-3,9%
Operating subsidies	7 571	2 073	5 499	265,3%
Gains/losses attributed to subsidiaries, assoc. comp. and joint ventures	559 477	627 865	-68 389	-10,9%
Changes in production inventories	-56 931	-32 745	-24 185	-73,9%
Capitalised production costs	0	0	0	0,0%
Sold commodities and consumed materials costs	-18 853 255	-20 138 665	1 285 411	6,4%
External services and supplies	-15 714 518	-14 970 494	-744 025	-5,0%
Personnel expenses	-28 121 351	-27 053 205	-1 068 146	-3,9%
Inventory impairment (losses/reversals)	-412 397	-775 990	363 594	46,9%
Impairment of receivables (losses/reversals)	-66 769	-1 019 811	953 041	93,5%
Provisions (increases/decreases)	-30 806	-19 813	-10 993	-55,5%
Other income and gains	4 590 738	2 320 011	2 270 726	97,9%
Other expenses and losses	-1 931 023	-1 584 590	-346 433	-21,9%
Result before depreciations, financing expenses and taxes	9 240 326	9 425 637	-185 312	-2,0%
Expenses/reversals of depreciation and amortisatic	-847 480	-973 800	126 320	13,0%
Operating result (before financing expenses and taxes)	8 392 845	8 451 837	-58 992	-0,7%
Payable interest and similar expenses	-331 022	-431 587	100 566	23,3%
Result before taxes	8 061 824	8 020 250	41 574	0,5%
Income tax for the period	-1 698 592	-2 099 349	400 757	19,1%
Net result of the period	6 363 232	5 920 902	442 331	7,5%

In 2018, EMEF obtained a positive Operating Result of 8,393 thousand euros, representing a slight decrease regarding the preceding year (-0.7%).
This development is explained by the decrease in the company's operating income, partially offset by the decrease in operating expenses, particularly:

- Sold Commodities and Consumed Materials Costs (-1.3 million euros);
- Personnel expenses without termination of employment (-1.1 million euros);
- Total Impairment Losses (-1.3 million euros).

The Net Result showed an improvement of 7.5% compared with the previous year, at 6.4 million euros (0.4 million euros more than 2017).

FERNAVE – FORMAÇÃO TÉCNICA, PSICOLOGIA APLICADA E CONSULTORIA EM TRANSPORTES E PORTOS, S.A.

EXECUTIVE SUMMARY

Fernave has undergone significant changes in the financial year of 2018, with the completion of the corporate restructuring process started in 2017, involving:

/ change of facilities in the three major geographical zones where FERNAVE operates: Oporto, Entroncamento and Lisbon;
/ moving the registered office to the facilities provided by the sole shareholder, at the Rossio complex in Lisbon;
/ reorganisation of the in-house Teams and extension of the external Staff Database.

In 2018, FERNAVE achieved an operational balance, with a positive EBITDA of € 168,763.

OPERATION

In the scope of training service provision, there was an increase in training hours and the corresponding volume (+45% and +43%, respectively), compared to the previous year. However, there has been a 27% decrease in the number of undertaken sessions and in the corresponding participants (-29%). Such figures arise from the type of developed training sessions which, although to a lesser extent, had a longer average duration compared to the previous year.

954 tests have been performed in the scope of psychology (selection, periodic monitoring and psychological assessment tests), registering a 29% increase regarding the previous year.

STAFF

By the end of the 2018 financial year, Fernave had 9 employees on duty, 2 of whom were under an assignment scheme by CP.

Compared to 2017, the company closed the year with 9 less employees, 2 of whom have terminated by mutual agreement, 5 have become shareholders and 2 have returned to their original company (CP).

PROFITS

In 2018, FERNAVE registered an increase of 51% in profits across its main activity segments.

Profits (Amounts in euros)	2018	2017	Change	
			Amount	%
Training	994 641	650 586	344 055	53%
Psychology	48 367	34 566	13 801	40%
Consultancy	16 075	10 300	5 775	56%
Other Services	50	4 786	-4 736	-99%
TOTAL	**1 059 133**	**700 238**	**358 895**	**51%**

RESULTS

FERNAVE closed the 2018 financial year with a positive *Net Result* of 64 thousand euros (-287.3 thousand euros in 2017).

The *Operating Result* was at 164.5 thousand euros and EBITDA was at 168.8 thousand euros.

INCOME AND EXPENSES (amounts in euros)	PERIODS		Change 2018/2017	
	31-12-2018	31-12-2017	Amount	%
Provided sales and services	1 059 133	700 238	358 895	51,3%
External services and supplies	-400 856	-410 109	9 253	2,3%
Personnel expenses	-509 289	-610 051	100 762	16,5%
Impairment of receivables (losses/reversals)	413	1 015	-602	-59,3%
Impairment of non-deprec. / non-amortisable investm. (losses/reversals)	36 905	17 166	19 739	115,0%
Other income and gains	34 933	151 581	-116 648	-77,0%
Other expenses and losses	-52 476	-12 411	-40 065	-322,8%
Result before depreciations, financing expenses and taxes	168 763	-162 571	331 334	203,8%
Expenses/reversals of depreciation and amortisation	-4 237	-23 932	19 695	82,3%
Operating result (before financing expenses and taxes)	164 526	-186 503	351 029	188,2%
Payable interest and similar expenses	-95 698	-95 644	-54	-0,1%
Result before taxes	68 828	-282 147	350 975	124,4%
Income tax for the period	-4 785	-5 141	356	6,9%
Net result of the period	64 043	-287 288	351 331	122,3%

Despite the compensations of 124.9 thousand euros paid for two terminations of employment by mutual agreement, Personnel Expenses registered a 17% decrease. Excluding this impact, the reduction in Personal Expenses would be 37% compared to 2017.

There was also a decline in External Services and Supplies by 2%, despite the substantial increase in activity.

ECOSAÚDE – EDUCAÇÃO, INVESTIGAÇÃO E CONSULTORIA EM TRABALHO, SAÚDE E AMBIENTE, S.A.

EXECUTIVE SUMMARY

In 2018, Ecosaúde registered a Turnover recovery, with a growth of 3% (+54 thousand euros) compared with the same period of the previous year, with a significant improvement in the relative weight of the company's business areas, since the main business area - Occupational Health - reduced the sales volume by around 7%, while the areas of Medical Specialties and Occupational Safety registered a significant growth.

The lack of medical and nursing staff in the market lead to an increase in the company's costs.

OPERATION

ECOSAÚDE carries out its activity in several domains, which, as a whole and in an integrated manner, contribute for the improvement of working conditions, workers' well-being and, as a result, the increase in its customer companies' productivity in the medium and long-term.

OCCUPATIONAL HEALTH

Through the monitoring and supervision of the Occupational Medicine Specialist Physicians, Occupational Nurses and other Healthcare Workers, Ecosaúde establishes risk prevention measures for the worker's health, as well as measures for occupational disease mitigation. In 2018, 11,455 medical interventions were carried out, 6% less than in the previous year.

OCCUPATIONAL SAFETY

The occupational safety auditing and safety consultancy activities enable the Customers to improve working conditions, as well as to prevent occupational accidents and incidents, by mitigating the negative human and material consequences of such events. In 2018, 1,435 interventions were carried out within the scope of this subject, 1% less than in the previous year.

PREVENTION AND CONTROL OF ADDICTIONS

With the inhibition of the negative influence of alcohol and drug consumption in the workplace and supporting the assistance to workers affected by excessive consumptions of these substances as main objectives, 9,646 control interventions were carried out throughout 2018, -10% compared to 2017.

ACCIDENT MANAGEMENT

Within the scope of Accident Management, 679 medical interventions for the monitoring and treatment of occupational accidents, as well as accidents involving passengers, have been performed, 12% less than in the previous year.

MEDICAL SPECIALTIES

In order to complement the occupational health activity, the company supports organisations and their employees by providing healthcare services in several medical specialties, by creating the conditions for preventing, detecting and treating each event. In 2018, 4223 measures of this kind were conducted, representing a 25% increase compared to 2017.

TRAINING

The training activity within the Health and Safety fields aims to stimulate the health and safety culture, as well as to develop working conditions. Ecosaúde provides inter-company training services within the scope of the subject matters and contents which are common to all the organisations and business sectors. Ecosaúde further provides intra-company training in line with the specific needs of each organisation.

Throughout 2018, more 34% of Training sessions were carried out, totalling 78, with 6,535 training hours, provided to a total of 723 Trainees.

SUMMARY OF THE ACTIVITY

Activity indicators	2018	2017
Occupational health (medical interventions)	11 455	12 200
Occupational safety (working conditions interventions)	1 435	1 453
Prevention and control of addictions (tests conducted in workplaces)	9 646	10 672
Medical and nursing specialties	4 233	3 381
Accidents management (appointments and treatments of OAs)	679	768
Training - Amount of training hours	6 535	8 436
Training - No. of training sessions	78	58
Training - No. of trainees	723	646

HUMAN RESOURCES

The company has 27 permanent employees (21 under open-ended employment agreements, 4 under fixed-term employment agreements and 2 under indeterminate duration employment agreements) as well as 60 highly qualified service providers.

RESULTS

INCOME AND EXPENSES (amounts in euros)	PERIODS		Change	
	31-12-2018	31-12-2017	Amount	%
Provided sales and services	2 131 194	2 077 053	54 141	2,6%
External services and supplies	-1 337 325	-1 296 630	-40 695	-3,1%
Personnel expenses	-754 455	-682 149	-72 306	-10,6%
Impairment of receivables (losses/reversals)	-10 865	-5 065	-5 800	-114,5%
Provisions (increases/decreases)	0	0	0	0,0%
Other income and gains	1 516	6 030	-4 514	-74,9%
Other expenses and losses	-24 249	-15 562	-8 687	-55,8%
Result before depreciations, financing expenses and taxes	5 816	83 677	-77 861	-93,0%
Expenses/reversals of depreciation and amortisation	-63 191	-66 483	3 292	5,0%
Operating result (before financing expenses and taxes)	-57 375	17 194	-74 569	-433,7%
Payable interest and similar expenses	-12 245	-11 801	-444	-3,8%
Result before taxes	-69 620	5 393	-75 013	-1390,9%
Income tax for the financial year	-7 360	-4 725	-2 635	-55,8%
Net result of the period	-76 980	668	-77 648	-11624,0%

In 2018, Ecosaúde accounted for a positive EBITDA amounting to 5.8 thousand euros, a negative Operating Result amounting to 57.4 thousand euros and a negative Net Result amounting to 77 thousand euros.

The volume of Services Provided increased by 2.6% (+54.1 thousand euros). However, it was offset by the increase in External Services and Supplies and Personnel Expenses.

The increase in External Services and Supplies was due to the growth registered in the business area of Medical Specialties, which has a significant number of variable expenses. Personnel Expenses registered an increase essentially due to the following facts:

/ Termination of employment contract by mutual agreement with one employee;
/ Replacement of the freezing seniority bonuses;
/ Minimum wage update of one employee.

The flows generated by the company's operating activity were enough to fully cover the payments of investments, interest and, almost fully, the amortisation schedule of the debt to the shareholder. The company's Liability remained stable, presenting a residual growth of 6 thousand Euros.

SAROS – SOCIEDADE DE MEDIAÇÃO DE SEGUROS, LDA

EXECUTIVE SUMMARY

In 2018, SAROS accounted for a 1% growth in *Provided Sales and Services* vis-à-vis the previous year and a positive EBITDA amounting to 495 thousand euros, an amount higher than that of 2017 (486 thousand euros).

The company closed 2018 with a positive *Net Result* of 402 thousand euros, 1.7% higher than that of the previous year.

OPERATION

Throughout 2018, the activities developed by the company were focused on four key pillars:

/ Customised consulting and permanent technical support, attentive to the specific nature of the activity sector of each company of the CP Group;
/ Support in the enforcement of the existing insurance contracts;
/ Assistance in contracting new insurances, particularly in relation to the review of procedural documents used as a basis for the launching of Open Tendering Procedures;
/ Support of risk analysis and solution search that better safeguard the interests and responsibilities of the companies.

HUMAN RESOURCES

The company carried out its activity with the current functioning ensured only by Management. Management is composed of two Managers, wherefore it is legally required that one of the Managers is qualified as an insurance intermediary.

PROFITS

In 2018, the *Sales and Services Provided* by SAROS amounted to 482 thousand euros, representing a 1% increase vis-à-vis 2017.

Branches (Amounts in thousands of euros)	2018	2017	Change	
			Amount	%
Occupational Accidents	230	190	40	21%
Health	162	194	-32	-17%
Civil Liability	67	64	3	5%
Multi-Risk Companies	17	20	-4	-18%
Other	7	8	-1	-18%
TOTAL	**482**	**476**	**6**	**1%**

As in the previous year, the Health, Occupational Accidents and Civil Liability Branches represented the largest share of earned commissions, at 95% as a whole.

RESULTS

The company's *Net Result* amounted to 402 thousand euros, which represents an upward variation of 1.7% vis-à-vis the previous year. The *Provided Sales and Services* heading was the main contributor to this result, with an upward variation of 6.2 thousand euros regarding the previous year.

It should also be noted the decrease in *External Services and Supplies* by 1 thousand euros. *Personnel Expenses* were similar compared to the previous year.

INCOME AND EXPENSES (amounts in euros)	PERIODS		Change	
	31-12-2018	31-12-2017	Amount	%
Provided sales and services	482 452	476 238	6 214	1,3%
External services and supplies	-10 168	-11 125	957	8,6%
Personnel expenses	-51 169	-51 274	105	0,2%
Other income	84 576	82 883	1 693	2,0%
Other expenses	-10 352	-10 433	81	0,8%
Result before depreciations, financing expenses and taxes	495 339	486 289	9 050	1,9%
Expenses/reversals of depreciations and amortisation	-1 158	-484	-674	-139,3%
Operating result (before financing expenses and taxes)	494 181	485 805	8 376	1,7%
Interest and similar income gained	0	181	-181	-100,0%
Result before taxes	494 181	485 986	8 195	1,7%
Income tax for the financial year	-92 080	-90 617	-1 463	-1,6%
Net result of the period	402 101	395 369	6 732	1,7%

FINANCIAL AND ECONOMIC ANALYSIS

OPERATING ACCOUNT

(amounts in thousand of euros)

INCOME AND EXPENSES	PERIODS		Change 2018/2017	
	ACTUAL 31-12-2018	ACTUAL 31-12-2017	Amount	%
Provided sales and services	298 053	286 660	11 393	4%
Operating subsidies	8	23	-15	-67%
Capitalised production costs	9 014	12 521	-3 507	-28%
Other income	18 649	17 405	1 243	7%
	325 724	316 609	9 115	3%
Changes in production inventories	-57	-33	-24	-74%
Sold commodities and consumed materials costs	-24 735	-26 381	1 647	6%
External services and supplies	-145 143	-139 059	-6 084	-4%
Personnel expenses (w/o Compensation and agreement on variables)	-132 037	-125 192	-6 845	-5%
Other expenses	-5 929	-4 168	-1 762	-42%
	-307 901	-294 833	-13 068	-4%
Operating result of the core activity [(1)] (EBITDA)	**17 823**	**21 776**	**-3 953**	**-18%**
Expenses/reversals of depreciation and amortisation	-54 654	-57 924	3 271	6%
Impairment of depreciable/amortisable investments (losses/reversals)	722	574	148	26%
Compensations for termination of employment	-1 638	-1 754	116	7%
Gains/losses attributed to subsidiaries, ass. comp. and joint ventures	1 303	1 202	101	8%
Inventory impairment (losses/reversals)	-652	-1 188	536	45%
Impairment of receivables (losses/reversals)	337	-1 461	1 798	123%
Provisions (increases/decreases)	-1 101	141	-1 242	-881%
Impairment of non-deprec. and non-amort. investments (losses/reversals)	1 610	17	1 592	s/s
Exchange differences (increase/decreases) [(2)]	-1 364	3 183	-4 547	-143%
Other income (sale of different assets: immovable properties, basic equipment not related to operability, scrap…)	2 968	1 530	1 438	94%
Other expenses (other rolling stock decommissioning)	-2 157		-2 157	s/s
Operating result	**-36 805**	**-33 905**	**-2 901**	**-9%**
Interest and similar income gained	39	8	32	417%
Payable interest and similar expenses	-68 332	-76 372	8 040	11%
Financial result	**-68 293**	**-76 364**	**8 072**	**11%**
Result before taxes	**-105 098**	**-110 269**	**5 171**	**5%**
Income tax for the period	-1 151	-798	-353	-44%
Net result of the period	**-106 249**	**-111 067**	**4 818**	**4%**

(1) Before compensations for termination of employment, fair value, impairments, provisions, depreciations, financing expenses and taxes and other transactions, particularly exchange differences, unrelated to the CP Group's core activity.

(2) A reclassification of unfavorable exchange rate differences of 2017 from the heading 'Payable Interest and Similar Expenses' to 'Other Expenses' was carried out, in the amount of 278 thousand euros compared to the data disclosed in 2017.

NET RESULT

In 2018, the *Net Result* of the CP Group amounted to -106.3 million euros, which represented an improvement of 4.8 million euros (4%), comparing with the previous year (-111.1 million euros).

This improvement is primarily due to the growth in *Provided Sales and Services* (+11.4 million euros) and to the improvement of the *Financial Result* (+8.1 million euros), even if partially offset by the increase in *Personnel Expenses* (+6.8 million euros), *Expenses with External Services and Supplies* (+6.1 million euros) and by the impact of *Exchange Differences* (+4.5 million euros).

OPERATING RESULT OF THE CORE ACTIVITY (EBITDA)

In 2018, the Group's *recurrent EBITDA* was positive at 17.8 million euros, despite the fact that it was inferior to the amount – 4 million euros – registered in the previous year (-18%). This growth was essentially due to the following variations:

- Increase in *Provided Sales and Services* by 11.4 million euros, mainly arising from the growth in revenues related to passenger transportation and maintenance and repair services of vehicles of the rolling stock fleet of Metro do Porto;
- Decrease in *Own Work Capitalised* by 3.5 million euros, arising from the reduction of the interventions carried out, particularly those related to regular repairs of type R1 and R2 in rolling stock;
- Increase in *Other Income* by 1.2 million euros, essentially due to the conclusion of an agreement with IP for the allocation of energy expenditure in shared spaces, involving the correction of income and expenditure of previous financial years of similar nature;
- Decrease in *Sold Commodities and Consumed Materials Costs* by 1.6 million euros, arising from the slowdown of the rolling stock repair activity;
- Increase in *Expenses with External Services and Supplies* by 6.1 million euros, mainly highlighting the increase in expenses related to the use of stations (as IP reintroduced the invoicing of this service in the Network Directory of 2018), to sub-agreements related to ancillary services for the maintenance of bogies, diesel engines and AVAC, and to traction energy;
- Increase in *Personnel Expenses* (without compensation for termination of employment) by 6.8 million euros as a result of:
  - restitution of career progressions, 50% in July 2017 (art. 21 of the State Budget Law of 2017) and the remaining 50% in January 2018 (art. 23 of the State Budget Law of 2018);
  - implementation of agreements concluded in December 2017 and February 2018, with Organisations Representing Employees regarding career regulation;
  - increase in expenses with overtime work and other bonuses;
  - decrease of the effective staff;
- Increase in *Other Expenses* by 1.8 million euros, mainly due to the aforementioned agreement concluded with IP for the allocation of energy expenditure in shared spaces, to the accounting for expenses resulting from insufficient estimate of taxes and ticket offering expenses;

OPERATING RESULT

The *Operating Result* in 2018 amounted to -36.8 million euros, which translates into an increase of 2.9 million euros (-9%), comparing with the previous year. Apart from the aforementioned reasons for the recurrent EBITDA, the following were the main factors which contributed to this situation:

- Decrease in *Depreciations* by 3.3 million euros, since some assets reached the end of the useful life and such effect was not fully offset by the undertaken investment;
- Favourable change in *Impairment of Receivables* by 1.8 million euros, following the undertaken collections which allowed the recovery of the amount of some credits to customers for whom impairments had already been constituted;
- Increase in *Provisions* by 1.2 million euros, essentially arising from the need to increase the provision for rail accidents in the approximate amount of 1.1 euros, due to the assessment carried out to the ongoing processes;
- The favourable change in *Impairments of Non-depreciable and Non-amortisable Investments* increased by 1.6 million euros, due to the fact that in 2018, the impairments constituted as a result of new evaluations of immovable properties held for sale and the decommissioning of rolling stock not related to transport activity were reverted.
- The unfavourable variation in *Exchange Differences*, of 4.5 million euros, is mainly due to the exchange rate of the Swiss franc, as a result of shares subscribed and not paid-up in Eurofima;
- Increase in *Other Income thanks to the sale of assets and scrap*, amounting approximately to 1.4 million euros, mainly due to the sale, in 2018, of an immovable property held by the Group at Rua Castilho;
- Increase in *Other Expenses* by 2.2 million euros, resulting from the aforementioned decommissioning of rolling stock not related to transport activity.

FINANCIAL RESULT

The *Financial Result* in 2018 was negative at 68.3 million euros, with an improvement of 8, 1 million euros (+11%) vis-à-vis 2017. The decrease of the Group’s remunerated debt largely contributed to this fact.

BALANCE SHEET

(amounts in thousands of euros)

HEADINGS	PERIODS		Change 2018/2017	
	31-12-2018	31-12-2017	Amount	%
ASSET				
Non-current Asset	503 625	542 517	-38 892	-7%
Current Asset	86 183	86 669	-487	-1%
Total Asset	589 807	629 186	-39 379	-6%
EQUITY AND LIABILITY				
Equity including:	-2 271 614	-2 246 273	-25 341	-1%
Net result of the period	-106 249	-111 067	4 818	4%
Total Equity	-2 271 614	-2 246 273	-25 341	-1%
LIABILITY				
Non-current Liability	1 318 546	2 228 203	-909 658	-41%
Current Liability	1 542 876	647 256	895 620	138%
Total Liability	2 861 422	2 875 460	-14 038	0%
Total Equity + Liability	**589 807**	**629 186**	**-39 379**	**-6%**

ASSET

In 2018, the *Assets* of the CP Group have sustained a decrease of 39.4 million euros, whereby the following impacts are the most significant:

/ Decrease in *Fixed Tangible Assets* by approximately 39.7 million euros, mainly resulting from the fact that the depreciations were not offset by the investment undertaking;

/ Increase in *Financial Holdings – equity method* (MEP) by 0.8 million euros, due to the application of the MEP to the accounts of the Group's affiliate companies, highlighting the increase in the financial holding amount of TIP, through the positive change in its results;

/ The balance of *Inventories* decreased by 1.5 million euros, due to the fact that the consumptions were higher than the purchases made;

/ The balance of *State and other Public Entities* decreased by 7.4 million euros mainly as a result of the decrease in the VAT amount to be recovered. Bear in mind that in 2017, conditions for the acceptance of one significant part of the IP's invoicing regarding the use of infrastructures only existed at the end of the year, resulting in an unusual VAT amount to be recovered by the end of the financial year;

/ The balance of *Customers and Other Accounts Receivable* increased by 1 million euros. It should be noted that, throughout 2018, several diligences have been undertaken with different entities to ensure the receipt of debts;

/ The heading of *Non-Current Assets Held for Sale* decreased by 0.3 million euros as a result of the decommissioning of rolling stock not related to the Group's activity;

/ The balance of *Cash and Bank Deposits* increased by 7.3 million euros.

EQUITY

The capital increases carried out in cash by the Portuguese State throughout 2018 amounted to 80.9 million euros. The statutory capital increases have been approved by joint orders from the Secretary of State of Treasury and the Secretary of State of Infrastructures, as follows:

/ In February, 22.9 million euros fully paid-up by the end of that month;
/ In June, 32 million euros, whereas 14 million euros were paid-up in June and the remaining 18 million euros by the end of August;
/ In October, 23 million euros, whereas 13 million euros were paid-up in October and the remaining 10 million euros in November;
/ In December, 3 million euros fully paid-up on that month.

LIABILITY

The *Liability* of the CP Group has decreased by 14 million euros in 2018, whereas the following impacts are the most significant:

/ Decrease in *Loans Obtained* by 28 million euros, following the partial amortisations of loans from the European Investment Bank (EIB);
/ Increase in the balance of *Suppliers and Other Debts Payable* by 29.8 million euros, mainly due to accrual of expenses with interest payable, external services and supplies and charge for the use of infrastructures, which have not yet been invoiced;
/ Decrease in *Deferrals* by around 7.9 million euros, due to the recognition of received investment grants as income for the financial year on a systematic and rational basis during the asset's useful life;
/ The balance of *Provisions* increased by 0.3 million euros, arising from adjustments related to liabilities regarding legal proceedings.

FINANCING

FINANCING POLICY

With the integration of CP in the consolidation perimeter of the State Budget in 2015, the company was able to stop relying on financing from credit institutions. This way, its financing needs were satisfied by loans from the Portuguese State, in accordance with the laws in force for Reclassified Public Companies (EPR).

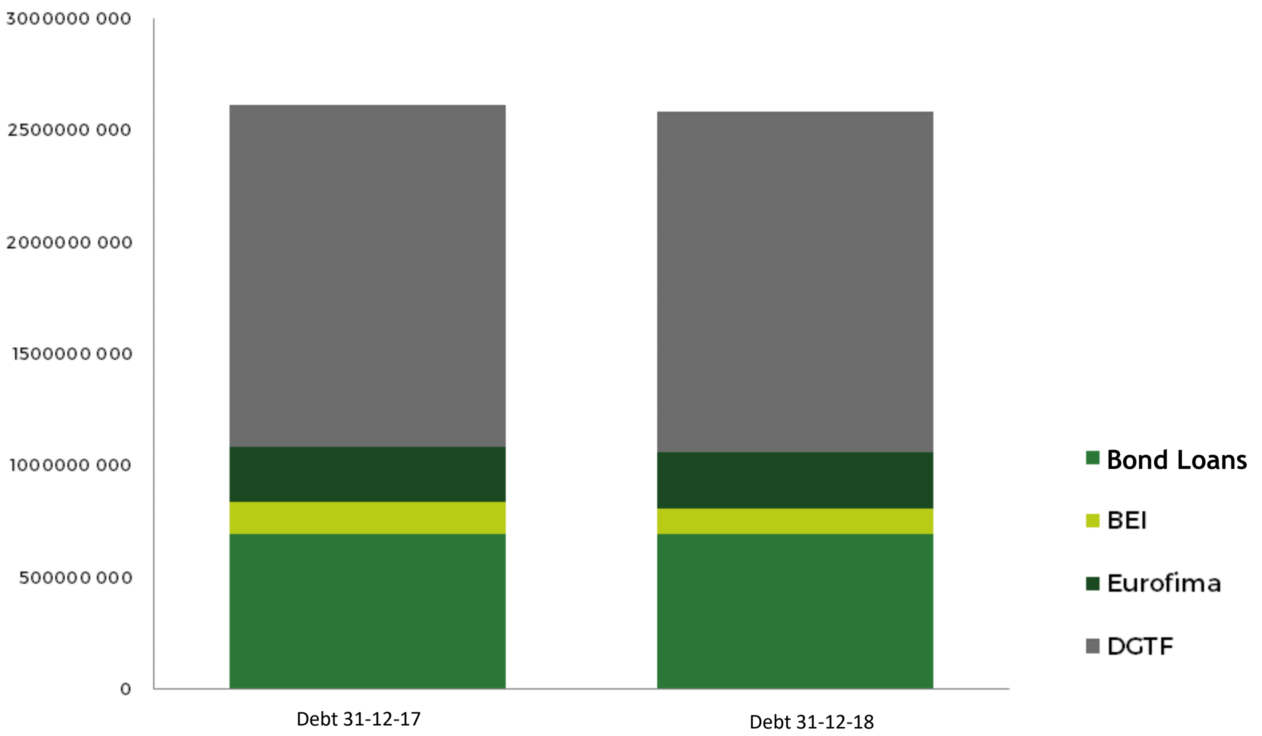
In this sense, following the joint orders from the Sector and Financial Ministries (in more detail in the point regarding variations in Equity), the CP's statutory capital has been subject to increases by the Portuguese State, amounting to 80.9 million euros.

These amounts were meant to cover the needs arising from the debt service (amortisations, interest and other costs), of investment and personnel expenses related to the historical agreement on variable bonuses.

REMUNERATED DEBT

The remunerated debt of the CP Group as at the 31st of December 2018 decreased by approximately 28 million euros vis-à-vis the previous year, following the amortisation of loans from EIB.

At the end of 2018, the debt amounted to approximately 2.6 billion euros, with the following particulars by financing sources:



In the debt structure, the medium and long-term debt represents about 50% of the total debt.

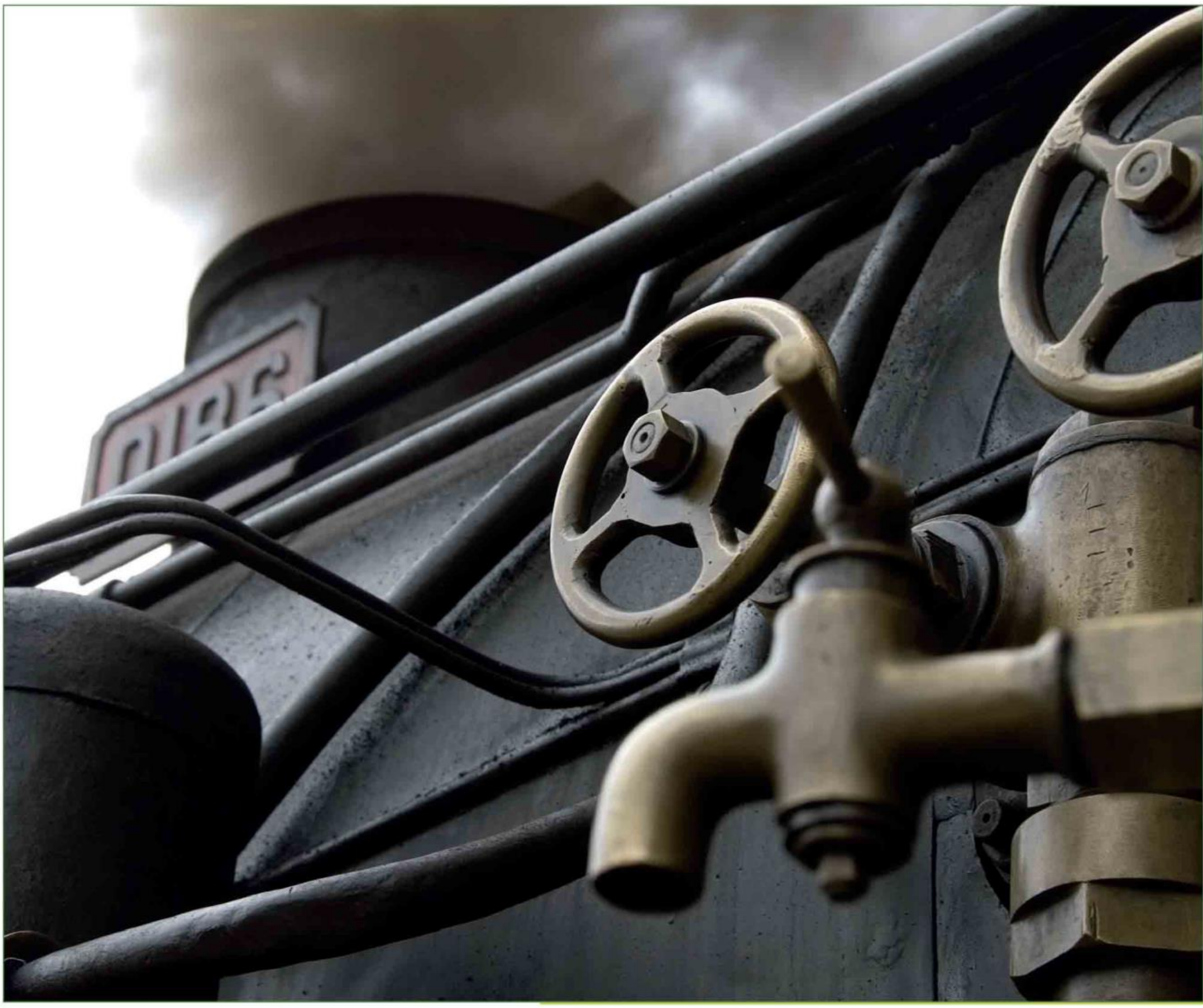
STATE TREASURY UNIT PRINCIPLE

The CP Group has undertaken all efforts needed for complying with the State Treasury Unit Principle, concentrating the maximum amount of services in IGCP.

However, as a result of the specificities of the Group's activity, it has been necessary to maintain the movement of some bank accounts in the National Commercial Bank, since some services could not be provided by IGCP.

In this context, in compliance with the legal provisions established regarding the State Treasury Unit Principle, to which public companies are subject, the companies in the CP Group have requested exemption from it for some services; such exemption has been specifically granted for amounts subject to collection, carrying and counting of values, bank loans, bank guarantees that cannot be replaced by secured deposits and the custody of securities of affiliated companies, among others.

Therefore, the CP Group is deemed to be complying with the legislation applying in this area.



PERSPECTIVES FOR 2019

CP

The following strategic goals for the period 2019-2021 are defined as follows:

/ Increase in the number of transported passengers;
/ Improvement of the provided service quality;
/ Reinforcement of territorial cohesion;
/ Promotion of economic and financial sustainability.

In order to pursue it, the following strategic axes are defined:

1. Modernisation of rolling stock through investments suitable to ensure competitive levels of operational efficiency;
2. Maintenance and repair of the current fleet in order to make the operating model sustainable and cover the successive increases in demand;
3. Contracting of the public mobility service;
4. Digitalisation of the company, particularly focusing on the ticketing, customer service and operational processes areas;
5. Optimisation of the human resources management model.

In regulatory terms, 2019 marks the beginning of the market liberalisation process, which consists of the opening of the railway passenger sector to several public and private operators, ensuring equal access to the infrastructure and structurally altering the context in which CP will carry out its activity – with special emphasis on the unavoidable obligation of sharing the installed capacity in the National Railway Network.

Therefore, within a liberalisation context, by imposing the rules of a competitive market, it will be necessary to provide CP with the required means to achieve adequate levels of profitability and financial autonomy and ensure its sustainability in a highly competitive business world.

For this purpose, CP presented in due course the applicable legal framework and a direct contracting proposal for a term of 10 plus 5 years, subject to the condition that the agreement obliges the operator to invest in relevant assets, e.g. rolling stock. At the end of the year, a proposal for a Public Service Agreement was also submitted to the Sector and Financial Ministries, establishing the conditions for the provision of services and for the financial compensation by the Portuguese State. This proposal is under appraisal.

Additionally, it is of paramount importance to conclude an agreement between CP and IP for the use of infrastructure, under discussion between the parties.

In terms of economic sustainability, CP currently faces strong constraints on its operation both in terms of obsolescence of the diesel rolling stock and sales and information systems and equipment, as well as the infrastructure conditions or the production capacity of the main supplier of maintenance services, EMEF.

Within this scope, the implementation of the Investment Plans ‘Ferrovia 2020’ and ‘Purchase of Rolling Stock‘ will provide an opportunity for CP to restructure its rolling stock fleet and its production models.

As to rolling stock, a tender was launched on the 7th of January 2019 for the acquisition of new rail material for the regional service (12 bi-mode railcars and 10 electric railcars), with a base price of 168,210,000 euros. The agreement is expected to be concluded by the end of 2019, being the first units delivered in 2020. Five applicants are in the qualifying stage.

The modernisation process of 25 carriages for the Intercidades service will also began and the rental of 4 more *diesel* railcars to RENFE is underway.

Similarly, and in order to meet the business needs, rejuvenating and strengthening its permanent staff shall be a priority, as without them it will not be possible to maintain the operation regularity.

As to commercial equipment, and given that most of it presents problems of operating obsolescence, the corresponding replacement processes shall continue.

The future financial sustainability of CP also depends on the conclusion of the ongoing financial repair process.

EMEF

Due to the need to focus its activity on the maintenance and repair of the rolling stock of its customer and shareholder CP – in line with the legal provisions regarding "in-house contracting" – an adjustment process in the EMEF's business model is underway, aiming at increasing the percentage volume of its activity to CP. The establishment of an autonomous business unit integrated in the same corporate group is foreseen, which shall be dedicated to the maintenance and repair of vehicles of the rolling stock fleet of Metro do Porto. This business model adjustment is underpinned by the essential safeguard of EMEF's economic and financial sustainability and the new corporate entity.

Due to Medway's decision to internalise the maintenance and repair activity of wagons (invalidating the ACE with EMEF, as initially planned), EMEF shall ensure the transition of activities in a gradual and controlled manner, preventing any possible disruption or conflict in this process.

FERNAVE

As to FERNAVE, forecasts point out to the maintenance of the type of services provided by the company and the strategic orientation implemented for better Operating Results, as well as the approval of the financial restructuring proposal presented by CP to the Sector and Financial Ministries.

Efforts will be sustained to divest FERNAVE's financial holding in Transcom, and a technological modernisation process will be launched, particularly in terms of pedagogical resources concerning training activity.

ECOSAÚDE

Ecosaúde shall continue its strategic approach towards maintaining the financial balance and re-establishing the company's economic balance.

At the same time, a significant level of intrinsic quality shall be maintained as a company providing internal services of occupational health and safety of the CP Group.

In 2019, actions will be taken to reverse the reduced level of service provision in the Occupational Health area as well as the reorganisation and rationalisation of the supporting areas.

SAROS

Regarding SAROS, the prospects for 2019 will be towards the continuity of the company's framework, optimising the strategic interests of the Group, remaining a captive mediator of most of the companies’ insurance policies.

SAROS will maintain the aim of maximising the obtained results and a positive year for the Company is expected.

RELEVANT FACTS AFTER THE END OF THE FINANCIAL YEAR

The relevant events after the balance sheet date comprise a dispute related to the ownership of the urban area of the CP's registered office – between CP and the Institute for the Financial Management of Social Security (IGFSS, I.P.) – and the fact that CP, for external reasons, has not yet concluded the recommendation foreseen in the Court of Auditors' Decision no. 5/2018, to conclude the implementation of the new business model of EMEF, S.A.

An adjustment process is underway in the business model of EMEF, S.A., aiming at increasing the percentage volume of its activity to CP by establishing an autonomous business unit integrated in the same corporate Group, which shall be dedicated to the maintenance and repair of vehicles of the rolling stock fleet of Metro do Porto.

On the other hand, due to Medway's decision to internalise the maintenance and repair activity of wagons (without the ACE), EMEF shall ensure this transition in a gradual and controlled manner, preventing any possible disruption or conflict in this process.

It is worth mentioning that this adjustment of the business model is underpinned by the essential safeguard of EMEF's economic and financial sustainability and the new corporate entity.

STATEMENT OF CONFORMITY

(in accordance with paragraph c) of item 1 of article 245 of the Securities Code)

As far as we know: the information foreseen in paragraph a) of item 1 of article 245 of the Securities Code was established in compliance with the applicable accounting standards, providing a true and appropriate image of the asset and liability, the financial situation and the results of CP - Comboios de Portugal, EPE and of the companies included within the consolidation perimeter (CP Group), and the management report accurately shows the business evolution, the performance and the position of the CP Group and, furthermore, such report contains a description of the main risks and uncertainties of the Group.

Lisbon, 10th of April 2019

The Board of Directors

President: Dr. Carlos Gomes Nogueira

Voting Member: Dr. Ana Maria dos Santos Malhó

Voting Member: Eng. Sérgio Abrantes Machado

FINANCIAL STATEMENTS

Statement of Consolidated Financial Position as at the 31st December, 2018' (amounts in euros)

HEADINGS	NOTES	PERIODS	
		31/12/2018	31/12/2017
ASSET			
Non-current asset			
Fixed tangible assets	7	473 069 536	512 757 959
Intangible assets	8	122 647	193 279
Financial holdings - equity method	9	2 353 741	1 541 490
Other financial investments	10	28 078 847	28 024 305
		503 624 771	542 517 033
Current asset			
Inventory	12	26 801 955	28 273 068
Customers	13	13 705 395	13 494 452
State and other public entities	14	7 881 455	15 257 232
Other receivables	15	8 682 720	7 868 077
Deferrals	16	1 744 257	1 363 675
Financial assets held for trading	17	5 583 434	5 908 397
Cash and bank deposits	4	21 783 443	14 504 270
		86 182 659	86 669 171
Total asset		**589 807 430**	**629 186 204**
EQUITY AND LIABILITY			
Equity			
Subscribed capital	18	3 931 000 000	3 850 091 940
Legal reserves	19	24 703	24 703
Other reserves	20	1 306 650	1 306 650
Results brought forward	21	(6 189 186 647)	(6 078 119 710)
Adjustments/other changes in equity	22	91 490 008	91 490 008
Net result of the period		(106 249 189)	(111 066 936)
Total equity		**(2 271 614 475)**	**(2 246 273 345)**
Liability			
Non-current liability			
Provisions	23	14 286 998	13 959 460
Loans obtained	24	1 304 258 630	2 206 237 291
Other debts payable	25	-	8 006 555
		1 318 545 628	2 228 203 306
Current liability			
Suppliers	26	12 988 150	13 376 668
Advance payments from customers	27	374 000	374 000
State and other public entities	14	3 841 187	3 643 320
Loans obtained	24	1 283 218 910	409 682 868
Other debts payable	25	135 969 058	105 823 010
Deferrals	16	106 484 972	114 356 377
		1 542 876 277	647 256 243
Total liability		**2 861 421 905**	**2 875 459 549**
Total equity and liability		**589 807 430**	**629 186 204**

To be read together with the notes to the financial statements.

Certified Accountant - Dr. Ana Coelho

President - Dr. Carlos Gomes Nogueira

Voting Member - Dr.ª Ana Maria dos Santos Malhó

Voting Member - Eng. Sérgio Abrantes Machado

Consolidated income statement and statement of other comprehensive income
Period ended on the 31st December, 2018 (amounts in euros)

INCOME AND EXPENSES	Notes	PERIODS	
		31/12/2018	31/12/2017
Provided sales and services	28	298 053 160	286 659 853
Operating subsidies	29	7 571	22 762
Gains/losses attributed to subsidiaries, associated companies and joint ventures	30	1 302 650	1 202 043
Changes in production inventories	31	(56 931)	(32 745)
Capitalised production costs	32	9 014 150	12 520 674
Sold commodities and consumed materials costs	33	(24 734 713)	(26 381 446)
External services and supplies	34	(145 143 187)	(139 058 818)
Personnel expenses	35	(133 674 810)	(126 946 302)
Inventory impairment (losses/reversals)	12	(651 860)	(1 188 335)
Impairment of receivables (losses/reversals)	13/15	336 636	(1 460 963)
Provisions (increases/decreases)	23	(1 101 420)	140 990
Impairment of non-depreciable and non-amortisable investments (losses/reversals)	36	1 609 616	17 163
Other income	37	23 600 574	22 396 933
Other expenses	38	(11 434 587)	(4 167 564)
Result before depreciations, financing expenses and taxes		17 126 849	23 724 245
Expenses/reversals of depreciation and amortisation	39	(54 653 747)	(57 924 291)
Impairment of depreciable/amortisable investments (losses/reversals)	40	721 647	573 769
Operating result (before financing expenses and taxes)		(36 805 251)	(33 626 277)
Interest and similar income gained	41	39 341	7 612
Payable interest and similar expenses	42	(68 332 038)	(76 650 283)
Result before taxes		(105 097 948)	(110 268 948)
Income tax of the period	11	(1 151 241)	(797 988)
Net and comprehensive result of the period		**(106 249 189)**	**(111 066 936)**

To be read together with the notes to the financial statements.

Certified Accountant - Dr. Ana Coelho

President - Dr. Carlos Gomes Nogueira

Voting Member - Dr.ª Ana Maria dos Santos Malhó

Voting Member - Eng. Sérgio Abrantes Machado

Consolidated statement of changes in equity in the 2017 period

(amounts in euros)

DESCRIPTION		NOTES	Equity granted to capital owners of the parent company							Total	Non-controlling interests	Total Equity
			Subscribed Capital	Legal reserves	Other reserves	Results brought forward	Revaluation surplus	Adjustments / Other changes in equity	Net result of the period			
Position at the beginning of the 2017 period	1	18 to 22	3 333 713 276	24 703	1 306 650	(5 933 918 492)	-	91 490 008	(143 999 549)	(2 651 383 404)		(2 651 383 404)
Changes in the period			-	-	-	-	-	-	-	-		-
First implementation of the new accounting framework			-	-	-	-	-	-	-	-		-
Changes in accounting policies		5	-	-	-	-	-	-	-	-		-
Translation differences of financial statements			-	-	-	-	-	-	-	-		-
Realisation of revaluation surplus			-	-	-	-	-	-	-	-		-
Revaluation surplus			-	-	-	-	-	-	-	-		-
Adjustments by deferred taxes			-	-	-	-	-	-	-	-		-
Other changes recognised in equity		22	-	-	-		-		-	-		-
	2		-	-	-	-	-	-	-	-		-
Net result of the period	3		-	-	-	-	-	-	(111 066 936)	(111 066 936)		(111 066 936)
Comprehensive result	4 = 2 + 3								(111 066 936)	(111 066 936)		(111 066 936)
Operations with capital owners in the period												
Capital subscriptions			516 378 664	-	-	-	-	-	-			-
Share premium subscriptions			-	-	-	-	-	-	-	-		-
Distributions			-	-	-	-	-	-	-	-		-
Down payments to cover losses			-	-	-	-	-	-	-	-		-
Other operations			-	-	-	(144 201 218)	-	-	143 999 549	143 999 549		143 999 549
	5		516 378 664	-	-	(144 201 218)	-	-	143 999 549	516 176 995		516 176 995
Position at the end of the 2017 period	**= 1+2+3+5**		**3 850 091 940**	**24 703**	**1 306 650**	**(6 078 119 710)**	**-**	**91 490 008**	**(111 066 936)**	**(2 246 273 345)**		**(2 246 273 345)**

To be read together with the notes to the financial statements.

Certified Accountant - Dr. Ana Coelho

President - Dr. Carlos Gomes Nogueira

Voting Member - Dr.ª Ana Maria dos Santos Malhó

Voting Member - Eng. Sérgio Abrantes Machado

Consolidated statement of changes in equity in the 2018 period

(amounts in euros)

DESCRIPTION		NOTES	Equity granted to capital owners of the parent company							Total	Non-controlling interests	Total Equity
			Subscribed Capital	Legal reserves	Other reserves	Results brought forward	Revaluation surplus	Adjustments / Other changes in equity	Net result of the period			
Position at the beginning of the 2018 period	1	18 to 22	3 850 091 940	24 703	1 306 650	(6 078 119 710)	-	91 490 008	(111 066 936)	(2 246 273 345)		(2 246 273 345)
Changes in the period			-	-	-	-	-	-	-	-		-
First implementation of the new accounting framework			-	-	-	-	-	-	-	-		-
Changes in accounting policies		5	-	-	-	-	-	-	-	-		-
Translation differences of financial statements			-	-	-	-	-	-	-	-		-
Realisation of revaluation surplus			-	-	-	-	-	-	-	-		-
Revaluation surplus			-	-	-	-	-	-	-	-		-
Adjustments by deferred taxes			-	-	-	-	-	-	-	-		-
Other changes recognised in equity		22	-	-	-	-	-	-	-	-		-
	2		-	-	-	-	-	-	-	-		-
Net result of the period	3		-	-	-	-	-	-	(106 249 189)	(106 249 189)		(106 249 189)
Comprehensive result	4 = 2 + 3		-	-	-	-	-	-	(106 249 189)	(106 249 189)		(106 249 189)
Operations with capital owners in the period												
Capital subscriptions			80 908 060	-	-	-	-	-	-			-
Share premium subscriptions			-	-	-	-	-	-	-	-		-
Distributions			-	-	-	-	-	-	-	-		-
Down payments to cover losses			-	-	-	-	-	-	-	-		-
Other operations			-	-	-	(111 066 937)	-	-	111 066 936	111 066 936		111 951 646
	5		80 908 060	-	-	(111 066 937)	-	-	111 066 936	80 908 059		80 908 059
Position at the end of the 2018 period	**5 = 1+2+3+5**		**3 931 000 000**	**24 703**	**1 306 650**	**(6 189 186 647)**	**-**	**91 490 008**	**(106 249 189)**	**(2 271 614 475)**		**(2 271 614 475)**

To be read together with the notes to the financial statements.

Certified Accountant- Dr. Ana Coelho

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Voting Member - Eng. Sérgio Abrantes Machado

Consolidated cash flow statement on 31st December, 2018

Period ended on the 31st December, 2018 (amounts in euros)

HEADINGS	31/12/2018	31/12/2017
Cash flows from operating activities - direct method		
Collections from customers	332 808 167	317 737 826
Payments to suppliers	(215 317 975)	(211 712 477)
Payments to employees	(138 880 651)	(130 884 096)
Cash generated by the operations	(21 390 459)	(24 858 747)
Payment/receipt of income tax	(704 996)	(348 179)
Other receivables/payments	14 320 590	(4 127 781)
Cash flows from operating activities (1)	(7 774 865)	(29 334 707)
Cash flows from investment activities		
Payments regarding:		
Fixed tangible assets	(5 701 516)	(4 970 240)
Intangible assets	(48 011)	(308 176)
Financial investments	-	-
Other assets	(154 000 000)	(179 516 477)
Receivables from:		
Fixed tangible assets	5 128 349	1 859 758
Intangible assets	-	-
Financial investment	119 573	-
Other assets	154 000 000	179 514 154
Investment grants	1 800 000	1 535 625
Interest and similar income	11	136
Dividends	454 342	460 418
Cash flows from investment activities (2)	1 752 748	(1 424 802)
Cash flows from financing activities		
Receivables from:		
Loans obtained	-	6 000 000
Realisation of capital and other equity instruments	80 908 060	98 086 724
Coverage of losses	-	-
Donations	-	-
Other financing operations	-	-
Payments regarding:		
Loans obtained	(28 942 209)	(36 930 188)
Interest and similar expenses	(38 686 594)	(38 808 003)
Dividends	-	-
Capital reduction and other equity instruments	-	-
Other financing operations	-	-
Cash flows from financing activities (3)	13 279 257	28 348 533
Changes in cash and cash equivalents (1+2+3)	7 257 140	(2 410 976)
Effect of exchange rate differences	201	(66)
Cash and cash equivalents at the beginning of the period	**14 277 611**	**16 688 653**
Cash and cash equivalents at the end of the period	**21 534 952**	**14 277 611**

To be read together with the notes to the financial statements.

Certified Accountant - Drª Ana Coelho

President - Dr. Carlos Gomes Nogueira

Voting Member - Dr.ª Ana Maria dos Santos

Voting Member - Eng. Sérgio Abrantes Mach

NOTES TO THE FINANCIAL STATEMENTS

IDENTIFICATION OF THE ENTITY AND OPERABILITY NOTES (NOTE 1)

IDENTIFICATION

CP – Comboios de Portugal, E.P.E. is a corporate public entity, a legal person governed by public law, with administrative, financial and asset autonomy, with registered office in Calçada do Duque, nº 20, 1249-109 Lisbon, whose current legal framework and Articles of Association have been approved by Decree-Law 137-A/2009, of the 12th of June.

CP's main purpose is the provision of services of railway transportation of passengers in railway lines, sections of lines and branches which are, or will become, part of the national railway network, as well as the international transportation of passengers.

The transportation of goods was demerged in 2009, therefore, it started to be undertaken by CP Carga - Logística e Transporte Ferroviário de Mercadorias, S.A., whose share capital was held entirely by CP until 2015, and disposed in 2016, to Mediterranean Shipping Company Rail (Portugal) – Operadores Ferroviários, S.A..

Through its subsidiaries and associated companies, the CP Group has carried out the following activities in 2018:

/ Manufacture and reconditioning, large repair and maintenance of equipment, railway vehicles, vessels and buses, as well as the study of workshop facilities for maintenance purposes (EMEF, S.A.);

/ Insurance mediation (Saros, Lda.);

/ Synergy and optimisation of the activities concerning the maintenance of locomotives type "LE 5600" and "LE 4700" (SIMEF, A.C.E.);

/ Training and professional technical development, preparation of studies and projects within the scope of the creation, organisation and management of companies, as well as the provision of services related to applied psychology, medical and psychological assessment, higher education and scientific research regarding transportation, communications or technological areas within the technological scope of the aforementioned companies (Fernave, S.A.);

/ Provision of healthcare services; teaching, training and technical/professional development within the sectors of working conditions, health and environment; provision of services related to recruitment, selection and assessment of staff; technical assistance, consultancy and auditing, specifically regarding health, occupational health and safety, environment and environmental management; carrying out of drug and alcohol tests, thereby ensuring proper referral for the treatment of such addictions (Ecosaúde, S.A.);

/ Implementation and management of a common and exclusive ticketing system of the Grouping (CP, STCP and Metro do Porto) in the Greater Oporto area, as well as establishing the common and exclusive intermodal tariff for public means of transportation of passengers that are operated either directly or indirectly by the Grouping entities (TIP, A.C.E.);

/ Ensuring the development of the tele-ticketing project in association with other international partners, in accordance with the commitments assumed by the companies comprising the grouping within the scope of the overall proposal of the aforementioned project (OTLIS, A.C.E).

EMEF, S.A's 35% holding in NOMAD TECH, Lda., and Fernave's 19.1% holding in TRANSCOM - Sociedade de Formação, Consultoria e Auditoria em Transportes e Comunicações, S.A.R.L. (Mozambican), should also be noted.

CP, as a corporate public entity, is subject to the management guidelines established by the Government, the responsible ministries – Sector and Finance -, the Ministries of Economy and Finance, as well as the financial control of the Court of Auditors and of the Inspectorate General of Finance.

Furthermore, apart from the aforementioned control, the articles of association foresee a dualistic structure of inspection comprised by the Supervisory Board and the Certified Public Accountant.

CP is the parent company of a group of subsidiary and associated companies, acting in several activity segments, whose characterisation is set forth in more detail in note 3, and the following are its consolidated financial statements.

ACCOUNTING FRAMEWORK OF PREPARATION OF FINANCIAL STATEMENTS (NOTE 2)

ACCOUNTING FRAMEWORK

The consolidated financial statements of the CP Group have been prepared on the assumption of continuity of operations, from the accounting records of the companies included in the consolidation perimeter, in accordance with the international financial reporting standards, as implemented by the European Union (EU), in force as at the 31st of December, 2018.

The International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), as well as the International Accounting Standards (IAS), issued by the International Accounting Standards Committee (IASC), and their respective interpretations (IFRIC and SIC), issued by the International Financial Reporting Interpretation Committee (IFRIC) and the Standing Interpretation Committee (SIC), shall be construed as forming part of the aforementioned standards. Hereinafter, all such standards and interpretations thereof shall be generically referred to as IFRS.

Such financial statements, which are expressed in Euros, have been examined by the Board of Directors in a meeting held on the 10th of April 2019, having decided to submit such statements to the responsible Ministry for approval.

The accounting policies set forth in note 3 were used in the consolidated financial statements for the period ended on the 31st of December 2018, as well as in the comparative financial information set forth in these financial statements for the period ended on the 31st of December 2017.

DEROGATIONS TO THE IFRS

There were no derogations made to the provisions of the IFRS.

COMPARATIVE VALUES

No changes were made to the accounting policies, and no errors which materially affect the comparison of values between financial years have been detected.

MAIN ACCOUNTING POLICIES (NOTE 3)

The main accounting policies applied when preparing the consolidated financial statements herein are described below and have been applied in a consistent manner for the presented periods.

BASES OF MEASUREMENT

The consolidated financial statements were prepared in accordance with the historical cost principle, modified by the application of fair value for the derivative financial instruments, financial assets and liabilities held for trading, with the exception of those for which fair value is not available. Non-current assets held for sale and groups of assets held for sale are registered at the lower value between their book value and fair value deducted from the corresponding sale costs.

The preparation of financial statements in accordance with the IFRS requires the formulation of judgments, estimates and assumptions affecting the application of the accounting policies and the value of assets, liabilities, income and expenses. The associated estimates and assumptions are based on historical experience and on other factors deemed reasonable in accordance with the circumstances, and they are the basis for the judgments regarding the value of assets and liabilities whose valuation is not clear through other sources. The real results may differ from the estimates.

The matters requiring a larger index of judgment or complexity, or for which the assumptions and estimates are considered significant, are presented in the following headings: "Value Judgments", “Main Assumptions Concerning the Future” and “Main Sources for Uncertain Estimates”, which are set forth in this note.

CONSOLIDATION

INTRODUCTION

Pursuant to the current legislation, the entities whose securities are admitted to trading in a regulated market shall draw up their consolidated accounts in accordance with the international financial reporting standards.

For this reason, CP presents its consolidated financial statements, which express the financial position and results of the Group's operations as if it were a single entity, aiming to highlight the results of the operations that the companies in the Group have carried out with third parties.

THE GROUP AND THE COMPANY

General Remarks

Throughout 2018, CP continued its purpose of developing a sustainable Group strategy, by structuring its existing shareholdings and by developing a culture of efficiency and added value, focused on its *core business*.

CP has provided self-sufficiency to activity segments by turning them into companies, aiming at creating positive synergies for its business. Such activity segments include railway equipment maintenance and technical training.

CP holds most of the capital of all subsidiary companies. Furthermore, CP has a few minority holdings, based on cooperation with other Operators.

CP

CP – Comboios de Portugal E.P.E. is, from July 2009, a corporate public entity, which is 100% held by the Portuguese State. CP is responsible for the provision of services related to national and international passenger railway transportation.

CP has a nationwide activity, providing essential services for the Country's development and for the social and territorial cohesion thereof.

AFFILIATE COMPANIES

CP's financial holdings as at the 31st of December 2018, are as follows:

Subsidiaries

EMEF – Empresa de Manutenção de Equipamento Ferroviário, S.A.
CP's shareholding – 100%
Subscribed Capital – 8,100,000 euros

EMEF, SA was incorporated in 1992, and its purpose is the manufacture, reconditioning, large repair and maintenance of equipment, railway vehicles, vessels and buses; rehabilitation engineering, repair and maintenance of transportation vehicles; study of workshop facilities for maintenance purposes. Thus, this company is of utmost importance for the national market.

SAROS – Sociedade de Mediação de Seguros, Lda.
CP's shareholding – 100%
Subscribed Capital – 5,000 euros

The company's purpose is the insurance mediation activity.

FERNAVE – Formação Técnica, Psicologia Aplicada e Consultoria em Transportes e Portos, S.A.
CP's shareholding – 100%
Subscribed Capital – 50,000 euros

Incorporated in 1992, with the following corporate purpose:

/ Training, as well as the technical and professional development of the shareholding company's personnel, as well as the personnel of other companies within the transportation, communications and port sectors, and of those falling within its technological scope;

/ Preparation of studies and projects falling within the scope of the creation, organisation and management of transportation, communications and port companies, as well as of those falling within its technological scope;

/ Provision of services within the scope of applied psychology, as well as of medical and psychological assessment, to the transportation, communications and port companies, as well as to those falling within its technological scope;

/ Higher education and scientific research within the context of transportation, communications or in technological areas falling within its technological scope, either directly or through affiliate or associated institutions.

ECOSAÚDE – Educação, Investigação e Consultoria em Trabalho, Saúde e Ambiente, S.A.

CP's shareholding – 100%
Subscribed Capital – 50,000 euros

Company incorporated in 1995, whose corporate purpose is the provision of healthcare, creating and managing healthcare units as well as working conditions; higher and secondary teaching, training and technical/professional development, namely in the areas of working conditions, health and environment; the provision of services falling within the scope of recruitment, selection and assessment of personnel; technical assistance, consultancy and audit services, namely concerning health, occupational health and safety, environment and environmental management; preparation of studies and analyses, having widened its operation to prevention and control strategies within the scope of drug addiction, alcoholism and smoking, to the carrying out of drug and alcohol control programmes, and, also, to the proper referral and treatment of drug and alcohol addicts.

Jointly controlled entities

SIMEF, A.C.E.

EMEF's shareholding – 51%
Capital – none

Complementary company grouping incorporated in 2009, whose corporate purpose is the synergy and optimisation of the activities of the grouped companies concerning the maintenance of locomotives type "LE 5600" and "LE 4700", under the agreement between the Grouping and CP – Comboios de Portugal, E.P.E.

TIP, A.C.E – Transportes Intermodais do Porto

CP's shareholding – 33.33%
Subscribed Capital – 30,000 euros

TIP is a complementary company grouping incorporated in 2002, whose corporate purpose is the establishment and management of a common and exclusive ticketing system of the Grouping (CP, STCP and Metro do Porto) in the Greater Oporto area, as well as the establishment of the common and exclusive intermodal tariff for the public means of transportation of passengers that are operated either directly or indirectly by the grouping entities.

OTLIS, A.C.E. - Operadores de Transportes da Região de Lisboa

CP's shareholding – 14.29%
Subscribed Capital – 392,832.02 euros

OTLIS is a complementary company grouping incorporated in 1996, whose corporate purpose is to ensure the development of the tele-ticketing project in association with other international partners, in accordance with the commitments assumed by the companies comprising the grouping within the scope of the overall proposal of the aforementioned project.

Associated companies

TRANSCOM – Sociedade de Formação, Consultoria e Auditoria em Transportes e Comunicações, S.A.R.L. (Mozambican)

Shareholding via Fernave – 19.1%
Share Capital – 74,025,000 meticais

The company was incorporated in 1998, and its corporate purpose is higher university teaching, as well as scientific research, namely within the scope of technology, management, logistics, distribution, transportation, communications and computer science; technical teaching and training of upcoming and current middle management, specifically within the scope of technology, management, logistics, distribution, transportation, communications and computer science; training, as well as technical and professional development of personnel working mainly in transportation, communications and computer science organisations; consultancy and auditing for companies and other organisations, especially those related to transportation, communications and computer science.

NOMAD TECH, Lda.

Shareholding via EMEF - 35%
Subscribed Capital – 160,000 euros

The company was incorporated in 2013, carrying out its activity within the scope of engineering, innovation and technology applied to transportation, manufacture, repair and maintenance of electronic components and the development of computer science solutions.

Other Shareholdings

CP also has a set of small shareholdings in companies whose activities are connected to those carried out by the companies of the Group.

Such shareholdings are recognised at cost less impairment losses, given the fact that the value of such shareholdings is not publicly traded and there is no possibility of obtaining their fair value in a reliable manner.

Medway – Operador Ferroviário e Logístico de Mercadorias, S.A. (former CP Carga)

CP's shareholding – 5%
Subscribed Capital – 121,312,810 euros

Its corporate purpose is the railway transportation of goods, logistics activities and related operations.

The company was incorporated by simple demerger, thereby complying with the commitment to liberalisation for the sector assumed by Portugal to the European Union.

Its share capital was fully held by CP until 2015, and disposed of in 2016 to Mediterranean Shipping Company Rail (Portugal) – Operadores Ferroviários, S.A.. As at the 31st of December 2018, CP still has a temporary 5% shareholding, and is awaiting for the completion of certain procedures foreseen in the reference sale agreement.

Metro do Porto, S.A.

CP's shareholding – 3.33%
Share Capital – 7,500,000 Euros

Incorporated in 1993, its corporate purpose is the operation of a light metro system in the Oporto metropolitan area, under a concession scheme assigned by the State.

Metropolitano Ligeiro de Mirandela, S.A.

CP's shareholding – 10%
Share Capital – 125,000 Euros

Company incorporated in 1995, whose corporate purpose is the exclusive operation of the surface metro transportation in the Municipality of Mirandela, Carvalhais-Cachão section.

Metro Mondego, S.A.

CP's shareholding – 2.5%
Share Capital – 1,075,000 Euros

This company was incorporated in 2002, and its main corporate purpose is the exclusive operation of a light surface metro network in the area of the Municipalities of Coimbra, Lousã and Miranda do Corvo.

APOR – Agência para a Modernização do Porto, S.A.

CP's shareholding – 0.47%
Share Capital – 1,064,825 Euros

APOR was incorporated in 1997, and its corporate purpose is Oporto's economic modernisation, including urban development through the development of programmes aimed at contributing for the implementation of correction factors for the city's social, economic and cultural fabric.

The CP's shareholding in this company was settled in 2018.

ICF – Intercontainer – Interfrigo, S.A. (Belgium)

CP's shareholding – 2.09%
Share Capital – 18,300,000 Euros

The company's corporate purpose is the organisation and development of combined transportation, as well as of refrigerated transportation at an appropriate temperature, comprising all the operations intended for obtaining and maintaining the temperature deemed appropriate for the various goods, as well as for the availability of supporting services concerning such transportation.

EUROFIMA – Société Européenne pour le Financement de Matériel Ferroviaire (Switzerland)

CP's shareholding – 2%
Share Capital – 2,600,000,000 CHF

Its main corporate purpose is to provide the financing needed for investments for the renewal and modernisation of rolling stock, in order to ensure a progressive integration of railways into the European level, playing a very competitive role in the granting of funds to shareholders.

BCC – Bureau Central de Clearing (Belgium)

CP's shareholding – 1.54%
Share Capital – 110,250 Euros

The company's corporate purpose is to provide financial services to its associates, as well as all commercial operations required for such purpose, and, particularly, to reduce the number and amount of payments between its associates through the centralisation and offsetting of their reciprocate debits and credits.

CONSOLIDATION METHOD

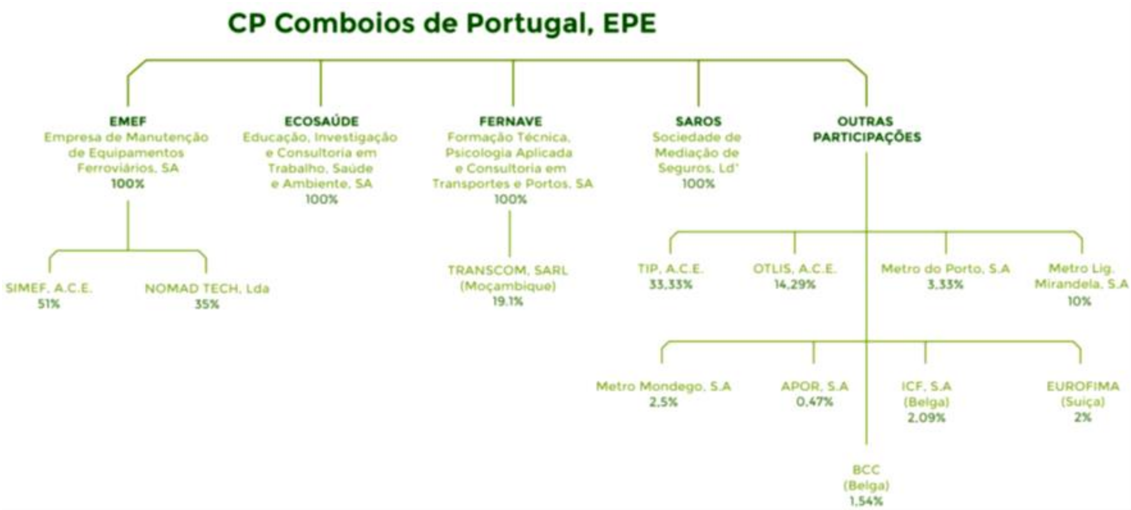
The obligation to prepare consolidated accounts shall apply to the parent company holding control over one or more subsidiaries. In accordance with the specifications of the IFRS, all companies of the Group over which the company holds control have been included in the consolidation, and the full consolidation method has been used for all such companies.

Thus, based on the specifications set forth in the IFRS 10, the financial statements have been prepared by grouping identical elements of assets, liabilities, equities, income and expenses, on a line-by-line basis.

The consolidation procedures have further involved the elimination of the parent company's investment in each subsidiary against equity, as well as the elimination of balances, transactions, intra-group income and gains, and expenses and losses.
Concerning joint ventures, the equity method was applied from January 2013, replacing the proportionate consolidation, in accordance with the provisions set forth in the IFRS 11.

By pursuing the specifications of the standard concerning the implementation of the equity method, the investment was initially recognised by the cost, and the carrying amount is increased or decreased in order to recognise the investor's part in the investee's results following the date of the incorporation/purchase of the joint venture. Distributions received reduce the carrying amount of the investment, and adjustments may also be made to the carrying amount for changes in the proportionate interest of the investor in the joint venture, as a result of changes in equity that have not been recognised in the joint venture's results.

CONSOLIDATION PERIMETER



The share capital of CP Carga- Logística e Transportes Ferroviários de Mercadorias, S.A, was disposed in 2016 to Mediterranean Shipping Company Rail (Portugal) - Operadores Ferroviários, S.A. As at the

31st of December 2018, CP still has a 5% residual shareholding, which is temporary (and adjusted with impairment), given the fact that it is awaiting completion of certain procedures foreseen in the agreement, in order for the disposal to correspond to the entire shareholding. It is for this reason that CP Carga is not shown in the consolidation perimeter chart.

COMPANIES INCLUDED IN THE CONSOLIDATION UNDER THE FULL CONSOLIDATION METHOD

The companies included in the consolidation under the full consolidation method, their registered offices and the proportion of the capital, which is directly and indirectly held by the Group, as at the 31st of December 2018, are the following:

Company	Registered Office	Holders of Capital	% of capital
EMEF, S.A.	Entroncamento	CP, E.P.E.	100%
SAROS, LDA.	Lisbon	CP, E.P.E.	100%
FERNAVE, S.A.	Lisbon	CP, E.P.E.	100%
ECOSAÚDE, S.A.	Lisbon	CP, E.P.E.	100%

ASSOCIATED COMPANIES ACCOUNTED FOR UNDER THE EQUITY METHOD

The companies included in the consolidation under the equity method, their registered offices and the proportion of the capital held, as at the 31st of December 2018, are the following:

Company	Registered Office	Holders of Capital	% of capital
TIP, ACE	Oporto	CP, E.P.E.	33%
SIMEF, ACE	Entroncamento	EMEF, S.A.	51%
OTLIS, ACE	Lisbon	CP, E.P.E.	14%
NOMAD TECH, LDA.	Oporto	EMEF, S.A.	35%

OTHER SHAREHOLDINGS

In the case of financial investments whose fair values cannot be reliably identified, the former shall be measured at their acquisition cost, less any accumulated losses due to impairment.

RELEVANT ACCOUNTING POLICIES

FIXED TANGIBLE ASSETS

Recognition and Valuation

Fixed tangible assets concerning the passenger transportation segment are held by the parent company, and are accounted for at the acquisition cost, less their corresponding accumulated depreciations and impairment losses.

At the date of transition for the IFRS, CP decided to consider as cost of fixed tangible assets their revalued amount determined in compliance with the previous accounting policies, which was, in general terms, comparable to the measured cost in accordance with the IFRS.

The subsequent costs are recognised as fixed tangible assets only if it is likely that there will be future economic benefits therefrom for the entity. All expenses related to maintenance and routine repairs which do not increase the asset's useful life , or which do not constitute replacements in regular intervals (large interventions performed with intervals varying between 2 and 15 years) of items of the asset are recognised as expense, in accordance with the accruals principle.

CP's fixed tangible assets include assets owned by the State (assets set forth in the joint order no. 261/99, of the 24th of March) and are assigned to the operational use by the company. Such assets are accounted for in the financial statements in order to allow for an assessment of the company's economic performance.

Such policy was also implemented in the recognition and measurement of the fixed tangible assets used by the remaining subsidiaries in the carrying out of their activity, particularly in the manufacture and maintenance of railway equipment and vehicles, in technical training and applied psychology, as well as in the provision of healthcare and occupational safety services.

The cost of all fixed tangible assets includes the purchase price, import duties, non-refundable taxes and all necessary costs in order to place the asset in the working location and condition, namely the transportation and assembly expenses, excluding trade discounts and rebates.

Subsequent expenses are recognised as fixed tangible assets only if it is likely that there will be future economic benefits therefrom. All maintenance and repair expenses which do not increase the asset's useful life shall be recognised as costs, in accordance with the accruals principle.

MAINTENANCE AND REPAIR EXPENSES

Rolling Stock for Passenger Transportation:

/ Expenses incurred with routine maintenance during the useful life of the rolling stock are recognised as operating expenses;

/ Expenses incurred with large and multiannual repairs that are essential to ensure the continuity of the asset's operation are recognised in fixed tangible assets as specific components of rolling stock and depreciated by their estimated useful life in a separate section from the main component. Once each large repair is carried out, its cost is recognised in the carrying amount of the item of the fixed tangible asset as replacement, provided that the recognition criteria are met. Any remaining carrying amount of the cost of the previous large repair is derecognised; and

/ Expenses incurred at the end of the useful life of the main component, which include the transformation and modernisation thereof, are recognised as fixed tangible assets and depreciated by the lengthening of its expected useful life.

Buildings and Fixed Facilities:

/ The routine maintenance and repair expenses (maintenance agreements, technical inspections, etc.) are recognised as operating expenses;

/ Expenses incurred with multiannual scheduled maintenance plans are recognised in fixed tangible assets, through the partial or full replacement of the replaced component; and

/ Maintenance and repair costs are accounted for in results of the period in which they are incurred, in accordance with the accruals principle.

DEPRECIATION

Land is not depreciated. Depreciation of the remaining fixed tangible assets is calculated by the straight-line method, in accordance with the following expected useful life periods of the assets.

Description of the asset	Years
Buildings and other constructions – State	3 to 50
Buildings and other constructions – CP	3 to 50
Rolling Stock:	
Diesel and electric locomotives:	
- Main Component	17 to 35
- Secondary Component	5 to 15
Diesel and electric railcars:	
- Main Component	14 to 30
- Secondary Component	2 to 15
Passenger carriages:	
- Main Component	15 to 30
- Secondary Component	2 to 12
Transportation equipment	4 to 12
Administrative equipment and tools	3 to 18
Other fixed tangible assets	5 to 20

Fixed tangible assets belonging to the State (assets set forth in joint order no. 261/99 from March 24th) are being depreciated since 1999 at a rate of 2%, in accordance with regulating decree no. 25/2009 from September 14th.

No residual amounts were considered when determining the depreciated amounts.

GOVERNMENT GRANTS

Government grants relating to fixed tangible and intangible assets are initially recognised as deferred income when there is a guarantee that the grant shall be received and that the conditions regarding the award of the grant shall be complied with. Subsequently, such grants are recognised in the income statement on a systematic basis, in accordance with the asset's useful life.

Grants offsetting incurred expenses and losses are recognised as income in the income statement on a systematic basis, in the same period in which the expenses are recognised.

CAPITALISATION OF COSTS WITH LOANS AND OTHER DIRECTLY ATTRIBUTABLE COSTS

Interest on loans directly attributable to the acquisition or construction of assets is capitalised as part of the cost of such assets. An asset eligible for capitalisation is an asset needing a substantial period of time in order to be available for use or sale. The amount of interest to be capitalised is determined through the application of a capitalisation rate on the value of the investments made. The capitalisation of costs with loans begins when the investment begins, when interest on loans has already been incurred and when the activities necessary for preparing the asset in order for it to be available for use or sale are already under way. The capitalisation is concluded once all the activities necessary for the asset to be available for use or sale are substantially concluded.

IMPAIRMENT OF ROLLING STOCK FOR PASSENGER TRANSPORTATION

Considering the nature of rolling stock for passenger transportation and, particularly, the absence of interoperability with the European network, the determination of a market value that is appropriate for such assets becomes unfeasible due to the absence of an active market where such assets are traded. Thus, this amount is only determined when there are offers for the purchase of specific material.

As to the determination of the use value, the latter shall reflect the expected cash flows, discounted at a discount rate appropriate for the business. It is considered that, for the calculation of expected cash flows, the features of the provided public service shall be taken into account, as well as the specificities of the funding structure that has been followed until now.

In the absence of a public service agreement, it is understood that it is not possible to determine the use value as defined in the IAS 36, given the fact that there are no specific rules defined for companies providing public service.

However, when there are specific situations showing that an asset may be impaired, in particular when the rolling stock ceases to operate, the recoverable amount is determined, and an impairment loss is recognised whenever the net value of an asset exceeds its recoverable amount. Thus, impairment losses are recognised in results.

RECOGNITION OF IMPAIRMENT IN THE REMAINING ASSETS OF THE GROUP

As defined in the IAS 36, when there is an indication that an asset may be impaired, its recoverable amount is estimated, and an impairment loss shall be recognised whenever the net book value of an asset exceeds its recoverable amount. Impairment losses are recognised in results. The recoverable amount is determined as the highest between its selling price (net realisable value) and its use value, which is calculated based on the current value of the estimated cash flows which are expected to be obtained from the continued use of the asset and of its disposal at the end of its useful life.

LEASES

The companies of the Group classify the leasing transactions as financial or operating leases, depending on their substance and not on their legal form. The transactions classified as financial leases are those where the risks and advantages inherent to the ownership of an asset are substantially transferred to the lessee. All remaining leasing transactions are classified as operating leases.

Operating leases

Payments of an operating lease are recognised as an expense on a linear basis during the lease period.

Financial leases

Financial lease agreements are accounted for at the date such agreements take effect, in assets and in liabilities, at the lower between the fair value of the leased property, or the current value of the due rents of the lease.

Rents are composed of the financial cost, which is deducted in results, and of the reduction of the outstanding liability. Financial costs are recognised as expenses throughout the lease period, in order to produce a constant periodic interest rate on the remaining balance of the liability in each period.

Assets acquired through financial lease are depreciated in accordance with the policy established for fixed tangible assets.

INTANGIBLE ASSETS

The intangible assets of the companies of the Group are accounted for at the acquisition cost deducted from the respective accumulated amortisations and impairment losses.

The companies in the Group carry out impairment tests whenever there are occurrences or circumstances indicating that the book value exceeds the recoverable value. If a difference arises, it shall be recognised in results. The recoverable amount is determined as the highest amount between its net selling price and its use value, the latter being calculated based on the current value of the estimated future cash flows expected to be obtained from the continued use of the asset and of its disposal at the end of its useful life.

Amortisations are calculated by the straight-line method for a 3-year period.

FINANCIAL DERIVATIVES AND HEDGE ACCOUNTING

Financial derivatives are recognised on their trade date, at their fair value. Subsequently, the fair value of the financial derivatives is reassessed on a regular basis, and the gains or losses arising from such reassessment are directly accounted for in the results of the period, except for cash flow hedging derivatives. The recognition of fair value variations in hedging derivatives, in the results of the period, depends on the nature of the hedged risk and the hedging model employed.

The fair value of the financial derivatives matches its market value, when available. If the latter is not available, it is determined by an external entity (IMF - Informação de Mercados Financeiros, SA), based on the valuation techniques used in the market.

OTHER FINANCIAL ASSETS/LIABILITIES

The companies of the CP Group only recognise a financial asset, a financial liability or an equity instrument when they become part of the instrument's contractual provisions.

The CP Group classifies its investments on their trade date in accordance with the purpose of the acquisition thereof, in the following categories: financial assets at fair value through results (held for trading and fair value option); loans and accounts receivable; held-to-maturity assets; and financial assets available for sale, in compliance with the provisions set forth in the IAS 39 – Financial instruments.

FINANCIAL ASSETS AT FAIR VALUE THROUGH RESULTS

This category includes:

(i) financial trading assets acquired for the main purpose of trade in the short term, and
(ii) financial assets designated at the time of their initial recognition at fair value with variations recognised in results.

Following their initial recognition, financial assets at fair value through results are valued at fair value, and their variations shall be recognised in results.

This category includes derivatives that do not qualify for hedge accounting purposes. The changes in their fair value are directly recognised in the results of the financial year.

HELD-TO-MATURITY FINANCIAL ASSETS

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

Such investments are measured at amortised cost, based on the effective interest rate method, and are deducted from impairment losses. Impairment losses are accounted for based on the estimate and assessment of losses, associated with doubtful credits on the date of the financial statements.

Impairment losses are the difference between the asset's book value and the current value of estimated future cash flows (by considering the recovery period) discounted at the financial asset's original effective interest rate.
Such assets are shown in the statement of financial position, net of recognised impairment.

LOANS AND ACCOUNTS RECEIVABLE

They are non-derivative financial assets, with fixed or determined payments, which are not quoted in an active market. They arise from the normal course of operating activities, in the supply of goods or services, with no intention for trading.

Loans and accounts receivable are initially recognised at their fair value, and are subsequently valued at amortised cost, based on the effective interest rate method.

Impairment losses are accounted for when there is proof suggesting that the company of the CP Group will not receive all the amounts to which it was entitled pursuant to the original terms of the agreements that have been concluded. Several indicators are used in the identification of impairment situations, such as:

(i) Default analysis;
(ii) Default for more than 6 months;
(iii) Financial difficulties of the debtor;
(iv) Likelihood of the debtor's bankruptcy.

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

Such assets are shown in the statement of financial position, net of recognised impairment.

FINANCIAL ASSETS AVAILABLE FOR SALE

Financial assets available for sale are non-derivative financial assets which the CP Group intends to keep indefinitely. Such assets are designated as available for sale at the time of their initial recognition, or if they do not fall under the aforementioned categories.

Financial assets available for sale are accounted for at fair value, and the corresponding fair value variations are directly recognised in the equities, in the "fair value reserves" heading, until the investments are derecognised, or an impairment loss is identified, in which case the accumulated amount of the potential gains and losses accounted for in reserves is transferred to results. Assets are carried at acquisition cost if there is no market value. However, impairment tests shall be carried out.

Accrued interest of fixed income instruments, when classified as assets available for sale, as well as the differences between the acquisition cost and the nominal value (premium or discount), are accounted for in results in accordance with the effective interest rate method.

SUBSEQUENT MEASUREMENT OF FINANCIAL ASSETS/LIABILITIES

Financial assets/liabilities are measured at cost or at amortised cost less any impairment loss, or at fair value along with the changes in fair value to be recognised in the income statement, in accordance with the provisions set forth in the IAS 39.

Following initial recognition, the CP Group measures the financial assets, including derivatives that are assets, by their fair values without any deduction for the transaction costs the Group may incur upon sale or other disposal, except for the following financial assets:

a) Granted loans and accounts receivable, which are measured at amortised cost by using the effective interest method;

b) Held-to-maturity investments, which are measured at amortised cost by using the effective interest method; and

c) Investments in equity instruments which do not have a market price quoted in an active market and whose fair value cannot be obtained in a reliable manner, as well as agreements linked to such instruments which, if concluded, result in the delivery of such instruments - which shall be measured at cost less impairment losses.

Financial assets designated as hedged items are subject to measurement according to the hedge accounting requirements set forth in the IAS 39.

All financial assets are subject to review concerning impairment, except for those measured at fair value through results, in accordance with the IAS 39.

Following initial recognition, the CP Group measures all financial liabilities by the amortised cost by using the effective interest method, except for financial liabilities at fair value through results. Such liabilities, including derivatives forming part of the liability, are measured at fair value, except for a derivative liability that is linked to, and should be settled by, the delivery of an unquoted equity instrument, whose fair value cannot be measured in a reliable manner, and such fair value shall be measured at cost.

Financial liabilities designated as hedged items are subject to the hedge accounting requirements set forth in the IAS 39.

Upon determining the fair value of a financial asset or liability, the market price shall apply if there is an active market. This is level 1 of the fair value hierarchy as defined in the IFRS 7.

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

The CP Group includes unquoted financial instruments in the 2nd level of the fair value hierarchy, such as derivatives. The most frequently used valuation models are discounted cash flows models and option assessment models, which include, for instance, interest rate curves as well as market volatility.

In the case of more complex derivatives, more advanced valuation models are used, which include assumptions and data not directly observable in the market. This is level 3 of the fair value hierarchy as defined in the IFRS 7.

IMPAIRMENT

In accordance with the IAS 36 – Impairment of assets, every time the book value of an asset exceeds its recoverable amount, its value is reduced to the recoverable amount, and the impairment loss is recognised in results of the financial year.

At the date of each financial reporting period, the impairment of assets is assessed and, if there is objective evidence of impairment, an impairment loss is recognised in the income statements.

In the case of financial assets presenting impairment indicators, the corresponding recoverable amount is determined, and the impairment losses are accounted for against results.

INVENTORIES

In the railway transportation components, the inventories of goods, as well as of raw, auxiliary and consumable materials, are accounted for at acquisition cost, by adopting the weighted average cost as the costing method for outgoings. When necessary, the impairment is recognised for obsolete, slow-moving and defective inventories, and it is presented as a deduction from the asset.

As to railway material maintenance, inventories (raw and auxiliary materials, finished and intermediate products and ongoing products and works) are accounted for at acquisition cost (in the case of raw and auxiliary materials) or at production cost (in the case of intermediate and finished products and of ongoing products and works), or at net realisable value, the lowest from the two.

The acquisition or production cost includes all purchase costs, conversion costs and other costs incurred in order to place inventories in their location as well as in condition of use or sale. The net realisable value is the estimated selling price during the normal course of business, less the corresponding selling costs, as provided in the IAS 2 – Inventories.

The value of inventories is written down to its net realisable value whenever such assets are carried at amounts higher than those that would foreseeably result from their sale or use.

As to the recognition and measurement of inventories of ongoing products and works, as well as finished products, the CP Group also takes into account the provisions set forth in the IAS 11 - Construction contracts, regarding the costs associated with construction contracts.

RAW, AUXILIARY AND CONSUMABLE MATERIALS

Raw, auxiliary and consumable materials are measured at the lowest value between their acquisition cost and their net realisable value. The amounts inherent to the purchase, conversion and other costs incurred in order to place the inventories in their location and condition of use or sale are considered as cost.

Raw, auxiliary and consumable materials are adjusted based on the assets' movement, obsolescence, nature and useful life. The amount of any adjustment in inventories to the net realisable value is recognised as expense in the period when the loss takes place. When the circumstances that previously resulted in an adjustment to the value of inventories cease to take effect, or when there is an increase in the net realisable value due to the change in the economic circumstances, the amount of the adjustments is reversed, and such reversal shall be limited to the amount of the original adjustment.

The weighted average cost shall be the adopted method for the costing of outgoings.

ONGOING PRODUCTS AND WORKS

Ongoing products and works inventories are valued at the lowest amount between the production cost (including the cost of the incorporated materials and of the subcontracting of services, direct labour and general manufacture expenses) and the net realisable value.

The net realisable value is considered to be the estimated selling price during the normal course of business, less estimated completion costs and estimated costs necessary for the sale.

FINISHED PRODUCTS

This heading accounts for products transferred from ongoing products and works following their completion, and such products are valued at production cost or at net realisable value, if the latter is lower.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, bank deposits and other short-term investments of high liquidity, as well as bank overdrafts. Bank overdrafts are shown in the Balance Sheet, in current liability, in the heading Loans obtained.

LOANS AND BANK OVERDRAFTS

Loans are initially recognised in the liability through the received nominal value, net of expenses related with issuance, which is the corresponding fair value at that date. Afterwards, loans are measured using the amortised cost method. Any difference between the liability component and the payable nominal amount, at the maturity date, is recognised as interest expenses using the effective interest rate method.

Any amounts in debt of the funding agreements satisfying any of the following criteria are classified as current liability:

/ If it is expected that such amounts shall be settled during the entity's regular operating cycle;
/ If such amounts are held primarily for the purpose of trade;
/ If such amounts should be settled within twelve months following the balance sheet date;
/ If the entity does not hold an unconditional right to defer the settlement of the liability for at least twelve months following the balance sheet date.

All remaining loans are classified as non-current liability.

The amount in debt of the funding agreements whose contractually established maturity exceeds one year is classified as non-current liability.

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUING OPERATIONS

Non-current assets or groups of non-current assets held for sale (groups of assets together with the corresponding liabilities, including at least one non-current asset), are classified as held for sale when their cost is primarily recovered through sale, when assets or groups of assets are available for immediate sale and when there is a significant likeliness for their sale, in accordance with the provisions set forth in the IFRS 5.

The companies in the CP Group also classify non-current assets or groups of assets acquired only with the purpose of subsequent sale – being available for immediate sale and there being a significant likeliness thereof – as non-current assets held for sale.

Immediately before being classified as held for sale, the measurement of all non-current assets and all assets and liabilities included in a group of assets for sale is carried out in accordance with the applicable standards. Following their classification, such assets or groups of assets are measured at the least amount between their carrying amount and their fair value deducted from the selling costs.

FOREIGN CURRENCY TRANSACTIONS

Functional and Presentation Currency

The elements included in the financial statements of the companies in the CP Group are measured by using the currency of the economic environment in which the entity operates ("functional currency"). The Financial Statements are presented in euros, which is CP's functional and presentation currency.

Transactions and Balances

All transactions in currencies other than euro are converted into functional currency by using the exchange rates in force at the date of the transaction.

In each balance sheet date, the monetary assets and liabilities denominated in foreign currency are converted into euros using the exchange rates in force at that date.

Exchange differences, whether favourable or unfavourable, arising from the differences between the exchange rates in force at the date of the transactions and those in force at the date of collection/payment, or at the balance sheet date, are accounted for as income and expenses in the income statement of the period.

Non-monetary assets and liabilities accounted for in accordance with their fair value denominated in foreign currency are translated into euros. For such purpose, the exchange rate in force at the date when the fair value was determined shall be used.

REVENUE RECOGNITION

Passenger Transportation

Revenue generated from this activity segment is related to the provision of passenger transportation services, the sale of goods and other services linked to railway transportation, less discounts and deductions to the payable price. Revenue is recognised at its fair value.

The provided services are generally concluded within each reporting period. The income resulting from the activity is recognised in the income statement at the time in which the service is provided, which is the date of the beginning of the travel, and when it is likely that the amount of revenue and expenses is reliably measurable and, also, that the economic benefits associated therewith will revert to the entity.

Maintenance of Rolling Stock

In the case of recognition of revenue linked to this activity segment, the provisions set forth in the IAS 11 – Construction contracts – are the ones used. Thus, it is ascertained whether the conditions necessary for considering a reliably estimated transaction outcome are met, which shall enable the percentage of completion method to be applied.

The percentage of completion method applied to the provision of services considers the total estimated costs, an amount assessed by the operating part, by taking the work to be carried out and past experience in similar works into account.

When the conditions required for considering a reliably estimated transaction outcome are not met, the extent to which the recognised expenses are recoverable is assessed. If there are no indicators showing a likeliness of recoverability of the costs incurred, the revenue is not recognised and the costs incurred are recognised as expense.

Remaining Activity Segments

Revenue is measured at fair value of the received or receivable consideration. Revenue associated with service provision is recognised with reference to the stage of completion of the transaction at the balance sheet date, once the outcome of a transaction may be reliably estimated. The outcome of a transaction may be reliably estimated once all the following conditions are met:

/ If the amount of revenue may be reliably measured;
/ If it is likely that the economic benefits associated with the transaction revert to the entity;
/ If the stage of completion of the transaction at the balance sheet date may be reliably measured;
/ If the costs incurred with the transaction and those incurred with the completion of the transaction may be reliably measured.

Revenue comprises the sums invoiced upon the sale of products or the provision of services, net of value added taxes, rebates and discounts. When the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be lower than the nominal amount. Such difference is recognised as interest revenue.

RECOGNITION OF EXPENSES AND INCOME

Expenses and income are accounted for in their relevant period, regardless of their payment or reception, in accordance with the underlying assumption of the accrual basis (economic periodisation).

The prepared financial statements provide information not only on past transactions involving the payment and reception of cash but also on future payment obligations and resources representing cash to be received in the future.

Accrual-based accounting is carried out through the use of the other accounts receivable and payable heading, as well as the deferrals heading.

PROVISIONS

Provisions are recognised when

(i) there is a present, legal or constructive obligation arising from a past event

(ii) an outflow of resources is likely to occur in order to settle the obligation and

(iii) when a reliable estimate of the amount of such obligation may be performed.

The provisioned amount is the amount deemed necessary in order to address estimated economic losses. Where the effect of the time value of money is material, the amount of a provision shall be the present value of the expenditures expected to be required to settle the obligation.

INTEREST AND SIMILAR INCOME OBTAINED AND PAYABLE INTEREST AND SIMILAR EXPENSES

Interest is recognised in accordance with the accruals principle. Receivable dividends are recognised at the date when the right to their reception is established.

Since they are recognised in expenses and losses of the period, their recognition is carried out in accordance with the accrual basis and in accordance with the applicable effective interest rate.

PROFIT TAX

CP is the controlling company of a group of companies, which is taxed in accordance with the Special Taxation Scheme for Groups of Companies, as provided for in article 69 of the Portuguese Corporate Income Tax Code. Apart from CP itself, such group includes the following affiliate companies: EMEF – Empresa de Manutenção de Equipamento Ferroviário, SA; SAROS – Sociedade de Mediação de Seguros, Lda., and, since the 2014 financial year, Fernave – Formação Técnica, Psicologia Aplicada e Consultoria em Transportes e Portos, S.A., and Ecosaúde – Educação, Investigação e Consultoria em Trabalho, Saúde e Ambiente, S.A.

The CP Group did not account for deferred tax assets associated with the reporting of tax losses, as well as temporary impairments and provisions which have not been accepted for tax purposes, because the Group considers that there are no expectations that the aforementioned group of companies – which is under the special taxation scheme – will obtain future taxable profits enabling the use of CP's accumulated tax losses. At the end of 2018, the total deductible tax losses of the CP Group amounted approximately to 286 million euros, which may be used between 2018 and 2028.

Similarly, deferred tax liabilities connected with reassessed fixed tangible assets (rolling stock) have not been accounted for in previous periods, since it is considered that there is no expectation of significant changes to the form of financing of the public transportation service and to the economic conditions that may result in a tax base that is enough to create assessment and, as a result, that gives rise to income tax payments.

The accounting result has been adjusted in order to reflect the estimated corporate income tax to be paid, associated with autonomous taxation, state surtax and municipal surtax.

CONTINGENT ASSETS AND LIABILITIES

Contingent Assets

A contingent asset is a possible asset resulting from past events and whose existence will only be confirmed by the occurrence, or otherwise, of one or more uncertain future events which are not entirely under the entity's control.

Contingent assets are not recognised in the financial statements but are disclosed in the attachment when it is likely there will be an inflow of economic benefits.

Contingent Liabilities

A contingent liability occurs when there is:

/ A possible obligation resulting from past events and whose existence will only be confirmed by the occurrence, or otherwise, of one or more uncertain future events which are not entirely under the entity's control; or

/ A current obligation of past events but which is not recognised because

i. it is unlikely there will be a need for an outflow of resources incorporating economic benefits in order to settle the obligation; or

ii. the amount of the obligation cannot be measured with a sufficient degree of reliability.

Contingent liabilities are not recognised in the financial statements, though they are disclosed in the attachment to the corresponding statements, unless there is a remote possibility of an outflow of resources incorporating future economic benefits.

SUBSEQUENT EVENTS

The financial statements set forth herein reflect the subsequent events occurred until the 10th of April 2019. The Management Board has approved such financial statements on the aforementioned date, as referred to in note 2.

Events occurred after the balance sheet date on conditions existing at the balance sheet date are considered in the preparation of the financial statements. Material events after the balance sheet date which do not lead to adjustments are disclosed in note 45.

VALUE JUDGEMENTS

The preparation of the financial statements in accordance with the IFRS requires that the managers express their judgment in the process of application of the accounting policies.

The value judgement made in the application process of the accounting policies and which can have the greatest impact in the recognised amounts in the financial statements are the following:

/ Provisions – the established provisions are accounted for by the best estimate of the expenditure required to settle the liability as at the balance sheet date;

/ Recoverability of debit balances of customers and other debtors – impairment losses relating to debit balances of customers and other debtors are based on the assessment of the likeliness of recovery of balances of accounts receivable, ageing of receivables, debt cancellation and other factors deemed relevant. There are certain circumstances and facts that could change the estimate of impairment losses of receivable balances vis-à-vis the considered assumptions. These changes may arise out of the economic environment, sectorial trends, the deterioration of the credit situation of main customers and significant defaults. This assessment process is subject to several estimates and judgements. Changes in these estimates may imply the establishment of different impairment levels, thus resulting in different impacts in results;

/ Revenue recognition – upon the recognition of revenue it is assessed whether the necessary conditions to consider a transaction outcome as reliably estimated are met, allowing the application of the percentage of completion method. The percentage of completion method applied to the provision of services considers the total estimated costs, an amount assessed by the operating part, by taking the work to be carried out and past experience in similar works into account. When the conditions necessary for considering a reliably estimated transaction outcome are not met, the extent to which the recognised expenses are recoverable is assessed. If there are no indicators showing a likeliness of recoverability of the costs incurred, revenue is not recognised and costs incurred are recognised as expense;

/ Impairment losses – inventories – when determining the impairment losses of inventories, different criteria are applied depending on the state, ageing, nature/purpose of the inventories, whereas such criteria reflect the loss in value of inventories;

/ Profit taxes – there are several transactions and calculations for which the determination of the final amount of tax to be paid is uncertain during the ordinary business cycle. Other interpretations and estimates could result in a different level of profit taxes recognised in the period, whether current or deferred. In Portugal, the Tax Authorities are responsible for reviewing the calculation of the taxable amount, over a period of four years, in case of tax losses carried forward. This way, corrections to the taxable amount could occur, mainly resulting from differences in the interpretation of tax legislation. However, it is believed that there will be no significant corrections to profit taxes accounted for in the financial statements;

/ The fair value of financial derivatives is determined by an external entity, using the discounted cash flows method. All calculations were made based on the income curves set forth by Reuters on the reference day of the financial statements. Valuations are made by taking into account discounted cash flows and the variation of the holding indexing rates since their beginning until the current date. A delta of 0% or 100% is assigned to the flows in operations involving options, depending on whether the barrier in question was achieved. The future projection of the barriers in question is determined by using the current income curve.

MAIN ASSUMPTIONS CONCERNING THE FUTURE

The financial statements were prepared based on the going concern principle regarding operations.

The Board of Directors considers it appropriate to prepare the financial statements based on continuity, considering the following factors:

/ The operating situation of CP and of the companies of the Group shows sustainability, which suggests there are factors of future sustainability;
/ The publication of the council of ministers resolution no. 188-A/2018 of December 31st, which delegates the power to approve the draft of the public service agreement of rail transportation of passengers – to be concluded with CP – and authorises the expenditure related to the corresponding compensatory allowances;
/ The State has guaranteed all its support, particularly concerning the necessary support to CP's funding, aiming to ensure the debt service and the needs of operation and investment;
/ It is also important to mention the importance of the service CP Group provides nowadays to the Portuguese economy, particularly regarding the transportation of passengers, which is a factor of vital importance for the functioning of the economic activity, reinforcing the need of the State to ensure, in possible adverse situations, the necessary support for the continuity of the CP Group.

KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements in accordance with the IFRS requires the use of a number of important accounting estimates.

Estimates are based on the knowledge existing at any given moment and on the actions planned to be carried out, which are permanently reviewed based on the available information. Changes in the facts and circumstances may lead to the revision of the estimates, hence, actual future results can be different from estimates.

The key sources of estimation uncertainty at the balance sheet date, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities during the accounting period are:

Useful Life of Fixed Tangible Assets

The useful life of an asset is defined in terms of the expected utility of the asset for the entity. The asset management policy may involve the disposal of assets after a specific period of time or after the consumption of a specified proportion of the future economic benefits incorporated into the asset. Therefore, the useful life of an asset may be shorter than its economic life. The estimated useful life of the asset is a matter of value judgment based on the entity's experience with similar assets.

Fair Value of the Financial Instruments

Fair value is based on market quotations, when available. If there is no quotation, the fair value is determined in accordance with the use of recent transaction prices, which are similar and performed in market conditions, or in accordance with assessment methodologies based on techniques of future cash flows - which are discounted by considering market conditions, the time value, the yield curve and volatility factors. Such methodologies may require the use of assumptions or judgements when estimating fair value.

The fair value of financial derivatives is determined by an external entity, using the discounted cash flows method. All calculations were made based on yield curves set forth by Reuters at the reference day of the financial statements. Thus, the moment in which the estimates are made is the main source of uncertainty.

Doubtful Collections

Impairment losses concerning doubtful credits are based on the assessment of the likelihood of recoverability of the balances of receivables, ageing of balances, debt cancellations and other factors. There are certain circumstances and facts which might alter the estimation of impairment losses of balances of receivables vis-à-vis the considered assumptions, including changes in the economic environment, of sectorial trends, of the deterioration of the credit standing of the main customers and of significant defaults. This assessment process is subject to several estimates and judgements. Changes in these estimates may imply the establishment of different impairment levels, thus resulting in different impacts in results.

Provisions

Provisions are liabilities of an uncertain amount or temporal event. By taking into account the principle of prudence, the companies in the CP Group have built provisions whenever there is an actual obligation (legal or constructive), derived from a past event, in which it is likely that an outflow of resources for settling the obligation will occur, and a reliable estimate of the mentioned obligation may be carried out. As to the establishment of provisions for legal proceedings, they require the use of judgment, based on the last known information at the time of preparation of the financial statements, namely regarding the likelihood of losing the legal proceedings and the estimated value of such loss. Changes in these estimates may imply impacts on results.

Non-Current assets held for sale

Non-current assets held for sale should be recognised by the lowest value between their net book value and their fair value, deducted from selling costs, according to the IFRS 5. When determining fair value, particularly concerning rolling stock, and bearing in consideration the absence of an active market, the value of recent transactions with similar material is considered by the CP Group as a reference, by adjusting such value to the technical features of the material and to the existing demand. The existence and amount of impairment to be recognised is established based on the estimated selling cost, whereas the actual impact will only be known at the time of the effective sale of the assets - which may imply variations of significance in results.

AMENDMENTS TO STANDARDS WITH EFFECT AS OF THE 1ST OF JANUARY 2018

The amendments to the standards with effect as of the 1st of January 2018 that may have an impact on the CP Group are as follows:

IFRS 9 – Financial instruments

IFRS 9 replaces IAS 39 – 'Financial Instruments: recognition and measurement' and introduces changes regarding:

(i) the classification and measurement of financial assets, introducing a simplification in the classification based on the business model established by the management;

(ii) the recognition of the 'own credit risk' component in the deliberate measurement of liabilities at fair value;

(iii) the recognition of impairment on receivables, based on the estimated loss model in place of the incurred loss model; and

(iv) the hedge accounting standards, which are intended to be more in line with the economic rationale of the risk hedging established by the Management.

There were no impacts on the CP Group arising from the amendment to the IFRS 9.

IFRS 15 – Revenue of agreements with customers

This new standard applies to agreements for the delivery of products or provision of services to customers, and requires the entity to recognise the revenue when the contractual obligation to deliver assets or provide services is met and for the amount reflecting the consideration to which the entity is entitled, as provided in the "5-step methodology". This standard also provides specific handling for transactions such as: consignment agreements; repurchase agreements; right of return; granting of licences; guarantees; agency; etc.

There were no impacts on the CP Group arising from the amendment to the IFRS 15.

IFRS 4 – Insurance contracts (application of IFRS 4 with IFRS 9)

This amendment assigns the recognition option in Other comprehensive income, as opposed to the recognition in results of the period, of the volatility resulting from the application of the IFRS 9 before IFRS 17 - "Insurance contracts" enters into force (option granted to entities which negotiate insurance contracts). Entities whose main activity is insurance-related may also resort to a temporary exemption from the application of the IFRS 9 until 2021, which is optional and applicable to the consolidated financial statements of a Group when such includes an insurance company, according to the "*carve in*" of the European Union.

There were no impacts on the CP Group arising from the amendment to the IFRS 4.

IFRS 12 - Disclosure of interests in other entities

This improvement makes it clear that the IFRS 12 includes financial holdings in subsidiaries, associated companies and/or joint ventures that are part of groups held for disposal (under the scope of the IFRS 5) and that the IFRS 12 exemption only concerns the disclosure of summarised financial information of such entities.

There were no impacts on the CP Group arising from the amendment to the IFRS 12.

IAS 28 – Investments in associated companies and joint ventures

This improvement makes it clear that investments in associated companies or joint ventures held by a venture capital company can be measured at fair value in accordance with the IFRS 9, on an individual basis. The improvement further states that a non-investment entity holding investments in associated companies and joint ventures – which are investment entities – may maintain the measurement at the fair value of the holding such associated companies or joint ventures hold in their own subsidiaries, applying the equity method.

There were no impacts on the CP Group arising from the amendment to the IAS 28.

NEW INTERPRETATIONS WITH EFFECT AS OF THE 1ST OF JANUARY 2018

IFRIC 22 – Transactions in foreign currency and early consideration

IFRIC 22 corresponds to an interpretation to IAS 21 - 'The effects of changes in exchange rates', referring to the establishment of the 'transaction date' when an entity pays or receives in advance the consideration of contracts denominated in foreign currency. The 'transaction date' establishes the exchange rate to be used for the currency conversion of transactions in foreign currency.

There were no impacts on the CP Group arising from the amendment to the new interpretation of the IFRIC 22.

CASH FLOW (NOTE 4)

The cash flow statement is prepared using the direct method, through which cash flow receivables and payments in operating activities, either from investment or funding, are disclosed.

The Group classifies paid interest and dividends as funding activities and received interest and dividends as investment activities.
As at the 31st of December 2018, all cash and cash equivalents balances are available for use.

CASH AND BANK DEPOSITS HEADING

The cash and bank deposits heading comprises the following balances:

(amounts in euros)

Description	31-Dec-18	31-Dec-17
Cash	445 074	420 868
Bank deposits	21 338 369	14 083 402
Subtotal	21 783 443	14 504 270
Bank overdrafts (a)	(248 491)	(226 659)
Total	**21 534 952**	**14 277 611**

(a) the amount of the bank overdrafts is accounted for in loans obtained

ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS (NOTE 5)

There were no changes to report regarding accounting policies and estimates or errors with material impacts in the financial statements of the Group.

RESULT COMPOSITION BY BUSINESS SEGMENT (NOTE 6)

The mode of business segmentation used by the CP Group is based on the nature of services provided. This is the mode in which the Board of Directors analyses and manages its business, and it is also the mode of organising and communicating information.
Considering that IFRS 8 defines quantitative schemes from which the segments must be deemed as operating segments to be disclosed, the following segments to be disclosed within the scope of this note were identified:

/ Suburban passenger transportation (includes suburban passenger transportation in the Lisbon and Oporto areas);
/ Long-distance passenger transportation (connecting the main Portuguese cities, where customers mainly have a business or leisure motivation to travel), international (passenger transportation to Spain, or the border between Spain and France) and regional (medium and short-distance service for systematic regional or local travels, transporting passengers for commuting from home to work or school, as well as for the purpose of dealing with affairs/business); and
/ Maintenance, upkeep and construction of rolling stock.

The aggregation performed to operating segments aimed at ensuring that they had similar economic features, according to the provisions set forth in the IFRS 8.

The data regarding other non-reportable business activities and operating segments were combined and disclosed in a category called “all other segments”. Such category includes segments such as the training, healthcare services and insurance mediation segments, which did not reach the quantitative levels of the IFRS 8.

The financial information of the main business segments of the Group, relating to the periods ended on the 31st of December 2017 and 2018, is detailed below:

Operating result per business segment of the CP group 2017

(amounts in euros)

OPERATING CONSOLIDATED INCOME AND EXPENSES	Transportation of passengers in Suburban services	Transportation of passengers in long-distance, international and regional services	Transportation of goods	Rolling stock maintenance and upkeep	Remaining areas	Individual operating income statement of CP group	Intra-group decomm. and adjustments	Consolidated operating income statement of CP group
Provided sales and services	113 466 610	140 031 958	-	72 071 002	8 405 178	333 974 748	(47 314 895)	286 659 853
* Provided sales and services - intra-group decommitments	-	84	-	(45 471 549)	(1 843 430)			
Operating subsidies	-	-	-	2 073	20 689	22 762	-	22 762
* Operating subsidies - intra-group decommitments	-	-	-	-	-			
Gains/losses attributed to subsidiaries, associated companies and joint ventures	-	-	-	627 865	6 959 833	7 587 698	(6 385 655)	1 202 043
* Gains/losses attributed to subs., assoc. comp. and joint ventures - intra-group decommitments	-	-	-	-	(6 385 655)			
Changes in production inventories	-	-	-	(32 745)	-	(32 745)	-	(32 745)
* Changes in production inventories - intra-group decommitments	-	-	-	-	-			
Capitalised production costs	-	-	-	-	-	-	12 520 674	12 520 674
* Capitalised production costs - intra-group decommitments	-	-	-	12 520 674	-			
Sold commodities and consumed materials costs	(1 101 098)	(4 603 108)	-	(20 138 665)	(538 575)	(26 381 446)	-	(26 381 446)
* Sold commodities and consumed materials costs - intra-group decommitments	-	-	-	-	-			
External services and supplies	(58 301 074)	(90 944 569)	-	(14 970 494)	(11 822 511)	(176 038 648)	36 979 830	(139 058 818)
* External services and supplies - intra-group decommitments	16 643 562	15 198 279	-	4 474 330	663 659			
Personnel expenses	(33 279 213)	(39 754 501)	-	(27 053 205)	(28 183 554)	(128 270 473)	1 324 171	(126 946 302)
* Personnel expenses - intra-group decommitments	-	-	-	72 364	1 251 807			
Inventory impairment (losses/rever.)	-	-	-	(775 990)	(412 345)	(1 188 335)	-	(1 188 335)
* Inventory impairment (losses/rever.) - intra-group decommitments	-	-	-	-	-			
Impairment of receivables (losses/reversals)	(29 247)	(458 958)	-	(1 019 811)	47 053	(1 460 963)	-	(1 460 963)
* Impairment of receivables (losses/reversals) - intra-group decommitments	-	-	-	-	-			
Provisions (increases/decreases)	-	-	-	(19 813)	(143 856)	(163 669)	304 659	140 990
* Provisions (increases/decreases) - intra-group decommitments	-	-	-	-	304 659			
Impairm. of non-depr./non-amort. invest. (losses/reversals)	-	-	-	-	17 163	17 163	-	17 163
* Impairm. of non-depr./non-amort. invest. (losses/reversals) - intra-group decommitments	-	-	-	-	-			
Other income and gains	9 714 768	3 533 708	-	2 320 011	11 990 681	27 559 168	(5 162 235)	22 396 933
* Other income and gains - intra-group decommitments	(11 837)	(50 218)	-	(854 960)	(4 245 220)			
Other expenses and losses	(1 337 197)	(1 479 718)	-	(1 584 590)	(628 371)	(5 029 876)	862 312	(4 167 564)
* Other expenses and losses - intra-group decommitments	911	28	-	821 321	40 052			
Result before depreciations, financing expenses and taxes	29 133 549	6 324 812	-	9 425 638	(14 288 615)	30 595 384	(6 871 139)	23 724 245
Result before depreciations, financing expenses and taxes - intra-group decommitments	16 632 636	15 148 173	-	(28 437 820)	(10 214 128)	-	-	-
Expenses/reversals of depreciation and amortisation	(29 287 182)	(19 256 434)	-	(973 800)	(8 406 875)	(57 924 291)	-	(57 924 291)
Impairment of depreciable/amortisable investments (losses/reversals)	(240 529)	(278 713)	-	-	1 093 011	573 769	-	573 769
Operating result (before financing expenses and taxes)	16 238 474	1 937 838	-	(19 985 982)	(31 816 607)	(26 755 138)	(6 871 139)	(33 626 277)

Operating result per business segment of the CP group 2018

(amount in euros)

OPERATING CONSOLIDATED INCOME AND EXPENSES	Transportation of passengers in Suburban services	Transportation of passengers in long-distance, international and regional services	Transportation of goods	Rolling stock maintenance and upkeep	Remaining areas	Individual operating income statement of CP group	Intra-group decomm. and adjustments	Consolidated operating income statement of CP group
Provided sales and services	120 072 112	142 136 145	-	69 269 590	8 100 624	339 578 471	(41 525 311)	298 053 160
* Provided sales and services - intra-group decommitments	4	89	-	(39 758 803)	(1 766 601)			
Operating subsidies	-	-	-	7 571	-	7 571	-	7 571
* Operating subsidies - intra-group decommitments	-	-	-	-	-			
Gains/losses attributed to subsidiaries, associated companies and joint ventures	-	-	-	559 477	7 508 507	8 067 984	(6 765 334)	1 302 650
* Gains/losses attributed to subs., assoc. comp. and joint ventures - intra-group decommitments	-	-	-	-	(6 765 334)			
Changes in production inventories	-	-	-	(56 931)	-	(56 931)	-	(56 931)
* Changes in production inventories - intra-group decommitments	-	-	-	-	-			
Capitalised production costs	-	-	-	-	-	-	9 014 150	9 014 150
* Capitalised production costs - intra-group decommitments	-	-	-	9 592 040	(577 890)			
Sold commodities and consumed materials costs	(861 040)	(4 692 648)	-	(18 853 255)	(327 770)	(24 734 713)	-	(24 734 713)
* Sold commodities and consumed materials costs - intra-group decommitments	-	-	-	-	-			
External services and supplies	(60 728 885)	(91 781 363)	-	(15 714 518)	(12 666 960)	(180 891 726)	35 748 539	(145 143 187)
* External services and supplies - intra-group decommitments	12 037 759	6 233 157	-	4 428 613	13 049 010			
Personnel expenses	(35 086 035)	(48 688 490)	-	(28 121 351)	(23 153 924)	(135 049 800)	1 374 990	(133 674 810)
* Personnel expenses - intra-group decommitments	-	-	-	92 788	1 282 202			
Inventory impairment (losses/rever.)	-	-	-	(412 397)	(239 463)	(651 860)	-	(651 860)
* Inventory impairment (losses/rever.) - intra-group decommitments	-	-	-	-	-			
Impairment of receivables (losses/reversals)	(78 183)	497 590	-	(66 769)	(16 002)	336 636	-	336 636
* Impairment of receivables (losses/reversals) - intra-group decommitments	-	-	-	-	-			
Provisions (increases/decreases)	-	-	-	(30 806)	(1 066 786)	(1 097 592)	(3 828)	(1 101 420)
* Provisions (increases/decreases) - intra-group decommitments	-	-	-	-	(3 828)			
Impairm. of non-depr./non-amort. invest. (losses/reversals)	-	-	-	-	1 609 616	1 609 616	-	1 609 616
* Impairm. of non-depr./non-amort. invest. (losses/reversals) - intra-group decommitments	-	-	-	-	-			
Other income and gains	10 547 186	4 255 211	-	4 590 738	12 193 479	31 586 614	(7 986 040)	23 600 574
* Other income and gains - intra-group decommitments	(47 747)	(96 389)	-	(1 565 694)	(6 276 210)			
Other expenses	(1 692 837)	(1 816 560)	-	(1 931 023)	(7 236 280)	(12 676 700)	1 242 113	(11 434 587)
Other expenses - intra-group decommitments	-	-	-	1 031 813	210 300			
Result before depreciations, financing expenses and taxes	32 172 318	(90 115)	-	9 240 326	(15 294 959)	26 027 570	(8 900 721)	17 126 849
Result before depreciations, financing expenses and taxes - intra-group decommitments	11 990 016	6 136 857	-	(26 179 243)	(848 351)	-	-	-
Expenses/reversals of depreciation and amortisation	(27 058 749)	(19 016 396)	-	(847 480)	(7 731 122)	(54 653 747)	-	(54 653 747)
Impairment of depreciable/amortisable investments (losses/reversals)	-	(63 906)	-	-	785 553	721 647	-	721 647
Operating result (before financing expenses and taxes)	17 103 585	(13 033 560)	-	(17 786 397)	(23 088 879)	(27 904 530)	(8 900 721)	(36 805 251)

The financial result is not shown per segment, since operating decisions are made based on operating results per business segment, and it is not possible to allocate/assign the existing funding to all segments.

Assets and liabilities of such business segments show the following amounts on the 31st of December 2017 and 2018:

Assets and liabilities per segments of the CP Group as at the 31st December, 2017 (amounts in euros)

	Transportation of passengers in suburban, long-distance, international and regional services	Rolling stock maintenance and upkeep	Remaining areas	Total reported by segments	Intra-group decomm. and adjustments	Intra-group decomm. and adjustments 2017
Non-current asset of the reportable segments	573 946 029	6 530 446	523 353	580 999 828	(38 482 795)	542 517 033
Current asset of the reportable segments	43 887 589	48 634 797	1 194 343	93 716 729	(7 047 558)	86 669 171
Total asset of the reportable segments	**617 833 618**	**55 165 243**	**1 717 696**	**674 716 557**	**(45 530 353)**	**629 186 204**
Non-current liability of the reportable segments	2 230 270 286	12 979 361	285 480	2 243 535 127	(15 331 821)	2 228 203 306
Current liability of the reportable segments	520 784 791	24 885 058	4 238 582	549 908 431	97 347 812	647 256 243
Total liability of the reportable segments	**2 751 055 077**	**37 864 419**	**4 524 062**	**2 793 443 558**	**82 015 991**	**2 875 459 549**

Assets and liabilities per segments of the CP Group as at the 31st December, 2018 (amounts in euros)

	Transportation of passengers in suburban, long-distance, international and regional services	Rolling stock maintenance and upkeep	Remaining areas	Total reported by segments	Intra-group decomm. and adjustments	Intra-group decomm. and adjustments 2018
Non-current asset of the reportable segments	539 353 044	6 534 227	465 137	546 352 408	(42 727 637)	503 624 771
Current asset of the reportable segments	40 991 320	50 395 781	1 366 631	92 753 732	(6 571 073)	86 182 659
Total asset of the reportable segments	**580 344 364**	**56 930 008**	**1 831 768**	**639 106 140**	**(49 298 710)**	**589 807 430**
Non-current liability of the reportable segments	1 321 015 474	11 072 667	264 479	1 332 352 620	(13 806 992)	1 318 545 628
Current liability of the reportable segments	1 424 819 152	22 193 286	4 379 861	1 451 392 299	91 483 978	1 542 876 277
Total liability of the reportable segments	**2 745 834 626**	**33 265 953**	**4 644 340**	**2 783 744 919**	**77 676 986**	**2 861 421 905**

The existing assets and liabilities are not segregated by business segment, since it is impossible to obtain such information for all segments, particularly with regard to passenger transportation, in which changes to the allocation of assets to different segments are usually performed, and considering the fact that such information is not presented on a detailed and regular basis for decision making purposes for all segments. In fact, assets and liabilities are only reported on a regular basis per company of the Group, for decision making purposes.

FIXED TANGIBLE ASSETS (NOTE 7)

By the end of 2018, the CP Group had fixed tangible assets organised by fixed asset categories, as shown in the following table:

(amounts in euros)

Description	31/12/2018	31/12/2017
Gross Amount:		
Land and natural resources	20 617 518	21 571 871
Buildings and other constructions	94 107 108	95 522 219
Basic equipment	1 415 589 032	1 408 183 733
Transportation equipment	2 977 487	2 976 434
Administrative equipment	25 601 764	24 556 982
Other fixed tangible assets	66 872 952	65 412 912
Ongoing investments	988 181	581 047
Advance payments on account of investments	23 187	22 859
Subtotal	1 626 777 229	1 618 828 057
Accumulated depreciation and impairment:		
Depreciation of the period	54 556 254	57 823 619
Accumulated depreciation of previous periods	1 094 157 439	1 042 610 451
Impairment losses of the period	(721 647)	(573 768)
Impairment losses of previous periods	5 715 647	6 289 415
Cancellations of the period	-	(79 619)
Subtotal	1 153 707 693	1 106 070 098
Net book value	**473 069 536**	**512 757 959**

The movements in the fixed tangible assets heading throughout 2018 are summarised in the following table:

(amounts in euros)

Description	Opening balance	Additions	Disposals	Assets classified as held for sale	Write-offs	Transfers	Other settlements	Closing balance
Gross amount:								
Land and natural resources	21 571 871	-	(870 322)	(84 031)	-	-	-	20 617 518
Buildings and other constructions	95 522 219	9 224	(2 030 751)	(196 073)	(151 627)	954 116	-	94 107 108
Basic equipment	1 408 183 733	729 157	-	1 333 332	(4 866 583)	14 171 075	(3 961 682)	1 415 589 032
Transportation equipment	2 976 434	1 053	-	-	-	-	-	2 977 487
Administrative equipment	24 556 982	891 744	(3 319)	-	(190 574)	346 931	-	25 601 764
Other fixed tangible assets	65 412 912	785 205	-	-	-	674 835	-	66 872 952
Ongoing investments	581 047	13 179 687	-	-	-	(12 772 553)	-	988 181
Advance payments on account of investments	22 859	650 105				(3 374 404)	2 724 627	23 187
	1 618 828 057	16 246 175	(2 904 392)	1 053 228	(5 208 784)	-	(1 237 055)	1 626 777 229
Accumulated depreciation and impairment:								
Buildings and other constructions	45 003 631	2 643 053	(236 921)	(16 806)	(109 929)	-	-	47 283 028
Basic equipment	979 817 570	48 631 676	-	1 329 714	(4 866 577)	-	(2 102 661)	1 022 809 722
Transportation equipment	2 920 951	25 247	-	-	-	-	-	2 946 198
Administrative equipment	22 742 029	918 499	(3 319)	-	(190 514)	-	-	23 466 695
Other fixed tangible assets	49 870 271	2 337 780	-	-	-	-	-	52 208 051
Fix. Tang. Assets-Acc. Impair. Losses - Basic Equip.	5 715 646	(721 647)	-	-	-	-	-	4 993 999
	1 106 070 098	53 834 608	(240 240)	1 312 908	(5 167 020)	-	(2 102 661)	1 153 707 693
Total	**512 757 959**							**473 069 536**

The fixed tangible assets of the CP Group are measured at cost, which are depreciated on a straight-line basis, in accordance with the useful lives specified in note 3.

The most significant investments performed in the financial year of 2018 relate essentially to occasional R1 and R2 repairs.

As to decommissioning, the most significant heading is associated with basic equipment (rolling stock), as a result of equipment decommissioning, with a book value of virtually zero.

The change in the heading of land and natural resources and buildings and other constructions is worth highlighting vis-à-vis the previous year, resulting from the disposal of the immovable property of Rua Castilho.

Accumulated depreciations mentioned in the additions column are associated with the depreciation of assets, in accordance with their useful life, from which the depreciation of rolling stock stands out due to its weight.

As at the 31st of December 2018, the following fixed tangible assets were granted as loan guarantee obtained by CP from Eurofima:

(amounts in euros)

Description	Book value
Railcars	186 464 503
Total	**186 464 503**

INTANGIBLE ASSETS (NOTE 8)

Intangible assets of the CP Group relate essentially to the implementation of IT systems. There is no situation in which the asset has been internally developed, as per the following table:

Description	31/12/2018	31/12/2017
Gross Amount:		
Research and development expenses	42 672	41 876
Computer programmes	1 464 911	1 426 577
Intangible assets under construction	-	12 270
Subtotal	1 507 583	1 480 723
Accumulated amortisation and impairment:		
Amortisation of the period	97 492	100 671
Accumulated amortisation of previous periods	1 287 444	1 186 773
Subtotal	1 384 936	1 287 444
Net book value	**122 647**	**193 279**

For amortisation purposes, the useful life of these assets is considered to be, as a rule, 3 years. However, this estimate is reviewed on an annual basis according to the expected use of the asset. Intangible assets are measured at cost and amortised by the straight-line method in twelfths starting on the date of entry into production of the asset.

The variation in the heading of intangible assets throughout 2018 is analysed as follows:

(amounts in euros)

Description	Opening balance	Additions	Reval / Impairments	Disposals	Assets held for sale	Write-offs	Transfers	Closing balance
Gross Amount:								
Research and development expenses	41 876	796	-	-	-	-	-	42 672
Computer programmes	1 426 577	10 000	-	-	-	-	28 334	1 464 911
Intangible assets under construction	12 270	16 064	-	-	-	-	(28 334)	-
	1 480 723	26 860	-	-	-	-	-	1 507 583
Accumulated amortisation and impairment:								
Amortisation of the period	-	97 492	-	-	-	-	-	97 492
Accumulated amortisation of previous perio	1 287 444	-	-	-	-	-	-	1 287 444
	1 287 444	97 492	-	-	-	-	-	1 384 936

The additions occurred in the period result from the purchase of computer software.

FINANCIAL HOLDINGS – EQUITY METHOD (NOTE 9)

The particulars of the financial holdings in which the equity method applies are shown in the following table:

(amounts in euros)

Description	Type	31/12/2018			31/12/2017		
		Gross amount	Impairment	Net amount	Gross amount	Impairment	Net amount
SIMEF A.C.E.	Investment	400 326	-	400 326	455 238	-	455 238
NOMAD TECH, LDA.	Investment	493 170	-	493 170	334 019	-	334 019
OTLIS, ACE	Investment	344 767	-	344 767	242 222	-	242 222
TIP, ACE	Investment	1 115 478	-	1 115 478	510 011	-	510 011
Total		**2 353 741**	**-**	**2 353 741**	**1 541 490**	**-**	**1 541 490**

The following movements in these financial holdings were made in 2018, as per the following table:

(amounts in euros)

	Opening balance	Additions	Disposals	Equity Method	Other changes	Closing balance
Gross amount						
SIMEF A.C.E.	455 238	-	-	400 326	(455 238)	400 326
NOMAD TECH, LDA.	334 019	-	-	159 151	-	493 170
OTLIS A.C.E.	242 222	-	-	137 706	(35 161)	344 767
TIP, ACE	510 011	-	-	605 467	-	1 115 478
Total	**1 541 490**	**-**	**-**	**1 302 650**	**(490 399)**	**2 353 741**

The increase of TIP’s financial holding during 2018 should be noted, continuing to register a positive variation in its results in 2018.

The summarised financial information related to associated companies (amounts awaiting approval in meeting, which may not correspond to the final amounts) is as follows:

(amounts in euros)

Associated company	Holding %	Reference date	Assets	Liabilities	Equity	Income	Net result
SIMEF A.C.E.	51	43 465	7 447 087	6 662 133	784 954	-	784 954
Nomad Tech Lda	35	43 465	3 508 511	2 099 456	1 409 056	-	(205 111)
TIP, ACE	33	43 465	18 727 137	15 346 900	3 380 237	7 673 926	2 224 632
OTLIS, ACE	14	43 465	5 358 279	2 944 906	2 413 373	6 111 521	987 418

* This amount is the Net Result of the period from 01/07/2018 to 31/12/2018.
As previously mentioned, Nomad Tech closes its financial year on the 30th of June, every year.

OTHER FINANCIAL INVESTMENTS (NOTE 10)

The CP Group holds small financial holdings in several companies which are recognised at cost less impairment losses, given the fact that the value of such holdings is not publicly traded and, therefore, there is no possibility of obtaining their fair value in a reliable manner.

At the date of each period of financial reporting, the possibility of impairment of these financial assets is assessed, whereby an impairment loss is recognised in the income statement if there is objective evidence of such impairment.

The particulars of this heading are shown in the following table:

(amounts in euros)

Description	Method	31/12/2018			31/12/2017		
		Gross amount	Impairment	Net amount	Gross amount	Impairment	Net amount
CP Carga, SA	Acquisition cost	80 000	(80 000)	-	80 000	(80 000)	-
MLM, SA	Acquisition cost	12 721	(12 721)	-	12 721	(12 721)	-
METRO DO PORTO, SA	Acquisition cost	249 399	(249 399)	-	249 399	(249 399)	-
METRO-MONDEGO, SA	Acquisition cost	3 595	-	3 595	3 595	-	3 595
ICF	Acquisition cost	382 269	(382 269)	-	382 269	(382 269)	-
EUROFIMA	Acquisition cost	27 760 679	-	27 760 679	27 760 679	-	27 760 679
BCC	Acquisition cost	1 460	-	1 460	1 460	-	1 460
APOR	Acquisition cost	-	-	-	5 000	-	5 000
FUNDAÇÃO MUSEU NAC. FERROVIÁRIO	Acquisition cost	31 944	(31 944)	-	31 944	(31 944)	-
INEGI	Acquisition cost	2 500	(2 500)	-	2 500	(2 500)	-
TRANSCOM, S.A.	Acquisition cost	388 280	(124 319)	263 961	388 280	(161 224)	227 056
Bonds CONSOLIDATED 1942	Acquisition cost	-	-	-	662	-	662
Work Compensation Fund		49 152	-	49 152	25 853	-	25 853
		28 961 999	**(883 152)**	**28 078 847**	**28 944 362**	**(920 057)**	**28 024 305**

The movement of these financial holdings in 2018 is analysed in the following table:

(amounts in euros)

	Opening balance	Additions	Disposals	Fair value	Other changes	Closing balance
Gross amount						
CP Carga, SA	80 000	-	-	-	-	80 000
MLM, SA	12 721	-	-	-	-	12 721
METRO DO PORTO, SA	249 399	-	-	-	-	249 399
METRO-MONDEGO, SA	3 595	-	-	-	-	3 595
ICF	382 269	-	-	-	-	382 269
EUROFIMA	27 760 679	-	-	-	-	27 760 679
BCC	1 460	-	-	-	-	1 460
APOR	5 000	-	-	-	(5 000)	-
FUNDAÇÃO MUSEU NAC. FERROVIÁRIO	31 944	-	-	-	-	31 944
INEGI	2 500	-	-	-	-	2 500
TRANSCOM, S.A.	388 280	-	-	-	-	388 280
Bonds CONSOLIDATED 1942	662	-	(662)	-	-	-
Work Compensation Fund	25 853	23 299	-	-	-	49 152
	28 944 362	23 299	(662)	-	(5 000)	28 961 999
Impairment						
CP Carga, SA	(80 000)	-	-	-	-	(80 000)
MLM, SA	(12 721)	-	-	-	-	(12 721)
METRO DO PORTO, SA	(249 399)	-	-	-	-	(249 399)
ICF	(382 269)	-	-	-	-	(382 269)
FUNDAÇÃO MUSEU NAC. FERROVIÁRIO	(31 944)	-	-	-	-	(31 944)
INEGI	(2 500)	-	-	-	-	(2 500)
TRANSCOM, S.A.	(161 224)	-	-	-	36 905	(124 319)
	(920 057)	-	-	-	36 905	(883 152)
Total	**28 024 305**	**23 299**	**(662)**	**-**	**31 905**	**28 078 847**

INCOME TAX (NOTE 11)

CP is the controlling company of a group of companies, which is taxed in accordance with the Special Taxation Scheme for Groups of Companies, as provided for in article 69 of the Portuguese Corporate Income Tax Code. Apart from CP itself, such group includes the following affiliate companies: EMEF – Empresa de Manutenção de Equipamento Ferroviário, SA; SAROS – Sociedade de Mediação de Seguros, Lda., and, since the 2014 financial year, Fernave – Formação Técnica, Psicologia Aplicada e Consultoria em Transportes e Portos, S.A., and Ecosaúde – Educação, Investigação e Consultoria em Trabalho, Saúde e Ambiente, S.A.

The CP Group did not account for deferred tax assets associated with the reporting of tax losses, as well as temporary impairments and provisions which have not been accepted for tax purposes, because the Group considers that there are no expectations that the aforementioned group of companies – which is under the special taxation scheme – will obtain future taxable profits enabling the use of CP’s accumulated tax losses. At the end of 2018, the total deductible tax losses of the CP Group amounted approximately to 286 million euros, which may be used between 2018 and 2028.

Similarly, deferred tax liabilities related to reassessed fixed tangible assets (rolling stock) have not been accounted for in previous periods, since it is considered that there is no expectation of significant changes to the form of funding of the public transportation service and to the economic conditions that may result in a tax base that is enough to create assessment and, as a result, that gives rise to income tax payments.

The accounting result has been adjusted in order to reflect the estimated corporate income tax to be paid, associated with autonomous taxation, state surtax and municipal surtax, as per the following table:

(amounts in euros)

Company	31/12/2018	31/12/2017
CP	(861 007)	(324 359)
Fernave	(3 152)	(5 141)
Ecosaúde	(7 360)	(5 494)
Emef	(273 583)	(456 953)
Saros	(6 139)	(6 041)
Total	**(1 151 241)**	**(797 988)**

INVENTORIES (NOTE 12)

As at the 31st of December 2018, the CP Group has the following amounts of inventory, detailed by classification:

(amounts in euros)

Description	31/12/2018	31/12/2017
Gross Amount:		
Raw, auxiliary and consumable materials	41 456 489	42 045 662
Finished and intermediate products	851 778	908 708
Advance payments for purchasing purposes	57 497	230 647
	42 365 764	43 185 017
Accumulated impairments		
Impairments of the period	(651 860)	(1 188 334)
Impairments of previous periods	(14 911 949)	(13 723 615)
	(15 563 809)	(14 911 949)
Net book value	**26 801 955**	**28 273 068**

The raw, auxiliary and consumable materials heading decreased vis-à-vis the previous year. This decrease is directly related to a higher consumption compared to the carried-out purchases. Advance payments for purchasing purposes also decreased compared with the same period in the previous year, in respect of ongoing projects which – in the meantime – have been concluded or were coming to an end, with the regularisation of the corresponding advance payments.

It should be noted that, under the fleet vehicle maintenance agreement of Metro do Porto, this company has provided its spare parts to EMEF/PROMETRO/Via Porto, in order to allow the provision of services without losing quality nor breaking continuity. The aforementioned parts shall be fully delivered to the customer upon termination of the agreement.

However, since the abovementioned parts are not in the CP Group's inventory, the consumption value (expense) is not recorded whenever this batch is used. Such record is conducted at the time of the corresponding replacement.

The recognition of inventory impairments had the following variations:

(amounts in euros)

Description	Opening balance	Uses	Losses	Reversal	Closing balance
Inventory impairment					
Raw, auxiliary and consumable materials	(14 424 646)	-	(635 598)		(15 060 244)
Finished and intermediate products	(487 303)	-	(16 786)	524	(503 565)
Total	**(14 911 949)**	**-**	**(652 384)**	**524**	**(15 563 809)**

Impairment losses related to raw, subsidiary and consumable materials and to finished and intermediate products arise essentially from the passenger transportation and rolling stock maintenance and repair segments.

For the calculation of impairment of inventories assigned to the passenger transportation segment, it is verified on a half-yearly basis whether the realisable value of inventory is lower than the amount for which they are recognised in the accounts. If the amount by which the inventory is recognised is higher than the net realisable value, an impairment loss is recognised by the difference between those two variables.

Until 2011, the basic criterion for assessing the impairment of such materials was the non-movement for over 5 years, applied to all inventory in storage. Since the 2012 financial year, and by considering the durability of most of the parts used for repairs of rolling stock, the company opted to assess the impairment of this set of assets more thoroughly. In order to do so, the impairment of storage parts of rolling stock was calculated in accordance with the estimated useful life of the series of material with which the parts were associated, which enabled the identification of the actual obsolete materials and of those without use. The criterion of non-movement for over 5 years was maintained for the remaining materials.

The total inventory impairments recognised in 2018 also results from the weight of the maintenance and repair segment.

The following criteria were used for the calculation of impairment in the maintenance and repair segment:

The calculation of impairment losses of inventories in the maintenance and repair segment is indexed to the duration of each service agreement entered into with each customer, and the amounts are calculated based on the number of years left for the agreements to expire, as well as material consumption/movement perspectives. The criteria used are as follows:

/ Inventories belonging to active series or equipment with consumption in the last 9 years
All material assigned to active series or equipment and also with strategic classification is deemed ordinary, and therefore not subject to any impairment, except for the surplus resulting from the expected average consumption until the expiry date of the corresponding agreement. A 75% impairment is taken into account on such surplus.

/ Inventories belonging to active series or equipment without consumption in the last 9 years
Materials which, despite belonging to active series, have been purchased over 2 years ago and have not indicated consumption in the last 9 years are subject to an 80% impairment on their value.

/ Inventories belonging to inactive series or equipment with and without consumption in the last 9 years

Materials classified as belonging to inactive material series and equipment are subject to a 95% impairment on their value.

/ Inventories classified as Slow-Moving and Non-Moving without consumption in the last 9 years

Inventories classified as Slow-moving or Non-Moving by the Logistics Department, which have not indicated any consumption in the last 9 years are subject to a 95% impairment loss on their value.

/ Inventories classified as Slow-Moving and Non-moving with consumption in the last 9 years

Inventories classified as Slow-moving or Non-moving by the Logistics Department, purchased over 2 years ago and that indicated consumption in the last 9 years, but whose consumption perspectives, vis-à-vis the available information, are residual and subject to an 80% impairment loss on their value.

/ Inventories classified as Obsolete

Inventories classified as Obsolete by the Logistics Department are subject to a 95% impairment loss on their value.

/ Inventories classified as Strategic and without consumption in the last 9 years

Inventories classified as Strategic by the Logistics Department and which have not indicated consumption in the last 9 years are subject to an impairment loss at a constant rate, calculated on 75% of their value depending on the number of years left until the expiry date of the agreement. On the last year, the assets will have a net realisable value of 25%.

/ Inventories without identification

Impairment losses related to inventories which mainly comprise material for upkeep (painting products, industrial cleaning, electric and electronic material, bearings, joint/attachment elements...), some of which with possible use in equipment from other customers, will be recognised based on average consumption and estimates of needs for the next 3 years, due to the fact that they are not associated with any specific agreement and due to their nature. If the average consumption is maintained, in case the inventory is not over in 3 years, an impairment of 95% shall be applied to the surplus. In case it has been purchased over 2 years ago and has not indicated any consumption, a 95% impairment shall be applied.

As for the changes in Production Inventories, the CP Group had the following amounts in 2018 and 2017:

(amounts in euros)

Description	31/12/2018	31/12/2017
Changes in Production inventories		
Finished and intermediate products	(56 931)	(32 745)
Total	**(56 931)**	**(32 745)**

CUSTOMERS (NOTE 13)

As at the 31st of December 2018, the heading of customers had the following amounts:

(amounts in euros)

Description	31/12/2018	31/12/2017
Gross Amount:		
Customers current account		
General	13 519 498	13 493 249
Customers - doubtful collection	2 490 983	2 656 890
Subtotal	16 010 481	16 150 139
Accumulated impairment		
Impairment losses of the period	350 601	(491 424)
Impairment losses of previous periods	(2 655 687)	(2 164 263)
Subtotal	(2 305 086)	(2 655 687)
Net book value	**13 705 395**	**13 494 452**

The movements of impairment losses are analysed as follows:

(amounts in euros)

Description	Opening balance	Losses	Uses	Reversals	Closing balance
Impairment losses					
General customers	(2 655 687)	(81 260)	171	431 690	(2 305 086)
Total	**(2 655 687)**	**(81 260)**	**171**	**431 690**	**(2 305 086)**

STATE AND OTHER PUBLIC ENTITIES (NOTE 14)

The heading State and other public entities is analysed as follows:

(amounts in euros)

Description	31/12/2018	31/12/2017
Asset		
Income tax	909 350	1 291 158
VAT	6 971 651	13 931 834
VAT receivable	6 192 008	13 547 268
VAT requested refunds	779 643	384 566
Soc. Sec. Contributions National Pensions Centre	454	34 240
Total	**7 881 455**	**15 257 232**
Liability		
Income tax	1 113 245	659 394
Income tax withheld	285 215	296 404
VAT payable	1 881 312	2 141 560
Social Security Contribution	560 292	545 058
Other taxes	1 123	904
Total	**3 841 187**	**3 643 320**

The main change is essentially due to the decrease of the heading VAT receivable, as a result of (i) the acceptance, at the end of IP's invoicing year – 2017 – regarding the charges for the use of the infrastructure, as well as (ii) the refund by the Tax Authority of the VAT amount withheld in 2005 and 2006, since the process leading to such withholding was concluded favourably for the company.

As to liabilities, the change of the heading of Income Tax shall also be recorded, which results from the calculation of the tax estimate (autonomous taxation), arising from the increase in allowances subject to taxation.

OTHER ACCOUNTS RECEIVABLE (NOTE 15)

The heading Other accounts receivable is analysed as follows:

(amounts in euros)

Description	31/12/2018	31/12/2017
Gross Amount:		
Advance payments to suppliers:		
SISCOG-Sistemas Cognitivos, LDA.	128 391	128 391
IP - Infraestruturas de Portugal, S.A.	-	2 120
Other	105 834	182 070
Other Debtors - personnel	133 305	101 111
Sundry Debtors - current account	9 235 152	8 868 520
Debtors by income accruals	3 247 656	2 742 611
Subtotal	12 850 338	12 024 823
Accumulated impairment		
Impairment of the period - Other debts from third parties	(10 872)	(969 540)
Impairment of previous periods - O. Deb. from third parties	(4 156 746)	(3 187 206)
Subtotal	(4 167 618)	(4 156 746)
Net book value	**8 682 720**	**7 868 077**

The increase vis-à-vis 2017 is mainly found:

/ in the heading of sundry debtors, where the increase of Medway's debt is highlighted;
/ in the heading of debtors by accrual of income, which presents an increase of around 505,045 euros when compared to the previous year. This is mainly due to the record of contributions not yet received – regarding social passes – which are expected to be received in 2019.

The movements of impairment losses are analysed as follows:

(amounts in euros)

Description	Opening balance	Losses	Use	Reversals	Closing balance
Impairment losses					
Other debts from third parties	(4 156 746)	(13 794)	2 922	-	(4 167 618)
Total	**(4 156 746)**	**(13 794)**	**2 922**	**-**	**(4 167 618)**

DEFERRALS (NOTE 16)

The following table shows the amounts accounted for in the heading of deferrals:

(amounts in euros)

Description	31/12/2018	31/12/2017
Asset		
Expenses to be recognised		
Defer. - exp. to be recogn. - other - miscellaneous	1 254 394	921 891
Defer. - exp. to be recogn. - insurance	480 419	429 509
Defer. - exp. to be recogn. - rents	9 444	12 275
Total	**1 744 257**	**1 363 675**
Liability		
Income to be recognised		
Defer. - inc. to be recogn. - invest. grants	106 456 194	114 006 126
Def. - inc. to be reco. - invo. on acc. - work to be und.	-	236 647
Def. - inc. to be reco. - other def. - inc. to be recog.	28 778	113 604
Total	**106 484 972**	**114 356 377**

The decrease in the liability deferrals heading mainly arises from the recognition of part of the received investment grants as income for the financial year, on a systematic and rational basis during the asset's useful life, in the proportion in which its depreciation is also recognised.

The particulars of the heading of allowances are shown in the following table:

(amounts in euros)

Description	31/12/2018	31/12/2017
59300004 Reserves Grants - Rolling Stock	(384 295)	(433 343)
59300100 FEDER-Sub Proj 12UQE	(3 217 792)	(4 091 726)
59300700 PIDDAC-Sub Proj 12+4UQE	(3 474 986)	(3 822 482)
59300800 FEDER-Sub Proj 12+4UQE	(9 497 606)	(10 447 351)
59301001 PIDDAC-Sub Proj 34UQE/UTE	(2 222 677)	(2 540 202)
59301002 PIDDAC-Sub Proj 19UDD	(331 757)	(382 625)
59301003 PIDDAC-Sub Proj 21ALLAN	(620 963)	(661 934)
59301004 PIDDAC-Sub Proj 42UQE	(303 000)	(342 904)
59301005 PIDDAC-Sub Proj 34UME	(15 666 540)	(16 753 970)
59301006 PIDDAC-Sub Proj 57UTE Silicon	(13 198 673)	(14 038 418)
59301009 PIDDAC-Sub Proj 57CORRAIL	(404 925)	(468 786)
59301010 PIDDAC-Sub Proj 12Locomotives	(390 009)	(390 009)
59301013 PIDDAC-Sub Proj Contactless ticket	(134 792)	(172 860)
59301014 PIDDAC-Improv Interface Branch Line Lousã	(23 039)	(162 680)
59301015 PIDDAC-Sub Proj. Aq. 10 Locs 4700	(347 009)	-
59301024 PIDDAC-Sub Proj Change Max Veloc 45 Modern. Service	(890 313)	(50 383)
59301025 PIDDAC-Repl. Wheelset Transmission Boxes UDD's450	(267 222)	(384 919)
59301027 PIDDAC-Modernisation of 4 railcars 3500	(262 654)	(995 313)
59301028 PIDDAC-Large Repair R2 - 453	(201 951)	-
59301029 PIDDAC-Large Repair R2 - 2334	(10 887)	(294 630)
59301030 PIDDAC-Large Repair R2 - 2340	(49 021)	(290 062)
59301031 PIDDAC-Large Repair R2 - 2326	(165 044)	(222 146)
59301032 PIDDAC-Large Repair R3 - 9635	(380 429)	(32 662)
59301033 PIDDAC-Large Repair R2 - 464	(3 747)	-
59301034 PIDDAC-Large Repair R2 - 2197010	(268 026)	(67 997)
59301035 PIDDAC-Large Repair R2 - 2403	-	(181 412)
59301036 PIDDAC-Large Repair R2 - 2404	(101 328)	(417 244)
59301037 PIDDAC-Large Repair R2 - 360	(8 379)	(26 227)
59301039 PIDDAC-Large Repair R2 - 2405	(20 949)	(292 578)
59301040 PIDDAC-Large Repair R2 - 468	(15 712)	(8 296)
59301041 PIDDAC-Large Repair R2 - 2197025	(78 569)	(117 540)
59301042 PIDDAC-Large Repair R2 - 463	(101 705)	(33 518)
59301043 PIDDAC-Large Repair -Gr R-R2 461	(61 717)	(83 794)
59301044 PIDDAC-Large Repair R2 469	(101 705)	(53 419)
59301045 PIDDAC-Large Repair R2 2197012	(40 857)	(89 283)
59301046 PIDDAC-Large Repair R2 2197034	(61 285)	(115 574)
59301047 PIDDAC-Large Repair R2 2197011	(139 190)	(70 038)
59301048 PIDDAC-Large Repair R2 2197020	(102 861)	(115 574)
59301049 PIDDAC-Large Repair R2 8597004	(50 919)	(46 892)
59301050 PIDDAC-Large Repair R2 8597007	(119 042)	(69 642)
59301051 PIDDAC-Large Repair R2 1415	(56 561)	(150 953)
59301052 PIDDAC-Large Repair R2 2197028	(119 042)	(116 730)
59301053 PIDDAC-Large Repair R2 1997008	(117 446)	(57 785)
59301054 PIDDAC-Large Repair R2 2197019	(306 432)	(132 911)
59301055 PIDDAC-Large Repair R2 0451	(76 974)	(94 268)
59301056 PIDDAC-Large Repair R2 2197027	(119 042)	(132 911)
59301057 PIDDAC-Large Repair R2 1997002	(243 217)	(139 203)
59301058 PIDDAC-Large Repair R2 3154	(153 086)	(330 624)
59301059 PIDDAC-Large Repair R2 9634	(52 617)	(98 966)
59301060 PIDDAC-Large Repair R2 2197007	(78 579)	(132 911)
59301061 PIDDAC-Large Repair R2 3266	(50 312)	(262 047)
59301062 PIDDAC-Large Repair R2 0458	(79 016)	(205 208)
59301063 PIDDAC-Large Repair R2 0457	(53 763)	(77 874)
59301064 PIDDAC-Large Repair R2 1997004	(80 121)	(89 471)
59301065 PIDDAC-Large Repair R2 1997009	(103 903)	(58 166)
59301066 PIDDAC-Large Repair R2 2197015	(52 538)	(87 559)
59301067 PIDDAC-Large Repair R2 2197016	(1 546 888)	(59 423)
59301068 PIDDAC-Large Repair R2 2197001	(135 753)	(88 482)
59301069 PIDDAC-Large Repair R2 1413	(237 164)	(111 745)
59301070 PIDDAC-Large Repair R2 3260	(233 500)	(56 502)
59301071 PIDDAC-R1 CPA´s 4000	(132 596)	(596 471)
59301101 FEDER-Sub Proj 19UDD	(685 774)	(790 925)
59301102 FEDER-Sub Proj 21ALLAN	(1 213 066)	(1 293 103)
59301103 FEDER-Sub Proj 34UME	(27 910 856)	(29 845 204)
59301104 FEDER-Sub Proj 57UTE Silicon	(16 888 050)	(18 000 718)
59301107 FEDER-Sub Proj 57CORRAIL	(811 937)	(939 987)
59301108 FEDER-Sub Proj 12Locomotives	(903 370)	(903 370)
59301700 FEDER-Improv Interfaces Branch Line Lousã	(293 016)	(348 588)
59301800 FEDER-Contactless ticket-CPLX	-	(35 588)
Total	**(106 456 194)**	**(114 006 126)**

NON-CURRENT ASSETS HELD FOR SALE (NOTE 17)

One of the goals of the Group is to dispose of assets unnecessary to its activity. These assets mainly include buildings and rolling stock. In that sense, top management is committed to the development of actions which allow the conclusion of those disposals through the prospection of eventual stakeholders, either in the domestic market or in the foreign market.

Despite some of these assets being classified as fixed assets held for sale for over a year, it is believed they must remain in this heading of asset since their amount can be recovered, not through usage, but through sale, and the top management is strongly committed to the development of efforts for that purpose.

Assets classified as held for sale are valued at the lowest amount between their book value and their expected sale value.

On a half-yearly basis, the occurrence of impairments in these assets is assessed and, whenever necessary, adjustments of amounts which have already been recognised are performed.

After the establishment of these impairments, rolling stock classified in the non-current assets held for sale category got a value set to zero in the company's accounts, if one considers the sum of the grants to be recognised and the scrap value, as per the particulars below reported as at the 31st of December 2018:

(amounts in euros)

Description	Book value (1)	Grants to be recognised (2)	Scrap value (3)	Impairment (4)	(1)-(2)-(3)-(4)
Several series	12 214 719	(3 035 233)	(1 970 245)	(7 209 241)	-

The following table summarises, by class of fixed asset, the non-current assets held for sale:

(amounts in euros)

Description	31/12/2018	31/12/2017
Assets		
Land and natural resources	168 826	84 796
Buildings and other constructions	409 130	139 204
Basic equipment	5 005 478	5 684 397
Total	**5 583 434**	**5 908 397**

In 2018, the CP Group reclassified – in the heading Land and Buildings and other constructions – the immovable property of Rua Faria de Guimarães, in Oporto, to non-current asset held for sale.

The variation in the heading of basic equipment results from the decommissioning of rolling stock not related to transport activity carried out throughout 2018.

SUBSCRIBED CAPITAL (NOTE 18)

In accordance with article 3 of Decree-Law no. 59/2012 of March 14th, amended by Decree-Law no. 124-A/2018 of December 31st, which defines CP's Statutes, the subscribed capital of the company is entirely held by the Portuguese State and is meant to meet the company's permanent needs.

In 2015, 2016 and 2017, joint orders from the Sector and Financial Ministries established an increase to the subscribed capital of CP, EPE, by 683.483 million euros (in 2015), by 654.913 million euros (in 2016) and by 516.4 million euros (in 2017), having been subscribed during the corresponding years.

During 2018, and in accordance with the law in force, it was equally established that the subscribed capital of CP, EPE, would be increased by 80.9 million euros following the joint orders from the Sector and Financial Ministries, to be subscribed by the State as follows:

- In February, joint orders from the Sector and Financial Ministries established an increase to the subscribed capital of CP, to be subscribed and paid in cash by the State, by 22.9 million euros. Such amount entered into the company's accounts at the end of February, intended to cover the funding needs of the company until April.
- In June, also by joint orders from the Sector and Financial Ministries, the State decided to increase the subscribed capital of CP E.P.E by 32 million euros in cash, whereas 14 million euros were paid in June and 18 million euros in August.

/ Subsequently, in October, also by joint orders from the Sector and Financial Ministries, the State decided to increase the subscribed capital of CP E.P.E by 23 million euros in cash, whereas 13 million euros were paid in October and 10 million euros in November.
/ In December, also by joint orders from the Sector and Financial Ministries, the State decided to increase the subscribed capital of CP E.P.E by 3 million euros in cash, which was fully paid at the end of the year.

These amounts were meant to cover the needs arising from debt service (amortisations, interest and other costs), investment and personnel expenses related to the historical agreement on variables.

Thus, at the end of 2018, the company has a subscribed capital of 3,931,000,000 euros, which is fully subscribed by the Portuguese State.

LEGAL RESERVES (NOTE 19)

In accordance with article 295 of the Portuguese Commercial Companies Code and in accordance with article 30 of Decree-Law no. 137-A/2009 from June 12th, amended by Decree-Law no. 59/2012 from March 14th that defines CP's Statutes, the company must have reserves and funds deemed necessary, and the constitution of legal reserve in the amount of 5% of the profits of each financial year is mandatory. The legal reserve may be used in the hedging of losses of the financial year.

During the period, legal reserves were not strengthened, nor were they used for hedging losses.

OTHER RESERVES (NOTE 20)

This heading accounts for the statutory reserve corresponding to the amount of the Amortisation and Renovation of Rolling Stock Fund as at the 31st of December 1974.

The Amortisation and Renovation of Rolling Stock Fund was meant for the renovation of rolling stock, as foreseen in article 16 of the Concession Contract of 1951 between the State and "Companhia dos Caminhos de Ferro Portugueses", and it concerned the surplus of revenues from the Fund on investments funded thereby.

RESULTS BROUGHT FORWARD (NOTE 21)

The variation in results brought forward is mainly related to the inclusion of the net result from the previous period. However, the movements set forth in the following table also contribute to this variation:

(amounts in euros)

Reconciliation of the consolidated result brought forward		
Results brought forward in 2018		(6 189 186 647)
Results brought forward in 2017	(6 078 119 710)	
+ Net result of the 2017 period	(111 066 936)	(6 189 186 647)
Movements of 2018 directly into Results brought forward:		-

ADJUSTMENTS/OTHER VARIATIONS IN EQUITY (NOTE 22)

The particulars of this heading are analysed as follows:

(amounts in euros)

Description	31/12/2018	31/12/2017
Financial repair	91 357 368	91 357 368
Transitional adjustments	132 640	132 640
Total	**91 490 008**	**91 490 008**

The financial repair heading reflects the liability assumed by the State in accordance with the Protocol from the 24th of August 1993, concerning debts payable to the Tax Authority, to the General Directorate of Treasury and to the Banking System amounting to 97,975,959 euros, and the use in the settlement of the remaining outstanding amount by the State of 6,618,591 Euros, as a result of the financial repair carried out in the scope of Decree-Law no. 361/85.

PROVISIONS (NOTE 23)

The movement in the heading of provisions is analysed as follows:

(amounts in euros)

Description	Opening balance	Additions	Uses	Reversals	Closing balance
Ongoing legal actions	1 300 625	190 408	-	263 557	1 227 476
Railway accidents	1 723 237	1 114 172	-	-	2 837 409
Occupational accidents and illnesses, and other provisions	10 935 598	60 397	773 882	-	10 222 113
Total	**13 959 460**	**1 364 977**	**773 882**	**263 557**	**14 286 998**

The change in the heading of provisions is mainly due to the reinforcement of provision for railway accidents by around 1,114,172 euros, by virtue of the assessment performed to the ongoing processes.

Liabilities for occupational accidents and illnesses were calculated based on the actuarial assessment of the liabilities of the company as at the 31st of December 2018, with pensions for occupational accidents occurred until December 31st, 1999. This calculation was carried out by a third party (CGD PENSÕES).

The increases or decreases in liabilities arising from changes to the granted benefits are recognised as losses or gains in the financial year in which they occur.

The methodology and financial and actuarial assumptions of the assessment of liabilities are the following:

Calculation method: For the valuation of liabilities regarding retired staff with occupational accident pensions, the current value of immediate lifetime income annuities was calculated.
Discount rate: 2.00%.
Pensions' growth rate: 1.0%.
Mortality tables: the French table TV 88/90 was used.
Period for payment of occupational accident pensions: life annuities.
Effective date of the calculations: December 31st, 2018.

LOANS OBTAINED (NOTE 24)

At the end of the period of 2018, the heading of loans obtained had the following particulars:

(amounts in euros)

Description	31/12/2018	31-12-2017
Non-current		
Credit institutions and financial companies		
Bank loans	94 026 667	115 149 167
Bond loans	200 000 000	700 000 000
Applic. of Effective Rate Bond Loans	(5 796 037)	(6 453 876)
Other funders	1 016 028 000	1 397 542 000
Total	**1 304 258 630**	**2 206 237 291**
Current		
Credit institutions and financial companies		
Bank loans	21 122 500	28 942 209
Bank overdrafts	500 000 000	-
Applic. of Effective Rate Bond Loans	(180 080)	-
Bank overdrafts	248 490	226 659
Other funders	762 028 000	380 514 000
Total	**1 283 218 910**	**409 682 868**

As per note 18, the capital increases allowed the Group to cover the payments resulting from historic debt (amortisations and financial costs), representing a decrease in the loans obtained heading.

The heading of loans obtained, by maturity, is analysed as follows:

(amounts in euros)

Description	31/12/2018	31/12/2017
Credit institutions and financial companies		
Bank loans		
Up to 1 year	21 122 500	28 942 209
From 1 to 5 years	86 426 667	106 282 500
Over 5 years	7 600 000	8 866 667
Bank overdrafts		
Up to 1 year	248 490	226 659
Bond loans		
From 1 to 5 years	500 000 000	500 000 000
Applic. of Effective Rate Bond Loans	(180 080)	(313 588)
Over 5 years	200 000 000	200 000 000
Applic. of Effective Rate Bond Loans	(5 796 037)	(6 140 288)
Other funders		
Up to 1 year	762 028 000	380 514 000
From 1 to 5 years	1 015 028 000	1 345 542 000
Over 5 years	1 000 000	52 000 000
Total	**2 587 477 540**	**2 615 920 159**

In accordance with IAS 7, the reconciliation of changes in liabilities from funding activities, including changes arising from cash flows as well as changes without cash offsetting is shown below:

(amounts in euros)

Financing	Bank loans	Debenture loans	Other funders	Bank overdrafts	Total
Balance on the 31st of December, 2017	**144 091 376**	**693 546 124**	**1 778 056 000**	**226 659**	**2 615 920 159**
Cash flows:					
Amortisations in cash 2018	(28 942 209)				(28 942 209)
New funding 2018					-
Amortisations in kind 2018					-
Application of effective rate		477 759			477 759
Other changes				21 831	21 831
Balance on the 31st of December, 2018	**115 149 167**	**694 023 883**	**1 778 056 000**	**248 490**	**2 587 477 540**

OTHER DEBTS PAYABLE (NOTE 25)

The heading of other accounts payable is analysed as follows:

(amounts in euros)

Description	31/12/2018	31/12/2017
Non-current		
Creditors by expenditure accruals	-	8 006 555
Total	**-**	**8 006 555**
Current		
Investment providers	958 246	912 839
Creditors by outstanding subscriptions	36 843 299	35 477 347
Other debtors and creditors	7 766 110	7 972 495
Creditors by expenditure accruals	90 401 403	61 460 329
Total	**135 969 058**	**105 823 010**

Regarding non-current liability, in 2017, the recognition of liability concerning the settlement of historic debt arising from the integration of variable bonuses in the calculation of holiday allowances and holidays was still maintained, following the agreement entered into with the Organisations Representing Employees. All amounts related to this liability are recorded as current liabilities, since the agreement foresees that such amounts will be paid until the 2019 financial year, as of December 31st, 2018.

The increase in current liability is essentially due to the increase in accrued interest payable.

SUPPLIERS (NOTE 26)

The heading of suppliers shows the following particulars:

(amounts in euros)

Description	31/12/2018	31/12/2017
Suppliers current account		
General	12 530 210	12 528 536
Invoices received and pending approval	457 940	848 132
	12 988 150	**13 376 668**

As of December 31st, 2018, and compared with the same period in the previous year, there is a slight decrease in the overall balance of the heading of suppliers, whereas the reduction in the balance of invoices received and pending approval shall be highlighted.

ADVANCE PAYMENTS FROM CUSTOMERS (NOTE 27)

This heading has the following amounts:

(amounts in euros)

Description	31/12/2018	31/12/2017
Advance payments from customers		
Fernave Customers	374 000	374 000
	374 000	**374 000**

The promissory agreement of purchase and sale entered into in 2014 regarding the DUAT [Right to Use and Benefit from the Land] of the building called "Talhão n.º 262" in Mozambique – held by Fernave – is still in effect, for which a down payment amounting to € 374,000 was received.

PROVIDED SALES AND SERVICES (NOTE 28)

Provided sales and services have the following particulars:

(amounts in euros)

Description	2018	2017
Provided services		
Passengers	262 208 350	253 498 652
Other	35 844 810	33 161 201
Total	**298 053 160**	**286 659 853**

The heading of provided sales and services increased by approximately 11.4 million euros, as a result of the growth in passenger services, namely in ticket sales, presenting an accumulated growth of 6.6 million euros, vis-à-vis the same period in the previous year.

The increase in the maintenance and repair services of the vehicles of the rolling stock fleet of Metro do Porto are worth mentioning in the heading of other service provisions, having significantly grew vis-à-vis the previous year.

OPERATING SUBSIDIES (NOTE 29)

Operating subsidies recognised as income in the financial years of 2018 and 2017 are identified in the following table:

(amounts in euros)

Description	2018	2017
Operating subsidies:		
Energy Efficiency Fund	-	10 000
Shift2Rail-IMPACT Project	-	3 578
Shift2Rail-IMPACT2 Project	7 571	2 073
Shift2Rail-PIVOT Project	-	7 111
Total	**7 571**	**22 762**

It is also worth mentioning that no amounts have been granted by the State to the CP Group in 2018, nor any additional compensation for the provision of its public service.

Operating subsidies registered in the 2018 period arise from the recognition of European subsidies received within the IMPACT-2 Project – to support research and innovation – which began in 2017. Such project is part of the Shift2Rail (S2R) initiatives, and the CP group takes part as Linked Third Partie of CP, in the consortium led by Trafikverket.

GAINS/LOSSES ATTRIBUTED TO SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (NOTE 30)

The gains/losses attributed to subsidiaries, associated companies and joint ventures show the following particulars:

(amounts in euros)

Description	2018	2017
Losses		
Application of the equity method	(71 789)	-
Gains		
Application of the equity method	1 374 439	1 202 043
Total	**1 302 650**	**1 202 043**

The increase in gains allocated to subsidiaries, associated companies and joint ventures is due to the improvement in the results of the companies of the Group, namely TIP, Otlis, SIMEF and Nomad Tech.

CHANGES IN PRODUCTION INVENTORIES (NOTE 31)

(amounts in euros)

	2018	2017
Closing inventories		
Finished and intermediate products	851 778	908 708
Opening inventories		
Finished and intermediate products	908 708	941 453
	(56 931)	**(32 745)**

The main changes in production inventories are explained in Note 12 – Inventories.

OWN WORK CAPITALISED (NOTE 32)

The heading Own work capitalised accounts for works carried out by the rolling stock maintenance component and is analysed as follows:

(amounts in euros)

Description	2018	2017
Passenger transportation		
Fixed tangible assets	9 014 150	12 520 674
Total	**9 014 150**	**12 520 674**

Own work capitalised relate to rolling stock maintenance and repair, particularly the occasional R1 and R2 repairs.

SOLD COMMODITIES AND CONSUMED MATERIALS COSTS (NOTE 33)

Sold commodities and consumed materials costs are as follows:

(amounts in euros)

Description	2018	2017
Goods	-	-
Raw, auxiliary and consumable materials	24 734 713	26 381 446
	24 734 713	**26 381 446**

The decrease in this heading is associated with the slowdown in the rolling stock repair activity.

The expense with fuel consumption, as raw-material for the provision of railway passenger transportation service, represents around 84% of the total amount of the heading raw-materials, subsidiaries and consumption.

On the other hand, the consumption of other items, namely of uniforms, decreased in 2018 vis-à-vis 2017.

EXTERNAL SERVICES AND SUPPLIES (NOTE 34)

The heading of external services and supplies has the following particulars:

(amounts in euros)

Account	Description	2018	2017
621	Sub-agreements	30 128 751	26 456 314
622/626	Specialised and other services	84 707 477	83 938 427
	(Including infrastructure usage fee)	55 229 187	56 175 213
623	Materials	562 883	643 019
624	Energy and fluids	25 822 986	24 057 437
625	Travels, accommodation and transportation	3 921 090	3 963 621
		145 143 187	**139 058 818**

In 2018 and despite the effort to contain expenses, the heading of external services and supplies increased by 6.08 million euros.

This increase was mainly due to the increase in sub-agreements of additional and auxiliary services regarding the use of stations, as Infraestruturas de Portugal reintroduced the invoicing of this service in the Network Directory of 2018, and also the increase in sub-agreements related to subcontracting of services ancillary to the maintenance of bogies, diesel engines and AVAC. Expenses with traction electricity also increased.

PERSONNEL EXPENSES (NOTE 35)

The heading of personnel expenses has the following particulars:

(amounts in euros)

Description	2018	2017
Remuneration of governing bodies	398 956	416 529
Remuneration of personnel	104 369 526	98 872 813
Compensations	1 637 619	1 754 018
Charges on remuneration	23 271 637	21 989 773
Insurance for occupational accidents and illnesses and health	3 205 329	3 041 474
Social action expenses	309 908	384 008
Other personnel expenses	481 835	487 687
	133 674 810	**126 946 302**

Despite the decrease in the CP Group's effective staff, there was an expenditure growth in this heading vis-à-vis 2017, which was a result of the restitution of career progressions (50% in July 2017 (article 21 of the 2017 State Budget Law) and 50% in January 2018 (article 23 of the 2018 State Budget Law), as well as the implementation of agreements concluded in December 2017 and February 2018 with the organisations representing employees, and also the increase in overtime work and other bonuses.

IMPAIRMENT OF NON-DEPRECIABLE AND NON-AMORTISABLE INVESTMENTS (NOTE 36)

The particulars of this heading are shown in the following table:

(amounts in euros)

Description	2018	2017
Losses		
In financial investments	-	(3)
Non-current assets held for sale	(49 170)	-
Reversals		
From financial investments	36 905	17 166
Non-current assets held for sale	1 621 881	-
	1 609 616	**17 163**

Impairments related to non-current assets held for sale decreased sharply in 2018, vis-à-vis 2017, mainly due to the impairment reversals in the basic equipment heading, resulting from the decommissioning of rolling stock not related to transport activity.

OTHER INCOME (NOTE 37)

The heading of other income has the following particulars:

(amounts in euros)

Description	2018	2017
Supplementary income	6 289 922	6 278 674
Prompt payment discounts receive	1 963	1 647
Inventory gains	102 604	69 307
Remaining financial assets	1 984 069	3 461 517
Non-financial investments	2 461 079	781 205
Other	12 760 937	11 804 583
	23 600 574	**22 396 933**

There was an increase in the heading of other income in 2018, mainly due to the following elements:

/ Disposal of the immovable property of Rua Castilho;
/ Conclusion of an agreement with IP for the allocation of energy expenditure in shared spaces, involving the correction of income and expenses of previous financial years of similar nature (with a net impact on the results of only 26,384 euros), as well as the increase in the amount of traction electricity re-invoiced to IP due to the increase in energy fees, which affected the expenses incurred by CP and, consequently, the amounts re-invoiced to IP.

The decrease in the remaining financial assets heading, arising from the exchange rate of the subscribed and not paid-up capital of Eurofima, had a negative impact.

OTHER EXPENSES (NOTE 38)

The heading of other expenses and losses has the following particulars:

(amounts in euros)

Description	2018	2017
Taxes	204 182	183 469
Prompt payment discounts	-	-
Bad debts	1 070	-
Inventory losses	141 339	41 945
Non-financial investments	2 199 118	19
Other	8 888 878	3 942 131
	11 434 587	**4 167 564**

There was an increase in the heading of other expenses in 2018, mainly due to the following elements:

/ Increase in non-financial investment losses, resulting from the decommissioning of the rolling stock that was classified as non-current asset held for sale, with recognised impairment, which was reverted at the same moment.

/ Conclusion of an agreement with Infraestruturas de Portugal for the allocation of energy expenditure in shared spaces, involving the correction of income and expenses of previous financial years of similar nature (with a net impact on the results of only 26,384 euros);

/ Expenses arising from the insufficient tax estimate (autonomous taxation), associated with travels and accommodation of employees;

/ Expenses with transport ticket offering, namely related to the Knowledge Train initiative;

/ Increase in expenses resulting from the exchange rate of the subscribed and not paid-up capital of Eurofima.

EXPENSES/REVERSAL OF DEPRECIATION AND AMORTISATION (NOTE 39)

The heading expenses/reversal of depreciation has the following amounts:

(amounts in euros)

Description	2018	2017
Expenses		
Fixed tangible assets	54 567 596	57 964 873
Intangible assets	97 492	100 671
Reversals		
Fixed tangible assets	11 341	141 253
	54 653 747	**57 924 291**

Expenses that were accounted for are the result of depreciation/amortisation of assets in accordance with their determined useful lives and particulars presented in note 3. The expected useful lives of assets are revised annually, in order to verify their accuracy.

This heading recorded a reduction in expenses by 3.2 million euros, as a result of the end of the useful life of certain assets, which was not offset by the investment carried out.

IMPAIRMENT OF DEPRECIABLE AND AMORTISABLE INVESTMENTS (NOTE 40)

The heading of impairment of depreciable and amortisable investments has the following amounts:

(amounts in euros)

Description	2018	2017
Losses		
Fixed tangible assets	-	(455 819)
Reversals		
Fixed tangible assets	721 647	1 029 588
Total	**721 647**	**573 769**

The amount in 2018 mainly results from the record of the reversal of impairments of locomotives 2620.

INTEREST AND SIMILAR INCOME GAINED (NOTE 41)

The heading of interest and similar income gained is analysed as follows:

(amounts in euros)

Description	2018	2017
Interest gained	39 341	7 612
	39 341	**7 612**

This heading essentially accounts for interest associated with the agreement entered into with Metro Ligeiro de Mirandela and the compensatory interest related to the refund of the Corporate Income Tax of the 2013 financial year.

PAYABLE INTEREST AND SIMILAR EXPENSES (NOTE 42)

The heading of payable interest and similar expenses shows the following amounts:

(amounts in euros)

Description	2018	2017
Interest charges	65 080 338	73 047 555
Other expenses and losses	3 251 700	3 602 728
	68 332 038	**76 650 283**

During the financial year of 2018, the heading of payable interest and similar expenses decreased by approximately 8.3 million euros mainly due to decrease in the liabilities remunerated of the CP Group.

GUARANTEES AND SURETIES (NOTE 43)

(amounts in euros)

Guarantees and sureties provided to the CP Group:	
- By the State	614 711 667
- By bank entities in favour of third parties	1 542 106
Guarantees and bank sureties provided by the CP Group in favour of third parties	4 001 632

* includes escrow account at IGCP amounting to 150.000€

REMUNERATION OF THE CERTIFIED PUBLIC ACCOUNTANT (NOTE 44)

The company Oliveira, Reis & Associados – SROC, Lda. has annual fees, within the scope of the revision and legal certification of the individual and consolidated accounts of CP, amounting to 21,500 Euros, plus VAT at the legal rate in force.

The company Ribeiro, Rigueira, Marques, Roseiro & Associados, SROC, Lda. has annual fees, within the scope of the audit of the individual and consolidated accounts of CP, amounting to 11,700 Euros, plus VAT at the legal rate in force.

RELEVANT EVENTS AFTER THE BALANCE SHEET DATE (NOTE 45)

The relevant events after the balance sheet date comprise a dispute related to the ownership of the urban area of the CP's registered office – between CP and the Institute for the Financial Management of Social Security (IGFSS, IP) – and the fact that CP, for external reasons, has not yet concluded the recommendation foreseen in the Court of Auditors' Decision no. 5/2018, to conclude the implementation of the new business model of EMEF, S.A.

An adjustment process is underway in the business model of EMEF, S.A., aiming at increasing the percentage volume of its activity to CP by establishing an autonomous business unit integrated in the same corporate Group, which shall be dedicated to the maintenance and repair of vehicles of the rolling stock fleet of Metro do Porto.

On the other hand, due to Medway's decision to internalise the activity of maintenance and repair of wagons (without the ACE), EMEF shall ensure this transition in a gradual and controlled manner, preventing any possible disruption or conflict in this process.

It is worth mentioning that this adjustment of the business model is underpinned by the essential safeguard of EMEF's economic and financial sustainability and the new corporate entity.

ATTACHMENTS

AUDIT REPORT

[Logo] **RIBEIRO, RIGUEIRA, MARQUES, ROSEIRO & ASSOCIADOS, SROC [Certified Public Accountants], LDA.**

AUDIT REPORT ISSUED UNDER THE TERMS OF ARTICLE 245, ITEM 1, PARAGRAPH B) OF THE SECURITIES CODE

CONSOLIDATED FINANCIAL STATEMENTS AUDIT REPORT

Opinion

We have audited the attached consolidated financial statements of CP – Comboios de Portugal, E.P.E. and its subsidiaries (the Group), comprising the statement of the consolidated financial position as at 31st of December, 2018, (showing a total of 589,807,430 Euros and a total negative equity of 2,271,614,475 Euros, including a net loss of 106,249,189 Euros), the consolidated income statement and the statement of other comprehensive income, the consolidated statement of changes in equity, and the consolidated statement of cash flows of the year that ended on that date, and the attachments to the consolidated financial statements, including a summary of the relevant accounting policies.

In our opinion, the attached consolidated financial statements truly and appropriately present, in all material aspects, the consolidated financial position of the Group as at 31st of December, 2018, and its consolidated financial performance and cash flows regarding the year that ended on that date, in accordance with the International Financial Reporting Standards (IFRS), as adopted in the European Union.

Opinion Foundation

Our audit was carried out in accordance with the International Standards on Auditing (ISA) and further technical and ethical provisions and guidelines of the Portuguese Certified Public Accountant Association. Our responsibilities under said provisions are specified in the "Responsibilities of the auditor regarding the consolidated financial statements audit" section below. We are independent from the Entities in the Group in accordance with the law and comply with all further ethical requirements foreseen in the ethics code of the Portuguese Certified Public Accountant Association.

We are certain that the audit evidence we obtained serves as sufficient and appropriate foundation for our opinion.

Emphasis

The Group has been accumulating consecutive net losses of significant amounts (particularly, the net loss of the years ended on the 31st of December, 2015, 2016 and 2017, whose Report and Accounts have not yet been approved by the Sector and Financial responsible Ministries), presenting, on the 31st of December, 2018, a total negative equity of 2,271,614,475 Euros.

Additionally, we note that there was a significant decrease of remunerated debt in the analysed year, in the amount of 28,442,619 Euros. Nevertheless, the Group still has a high degree of indebtedness, with net assets mostly financed by the Sector and Financial responsible Ministries.

Since the Group renders a public service, the financing of its activity still depends on the financial support of the Portuguese Government.

In accordance with note 45 of the attached notes, on the 31st of December 2018, CP – Comboios de Portugal, E.P.E., for external reasons, has not yet concluded the recommendation foreseen in the Court of Auditors' Decision no. 5/2018, to conclude the implementation of the new business model of EMEF, S.A.

Our opinion is not altered on this matter.

Key Audit Matters

Key audit matters are those of greater importance in the audit of the consolidated financial statements for the current year according to our own professional judgement. Said matters were considered as a whole within the audit of the consolidated financial statements, and we did not issue a separate opinion regarding them.

Most important risks of material misstatement	**Summary of solutions applied to the most important risks of material misstatement**
Revenue Recognition As at 31st of December 2018, the revenue from the services rendered by the Group, which essentially include the transportation of passengers and the maintenance and repair of rolling stock, increased to 298,053,160 Euros, as per note 28. The risk of revenue recognition is related to the high number of records in the ticketing system and their incorporation into accounting, and to the level of judgement of the Board of Directors in determining the state of completion of the ongoing services as at the date of the balance sheet, for which we considered it a key audit matter.	We undertook the following auditing procedures, among others: a) Surveying and analysing the relevant controls identified in the revenue cycle; b) Testing the operability of controls used in the incorporation of revenue into accounting; c) Analysing the assumptions considered in the recognition of works in progress; d) Analysing revenue adjustments at the end of the year; and e) Identifying and analysing the main variations in the revenue heading.
Impairment of fixed tangible assets As at 31st of December 2018, the impairment of fixed tangible amounts to 4,993,999 Euros, as per note 7. The impairment tests carried out by the Group are based on validations conducted by the responsible operating officers regarding rolling stock, which are associated with the movement level of the rolling stock and with the expectation of disposal of the obsolete material, and by independent experts	We undertook the following auditing procedures, among others: a) Analysing the criteria defined by the Group for the identification of slow-moving or obsolete rolling stock; b) Analysing the support for the recognised impairments' calculation, including the corresponding adopted criteria and independent evaluations of immovable properties;

regarding immovable properties, leading us to consider this topic as a key audit matter.	c) Analysing the main impairment movements registered in the year; d) Inquiring the Group's management; and e) Verifying the suitability of the impairment disclosures presented in the attached notes.
Provisions Provisions present a balance of 14,286,998 Euros as at 31st of December 2018, as per note 23. This heading essentially includes the provisions for ongoing legal actions, occupational accidents, work-related diseases, and railway accidents. The liability associated with occupational accidents and work-related diseases is supported by an actuarial study prepared by an independent expert. The transactions accounted for in these provisions are covered in the opinions from the legal secretaries of the Group. Provisions are considered a key audit matter due to the high level of judgement and uncertainty associated with them.	We undertook the following auditing procedures, among others: a) Breaking down the balance of the Provisions' heading and analysing the main transactions of the year; b) Obtaining a list of ongoing legal actions through external confirmation procedures with the attorneys, and analysing the replies; and c) Inquiring the management; d) Obtaining and analysing the assumptions covered in the actuarial study which supports the current value of the liabilities with occupational accidents and work-related diseases; and e) Verifying the suitability of the disclosures presented in the attached notes.
Inventory impairment Inventories – which amounted to 26,801,955 Euros as at the 31st December 2018 – are accounted for at the lower between their cost and the net realisable value. Due to the responsibilities taken vis-à-vis its customers, the Group holds inventories for long periods of time. Therefore, in view of the amount of inventories and the high level of judgement by the Board in estimating impairment losses (as per note 12), we considered it a key audit matter.	We undertook the following auditing procedures, among others: a) Analysing the accounting policies on this matter; b) Providing assistance in physical inventory counts carried out by the Group; c) Testing the underlying assumptions to the calculation of the estimated impairment losses in inventories; d) Analysing the main transactions of the year; e) Assessing the consistency of criteria with those used in the preceding year; and f) Verifying the suitability of the impairment disclosures presented in the attached notes.

Responsibilities of the Management Board and of the Supervisory Board for the consolidated financial statements

The management board is responsible for:

- Preparation of the consolidated financial statements that truthfully and appropriately present the financial position, financial performance, and cash flows of the Group, in accordance with the International Financial Reporting Standards (IFRS), as adopted in the European Union;
- Preparation of the management report, including the Corporate Governance Report, under the applicable legal and regulatory terms;
- Development and maintenance of an internal control system suitable for the preparation of financial statements with no material misstatements due to fraud or error;
- Implementation of accounting policies and principles appropriate for the circumstances; and
- Assessment of the Group's ability to continue as a going concern, disclosing, when applicable, any matters that may cast significant doubt regarding said continuity.

The supervisory board is responsible for the supervision of the process concerning the preparation and disclosure of the Group's financial information.

Responsibilities of the auditor regarding the consolidated financial statements audit

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISA, we exercise our professional judgment and maintain professional scepticism throughout the audit, as well as:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Understand internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management board;

- Conclude on the appropriateness of the management board's use of the assumptions of continuity and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we shall be required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the opinion. The conclusions are based on the audit evidence obtained up to the date of the report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- Obtain sufficient and appropriate audit evidence regarding the financial information of the Entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

- Communicate with those charged with governance, including the supervisory board, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control identified during the audit;

- From the matters we communicate to those charged with governance, including the supervisory board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter;

- We provide a statement to the supervisory board regarding the compliance with the relevant ethical requirements on independence, and communicate with them all relationships and other matters that may be thought to bear on our independence, and where applicable, related safeguards.

Our responsibility further includes the verification regarding the compliance of the information of the management report with the consolidated financial statements, and the verifications foreseen in items 4 and 5 of article 451 of the Portuguese Commercial Companies Code.

OTHER LEGAL AND REGULATORY REQUIREMENTS REPORT

Management Report

In compliance with article 451, item 3, paragraph e) of the Portuguese Commercial Companies Code, we believe that the management report was prepared in accordance with the applicable legal and regulatory requirements in force, that the information provided therein complies with the audited consolidated financial statements and, considering the knowledge and assessment of the Group, we did not identify any material misstatement.

Consolidated non-financial information foreseen in article 508 – G of the Portuguese Commercial Companies Code

In compliance with article 451, item 6 of the Portuguese Commercial Companies Code, we inform that the Group mentioned in its management report that it will prepare a report separate from the management report, which shall include the consolidated non-financial information, in accordance with article 508 – G of the Portuguese Commercial Companies Code and shall be published in its website within the legal deadline.

Corporate Governance Report

In compliance with article 451, item 4 of the Portuguese Commercial Companies Code, we believe that the corporate governance report, presented in the individual accounting, includes the elements required of the Group under article 245-A of the Securities Code, and no material misstatements were identified in the information disclosed therein, complying with paragraphs c), d), f), h), i) and m) of said article.

Additional elements foreseen in article 10 of the European Union Regulation no. 537/2014

In compliance with article 10 of the European Union Regulation no. 537/2014 of the European Parliament and of the Council, from April 16th, 2014, and in addition to the aforementioned key audit matters, we also report that:

- We were appointed/elected auditors of CP – Comboios de Portugal, E.P.E. for the first time in the meeting of the Board of Directors held on the 10th of July 2014, for a term of office from 2014 to 2016. We were appointed/elected auditors of CP – Comboios de Portugal, E.P.E. in the meeting of the Board of Directors held on the 31st of May, 2017, for a second term of office from 2017 to 2019.

- The Management Board confirmed that they have no knowledge of any fraud or suspected fraud with material effect on the financial statements. In the planning and execution of our audit according to the ISAs, we maintained our professional scepticism and designed auditing procedures that address the possibility of material misstatement in the consolidated financial statements due to fraud. As a result of our work, we did not identify any material misstatement in the consolidated financial statements due to fraud.

- We further declare that we did not render any services prohibited under article 77, item 8, of the Statute for the Portuguese Certified Public Accountant Association and that we preserved our independence from the Group during the audit.

- We hereby inform that we did not provide other services to the Group other than the audit.

Lisbon, on the 30th of April 2019.

RIBEIRO, RIGUEIRA, MARQUES, ROSEIRO & ASSOCIADOS, SROC, LDA.

Represented by:

[Signature]

Joaquim Eduardo Pinto Ribeiro, Certified Public Accountant no. 1015.

Registered in CMVM under no. 20160630

LEGAL CERTIFICATION OF ACCOUNTS

[Logo]

OLIVEIRA, REIS & ASSOCIADOS, SROC [Certified Public Accountants], Lda.

FERNANDO MARQUES OLIVEIRA
JOAQUIM OLIVEIRA DE JESUS
CARLOS MANUEL GRENHA
JOÃO CARLOS CRUZEIRO
PEDRO MIGUEL MANSO
MARIA BALBINA CRAVO
OCTÁVIO CARVALHO VILAÇA

LEGAL CERTIFICATION OF ACCOUNTS

CONSOLIDATED FINANCIAL STATEMENTS AUDIT REPORT

Opinion

We have audited the attached consolidated financial statements of CP – COMBOIOS DE PORTUGAL, E.P.E. (the Group), comprising the consolidated statement of financial position as at 31st of December, 2018, (showing a total of 589,807,430 Euros and a total negative equity of 2,271,614,475 Euros, including a net loss of 106,249,189 Euros), the consolidated income statement, the statement of other comprehensive income, the consolidated statement of changes in equity, and the consolidated statement of cash flows of the year that ended on that date, and the attachments to the consolidated financial statements, including a summary of the relevant accounting policies.

In our opinion, the attached consolidated financial statements truly and appropriately present, in all material aspects, the financial position of the Group as at 31st of December 2018, and its financial performance and consolidated cash flows regarding the year that ended on that date, in accordance with the International Financial Reporting Standards (IFRS), as adopted in the European Union.

Opinion Foundation

Our audit was carried out in accordance with the International Standards on Auditing (ISA) and further technical and ethical provisions and guidelines of the Portuguese Certified Public Accountant Association. Our responsibilities under said provisions are specified in the "Responsibilities of the auditor regarding the consolidated financial statement audit" section below. We are independent from the Entities in the Group in accordance with the law and comply with all further ethical requirements foreseen in the ethics code of the Portuguese Certified Public Accountant Association.

We are certain that the audit evidence we obtained serves as sufficient and appropriate foundation for our opinion.

Emphasis

We point out that the Reports and Accounts of the Group for the financial years of 2015, 2016 and 2017, have not yet been formally approved by the responsible Ministries. We also point out that the Group has been accumulating consecutive net losses of significant amounts, presenting as at 31st of December 2018, a total negative equity of 2,271,614,475 Euros. Although there was a decrease of 28,442,619 Euros in remunerated debt, the Group still has a high degree of indebtedness. Since the Group renders a public service with relevant obligations, the activity financing essentially depends on the financial support of the Portuguese Government.

Our opinion is not altered on this matter.

Key Audit Matters

Key audit matters are those of greater importance in the audit of the consolidated financial statements for the current year according to our own professional judgement. Said matters were considered as a whole within the audit of the consolidated financial statements, and we did not issue a separate opinion regarding them.

Key audit matter	Solution of the Auditor
Impairment of fixed tangible assets	
As at 31st of December 2018, the book value of fixed tangible assets amounted to 473,069,536 Euros. As disclosed in note 3, the Group recognises impairment losses when the recoverable amount of a certain asset is inferior to its book value. The impairment tests carried out by the Group are based – regarding rolling stock – on validations prepared by the responsible operating officers who are based on several assumptions and criteria defined by the Group, particularly the rolling stock movement and the expected remaining useful life related to the operation and – regarding immovable properties – based on assessments carried out by independent experts, leading us to consider this topic as a key audit matter. Following its analysis process, the Group presents, in its financial statements as at 31st of December 2018, accumulated impairment losses of 4,993,999 Euros, regarding the fixed tangible assets (Note 7).	We undertook the following procedures regarding this matter: i) Analysing the criteria defined by the Group for the identification of slow-moving or obsolete rolling stock, as well as the adjustment criteria defined to reduce the asset value to its realisable value; ii) Obtaining the support to the impairment calculation conducted by the management, assessing if its recoverable amount is superior to its book value; iii) Reviewing the movements occurred in the year in the impairment losses of fixed tangible assets heading; iv) Inquiring the management; and, v) Verifying the suitability of the disclosures presented in the attached notes.

Key audit matter	Solution of the Auditor
Revenue Recognition	

The revenue from the services rendered by the Group as at 31st of December 2018 increased to 298,053,160 Euros. Said revenue is essentially due to passenger ticket sales. The disclosures related to this matter are presented in note 28 of the attached notes. The materiality of the value and the high number of records in the ticketing system and their incorporation into accounting is considered a key audit matter.	We undertook the following procedures regarding this matter: i) Surveying and analysing the process design and implementation and relevant controls identified in the revenue cycle; ii) Conducting several analytical procedures, including the analysis of monthly developments by service type and the comparison with values of previous financial years; iii) Performing specific procedures of validation of the correct cut-off operations, particularly through the analysis of the current accounts where the invoiced and collected revenue is recorded.

Key audit matter	**Solution of the Auditor**
Provisions Valuation	
The provisions heading presents a balance of 14,286,998 Euros as at 31st of December 2018, of which 4,064,885 Euros correspond to ongoing legal actions and railway accidents, and 10,222,113 Euros to occupational accidents, work-related diseases, among others. The disclosures related to this matter are presented in note 23 of the attached notes. The liability associated with occupational accidents and work-related diseases is supported by an actuarial study prepared by independent actuarial experts hired by the Group. Given the materiality of the value and the judgement complexity regarding the assumptions used in the assessment of the liability amount and the possible outcome of the ongoing legal actions, as well as used in the establishment of the liabilities related to occupational accidents and work-related diseases (actuarial study prepared by independent experts), we decided to consider this topic as a key audit matter.	We undertook the following procedures regarding this matter: i) Breaking down the balance of the Provisions heading; ii) Obtaining and analysing lists of ongoing legal actions in which the Group is involved through external confirmation procedures with the attorneys of the Group; iii) Inquiring the legal department of the Group regarding the suitability of the judgements carried out on the ongoing legal actions; iv) Inquiring the management; v) Obtaining and analysing the study prepared by the independent experts to measure the current value of the liabilities with occupational accidents and work-related diseases; vi) Assessing the reasonableness actuarial assumptions used to measure the current value of the liabilities with occupational accidents; and vii) Verifying the suitability of the disclosures presented in the attached notes.

Key audit matter	**Solution of the Auditor**
Inventory impairment	

Inventories – which amounted to 26,801,955 Euros as at the 31st December 2018 – are accounted for in the consolidated financial statements at the lower between their cost and the net realisable value (note 3 of the attached notes). Within the scope of the development activity, the Group is required to hold inventories for long periods of time, with the purpose of meeting the needs arising out of its responsibilities. Therefore, in view of the amount of inventories and the high level of judgement by the Board in estimating impairment losses (as per note 12), we considered it a key audit matter.	We undertook the following procedures regarding this matter: i) Analysing the accounting policies on this matter; ii) Providing assistance in physical inventory counts carried out by the Group; iii) Testing the underlying assumptions to the calculation of the estimated impairment losses in inventories, indexed to the consumption/movement perspective of materials; iv) Analysing the main transactions of the year; v) Assessing the consistency of criteria with those used in the preceding year; and, vi) Verifying the suitability of the disclosures presented in the attached notes.

Responsibilities of the Management Board and of the Supervisory Board for the consolidated financial statements

The management board is responsible for:

- Preparation of consolidated financial statements that truthfully and appropriately present the financial position, financial performance, and cash flows of the Group, in accordance with the International Financial Reporting Standards (IFRS), as adopted in the European Union;

- Preparation of the management report, including the corporate governance report, under the applicable legal and regulatory terms;

- Development and maintenance of an internal control system suitable for the preparation of financial statements with no material misstatement due to fraud or error;

- Implementation of accounting policies and principles appropriate for the circumstances; and

- Assessment of the Group’s ability to continue as a going concern, disclosing, when applicable, any matters that may cast significant doubt regarding said continuity.

The supervisory board is responsible for the supervision of the process concerning the preparation and disclosure of the Group’s financial information.

Responsibilities of the auditor regarding the consolidated financial statements audit

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISA, we exercise our professional judgment and maintain professional scepticism throughout the audit, as well as:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Understand internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management board;

- Conclude on the appropriateness of the management board's use of the assumptions of continuity and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we shall be required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the opinion. The conclusions are based on the audit evidence obtained up to the date of the report. However, future events or conditions may cause the Group to cease to continue its activities;

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- Obtain sufficient and appropriate audit evidence regarding the financial information of the Entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion;

- Communicate with those charged with governance, including the supervisory board, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control identified during the audit;

- From the matters we communicate to those charged with governance, including the supervisory board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter;

- We provide a statement to the supervisory board regarding the compliance with the relevant ethical requirements on independence, and communicate with them all relationships and other matters that may be thought to bear on our independence, and where applicable, related safeguards.

Our responsibility further includes the verification regarding the compliance of the information of the management report with the consolidated financial statements, and the verifications foreseen in items 4 and 5 of article 451 of the Portuguese Commercial Companies Code.

OTHER LEGAL AND REGULATORY REQUIREMENTS REPORT

Management Report

In compliance with article 451, item 3, paragraph e) and article 508 – D, item 3 of the Portuguese Commercial Companies Code, we believe that the management report was prepared in accordance with the applicable legal and regulatory requirements in force, that the information provided therein complies with the audited consolidated financial statements and, considering the knowledge and assessment of the Group, we did not identify any material misstatement.

Consolidated non-financial information foreseen in article 508-G of the Portuguese Commercial Companies Code

In compliance with article 451, item 6 of the Portuguese Commercial Companies Code, we inform that CP – COMBOIOS DE PORTUGAL, E.P.E. mentioned in its management report that it will prepare a report separate from the management report, which shall include the consolidated non-financial information, in accordance with article 508-G of the Portuguese Commercial Companies Code and shall be published in its website within the legal deadline.

Corporate Governance Report

In compliance with article 451, item 4 of the Portuguese Commercial Companies Code, we believe that the corporate governance report – presented upon the individual accounting process – includes the elements required of CP – COMBOIOS DE PORTUGAL, E.P.E., under article 245-A of the Securities Code, and no material misstatements were identified in the information disclosed therein, complying with paragraphs c), d), f), h), i) and m) of said article.

Additional elements foreseen in article 10 of the European Union Regulation no. 537/2014

In compliance with article 10 of the European Union Regulation no. 537/2014 of the European Parliament and of the Council, from April 16th, 2014, and in addition to the aforementioned key audit matters, we also report that:

- We were appointed auditors of CP – COMBOIOS DE PORTUGAL, E.P.E. for the first time by order of 16.05.2014 for a term of office between 2013 and 2015, remaining in office for the financial year of 2016, 2017 and 2018 in the absence of a new appointment;

- The Management Board confirmed that they have no knowledge of any fraud or suspected fraud with material effect on the financial statements. In the planning and execution of our audit according to the ISAs, we maintained our professional scepticism and designed auditing procedures that address the possibility of material misstatement in the consolidated financial statements due to fraud. As a result of our work, we did not identify any material misstatement in the consolidated financial statements due to fraud;

- We confirm that the audit opinion we issued is consistent with the additional report we prepared and submitted to the supervisory board of the Group on the 9th of May, 2019;

- We declare that we did not render any services prohibited under article 77, item 8, of the Statute for the Portuguese Certified Public Accountant Association and that we preserved our independence from the Group during the audit;

- We hereby inform that we did not provide other services to the Group other than the audit.

Lisbon, 9th of May 2019

OLIVEIRA, REIS & ASSOCIADOS, SROC Lda.

Represented by

[Signature]

Joaquim Oliveira de Jesus, Certified Public Accountant no. 1056

SUPERVISORY BOARD REPORT AND OPINION

SUPERVISORY BOARD REPORT AND OPINION

2018 CONSOLIDATED ACCOUNTS OF CP – COMBOIOS DE PORTUGAL, E.P.E.

1. INTRODUCTION

In the scope of legal and statutory provisions, namely paragraph d), item 2, Article 15, from CP Articles of Association[1] and articles 420 and 452 from Portuguese Commercial Companies Code[2] (CSC), the Supervisory Board is tasked with presenting the report of its supervisory action and expressing opinions regarding the management report and the consolidated financial statements of CP – Comboios de Portugal, E.P.E., hereinafter referred to as CP or CP Group, documents regarding accounting of the financial year, which ended on the 31st of December, 2018.

This Report and Opinion takes into account the legal certification of accounts issued by the Certified Public Accountant, and the information contained in the Additional Audit Report[3]. Furthermore, the conclusions in the Audit Report of the External Auditors on the CP's consolidated financial statements regarding the 2018 financial year have also been considered, which are consistent with the conclusions of the legal review conducted to the accounts of the CP Group.

It should be noted, for information and context purposes, that:

- The provisions foreseen in Decree-Law no. 133/2013, from October 3rd – which approved the Corporate Public Sector Legal System, hereinafter referred to as RJSPE – apply to CP, as a public company, and to its affiliates;
- On the 31st of December 2018, CP, as the parent company, held securities admitted to trading on a regulated market, and therefore its consolidated accounts must be presented in accordance with the international financial reporting standards, pursuant to the laws in force;
- Therefore, the consolidated financial statements of the CP Group, approved by the company's Board of Directors[4], were prepared from accounting records of the companies included in the consolidation perimeter, in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union and in force on the 31st of December, 2018;
- Pursuant to the European Union Regulations, within the scope of the second[5] notification of 2014 regarding the Excessive Deficit Procedure and the revision of the European System of National and Regional Accounts[6], significant changes were introduced to the criteria subject to verification upon classification of public institutional units.

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[1] Approved by Decree-Law no. 137-A/2009, from June 12th, modified and republished by Decree-Law no. 59/2012, from March 14th.
[2] According to Decree-Law no. 133/2013, Article 60, item 2, from October 3rd, the governing and supervisory bodies have generic competence, foreseen in commercial law, without prejudice to what is foreseen in said legal scheme.
[3] Submitted to the Supervisory Board pursuant to article 11 of Regulation (EU) no. 537/2014, of the European Parliament and of the Council, from 16th of April, 2014, and item 1 and 2 of article 24 of the Legal Framework on Audit Supervision, approved by Law no. 148/2015, from September 9th.
[4] At a meeting held on the 10th of April, 2019, where the Board of Directors resolved on their submission for approval of the sector and financial ministries.
[5] Issued on September 2014.
[6] ESA 2010.

Consequently, several institutional units, which were previously classified outside such sector, became included in the frame of Public Ministrations for National Accounts purposes, having such situation occurred to CP, the Group's parent company, whose inclusion in the Public Administrations perimeter resulted from the change[7] in the so-called 50% ratio, or *"marketability ratio"*;

- The dispute between CP and the Institute for the Financial Management of Social Security, associated with the ownership of the registered office building of CP;
- The recommendation of the Court of Auditors, associated with the implementation of the new business model of EMEF is not yet concluded;
- It is also worth noting that the 2015, 2016 and 2017 Reports and Accounts of the CP Group have not yet been approved to this date. Such situation has been highlighted as emphasis in both the Legal Certification of Accounts and the external Audit Report;

The consolidated financial statements and the group's performance as one entity are presented within this framework.

2. SUMMARY OF THE ACTION CARRIED OUT

During the analysed financial year, the Supervisory Board has held meetings and has followed certain points deemed relevant within the scope of its function, having:

i) Met with members of the Board of Directors in order to monitor the company's performance;

ii) Met with the Certified Public Accountant;

iii) Met with the External Auditors;

iv) Met with several CP departments, and more frequently with the divisions of finance and planning and control of the company's activity;

v) Expressed an opinion regarding the FERNAVE's restructuration and recapitalisation;

vi) Made reports addressing the activity reports and quarterly budgetary implementation of the parent company of the CP Group, submitted by the Board of Directors in accordance with RJSPE;

vii) Prepared an opinion regarding the Interim Consolidated Report and Accounts for the 1st semester of 2018;

viii) Expressed an opinion regarding the 2018 and 2019 Budget and Activities Plan (PAO) of CP – the parent company of the CP Group.

3. CP GROUP COMMERCIAL ACTIVITY

CP is a public corporation, legal person governed by public law, with administrative, financial and asset autonomy, which is subject to, according to the corresponding articles of association, the RJSPE, the sector and financial responsible ministries (i.e., Ministry of Infrastructures and

[7] The denominator of the ratio – corresponding to operating costs – now includes net charges with interest payment.

Housing and Ministry of Finance), as well as to the financial control from the Court of Auditors and the Inspectorate-General of Finance.

The company is liable to public service obligations and has as its main purpose the service of public railway transportation of passengers, in railroads, railroad sections and byways integrating, or soon integrating, the national railroad, as well as international passenger transport.

Whereas the public service obligations, as well as the corresponding financial compensation, are defined by entering into agreements, CP signed an agreement with the State on the 24th of March 2011, named 'Transitional Arrangement for the Public Service Financing', which is in force until the 31st of December, 2019.

However, taking into consideration the Transport Strategic Plan (PET)[8], covering the 2011-2015 term, CP and the State have agreed on its termination, by considering the inadequacy of the agreement in force.

With the publication of Decree-law no. 124-A/2018, of December 31st, which amended the legal system applicable to the passenger railway transportation agreement and the legal system applicable to CP, conditions for the conclusion of the public service agreement have been established. Such agreement shall be concluded during 2019, taking into the account the status of the ongoing works.

CP manages an array of companies whose activity range from maintenance of railway equipment to insurance, health and technical training, thereby seeking synergies and the maximisation of the integrated efficiency of the entire CP Group.

The activity of the companies of the group focuses on CP's strategic guidelines, set out along with the guidelines of the sector and financial ministries and those of the Transport Strategic Plan (PET) in force for the 2014-2020 term.

Within this framework, CP, as parent company of the CP Group, directly and majority-owns, on the 31st of December, 2018, companies called "subsidiaries" by CP, whose shareholdings are recognised by the full consolidation method, which are as follows:

- EMEF – Empresa de Manutenção de Equipamento Ferroviário, S.A. (EMEF), 100% owned by CP, with a share capital of 8,100,000 Euros, engaged in the manufacture, rehabilitation, large repair and maintenance of equipment, railway vehicles, vessels and buses; rehabilitation engineering, repair and maintenance of transportation vehicles; study of workshop facilities for maintenance purposes. It shall be stressed that this company has a 51% shareholding in the ACE[9] SIMEF – Serviços Integrados de Manutenção e Engenharia Ferroviária and a 35% shareholding in the company Nomad Tech, Lda. Such companies have been included in the consolidation through the equity method;
- SAROS – Sociedade de Mediação de Seguros, Lda. (SAROS), 100% owned by CP, with a share capital of 5,000 Euros and whose corporate purpose is the activity of insurance mediation;
- FERNAVE – Formação Técnica, Psicologia Aplicada e Consultoria em Transportes e Portos, S.A. (FERNAVE), also 100% owned by CP, with a share capital of 50,000 Euros, whose corporate purpose is the training, as well as the technical and professional development of the shareholding company's personnel, as well as the personnel of other companies within the transportation, communication and port sectors, and of those falling

[8] Approved by the Council of Ministers Resolution no. 45/2011, of November 10th.
[9] Complementary grouping of companies.

within its technological scope. It should be noted that FERNAVE has a 19.1% shareholding in Transcom, SARL, based in Mozambique, whore shareholding is recognised at the acquisition cost less impairment losses[10];

- ECOSAÚDE – Educação, Investigação e Consultoria em Trabalho, Saúde e Ambiente, S.A. (ECOSAÚDE), with a share capital of 50,000 Euros, fully owned by CP, engaged in the provision of healthcare, creating and managing healthcare units as well as working conditions; higher and secondary teaching, training and technical/professional development, namely in the areas of working conditions, health and environment;

CP also has other financial shareholdings – both directly and indirectly through its subsidiaries, as mentioned above – in companies or other entities recognised under the equity method (MEP), due to the strategic interest for the company's operations[11], which are as follows:

- TIP – Transportes Intermodais do Porto, ACE (33.33%);
- SIMEF – Serviços Integrados de Manutenção e Engenharia Ferroviária ACE (51%);
- NOMAD TECH, Lda (35%);
- OTLIS – Operadores de Transportes da Região de Lisboa, ACE (14.28%).

Lastly, it should be mentioned that other small financial holdings in companies are included in the consolidation perimeter for having activities related to the activities developed by the remaining companies of the CP Group, such as the abovementioned company Transcom, SARL. Such holdings are recognised in Other Financial Investments according to Note 10 of the Attachment.

ECONOMIC AND FINANCIAL ANALYSIS

The CP Group closed 2018 with a net loss of 106.3 million Euros, which represents a slight relief of 4.8 million Euros (4%) compared with 2017 (- 111.1 million Euros).

As already noted in 2017, this improvement was primarily due to the combined effect of the increase in Provided Sales and Services, by 11.4 million euros, and the decrease in Interest and Similar Expenses, by more than 8 million euros[12]. In the latter, the weight of the recapitalisation that has been carried out by the State – as shareholder – is highlighted, which allowed CP to reduce its indebtedness and, consequently, reduce the financial costs incurred. In contrast, the abovementioned positive effects have been eased, mainly by the increase in Personnel Expenses (+6.8 million euros) and in External Services and Supplies (+6.1 million euros).

The CP Group's recurrent (or adjusted) EBITDA[13] increased by around 4 million euros (-18%) vis-à-vis 2017, going from positive 21.8 million euros in 2017 to positive 17.8 million euros in 2018, essentially due to:

- Increase in Provided Sales and Services by 11.4 million euros, as mentioned above, mainly arising from the growth in revenues related to passenger transportation and provision of maintenance and repair services of vehicles of the rolling stock of Metro do Porto by EMEF;
- Decrease in Capitalised Production Costs by around 3.5 million euros, mainly due to the reduced number of maintenance and repair interventions of the CP's rolling stock;

[10] In the heading 'Other Financial Investments'.
[11] As is the case of OTLIS, ACE, and TIP, ACE, entities which are active in the ticketing field.
[12] Considering the adjustment carried out to the exchange differences regarding 2017, as analysed further ahead. In accordance with the Consolidated Income Statement and other statement of comprehensive income of the CP Group for the 2018 financial year, this variation amounts to 8.3 million euros.
[13] Corresponding to the operating results of the Core activity of the CP Group, as defined by CP.

- Increase, as set out above, in Expenses with External Services and Supplies by more than 6.1 million euros, highlighting the weight of the increase in expenses regarding the sharing with IP of expenses with stations and traction energy expenditure;
- Increase in Personnel Expenses (without compensations for termination of employment) by around 6.8 million euros, particularly arising from the full restitution of progressions as of January 2018[14], from the implementation of collective agreements revised in December 2017 and February 2018, and also from the expenses with overtime work and other bonuses;

It should be pointed out that, following the explanations provided to the Supervisory Board, CP considered that, within the preparation of the 2018 accounts, the exchange differences arising from the not paid-up holding in Eurofima are mainly due to investment activities and, therefore, are not specifically associated with funding agreements of the company's core activity. Thus, such exchange differences are only contemplated in the Operating Result and not in the recurrent EBITDA. This understanding, according to CP, was supported by the auditors and used for presentation effects of the 2018 accounts.

Within this context, exclusively intended for the comparison of the indicators (recurrent EBITDA, Operating Result and Financial Result) of the CP Group's operating activities regarding the 2017 and 2018 financial years, a reclassification to the 2017 amounts – set out in the Consolidated Income Statement of the operating activity[15] – has been conducted, which led to adjustments in the headings 'Other Income' and 'Payable Interest and Similar Expenses.

Furthermore, the company did not formally re-express the 2017 consolidated accounts, as it considers that the net impact in the Financial Result – caused by the abovementioned adjustments (around 278 thousand euros) – is not materially relevant, mentioning it only in a note to the income statement of the operating activity.

Despite the reduced materiality, it should be noted that, arising from the performed analysis, we consider that adding in such point of the report more detailed information regarding the abovementioned adjustments performed in each heading and the corresponding implications in terms of results would have been appropriate.

In accordance with the abovementioned, the Operating Result of the CP Group increased by 2.9 million euros (+9%)[16] vis-à-vis 2017, setting at negative 36.8 million euros. This negative variation is explained, in addition to the already mentioned facts, by the:

- Decrease in Depreciations by around 3.3 million euros, as a result of the end of the useful life of more assets, which were only partially offset through new investments;
- Increase in Provisions by close to 1.2 million euros, essentially arising from the increase in the provision for rail accidents by more than 1.1 million euros, due to the assessment carried out by the company to the ongoing processes;
- Increase in the negative exchange differences by 4.5 million euros, mainly regarding the exchange rate depreciation associated with the subscribed and not paid-up holding in Eurofima;

[14] As defined by Article 23 of the 2018 State Budget Law.
[15] The 2017 amounts set out in the consolidated income statement and other statement of comprehensive income of the CP Group under analysis were not subject to any amendment compared to the amounts sustained in such financial year.
[16] Considering the adjustments carried out to the 2017 accounts. Excluding this effect, the increase would be 3.2 million euros (+9.5%), pursuant to the consolidated income statement and other statement of comprehensive income of the CP Group.

- Increase in Other Expenses regarding the decommissioning of rolling stock not related to transport activity, by 2.2 million euros.

The Financial Result of the CP Group has improved vis-à-vis 2017[17] by 8.1 million euros (-11%). However, the Result remains significantly negative (-68.3 million euros) as a result of its high debt. The verified improvement – as set out above – is almost exclusively due to the decrease in Payable Interest and Similar Expenses in the financial year under analysis (-8 million euros), thanks to the remunerated debt relief, achieved through the obtained financial means, regarding the capital increases undertaken in cash by the shareholder of the parent company CP.

As to the asset of the CP Group, there was a decrease of 39.4 million Euros compared with 2017, thus underlining a total of 589.8 million euros at the end of the financial year under analysis. The most significant variations which contributed to the abovementioned variation are the following:

- Decrease in fixed tangible assets by 39.7 million euros, mainly due to the fact that the depreciations were not offset through new investments;
- Increase in the Financial Holdings by more than 0.8 million euros, arising from the implementation of MEP to the accounts of the affiliate companies of the CP Group[18], highlighting the contribute of the positive result variation of TIP, ACE (+0.6 million euros);
- Decrease in the balance of Inventories, by around 1.5 million euros, mainly due to a consumption higher than new purchases of raw, auxiliary and consumable materials;
- Decrease in the balance amount of the State and Other Public Bodies by 7.4 million euros, due to the fact that by the end of 2017, there was a relevant VAT credit to be recovered, arising from the invoicing received at the end of the year regarding the use of the railway infrastructure, which did not happen in 2018;
- Increase in the balance of the Cash and Bank Deposits, by 7.3 million euros;

During the 2018 financial year, the parent company of the CP Group was subject to four capital increases, amounting to 80.9 million euros, all resulting from cash contributions divided over the year. In this context, the Share Capital of the CP Group amounted to 3,931 million euros at the end of 2018, whereas the Equity increased by 25.3 million euros, due to successive losses. At the end of the financial year under review, the Equity was at negative 2,271.6 million euros, as a result of successive net losses. Such evidence was emphasised in both the Legal Certification of Accounts and in the external auditors' report.

Lastly, the liabilities of the CP Group decreased by 14 million euros, going from 2,875.5 million euros registered in 2017 to 2,861.4 million euros in 2018, primarily due to the remunerated debt relief (-28.4 million euros), to the increase in Other Debts Payable (+22.1 million euros), particularly arising from the accrual of expenses with interest and usage fee and, additionally, to the decrease in Deferrals by around 7.9 million euros, resulting from the recognition of part of the subsidies already received for the investment as financial year income.

4.1 Companies of the Group

The following should be noted concerning the remaining companies of the CP Group[19]:

[17] Considering the adjustment carried out to the 2017 accounts. Excluding this effect, the increase would be 8.3 million euros, pursuant to the consolidated income statement and other statement of comprehensive income of the CP Group.
[18] As mentioned in the Attachment, the considered financial information regarding the associated companies for MEP purposes pends the General Meeting approval. In some cases, such information may not correspond to the final amounts.
[19] Regarding the subsidiaries of CP.

- **EMEF**

EMEF's net profit amounted to 6.4 million euros, which is 0.4 million Euros higher than the profit accounted for in 2017, with a positive EBITDA of 9.2 million Euros.

EMEF's operating income amounted to 8.4 million euros, thereby representing a decrease of 0.7 million euros compared with 2017, by reason of the decrease in provided sales and services by about 2.8 million euros (-3.95%).

It should be noted that CP, Medway and Metro do Porto remain to be the most important customers of the company, representing 92% of the total of sales and services provision.

By the end of 2018, EMEF employed 1031 workers, thereby representing a 0.5% decrease compared with 2017 (1036).

The following events occurring in 2018 should also be noted:

- Amendment to the articles of association and change in the composition of the Board of Directors, so that such duties may be performed by the members of CP's Board of Director;

- Governmental approval for 102 hirings;

- As of April 2018, the maintenance of the Metro do Porto fleet has been provided to the customer Via Porto, a sub-dealer for the maintenance of the rolling stock of Metro do Porto until 2022;

- A new agreement for the maintenance of RENFE's diesel railcars has been concluded, operating in Portugal;

- **FERNAVE**

FERNAVE sustained a net profit of 64 thousand euros, whereas in 2017 it sustained a net loss of 287.3 thousand euros.

Within this framework, FERNAVE's operating income was 164.5 thousand euros and its EBITDA 168.8 thousand euros.

The company closed the year of 2018 with 9 employees (18 in 2017), 2 of whom were under an assignment scheme by CP. Therefore, personnel expenses registered a 17% decrease, despite the compensation paid for the terminations carried out (124.9 thousand euros).

In 2018, a FERNAVE'S restructuring process was conducted and the company moved its registered office to the CP building.

- **ECOSAÚDE**

In 2018, the company sustained a 3% recovery in turnover (+54 thousand euros), compared with the previous year.

ECOSAÚDE has reached a positive EDITDA of 5.8 thousand euros, a negative operating income of 57 thousand euros and an equally net loss of 77 thousand euros.

Despite the 2.6% increase in service provision (+54 thousand euros), the personnel expenses and the External Services and Supplies increased (10.6% and 3.1%, respectively), due to restitutions of the salary and career progressions and the high cost of medical specialties.

In terms of human resources, the company employed 27 permanent employees by the end of 2018 (4 under a fixed-term employment agreement and 2 under an employment agreement for an uncertain term), as well as 60 qualified service providers.

- **SAROS**

In line with performances obtained in previous financial years, SAROS had a net profit of 402 thousand euros, 1.7% higher than the previous year (395 thousand euros).

In 2018, it sustained a 1% growth in Provided Sales and Services, at 482 thousand euros, and had a positive EBITDA of 495 thousand Euros, higher compared with 2017 (486 thousand Euros).

In terms of human resources, the company developed its activity with the two managers it has, one of whom is a legally-qualified insurance intermediary.

5. OPINION

The Supervisory Board took note of the Legal Certification of Accounts arising from the assessment performed by Oliveira, Reis & Associados, SROC, Lda., and the External Auditors' Report, Ribeiro, Rigueira, Marques, Roseiro e Associados, SROC, Lda., which were taken into account for the preparation of this Report and Opinion.

The Supervisory Board analysed the consolidated financial statements, prepared in compliance with the International Financial Reporting Standards, having concluded that such elements truly and appropriately convey the financial position of the CP Group, as at 31st of December, 2018, and how the results for the financial year ended on said date were obtained, by taking into account the emphases mentioned in the Legal Certification of Accounts and in the External Auditors' Report.

Within the scope of its functions, the Supervisory Board ascertained that the set of consolidated financial statements allows an adequate understanding of the CP Group's financial position.

In conclusion, the Supervisory Board's opinion points to the approval of the Consolidated Financial Statements of the CP Group, concerning the financial year of 2018, considering the emphasis mentioned in the Legal Certification of Accounts and by the external auditors' report.

Lisbon, on the 29th of May 2019.

The Supervisory Board,

The President,
[Signature]
António Farinha Simão

The Voting Members,
[Signature]
Mª. de Lurdes Correia de Castro

[Signature]
Nelson Costa Santos

CONSOLIDATED REPORT AND ACCOUNTS OF THE CP GROUP

2018

COMBOIOS DE PORTUGAL